

**POLISH FINANCIAL SUPERVISION AUTHORITY**

**Consolidated quarterly report QSr 3 / 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 third quarter of the financial year **2011** comprising the period from **1 July 2011** to **30 September 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: 10 November 2011

**KGHM Polska Miedź Spółka Akcyjna**

(name of the issuer)

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(name of issuer in brief)

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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	
	3 quarters accrued 2011 period from 1 January 2011 to 30 September 2011	3 quarters accrued 2010 period from 1 January 2010 to 30 September 2010	3 quarters accrued 2011 period from 1 January 2011 to 30 September 2011	3 quarters accrued 2010 period from 1 January 2010 to 30 September 2010
I. Continued operations				
Sales	16 741 745	11 715 267	4 142 663	2 926 841
Operating profit	8 785 561	3 954 634	2 173 944	987 992
Profit before income tax	8 938 150	4 166 639	2 211 702	1 040 957
Profit for the period from continued operations	7 481 439	3 411 445	1 851 245	852 286
II. Discontinued operations				
Profit for the period from discontinued operations	31 577	34 934	7 814	8 728
III. Total profit for the period	7 513 016	3 446 379	1 859 059	861 014
IV. Profit for the period attributable to shareholders of the Parent Entity	7 509 838	3 442 608	1 858 273	860 072
V. Profit for the period attributable to non-controlling interest	3 178	3 771	786	942
VI. Other comprehensive income	559 291	144 721	138 394	36 156
VII. Total comprehensive income	8 072 307	3 591 100	1 997 453	897 170
VIII. Total comprehensive income attributable to the shareholders of the Parent Entity	8 058 738	3 587 329	1 994 095	896 228
IX. Total comprehensive income attributable to non-controlling interest	13 569	3 771	3 358	942
X. Number of shares issued	200 000 000	200 000 000	200 000 000	200 000 000
XI. Earnings per ordinary share (in PLN/EUR) attributable to the shareholders of the Parent Entity	37.55	17.21	9.29	4.30
XII. Net cash generated from operating activities	6 837 369	3 835 231	1 691 874	958 161
XIII. Net cash used in investing activities	(737 534)	(1 813 019)	(182 499)	(452 949)
XIV. Net cash used in financing activities	(3 019 735)	(674 770)	(747 219)	(168 579)
XV. Total net cash flow	3 080 100	1 347 442	762 156	336 633
	<b>At 30 September 2011</b>	<b>At 31 December 2010</b>	<b>At 30 September 2011</b>	<b>At 31 December 2010</b>
XVI. Non-current assets	11 706 648	12 414 423	2 653 847	3 134 718
XVII. Current assets	14 730 538	8 762 900	3 339 349	2 212 686
XVIII. Total assets	26 437 186	21 177 323	5 993 196	5 347 404
XIX. Non-current liabilities	2 729 462	2 882 705	618 757	727 901
XX. Current liabilities	3 712 920	3 402 839	841 703	859 238
XXI. Equity	19 994 804	14 891 779	4 532 736	3 760 265
XXII. Non-controlling interest	263 067	241 106	59 636	60 881

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

	in '000 PLN		in '000 EUR	
	3 quarters accrued 2011 period from 1 January 2011 to 30 September 2011	3 quarters accrued 2010 period from 1 January 2010 to 30 September 2010	3 quarters accrued 2011 period from 1 January 2011 to 30 September 2011	3 quarters accrued 2010 period from 1 January 2010 to 30 September 2010
I. Sales	15 244 742	11 191 808	3 772 237	2 796 065
II. Operating profit	8 966 093	4 011 821	2 218 616	1 002 279
III. Profit before income tax	8 940 845	3 987 433	2 212 369	996 186
IV. Profit for the period	7 520 246	3 244 224	1 860 848	810 509
V. Other comprehensive income	539 882	144 975	133 591	36 219
VI. Total comprehensive income	8 060 128	3 389 199	1 994 439	846 728
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)	37.60	16.22	9.30	4.05
IX. Net cash generated from operating activities	6 595 741	3 583 503	1 632 084	895 271
X. Net cash used in investing activities	(516 605)	(1 931 182)	(127 831)	(482 470)
XI. Net cash used in financing activities	(2 982 998)	(606 178)	(738 128)	(151 442)
XII. Total net cash flow	3 096 138	1 046 143	766 125	261 359
	<b>At 30 September 2011</b>	<b>At 31 December 2010</b>	<b>At 30 September 2011</b>	<b>At 31 December 2010</b>
XIII. Non-current assets	11 652 072	12 125 041	2 641 474	3 061 647
XIV. Current assets	13 308 861	7 704 255	3 017 061	1 945 372
XV. Total assets	24 960 933	19 829 296	5 658 535	5 007 019
XVI. Non-current liabilities	2 231 927	2 380 314	505 968	601 044
XVII. Current liabilities	3 192 401	2 992 505	723 703	755 626
XVIII. Equity	19 536 605	14 456 477	4 428 864	3 650 349

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## A. Interim condensed consolidated financial statements

(Consolidated financial statements)

### Interim consolidated statement of financial position

	Note	At	
		30 September 2011	31 December 2010
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment		8 309 221	8 553 634
Intangible assets		617 752	523 874
Investment property		61 947	59 760
Investments in associates		494	1 431 099
Deferred tax assets		371 756	592 947
Available-for-sale financial assets		947 784	751 605
Held-to-maturity investments		110 352	84 157
Derivatives		1 277 706	403 839
Trade and other receivables		9 636	13 508
		<b>11 706 648</b>	<b>12 414 423</b>
<b>Current assets</b>			
Inventories		2 697 691	2 222 321
Trade and other receivables		1 948 729	2 730 658
Current corporate tax receivables		4 304	4 511
Available-for-sale financial assets		16 249	415 662
Held-to-maturity investments		2 150	4 129
Derivatives		1 064 759	297 584
Cash and cash equivalents		6 612 297	3 086 957
Non-current assets (Disposal group) held for sale	A.V	2 384 359	1 078
		<b>14 730 538</b>	<b>8 762 900</b>
<b>TOTAL ASSETS</b>		<b>26 437 186</b>	<b>21 177 323</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity attributable to shareholders of the Parent Entity</b>			
Share capital		2 000 000	2 000 000
Accumulated other comprehensive income		758 721	209 821
Retained earnings		16 973 016	12 440 852
		<b>19 731 737</b>	<b>14 650 673</b>
<b>Non-controlling interest</b>		<b>263 067</b>	<b>241 106</b>
<b>TOTAL EQUITY</b>		<b>19 994 804</b>	<b>14 891 779</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Trade and other payables		131 500	121 560
Borrowings and finance lease liabilities	A.IV.6	157 144	173 652
Derivatives		548 381	711 580
Deferred tax liabilities		117 698	133 392
Employee benefits liabilities		1 283 076	1 221 794
Provisions for other liabilities and charges		491 663	520 727
		<b>2 729 462</b>	<b>2 882 705</b>
<b>Current liabilities</b>			
Trade and other payables		1 954 155	1 994 579
Borrowings and finance lease liabilities	A.IV.6	90 011	96 162
Current corporate tax liabilities		1 134 759	672 152
Derivatives		300 935	482 118
Employee benefits liabilities		120 099	110 912
Provisions for other liabilities and charges		30 385	46 916
Liabilities related to non-current assets (Disposal group) held for sale	A.V	82 576	-
		<b>3 712 920</b>	<b>3 402 839</b>
<b>TOTAL LIABILITIES</b>		<b>6 442 382</b>	<b>6 285 544</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>26 437 186</b>	<b>21 177 323</b>

## A. Interim condensed consolidated financial statements (continuation)

### Interim consolidated statement of comprehensive income

	Note	Financial period			
		for the 3 months ended 30 September 2011	for the 9 months ended 30 September 2011	for the 3 months ended 30 September 2010 restated	for the 9 months ended 30 September 2010 restated
<b>Continued operations</b>					
Sales	A.IV.1	5 775 686	16 741 745	4 162 834	11 715 267
Cost of sales	A.IV.2	(3 124 571)	(8 656 129)	(2 304 994)	(6 693 413)
<b>Gross profit</b>		<b>2 651 115</b>	<b>8 085 616</b>	<b>1 857 840</b>	<b>5 021 854</b>
Selling costs	A.IV.2	(57 485)	(141 767)	(18 527)	(78 317)
Administrative expenses	A.IV.2	(210 516)	(614 526)	(201 108)	(533 195)
Other operating income	A.IV.3	1 305 083	1 994 190	(26 379)	498 150
Other operating costs	A.IV.4	24 580	(537 952)	(427 278)	(953 858)
<b>Operating profit</b>		<b>3 712 777</b>	<b>8 785 561</b>	<b>1 184 548</b>	<b>3 954 634</b>
Finance costs	A.IV.5	(14 605)	(35 162)	(11 209)	(33 728)
Share of profits/losses of associates accounted for using the equity method		(4)	187 751	90 514	245 733
<b>Profit before income tax</b>		<b>3 698 168</b>	<b>8 938 150</b>	<b>1 263 853</b>	<b>4 166 639</b>
Income tax expense		(510 520)	(1 456 711)	(228 113)	(755 194)
<b>Profit for the period from continued operations</b>		<b>3 187 648</b>	<b>7 481 439</b>	<b>1 035 740</b>	<b>3 411 445</b>
<b>Discontinued operations</b>					
Profit for the period from discontinued operations	A.V	9 048	31 577	10 848	34 934
<b>Profit for the period</b>		<b>3 196 696</b>	<b>7 513 016</b>	<b>1 046 588</b>	<b>3 446 379</b>
<b>Other comprehensive income - continued operations due to:</b>					
Available-for-sale financial assets		(270 938)	(245 814)	106 589	93 105
Cash flow hedging instruments		704 593	910 116	(141 398)	85 563
Exchange differences from the translation of foreign operations		20 324	21 206	-	-
Income tax related to items presented in other comprehensive income		(82 394)	(126 217)	6 614	(33 947)
<b>Other comprehensive net income for the financial period</b>		<b>371 585</b>	<b>559 291</b>	<b>(28 195)</b>	<b>144 721</b>
<b>TOTAL COMPREHENSIVE INCOME</b>		<b>3 568 281</b>	<b>8 072 307</b>	<b>1 018 393</b>	<b>3 591 100</b>
Profit for the period attributable to:					
shareholders of the Parent Entity		3 194 284	7 509 838	1 046 245	3 442 608
non-controlling interest		2 412	3 178	343	3 771
Total comprehensive income attributable to:					
shareholders of the Parent Entity		3 555 910	8 058 738	1 018 050	3 587 329
non-controlling interest		12 371	13 569	343	3 771
<b>Earnings per share from continued operations attributable to the shareholders of the Parent Entity during the period</b> (in PLN per share)					
- basic		15.93	37.39	5.18	17.04
- diluted		15.93	37.39	5.18	17.04
<b>Earnings per share from discontinued operations attributable to the shareholders of the Parent Entity during the period</b> (in PLN per share)					
- basic		0.05	0.16	0.05	0.17
- diluted		0.05	0.16	0.05	0.17

**A. Interim condensed consolidated financial statements (continuation)**

**Interim consolidated statement of changes in equity**

**Equity attributable to shareholders of the Parent Entity**

	Share capital	Accumulated other comprehensive income due to:			Retained earnings	Total	Equity attributable to non-controlling interest	Total equity
		Available-for-sale financial assets	Cash flow hedging instruments	Exchange differences from the translation of foreign operations				
<b>At 1 January 2011</b>	<b>2 000 000</b>	<b>120 046</b>	<b>89 775</b>	<b>-</b>	<b>12 440 852</b>	<b>14 650 673</b>	<b>241 106</b>	<b>14 891 779</b>
Dividends for 2010, paid	-	-	-	-	(2 980 000)	(2 980 000)	-	(2 980 000)
Total comprehensive income	-	(199 109)	737 194	10 815	7 509 838	8 058 738	13 569	8 072 307
Valuation of the put option for employee shares*	-	-	-	-	(2 480)	(2 480)	-	(2 480)
Other changes in equity attributable to non-controlling interest	-	-	-	-	4 806	4 806	8 392	13 198
<b>At 30 September 2011</b>	<b>2 000 000</b>	<b>(79 063)</b>	<b>826 969</b>	<b>10 815</b>	<b>16 973 016</b>	<b>19 731 737</b>	<b>263 067</b>	<b>19 994 804</b>
<b>At 1 January 2010</b>	<b>2 000 000</b>	<b>561</b>	<b>125 740</b>	<b>-</b>	<b>8 371 956</b>	<b>10 498 257</b>	<b>77 082</b>	<b>10 575 339</b>
Dividends for 2009, paid	-	-	-	-	(600 000)	(600 000)	-	(600 000)
Total comprehensive income <b>restated**</b>	-	75 416	69 305	-	3 442 608	3 587 329	3 771	3 591 100
Other changes in equity attributable to non-controlling interest	-	-	-	-	-	-	19 108	19 108
<b>At 30 September 2010 restated**</b>	<b>2 000 000</b>	<b>75 977</b>	<b>195 045</b>	<b>-</b>	<b>11 214 564</b>	<b>13 485 586</b>	<b>99 961</b>	<b>13 585 547</b>

\* explanation in note A.X.1

\*\*explanation in note A.I.4

**A. Interim condensed consolidated financial statements (continuation)**

**Interim consolidated statement of cash flows**

	Note	Financial period	
		for the 9 months ended 30 September 2011	for the 9 months ended 30 September 2010 restated
<b>Cash flow from operating activities</b>			
Profit for the period		7 513 016	3 446 379
Adjustments to profit for the period	A.IV.7	380 928	858 306
Income tax paid		(1 056 575)	(469 454)
<b>Net cash generated from operating activities</b>		<b>6 837 369</b>	<b>3 835 231</b>
<b>Cash flow from investing activities</b>			
Purchase of subsidiaries, less acquired cash and cash equivalents		(116 529)	(26 072)
Purchase of property, plant and equipment and intangible assets		(1 177 429)	(916 392)
Proceeds from sale of property, plant and equipment and intangible assets		13 700	10 984
Proceeds from sale of investment property		-	461
Purchase of available-for-sale financial assets		(1 585 813)	(835 605)
Proceeds from sale of available-for-sale financial assets		1 560 197	6 928
Purchase of held-to-maturity investments financed from the resources of Mine Closure Fund		(24 212)	(19 794)
Establishment of deposits		(450 000)	-
Termination of deposits		800 000	-
Expenses due to loans granted		(120)	-
Interest received		9 157	2 470
Dividends received		277 475	24 116
Advances granted for purchase of property, plant and equipment and intangible assets		(41 316)	(55 157)
Other investment expenses		(2 644)	(4 958)
<b>Net cash used in investing activities</b>		<b>(737 534)</b>	<b>(1 813 019)</b>
<b>Cash flow from financing activities</b>			
Proceeds from loans and borrowings		66 909	117 615
Repayments of loans and borrowings		(89 488)	(169 838)
Payments of liabilities due to finance leases		(10 839)	(9 816)
Interest paid		(7 174)	(13 168)
Dividends paid to shareholders of the Parent Entity		(2 980 000)	(600 000)
Other financial proceeds		857	437
<b>Net cash used in financing activities</b>		<b>(3 019 735)</b>	<b>(674 770)</b>
<b>Total net cash flow</b>		<b>3 080 100</b>	<b>1 347 442</b>
Exchange gains/(losses) on cash and cash equivalents		518 442	(3 312)
<b>Movements in cash and cash equivalents</b>		<b>3 598 542</b>	<b>1 344 130</b>
<b>Cash and cash equivalents at beginning of the period</b>		<b>3 086 957</b>	<b>1 197 077</b>
<b>Cash and cash equivalents at end of the period</b>		<b>6 685 499</b>	<b>2 541 207</b>
including restricted cash and cash equivalents		9 497	13 770

## **A. Interim condensed consolidated financial statements (continuation)**

### **Selected explanatory data**

#### **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.

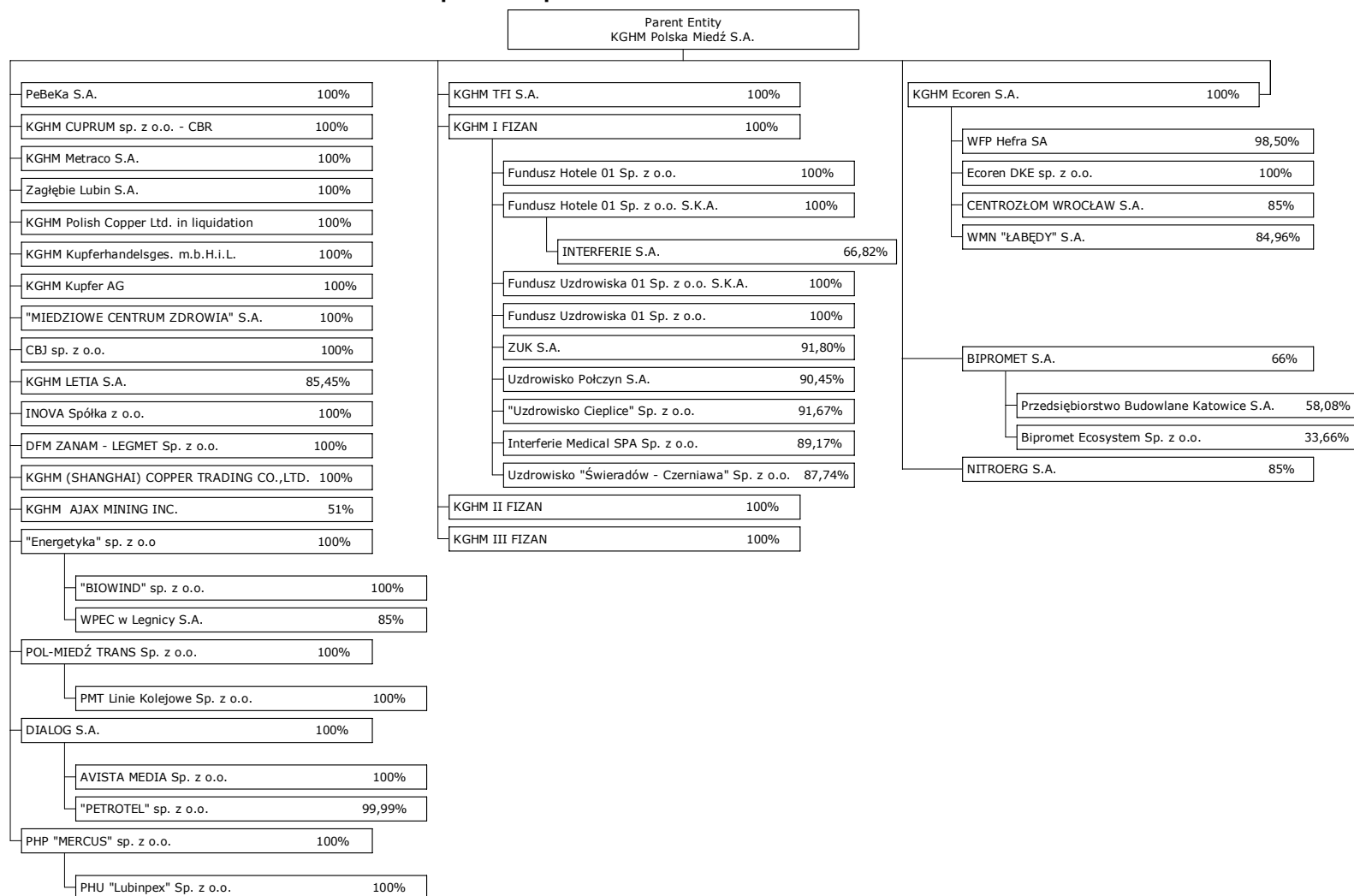
The business activities of the Group also include:

- production of goods from copper and precious metals,
- recovery of metals associated with copper ores.
- 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
- spa medical treatment.



KGHM Polska Miedź S.A.  
 Consolidated quarterly report with quarterly financial information prepared in accordance with IAS 34  
 for the period from 1 July 2011 to 30 September 2011  
 (amounts in tables in thousand PLN, unless otherwise stated)

**A. Interim condensed consolidated financial statements (continuation)**  
**2. Composition of the KGHM Polska Miedź S.A. Group at 30 September 2011**



The percentage share represents the total share of the Group.

## **A. Interim condensed consolidated financial statements (continuation)**

In the current quarter KGHM Polska Miedź S.A. consolidated 47 subsidiary entities, and one associated entity was accounted for using the equity method for purposes of consolidation.

At 30 September 2011, based on IAS 8.8, 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 - „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 these assets 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 the KGHM Polska Miedź S.A. Group for the current period from 1 July to 30 September 2011 and the comparable period from 1 July to 30 September 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 July to 30 September 2011 and the comparable period from 1 July to 30 September 2010 is an integral part of the report.

Neither the interim consolidated financial statements at 30 September 2011 nor the interim separate financial statements at 30 September 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 comprehensive income and cash flow for the period from 1 January 2011 to 30 September 2011, the rate of **4.0413 PLN/EUR\***,
- for the calculation of comprehensive income and cash flow for the period from 1 January 2010 to 30 September 2010, the rate of **4.0027 PLN/EUR\***,
- for the calculation of assets, liabilities and equity at 30 September 2011, the rate of **4.4112 PLN/EUR**.
- for the calculation of assets, liabilities and equity at 31 December 2010, the rate of **3.9603 PLN/EUR**,

*\*the rates represent the arithmetic mean of current average exchange rates announced by the NBP on the last day of each month during the periods from January to September respectively of 2010 and 2011.*

## **4. Accounting policies**

The condensed consolidated financial report for the period from 1 July 2011 to 30 September 2011 was prepared in accordance with IAS 34 “Interim Financial Reporting” and for a full understanding of the financial situation and operating results of KGHM Polska Miedź S.A. and the KGHM Polska Miedź S.A. Group, should be read jointly with the consolidated financial statements for the year ended 31 December 2010 and with the separate financial statements of KGHM Polska Miedź S.A. for the year ended 31 December 2010.

The following financial statements were prepared by applying these same principles to the current and comparable periods, and by 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:

- o 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 a prior-period error, the effects of unwinding of the discount were charged to retained earnings at 30 September 2010 in the amount of PLN 1 685 thousand, against trade and other payables which were credited in the amount of PLN 1 685 thousand. The correction of an error caused an increase in financial costs in the amount of PLN 1 685 thousand in the statement of comprehensive income for the period from 1 January to 30 September 2010, and simultaneously decreased profit by the same amount.
- o amortisation of the difference between the fair value of the net assets of WPEC w Legnicy S.A. and their carrying amount at the date of acquisition of the shares of WPEC w Legnicy S.A., due to final settlement of the transaction and allocation of the purchase price in accordance with IFRS 3. The effects of amortisation of non-current assets decreased retained earnings at 30 September 2010 in the amount of PLN 3 590 thousand.

## **A. Interim condensed consolidated financial statements (continuation)**

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

- o Amendments to IAS 32 Financial Instruments: presentation
- o Amended 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

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, i.e. 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 of this report)

## **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 due to:

- 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 an increase in the provision in the amount of PLN 45 049 thousand which was settled as a decrease in profit (after reflecting the results in deferred tax, a decrease in profit in the amount of PLN 36 509 thousand),

*(an accrued decrease in profit since the beginning of the financial year, after reflecting the results in deferred tax, by PLN 44 514 thousand)*

- 1.2 provision for future costs of decommissioning (restoration) of the Group's mines, comprising the estimated costs of dismantling and removing technological facilities, for which the obligation for restoration upon the conclusion of activities is a result of separate law or standard practice. The result of this change in estimates is an increase in the provision in the amount of PLN 27 641 thousand, which was settled as a decrease in profit in the amount of PLN 8 221 thousand and as an increase of property, plant and equipment in the amount of PLN 19 420 thousand. The increase in the provision caused an increase in deferred tax assets in the amount of PLN 5 140 thousand,

*(an accrued decrease in the provision by PLN 14 008 thousand since the beginning of the financial year, of which PLN 22 613 thousand was accounted for as a decrease in profit and PLN 36 621 thousand as a decrease in property, plant and equipment)*

- 1.3 provisions for future employee remuneration costs together with charges in the amount of PLN 204 880 thousand, paid (in accordance with the Collective Labour Agreement) on the occasion of mining or smelting holidays and after approval of the annual financial statements.

*(the provision at 30 September 2011 amounted to PLN 455 297 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 liability.

After offsetting the deferred tax asset and deferred tax liability, in the statement of financial position, the deferred tax asset on 30 September 2011 was set at PLN 513 742 thousand, while the deferred tax liability was set at PLN 120 573 thousand.

## A. Interim condensed consolidated financial statements (continuation)

### Deferred tax assets

There was an increase in the deferred tax asset in the current quarter in the amount of PLN 317 071 thousand, which was settled:

- as an increase in profit, in the amount of PLN 202 864 thousand,  
including due to temporary differences resulting  
from the holding for sale of the Dialog S.A. Group of PLN 189 546 thousand
- as an increase in other comprehensive income PLN 113 804 thousand  
including due to:
  - measurement of derivatives PLN 62 166 thousand
  - measurement of available-for-sale financial assets PLN 51 838 thousand

The remaining increase in the deferred tax asset in the current quarter in the amount of PLN 403 thousand represents the deferred tax asset of a subsidiary at the date on which control over it was obtained by the Group.

*(an accrued increase in the deferred tax asset by PLN 356 641 thousand since the beginning of the financial year, of which the following was settled:*

- as an increase in profit, in the amount of PLN 221 855 thousand,
- as an increase in other comprehensive income  
due to measurement of hedging instruments and  
available-for-sale financial assets, in the amount of PLN 131 259 thousand.

*The remaining increase in the deferred tax asset of PLN 3 527 thousand represents the deferred tax asset of a subsidiary at the date on which control was obtained by the Group.)*

### Deferred tax liability

There was an increase in the deferred tax liability in the current quarter in the amount of PLN 302 750 thousand, of which the following was settled:

- as a decrease in profit, in the amount of PLN 106 538 thousand,  
including due to:
  - measurement of derivatives PLN 98 163 thousand
  - difference between accounting and tax depreciation  
of property, plant and equipment and intangible assets PLN 7 231 thousand
- as a decrease in other comprehensive income PLN 196 199 thousand  
including due to measurement of derivatives, PLN 196 039 thousand.

The remaining increase in the deferred tax liability in the current quarter in the amount of PLN 13 thousand represents the deferred tax assets of a subsidiary at the date on which control over it was obtained by the Group.)

*(an accrued increase in the deferred tax liability by PLN 423 028 thousand since the beginning of the financial year, of which the following was settled:*

- as a decrease in profit, PLN 165 476 thousand,
- as a decrease in other comprehensive income  
due to measurement of cash flow hedging financial  
instruments and available-for-sale financial assets, PLN 257 477 thousand.

*The remaining increase in the deferred tax liability of PLN 75 thousand represents the deferred tax liability of a subsidiary at the date on which control over it was obtained by the Group.)*

## III. Financial and tangible assets

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

#### 1. in investments in associates:

- use of the equity method, which caused a decrease of investments in the amount of PLN 4 thousand,

*(accrued changes since the beginning of the financial year were in respect of:*

- acquisition of shares of an associate in the amount of PLN 450 thousand,
- use of the equity method, which caused a decrease of investments in the amount of PLN 62 263 thousand,

#### **A. Interim condensed consolidated financial statements (continuation)**

- *amortisation of intangible assets of Polkomtel S.A., recognised in the final settlement of the acquisition of shares of the company in the amount of PLN 9 224 thousand,*
- *reclassification of shares of Polkomtel S.A. to assets held for sale in the amount of PLN 1 359 568 thousand)*

#### **2. in available-for-sale financial assets**

- a) **non-current** – settlement in other comprehensive income of the negative measurement of assets at the end of the reporting period in the amount of PLN 269 483 thousand.

*(accrued changes since the beginning of the financial year were in respect of:*

- *the acquisition of listed companies in the amount of PLN 438 447 thousand,*
- *settlement in other comprehensive income of the negative measurement of assets at the end of the reporting period in the amount of PLN 242 273 thousand.*
- *an increase in assets in the amount of PLN 5 thousand, representing the carrying amount of available-for-sale financial assets of a subsidiary at the date control over it was obtained by the Group)*

- b) **current** – sale of participation units in investment funds in the amount of PLN 529 318 thousand, settlement in other comprehensive income of the positive measurement of assets in the amount of PLN 4 916 thousand and decreases due to the realisation of assets in the amount of PLN 6 371 thousand

*(accrued changes since the beginning of the financial year were in respect of:*

- *the acquisition of participation units in investment funds in the amount of PLN 1 139 365 thousand and treasury bonds in the amount of PLN 7 999 thousand,*
- *the sale of participation units in investment funds in the amount of PLN 1 543 237 thousand,*
- *the settlement in other comprehensive income of the positive measurement of assets in the amount of PLN 7 152 thousand,*
- *a decrease due to the realisation of assets in the amount of PLN 10 692 thousand)*

#### **3. in held-to-maturity investments**

- a) **non-current** – acquisition of financial assets from the funds of the Mine Closure Fund in the amount of PLN 713 thousand and reclassification of Fund assets to current held-to-maturity investments in the amount of PLN 716 thousand, which will be used within 12 months from the end of the reporting period, and positive measurement of other assets in the amount of PLN 5 thousand,

*(accrued changes since the beginning of the financial year were in respect of:*

- *the acquisition of financial assets from the funds of the Mine Closure Fund in the amount of PLN 24 212 thousand,*
- *an increase due to reclassification of Fund assets to non-current held-to-maturity investments in the amount of PLN 1 978 thousand, which will not be used within 12 months from the end of the reporting period*
- *an increase due to measurement of other assets in the amount of PLN 5 thousand)*

- b) **current** – an increase due to reclassification of Fund assets from non-current held-to-maturity investments in the amount of PLN 716 thousand, which will be used within 12 months from the end of the reporting period.

*(accrued changes since the beginning of the financial year were in respect of reclassification of Fund assets to non-current held-to-maturity investments in the amount of PLN 1 978 thousand, which will not be used within 12 months from the end of the reporting period)*

- 4. in derivatives (assets and liabilities)** - an increase in the fair value of open positions in derivatives at 30 September 2011 as a result of changes in macroeconomic factors. Simultaneously, as a result of these changes, profit from realisation of derivative transactions with a settlement date falling in the third quarter of 2011 was positive. Profit for the current quarter was increased in the amount of PLN 664 015 thousand. Detailed information on derivatives of the Parent Entity may be found in part C.II.5 of this report.

*(an accrued increase in profit since the beginning of the financial year in the amount of PLN 831 166 thousand)*

- 5. in financial receivables** – recognition of an impairment allowance in the amount of PLN 7 271 thousand (an excess of the impairment allowance recognised, in the amount of PLN 10 868 thousand, over the amount released, PLN 3 597 thousand).

*(an accrued excess since the beginning of the financial year of allowances recognised over allowances released in the amount of PLN 13 814 thousand)*

There was no transfer by the Group of financial instruments by fair value hierarchy between individual levels in either the reporting or the comparative periods, nor was there any change in the classification of instruments as a result of a change in the purpose or use of these assets.

**A. Interim condensed consolidated financial statements (continuation)**

**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 1 265 thousand
- impairment loss released PLN 270 thousand

(accrued since the beginning of the financial year

- impairment loss recognised PLN 7 920 thousand
- impairment loss released PLN 986 thousand)

**non-financial receivables**

- impairment allowance reversed PLN 378 thousand

(accrued since the beginning of the financial year

- impairment allowance recognised PLN 803 thousand
- impairment allowance reversed PLN 1 132 thousand)

**inventories**

- write-down recognised PLN 351 thousand
- write-down reversed PLN 528 thousand

(accrued since the beginning of the financial year

- write-down recognised PLN 1 470 thousand
- write down reversed PLN 1 763 thousand)

**Purchase and sale of property, plant and equipment**

	Financial period		
	for the 9 months ended 30 September 2011	for the 12 months ended 31 December 2010	For the 9 months ended 30 September 2010
Purchase	996 806	1 407 668	877 925
Net sale	3 049	1 878	1 334

**Capital commitments not recognised in the consolidated statement of financial position**

	At	
	30 September 2011	31 December 2010
For the purchase of property, plant and equipment	775 926	434 801
For the purchase of intangible assets	15 126	13 888
<b>Total capital commitments:</b>	<b>791 052</b>	<b>448 689</b>

**IV. Selected additional explanatory notes**

**1. Sales**

	Financial period			
	for the 3 months ended 30 September 2011	for the 9 months ended 30 September 2011	for the 3 months ended 30 September 2010	for the 9 months ended 30 September 2010
Copper, precious metals, smelter by-products	5 120 906	14 864 491	3 939 667	11 061 221
Energy	7 327	61 593	5 590	56 098
Services	134 031	345 044	80 508	223 191
Mining machinery, transport vehicles for mining and other	12 968	22 147	6 483	15 868
Merchandise	263 405	759 540	61 571	173 602
Scrap and materials	7 816	19 220	2 947	6 629
Other finished goods	229 233	669 710	66 068	178 658
<b>Total continued operations</b>	<b>5 775 686</b>	<b>16 741 745</b>	<b>4 162 834</b>	<b>11 715 267</b>
<b>Discontinued operations</b>	<b>126 596</b>	<b>381 709</b>	<b>133 401</b>	<b>392 745</b>
<b>Total</b>	<b>5 902 282</b>	<b>17 123 454</b>	<b>4 296 235</b>	<b>12 108 012</b>

**A. Interim condensed consolidated financial statements (continuation)**

**2. Expenses by nature**

	<b>for the 3 months ended 30 September 2011</b>	<b>Financial period for the 9 months ended 30 September 2011</b>	<b>for the 3 months ended 30 September 2010</b>	<b>for the 9 months ended 30 September 2010</b>
Depreciation of property, plant and equipment and amortisation of intangible assets	204 854	623 152	189 361	561 779
Employee benefit expenses	931 126	2 690 995	908 029	2 512 950
Materials and energy	1 832 141	5 000 700	1 068 680	3 702 115
External services	354 090	957 076	326 634	816 984
Taxes and charges	95 110	282 317	88 820	256 778
Advertising costs and representation expenses	9 814	36 153	6 699	22 417
Property and personal insurance	7 297	23 522	6 308	18 756
Research and development costs not capitalised in intangible assets	414	2 874	213	2 047
Other costs	35 050	62 274	10 248	34 272
Impairment losses on property, plant and equipment, intangible assets	150	270	-	3 527
Write-down of inventories	351	1 470	759	1 641
Allowance for impairment of receivables	5 685	7 507	46	2 400
Reversal of impairment of property, plant and equipment, intangible assets	(270)	(386)	-	(97)
Reversal of write-down of inventories	(525)	(1 760)	(64)	(3 283)
Reversal of allowance for impairment of receivables	(439)	(2 302)	(384)	(1 423)
Losses from the disposal of financial instruments	1 609	3 508	542	1 376
Other operating costs	28 489	53 967	9 349	30 131
<b>Total expenses by nature</b>	<b>3 469 896</b>	<b>9 679 063</b>	<b>2 604 992</b>	<b>7 928 098</b>
Cost of merchandise and materials sold (+)	146 275	442 208	41 737	117 499
Allowance for impairment of receivables	666	1 480	159	279
Write-down of inventories	(3)	(3)	-	-
Reversal of allowance for impairment of receivables	(254)	(614)	(120)	(405)
Change in inventories of finished goods and work in progress (+/-)	(45 496)	(265 642)	103 432	(261 701)
Cost of manufacturing products for internal use (-)	(178 103)	(443 207)	(225 532)	(478 971)
<b>Total cost of sales, selling costs and administrative expenses of continued operations</b>	<b>3 392 572</b>	<b>9 412 422</b>	<b>2 524 629</b>	<b>7 304 925</b>
<b>Total cost of sales, selling costs and administrative expenses of discontinued operations</b>	<b>116 687</b>	<b>352 057</b>	<b>125 090</b>	<b>366 149</b>
<b>Total</b>	<b>3 509 259</b>	<b>9 764 479</b>	<b>2 649 719</b>	<b>7 671 074</b>

## A. Interim condensed consolidated financial statements (continuation)

### 3. Other operating income

	Financial period			
	for the 3 months ended 30 September 2011	for the 9 months ended 30 September 2011	for the 3 months ended 30 September 2010	for the 9 months ended 30 September 2010
Income and gains on financial instruments, classified under other operating activities, resulting from:	1 280 557	1 908 059	(43 481)	439 622
Measurement and realisation of derivatives	640 444	1 178 466	58 336	401 493
Interest	42 338	117 452	12 589	35 673
Foreign exchange gains/(losses)	594 879	594 710	(114 388)	(32)
Gains/(losses) from disposal	2 732	16 877	(74)	822
Gains/(losses) from measurement of non-current financial liabilities	(204)	-	-	-
Reversal of allowance for impairment of loans and receivables	368	554	56	1 666
Gains on a bargain purchase	-	-	2 037	2 034
Gains/(losses) from the disposal of intangible assets	(13)	142	(302)	1 480
Interest on non-financial receivables	1 096	4 801	942	3 255
Dividends received	-	27 462	-	64
Reversal of impairment losses on fixed assets under construction	-	600	-	-
Reversal of allowance for impairment of other non-financial receivables	378	1 132	2 197	3 001
Government grants and other donations received	1 234	2 062	379	903
Release of unused provisions due to:	845	10 912	2 457	13 037
Decommissioning of mines	45	2 427	764	1 198
Disputed issues, pending court proceedings	270	1 343	120	6 070
Other foreseeable losses, expenses and liabilities	530	7 142	1 573	5 769
Surpluses identified in current assets	890	999	36	5 186
Penalties and compensation received	7 101	20 504	8 136	16 014
Foreign exchange gains/(losses) - non-financial	9 936	10 274	(2 602)	223
Other operating income/gains	3 059	7 243	3 822	13 331
<b>Total continued operations</b>	<b>1 305 083</b>	<b>1 994 190</b>	<b>(26 379)</b>	<b>498 150</b>
<b>Discontinued operations</b>	<b>3 392</b>	<b>15 684</b>	<b>3 055</b>	<b>12 427</b>
<b>Total</b>	<b>1 308 475</b>	<b>2 009 874</b>	<b>(23 324)</b>	<b>510 577</b>

### 4. Other operating costs

	Financial period			
	for the 3 months ended 30 September 2011	for the 9 months ended 30 September 2011	for the 3 months ended 30 September 2010	for the 9 months ended 30 September 2010
Costs and losses on financial instruments, classified under other operating activities, resulting from:	(39 549)	477 930	411 709	893 145
Measurement and realisation of derivatives	16 724	471 173	403 594	881 326
Interest	171	329	7	39
Foreign exchange losses/(gains)	(57 018)	(69)	8 444	8 444
Losses from measurement of non-current liabilities	1 625	1 625	(385)	157
Losses/(gains) from disposal	(1 143)	-	9	9
Allowances for impairment of loans and receivables	92	4 872	40	3 170
Allowances for impairment of other non-financial receivables	-	803	(346)	3 653
Losses on the sale of property, plant and equipment	345	6 027	3 320	6 167
Impairment losses on fixed assets under construction	65	4 500	-	-
Interest on overdue non-financial liabilities	(18)	407	43	144
Donations granted	2 526	15 630	3 059	12 951
Provisions for:	4 198	8 064	1 901	7 518
Decommissioning of mines	345	1 604	826	2 296
Disputed issues, pending court proceedings	223	1 627	456	987
Other	3 630	4 833	619	4 235
Penalties and compensation paid	818	2 636	718	1 544
Non-culpable shortages in tangible current assets, cash and losses from fortuitous events	465	544	535	3 195
Contributions to a voluntary organisation	2 478	7 974	452	5 254
Other operating costs/losses	4 092	13 437	5 887	20 287
<b>Total continued operations</b>	<b>(24 580)</b>	<b>537 952</b>	<b>427 278</b>	<b>953 858</b>
<b>Discontinued operations</b>	<b>2 206</b>	<b>6 019</b>	<b>1 589</b>	<b>3 890</b>
<b>Total</b>	<b>(22 374)</b>	<b>543 971</b>	<b>428 867</b>	<b>957 748</b>



**A. Interim condensed consolidated financial statements (continuation)**

**5. Finance costs**

	Financial period			
	for the 3 months ended 30 September 2011	for the 9 months ended 30 September 2011	for the 3 months ended 30 September 2010	for the 9 months ended 30 September 2010
Interest expense:	2 817	6 894	3 012	8 272
On bank and other loans	2 143	5 173	2 669	6 669
Due to finance leases	674	1 691	343	1 603
Finance liabilities	-	30	-	-
Net foreign exchange (gains)/losses on borrowings	3 010	2 698	(698)	(609)
Changes in provisions and liabilities arising from the approach of the maturity date of liabilities (unwinding of discount effect)	8 778	25 100	8 688	25 652
Losses due to measurement of non-current liabilities	(136)	-	63	208
Other finance costs	136	470	144	205
<b>Total finance costs</b>	<b>14 605</b>	<b>35 162</b>	<b>11 209</b>	<b>33 728</b>
<b>Discontinued operations</b>	<b>139</b>	<b>1 347</b>	<b>701</b>	<b>3 463</b>
<b>Total</b>	<b>14 744</b>	<b>36 509</b>	<b>11 910</b>	<b>37 191</b>

**6. Borrowings and finance lease liabilities**

	At	
	30 September 2011	31 December 2010
<b>Non-current</b>	<b>157 144</b>	<b>173 652</b>
Bank loans	130 458	141 829
Loans	3 241	2 420
Finance lease liabilities	23 445	29 403
<b>Current</b>	<b>90 011</b>	<b>96 162</b>
Bank loans	75 165	81 901
Loans	2 174	1 883
Finance lease liabilities	12 672	12 378
<b>Total</b>	<b>247 155</b>	<b>269 814</b>

## A. Interim condensed consolidated financial statements (continuation)

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

	Financial period	
	for the 9 months ended 30 September 2011	for the 9 months ended 30 September 2010
Income tax expense	1 463 104	751 930
Depreciation/amortisation	689 695	626 481
Share of profits of associates accounted for using the equity method	(187 751)	(245 733)
Interest and share in profits	(28 290)	10 852
Foreign exchange (gains)/losses	(513 376)	6 474
Change in provisions	72 860	89 875
Change in derivatives	(951 436)	(19 405)
Reclassification of accumulated other comprehensive income to profit or loss as a result of realisation of derivatives	(123 873)	(129 463)
Balance of items of assets and liabilities at date of obtaining control over subsidiary	7 790	-
Other adjustments	(14 459)	415
Changes in working capital:	(33 336)	(233 120)
Inventories	(480 323)	(188 292)
Trade and other receivables	328 659	(248 905)
Trade and other payables	118 328	204 077
<b>Total adjustments to profit for the period</b>	<b>380 928</b>	<b>858 306</b>

### 8. Related entities transactions

	Financial period			
	for the 3 months ended 30 September 2011	for the 9 months ended 30 September 2011	for the 3 months ended 30 September 2010	for the 9 months ended 30 September 2010
<b>Sales</b>				
To associates	1 575	4 500	784	2 523
To other related entities	452	637	138	252
<b>Total sales to related entities</b>	<b>2 027</b>	<b>5 137</b>	<b>922</b>	<b>2 775</b>

	Financial period			
	for the 3 months ended 30 September 2011	for the 9 months ended 30 September 2011	for the 3 months ended 30 September 2010	for the 9 months ended 30 September 2010
<b>Purchases</b>				
From associates	2 424	6 859	1 938	5 155
From other related entities	7 442	23 517	5 703	17 188
<b>Total purchases from related entities</b>	<b>9 866</b>	<b>30 376</b>	<b>7 641</b>	<b>22 343</b>

	At	
	30 September 2011	31 December 2010
<b>Trade and other receivables</b>		
From associates	1 177	734
From other related entities	4 240	2 251
<b>Total receivables from related entities</b>	<b>5 417</b>	<b>2 985</b>

	At	
	30 September 2011	31 December 2010
<b>Trade payables</b>		
Towards associates	1 081	938
Towards other related entities	5 906	2 906
<b>Total payables towards related entities</b>	<b>6 987</b>	<b>3 844</b>

## A. Interim condensed consolidated financial statements (continuation)

During the current reporting period, an individual transaction was identified as unusual in nature. On 12 September 2011, KGHM I FIZAN, a subsidiary of KGHM Polska Miedź S.A., acquired from the State Treasury 13 459 shares of the company Uzdrowisko „Świeradów-Czerniawa” Sp. z o.o. with its registered head office in Świeradów Zdrój for the price of PLN 1 560.30 per share, i.e. the total price of PLN 21 000 thousand. Following realisation of this transaction, KGHM I FIZAN holds 87.74% of the share capital of Uzdrowisko „Świeradów-Czerniawa” Sp. z o.o.

(accrued since the beginning of the financial year additionally 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.)

The remaining transactions, which were collectively significant, between the Group 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 220 332 thousand, (accrued since the beginning of the financial year – PLN 600 742 thousand), and the unsettled balance of liabilities from these transactions at 30 September 2011 amounted to PLN 62 569 thousand (at 31 December 2010: PLN 109 107 thousand).

Remuneration of the Supervisory Board of the Parent Entity	For the period	
	from 1 January 2011 to 30 September 2011	from 1 January 2010 to 30 September 2010
Remuneration due to service in the Supervisory Board, salaries and other current employee benefits	949	976
<b>Total</b>	<b>949</b>	<b>976</b>

Remuneration of the Management Board of the Parent Entity	For the period	
	from 1 January 2011 to 30 September 2011	from 1 January 2010 to 30 September 2010
Salaries and other current employee benefits	3 273	1 971
Post-employment benefits	96	91
<b>Total</b>	<b>3 369</b>	<b>2 062</b>

## 9. Contingent assets and liabilities

	At 30 September 2011	Increase/(decrease) since the end of the last financial year
<b>Contingent assets</b>	<b>326 673</b>	<b>35 493</b>
Guarantees received	177 056	(1 825)
Disputed State budget issues	22 967	(15 797)
Promissory notes receivables	90 660	50 454
Inventions, implementation of projects	35 770	2 441
Other	220	220
<b>Contingent liabilities</b>	<b>215 713</b>	<b>(18 918)</b>
Guarantees and collateral	39 719	6 822
Promissory note liabilities	43 369	(35 562)
Disputed issues, pending court proceedings	15 006	(1 220)
Preventive safety measures in respect of mine-related damages	989	(1 486)
Liabilities due to implementation of projects and inventions	112 366	8 268
Other	4 264	4 260

The value of contingent assets and liabilities was determined based on estimates.

## A. Interim condensed consolidated financial statements (continuation)

### V. Non-current assets held for sale and discontinued operations

#### DIALOG S.A.

In the third quarter of 2011, KGHM Polska Miedź S.A. undertook corporate decisions enabling sale of the shares of Telefonía DIALOG S.A. (Dialog). From the bids submitted by interested entities, the Management Board of the Parent Entity selected the best bid from the point of view of KGHM Polska Miedź S.A., and on 29 September 2011 signed a contingent agreement with Netia S.A. for the sale of 100% of the shares of Dialog. In accordance with this agreement, KGHM will sell 19 598 000 shares of Dialog, for the price of PLN 944 million, adjusted by the amounts set forth in the agreement. Closure of the transaction is contingent on Netia S.A. obtaining the approval of the antimonopoly body for this acquisition (details of this agreement, including adjustment of the sale price, may be found in part C.II.1 of this report).

In light of the above fact, in the opinion of the Management Board of KGHM Polska Miedź S.A., the criteria set forth in IFRS 5 were met, requiring reclassification of the assets and liabilities of the Dialog Group to a Disposal group. In accordance with IFRS 5.15, immediately prior to reclassification the carrying amount of the assets and liabilities of the Dialog Group was set, and this amount was recognised under assets held for sale and related liabilities, as they were lower than fair value less selling costs.

Reclassification of the Dialog Group to discontinued activities confirmed the high probability of closure of the sale of the shares of Dialog during the period of one year from the date of classification, and also provided the basis for recognising a deferred tax asset on deductible temporary differences due to investments in subsidiaries pursuant to IAS 12.44, and at 30 September 2011, a deferred tax asset of PLN 189 546 thousand was recognised in the consolidated statement of financial position (in the separate statement of financial position in the amount of PLN 220 516 thousand).

#### Financial data of the Dialog Group reclassified to discontinued operations

##### Main groups of assets and liabilities classified as a Disposal group

<b>ASSETS</b>	<u>At 30 September 2011</u>
<b>Non-current assets</b>	
Property plant and equipment and intangible assets	706 580
Deferred tax assets	141 985
Other non-current assets	2 731
	<b>851 296</b>
<b>Current assets</b>	
Trade and other receivables	93 694
Cash and cash equivalents	73 202
Other current assets	5 521
	<b>172 417</b>
<b>Total assets comprising Disposal group</b>	<b>1 023 713</b>
<b>LIABILITIES</b>	
Non-current liabilities	8 379
Current liabilities	74 197
<b>Total liabilities comprising Disposal group</b>	<b>82 576</b>

<b>Profit from discontinued operations</b>	<b>Financial period</b>			
	for the 3 months ended 30 September 2011	for the 9 months ended 30 September 2011	for the 3 months ended 30 September 2010 restated	for the 9 months ended 30 September 2010 restated
Sales	129 988	397 393	137 456	405 172
Cost of sales	(118 893)	(358 076)	(126 679)	(370 039)
<b>Operating profit</b>	<b>11 095</b>	<b>39 317</b>	<b>10 777</b>	<b>35 133</b>
Finance costs	(139)	(1 347)	(701)	(3 463)
<b>Profit before income tax from discontinued operations</b>	<b>10 956</b>	<b>37 970</b>	<b>10 076</b>	<b>31 670</b>
Income tax expense	(1 908)	(6 393)	772	3 264
<b>Profit from discontinued operations</b>	<b>9 048</b>	<b>31 577</b>	<b>10 848</b>	<b>34 934</b>

**A. Interim condensed consolidated financial statements (continuation)**

Cash flow from discontinued operations	Financial period	
	for the 9 months ended 30 September 2011	for the 9 months ended 30 September 2010
Net cash generated from operating operations	101 540	100 426
Net cash used in investing activities	(62 913)	(64 157)
Net cash used in financing activities	(53 252)	(56 326)
<b>Total net cash flow</b>	<b>(14 625)</b>	<b>(20 057)</b>

**Polkomtel S.A.**

In the consolidated financial statements at 30 September 2011, the carrying amount of the shares of Polkomtel S.A., reclassified to non-current assets held for sale, accounted for using the equity method at the date of classification, i.e. 30 June 2011, under IAS 28 amounts to PLN 1 359 568 thousand (in the separate financial statements, PLN 1 159 947 thousand measured at cost of purchase less impairment pursuant to IAS 27).

Based on a preliminary agreement for the sale of 100% of the shares of Polkomtel S.A. signed on 30 June 2011 by KGHM Polska Miedź S.A. and the remaining shareholders of Polkomtel S.A. with Spartan Capital Holdings Sp. z o.o., the Management Board of the Parent Entity determined that conditions had been met for the obligatory reclassification of the investment in Polkomtel S.A. to assets held for sale under IFRS 5. A deferred tax liability on taxable temporary differences related to the investment in Polkomtel S.A. in the amount of PLN 37 928 was also recognised in the consolidated financial statements.

Closure of the sale was made contingent on approval being obtained from the Office of Competition and Consumer Protection. Approval was granted on 24 October 2011.

As a result of the aforementioned condition being met, in accordance with the procedure set forth in the preliminary agreement, on 9 November 2011 the sale process was closed through the signing of a promised agreement to sell 100% of the shares of Polkomtel S.A. between KGHM Polska Miedź S.A., Polski Koncern Naftowy ORLEN S.A., PGE Polska Grupa Energetyczna S.A., Vodafone Americas Inc, Vodafone International Holdings B.V. and Węglokoks S.A. as the sellers and Spartan Capital Holdings Sp. z o.o. as the purchaser. In accordance with the agreement, KGHM Polska Miedź S.A. sold all of the shares it held in Polkomtel S.A., i.e. 5 000 266 ordinary registered shares, representing 24.39% of the share capital of this company, for the total price of PLN 3 672 147 thousand. Ownership of the shares was transferred on the date the agreement was signed, i.e. 9 November 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**

In accordance with Resolution No. 6/2011 of the Ordinary General Meeting of KGHM Polska Miedź S.A. dated 15 June 2011 regarding the appropriation of Parent Entity profit for financial year 2010, the amount of PLN 2 980 000 thousand, representing PLN 14.90 per share, was allocated as a shareholders dividend from profit for financial year 2010. The right to dividend date was set at 11 July 2011 and dividend payment date at 12 August 2011.

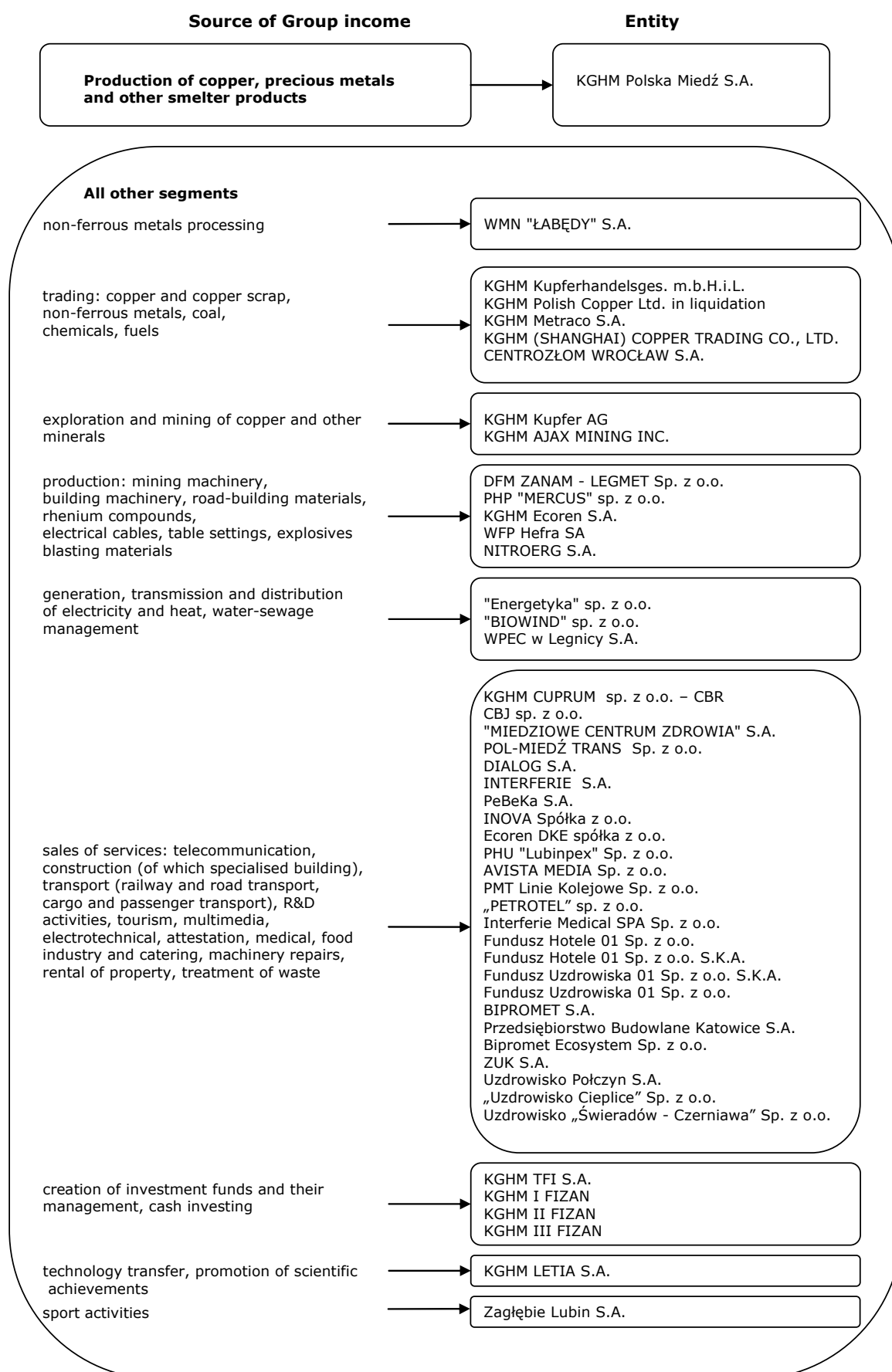
All Parent Entity shares are ordinary shares.

**IX. Business segments**

In accordance with IFRS 8 and on the scope of internal reports which the management uses in making decisions regarding operations of the Group, one reporting segment was separated in the Group, defined as „Production of copper, precious metals and other smelter products”, which involves only KGHM Polska Miedź S.A.

Each of the remaining Group companies, due to their various economic characteristics (the criteria for combination according to IFRS 8.12) and as they do not meet any of the quantitative thresholds (IFRS 8.13) represents a separate operating segment. They were combined in one reporting segment and presented in the category „All other segments”.

**A. Interim condensed consolidated financial statements (continuation)**



## A. 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.

### Segment profit or loss

#### Financial period for the 9 months ended 30 September 2011

	Production of copper, precious metals, and other smelter products	All other segments	Adjustment*	Consolidation eliminations (according to IAS 27)	Consolidated amount
REVENUE	15 244 742	5 851 023	202	(3 972 513)	<b>17 123 454</b>
of which:					
- external sales	14 702 444	2 422 775	202	(1 967)	<b>17 123 454</b>
- inter-segment sales	542 298	3 428 248	-	(3 970 546)	-
Interest income	114 086	14 102	-	(2 735)	<b>125 453</b>
Interest costs	(809)	(10 223)	-	2 302	<b>(8 730)</b>
Depreciation/Amortisation	(496 231)	(179 819)	(3 920)	(9 725)	<b>(689 695)</b>
Revaluation of provisions for employee benefits	(54 201)	1 676	-	(2 232)	<b>(54 757)</b>
Recognition and reversal of impairment losses on property, plant and equipment and intangible assets	-	(2 434)	(4 500)	-	<b>(6 934)</b>
Income on measurement and realisation of derivatives	1 168 555	9 911	-	-	<b>1 178 466</b>
Costs on measurement and realisation of derivatives	(463 376)	(7 797)	-	-	<b>(471 173)</b>
Share of profit of associates	-	-	-	187 751	<b>187 751</b>
<b>Profit before income tax</b>	<b>8 940 845</b>	<b>117 486</b>	<b>(1 900)</b>	<b>(80 311)</b>	<b>8 976 120**</b>
Income tax expense	(1 420 599)	(28 157)	605	(14 953)	<b>(1 463 104)</b>
Share of profit (losses) of subordinated entities accounted for using the equity method	-	9 288	(9 288)	-	-
<b>Profit for the period</b>	<b>7 520 246</b>	<b>98 617</b>	<b>(10 583)</b>	<b>(95 264)</b>	<b>7 513 016</b>

#### At 30 September 2011

Segment assets	24 960 933	5 441 603	(282)	(3 965 068)	<b>26 437 186</b>
Segment liabilities	5 424 328	1 490 349	(11 426)	(460 869)	<b>6 442 382</b>
Borrowings and liabilities due to finance leasing	9 631	283 007	-	(42 466)	<b>250 172</b>
Investments in associates	-	-	-	494	<b>494</b>

#### Financial period for the 9 months ended 30 September 2011

Capital expenditure	818 329	161 385	(94)	(11 519)	<b>968 101</b>
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\*Adjustment – adjustment restating the amounts to the measurement principles of International Financial Reporting Standards.

\*\* including profit before income tax from discontinued operations of PLN 37 970 thousand

### A. Interim condensed consolidated financial statements (continuation)

Since 2005 the KGHM Polska Miedź S.A. Group has prepared its financial statements in accordance with International Financial Reporting Standards approved by the European Union. 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 30 September 2011 and for the first nine months of 2011.

	Profit or loss					Statement of financial position		
	Sales	Operating costs	Depreciation /Amortisation	Profit before taxation	Income tax	Segment assets	Segment liabilities	Capital expenditure
Netting off of Social Fund assets and liabilities	-	-	-	-	-	(15 399)	(15 399)	-
Offsetting of deferred tax assets/ deferred tax liabilities	-	-	-	-	-	(8 421)	(8 421)	-
Accounting for shares using the equity method	-	-	-	3 457	-	(17 037)	-	-
Perpetual usufruct of land	-	-	-	22	-	(15 641)	-	-
Deferred tax liability	-	-	-	-	1 030	-	10 339	-
Fair value measurement of assets	-	-	(3 952)	(4 056)	-	54 708	-	-
Other	202	(4 500)	32	(1 323)	(425)	1 508	2 055	(94)
<b>Total adjustment</b>	<b>202</b>	<b>(4 500)</b>	<b>(3 920)</b>	<b>(1 900)</b>	<b>605</b>	<b>(282)</b>	<b>(11 426)</b>	<b>(94)</b>

### Information on business segments for the comparable period

#### Segment assets and liabilities

	Production of copper, precious metals, and other smelter products	All other segments	Adjustment*	Consolidation eliminations (according to IAS 27)	Consolidated amount
<b>At 31 December 2010</b>					
Segment assets	19 829 296	4 973 955	37 690	(3 663 618)	<b>21 177 323</b>
Segment liabilities	5 372 819	1 283 887	(4 644)	(366 518)	<b>6 285 544</b>
Borrowings and finance lease liabilities	11 455	304 441	-	(46 082)	<b>269 814</b>
Investments in associates	1 159 947	-	-	271 152	<b>1 431 099</b>
<b>Financial period for the 9 months ended 30 September 2010</b>					
Capital expenditure	792 783	147 492	-	(8 462)	<b>931 813</b>



**A. Interim condensed consolidated financial statements (continuation)**

**Segment profit or loss**

**Financial period for the 9 months ended 30 September 2010**

	<b>Production of copper, precious metals, and other smelter products</b>	<b>All other segments</b>	<b>Adjustment*</b>	<b>Consolidation eliminations (according to IAS 27)</b>	<b>Consolidated amount</b>
REVENUE	11 191 808	4 828 472	10 319	(3 922 587)	<b>12 108 012</b>
<i>of which:</i>					
- external sales	10 369 454	1 709 173	10 319	19 066	<b>12 108 012</b>
- inter-segment sales	822 354	3 119 299	-	(3 941 653)	-
Interest income	36 419	9 226	-	(3 772)	<b>41 873</b>
Interest costs	(719)	(13 972)	-	2 925	<b>(11 766)</b>
Depreciation/Amortisation	(460 218)	(154 164)	199	(12 298)	<b>(626 481)</b>
Revaluation of provisions for employee benefits	(97 145)	137	-	-	<b>(97 008)</b>
Recognition and reversal of impairment losses on property, plant and equipment and intangible assets	-	(6 552)	-	-	<b>(6 552)</b>
Income on measurement and realisation of derivatives	392 470	9 023	-	-	<b>401 493</b>
Costs on measurement and realisation of derivatives	(879 170)	(2 156)	-	-	<b>(881 326)</b>
Share of profit of associates	-	-	-	245 733	<b>245 733</b>
<b>Profit before income tax</b>	<b>3 987 433</b>	<b>77 593</b>	<b>(2 197)</b>	<b>135 480</b>	<b>4 198 309</b>
Income tax expense	(743 209)	(6 487)	(61)	(2 173)	<b>(751 930)</b>
Share of profit (losses) of subordinated entities accounted for using the equity method	-	4 410	(4 410)	-	-
<b>Profit for the period</b>	<b>3 244 224</b>	<b>75 516</b>	<b>(6 668)</b>	<b>133 307</b>	<b>3 446 379</b>

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

### A. 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 first nine months of 2010:

	Profit or loss				Statement of financial position	
	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	-	-	810	-	(8 082)	-
Separate presentation of assets and liabilities for sales transaction from prior years	10 319	-	33	-	-	-
Receivables due to payment to capital	-	-	(3 214)	-	-	-
Adjustment to retained earnings in connection with first-time adoption of IFRS	-	-	7	-	-	-
Deferred tax liability	-	-	-	-	-	11 320
Fair value measurement of assets	-	-	-	-	60 077	-
Other	-	199	167	(61)	2 459	800
<b>Total adjustment</b>	<b>10 319</b>	<b>199</b>	<b>(2 197)</b>	<b>(61)</b>	<b>37 690</b>	<b>(4 644)</b>

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

The geographical breakdown reflects the location of end clients.

	Financial period	
	for the 9 months ended 30 September 2011	for the 9 months ended 30 September 2010
Poland	4 549 876	3 546 419
Germany	3 481 785	2 673 476
Great Britain	2 008 370	952 326
China	1 622 022	1 344 466
The Czech Republic	1 124 754	844 442
Italy	914 460	530 210
France	518 177	406 708
Hungary	416 469	325 638
Austria	383 054	255 738
Belgium	245 963	244 698
Switzerland	201 099	171 971
Slovakia	47 383	69 306
Finland	30 755	33 363
Other countries	1 579 287	709 251
<b>Total</b>	<b>17 123 454</b>	<b>12 108 012</b>

### Main customers

During the period from 1 January 2011 to 30 September 2011, the revenues from no customer exceeded 10% of the revenues of the Group.

During the period from 1 January 2010 to 30 September 2010, the revenues from one customer exceeded 10% of the revenues of the Group and amounted PLN 1 247 101 thousand.

98.83% of the non-current assets of the Group are located in the country of origin of the Parent Entity. The remaining 1.17% are located in other countries.

## **A. Interim condensed consolidated financial statements (continuation)**

With respect to the process of adapting the supervision of companies of the Group to the strategy and investment policy of KGHM Polska Miedź S.A., the Management Board of the Parent Entity has decided to implement a new management model for the Group, based on individual business supervisory units:

- o Production,
- o International expansion and resource base development,
- o Equity-portfolio investments,
- o Diversified investments in the Energy sector,
- o Sales and hedging,
- o A group of entities realising responsible business policy - CSR
- o An Insurance Services Center.

Work is currently being performed on the detailed scope of internal reports for specific business units. It is assumed that implementation of the new model of supervision over the activities of the Group will be completed by the end of 2011.

Following completion of the process of implementation, the Parent Entity will verify the information regarding the Group's business segments in the consolidated financial statements at 31 December 2011, and will adapt the scope of presentation of business segments to the new management model in accordance with IFRS 8.

## **X. 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**

### **1. Changes in the period from 1 July 2011 to 30 September 2011**

#### **Liquidation of the company FADROMA-SERWIS-REMONTY Sp. z o.o. in liquidation**

On 12 August 2011, the Regional Court for Wrocław-Fabryczna in Wrocław, Section IX, (Economic) of the National Court Register issued a judgment on the removal of FADROMA-SERWIS-REMONTY Sp. z o.o. in liquidation from the National Court Register, attaching to the register a report on liquidation of the company together with the auditor's opinion and report on the audit of the financial statements for the period from 1 January 2011 to 30 June 2011. The liquidation proceedings were concluded as a result of the division of company assets between creditors and shareholders.

#### **Acquisition of shares of Uzdrowisko „Świeradów-Czerniawa” Sp. z o.o.**

On 20 September 2011, the investment fund KGHM I FIZAN, a subsidiary of KGHM Polska Miedź S.A., acquired from the State Treasury 13 459 shares of Uzdrowisko „Świeradów-Czerniawa” Sp. z o.o. with its registered head office in Świeradów Zdrój with a nominal value of PLN 500.00 per share, at the price of PLN 1 560.30 per share, i.e. the total amount of PLN 21 000 thousand. KGHM I FIZAN holds 87.74% of the share capital of Uzdrowisko „Świeradów Czerniawa Sp. z o.o. The shares acquired were paid for in cash.

The net carrying amount of the assets of Uzdrowisko „Świeradów-Czerniawa” Sp. z o.o. at the date control was obtained was PLN 8 121 thousand, of which the net carrying amount of the assets attributable to the Group amounted to PLN 7 125 thousand. Goodwill, provisionally set at PLN 13 875 thousand, will be finally settled during the 12 months from the date of acquisition, after measurement of the assets and liabilities of Uzdrowisko „Świeradów-Czerniawa” Sp. z o.o. to fair value. Non-controlling interest at the date of obtaining of control amounts to PLN 996 thousand.

Based on the submission of an irrevocable purchase offer by KGHM I FIZAN in regards to an agreement by the State Treasury to sell shares in Uzdrowisko „Świeradów-Czerniawa” Sp. z o.o., with respect to all of the remaining shares held by the State Treasury and not acquired by entitled employees, as well as those shares acquired by employees (shares acquired from the State Treasury during the privatisation of this company) a liability was recognised due to a put option on employee shares, and was accounted for at discounted value at 30 September 2011 in the amount of PLN 2 480 thousand in non-current liabilities against retained earnings - the item „Valuation of the put option for employee shares” (see: Interim consolidated statement of changes in equity).

The acquisition by KGHM I FIZAN of shares of Uzdrowisko „Świeradów-Czerniawa” Sp. z o.o. is a subsequent step in the realisation of the investment policy of the fund, comprising among others the development of a Polish Spa Group, which will enable enrichment of the offering of spa and tourism services and utilisation of the effects of synergy.

### **2. Changes during the period from 1 January 2011 to 30 June 2011**

#### **Combination of subsidiaries in the Group**

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.

## **A. Interim condensed consolidated financial statements (continuation)**

### **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, which represents 0.54% of the share capital and increases the share of the Group to 90.45%. The entire amount of the guaranteed increase will be allocated to acquire or increase the value of company 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, which represents 1.96% of the share capital and increases the share of the Group to 91.67%. 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 261 thousand.

### **Acquisition of shares 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 for 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. Goodwill, provisionally set in the amount of PLN 48 022 thousand, will be settled 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.

From the date control was obtained to 30 September 2011, NITROERG S.A. achieved revenues from sales in the amount of PLN 182 819 thousand and a profit of PLN 10 267 thousand.

The control held by KGHM Polska Miedź S.A. over NITROERG S.A. (one of the largest producers of explosive materials) enables the strengthening of competitiveness in supplying the production needs of the core business, as well as new future resource projects (in accordance with realisation of the strategy of increasing the copper ore resource base).

### **Acquisition of shares of KGHM HMS Bergbau AG, change of company name**

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 509 thousand. The shares acquired were paid for in cash on 21 April 2011. Following this acquisition the Group holds 100% of the share capital of KGHM HMS Bergbau AG.

As a result of settlement of this transaction with non-controlling interests, the difference between the acquisition price of the non-controlling interests and the value of the non-controlling interests at the acquisition date in the amount of PLN (578) thousand was recognised in retained earnings in the consolidated financial statements.

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

The shares were paid for in cash in the amount of PLN 52 364 thousand on 27 April 2011.

On 16 May 2011, occurred the court-registered change of name of the company to KGHM Kupfer AG with its registered head office in Weisswasser.

There were no changes in share capital.

### **Resolution of the Extraordinary General Meeting Shareholders of KGHM Kupferhandelsges. m.b.H. on the liquidation the company**

On 30 May 2011, the Extraordinary General Meeting of KGHM Kupferhandelsges. m.b.H. with its registered head office in Vienna resolved to dissolve and liquidate the company as at 1 June 2011. Mr. Michał Jezioro was appointed as liquidator of KGHM Kupferhandelsges. m.b.H.i.L. The decision to liquidate KGHM Kupferhandelsges.m.b.H. is connected with the takeover by KGHM Polska Miedź S.A. of the commercial activities of this company.

## **A. Interim condensed consolidated financial statements (continuation)**

### **XI. Subsequent events**

#### **Court judgment requesting that a resolution of the Ordinary General Meeting be declared invalid**

On 4 October 2011, the Regional Court in Legnica, Section VI (Economic), regarding a suit filed by a shareholder of the Company, Krzysztof Skóra, requesting that resolution no. 23/2011 of the Ordinary General Meeting of KGHM Polska Miedź S.A. dated 15 June 2011 regarding the dismissal of Józef Czyczerski from the Supervisory Board of KGHM Polska Miedź S.A. be declared invalid, issued a judgment in which it dismissed the suit in its entirety. The judgment is not legally binding.

#### **Changes in the composition of the Company's Supervisory Board**

On 20 October 2011, the Extraordinary General Meeting of KGHM Polska Miedź S.A. appointed to the Supervisory Board of KGHM Polska Miedź S.A. Lech Jaroń, Maciej Łaganowski and Paweł Markowski, elected by the employees of the Company in elections held on 19-20 September 2011.

#### **Removal of the entity SERWIS - ERG Sp. z o.o. in liquidation from the National Court Register**

On 18 October 2011, the Regional Court for Katowice-East in Katowice, Economic Section VIII of the National Court Register, removed from the register of entrepreneurs of the National Court Register the entity SERWIS-ERG Sp. z o.o. in liquidation.

#### **Agreement for sale of the shares of Polkomtel S.A.**

On 9 November 2011, following the receipt on 24 October 2011 of the approval of the Polish Office of Competition and Consumer Protection for the sale of 100% of the shares of Polkomtel S.A., an agreement was signed for the sale of 100% of the shares of Polkomtel S.A. The agreement was signed by KGHM Polska Miedź S.A., PKN Orlen S.A., PGE Polska Grupa Energetyczna S.A., Vodafone Americas Inc, Vodafone International Holdings B.V. and Węglokoks S.A. with Spartan Capital Holding Sp. z o.o.

Pursuant to the agreement, KGHM Polska Miedź S.A. sold 5 000 266 ordinary registered shares of Polkomtel S.A. (all of those held by KGHM Polska Miedź S.A.) with a nominal value of PLN 100 per share, representing 24.39% of the share capital of Polkomtel S.A., for the total price of PLN 3 672 147 thousand. Ownership of the shares was transferred on the date the agreement was signed, i.e. 9 November 2011.

#### **Information regarding the real estate tax on mining facilities for the years 2006-2011**

Subsequent to the judgment of the Constitutional Tribunal identified by the designation sygn. akt P 33/09 dated 13 September 2011 regarding determination of the Constitutional conformity of the act dated 12 January 1991 on taxation and local fees (Journal of laws from 2010 No. 95, item 613 with amendments) which ruled that underground mines, under this act, are not subject to taxation under the real estate tax, the Mines of the Parent Entity performed a classification of those assets representing underground facilities and mine equipment, and excluded these mine facilities from the real estate tax on mining facilities.

As a result of the above, in the month of October requests were submitted to the appropriate bodies of local governments on the return of overpaid taxation for the years 2006-2011 as well as requests for the renewal of proceedings for the years 2006-2008 in those cases in which tax proceedings were held in respect of the Mines, concluded by a decision setting the amount of real estate tax liabilities together with setting of the amount of taxation on underground mining facilities.

The requests submitted for the return of taxation on real estate for the years 2006-2011 (including through initiation of the procedure to renew tax proceedings), in the total amount of PLN 145 million, are in respect of seven local governments, within whose borders the underground mines are located.

## **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 5 September 2011, KGHM Polska Miedź S.A. published an adjusted 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 18 934 million in 2011, and profit for the period at the level of PLN 9 643 million.

The revenues from sales achieved after the first 9 months of 2011 in the amount of PLN 15 245 million and profit for the period of PLN 7 520 million represent respectively 81% and 78% of the forecasted results.

Due to the high advancement on the forecast and closure of the sale of shares of Polkomtel S.A., KGHM Polska Miedź S.A. is verifying the published forecast of financial results.

### **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 blocks 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 second quarter of 2011, i.e. at 12 August 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 second quarter of 2011, KGHM Polska Miedź S.A. was not informed by any shareholder of any change in the ownership structure of a 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 second quarter of 2011, i.e. at 12 August 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 second quarter of 2011, i.e. at 12 August 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.

On 20 October 2011 the composition of the Supervisory Board was changed.

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

At 30 September 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 30 September 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.

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

**Information on the granting by KGHM Polska Miedź S.A. or by its subsidiaries of collateral on credit or loans, or of guarantees – jointly to a single entity or subsidiary thereof 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 30 September 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 subsidiary thereof 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 third 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 meet obligations.

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

At present, 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 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:

- the sale on 9 November 2011 of the shares of Polkomtel S.A. (detailed information on this transaction may be found in this report in section A.XI)
- copper and silver prices on the metals markets,
- the USD/PLN exchange rate,
- electrolytic copper production costs, and
- the effects of the hedging policy being realised.

Under conditions involving a high level of:

- cash accumulated in KGHM Polska Miedź S.A. to be used in realisation of the investment program, and
- hedging of future Company revenues,

the continued high volatility in metals prices and in the exchange rate has a substantial impact on the measurement of derivatives and exchange differences at the reporting date, and consequently on the level of profit.

Additionally, realisation of the contingent agreement to sell the shares of DIALOG S.A. may have a significant impact on the results of the Group (detailed information on this agreement may be found in this report in section C.II.1)

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

### Interim statement of financial position

	Note	At	
		30 September 2011	31 December 2010
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment		6 794 548	6 551 111
Intangible assets		118 043	86 718
Shares and investment certificates in subsidiaries		2 013 813	2 643 046
Investments in associates		-	1 159 947
Deferred tax assets		306 266	359 833
Available-for-sale financial assets		945 998	749 824
Held-to-maturity investments		110 306	84 115
Derivatives		1 277 706	403 839
Trade and other receivables		85 392	86 608
		<b>11 652 072</b>	<b>12 125 041</b>
<b>Current assets</b>			
Inventories		2 399 042	2 011 393
Trade and other receivables		1 649 539	2 393 986
Available-for-sale financial assets		-	405 193
Held-to-maturity investments		2 150	4 129
Derivatives		1 062 135	294 021
Cash and cash equivalents		6 211 118	2 595 529
Non-current assets held for sale		1 984 877	4
		<b>13 308 861</b>	<b>7 704 255</b>
		<b>24 960 933</b>	<b>19 829 296</b>
<b>Equity and liabilities</b>			
<b>Equity</b>			
Share capital		2 000 000	2 000 000
Accumulated other comprehensive income		751 041	211 159
Retained earnings		16 785 564	12 245 318
		<b>19 536 605</b>	<b>14 456 477</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Trade and other payables		13 790	14 249
Borrowings and finance lease liabilities		6 358	8 490
Derivatives		548 382	711 580
Employee benefits liabilities		1 175 317	1 128 246
Provisions for other liabilities and charges	C. I. 2	488 080	517 749
		<b>2 231 927</b>	<b>2 380 314</b>
<b>Current liabilities</b>			
Trade and other payables		1 651 635	1 727 939
Borrowings and finance lease liabilities		3 273	2 965
Current corporate tax liabilities		1 124 808	668 924
Derivatives		297 349	481 852
Employee benefits liabilities		100 170	93 041
Provisions for other liabilities and charges	C. I. 2	15 166	17 784
		<b>3 192 401</b>	<b>2 992 505</b>
		<b>5 424 328</b>	<b>5 372 819</b>
		<b>24 960 933</b>	<b>19 829 296</b>



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

#### Interim statement of comprehensive income

	Note	Financial period			
		for the 3 months ended 30 September 2011	for the 9 months ended 30 September 2011	for the 3 months ended 30 September 2010	for the 9 months ended 30 September 2010
Sales	C. I. 3	5 243 822	15 244 742	3 992 257	11 191 808
Cost of sales	C. I. 4	(2 671 341)	(7 378 699)	(2 175 171)	(6 291 926)
<b>Gross profit</b>		<b>2 572 481</b>	<b>7 866 043</b>	<b>1 817 086</b>	<b>4 899 882</b>
Selling costs	C. I. 4	(26 265)	(85 059)	(26 260)	(75 068)
Administrative expenses	C. I. 4	(171 312)	(497 094)	(166 592)	(435 857)
Other operating income	C. I. 5	1 283 335	2 198 309	38 448	551 364
Other operating costs	C. I. 6	26 401	(516 106)	(415 339)	(928 500)
<b>Operating profit</b>		<b>3 684 640</b>	<b>8 966 093</b>	<b>1 247 343</b>	<b>4 011 821</b>
Finance costs	C. I. 7	(9 191)	(25 248)	(7 767)	(24 388)
<b>Profit before income tax</b>		<b>3 675 449</b>	<b>8 940 845</b>	<b>1 239 576</b>	<b>3 987 433</b>
Income tax expense		(474 207)	(1 420 599)	(221 990)	(743 209)
<b>Profit for the period</b>		<b>3 201 242</b>	<b>7 520 246</b>	<b>1 017 586</b>	<b>3 244 224</b>
<b>OTHER COMPREHENSIVE INCOME DUE TO:</b>					
Available-for-sale financial assets		(269 483)	(243 595)	106 706	93 419
Cash flow hedging instruments		704 593	910 116	(141 398)	85 563
Income tax related to items presented in other comprehensive income		(82 671)	(126 639)	6 591	(34 007)
<b>Other comprehensive net income for the financial period</b>		<b>352 439</b>	<b>539 882</b>	<b>(28 101)</b>	<b>144 975</b>
<b>TOTAL COMPREHENSIVE INCOME</b>		<b>3 553 681</b>	<b>8 060 128</b>	<b>989 485</b>	<b>3 389 199</b>
<b>Earnings per share during the period</b> (in PLN per share)					
- basic		16.01	37.60	5.09	16.22
- diluted		16.01	37.60	5.09	16.22

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

**Interim statement of changes in equity**

	<b>Accumulated other comprehensive income due to:</b>			<b>Retained earnings</b>	<b>Total equity</b>
	<b>Share capital</b>	<b>Available-for- sale financial assets</b>	<b>Cash flow hedging instruments</b>		
<b>At 1 January 2011</b>	<b>2 000 000</b>	<b>121 385</b>	<b>89 774</b>	<b>12 245 318</b>	<b>14 456 477</b>
Dividends for 2010, resolved and paid	-	-	-	(2 980 000)	<b>(2 980 000)</b>
Total comprehensive income	-	(197 312)	737 194	7 520 246	<b>8 060 128</b>
<b>At 30 September 2011</b>	<b>2 000 000</b>	<b>(75 927)</b>	<b>826 968</b>	<b>16 785 564</b>	<b>19 536 605</b>
<b>At 1 January 2010</b>	<b>2 000 000</b>	<b>1 489</b>	<b>125 739</b>	<b>8 276 729</b>	<b>10 403 957</b>
Dividends for 2009 resolved and paid	-	-	-	(600 000)	<b>(600 000)</b>
Total comprehensive income	-	75 669	69 306	3 244 224	<b>3 389 199</b>
<b>At 30 September 2010</b>	<b>2 000 000</b>	<b>77 158</b>	<b>195 045</b>	<b>10 920 953</b>	<b>13 193 156</b>

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

**Interim statement of cash flows**

	Note	Financial period	
		for the 9 months ended 30 September 2011	for the 9 months ended 30 September 2010
<b>Cash flow from operating activities</b>			
Profit for the period		7 520 246	3 244 224
Adjustments to profit for the period	C. I. 8	113 282	805 819
Income tax paid		(1 037 787)	(466 540)
<b>Net cash generated from operating activities</b>		<b>6 595 741</b>	<b>3 583 503</b>
<b>Cash flow from investing activities</b>			
Purchase of shares and investment certificates in subsidiaries		(196 141)	(312 546)
Purchase of available-for-sale financial assets		(1 565 831)	(835 605)
Purchase of property, plant and equipment and intangible assets		(882 074)	(758 542)
Proceeds from sale of property, plant and equipment and intangible assets		3 261	3 472
Proceeds from sale of available-for-sale financial assets		1 548 193	6 928
Purchase of held-to-maturity investments financed from the resources of Mine Closure Fund		(24 212)	(19 794)
Establishment of deposits		(450 000)	-
Termination of deposits		800 000	-
Loans granted		-	(40 000)
Proceeds from repayments of loans granted		3 773	50 772
Interest received		10 767	3 538
Dividends received		277 330	24 051
Expenses due to advances granted for the purchase of property, plant and equipment and intangible assets		(38 786)	(49 726)
Other investment expenses		(2 885)	(3 730)
<b>Net cash used in investing activities</b>		<b>(516 605)</b>	<b>(1 931 182)</b>
<b>Cash flow from financing activities</b>			
Repayments of loans		-	(3 000)
Payments of liabilities due to finance leases		(2 989)	(3 106)
Interest paid		(9)	(72)
Dividends paid		(2 980 000)	(600 000)
<b>Net cash used in financing activities</b>		<b>(2 982 998)</b>	<b>(606 178)</b>
<b>Total net cash flow</b>		<b>3 096 138</b>	<b>1 046 143</b>
Exchange gains/(losses) on cash and cash equivalents		519 451	(3 180)
<b>Movements in cash and cash equivalents</b>		<b>3 615 589</b>	<b>1 042 963</b>
<b>Cash and cash equivalents at beginning of the period</b>		<b>2 595 529</b>	<b>975 198</b>
<b>Cash and cash equivalents at end of the period</b>		<b>6 211 118</b>	<b>2 018 161</b>
including restricted cash and cash equivalents		1 878	13 165

## 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
<b>At 1 January 2011</b>							
Gross carrying amount	16 093	6 355 195	6 111 776	155 341	63 087	1 239 639	<b>13 941 131</b>
Accumulated depreciation	-	(3 709 913)	(3 525 462)	(99 540)	(48 697)	-	<b>(7 383 612)</b>
Impairment losses	-	-	(3 135)	(327)	-	(2 946)	<b>(6 408)</b>
Net carrying amount	<b>16 093</b>	<b>2 645 282</b>	<b>2 583 179</b>	<b>55 474</b>	<b>14 390</b>	<b>1 236 693</b>	<b>6 551 111</b>
<b>Changes in the first three quarters of 2011</b>							
Settlement of fixed assets under construction	753	82 841	404 715	9 101	3 103	(500 513)	-
Self-constructed	-	-	-	-	-	14 104	<b>14 104</b>
Purchase	-	-	-	-	-	762 575	<b>762 575</b>
Depreciation	-	(110 980)	(366 963)	(7 457)	(3 340)	-	<b>(488 740)</b>
Sale, decommissioning/scrapping or write off	-	(3 025)	(5 708)	-	(16)	-	<b>(8 749)</b>
Change in amount of provisions for costs of decommissioning	-	(36 621)	-	-	-	-	<b>(36 621)</b>
Other changes	(46)	269	(131)	-	-	776	<b>868</b>
<b>At 30 September 2011</b>							
Gross carrying amount	16 800	6 392 650	6 348 224	161 141	62 051	1 516 581	<b>14 497 447</b>
Accumulated depreciation	-	(3 814 884)	(3 729 997)	(103 696)	(47 914)	-	<b>(7 696 491)</b>
Impairment losses	-	-	(3 135)	(327)	-	(2 946)	<b>(6 408)</b>
Net carrying amount	<b>16 800</b>	<b>2 577 766</b>	<b>2 615 092</b>	<b>57 118</b>	<b>14 137</b>	<b>1 513 635</b>	<b>6 794 548</b>
	Land	Buildings	Technical equipment and machinery	Motor vehicles	Other fixed assets	Fixed assets under construction	Total
<b>At 1 January 2010</b>							
Gross carrying amount	15 990	6 136 839	5 801 992	146 557	63 996	884 074	<b>13 049 448</b>
Accumulated depreciation	-	(3 631 590)	(3 326 833)	(97 537)	(48 373)	-	<b>(7 104 333)</b>
Impairment losses	-	(1 194)	(3 135)	(327)	-	(2 946)	<b>(7 602)</b>
Net carrying amount	<b>15 990</b>	<b>2 504 055</b>	<b>2 472 024</b>	<b>48 693</b>	<b>15 623</b>	<b>881 128</b>	<b>5 937 513</b>
<b>Changes in 2010</b>							
Settlement of fixed assets under construction	114	281 168	582 019	15 933	2 954	(882 188)	-
Self-constructed	-	-	-	-	-	11 453	<b>11 453</b>
Purchase	-	-	-	-	-	1 226 025	<b>1 226 025</b>
Depreciation	-	(137 494)	(455 556)	(8 857)	(4 090)	-	<b>(605 997)</b>
Sale, decommissioning/scrapping or write off	-	(3 704)	(17 019)	(167)	(97)	-	<b>(20 987)</b>
Change in amount of provisions for costs of decommissioning	-	(624)	-	-	-	-	<b>(624)</b>
Other changes	(11)	1 881	1 711	(128)	-	275	<b>3 728</b>
<b>At 31 December 2010</b>							
Gross carrying amount	16 093	6 355 195	6 111 776	155 341	63 087	1 239 639	<b>13 941 131</b>
Accumulated depreciation	-	(3 709 913)	(3 525 462)	(99 540)	(48 697)	-	<b>(7 383 612)</b>
Impairment losses	-	-	(3 135)	(327)	-	(2 946)	<b>(6 408)</b>
Net carrying amount	<b>16 093</b>	<b>2 645 282</b>	<b>2 583 179</b>	<b>55 474</b>	<b>14 390</b>	<b>1 236 693</b>	<b>6 551 111</b>

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

**Capital commitments drawn at the end of the reporting period but not recognised in the interim statement of financial position**

	At	
	30 September 2011	31 December 2010
Purchase of property, plant and equipment	1 320 537	721 753
Purchase of intangible assets	16 800	15 725
<b>Total capital commitments</b>	<b>1 337 337</b>	<b>737 478</b>

**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
<b>Provisions at 1 January 2011</b>	<b>535 533</b>	<b>514 006</b>	<b>5 600</b>	<b>1 975</b>	<b>13 952</b>
Increase	58 972	52 950	119	1 362	4 541
Decrease	(91 259)	(86 784)	(354)	(2 147)	(1 974)
<b>Provisions at 30 September 2011</b>	<b>503 246</b>	<b>480 172</b>	<b>5 365</b>	<b>1 190</b>	<b>16 519</b>
of which:					
Non-current provisions	488 080	469 574	4 633	-	13 873
Current provisions	15 166	10 598	732	1 190	2 646

	TOTAL	Decommissioning costs of mines and other facilities	Costs of scrapping property, plant and equipment	Disputed issues and court proceedings	Other provisions
<b>Provisions at 1 January 2010</b>	<b>533 306</b>	<b>510 903</b>	<b>5 307</b>	<b>1 507</b>	<b>15 589</b>
Increase	128 686	118 821	4 838	1 271	3 756
Decrease	(126 459)	(115 718)	(4 545)	(803)	(5 393)
<b>Provisions at 31 December 2010</b>	<b>535 533</b>	<b>514 006</b>	<b>5 600</b>	<b>1 975</b>	<b>13 952</b>
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

	TOTAL	Decommissioning costs of mines and other facilities	Costs of scrapping property, plant and equipment	Disputed issues and court proceedings	Other provisions
<b>Provisions at 1 January 2010</b>	<b>533 306</b>	<b>510 903</b>	<b>5 307</b>	<b>1 507</b>	<b>15 589</b>
Increase	105 564	101 977	-	638	2 949
Decrease	(26 178)	(22 686)	-	(647)	(2 845)
<b>Provisions at 30 September 2010</b>	<b>612 692</b>	<b>590 194</b>	<b>5 307</b>	<b>1 498</b>	<b>15 693</b>
of which:					
Non-current provisions	597 771	584 154	-	-	13 617
Current provisions	14 921	6 040	5 307	1 498	2 076

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

#### 3. Sales

	Financial period			
	for the 3 months ended 30 September 2011	for the 9 months ended 30 September 2011	for the 3 months ended 30 September 2010	for the 9 months ended 30 September 2010
Copper, precious metals, smelter by-products	5 180 150	15 049 654	3 932 389	11 022 121
Salt	17 231	53 966	15 533	43 765
Services	15 045	44 216	13 775	42 541
Other finished goods	3 327	9 893	2 478	7 946
Merchandise	14 903	47 961	16 082	44 541
Scrap and production materials	13 035	38 764	11 818	30 565
Other materials	131	288	182	329
<b>Total</b>	<b>5 243 822</b>	<b>15 244 742</b>	<b>3 992 257</b>	<b>11 191 808</b>

#### 4. Expenses by nature

	Financial period			
	for the 3 months ended 30 September 2011	for the 9 months ended 30 September 2011	for the 3 months ended 30 September 2010	for the 9 months ended 30 September 2010
Depreciation of property, plant and equipment and amortisation of intangible assets	164 992	496 231	154 092	460 218
Employee benefit expenses	728 378	2 093 998	751 740	2 063 510
Materials and energy	1 616 896	4 418 964	1 013 325	3 554 625
External services	313 345	896 047	253 865	727 326
Taxes and charges	80 934	239 140	76 456	225 404
Advertising costs and representation expenses	5 414	22 908	5 050	15 895
Property and personal insurance	5 210	16 600	4 520	13 097
Research and development costs not capitalised in intangible assets	380	2 715	411	1 751
Other costs, of which:	<b>4 331</b>	<b>13 078</b>	<b>2 189</b>	<b>6 602</b>
Write-down of inventories	124	484	403	767
Reversal of write-down of inventories	(117)	(242)	(59)	(336)
Allowance for impairment of receivables	-	297	7	21
Reversal of allowance for impairment of receivables	(1)	(856)	-	-
Losses from the disposal of financial instruments	1 609	3 508	542	1 376
Other operating costs	2 716	9 887	1 296	4 774
<b>Total expenses by nature</b>	<b>2 919 880</b>	<b>8 199 681</b>	<b>2 261 648</b>	<b>7 068 428</b>
Cost of merchandise and materials sold (+)	26 142	78 510	24 814	68 646
Change in inventories of finished goods and work in progress (+/-)	(39 636)	(210 436)	104 880	(267 934)
Cost of manufacturing products for internal use (-)	(37 468)	(106 903)	(23 319)	(66 289)
<b>Total cost of sales, selling costs and administrative expenses</b>	<b>2 868 918</b>	<b>7 960 852</b>	<b>2 368 023</b>	<b>6 802 851</b>

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

#### 5. Other operating income

	Financial period			
	for the 3 months ended 30 September 2011	for the 9 months ended 30 September 2011	for the 3 months ended 30 September 2010	for the 9 months ended 30 September 2010
Income and gains on financial instruments, classified under other operating activities, resulting from:	1 277 727	1 894 115	(48 204)	429 078
Measurement and realisation of derivatives	638 058	1 168 555	52 700	392 470
Gains from disposal	2 710	16 855	(74)	822
Gains/ (losses) from measurement on non-current liabilities	(204)	-	-	-
Foreign exchange gains/(losses)	597 304	597 304	(113 594)	-
Interest	39 859	111 376	12 716	35 675
Reversal of allowance for impairment of other receivables	-	25	48	111
Non-financial interest	506	2 710	-	744
Reversal of allowance for impairment of non-financial receivables	375	1 125	373	1 116
Dividends received	-	277 330	77 454	101 505
Release of unused provisions due to:	219	3 904	1 165	2 562
Decommissioning of mines	45	2 427	764	1 198
Disputed issues, pending court proceedings	174	1 184	-	333
Liabilities towards local municipalities (Gminas) due to signed donations agreement	-	250	401	1 031
Other	-	43	-	-
Other operating income/gains	4 508	19 125	7 660	16 359
<b>Total other operating income</b>	<b>1 283 335</b>	<b>2 198 309</b>	<b>38 448</b>	<b>551 364</b>

#### 6. Other operating costs

	Financial period			
	for the 3 months ended 30 September 2011	for the 9 months ended 30 September 2011	for the 3 months ended 30 September 2010	for the 9 months ended 30 September 2010
Costs and losses on financial instruments, classified under other operating activities, resulting from:	(38 345)	469 936	404 417	883 302
Measurement and realisation of derivatives	9 778	463 376	403 928	879 170
Interest	105	189	5	14
Foreign exchange losses/(gains)	(49 871)	-	831	831
Losses/(gains) on measurement of non-current liabilities	1 625	1 625	(385)	157
Allowance for impairment of loans	3	9	4	10
Allowances for impairment of other receivables	15	4 737	34	3 120
Losses on the sale of property, plant and equipment and intangible assets	1 519	7 450	3 297	7 956
Donations granted	2 503	15 020	3 000	12 503
Interest on overdue non-financial liabilities	(26)	379	20	110
Provisions for:	3 702	6 316	1 462	4 537
Decommissioning of mines	345	1 604	810	2 246
Disputed issues, pending court proceedings	97	1 362	358	638
Liabilities towards local municipalities (Gminas) due to signed donations agreement	2 310	2 310	-	1 352
Other	950	1 040	294	301
Other operating costs/losses	4 246	17 005	3 143	20 092
<b>Total other operating costs</b>	<b>(26 401)</b>	<b>516 106</b>	<b>415 339</b>	<b>928 500</b>

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

**7. Finance costs**

	Financial period			
	for the 3 months ended 30 September 2011	for the 9 months ended 30 September 2011	for the 3 months ended 30 September 2010	for the 9 months ended 30 September 2010
Interest expense	198	241	67	595
Loans	22	26	14	115
Finance leases	176	215	53	480
Foreign exchange losses /(gains) on borrowings	888	958	(460)	(382)
Changes in provisions arising from the approach of the maturity date of liabilities (unwinding of discount effect)	8 025	23 831	8 097	23 967
Other financial costs	80	218	63	208
<b>Total finance costs</b>	<b>9 191</b>	<b>25 248</b>	<b>7 767</b>	<b>24 388</b>

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

	Financial period	
	for the 9 months ended 30 September 2011	for the 9 months ended 30 September 2010
Income tax expense	1 420 599	743 209
Depreciation/amortisation	496 231	460 218
Interest and share in profits (dividends)	(287 176)	(104 592)
Foreign exchange (gains)/losses	(515 910)	6 524
Change in provisions	58 535	102 900
Change in derivatives	(955 693)	(16 934)
Reclassification of accumulated other comprehensive income to profit or loss as a result of realisation of derivatives	(123 873)	(129 463)
Other adjustments	(9 066)	7 144
Changes in working capital:	29 635	(263 187)
Inventories	(387 455)	(160 536)
Trade and other receivables	405 988	(236 179)
Trade and other payables	11 102	133 528
<b>Total adjustments to profit for the period</b>	<b>113 282</b>	<b>805 819</b>



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

#### 9. Related entities transactions

	Financial period			
	for the 3 months ended 30 September 2011	for the 9 months ended 30 September 2011	for the 3 months ended 30 September 2010	for the 9 months ended 30 September 2010
<b>Sales</b>				
To subsidiaries	180 028	544 989	318 436	826 106
To entities held for sale	302	380	40	119
<b>Total sales</b>	<b>180 330</b>	<b>545 369</b>	<b>318 476</b>	<b>826 225</b>

During the period from 1 July 2011 to 30 September 2011, KGHM Polska Miedź S.A. did not recognise dividend income from related entities.

*(accrued other operating income since the beginning of the financial year due to dividends from related entities amounted to PLN 250 013 thousand)*

During the comparable period from 1 July 2010 to 30 September 2010, other operating income due to dividends from related entities amounted to PLN 77 454 thousand (During the period from 1 January 2010 to 30 September 2010 in the amount of PLN 101 505 thousand).

	Financial period			
	for the 3 months ended 30 September 2011	for the 9 months ended 30 September 2011	for the 3 months ended 30 September 2010	for the 9 months ended 30 September 2010
<b>Purchases</b>				
From subsidiaries	1 242 331	3 397 374	1 026 936	3 087 242
From entities held for sale	796	1 497	312	915
<b>Total purchase</b>	<b>1 243 127</b>	<b>3 398 871</b>	<b>1 027 248</b>	<b>3 088 157</b>

	At	
	30 September 2011	31 December 2010
<b>Trade receivables</b>		
From subsidiaries	263 036	202 777
From entities held for sale	59	28
<b>Total receivables from related entities</b>	<b>263 095</b>	<b>202 805</b>

	At	
	30 September 2011	31 December 2010
<b>Trade payables</b>		
Towards subsidiaries	341 794	317 968
Towards entities held for sale	352	276
<b>Total payables</b>	<b>342 146</b>	<b>318 244</b>

During the current quarter, no individual transactions were identified between KGHM Polska Miedź S.A. and the government and with entities controlled or jointly controlled by the government, or over which the government has significant influence, which would be considered as significant in terms of unusual scope and amount.

*(accrued since the beginning of the financial year: two individual transactions were identified:*

- 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.*

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

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.)*

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 205 853 thousand.

(an accrued since the beginning of the financial year - PLN 549 610 thousand), and the unsettled balance of liabilities from these transactions at 30 September 2011 amounted to PLN 55 711 thousand (at 31 December 2010: PLN 103 124 thousand).

	For the period	
	from 1 January 2011 to 30 September 2011	from 1 January 2010 to 30 September 2010
<b>Remuneration of the Supervisory Board</b>		
Remuneration due to service in the Supervisory Board, salaries and other current employee benefits	949	976
<b>Total</b>	<b>949</b>	<b>976</b>

	For the period	
	from 1 January 2011 to 30 September 2011	from 1 January 2010 to 30 September 2010
<b>Remuneration of the Management Board</b>		
Salaries and other current employee benefits	3 273	1 971
Post-employment benefits	96	91
<b>Total</b>	<b>3 369</b>	<b>2 062</b>

### 10. Contingent assets and liabilities

	At 30 September 2011	Increase/(decrease) since the end of the last financial year
<b>Contingent assets</b>	<b>269 039</b>	<b>63 405</b>
Guarantees received	154 739	22 525
Disputed State budget issues	8 153	(9 365)
Promissory notes receivables	70 340	47 767
Inventions, implementation of projects	35 770	2 441
Other	37	37
<b>Contingent liabilities</b>	<b>133 449</b>	<b>6 306</b>
Guarantees and collateral	5 000	-
Disputed issues, pending court proceedings	14 456	(1 110)
Preventive safety measures in respect of mine-related damages	989	(1 486)
Liabilities due to implementation of projects, inventions	112 366	8 268
Other	638	634

The value of contingent assets and liabilities was determined based on estimates.

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

### **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.**

##### **Agreement on the sale of shares of Telefonía DIALOG S.A.**

On 29 September, 2011 KGHM Polska Miedź S.A. and Netia S.A. signed a contingent binding agreement on the sale of 19 598 000 shares of Telefonía DIALOG S.A. with its registered head office in Wrocław, representing 100% of the share capital.

Based on the agreement, the sale price will amount to PLN 944 million and includes payment of the Enterprise Value in the amount of PLN 890 million and the equivalent of the balance of net cash held by Dialog in the amount of PLN 54 million as at 31 May 2011 (the „locked-box” date).

The final price will be adjusted based on the „locked-box” mechanism:

- less payment made by Dialog to KGHM Polska Miedź S.A. during the period from 31 May 2011 to the closure date, and
- including interest calculated based on the price in the amount of 4.76% annually, calculated from 31 May 2011 to the transaction closure date.

Closure of the transaction was made contingent on satisfying the condition precedent in the form of Netia S.A.'s obtaining the approval of the antimonopoly body for this acquisition. The Agreement will be terminated, if by 30 June 2012 the condition precedent is not satisfied, unless the parties agree otherwise.

##### **Referendum on the buyout of the coal equivalent owed to employees following their retirement**

The Management Board of KGHM Polska Miedź S.A. passed a resolution on the holding of a referendum on 8-9 November 2011 amongst the Company's employees on the buyout of the coal equivalent owed to employees following their retirement or disability leave. The amount of the proposed one-off payment for the coal equivalent amounts to PLN 17 thousand before taxation. Commencement of the buyout of the coal equivalent is contingent on the removal from the Collective Labour Agreement provisions related entitlement to the coal equivalent, which requires the agreement of all of the trade unions. In accordance with the Referendum Regulations, in order for the voting to be valid, at least 50% of those employed must participate.

The amount of the provision for future employee benefits due to the aforementioned liability in the Company's accounts at 30 September 2011 is PLN 795 602 thousand.

##### **Other significant events covered by current reports**

###### **Company bodies**

As a result of elections carried out on 19-20 September 2011, the employees of the Company chose the following three Members of the Supervisory Board elected by the employees: Lech Jaroń, Maciej Łaganowski, Paweł Markowski.

The Extraordinary General Meeting of KGHM Polska Miedź S.A., which was held on 20 October 2011:

- confirmed the validity of the elections held in the Company on 19-20 September 2011, as a result of which the employees of KGHM Polska Miedź S.A. elected three members to the Supervisory Board and appointed them to the Supervisory Board,
- resolved the changes of the Statutes of the Company based on expansion of the subjects of Company activities and authorised the Supervisory Board of the Company to establish a uniform text for the Statutes.

Suits filed by Company shareholders requesting that resolutions of the Ordinary General Meeting be declared invalid

On 13 July 2011, a Shareholder of the Company, Ryszard Zbrzyzny, filed a suit at the Regional Court in Legnica, Section VI (Economic), requesting that resolutions of the Ordinary General Meeting of KGHM Polska Miedź S.A. in Lubin dated 15 June 2011, be declared invalid based on which Leszek Hajdacki and Ryszard Kurek were not appointed to the Supervisory Board of KGHM Polska Miedź S.A. for the new term.

Simultaneously the Shareholder filed a request to secure the claim by suspending the registration proceedings in the Register of Entrepreneurs of the Regional Court of Registration carried out for KGHM Polska Miedź S.A. regarding the removal of Ryszard Kurek and Leszek Hajdacki until such time as the court ruling in this matter becomes legally binding, or eventually - to the extent that such removal had already taken place - by suspending the entry of new members of the Supervisory Board of the Company appointed by resolutions nos. 34 to 40/2011 of the Ordinary General Meeting of the Company dated 15 June 2011.

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

Together with the request to declare the resolutions invalid, KGHM Polska Miedź S.A. also received a ruling of the Regional Court in Legnica dated 23 August 2011 on the dismissal of the request of Ryszard Zbrzyzny to secure the claim.

On 29 September 2011, the Court issued a judgment at a closed session, in which it dismissed the suit in its entirety.

On 14 July 2011, a Shareholder of the Company, Krzysztof Skóra, filed a suit at the Regional Court in Legnica, Section VI (Economic), requesting that resolution no. 23/2011 of the Ordinary General Meeting of KGHM Polska Miedź S.A. in Lubin dated 15 June 2011, regarding the dismissal of Józef Czyczerski from the Supervisory Board of KGHM Polska Miedź S.A., be declared invalid, claiming that it was in conflict with existing law.

On 4 October 2011, the Court issued a judgment in which it dismissed the suit in its entirety.

#### **Adjustment of forecast**

On 5 September 2011 the Management Board of KGHM Polska Miedź S.A., based on the financial results of the Company achieved in the first half of 2011 and on verified assumptions in terms of: macroeconomic conditions, production, capital expenditures and equity investments, presented an adjusted forecast of financial results for 2011. The adjusted forecast assumes the achievement in 2011 of revenues from sales in the amount of PLN 18 934 million and profit for the period at the level of PLN 9 643 million, meaning an increase in the planned results respectively by 18 % and 16 % in relation to the forecast published in the current report from 31 January 2011.

## **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 570 720 thousand.

*(an accrued increase in other comprehensive income by PLN 737 194 thousand since the beginning of the financial year)*

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 218 281 thousand.

*(an accrued decrease in other comprehensive income by PLN 197 312 thousand since the beginning of the financial year)*

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 668 576 thousand (of which: as an increase in revenues from sales, PLN 40 296 thousand and as an increase in the result on other operating activities in the amount of PLN 628 280 thousand). For detailed information on derivatives see part C point II 5 Risk management.

*(an accrued increase in profit by PLN 829 052 thousand (of which: as an increase in revenues from sales, PLN 123 873 thousand and as an increase in the profit on other operating activities in the amount of PLN 705 179 thousand).*

In the current period, based on a contingent agreement for the sale of the shares of Telefonía DIALOG S.A. signed by KGHM Polska Miedź S.A. and Netia S.A. (detailed information on the agreement for the sale of the shares of Telefonía Dialog may be found in part C.II.1 of this report), KGHM Polska Miedź S.A. reclassified the shares of Telefonía Dialog S.A. to assets held for sale. In accordance with IFRS 5, *Non-current assets held for sale and discontinued operations*, immediately prior to the reclassification of these shares, their carrying amount was set at PLN 824 926 thousand, and at this amount were reclassified at the lower of its carrying amount and its fair value less costs to sell.

As a result of the above, the basis existed to recognise in the financial statements a deferred tax asset on deductible temporary differences due to the investment in Dialog S.A., which at 30 September 2011 amounted to PLN 1 160 609 thousand. In accordance with IAS 12.44, at 30 September 2011, a deferred tax asset was recognised in the amount of PLN 220 516 thousand.

There was no transfer by the Company of financial instruments by fair value hierarchy between individual levels in either the reporting or the comparative periods, nor was there any change in the classification of instruments as a result of a change in the purpose or use of these assets.

### **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 164 992 thousand.

*(an accrued increase in costs by PLN 496 231 thousand since the beginning of the financial year)*

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

#### 3.1 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:

3.1.1 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 an increase in the provision and a decrease in profit in the amount of PLN 44 943 thousand (after reflecting the results in deferred tax a decrease in profit in the amount of PLN 36 404 thousand),

*(an accrued decrease in profit since the beginning of the financial year, after reflecting the results in deferred tax, by PLN 43 902 thousand)*

3.1.2 provision for future costs of decommissioning (restoration) of the Company's mines, comprising the estimated costs of dismantling and removing technological facilities, for which the obligation for restoration upon the conclusion of activities is a result of separate law or standard practice. The result of this change in estimates is an increase in the provision in the amount of PLN 27 641 thousand which was settled as a decrease in profit in the amount of PLN 8 221 thousand and as an increase of property, plant and equipment in the amount of PLN 19 420 thousand. The increase in the provision resulted in an increase in deferred tax assets in the amount of PLN 5 140 thousand,

*(an accrued decrease in the provision by PLN 14 008 thousand since the beginning of the financial year, which was settled as a decrease in profit in the amount of PLN 22 613 thousand and as a decrease of property, plant and equipment in the amount of PLN 36 621 thousand)*

3.1.3 provisions for future employee remuneration costs together with charges in the amount of PLN 182 434 thousand, paid (in accordance with the Collective Labour Agreement) on the occasion of mining or smelting holidays and after approval of the annual financial statements.

*(provision at 30 September 2011 amounted to PLN 408 930 thousand)*

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

#### 3.2 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 liability.

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 306 266 thousand

*(after offsetting the deferred tax asset and deferred tax liability, the deferred tax asset at 31 December 2010 was set at PLN 359 833 thousand).*

#### Deferred tax assets

There was an increase in the deferred tax asset in the current quarter in the amount of PLN 342 262 thousand, which was settled:

- as an increase in profit, in the amount of PLN 228 774 thousand, including due to temporary differences resulting from the holding for sale of Dialog S.A. of PLN 220 516 thousand
- as an increase in other comprehensive income PLN 113 488 thousand of which due to:
  - measurement of derivatives PLN 62 166 thousand
  - measurement of available-for-sale financial assets PLN 51 322 thousand

*(an accrued increase in the deferred tax asset by PLN 377 462 thousand since the beginning of the financial year, of which the following was settled:*

- as an increase in profit, PLN 246 669 thousand,
- as an increase in other comprehensive income due to measurement of hedging instruments and available-for-sale financial assets, PLN 130 793 thousand.

#### Deferred tax liability

There was an increase in the deferred tax liability in the current quarter in the amount of PLN 299 925 thousand, of which the following was accounted for:

- as a decrease in profit, in the amount of PLN 103 766 thousand, of which due to:
  - measurement of derivatives PLN 96 920 thousand
  - difference between accounting and tax depreciation of property, plant and equipment and intangible assets PLN 6 647 thousand
- as a decrease in other comprehensive income PLN 196 159 thousand of which due to measurement of cash flow hedging financial instruments, PLN 196 039 thousand.

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

*(an accrued increase in the deferred tax liability by PLN 431 028 thousand since the beginning of the financial year, of which the following was settled:*

- |  |                        |
|--|------------------------|
| - as a decrease in profit,   | PLN 173 596 thousand,  |
| - as a decrease in other comprehensive income due to measurement of cash flow hedging financial instruments and available-for-sale financial assets, | PLN 257 432 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 third quarter of 2011

In the third quarter of 2011, KGHM Polska Miedź S.A. produced 143 thousand t of electrolytic copper, including 35 thousand t from purchased copper-bearing materials and 335 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 8 982 USD/t,
- an average exchange rate of 2.94 PLN/USD,
- average silver prices on the London Bullion Market (LBM) of 38.80 USD/troz,

and the sales volume of products:

- copper and copper products (148 thousand t) and
- silver (281 t).

The revenues from sales achieved of PLN 5 243 822 thousand were higher than those achieved in the third quarter of 2010 by PLN 1 251 565 thousand, i.e. by 31%. The increase in sales was mainly due to:

- higher copper prices (an increase from 7 242 USD/t to 8 982 USD/t) and silver prices (an increase from 18.97 USD/troz to 38.80 USD/troz),
- a higher volume of copper sales (an increase from 140 thousand t to 148 thousand t)

along with the following factors decreasing sales: exchange rate (a change from 3.10 PLN/USD to 2.94 PLN/USD) and volume of silver sales (a decrease from 291 t to 281 t).

In the third quarter of 2011, revenues from the sale of copper and copper products represented 76%, and silver 20% (in the comparable period of 2010 respectively: 82% and 14%) of total revenues from sales.

**Operating costs** (cost of sales, selling costs and administrative expenses) in the third quarter of 2011 amounted to PLN 2 868 918 thousand and were higher versus the comparable prior period by PLN 500 895 thousand, i.e. by 21%, with a higher volume of copper products sales by 6% and a lower volume of silver sales by 3%.

**Expenses by nature** (excluding purchased copper-bearing materials) in the third quarter of current period amounted to PLN 1 849 677 thousand, and were higher than those in the comparable prior year period by 7% (i.e. by PLN 115 320 thousand). The change in the level of expenses by nature was mainly due to increased costs in the following:

- external services by PLN 59 480 thousand (an increased scope of preparatory mine work, higher costs of maintenance),
- materials, fuels, energy costs by PLN 60 657 thousand (due to higher volume of production by 5% and an increase of purchase prices).

**The pre-precious metals credit unit cost of electrolytic copper production** (total cost prior to decrease by the value of precious metals) in the third quarter of 2011 amounted to 18 347 PLN/t, and increased versus the third quarter of 2010 by 18% due to an increase in purchased copper-bearing materials used in production alongside higher purchase prices. Due to the favourable valuation of precious metals in anode slimes, the total unit cost of copper production amounted to 14 014 PLN/t (in the comparable period of 2010 – 13 100 PLN/t).

**The pre-precious metals credit unit cost of copper production from own concentrates** amounted to 15 322 PLN/t (in the comparable period – 14 156 PLN/t) alongside a higher volume of own production by 5%. The total cost of copper production from own concentrate amounted to 10 183 PLN/t and is lower in comparison to the prior year by 10%, mainly due to high by-products prices – silver and gold.

**Profit on sales** (gross profit less administrative expenses and selling costs) achieved in the third quarter of 2011 of PLN 2 374 904 thousand was higher by PLN 750 670 thousand, i.e. by 46%, than that achieved in the third quarter of 2010, mainly due to more favourable metals prices on the global markets.

**Other operating activities** showed a profit in the third quarter of 2011 in the amount of PLN 1 309 736 thousand, mainly due to income from foreign exchange differences and on measurement and realisation of derivatives. The aforementioned factors were also the main reason for the increase in the result on other operating activities versus the third quarter of 2010 by PLN 1 686 627 thousand.

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

As a result of the above, **operating profit** in the third quarter of 2011 amounted to PLN 3 684 640 thousand and increased versus the comparable period of 2010 by PLN 2 437 297 thousand, i.e. by near 3-times.

KGHM Polska Miedź S.A. earned a **profit for the third quarter of 2011** of PLN 3 201 242 thousand, which was higher by PLN 2 183 656 thousand, i.e. by more than 3-times higher than that achieved in the third quarter of 2010.

**EBITDA** in the third quarter of 2011 amounted to PLN 3 849 632 thousand (including depreciation/amortisation of PLN 164 992 thousand) and was higher by PLN 2 448 197 thousand, i.e. by 2.7-times, than that in the comparable prior year period.

### 5. Risk management

In the third quarter of 2011, strategies hedging the copper price represented approx. 33%, and those hedging the silver price approx. 10%, of the sales of these metals realised by the Company. In the case of currency transactions, approx. 18% of revenues from sales realised by the Company in this period 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 products.

In the third quarter of 2011, the positive result on derivatives amounted to PLN 668 576 thousand, of which the amount of PLN 40 296 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 628 280 thousand increased the result on other operating activities, of which PLN 31 585 thousand represented a gain due to the realisation of derivatives, while PLN 596 695 thousand represented a gain due to the measurement of derivatives. The gain on the measurement of derivative transactions recognised in other operating activities results mainly from the change in the time value of options which, in accordance with the hedge accounting policy, are recognised in profit or loss.

**The impact of derivatives on the profit or loss of the current and comparable periods is presented below:**

	Financial period			
	for the 3 months ended 30 September 2011	for the 9 months ended 30 September 2011	for the 3 months ended 30 September 2010	for the 9 months ended 30 September 2010
<b>Impact on sales</b>	<b>40 296</b>	<b>123 873</b>	<b>47 168</b>	<b>129 463</b>
<b>Impact on other operating activities</b>	<b>628 280</b>	<b>705 179</b>	<b>(351 228)</b>	<b>(486 700)</b>
Gains or (losses) from realisation of derivatives	31 585	56 905	(38 961)	(62 206)
Gains or (losses) from measurement of derivatives	596 695	648 274	(312 267)	(424 494)
<b>Total impact of derivatives on profit or loss:</b>	<b>668 576</b>	<b>829 052</b>	<b>(304 060)</b>	<b>(357 237)</b>

In the third quarter of 2011 the Company implemented copper price hedging strategies of a total volume of 110.5 thousand tonnes and a time horizon falling in the period from September 2011 to December 2013. The Company made use of options (Asian options) including collar options and producer puts. Additionally, the Company performed a restructure, implemented in the third quarter of 2010, of a seagull strategy for the second half of 2012 of a total volume of 39 thousand tonnes, through the buyback of sold puts. This restructure allows the full utilisation of put options bought within this structure in case of any eventual decrease in metals prices in the second half of 2012.

In the case of the silver market, in the third quarter of 2011 the Company implemented strategies to hedge the price of this metal of a total volume of 3.6 million troz and a time horizon falling in 2012. The Company made use of collar options strategies (Asian options).

In the case of the forward currency market, in the third quarter of 2011 the Company implemented transactions hedging revenues from sales in the total nominal amount of USD 1 020 million and a time horizon falling in the second half of 2012 and 2013. The Company made use of collar and seagull options (European options).

In the analysed period adjustment hedge transactions were not implemented on either the copper and silver markets or on the currency market.

The Company remains hedged for a portion of copper sales planned in the period from October to December 2011 (69 thousand tonnes), in 2012 (205.5 thousand tonnes) and in 2013 (61.5 thousand tonnes), and for a portion of silver sales planned in the period from October to December 2011 (0.9 million troz), in 2012 (10.8 million troz) and in 2013 (3.6 million troz). With respect to revenues from sales (currency market) the Company holds a hedging position for the fourth quarter of 2011 (USD 300 million), 2012 (USD 900 million) and 2013 (USD 840 million).

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

Following is condensed information on hedging positions, by type of hedged asset and instruments used at 30 September 2011. The hedged nominal/volume in the months included in the presented periods is equally balanced.

#### HEDGING POSITION (condensed information) – COPPER MARKET

Period	Instrument		Volume [tonnes]	Execution price [USD/t]	Average weighted premium [USD/t]	Effective hedge price [USD/t]	
IV quarter of 2011	Collar <sup>1</sup>	Sold call option	9 750	9 500	(463)	6 537	
		Purchased put option		7 000		participation restricted to 9 500	
	Collar <sup>1</sup>	Sold call option	9 750	9 300	(521)	6 379	
		Purchased put option		6 900		participation restricted to 9 300	
	Collar <sup>1</sup>	Sold call option	9 750	9 600	(348)	6 752	
		Purchased put option		7 100		participation restricted to 9 600	
		Producer's puts <sup>2</sup>		9 750	8 000	9.78% <sup>3</sup>	minimal effective hedging price 7 288
		Producer's puts <sup>2</sup>		30 000	8 300	3.43% <sup>3</sup>	minimal effective hedging price 8 025
	<b>Total</b>		<b>69 000</b>				
	<b>TOTAL 2011</b>		<b>69 000</b>				
I half of 2012	Collar <sup>1</sup>	Sold call option	19 500	9 300	(447)	6 453	
		Purchased put option		6 900		participation restricted to 9 300	
	Collar <sup>1</sup>	Sold call option	19 500	9 000	(478)	6 322	
		Purchased put option		6 800		participation restricted to 9 000	
	Collar <sup>1</sup>	Sold call option	19 500	9 500	(440)	6 760	
		Purchased put option		7 200		participation restricted to 9 500	
		Producer's puts <sup>2</sup>		19 500	8 000	9.90% <sup>3</sup>	minimal effective hedging price 7 279
		Producer's puts <sup>2</sup>		24 750	8 300	8.66% <sup>3</sup>	minimal effective hedging price 7 639
	<b>Total</b>		<b>102 750</b>				
	<b>TOTAL 2012</b>		<b>102 750</b>				
II half of 2012	Collar <sup>1</sup>	Sold call option	19 500	9 300	(454)	6 446	
		Purchased put option		6 900		participation restricted to 9 300	
	Collar <sup>1</sup>	Sold call option	19 500	9 000	(459)	6 341	
		Purchased put option		6 800		participation restricted to 9 000	
	Collar <sup>1</sup>	Sold call option	19 500	9 500	(453)	6 747	
		Purchased put option		7 200		participation restricted to 9 500	
		Producer's puts <sup>2</sup>		19 500	8 500	8.74% <sup>3</sup>	minimal effective hedging price 7 817
		Producer's puts <sup>2</sup>		24 750	8 300	8.66%	minimal effective hedging price 7 639
	<b>Total</b>		<b>102 750</b>				
	<b>TOTAL 2012</b>		<b>205 500</b>				
I half of 2013	Seagull <sup>2</sup>	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	
	Collar	Sold call option	10 500	11 500	(333)	7 867	
		Purchased put option		8 200		participation restricted to 11 500	
		<b>Total</b>		<b>40 500</b>			
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	
	Collar	Sold call option	10 500	11 500	(333)	7 867	
		Purchased put option		8 200		participation restricted to 11 500	
	<b>Total</b>		<b>21 000</b>				
	<b>TOTAL 2013</b>		<b>61 500</b>				

<sup>1</sup> Tables presenting the condensed list of open hedging positions include restructured items: the type of instrument was changed from seagull to collar and from collar to put spread. 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.

<sup>2</sup> 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 derivatives positions, „Hedging instruments“, while call options are shown in the table „Trade instruments“, transactions included in the seagull structure – purchased put options and sold call options – are shown in the table „Hedging instruments“, while sold put options are shown in the table „Trade instruments“; sold put options included in the put spread structure are also shown in the table „Trade instruments“.

<sup>3</sup> 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]
<b>IV quarter of 2011</b>	Purchased put option		0.90	20.00	(1.27)	18.73
	<b>Total</b>		<b>0.90</b>			
	<b>TOTAL 2011</b>			<b>0.90</b>		
<b>I half of 2012</b>	Purchased put option		1.80	30.00	(2.89)	27.11
	Put spread <sup>1</sup>	Purchased put option	1.80	40.00	(1.18)	38.82
		Sold put option <sup>2</sup>		19.80		restricted to 19.80
	Collar	Sold call option	1.80	62.00	(1.63)	35.37
		Purchased put option		37.00		participation restricted to 62.00
<b>Total</b>			<b>5.40</b>			
<b>II half of 2012</b>	Purchased put option		1.80	30.00	(2.89)	27.11
	Put spread <sup>1</sup>	Purchased put option	1.80	40.00	(1.18)	38.82
		Sold put option <sup>2</sup>		19.80		restricted to 19.80
	Collar	Sold call option	1.80	62.00	(1.63)	35.37
		Purchased put option		37.00		participation restricted to 62.00
<b>Total</b>			<b>5.40</b>			
<b>TOTAL 2012</b>			<b>10.80</b>			
<b>I half of 2013</b>	Seagull <sup>2</sup>	Sold call option	1.80	65.00	(1.98)	38.02
		Purchased put option		40.00		restricted to 20.00
		Sold put option		20.00		participation restricted to 65.00
	<b>Total</b>			<b>1.80</b>		
<b>II half of 2013</b>	Seagull <sup>2</sup>	Sold call option	1.80	65.00	(1.98)	38.02
		Purchased put option		40.00		restricted to 20.00
		Sold put option		20.00		participation restricted to 65.00
	<b>Total</b>			<b>1.80</b>		
<b>TOTAL 2013</b>			<b>3.60</b>			

**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]	
<b>IV quarter of 2011</b>	Collar <sup>1</sup>	Sold call option	90	3.7000	(0.0960)	2.8040	
		Purchased put option		2.9000		participation restricted to 3.70	
	Seagull <sup>2</sup>	Sold call option	45	4.4000	(0.1125)	3.1875	
		Purchased put option		3.3000		restricted to 2.70	
			Sold put option		2.7000		participation restricted to 4.40
			Purchased put option	45	2.7000	(0.0946)	2.6054
			Purchased put option	60	2.8000	(0.0722)	2.7278
			Purchased put option	60	2.9000	(0.0993)	2.8007
<b>Total</b>			<b>300</b>				
<b>TOTAL 2011</b>			<b>300</b>				
<b>I half of 2012</b>	Seagull <sup>2</sup>	Sold call option	90	4.4000	(0.0990)	3.2010	
		Purchased put option		3.3000		restricted to 2.70	
		Sold put option		2.7000		participation restricted to 4.40	
	Collar	Sold call option	90	4.5000	(0.1527)	3.2473	
		Purchased put option		3.4000		participation restricted to 4.50	
<b>Total</b>			<b>540</b>			2.5053	
<b>II half of 2012</b>	Seagull <sup>2</sup>	Sold call option	90	4.4000	(0.0767)	3.2233	
		Purchased put option		3.3000		restricted to 2.70	
		Sold put option		2.7000		participation restricted to 4.40	
	Collar	Sold call option	90	4.5000	(0.1473)	3.2527	
		Purchased put option		3.4000		participation restricted to 4.50	
	Collar	Sold call option	180	4.2000	(0.0686)	3.1314	
	Purchased put option		3.2000		participation restricted to 4.20		
<b>Total</b>			<b>360</b>				
<b>TOTAL 2012</b>			<b>900</b>				
<b>I half of 2013</b>	Seagull <sup>2</sup>	Sold call option	240	4.0000	(0.0332)	3.1168	
		Purchased put option		3.1500		restricted to 2.60	
		Sold put option		2.6000		participation restricted to 4.00	
	Collar	Sold call option	180	4.2000	(0.0686)	3.1314	
		Purchased put option		3.2000		participation restricted to 4.20	
<b>Total</b>			<b>420</b>				

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

**HEDGING POSITION (condensed information) – CURRENCY MARKET (continuation)**

<b>II half of 2013</b>	Seagull <sup>2</sup>	Sold call option	240	4.0000	(0.0230)	3.1270
		Purchased put option		3.1500		restricted to 2.60
		Sold put option		2.6000		participation restricted to 4.00
	Collar	Sold call option	180	4.2000	(0.0686)	3.1314
		Purchased put option		3,2000		participation restricted to 4.20
	<b>Total</b>		<b>420</b>			
<b>TOTAL 2013</b>		<b>840</b>				

All entities with which derivative transactions are entered into operate in the financial sector. These are financial institutions (mainly banks), with the highest<sup>4</sup> (36.8%), medium-high<sup>5</sup> (57.9%) or medium<sup>6</sup> (5.3%) ratings. Based on fair value at 30 September 2011, the maximum share of a single entity with respect to credit risk arising from derivative transactions entered into by the Company amounted to 17.5%.

Due to diversification of risk in terms both of the nature of individual entities and of their geographical location, as well as to cooperation with highly-rated financial institutions, and also taking into consideration the fair value of receivables arising from derivative transactions, the Company is not materially exposed to credit risk as a result of derivative transactions entered into.

In order to reduce cash flows as well as credit risk, the Company carries out net settlement (based on framework agreements entered into with its customers) to the level of the positive balance of fair value remeasurement of transactions in derivatives with a given counterparty.

At 30 September 2011, the fair value of open positions in derivatives amounted to PLN 1 494 110 thousand, of which PLN 1 822 042 thousand related to the positive fair value of hedging instruments, PLN 332 520 thousand related to the negative fair value of trade instruments, and PLN 4 588 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 30 September 2011 is presented below in the tables "Trade instruments", "Hedging instruments" and "Instruments initially designated as hedging instruments excluded from hedge accounting".

<b>TRADE INSTRUMENTS</b>			<b>At 30 September 2011</b>			
Type of derivative	Volume/ Notional	Avg. weighted price/ex. rate	Financial assets		Financial liabilities	
	Cu [t] Ag [ <sup>3</sup> 000 troz] Currency [ <sup>3</sup> 000 USD]	Cu [USD/t] Ag [USD/troz] Currency [USD/PLN]	Current	Non- current	Current	Non- current
<b>Derivatives -</b>						
<b>Metals – Copper:</b>						
Options						
Sold call options	9 902	1			(167 453)	(58 395)
Purchased put options	146 250	4 653	20 569	22 285		
Sold put options	165 750	4 659			(20 569)	(38 998)
<b>TOTAL:</b>			<b>20 569</b>	<b>22 285</b>	<b>(188 022)</b>	<b>(97 393)</b>
<b>Derivatives -</b>						
<b>Metals – Silver:</b>						
Options						
Purchased call options	3 600	62.00	1 714	2 683		
Sold put options	7 200	19.90			(4 502)	(28 756)
<b>TOTAL:</b>			<b>1 714</b>	<b>2 683</b>	<b>(4 502)</b>	<b>(28 756)</b>
<b>Derivatives –</b>						
<b>Currency contracts –</b>						
<b>USD/PLN:</b>						
Options						
Purchased call options	45 000	4.4000	25			
Purchased put options	90 000	2.4000	20			
Sold put options	840 000	2.6482			(14 897)	(46 246)
<b>TOTAL:</b>			<b>45</b>		<b>(14 897)</b>	<b>(46 246)</b>
<b>Total trade instruments</b>			<b>22 328</b>	<b>24 968</b>	<b>(207 421)</b>	<b>(172 395)</b>

<sup>4</sup> 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.

<sup>5</sup> 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.

<sup>6</sup> 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)

#### HEDGING INSTRUMENTS

At 30 September 2011

Type of derivative	Volume/ Notional	Avg. weighted price/ ex. rate	Maturity/ settlement period		Period of profit/loss impact		Financial assets		Financial liabilities	
			From	To	From	To	Current	Non-current	Current	Non-current
<b>Derivatives – Metals- Copper</b>										
Options										
Collar	42 000	8 350-11 750	Jan -13	Dec-13	Feb-13	Jan-14		297 250		(45 384)
Collar - seagulls	165 750	7 000-9 329	Oct-11	June-13	Nov-11	July-13	248 948	221 045	(70 130)	(98 469)
Purchased put options- producer's puts	128 250	8 262	Oct-11	Dec-12	Nov -11	Jan-13	485 243	191 051		
<b>TOTAL:</b>							<b>734 191</b>	<b>709 346</b>	<b>(70 130)</b>	<b>(143 853)</b>
<b>Derivatives – Metals - Silver</b>										
Options										
Purchased put options	8 100	33.33	Oct-11	Dec-12	Nov -11	Jan 13	120 527	69 312		(2 683)
Collar	3 600	37.00-62.00	Jan -12	Dec-12	Feb-12	Jan-13	69 073	39 200	(1 714)	(14 961)
Collar - seagull	3 600	40.00-65.00	Jan -13	Dec-13	Feb-13	Jan-14		161 593		(17 644)
<b>TOTAL:</b>							<b>189 600</b>	<b>270 105</b>	<b>(1 714)</b>	<b>(17 644)</b>
<b>Derivatives – Currency contracts</b>										
Options										
Purchased put options	525 000	2.6657	Oct-11	June-12	Oct-11	June-12	9 151			
Collar	720 000	3.2500-4.2750	Jan -12	Dec-13	Jan-12	Dec 13	58 477	136 954	(10 295)	(87 127)
Collar - seagull	795 000	3.1642-4.0792	Oct-11	Dec 13	Oct-11	Dec-13	39 378	136 333	(6 050)	(124 680)
<b>TOTAL:</b>							<b>107 006</b>	<b>273 287</b>	<b>(16 345)</b>	<b>(211 807)</b>
<b>Total hedging instruments</b>							<b>1 030 797</b>	<b>1 252 738</b>	<b>(88 189)</b>	<b>(373 304)</b>

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

At 30 September 2011

Type of derivative	Volume/ Notional	Avg. weighted ex. rate	Maturity/ settlement period		Period of profit/loss impact		Financial assets		Financial liabilities	
			From	To	From	To	Current	Non-current	Current	Non-current
<b>Derivatives – Metals - Silver</b>										
Options										
Sold call options	3 600	62.00	Jan-12	Dec-12	Feb-12	Jan-13			(1 714)	(2 683)
<b>TOTAL</b>									<b>(1 714)</b>	<b>(2 683)</b>
<b>Derivatives – Currency contracts</b>										
Options										
Collar	45 000	3.40-4.40	Oct-11	Dec-11	Oct-11	Dec-11	9 010		(25)	
<b>TOTAL</b>							<b>9 010</b>		<b>(25)</b>	
<b>Total instruments initially designated as hedging instruments excluded from hedge accounting</b>							<b>9 010</b>		<b>(1 739)</b>	<b>(2 683)</b>

The fair values of derivatives and other liabilities due to unsettled derivatives with a settlement date of 4 October 2011, as at 30 September 2011, are presented in the table below:

	<b>Total: fair value of derivatives and of other liabilities due to unsettled derivatives</b>	Fair value of derivatives	Fair value of other liabilities due to unsettled derivatives
Financial assets	<b>2 339 841</b>	2 339 841	-
Financial liabilities	<b>(863 612)</b>	(845 731)	(17 881)
<b>Net fair value</b>	<b>1 476 229</b>	<b>1 494 110</b>	<b>(17 881)</b>

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

At 30 September 2011, accumulated other comprehensive income (excluding the deferred tax effect) due to cash flow hedging instruments amounted to PLN 1 020 948 thousand, of which PLN 992 734 thousand related to the effective portion of the result from the measurement of transactions hedging metals price risk, and PLN 28 214 thousand related to the effective portion of the result from the measurement of transactions hedging currency risk.

At 30 June 2011, accumulated other comprehensive income (excluding the deferred tax effect) due to cash flow hedging instruments amounted to PLN 316 355 thousand, of which PLN 26 410 thousand related to the effective portion of the result from the measurement of transactions hedging metals price risk, and PLN 289 945 thousand related to the effective portion of the result from the measurement of transactions hedging currency risk.

During the third quarter of 2011 there was an increase in other comprehensive income by PLN 704 593 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 744 888 thousand,
- the amount of PLN 40 295 thousand, decreasing accumulated other comprehensive income transferred to increase revenues from sales, due to the settlement of the effective portion of hedging transactions.

<b>Accumulated other comprehensive income</b>	<b>At</b>		
	<b>30 September 2011</b>	<b>30 June 2011</b>	<b>31 December 2010</b>
Commodity price risk hedging transactions (copper and silver) – derivatives	992 734	26 410	(98 940)
Currency risk hedging transactions – derivatives	28 214	289 945	209 772
<b>Total accumulated other comprehensive income - financial instruments hedging future cash flows (excluding deferred tax effects)</b>	<b>1 020 948</b>	<b>316 355</b>	<b>110 832</b>

Lubin, 9 November 2011