

POLISH FINANCIAL SUPERVISION AUTHORITY

Consolidated quarterly report QSr 4/2009

(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 fourth quarter of the financial year **2009** comprising the period from **1 October 2009** to **31 December 2009**
Containing the condensed consolidated financial statements according to International Financial Reporting Standards in PLN, and condensed financial statements according to International Financial Reporting Standards in PLN.

publication date: 26 February 2010

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(name of the issuer)

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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 ITEMS

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

	in '000 PLN		in '000 EUR	
	4 quarters accrued for the 12 months ended 31 December 2009	4 quarters accrued for the 12 months ended 31 December 2008	4 quarters accrued for the 12 months ended 31 December 2009	4 quarters accrued for the 12 months ended 31 December 2008
	At 31 December 2009	At 31 December 2008	At 31 December 2009	At 31 December 2008
I. Sales	12 112 690	12 654 885	2 790 557	3 582 822
II. Operating profit	2 677 479	3 186 362	616 845	902 115
III. Profit before income tax	2 902 478	3 396 447	668 681	961 594
IV. Profit for the period	2 357 350	2 765 866	543 093	783 065
V. Profit for the period attributable to shareholders of the Parent Entity	2 356 782	2 766 179	542 962	783 154
VI. Profit for the period attributable to minority interest	568	(313)	131	(89)
VII. Other comprehensive income	(391 155)	504 338	(90 115)	142 787
VIII. Total comprehensive income	1 966 195	3 270 204	452 978	925 853
IX. Total comprehensive income attributable to the shareholders of the Parent Entity	1 965 627	3 270 517	452 847	925 942
X. Total comprehensive income attributable to minority interest	568	(313)	131	(89)
XI. Number of shares issued	200 000 000	200 000 000	200 000 000	200 000 000
XII. Earnings per ordinary share (in PLN/EUR)	11.78	13.83	2.71	3.92
XIII. Net cash generated from operating activities	2 719 298	2 959 725	626 480	837 951
XIV. Net cash used in investing activities	(1 256 162)	(1 919 124)	(289 398)	(543 338)
XV. Net cash used in financing activities	(2 315 885)	(1 827 363)	(533 540)	(517 359)
XVI. Total net cash flow	(852 749)	(786 762)	(196 458)	(222 746)
	At 31 December 2009	At 31 December 2008	At 31 December 2009	At 31 December 2008
XVII. Non-current assets	9 807 130	9 113 159	2 387 208	2 184 152
XVIII. Current assets	5 095 389	5 856 959	1 240 297	1 403 739
XIX. Non-current assets held for sale	6 674	29 987	1 625	7 187
XX. Total assets	14 909 193	15 000 105	3 629 130	3 595 078
XXI. Non-current liabilities	1 970 273	1 849 264	479 595	443 213
XXII. Current liabilities	2 316 913	2 167 976	563 973	519 599
XXIII. Equity	10 622 007	10 982 865	2 585 562	2 632 266
XXIV. Minority interest	67 875	58 360	16 522	13 987

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

	in '000 PLN		in '000 EUR	
	4 quarters accrued for the 12 months ended 31 December 2009	4 quarters accrued for the 12 months ended 31 December 2008	4 quarters accrued for the 12 months ended 31 December 2009	4 quarters accrued for the 12 months ended 31 December 2008
	At 31 December 2009	At 31 December 2008	At 31 December 2009	At 31 December 2008
I. Sales	11 060 540	11 302 913	2 548 159	3 200 055
II. Operating profit	3 098 092	3 596 364	713 747	1 018 194
III. Profit before income tax	3 066 569	3 553 629	706 485	1 006 095
IV. Profit for the period	2 540 185	2 920 378	585 215	826 811
V. Other comprehensive income	(391 520)	504 965	(90 199)	142 965
VI. Total comprehensive income	2 148 665	3 425 343	495 016	969 776
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)	12.70	14.60	2.93	4.13
IX. Net cash generated from operating activities	2 487 385	2 749 171	573 051	778 339
X. Net cash used in investing activities	(946 703)	(1 721 778)	(218 104)	(487 466)
XI. Net cash used in financing activities	(2 343 562)	(1 809 021)	(539 917)	(512 166)
XII. Total net cash flow	(802 880)	(781 628)	(184 970)	(221 293)
	At 31 December 2009	At 31 December 2008	At 31 December 2009	At 31 December 2008
XIII. Non-current assets	9 508 897	8 703 565	2 314 614	2 085 985
XIV. Current assets	4 443 909	5 173 979	1 081 717	1 240 049
XV. Non-current assets held for sale	224	23 020	55	5 517
XVI. Total assets	13 953 030	13 900 564	3 396 386	3 331 551
XVII. Non-current liabilities	1 704 420	1 640 668	414 883	393 219
XVIII. Current liabilities	1 844 653	1 668 604	449 017	399 915
XIX. Equity	10 403 957	10 591 292	2 532 486	2 538 417

Translation from the original Polish version

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Consolidated financial statements

Consolidated statement of financial position

	Note	At	
		31 December 2009	31 December 2008
Assets			
Non-current assets			
Property, plant and equipment		7 670 535	7 136 307
Intangible assets		270 543	151 581
Investment property		17 164	18 083
Investments in associates		1 346 272	1 498 116
Deferred tax assets		347 482	188 992
Available-for-sale financial assets		19 412	31 213
Held-to-maturity investments		67 144	59 592
Derivative financial instruments		58 034	6 501
Trade and other receivables		10 544	22 774
		9 807 130	9 113 159
Current assets			
Inventories		2 080 252	1 608 369
Trade and other receivables		1 535 619	1 469 959
Current corporate tax receivables		9 510	1 741
Available-for-sale financial assets		8 976	-
Held-to-maturity investments		580	-
Derivative financial instruments		263 375	711 127
Cash and cash equivalents		1 197 077	2 065 763
		5 095 389	5 856 959
Non-current assets held for sale			
		6 674	29 987
TOTAL ASSETS			
		14 909 193	15 000 105
Equity and liabilities			
EQUITY			
Equity attributable to shareholders of the Parent Entity			
Share capital		2 000 000	2 000 000
Accumulated other comprehensive income		126 301	517 456
Retained earnings		8 427 831	8 407 049
		10 554 132	10 924 505
Minority interest			
		67 875	58 360
TOTAL EQUITY			
		10 622 007	10 982 865
LIABILITIES			
Non-current liabilities			
Trade and other payables		36 119	44 289
Borrowings and finance lease liabilities	A.IV.6	120 019	98 055
Derivative financial instruments		61 354	-
Deferred tax liabilities		42 010	68 182
Liabilities due to employee benefits		1 183 350	1 039 423
Provisions for other liabilities and charges		527 421	599 315
		1 970 273	1 849 264
Current liabilities			
Trade and other payables		1 591 614	1 756 752
Borrowings and finance lease liabilities	A.IV.6	218 275	192 923
Current corporate tax liabilities		79 133	65 952
Derivative financial instruments		273 717	4 930
Liabilities due to employee benefits		106 526	83 531
Provisions for other liabilities and charges		47 648	63 888
		2 316 913	2 167 976
TOTAL LIABILITIES			
		4 287 186	4 017 240
TOTAL EQUITY AND LIABILITIES			
		14 909 193	15 000 105

Consolidated statement of comprehensive income

	Note	Financial period			
		for the 3 months ended 31 December 2009	for the 12 months ended 31 December 2009	for the 3 months ended 31 December 2008	for the 12 months ended 31 December 2008
Income statement					
Sales	A.IV.1	3 594 579	12 112 690	2 817 524	12 654 885
Cost of sales	A.IV.2	(2 354 304)	(7 912 283)	(2 347 510)	(8 489 581)
Gross profit		1 240 275	4 200 407	470 014	4 165 304
Selling costs	A.IV.2	(52 910)	(231 264)	(44 389)	(225 540)
Administrative expenses	A.IV.2	(253 141)	(784 182)	(246 128)	(778 127)
Other operating income	A.IV.3	174 250	497 915	558 983	1 043 759
Other operating costs	A.IV.4	(377 573)	(1 005 397)	(412 506)	(1 019 034)
Operating profit		730 901	2 677 479	325 974	3 186 362
Finance costs - net	A.IV.5	(10 011)	(45 073)	(18 060)	(57 494)
Share of profits of associates accounted for using the equity method		43 080	270 072	34 356	267 579
Profit before income tax		763 970	2 902 478	342 270	3 396 447
Income tax expense		(163 365)	(545 128)	(88 119)	(630 581)
Profit for the period		600 605	2 357 350	254 151	2 765 866
Other comprehensive income due to:					
Available-for-sale financial assets		(3 275)	(10 383)	7 407	7 169
Cash flow hedging instruments		75 336	(472 524)	542 289	617 862
Income tax related to items presented in other comprehensive income		(13 692)	91 752	(104 403)	(120 693)
Other comprehensive net income for the financial period		58 369	(391 155)	445 293	504 338
TOTAL COMPREHENSIVE INCOME		658 974	1 966 195	699 444	3 270 204
Profit for the period attributable to:					
shareholders of the Parent Entity		601 004	2 356 782	255 400	2 766 179
minority interest		(399)	568	(1 249)	(313)
Total comprehensive income attributable to:					
shareholders of the Parent Entity		659 373	1 965 627	700 693	3 270 517
minority interest		(399)	568	(1 249)	(313)
Earnings per share attributable to the shareholders of the Parent Entity during the period (in PLN per share)					
- basic		3.01	11.78	1.28	13.83
- diluted		3.01	11.78	1.28	13.83

Consolidated statement of changes in equity

	Attributable to shareholders of the Parent Entity						Attributable to minority interest	Total equity
	Share capital	Retained earnings	Accumulated other comprehensive income due to:		Total			
			Available- for-sale financial assets	Cash flow hedging instruments				
At 1 January 2009	2 000 000	8 407 049	8 972	508 484	10 924 505	58 360	10 982 865	
Dividends for 2008	-	(2 336 000)	-	-	(2 336 000)	-	(2 336 000)	
Total comprehensive income	-	2 356 782	(8 411)	(382 744)	1 965 627	568	1 966 195	
Transactions with minority interest	-	-	-	-	-	8 947	8 947	
At 31 December 2009	2 000 000	8 427 831	561	125 740	10 554 132	67 875	10 622 007	
At 1 January 2008	2 000 000	7 440 870	3 039	10 079	9 453 988	47 621	9 501 609	
Dividends for 2007	-	(1 800 000)	-	-	(1 800 000)	(74)	(1 800 074)	
Total comprehensive income	-	2 766 179	5 933	498 405	3 270 517	(313)	3 270 204	
Transactions with minority interest	-	-	-	-	-	11 126	11 126	
At 31 December 2008	2 000 000	8 407 049	8 972	508 484	10 924 505	58 360	10 982 865	

KGHM Polska Miedź S.A.
Consolidated quarterly report with quarterly financial information prepared in accordance with IFRS
as adopted by the European Union
for the period from 1 October 2009 to 31 December 2009
(amounts in tables in thousand PLN, unless otherwise stated)

Consolidated statement of cash flows

	Note	Financial period	
		for the 12 months ended 31 December 2009	for the 12 months ended 31 December 2008
Cash flow from operating activities			
Profit for the period		2 357 350	2 765 866
Adjustments to profit for the period	A.IV.7	994 942	1 046 072
Income tax paid		(632 994)	(852 213)
Net cash generated from operating activities		2 719 298	2 959 725
Cash flow from investing activities			
Purchase of subsidiaries, less acquired cash and cash equivalents		(217 590)	(28 969)
Purchase of shares in associates		-	(737 686)
Proceeds from sale of shares in associates		-	8 542
Purchase of property, plant and equipment and intangible assets		(1 466 163)	(1 331 545)
Proceeds from sale of property, plant and equipment and intangible assets		23 386	17 580
Purchase of held-to-maturity investments		-	(77 796)
Proceeds from sale of held-to-maturity investments		-	77 796
Purchase of available-for-sale financial assets		(58)	(201 862)
Proceeds from sale of available-for-sale financial assets		20 000	208 440
Purchase of held-to-maturity investments financed from the resources of Mine Closure Fund		(8 132)	(25 481)
Proceeds from sale of held-to-maturity investments financed from the resources of Mine Closure Fund		-	9 829
Establishment of deposits		(400 523)	-
Termination of deposits		400 500	-
Expenses connected with loans granted		-	(100)
Repayments of loans granted		1 048	-
Interest received		5 692	1 004
Dividends received		418 474	183 162
Advances granted for purchase of property, plant and equipment and intangible assets		(22 030)	(14 629)
Other investment expenses		(10 766)	(7 409)
Net cash used in investing activities		(1 256 162)	(1 919 124)
Cash flow from financing activities			
Proceeds connected to transactions with minority interest		57	-
Purchase of the company's own shares for redemption		(9)	-
Proceeds from loans and borrowings		98 136	77 702
Repayments of loans and borrowings		(56 941)	(85 190)
Payments of liabilities due to finance leases		(6 655)	(4 484)
Interest paid		(14 569)	(15 317)
Dividends paid to shareholders of the Parent Entity		(2 336 000)	(1 800 000)
Dividends paid to minority interest		-	(74)
Other financial proceeds		96	-
Net cash used in financing activities		(2 315 885)	(1 827 363)
Total net cash flow		(852 749)	(786 762)
Exchange (losses)/gains on cash and cash equivalents		(15 937)	40 429
Movements in cash and cash equivalents		(868 686)	(746 333)
Cash and cash equivalents at beginning of the period		2 065 763	2 812 096
Cash and cash equivalents at end of the period		1 197 077	2 065 763
including restricted cash and cash equivalents		15 833	2 648

Selected explanatory data to the consolidated financial statements

I. Policies applied in preparing the financial statements

1. Introduction

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

The principal activities of the Parent Entity comprise:

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

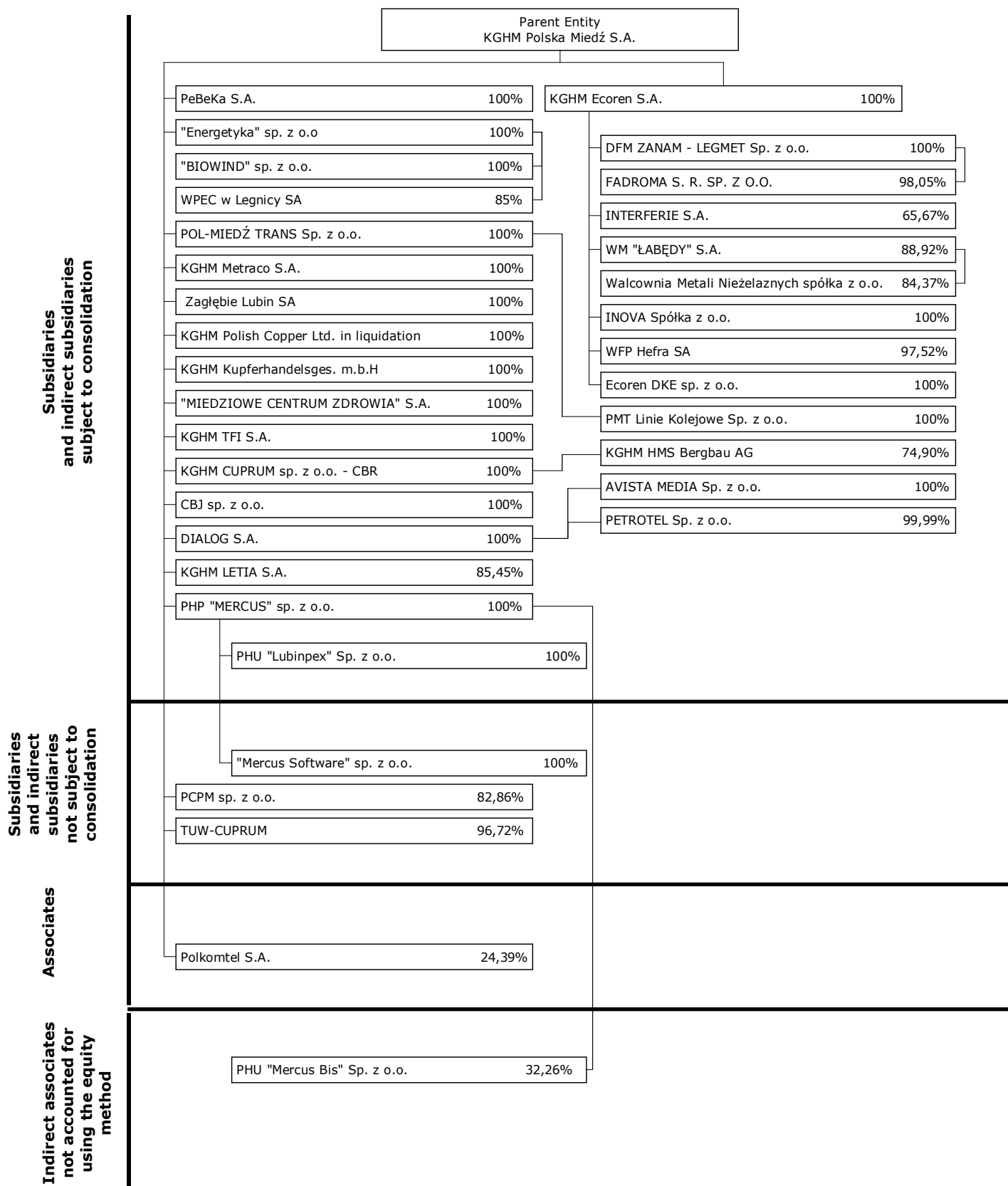
Activities involving the exploitation of copper ore, salt deposits and common minerals are carried out based on licenses held by KGHM Polska Miedź S.A., which were issued by the Minister of Environmental Protection, Natural Resources and Forestry in the years 1993-2004.

The business activities of the Group also include:

- production of goods from copper and precious metals,
- underground construction services,
- production of machinery and mining equipment,
- transport services,
- activities in the areas of research, analysis and design,
- production of road-building materials, and
- recovery of metals associated with copper ores.

Selected explanatory data to the consolidated financial statements (continuation)

2. Organisational structure of the KGHM Polska Miedź S.A. Group at 31 December 2009



The percentage share represents the total share of the Group.

Selected explanatory data to the consolidated financial statements (continuation)

In the current quarter KGHM Polska Miedź S.A. consolidated 29 subsidiary entities, while one associated entity was accounted for using the equity method.

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

The following quarterly report includes:

1. the consolidated financial statements of KGHM Polska Miedź S.A. for the current period from 1 October to 31 December 2009 and the comparable period from 1 October to 31 December 2008, together with selected explanatory data to the consolidated financial statements, and
2. other information to the consolidated quarterly report.

The quarterly financial information of KGHM Polska Miedź S.A. for the current period from 1 October to 31 December 2009 and the comparable period from 1 October to 31 December 2008 is an integral part of the report.

Neither the consolidated financial statements at 31 December 2009 nor the separate financial statements at 31 December 2009 were audited by a certified auditor.

3. Exchange rates applied

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

- for the calculation of turnover, financial results and cash flow for the current period, the rate of **4.3406 PLN/EUR**,
- for the calculation of turnover, financial results and cash flow for the comparative period, the rate of **3.5321 PLN/EUR**,
- for the calculation of assets, equity and liabilities at 31 December 2009, the rate of **4.1082 PLN/EUR**,
- for the calculation of assets, equity and liabilities at 31 December 2008, the rate of **4.1724 PLN/EUR**

4. Accounting policies

The following consolidated financial statements and separate financial statements have been prepared in accordance with policies based on International Financial Reporting Standards approved by the European Union. The above-mentioned policies were published on 2 April 2009 in the consolidated annual report RS 2008.

Presentation of these statements is based on IAS 34 Interim Financial Reporting, applying these same principles to the current and comparable periods, restating the comparable period to reflect the changes in accounting and presentation principles to those applied in the statements in the current period in accordance with the changes introduced by the new standards, the updated standards and the interpretations in force from 1 January 2009:

IFRS 8 Operating segments

IAS 1 Presentation of Financial Statements

IAS 23 Borrowings costs

Amended IFRS 2 Vesting conditions and Cancellations

Amended IAS 32 Financial Instruments: Presentation and amended IAS 1 Presentation of Financial Statements – Financial Instruments with put options and obligations arising on liquidation

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

IFRIC 13 Customer Loyalty Programmes.

Improvements to International Financial Reporting Standards 2008

IFRIC 15 Agreements for the Construction of Real Estate

Selected explanatory data to the consolidated financial statements (continuation)

IFRIC 16 Hedges of a Net Investment in a Foreign Operation

IFRS 4 Insurance Contracts

IFRS 7 Financial Instruments: Disclosures

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

Application of the changes to IFRS 2, IAS 32, IAS 1, IFRS 1, IAS 27, IFRIC 15, IFRIC 16, IFRIC 9 and IAS 39 has no effect on the financial statements of the Group. Additionally, application of the remaining standards and interpretations has no significant effect on the accounting policy of the Group, with the exception of the changes to IAS 1, IAS 23, IFRS 8 and IFRS 7, and apart from the changes to IAS 23, the remainder mainly effect the presentation of information in the financial statements. IFRIC 15 was adopted for application by the European Union for annual periods beginning after 31 December 2009.

The effect of changes on the following financial statements is presented below:

The updated IAS 1 Presentation of Financial Statements

The changes were mainly in respect of the titles and scope of the key items of the financial statements, i.e.:

to 31 December 2008	from 1 January 2009	
title	title	scope
Balance sheet	Statement of financial position	Change in the title of item “other reserves” to “accumulated other comprehensive income”
Income statement	Statement of comprehensive income	The elements comprising this statement are the income statement and other comprehensive income, which until now represented the item of income and costs in other reserves
Statement of changes in equity	Statement of changes in equity	Detailed presentation of changes in equity arising solely as the result of transactions with owners
Cash flow statement	Statement of cash flows	no change

IFRS 8 Operating segments

This Standard replaced IAS 14 Segment reporting, and introduced a management approach to segment reporting based on internal reports that are regularly reviewed by the entity's chief operating decision maker in order to allocate resources to the segment and assess its performance. Details on the application of IFRS 8 are presented in part A, Note XI of this report.

The updated IAS 23 Borrowing Costs

As a result of changes introduced by the IASB to IAS 23 based on excluding the possibility of recognising the borrowing costs attributable to a Group qualifying asset directly in the costs of the period, changes were made to the accounting principles with respect to recognition of these costs. These costs will now be capitalised, in accordance with IAS 23. However, since 1 January 2009, there have occurred no economic events within the Group which would require the capitalisation of borrowing costs, and therefore the updated IAS 23 has no impact on either the measurement or presentation of these financial statements.

Selected explanatory data to the consolidated financial statements (continuation)

IFRS 7 Financial Instruments: Disclosures

The amendments to IFRS 7 introduce the requirement to apply and present a three-level hierarchy for making fair value measurements, as well as requirements to provide additional disclosure in terms of the relative reliability of fair value measurements and of any transfers between these levels. In addition, the amendments expand the existing requirements in terms of disclosure respecting liquidity risk. Application of these amendments expands the scope of disclosures respecting financial instruments, in particular in terms of the classification of individual financial instrument classes to fair value category, depending on the type of measurement. The scope of disclosures resulting from the above amendments will be presented in the annual financial statements of the Company for 2009 and in the consolidated financial statements of the Group for 2009.

II. Information on significant changes in estimates

1. Provisions for future liabilities

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

1.1 provisions for future employee benefits due to one-off retirement or disability payments, jubilee awards, post-mortem benefits and the coal equivalent also paid after the period of employment. The result of this change in estimates is an increase in the provision in the amount of PLN 88 791 thousand which was settled as a decrease in profit in the amount of PLN 83 776 thousand. The remaining increase in the provision in the amount of PLN 5 015 thousand represents the balance of the provision for future employee benefits of a subsidiary at the date on which control was obtained by the Group (after reflecting the results in deferred tax, a decrease in profit in the amount of PLN 69 211 thousand),

(an accrued decrease in profit by PLN 166 922 thousand since the beginning of the year)

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 70 313 thousand, which was settled as an increase of the financial result in the amount of PLN 4 993 thousand and as an increase of property, plant and equipment in the amount of PLN 75 306 thousand. The increase in the provision resulted in an increase in deferred tax assets in the amount of PLN 178 thousand,

(an accrued decrease in the provision by PLN 76 734 thousand since the beginning of the financial year, of which PLN 487 thousand was settled as a decrease in the financial result and PLN 77 221 thousand was settled as a decrease in property, plant and equipment)

1.3 provisions for future employee remuneration costs together with charges in the amount of PLN 178 417 thousand, paid (in accordance with the Collective Labour Agreement) on the occasion of mining and smelting holidays and after approval of the annual financial statements.

(provision at 31 December 2009 amounted to PLN 276 917 thousand)

1.4 provisions for employment restructuring in the amount of PLN 6 000 thousand.

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

2. Deferred income tax

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

There was an increase in the deferred tax asset in the current quarter in the amount of PLN 62 924 thousand, which was settled:

- as an increase of the financial result, PLN 59 650 thousand,
- as an increase of other comprehensive income due to measurement of available-for-sale financial assets, PLN 217 thousand.

The remaining increase in the deferred tax asset of PLN 3 057 thousand represents the deferred tax asset of a subsidiary at the date on which control was obtained by the Group.

(an accrued increase in the deferred tax asset by PLN 96 632 thousand since the beginning of the financial year, of which the following was settled:

- as an increase of the financial result, PLN 93 657 thousand,
- as a decrease of other comprehensive income due to measurement of available-for-sale financial assets, PLN 86 thousand.

The remaining increase in the deferred tax asset of PLN 3 061 thousand represents the deferred tax asset of a subsidiary at the date on which control was obtained by the Group).

Selected explanatory data to the consolidated financial statements (continuation)

There was an increase in the deferred tax liability in the current quarter in the amount of PLN 43 601 thousand, of which the following was settled:

- as a decrease of the financial result, PLN 27 123 thousand,
- as a decrease of other comprehensive income due to measurement of hedging financial instruments and available-for-sale financial assets, PLN 13 909 thousand.

The remaining increase in the deferred tax liability of PLN 2 569 thousand represents the balance of deferred tax liability of a subsidiary at the date on which control was obtained by the Group.

(an accrued decrease in the deferred tax liability by PLN 88 030 thousand since the beginning of the financial year, of which the following was settled:

- *as a decrease of the financial result, PLN 1 239 thousand*
- *as an increase of other comprehensive income due to measurement of hedging financial instruments and on available-for-sale financial assets, PLN 91 838 thousand.*

The remaining increase in the deferred tax liability of PLN 2 569 thousand represents the balance of the deferred tax liability of a subsidiary at the date on which control was obtained by the Group.)

After offsetting the deferred tax asset and deferred tax liability, the deferred tax asset at the end of the reporting period was set at PLN 347 482 thousand, while the deferred tax liability was set at PLN 42 010 thousand.

III. Financial assets and property, plant and equipment

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

1. in **investments in associates** – application of the equity method and an increase in investments due to share of profit of associate for the financial period in the amount of PLN 43 080 thousand, and an adjustment to investments by the received dividend in the amount of PLN 113 256 thousand.

(accrued since the beginning of the financial year:

- *increase in assets due to share of profit, in the amount of PLN 270 072 thousand,*
- *decrease in share value by a received dividend, in the amount of PLN 418 222 thousand,*
- *adjustment to the purchase price of the shares of Polkomtel S.A. in the amount of PLN 3 694 thousand due to a refund from tax office of tax on civil-law transactions regarding purchase of the shares of Polkomtel S.A.)*

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

- a) **non-current** - the settlement in other comprehensive income of losses on the measurement of assets in the amount of PLN 2 131 thousand

(accrued since the beginning of the financial year:

- *settlement in other comprehensive income of losses on the measurement of assets in the amount of PLN 1 739 thousand, (an excess of losses in the amount of PLN 6 375 thousand over gains in the amount of PLN 4 636 thousand)*
- *acquisition of shares in unlisted companies in the amount of PLN 58 thousand,*
- *reclassification to current available-for-sale financial assets of shares in listed companies in the amount of PLN 10 120 thousand),*

- b) **current** - settlement in other comprehensive income of losses on the measurement of assets in the amount of PLN 1 144 thousand

(accrued since the beginning of the financial year:

- *settlement in other comprehensive income of losses on the measurement of assets in the amount of PLN 1 144 thousand,*
- *reclassification from non-current available-for-sale financial assets of shares in listed companies in the amount of PLN 10 120 thousand),*

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

- a) **non-current** - purchase of financial assets financed from the resources of the Mine Closure Fund in the amount of PLN 480 thousand,
- reclassification to current held-to-maturity investments of the resources of the Mine Closure Fund in the amount of PLN 624 thousand, which will be used during the 12 months from the end of the reporting period. The decrease is due to the partial use of the resources of the Fund in the fourth quarter and the renewed qualification of these assets as non-current and current at the end of the reporting period according to their period of use

(accrued since the beginning of the financial year:

- *acquisition of assets financed from the resources of the Mine Closure Fund in the amount of PLN 8 132 thousand,*

IV. Selected additional explanatory notes

1. Sales

	Financial period			
	for the 3 months ended 31 December 2009	for the 12 months ended 31 December 2009	for the 3 months ended 31 December 2008	for the 12 months ended 31 December 2008
Copper, precious metals, smelter by-products	3 292 697	10 985 596	2 515 364	11 231 173
Energy	12 436	35 399	7 874	35 657
Services	188 136	728 580	208 568	1 006 651
Mining machinery, transport vehicles for mining and other	3 539	16 508	8 050	34 408
Goods for resale	59 258	219 013	48 480	239 493
Wastes and materials	4 244	11 260	2 199	9 785
Other goods	34 269	116 334	26 989	97 718
Total	3 594 579	12 112 690	2 817 524	12 654 885

Selected explanatory data to the consolidated financial statements (continuation)

2. Costs by type

	Financial period			
	for the 3 months ended 31 December 2009	for the 12 months ended 31 December 2009	for the 3 months ended 31 December 2008	for the 12 months ended 31 December 2008
Depreciation of property, plant and equipment and amortisation of intangible assets	195 911	742 819	183 970	681 367
Employee benefit costs	869 346	3 262 528	830 762	3 080 980
Materials and energy consumption	1 161 633	3 857 222	629 024	3 392 670
External services	347 627	1 218 365	565 927	1 802 192
Taxes and charges	87 427	342 012	71 887	335 860
Advertising costs and representation expenses	13 345	38 612	12 032	49 967
Property and personal insurance	6 911	20 063	1 058	14 734
Research and development costs not capitalised in intangible assets	4 737	5 570	3 922	4 883
Other costs, of which:	35 947	90 426	340 374	388 948
Impairment loss on property, plant and equipment, intangible assets	19 149	20 807	267 494	286 620
Write-down of inventories	6 533	7 520	65 047	66 576
Allowance for impairment of trade receivables	11 583	43 006	8 346	21 320
Reversal of impairment loss on property, plant and equipment, intangible assets	(9)	(42)	(75)	(14 501)
Reversal of write-down of inventories	(466)	(1 886)	(123)	(1 518)
Reversal of allowance for impairment of trade receivables	(4 372)	(11 101)	(2 636)	(12 703)
Losses from the disposal of financial instruments	535	998	164	1 608
Other operating costs	2 994	31 124	2 157	41 546
Total costs by type	2 722 884	9 577 617	2 638 956	9 751 601
Cost of goods for resale and materials sold (+), of which:	46 092	158 252	7 228	128 436
Allowance for impairment of receivables	46	1 521	1 002	1 438
Reversal of allowance for impairment of receivables	(229)	(887)	(111)	(505)
Change in inventories of finished goods and work in progress (+/-)	5 262	(372 784)	134 886	91 338
Cost of manufacturing products for internal use (-)	(113 883)	(435 356)	(143 043)	(478 127)
Total cost of sales, selling and administrative costs	2 660 355	8 927 729	2 638 027	9 493 248

Selected explanatory data to the consolidated financial statements (continuation)

3. Other operating income

	Financial period			
	for the 3 months ended 31 December 2009	for the 12 months ended 31 December 2009	for the 3 months ended 31 December 2008	for the 12 months ended 31 December 2008
Income and gains on financial instruments, classified under other operating activities, resulting from:	125 344	370 120	517 284	953 297
Measurement and realisation of derivative instruments	109 738	270 058	374 053	697 428
Interest	13 900	89 386	29 670	128 344
Foreign exchange gains	1 372	1 372	108 697	108 697
Gains from disposal	-	7 519	3 474	15 695
Reversal of impairment losses on available- for-sale financial assets	-	-	-	78
Reversal of allowance for impairment of loans and receivables	334	1 785	1 390	3 055
Increase in fair value of investment property	-		1 566	1 566
Gains from the loss of control of a subsidiary and gains from the disposal of shares in associates	-	21 457	4 670	5 913
Gains from the disposal of perpetual usufruct of land	-		16	450
Gains from the disposal of intangible assets	(371)	1 556	(44)	2 027
Other interest	295	3 531	6 142	20 455
Dividends received	-	251	-	303
Reversal of impairment losses on assets under construction	30	39	-	166
Reversal of allowance for impairment of other non-financial receivables	391	1 810	313	5 434
Government grants and other donations received	307	825	423	2 520
Release of unused provisions due to:	23 528	48 604	18 569	27 733
decommissioning of mines and other technological facilities	15 296	32 969	-	4 311
disputed issues and court proceedings	(696)	4 024	12 647	13 404
remaining anticipated losses, expenses and liabilities	8 928	11 611	5 922	10 018
Surpluses identified in tangible current assets and cash and cash equivalents	116	116	7 899	7 899
Penalties and compensation received	12 993	23 085	9 544	15 812
Non-financial foreign exchange gains	-	-	(13 631)	(13 631)
Other operating income/gains	11 617	26 521	6 232	13 815
Total other operating income	174 250	497 915	558 983	1 043 759

Selected explanatory data to the consolidated financial statements (continuation)

4. Other operating costs

	Financial period			
	for the 3 months ended 31 December 2009	for the 12 months ended 31 December 2009	for the 3 months ended 31 December 2008	for the 12 months ended 31 December 2008
Costs and losses on financial instruments, classified under other operating activities, resulting from:	313 851	887 964	373 965	903 878
Measurement and realisation of derivative instruments	302 641	802 437	486 961	891 352
Interest	1 039	1 851	556	657
Foreign exchange losses	9 104	76 956	(113 556)	-
Losses from the measurement of liabilities	(400)	249	2 555	2 555
Losses from the disposal	(1 330)	-	-	2 608
Impairment losses on available-for-sale financial assets	-	-	(4 279)	45
Allowances for impairment of loans and receivables	2 797	6 471	1 728	6 661
Decrease in fair value of investment property	920	920	-	-
Allowances for impairment of other non-financial receivables	164	552	1 889	11 915
Losses on the sale of property, plant and equipment	10 180	23 914	15 715	21 626
Impairment losses on assets under construction	18 990	21 151	7 316	10 560
Impairment losses on intangible assets not yet available for use	-	-	29	29
Interest on overdue non-financial liabilities	2 595	4 361	813	1 801
Donations granted	159	7 193	244	11 546
Provisions for liabilities due to:	17 023	24 747	4 390	31 771
Decommissioning of mines	3 769	4 285	4 173	5 891
Disputed issues and court proceedings	940	3 744	(10 219)	12 338
Other	12 314	16 718	10 436	13 542
Penalties and compensation paid	1 138	3 412	1 018	4 484
Contributions to a voluntary organisation	338	7 433	363	1 483
Other operating costs/losses	12 215	23 750	6 764	19 941
Total other operating costs	377 573	1 005 397	412 506	1 019 034

5. Net finance costs

	Financial period			
	for the 3 months ended 31 December 2009	for the 12 months ended 31 December 2009	for the 3 months ended 31 December 2008	for the 12 months ended 31 December 2008
Interest expense:	3 766	14 421	4 924	16 640
On bank and other loans	3 485	12 696	3 707	14 339
Due to finance leases	281	1 725	1 217	2 301
Net exchange (gains)/losses on borrowings	(608)	(748)	3 055	2 004
Changes in the value of provisions due to unwinding of discount	6 420	29 764	10 343	38 588
Other net finance costs	433	1 636	(262)	262
Total net finance costs	10 011	45 073	18 060	57 494

Selected explanatory data to the consolidated financial statements (continuation)

6. Borrowings and liabilities due to finance leases

	At	
	31 December 2009	31 December 2008
Non-current	120 019	98 055
Bank loans	86 340	63 605
Loans	3 715	8 311
Finance lease liabilities	29 964	26 139
Current	218 275	192 923
Bank loans	204 442	181 031
Loans	4 789	5 758
Finance lease liabilities	9 044	6 134
Total	338 294	290 978

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

	Financial period	
	for the 12 months ended 31 December 2009	for the 12 months ended 31 December 2008
Income tax from the income statement	545 128	630 581
Depreciation/amortisation	742 819	681 367
Impairment loss on property, plant and equipment, intangible assets, available-for-sale financial assets and loans	43 150	285 633
Share of profits of associates accounted for using the equity method	(270 072)	(267 579)
Interest and share in profits (dividends)	9 297	15 672
Foreign exchange losses/(gains)	19 001	(16 585)
Change in provisions	156 008	84 399
Change in derivative instruments	687 023	582 751
Realisation of derivative instruments recognised in equity	(433 187)	(579 992)
The balance of assets items and equity and liabilities items at the day of obtaining and at the day of loss of control	61 869	(3 657)
Other adjustments	(6 615)	12 470
Changes in working capital:	(559 479)	(378 988)
Inventories	(471 255)	136 028
Trade and other receivables	(40 529)	(531 608)
Trade and other payables	(47 695)	16 592
Total adjustments to profit for the period	994 942	1 046 072

Selected explanatory data to the consolidated financial statements (continuation)

V. Situation and results of significant companies

DIALOG S.A.

DIALOG S.A. is the parent entity of the DIALOG S.A. Group, which at 31 December 2009 comprised two subsidiaries:

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

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

	for the 3 months ended 31 December 2009	for the 12 months ended 31 December 2009	for the 3 months ended 31 December 2008	for the 12 months ended 31 December 2008
Sales	131 706	520 896	137 291	554 004
Result on sales	4 468	32 540	(268 368)	(273 158)
Profit /(loss) on operating activities	5 024	34 682	(284 984)	(301 620)
EBITDA*	33 309	135 382	13 483	83 394
Profit /(loss) before taxation	3 390	27 043	(287 257)	(310 245)
Profit /(loss) for the period	2 374	10 436	(262 272)	(284 086)

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

	for the 3 months ended 31 December 2009	for the 12 months ended 31 December 2009	for the 3 months ended 31 December 2008	for the 12 months ended 31 December 2008
Sales	124 881	493 800	132 587	548 034
Result on sales	6 309	31 486	(268 010)	(272 842)
Profit /(loss) on operating activities	6 782	32 650	(283 582)	(305 406)
EBITDA*	30 241	122 974	13 676	76 301
Profit /(loss) before taxation	5 241	25 452	(285 681)	(313 839)
Profit /(loss) for the period	4 046	9 808	(261 517)	(292 139)

* EBITDA calculated as the result on operating activities increased by depreciation/amortisation and impairment loss

In 2009 the sales of the DIALOG S.A. Group were lower than those achieved in the comparable prior period by PLN 33 108 thousand. The decrease in sales was caused by restriction of low-margin transit services. After excluding these transit services, the sales of the DIALOG S.A. Group, despite the general downward market trend in fixed-line telephony, were higher by PLN 24 414 thousand, i.e. by 5% in relation to the prior year. The increase in sales was mainly in respect of services provided based on external infrastructure (WLR, 1011 and BSA), which in relation to the sales achieved due to these services in 2008 amounted to PLN 23 633 thousand.

Despite a decrease in sales, the Group achieved in 2009 better financial results than in 2008. A higher result on operating activities and higher EBITDA were recorded (respectively by PLN 336 302 thousand and PLN 51 988 thousand). The loss of the Group in 2008 was mainly affected by an impairment loss of property, plant and equipment in the amount of PLN 268 270 thousand.

During the analysed period the DIALOG S.A. Group increased its customer base, in both voice and data transmission services. At the end of December 2009 it had 445.2 thousand ringing lines in its own network and 250.3 thousand WLR lines (an increase of 54% versus the end of 2008). The number of customers using data transmission services amounted to 157.2 thousand.

The DIALOGmedia package introduced in 2008, combining fixed-line telephony, Internet access and digital TV and video on demand, gained customer interest, with their number increasing to 21 thousand at the end of December 2009 (an increase in 2009 by 17.5 thousand, of which 6.8 thousand were in the 4th quarter alone).

Selected explanatory data to the consolidated financial statements (continuation)

In the 4th quarter of 2009 the DIALOG S.A. Group continued to realise a project on the introduction of mobile telephone services as a so-called virtual operator (MVNO) - commercial commencement of these services took place in February 2010. Due to an acquisition in November 2009 of the bankrupt company Nyska Sieć Informatyczna Sp. z o.o., Dialog S.A. gained access to the infrastructure of a new geographical region with great sales potential and became the owner of a modern telecommunications network using ETTH technology.

Presently DIALOG S.A. is carrying out the current strategy of the company for the years 2009 – 2015 which assumes investments in the development of infrastructure based on the most modern technology, new services and selective projects. Work is currently underway in the company related to the development of an operational plan for implementation of the strategy, which in particular will include definition of the following: a product development map in terms of realisation of the company's strategy, a sales strategy, pricing policy and a marketing strategy, as well as the preparation of an operational plan to implement strategic initiatives. In November 2009 DIALOG S.A. signed an agreement respecting financing from the European Regional Development Fund (in the amount of 40% of expenditures) to realise a project titled „Implementation of innovative services based on an access network using passive optical network (PON) technology”. It is the largest project of its type in Poland. Realisation of this project will enable the company to sell larger service packages. This project will encompass 70 thousand housing units in the voivodeships of Lower Silesia, Lubuski and Łódź.

Polkomtel S.A.

The carrying amount of the shares of Polkomtel S.A. in the consolidated financial statements at 31 December 2009 accounted for using the equity method amounted to PLN 1 346 273 thousand.

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

	for the 3 months ended 31 December 2009	for the 12 months ended 31 December 2009	for the 3 months ended 31 December 2008	for the 12 months ended 31 December 2008
Sales	2 004 972	8 104 367	2 206 453	8 547 427
Profit /(loss) on operating activities	247 378	1 532 943	322 747	1 889 180
EBITDA	585 923	2 840 732	642 757	3 105 925
Profit /(loss) before taxation	224 902	1 385 161	198 807	1 678 319
Profit /(loss) for the period	176 622	1 107 237	175 211	1 361 239

On 9 June 2009 the Ordinary General Meeting of Polkomtel S.A. resolved to allocate profit for 2008. In accordance with the decision of the shareholders, the amount of PLN 1 250 295 thousand was allocated as a dividend. KGHM Polska Miedź S.A. received, proportionally to its shareholding, the amount of PLN 304 966 thousand. The dividend was paid in two instalments, the first in the amount of PLN 76 204 thousand on 29 June 2009, the second in the amount of PLN 228 762 thousand on 29 September 2009.

On 18 November 2009 the Supervisory Board of Polkomtel S.A. adopted a resolution in which it gave its consent to the payment of an interim shareholder dividend towards the dividend for 2009 in the total amount of PLN 464 325 thousand. KGHM Polska Miedź S.A., proportionally to its shareholding, consequently received in December 2009 the amount of PLN 113 256 thousand.

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. 5/2009 of the Ordinary General Meeting of KGHM Polska Miedź S.A. dated 16 June 2009 regarding the appropriation of Parent Entity profit for financial year 2008 and setting of the right to dividend date and dividend payment date, the amount of PLN 2 336 000 thousand, representing PLN 11.68 per share, was allocated as a shareholders dividend from profit for financial year 2008.

The right to dividend date was set at 16 July 2009, with dividend payment dates of 6 August 2009 in the amount of PLN 1 432 000 thousand, i.e. PLN 7.16 per share, and 6 November 2009 in the amount of PLN 904 000 thousand, i.e. PLN 4.52 per share.

All shares of the Parent Entity are ordinary shares.

Selected explanatory data to the consolidated financial statements (continuation)

IX. Subsequent events

Changes in the Statutes of the Parent Entity

On 7 January 2010 the Parent Entity received the ruling of the Regional Court for Wrocław-Fabryczna in Wrocław, Section IX (Economic) of the National Court of Registration dated 31 December 2009 on the registration of the changes in the Statutes of KGHM Polska Miedź S.A., approved by the Extraordinary General Meeting on 9 December 2009.

Change in the amount of shares held by the State Treasury

On 12 January 2010 the Parent Entity received an announcement from the Minister of the State Treasury, stating that on 8 January 2010 the State Treasury sold on a regulated market of 20 000 000 shares of KGHM Polska Miedź S.A. directed to qualified investors.

Following this sale, the State Treasury owns 63 589 900 shares of KGHM Polska Miedź S.A., giving the same number of votes and representing 31.79% of the share capital of the Parent Entity and of the total number of votes.

Significant contract with MKM Mansfelder Kupfer und Messing GmbH

On 14 January 2010 a contract was entered into between KGHM Polska Miedź S.A. and MKM Mansfelder Kupfer und Messing GmbH for the sale of copper cathodes in 2010. The estimated value of this contract is USD 522 872 608, i.e. PLN 1 460 383 thousand.

Significant contract with Tele-Fonika Kable Sp. z o.o. S.K.A.

On 20 January 2010 a contract was entered into between KGHM Polska Miedź S.A. and Tele-Fonika Kable Sp. z o.o. S.K.A. for the sale in 2010 of copper wire rod and oxygen-free copper rod. The estimated value of this contract is from USD 478 758 499, i.e. PLN 1 354 695 thousand to USD 579 026 934, i.e. PLN 1 638 414 thousand.

Budget of the Parent Entity for 2010

The Supervisory Board at its meeting on 1 February 2010 approved the Budget of KGHM Polska Miedź S.A. for 2010. The basis for preparation of the Budget were the anticipated results for 2009 and the assumptions contained in specific operating plans.

The accepted Budget assumes the achievement in 2010 of revenues from sales in the amount of PLN 11 736 million and profit for the period of PLN 2 898 million.

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

	At 31 December 2009	Increase/(decrease) since the end of the last financial year
Contingent receivables	131 064	76 656
Contested State budget issues	45 572	12 697
Guarantees received	62 569	41 036
Promissory notes receivables	22 923	22 923
Other receivables not recognised in the statement of financial position - inventions, implementation of projects	31 235	6 040
Contingent liabilities	95 689	27 621
Guarantees	15 050	(340)
Promissory note liabilities	62 514	44 420
Disputed issues, pending court proceedings	15 611	1 426
Contingent penalties	23	(1 604)
Preventive safety measures in respect of mine-related damages	2 491	(5 509)
Agreement on the acceptance of the offer and conditional transfer of shares in Petrotel sp. z o.o.	-	(10 772)
Other liabilities not recognised in the statement of financial position	733 302	62 645
Inventions, implementation of projects and other unrealised agreements	105 792	19 209
Operating leases	76 798	16 952
Future payments due to perpetual usufruct of land	550 712	26 484

The value of contingent assets was determined based on estimates.

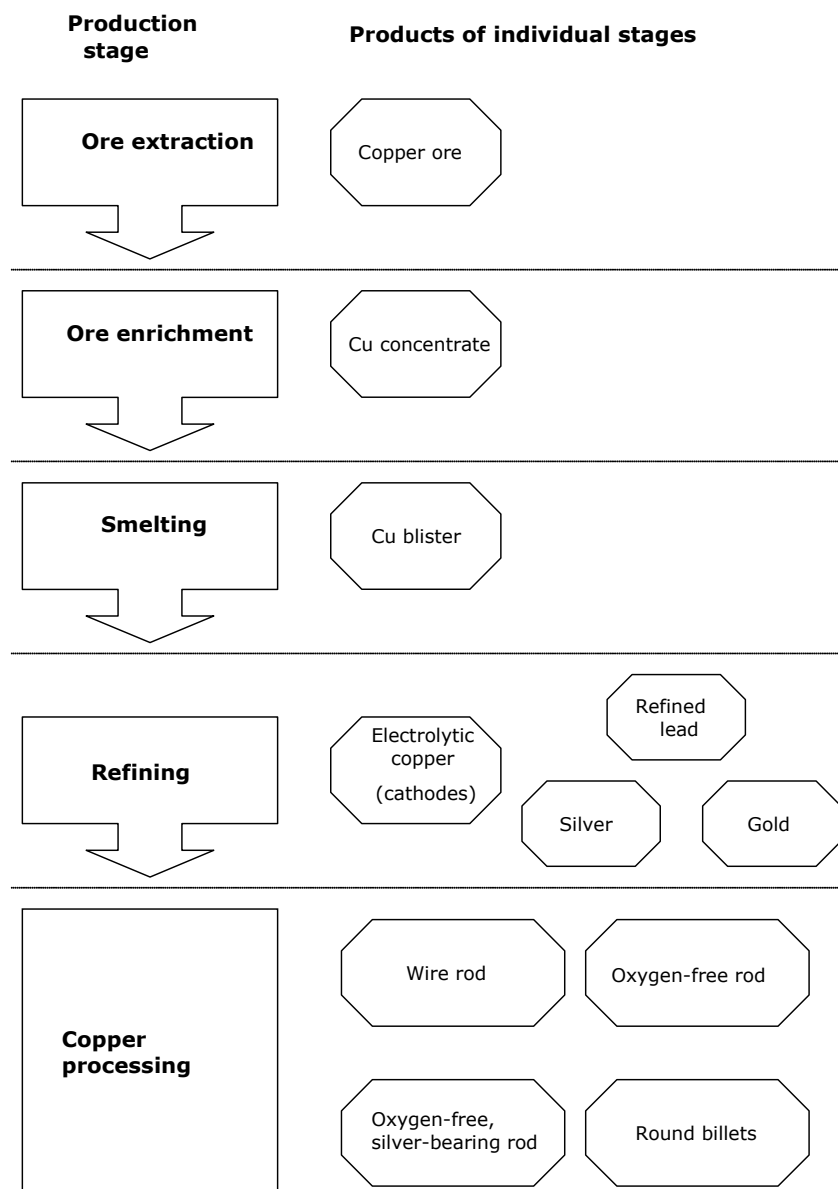
Selected explanatory data to the consolidated financial statements (continuation)

XI. Business segments

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

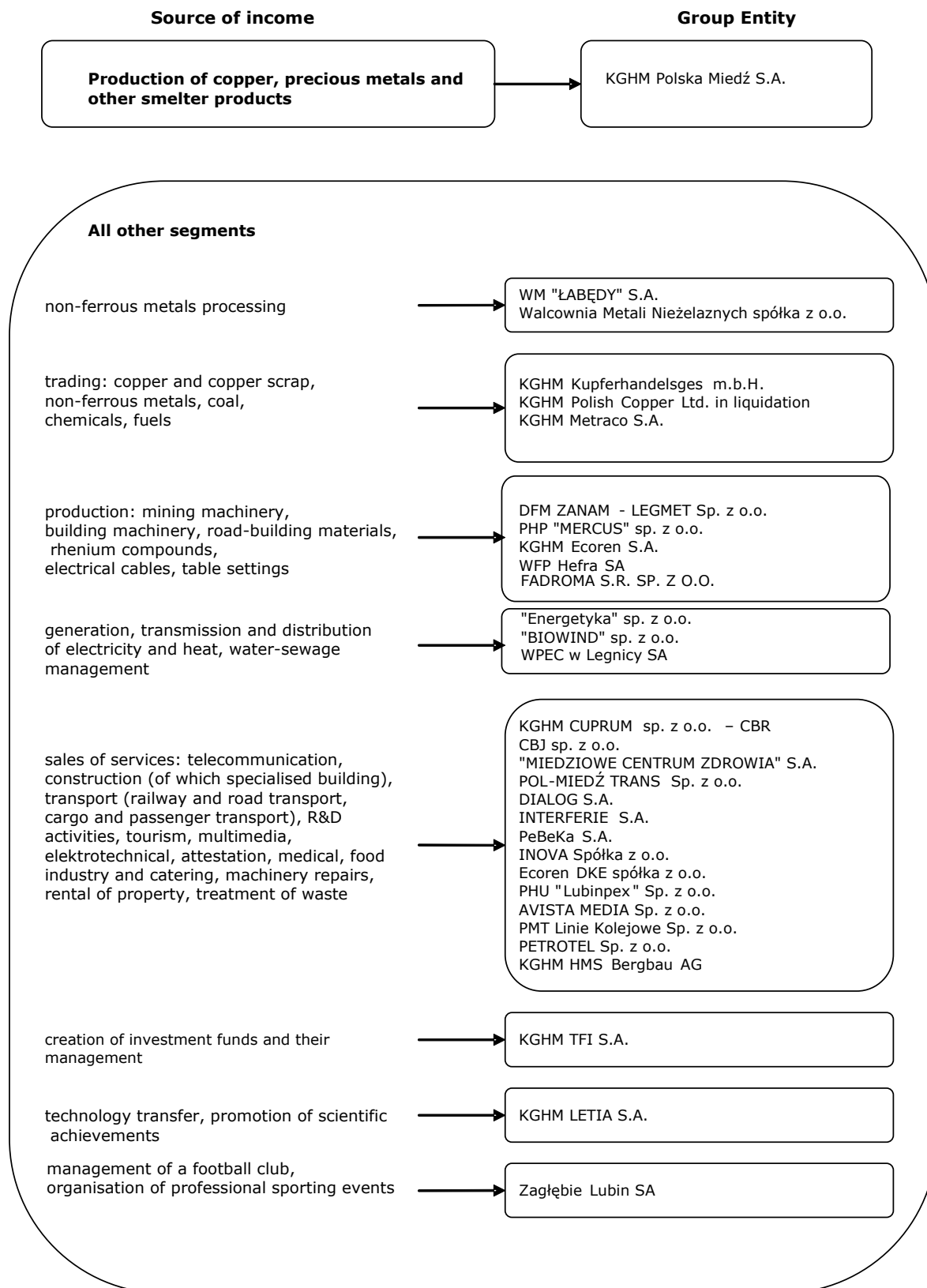
As part of the process of implementation of this standard, an analysis was performed of the management model of the Group, the system of reporting within the Group and the economic characteristics of its entities. As a result of this analysis one reporting segment was identified, which was defined as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

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



Selected explanatory data to the consolidated financial statements (continuation)

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



Selected explanatory data to the consolidated financial statements (continuation)

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

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

Segments financial results

	Financial period for the 12 months ended 31 December 2009				
	Production of copper, precious metals, and other smelter products	All other segments	Adjustment*	Eliminations (according to IAS 27)	Consolidated amount
REVENUE	11 060 540	4 642 871	(713)	(3 590 008)	12 112 690
of which:					
- external sales	10 380 929	1 735 964	(713)	(3 490)	12 112 690
- inter-segment sales	679 611	2 906 907	-	(3 586 518)	-
Interest income	82 487	11 801	-	(1 371)	92 917
Interest costs	(5 654)	(15 759)	-	780	(20 633)
Depreciation/Amortisation	(547 653)	(202 574)	(960)	8 368	(742 819)
Revaluation of provisions for employee benefits	(140 848)	(2 092)	-	(17 280)	(160 220)
Impairment losses on property, plant and equipment	(1 194)	(53 048)	-	12 365	(41 877)
Income on measurement and realisation of derivative instruments	261 582	8 476	-	-	270 058
Costs on measurement and realisation of derivative instruments	(800 219)	(2 218)	-	-	(802 437)
Share of profit of associates	-	-	-	270 072	270 072
Profit before income tax	3 066 569	(33 057)	3 736	(134 770)	2 902 478
Income tax expense	(526 384)	(22 491)	304	3 443	(545 128)
Share of profit (losses) of subordinated entities accounted for using the equity method	-	(18 348)	18 348	-	-
Profit for the period	2 540 185	(73 896)	22 388	(131 327)	2 357 350
	At 31 December 2009				
Segment assets	13 953 030	3 589 050	(3 461)	(2 629 426)	14 909 193
Segment liabilities	3 549 073	1 144 325	18 370	(424 582)	4 287 186
Bank and other loans	3 005	374 585	-	(78 304)	299 286
Investments in associates	1 159 947	-	-	186 325	1 346 272
	Financial period for the 12 months ended 31 December 2009				
Capital expenditure	1 069 812	298 231	-	(6 384)	1 361 659

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

Selected explanatory data to the consolidated financial statements (continuation)

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

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

	Sales	Depreciation /Amortisation	Profit before taxation	Income tax	Segment assets	Segment liabilities
Netting off of Social Fund assets and liabilities	-	-	-	-	(7 357)	(7 357)
Offsetting of deferred tax assets/ deferred tax liabilities	-	-	-	-	(4 860)	(4 860)
Accounting for shares using the equity method	-	-	838	-	(25 436)	-
Separate presentation of assets and liabilities for sales transaction from 2008	-	-	(46)	-	30 628	30 597
Receivables due to payments to capital	-	-	-	-	2 000	-
Capitalisation of major maintenance expenditures	-	(1 305)	(1 396)	265	-	-
Other	(713)	345	4 340	39	1 564	(10)
Total adjustment	(713)	(960)	3 736	304	(3 461)	18 370

Selected explanatory data to the consolidated financial statements (continuation)

	Financial period for the 12 months ended 31 December 2008				
	Production of copper, precious metals, and other smelter products	All other segments	Adjustment*	Eliminations (according to IAS 27)	Consolidated amount
REVENUE	11 302 913	5 708 411	(17 564)	(4 338 875)	12 654 885
<i>of which:</i>					
- external sales	9 907 890	2 752 915	(17 564)	11 644	12 654 885
- inter-segment sales	1 395 023	2 955 496	-	(4 350 519)	-
Interest income	123 388	16 244	-	9 167	148 799
Interest costs	(4 320)	(15 473)	-	695	(19 098)
Depreciation/Amortisation	(481 376)	(209 860)	(1 431)	11 300	(681 367)
Revaluation of provisions for employee benefits	(128 006)	(5 862)	-	11 725	(122 143)
Impairment losses on property, plant and equipment	(3 207)	(279 335)	-	-	(282 542)
Income on measurement and realisation of derivative instruments	672 624	7 333	-	17 471	697 428
Costs on measurement and realisation of derivative instruments	(884 625)	(6 727)	-	-	(891 352)
Share of profit of associates	-	-	-	267 579	267 579
Profit before income tax	3 553 629	(254 123)	1 504	95 437	3 396 447
Income tax expense	(633 251)	5 149	(49)	(2 430)	(630 581)
Share of profit (losses) of subordinated entities accounted for using the equity method	-	(429)	429	-	-
Profit for the period	2 920 378	(249 403)	1 884	93 007	2 765 866
	At 31 December 2008				
Segment assets	13 900 564	3 323 755	(19 844)	(2 204 370)	15 000 105
Segment liabilities	3 309 272	1 063 274	17 842	(373 148)	4 017 240
Bank and other loans	7 012	263 051	-	(11 358)	258 705
Investments in associates	1 163 640	-	-	334 476	1 498 116
	Financial period for the 12 months ended 31 December 2008				
Capital expenditure	1 139 875	339 789	-	(36 352)	1 443 312

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

Selected explanatory data to the consolidated financial statements (continuation)

Details of adjustments restating the amounts shown in the segment „All other segments” to the measurement principles of International Financial Reporting Standards at 31 December 2008:

	Sales	Depreciation/ Amortisation	Profit before taxation	Income tax	Segment assets	Segment liabilities
Netting off of Social Fund assets and liabilities	-	-	-	-	(8 177)	(8 177)
Offsetting of deferred tax assets/ deferred tax liabilities	-	-	-	-	(4 487)	(4 487)
Accounting for shares using the equity method	-	-	2 089	-	(49 327)	-
Separate presentation of assets and liabilities for sales transaction from 2008	(17 564)	-	-	-	30 674	30 597
Capitalisation of major maintenance expenditures	-	(1 735)	(1 738)	330	1 085	-
Perpetual usufruct of land	-	304	-	-	-	-
Receivables due to payment to capital	-	-	-	-	9 100	-
Other	-	-	1 153	(379)	1 288	(91)
Total adjustment	(17 564)	(1 431)	1 504	(49)	(19 844)	17 842

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

The geographical breakdown of revenues from sales reflects the location of end clients.

	For the period	
	from 1 January 2009 to 31 December 2009	from 1 January 2008 to 31 December 2008
Poland	3 374 337	4 484 809
Germany	2 053 935	1 398 163
France	752 682	809 686
Great Britain	1 298 036	955 703
Czech Republic	563 983	870 895
Austria	190 943	225 360
Hungary	240 215	176 711
China	1 674 758	1 264 189
Other countries	1 963 801	2 469 369
Total	12 112 690	12 654 885

Main customers

During the period from 1 January 2009 to 31 December 2009, the revenues from no customer exceeded 10% of the revenues of the Group.

However, during the period from 1 January 2008 to 31 December 2008, in the segment „Production of copper, precious metals and other smelter products” the revenues from sales from one customer amounted to PLN 1 699 268 thousand.

Selected explanatory data to the consolidated financial statements (continuation)

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

Acquisition of FADROMA S.R. SP. Z O.O.

On 14 July 2009, the indirect subsidiary DFM ZANAM-LEGMET Sp. z o.o. acquired 600 shares of FADROMA-S.R. SP. Z O.O. with its registered head office in Wrocław for the amount of PLN 825 thousand, representing 90.09% of the share capital of the acquired company.

On 16 October 2009, DFM ZANAM-LEGMET Sp. z o.o. acquired a further 53 shares of FADROMA-S.R. SP. Z O.O. for the amount of PLN 73 thousand, representing 7.95% of the share capital.

The Group owns a total share of 98.04% in FADROMA-S.R. SP. Z O.O.

The carrying amount of the net assets of FADROMA-S.R. SP. Z O.O. at the date of acquisition totalled PLN 416 thousand. The total cost was PLN 897 thousand. Goodwill provisionally set amounts to PLN 481 thousand. At the date of acquisition minority interest amounted to PLN 11 thousand.

From the date of acquisition to 31 December 2009, FADROMA-S.R. SP. Z O.O. earned revenues from sales in the amount of PLN 2 981 thousand and a loss of PLN (92) thousand.

Acquisition of WPEC w Legnicy SA

On 29 December 2009, the subsidiary „Energetyka” sp. z o.o. acquired from the State Treasury 10 030 thousand ordinary registered shares of the company WPEC w Legnicy SA with a per-share face value of PLN 10 during the process of privatisation, representing 85% of the share capital of this company.

The cost of acquisition was PLN 202 621 thousand. The carrying amount of the net assets of WPEC w Legnicy SA amounted to PLN 117 368 thousand, of which the carrying amount of the net assets attributable to the Group amounted to PLN 99 762 thousand. Goodwill provisionally set amounts to PLN 102 859 thousand. At the date of acquisition minority interest amounted to PLN 17 605 thousand.

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 2009, in light of the results presented in this consolidated quarterly report relative to projected results

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

The published projection of results relates to KGHM Polska Miedź S.A.

The results achieved by KGHM Polska Miedź S.A. in 2009 exceed the amount projected (in the projection published in the current report dated 12 November 2009) for revenues from sales and profit for the period, respectively by 2% and 13%.

The higher-than-expected profit is mainly the result of better copper prices alongside a lower level of impairment losses of assets at year's end.

As the estimated level of profit for the period exceeds the projected amount by over 10%, on 18 February 2010 KGHM Polska Miedź S.A. published a current report presenting the estimated profit of KGHM Polska Miedź S.A. for 2009. The presented profit conforms to the actual profit for 2009 as presented in the statement on comprehensive income of this report.

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

At the date of publication of the consolidated report for the third quarter of 2009, i.e. at 13 November 2009, 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 83 589 900 shares of KGHM Polska Miedź S.A., representing 41.79% 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 16 May 2007).

On 12 January 2010 the Company received an announcement from the Minister of the State Treasury on the sale by the State Treasury on 8 January 2010 on a regulated market of 20 000 000 shares of KGHM Polska Miedź S.A. directed to qualified investors.

At the date of preparation of this report, based on information held by the Management Board of 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 third quarter of 2009, i.e. at 13 November 2009, did not own any shares of KGHM Polska Miedź S.A. or rights to them. Based on information held by KGHM Polska Miedź S.A. at the date of publication of this report this did not change.

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

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

At 31 December 2009, the total value of on-going proceedings before the public courts, bodies appropriate for arbitration proceedings and bodies of public administration respecting liabilities and debtors, of KGHM Polska Miedź S.A. and its subsidiaries, did not represent at least 10% of the equity of KGHM Polska Miedź S.A.

Other information to the consolidated quarterly report (continuation)

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

In the period from 1 January 2009 to 31 December 2009, neither KGHM Polska Miedź S.A. nor any of its subsidiaries entered into significant transactions with related entities under other than arm's length conditions.

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

During the period from 1 January 2009 to 31 December 2009 neither KGHM Polska Miedź S.A. nor its subsidiaries granted collateral on credit or loans, nor did they grant guarantees to a single entity or its subsidiary whose total value would represent at least 10% of the equity of KGHM Polska Miedź S.A.

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

In the fourth quarter of 2009 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 other events significant for assessing the personnel situation and the ability to perform obligations.

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

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

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

- copper and silver prices on the metals markets,
- the USD/PLN exchange rate,
- electrolytic copper production costs.

Quarterly financial information of KGHM Polska Miedź S.A.

Statement of financial position

	At	
Note	31 December 2009	31 December 2008
Assets		
Non-current assets		
Property, plant and equipment	5 937 513	5 515 028
Intangible assets	76 147	80 904
Shares in subsidiaries	1 915 224	1 795 013
Investments in associates	1 159 947	1 163 640
Deferred tax assets	167 062	-
Available-for-sale financial assets	17 700	21 034
Held-to-maturity investments	67 097	59 545
Derivative financial instruments	58 034	6 501
Trade and other receivables	110 173	61 900
	9 508 897	8 703 565
Current assets		
Inventories	1 890 286	1 446 802
Trade and other receivables	1 314 598	1 222 501
Held-to-maturity investments	580	-
Derivative financial instruments	263 247	711 096
Cash and cash equivalents	975 198	1 793 580
	4 443 909	5 173 979
Non-current assets held for sale	224	23 020
TOTAL ASSETS	13 953 030	13 900 564
Equity and liabilities		
EQUITY		
Share capital	2 000 000	2 000 000
Accumulated other comprehensive income	127 228	518 748
Retained earnings	8 276 729	8 072 544
TOTAL EQUITY	10 403 957	10 591 292
LIABILITIES		
Non-current liabilities		
Trade and other payables	17 472	24 962
Borrowings and finance lease liabilities	11 576	17 173
Derivative financial instruments	61 354	-
Deferred tax liabilities	-	31 516
Liabilities due to employee benefits	1 098 399	975 697
Provisions for other liabilities and charges	515 619	591 320
C. I. 1	1 704 420	1 640 668
Current liabilities		
Trade and other payables	1 376 049	1 476 088
Borrowings and finance lease liabilities	6 109	7 120
Current corporate tax liabilities	78 183	64 866
Derivative financial instruments	273 503	3 771
Liabilities due to employee benefits	93 122	73 289
Provisions for other liabilities and charges	17 687	43 470
C. I. 1	1 844 653	1 668 604
TOTAL LIABILITIES	3 549 073	3 309 272
TOTAL EQUITY AND LIABILITIES	13 953 030	13 900 564

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

Statement of comprehensive income

	Note	Financial period			
		for the 3 months ended 31 December 2009	for the 12 months ended 31 December 2009	for the 3 months ended 31 December 2008	for the 12 months ended 31 December 2008
INCOME STATEMENT					
CONTINUED ACTIVITIES:					
Sales	C. I. 2	3 324 842	11 060 540	2 552 327	11 302 913
Cost of sales	C. I. 3	(2 107 021)	(7 127 255)	(1 887 401)	(7 215 430)
Gross profit		1 217 821	3 933 285	664 926	4 087 483
Selling costs	C. I. 3	(35 453)	(107 303)	(24 274)	(79 791)
Administrative expenses	C. I. 3	(214 586)	(629 077)	(205 824)	(615 316)
Other operating income	C. I. 4	260 727	870 598	545 279	1 224 792
Other operating costs	C. I. 5	(374 063)	(969 411)	(474 198)	(1 020 804)
Operating profit		854 446	3 098 092	505 909	3 596 364
Finance costs - net	C. I. 6	(6 525)	(31 523)	(14 053)	(42 735)
Profit before income tax		847 921	3 066 569	491 856	3 553 629
Income tax expense		(162 570)	(526 384)	(104 282)	(633 251)
Profit for the period		685 351	2 540 185	387 574	2 920 378
OTHER COMPREHENSIVE INCOME DUE TO:					
Available-for-sale financial assets		(2 131)	(10 834)	8 793	8 099
Cash flow hedging instruments		75 336	(472 524)	542 289	617 862
Income tax related to items presented in other comprehensive income		(13 909)	91 838	(104 706)	(120 996)
Other comprehensive net income for the financial period		59 296	(391 520)	446 376	504 965
TOTAL COMPREHENSIVE INCOME		744 647	2 148 665	833 950	3 425 343
Earnings per share during the period (in PLN per share)					
- basic		3.43	12.70	1.94	14.60
- diluted		3.43	12.70	1.94	14.60

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

Statement of changes in equity

	Share capital	Retained earnings	Accumulated other comprehensive income due to:		Total equity
			Available-for-sale financial assets	Cash flow hedging instruments	
At 1 January 2009	2 000 000	8 072 544	10 265	508 483	10 591 292
Dividends for 2008	-	(2 336 000)	-	-	(2 336 000)
Total comprehensive income	-	2 540 185	(8 776)	(382 744)	2 148 665
At 31 December 2009	2 000 000	8 276 729	1 489	125 739	10 403 957
At 1 January 2008	2 000 000	6 952 166	3 705	10 078	8 965 949
Dividends for 2007	-	(1 800 000)	-	-	(1 800 000)
Total comprehensive income	-	2 920 378	6 560	498 405	3 425 343
At 31 December 2008	2 000 000	8 072 544	10 265	508 483	10 591 292

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

Statement of cash flows	Note	Financial period	
		for the 12 months ended 31 December 2009	for the 12 months ended 31 December 2008
Cash flow from operating activities			
Profit for the period		2 540 185	2 920 378
Adjustments to profit for the period	C. I. 7	567 006	668 899
Income tax paid		(619 806)	(840 106)
Net cash generated from operating activities		2 487 385	2 749 171
Cash flow from investing activities			
Purchase of shares in subsidiaries		(177 106)	(128 134)
Purchase of shares in associates		-	(737 686)
Proceeds from sale of shares in associates		-	8 542
Purchase of property, plant and equipment and intangible assets		(1 161 762)	(1 080 603)
Proceeds from sale of property, plant and equipment and intangible assets		14 195	7 447
Purchase of available-for-sale financial assets		-	(202 123)
Proceeds from sale of available-for-sale financial assets		20 000	204 540
Purchase of held-to-maturity investments financed from the resources of Mine Closure Fund		(8 132)	(25 481)
Proceeds from sale of held-to-maturity investments financed from the resources of Mine Closure Fund		-	9 829
Establishment of deposits		(400 500)	-
Termination of deposits		400 500	-
Loans granted		(69 432)	(7 866)
Repayments of loans granted		1 044	53
Interest received		6 319	326
Dividends received		454 628	236 939
Expenses due to advances granted for the purchase of property, plant and equipment and intangible assets		(14 229)	-
Other investment expenses		(12 228)	(7 561)
Net cash used in investing activities		(946 703)	(1 721 778)
Cash flow from financing activities			
Repayments of loans		(4 000)	(6 000)
Payments of liabilities due to finance leases		(3 310)	(2 568)
Interest paid		(252)	(453)
Dividends paid		(2 336 000)	(1 800 000)
Net cash used in financing activities		(2 343 562)	(1 809 021)
Total net cash flow		(802 880)	(781 628)
Exchange (losses)/gains on cash and cash equivalents		(15 502)	40 213
Movements in cash and cash equivalents		(818 382)	(741 415)
Cash and cash equivalents at beginning of the period		1 793 580	2 534 995
Cash and cash equivalents at end of the period		975 198	1 793 580
including restricted cash and cash equivalents		6 722	2 587

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

Selected explanatory data

I. Additional notes

1. Changes in provisions for other liabilities and charges

	TOTAL	Decommissioning costs of mines and other facilities	Costs of scrapping property, plant and equipment	Disputed issues and court proceedings	Other provisions
Provisions at 1 January 2009	634 790	602 925	5 721	4 832	21 312
Increase	149 673	140 354	2 687	1 507	5 125
Decrease	(251 157)	(232 376)	(3 101)	(4 832)	(10 848)
Provisions at 31 December 2009	533 306	510 903	5 307	1 507	15 589
of which:					
Non-current provisions	515 619	501 850	-	-	13 769
Current provisions	17 687	9 053	5 307	1 507	1 820

	TOTAL	Decommissioning costs of mines and other facilities	Costs of scrapping property, plant and equipment	Disputed issues and court proceedings	Other provisions
Provisions at 1 January 2008	631 865	550 311	4 810	15 219	61 525
Increase	191 904	177 792	2 971	2 713	8 428
Decrease	(188 979)	(125 178)	(2 060)	(13 100)	(48 641)
Provisions at 31 December 2008	634 790	602 925	5 721	4 832	21 312
of which:					
Non-current provisions	591 320	574 224	2 467	-	14 629
Current provisions	43 470	28 701	3 254	4 832	6 683

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

2. Sales

	Financial period			
	for the 3 months ended 31 December 2009	for the 12 months ended 31 December 2009	for the 3 months ended 31 December 2008	for the 12 months ended 31 December 2008
Copper, precious metals, smelter by-products	3 268 090	10 856 180	2 507 389	11 138 367
Salt	14 090	43 297	7 644	19 983
Services	14 220	54 745	15 380	50 885
Other goods	2 770	11 114	2 903	10 962
Goods for resale	14 030	56 641	10 768	43 232
Wastes and production materials	11 566	38 333	8 069	39 071
Other materials	76	230	174	413
Total	3 324 842	11 060 540	2 552 327	11 302 913

3. Costs by type

	Financial period			
	for the 3 months ended 31 December 2009	for the 12 months ended 31 December 2009	for the 3 months ended 31 December 2008	for the 12 months ended 31 December 2008
Depreciation of property, plant and equipment and amortisation of intangible assets	143 725	547 653	132 046	481 376
Employee benefit costs	699 314	2 589 063	670 431	2 455 203
Materials and energy consumption	1 135 340	3 748 025	751 223	3 446 981
External services	292 737	1 028 170	297 051	1 034 444
Taxes and charges	72 787	285 178	57 045	278 017
Advertising costs and representation expenses	3 522	16 139	5 171	20 481
Property and personal insurance	4 647	13 437	(6)	8 871
Research and development costs not capitalised in intangible assets	2 989	3 724	3 922	4 883
Other costs, of which:	1 552	5 898	63 889	72 371
Impairment loss on property, plant and equipment, intangible assets	1 194	1 194	(1)	327
Write-down of inventories	799	1 537	61 573	62 172
Allowance for impairment of receivables	909	909	30	35
Reversal of write-down of inventories	(33)	(1 362)	(56)	(1 077)
Reversal of allowance for impairment of receivables	-	(149)	-	(3)
Reversal of impairment loss on property, plant and equipment, intangible assets	-	-	(67)	(67)
Losses from the disposal of financial instruments	535	998	164	1 608
Other operating costs	(1 852)	2 771	2 246	9 376
Total costs by type	2 356 613	8 237 287	1 980 772	7 802 627
Cost of goods for resale and materials sold (+)	23 120	88 132	19 462	80 266
Change in inventories of finished goods and work in progress (+/-)	5 665	(364 789)	140 354	114 896
Cost of manufacturing products for internal use (-)	(28 338)	(96 995)	(23 089)	(87 252)
Total cost of sales, selling and administrative costs	2 357 060	7 863 635	2 117 499	7 910 537

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

4. Other operating income

	Financial period			
	for the 3 months ended 31 December 2009	for the 12 months ended 31 December 2009	for the 3 months ended 31 December 2008	for the 12 months ended 31 December 2008
Income and gains on financial instruments, classified under other operating activities, resulting from:	118 697	349 831	514 316	937 416
Measurement and realisation of derivative instruments	107 380	261 582	356 018	672 624
Gains from disposal	-	7 500	(4 474)	14 795
Foreign exchange gains/(losses)	-	-	137 153	137 153
Interest	11 588	79 787	25 619	112 839
Reversal of allowance for impairment of loans	(271)	954	-	-
Reversal of allowance for impairment of other receivables	-	8	-	5
Gains from the disposal of shares in associates	-	-	7 233	7 233
Non-financial interest	4	2 700	6 099	10 549
Reversal of allowance for impairment of non-financial receivables	364	1 559	139	5 250
Dividends received	113 256	454 848	8 877	237 174
Release of unused provisions due to:	21 099	43 987	11 839	17 513
Decommissioning of mines	15 296	32 969	-	4 311
Disputed issues and court proceedings	-	3 020	11 840	11 937
Liabilities towards municipal authorities (gminas) due to signed donation agreements	492	2 404	-	1 205
Royalties	4 810	4 810	-	-
Other	501	784	(1)	60
Penalties and compensation received	2 522	8 103	1 915	6 126
Government grants and other donations received	52	237	303	1 309
Other operating income/gains	4 733	9 333	(5 442)	2 222
Total other operating income	260 727	870 598	545 279	1 224 792

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

5. Other operating costs

	Financial period			
	for the 3 months ended 31 December 2009	for the 12 months ended 31 December 2009	for the 3 months ended 31 December 2008	for the 12 months ended 31 December 2008
Costs and losses on financial instruments, classified under other operating activities, resulting from:	307 564	864 662	378 579	887 399
Measurement and realisation of derivative instruments	302 612	800 219	481 742	884 625
Interest	4	170	182	199
Foreign exchange losses	5 201	61 664	(105 906)	-
Losses/(gains) on measurement of non-current liabilities	(400)	249	2 555	2 555
Impairment losses on loans	19	2 232	-	-
Allowances for impairment of other receivables	128	128	6	20
Impairment losses on shares in a subsidiary	49 959	49 959	75 057	75 057
Allowances for impairment of other non-financial receivables	1	389	-	170
Impairment losses on intangible assets not yet available for use	-	-	29	29
Impairment losses on assets under construction	-	-	2 947	2 947
Losses on the sale of property, plant and equipment and intangible assets	6 287	17 844	3 813	9 431
Donations granted	80	6 088	3	10 636
Interest on overdue non-financial liabilities	2 558	4 230	813	1 784
Provisions for liabilities due to:	4 215	8 618	9 079	15 459
Decommissioning of mines	3 751	4 217	4 157	5 824
Disputed issues and court proceedings	232	1 507	763	2 713
Other	232	2 894	4 159	6 922
Penalties and compensation paid	164	373	44	1 442
Contributions to a voluntary organisation	338	7 433	363	1 483
Other operating costs/losses	2 897	9 815	3 471	14 967
Total other operating costs	374 063	969 411	474 198	1 020 804

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

6. Net finance costs

	Financial period			
	for the 3 months ended 31 December 2009	for the 12 months ended 31 December 2009	for the 3 months ended 31 December 2008	for the 12 months ended 31 December 2008
Interest expense:	131	1 254	1 262	2 337
On loans	55	336	240	656
Due to finance leases	76	918	1 022	1 681
Net exchange losses/(gains) on borrowings	(408)	(178)	2 807	1 810
Changes in the value of provisions due to unwinding of discount	6 721	29 764	9 846	38 091
Other financial costs	81	683	138	497
Total net finance costs	6 525	31 523	14 053	42 735

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

	Financial period	
	for the 12 months ended 31 December 2009	for the 12 months ended 31 December 2008
Income tax from the income statement	526 384	633 251
Depreciation/amortisation	547 653	481 376
Interest and share in profits (dividends)	(460 304)	(235 194)
Foreign exchange losses/(gains)	18 261	(18 206)
Change in provisions	118 271	94 767
Change in derivative instruments	688 065	581 445
Realisation of derivative instruments, recognised in equity	(433 187)	(579 992)
Other adjustments	62 619	73 642
Changes in working capital:	(500 756)	(362 190)
Inventories	(443 425)	156 685
Trade and other receivables	(54 968)	(493 721)
Trade and other payables	(2 363)	(25 154)
Total adjustments to profit for the period	567 006	668 899

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

1. List of significant achievements or failures during the reported period, together with a list of the most important related events.

Project „Effectiveness“

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

In the 4th quarter of 2009 the Team presented an update of the result of its work, comprising the entire copper production process, from excavation of the copper ore through enrichment to final smelting, and indicated an identified potential for improvement in productivity/cost reduction at an average annual level of over PLN 600 million, following the implementation of initiatives resulting from the realisation of all programs.

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

The change in the level of identified savings, in respect of earlier assumptions, is due to the updating of detailed plans respecting exhaustion of the deposit, and reflects projected macroeconomic conditions.

During this analysis the following was determined:

- the potential arising from increasing the level of production.
- the potential arising from decreasing costs.

With respect to realisation of Project „Effectiveness” over 70 programs are planned to be implemented in all areas of the Company’s operations, utilising two methodologies:

- the cost reduction methodology TOP (Total Operational Performance), and
- process transformation based on the principles of Lean Management.

Following completion of the diagnostic stage, 10 programs have been realised, as a result of which initiatives have been confirmed for implementation aimed at achieving savings of over PLN 80 million. Apart from economic effects, the Project will enhance the knowledge and awareness of the employees of KGHM with respect to organisation of work and the costs of materials and energy.

The project team was composed of consultants from the firm of McKinsey & Company as well as over 20 Change Leaders from KGHM, who underwent constant training during the Project in order to enable them to independently execute further programs to improve process transformation and cost reduction.

At the moment only employees of KGHM Polska Miedź S.A., i.e. the Project „Effectiveness” Team (26 Change Leaders), the Management Board of the Company, the management staff of the Divisions, mid-and-low level supervisory staff and the other employees in the Project, are involved.

Selection of other significant events covered by current reports

Company bodies

The Extraordinary General Meeting convened for 9 December 2009 on the request of the State Treasury has resolved the changes in the Statutes of KGHM Polska Miedź S.A. The changes were registered on 31 December 2009 by the Regional Court for Wrocław-Fabryczna in Wrocław, Section IX (Economic) of the National Court of Registration.

Group

On 3 November 2009 the liquidator of KGHM Polish Copper Ltd. with its registered head office in London – Mr. Simon Underwood from the company Benedict MacKenzie LLP – initiated liquidation activities in connection with the resolution adopted on 21 October 2009 by the General Shareholders’ Meeting on the initiation of voluntary liquidation of KGHM Polish Copper Ltd with its registered head office in London in accordance with English law. Decision to liquidate KGHM Polish Copper Ltd. is connected with taking over activities of this company by KGHM Polska Miedź S.A.

On 28 December 2009 an application for the voluntary liquidation of KGHM CONGO S.P.R.L. was submitted to the Commercial Court in Lubumbashi, based on a Resolution by the Extraordinary General Shareholders’ Meeting of KGHM CONGO S.P.R.L. dated 17 December 2009. Liquidation commenced on 1 January 2010, in accordance with the laws in force in the Democratic Republic of Congo. Grzegorz Lipień and Renata Ochocka have been designated as the liquidators of KGHM CONGO S.P.R.L. with its registered head office in Lubumbashi. The decision to liquidate KGHM CONGO S.P.R.L. was made due to the termination by the company of an investment project in the Democratic Republic of Congo.

Updating of projected results of the Company for 2009

On 12 November 2009 the Company published an updated projection of Company results for 2009, developed based on the financial results achieved after the first 9 months of 2009 and on verified macroeconomic assumptions and the effects of potential changes in the valuation of assets at the end of the year. The remaining assumptions of the projection remain unchanged in relation to the assumptions of the Adjusted Budget. In accordance with the updated projection, revenues from sales were to amount to PLN 10 829 million, and profit for the period to PLN 2 249 million.

Significant contract

On 1 December 2009 a further contract was entered into with HSBC Bank USA N.A., London Branch. As a result of entering into this contract, the total estimated value of contracts entered into between KGHM Polska Miedź S.A. and HSBC Bank USA N.A., London Branch over the last 12 months preceding signing of the contract exceeded 10% of the equity of the Company and amounted to PLN 1 010 706 thousand. The highest-value contract entered into during this period is the contract for silver sales in 2009 entered into on 27 March 2009 which estimated value amounted to PLN 671 445 thousand.

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

Delisting of Global Depository Receipts (the "GDRs")

Due to the termination of the Company's GDR program as of 22 December 2009 in connection with the termination of the deposit agreement with Deutsche Bank Trust Company Americas the Company's GDRs were removed from the list of securities admitted to trading in the London Stock Exchange as of 22 December 2009.

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

Financial assets

Due to the measurement and settlement of future cash flow hedging transactions in an amount reflecting the effective portion of the hedge, after reflecting the results in deferred tax, other comprehensive income were increased in the current quarter by PLN 61 022 thousand.

(an accrued decrease in other comprehensive income by PLN 382 744 thousand since the beginning of the year)

Due to the measurement and settlement of available-for-sale financial assets to fair value, after reflecting the results in deferred tax, other comprehensive income was decreased in the current quarter by PLN 1 725 thousand.

(an accrued decrease in other comprehensive income by PLN 8 775 thousand since the beginning of the year)

Due to the realisation and re-measurement of derivative instruments to the level of fair value there was a decrease in the financial result for the current quarter of PLN 236 033 thousand (of which: as a decrease in revenues from sales PLN 40 801 thousand and as a decrease in the result on other operating activities PLN 195 232 thousand). For detailed information on derivative instruments see part C point II 5 Risk management.

(an accrued increase in profit by PLN 105 450 thousand due to the measurement and realisation since the beginning of the year (of which: as an increase in revenues from sales PLN 433 187 thousand and as a decrease in the result in other operating income/costs in the amount of PLN 538 637 thousand).

The level of assets and financial result in the current quarter was affected by the results of impairment losses of shares in subsidiaries in the amount of PLN 49 959 thousand

(an accrued decrease in profit since the beginning of the year in the amount of PLN 49 959 thousand)

In the current quarter an allowance for impairment of a loan in the amount of PLN 290 thousand was recognised.

(an accrued decrease since the beginning of the year of profit from allowances for impairment of a loan in the amount of PLN 1 278 thousand (excess of allowances recognised of PLN 2 232 thousand over released of PLN 954 thousand))

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 143 725 thousand.

(an accrued increase in costs by PLN 547 653 thousand since the beginning of the year)

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

3. Type and amounts of changes in estimates

Provisions

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

3.1 provisions for future employee benefits due to one-off retirement or disability payments, jubilee awards, post-mortem benefits and the coal equivalent also paid after the period of employment. The result of this change in estimates is an increase in the provision and a decrease in the financial result in the amount of PLN 81 940 thousand (after reflecting the results in deferred tax a decrease in profit in the amount of PLN 66 371 thousand),

(an accrued decrease in profit by PLN 142 535 thousand since the beginning of the year),

3.2 provision for future costs of decommissioning (restoration) of the Company's mines, comprising the estimated costs of dismantling and removing technological facilities, for which the obligation for restoration upon the conclusion of activities is a result of separate law or standard practice. The result of this change in estimates is an increase in the provision in the amount of PLN 70 296 thousand which was settled as an increase of the financial result in the amount of PLN 5 010 thousand and as an increase of property, plant and equipment in the amount of PLN 75 306 thousand. The increase in the provision resulted in an increase in deferred tax assets in the amount of PLN 13 130 thousand,

(an accrued decrease in the provision since the beginning of the financial year by PLN 76 801 thousand, of which PLN 420 thousand was settled as a decrease in the financial result and PLN 77 221 thousand was settled as a decrease in property, plant and equipment)

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

3.3 provisions for future employee remuneration costs together with charges in the amount of PLN 168 028 thousand, paid (in accordance with the Collective Labour Agreement) on the occasion of mining and smelting holidays and after approval of the annual financial statements.
(provision at 31 December 2009 amounted to PLN 260 974 thousand)

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

Deferred income tax

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

There was an increase in the deferred tax asset in the current quarter in the amount of PLN 60 897 thousand, which was settled as an increase of the financial result.
(an accrued increase in deferred tax asset by PLN 102 246 thousand since the beginning of the year, which was settled as an increase of the financial result)

There was an increase in the deferred tax liability in the amount of PLN 40 541 thousand, of which the following was settled:

- as a decrease of the financial result, PLN 26 632 thousand
- as a decrease of other comprehensive income on hedging financial instruments and on available-for-sale financial instruments, PLN 13 909 thousand.

(decrease in the deferred tax liability by PLN 96 332 thousand, of which the following was settled:

- as an increase of the financial result, PLN 4 494 thousand
- as an increase of other comprehensive income on hedging financial instruments and on available-for-sale financial instruments, PLN 91 838 thousand).

After offsetting the deferred tax asset and deferred tax liability, the deferred tax asset at the end of the reporting period was set at PLN 167 062 thousand.

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

Production and financial results in the fourth quarter of 2009

In the fourth quarter of 2009, KGHM Polska Miedź S.A. produced 138 thousand t of electrolytic copper, including 34 thousand t from purchased copper-bearing materials and 316 t of metallic silver (respectively in the whole year 2009, 502 thousand t of copper were produced, including 104 thousand t from purchased copper-bearing materials and 1 203 t of silver).

The most significant factors impacting the value of sales in the fourth quarter of 2009 were macroeconomic factors:

- copper prices on the London Metal Exchange (LME) at the average level of 6 643 USD/t,
- an average exchange rate of 2.82 USD/PLN,
- average silver prices on the London Bullion Market (LBM) of 17.57 USD/troz,
- and the sales volume: 146 thousand t of copper and copper products, and 254 t of silver.

The **revenues from sales** achieved of PLN 3 324 842 thousand were higher than those achieved in the fourth quarter of 2008 by PLN 772 515 thousand, i.e. by 30%. This increase in sales was mainly due to higher:

- copper prices (an increase from 3 940 USD/t to 6 643 USD/t) and silver prices (an increase from 10.21 USD/troz to 17.57 USD/troz),
 - volume of copper sale (an increase from 140 thousand t to 146 thousand t)
- along with the following factors which decreased revenues from sales:
- a decrease in volume of silver sales (from 317 t to 254 t),
 - strengthening of the PLN from 2.86 USD/PLN to 2.82 USD/PLN.

In the fourth quarter of 2009, revenues from the sale of copper and copper products represented 83%, and silver 12% (in the comparable period of 2008 respectively: 82% and 12%) of total revenues from sales.

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

Operating costs in the fourth quarter of 2009 amounted to PLN 2 357 060 thousand and increased versus the comparable prior period by PLN 239 561 thousand, i.e. by 11%.

The increase in the level of operating costs in the quarter was mainly affected by the higher level of costs by type, which increased by PLN 375 841 thousand, i.e. by 19%.

The change in costs by type versus the fourth quarter of 2008 relates mainly to an increase in:

- the value of external copper-bearing materials used in production due to a doubled purchase price,
- energy consumption costs due to an increase in the price of electricity by 28% (with delivery) alongside a lower by 3% level of quantitative consumption,
- labour costs due to an increase of the provision for the annual bonus and a higher level of provision for future employee benefits resulting from a forecast increase in coal prices,

along with a decrease in:

- costs of materials and technological fuels due to a decrease in purchase prices,
- costs of maintenance and preparatory mine work,
- write-down of inventories.

The pre-precious metals credit cost of electrolytic copper production (prior to decrease by the value of precious metals – mainly silver and gold) in the fourth quarter of 2009 amounted to 14 027 PLN/t, and was higher by 1 870 PLN/t, i.e. by 15%, than the pre-precious metals credit cost in the comparable period of 2008. The increase in the pre-precious metals credit unit cost is mainly due to the higher value of external copper-bearing materials used in production due to higher copper prices.

The favourable, due to the increase in silver and gold market prices, valuation of anode slimes led to a decrease in the total unit cost of electrolytic copper production to 11 170 PLN/t in the fourth quarter of 2009, which in relation to the fourth quarter of 2008 represents an increase of 2%.

The pre-precious metals credit cost of electrolytic copper production from internal concentrates amounted to 12 342 PLN/t, and was 6% lower than the pre-precious metals credit cost from internal concentrates in the fourth quarter of 2008, with the similar volume of production from internal concentrates. The decrease in this cost mainly results from lower costs of materials and fuels used, and external services, mainly including maintenance.

The total cost of copper production from internal concentrates (decreased by the valuation of anode slimes) amounted to 8 668 PLN/t, i.e. 25% less than in the comparable prior period.

Profit on sales (gross profit less administrative expenses and selling costs) in the fourth quarter of 2009 amounted to PLN 967 782 thousand and was higher by PLN 532 954 thousand, and was over twice the profit achieved in the fourth quarter of 2008.

Other operating activities showed a loss in the fourth quarter of 2009 in the amount of PLN 113 336 thousand, of which mainly due to the following factors which decreased the result: the loss on the measurement and settlement of derivative instruments and impairment losses on shares in a subsidiary, reflecting income from dividends received from Polkomtel S.A.

In comparison to the result achieved in the fourth quarter of 2008, **the result on other operating activities** was lower by PLN 184 417 thousand, mainly due to foreign exchange differences and worsening of the result on the realisation and measurement of hedging transactions, along with the higher level of dividends received.

As a result of the factors described above, **operating profit** in the fourth quarter of 2009 amounted to PLN 854 446 thousand and increased versus the comparable prior period of 2008 by PLN 348 537 thousand, i.e. by 69%.

KGHM Polska Miedź S.A. earned a **profit for the fourth quarter of 2009** of PLN 685 351 thousand, which was higher by PLN 297 777 thousand, i.e. by 77%, than that achieved in the fourth quarter of 2008.

EBITDA in the fourth quarter of 2009 amounted to PLN 998 171 thousand (including depreciation/amortisation of PLN 143 725 thousand) and was higher by PLN 360 216 thousand (56%) than EBITDA in the comparable prior period.

5. Risk management

In the fourth quarter of 2009, strategies hedging the copper price represented approx. 38%, and those hedging the silver price approx. 29%, of the sales of these metals realised by the Company. In the case of currency transactions, approx. 29% of total revenues from sales realised by the Company were hedged.

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

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

In the fourth quarter of 2009, the result on derivative instruments amounted to PLN (236 033) thousand, of which revenues from sales were adjusted in the amount of PLN (40 801) thousand (the amount transferred from other comprehensive income to profit or loss in the reporting period, being an adjustment in minus of revenues from sales), the amount of PLN (195 232) thousand increased other operating costs and losses, of which PLN (103 997) thousand represented costs due to the realisation of derivative instruments, while PLN (91 235) thousand represented costs due to the measurement of derivative instruments. The adjustment of other operating costs and losses due to the measurement of derivative transactions is mainly from changes of the time value of options which will be settled in future periods. In accordance with the applied hedge accounting principles, changes in the time value of options are not recognised in other comprehensive income.

In the fourth quarter of 2009, the Company implemented copper price hedging strategies in the total volume of 58.5 thousand tonnes and a time horizon falling in 2010 and in the first half of 2011. The Company made use of options, including puts, option strategies: producer puts and corridor (Asian options). In addition the Company performed a restructurisation, implemented in the prior period, of seagull options for 2010 with a total volume of 58.5 thousand tonnes through the buyback of sold puts. During the period the Company did not implement adjustment hedge transactions. In the case of the silver market, the Company implemented strategies hedging the price of this metal with a total volume of 3.6 million troz and a time horizon falling in 2010. The Company made use of put options (Asian options). In the fourth quarter of 2009, adjustment hedge transactions were not implemented on the silver market.

In the case of the forward currency market in the fourth quarter of 2009, the Company performed a restructurisation of positions for 2010, by taking up a reverse position to options strategies implemented in prior periods- corridor (USD 120 million) and purchased puts (USD 240 million). This operation was recognised in other comprehensive total income in the amount of PLN 147 912 thousand, which will be an adjustment in plus of revenues from sales in 2010. In addition, as part of this restructurisation, put options hedging the USD/PLN exchange rate were purchased for USD 480 million for the entire year 2010. In the fourth quarter of 2009 no adjustment hedge transactions were implemented on the currency market.

The Company remains hedged for a portion of copper sales planned in the first half of 2010 (78 thousand t), in the second half of 2010 (58.5 thousand tonnes), and in the first half of 2011 (19.5 thousand tonnes), and for a portion of silver sales planned in 2010 (7.2 million troz). The Company holds hedging positions for revenues from sales (currency market) in 2010 (USD 600 million). Detailed information on the hedging position is presented in the table "Hedging instruments" on the following pages.

Following is a condensed table of hedging positions, by type of hedged asset and instruments used at 31 December 2009. The hedged nominal/volume in the months included in the presented periods is equally balanced.

HEDGING POSITION – COPPER MARKET

Period	Instrument	Volume [tonnes]	Execution price [USD/t]	Average weighted premium [USD/t]	Effective hedge price [USD/t]	
I half of 2010	Purchased put option	39 000	4 700	(695)	4 005	
	Corridor	Sold call option	19 500	8 000	(327)	5 473 participation restricted to 8 000
		Purchased put option		5 800		
		Purchased put option	19 500	7 000	(692)	6 308
	Total	78 000				
II half of 2010	Corridor	Sold call option	39 000	8 000	(400)	5 100 participation restricted to 8 000
		Purchased put option		5 500		
		Producer puts ¹	19 500	6 500	8.94% ²	-
		Total	58 500			
	TOTAL 2010	136 500				
I half of 2011	Corridor	Sold call option	19 500	8 800	(470)	6 230 participation restricted to 8 800
		Purchased put option		6 700		
		Total	19 500			
	TOTAL 2011	19 500				

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

² Payable at the moment of settlement.

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

HEDGING POSITION – SILVER MARKET

Period	Instrument	Volume [million troz]	Execution price [USD/troz]	Average weighted premium [USD/troz]	Effective hedge price [USD/troz]
I half of 2010	Purchased put option	1.80	14.00	(2.00)	12.00
	Purchased put option	1.80	18.00	(2.00)	16.00
	Total	3.60			
II half of 2010	Purchased put option	1.80	14.00	(2.00)	12.00
	Purchased put option	1.80	18.00	(2.00)	16.00
	Total	3.60			
TOTAL 2010		7.20			

HEDGING POSITION – CURRENCY MARKET

Period	Instrument	Nominal [million USD]	Execution price [USD/PLN]	Average weighted premium [PLN per 1 USD]	Effective hedge price [USD/PLN]
I half of 2010	Producer puts ¹	60	3.0000	8.37% ²	-
	Purchased put option	60	2.6000	(0.0692)	2.5308
	Purchased put option	180	2.5500	(0.0681)	2.4819
	Total	300			
II half of 2010	Producer puts ¹	60	3.0000	8.37% ²	-
	Purchased put option	60	2.6000	(0.0692)	2.5308
	Purchased put option	180	2.5500	(0.0681)	2.4819
	Total	300			
TOTAL 2010		600			

All entities with whom derivative transactions are entered into operate in the financial sector. These are financial institutions (mainly banks), with the highest³ (47.4%), medium-high⁴ (63.2%) or medium⁵ (10.5%) ratings. Based on fair value at 31 December 2009, the maximum share of a single entity with respect to credit risk arising from derivative transactions entered into by the Company amounted to 46.1%.

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

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

At 31 December 2009, the fair value of open positions in derivative instruments amounted to PLN (13 576) thousand, of which PLN 170 866 thousand related to the fair value of hedging instruments, while PLN (184 442) thousand related to the fair value of trade instruments. The fair value of open positions in derivative instruments varies, depending on changes in market conditions, and the final result on these transactions may vary significantly from the measurements described above.

Detailed information on positions in derivative instruments at 31 December 2009 is presented below in the tables Trade instruments and Hedging instruments.

³ By highest rating is meant a rating from AAA to AA- as determined by Standard & Poor's and Fitch, and from Aaa to Aa3 as determined by Moodys.

⁴ By medium-high rating is meant a rating from A+ to A- as determined by Standard & Poor's and Fitch, and from A1 to A3 as determined by Moodys.

⁵ By medium rating is meant a rating from BBB+ to BBB- as determined by Standard & Poor's and Fitch, and from Baa1 to Baa3 as determined by Moodys.

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

TRADE INSTRUMENTS	Type of derivative instrument	Volume/ Notional Cu [^000 t] Currency [^000 USD]	Avg. weighted price/ex. rate Cu [USD/t] Currency [USD/PLN]	31 December 2009			
				Financial assets		Financial liabilities	
				Current	Non-current	Current	Non-current
Derivatives - Metals - Copper							
Swaps/forwards							
Options							
	Sold call options	1.74	1			(30 514)	(6 089)
	Purchased put options	58.50	3 797.44	860	398		
	Sold put options	58.50	3 797.44			(860)	(398)
TOTAL:				860	398	(31 374)	(6 487)
Derivatives - Currency contracts - USD/PLN							
Swaps/forwards							
Options							
	Purchased call options	360 000	4.3685	493			
	Sold call options	370 044 ⁶	4.2502			(28 592)	
	Purchased put options	360 000 ⁶	3.2333	17 025			
	Sold put options	360 000	3.2333			(136 765)	
TOTAL:				17 518		(165 357)	
Embedded derivative instruments							
Total trade instruments				18 378	398	(196 731)	(6 487)

HEDGING INSTRUMENTS	Type of derivative instrument	Volume/ Notional Cu [^000t] Ag [^000troz] Currency [^000USD]	Avg. weighted price/ ex. rate Cu [USD/t] Ag [USD/troz] Currency [USD/PLN]	Maturity date		Period of profit/loss impact		31 December 2009			
								Financial assets		Financial liabilities	
				From	Till	From	Till	Current	Non-current	Current	Non-current
Derivatives - Metals- Copper											
Options											
	Purchased put options	78	5 725	Jan 10	Dec 10	Feb 10	Jan 11	39 315	5 424		
	Corridor	78	5 875-8 000	Jan 10	June 11	Feb 10	July 11	18 797	48 847	(76 441)	(54 867)
TOTAL:								58 112	54 271	(76 441)	(54 867)
Derivatives - Metals - Silver											
Options											
	Purchased put options	7 200	16	Jan 10	Dec 10	Feb 10	Jan 11	23 465	3 365		
TOTAL:								23 465	3 365		
Derivatives - Currency contracts - USD/PLN											
Options											
	Purchased put options	600 000	2.65	Jan 10	Dec 10	Jan 10	Dec 10	43 552			
	Corridor	360 000 ⁶	3.2333-4.3685	Jan 10	Dec 10	Jan 10	Dec 10	119 740		(331)	
TOTAL:								163 292		(331)	
Total hedging instruments								244 869	57 636	(76 772)	(54 867)

⁶ Due to the implementation and commencement by the Company in 2009 of the Trinity/HAT system supporting the process of market risk management and hedge accounting, the fair value of derivative transactions which underwent alteration, i.e. a change from hedging transactions to trade transactions, is divided between hedging transactions and trade transactions, proportionally to the period in which a given transaction functioned as a hedge (designated as a hedge in accordance with hedge accounting requirements) and the period in which it functioned as a trade transaction. There was no change in the presentation of transactions whose status did not change from the date they were entered into. Consequently, in the tables presenting a detailed listing of positions in derivative instruments („Hedging instruments“ and „Trade instruments“) a portion of the fair value of derivative transactions included in the corridor structure, i.e. purchased put options and sold call options of a nominal USD 360 000 thousand, is presented both in hedging transactions as well as in trade transactions. The transactions described were not shown in the table illustrating the actual hedging position of the Company.

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

The fair values of derivatives and other receivables/liabilities due to unsettled derivatives, with a settlement date of 5 January 2010, at 31 December 2009 are presented in the table below:

	Total: fair value of derivatives and of other receivables/liabilities due to unsettled derivatives	Fair value of derivatives	Fair value of other receivables/liabilities due to unsettled derivatives
Receivables	321 281	321 281	-
Liabilities	(365 468)	(334 857)	(30 611)
Net fair value	(44 187)	(13 576)	(30 611)

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

At 30 September 2009, accumulated other comprehensive income amounted to PLN 79 897 thousand, of which PLN (25 649) thousand related to the effective portion of the result from the measurement of transactions hedging metals price risk, while PLN 105 546 thousand related to the effective portion of the result from the measurement of transactions hedging currency risk.

During the fourth quarter of 2009 there was an increase in other comprehensive income by PLN 75 335 thousand (excluding the deferred tax effect), comprised of changes in fair value during the period recognised in other comprehensive income due to the effective portion of hedging transactions, i.e. an increase in accumulated other comprehensive income by PLN 34 535 thousand, and the amount transferred from the accumulated other comprehensive income to profit and loss due to the settlement of the effective portion of hedging transactions, an increase of accumulated other comprehensive income by PLN 40 801 thousand (an adjustment in minus of revenues from sales for the fourth quarter of 2009).

AMOUNTS RECOGNISED IN EQUITY

At 31 December 2009

Accumulated other comprehensive income – commodity price risk hedging transactions (copper and silver) – derivatives	(3 937)
Accumulated other comprehensive income – currency risk hedging transactions – derivatives	159 170
Total accumulated other comprehensive income - financial instruments hedging future cash flows (excluding deferred tax effects)	155 233

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

**For the period
from 1 October 2009
to 31 December 2009**

Accumulated gain or loss arising from financial instruments hedging cash flows at 30 September 2009	79 897
Amounts recognised in the period from 1 October 2009 to 31 December 2009 due to hedging transactions	34 535
Amounts transferred from accumulated other comprehensive income to revenues from sales in the period from 1 October 2009 to 31 December 2009	40 801
Accumulated in equity gain or loss arising from financial instruments hedging cash flows at 31 December 2009 (excluding the deferred tax effect)	155 233

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

	At 31 December 2009	Increase/(decrease) since the end of the last financial year
Contingent receivables	71 779	61 921
Guarantees received	25 380	24 945
Contested State budget issues	22 993	13 777
Promissory notes receivables	22 923	22 923
Other	483	276
Other receivables not recognised in the statement of financial position - inventions, implementation of projects	31 235	6 040
Contingent liabilities	23 128	(7 874)
Guarantees	5 000	(2 170)
Disputed issues, pending court proceedings	15 611	1 426
Contingent penalties	23	(1 604)
Preventive safety measures in respect of mine-related damages	2 491	(5 509)
Other	3	(17)
Other liabilities not recognised in the statement of financial position	507 425	42 161
Inventions, implementation of projects	105 792	44 086
Operating leases	19 587	(1 808)
Future payments due to perpetual usufruct of land	382 046	(117)

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

Lubin, 25 February 2010