

POLISH FINANCIAL SUPERVISION AUTHORITY

Consolidated quarterly report QSr 4 / 2011

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

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

For the fourth quarter of the financial year **2011** comprising the period from **1 October 2011** to **31 December 2011**
Containing the interim condensed consolidated financial statements according to IAS 34 in PLN, and interim condensed financial statements according to IAS 34 in PLN.

publication date: 29 February 2012

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

SELECTED FINANCIAL DATA

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

	in '000 PLN		in '000 EUR	
	4 quarters accrued 2011 period from 1 January 2011 to 31 December 2011	4 quarters accrued 2010 period from 1 January 2010 to 31 December 2010	4 quarters accrued 2011 period from 1 January 2011 to 31 December 2011	4 quarters accrued 2010 period from 1 January 2010 to 31 December 2010
I. Continued operations				
Sales	22 128 668	16 766 504	5 344 960	4 187 020
Operating profit	13 168 655	5 490 650	3 180 758	1 371 154
Profit before income tax	13 305 188	5 727 112	3 213 736	1 430 205
Profit for the period from continued operations	11 016 165	4 630 148	2 660 845	1 156 265
II. Discontinued operations				
Profit for the period from discontinued operations	61 666	84 715	14 895	21 156
III. Total profit for the period	11 077 831	4 714 863	2 675 740	1 177 421
IV. Profit for the period attributable to shareholders of the Parent Entity	11 078 034	4 708 946	2 675 789	1 175 943
V. Profit for the period attributable to non-controlling interest	(203)	5 917	(49)	1 478
VI. Other comprehensive income	363 297	83 520	87 751	20 857
VII. Total comprehensive income	11 441 128	4 798 383	2 763 491	1 198 278
VIII. Total comprehensive income attributable to the shareholders of the Parent Entity	11 423 137	4 792 466	2 759 145	1 196 800
IX. Total comprehensive income attributable to non-controlling interest	17 991	5 917	4 346	1 478
X. Number of shares issued	200 000 000	200 000 000	200 000 000	200 000 000
XI. Earnings per ordinary share (in PLN/EUR) attributable to the shareholders of the Parent Entity	55.39	23.54	13.38	5.88
XII. Net cash generated from operating activities	8 947 798	5 661 275	2 161 252	1 413 764
XIII. Net cash generated from/(used in) investing activities	3 199 595	(3 070 123)	772 830	(766 687)
XIV. Net cash used in financing activities	(2 978 563)	(707 497)	(719 442)	(176 680)
XV. Total net cash flow	9 168 830	1 883 655	2 214 640	470 397
	At 31 December 2011	At 31 December 2010	At 31 December 2011	At 31 December 2010
XVI. Non-current assets	11 965 096	12 414 423	2 708 997	3 134 718
XVII. Current assets	18 531 977	8 762 900	4 195 793	2 212 686
XVIII. Total assets	30 497 073	21 177 323	6 904 790	5 347 404
XIX. Non-current liabilities	2 771 957	2 882 705	627 594	727 901
XX. Current liabilities	4 361 499	3 402 839	987 480	859 238
XXI. Equity	23 363 617	14 891 779	5 289 716	3 760 265
XXII. Non-controlling interest	267 480	241 106	60 560	60 881

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

	in '000 PLN		in '000 EUR	
	4 quarters accrued 2011 period from 1 January 2011 to 31 December 2011	4 quarters accrued 2010 period from 1 January 2010 to 31 December 2010	4 quarters accrued 2011 period from 1 January 2011 to 31 December 2011	4 quarters accrued 2010 period from 1 January 2010 to 31 December 2010
I. Sales	20 097 392	15 945 032	4 854 325	3 981 878
II. Operating profit	13 687 640	5 638 148	3 306 113	1 407 988
III. Profit before income tax	13 653 597	5 605 567	3 297 891	1 399 852
IV. Profit for the period	11 334 520	4 568 589	2 737 741	1 140 892
V. Other comprehensive income	324 514	83 931	78 383	20 960
VI. Total comprehensive income	11 659 034	4 652 520	2 816 124	1 161 852
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)	56.67	22.84	13.69	5.70
IX. Net cash generated from operating activities	8 768 122	5 346 791	2 117 853	1 335 229
X. Net cash generated from/(used in) investing activities	3 589 742	(3 125 246)	867 066	(780 453)
XI. Net cash used in financing activities	(2 993 020)	(606 194)	(722 934)	(151 382)
XII. Total net cash flow	9 364 844	1 615 351	2 261 985	403 394
	At 31 December 2011	At 31 December 2010	At 31 December 2011	At 31 December 2010
XIII. Non-current assets	11 696 705	12 125 041	2 648 231	3 061 647
XIV. Current assets	17 556 484	7 704 255	3 974 933	1 945 372
XV. Total assets	29 253 189	19 829 296	6 623 164	5 007 019
XVI. Non-current liabilities	2 249 946	2 380 314	509 406	601 044
XVII. Current liabilities	3 867 732	2 992 505	875 687	755 626
XVIII. Equity	23 135 511	14 456 477	5 238 071	3 650 349

Translation from the original Polish version

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A. Interim condensed consolidated financial statements

(Consolidated financial statements)

Interim consolidated statement of financial position

	Note	At	
		31 December 2011	31 December 2010
ASSETS			
Non-current assets			
Property, plant and equipment		8 917 035	8 553 634
Intangible assets		680 428	523 874
Investment property		59 930	59 760
Investments in associates		472	1 431 099
Deferred tax assets		271 365	592 947
Available-for-sale financial assets		993 847	751 605
Held-to-maturity investments		111 709	84 157
Derivatives		899 400	403 839
Trade and other receivables		30 910	13 508
		11 965 096	12 414 423
Current assets			
Inventories		2 658 372	2 222 321
Trade and other receivables		1 854 288	2 730 658
Current corporate tax receivables		7 528	4 511
Available-for-sale financial assets		15 668	415 662
Held-to-maturity investments		2 147	4 129
Derivatives		860 012	297 584
Cash and cash equivalents		13 130 400	3 086 957
Non-current assets held for sale		3 562	1 078
		18 531 977	8 762 900
TOTAL ASSETS		30 497 073	21 177 323
EQUITY AND LIABILITIES			
Equity attributable to shareholders of the Parent Entity			
Share capital		2 000 000	2 000 000
Accumulated other comprehensive income		535 988	209 821
Retained earnings		20 560 149	12 440 852
		23 096 137	14 650 673
Non-controlling interest		267 480	241 106
TOTAL EQUITY		23 363 617	14 891 779
LIABILITIES			
Non-current liabilities			
Trade and other payables		131 322	121 560
Borrowings and finance lease liabilities	A.IV.6	194 187	173 652
Derivatives		538 320	711 580
Deferred tax liabilities		84 210	133 392
Employee benefits liabilities		1 338 564	1 221 794
Provisions for other liabilities and charges		485 354	520 727
		2 771 957	2 882 705
Current liabilities			
Trade and other payables		2 180 401	1 994 579
Borrowings and finance lease liabilities	A.IV.6	103 505	96 162
Current corporate tax liabilities		1 595 003	672 152
Derivatives		331 331	482 118
Employee benefits liabilities		125 771	110 912
Provisions for other liabilities and charges		25 488	46 916
		4 361 499	3 402 839
TOTAL LIABILITIES		7 133 456	6 285 544
TOTAL EQUITY AND LIABILITIES		30 497 073	21 177 323

A. Interim condensed consolidated financial statements (continuation)

Interim consolidated statement of comprehensive income

	Note	Financial period			
		for the 3 months ended 31 December 2011	for the 12 months ended 31 December 2011	for the 3 months ended 31 December 2010 restated	for the 12 months ended 31 December 2010 restated
Continued operations					
Sales	A.IV.1	5 386 923	22 128 668	5 051 237	16 766 504
Cost of sales	A.IV.2	(2 965 853)	(11 621 982)	(2 595 514)	(9 288 927)
Gross profit		2 421 070	10 506 686	2 455 723	7 477 577
Selling costs	A.IV.2	(45 117)	(186 884)	(54 454)	(132 771)
Administrative expenses	A.IV.2	(283 426)	(897 952)	(166 262)	(699 457)
Other operating income	A.IV.3	2 564 588	4 558 778	135 547	633 697
Other operating costs	A.IV.4	(274 021)	(811 973)	(834 538)	(1 788 396)
Operating profit		4 383 094	13 168 655	1 536 016	5 490 650
Finance costs	A.IV.5	(16 034)	(51 196)	(10 352)	(44 080)
Share of profits/(losses) of associates accounted for using the equity method		(22)	187 729	34 809	280 542
Profit before income tax		4 367 038	13 305 188	1 560 473	5 727 112
Income tax expense		(832 312)	(2 289 023)	(341 770)	(1 096 964)
Profit for the period from continued operations		3 534 726	11 016 165	1 218 703	4 630 148
Discontinued operations					
Profit for the period from discontinued operations	A.IV.10	30 089	61 666	49 781	84 715
Profit for the period		3 564 815	11 077 831	1 268 484	4 714 863
Other comprehensive income - continued operations due to:					
Available-for-sale financial assets		50 330	(195 484)	54 407	147 512
Cash flow hedging instruments		(311 957)	598 159	(129 964)	(44 401)
Exchange differences from the translation of foreign operations		15 925	37 131	-	-
Income tax related to items presented in other comprehensive income		49 708	(76 509)	14 356	(19 591)
Other comprehensive net income for the financial period		(195 994)	363 297	(61 201)	83 520
TOTAL COMPREHENSIVE INCOME		3 368 821	11 441 128	1 207 283	4 798 383
Profit for the period attributable to:					
shareholders of the Parent Entity		3 568 196	11 078 034	1 266 338	4 708 946
non-controlling interest		(3 381)	(203)	2 146	5 917
Total comprehensive income attributable to:					
shareholders of the Parent Entity		3 364 399	11 423 137	1 205 137	4 792 466
non-controlling interest		4 422	17 991	2 146	5 917
Earnings per share from continued operations attributable to the shareholders of the Parent Entity during the period (in PLN per share)					
- basic		17.69	55.08	6.08	23.12
- diluted		17.69	55.08	6.08	23.12
Earnings per share from discontinued operations attributable to the shareholders of the Parent Entity during the period (in PLN per share)					
- basic		0.15	0.31	0.25	0.42
- diluted		0.15	0.31	0.25	0.42

A. Interim condensed consolidated financial statements (continuation)

Interim consolidated statement of changes in equity

Equity attributable to shareholders of the Parent Entity

	Share capital	Accumulated other comprehensive income due to:			Retained earnings	Total	Equity attributable to non-controlling interest	Total equity
		Available-for-sale financial assets	Cash flow hedging instruments	Exchange differences from the translation of foreign operations				
At 1 January 2011	2 000 000	120 046	89 775	-	12 440 852	14 650 673	241 106	14 891 779
Dividends for 2010, paid	-	-	-	-	(2 980 000)	(2 980 000)	-	(2 980 000)
Total comprehensive income	-	(158 342)	484 508	18 937	11 078 034	11 423 137	17 991	11 441 128
Profit for the period	-	-	-	-	11 078 034	11 078 034	(203)	11 077 831
Other comprehensive income	-	(158 342)	484 508	18 937	-	345 103	18 194	363 297
Impact of changes from valuation of the put option for employee shares	-	-	-	-	(2 478)	(2 478)	-	(2 478)
Changes due to obtaining control of subsidiaries	-	-	-	-	-	-	13 707	13 707
Changes in ownership shares in subsidiaries which do not lead to a loss of control	-	-	-	-	4 805	4 805	(5 324)	(519)
At 31 December 2011	2 000 000	(38 296)	574 283	18 937	20 541 213	23 096 137	267 480	23 363 617
At 1 January 2010	2 000 000	561	125 740	-	8 371 956	10 498 257	77 082	10 575 339
Dividends for 2009, paid	-	-	-	-	(600 000)	(600 000)	-	(600 000)
Total comprehensive income	-	119 485	(35 965)	-	4 708 946	4 792 466	5 917	4 798 383
Profit for the period	-	-	-	-	4 708 946	4 708 946	5 917	4 714 863
Other comprehensive income	-	119 485	(35 965)	-	-	83 520	-	83 520
Impact of changes from valuation of the put option for employee shares	-	-	-	-	(40 296)	(40 296)	-	(40 296)
Changes due to obtaining control of subsidiaries	-	-	-	-	-	-	159 210	159 210
Changes in ownership shares in subsidiaries which do not lead to a loss of control	-	-	-	-	246	246	(1 103)	(857)
At 31 December 2010	2 000 000	120 046	89 775	-	12 440 852	14 650 673	241 106	14 891 779

A. Interim condensed consolidated financial statements (continuation)

Interim consolidated statement of cash flows

	Note	Financial period	
		for the 12 months ended 31 December 2011	for the 12 months ended 31 December 2010
Cash flow from operating activities			
Profit for the period		11 077 831	4 714 863
Adjustments to profit for the period	A.IV.7	(814 480)	1 614 132
Income tax paid		(1 315 553)	(667 720)
Net cash generated from operating activities		8 947 798	5 661 275
Cash flow from investing activities			
Purchase of subsidiaries, less acquired cash and cash equivalents		(116 630)	(380 413)
Proceeds from sale of subsidiaries		981 874	-
Proceeds from sale of an associate		3 672 147	-
Purchase of property, plant and equipment and intangible assets		(1 866 585)	(1 401 111)
Proceeds from sale of property, plant and equipment and intangible assets		18 493	7 217
Purchase of investment property		(2 227)	-
Purchase of available-for-sale financial assets		(1 585 813)	(1 298 141)
Proceeds from sale of available-for-sale financial assets		1 560 198	310 994
Purchase of held-to-maturity investments financed from the resources of Mine Closure Fund		(25 568)	(20 567)
Establishment of deposits		(450 000)	(350 000)
Termination of deposits		800 000	-
Expenses due to loans granted		(180)	-
Interest received		8 510	63
Dividends received		277 484	146 728
Advances granted for purchase of property, plant and equipment and intangible assets		(68 123)	(80 432)
Other investment expenses		(3 985)	(4 922)
Net cash generated from/(used in) investing activities		3 199 595	(3 070 123)
Cash flow from financing activities			
Expenses connected with purchase of Company own shares for their redemption		-	(2)
Proceeds from loans and borrowings		140 447	121 195
Repayments of loans and borrowings		(104 549)	(202 349)
Payments of liabilities due to finance leases		(24 033)	(12 208)
Interest paid		(11 568)	(14 166)
Dividends paid to shareholders of the Parent Entity		(2 980 000)	(600 000)
Other financial proceeds		1 140	33
Net cash used in financing activities		(2 978 563)	(707 497)
Total net cash flow		9 168 830	1 883 655
Exchange gains on cash and cash equivalents		874 613	6 225
Movements in cash and cash equivalents		10 043 443	1 889 880
Cash and cash equivalents at beginning of the period		3 086 957	1 197 077
Cash and cash equivalents at end of the period		13 130 400	3 086 957
including restricted cash and cash equivalents		9 838	5 097

A. Interim condensed consolidated financial statements (continuation)

Selected explanatory data

I. Policies applied in preparing the financial statements

1. Introduction

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

The principal activities of the Parent Entity comprise:

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

Activities involving the exploitation of copper ore, salt deposits and common minerals are carried out based on licenses held by KGHM Polska Miedź S.A., which were issued by the Minister of Environmental Protection, Natural Resources and Forestry in the years 1993-2004, most of which expire on 31 December 2013. KGHM Polska Miedź S.A. is at the stage of acquiring licenses for subsequent years. In the opinion of the Management Board, the licensing process, which occurs periodically, is of an administrative nature, while the probability of not receiving a license is, in the opinion of the Management Board of the Parent Entity, minimal.

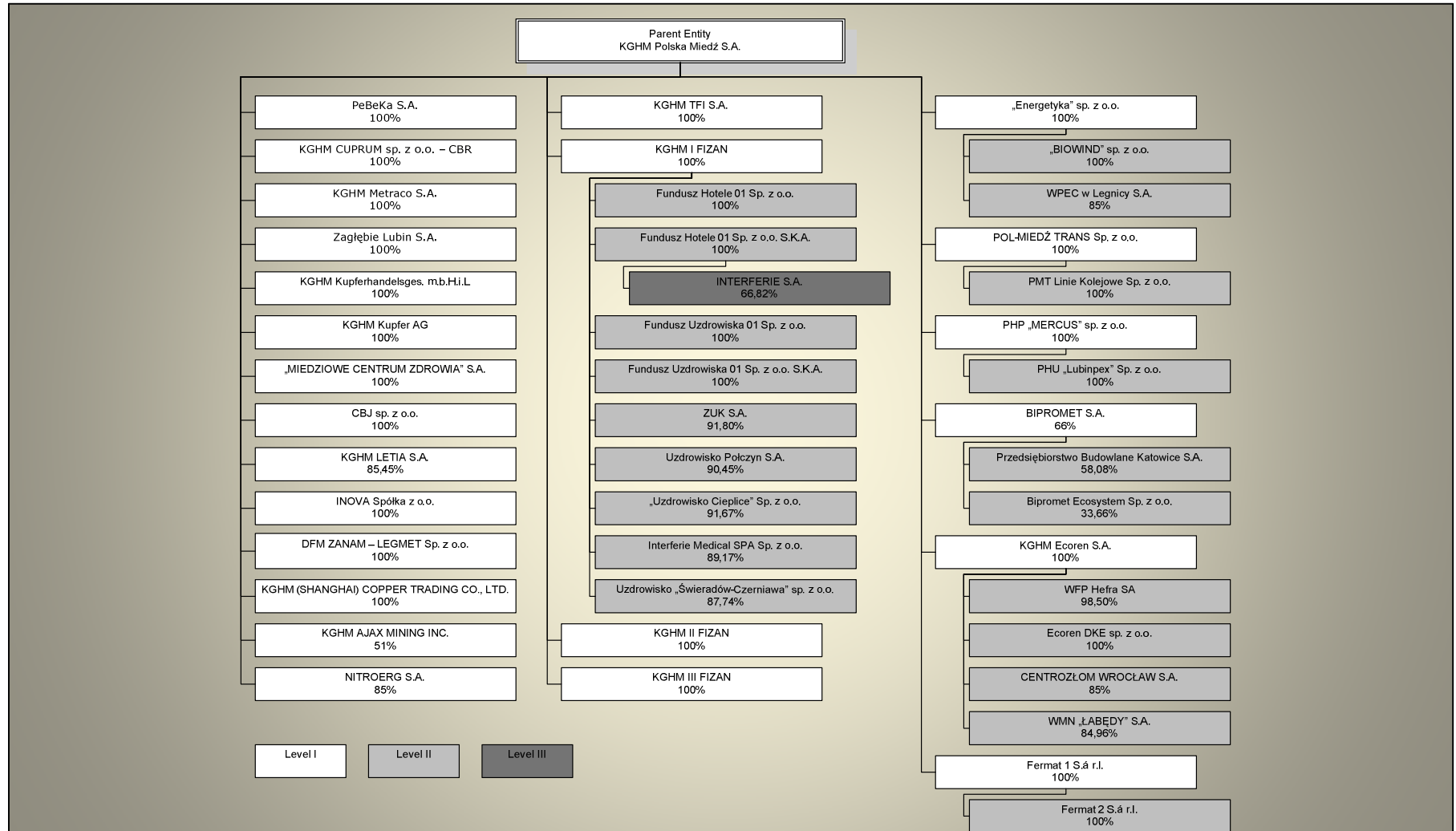
The business activities of the Group also include:

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

KGHM Polska Miedź S.A.
 Consolidated quarterly report with quarterly financial information prepared in accordance with IAS 34
 for the period from 1 October 2011 to 31 December 2011
 (amounts in tables in thousand PLN, unless otherwise stated)

A. Interim condensed consolidated financial statements (continuation)

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



The percentage share represents the total share of the Group.

A. Interim condensed consolidated financial statements (continuation)

In the current quarter KGHM Polska Miedź S.A. consolidated 45 subsidiary entities, and one associated entity was accounted for using the equity method for purposes of consolidation.

At 31 December 2011, based on IAS 8.8, which allows exemption from the application of IFRS in a case where the effects of exemption are immaterial, the following subsidiaries were excluded from consolidation - „Mercus Software” Sp. z o.o., and TUW Cuprum. Altogether, in the presented consolidated financial statements 2 subsidiaries were not consolidated, and one associated entity was not accounted for using the equity method. At the end of the reporting period these assets were measured at cost less impairment. Exclusion of these entities from consolidation does not affect the honest presentation of the assets, profit or loss and cash flows of the Group.

The following quarterly report includes:

1. the interim condensed consolidated financial statements of the KGHM Polska Miedź S.A. Group for the current period from 1 October to 31 December 2011 and the comparable period from 1 October to 31 December 2010, together with selected explanatory data to the interim condensed consolidated financial statements (Part A),
2. other information to the consolidated quarterly report (Part B),
3. the quarterly financial information of KGHM Polska Miedź S.A. for the current period from 1 October to 31 December 2011 and the comparable period from 1 October to 31 December 2010 (Part C).

Neither the interim consolidated financial statements at 31 December 2011 nor the interim separate financial statements at 31 December 2011 were audited by a certified auditor.

3. Exchange rates applied

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

- for the calculation of comprehensive income and cash flow for the period from 1 January 2011 to 31 December 2011, the rate of **4.1401 PLN/EUR***,
- for the calculation of comprehensive income and cash flow for the period from 1 January 2010 to 31 December 2010, the rate of **4.0044 PLN/EUR***,
- for the calculation of assets, liabilities and equity at 31 December 2011, the rate of **4.4168 PLN/EUR**,
- for the calculation of assets, liabilities and equity at 31 December 2010, the rate of **3.9603 PLN/EUR**.

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

4. Accounting policies

The condensed consolidated financial report for the period from 1 October 2011 to 31 December 2011 was prepared in accordance with IAS 34 “Interim Financial Reporting” and for a full understanding of the financial situation and operating results of KGHM Polska Miedź S.A. and the KGHM Polska Miedź S.A. Group, should be read jointly with the consolidated financial statements for the year ended 31 December 2010 and with the separate financial statements of KGHM Polska Miedź S.A. for the year ended 31 December 2010. These financial statements have been prepared using the same principles for the current and comparable periods.

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

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

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

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

A. Interim condensed consolidated financial statements (continuation)

II. Information on significant changes in estimates

1. Provisions for future liabilities

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

1.1 provisions for future employee benefits due to one-off retirement or disability payments, jubilee awards, post-mortem benefits and the coal equivalent also paid after the period of employment. The result of this change in estimates, mainly as a result of changes in macroeconomic assumptions, is an increase in the provision in the amount of PLN 61 081 thousand which was settled as a decrease in profit (after reflecting the results in deferred tax, a decrease in profit in the amount of PLN 48 818 thousand),

(an accrued decrease in profit since the beginning of the financial year, after reflecting the results in deferred tax, by PLN 93 332 thousand)

1.2 provision for future costs of decommissioning (restoration) of the Group's mines, comprising the estimated costs of dismantling and removing technological facilities, for which the obligation for restoration upon the conclusion of activities is a result of separate law or standard practice. The result of this change in estimates is an increase in the provision in the amount of PLN 1 592 thousand, which was settled as a decrease in profit in the amount of PLN 6 224 thousand and as a decrease of property, plant and equipment in the amount of PLN 4 632 thousand. The increase in the provision caused an increase in deferred tax assets in the amount of PLN 213 thousand,

(an accrued decrease in the provision by PLN 12 416 thousand since the beginning of the financial year, of which PLN 28 837 thousand was accounted for as a decrease in profit and PLN 41 253 thousand as a decrease in property, plant and equipment)

1.3 provisions for future employee remuneration costs together with charges in the amount of PLN 181 337 thousand, paid (in accordance with the Collective Labour Agreement) on the occasion of mining or smelting holidays and after approval of the annual financial statements.

(the provision at 31 December 2011 amounted to PLN 304 920 thousand)

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

2. Deferred tax

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

After offsetting the deferred tax asset and deferred tax liability, in the statements of financial position at the subsidiaries level as at 31 December 2011, the deferred tax asset was set at PLN 271 365 thousand, while the deferred tax liability was set at PLN 84 210 thousand.

Deferred tax assets

There was a decrease in the deferred tax asset in the current quarter in the amount of PLN 373 724 thousand, which was settled:

- o as a decrease in profit, in the amount of PLN 191 673 thousand, including due to realisation of temporary differences resulting from sale of investment in DIALOG S.A. of PLN 189 546 thousand
- o as a decrease in other comprehensive income due to measurement of available-for-sale financial assets in the amount of PLN 38 010 thousand.

The remaining decrease in the deferred tax asset in the current quarter in the amount of PLN 144 041 thousand represents the deferred tax asset of subsidiaries at the date on which control of them was lost by the Group.

(an accrued decrease in the deferred tax asset by PLN 17 083 thousand since the beginning of the financial year, of which the following was settled:

- as an increase in profit, in the amount of PLN 30 181 thousand,
- as an increase in other comprehensive income due to measurement of hedging instruments and available-for-sale financial assets, in the amount of PLN 93 249 thousand.

The remaining accrued changes in the deferred tax asset since the beginning of the financial year are in respect of:

- a decrease in the deferred tax asset in the amount of PLN 144 041 thousand which represents the deferred tax asset of subsidiaries at the date on which control of them was lost by the Group,
- an increase in the deferred tax asset in the amount of PLN 3 528 thousand as the deferred tax asset of subsidiaries at the date on which control of them was obtained by the Group.)

A. Interim condensed consolidated financial statements (continuation)

Deferred tax liability

There was a decrease in the deferred tax liability in the current quarter in the amount of PLN 167 712 thousand, of which the following was settled:

- o as an increase in profit, in the amount of PLN 75 197 thousand,
including due to realisation of temporary differences
resulting from sale of investment in Polkomtel S.A. of PLN 37 928 thousand
- o as an increase in other comprehensive income of PLN 87 720 thousand
including due to measurement of hedging instruments in the amount of PLN 59 272 thousand.

The remaining decrease in the deferred tax liability in the current quarter in the amount of PLN 4 795 thousand represents the deferred tax assets of a subsidiary at the date on which control of it was lost by the Group.

(an accrued increase in the deferred tax liability by PLN 255 316 thousand since the beginning of the financial year, of which the following was settled:

- *as a decrease in profit in the amount of PLN 90 279 thousand,
including due to realisation of temporary differences
resulting from sale of investment in Polkomtel S.A. of PLN 51 519 thousand*
- *as a decrease in other comprehensive income
due to measurement of cash flow hedging financial
instruments and available-for-sale financial assets in the amount of PLN 169 757 thousand.*

The remaining accrued changes in the deferred tax liability since the beginning of the financial year were in respect of:

- *a decrease in the deferred tax liability in the amount of PLN 4 795 thousand which represents the deferred tax asset of subsidiaries at the date on which control of them was lost by the Group,*
- *an increase in the deferred tax liability in the amount of PLN 75 thousand as the deferred tax asset of subsidiaries at the date on which control of them was obtained by the Group.)*

III. Financial and tangible assets

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

1. in **investments in associates** - use of the equity method, which caused a decrease of investments in the amount of PLN 22 thousand,

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

- *acquisition of shares of an associate in the amount of PLN 450 thousand,*
- *use of the equity method, which caused a decrease of investments in the amount of PLN 62 285 thousand,*
- *amortisation of intangible assets of Polkomtel S.A., recognised in the final settlement of the acquisition of shares of the company in the amount of PLN 9 224 thousand,*
- *a decrease in the amount PLN 1 359 568 thousand due to sale of shares of Polkomtel S.A.)*

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

- a. **non-current** – settlement in other comprehensive income of an increase in value of assets due to measurement at the end of the reporting period in the amount of PLN 46 069 thousand and remaining decreases in the amount of PLN 6 thousand.

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

- *the acquisition of shares of listed companies in the amount of PLN 438 447 thousand,*
- *settlement in other comprehensive income of a decrease in value of assets due to measurement at the end of the reporting period in the amount of PLN 196 204 thousand.)*

- b. **current** – settlement in other comprehensive income of a decrease in value assets due to measurement in the amount of PLN 580 thousand, reversal of a decrease in value of assets due to measurement settled in other comprehensive income due to recognition of impairment of assets in the amount of PLN 4 841 thousand, and decreases due to impairment losses in the amount of PLN 4 841 thousand.

A. Interim condensed consolidated financial statements (continuation)

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

- *the acquisition of participation units in investment funds in the amount of PLN 1 139 366 thousand and treasury bonds in the amount of PLN 7 999 thousand,*
- *the sale of participation units in investment funds in the amount of PLN 1 543 237 thousand,*
- *the settlement in other comprehensive income of an increase in value of assets due to measurement in the amount of PLN 6 570 thousand,*
- *reversal of an increase in value of assets due to measurement settled in other comprehensive income due to realisation of assets in the amount of PLN 10 691 thousand,*
- *reversal of a decrease in value due to measurement settled in other comprehensive income due to recognition of impairment of assets in the amount of PLN 4 841 thousand,*
- *decreases due to impairment losses in the amount of PLN 4 841 thousand)*

3. in held-to-maturity investments

- a. **non-current** – acquisition of financial assets from the funds of the Mine Closure Fund in the amount of PLN 1 356 thousand and reclassification of Fund assets from current to non-current held-to-maturity investments in the amount of PLN 3 thousand, which will not be used within 12 months from the end of the reporting period, and a decrease in value of other assets due to measurement in the amount of PLN 2 thousand,

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

- *the acquisition of financial assets from the funds of the Mine Closure Fund in the amount of PLN 25 568 thousand,*
- *an increase due to reclassification of Fund assets to non-current held-to-maturity investments in the amount of PLN 1 982 thousand, which will not be used within 12 months from the end of the reporting period*
- *an increase due to measurement of other assets in the amount of PLN 2 thousand)*

- b) **current** – a decrease due to reclassification of Fund assets to non-current held-to-maturity investments in the amount of PLN 3 thousand, which will not be used within 12 months from the end of the reporting period.

(accrued changes since the beginning of the financial year were in respect of reclassification of Fund assets to non-current held-to-maturity investments in the amount of PLN 1 982 thousand, which will not be used within 12 months from the end of the reporting period)

- 4. in **derivatives (assets and liabilities)** - a decrease in the fair value of open positions in derivatives at 31 December 2011 as a result of changes in macroeconomic factors and settlement of derivatives. Result on realisation of derivative transactions with a settlement date falling in the fourth quarter of 2011 was positive. Profit for the current quarter was decreased in the amount of PLN 266 833 thousand. Detailed information on derivatives of the Parent Entity may be found in part C.II.5 of this report.

(an accrued increase in profit since the beginning of the financial year in the amount of PLN 564 333 thousand)

- 5. in **financial receivables** – recognition of an impairment allowance in the amount of PLN 10 202 thousand (an excess of the impairment allowance recognised, in the amount of PLN 13 552 thousand, over the amount released, PLN 3 350 thousand).

(an accrued excess since the beginning of the financial year of allowances recognised over allowances released in the amount of PLN 24 017 thousand)

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

A. Interim condensed consolidated financial statements (continuation)

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

property, plant and equipment and intangible assets

- impairment loss recognised PLN 2 550 thousand
- impairment loss released PLN 3 257 thousand

(accrued since the beginning of the financial year

- *impairment loss recognised* PLN 10 470 thousand
- *impairment loss released* PLN 4 243 thousand)

non-financial receivables

- impairment allowance recognised PLN 1 960 thousand
- impairment allowance reversed PLN 1 570 thousand

(accrued since the beginning of the financial year

- *impairment allowance recognised* PLN 2 763 thousand
- *impairment allowance reversed* PLN 2 702 thousand)

inventories

- write-down recognised PLN 9 791 thousand
- write-down reversed PLN 1 646 thousand

(accrued since the beginning of the financial year

- *write-down recognised* PLN 11 261 thousand
- *write down reversed* PLN 3 409 thousand)

Purchase and sale of property, plant and equipment

	Financial period	
	for the 12 months ended 31 December 2011	for the 12 months ended 31 December 2010
Purchase	1 874 808	1 407 668
Net sale	4 661	1 878

Capital commitments not recognised in the consolidated statement of financial position

	At	
	31 December 2011	31 December 2010
For the purchase of property, plant and equipment	709 883	434 801
For the purchase of intangible assets	18 076	13 888
Total capital commitments:	727 959	448 689

A. Interim condensed consolidated financial statements (continuation)

IV. Selected additional explanatory notes

1. Sales

	Financial period			
	for the 3 months ended 31 December 2011	for the 12 months ended 31 December 2011	for the 3 months ended 31 December 2010 restated	for the 12 months ended 31 December 2010 restated
Copper, precious metals, smelter by-products	4 747 422	19 611 913	4 678 099	15 739 320
Energy	31 614	93 207	34 646	90 744
Services	139 302	484 346	93 031	316 222
Mining machinery, transport vehicles for mining and other	8 861	31 008	7 107	22 975
Merchandise	217 749	977 289	123 284	296 886
Scrap and materials	46 842	66 062	3 731	10 360
Other finished goods	195 133	864 843	111 339	289 997
Total continued operations	5 386 923	22 128 668	5 051 237	16 766 504
Discontinued operations	105 606	487 315	133 341	526 086
Total	5 492 529	22 615 983	5 184 578	17 292 590

2. Expenses by nature

	Financial period			
	for the 3 months ended 31 December 2011	for the 12 months ended 31 December 2011	for the 3 months ended 31 December 2010 restated	for the 12 months ended 31 December 2010 restated
Depreciation of property, plant and equipment and amortisation of intangible assets	216 935	840 087	194 344	756 123
Employee benefit expenses	1 009 229	3 700 224	783 614	3 296 564
Materials and energy	1 889 355	6 890 055	1 330 907	5 033 022
External services	547 341	1 504 417	347 274	1 164 258
Taxes and charges	94 261	376 578	86 972	343 750
Advertising costs and representation expenses	27 580	63 733	16 102	38 519
Property and personal insurance	8 292	31 814	3 772	22 528
Research and development costs not capitalised in intangible assets	3 184	6 058	3 446	5 493
Other costs	21 383	83 657	24 746	59 018
Impairment losses on property, plant and equipment, intangible assets	2 681	2 951	5 114	8 641
Impairment losses in respect of goodwill	-	-	743	743
Write-down of inventories	9 775	11 245	3 854	5 495
Allowance for impairment of receivables	7 632	15 139	2 326	4 726
Reversal of impairment of property, plant and equipment, intangible assets	(643)	(1 029)	(779)	(876)
Reversal of write-down of inventories	(827)	(2 587)	(569)	(3 852)
Reversal of allowance for impairment of receivables	(582)	(2 884)	(403)	(1 826)
Losses from the disposal of financial instruments	2 389	5 897	961	2 337
Other operating costs	958	54 925	13 499	43 630
Total expenses by nature	3 817 560	13 496 623	2 791 177	10 719 275
Cost of merchandise and materials sold (+)	141 285	583 493	104 445	221 944
Allowance for impairment of receivables	1 122	2 602	1 592	1 871
Write-down of inventories	(819)	(822)	1 393	1 393
Reversal of allowance for impairment of receivables	(348)	(962)	(140)	(545)
Change in inventories of finished goods and work in progress (+/-)	(363 959)	(629 601)	105 254	(156 447)
Cost of manufacturing products for internal use (-)	(300 490)	(743 697)	(184 646)	(663 617)
Total cost of sales, selling costs and administrative expenses of continued operations	3 294 396	12 706 818	2 816 230	10 121 155
Total cost of sales, selling costs and administrative expenses of discontinued operations	83 501	435 558	115 578	481 727
Total	3 377 897	13 142 376	2 931 808	10 602 882

A. Interim condensed consolidated financial statements (continuation)

3. Other operating income

	Financial period			
	for the 3 months ended 31 December 2011	for the 12 months ended 31 December 2011	for the 3 months ended 31 December 2010 restated	for the 12 months ended 31 December 2010 restated
Income and gains on financial instruments, classified under other operating activities, resulting from:	228 920	2 136 979	104 714	544 336
Measurement and realisation of derivatives	(140 281)	1 038 185	75 175	476 668
Interest	75 061	192 513	25 288	60 961
Foreign exchange gains/(losses)	294 060	888 770	(53)	(85)
Gains from disposal	-	16 877	4 103	4 925
Gains from measurement of non-current financial liabilities	-	-	161	161
Reversal of allowance for impairment of loans and receivables	80	634	40	1 706
Increase in fair value of investment property	41	41	4 358	4 358
Gains on the sale of subsidiaries and an associate of which:	2 310 544	2 310 544	-	-
Losses on the sale of subsidiaries	(2 035)	(2 035)	-	-
Gains on the sale of an associate	2 312 579	2 312 579	-	-
Gains on a bargain purchase of subsidiaries	-	-	1 231	3 265
Gains/(losses) from the disposal of intangible assets	(142)	-	(95)	1 385
Interest on non-financial receivables	716	5 517	3 919	7 174
Dividends received	9	27 471	6	70
Reversal of impairment losses on fixed assets under construction	2 494	3 094	23	23
Reversal of allowance for impairment of other non-financial receivables	1 570	2 702	424	3 425
Government grants and other donations received	2 758	4 820	2 057	2 960
Release of unused provisions due to:	9 828	20 740	6 597	19 634
Decommissioning of mines	2 752	5 179	2 775	3 973
Disputed issues, pending court proceedings	712	2 055	146	6 216
Other foreseeable losses, expenses and liabilities	6 364	13 506	3 676	9 445
Surpluses identified in current assets	1 132	2 131	6 693	11 879
Penalties and compensation received	2 902	23 406	2 421	18 435
Foreign exchange gains/(losses) - non-financial	684	10 958	4 163	4 386
Other operating income/gains	3 132	10 375	(964)	12 367
Total continued operations	2 564 588	4 558 778	135 547	633 697
Discontinued operations	13 939	29 623	7 793	20 220
Total	2 578 527	4 588 401	143 340	653 917

A. Interim condensed consolidated financial statements (continuation)

4. Other operating costs

	Financial period			
	for the 3 months ended 31 December 2011	for the 12 months ended 31 December 2011	for the 3 months ended 31 December 2010 restated	for the 12 months ended 31 December 2010 restated
Costs and losses on financial instruments, classified under other operating activities, resulting from:	249 931	727 861	786 927	1 680 072
Measurement and realisation of derivatives	244 244	715 417	757 365	1 638 691
Interest	216	545	95	134
Foreign exchange (gains)/losses	(63)	(132)	30 242	38 686
Losses from measurement of non-current liabilities	91	1 716	(157)	-
Losses from disposal	-	-	1 227	1 236
Allowances for impairment of loans and receivables	598	5 470	(1 845)	1 325
Impairment losses on available-for-sale financial assets	4 845	4 845	-	-
Losses on the sale of investment property	1 968	1 968	9	9
Increase in fair value of investment property	919	919	-	-
Allowances for impairment of other non-financial receivables	14	817	3 539	7 192
Losses on the sale of intangible assets	19	19	-	-
Losses on the sale of property, plant and equipment	1 607	7 634	15 193	21 360
Impairment losses on fixed assets under construction	67	4 567	8 003	8 003
Impairment losses on intangible assets not yet available for use	280	280	-	-
Interest on overdue non-financial liabilities	90	497	13	157
Donations granted	398	16 028	65	13 016
Provisions for:	5 777	13 841	9 639	17 157
Decommissioning of mines	921	2 525	901	3 197
Disputed issues, pending court proceedings	3 690	5 317	1 418	2 405
Other	1 166	5 999	7 320	11 555
Penalties and compensation paid	1 662	4 298	982	2 526
Non-culpable shortages in tangible current assets, cash and losses from fortuitous events	1 344	1 888	472	3 667
Contributions to a voluntary organisation	2 834	10 808	2 948	8 202
Other operating costs/losses	7 111	20 548	6 748	27 035
Total continued operations	274 021	811 973	834 538	1 788 396
Discontinued operations	5 647	11 666	6 001	9 891
Total	279 668	823 639	840 539	1 798 287

5. Finance costs

	Financial period			
	for the 3 months ended 31 December 2011	for the 12 months ended 31 December 2011	for the 3 months ended 31 December 2010 restated	for the 12 months ended 31 December 2010 restated
Interest expense:	3 909	10 803	2 513	10 785
On bank and other loans	3 027	8 200	1 909	8 578
Due to finance leases	759	2 450	604	2 207
Due to finance liabilities	123	153	-	-
Foreign exchange (gains)/losses on borrowings	2 057	4 755	(119)	(728)
Changes in provisions and liabilities arising from the approach of the maturity date of liabilities (unwinding of discount effect)	8 221	32 052	6 522	32 174
Losses due to measurement of non-current liabilities	2 106	3 375	1 547	1 755
Other finance costs	(259)	211	(111)	94
Total continued operations	16 034	51 196	10 352	44 080
Discontinued operations	86	1 433	787	4 250
Total	16 120	52 629	11 139	48 330

A. Interim condensed consolidated financial statements (continuation)

6. Borrowings and finance lease liabilities

	At	
	31 December 2011	31 December 2010
Non-current	194 187	173 652
Bank loans	176 726	141 829
Loans	1 738	2 420
Finance lease liabilities	15 723	29 403
Current	103 505	96 162
Bank loans	91 187	81 901
Loans	2 032	1 883
Finance lease liabilities	10 286	12 378
Total	297 692	269 814

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

	Financial period	
	for the 12 months ended 31 December 2011	for the 12 months ended 31 December 2010
Income tax expense	2 295 638	1 062 687
Depreciation/amortisation	906 749	843 938
Share of profits of associates accounted for using the equity method	(187 729)	(280 542)
Interest and share in profits	(22 663)	13 084
Gains on the sale of subsidiaries and an associate	(2 310 544)	-
Foreign exchange gains	(866 386)	(2 203)
Change in provisions	116 082	36 131
Change in derivatives	(542 312)	576 401
Reclassification of accumulated other comprehensive income to profit or loss as a result of realisation of derivatives	(241 565)	(142 187)
Balance of items of assets and liabilities at date of obtaining control and at date of losing control of subsidiaries	(4 459)	71 741
Other adjustments	(126 902)	(9 229)
Changes in working capital:	169 611	(555 689)
Inventories	(436 050)	(148 779)
Trade and other receivables	495 484	(786 554)
Trade and other payables	110 177	379 644
Total adjustments to profit for the period	(814 480)	1 614 132

A. Interim condensed consolidated financial statements (continuation)

8. Related entities transactions

	Financial period			
	for the 3 months ended 31 December 2011	for the 12 months ended 31 December 2011	for the 3 months ended 31 December 2010	for the 12 months ended 31 December 2010
Sales				
To associates	1 059	5 559	869	3 392
To other related entities	82	719	1 565	1 817
Total sales to related entities	1 141	6 278	2 434	5 209

	Financial period			
	for the 3 months ended 31 December 2011	for the 12 months ended 31 December 2011	for the 3 months ended 31 December 2010	for the 12 months ended 31 December 2010
Purchases				
From associates	915	7 774	2 234	7 389
From other related entities	4 776	28 293	4 089	21 277
Total purchases from related entities	5 691	36 067	6 323	28 666

	At	
	31 December 2011	31 December 2010
Trade and other receivables		
From associates	673	734
From other related entities	1 834	2 251
Total receivables from related entities	2 507	2 985

	At	
	31 December 2011	31 December 2010
Trade payables		
Towards associates	-	938
Towards other related entities	4 101	2 906
Total payables towards related entities	4 101	3 844

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

(since the beginning of the financial year three individual transactions were identified:

- On 2 February 2011, KGHM Polska Miedź S.A. signed an agreement with the Minister of the State Treasury for the acquisition of 5 260 820 shares of the company NITROERG S.A. in Bieruń with a nominal value of PLN 10 per share, for PLN 120 052 thousand. The controlling interest acquired represents 85% of the share capital of NITROERG S.A. in Bieruń.
- KGHM Polska Miedź S.A. participated in the selling process by the Ministry of the State Treasury of the shares of TAURON Polska Energia S.A., submitting a purchase order for the shares of TAURON Polska Energia S.A. As a result of this transaction, on 23 March 2011 KGHM Polska Miedź S.A. acquired 71 000 000 shares of TAURON Polska Energia S.A. at PLN 6.15 per share. The transaction was realised within an accelerated book building process. Following this transaction, KGHM Polska Miedź S.A. owns a total of 182 110 566 shares of TAURON Polska Energia S.A., representing 10.39% of the share capital.
- On 12 September 2011, KGHM I FIZAN, a subsidiary of KGHM Polska Miedź S.A., acquired from the State Treasury 13 459 shares of the company Uzdrowisko „Świeradów-Czerniawa” Sp. z o.o. with its registered head office in Świeradów Zdrój for the price of PLN 1 560.30 per share, i.e. the total price of PLN 21 000 thousand. Following realisation of this transaction, KGHM I FIZAN holds 87.74% of the share capital of Uzdrowisko „Świeradów-Czerniawa” Sp. z o.o.)

The remaining transactions, which were collectively significant, between the Group and the government and with entities controlled or jointly controlled by the government, or over which the government has significant influence, were within the scope of normal, daily economic operations, carried out at arm's length. These transactions involved the purchase by companies of the Group of materials and services to meet the needs of their current operating activities (fuel, energy, transport services). Turnover from these transactions in the current reporting period amounted to PLN 550 249 thousand, (accrued since the beginning of the financial year – PLN 1 150 991 thousand), and the unsettled balance of liabilities from these transactions at 31 December 2011 amounted to PLN 80 841 thousand (at 31 December 2010: PLN 109 107 thousand).

A. Interim condensed consolidated financial statements (continuation)

Remuneration of the Supervisory Board of the Parent Entity	For the period	
	from 1 January 2011 to 31 December 2011	from 1 January 2010 to 31 December 2010
Remuneration due to service in the Supervisory Board, salaries and other current employee benefits	1 351	1 342
Total	1 351	1 342

Remuneration of the Management Board of the Parent Entity	For the period	
	from 1 January 2011 to 31 December 2011	from 1 January 2010 to 31 December 2010
Salaries and other current employee benefits	4 561	3 065
Post-employment benefits	96	91
Total	4 657	3 156

9. Contingent assets and liabilities

	At 31 December 2011	Increase/(decrease) since the end of the last financial year
Contingent assets	420 954	129 774
Guarantees received	180 954	2 073
Disputed State budget issues	28 739	(10 025)
Promissory notes receivables	88 973	48 767
Inventions, implementation of projects	36 595	3 266
Real estate tax on mining facilities	85 489	85 489
Other	204	204
Contingent liabilities	209 723	(24 908)
Guarantees and collateral	49 184	16 287
Promissory note liabilities	23 799	(55 132)
Disputed issues, pending court proceedings	14 079	(2 147)
Preventive safety measures in respect of mine-related damages	8 000	5 525
Liabilities due to implementation of projects and inventions	113 967	9 869
Other	694	690

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

10. Discontinued operations

The following table presents financial data for entities of the Dialog S.A. Group for the period of control to 15 December 2011, and respectively for the comparative period of 2010.

	Financial period			
	for the 3 months ended 31 December 2011	for the 12 months ended 31 December 2011	for the 3 months ended 31 December 2010	for the 12 months ended 31 December 2010
Sales	119 545	516 938	141 134	546 306
Cost of sales	(89 148)	(447 224)	(121 579)	(491 618)
Operating profit	30 397	69 714	19 555	54 688
Finance costs	(86)	(1 433)	(787)	(4 250)
Profit before income tax from discontinued operations	30 311	68 281	18 768	50 438
Income tax expense	(222)	(6 615)	31 013	34 277
Profit from discontinued operations	30 089	61 666	49 781	84 715

	For the period	
	for the 12 months ended 31 December 2011	for the 12 months ended 31 December 2010
Net cash generated from operating activities	39 093	139 835
Net cash used in investing activities	(73 363)	(79 418)
Net cash used in financing activities	(53 556)	(57 766)
Cash flow from discontinued operations	(87 826)	2 651

A. Interim condensed consolidated financial statements (continuation)

V. Strategy realisation – resource base development of the Group

In the fourth quarter of 2011 the Parent Entity realised the strategy approved by the Supervisory Board of KGHM Polska Miedź S.A. for the years 2009-2018, in which one of the pillars is development of the resource base and an increase in mined copper production through acquisitions in the mining sector, with long-term stabilisation of production in the existing mines in Poland, and through acquisitions of global copper producers, increasing the Group's copper mine production to around 700 thousand tonnes annually.

Afton-Ajax project

In implementation of the approved strategy, in the fourth quarter of 2011 work continued on the Afton-Ajax project. In accordance with the agreement entered into on 12 October 2010, KGHM Polska Miedź S.A. acquired a 51% interest in the company KGHM AJAX MINING INC. formed together with Abacus Mining & Exploration Corp. (Abacus), through a cash contribution in the amount of USD 37 million (carrying amount of shares in the separate financial statements at 31 December 2011: PLN 109 763 thousand). Abacus has brought to KGHM AJAX MINING INC. all the rights it owns to the Afton-Ajax deposit. The cash was used to carry out a Bankable Feasibility Study and for further exploration. In accordance with this agreement, KGHM Polska Miedź S.A. holds the option to acquire a further 29% in KGHM AJAX MINING INC., for an amount calculated as a multiple of USD 0.025 per pound of copper in 29% of the probable and proven industrial ore resources, though not higher than USD 35 million.

In December 2011 the work on the Bankable Feasibility Study was completed and KGHM Polska Miedź S.A. received the document. The Study confirmed the chief geologic and mining parameters of the Afton-Ajax project, which until now had been estimated in a preliminary report. Measured & Indicated mineral resources increased to 512 million tonnes of ore containing 0.31% copper and 0.19 g/t of gold, versus the previous 442 million tonnes of ore containing 0.30% copper and 0.19 g/t of gold. Proven & Probable mineral reserves were calculated at 1.34 million tonnes of copper and 2.75 million ounces of gold. Average annual production of copper and gold in concentrate amounts respectively to 50 000 tonnes of copper and 100 000 ounces of gold. Mine life was calculated at 23 years.

The project's investment parameters, applying conservative market assumptions in the calculations, are as follows: NPV, USD 416 million; IRR, 14.5%. Under the base scenario, the investment payback period is approx. 8 years, while at current metals prices this period is less than 3 years. Capital expenditure, estimated at USD 795 million (the equivalent of PLN 2 687 million, according to the average USD/PLN exchange rate of the National Bank of Poland from 21 December 2011), reflects several important changes, aimed at optimising technological solutions through increasing metals recovery during processing, decreasing operating costs, and reducing environmental impact (such as changes in preliminary milling and ore transport systems, technological solutions at the processing plant, and in the waste storage system).

The cost of producing one tonne of copper was calculated in the range of USD 1740 – USD 2800. Mine construction will last two years. Considering the progress to date and the time needed to obtain further permits and administrative approval, the start-up date for the mine has been set at 2015.

The Bankable Feasibility Study was prepared in accordance with Canadian standard NI 43-101 by a consortium of independent consultants under the direction of Tetra Tech WEI (Wardrop).

Counting from the date of receipt of the Bankable Feasibility Study, the Parent Entity had 14 days to review the document, and has another 90 days to decide on the realisation of the option to purchase an additional 29% interest in the company KGHM AJAX MINING INC.

If the option to acquire an additional 29% interest in KGHM AJAX MINING INC. is exercised, KGHM Polska Miedź S.A. will be obliged to organise project financing in the amount of USD 795 million (the equivalent of PLN 2 687 million, according to the average USD/PLN exchange rate of the National Bank of Poland from 21 December 2011)

If this option is not executed by KGHM Polska Miedź S.A., Abacus will have an exclusive right for a period of 90 days to buy back all of the shares belonging to KGHM Polska Miedź S.A. for an amount representing the equivalent of their fair market value, though not higher than USD 37 million. If Abacus decides not to acquire the shares from KGHM Polska Miedź S.A. within this timeframe, KGHM shall transfer, within 60 days, 2% of its shares in KGHM AJAX MINING INC. to Abacus, increasing the share of this company to 51% for the amount of USD 1 451 thousand.

Under IAS 39, KGHM Polska Miedź S.A. is required to measure the options included in this agreement as derivatives. However, at the moment of publication of the financial statements at 31 December 2010 and 30 September 2011, the Parent Entity was not able to make a reliable estimation of the fair value of these options, as work on the Bankable Feasibility Study had not yet concluded. After receiving this document on 22 December 2011, its results were analysed as well as the possibility of calculating the fair value of these options at 31 December 2011. Due to the assumptions in the methodology applied in the Bankable Feasibility Study and the nature of the scenarios foreseen for the project, in the opinion of the Parent Entity the possibility of determining the reliable fair value of these options is very limited. There exists therefore the risk of substantial uncertainty in estimating the fair value of these options. In consideration of this and based on IAS 39.46(c) it was determined that these options should be measured at cost, as derivatives related to an investment in an equity instrument which is not a traded market instrument and whose fair value cannot be reliably measured. Cost at initial recognition is therefore the amount of the premium paid for these options, which in this case is immaterial.

The deadline for making a corporate decision in the matter described above is 4 April 2012.

A. Interim condensed consolidated financial statements (continuation)

Acquisition of Quadra FNX

Another project realised in the fourth quarter of 2011 in execution of the strategy with respect to increase of the Group's resource base was commencement of the process of friendly acquisition of the mining company Quadra FNX, listed on the Toronto Stock Exchange – TSX in Canada. On 6 December 2011, the Parent Entity and Quadra FNX Mining Ltd. signed a binding conditional Agreement, under which KGHM will acquire from existing shareholders, under a Plan of Arrangement recommended by the Board of Directors of Quadra FNX, 100% of the shares of Quadra FNX with its registered head office in Vancouver, B.C.

In accordance with the agreement, the purchase price of the shares amounts to CAD 2.87 billion (the equivalent of PLN 9.44 billion, based on the average rate of the National Bank of Poland for CAD/PLN from 6 December 2011) i.e. CAD 15.00 per share (the equivalent of PLN 49.31), representing a premium of 41% above the 20 trading day volume-weighted average price (VWAP). The shares will be paid from the existing cash resources of KGHM.

Closure of the transaction based on the law of British Columbia (Canada) was made contingent on the fulfilment of conditions precedent, consisting of:

- gaining shareholder approval as expressed by a majority 2/3 of the votes at the General Meeting of Quadra FNX,
- approval for the transaction by the Supreme Court of British Columbia, and
- regulatory approvals by appropriate monopoly-control bodies, and by the Canadian Minister of Industry.

The terms of the Agreement conform to market practice, and do not differ from terms generally used in these types of agreements.

Quadra FNX is a mid-tier mining company with offices in Vancouver and Toronto. The company's shares are listed on the Toronto Stock Exchange – TSX. The operations of the company are focused on mined metals production (including copper, nickel, gold, platinum, palladium) in the following mines: Robinson and Carlota in the USA, Franke in Chile, and McCreedy West, Levack (with the Morrison deposit) and Podolsky in Canada.

In 2010, the company produced 115 thousand tonnes of Cu in concentrate, giving it 21st place amongst the world's major copper producers. The company's market capitalisation at 6 December 2011 amounted to CAD 2.17 billion (the equivalent of PLN 7.14 billion).

Quadra FNX also has pre-operational mining projects at various stages of development: Sierra Gorda in Chile (the company's major development project, involving one of the new largest porphyry copper and molybdenum deposits in the world), Victoria in Canada and Malmbjerg in Greenland. The company in addition is pursuing the Kirkwood, Falconbridge and Foy exploration projects in the region of Sudbury in Canada, and also owns a minority stake in Capstone Mining.

The acquisition of Quadra FNX provides for an increase in annual production by the KGHM Group of over 100 thousand tonnes of copper beginning from 2012; in 2018 this will increase to over 180 thousand tonnes. In addition, following the start-up of projects in Sierra Gorda in Chile (2014) and Victoria in Canada, this will lead to a substantial decrease in unit copper production costs in the KGHM Group. The purchase of these shares will be funded from the existing cash resources of the Parent Entity, derived from operational surpluses and from the sale of the telecom assets consisting of shares in Polkomtel S.A. and DIALOG S.A.

In respect of the process of acquiring Quadra FNX Mining Ltd, following the reporting date three of the four conditions precedent were met for closure of the acquisition by KGHM of the shares of Quadra FNX under the terms described in the agreement dated 6 December 2011:

- o Canada's Competition Bureau is not opposed to the acquisition of all of the shares of Quadra FNX by KGHM or an affiliate thereof.
The United States Federal Trade Commission has also announced that it is not opposed to acquisition of the shares of Quadra FNX.
- o on 20 February 2012 the shareholders of Quadra FNX at the General Meeting of the company approved by the required majority of votes the transaction of acquisition of Quadra FNX shares described in the binding conditional agreement entered into between KGHM and Quadra FNX Mining Ltd.
- o on 21 February 2012 the Supreme Court of British Columbia, Canada, has issued the final order approving the transaction described in the binding conditional agreement entered into between KGHM and Quadra FNX Mining Ltd.

Closure of the transaction is contingent on fulfilment of the final condition precedent, which is receipt of the approval of the Canadian Minister of Industry. At the date of publication of this report the approval has not been received.

A. Interim condensed consolidated financial statements (continuation)

VI. Seasonal or cyclical activities

The Group is not affected by seasonal or cyclical activities.

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

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

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

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

All Parent Entity shares are ordinary shares.

IX. Business segments

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

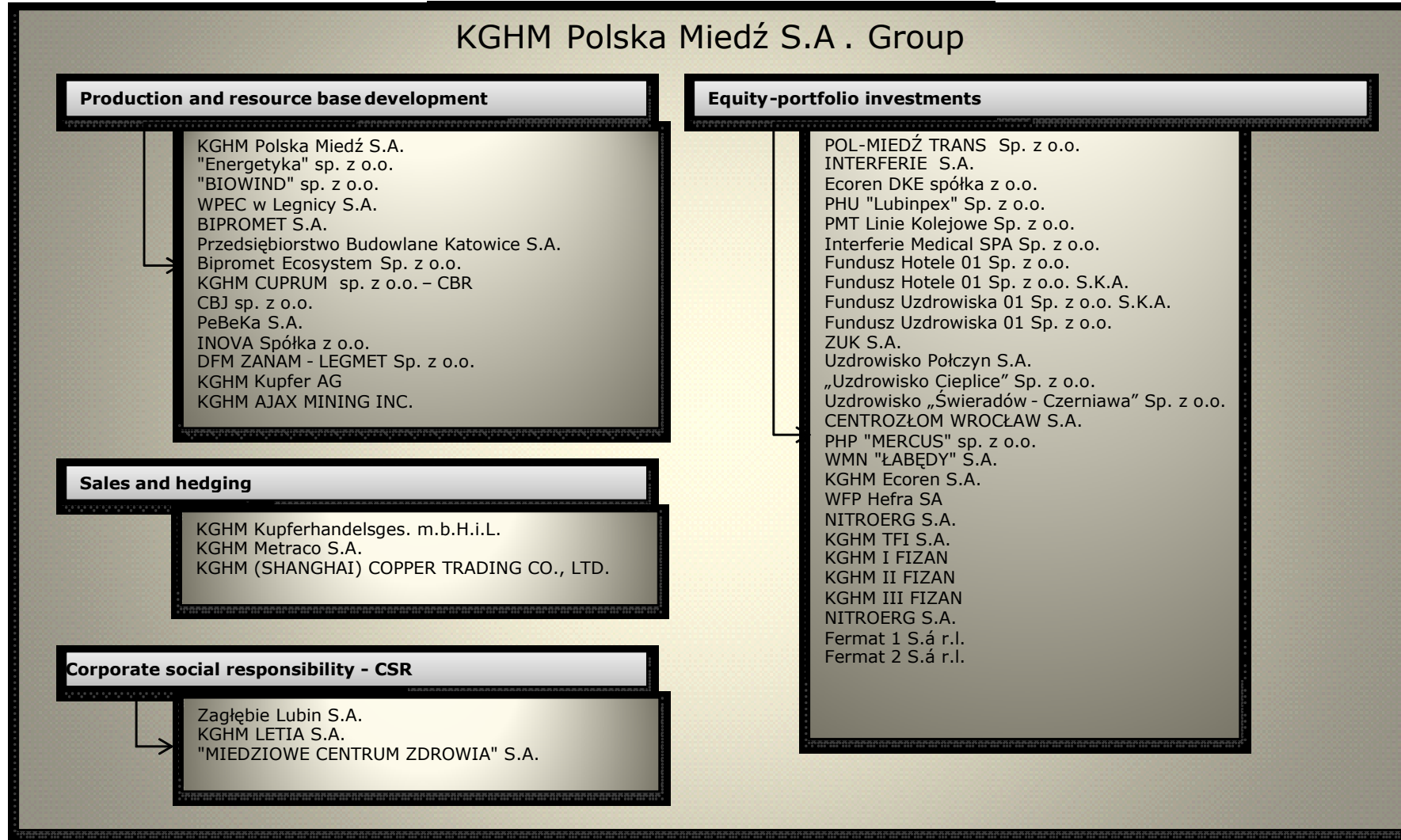
- Production,
- International expansion and resource base development,
- Equity-portfolio investments,
- Sales and hedging,
- A group of entities realising corporate social responsibility – CSR.

Taking into consideration IFRS 8 and the utility of information to users of the financial statements, four reporting segments were identified:

- production and resource base development, combining the production and international expansion and resource base development units in fulfilment of IFRS 8.12,
- equity-portfolio investment,
- sales and hedging
- corporate social responsibility - CSR.

The ordering of KGHM Polska Miedź S.A. Group subsidiaries is presented in the following diagram.

A. Interim condensed consolidated financial statements (continuation)



A. Interim condensed consolidated financial statements (continuation)

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

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

Segment assets and liabilities

	Production and resource base development	Equity-portfolio investments	Sales and hedging	Corporate social responsibility - CSR	Adjustments*	Eliminations (according to IAS 27)	Consolidated amount
At 31 December 2011							
Segment assets	31 159 018	2 254 813	221 994	223 827	224	(3 362 803)	30 497 073
Segment liabilities	6 872 459	680 608	127 103	70 925	(6 208)	(611 431)	7 133 456
Bank and other loans, finance lease liabilities	125 733	196 464	51	17 225	-	(41 781)	297 692
Investments in associates	-	450	-	-	-	22	472
Financial period for the 12 months ended 31 December 2011							
Capital expenditure	1 702 562	271 070	24 552	49 872	(94)	(20 449)	2 027 513

A. Interim condensed consolidated financial statements (continuation)

Segment profit or loss

Financial period for the 12 months ended 31 December 2011

	Production and resource base development	Equity-portfolio investments	Sales and hedging	Corporate social responsibility - CSR	Adjustment*	Consolidation eliminations (according to IAS 27)	Consolidated amount
Revenue	21 673 028	3 380 028	3 188 467	143 760	(20)	(5 769 280)	22 615 983
of which:							
- external sales	19 712 594	2 158 911	650 928	91 931	226	1 393	22 615 983
- inter-segment sales	1 960 434	1 221 117	2 537 539	51 829	(246)	(5 770 673)	-
Interest income	194 039	9 504	1 006	1 419	-	(3 609)	202 359
Interest costs	(8 394)	(7 590)	(166)	(17)	-	3 121	(13 046)
Depreciation/Amortisation	(744 594)	(133 344)	(2 065)	(12 075)	(5 354)	(9 317)	(906 749)
Revaluation of provisions for employee benefits	(113 489)	2 446	(576)	(34)	-	(4 185)	(115 838)
Recognition and reversal of impairment losses on property, plant and equipment and intangible assets	(1 373)	34	-	(387)	(4 501)	-	(6 227)
Income on measurement and realisation of derivatives	1 025 018	2 160	11 007	-	-	-	1 038 185
Costs on measurement and realisation of derivatives	(704 097)	(6 660)	(4 660)	-	-	-	(715 417)
Share of profit of associates	-	-	-	-	-	187 729	187 729
Profit before income tax	13 712 282	81 772	12 756	(1 091)	(9 550)	(422 700)	13 373 469**
Income tax expense	(2 333 948)	(15 466)	(2 470)	(75)	1 720	54 601	(2 295 638)
Share of profit (losses) of subordinated entities accounted for using the equity method	-	7 788	-	-	(7 788)	-	-
Profit for the period	11 378 334	74 094	10 286	(1 166)	(15 618)	(368 099)	11 077 831

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

** including profit before income tax from discontinued operations of PLN 68 281 thousand

A. Interim condensed consolidated financial statements (continuation)

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

Details of adjustments restating the amounts shown in segments to the measurement principles of International Financial Reporting Standards at 31 December 2011 and for the period 12 months of 2011.

	Profit or loss					Statement of financial position		
	Sales	Operating costs	Depreciation /Amortisation	Profit before taxation	Income tax	Segment assets	Segment liabilities	Capital expenditure
Netting off of Social Fund assets and liabilities	-	-	-	-	-	(9 550)	(9 550)	-
Offsetting of deferred tax assets/ deferred tax liabilities	-	-	-	-	-	(8 650)	(8 650)	-
Accounting for shares using the equity method	-	-	-	1 004	-	(15 536)	-	-
Perpetual usufruct of land	-	-	-	-	-	(15 641)	-	-
Deferred tax liability	-	-	-	-	1 413	-	10 078	-
Fair value measurement of assets	-	-	(5 305)	(5 379)	-	48 176	-	-
Other	226	(4 501)	(49)	(5 175)	307	1 425	1 914	(94)
Total adjustment	226	(4 501)	(5 354)	(9 550)	1 720	224	(6 208)	(94)

A. Interim condensed consolidated financial statements (continuation)

Information on business segments for the comparable period

Segment profit or loss

Financial period for the 12 months ended 31 December 2010

	Production and resource base development	Equity-portfolio investments	Sales and hedging	Corporate social responsibility - CSR	Adjustment*	Consolidation eliminations (according to IAS 27)	Consolidated amount
Revenue	17 270 167	2 033 053	3 509 040	131 115	10 307	(5 661 092)	17 292 590
of which:							
- external sales	15 059 107	1 072 711	1 047 446	88 826	10 307	14 193	17 292 590
- inter-segment sales	2 211 060	960 342	2 461 594	42 289	-	(5 675 285)	-
Interest income	68 246	7 063	812	1 169	(21)	(4 993)	72 276
Interest costs	(7 711)	(10 137)	(630)	(664)	-	4 106	(15 036)
Depreciation/Amortisation	(686 064)	(131 922)	(1 564)	(9 166)	(166)	(15 056)	(843 938)
Revaluation of provisions for employee benefits	(35 572)	88	(26)	(782)	-	-	(36 292)
Recognition and reversal of impairment losses on property, plant and equipment and intangible assets	(6 573)	(12 294)	-	(702)	-	(743)	(20 312)
Income on measurement and realisation of derivatives	463 604	3 746	9 318	-	-	-	476 668
Costs on measurement and realisation of derivatives	(1 635 888)	(1 433)	(1 370)	-	-	-	(1 638 691)
Share of profit of associates	-	-	-	-	-	280 542	280 542
Profit before income tax	5 641 171	22 318	12 081	1 934	16 033	84 013	5 777 550**
Income tax expense	(1 044 186)	34 130	(2 234)	(707)	591	(50 281)	(1 062 687)
Share of profit (losses) of subordinated entities accounted for using the equity method	-	3 070	-	-	(3 070)	-	-
Profit for the period	4 596 985	59 518	9 847	1 227	13 554	33 732	4 714 863

** including profit before income tax from discontinued operations of PLN 50 438 thousand

A. Interim condensed consolidated financial statements (continuation)

Segment assets and liabilities

	Production and resource base development	Equity-portfolio investments	Sales and hedging	Corporate social responsibility - CSR	Adjustments*	Eliminations (according to IAS 27)	Consolidated amount
At 31 December 2010							
Segment assets	21 402 096	3 001 077	209 818	190 260	37 690	(3 663 618)	21 177 323
Segment liabilities	5 940 230	551 021	127 266	38 189	(4 644)	(366 518)	6 285 544
Bank and other loans, finance lease liabilities	163 807	150 645	91	1 353	-	(46 082)	269 814
Investments in associates	1 159 947	-	-	-	-	271 152	1 431 099
Financial period for the 12 months ended 31 December 2010							
Capital expenditure	1 378 239	152 767	3 284	27 702	-	(36 110)	1 525 882

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

A. Interim condensed consolidated financial statements (continuation)

Details of adjustments restating the amounts shown in segments to the measurement principles of International Financial Reporting Standards at 31 December 2010 and for the 12 months of 2010:

	Profit or loss					Statement of financial position	
	Sales	Operating income	Depreciation /Amortisation	Profit before taxation	Income tax	Segment assets	Segment liabilities
Netting off of Social Fund assets and liabilities	-	-	-	-	-	(9 469)	(9 469)
Offsetting of deferred tax assets/ deferred tax liabilities	-	-	-	-	-	(7 295)	(7 295)
Accounting for shares using the equity method	-	-	-	792	-	(8 082)	-
Separate presentation of assets and liabilities for sales transaction from prior years	10 319	-	-	33	-	-	-
Impairment losses on shares	-	-	-	(2 747)	-	-	-
Result on the sale of shares	-	-	-	20 688	-	-	-
Deferred tax liability	-	-	-	-	720	-	11 320
Fair value measurement of assets	-	-	-	(3 395)	-	60 077	-
Other	(12)	(21)	(166)	662	(129)	2 459	800
Total adjustment	10 307	(21)	(166)	16 033	591	37 690	(4 644)

A. Interim condensed consolidated financial statements (continuation)

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

The geographical breakdown reflects the location of end clients.

	Financial period	
	for the 12 months ended 31 December 2011	for the 12 months ended 31 December 2010
Poland	5 867 013	4 970 621
Germany	4 478 882	3 739 356
Great Britain	2 733 718	1 568 507
China	2 425 123	1 893 285
The Czech Republic	1 346 565	1 156 340
Italy	1 191 236	790 772
France	653 543	581 026
Hungary	523 480	412 392
Austria	482 581	345 213
Belgium	386 098	299 463
Switzerland	354 402	244 955
Slovakia	109 656	91 978
Finland	40 770	56 711
Other countries	2 022 916	1 141 971
Total	22 615 983	17 292 590

Main customers

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

During the period from 1 January 2010 to 31 December 2010, the revenues from no customer exceeded 10% of the revenues of the Group.

98.93% of the non-current assets of the Group are located in the country of origin of the Parent Entity. The remaining 1.07% are located in other countries.

A. Interim condensed consolidated financial statements (continuation)

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

1. Changes in the period from 1 October 2011 to 31 December 2011

Sale of the associated entity Polkomtel S.A.

On 9 November 2011, the Parent Entity transferred the ownership of ordinary registered shares representing 24.39% of the share capital of Polkomtel S.A. and 24.39% of the total number of votes at Polkomtel S.A.'s general meeting to Spartan Capital Holdings Sp. z o.o. The price for the Shares paid by the Purchaser to KGHM in exchange for the shares amounted to PLN 3 672 147 thousand and was paid in cash.

The carrying amount of the Shares in the consolidated financial statements of the Parent Entity at the sale date amounted to PLN 1 359 568 thousand.

Gains on the sale in the amount of PLN 2 312 579 thousand was recognised in other operating income (note A.IV.3) in the item gains on the sale of subsidiaries and associates.

Sale of DIALOG S.A. Group

On 16 December 2011, KGHM Polska Miedź S.A. sold to Netia S.A. 19 598 000 shares of Telefonia DIALOG S.A. with its registered head office in Wrocław, with a nominal value of PLN 489 950 thousand, representing 100% of the share capital of DIALOG and 100% of the votes at the general meeting of DIALOG.

The sale of these Shares took place in performance of obligations arising from the contingent binding agreement on the sale of the shares of DIALOG entered into between KGHM and Netia on 29 September 2011. The final price at which the Parent Entity sold these Shares was calculated in accordance with the formula set forth in the Contingent Agreement, and amounted to PLN 968 927 thousand.

For settling the sales of the DIALOG S.A. Group (a pre-tax loss of PLN 2 035 thousand) cost was set at PLN 970 962 thousand, in accordance with IAS 27.34, composed of the following items:

- o the net asset value of the Dialog Group PLN 1 015 216 thousand,
- o the unamortised value of the assets of a subsidiary of the Dialog Group measured at fair value at the acquisition date PLN 3 357 thousand,
- o unamortised goodwill from consolidation PLN 1 864 thousand,
- o the value of shares of the Dialog Group's subsidiaries PLN 49 475 thousand

The result on sales (a loss) was recognised in other operating income (note A.IV.3) in the item losses on the sale of subsidiaries.

Liquidation of KGHM Polish Copper Ltd

On 23 December 2011, the dissolution of KGHM Polish Copper Ltd. was registered in the register of the United Kingdom. At the date of closure of the company's liquidation, its assets were distributed by payment to the owner (the Parent Entity) of the net assets (cash) in the amount of PLN 12 947 thousand. The net assets earned by KGHM Polish Copper Ltd. during the period of the Group's control equal the cash paid to KGHM Polska Miedź S.A. within the liquidation.

Establishment of Fermat 1 S.à r.l. and Fermat 2 S.à r.l.

On 30 December 2011, KGHM Polska Miedź S.A. established a company under the name Fermat 1 S.à r.l. with its registered head office in Luxembourg, in which, through a cash transfer of EUR 12 500, it acquired 12 500 shares with a nominal value of 1 EUR/share, representing 100% of the share capital of Fermat 1 S.à r.l. (as at 31 December 2011 the carrying value amounted to PLN 55 thousand).

On 30 December 2011, Fermat 1 S.à r.l. established a company under the name Fermat 2 S.à r.l. with its registered head office in Luxembourg, with share capital of EUR 12 500 (as at 31 December 2011 the carrying value amounted to PLN 55 thousand).

Both companies were established as part of the activities related to the creation of a holding structure for acquiring the shares of Quadra FNX.

2. Changes during the period from 1 January 2011 to 30 September 2011

Combination of subsidiaries in the Group

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

A. Interim condensed consolidated financial statements (continuation)

Increase of share capital in subsidiaries

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

- on 3 February 2011, in the company Uzdrowisko Połczyn S.A. in the amount of PLN 1 000 thousand, which represents 0.54% of the share capital and increases the share of the Group to 90.45%. The entire amount of the guaranteed increase will be allocated to acquire or increase the value of company property, plant and equipment,
- on 18 March 2011, in the company „Uzdrowisko Cieplice” Sp. z o.o. in the amount of PLN 1 500 thousand, which represents 1.96% of the share capital and increases the share of the Group to 91.67%,
- on 17 October 2011, in KGHM Metraco S.A. in the amount of PLN 10 000 thousand, the share of the Group in the share capital of the company following the increase did not change, and amounts to 100%,
- on 5 October 2011, in „MCZ” S.A. in the amount of PLN 4 480 thousand, the share of the Group in the share capital of the company following the increase did not change, and amounts to 100%.

The funds of the guaranteed increase will be allocated to acquiring, manufacturing, rebuilding, developing and modernising property, plant and equipment, and to acquiring or prolonging water exploitation licenses.

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

As a result of this transaction with non-controlling interests resulting from the change in the percentage held by the Group in the share capital of the above-mentioned companies, equity attributable to shareholders of the Parent Entity was increased in the consolidated financial statements, and equity attributable to non-controlling interests was decreased by PLN 260 thousand.

Acquisition of shares of NITROERG S.A.

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

From the date control was obtained to 31 December 2011, NITROERG S.A. achieved revenues from sales in the amount of PLN 41 621 thousand and a profit of PLN 556 thousand (from the acquisition date till 31 December 2011 revenues from sales in the amount of PLN 259 756 thousand and a profit of PLN 13 554 thousand).

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

Acquisition of shares of KGHM Kupfer AG (formerly KGHM HMS Bergbau AG)

On 20 April 2011, a sale and surrender agreement was signed between KGHM Polska Miedź S.A. and HMS Bergbau AG for the acquisition by KGHM Polska Miedź S.A. of 12 551 shares of KGHM HMS Bergbau AG held by HMS Bergbau AG, for the price of EUR 127 895, i.e. PLN 509 thousand. The shares acquired were paid for in cash on 21 April 2011. Following this acquisition the Group holds 100% of the share capital of KGHM HMS Bergbau AG.

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

On 27 April 2011, the Ordinary General Meeting of KGHM HMS Bergbau AG resolved to increase the company's share capital by EUR 750 thousand, representing PLN 2 953 thousand. The newly-issued shares, with a nominal value of EUR 1 per share and an issue price of EUR 17.71, were acquired by KGHM Polska Miedź S.A.

The shares were paid for in cash in the amount of PLN 52 364 thousand on 27 April 2011. The surplus of the issue amount over the nominal amount from the increase in the share capital of KGHM Kupfer AG amounts to PLN 49 348 thousand.

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

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

A. Interim condensed consolidated financial statements (continuation)

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

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

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

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

The net carrying amount of the assets of Uzdrowisko „Świeradów-Czerniawa” Sp. z o.o. at the date control was obtained was PLN 8 121 thousand, of which the net carrying amount of the assets attributable to the Group amounted to PLN 7 125 thousand. Goodwill, provisionally set at PLN 13 875 thousand. Non-controlling interest at the date of obtaining of control amounts to PLN 996 thousand.

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

XI. Subsequent events

Subsequent events in respect of acquisition process of Quadra FNX Mining Ltd were presented in note A.V.

Changes in the Supervisory Board

The Extraordinary General Meeting of KGHM Polska Miedź S.A., on 19 January 2012, dismissed from the Supervisory Board of KGHM Polska Miedź S.A. the following persons:

1. Franciszek Adamczyk,
2. Marcin Dyl,
3. Arkadiusz Kawecki,
4. Jan Rymarczyk,
5. Marzenna Weresa.

The Extraordinary General Meeting appointed to the Supervisory Board of the Company the following persons:

1. Krzysztof Kaczmarczyk,
2. Mariusz Kolwas,
3. Aleksandra Magaczewska,
4. Robert Oliwa,
5. Jacek Poświata.

Establishment of 0929260 B.C. UNLIMITED LIABILITY COMPANY

On 3 January 2012, Fermat 2 S.à r.l. (a 100% indirect subsidiary of KGHM Polska Miedź S.A.) established a company under the name 0929260 B.C. UNLIMITED LIABILITY COMPANY with its registered head office in Canada. The share capital amounts to CAD 100.

The company was established as part of the activities related to creating a holding structure to acquire the shares of Quadra FNX Mining Ltd.

Establishment of Fermat 3 S.à r.l.

On 15 February 2012, Fermat 1 S.à r.l. (a 100% subsidiary of KGHM Polska Miedź S.A.) established a company under the name Fermat 3 S.à r.l. with its registered head office in Luxembourg, in which, it acquired 20 000 shares with a nominal amount of 1 USD/share for USD 20 000 paid for in cash, representing 100% of the share capital of Fermat 3 S.à r.l.

The company was established as part of the activities related to creating a holding structure to acquire the shares of Quadra FNX Mining Ltd.

B. Other information to the consolidated quarterly report

Position of the Management Board with respect to the possibility of achieving previously-published forecasts of results for 2011, in light of the results presented in this consolidated quarterly report relative to forecasted results

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

In the current report dated 21 December 2011, KGHM Polska Miedź S.A. published an adjusted forecast of Company results for 2011. In accordance with the above-mentioned forecast, KGHM Polska Miedź S.A. assumed revenues from sales at the level of PLN 20 084 million in 2011, and profit for the period at the level of PLN 11 192 million.

The achieved in 2011 revenues from sales in the amount of PLN 20 097 million and profit for the period of PLN 11 335 million are at the similar level to the amounts forecasted results.

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

At the date of publication of the consolidated report for the third quarter of 2011, i.e. at 10 November 2011, the only shareholder owning at least 5% of the total number of votes at the General Meeting of KGHM Polska Miedź S.A. was the State Treasury – which owned 63 589 900 shares of KGHM Polska Miedź S.A., representing 31.79% of the share capital and the same number of votes at the General Meeting of KGHM Polska Miedź S.A. (based on an announcement dated 12 January 2010).

Following publication of the consolidated report for the third quarter of 2011, KGHM Polska Miedź S.A. was not informed by any shareholder of any change in the ownership structure of a significant block of shares.

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

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

The Members of the Management Board of KGHM Polska Miedź S.A., at the date of publication of the consolidated report for the third quarter of 2011, i.e. at 10 November 2011, did not own any shares of KGHM Polska Miedź S.A. or rights to them. Based on information held by KGHM Polska Miedź S.A. at the date of publication of this report this did not change.

The Members of the Supervisory Board of KGHM Polska Miedź S.A., at the date of publication of the consolidated report for the third quarter of 2011, i.e. at 10 November 2011, did not own any shares of KGHM Polska Miedź S.A. or rights to them. Based on information held by KGHM Polska Miedź S.A. at the date of publication of this report this did not change.

On 20 October 2011 and on 19 January 2012 the composition of the Supervisory Board was changed.

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

At 31 December 2011, the total value of on-going proceedings before the public courts, bodies appropriate for arbitration proceedings and bodies of public administration respecting liabilities and debtors, of KGHM Polska Miedź S.A. and subsidiaries, did not represent at least 10% of the equity of KGHM Polska Miedź S.A.

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

In the period from 1 January 2011 to 31 December 2011, neither KGHM Polska Miedź S.A. nor any of its subsidiaries entered into significant transactions with related entities under other than arm's length conditions.

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

During the period from 1 January 2011 to 31 December 2011 neither KGHM Polska Miedź S.A. nor its subsidiaries granted collateral on credit or loans, nor did they grant guarantees to a single entity or subsidiary thereof whose total value would represent at least 10% of the equity of KGHM Polska Miedź S.A.

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

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 2011 there were no other significant events, apart from those mentioned in the commentary to the report, which could have a significant impact on the assessment of assets and financial position, the financial result of the Group and any changes thereto, or any events significant for assessing the personnel situation and the ability to meet obligations.

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

The largest impact on the results of the Group is from the Parent Entity – KGHM Polska Miedź 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, and
- the effects of the hedging policy being realised.

Under conditions involving a high level of accumulated cash to be used in realisation of the investment program, and hedging of future revenues of KGHM Polska Miedź S.A., the continued high volatility in metals prices and in the exchange rate has a substantial impact on the measurement of derivatives and exchange differences at the reporting date, and consequently on the level of profit.

The financial results of the Group in future may also be substantially impacted by realisation of planned investments related to increasing the resource base, i.e.:

- acquisition of the mining company Quadra FNX Mining Ltd. (Quadra FNX), listed on the Toronto Stock Exchange – TSX),
- exercise of options to acquire an additional 29% of the shares of KGHM AJAX MINING INC. and realisation by the company of the Afton-Ajax mining project – construction of a copper/gold mine in the vicinity of Kamloops, in British Columbia, Canada.

Detailed information on the planned investments related to increasing the resource base are presented in note A.V.

In addition the financial results of the Group in future may be substantially impacted by the potential introduction of a mineral extraction tax, the form of which is being prepared through the legislative process, which were as follows:

- o on 14 December 2011 the Finance Minister presented a draft law for the mineral extraction tax (hereafter: Draft Law), which may potentially result in a substantial tax burden for KGHM Polska Miedź S.A. In accordance with laws regulating lobbying during the formation of a law, the Company announced its interest in work on the Draft Law,
- o on 26 January 2012, the first parliamentary reading was held of the Draft Law, and was subsequently sent for further work by the Committee of Public Finance,
- o on 14 February 2012, the Committee of Public Finance approved the report on the government's Draft Law for the mineral extraction tax, in which the Committee recommended adoption of the Draft Law as amended by the Committee.

Further parliamentary work on the Draft Law was planned at a session of the Parliament on 28 February - 2 March 2012. Following Parliament's adoption of the Draft Law, it will be forwarded to the Senate for its consideration, and then to the President for approval. The Law will come into force within 14 days of being announced in the Journal of Laws.

The planned mineral extraction tax will be calculated in KGHM Polska Miedź S.A. from the amount of copper and silver contained in produced concentrate.

Given the macroeconomic conditions in 2011, in particular with respect to copper prices (8 810.90 USD/t), silver prices (35.12 USD/troz), the exchange rate (2.9636 USD/PLN) and production of copper (420 665 t) and silver (1 166 598 kg) contained in concentrate, under the government's Draft Law together with the amendments adopted by the Parliamentary Committee of Public Finance on 14 February 2012, the amount of the tax in annual terms would amount to PLN 2 488 227 thousand, reducing the current results of KGHM Polska Miedź S.A.

Respectively, given the macroeconomic conditions and production realised in 2010, the mineral extraction tax would have reduced the results of KGHM Polska Miedź S.A. by PLN 1 676 370 thousand.

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

Interim statement of financial position

	Note	At	
		31 December 2011	31 December 2010
Assets			
Non-current assets			
Property, plant and equipment		7 277 903	6 551 111
Intangible assets		150 777	86 718
Shares and investment certificates in subsidiaries		2 012 209	2 643 046
Investments in associates		-	1 159 947
Deferred tax assets		168 462	359 833
Available-for-sale financial assets		992 068	749 824
Held-to-maturity investments		111 665	84 115
Derivatives		899 400	403 839
Trade and other receivables		84 221	86 608
		11 696 705	12 125 041
Current assets			
Inventories		2 355 741	2 011 393
Trade and other receivables		1 502 944	2 393 986
Available-for-sale financial assets		-	405 193
Held-to-maturity investments		2 147	4 129
Derivatives		859 653	294 021
Cash and cash equivalents		12 835 999	2 595 529
Non-current assets held for sale		-	4
		17 556 484	7 704 255
		29 253 189	19 829 296
Equity and liabilities			
Equity			
Share capital		2 000 000	2 000 000
Accumulated other comprehensive income		535 673	211 159
Retained earnings		20 599 838	12 245 318
		23 135 511	14 456 477
Liabilities			
Non-current liabilities			
Trade and other payables		11 579	14 249
Borrowings and finance lease liabilities		35	8 490
Derivatives		538 320	711 580
Employee benefits liabilities		1 216 355	1 128 246
Provisions for other liabilities and charges	C. I. 2	483 657	517 749
		2 249 946	2 380 314
Current liabilities			
Trade and other payables		1 827 536	1 727 939
Borrowings and finance lease liabilities		58	2 965
Current corporate tax liabilities		1 587 847	668 924
Derivatives		330 347	481 852
Employee benefits liabilities		107 471	93 041
Provisions for other liabilities and charges	C. I. 2	14 473	17 784
		3 867 732	2 992 505
		6 117 678	5 372 819
		29 253 189	19 829 296

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

Interim statement of comprehensive income

	Note	Financial period			
		for the 3 months ended 31 December 2011	for the 12 months ended 31 December 2011	for the 3 months ended 31 December 2010	for the 12 months ended 31 December 2010
Sales	C. I. 3	4 852 650	20 097 392	4 753 224	15 945 032
Cost of sales	C. I. 4	(2 499 095)	(9 877 794)	(2 325 199)	(8 617 125)
Gross profit		2 353 555	10 219 598	2 428 025	7 327 907
Selling costs	C. I. 4	(25 984)	(111 043)	(28 103)	(103 171)
Administrative expenses	C. I. 4	(247 908)	(745 002)	(131 533)	(567 390)
Other operating income	C. I. 5	2 894 610	5 092 919	159 838	711 202
Other operating costs	C. I. 6	(252 726)	(768 832)	(801 900)	(1 730 400)
Operating profit		4 721 547	13 687 640	1 626 327	5 638 148
Finance costs	C. I. 7	(8 795)	(34 043)	(8 193)	(32 581)
Profit before income tax		4 712 752	13 653 597	1 618 134	5 605 567
Income tax expense		(898 478)	(2 319 077)	(293 769)	(1 036 978)
Profit for the period		3 814 274	11 334 520	1 324 365	4 568 589
OTHER COMPREHENSIVE INCOME DUE TO:					
Available-for-sale financial assets		46 070	(197 525)	54 600	148 019
Cash flow hedging instruments		(311 956)	598 160	(129 964)	(44 401)
Income tax related to items presented in other comprehensive income		50 518	(76 121)	14 320	(19 687)
Other comprehensive net income for the financial period		(215 368)	324 514	(61 044)	83 931
TOTAL COMPREHENSIVE INCOME		3 598 906	11 659 034	1 263 321	4 652 520
Earnings per share during the period (in PLN per share)					
- basic		19.07	56.67	6.62	22.84
- diluted		19.07	56.67	6.62	22.84

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

Interim statement of changes in equity

	Accumulated other comprehensive income due to:			Retained earnings	Total equity
	Share capital	Available-for- sale financial assets	Cash flow hedging instruments		
At 1 January 2011	2 000 000	121 385	89 774	12 245 318	14 456 477
Dividends for 2010, resolved and paid	-	-	-	(2 980 000)	(2 980 000)
Total comprehensive income	-	(159 995)	484 509	11 334 520	11 659 034
Profit for the period	-	-	-	11 334 520	11 334 520
Other comprehensive income	-	(159 995)	484 509	-	324 514
At 31 December 2011	2 000 000	(38 610)	574 283	20 599 838	23 135 511
At 1 January 2010	2 000 000	1 489	125 739	8 276 729	10 403 957
Dividends for 2009 resolved and paid	-	-	-	(600 000)	(600 000)
Total comprehensive income	-	119 896	(35 965)	4 568 589	4 652 520
Profit for the period	-	-	-	4 568 589	4 568 589
Other comprehensive income	-	119 896	(35 965)	-	83 931
At 31 December 2010	2 000 000	121 385	89 774	12 245 318	14 456 477

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

Interim statement of cash flows	Note	Financial period	
		for the 12 months ended 31 December 2011	for the 12 months ended 31 December 2010
Cash flow from operating activities			
Profit for the period		11 334 520	4 568 589
Adjustments to profit for the period	C. I. 8	(1 281 495)	1 436 897
Income tax paid		(1 284 903)	(658 695)
Net cash generated from operating activities		8 768 122	5 346 791
Cash flow from investing activities			
Purchase of shares and investment certificates in subsidiaries		(201 440)	(731 224)
Proceeds from sale of subsidiaries		981 874	1 534
Proceeds from sale of an associate		3 672 147	-
Purchase of available-for-sale financial assets		(1 565 831)	(1 296 141)
Purchase of property, plant and equipment and intangible assets		(1 406 454)	(1 156 709)
Proceeds from sale of property, plant and equipment and intangible assets		6 280	4 717
Proceeds from sale of available-for-sale financial assets		1 548 193	310 994
Purchase of held-to-maturity investments financed from the resources of Mine Closure Fund		(25 568)	(20 567)
Establishment of deposits		(450 000)	(350 000)
Termination of deposits		800 000	-
Loans granted		-	(40 000)
Proceeds from repayments of loans granted		5 030	71 162
Interest received		11 543	4 932
Dividends received		277 330	146 658
Expenses due to advances granted for the purchase of property, plant and equipment and intangible assets		(59 374)	(65 329)
Other investment expenses		(3 988)	(5 273)
Net cash generated from/(used in) investing activities		3 589 742	(3 125 246)
Cash flow from financing activities			
Repayments of loans		-	(3 000)
Payments of liabilities due to finance leases		(13 009)	(3 118)
Interest paid		(11)	(76)
Dividends paid		(2 980 000)	(600 000)
Net cash used in financing activities		(2 993 020)	(606 194)
Total net cash flow		9 364 844	1 615 351
Exchange gains on cash and cash equivalents		875 626	4 980
Movements in cash and cash equivalents		10 240 470	1 620 331
Cash and cash equivalents at beginning of the period		2 595 529	975 198
Cash and cash equivalents at end of the period		12 835 999	2 595 529
including restricted cash and cash equivalents		3 036	1 751

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

Selected explanatory data

I. Additional notes

1. Changes in property, plant and equipment

	Land	Buildings	Technical equipment and machinery	Motor vehicles	Other fixed assets	Fixed assets under construction	Total
At 1 January 2011							
Gross carrying amount	16 093	6 355 195	6 111 776	155 341	63 087	1 239 639	13 941 131
Accumulated depreciation	-	(3 709 913)	(3 525 462)	(99 540)	(48 697)	-	(7 383 612)
Impairment losses	-	-	(3 135)	(327)	-	(2 946)	(6 408)
Net carrying amount	16 093	2 645 282	2 583 179	55 474	14 390	1 236 693	6 551 111
Changes in 2011							
Settlement of fixed assets under construction	1 590	219 775	686 860	20 138	5 052	(933 415)	-
Self-constructed	-	-	-	-	-	24 132	24 132
Purchase	-	-	-	-	-	1 417 772	1 417 772
Depreciation	-	(154 921)	(492 705)	(10 203)	(4 320)	-	(662 149)
Sale, decommissioning/scrapping or write off	-	(3 207)	(9 000)	-	(18)	-	(12 225)
Change in amount of provisions for costs of decommissioning	-	(41 253)	-	-	-	-	(41 253)
Other changes	(46)	342	130	4	-	85	515
At 31 December 2011							
Gross carrying amount	17 637	6 517 116	6 557 355	170 752	63 579	1 748 214	15 074 653
Accumulated depreciation	-	(3 851 098)	(3 788 080)	(105 011)	(48 475)	-	(7 792 664)
Impairment losses	-	-	(811)	(328)	-	(2 947)	(4 086)
Net carrying amount	17 637	2 666 018	2 768 464	65 413	15 104	1 745 267	7 277 903
At 1 January 2010							
Gross carrying amount	15 990	6 136 839	5 801 992	146 557	63 996	884 074	13 049 448
Accumulated depreciation	-	(3 631 590)	(3 326 833)	(97 537)	(48 373)	-	(7 104 333)
Impairment losses	-	(1 194)	(3 135)	(327)	-	(2 946)	(7 602)
Net carrying amount	15 990	2 504 055	2 472 024	48 693	15 623	881 128	5 937 513
Changes in 2010							
Settlement of fixed assets under construction	114	281 168	582 019	15 933	2 954	(882 188)	-
Self-constructed	-	-	-	-	-	11 453	11 453
Purchase	-	-	-	-	-	1 226 025	1 226 025
Depreciation	-	(137 494)	(455 556)	(8 857)	(4 090)	-	(605 997)
Sale, decommissioning/scrapping or write off	-	(3 704)	(14 663)	(167)	(97)	-	(18 631)
Change in amount of provisions for costs of decommissioning	-	(624)	-	-	-	-	(624)
Other changes	(11)	1 881	(645)	(128)	-	275	1 372
At 31 December 2010							
Gross carrying amount	16 093	6 355 195	6 111 776	155 341	63 087	1 239 639	13 941 131
Accumulated depreciation	-	(3 709 913)	(3 525 462)	(99 540)	(48 697)	-	(7 383 612)
Impairment losses	-	-	(3 135)	(327)	-	(2 946)	(6 408)
Net carrying amount	16 093	2 645 282	2 583 179	55 474	14 390	1 236 693	6 551 111

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

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

	At	
	31 December 2011	31 December 2010
Purchase of property, plant and equipment	1 367 401	721 753
Purchase of intangible assets	19 211	15 725
Total capital commitments	1 386 612	737 478

2. Changes in provisions for other liabilities and charges

	TOTAL	Decommissioning costs of mines and other facilities	Costs of scrapping property, plant and equipment	Disputed issues and court proceedings	Other provisions
Provisions at 1 January 2011	535 533	514 006	5 600	1 975	13 952
Increase	82 538	72 722	2 217	2 688	4 911
Decrease	(119 941)	(111 122)	(2 898)	(2 339)	(3 582)
Provisions at 31 December 2011	498 130	475 606	4 919	2 324	15 281
of which:					
Non-current provisions	483 657	467 680	2 730	-	13 247
Current provisions	14 473	7 926	2 189	2 324	2 034

	TOTAL	Decommissioning costs of mines and other facilities	Costs of scrapping property, plant and equipment	Disputed issues and court proceedings	Other provisions
Provisions at 1 January 2010	533 306	510 903	5 307	1 507	15 589
Increase	128 686	118 821	4 838	1 271	3 756
Decrease	(126 459)	(115 718)	(4 545)	(803)	(5 393)
Provisions at 31 December 2010	535 533	514 006	5 600	1 975	13 952
of which:					
Non-current provisions	517 749	500 739	4 546	-	12 464
Current provisions	17 784	13 267	1 054	1 975	1 488

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

3. Sales

	Financial period			
	for the 3 months ended 31 December 2011	for the 12 months ended 31 December 2011	for the 3 months ended 31 December 2010	for the 12 months ended 31 December 2010
Copper, precious metals, smelter by-products	4 782 050	19 831 704	4 676 753	15 698 874
Salt	18 187	72 153	20 343	64 108
Merchandise	16 147	64 108	28 237	72 778
Services	16 040	60 256	14 078	56 619
Scrap and production materials	16 969	55 733	10 843	41 408
Other finished goods	3 060	12 953	2 795	10 741
Other materials	197	485	175	504
Total	4 852 650	20 097 392	4 753 224	15 945 032

4. Expenses by nature

	Financial period			
	for the 3 months ended 31 December 2011	for the 12 months ended 31 December 2011	for the 3 months ended 31 December 2010	for the 12 months ended 31 December 2010
Depreciation of property, plant and equipment and amortisation of intangible assets	176 142	672 373	155 250	615 468
Employee benefit expenses	761 009	2 855 007	597 967	2 661 477
Materials and energy	1 491 986	5 910 950	1 223 254	4 777 879
External services	359 998	1 256 045	301 697	1 029 023
Taxes and charges	79 026	318 166	74 761	300 165
Advertising costs and representation expenses	19 872	42 780	7 962	23 857
Property and personal insurance	6 200	22 800	5 211	18 308
Research and development costs not capitalised in intangible assets	3 291	6 006	2 709	4 460
Other costs, of which:	5 165	18 243	4 803	11 405
Write-down of inventories	2 088	2 572	35	802
Reversal of write-down of inventories	(65)	(307)	(38)	(374)
Allowance for impairment of receivables	-	297	3	24
Reversal of allowance for impairment of receivables	-	(856)	-	-
Losses from the disposal of financial instruments	2 389	5 897	961	2 337
Other operating costs	753	10 640	3 842	8 616
Total expenses by nature	2 902 689	11 102 370	2 373 614	9 442 042
Cost of merchandise and materials sold (+)	28 341	106 851	38 530	107 176
Change in inventories of finished goods and work in progress (+/-)	(110 418)	(320 854)	97 474	(170 460)
Cost of manufacturing products for internal use (-)	(47 625)	(154 528)	(24 783)	(91 072)
Total cost of sales, selling costs and administrative expenses	2 772 987	10 733 839	2 484 835	9 287 686

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

5. Other operating income

	Financial period			
	for the 3 months ended 31 December 2011	for the 12 months ended 31 December 2011	for the 3 months ended 31 December 2010	for the 12 months ended 31 December 2010
Income and gains on financial instruments, classified under other operating activities, resulting from:	223 056	2 117 171	99 178	528 256
Measurement and realisation of derivatives	(143 538)	1 025 017	71 134	463 604
Gains from disposal	-	16 855	4 103	4 925
Gains from measurement on non-current liabilities	-	-	167	167
Foreign exchange gains	297 860	895 164	-	-
Interest	68 705	180 081	23 744	59 419
Reversal of allowance for impairment of other receivables	29	54	30	141
Gains on the sale of an associate	2 512 200	2 512 200	-	-
Gains on the sale of subsidiaries	150 045	150 045	34	34
Non-financial interest	129	2 839	2 585	3 329
Reversal of allowance for impairment of non-financial receivables	1 556	2 681	368	1 484
Dividends received	-	277 330	45 153	146 658
Release of unused provisions due to:	3 036	6 940	3 466	6 028
Decommissioning of mines	2 752	5 179	2 775	3 973
Disputed issues, pending court proceedings	119	1 303	143	476
Liabilities towards local municipalities (Gminas) due to signed donations agreement	-	250	489	1 520
Other	165	208	59	59
Other operating income/gains	4 588	23 713	9 054	25 413
Total other operating income	2 894 610	5 092 919	159 838	711 202

6. Other operating costs

	Financial period			
	for the 3 months ended 31 December 2011	for the 12 months ended 31 December 2011	for the 3 months ended 31 December 2010	for the 12 months ended 31 December 2010
Costs and losses on financial instruments, classified under other operating activities, resulting from:	241 413	711 349	783 139	1 666 441
Measurement and realisation of derivatives	240 722	704 098	756 718	1 635 888
Interest	38	227	10	24
Foreign exchange losses	-	-	29 614	30 445
Losses on measurement of non-current liabilities	91	1 716	(157)	-
Allowance for impairment of loans	3	12	3	13
Allowances for impairment of other receivables	559	5 296	(3 049)	71
Losses on the sale of property, plant and equipment and intangible assets	2 973	10 423	9 658	17 614
Donations granted	93	15 113	-	12 503
Interest on overdue non-financial liabilities	71	450	4	114
Provisions for:	1 716	8 032	985	5 522
Decommissioning of mines	921	2 525	59	2 305
Disputed issues, pending court proceedings	1 326	2 688	633	1 271
Liabilities towards local municipalities (Gminas) due to signed donations agreement	133	2 443	-	1 352
Other	(664)	376	293	594
Other operating costs/losses	6 460	23 465	8 114	28 206
Total other operating costs	252 726	768 832	801 900	1 730 400

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

7. Finance costs

	Financial period			
	for the 3 months ended 31 December 2011	for the 12 months ended 31 December 2011	for the 3 months ended 31 December 2010	for the 12 months ended 31 December 2010
Interest expense	327	568	6	601
Loans	35	61	1	116
Finance leases	292	507	5	485
Foreign exchange losses /(gains) on borrowings	192	1 150	(77)	(459)
Changes in provisions arising from the approach of the maturity date of liabilities (unwinding of discount effect)	8 221	32 052	8 207	32 174
Other financial costs	55	273	57	265
Total finance costs	8 795	34 043	8 193	32 581

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

	Financial period	
	for the 12 months ended 31 December 2011	for the 12 months ended 31 December 2010
Income tax expense	2 319 077	1 036 978
Depreciation/amortisation	672 373	615 468
Interest and share in profits (dividends)	(287 686)	(151 978)
Gains on the sale of a subsidiary and an associate	(2 662 245)	(34)
Foreign exchange gains	(870 773)	(742)
Change in provisions	106 388	32 616
Change in derivatives	(546 233)	579 782
Reclassification of accumulated other comprehensive income to profit or loss as a result of realisation of derivatives	(241 565)	(142 187)
Other adjustments	(5 993)	13 007
Changes in working capital:	235 162	(546 013)
Inventories	(344 347)	(120 875)
Trade and other receivables	544 614	(684 838)
Trade and other payables	34 895	259 700
Total adjustments to profit for the period	(1 281 495)	1 436 897

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

9. Related entities transactions

	Financial period			
	for the 3 months ended 31 December 2011	for the 12 months ended 31 December 2011	for the 3 months ended 31 December 2010	for the 12 months ended 31 December 2010
Sales				
To subsidiaries	206 258	751 247	293 533	1 119 639
To other related entities	109	489	379	498
Total sales	206 367	751 736	293 912	1 120 137

During the period from 1 October 2011 to 31 December 2011, KGHM Polska Miedź S.A. did not recognise dividend income from related entities.

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

During the comparable period from 1 October 2010 to 31 December 2010, other operating income due to dividends from related entities amounted to PLN 45 152 thousand (during the period from 1 January 2010 to 31 December 2010 in the amount of PLN 146 658 thousand).

	Financial period			
	for the 3 months ended 31 December 2011	for the 12 months ended 31 December 2011	for the 3 months ended 31 December 2010	for the 12 months ended 31 December 2010
Purchases				
From subsidiaries	1 228 622	4 625 996	1 162 061	4 249 303
From other related entities	302	1 799	1 094	2 009
Total purchase	1 228 924	4 627 795	1 163 155	4 251 312

	At	
	31 December 2011	31 December 2010
Trade receivables		
From subsidiaries	269 922	202 741
From other related entities	-	64
Total receivables from related entities	269 922	202 805

	At	
	31 December 2011	31 December 2010
Trade payables		
Towards subsidiaries	431 871	317 907
Towards other related entities	-	337
Total payables	431 871	318 244

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

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

- On 2 February 2011, KGHM Polska Miedź S.A. signed an agreement with the Minister of the State Treasury for the acquisition of 5 260 820 shares of NITROERG S.A. in Bieruń with a nominal value of PLN 10 per share, for PLN 120 052 thousand. The controlling interest acquired represents 85% of the share capital of NITROERG S.A. in Bieruń.*

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

2. *KGHM Polska Miedź S.A. participated in the selling process by the Ministry of the State Treasury of the shares of TAURON Polska Energia S.A., submitting a purchase order for the shares of TAURON Polska Energia S.A. As a result of this transaction, KGHM Polska Miedź S.A. on 23 March 2011 acquired 71 000 000 shares of TAURON Polska Energia S.A. at PLN 6.15 per share. The transaction was realised as part of an accelerated book building process. Following this transaction, KGHM Polska Miedź S.A. owns a total of 182 110 566 shares of TAURON Polska Energia S.A., representing 10.39% of the share capital.)*

The remaining transactions, which were collectively significant, between the Company and the government and with entities controlled or jointly controlled by the government, or over which the government has significant influence, were within the scope of normal, daily economic operations, carried out at arm's length. These transactions involved the purchase by the Company of materials and services to meet the needs of its current operating activities (fuel, energy, transport services). Turnover from these transactions in the current reporting period amounted to PLN 219 762 thousand.

(an accrued since the beginning of the financial year - PLN 769 372 thousand), and the unsettled balance of liabilities from these transactions at 31 December 2011 amounted to PLN 45 968 thousand (at 31 December 2010: PLN 103 124 thousand), and the unsettled balance at 31 December 2011 amounted to PLN 1 414 thousand (at 31 December 2010: PLN 2 945 thousand). Accrued revenues from sales from State Treasury companies amounted to PLN 55 424 thousand (in the period from 1 January 2010 to 31 December 2010 PLN 49 655 thousand).

	For the period	
	from 1 January 2011 to 31 December 2011	from 1 January 2010 to 31 December 2010
Remuneration of the Supervisory Board		
Remuneration due to service in the Supervisory Board, salaries and other current employee benefits	1 351	1 342
Total	1 351	1 342

	For the period	
	from 1 January 2011 to 31 December 2011	from 1 January 2010 to 31 December 2010
Remuneration of the Management Board		
Salaries and other current employee benefits	4 561	3 065
Post-employment benefits	96	91
Total	4 657	3 156

10. Contingent assets and liabilities

	At 31 December 2011	Increase/(decrease) since the end of the last financial year
Contingent assets	373 223	167 589
Guarantees received	167 018	34 804
Disputed State budget issues	7 093	(10 425)
Promissory notes receivables	77 007	54 434
Inventions, implementation of projects	36 595	3 266
Real estate tax on mining facilities	85 489	85 489
Other	21	21
Contingent liabilities	141 430	14 287
Guarantees and collateral	5 000	-
Disputed issues, pending court proceedings	13 769	(1 797)
Preventive safety measures in respect of mine-related damages	8 000	5 525
Liabilities due to implementation of projects, inventions	113 967	9 869
Other	694	690

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

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

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

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

Realisation on agreement on the sale of shares of Polkomtel S.A.

On 9 November 2011 KGHM Polska Miedź S.A. transferred the ownership of ordinary registered shares of Polkomtel S.A., representing 24.39% of the registered capital of Polkomtel S.A., to Spartan Capital Holdings Sp. z o.o., the special purpose vehicle controlled by Mr. Zygmunt Solorz-Żak.

The transfer of shares took place on the basis of the agreement, signed on 9 November 2011, for the sale of Polkomtel S.A.'s shares, which was in performance of the preliminary agreement signed on 30 June 2011 between KGHM, Polski Koncern Naftowy ORLEN S.A., PGE Polska Grupa Energetyczna S.A., Vodafone Americas Inc, Vodafone International Holdings B.V. and Węglkokoks S.A. as the sellers, and Spartan Capital Holdings Sp. z o.o. as the purchaser and after the approval on 24 October 2011 by Polish Office of Competition and Consumer Protection.

The price paid in cash amounted to PLN 3 672 147 thousand. After the realisation of the above-mentioned agreement KGHM does not own any shares of Polkomtel S.A.

Binding conditional Agreement on acquire of shares of Quadra FNX

(Detailed information on the transaction are presented in note A.V)

Realisation on agreement on the sale of shares of Telefonía DIALOG S.A.

On 16 December 2011, KGHM Polska Miedź S.A. sold to Netia S.A. 100% of shares of Telefonía DIALOG S.A. with its registered head office in Wrocław (DIALOG S.A.).

The sale of these shares took place in performance of obligations arising from the contingent binding agreement on the sale of the shares entered on 29 September 2011, as a result of payment of the price, upon fulfilment of the condition precedent in the form of the issuance by the President of the Polish Office of Competition and Consumer Protection of unconditional consent to the takeover of DIALOG S.A.

The final price was calculated in accordance with the formula set forth in the Contingent Agreement, and amounted to PLN 968 927 thousand. The sale price of the Shares includes payment of the Enterprise Value („Enterprise Value”) in the amount of PLN 890 million and the equivalent of the balance of net cash held by DIALOG S.A. in the amount of PLN 54 million as at 31 May 2011 (the „locked-box” date). The cash generated by DIALOG S.A. from the Locked-Box date to the transaction closure date will remain in the company. The sale price of the Shares was increased by interest calculated based on the price in the amount of 4.76% annually, calculated from 31 May 2011 to the transaction closure date.

Contract for the sale of copper cathodes with China Minmetals Corporation

On 20 December 2011 KGHM Polska Miedź S.A. signed a contract for the sale of copper cathodes in the years 2012-2016 with China Minmetals Corporation. This is a framework contract.

The value of this contract is estimated from USD 1 827 713 thousand (PLN 6 300 126 thousand) to USD 3 655 426 thousand (PLN 12 600 252 thousand), depending on the amount of tonnage under option. This value was estimated based on the forecasted copper price (using a forward curve) from 19 December 2011 and the USD/PLN exchange rate per the National Bank of Poland from 19 December 2011.

Work ending on the Bankable Feasibility Study on the Ajax project

(Detailed information on the Ajax project are presented in note A.V)

Referendum on the buyout of the coal equivalent

On 8-9 November 2011 a referendum was held amongst the Company's employees on the buyout of the coal equivalent owed to employees following their retirement or disability leave.

The Management Board proposed the buyout of the coal equivalent for the pre-tax amount of PLN 17 thousand for employees and retirees. The buyout of the coal equivalent was to be contingent on the removal from the Collective Labour Agreement of provisions related to the entitlement to the coal equivalent owed to employees following their retirement. In the referendum, a majority of employees voted against the proposed resolution. As a result, the Company withdrew the proposal for the buyout of the coal equivalent.

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

Other significant events covered by current reports

Company bodies

The Extraordinary General Meeting of KGHM Polska Miedź S.A., which was held on 20 October 2011 resolved the changes of the Statutes of the Company based on expansion of the subjects of Company activities and authorised the Supervisory Board of the Company to establish a uniform text for the Statutes and confirmed the validity of the elections held in the Company on 19-20 September 2011, as a result of which the employees of KGHM Polska Miedź S.A. elected three members to the Supervisory Board: Lech Jaroń, Maciej Łaganowski and Paweł Markowski and appointed them to the Supervisory Board.

The Extraordinary General Meeting of KGHM Polska Miedź S.A., which was held on 19 January 2012 dismissed from the Supervisory Board of KGHM Polska Miedź S.A. the following persons: Franciszek Adamczyk, Marcin Dyl, Arkadiusz Kawecki, Jan Rymarczyk and Marzenna Weresa and appointed to the Supervisory Board of the Company the following persons: Krzysztof Kaczmarczyk, Mariusz Kolwas, Aleksandra Magaczewska, Robert Oliwa and Jacek Poświata. Objections were raised to resolutions about appointing to the Supervisory Board of the Company.

The Extraordinary General Meeting of KGHM Polska Miedź S.A. did not adopt a resolution regarding granting approval for the purchase of Company own shares for their redemption, and the creation of reserve capital for the purchase of own shares.

Company Statutes

On 10 November 2011, the Regional Court for Wrocław-Fabryczna in Wrocław, Section IX, (Economic) of the National Court Register issued a judgment in which it registered changes in the Company Statutes, adopted by Resolution No. 3/2011 of the Extraordinary General Meeting of KGHM Polska Miedź S.A. with its registered head office in Lubin dated 20 October 2011. On 2 December 2011, the Supervisory Board of the Company based on the authorisation by the Extraordinary General Meeting from 20 October 2011 determined the uniform text of the Statutes of the Company.

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

On 29 September 2011, the Regional Court in Legnica, Section VI (Economic) issued a judgment, in which it dismissed the suit in its entirety of a Shareholder of the Company, Ryszard Zbrzyzny requesting that resolutions of the Ordinary General Meeting of KGHM Polska Miedź S.A. dated 15 June 2011, be declared invalid based on which Leszek Hajdacki and Ryszard Kurek were not appointed to the Supervisory Board of KGHM Polska Miedź S.A. for the new term.

On 4 October 2011, the Regional Court in Legnica, Section VI (Economic), issued a judgment in which it dismissed the suit in its entirety of a Shareholder of the Company, Krzysztof Skóra, requesting that resolution of the Ordinary General Meeting of KGHM Polska Miedź S.A. dated 15 June 2011, regarding the dismissal of Józef Czyczerski from the Supervisory Board of KGHM Polska Miedź S.A.

Adjustment of forecast

On 21 December 2011 the Management Board of KGHM Polska Miedź S.A., based on the financial results of the Company after the first 11 months of 2011, and on verified assumptions with respect to macroeconomic conditions, effects of the measurement of derivatives and exchange differences, presented the adjusted forecast of financial results for 2011. The adjusted forecast anticipates the achievement in 2011 of revenues from sales in the amount of PLN 20 084 million, and profit for the period of PLN 11 192 million, meaning an increase in the planned results respectively by 6% and 16% in relation to the forecast published in the current report dated 5 September 2011.

2. Measurement of financial and tangible assets

Financial assets

Due to the measurement and settlement of future cash flow hedging transactions in an amount reflecting the effective portion of the hedge, after reflecting the results in deferred tax, other comprehensive income was decreased in the current quarter by PLN 252 685 thousand.

(an accrued increase in other comprehensive income by PLN 484 509 thousand since the beginning of the financial year)

Due to the fair value measurement and settlement of available-for-sale financial assets, after reflecting the results in deferred tax, other comprehensive income was increased in the current quarter by PLN 37 317 thousand.

(an accrued decrease in other comprehensive income by PLN 159 995 thousand since the beginning of the financial year)

Due to the realisation and re-measurement of derivatives to the level of fair value there was a decrease in the profit for the current quarter of PLN 266 568 thousand (of which: as an increase in revenues from sales, PLN 117 692 thousand and as a decrease in the result on other operating activities in the amount of PLN 384 260 thousand).

(an accrued increase in profit by PLN 562 484 thousand (of which: as an increase in revenues from sales, PLN 241 565 thousand and as an increase in the profit on other operating activities in the amount of PLN 320 919 thousand).

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

For detailed information on derivatives see part C point II 5 Financial risk management.

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

Property, plant and equipment and receivables

Due to the depreciation of property, plant and equipment and amortisation of intangible assets, operating costs were increased in the current quarter by PLN 176 142 thousand.

(an accrued increase in costs by PLN 672 373 thousand since the beginning of the financial year)

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

3. Type and amounts of changes in estimates

3.1 Provisions for future liabilities

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

3.1.1 provisions for future employee benefits due to one-off retirement or disability payments, jubilee awards, post-mortem benefits and the coal equivalent also paid after the period of employment. The result of this change in estimates, mainly as a result of changes in macroeconomic assumptions, is an increase in the provision and a decrease in profit in the amount of PLN 48 339 thousand (after reflecting the results in deferred tax a decrease in profit in the amount of PLN 39 155 thousand),

(an accrued decrease in profit since the beginning of the financial year, after reflecting the results in deferred tax, by PLN 83 057 thousand)

3.1.2 provision for future costs of decommissioning (restoration) of the Company's mines, comprising the estimated costs of dismantling and removing technological facilities, for which the obligation for restoration upon the conclusion of activities is a result of separate law or standard practice. The result of this change in estimates is an increase in the provision in the amount of PLN 1 592 thousand which was settled as a decrease in profit in the amount of PLN 6 224 thousand and as a decrease of property, plant and equipment in the amount of PLN 4 632 thousand. The increase in the provision resulted in an increase in deferred tax assets in the amount of PLN 213 thousand,

(an accrued decrease in the provision by PLN 12 416 thousand since the beginning of the financial year, which was settled as a decrease in profit in the amount of PLN 28 837 thousand and as a decrease of property, plant and equipment in the amount of PLN 41 253 thousand)

3.1.3 provisions for future employee remuneration costs together with charges in the amount of PLN 176 453 thousand, paid (in accordance with the Collective Labour Agreement) on the occasion of mining or smelting holidays and after approval of the annual financial statements.

(provision at 31 December 2011 amounted to PLN 291 891 thousand)

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

3.2 Deferred tax

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

After offsetting the deferred tax asset and deferred tax liability, the deferred tax asset at the end of the reporting period was set at PLN 168 462 thousand.

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

Deferred tax assets

There was a decrease in the deferred tax asset in the current quarter in the amount of PLN 264 777 thousand, which was settled:

- o as a decrease in profit, in the amount of PLN 227 551 thousand, including due to realisation of temporary differences resulting from sale of investment in Dialog S.A. of PLN 220 516 thousand
- o as a decrease in other comprehensive income due to measurement of available-for-sale financial assets in the amount of PLN 37 226 thousand

(an accrued increase in the deferred tax asset by PLN 112 685 thousand since the beginning of the financial year, of which the following was settled:

- *as an increase in profit of* PLN 19 119 thousand,
- *as an increase in other comprehensive income due to measurement of hedging instruments and available-for-sale financial assets of* PLN 93 567 thousand.)

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

Deferred tax liability

There was a decrease in the deferred tax liability in the current quarter in the amount of PLN 126 972 thousand, of which the following was accounted for:

- as an increase in profit, in the amount of PLN 39 228 thousand,
of which due to:
 - measurement of derivatives (increase in profit) PLN 52 915 thousand
 - difference between accounting and tax depreciation
of property, plant and equipment and intangible assets
(decrease in profit) PLN 11 983 thousand
- as an increase in other comprehensive income PLN 87 744 thousand
of which due to measurement of cash flow hedging financial instruments, PLN 59 272 thousand.

(an accrued increase in the deferred tax liability by PLN 304 056 thousand since the beginning of the financial year, of which the following was settled:

- as a decrease in profit, PLN 134 368 thousand,
- as a decrease in other comprehensive income
due to measurement of cash flow hedging financial
instruments and available-for-sale financial assets, PLN 169 688 thousand.)

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

Production and financial results in the fourth quarter of 2011

In the fourth quarter of 2011, KGHM Polska Miedź S.A. produced 144 thousand t of electrolytic copper, including 31 thousand t from purchased copper-bearing materials and 316 t of metallic silver.

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

- copper prices on the London Metal Exchange (LME) at the average level of 7 489 USD/t,
- an average exchange rate of 3.28 PLN/USD,
- average silver prices on the London Bullion Market (LBM) of 31.87 USD/troz, and
- the sales volume of:
 - copper and copper products (136 thousand t),
 - silver (299 t).

The revenues from sales achieved of PLN 4 852 650 thousand were higher than those achieved in the fourth quarter of 2010 by PLN 99 426 thousand, i.e. by 2%. The increase in sales was mainly due to:

- more favourable exchange rate (a change from 2.92 PLN/USD to 3.28 PLN/USD),
- higher silver prices (an increase from 26.43 USD/troz to 31.87 USD/troz)

along with the following factors decreasing sales:

- decrease in copper price (from 8 634 USD/t to 7 489 USD/t),
- decrease in volume of sale of copper (from 143 thousand t to 136 thousand t) and silver (from 340 t to 299 t).

In the fourth quarter of 2011, revenues from the sale of copper and copper products represented 73%, and silver 21% (in the comparable period of 2010 respectively: 78% and 18%) of total revenues from sales.

Operating costs (cost of sales, selling costs and administrative expenses) in the fourth quarter of 2011 amounted to PLN 2 772 987 thousand and were higher versus the comparable prior period by PLN 288 152 thousand, i.e. by 12%, with a lower volume of copper products sales by 4% and a lower volume of metallic silver sales by 12%.

Expenses by nature in the fourth quarter of 2011 amounted to PLN 2 902 689 thousand, and after excluding purchased copper-bearing materials amounted to PLN 1 996 578 thousand and were higher than those in the comparable prior year period by 20% (i.e. by PLN 328 646 thousand). The change in the level of expenses by nature was mainly due to increased costs in the following:

- labour costs by PLN 163 042 thousand (an increase in provision for future employee benefits by PLN 115 716 thousand),
- materials, fuels, energy costs by PLN 68 302 thousand (due to an increase of purchase prices),
- external services costs by PLN 58 307 thousand (an increased scope of preparatory mine work, higher costs of consultancy services).

The pre-precious metals credit unit cost of electrolytic copper production (total cost prior to decrease by the value of precious metals) in the fourth quarter of 2011 amounted to 17 925 PLN/t, and increased versus the fourth quarter of 2010 by 11% due to an increase in purchased copper-bearing materials used in production alongside higher purchase prices. Due to the favourable valuation of precious metals in anode slimes, the total unit cost of copper production amounted to 13 576 PLN/t and increased only by 3%, i.e. 13 157 PLN/t.

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

The pre-precious metals credit unit cost of copper production from own concentrates amounted to 15 521 PLN/t (in the comparable period – 14 283 PLN/t) alongside a lower volume of own production by 1.6%. The total cost of copper production from own concentrate amounted to 11 024 PLN/t and is higher in comparison to the prior year by 4%.

Profit from operations (gross profit less administrative expenses and selling costs) achieved in the fourth quarter of 2011 of PLN 2 079 663 thousand was lower by PLN 188 726 thousand, i.e. by 8%, than that achieved in the fourth quarter of 2010, mainly due to less favourable metals prices and an increase of costs.

Other operating activities showed a profit in the fourth quarter of 2011 in the amount of PLN 2 641 884 thousand, which is higher than profit on other operating activities in the fourth quarter of 2010 by PLN 3 283 946 thousand. Major impact of these increase had income from sale of telecommunications assets, gains from foreign exchange differences and positive results on measurement and realisation of derivatives.

As a result of the above, **operating profit** in the fourth quarter of 2011 amounted to PLN 4 721 547 thousand and increased versus the comparable period of 2010 by PLN 3 095 220 thousand, i.e. by 2.9-times.

KGHM Polska Miedź S.A. earned a **profit for the fourth quarter of 2011** of PLN 3 814 274 thousand, which was higher by PLN 2 489 909 thousand, i.e. by 2.9-times higher than that achieved in the fourth quarter of 2010.

EBITDA in the fourth quarter of 2011 amounted to PLN 4 897 689 thousand (including depreciation/amortisation of PLN 176 142 thousand) and was higher by PLN 3 116 112 thousand, i.e. by 2.7-times, than that in the comparable prior year period.

5. Financial risk management

In the fourth quarter of 2011, strategies hedging the copper price represented approx. 51%, and those hedging the silver price approx. 9%, of the sales of these metals realised by the Company. In the case of currency transactions, approx. 22% of revenues from sales realised by the Company in this period were hedged.

The management of market risk should be considered through analysis of the hedging position together with the item being hedged (hedged position). By hedging position is meant the position of the Company in derivatives. A hedged position comprises revenues from the physical sale of products.

In the fourth quarter of 2011, the negative result on derivatives amounted to PLN 266 568 thousand, of which the amount of PLN 117 692 thousand was recognised in revenues from sales (the amount transferred from accumulated other comprehensive income to profit or loss in the reporting period), the amount of PLN 384 260 thousand decreased the result on other operating activities, of which PLN 6 476 thousand represented a gain due to the realisation of derivatives, while PLN 390 736 thousand represented a loss due to the measurement of derivatives. The loss on the measurement of derivative transactions recognised in other operating activities results mainly from the change in the time value of options which, in accordance with the hedge accounting policy, are recognised in profit or loss.

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

	Financial period			
	for the 3 months ended 31 December 2011	for the 12 months ended 31 December 2011	for the 3 months ended 31 December 2010	for the 12 months ended 31 December 2010
Impact on sales	117 692	241 565	12 725	142 187
Impact on other operating activities	(384 260)	320 919	(685 584)	(1 172 284)
Gains or (losses) from realisation of derivatives	6 476	63 381	(73 214)	(135 420)
Gains or (losses) from measurement of derivatives	(390 736)	257 538	(612 370)	(1 036 864)
Total impact of derivatives on profit or loss:	(266 568)	562 484	(672 859)	(1 030 097)

In the fourth quarter of 2011 the Company implemented no copper or silver price hedging strategies.

In the case of the forward currency market, in the fourth quarter of 2011 the Company implemented transactions hedging revenues from sales in the total nominal amount of USD 540 million and a time horizon falling in the second half of 2012 and 2013-2014. The Company made use of collar and seagull options (European options).

In the analysed period adjustment hedge transactions were not implemented on either the copper and silver markets or on the currency market. The Company remains hedged for a portion of copper sales planned in the period from January to December 2012 (205.5 thousand tonnes), and in 2013 (61.5 thousand tonnes), and for a portion of silver sales planned in the period from January to December 2012 (10.8 million troz), and in 2013 (3.6 million troz). With respect to revenues from sales (currency market) the Company holds a hedging position for 2012 (USD 960 million), 2013 (USD 960 million) and 2014 (USD 360 million).

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

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

HEDGING POSITION (condensed information) – COPPER MARKET

Period	Instrument		Volume [tonnes]	Execution price [USD/t]	Average weighted premium [USD/t]	Effective hedge price [USD/t]
I half of 2012	Collar ¹	Sold call option	19 500	9 300	(447)	6 453 participation restricted to 9 300
		Purchased put option		6 900		
	Collar ¹	Sold call option	19 500	9 000	(478)	6 322 participation restricted to 9 000
		Purchased put option		6 800		
	Collar ¹	Sold call option	19 500	9 500	(440)	6 760 participation restricted to 9 500
		Purchased put option		7 200		
		Producer's puts ²		19 500	8 000	9.90% ³
	Producer's puts ²		24 750	8 300	8.66% ³	minimal effective hedging price 7 639
	Total		102 750			
II half of 2012	Collar ¹	Sold call option	19 500	9 300	(454)	6 446 participation restricted to 9 300
		Purchased put option		6 900		
	Collar ¹	Sold call option	19 500	9 000	(459)	6 341 participation restricted to 9 000
		Purchased put option		6 800		
	Collar ¹	Sold call option	19 500	9 500	(453)	6 747 participation restricted to 9 500
		Purchased put option		7 200		
		Producer's puts ²		19 500	8 500	8.74% ³
	Producer's puts ²		24 750	8 300	8.66% ³	minimal effective hedging price 7 639
	Total		102 750			
	TOTAL 2012		205 500			
I half of 2013	Seagull ²	Sold call option	19 500	9 500	(383)	6 817 restricted to 4 700 participation restricted to 9 500
		Purchased put option		7 200		
		Sold put option		4 700		
	Collar	Sold call option	10 500	12 000	(460)	8 040 participation restricted to 12 000
		Purchased put option		8 500		
Collar	Sold call option	10 500	11 500	(333)	7 867 participation restricted to 11 500	
	Total		40 500			
II half of 2013	Collar	Sold call option	10 500	12 000	(460)	8 040 participation restricted to 12 000
		Purchased put option		8 500		
	Collar	Sold call option	10 500	11 500	(333)	7 867 participation restricted to 11 500
		Purchased put option		8 200		
	Total		21 000			
	TOTAL 2013		61 500			

HEDGING POSITION (condensed information) – SILVER MARKET

Period	Instrument		Volume [million troz]	Execution price [USD/troz]	Average weighted premium [USD/troz]	Effective hedge price [USD/troz]
I half of 2012	Purchased put option		1.80	30.00	(2.89)	27.11
	Put spread ¹	Purchased put option	1.80	40.00	(1.18)	38.82 restricted to 19.80
		Sold put option ²		19.80		
	Collar	Sold call option	1.80	62.00	(1.63)	35.37 participation restricted to 62.00
		Purchased put option		37.00		
	Total		5.40			
II half of 2012	Purchased put option		1.80	30.00	(2.89)	27.11
	Put spread ¹	Purchased put option	1.80	40.00	(1.18)	38.82 restricted to 19.80
		Sold put option ²		19.80		
	Collar	Sold call option	1.80	62.00	(1.63)	35.37 participation restricted to 62.00
		Purchased put option		37.00		
	Total		5.40			
	TOTAL 2012		10.80			

¹ Tables presenting the condensed list of open hedging positions, include restructured items: the type of instrument was changed from seagull to collar and from collar to put spread. The cost of restructuring (premium for repurchase of options) was added to the cost of implementation (i.e. the average weighted premium) and the effective hedge price/exchange rate was changed.

² Due to current hedge accounting laws, transactions embedded within a producer's put – a purchased put option – are shown in the table containing a detailed list of derivatives positions – „Hedging instruments”, while call options are shown in the table „Trade instruments”, transactions included in the seagull structure – purchased put options and sold call options – are shown in the table „Hedging instruments”; while sold put options are shown in the table „Trade instruments”; sold put options included in the put spread structure, also are shown in the table „Trade instruments”.

³ Payable at the moment of settlement.

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

HEDGING POSITION (condensed information) – SILVER MARKET

I half of 2013	Seagull ²	Sold call option	1.80	65.00	(1.98)	38.02 restricted to 20.00 participation restricted to 65.00
		Purchased put option		40.00		
		Sold put option		20.00		
		Total	1.80			
II half of 2013	Seagull ²	Sold call option	1.80	65.00	(1.98)	38.02 restricted to 20.00 participation restricted to 65.00
		Purchased put option		40.00		
		Sold put option		20.00		
		Total	1.80			
TOTAL 2013			3.60			

HEDGING POSITION (condensed information) – CURRENCY MARKET

Period	Instrument	Nominal [million USD]	Execution price [USD/PLN]	Average weighted premium [PLN per 1 USD]	Effective hedge price [USD/PLN]	
I half of 2012	Seagull ²	Sold call option	90	4.4000	(0.0990)	3.2010 restricted to 2.70 participation restricted to 4.40
		Purchased put option		3.3000		
		Sold put option		2.7000		
	Collar	Sold call option	90	4.5000	(0.1527)	3.2473 participation restricted to 4.50
		Purchased put option		3.4000		
		Purchased put option		360		
	Total	540				
II half of 2012	Seagull ²	Sold call option	90	4.4000	(0.0767)	3.2233 restricted to 2.70 participation restricted to 4.40
		Purchased put option		3.3000		
		Sold put option		2.7000		
	Collar	Sold call option	90	4.5000	(0.1473)	3.2527 participation restricted to 4.50
		Purchased put option		3.4000		
		Sold call option		240		
Purchased put option	240	3.2000				
	Total	420				
TOTAL 2012		960				
I half of 2013	Seagull ²	Sold call option	240	4.0000	(0.0332)	3.1168 restricted to 2.60 participation restricted to 4.00
		Purchased put option		3.1500		
		Sold put option		2.6000		
	Collar	Sold call option	240	4.2000	(0.0650)	3.1350 participation restricted to 4.20
		Purchased put option		3.2000		
		Purchased put option		480		
	Total	480				
II half of 2013	Seagull ²	Sold call option	240	4.0000	(0.0230)	3.1270 restricted to 2.60 participation restricted to 4.00
		Purchased put option		3.1500		
		Sold put option		2.6000		
	Collar	Sold call option	240	4.2000	(0.0650)	3.1350 participation restricted to 4.20
		Purchased put option		3.2000		
		Purchased put option		480		
	Total	480				
TOTAL 2013		960				
I half of 2014	Seagull ²	Sold call option	180	4.5000	(0.0506)	3.4494 restricted to 2.70 participation restricted to 4.50
		Purchased put option		3.5000		
		Sold put option		2.7000		
		Total	180			
II half of 2014	Seagull ²	Sold call option	180	4.5000	(0.0345)	3.4655 restricted to 2.70 participation restricted to 4.50
		Purchased put option		3.5000		
		Sold put option		2.7000		
		Total	180			
TOTAL 2014		360				

All entities with which derivative transactions are entered into operate in the financial sector. These are financial institutions (mainly banks), with the highest⁴ (22.2%), medium-high⁵ (72.2%) or medium⁶ (5.6%) ratings. Based on fair value at 31 December 2011, the maximum share of a single entity with respect to credit risk arising from derivative transactions entered into by the Company amounted to 23.6%.

⁴ By highest rating is meant a rating from AAA to AA- as determined by Standard & Poor's and Fitch, and from Aaa to Aa3 as determined by Moody's.

⁵ By medium-high rating is meant a rating from A+ to A- as determined by Standard & Poor's and Fitch, and from A1 to A3 as determined by Moody's.

⁶ By medium rating is meant a rating from BBB+ to BBB- as determined by Standard & Poor's and Fitch, and from Baa1 to Baa3 as determined by Moody's.

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

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

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

At 31 December 2011, the fair value of open positions in derivatives amounted to PLN 890 386 thousand, of which PLN 1 194 102 thousand related to the positive fair value of trade instruments, PLN 303 100 thousand related to the negative fair value of trade instruments, and PLN 616 thousand related to the negative fair value of instruments initially designated as hedging instruments excluded from hedge accounting. The fair value of open positions in derivatives varies, depending on changes in market conditions, and the final result on these transactions may vary significantly from the measurements described above.

Detailed information on positions in derivatives at 31 December 2011 is presented below in the tables "Trade instruments", "Hedging instruments" and "Instruments initially designated as hedging instruments excluded from hedge accounting".

TRADE INSTRUMENTS	At 31 December 2011						
	Type of derivative	Volume/ Notional Cu [t] Ag ['000 troz] Currency ['000 USD]	Avg. weighted price/ex. rate Cu [USD/t] Ag [USD/troz] Currency [USD/PLN]	Financial assets		Financial liabilities	
				Current	Non-current	Current	Non-current
Derivatives - Metals – Copper:							
Options							
Sold call options	7 922	1	-	-	(188 331)	(16 474)	
Purchased put options	117 000	4 633	8 713	2 818	-	-	
Sold put options	136 500	4 643	-	-	(8 713)	(12 061)	
TOTAL:			8 713	2 818	(197 044)	(28 535)	
Derivatives - Metals – Silver:							
Options							
Purchased call options	3 600	62.00	410	207	-	-	
Sold put options	7 200	19.90	-	-	(4 183)	(22 599)	
TOTAL:			410	207	(4 183)	(22 599)	
Derivatives – Currency contracts – USD/PLN:							
Options							
Sold put options	1 020 000	2.6529	-	-	(2 957)	(59 930)	
TOTAL:			-	-	(2 957)	(59 930)	
TOTAL TRADE INSTRUMENTS			9 123	3 025	(204 184)	(111 064)	

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

HEDGING INSTRUMENTS

At 31 December 2011

Type of derivative	Volume/ Notional	Avg. weighted price/ ex. rate	Maturity/ settlement period		Period of profit/loss impact		Financial assets		Financial liabilities			
			Cu [t] Ag ['000 troz] Currency ['000 USD]	Cu [USD/t] Ag [USD/troz] Currency [USD/PLN]	From	To	From	To	Current	Non- current	Current	Non- current
Derivatives – Metals- Copper												
Options												
Collar	42 000	8 350-11 750	Jan-13	Dec-13	Feb-13	Jan-14	-	253 654	-	(49 212)		
Collar - seagulls	136 500	7 000-9 300	Jan-12	June-13	Feb-12	July-13	156 744	90 889	(96 075)	(60 413)		
Purchased put options- producer's puts	88 500	8 278	Jan-12	Dec-12	Feb-12	Jan-13	313 489	39 363	-	-		
TOTAL:							470 233	383 906	(96 075)	(109 625)		
Derivatives – Metals - Silver												
Options												
Purchased put options	7 200	35.00	Jan-12	Dec-12	Feb-12	Jan-13	183 366	19 008	-	-		
Collar	3 600	37.00-62.00	Jan-12	Dec-12	Feb-12	Jan-13	107 594	10 811	(410)	(207)		
Collar - seagull	3 600	40.00-65.00	Jan-13	Dec-13	Feb-13	Jan-14	-	172 364	-	(6 001)		
TOTAL:							290 960	202 183	(410)	(6 208)		
Derivatives – Currency contracts												
Options												
Purchased put options	360 000	2.6000	Jan-12	June-12	Jan-12	June-12	731	-	-	-		
Collar	900 000	3.2400-4.2600	Jan-12	Dec-13	Jan-12	Dec-13	64 778	94 796	(23 787)	(95 064)		
Collar - seagull	1 020 000	3.3000-4.2471	Jan-12	Dec-14	Jan-12	Dec-14	23 828	215 490	(5 482)	(216 152)		
TOTAL:							89 337	310 286	(29 269)	(311 216)		
TOTAL HEDGING INSTRUMENTS							850 530	896 375	(125 754)	(427 049)		

INSTRUMENTS INITIALLY DESIGNATED AS HEDGING INSTRUMENTS EXCLUDED FROM HEDGE ACCOUNTING

At 31 December 2011

Type of derivative	Volume/ Notional	Avg. weighted ex. rate	Maturity/ settlement period		Period of profit/loss impact		Financial assets		Financial liabilities			
			Ag ['000 troz]	Ag [USD/troz]	From	To	From	To	Current	Non- current	Current	Non- current
Derivatives – Metals - Silver												
Options												
Sold call options	3 600	62.00	Jan-12	Dec-12	Feb-12	Jan-13	-	-	(409)	(207)		
TOTAL							-	-	(409)	(207)		
TOTAL INSTRUMENTS INITIALLY DESIGNATED AS HEDGING INSTRUMENTS EXCLUDED FROM HEDGE ACCOUNTING							-	-	(409)	(207)		

The fair values of derivatives and other receivables and liabilities due to unsettled derivatives with a settlement date of 4 January 2012, as at 31 December 2011, are presented in the table below:

	Total: fair value of derivatives and of other receivables and liabilities due to unsettled derivatives	Fair value of derivatives	Fair value of other receivables and liabilities due to unsettled derivatives
Financial assets	1 788 887	1 759 053	29 834
Financial liabilities	(885 740)	(868 667)	(17 073)
Net fair value	903 147	890 386	12 761

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

At 31 December 2011, accumulated other comprehensive income (excluding the deferred tax effect) due to cash flow hedging instruments amounted to PLN 708 992 thousand. The entire amount related to the effective portion of the result from the measurement of transactions hedging metals price risk.

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

During the fourth quarter of 2011 there was a decrease in other comprehensive income by PLN 311 956 thousand (excluding the deferred tax effect), comprised of:

- changes in fair value during the period recognised as a decrease in accumulated other comprehensive income due to the effective portion of hedging transactions entered into, in the amount of PLN 194 264 thousand,
- the amount of PLN 117 692 thousand, decreasing accumulated other comprehensive income transferred to increase revenues from sales, due to the settlement of the effective portion of hedging transactions.

Accumulated other comprehensive income	At		
	31 December 2011	30 September 2011	31 December 2010
Commodity price risk hedging transactions (copper and silver) – derivatives	708 992	992 734	(98 940)
Currency risk hedging transactions – derivatives	-	28 214	209 772
Total accumulated other comprehensive income - financial instruments hedging future cash flows (excluding deferred tax effects)	708 992	1 020 948	110 832

Lubin, 28 February 2012