

POLISH FINANCIAL SUPERVISION AUTHORITY

Consolidated quarterly report QSr 2 / 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 second quarter of the financial year **2011** comprising the period from **1 April 2011** to **30 June 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: 12 August 2011

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

SELECTED FINANCIAL DATA

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

	in '000 PLN		in '000 EUR	
	2 quarters accrued 2011 period from 1 January 2011 to 30 June 2011	2 quarters accrued 2010 period from 1 January 2010 to 30 June 2010	2 quarters accrued 2011 period from 1 January 2011 to 30 June 2011	2 quarters accrued 2010 period from 1 January 2010 to 30 June 2010
I. Sales	11 221 172	7 811 777	2 828 415	1 950 896
II. Operating profit	5 101 006	2 794 442	1 285 763	697 878
III. Profit before income tax	5 266 996	2 924 380	1 327 602	730 328
IV. Profit for the period	4 316 320	2 399 791	1 087 974	599 318
V. Profit for the period attributable to shareholders of the Parent Entity	4 315 554	2 396 363	1 087 781	598 462
VI. Profit for the period attributable to non-controlling interest	766	3 428	193	856
VII. Other comprehensive income	186 824	172 916	47 091	43 184
VIII. Total comprehensive income	4 503 144	2 572 707	1 135 065	642 502
IX. Total comprehensive income attributable to the shareholders of the Parent Entity	4 502 378	2 569 279	1 134 872	641 646
X. Total comprehensive income attributable to non-controlling interest	766	3 428	193	856
XI. Number of shares issued	200 000 000	200 000 000	200 000 000	200 000 000
XII. Earnings per ordinary share (in PLN/EUR) attributable to the shareholders of the Parent Entity	21.58	11.98	5.44	2.99
XIII. Net cash generated from operating activities	4 130 660	2 185 229	1 041 177	545 734
XIV. Net cash used in investing activities	(1 108 897)	(961 904)	(279 509)	(240 224)
XV. Net cash used in financing activities	(64 352)	(87 502)	(16 221)	(21 853)
XVI. Total net cash flow	2 957 411	1 135 823	745 447	283 657
	At 30 June 2011	At 31 December 2010	At 30 June 2011	At 31 December 2010
XVII. Non-current assets	11 602 368	12 414 423	2 910 342	3 134 718
XVIII. Current assets	13 550 225	8 762 900	3 398 942	2 212 686
XIX. Total assets	25 152 593	21 177 323	6 309 284	5 347 404
XX. Non-current liabilities	2 490 859	2 882 705	624 808	727 901
XXI. Current liabilities	6 233 727	3 402 839	1 563 670	859 238
XXII. Equity	16 428 007	14 891 779	4 120 806	3 760 265
XXIII. Non-controlling interest	249 703	241 106	62 636	60 881

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

	in '000 PLN		in '000 EUR	
	2 quarters accrued 2011 period from 1 January 2011 to 30 June 2011	2 quarters accrued 2010 period from 1 January 2010 to 30 June 2010	2 quarters accrued 2011 period from 1 January 2011 to 30 June 2011	2 quarters accrued 2010 period from 1 January 2010 to 30 June 2010
I. Sales	10 000 920	7 199 551	2 520 838	1 798 000
II. Operating profit	5 281 453	2 764 478	1 331 246	690 395
III. Profit before income tax	5 265 396	2 747 857	1 327 199	686 244
IV. Profit for the period	4 319 004	2 226 638	1 088 651	556 076
V. Other comprehensive income	187 443	173 076	47 247	43 224
VI. Total comprehensive income	4 506 447	2 399 714	1 135 898	599 300
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)	21.60	11.13	5.44	2.78
IX. Net cash generated from operating activities	3 987 760	2 007 059	1 005 157	501 238
X. Net cash used in investing activities	(1 004 847)	(956 113)	(253 282)	(238 778)
XI. Net cash used in financing activities	(2 982)	(5 153)	(752)	(1 287)
XII. Total net cash flow	2 979 931	1 045 793	751 123	261 173
	At 30 June 2011	At 31 December 2010	At 30 June 2011	At 31 December 2010
XIII. Non-current assets	11 622 361	12 125 041	2 915 357	3 061 647
XIV. Current assets	12 078 776	7 704 255	3 029 844	1 945 372
XV. Total assets	23 701 137	19 829 296	5 945 201	5 007 019
XVI. Non-current liabilities	2 024 522	2 380 314	507 832	601 044
XVII. Current liabilities	5 693 691	2 992 505	1 428 207	755 626
XVIII. Equity	15 982 924	14 456 477	4 009 162	3 650 349

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A. Interim condensed consolidated financial statements

(Consolidated financial statements)

Interim consolidated statement of financial position

	Note	At	
		30 June 2011	31 December 2010
Assets			
Non-current assets			
Property, plant and equipment		8 659 926	8 553 634
Intangible assets		607 315	523 874
Investment property		62 239	59 760
Investments in associates		498	1 431 099
Deferred tax assets		499 009	592 947
Available-for-sale financial assets		1 217 267	751 605
Held-to-maturity investments		110 350	84 157
Derivatives		430 144	403 839
Trade and other receivables		15 620	13 508
		11 602 368	12 414 423
Current assets			
Inventories		2 825 650	2 222 321
Trade and other receivables		2 352 635	2 730 658
Current corporate tax receivables		2 346	4 511
Available-for-sale financial assets		547 022	415 662
Held-to-maturity investments		1 435	4 129
Derivatives		364 287	297 584
Cash and cash equivalents		6 096 204	3 086 957
Non-current assets held for sale		1 360 646	1 078
		13 550 225	8 762 900
TOTAL ASSETS		25 152 593	21 177 323
EQUITY			
Equity attributable to shareholders of the Parent Entity			
Share capital		2 000 000	2 000 000
Accumulated other comprehensive income		396 645	209 821
Retained earnings		13 781 209	12 440 852
Exchange differences		450	-
		16 178 304	14 650 673
Non-controlling interest		249 703	241 106
TOTAL EQUITY		16 428 007	14 891 779
LIABILITIES			
Non-current liabilities			
Trade and other payables		122 655	121 560
Borrowings and finance lease liabilities	A.IV.6	129 384	173 652
Derivatives		411 884	711 580
Deferred tax liabilities		120 162	133 392
Liabilities due to employee benefits		1 239 385	1 221 794
Provisions for other liabilities and charges		467 389	520 727
		2 490 859	2 882 705
Current liabilities			
Trade and other payables		4 954 438	1 994 579
Borrowings and finance lease liabilities	A.IV.6	87 682	96 162
Current corporate tax liabilities		665 820	672 152
Derivatives		366 906	482 118
Liabilities due to employee benefits		119 474	110 912
Provisions for other liabilities and charges		39 407	46 916
		6 233 727	3 402 839
TOTAL LIABILITIES		8 724 586	6 285 544
TOTAL EQUITY AND LIABILITIES		25 152 593	21 177 323

A. Interim condensed consolidated financial statements (continuation)

Interim consolidated statement of comprehensive income

	Note	Financial period			
		for the 3 months ended 30 June 2011	for the 6 months ended 30 June 2011	for the 3 months ended 30 June 2010 restated	for the 6 months ended 30 June 2010 restated
Sales	A.IV.1	5 874 632	11 221 172	4 212 047	7 811 777
Cost of sales	A.IV.2	(3 024 677)	(5 690 644)	(2 438 505)	(4 546 164)
Gross profit		2 849 955	5 530 528	1 773 542	3 265 613
Selling costs	A.IV.2	(80 108)	(141 554)	(69 256)	(123 231)
Administrative expenses	A.IV.2	(219 949)	(423 022)	(153 803)	(351 960)
Other operating income	A.IV.3	274 151	701 399	396 586	532 901
Other operating costs	A.IV.4	(182 351)	(566 345)	(99 531)	(528 881)
Operating profit		2 641 698	5 101 006	1 847 538	2 794 442
Finance costs	A.IV.5	(10 830)	(21 765)	(13 672)	(25 281)
Share of profits of associates accounted for using the equity method		123 050	187 755	84 808	155 219
Profit before income tax		2 753 918	5 266 996	1 918 674	2 924 380
Income tax expense		(470 903)	(950 676)	(347 264)	(524 589)
Profit for the period		2 283 015	4 316 320	1 571 410	2 399 791
Other comprehensive income due to:					
Available-for-sale financial assets		52 294	25 124	(11 932)	(13 484)
Cash flow hedging instruments		141 000	205 523	284 454	226 961
Income tax related to items presented in other comprehensive income		(36 726)	(43 823)	(51 779)	(40 561)
Other comprehensive net income for the financial period		156 568	186 824	220 743	172 916
TOTAL COMPREHENSIVE INCOME		2 439 583	4 503 144	1 792 153	2 572 707
Profit for the period attributable to:					
shareholders of the Parent Entity		2 283 137	4 315 554	1 571 027	2 396 363
non-controlling interest		(122)	766	383	3 428
Total comprehensive income attributable to:					
shareholders of the Parent Entity		2 439 705	4 502 378	1 791 770	2 569 279
non-controlling interest		(122)	766	383	3 428
Earnings per share attributable to the shareholders of the Parent Entity during the period (in PLN per share)					
- basic		11.42	21.58	7.86	11.98
- diluted		11.42	21.58	7.86	11.98

A. Interim condensed consolidated financial statements (continuation)

Interim consolidated statement of changes in equity

	Equity attributable to shareholders of the Parent Entity						Equity attributable to non-controlling interest	Total equity
	Share capital	Accumulated other comprehensive income due to:		Retained earnings	Exchange differences	Total		
		Available-for-sale financial assets	Cash flow hedging instruments					
At 1 January 2011	2 000 000	120 046	89 775	12 440 852	-	14 650 673	241 106	14 891 779
Dividends for 2010 resolved but unpaid	-	-	-	(2 980 000)	-	(2 980 000)	-	(2 980 000)
Total comprehensive income	-	20 350	166 474	4 315 554	-	4 502 378	766	4 503 144
Exchange differences from the calculation of foreign operations	-	-	-	-	450	450	432	882
Other changes in equity attributable to non-controlling interest	-	-	-	4 803	-	4 803	7 399	12 202
At 30 June 2011	2 000 000	140 396	256 249	13 781 209	450	16 178 304	249 703	16 428 007
At 1 January 2010	2 000 000	561	125 740	8 371 956	-	10 498 257	77 082	10 575 339
Dividends for 2009 resolved but unpaid	-	-	-	(600 000)	-	(600 000)	-	(600 000)
Total comprehensive income restated*	-	(10 922)	183 838	2 396 363	-	2 569 279	3 428	2 572 707
At 30 June 2010 restated*	2 000 000	(10 361)	309 578	10 168 319	-	12 467 536	80 510	12 548 046

* explanation in note A.I.4

A. Interim condensed consolidated financial statements (continuation)

Interim consolidated statement of cash flows

	Note	Financial period	
		for the 6 months ended 30 June 2011	for the 6 months ended 30 June 2010 restated
Cash flow from operating activities			
Profit for the period		4 316 320	2 399 791
Adjustments to profit for the period	A.IV.7	729 236	144 244
Income tax paid		(914 896)	(358 806)
Net cash generated from operating activities		4 130 660	2 185 229
Cash flow from investing activities			
Purchase of subsidiaries, less acquired cash and cash equivalents		(94 644)	(29)
Purchase of property, plant and equipment and intangible assets		(754 095)	(532 136)
Proceeds from sale of property, plant and equipment and intangible assets		10 350	7 182
Purchase of investment property		(44)	-
Purchase of available-for-sale financial assets		(1 585 813)	(433 747)
Proceeds from sale of available-for-sale financial assets		1 028 023	6 779
Purchase of held-to-maturity investments financed from the resources of Mine Closure Fund		(23 500)	(19 013)
Establishment of deposits		(450 000)	-
Termination of deposits		800 000	-
Expenses due to loans granted		(60)	-
Interest received		8 599	1 481
Dividends received		145	24 116
Advances granted for purchase of property, plant and equipment and intangible assets		(46 061)	(14 608)
Other investment expenses		(1 797)	(1 929)
Net cash used in investing activities		(1 108 897)	(961 904)
Cash flow from financing activities			
Proceeds from loans and borrowings		40 020	86 660
Repayments of loans and borrowings		(91 118)	(158 856)
Payments of liabilities due to finance leases		(8 152)	(7 158)
Interest paid		(5 311)	(8 586)
Other financial proceeds		209	438
Net cash used in / generated from financing activities		(64 352)	(87 502)
Total net cash flow		2 957 411	1 135 823
Exchange gains on cash and cash equivalents		51 836	11 016
Movements in cash and cash equivalents		3 009 247	1 146 839
Cash and cash equivalents at beginning of the period		3 086 957	1 197 077
Cash and cash equivalents at end of the period		6 096 204	2 343 916
including restricted cash and cash equivalents		5 320	64 024

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.

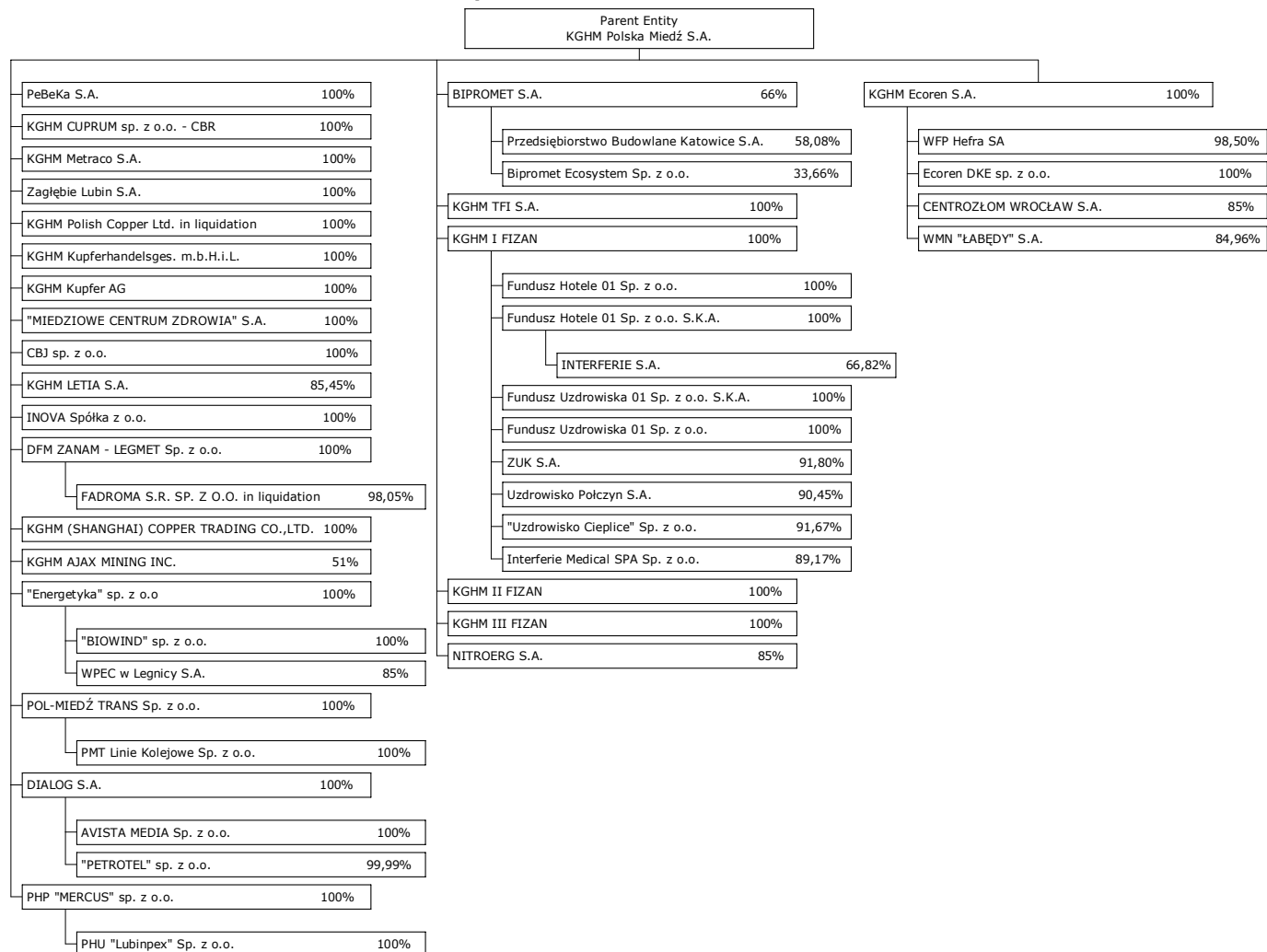
The business activities of the Group also include:

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

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

A. Interim condensed consolidated financial statements (continuation)

2. Composition of the KGHM Polska Miedź S.A. Group at 30 June 2011



The percentage share represents the total share of the Group.

A. Interim condensed consolidated financial statements (continuation)

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

At 30 June 2011, based on IAS 8 para. 8, which allows exemption from the application of IFRS in a case where the effects of exemption are immaterial, the following subsidiaries were excluded from consolidation - „Mercus Software” Sp. z o.o., TUV Cuprum and SERWIS-ERG Sp. z o.o. in liquidation. Altogether, in the presented consolidated financial statements 3 subsidiaries were not consolidated, and one associated entity was not accounted for using the equity method. At the end of the reporting period they were measured at cost less impairment. Exclusion of these entities from consolidation does not effect the honest presentation of the assets, profit or loss and cash flows of the Group.

The following quarterly report includes:

1. the interim condensed consolidated financial statements of the KGHM Polska Miedź S.A. Group for the current period from 1 April to 30 June 2011 and the comparable period from 1 April to 30 June 2010, together with selected explanatory data to the interim condensed consolidated financial statements, and
2. other information to the consolidated quarterly report.

The quarterly financial information of KGHM Polska Miedź S.A. for the current period from 1 April to 30 June 2011 and the comparable period from 1 April to 30 June 2010 is an integral part of the report.

Neither the interim consolidated financial statements at 30 June 2011 nor the interim separate financial statements at 30 June 2011 were audited by a certified auditor.

3. Exchange rates applied

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

- for the calculation of turnover, profit or loss and cash flow for the period from 1 January 2011 to 30 June 2011, the rate of **3.9673 PLN/EUR***,
- for the calculation of turnover, profit or loss and cash flow for the period from 1 January 2010 to 30 June 2010, the rate of **4.0042 PLN/EUR***,
- for the calculation of assets, equity and liabilities at 30 June 2011, the rate of **3.9866 PLN/EUR**.
- for the calculation of assets, equity and liabilities 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 of the first halves respectively of 2010 and 2011.*

4. Accounting policies

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

The following financial statements were prepared by applying these same principles to the current and comparable periods, and by restating the comparable period to reflect the changes in accounting and presentation principles to those applied in the statements in the current period. Changes involved:

- o the correction of an error due to the recognition and measurement of liabilities whose discounted value at 31 December 2009 amounted to PLN 27 086 thousand, due to the submission by the company „Energetyka” sp. z o.o., as part of an agreement for the sale by the State Treasury of shares of WPEC w Legnicy S.A., of an irrevocable offer to acquire the shares of this company not acquired by entitled employees, as well as the repurchase of shares already acquired by employees. Due to a prior-period error, the effects of unwinding of the discount were charged to retained earnings at 30 June 2010 in the amount of PLN 1 094 thousand, against trade and other payables which were credited in the amount of PLN 1 094 thousand. The correction of an error caused an increase in financial costs in the amount of PLN 1 094 thousand in the statement of comprehensive income for the period from 1 January to 30 June 2010, and simultaneously decreased profit by the same amount.
- o amortisation of the difference between the fair value of the net assets of WPEC w Legnicy S.A. and their carrying amount at the date of acquisition of the shares of WPEC w Legnicy S.A., due to final settlement of the transaction and allocation of the purchase price in accordance with IFRS 3. The effects of amortisation of non-current assets decreased retained earnings at 30 June 2010 in the amount of PLN 2 954 thousand.

A. Interim condensed consolidated financial statements (continuation)

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

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

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

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

II. Information on significant changes in estimates

1. Provisions for future liabilities

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

- 1.1 provisions for future employee benefits due to one-off retirement or disability payments, jubilee awards, post-mortem benefits and the coal equivalent also paid after the period of employment. The result of this change in estimates, mainly as a result of changes in macroeconomic assumptions, is a increase in the provision in the amount of PLN 13 139 thousand which was settled as an decrease in profit (after reflecting the results in deferred tax, an decrease in profit in the amount of PLN 10 466 thousand),

(an accrued decrease in profit by PLN 9 708 thousand since the beginning of the financial year)

- 1.2 provision for future costs of decommissioning (restoration) of the Group's mines, comprising the estimated costs of dismantling and removing technological facilities, for which the obligation for restoration upon the conclusion of activities is a result of separate law or standard practice. The result of this change in estimates is a increase in the provision in the amount of PLN 16 900 thousand, which was settled as a decrease in profit in the amount of PLN 8 915 thousand and as a increase of property, plant and equipment in the amount of PLN 7 985 thousand. The increase in the provision caused a increase in deferred tax assets in the amount of PLN 2 932 thousand,

(an accrued decrease in the provision by PLN 41 649 thousand since the beginning of the financial year, of which PLN 14 392 thousand was accounted for as a decrease in profit and PLN 56 041 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 199 862 thousand, paid (in accordance with the Collective Labour Agreement) on the occasion of mining or smelting holidays and after approval of the annual financial statements.

(provision at 30 June 2011 amounted to PLN 387 159 thousand)

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

2. Deferred tax

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

There was an decrease in the deferred tax asset in the current quarter in the amount of PLN 23 862 thousand, which was settled:

- as an decrease in profit, PLN 23 945 thousand,
- as an increase in other comprehensive income due to measurement of cash flow hedging financial instruments and available-for-sale financial assets, PLN 83 thousand.

(an accrued increase in the deferred tax asset by PLN 39 570 thousand since the beginning of the financial year, of which the following was settled:

- as an increase in profit, PLN 18 991 thousand,
- as an increase in other comprehensive income due to measurement of hedging instruments, PLN 17 455 thousand.

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

A. Interim condensed consolidated financial statements (continuation)

There was an increase in the deferred tax liability in the current quarter in the amount of PLN 30 482 thousand, of which the following was accounted for:

- as a increase in profit, PLN 6 327 thousand,
- as a decrease in other comprehensive income due to measurement of cash flow hedging financial instruments and available-for-sale financial assets, PLN 36 809 thousand.

(an accrued increase in the deferred tax liability by PLN 120 278 thousand since the beginning of the financial year, of which the following was settled:

- as a decrease in profit, PLN 58 938 thousand,
- as a decrease in other comprehensive income
due to measurement of cash flow hedging financial
instruments and available-for-sale financial assets, PLN 61 278 thousand.

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

After offsetting the deferred tax asset and deferred tax liability, the deferred tax asset at the end of the reporting period was set at PLN 499 009 thousand, while the deferred tax liability was set at PLN 120 162 thousand.

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 126 963 thousand,
- amortisation of intangible assets of Polkomtel S.A., recognised in the final settlement of acquisition of shares of the company in the amount of PLN 4 612 thousand,
- reclassification of shares of Polkomtel S.A. to assets held for sale based on the signing on 30 June 2011 of a preliminary agreement for the sale of the shares of Polkomtel S.A. In accordance with IFRS 5, their carrying amount was determined by use of the equity method immediately prior to reclassification in the amount of PLN 1 359 568 thousand, and at this same amount were reclassified as the lower of two amounts: the carrying amount of these assets and the fair value of shares less selling costs. (Detailed information on the agreement to sell the shares of Polkomtel S.A. may be found in part C.II.1 of this report)

(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 62 259 thousand,
- amortisation of intangible assets of Polkomtel S.A., recognised in final settlement of acquisition of shares of the company in the amount of PLN 9 224 thousand,
- reclassification of shares of Polkomtel S.A. to assets held for sale in the amount of PLN 1 359 568 thousand)

2. in available-for-sale financial assets

- a) **non-current** – settlement in other comprehensive income of the positive measurement of assets at the end of the reporting period in the amount of PLN 52 727 thousand.

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

- the acquisition of listed companies in the amount of PLN 438 447 thousand,
- settlement in other comprehensive income of the positive measurement of assets at the end of the reporting period in the amount of PLN 27 209 thousand.
- an increase in assets in the amount of PLN 6 thousand, representing the carrying amount of available-for-sale financial assets of a subsidiary at the date control was obtained by the Group)

- b) **current** – acquisition of participation units in investment funds in the amount of PLN 529 318 thousand, acquisition of treasury bonds in the amount of PLN 8 000 thousand, sale of participation units in investment funds in the amount of PLN 510 048 thousand, settlement in other comprehensive income of the negative measurement of assets in the amount of PLN 433 thousand.

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

- the acquisition of participation units in investment funds in the amount of PLN 1 139 365 thousand and treasury bonds in the amount of PLN 7 999 thousand,
- the sale of participation units in investment funds in the amount of PLN 1 013 919 thousand,
- the settlement in other comprehensive income of the measurement of assets in the amount of PLN 2 236 thousand,
- a decrease due to realisation of assets in the amount of PLN 4 321 thousand)

A. Interim condensed consolidated financial statements (continuation)

3. in held-to-maturity investments

- a) **non-current** – acquisition of financial assets from the Mine Closure Fund in the amount of PLN 1 090 thousand and reclassification of Fund assets to non-current from current held-to-maturity investments in the amount of PLN 2 694 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 the acquisition of financial assets from the Mine Closure Fund in the amount of PLN 23 499 thousand and an increase due to reclassification of Fund assets to non-current from current held-to-maturity investments in the amount of PLN 2 694 thousand, which will not be used within 12 months from the end of the reporting period)

- b) **current** – a decrease due to reclassification of Fund assets to non-current held-to-maturity investments in the amount of PLN 2 694 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 2 694 thousand, which will not be used within 12 months from the end of the reporting period)

4. in **derivatives (assets and liabilities)** - an increase in the fair value of open derivatives at 30 June 2011 as a result of changes in macroeconomic factors. Simultaneously, as a result of these changes, derivative transactions with a settlement date falling in the second quarter of 2011 were settled with a positive result. Profit for the current quarter was increased in the amount of PLN 110 280 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 or loss since the beginning of the financial year in the amount of PLN 167 150 thousand)

5. in **financial receivables** – recognition of an impairment allowance in the amount of PLN 2 871 thousand (an excess of the impairment allowance recognised, in the amount of PLN 5 734 thousand, over the amount released, PLN 2 863 thousand).

(an accrued excess since the beginning of the financial year of allowances recognised over allowances released in the amount of PLN 6 543 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.

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

property, plant and equipment and intangible assets

- | | |
|------------------------------|--------------------|
| - impairment loss recognised | PLN 1 998 thousand |
| - impairment loss released | PLN 716 thousand |

(accrued since the beginning of the financial year

- | | |
|------------------------------|--------------------|
| - impairment loss recognised | PLN 6 655 thousand |
| - impairment loss released | PLN 716 thousand) |

non-financial receivables

- | | |
|---------------------------------|------------------|
| - impairment loss recognised | PLN 803 thousand |
| - impairment allowance reversed | PLN 377 thousand |

(accrued since the beginning of the financial year

- | | |
|-----------------------------------|-------------------|
| - impairment allowance recognised | PLN 803 thousand |
| - impairment allowance reversed | PLN 754 thousand) |

inventories

- | | |
|-------------------------|------------------|
| - write-down recognised | PLN 960 thousand |
| - write-down reversed | PLN 423 thousand |

(accrued since the beginning of the financial year

- | | |
|-------------------------|---------------------|
| - write-down recognised | PLN 1 119 thousand |
| - write down reversed | PLN 1 235 thousand) |

A. Interim condensed consolidated financial statements (continuation)

Purchase and sale of property, plant and equipment

	For the period		
	6 months ended 30 June 2011	12 months ended 31 December 2010	6 months ended 30 June 2010
Purchase	555 207	1 407 668	461 701
Net sale	1 756	1 878	1 150

Capital commitments not recognised in the consolidation statement of financial position

	At	
	30 June 2011	31 December 2010
For the purchase of property, plant and equipment	731 396	434 801
For the purchase of intangible assets	23 280	13 888
Total capital commitments:	754 676	448 689

IV. Selected additional explanatory notes

1. Sales

	Financial period			
	for the 3 months ended 30 June 2011	for the 6 months ended 30 June 2011	for the 3 months ended 30 June 2010	for the 6 months ended 30 June 2010
Copper, precious metals, smelter by-products	5 102 104	9 743 585	3 864 501	7 121 554
Energy	37 058	54 266	11 361	50 508
Services	239 291	465 967	195 243	401 935
Mining machinery, transport vehicles for mining and other	8 531	9 179	3 791	9 385
Merchandise	248 462	496 285	62 963	112 121
Scrap and materials	6 386	11 413	1 107	3 684
Other finished goods	232 800	440 477	73 081	112 590
Total	5 874 632	11 221 172	4 212 047	7 811 777

2. Expenses by nature

	Financial period			
	for the 3 months ended 30 June 2011	for the 6 months ended 30 June 2011	for the 3 months ended 30 June 2010	for the 6 months ended 30 June 2010
Depreciation of property, plant and equipment and amortisation of intangible assets	230 496	462 315	208 223	415 475
Employee benefit expenses	927 299	1 803 456	800 139	1 649 221
Materials and energy	1 485 633	3 174 654	1 316 635	2 639 490
External services	376 516	717 599	338 937	612 901
Taxes and charges	99 372	196 378	89 007	180 068
Advertising costs and representation expenses	23 104	36 998	15 009	24 963
Property and personal insurance	9 830	17 046	7 276	13 256
Research and development costs not capitalised in intangible assets	2 401	2 460	1 489	1 834
Other costs	20 772	31 662	12 062	26 582
Total expenses by nature	3 175 423	6 442 568	2 788 777	5 563 790
Cost of merchandise and materials sold (+)	174 243	297 902	41 730	76 137
Change in inventories of finished goods and work in progress (+/-)	107 680	(220 146)	(25 173)	(365 133)
Cost of manufacturing products for internal use (-)	(132 612)	(265 104)	(143 770)	(253 439)
Total cost of sales, selling costs and administrative expenses	3 324 734	6 255 220	2 661 564	5 021 355

A. Interim condensed consolidated financial statements (continuation)

3. Other operating income

	Financial period			
	for the 3 months ended 30 June 2011	for the 6 months ended 30 June 2011	for the 3 months ended 30 June 2010	for the 6 months ended 30 June 2010
Income and gains on financial instruments, classified under other operating activities, resulting from:	227 582	630 371	366 622	485 598
Measurement and realisation of derivatives	178 733	538 022	236 059	343 157
Interest	40 438	77 323	16 352	24 995
Foreign exchange gains	-	-	114 401	114 401
Gains from disposal	7 665	14 145	-	896
Gains/(losses) from measurement of non-current financial liabilities	153	204	(572)	-
Reversal of allowance for impairment of loans and receivables	593	677	382	2 149
Dividends received	27 317	27 462	-	64
Other operating income/gains	19 252	43 566	29 964	47 239
Total other operating income	274 151	701 399	396 586	532 901

4. Other operating costs

	Financial period			
	for the 3 months ended 30 June 2011	for the 6 months ended 30 June 2011	for the 3 months ended 30 June 2010	for the 6 months ended 30 June 2010
Costs and losses on financial instruments, classified under other operating activities, resulting from:	165 482	517 879	77 709	481 736
Measurement and realisation of derivatives	130 623	454 449	127 136	477 732
Interest	87	163	24	39
Foreign exchange losses/(gains)	32 077	56 949	(53 291)	-
Losses from measurement of non-current liabilities	-	-	542	542
Losses from disposal	1 141	1 143	-	-
Allowances for impairment of loans and receivables	1 554	5 175	3 298	3 423
Other operating costs/losses	16 869	48 466	21 822	47 145
Total other operating costs	182 351	566 345	99 531	528 881

5. Finance costs

	Financial period			
	for the 3 months ended 30 June 2011	for the 6 months ended 30 June 2011	for the 3 months ended 30 June 2010	for the 6 months ended 30 June 2010
Interest expense	2 561	5 116	3 655	7 905
Changes in provisions arising from the approach of the maturity date of liabilities (unwinding of discount effect)	8 539	16 458	8 394	16 964
Other finance costs	(270)	191	1 623	412
Total finance costs	10 830	21 765	13 672	25 281

6. Borrowings and liabilities due to finance leases

	At	
	30 June 2011	31 December 2010
Non-current	129 384	173 652
Bank loans	101 941	141 829
Loans	2 331	2 420
Finance lease liabilities	25 112	29 403
Current	87 682	96 162
Bank loans	71 802	81 901
Loans	2 465	1 883
Finance lease liabilities	13 415	12 378
Total	217 066	269 814

A. Interim condensed consolidated financial statements (continuation)

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

	Financial period	
	for the 6 months ended 30 June 2011	for the 6 months ended 30 June 2010
Income tax expense	950 676	524 589
Depreciation/amortisation	462 315	415 475
Share of profits of associates accounted for using the equity method	(187 755)	(155 219)
Interest and share in profits	(29 750)	7 287
Foreign exchange gains	(51 110)	(9 001)
Change in provisions	20 728	46 039
Change in derivatives	(218 815)	(198 766)
Reclassification of accumulated other comprehensive income to profit or loss as a result of realisation of derivatives	(83 577)	(82 294)
Balance of items of assets and equity and liabilities at date of obtaining control over subsidiary	7 790	-
Other adjustments	(10 017)	233
Changes in working capital:	(131 249)	(404 099)
Inventories	(603 062)	(204 567)
Trade and other receivables	327 627	(262 088)
Trade and other payables	144 186	62 556
Total adjustments to profit for the period	729 236	144 244

8. Related entities transactions

	Financial period			
	for the 3 months ended 30 June 2011	for the 6 months ended 30 June 2011	for the 3 months ended 30 June 2010	for the 6 months ended 30 June 2010
Sales to related entities				
To associates	1 624	2 925	819	1 739
To other related entities	113	185	23	114
Total sales to related entities	1 737	3 110	842	1 853

	Financial period			
	for the 3 months ended 30 June 2011	for the 6 months ended 30 June 2011	for the 3 months ended 30 June 2010	for the 6 months ended 30 June 2010
Purchases from related entities				
From associates	2 107	4 435	1 760	3 217
From other related entities	7 238	16 075	5 826	11 485
Total purchases from related entities	9 345	20 510	7 586	14 702

	At	
	30 June 2011	31 December 2010
Trade and other receivables from related entities		
From associates	251 378	734
of which: due to dividends from an associate held for sale	250 013	-
From other related entities	6 311	2 251
Total receivables from related entities	257 689	2 985

	At	
	30 June 2011	31 December 2010
Trade payables towards related entities		
Towards associates	880	938
Towards other related entities	9 082	2 906
Total payables towards related entities	9 962	3 844

A. Interim condensed consolidated financial statements (continuation)

During the current reporting period, no individual transactions were identified between Group companies 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:

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

The remaining transactions, which were collectively significant, between the Company and the government and with entities controlled or jointly controlled by the government, or over which the government has significant influence, were within the scope of normal, daily economic operations, carried out at arm's length. These transactions involved the purchase by companies of the Group of materials and services to meet the needs of their current operating activities (fuel, energy, transport services). Turnover from these transactions in the current reporting period amounted to PLN 218 371 thousand, *(accrued since the beginning of the financial year – PLN 380 410 thousand)*, and the unsettled balance of liabilities from these transactions at 30 June 2011 amounted to PLN 62 272 thousand (at 31 December 2010: PLN 109 107 thousand).

Remuneration of the Supervisory Board of the Parent Entity	For the period	
	from 1 January 2011 to 30 June 2011	from 1 January 2010 to 30 June 2010
Remuneration due to service in the Supervisory Board, salaries and other current employee benefits	750	654
Total	750	654

Remuneration of the Management Board of the Parent Entity	For the period	
	from 1 January 2011 to 30 June 2011	from 1 January 2010 to 30 June 2010
Salaries and other current employee benefits	2 033	1 522
Post-employment benefits	-	91
Total	2 033	1 613

A. Interim condensed consolidated financial statements (continuation)

V. Situation and results of significant companies

DIALOG S.A.

With respect to the shares of Telefonía Dialog S.A., at the end of the reporting period the Management Board of KGHM Polska Miedź S.A. maintains the position presented in the Consolidated Annual Report RS-2010 on the recognition of these assets and liabilities of this company in the statement of financial position. In the current period, during the process of selling the shares of Telefonía Dialog S.A., there were no changes which, under IFRS 5, would require reclassification in the statement of financial position of the assets and liabilities of Telefonía Dialog to the category assets and liabilities held for sale.

In light of the above, there is likewise no basis for taking a decision to recognise a deferred tax asset for deductible temporary differences under IAS 12.44 (at 30 June 2011, in the consolidated financial statements in the amount of PLN 1 058 243 thousand, in the separate financial statements of the Parent Entity in the amount of PLN 1 160 609 thousand).

DIALOG S.A. is the parent entity of the DIALOG S.A. Group, which at 30 June 2011 comprised the following subsidiaries:

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

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

	Financial period		Financial period	
	for the 3 months ended 30 June 2011	for the 6 months ended 30 June 2011	for the 3 months ended 30 June 2010	for the 6 months ended 30 June 2010
Sales	125 566	256 673	129 482	260 624
Result on sales	7 161	17 393	3 237	16 130
Operating profit	12 476	25 878	7 393	22 155
EBITDA	34 293	69 694	28 819	64 770
Profit before taxation	11 958	24 670	6 236	19 393
Profit for the period	10 217	20 147	6 987	21 800

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

	Financial period		Financial period	
	for the 3 months ended 30 June 2011	for the 6 months ended 30 June 2011	for the 3 months ended 30 June 2010	for the 6 months ended 30 June 2010
Sales	118 136	240 187	122 657	247 167
Result on sales	5 905	14 934	1 816	13 320
Operating profit	10 729	22 984	5 900	19 172
EBITDA	30 418	62 484	25 117	57 371
Profit before taxation	10 261	21 878	4 812	16 562
Profit for the period	9 092	18 169	5 737	19 428

Revenues from sales of the DIALOG S.A. Group for the first half of 2011 were lower by 2%, i.e. by PLN 3 951 thousand, than those achieved in the comparable prior year period. The decrease in revenues was mainly in respect of traditional voice services and from services directed at the subscribers of other operators (WLR, 1011, BSA). There was however an increase in revenues from new services: digital television IPTV and mobile telephony based on the virtual operator (MVNO) model.

Profit before taxation amounted to PLN 24 670 thousand, and was 27% higher than in the comparable period of 2010. Profit for the first half of 2011 amounted to PLN 20 147 thousand and was lower than that achieved in the first half of 2010 by PLN 1 653 thousand. The decrease in profit in the first half of 2011 versus that achieved in the first half of 2010 was mainly due to the realisation in the current period of deductible temporary differences on unutilised tax losses of prior years, for which in the fourth quarter of 2010 a tax asset was recognised.

At the end of June 2011, the DIALOG S.A. Group recorded an increase in the number of ringing lines: 810 thousand versus 723.9 thousand lines at the end of 2010. Data transmission services at the end of the first half of 2011 amounted to 155.5 thousand.

A. Interim condensed consolidated financial statements (continuation)

The number of active IPTV services (digital television offered as part of the DIALOGmedia package with fixed-line telephone and Internet access) at the end of June 2011 amounted to 40.9 thousand. The number of active SIM cards and data transmission modems (as part of the mobile telephone service Diallo, introduced in February 2010), amounted in total to 38.9 thousand.

DIALOG S.A. is using financing from EU funds to implement an innovative services project based on a passive optical network (PON) – so-called „fiber to the premises”, whose planned coverage target by 2012 is around 84 thousand homes, among others in Wrocław, Legnica, Zielona Góra and Łódź. This is the largest project of its type in Poland and one of the largest in Europe. As part of this project, DIALOG S.A., as the first telecom operator in Poland to do so, added videomonitoring services to its Internet offer for both individual and business customers. The company is also realising a project using EU funds called „Development of a regional wide-band network in the voivodeship of Łódź”.

Polkomtel S.A.

In the consolidated financial statements the carrying amount of the shares of Polkomtel S.A., reclassified to non-current assets held for sale, accounted for using the equity method, amounts to PLN 1 359 568 thousand.

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

	Financial period		Financial period	
	for the 3 months ended 30 June 2011*	for the 6 months ended 30 June 2011	for the 3 months ended 30 June 2010	for the 6 months ended 30 June 2010
	Sales	1 838 715	3 599 957	1 933 509
Result on sales	403 539	733 527	488 530	828 083
Operating profit	455 462	1 002 923	488 677	849 316
EBITDA	769 663	1 650 682	823 108	1 520 207
Profit before taxation	429 811	945 305	430 099	785 701
Profit for the period	347 264	769 190	347 450	636 118

*financial data of Polkomtel S.A. for the first quarter of 2011 published in the quarterly report (Qsr 1 2011) was changed, due to a correction resulting from the conclusion of a review of accounts.

In the first half of 2011, Polkomtel S.A. earned revenues from sales 4 % lower than in the comparable prior year period. Profit was higher by 21 %, i.e. by PLN 133 072 thousand.

In April 2011 the Ordinary General Meeting of Polkomtel S.A. passed a resolution on the allocation of profit, the utilisation of reserve capital and payment of a dividend. The total amount allocated to the payment of a shareholder dividend was PLN 1 527 660 thousand, including PLN 1 151 759 thousand from the allocation of profit for 2010 and PLN 375 901 thousand from reserve capital. The amount attributable to KGHM Polska Miedź S.A., proportional to its share, is PLN 372 620 thousand. In 2010, KGHM Polska Miedź S.A. received two interim payments on the dividend for 2010 in the total amount of PLN 122 607 thousand. The remaining part of the dividend, PLN 250 013 thousand, was paid on 29 July 2011.

VI. Seasonal or cyclical activities

The Group is not affected by seasonal or cyclical activities.

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

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

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

In accordance with Resolution No. 6/2011 of the Ordinary General Meeting of KGHM Polska Miedz S.A. dated 15 June 2011 regarding the appropriation of Company 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.

A. Interim condensed consolidated financial statements (continuation)

IX. Subsequent events

On 25 July 2011 the Parent entity received information announcing that a suit had been filed at the Regional Court in Legnica, Section VI (Economic) by a shareholder of the Company, Krzysztof Skóra, submitted to the Court on 14 July 2011, requesting that resolution no. 23/2011 of the Ordinary General Meeting of KGHM Polska Miedź S.A. in Lubin dated 15 June 2011, regarding the dismissal of Józef Czyczerski from the Supervisory Board of KGHM Polska Miedź S.A., be declared invalid, claiming that it is in conflict with existing law. The Court committed KGHM Polska Miedź S.A. to submit a response to the suit within 14 days, otherwise a default judgement will be issued. The Regional Court in Legnica has not set a date for the hearing.

X. Contingent assets and liabilities

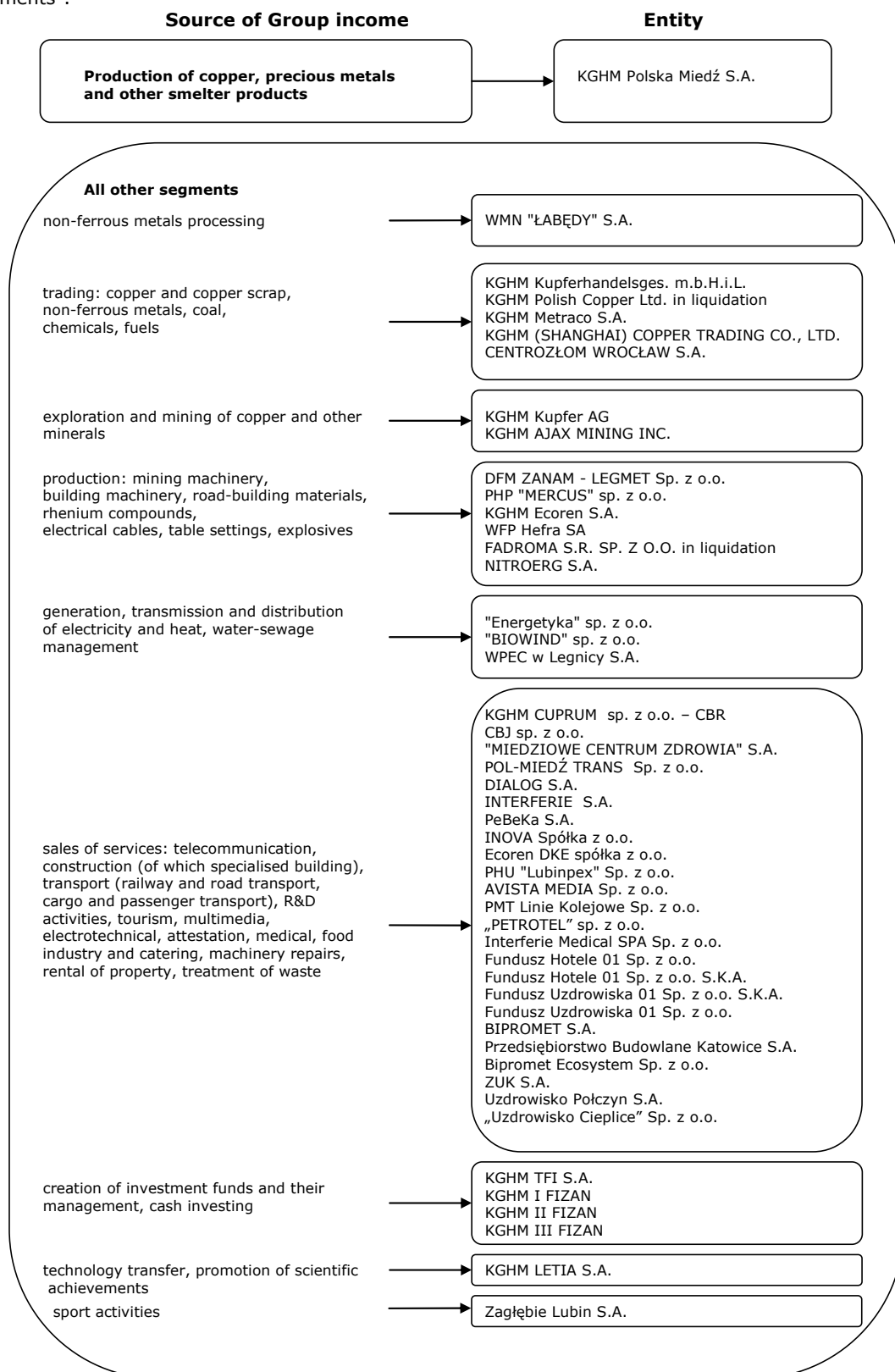
	At 30 June 2011	Increase/(decrease) since the end of the last financial year
Contingent assets	283 124	(8 056)
Guarantees received	203 523	24 642
Disputed State budget issues	25 462	(13 302)
Promissory notes receivables	19 171	(21 035)
Inventions, implementation of projects	34 953	1 624
Other	15	15
Contingent liabilities	283 584	46 954
Guarantees	40 206	7 309
Promissory note liabilities	116 755	35 825
Disputed issues, pending court proceedings	15 240	(986)
Preventive safety measures in respect of mine-related damages	1 522	(953)
Liabilities due to implementation of projects and inventions	109 669	5 571
Other	192	188

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

A. Interim condensed consolidated financial statements (continuation)

XI. Business segments

In accordance with IFRS 8 one reporting segment was separated in the Group, defined as „Production of copper, precious metals and other smelter products”, which involves only KGHM Polska Miedź S.A. Each of the remaining Group companies, due to their various economic characteristics (the criteria for combination according to IFRS 8.12) and do not meet any of the quantitative thresholds (IFRS 8.13) represents a separate operating segment. They were combined in one segment and presented in the category „All other segments”.



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.

Segments profit or loss

	Financial period for the 6 months ended 30 June 2011				
	Production of copper, precious metals, and other smelter products	All other segments	Adjustment*	Consolidation eliminations (according to IAS 27)	Consolidated amount
REVENUE	10 000 920	3 755 387	80	(2 535 215)	11 221 172
of which:					
- external sales	9 637 974	1 584 342	80	(1 224)	11 221 172
- inter-segment sales	362 946	2 171 045	-	(2 533 991)	-
Interest income	73 721	9 142	-	(1 833)	81 030
Interest costs	(532)	(6 679)	-	1 502	(5 709)
Depreciation/Amortisation	(331 239)	(118 869)	(2 585)	(9 622)	(462 315)
Revaluation of provisions for employee benefits	(9 257)	1 782	-	(2 233)	(9 708)
Recognition and reversal of impairment losses on property, plant and equipment and intangible assets	-	(1 504)	(4 435)	-	(5 939)
Income on measurement and realisation of derivatives	530 497	7 525	-	-	538 022
Costs on measurement and realisation of derivatives	(453 598)	(851)	-	-	(454 449)
Share of profit of associates	-	-	-	187 755	187 755
Profit before income tax	5 265 396	91 043	(2 097)	(87 346)	5 266 996
Income tax expense	(946 392)	(20 371)	1 164	14 923	(950 676)
Share of profit (losses) of subordinated entities accounted for using the equity method	-	6 160	(6 160)	-	-
Profit for the period	4 319 004	76 832	(7 093)	(72 423)	4 316 320
	At 30 June 2011				
Segment assets	23 701 137	5 266 507	4 368	(3 819 419)	25 152 593
Segment liabilities	7 718 213	1 380 027	(11 509)	(362 145)	8 724 586
Borrowings and liabilities due to finance leasing	8 584	252 009	-	(43 527)	217 066
Investments in associates	-	-	-	498	498
	Financial period for the 6 months ended 30 June 2011				
Capital expenditure	450 109	161 385	(94)	(5 150)	606 250

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

A. Interim condensed consolidated financial statements (continuation)

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

Details of adjustments restating the amounts shown in the segment „All other segments” to the measurement principles of International Financial Reporting Standards at 30 June 2011 and for the first six months of 2011.

	Profit or loss					Statement of financial position		
	Sales	Operating costs	Depreciation /Amortisation	Profit before taxation	Income tax	Segment assets	Segment liabilities	Capital expenditure
Netting off of Social Fund assets and liabilities	-	-	-	-	-	(15 496)	(15 496)	-
Offsetting of deferred tax assets/ deferred tax liabilities	-	-	-	-	-	(7 504)	(7 504)	-
Accounting for shares using the equity method	-	-	-	1 796	-	(13 909)	-	-
Perpetual usufruct of land	-	-	-	7	-	(15 641)	-	-
Deferred tax liability	-	-	-	-	745	-	10 597	-
Fair value measurement of assets	-	-	(2 606)	(2 685)	-	56 069	-	-
Other	80	(4 435)	21	(1 215)	419	849	894	(94)
Total adjustment	80	(4 435)	(2 585)	(2 097)	1 164	4 368	(11 509)	(94)

Information on business segments for the comparable period

Segment assets and liabilities

	Production of copper, precious metals, and other smelter products	All other segments	Adjustment*	Consolidation eliminations (according to IAS 27)	Consolidated amount
At 31 December 2010					
Segment assets	19 829 296	4 973 955	37 690	(3 663 618)	21 177 323
Segment liabilities	5 372 819	1 283 887	(4 644)	(366 518)	6 285 544
Borrowings and liabilities due to finance leasing	11 455	304 441	-	(46 082)	269 814
Investments in associates	1 159 947	-	-	271 152	1 431 099
Financial period for the 6 months ended 30 June 2010					
Capital expenditure	414 899	86 401	-	(4 187)	497 113

A. Interim condensed consolidated financial statements (continuation)

Segment profit or loss

Financial period for the 6 months ended 30 June 2010

	Production of copper, precious metals, and other smelter products	All other segments	Adjustment*	Consolidation eliminations (according to IAS 27)	Consolidated amount
REVENUE	7 199 551	3 190 636	10 319	(2 588 729)	7 811 777
<i>of which:</i>					
- external sales	6 694 349	1 112 960	10 319	(5 851)	7 811 777
- inter-segment sales	505 202	2 077 676	-	(2 582 878)	-
Interest income	23 703	6 063	-	(2 458)	27 308
Interest costs	(627)	(9 165)	-	1 747	(8 045)
Depreciation/Amortisation	(306 126)	(101 200)	49	(8 198)	(415 475)
Revaluation of provisions for employee benefits	(56 664)	(60)	-	-	(56 724)
Recognition and reversal of impairment losses on property, plant and equipment and intangible assets	-	(5 510)	-	-	(5 510)
Income on measurement and realisation of derivatives	339 770	3 387	-	-	343 157
Costs on measurement and realisation of derivatives	(475 242)	(2 490)	-	-	(477 732)
Share of profit of associates	-	-	-	155 219	155 219
Profit before income tax	2 747 857	60 419	2 990	113 114	2 924 380
Income tax expense	(521 219)	(4 737)	(38)	1 405	(524 589)
Share of profit (losses) of subordinated entities accounted for using the equity method	-	1 188	(1 188)	-	-
Profit for the period	2 226 638	56 870	1 764	114 519	2 399 791

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

A. Interim condensed consolidated financial statements (continuation)

Details of adjustments restating the amounts shown in the segment „All other segments” to the measurement principles of International Financial Reporting Standards at 31 December 2010 and for the first six months of 2010:

	Profit or loss				Statement of financial position	
	Sales	Depreciation/ Amortisation	Profit before taxation	Income tax	Segment assets	Segment liabilities
Netting off of Social Fund assets and liabilities	-	-	-	-	(9 469)	(9 469)
Offsetting of deferred tax assets/ deferred tax liabilities	-	-	-	-	(7 295)	(7 295)
Accounting for shares using the equity method	-	-	805	-	(8 082)	-
Separate presentation of assets and liabilities for sales transaction from prior years	10 319	-	33	-	-	-
Receivables due to payment to capital	-	-	(3 214)	-	-	-
Adjustment to retained earnings in connection with first-time adoption of IFRS	-	-	5 494	-	-	-
Deferred tax liability	-	-	-	-	-	11 320
Fair value measurement of assets	-	-	-	-	60 077	-
Other	-	49	(128)	(38)	2 459	800
Total adjustment	10 319	49	2 990	(38)	37 690	(4 644)

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

The geographical breakdown reflects the location of end clients.

	Financial period	
	for the 6 months ended 30 June 2011	for the 6 months ended 30 June 2010
Poland	2 939 310	2 326 535
Germany	2 405 862	1 593 185
Great Britain	1 238 693	785 102
China	797 975	870 253
Italy	649 887	264 746
The Czech Republic	723 515	541 785
France	327 488	296 913
Austria	303 093	159 812
Hungary	262 563	213 784
Belgium	161 135	183 960
Switzerland	124 800	101 574
Slovakia	44 545	46 454
Finland	24 920	17 165
Other countries	1 217 386	410 509
Total	11 221 172	7 811 777

Main customers

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

During the period from 1 January 2010 to 30 June 2010, the revenues from one customer exceeded 10% of the revenues of the Group and amounted PLN 867 011 thousand.

98.64% of the non-current assets of the Group are located in the country of origin of the Parent Entity. The remaining 1.36% are located in other countries.

A. Interim condensed consolidated financial statements (continuation)

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

Changes during the period from 1 April 2011 to 30 June 2011

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

On 20 April 2011, a sale and surrender agreement was signed between KGHM Polska Miedź S.A. and HMS Bergbau AG for the acquisition by KGHM Polska Miedź S.A. of 12 551 shares of KGHM HMS Bergbau AG held by HMS Bergbau AG, for the price of EUR 127 893, 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 share capital attributable to the non-controlling interests at the acquisition date in the amount of PLN (578) thousand was recognised in retained earnings in the consolidated financial statements.

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

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

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

There were no changes in share capital.

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

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

Changes during the period from 1 January 2011 to 31 March 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.

Increase of share capital in subsidiaries

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

- on 3 February 2011, in the company Uzdrowisko Połczyn S.A. in the amount of PLN 1 000 thousand, which represents 0.54% of the share capital and increases the share of the Group to 90.45%. The entire amount of the guaranteed increase will be allocated to acquire or increase the value of company property, plant and equipment.

- on 8 February 2011, in the company „Uzdrowisko Cieplice” sp. z o.o. in the amount of PLN 1 500 thousand, which represents 1.96% of the share capital and increases the share of the Group to 91.67%. The guaranteed increase will be allocated to acquiring, manufacturing, rebuilding, developing and modernising property, plant and equipment, and to acquiring or prolonging water exploitation licenses.

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

As a result of this transaction with non-controlling interests resulting from the change in the percentage held by the Group in the share capital of the above-mentioned companies, equity attributable to shareholders of the Parent Entity was increased in the consolidated financial statements, and equity attributable to non-controlling interests was decreased by PLN 261 thousand.

A. Interim condensed consolidated financial statements (continuation)

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 March 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 to 30 June 2011 revenues from sales of PLN 111 541 thousand and profit of PLN 3 390 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).

B. Other information to the consolidated quarterly report

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

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

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

The revenues from sales achieved in the first half of 2011 in the amount of PLN 10 001 million and profit for the period of PLN 4 319 million represent respectively 62% and 52% of the forecasted results. Taking into consideration the sale of the telecom assets assumed in the Budget in the current year, the level of realisation of the forecast is higher than planned.

Due to the high advancement on the forecast after the first six months of 2011, and the more favourable than assumed macroeconomic conditions, KGHM Polska Miedź S.A. is preparing an adjustment to the Budget, reflecting updated assumptions, including macroeconomic, production and investment assumptions, as well as in terms of hedging.

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 first quarter of 2011, i.e. at 13 May 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 first 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 first quarter of 2011, i.e. at 13 May 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 first quarter of 2011, i.e. at 13 May 2011 and at the date of preparation of this report, did not own any shares of KGHM Polska Miedź S.A. or rights to them. On 15 June 2011 the composition of the Supervisory Board was changed. Since the date of publication of the consolidated report for the first quarter of 2011, the Company has not received information from the Members of the Supervisory Board on the purchase/disposal of any shares of KGHM Polska Miedź S.A. or rights to them.

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

At 30 June 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.

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

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

During the period from 1 January 2011 to 30 June 2011 neither KGHM Polska Miedź S.A. nor its subsidiaries granted collateral on credit or loans, nor did they grant guarantees to a single entity or subsidiary thereof whose total value would represent at least 10% of the equity of KGHM Polska Miedź S.A.

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

In the second 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 well as, to a lesser degree, from Polkomtel S.A. and from DIALOG S.A.

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

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

Additionally, the sale of the shares of Polkomtel S.A. and the potential realisation of the sale of the shares of DIALOG S.A. may have a significant impact on the results of the KGHM Polska Miedź S.A. Group

Sale of shares of Polkomtel S.A.

On 30 June 2011, a preliminary agreement was signed for the sale of 100% of the shares of Polkomtel S.A., including KGHM's entire 24.39% shareholding in Polkomtel S.A. Detailed information on this agreement may be found in this report in section C.II.1.

Advancement on the process of offering for sale the shares of DIALOG S.A.

The sale of 100% of the shares of DIALOG S.A. is contingent on KGHM Polska Miedź S.A. receiving satisfactory conditions for this transaction. Due diligence is currently being performed by selected bidders.

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

Interim statement of financial position

	Note	At	
		30 June 2011	31 December 2010
Assets			
Non-current assets			
Property, plant and equipment		6 590 422	6 551 111
Intangible assets		101 844	86 718
Shares and investment certificates in subsidiaries		2 823 583	2 643 046
Investments in associates		-	1 159 947
Deferred tax assets		263 930	359 833
Available-for-sale financial assets		1 215 481	749 824
Held-to-maturity investments		110 308	84 115
Derivatives		430 144	403 839
Trade and other receivables		86 649	86 608
		11 622 361	12 125 041
Current assets			
Inventories		2 489 797	2 011 393
Trade and other receivables		1 920 463	2 393 986
Available-for-sale financial assets		517 335	405 193
Held-to-maturity investments		1 436	4 129
Derivatives		360 831	294 021
Cash and cash equivalents		5 628 964	2 595 529
Non-current assets held for sale		1 159 950	4
		12 078 776	7 704 255
TOTAL ASSETS		23 701 137	19 829 296
Equity and liabilities			
EQUITY			
Share capital		2 000 000	2 000 000
Accumulated other comprehensive income		398 602	211 159
Retained earnings		13 584 322	12 245 318
TOTAL EQUITY		15 982 924	14 456 477
LIABILITIES			
Non-current liabilities			
Trade and other payables		11 965	14 249
Borrowings and finance lease liabilities		5 637	8 490
Derivatives		411 884	711 580
Liabilities due to employee benefits		1 131 189	1 128 246
Provisions for other liabilities and charges	C. I. 2	463 847	517 749
		2 024 522	2 380 314
Current liabilities			
Trade and other payables		4 548 954	1 727 939
Borrowings and finance lease liabilities		2 947	2 965
Current corporate tax liabilities		660 443	668 924
Derivatives		366 555	481 852
Liabilities due to employee benefits		99 355	93 041
Provisions for other liabilities and charges	C. I. 2	15 437	17 784
		5 693 691	2 992 505
TOTAL LIABILITIES		7 718 213	5 372 819
TOTAL EQUITY AND LIABILITIES		23 701 137	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 30 June 2011	for the 6 months ended 30 June 2011	for the 3 months ended 30 June 2010	for the 6 months ended 30 June 2010
Sales	C. I. 3	5 227 432	10 000 920	3 925 023	7 199 551
Cost of sales	C. I. 4	(2 490 807)	(4 707 358)	(2 229 276)	(4 116 755)
Gross profit		2 736 625	5 293 562	1 695 747	3 082 796
Selling costs	C. I. 4	(30 843)	(58 794)	(27 607)	(48 808)
Administrative expenses	C. I. 4	(176 763)	(325 782)	(112 896)	(269 265)
Other operating income	C. I. 5	504 383	914 974	395 756	512 916
Other operating costs	C. I. 6	(173 519)	(542 507)	(92 659)	(513 161)
Operating profit		2 859 883	5 281 453	1 858 341	2 764 478
Finance costs	C. I. 7	(8 015)	(16 057)	(9 293)	(16 621)
Profit before income tax		2 851 868	5 265 396	1 849 048	2 747 857
Income tax expense		(491 258)	(946 392)	(347 803)	(521 219)
Profit for the period		2 360 610	4 319 004	1 501 245	2 226 638
OTHER COMPREHENSIVE INCOME DUE TO:					
Available-for-sale financial assets		52 727	25 888	(11 448)	(13 287)
Cash flow hedging instruments		141 000	205 523	284 454	226 961
Income tax related to items presented in other comprehensive income		(36 808)	(43 968)	(51 871)	(40 598)
Other comprehensive net income for the financial period		156 919	187 443	221 135	173 076
TOTAL COMPREHENSIVE INCOME		2 517 529	4 506 447	1 722 380	2 399 714
Earnings per share during the period (in PLN per share)					
- basic		11.80	21.60	7.51	11.13
- diluted		11.80	21.60	7.51	11.13

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 but unpaid	-	-	-	(2 980 000)	(2 980 000)
Total comprehensive income	-	20 969	166 474	4 319 004	4 506 447
At 30 June 2011	2 000 000	142 354	256 248	13 584 322	15 982 924
At 1 January 2010	2 000 000	1 489	125 739	8 276 729	10 403 957
Dividends for 2009 resolved but unpaid	-	-	-	(600 000)	(600 000)
Total comprehensive income	-	(10 762)	183 838	2 226 638	2 399 714
At 30 June 2010	2 000 000	(9 273)	309 577	9 903 367	12 203 671

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

Interim statement of cash flows

	Note	Financial period	
		for the 6 months ended 30 June 2011	for the 6 months ended 30 June 2010
Cash flow from operating activities			
Profit for the period		4 319 004	2 226 638
Adjustments to profit for the period	C. I. 8	571 694	138 795
Income tax paid		(902 938)	(358 374)
Net cash generated from operating activities		3 987 760	2 007 059
Cash flow from investing activities			
Purchase of shares and investment certificates in subsidiaries		(180 985)	(60 973)
Purchase of available-for-sale financial assets		(1 565 831)	(433 746)
Purchase of property, plant and equipment and intangible assets		(583 918)	(435 571)
Proceeds from sale of property, plant and equipment and intangible assets		2 069	2 319
Proceeds from sale of available-for-sale financial assets		1 028 023	6 779
Purchase of held-to-maturity investments financed from the resources of Mine Closure Fund		(23 500)	(19 013)
Establishment of deposits		(450 000)	-
Termination of deposits		800 000	-
Loans granted		-	(40 000)
Proceeds from repayments of loans granted		2 515	9 515
Interest received		9 972	2 228
Dividends received		-	24 051
Expenses due to advances granted for the purchase of property, plant and equipment and intangible assets		(41 397)	(9 185)
Other investment expenses		(1 795)	(2 517)
Net cash used in investing activities		(1 004 847)	(956 113)
Cash flow from financing activities			
Repayments of loans		-	(2 000)
Payments of liabilities due to finance leases		(2 976)	(3 094)
Interest paid		(6)	(59)
Net cash used in financing activities		(2 982)	(5 153)
Total net cash flow		2 979 931	1 045 793
Exchange gains on cash and cash equivalents		53 504	11 493
Movements in cash and cash equivalents		3 033 435	1 057 286
Cash and cash equivalents at beginning of the period		2 595 529	975 198
Cash and cash equivalents at end of the period		5 628 964	2 032 484
including restricted cash and cash equivalents		1 413	63 820

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

Selected explanatory data

I. Additional notes

1. Purchase and sale of property, plant and equipment

	For the period		
	for the 6 months ended 30 June 2011	for the 12 months ended 31 December 2010	for the 6 months ended 30 June 2010
Purchase	418 987	1 226 024	396 469
Net sale	-	123	92

Capital commitments not recognised in the interim statement of financial position

	At	
	30 June 2011	31 December 2010
Purchase of property, plant and equipment	1 088 809	721 753
Purchase of intangible assets	26 057	15 725
Total capital commitments	1 114 866	737 478

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

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	27 579	25 177	116	1 265	1 021
Decrease	(83 828)	(80 370)	(267)	(1 425)	(1 766)
Provisions at 30 June 2011	479 284	458 813	5 449	1 815	13 207
of which:					
Non-current provisions	463 847	447 594	4 630	-	11 623
Current provisions	15 437	11 219	819	1 815	1 584

	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

	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	70 224	67 427	-	280	2 517
Decrease	(18 513)	(15 480)	-	(648)	(2 385)
Provisions at 30 June 2010	585 017	562 850	5 307	1 139	15 721
of which:					
Non-current provisions	569 570	555 691	-	-	13 879
Current provisions	15 447	7 159	5 307	1 139	1 842

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

3. Sales

	Financial period			
	for the 3 months ended	for the 6 months ended	for the 3 months ended	for the 6 months ended
	30 June 2011	30 June 2011	30 June 2010	30 June 2010
Copper, precious metals, smelter by-products	5 163 623	9 869 504	3 876 858	7 089 732
Salt	17 254	36 735	9 278	28 232
Services	14 195	29 171	13 590	28 766
Other finished goods	3 481	6 566	2 697	5 468
Merchandise	15 444	33 058	13 196	28 459
Scrap and production materials	13 308	25 729	9 321	18 747
Other materials	127	157	83	147
Total	5 227 432	10 000 920	3 925 023	7 199 551

4. Expenses by nature

	Financial period			
	for the 3 months ended	for the 6 months ended	for the 3 months ended	for the 6 months ended
	30 June 2011	30 June 2011	30 June 2010	30 June 2010
Depreciation of property, plant and equipment and amortisation of intangible assets	164 497	331 239	151 590	306 126
Employee benefit expenses	695 383	1 365 620	629 909	1 311 770
Materials and energy	1 289 229	2 802 068	1 270 849	2 541 300
External services	317 035	582 702	251 669	473 461
Taxes and charges	80 420	158 206	73 467	148 948
Advertising costs and representation expenses	11 772	17 494	5 914	10 845
Property and personal insurance	6 569	11 390	4 988	8 577
Research and development costs not capitalised in intangible assets	2 285	2 335	1 049	1 340
Other costs	5 127	8 747	2 058	4 413
Total expenses by nature	2 572 317	5 279 801	2 391 493	4 806 780
Cost of merchandise and materials sold (+)	25 291	52 368	20 503	43 832
Change in inventories of finished goods and work in progress (+/-)	139 480	(170 800)	(23 222)	(372 814)
Cost of manufacturing products for internal use (-)	(38 675)	(69 435)	(18 995)	(42 970)
Total cost of sales, selling costs and administrative expenses	2 698 413	5 091 934	2 369 779	4 434 828

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

5. Other operating income

	Financial period			
	for the 3 months ended 30 June 2011	for the 6 months ended 30 June 2011	for the 3 months ended 30 June 2010	for the 6 months ended 30 June 2010
Income and gains on financial instruments, classified under other operating activities, resulting from:	220 457	616 388	363 358	477 282
Measurement and realisation of derivatives	175 582	530 497	234 872	339 770
Gains from disposal	7 665	14 145	-	896
Gains/ (losses) from measurement on non-current liabilities	153	204	(572)	-
Foreign exchange gains	-	-	113 594	113 594
Interest	37 057	71 517	15 401	22 959
Reversal of allowance for impairment of other receivables	-	25	63	63
Dividends received	277 330	277 330	24 051	24 051
Other operating income/gains	6 596	21 256	8 347	11 583
Total other operating income	504 383	914 974	395 756	512 916

6. Other operating costs

	Financial period			
	for the 3 months ended 30 June 2011	for the 6 months ended 30 June 2011	for the 3 months ended 30 June 2010	for the 6 months ended 30 June 2010
Costs and losses on financial instruments, classified under other operating activities, resulting from:	161 033	508 281	78 327	478 885
Measurement and realisation of derivatives	130 633	453 598	124 903	475 242
Interest	46	84	2	9
Foreign exchange losses/(gains)	28 862	49 871	(50 209)	-
Losses on measurement of non-current liabilities	-	-	542	542
Allowance for impairment of loans	3	6	3	6
Allowances for impairment of other receivables	1 489	4 722	3 086	3 086
Other operating costs/losses	12 486	34 226	14 332	34 276
Total other operating costs	173 519	542 507	92 659	513 161

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

7. Finance costs

	Financial period			
	for the 3 months ended 30 June 2011	for the 6 months ended 30 June 2011	for the 3 months ended 30 June 2010	for the 6 months ended 30 June 2010
Interest expense	147	43	194	528
Changes in provisions arising from the approach of the maturity date of liabilities (unwinding of discount effect)	7 887	15 806	8 039	15 870
Other financial costs	(19)	208	1 060	223
Total finance costs	8 015	16 057	9 293	16 621

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

	Financial period	
	for the 6 months ended 30 June 2011	for the 6 months ended 30 June 2010
Income tax expense	946 392	521 219
Depreciation/amortisation	331 239	306 126
Interest and share in profits (dividends)	(286 471)	(25 937)
Foreign exchange gains	(52 389)	(9 520)
Change in provisions	9 050	60 467
Change in derivatives	(219 006)	(199 264)
Reclassification of accumulated other comprehensive income to profit or loss as a result of realisation of derivatives	(83 577)	(82 294)
Other adjustments	(7 879)	3 769
Changes in working capital:	(65 665)	(435 771)
Inventories	(478 260)	(228 334)
Trade and other receivables	425 417	(284 151)
Trade and other payables	(12 822)	76 714
Total adjustments to profit for the period	571 694	138 795

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

9. Related entities transactions

	Financial period			
	for the 3 months ended 30 June 2011	for the 6 months ended 30 June 2011	for the 3 months ended 30 June 2010	for the 6 months ended 30 June 2010
Sales to related entities				
To subsidiaries	181 413	364 961	275 527	507 670
To associate held for sale	39	78	42	79
Total sales to related entities	181 452	365 039	275 569	507 749

During the period from 1 April 2011 to 30 June 2011, KGHM Polska Miedź S.A. recognised a dividend from an associate in other operating income in the amount of PLN 250 013 thousand.

(accrued other operating income since the beginning of the financial year due to a dividend from an associate amounted to PLN 250 013 thousand)

During the comparable period from 1 April 2010 to 30 June 2010, other operating income due to a dividend from an associate amounted to PLN 24 051 thousand (During the period from 1 January 2010 to 30 June 2010 in the amount of PLN 24 051 thousand).

	Financial period			
	for the 3 months ended 30 June 2011	for the 6 months ended 30 June 2011	for the 3 months ended 30 June 2010	for the 6 months ended 30 June 2010
Purchases from related entities				
From subsidiaries	949 601	2 155 043	1 097 250	2 060 306
From associate held for sale	393	701	322	603
Total purchase from related entities	949 994	2 155 744	1 097 572	2 060 909

	At	
	30 June 2011	31 December 2010
Trade receivables from related entities		
From subsidiaries	267 803	202 777
From associate held for sale	250 039	28
of which from dividends	250 013	-
Total receivables from related entities	517 842	202 805

	At	
	30 June 2011	31 December 2010
Trade payables towards related entities		
Towards subsidiaries	247 263	317 968
Towards associate held for sale	254	276
Total payables towards related entities	247 517	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:

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

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

The remaining transactions, which were collectively significant, between the Company and the government and with entities controlled or jointly controlled by the government, or over which the government has significant influence, were within the scope of normal, daily economic operations, carried out at arm's length. These transactions involved the purchase by 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 203 144 thousand.

(*an accrued since the beginning of the financial year* - PLN 343 757 thousand), and the unsettled balance of liabilities from these transactions at 30 June 2011 amounted to PLN 55 242 thousand (*at 31 December 2010: PLN 103 124 thousand*).

Remuneration of the Supervisory Board	For the period	
	from 1 January 2011 to 30 June 2011	from 1 January 2010 to 30 June 2010
Remuneration due to service in the Supervisory Board, salaries and other current employee benefits	750	654
Total	750	654

Remuneration of the Management Board	For the period	
	from 1 January 2011 to 30 June 2011	from 1 January 2010 to 30 June 2010
Salaries and other current employee benefits	2 033	1 522
Post-employment benefits	-	91
Total	2 033	1 613

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.

Preliminary agreement for the sale of the shares of Polkomtel S.A.

On 30 June 2011, a preliminary agreement was signed for the sale of 100% of the shares of Polkomtel S.A., including the entire 24.39% shareholding by KGHM Polska Miedź S.A. in Polkomtel S.A. The agreement was entered into between KGHM Polska Miedź S.A., Polski Koncern Naftowy ORLEN S.A., PGE Polska Grupa Energetyczna S.A., Vodafone Americas Inc., Vodafone International Holdings B.V. and Węglokoks S.A., with Spartan Capital Holdings Sp. z o.o., a company controlled by Mr. Zygmunt Solorz-Żak.

In accordance with the Agreement, KGHM Polska Miedź S.A. will sell 5 000 266 ordinary registered shares of Polkomtel S.A., with a nominal value of PLN 100 per share, representing 24.39% of the registered capital of Polkomtel S.A. at the total price of PLN 3 672 147 thousand. The sale price for the shares sold will be covered by the buyer in cash. The total transaction value is set at PLN 18.1 billion. After deductions attributable to the debt of Polkomtel S.A. and the dividend payable for the benefit of the current shareholders the net proceeds amount to PLN 15.1 billion.

KGHM Polska Miedź S.A. foresees proceeds from sale of the shares of Polkomtel S.A. in the amount of PLN 3.7 billion, i.e. 24.39% of the total amount due from this transaction.

That part of the dividend from Polkomtel S.A. for 2010 due to KGHM amounts to PLN 250 013 thousand and was paid on 29 July 2011.

In case of certain breaches of the Agreement, the purchaser is obliged, under the Agreement, to pay a contractual penalty amounting to approx. 15% of the price. Payment of the price and the contractual penalty has been secured by issue of letters of credits to the sellers. The transaction is subject to approval by the Polish Office of Competition and Consumer Protection which, based on the Agreement, must be obtained by the end of 2011, otherwise the Agreement will be terminated unless the parties agree differently.

Company bodies

As a result of elections carried out on 11–12 May 2011, the employees of the Company chose the following three Members of the Supervisory Board elected by the employees: Józef Czyczerski, Leszek Hajdacki, Ryszard Kurek. The persons elected by the employees sat on the Seventh Term Supervisory Board of the Company. The Ordinary General Meeting of KGHM Polska Miedź S.A., which was held on 15 June 2011, adopted a resolution to dismiss from, and did not adopt resolutions to appoint to, the Supervisory Board of KGHM Polska Miedź S.A. the aforementioned persons.

The Ordinary General Meeting on 15 June 2011:

- approved the Report on the activities of KGHM Polska Miedź S.A. in financial year 2010, the Financial Statements of KGHM Polska Miedź S.A. for financial year 2010, the Report on the activities of the KGHM Polska Miedź S.A. Group in financial year 2010, and the Consolidated Financial Statements of the KGHM Polska Miedź S.A. Group for financial year 2010. The Ordinary General Meeting appropriated Company profit for financial year 2010.
- approved the performance of duties of all members of the Management Board of KGHM Polska Miedź S.A. and of the Supervisory Board of the Company in financial year 2010.

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

- dismissed the following persons from the Supervisory Board of KGHM Polska Miedź S.A.: Józef Czyczerski, Marcin Dyl, Leszek Hajdacki, Arkadiusz Kawecki, Jacek Kuciński, Ryszard Kurek, Marek Panfil, Jan Rymarczyk and Marzenna Weresa.
- confirmed the validity of the elections held in the Company on 11-12 May 2011, as a result of which the employees of KGHM Polska Miedź S.A. elected three members to the Supervisory Board,
- set the number of members of the Supervisory Board at ten persons, and
- appointed the following persons to the Supervisory Board: Franciszek Adamczyk, Marcin Dyl, Arkadiusz Kawecki, Jacek Kuciński, Marek Panfil, Jan Rymarczyk and Marzenna Weresa.

Significant contract

On 15 June 2011 appendices were signed to contracts for the sale of copper wire rod in the years 2010-2011, entered into on 4 May 2010 with nkt cables GmbH (Cologne) and its subsidiaries: nkt cables Warszawice Sp. z o.o., nkt cables s.r.o., nkt cables Velke Mezirici k.s., nkt cables Vrchlaby k.s. and nkt cables a/s. These appendices prolong the lifetime of the contracts by a further two years, i.e. 2012 and 2013. The total estimated value of contracts for the years 2012-2013 was from PLN 4 033 517 thousand to PLN 4 400 200 thousand, depending on the amount of tonnage under option.

2. Measurement of financial and tangible assets

Financial assets

Due to the measurement and settlement of future cash flow hedging transactions in an amount reflecting the effective portion of the hedge, after reflecting the results in deferred tax, other comprehensive income was increased in the current quarter by PLN 114 210 thousand.

(an accrued increase in other comprehensive income by PLN 166 474 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 42 709 thousand.

(an accrued increase in other comprehensive income by PLN 20 969 thousand since the beginning of the financial year)

Due to the realisation and re-measurement of derivatives to the level of fair value there was an increase in the profit for the current quarter of PLN 107 119 thousand (of which: as an increase in revenues from sales, PLN 62 170 thousand and as an increase in the result on other operating activities, PLN 44 949 thousand). For detailed information on derivatives see part C point II 5 Risk management.

(an accrued increase in profit by PLN 160 476 thousand (of which: as an increase in revenues from sales, PLN 83 577 thousand and as an increase in the profit on other operating activities in the amount of PLN 76 899 thousand).

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

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

Property, plant and equipment and receivables

Due to the depreciation of property, plant and equipment and amortisation of intangible assets, operating costs were increased in the current quarter by PLN 164 497 thousand.

(an accrued increase in costs by PLN 331 239 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

Provisions

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

- 3.1 provisions for future employee benefits due to one-off retirement or disability payments, jubilee awards, post-mortem benefits and the coal equivalent also paid after the period of employment. The result of this change in estimates, mainly as a result of changes in macroeconomic assumptions, is an increase in the provision and a decrease in profit in the amount of PLN 14 289 thousand (after reflecting the results in deferred tax a decrease in profit in the amount of PLN 11 574 thousand),

(an accrued decrease in profit by PLN 9 257 thousand since the beginning of the financial year)

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

3.2 provision for future costs of decommissioning (restoration) of the Company's mines, comprising the estimated costs of dismantling and removing technological facilities, for which the obligation for restoration upon the conclusion of activities is a result of separate law or standard practice. The result of this change in estimates is an increase in the provision in the amount of PLN 16 900 thousand which was settled as a decrease in profit in the amount of PLN 8 915 thousand and as an increase of property, plant and equipment in the amount of PLN 7 985 thousand. The increase in the provision resulted in an increase in deferred tax assets in the amount of PLN 2 932 thousand,

(an accrued decrease in the provision by PLN 41 649 thousand since the beginning of the financial year, which was settled as a decrease in profit in the amount of PLN 14 392 thousand and as a decrease of property, plant and equipment in the amount of PLN 56 041 thousand.)

3.3 provisions for future employee remuneration costs together with charges in the amount of PLN 178 728 thousand, paid (in accordance with the Collective Labour Agreement) on the occasion of mining or smelting holidays and after approval of the annual financial statements.

(provision at 30 June 2011 amounted to PLN 353 191 thousand)

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

Deferred tax

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

There was a decrease in the deferred tax asset in the current quarter in the amount of PLN 24 997 thousand, which was settled as a decrease in profit.

(an accrued increase in the deferred tax asset since the beginning of the financial year in the amount of PLN 35 200 thousand, which was settled as:

- an increase in profit, PLN 17 895 thousand,
- an increase in other comprehensive income due to measurement of cash flow hedging financial instruments, PLN 17 305 thousand.

There was an increase in the deferred tax liability in the current quarter in the amount of PLN 54 328 thousand, of which the following was settled:

- as a decrease in profit, PLN 17 519 thousand
- as a decrease in other comprehensive income due to measurement of cash flow hedging financial instruments and available-for-sale financial assets, PLN 36 809 thousand.

(an accrued increase in the deferred tax liability since the beginning of the financial year in the amount of PLN 131 103 thousand, of which the following was settled:

- as a decrease in profit, PLN 69 830 thousand
- as a decrease in other comprehensive income due to measurement of cash flow hedging financial instruments and available-for-sale financial assets, PLN 61 273 thousand.)

After offsetting the deferred tax asset and deferred tax liability, the deferred tax asset at the end of the reporting period was set at PLN 263 930 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)

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 second quarter of 2011

In the second quarter of 2011, KGHM Polska Miedź S.A. produced 143 thousand t of electrolytic copper, including 26 thousand t from purchased copper-bearing materials and 320 t of metallic silver.

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

- copper prices on the London Metal Exchange (LME) at the average level of 9 137 USD/t,
- an average exchange rate of 2.75 PLN/USD,
- average silver prices on the London Bullion Market (LBM) of 37.96 USD/troz,

and the sales volume of copper and copper products and silver: 149 thousand t and 337 t respectively.

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

The revenues from sales achieved of PLN 5 227 432 thousand were higher than those achieved in the second quarter of 2010 by PLN 1 302 409 thousand, i.e. by 33%. The increase in sales was mainly due to:

- higher copper prices (an increase from 7 013 USD/t to 9 137 USD/t) and silver prices (an increase from 18.33 USD/troz to 37.96 USD/troz),
- a higher volume of copper sales (an increase from 142 thousand t to 149 thousand t), and silver sales (an increase from 289 t to 337 t)

along with a lower exchange rate, which decreased revenues from sales (a change from 3.16 PLN/USD to 2.75 PLN/USD).

In the second quarter of 2011, revenues from the sale of copper and copper products represented 74%, and silver 22% (in the comparable period of 2010 respectively: 82% and 14%) of total revenues from sales.

Operating costs (cost of sales, selling costs and administrative expenses) in the second quarter of 2011 amounted to PLN 2 698 413 thousand and were higher versus the comparable prior period by PLN 328 634 thousand, i.e. by 14%, with a higher volume of copper and silver sales respectively by 6% and 16%. In the second quarter of 2011, use was made of half-finished and finished product inventories with a total value of PLN 100 805 thousand, mainly due to maintenance at the Legnica smelter.

Expenses by nature in the current period amounted to PLN 2 572 317 thousand, and were higher than those in the comparable prior year period by 8% (i.e. by PLN 180 824 thousand). The change in the level of expenses by nature was mainly due to increases in the following:

- labour costs by PLN 65 474 thousand (an increase in the provision for the annual bonus, from 19% to 24%),
- external services by PLN 65 366 thousand (an increased scope of preparatory mine work, higher costs of transport and maintenance),
- materials, fuels, energy costs by PLN 18 380 thousand (an increase in diesel fuel prices and higher use of materials and energy due to a higher volume of production by 3%).

The pre-precious metals credit unit cost of electrolytic copper production (total cost prior to decrease by the value of precious metals – mainly silver and gold) in the second quarter of 2011 amounted to 16 911 PLN/t, and increased versus the second quarter of 2010 by 9% due to an increase in the cost of own concentrate used in production. The total unit cost of production amounted to 13 198 PLN/t, and due to the favourable valuation of precious metals increased by only 1%.

The total cost of copper production from own concentrate amounted to 10 565 PLN/t (in the comparable prior period 10 321 PLN/t) with a higher volume of production from own concentrate by 12%.

Profit on sales (gross profit less administrative expenses and selling costs) achieved in the second quarter of 2011 of PLN 2 529 019 thousand was higher by PLN 973 775 thousand, i.e. by 63%, than that achieved in the second quarter of 2010, mainly due to more favourable metals prices on the global markets.

Other operating activities showed a profit in the second quarter of 2011 in the amount of PLN 330 864 thousand, mainly due to the dividend due from Polkomtel S.A. The increase in profit by PLN 27 767 thousand versus the second quarter of 2010 was due to the higher level of income from dividends, with negative foreign exchange differences.

As a result of the above, **operating profit** in the second quarter of 2011 amounted to PLN 2 859 883 thousand and increased versus the comparable period of 2010 by PLN 1 001 542 thousand, i.e. by 54%.

KGHM Polska Miedź S.A. earned a **profit for the second quarter of 2011** of PLN 2 360 610 thousand, which was higher by PLN 859 365 thousand, i.e. by 57%, than that achieved in the second quarter of 2010.

EBITDA in the second quarter of 2011 amounted to PLN 3 024 380 thousand (including depreciation/amortisation of PLN 164 497 thousand) and was higher by PLN 1 014 449 thousand, i.e. by 50%, than that in the comparable prior year period.

5. Risk management

In the second quarter of 2011, strategies hedging the copper price represented approx. 26%, and those hedging the silver price approx. 8%, of the sales of these metals realised by the Company. In the case of currency transactions, approx. 18% of revenues from sales realised by the Company in this period were hedged.

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

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

In the second quarter of 2011, the result on derivatives amounted to PLN 107 119 thousand, of which the amount of PLN 62 170 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 44 949 thousand increased the result on other operating activities, of which PLN 22 296 thousand represented gain due to the realisation of derivatives, while PLN 22 653 thousand represented gain due to the measurement of derivatives. The gain on the measurement of derivative transactions recognised in other operating activities result mainly from the change in the time value of options which, in accordance with the hedge accounting policy, are recognised in profit or loss.

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

	For the period			
	for the 3 months ended 30 June 2011	for the 6 months ended 30 June 2011	for the 3 months ended 30 June 2010	for the 6 months ended 30 June 2010
Impact on sales	62 170	83 577	40 129	82 294
Impact on other operating activities	44 949	76 899	109 969	(135 472)
Gains or losses from realisation of derivatives	22 296	25 320	(19 799)	(23 245)
Gains or losses from measurement of derivatives	22 653	51 579	129 768	(112 227)
Total impact of derivatives on profit or loss:	107 119	160 476	150 098	(53 178)

In the second quarter of 2011 the Company did not implement any copper price hedging strategies.

In the case of the silver market, in the second quarter of 2011 the Company implemented strategies to hedge the price of this metal of a total volume of 7.2 million troz and a time horizon falling in the years 2012-2013. The Company made use of seagull and collars options (Asian options). Additionally, the Company performed a restructure, implemented in the analysed period, of a collar strategy for 2012, through the buyback of sold calls for 3.6 million troz, and simultaneously sold puts of the same nominal amount and with a execution price below the price of the put options held (from the collar structure). A put spread structure was thereby gained. Restructure guarantees greater flexibility in the selection of derivatives implemented for 2012 and enables full participation in any eventual increases in the price of silver in this period for the hedged nominal amount of 3.6 million troz. In addition – in case of a deep fall in prices in this period – it restricts benefits from the put options held to the level of executed put options sold.

In the case of the forward currency market, in the second quarter of 2011 the Company implemented transactions hedging revenues from sales in the total nominal amount of USD 360 million and a time horizon falling in the first half of 2012. The Company made use of put options (European options). In the analysed period, the Company did not implement an adjustment hedge transaction on the copper and silver markets and on the currency market.

The Company remains hedged for a portion of copper sales planned in the period from July to December 2011 (78 thousand tonnes), in 2012 (156 thousand tonnes) and in 2013 (40.5 thousand tonnes), and for a portion of silver sales planned in the period from July to December 2011 (1.8 million troz), in 2012 (7.2 million troz) and in 2013 (3.6 million troz). With respect to revenues from sales (currency market) the Company holds a hedging position for the second half of 2011 (USD 600 million) and 2012 (USD 720 million).

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

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

HEDGING POSITION (condensed information) – COPPER MARKET

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

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 are also 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

Period	Instrument	Volume [million troz]	Execution price [USD/troz]	Average weighted premium [USD/troz]	Effective hedge price [USD/troz]	
II half of 2011	Purchased put option	1.80	20.00	(1.27)	18.73	
	Total	1.80				
TOTAL 2011		1.80				
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
		Sold put option ²		19.80		restricted to 19.80
	Total	3.60				
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
		Sold put option ²		19.80		restricted to 19.80
	Total	3.60				
TOTAL 2012		7.20				
I half of 2013	Seagull ²	Sold call option	1.80	65.00	(1.98)	38.02
		Purchased put option		40.00		restricted to 20.00
		Sold put option		20.00		participation restricted to 65.00
	Total	1.80				
II half of 2013	Seagull ²	Sold call option	1.80	65.00	(1.98)	38.02
		Purchased put option		40.00		restricted to 20.00
		Sold put option		20.00		participation restricted to 65.00
	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]	
II half of 2011	Collar ¹	Sold call option	180	3.7000	(0.1028)	2.7972
		Purchased put option		2.9000		participation restricted to 3.70
	Seagull ²	Sold call option	90	4.4000	(0.1160)	3.1840
		Purchased put option		3.3000		restricted to 2.70
		Sold put option		2.7000		participation restricted to 4.40
		Purchased put option	90	2.7000	(0.0920)	2.6080
		Purchased put option	120	2.8000	(0.0722)	2.7278
		Purchased put option	120	2.9000	(0.0993)	2.8007
Total		600				
TOTAL 2011		600				
I half of 2012	Seagull ²	Sold call option	90	4.4000	(0.0990)	3.2010
		Purchased put option		3.3000		restricted to 2.70
		Sold put option		2.7000		participation restricted to 4.40
	Collar	Sold call option	90	4.5000	(0.1527)	3.2473
		Purchased put option		3.4000		participation restricted to 4.50
	Total	360	2.6000	(0.0947)	2.5053	
II half of 2012	Seagull ²	Sold call option	90	4.4000	(0.0767)	3.2233
		Purchased put option		3.3000		restricted to 2.70
		Sold put option		2.7000		participation restricted to 4.40
	Collar	Sold call option	90	4.5000	(0.1473)	3.2527
		Purchased put option		3.4000		participation restricted to 4.50
Total		180				
TOTAL 2012		720				

All entities with which derivative transactions are entered into operate in the financial sector. These are financial institutions (mainly banks), with the highest⁴ (44.4%), medium-high⁵ (50%) or medium⁶ (5.6%) ratings. Based on fair value at 30 June 2011, the maximum share of a single entity with respect to credit risk arising from derivative transactions entered into by the Company amounted to 25.7%.

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

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

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

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

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

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

At 30 June 2011, the fair value of open positions in derivatives amounted to PLN 12 536 thousand, of which PLN 195 435 thousand related to the positive fair value of hedging instruments, PLN 233 220 thousand related to the negative fair value of trade instruments, and PLN 50 321 thousand related to the positive fair value of instruments initially designated as hedging instruments excluded from hedge accounting. The fair value of open positions in derivatives varies, depending on changes in market conditions, and the final result on these transactions may vary significantly from the measurements described above.

Detailed information on positions in derivatives at 30 June 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 30 June 2011			
Type of derivative	Volume/ Notional	Avg. weighted price/ex. rate	Financial assets		Financial liabilities	
	Cu [t] Ag ['000 troz] Currency ['000 USD]	Cu [USD/t] Ag [USD/troz] Currency [USD/PLN]	Current	Non- current	Current	Non- current
Derivatives - Metals – Copper:						
Options						
Sold call options	5 541	1			(90 964)	(51 661)
Purchased put options	136 500	4 686	112	623		
Sold put options	195 000	4 670			(112)	(3 101)
TOTAL:			112	623	(91 076)	(54 762)
Derivatives - Metals – Silver:						
Options						
Purchased put options	3 600	62.00	769	3 813		
Sold put options	7 200	19.90			(415)	(11 315)
TOTAL:			769	3 813	(415)	(11 315)
Derivatives – Currency contracts – USD/PLN:						
Options						
Purchased call options	90 000	4.4000				
Purchased put options	180 000	2.4000	914			
Sold put options	540 000	2.7167			(70 289)	(11 594)
TOTAL:			914		(70 289)	(11 594)
Total trade instruments			1 795	4 436	(161 780)	(77 671)

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

HEDGING INSTRUMENTS							At 30 June 2011			
Type of derivative	Volume/ Notional	Avg. weighted price/ ex. rate	Maturity/ settlement period		Period of profit/loss impact		Financial assets		Financial liabilities	
			From	Till	From	Till	Current	Non- current	Current	Non- current
Derivatives – Metals- Copper										
Options										
Collar	21 000	8 500-12 000	Jan-13	Dec-13	Feb-13	Jan-14		59 407		(32 198)
Collar - seagulls	195 000	7 000-9 350	July-11	June-13	Aug-11	July-13	14 618	64 174	(203 893)	(284 607)
Purchased put options- producer's puts	58 500	8 167	July-11	Dec-12	Aug-11	Jan-13	17 146	42 329		
TOTAL:							31 764	165 910	(203 893)	(316 805)
Derivatives – Metals - Silver										
Options										
Purchased put options	9 000	32.00	July-11	Dec-12	Aug-11	Jan-13	38 264	66 912		
Collar - seagull	3 600	40.00-65.00	Jan-13	Dec-13	Feb-13	Jan-14		101 344		(12 924)
TOTAL:							38 264	168 256		(12 924)
Derivatives – Currency contracts										
Options										
Purchased put options	690 000	2.7000	July-11	June-12	July-11	June-12	62 319			
Collar	180 000	3.40-4.50	Jan-12	Dec-12	Jan-12	Dec-12	51 831	49 166	(24)	(286)
Collar - seagull	450 000	3.14-4.12	July-11	Dec-12	July-11	Dec-12	119 955	42 376	(89)	(385)
TOTAL:							234 105	91 542	(113)	(671)
Total hedging instruments							304 133	425 708	(204 006)	(330 400)

INSTRUMENTS INITIALLY DESIGNATED AS HEDGING INSTRUMENTS EXCLUDED FROM HEDGE ACCOUNTING

INSTRUMENTS INITIALLY DESIGNATED AS HEDGING INSTRUMENTS EXCLUDED FROM HEDGE ACCOUNTING							At 30 June 2011			
Type of derivative	Volume/ Notional	Avg. weighted ex. rate	Maturity/ settlement period		Period of profit/loss impact		Financial assets		Financial liabilities	
			From	Till	From	Till	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			(769)	(3 813)
TOTAL									(769)	(3 813)
Derivatives – Currency contracts										
Options										
Collar	90 000	3.40-4.40	July-11	Dec-11	July-11	Dec-11	54 903			
TOTAL							54 903			
Total instruments initially designated as hedging instruments excluded from hedge accounting							54 903		(769)	(3 813)

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

The fair values of derivatives and other liabilities due to unsettled derivatives with a settlement date of 5 July 2011, as at 30 June 2011, are presented in the table below:

	Total: fair value of derivatives and of other liabilities due to unsettled derivatives	Fair value of derivatives	Fair value of other liabilities due to unsettled derivatives
Financial assets	790 975	790 975	-
Financial liabilities	(788 542)	(778 439)	(10 103)
Net fair value	2 433	12 536	(10 103)

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

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

During the second quarter of 2011 there was an increase in other comprehensive income by PLN 141 000 thousand (excluding the deferred tax effect), comprised of:

- changes in fair value during the period recognised as an increase in other comprehensive income due to the effective portion of hedging transactions entered into, in the amount of PLN 203 170 thousand,
- the amount of PLN 62 170 thousand, decreasing accumulated other comprehensive income transferred to increase revenues from sales, due to the settlement of the effective portion of hedging transactions.

	At		
	30 June 2011	31 March 2011	31 December 2010
Accumulated other comprehensive income			
Commodity price risk hedging transactions (copper and silver) – derivatives	26 410	(93 416)	(98 940)
Currency risk hedging transactions – derivatives	289 945	268 771	209 772
Total accumulated other comprehensive income - financial instruments hedging future cash flows (excluding deferred tax effects)	316 355	175 355	110 832

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

III. Contingent assets and liabilities

	At 30 June 2011	Increase/(decrease) since the end of the last financial year
Contingent assets	215 584	9 950
Guarantees received	151 862	19 648
Disputed State budget issues	10 650	(6 868)
Promissory notes receivables	18 104	(4 469)
Inventions, implementation of projects	34 953	1 624
Other	15	15
Contingent liabilities	130 339	3 196
Guarantees	5 000	-
Disputed issues, pending court proceedings	14 559	(1 007)
Preventive safety measures in respect of mine-related damages	1 522	(953)
Liabilities due to implementation of projects, inventions	109 131	5 033
Other	127	123

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

Lubin, 11 August 2011