

POLISH FINANCIAL SUPERVISION AUTHORITY

Consolidated quarterly report QSr 4 / 2010

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

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

For the fourth quarter of the financial year **2010** comprising the period from **1 October 2010** to **31 December 2010**
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: 1 March 2011

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(name of the issuer)

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

SELECTED FINANCIAL DATA

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

	in '000 PLN		in '000 EUR	
	4 quarters accrued period from 1 January 2010 to 31 December 2010	4 quarters accrued period from 1 January 2009 to 31 December 2009	4 quarters accrued period from 1 January 2010 to 31 December 2010	4 quarters accrued period from 1 January 2009 to 31 December 2009
I. Sales	17 292 762	12 119 910	4 318 440	2 792 220
II. Operating profit	5 547 280	2 679 338	1 385 296	617 274
III. Profit before income tax	5 780 982	2 873 542	1 443 657	662 015
IV. Profit for the period	4 718 755	2 328 561	1 178 393	536 461
V. Profit for the period attributable to shareholders of the Parent Entity	4 712 654	2 327 993	1 176 869	536 330
VI. Profit for the period attributable to non-controlling interest	6 101	568	1 524	131
VII. Other comprehensive income	83 520	(391 155)	20 857	(90 115)
VIII. Total comprehensive income	4 802 275	1 937 406	1 199 250	446 345
IX. Total comprehensive income attributable to the shareholders of the Parent Entity	4 796 174	1 936 838	1 197 726	446 214
X. Total comprehensive income attributable to non-controlling interest	6 101	568	1 524	131
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	23.56	11.64	5.88	2.68
XIII. Net cash generated from operating activities	5 660 485	2 720 749	1 413 566	626 814
XIV. Net cash used in investing activities	(3 069 315)	(1 255 747)	(766 486)	(289 303)
XV. Net cash used in financing activities	(707 497)	(2 317 750)	(176 680)	(533 970)
XVI. Total net cash flow	1 883 673	(852 748)	470 400	(196 459)
	At 31 December 2010	At 31 December 2009	At 31 December 2010	At 31 December 2009
XVII. Non-current assets	12 413 166	9 800 634	3 134 400	2 385 627
XVIII. Current assets	8 769 434	5 089 786	2 214 336	1 238 934
XIX. Total assets	21 182 600	14 890 420	5 348 736	3 624 561
XX. Non-current liabilities	2 812 204	1 985 391	710 099	483 275
XXI. Current liabilities	3 408 025	2 302 604	860 547	560 490
XXII. Equity	14 962 371	10 602 425	3 778 090	2 580 796
XXIII. Non-controlling interest	242 083	77 082	61 127	18 763

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

	in '000 PLN		in '000 EUR	
	4 quarters accrued period from 1 January 2010 to 31 December 2010	4 quarters accrued period from 1 January 2009 to 31 December 2009	4 quarters accrued period from 1 January 2010 to 31 December 2010	4 quarters accrued period from 1 January 2009 to 31 December 2009
I. Sales	15 945 032	11 060 540	3 981 878	2 548 159
II. Operating profit	5 638 148	3 098 092	1 407 988	713 747
III. Profit before income tax	5 605 567	3 066 569	1 399 852	706 485
IV. Profit for the period	4 568 589	2 540 185	1 140 892	585 215
V. Other comprehensive income	83 931	(391 520)	20 960	(90 199)
VI. Total comprehensive income	4 652 520	2 148 665	1 161 852	495 016
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)	22.84	12.70	5.70	2.93
IX. Net cash generated from operating activities	5 346 791	2 487 385	1 335 229	573 051
X. Net cash used in investing activities	(3 125 246)	(946 703)	(780 453)	(218 104)
XI. Net cash used in financing activities	(606 194)	(2 343 562)	(151 382)	(539 917)
XII. Total net cash flow	1 615 351	(802 880)	403 394	(184 970)
	At 31 December 2010	At 31 December 2009	At 31 December 2010	At 31 December 2009
XIII. Non-current assets	12 125 041	9 508 897	3 061 647	2 314 614
XIV. Current assets	7 704 255	4 444 133	1 945 372	1 081 772
XV. Total assets	19 829 296	13 953 030	5 007 019	3 396 386
XVI. Non-current liabilities	2 380 314	1 704 420	601 044	414 883
XVII. Current liabilities	2 992 505	1 844 653	755 626	449 017
XVIII. Equity	14 456 477	10 403 957	3 650 349	2 532 486

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Interim condensed consolidated financial statements

Interim consolidated statement of financial position

	Note	At		
		31 December 2010	31 December 2009 restated	1 January 2009
Assets				
Non-current assets				
Property, plant and equipment		8 551 548	7 747 112	7 136 307
Intangible assets		524 210	218 124	151 581
Investment property		59 760	17 164	18 083
Investments in associates		1 431 099	1 315 663	1 498 116
Deferred tax assets		593 442	347 395	188 992
Available-for-sale financial assets		751 606	19 412	31 213
Held-to-maturity investments		84 157	67 144	59 592
Derivative financial instruments		403 839	58 034	6 501
Trade and other receivables		13 505	10 586	22 774
		12 413 166	9 800 634	9 113 159
Current assets				
Inventories		2 222 665	2 072 434	1 608 369
Trade and other receivables		2 731 582	1 531 341	1 469 959
Current corporate tax receivables		4 458	9 329	1 741
Available-for-sale financial assets		415 662	8 976	-
Held-to-maturity investments		4 129	580	-
Derivative financial instruments		297 583	263 375	711 127
Cash and cash equivalents		3 086 957	1 197 077	2 065 763
Non-current assets held for sale		6 398	6 674	29 987
		8 769 434	5 089 786	5 886 946
TOTAL ASSETS		21 182 600	14 890 420	15 000 105
Equity and liabilities				
EQUITY				
Equity attributable to shareholders of the Parent Entity				
Share capital		2 000 000	2 000 000	2 000 000
Accumulated other comprehensive income		209 821	126 301	517 456
Retained earnings		12 510 467	8 399 042	8 407 049
		14 720 288	10 525 343	10 924 505
Non-controlling interest		242 083	77 082	58 360
TOTAL EQUITY		14 962 371	10 602 425	10 982 865
LIABILITIES				
Non-current liabilities				
Trade and other payables		50 530	36 230	44 289
Borrowings and finance lease liabilities	A.IV.6	174 177	120 854	98 055
Derivative financial instruments		711 580	61 354	-
Deferred tax liabilities		133 392	56 182	68 182
Liabilities due to employee benefits		1 221 798	1 183 350	1 039 423
Provisions for other liabilities and charges		520 727	527 421	599 315
		2 812 204	1 985 391	1 849 264
Current liabilities				
Trade and other payables		1 996 332	1 575 896	1 756 752
Borrowings and finance lease liabilities	A.IV.6	95 636	219 816	192 923
Current corporate tax liabilities		672 282	79 104	65 952
Derivative financial instruments		482 118	273 717	4 930
Liabilities due to employee benefits		110 912	106 704	83 531
Provisions for other liabilities and charges		50 745	47 367	63 888
		3 408 025	2 302 604	2 167 976
TOTAL LIABILITIES		6 220 229	4 287 995	4 017 240
TOTAL EQUITY AND LIABILITIES		21 182 600	14 890 420	15 000 105

Interim consolidated statement of comprehensive income

	Note	Financial period			
		for the 3 months ended 31 December 2010	for the 12 months ended 31 December 2010	for the 3 months ended 31 December 2009 restated	for the 12 months ended 31 December 2009 restated
Sales	A.IV.1	5 184 750	17 292 762	3 601 799	12 119 910
Cost of sales	A.IV.2	(2 676 533)	(9 609 978)	(2 365 254)	(7 923 233)
Gross profit		2 508 217	7 682 784	1 236 545	4 196 677
Selling costs	A.IV.2	(80 622)	(251 066)	(51 805)	(230 159)
Administrative expenses	A.IV.2	(175 532)	(738 286)	(252 403)	(783 444)
Other operating income	A.IV.3	143 186	653 763	171 907	495 572
Other operating costs	A.IV.4	(842 167)	(1 799 915)	(371 484)	(999 308)
Operating profit		1 553 082	5 547 280	732 760	2 679 338
Finance costs	A.IV.5	(11 334)	(46 840)	(10 197)	(45 259)
Share of profits of associates accounted for using the equity method		34 809	280 542	12 471	239 463
Profit before income tax		1 576 557	5 780 982	735 034	2 873 542
Income tax expense		(309 456)	(1 062 227)	(163 218)	(544 981)
Profit for the period		1 267 101	4 718 755	571 816	2 328 561
Other comprehensive income due to:					
Available-for-sale financial assets		54 407	147 512	(3 276)	(10 384)
Cash flow hedging instruments		(129 964)	(44 401)	75 336	(472 524)
Income tax related to items presented in other comprehensive income		14 356	(19 591)	(13 691)	91 753
Other comprehensive net income for the financial period		(61 201)	83 520	58 369	(391 155)
TOTAL COMPREHENSIVE INCOME		1 205 900	4 802 275	630 185	1 937 406
Profit for the period attributable to:					
shareholders of the Parent Entity		1 264 771	4 712 654	572 215	2 327 993
non-controlling interest		2 330	6 101	(399)	568
Total comprehensive income attributable to:					
shareholders of the Parent Entity		1 203 570	4 796 174	630 584	1 936 838
non-controlling interest		2 330	6 101	(399)	568
Earnings per share attributable to the shareholders of the Parent Entity during the period (in PLN per share)					
- basic		6.32	23.56	2.86	11.64
- diluted		6.32	23.56	2.86	11.64

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	Total		
		Available- for-sale financial assets	Cash flow hedging instruments				
At 1 January 2010 restated	2 000 000	561	125 740	8 399 042	10 525 343	77 082	10 602 425
Dividends for 2009 resolved and paid	-	-	-	(600 000)	(600 000)	-	(600 000)
Total comprehensive income	-	119 486	(35 966)	4 712 654	4 796 174	6 101	4 802 275
Other changes in equity attributable to non-controlling interest	-	-	-	(1 229)	(1 229)	158 900	157 671
At 31 December 2010	2 000 000	120 047	89 774	12 510 467	14 720 288	242 083	14 962 371
At 1 January 2009	2 000 000	8 972	508 484	8 407 049	10 924 505	58 360	10 982 865
Dividends for 2008 resolved and paid	-	-	-	(2 336 000)	(2 336 000)	-	(2 336 000)
Total comprehensive income restated*	-	(8 411)	(382 744)	2 327 993	1 936 838	568	1 937 406
Other changes in equity attributable to non-controlling interest restated*	-	-	-	-	-	18 154	18 154
At 31 December 2009 restated	2 000 000	561	125 740	8 399 042	10 525 343	77 082	10 602 425

* explanation in note A.I.4

KGHM Polska Miedź S.A.
Consolidated quarterly report with quarterly financial information prepared in accordance with IFRS
as adopted by the European Union
for the period from 1 October 2010 to 31 December 2010
(amounts in tables in thousand PLN, unless otherwise stated)

Interim consolidated statement of cash flows

	Note	Financial period	
		for the 12 months ended 31 December 2010	for the 12 months ended 31 December 2009 restated
Cash flow from operating activities			
Profit for the period		4 718 755	2 328 561
Adjustments to profit for the period	A.IV.7	1 609 302	1 025 395
Income tax paid		(667 572)	(633 207)
Net cash generated from operating activities		5 660 485	2 720 749
Cash flow from investing activities			
Purchase of subsidiaries, less acquired cash and cash equivalents		(378 469)	(217 590)
Purchase of property, plant and equipment and intangible assets		(1 402 223)	(1 465 749)
Proceeds from sale of property, plant and equipment and intangible assets		7 191	23 386
Proceeds from sale of investment property		461	-
Purchase of available-for-sale financial assets		(1 298 141)	(58)
Proceeds from sale of available-for-sale financial assets		310 994	20 000
Purchase of held-to-maturity investments financed from the resources of Mine Closure Fund		(20 567)	(8 132)
Establishment of deposits		(350 000)	(400 523)
Termination of deposits		-	400 500
Proceeds from repayments of loans granted		-	1 048
Interest received		63	5 692
Dividends received		146 728	418 474
Advances granted for purchase of property, plant and equipment and intangible assets		(80 432)	(22 030)
Other investment expenses		(4 920)	(10 765)
Net cash used in investing activities		(3 069 315)	(1 255 747)
Cash flow from financing activities			
Proceeds from transactions with non-controlling interest		-	57
Purchase of the company's own shares for redemption		(2)	(9)
Proceeds from loans and borrowings		121 195	98 136
Repayments of loans and borrowings		(202 349)	(56 941)
Payments of liabilities due to finance leases		(12 208)	(8 333)
Interest paid		(14 166)	(14 756)
Dividends paid to shareholders of the Parent Entity		(600 000)	(2 336 000)
Other financial proceeds		33	96
Net cash used in financing activities		(707 497)	(2 317 750)
Total net cash flow		1 883 673	(852 748)
Exchange gains/ (losses) on cash and cash equivalents		6 207	(15 938)
Movements in cash and cash equivalents		1 889 880	(868 686)
Cash and cash equivalents at beginning of the period		1 197 077	2 065 763
Cash and cash equivalents at end of the period		3 086 957	1 197 077
including restricted cash and cash equivalents		5 087	15 833

Selected explanatory data to the interim condensed consolidated financial statements

I. Policies applied in preparing the financial statements

1. Introduction

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

The principal activities of the Parent Entity comprise:

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

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

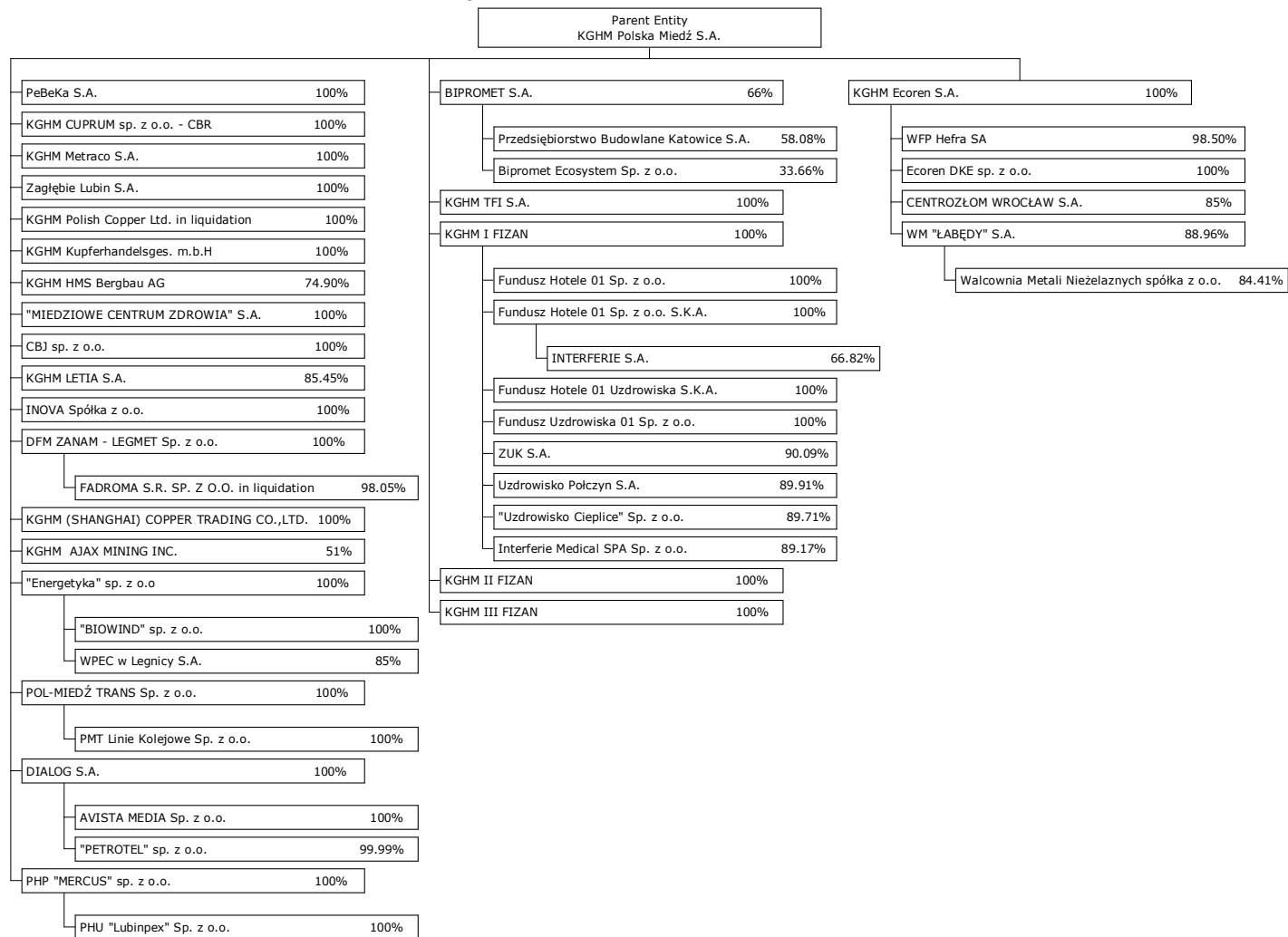
The business activities of the Group also include:

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

KGHM Polska Miedź S.A.
 Consolidated quarterly report with quarterly financial information prepared in accordance with IFRS
 as adopted by the European Union
 for the period from 1 October 2010 to 31 December 2010
 (amounts in tables in thousand PLN, unless otherwise stated)

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

2. Composition of the KGHM Polska Miedź S.A. Group at 31 December 2010



The percentage share represents the total share of the Group.

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

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

Beginning from 1 January 2005 (*based on IAS 8 par. 8, which allows exemption from the application of principles described in IFRS if the results of such an exemption are immaterial*), the following subsidiaries were excluded from consolidation - PU „Mercus Software” Sp. z o.o. and TUW Cuprum. Altogether, in the presented consolidated financial statements 2 subsidiaries were not consolidated, and one associated entity was not accounted for using the equity method. At the end of the reporting period they were measured at cost less impairment. Exclusion of these entities from consolidation does not effect the honest presentation of the assets, profit or loss and cash flows of the Group.

The following quarterly report includes:

1. the interim condensed consolidated financial statements of KGHM Polska Miedź S.A. for the current period from 1 October to 31 December 2010 and the comparable period from 1 October to 31 December 2009, 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 October to 31 December 2010 and the comparable period from 1 October to 31 December 2009 is an integral part of the report.

Neither the interim consolidated financial statements at 31 December 2010 nor the interim separate financial statements at 31 December 2010 were audited by a certified auditor.

3. Exchange rates applied

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

- for the calculation of turnover, profit or loss and cash flow for the current period, the rate of **4.0044 PLN/EUR**,
- for the calculation of turnover, profit or loss and cash flow for the comparable period, the rate of **4.3406 PLN/EUR**,
- for the calculation of assets, equity and liabilities at 31 December 2009, the rate of **4.1082 PLN/EUR**,
- for the calculation of assets, equity and liabilities at 31 December 2010, the rate of **3.9603 PLN/EUR**.

4. Accounting policies

The condensed consolidated financial report for the period from 1 October 2010 to 31 December 2010 has been prepared in accordance with IAS 34 “Interim Financial Reporting” and should be read jointly with the consolidated financial statements for the year ended 31 December 2009.

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

- final settlement of the purchase of shares of WPEC w Legnicy S.A. at 31 December 2009 in accordance with IFRS 3. As a result of this settlement, allocation was made of the acquisition price resulting from the fair value measurement of the company’s net assets. Due to this measurement, goodwill was decreased by PLN 52 172 thousand, property, plant and equipment and other intangible assets were increased by PLN 75 776 thousand, the deferred tax liabilities were increased by PLN 14 397 thousand, and the non-controlling interest was increased by PLN 9 207 thousand. This adjustment did not affect profit or loss for the 12 months period ended 31 December 2009 or the statement of financial position at 1 January 2009,
- revaluation of the shares of Polkomtel S.A. using the equity method due to an adjustment of the financial statements of Polkomtel S.A. for the year 2009 following an audit of its accounts. Due to a prior period error, retained earnings were decreased at 1 January 2010 by the amount of PLN 30 609 thousand with a respective decrease in the value of investments in associates at 31 December 2009. The adjustment to the prior period error did not affect profit or loss for the 12 months ended 31 December 2009 and the statement of financial position as at 1 January 2009.

Standards and interpretations in force applied by the Group from 1 January 2010:

- IFRIC 15 Agreements for the Construction of Real Estate,
- IFRIC 17 Distributions of Non-cash Assets to Owners,
- IFRIC 18 Transfers of Assets from Customers,
- Eligible hedged items, an amendment to IAS 39 Financial Instruments: Recognition and Measurement,
- Amendments to IFRS 2 Share-based Payment,
- IFRS 3 Business Combinations,

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

- o IAS 27 Consolidated and Separate Financial Statements,
- o Amended IFRS 1 First-time Adoption of IFRS (standard given a new structure),
- o Amended IFRS 1 First-time Adoption of IFRS (amendment concerns entities active in the oil and natural gas sectors),
- o Improvements to International Financial Reporting Standards 2009.

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.

From the point of view of the Group, the most important changes are those introduced to IAS 27 and IFRS 3. The amended IAS 27 requires, among others, the recognition of changes in the ownership interest of the Group which do not cause a loss of control over a subsidiary as equity transactions. As a result, such a change in ownership interest does not affect goodwill and does not lead to recognition of profit or loss. Prior to this amendment, economic entities applied in practice various means for settling transactions with non-controlling interests. The amended standard also changes the manner for recognising losses incurred by a subsidiary which exceed the value of an investment and the manner for recognising loss of control over a subsidiary.

The amended IFRS 3 introduces among others a change in the manner of measuring the amount of consideration for an acquisition which, following amendment, also comprises all assets and liabilities arising from the determination of contingent considerations, although it is not increased (as was previously) by costs directly related to the acquisition of an investment. Such costs are settled as costs of the period in which they are incurred.

II. Information on significant changes in estimates

1. Provisions for future liabilities

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

- 1.1 provisions for future employee benefits due to one-off retirement or disability payments, jubilee awards, post-mortem benefits and the coal equivalent also paid after the period of employment. The result of this change in estimates, mainly as a result of changes in macroeconomic assumptions, is a decrease in the provision in the amount of PLN 60 712 thousand which was settled as an increase in profit (after reflecting the results in deferred tax, an increase in profit in the amount of PLN 48 881 thousand),

(an accrued decrease in profit by PLN 36 296 thousand excluding the results in deferred tax 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 decrease in the provision in the amount of PLN 67 994 thousand, which was settled as a decrease in profit in the amount of PLN 6 259 thousand and as a decrease of property, plant and equipment in the amount of PLN 74 253 thousand. The decrease in the provision caused a decrease in deferred tax assets in the amount of PLN 13 283 thousand,

(an accrued increase in the provision by PLN 30 442 thousand since the beginning of the financial year, of which PLN 31 066 thousand was accounted for as a decrease in profit and PLN 624 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 168 955 thousand, paid (in accordance with the Collective Labour Agreement) on the occasion of mining and smelting holidays and after approval of the annual financial statements.

(provision at 31 December 2010 amounted to PLN 294 800 thousand)

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

2. Deferred tax

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

There was an increase in the deferred tax asset in the current quarter in the amount of PLN 92 124 thousand, which was settled:

- as an increase in profit, PLN 89 785 thousand,
- as an increase in other comprehensive income due to measurement of available-for-sale financial assets, PLN 40 thousand.

The remaining increase in the deferred tax asset of PLN 2 299 thousand represents the deferred tax asset of a subsidiary at the date on which control was obtained by the Group.

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

(an accrued increase in the deferred tax asset by PLN 322 762 thousand since the beginning of the financial year, of which the following was settled:

- *as an increase in profit, PLN 317 918 thousand,*
- *as an increase in other comprehensive income due to measurement of available-for-sale financial assets, PLN 100 thousand.*

The remaining increase in the deferred tax asset of PLN 4 744 thousand represents the deferred tax asset of a subsidiary at the date on which control was obtained.)

There was an increase in the deferred tax liability in the current quarter in the amount of PLN 44 811 thousand, of which the following was accounted for:

- as a decrease in profit, PLN 48 617 thousand,
- as an increase in other comprehensive income due to measurement of cash flow hedging financial instruments and available-for-sale financial assets, PLN 14 315 thousand.

The remaining increase in the deferred tax liability of PLN 10 509 thousand represents the deferred tax liability of a subsidiary at the date on which control was obtained by the Group.

(an accrued increase in the deferred tax liability by PLN 153 924 thousand since the beginning of the financial year, of which the following was settled:

- *as a decrease in profit, PLN 114 518 thousand,*
- *as a decrease in other comprehensive income due to measurement of cash flow hedging financial instruments and available-for-sale financial assets, PLN 19 692 thousand.*

The remaining increase in the deferred tax liability of PLN 19 714 thousand represents the deferred tax liability of a subsidiary at the date on which control was obtained.)

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 593 442 thousand, while the deferred tax liability was set at PLN 133 392 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 and an increase in investments due to the share of profit for the financial period in the amount of PLN 34 809 thousand, an adjustment to investments due to the interim dividend for 2010 in the amount of PLN 45 153 thousand, and amortisation of intangible assets of Polkomtel S.A. in the amount of PLN 4 612 thousand recognised in the final settlement of the acquisition of the shares of the company.

(accrued since the beginning of the financial year, changes concerned the following:

- *increase in assets due to share of profit, in the amount of PLN 280 542 thousand,*
- *decrease in investments due to the dividend, in the amount of PLN 146 658 thousand,*
- *amortisation of intangible assets (customer relationships) in the amount of PLN 18 448 thousand)*

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

- a) **non-current** – acquisition of shares in listed companies in the amount of PLN 56 664 thousand, the settlement in other comprehensive income of positive measurement of assets at the balance sheet date in the amount of PLN 54 934 thousand. The remaining increase in assets in the amount of PLN 40 thousand represent the carrying amount of available-for-sale financial assets of a subsidiary at the date on which control was obtained by the Group.

(accrued changes since the beginning of the financial year concerned the following:

- *acquisition of shares in listed companies in the amount of PLN 591 787 thousand,*
- *closure of investment in AIG investment fund in the amount of PLN 7 930 thousand,*
- *positive measurement of shares in listed companies, against other comprehensive income in the amount of PLN 148 537 thousand,*
- *reclassification of available-for-sale financial assets to held-for-sale assets in the amount of PLN 270 thousand, and*
- *increase in financial assets of PLN 70 thousand in connection with obtaining control over a subsidiary)*

- b) **current** - acquisition of participation units in investment funds in the amount of PLN 405 871 thousand, sale of participation units in investment funds in the amount of PLN 300 000 thousand and settlement in other comprehensive income of the negative measurement in the amount of PLN 526 thousand.

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

(accrued changes since the beginning of the financial year concerned the following:
 - the acquisition of participation units in investment funds in the amount of PLN 705 872 thousand,
 - the sale of participation units in investment funds in the amount of PLN 300 000 thousand, and
 - settlement in other comprehensive income of the measurement in the amount of PLN 814 thousand)

3. in held-to-maturity investments

a) non-current - purchase of financial assets financed from the resources of the Mine Closure Fund in the amount of PLN 773 thousand, reclassification to current held-to-maturity investments of the resources of the Fund in the amount of PLN 3 669 thousand, which will be used during the 12 months from the end of the reporting period as well as the negative measurement of other assets in the amount of PLN 4 thousand

(accrued changes since the beginning of the financial year concerned the purchase of financial assets financed from the resources of the Mine Closure Fund in the amount of PLN 20 567 thousand, and reclassification to current held-to-maturity investments of the resources of the Fund in the amount of PLN 3 549 thousand, which will be used during the 12 months from the end of the reporting period as well as the negative measurement of other assets in the amount of PLN 5 thousand)

b) current – reclassification from non-current to current held-to-maturity investments of the resources of the Fund in the amount of PLN 3 669 thousand, which will be used during the 12 months from the end of the reporting period

(accrued changes since the beginning of the financial year, concerned reclassification from non-current to current held-to-maturity investments of the resources of the Fund in the amount of PLN 3 549 thousand, which will be used during the 12 months from the end of the reporting period)

4. in derivative financial instruments (assets and liabilities) – as a result of changes in macroeconomic factors, there was a decrease in the fair value of open derivative instruments at 31 December 2010. Simultaneously, as a result of these changes, derivative transactions with a settlement date falling in the fourth quarter of 2010 were settled with a negative result. Profit for the current quarter was decreased in the amount of PLN 669 465 thousand (an accrued decrease in profit since the beginning of the year in the amount of PLN 1 019 835 thousand). Detailed information on derivative instruments of the Parent Entity may be found in part C point II 5, Risk management.

5. in financial receivables – recognition of an impairment allowance in the amount of PLN 1 870 thousand (an excess of the impairment allowance recognised, PLN 2 882 thousand over released, PLN 1 012 thousand).

(accrued changes since the beginning of the financial year concerned recognition of an impairment allowance in the amount of PLN 10 249 thousand as an excess of the impairment allowance recognised, PLN 20 689 thousand over released, PLN 10 440 thousand).

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

property, plant and equipment and intangible assets

- impairment loss recognised PLN 11 341 thousand
 - impairment loss reversed PLN 1 285 thousand

(accrued since the beginning of the financial year
 - impairment loss recognised PLN 18 014 thousand
 - impairment loss reversed PLN 1 406 thousand)

non-financial receivables

- impairment allowance recognised PLN 3 539 thousand
 - impairment allowance reversed PLN 424 thousand

(accrued since the beginning of the financial year
 - impairment allowance recognised PLN 7 192 thousand
 - impairment allowance reversed PLN 3 425 thousand)

inventories

- write-down recognised PLN 4 960 thousand
 - write-down reversed PLN 569 thousand

(accrued since the beginning of the financial year
 - write-down recognised PLN 6 601 thousand
 - write down reversed PLN 3 852 thousand)

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

IV. Selected additional explanatory notes

1. Sales

	Financial period			
	for the 3 months ended 31 December 2010	for the 12 months ended 31 December 2010	for the 3 months ended 31 December 2009	for the 12 months ended 31 December 2009
Copper, precious metals, smelter by-products	4 678 099	15 739 320	3 299 942	10 992 841
Energy	34 646	90 744	12 436	35 399
Services	226 429	842 229	188 110	728 554
Mining machinery, transport vehicles for mining and other	7 107	22 975	3 539	16 508
Merchandise	123 392	297 127	59 258	219 013
Scrap and materials	3 737	10 369	4 244	11 260
Other finished goods	111 340	289 998	34 270	116 335
Total	5 184 750	17 292 762	3 601 799	12 119 910

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

2. Expenses by nature

	Financial period			
	for the 3 months ended 31 December 2010	for the 12 months ended 31 December 2010	for the 3 months ended 31 December 2009	for the 12 months ended 31 December 2009
Depreciation of property, plant and equipment and amortisation of intangible assets	221 936	843 986	196 882	743 790
Employee benefit expenses	804 259	3 383 032	868 891	3 262 073
Materials and energy	1 335 395	5 046 689	1 161 585	3 857 174
External services	408 693	1 408 306	345 663	1 216 401
Taxes and charges	89 891	364 838	87 427	342 012
Advertising costs and representation expenses	19 241	54 847	13 303	38 570
Property and personal insurance	4 174	24 154	6 910	20 062
Research and development costs not capitalised in intangible assets	3 446	5 493	4 737	5 570
Other costs, of which:	19 791	64 274	42 205	96 684
Impairment loss on property, plant and equipment, intangible assets	(1 378)	5 295	19 149	20 807
Impairment loss on goodwill	405	405	2 359	2 359
Write-down of inventories	3 567	5 208	10 532	11 519
Allowance for impairment of trade receivables	3 120	16 670	11 583	43 006
Reversal of impairment loss on property, plant and equipment, intangible assets	(780)	(897)	(10)	(43)
Reversal of write-down of inventories	(569)	(3 852)	(466)	(1 886)
Reversal of allowance for impairment of trade receivables	(572)	(7 387)	(4 372)	(11 101)
Losses from the disposal of financial instruments	961	2 337	535	998
Other operating costs	15 037	46 495	2 895	31 025
Total expenses by nature	2 906 826	11 195 619	2 727 603	9 582 336
Cost of merchandise and materials sold (+), of which:	105 254	223 776	46 582	158 742
Allowance for impairment of receivables	1 592	1 871	554	2 029
Allowance for impairment of inventories	1 393	1 393	-	-
Reversal of allowance for impairment of receivables	(140)	(545)	(226)	(884)
Change in inventories of finished goods and work in progress (+/-)	105 254	(156 447)	9 800	(368 246)
Cost of manufacturing products for internal use (-)	(184 647)	(663 618)	(114 523)	(435 996)
Total cost of sales, selling costs and administrative expenses	2 932 687	10 599 330	2 669 462	8 936 836

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

3. Other operating income

	Financial period			
	for the 3 months ended 31 December 2010	for the 12 months ended 31 December 2010	for the 3 months ended 31 December 2009	for the 12 months ended 31 December 2009
Income and gains on financial instruments, classified under other operating activities, resulting from:	106 072	549 213	123 971	368 747
Measurement and realisation of derivative instruments	75 175	476 668	109 737	270 057
Interest	26 333	64 951	13 900	89 386
Gains from disposal	4 103	4 925	-	7 519
Gains from measurement of non-current financial liabilities	161	161	-	-
Reversal of allowance for impairment of loans and receivables	300	2 508	334	1 785
Increase in fair value of investment property	4 358	4 358	-	-
Gains from disposal due to the loss of control of a subsidiary	-	-	-	21 457
Gains on a bargain purchase	1 231	3 265	-	-
Gains from the disposal of intangible assets	(102)	1 378	(371)	1 556
Other interest	3 919	7 174	302	3 538
Dividends received	6	70	-	251
Reversal of impairment losses on assets under construction	505	509	30	39
Reversal of allowance for impairment of other non-financial receivables	424	3 425	391	1 810
Government grants and other donations received	2 075	2 999	307	825
Release of unused provisions due to:	7 316	21 232	22 692	47 768
Decommissioning of mines	2 775	3 973	15 296	32 969
Disputed issues and court proceedings	826	7 775	(649)	4 024
Other anticipated losses, expenses and liabilities	3 715	9 484	8 045	10 775
Surpluses identified in current assets	6 693	11 879	-	-
Surpluses identified in property, plant and equipment	-	-	116	116
Penalties and compensation received	4 297	25 065	12 993	23 085
Non-financial foreign exchange	4 386	4 386	2 568	2 568
Other operating income/gains	2 006	18 810	8 908	23 812
Total other operating income	143 186	653 763	171 907	495 572

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

4. Other operating costs

	Financial period			
	for the 3 months ended 31 December 2010	for the 12 months ended 31 December 2010	for the 3 months ended 31 December 2009	for the 12 months ended 31 December 2009
Costs and losses on financial instruments, classified under other operating activities, resulting from:	785 707	1 679 668	314 463	888 576
Measurement and realisation of derivative instruments	757 365	1 638 691	302 641	802 437
Interest	98	145	916	1 728
Foreign exchange losses	30 240	38 684	7 612	75 464
Losses from the measurement of non-current liabilities	(157)	-	(400)	249
Losses from disposal	(9)	-	897	2 227
Allowances for impairment of loans and receivables	(1 830)	2 148	2 797	6 471
Losses on the sale of investment property	9	9	919	919
Allowances for impairment of other non-financial receivables	3 539	7 192	164	552
Losses on the sale of property, plant and equipment	14 155	21 360	10 180	23 914
Impairment losses on assets under construction	12 314	12 314	18 990	21 151
Interest on overdue non-financial liabilities	13	158	2 738	4 504
Donations granted	69	13 089	159	7 193
Provisions for liabilities due to:	12 837	20 913	12 400	20 124
Decommissioning of mines	901	3 197	3 770	4 285
Disputed issues and court proceedings	1 943	3 488	986	3 791
Other	9 993	14 228	7 644	12 048
Penalties and compensation paid	1 335	3 669	1 138	3 412
Non-culpable shortages in tangible current assets, cash and losses from fortuitous events	4 432	4 432	2 480	2 480
Contributions to a voluntary organisation	2 948	8 202	338	7 433
Other operating costs/losses	4 809	28 909	7 515	19 050
Total other operating costs	842 167	1 799 915	371 484	999 308

5. Finance costs

	Financial period			
	for the 3 months ended 31 December 2010	for the 12 months ended 31 December 2010	for the 3 months ended 31 December 2009	for the 12 months ended 31 December 2009
Interest expense due to:	3 159	14 733	3 953	14 608
Bank and other loans	2 537	12 457	3 485	12 696
Finance leases	622	2 276	468	1 912
Net exchange gains on borrowings	(119)	(728)	(608)	(748)
Changes in provisions arising from the approach of the maturity date of liabilities (unwinding of discount effect)	8 206	32 173	6 420	29 764
Losses on measurement of financial liabilities	57	265	381	381
Other finance costs	31	397	51	1 254
Total finance costs	11 334	46 840	10 197	45 259

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

6. Borrowings and liabilities due to finance leases

	At	
	31 December 2010	31 December 2009
Non-current	174 177	120 854
Bank loans	142 354	86 340
Loans	2 420	3 715
Finance lease liabilities	29 403	30 799
Current	95 636	219 816
Bank loans	81 376	204 442
Loans	1 882	4 788
Finance lease liabilities	12 378	10 586
Total	269 813	340 670

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

	Financial period	
	for the 12 months ended 31 December 2010	for the 12 months ended 31 December 2009
Income tax expense	1 062 227	544 981
Depreciation/amortisation	843 986	743 790
Impairment loss on goodwill	405	2 359
Share of profits of associates accounted for using the equity method	(280 542)	(239 463)
Interest and share in profits (dividends)	13 084	9 655
Foreign exchange (gains)/losses	(2 195)	19 001
Change in provisions	39 964	155 905
Change in derivative instruments	576 401	687 023
Reclassification of accumulated other comprehensive income to profit or loss as a result of realisation of derivative instruments	(142 188)	(433 187)
Balances of assets and equity and liabilities items at date of obtaining control over subsidiaries and losing control over a subsidiary	71 741	61 869
Other adjustments	24 337	36 907
Changes in working capital:	(597 918)	(563 445)
Inventories	(149 123)	(463 438)
Trade and other receivables	(787 455)	(36 292)
Trade and other payables	338 660	(63 715)
Total adjustments to profit for the period	1 609 302	1 025 395

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

8. Related entities transactions

	Financial period			
	for the 3 months ended 31 December 2010	for the 12 months ended 31 December 2010	for the 3 months ended 31 December 2009	for the 12 months ended 31 December 2009
Sales to related entities				
To associates	869	3 392	1 181	4 063
To other related entities	20 590	82 955	28 786	73 810
Total sales to related entities	21 459	86 347	29 967	77 873

	Financial period			
	for the 3 months ended 31 December 2010	for the 12 months ended 31 December 2010	for the 3 months ended 31 December 2009	for the 12 months ended 31 December 2009
Purchases from related entities				
From associates	2 234	7 389	2 441	12 721
From other related entities	215 551	798 136	172 351	762 013
Total purchases from related entities	217 785	805 525	174 792	774 734

Transactions of acquisition of State Treasury companies shares were presented in Note XII of the interim condensed consolidated financial statements.

	At	
	31 December 2010	31 December 2009
Trade receivables from related entities		
From associates	734	887
From other related entities	10 863	8 613
Total receivables from related entities	11 597	9 500

	At	
	31 December 2010	31 December 2009
Impairment allowance on trade receivables from related entities	900	904

	At	
	31 December 2010	31 December 2009
Trade payables towards related entities		
Towards associates	938	787
Towards other related entities	112 013	66 765
Total payables towards related entities	112 951	67 552

**Selected explanatory data to the 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., a consolidated subsidiary, at the end of the reporting period KGHM Polska Miedź S.A. had not decided to begin the process of selling the shares of this company, nor had any corporate decision been taken in terms of disposal of the shares held.

In January 2011, the process of preparing a Vendor Due Diligence report was begun. Conclusion of this process is planned at the end of March 2011. Following this, invitations will be sent to interested entities to submit offers. For the Management Board of KGHM Polska Miedź S.A., the criteria enabling a decision to be taken as to an eventual sale, and the recommendation of such a course to the other bodies of then Company, will be the quality of the offers received (above all the price offered in the context of the current and anticipated market conditions).

In view of the above, in the opinion of the Management Board of KGHM Polska Miedź S.A., criteria have not been met which would require the reclassification of the assets and liabilities of Telefonía Dialog S.A. to assets (disposal group) held for sale as well as liabilities related with a disposal group in accordance with IFRS 5.

With respect to the investment in Dialog S.A., due to the difference between the carrying amount of the investment and its taxable value, there exist negative temporary differences (at 31 December 2010 in the consolidated financial statements in the amount of PLN 1 076 325 thousand, in the separate financial statements of the Parent Entity in the amount of PLN 1 160 609 thousand). Due to these differences, deferred tax assets were not recognised in prior periods, as it was not probable that these differences would be reversed in the foreseeable future.

Despite the preliminary actions taken with respect to the investment in Telefonía Dialog S.A., in the opinion of the Management Board at the end of the reporting period the sale of the assets of Telefonía Dialog S.A is not probable in the foreseeable future, nor is recognition of a deferred tax asset justified in accordance with IAS 12.44.

DIALOG S.A. is the parent entity of the DIALOG S.A. Group, which at 31 December 2010 comprised the following subsidiaries:

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

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

	Financial period			
	for the 3 months ended 31 December 2010*	for the 12 months ended 31 December 2010*	for the 3 months ended 31 December 2009**	for the 12 months ended 31 December 2009**
Sales	134 128	528 803	131 696	520 886
Result on sales	16 683	40 047	8 251	34 189
Operating profit	18 467	50 309	8 528	36 053
EBITDA	41 375	137 232	34 462	136 535
Profit before taxation	17 680	46 059	6 894	28 414
Profit for the period	48 645	80 156	5 301	11 635

*Data for 2010 prior to Auditor review

** Data for 2009 are different from data presented in the consolidated report for the fourth quarter of 2009, because they are data from the financial statement audited by a certified auditor (they include the settlement of the acquisition of shares of „PETROTEL” sp. z o.o.)

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

	Financial period			
	for the 3 months ended 31 December 2010*	for the 12 months ended 31 December 2010*	for the 3 months ended 31 December 2009**	for the 12 months ended 31 December 2009**
Sales	125 031	499 457	124 871	493 790
Result on sales	15 328	35 028	8 977	34 154
Operating profit	17 158	45 132	4 010	29 878
EBITDA	37 804	123 123	27 469	120 202
Profit before taxation	16 427	41 151	2 468	22 679
Profit for the period	47 530	76 048	1 268	7 030

* Data for 2010 prior to Auditor review

** Data for 2009 are different from data presented in the consolidated report for the fourth quarter of 2009, because they are data from the financial statement audited by a certified auditor

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

The revenues from sales of the DIALOG S.A. Group for 2010 are higher than those achieved in the comparable prior year period by PLN 7 917 thousand. The main increase in revenues was recorded in the area of services provided based on external infrastructure (mainly WLR services) and in the area of digital television IPTV.

There was also an increase, versus the comparable prior period, in the result on sales (an increase by PLN 5 858 thousand) and in operating profit (an increase by 14 256 thousand).

Profit for the period is also substantially higher than that achieved in 2009, increasing by PLN 68 521 thousand. Apart from better operating results, this is also the effect of a substantial difference in the amount of the tax due (mainly deferred portion due to revaluation of deferred tax assets). In 2009 this tax amounted to PLN 16 779 thousand, while in 2010 the tax was negative and amounted to PLN (34 097) thousand, improving profit for the period.

At the end of year 2010 the DIALOG S.A. Group had 723.9 thousand ringing lines. The number of data transmission services was 156.1 thousand.

In year 2010, the company recorded an increase in the number of active IPTV services (digital television offered as part of the DIALOGmedia package with a fixed-line telephone and Internet access) by 14.4 thousand versus the end of 2009.

In the first quarter of 2010, the DIALOG S.A. Group introduced a mobile telephone service called Diallo, based on the virtual operator (MVNO) model. In September 2010, another product was introduced from the mobile telephone services group – mobile Internet access. At the end of 2010 the number of active SIM cards and data transmission modems amounted to 26.4 thousand.

DIALOG S.A. is using financing from EU funds to implement an innovative services project based on a passive optical network (PON) – so-called „fiber to the premises”, whose planned coverage target by 2012 is around 80 thousand homes, among others in Wrocław, Legnica, Zielona Góra and Łódź. This is the largest project of its type in Poland and one of the largest in Europe. In October 2010, the company received additional financing from EU funds for realisation of the project „Development of a regional wide-band network in the voivodeship of Łódź”.

Polkomtel S.A.

The consolidated financial statements of the KGHM Group account for the investment in the associate Polkomtel S.A. using the equity method, under which its carrying amount at 31 December 2010 amounted to PLN 1 431 099 thousand.

In 2010, the Polish shareholders of Polkomtel S.A. followed a general model of cooperation with respect to the possibility of a potential sale of their blocks of shares in this company. Advisors were selected for this process. Once the foreign shareholders had joined this cooperation, preparatory work was begun on offering for sale in a private placement 100% of the shares of Polkomtel S.A. However, by the end of 2010 this work had not advanced beyond the preparatory stage.

In January 2011, the shareholders of Polkomtel S.A. decided to send out invitations to submit preliminary offers, and to subsequently provide those interested with an informational memorandum. In the next stage, selected bidders will be allowed to perform due diligence on the company. Based on the results of this due diligence, the bidders will submit binding offers.

By the date of publication of this report, KGHM Polska Miedź S.A. had not made a corporate decision as to the sale of the shares of Polkomtel S.A. Agreements which have been reached between the shareholders of this company, in terms of the mutual offer of shares, are not binding on any of the parties. While KGHM Polska Miedź S.A., together with the other shareholders of the company, has been since January 2011 a participant in the process of offering a block of 100% of the shares, each of the shareholders acts on their own behalf and wishes to achieve their own objectives in terms of this transaction. Any decisions by KGHM Polska Miedź S.A. on the sale of these shares will only be made following a review of the binding offers, and after determination that the price offered for the shares is acceptable, i.e. one which guarantees that value will be preserved for the shareholders of KGHM Polska Miedź S.A.

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

As at the end of the reporting period, there were no indications of impairment of the value of the investment in Polkomtel S.A.

With respect to the investment in Polkomtel S.A., due to the difference between the carrying amount of the investment and its taxable value, there exist positive temporary differences (at 31 December 2010 in the consolidated financial statements in the amount of PLN 271 153 thousand), in respect of which deferred tax liabilities were not recognised in prior periods in accordance with IAS 12 para. 39, as it was not probable that these differences would be reversed in the foreseeable future. In the separate financial statements of the Parent Entity there are no differences.

Due to the above preliminary actions taken, with respect to the investment in Polkomtel S.A. and the opinion of the Management Board that it is probable that these temporary differences will be reversed in the foreseeable future, even though according to IFRS 5 the criteria respecting the classification of assets as held for sale at the end of the reporting period have not been met, deferred tax liabilities were recognised in the consolidated financial statements in the amount of PLN 51 519 thousand.

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

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

	Financial period			
	for the 3 months ended 31 December 2010*	for the 12 months ended 31 December 2010*	for the 3 months ended 31 December 2009**	for the 12 months ended 31 December 2009**
Sales	1 945 500	7 672 409	1 851 137	7 773 120
Result on sales	220 999	1 521 504	111 457	1 427 645
Operating profit	201 386	1 534 825	92 454	1 378 019
EBITDA	556 583	2 889 105	430 998	2 685 807
Profit before taxation	181 625	1 429 302	69 977	1 230 236
Profit for the period	142 707	1 150 159	51 132	981 747

* Data for 2010 prior to Auditor review

** Data for 2009 are different from data presented in the consolidated report for the fourth quarter of 2009, because they are data from the financial statement audited by an Auditor

Revenues from sales for 2010 were slightly, i.e. 1.3%, lower than in the comparable prior period. However, both the result on sales (an increase by PLN 93 859 thousand) and the profit for the period (an increase by PLN 168 412 thousand) were higher.

In June 2010, KGHM Polska Miedź S.A. received dividends from Polkomtel S.A. in the amount of PLN 24 051 thousand, due to the final appropriation of profit for 2009. Total dividends from Polkomtel S.A. for 2009 amounted to PLN 137 307 thousand. The Company received an interim dividend in the amount of PLN 113 256 thousand in December 2009.

In September 2010, the Supervisory Board of Polkomtel S.A. passed a resolution agreeing to the payment of an interim dividend for 2010, based on the financial statements prepared at 30 June 2010. The amount of the interim dividend is PLN 317 545 thousand, of which KGHM Polska Miedź S.A. received the amount, proportional to its share, of PLN 77 454 thousand. The interim dividend was paid in November 2010.

In November 2010, the Supervisory Board of Polkomtel S.A. passed a resolution expressing its consent to the payment of a second interim dividend for 2010, based on the financial statements prepared at 30 September 2010. This interim dividend amounted to PLN 185 115 thousand, of which KGHM Polska Miedź S.A. received, proportionally to its share, the amount of PLN 45 152 thousand. This interim dividend was paid in December 2010.

VI. Seasonal or cyclical activities

The Group is not affected by seasonal or cyclical activities.

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

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

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

In accordance with Resolution No. 5/2010 of the Ordinary General Meeting of KGHM Polska Miedź S.A. dated 17 May 2010 regarding the appropriation of Company profit for financial year 2009, the amount of PLN 600 000 thousand, representing PLN 3.00 per share, was allocated as a shareholders dividend from profit for financial year 2009.

The right to dividend date was set at 17 June 2010 and dividend payment date at 8 July 2010.

All Parent Entity shares are ordinary shares.

IX. Subsequent events

Telecom assets being considered for sale

Information on events that occurred after the end of the reporting period in respect of telecom assets may be found in note A.V.

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

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

On 18 January 2011 a contract was signed between KGHM Polska Miedź S.A. and Tele-Fonika Kable Sp. z o.o. S.K.A. for the sale in 2011 of copper wire rod and oxygen-free copper rod. The estimated value of this contract is from USD 622 900 thousand (PLN 1 796 943 thousand) to USD 753 428 thousand (PLN 2 173 490 thousand).

Forecast of results for 2011

On 31 January 2011 the Supervisory Board of KGHM Polska Miedź S.A. approved the Company's Budget for 2011 as presented by the Management Board. The basis for preparation of the Budget were the anticipated results for 2010 and the assumptions contained in specific operating plans. For detailed information on the forecast see part C.II of this report.

Significant contract with MKM Mansfelder Kupfer und Messing GmbH

On 4 February 2011 a significant contract was entered into between KGHM Polska Miedź S.A. and MKM Mansfelder Kupfer und Messing GmbH for the sale of copper cathodes in 2011. The estimated value of this contract is USD 692 092 thousand, i.e. PLN 1 967 205 thousand.

X. Contingent assets and liabilities

	At 31 December 2010	Increase/(decrease) since the end of the last financial year
Contingent assets	291 180	128 674
Disputed State budget issues	38 764	(7 015)
Guarantees received	178 881	116 312
Promissory notes receivables	40 206	17 283
Inventions, implementation of projects	33 329	2 094
Contingent liabilities	959 905	37 388
Guarantees	32 897	17 847
Promissory note liabilities	80 930	18 416
Disputed issues, pending court proceedings	16 226	1 164
Contingent penalties	-	(23)
Preventive safety measures in respect of mine-related damages	2 475	(16)
Liabilities due to implementation of projects, inventions and other unrealised contracts	104 098	(2 243)
Operating leases	55 657	(18 705)
Future payments due to perpetual usufruct of land	667 618	116 906
Other	4	4

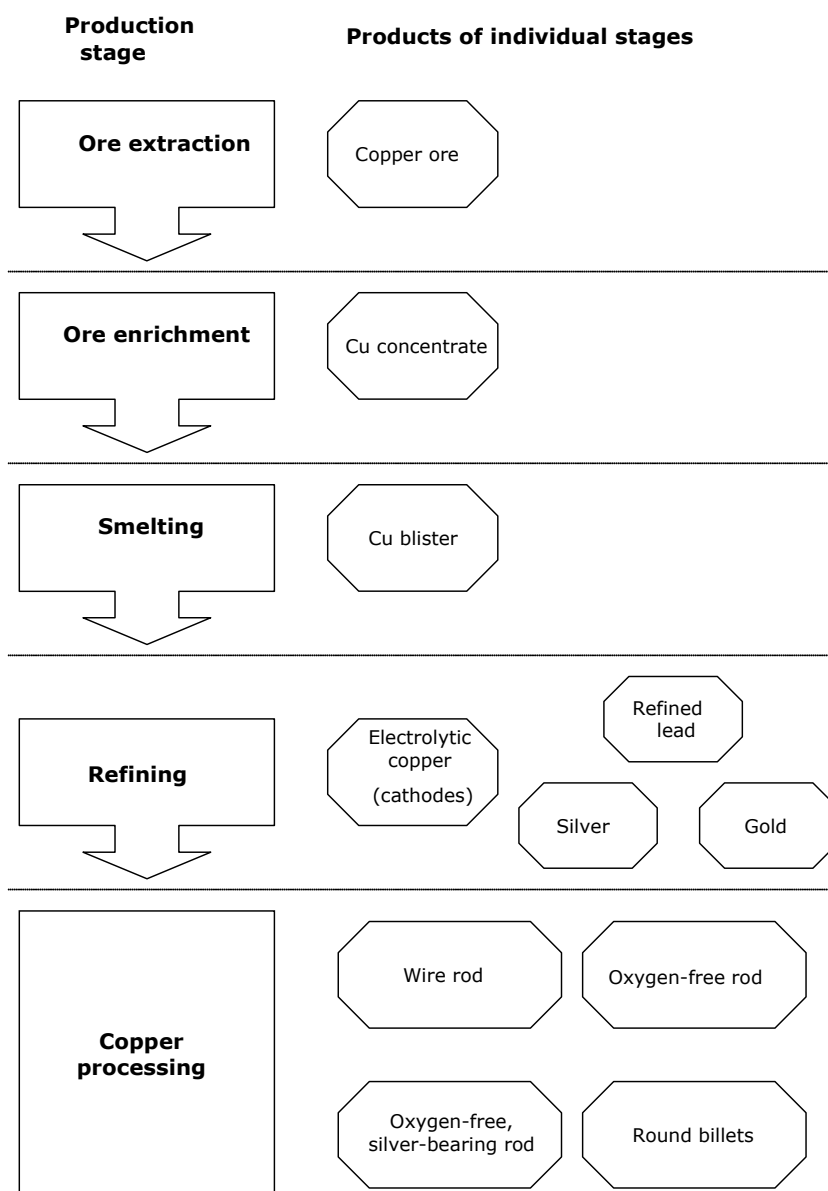
The value of contingent assets was determined based on estimates.

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

XI. Business segments

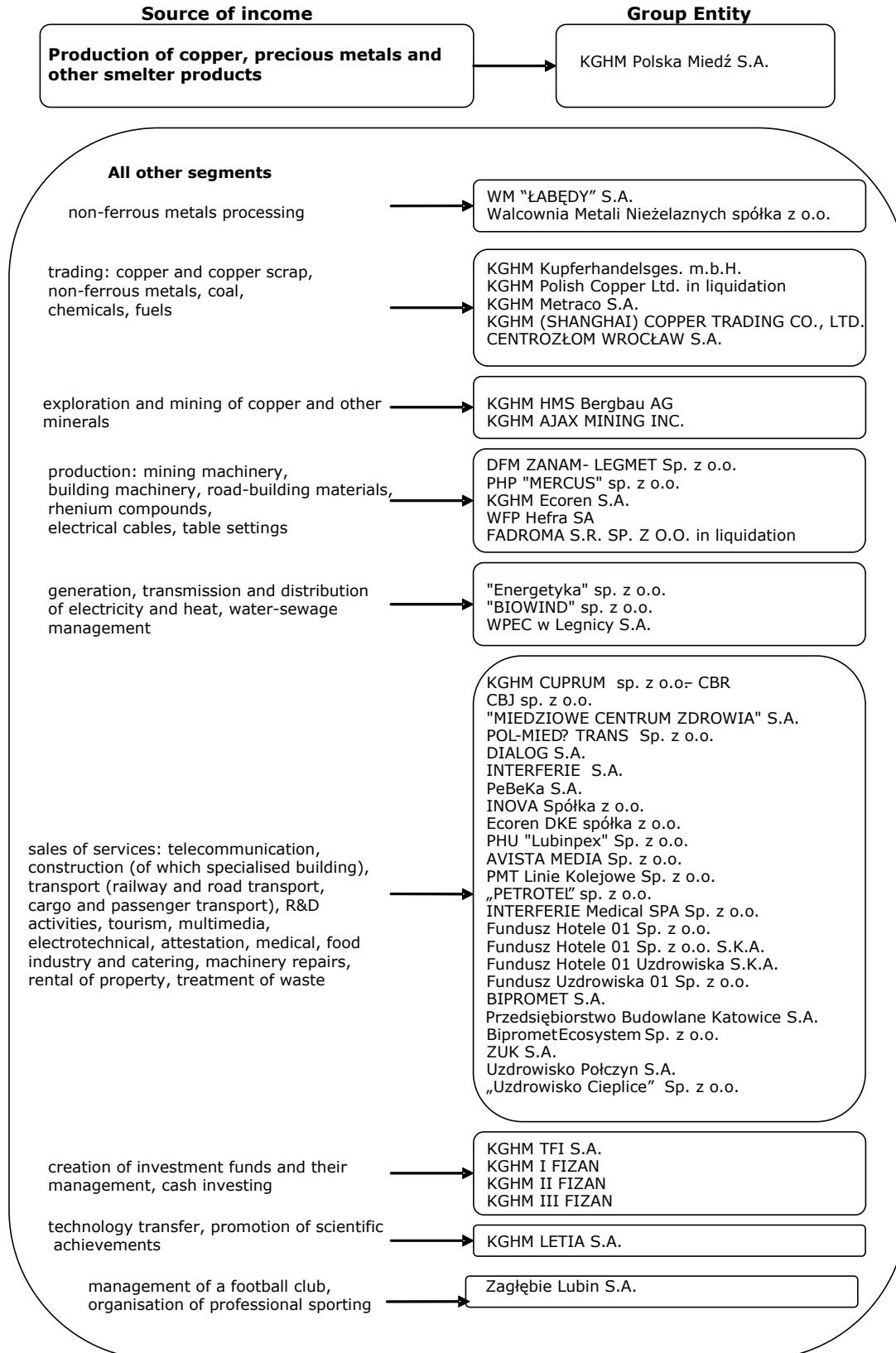
An analysis was performed of the management model of the Group, the system of reporting within the Group and the economic characteristics of its entities. As a result of this analysis one reporting segment was identified, which was defined as „Production of copper, precious metals and other smelter products”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

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



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

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



**Selected explanatory data to the 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 12 months ended 31 December 2010

	Production of copper, precious metals, and other smelter products	All other segments	Adjustment*	Consolidation eliminations (according to IAS 27)	Consolidated amount
REVENUE	15 945 032	6 726 203	10 307	(5 388 780)	17 292 762
of which:					
- external sales	14 831 458	2 436 804	10 307	14 193	17 292 762
- inter-segment sales	1 113 574	4 289 399	-	(5 402 973)	-
Interest income	62 748	14 392	(21)	(4 994)	72 125
Interest costs	(739)	(18 403)	-	4 106	(15 036)
Depreciation/Amortisation	(615 468)	(213 295)	(166)	(15 057)	(843 986)
Revaluation of provisions for employee benefits	(29 766)	(6 530)	-	-	(36 296)
Balance of impairment losses on property, plant and equipment and intangible assets recognised and reversed during the period	-	(16 203)	-	(405)	(16 608)
Income on measurement and realisation of derivative instruments	463 604	13 064	-	-	476 668
Costs on measurement and realisation of derivative instruments	(1 635 888)	(2 803)	-	-	(1 638 691)
Share of profit of associates	-	-	-	280 542	280 542
Profit before income tax	5 605 567	80 860	15 596	78 959	5 780 982
Income tax expense	(1 036 978)	24 441	591	(50 281)	(1 062 227)
Share of profit (losses) of subordinated entities accounted for using the equity method	-	6 390	(6 390)	-	-
Profit for the period	4 568 589	111 691	9 797	28 678	4 718 755
At 31 December 2010					
Segment assets	19 829 296	4 990 353	33 808	(3 670 857)	21 182 600
Segment liabilities	5 372 819	1 287 558	(4 758)	(435 390)	6 220 229
Bank and other loans	-	274 115	-	(46 083)	228 032
Investments in associates	1 159 947	-	-	271 152	1 431 099
Financial period for the 12 months ended 31 December 2010					
Capital expenditure	1 262 992	298 903	-	(36 110)	1 525 785

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

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

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

Details of adjustments restating the amounts shown in the segment „All other segments” to the measurement principles of International Financial Reporting Standards at 31 December 2010 and for the period from 1 January 2010 to 31 December 2010:

	Sales	Interest income	Depreciation /Amortisation	Profit before taxation	Income tax	Segment assets	Segment liabilities
Netting off of Social Fund assets and liabilities	-	-	-	-	-	(9 469)	(9 469)
Offsetting of deferred tax assets/ deferred tax liabilities	-	-	-	-	-	(7 409)	(7 409)
Accounting for shares using the equity method	-	-	-	792	-	(11 849)	-
Separate presentation of assets and liabilities for sales transaction from prior years	10 319	-	-	33	-	-	-
Impairment losses on shares	-	-	-	(3 214)	-	-	-
Deferred tax liability	-	-	-	-	720	-	11 320
Result on sale of shares	-	-	-	20 708	-	-	-
Fair value measurement of assets	-	-	-	(3 395)	-	60 077	-
Adjustment to retained earnings in connection with first-time adoption of IFRS	-	-	-	17	-	-	-
Other	(12)	(21)	(166)	655	(129)	2 458	800
Total adjustment	10 307	(21)	(166)	15 596	591	33 808	(4 758)

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

Segment profit or loss

Financial period for the 12 months ended 31 December 2009

	Production of copper, precious metals, and other smelter products	All other segments	Adjustment*	Consolidation eliminations (according to IAS 27)	Consolidated amount
REVENUE	11 060 540	4 644 518	6 532	(3 591 680)	12 119 910
<i>of which:</i>					
- external sales	10 380 929	1 735 939	6 532	(3 490)	12 119 910
- inter-segment sales	679 611	2 908 579	-	(3 588 190)	-
Interest income	82 487	11 808	-	(1 371)	92 924
Interest costs	(5 654)	(15 966)	-	780	(20 840)
Depreciation/Amortisation	(547 653)	(203 546)	(960)	8 369	(743 790)
Revaluation of provisions for employee benefits	(142 535)	(835)	-	(18 715)	(162 085)
Balance of impairment losses on property, plant and equipment and intangible assets recognised and reversed during the period	(1 194)	(53 048)	-	10 007	(44 235)
Income on measurement and realisation of derivative instruments	261 582	8 475	-	-	270 057
Costs on measurement and realisation of derivative instruments	(800 219)	(2 218)	-	-	(802 437)
Share of profit of associates	-	-	-	239 463	239 463
Profit before income tax	3 066 569	(35 758)	3 671	(160 940)	2 873 542
Income tax expense	(526 384)	(22 202)	304	3 301	(544 981)
Share of profit (losses) of subordinated entities accounted for using the equity method	-	(17 542)	17 542	-	-
Profit for the period	2 540 185	(75 502)	21 517	(157 639)	2 328 561

At 31 December 2009

Segment assets	13 953 030	3 589 050	(3 461)	(2 648 199)	14 890 420
Segment liabilities	3 549 073	1 144 325	18 370	(423 773)	4 287 995
Bank and other loans	3 005	374 585	-	(78 305)	299 285
Investments in associates	1 159 947	-	-	155 716	1 315 663

Financial period for the 12 months ended 31 December 2009

Capital expenditure	1 069 812	298 231	-	(6 384)	1 361 659
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*Adjustment – adjustment restating the amounts to the measurement principles of International Financial Reporting Standards.

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

Details of adjustments restating the amounts shown in the segment „All other segments” to the measurement principles of International Financial Reporting Standards at 31 December 2009 and for the period from 1 January 2009 to 31 December 2009:

	Sales	Depreciation/ Amortisation	Profit before taxation	Income tax	Segment assets	Segment liabilities
Netting off of Social Fund assets and liabilities	-	-	-	-	(7 357)	(7 357)
Offsetting of deferred tax assets/ deferred tax liabilities	-	-	-	-	(4 860)	(4 860)
Accounting for shares using the equity method	-	-	838	-	(25 436)	-
Separate presentation of assets and liabilities for sales transaction from prior years	7 245	-	(111)	-	30 628	30 597
Capitalisation of major maintenance expenditures	-	(1 305)	(1 396)	265	-	-
Receivables due to payment to capital	-	-	-	-	2 000	-
Other	(713)	345	4 340	39	1 564	(10)
Total adjustment	6 532	(960)	3 671	304	(3 461)	18 370

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

The geographical breakdown reflects the location of end clients.

	Financial period	
	for the 12 months ended 31 December 2010	for the 12 months ended 31 December 2009
Poland	4 970 793	3 374 310
Germany	3 739 356	2 053 935
France	581 027	752 682
Great Britain	1 568 507	1 298 036
Czech Republic	1 156 340	563 983
Austria	345 213	190 944
Hungary	412 392	240 215
China	1 893 285	1 674 758
Other countries	2 625 849	1 971 047
Total	17 292 762	12 119 910

Main customers

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

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

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

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

Acquisition by KGHM I FIZAN of new shares in the increased share capital of Interferie Medical SPA sp. z o.o.

On 11 October 2010 an increase in share capital was registered for Interferie Medical SPA Sp. z o.o. through the issuance of 41 309 shares at PLN 1000 each.

The shares in the increased share capital of Interferie Medical SPA Sp. z o.o. representing 67.37% of the share capital of this company were acquired by KGHM I FIZAN and were covered by cash at their nominal amount of PLN 41 309 thousand. The share capital of Interferie Medical SPA Sp. z o.o. following this increase will amount to PLN 61 317 thousand. The owner of 32.63% of the shares of this company remains INTERFERIE S.A.

Interferie Medical SPA Sp. z o.o. is a special purpose entity founded in connection with the construction of a recreation-conference complex in Świnoujście.

Acquisition of new shares of KGHM Ajax Mining Inc.

On 12 October 2010, KGHM Polska Miedź S.A. signed an agreement with Abacus Mining & Exploration Corporation with its registered head office in Vancouver regarding entrance to a company under the name KGHM Ajax Mining Incorporated to advance the Afton-Ajax copper-gold ore mining project in Canada.

Details of the signed agreement are presented in point II.1 of the quarterly financial information of KGHM Polska Miedź S.A.

Acquisition of shares of Zespół Uzdrowisk Kłodzkich Spółka Akcyjna

On 20 October 2010, KGHM I FIZAN – a subsidiary of KGHM Polska Miedź S.A. – acquired from the State Treasury 3 450 500 shares of Zespół Uzdrowisk Kłodzkich Spółka Akcyjna in Polanica Zdrój with a nominal value of PLN 10.00 each for the price of PLN 40.06 per share, i.e. for the total amount of PLN 138 227 thousand. The share of KGHM I FIZAN in the share capital amounts to 90.09%.

The carrying amount of the net assets of Zespół Uzdrowisk Kłodzkich S.A. at the date of obtaining control amounted to PLN 56 812 thousand, with a net asset value attributable to the Group of PLN 51 183 thousand. Provisional goodwill was set at PLN 87 044 thousand. The non-controlling interest at the acquisition date amounted to PLN 5 629 thousand.

From the date of obtaining control to 31 December 2010, the company Zespół Uzdrowisk Kłodzkich S.A. earned revenues from sales of PLN 13 272 thousand and incurred a loss for the period of PLN 4 050 thousand.

Acquisition of shares of DFM ZANAM – LEGMET Sp. z o.o.

On 3 November 2010, the Parent Entity acquired from KGHM Ecoren S.A. – a subsidiary of KGHM Polska Miedź S.A. – 719 397 shares of DFM ZANAM – LEGMET Sp. z o.o. with a nominal value of PLN 50 each, representing 100% of the share capital. A price was set for the shares of this company of PLN 48 149 thousand, which was paid on 8 November 2010.

Acquisition of shares of INOVA Sp. z o.o.

On 3 November 2010, the Parent Entity acquired from KGHM Ecoren S.A. – a subsidiary of KGHM Polska Miedź S.A. – 6 600 shares of INOVA Sp. z o.o. with a nominal value of PLN 1 000 each, representing 100% of the share capital. A price was set for the shares of this company of PLN 13 054 thousand, which was paid on 8 November 2010.

Acquisition of shares of „Uzdrowisko Połczyn” S.A.

On 22 November 2010, KGHM I FIZAN – a subsidiary of KGHM Polska Miedź S.A. – acquired from the State Treasury 1 600 621 shares of „Uzdrowisko Połczyn” S.A. with a nominal value of PLN 10.00 each for the price of PLN 16.51 per share, i.e. for the total amount of PLN 26 426 thousand. The share of KGHM I FIZAN in the share capital amounts to 89.91%.

The carrying amount of the net assets of „Uzdrowisko Połczyn” S.A. at the date of obtaining control amounted to PLN 21 179 thousand, with a net asset value attributable to the Group of PLN 19 043 thousand. Provisional goodwill was set at PLN 7 383 thousand. The non-controlling interest at the acquisition date amounted to PLN 2 136 thousand.

From the date of obtaining control to 31 December 2010, „Uzdrowisko Połczyn” S.A. earned revenues from sales of PLN 1 357 thousand and incurred a loss for the period of PLN 1 710 thousand.

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

Acquisition of shares of CENTROZŁOM WROCŁAW S.A.

On 20 October 2010, KGHM Ecoren S.A. – a subsidiary of KGHM Polska Miedź S.A. – received the approval of the Office of Competition and Consumer Protection for the concentration of entities and the realisation of an agreement entered into on 14 July with the Minister of the State Treasury for the acquisition of a block of 85% of the shares of CENTROZŁOM WROCŁAW S.A. for the amount of PLN 176 435 thousand. The multiple-share certificate was received on 30 November 2010.

The fair net asset value of CENTROZŁOM WROCŁAW S.A. at the date of obtaining control amounted to PLN 209 905 thousand, with a net asset value attributable to the Group of PLN 178 419 thousand. Profit from the bargain purchase amounted to PLN 1 984 thousand. The non-controlling interest at the acquisition date amounted to PLN 31 486 thousand.

From the date of obtaining control to 31 December 2010, CENTROZŁOM WROCŁAW S.A. earned revenues from sales of PLN 43 276 thousand and incurred a loss for the period of PLN 3 062 thousand.

The investment in CENTROZŁOM WROCŁAW S.A. is an element of the strategy realised by KGHM Ecoren S.A. related to its activities in the waste management sector.

Acquisition of Investment Certificates of KGHM III FIZAN

On 3 December 2010, KGHM Polska Miedź S.A. acquired 500 investment certificates of the fund KGHM III Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych (KGHM III FIZAN) at the price of PLN 10 thousand per certificate. The Managing Body of KGHM III FIZAN is KGHM TFI S.A. – a subsidiary of KGHM Polska Miedź S.A. The indirect share of KGHM Polska Miedź S.A. in the share capital of KGHM III FIZAN is 100%. The KGHM III FIZAN fund is dedicated to investing in the area of new technology.

KGHM III FIZAN was registered by the Regional Court in Warsaw Section VII Civil Registrations.

Acquisition of shares of „Uzdrowisko Cieplice” Sp. z o.o.

On 22 December 2010, KGHM I FIZAN – a subsidiary of KGHM Polska Miedź S.A. – acquired from the State Treasury 114 290 shares of „Uzdrowisko Cieplice” Sp. z o.o. with a nominal value of PLN 50.00 each for the price of PLN 256.50 per share, i.e. for the total amount of PLN 29 316 thousand. The share of KGHM I FIZAN in the share capital amounts to 89.71%.

The carrying amount of the net assets of „Uzdrowisko Cieplice” Sp. z o.o. at the date of obtaining control amounted to PLN 6 562 thousand, with a net asset value attributable to the Group of PLN 5 887 thousand. Provisional goodwill was set at PLN 23 429 thousand. The non-controlling interest at the acquisition date amounted to PLN 675 thousand.

Changes in the Group structure that occurred after the end of the reporting period are described in note A.IX.

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 2010, 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 6 December 2010 KGHM Polska Miedź S.A. published an adjusted forecast of Company results for 2010. In accordance with the above-mentioned forecast, revenues from sales in 2010 were set at the level of PLN 15 464 million, and profit for the period at the level of PLN 4 462 million.

The achieved in 2010 revenues from sales in the amount of PLN 15 945 million and profit for the period of PLN 4 569 million exceed the amounts forecasted respectively by 3% and 2%.

The higher-than-assumed profit is mainly the result of higher-than-planned copper and silver sales volume and more favourable metal prices.

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

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

Following publication of the consolidated report for the third quarter of 2010, KGHM Polska Miedź S.A. was not informed by any shareholder of any change in the ownership structure of significant block of shares.

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

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

The Members of the Management Board of KGHM Polska Miedź S.A., at the date of publication of the consolidated report for the third quarter of 2010, i.e. at 10 November 2010, did not own any shares of KGHM Polska Miedź S.A. or rights to them. Based on information held by KGHM Polska Miedź S.A. at the date of publication of this report this did not change.

Among supervisory personnel, at the date of publication of the consolidated report for the third quarter of 2010, only Ryszard Kurek owned 10 shares of KGHM Polska Miedź S.A., which he sold on 15 December 2010. Based on information held by KGHM Polska Miedź S.A., at the date of publication of this report the Members of the Supervisory Board did not own 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 31 December 2010, 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.

Other information to the consolidated quarterly report (continuation)

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

In the period from 1 January 2010 to 31 December 2010, neither KGHM Polska Miedź S.A. nor any of its subsidiaries entered into significant transactions with related entities under other than arm's length conditions.

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

During the period from 1 January 2010 to 31 December 2010 neither KGHM Polska Miedź S.A. nor its subsidiaries granted collateral on credit or loans, nor did they grant guarantees to a single entity or its subsidiary whose total value would represent at least 10% of the equity of KGHM Polska Miedź S.A.

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

In the fourth quarter of 2010 there were no other significant events, apart from those mentioned in the commentary to the report, which could have a significant impact on the assessment of assets and financial position, the financial result of the Group and any changes thereto, or any events significant for assessing the personnel situation and the ability to perform obligations.

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

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

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

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

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

Quarterly financial information of KGHM Polska Miedź S.A.

Interim statement of financial position	Note	At	
		31 December 2010	31 December 2009
Assets			
Non-current assets			
Property, plant and equipment	C. I. 1	6 551 111	5 937 513
Intangible assets		86 718	76 147
Shares and investment certificates in subsidiaries		2 643 046	1 915 224
Investments in associates		1 159 947	1 159 947
Deferred tax assets		359 833	167 062
Available-for-sale financial assets		749 824	17 700
Held-to-maturity investments		84 115	67 097
Derivative financial instruments		403 839	58 034
Trade and other receivables		86 608	110 173
		12 125 041	9 508 897
Current assets			
Inventories		2 011 393	1 890 286
Trade and other receivables		2 393 986	1 314 598
Available-for-sale financial assets		405 193	-
Held-to-maturity investments		4 129	580
Derivative financial instruments		294 021	263 247
Cash and cash equivalents		2 595 529	975 198
Non-current assets held for sale		4	224
		7 704 255	4 444 133
TOTAL ASSETS		19 829 296	13 953 030
Equity and liabilities			
EQUITY			
Share capital		2 000 000	2 000 000
Accumulated other comprehensive income		211 159	127 228
Retained earnings		12 245 318	8 276 729
TOTAL EQUITY		14 456 477	10 403 957
LIABILITIES			
Non-current liabilities			
Trade and other payables		14 249	17 472
Borrowings and finance lease liabilities		8 490	11 576
Derivative financial instruments		711 580	61 354
Liabilities due to employee benefits		1 128 246	1 098 399
Provisions for other liabilities and charges	C. I. 2	517 749	515 619
		2 380 314	1 704 420
Current liabilities			
Trade and other payables		1 727 939	1 376 049
Borrowings and finance lease liabilities		2 965	6 109
Current corporate tax liabilities		668 924	78 183
Derivative financial instruments		481 852	273 503
Liabilities due to employee benefits		93 041	93 122
Provisions for other liabilities and charges	C. I. 2	17 784	17 687
		2 992 505	1 844 653
TOTAL LIABILITIES		5 372 819	3 549 073
TOTAL EQUITY AND LIABILITIES		19 829 296	13 953 030

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

Interim statement of comprehensive income

	Note	Financial period			
		for the 3 months ended 31 December 2010	for the 12 months ended 31 December 2010	for the 3 months ended 31 December 2009	for the 12 months ended 31 December 2009
Sales	C. I. 3	4 753 224	15 945 032	3 324 842	11 060 540
Cost of sales	C. I. 4	(2 325 199)	(8 617 125)	(2 107 021)	(7 127 255)
Gross profit		2 428 025	7 327 907	1 217 821	3 933 285
Selling costs	C. I. 4	(28 103)	(103 171)	(35 453)	(107 303)
Administrative expenses	C. I. 4	(131 533)	(567 390)	(214 586)	(629 077)
Other operating income	C. I. 5	159 838	711 202	260 727	870 598
Other operating costs	C. I. 6	(801 900)	(1 730 400)	(374 063)	(969 411)
Operating profit		1 626 327	5 638 148	854 446	3 098 092
Finance costs	C. I. 7	(8 193)	(32 581)	(6 525)	(31 523)
Profit before income tax		1 618 134	5 605 567	847 921	3 066 569
Income tax expense		(293 769)	(1 036 978)	(162 570)	(526 384)
Profit for the period		1 324 365	4 568 589	685 351	2 540 185
OTHER COMPREHENSIVE INCOME DUE TO:					
Available-for-sale financial assets		54 600	148 019	(2 131)	(10 834)
Cash flow hedging instruments		(129 964)	(44 401)	75 336	(472 524)
Income tax related to items presented in other comprehensive income		14 320	(19 687)	(13 909)	91 838
Other comprehensive net income for the financial period		(61 044)	83 931	59 296	(391 520)
TOTAL COMPREHENSIVE INCOME		1 263 321	4 652 520	744 647	2 148 665
Earnings per share during the period (in PLN per share)					
- basic		6.62	22.84	3.43	12.70
- diluted		6.62	22.84	3.43	12.70

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 2010	2 000 000	1 489	125 739	8 276 729	10 403 957
Dividends for 2009 resolved and paid	-	-	-	(600 000)	(600 000)
Total comprehensive income	-	119 896	(35 965)	4 568 589	4 652 520
At 31 December 2010	2 000 000	121 385	89 774	12 245 318	14 456 477
At 1 January 2009	2 000 000	10 265	508 483	8 072 544	10 591 292
Dividends for 2008 resolved and paid	-	-	-	(2 336 000)	(2 336 000)
Total comprehensive income	-	(8 776)	(382 744)	2 540 185	2 148 665
At 31 December 2009	2 000 000	1 489	125 739	8 276 729	10 403 957

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

Interim statement of cash flows	Note	Financial period	
		for the 12 months ended 31 December 2010	for the 12 months ended 31 December 2009
Cash flow from operating activities			
Profit for the period		4 568 589	2 540 185
Adjustments to profit for the period	C. I. 8	1 436 897	567 006
Income tax paid		(658 695)	(619 806)
Net cash generated from operating activities		5 346 791	2 487 385
Cash flow from investing activities			
Purchase of shares and investment certificates in subsidiaries		(731 224)	(177 106)
Proceeds from sale of shares and investment certificates in subsidiaries		1 534	-
Purchase of property, plant and equipment and intangible assets		(1 156 709)	(1 161 762)
Proceeds from sale of property, plant and equipment and intangible assets		4 717	14 195
Purchase of available-for-sale financial assets		(1 296 141)	-
Proceeds from sale of available-for-sale financial assets		310 994	20 000
Purchase of held-to-maturity investments financed from the resources of Mine Closure Fund		(20 567)	(8 132)
Establishment of deposits		(350 000)	(400 500)
Termination of deposits		-	400 500
Loans granted		(40 000)	(69 432)
Proceeds from repayments of loans granted		71 162	1 044
Interest received		4 932	6 319
Dividends received		146 658	454 628
Expenses due to advances granted for the purchase of property, plant and equipment and intangible assets		(65 329)	(14 229)
Other investment expenses		(5 273)	(12 228)
Net cash used in investing activities		(3 125 246)	(946 703)
Cash flow from financing activities			
Repayments of loans		(3 000)	(4 000)
Payments of liabilities due to finance leases		(3 118)	(3 310)
Interest paid		(76)	(252)
Dividends paid		(600 000)	(2 336 000)
Net cash used in financing activities		(606 194)	(2 343 562)
Total net cash flow		1 615 351	(802 880)
Exchange gains /(losses) on cash and cash equivalents		4 980	(15 502)
Movements in cash and cash equivalents		1 620 331	(818 382)
Cash and cash equivalents at beginning of the period		975 198	1 793 580
Cash and cash equivalents at end of the period		2 595 529	975 198
including restricted cash and cash equivalents		1 751	6 722

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

Selected explanatory data

I. Additional notes

1. Changes in property, plant and equipment

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

Changes in 2010

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

At 31 December 2010

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

	Land	Buildings	Technical equipment and machinery	Motor vehicles	Other fixed assets	Fixed assets under construction	Total
At 1 January 2009							
Gross carrying amount	14 307	5 902 922	5 291 619	125 274	62 730	984 251	12 381 103
Accumulated depreciation	-	(3 543 609)	(3 179 465)	(90 099)	(46 494)	-	(6 859 667)
Impairment losses	-	-	(3 135)	(327)	-	(2 946)	(6 408)
Net carrying amount	14 307	2 359 313	2 109 019	34 848	16 236	981 305	5 515 028

Changes in 2009

Settlement of fixed assets under construction	1 689	352 530	780 080	21 067	3 975	(1 159 341)	-
Purchase	-	-	-	-	-	1 041 441	1 041 441
Depreciation	-	(123 151)	(402 858)	(7 574)	(4 574)	-	(538 157)
Sale, decommissioning/scrapping or write off	(6)	(6 308)	(14 038)	-	(14)	-	(20 366)
Change in amount of provisions for costs of decommissioning	-	(77 221)	-	-	-	-	(77 221)
Other changes	-	(1 108)	(179)	352	-	17 723	16 788

At 31 December 2009

Gross carrying amount	15 990	6 136 839	5 801 992	146 557	63 996	884 074	13 049 448
Accumulated depreciation	-	(3 631 590)	(3 326 833)	(97 537)	(48 373)	-	(7 104 333)
Impairment losses	-	(1 194)	(3 135)	(327)	-	(2 946)	(7 602)
Net carrying amount	15 990	2 504 055	2 472 024	48 693	15 623	881 128	5 937 513

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

Capital commitments not recognised in the interim statement of financial position

	At	
	31 December 2010	31 December 2009
Acquisition of property, plant and equipment	721 753	211 596
Acquisition of intangible assets	15 725	11 470
Total capital commitments	737 478	223 066

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 2010	533 306	510 903	5 307	1 507	15 589
Increase	128 685	118 821	4 838	1 271	3 755
Decrease	(126 458)	(115 717)	(4 545)	(803)	(5 393)
Provisions at 31 December 2010	535 533	514 007	5 600	1 975	13 951
of which:					
Non-current provisions	517 749	500 739	4 546	-	12 464
Current provisions	17 784	13 268	1 054	1 975	1 487
	TOTAL	Decommissioning costs of mines and other facilities	Costs of scrapping property, plant and equipment	Disputed issues and court proceedings	Other provisions
Provisions at 1 January 2009	634 790	602 925	5 721	4 832	21 312
Increase	149 673	140 354	2 687	1 507	5 125
Decrease	(251 157)	(232 376)	(3 101)	(4 832)	(10 848)
Provisions at 31 December 2009	533 306	510 903	5 307	1 507	15 589
of which:					
Non-current provisions	515 619	501 850	-	-	13 769
Current provisions	17 687	9 053	5 307	1 507	1 820

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

3. Sales

	Financial period			
	for the 3 months ended 31 December 2010	for the 12 months ended 31 December 2010	for the 3 months ended 31 December 2009	for the 12 months ended 31 December 2009
Copper, precious metals, smelter by-products	4 676 753	15 698 874	3 268 090	10 856 180
Salt	20 343	64 108	14 090	43 297
Services	14 078	56 619	14 220	54 745
Other finished goods	2 795	10 741	2 770	11 114
Merchandise	28 237	72 778	14 030	56 641
Scrap and production materials	10 843	41 408	11 566	38 333
Other materials	175	504	76	230
Total	4 753 224	15 945 032	3 324 842	11 060 540

4. Expenses by nature

	Financial period			
	for the 3 months ended 31 December 2010	for the 12 months ended 31 December 2010	for the 3 months ended 31 December 2009	for the 12 months ended 31 December 2009
Depreciation of property, plant and equipment and amortisation of intangible assets	155 250	615 468	143 725	547 653
Employee benefit expenses	597 967	2 661 477	699 314	2 589 063
Materials and energy	1 223 254	4 777 879	1 135 340	3 748 025
External services	301 697	1 029 023	292 737	1 028 170
Taxes and charges	74 761	300 165	72 787	285 178
Advertising costs and representation expenses	7 962	23 857	3 522	16 139
Property and personal insurance	5 211	18 308	4 647	13 437
Research and development costs not capitalised in intangible assets	2 709	4 460	2 989	3 724
Other costs, of which:	4 803	11 405	1 552	5 898
Write-down of inventories	35	802	799	1 537
Allowance for impairment of receivables	3	24	909	909
Impairment loss on property, plant and equipment, intangible assets	-	-	1 194	1 194
Reversal of write-down of inventories	(38)	(374)	(33)	(1 362)
Reversal of allowance for impairment of receivables	-	-	-	(149)
Losses from the disposal of financial instruments	961	2 337	535	998
Other operating costs	3 842	8 616	(1 852)	2 771
Total expenses by nature	2 373 614	9 442 042	2 356 613	8 237 287
Cost of merchandise and materials sold (+)	38 530	107 176	23 120	88 132
Change in inventories of finished goods and work in progress (+/-)	97 474	(170 460)	5 665	(364 789)
Cost of manufacturing products for internal use (-)	(24 783)	(91 072)	(28 338)	(96 995)
Total cost of sales, selling costs and administrative expenses	2 484 835	9 287 686	2 357 060	7 863 635

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

5. Other operating income

	Financial period			
	for the 3 months ended 31 December 2010	for the 12 months ended 31 December 2010	for the 3 months ended 31 December 2009	for the 12 months ended 31 December 2009
Income and gains on financial instruments, classified under other operating activities, resulting from:	99 178	528 256	118 697	349 831
Measurement and realisation of derivative instruments	71 134	463 604	107 380	261 582
Gains from disposal	4 103	4 925	-	7 500
Gains from measurement on non-current liabilities	167	167	-	-
Interest	23 744	59 419	11 588	79 787
Reversal of allowance for impairment of loans	-	-	(271)	954
Reversal of allowance for impairment of other receivables	30	141	-	8
Non-financial interest	2 585	3 329	4	2 700
Reversal of allowance for impairment of non-financial receivables	368	1 484	364	1 559
Dividends received	45 153	146 658	113 256	454 848
Release of unused provisions due to:	3 466	6 028	21 099	43 987
Decommissioning of mines	2 775	3 973	15 296	32 969
Disputed issues and court proceedings	143	476	-	3 020
Liabilities towards municipal authorities (gminas) due to signed donation agreements	489	1 520	492	2 404
Other	59	59	5 311	5 594
Penalties and compensation	(771)	8 209	2 522	8 103
Excess payments of property tax	2 115	2 169	137	495
Government grants and other donations received	56	223	52	237
Surpluses identified in current assets	4 607	8 779	9	9
Other operating income/gains	3 081	6 067	4 587	8 829
Total other operating income	159 838	711 202	260 727	870 598

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

6. Other operating costs

	Financial period			
	for the 3 months ended 31 December 2010	for the 12 months ended 31 December 2010	for the 3 months ended 31 December 2009	for the 12 months ended 31 December 2009
Costs and losses on financial instruments, classified under other operating activities, resulting from:	783 139	1 666 441	307 564	864 662
Measurement and realisation of derivative instruments	756 718	1 635 888	302 612	800 219
Interest	10	24	4	170
Foreign exchange losses	29 614	30 445	5 201	61 664
Losses/(Gains) on measurement of non-current liabilities	(157)	-	(400)	249
Allowance for impairment of loans	3	13	19	2 232
Allowances for impairment of other receivables	(3 049)	71	128	128
Impairment losses on shares in a subsidiary	-	-	49 959	49 959
Allowances for impairment of other non-financial receivables	3 358	3 358	1	389
Losses on the sale of property, plant and equipment and intangible assets	9 658	17 614	6 287	17 844
Donations granted	-	12 503	80	6 088
Interest on overdue non-financial liabilities	4	114	2 558	4 230
Provisions for liabilities due to:	985	5 522	4 215	8 618
Decommissioning of mines	59	2 305	3 751	4 217
Disputed issues and court proceedings	633	1 271	232	1 507
Liabilities towards municipal authorities (gminas) due to signed donation agreements	-	1 352	-	2 662
Other	293	594	232	232
Penalties and compensation paid	91	498	164	373
Non-culpable shortages in current assets	(75)	3 423	602	1 452
Contributions to a voluntary organisation	2 948	8 202	338	7 433
Other operating costs/losses	1 792	12 725	2 295	8 363
Total other operating costs	801 900	1 730 400	374 063	969 411

7. Finance costs

	Financial period			
	for the 3 months ended 31 December 2010	for the 12 months ended 31 December 2010	for the 3 months ended 31 December 2009	for the 12 months ended 31 December 2009
Interest expense due to:	6	601	131	1 254
Loans	1	116	55	336
Finance leases	5	485	76	918
Net foreign exchange gains on borrowings	(77)	(459)	(408)	(178)
Changes in provisions arising from the approach of the maturity date of liabilities (unwinding of discount effect)	8 207	32 174	6 721	29 764
Losses due to measurement of non-current liabilities	57	265	81	381
Other financial costs	-	-	-	302
Total finance costs	8 193	32 581	6 525	31 523

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

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

	Financial period	
	for the 12 months ended 31 December 2010	for the 12 months ended 31 December 2009
Income tax expense	1 036 978	526 384
Depreciation/amortisation	615 468	547 653
Interest and share in profits (dividends)	(151 978)	(460 304)
Foreign exchange (gains)/losses	(742)	18 261
Change in provisions	32 616	118 271
Change in derivative instruments	579 782	688 065
Reclassification of accumulated other comprehensive income to profit or loss as a result of realisation of derivative instruments	(142 187)	(433 187)
Other adjustments	12 973	62 619
Changes in working capital:	(546 013)	(500 756)
Inventories	(120 875)	(443 425)
Trade and other receivables	(684 838)	(54 968)
Trade and other payables	259 700	(2 363)
Total adjustments to profit for the period	1 436 897	567 006

9. Related entities transactions

	Financial period			
	for the 3 months ended 31 December 2010	for the 12 months ended 31 December 2010	for the 3 months ended 31 December 2009	for the 12 months ended 31 December 2009
Sales to related entities				
To subsidiaries	293 873	1 119 979	193 366	682 763
To associates	39	158	38	157
To State Treasury Companies	12 685	49 655	2 101	20 795
Total sales to related entities	306 597	1 169 792	195 505	703 715

During the period from 1 January 2010 to 31 December 2010, KGHM Polska Miedź S.A. recognised in other operating income received dividends from an associate in the amount of PLN 146 658 thousand (from 1 January 2009 to 31 December 2009: PLN 418 222 thousand respectively). During the period from 1 January 2010 to 31 December 2010, the Company did not receive any dividends from subsidiaries (from 1 January 2009 to 31 December 2009: PLN 36 626 thousand respectively).

	Financial period			
	for the 3 months ended 31 December 2010	for the 12 months ended 31 December 2010	for the 3 months ended 31 December 2009	for the 12 months ended 31 December 2009
Purchases from related entities				
From subsidiaries	1 162 732	4 249 974	934 038	2 919 801
From associates	423	1 338	403	1 545
From State Treasury Companies	194 818	723 900	151 519	702 172
Total purchases from related entities	1 357 973	4 975 212	1 085 960	3 623 518

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

9. Related entities transactions (continuation)

	At	
	31 December 2010	31 December 2009
Trade receivables from related entities		
From subsidiaries	202 777	201 606
From associates	28	26
From State Treasury Companies	2 945	3 038
Total receivables from related entities	205 750	204 670

	At	
	31 December 2010	31 December 2009
Impairment allowance on trade receivables from related entities	882	882

	At	
	31 December 2010	31 December 2009
Trade payables towards related entities		
Towards subsidiaries	317 968	249 654
Towards associates	276	283
Towards State Treasury Companies	103 124	59 956
Total payables towards related entities	421 368	309 893

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.

Signing of agreement with Abacus Mining & Exploration Corporation

On 12 October 2010 KGHM Polska Miedź S.A. signed an agreement with Abacus Mining & Exploration Corporation with its registered head office in Vancouver, regarding entrance to a company under the name KGHM Ajax Mining Incorporated to advance the Afton-Ajax copper-gold ore mining project in Canada. The above-mentioned Agreement is a result of the investment agreement signed by KGHM Polska Miedź S.A. and Abacus on 4 May 2010.

Further to the Agreement, KGHM Polska Miedź S.A. has acquired a 51% interest in the company KGHM Ajax Mining Inc. formed together with Abacus through a cash contribution in the amount of USD 37 million. Abacus has brought to the company all the rights it owns to the Afton-Ajax deposit and in the Afton region. The cash will be used to carry out a Bankable Feasibility Study and for further exploration.

In accordance with the above Agreement, KGHM Polska Miedź S.A. holds the option to acquire a further 29% in KGHM Ajax Mining Inc., for an amount calculated as a multiple of USD 0.025 per pound of copper in 29% of the probable and proven industrial ore resources, though not higher than USD 35 million. Execution of this option will be possible following publication of the Bankable Feasibility Study, which will include the balance of industrial ore resources.

The Agreement also includes a commitment by KGHM Polska Miedź S.A. to arrange financing for the project CAPEX, in the amount of USD 535 million (the equivalent of PLN 1 585.8 million, per the average National Bank of Poland rate for USD/PLN from 31 December 2010). The commitment will arise at the moment of execution by KGHM of the option to acquire a further 29% in KGHM Ajax Mining Inc.

If this option is not executed by KGHM, Abacus will have exclusive rights for a period of 90 days to demand that KGHM sell to Abacus all of the shares belonging to KGHM for an amount representing the equivalent of their fair market value, though not higher than USD 37 million. If Abacus decides not to acquire the shares from KGHM within this timeframe, KGHM shall transfer, within 60 days, 2% of its interest in the joint venture KGHM Ajax Mining Inc. to Abacus, increasing the interest of this company to 51% for the amount of USD 1 451 thousand.

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

Under IAS 39, the Company is required to measure the options included in this agreement as derivative instruments. However, at the moment of publication of these financial statements, the Company was not able to make a reliable estimation of the fair value of these options. Determination of the value of the Ajax copper deposit, which would be the basis for determining the fair value of these options, will only be possible following the preparation of the Bankable Feasibility Study. Moreover, the base instrument of these options is not a traded market instrument. Pursuant to IAS 39.46(c) and IAS 39.47(a), the Company has departed determination of the fair value of these options until a precise determination can be made of the value of the Ajax deposit, i.e. until the completion of the Bankable Feasibility Study.

In the case of measurement of these options, the Company would separate the measured value of premiums on the options from the cost of acquiring 51% of the shares of KGHM Ajax Mining Inc. In the Company's opinion this amount is immaterial, and therefore it was not presented separately in the financial statements.

In accordance with the Technical report by Wardrop Engineering Inc. dated 29 July 2009, the project assumes annual copper production at the level of 50 thousand tonnes, and gold production at the level of 100 thousand troz. A 23-year mine-life is predicted.

Licence for minerals extraction

The Company has begun work on obtaining a license for the extraction of copper ore from the following licensed areas: Rudna I, Sieroszowice I, Polkowice II, Lubin I and Małomice I (licenses expire on these areas on 31 December 2013), and from Radwanice Wschód, whose license expires on 31 May 2015.

The licenses based on which mining operations are currently underway were issued, in accordance with the laws then in force, for a maximum period of 20 years. In accordance with the law on geology and mining currently in force (Journal of Laws 2005 No. 228, item 1947), the maximum period for which licenses are currently granted for the extraction of minerals is 50 years. The Company intends to seek a license granting the longest period of time.

In addition to the above-mentioned deadlines, agreements granting mining usufruct rights to the licensed areas are also expiring. Entering into new agreements granting mining usufruct rights will be associated with the incurring of fees whose amounts are not regulated by individual laws and remains the decision of the licensing body. It is currently estimated (based on prior experience), that the amount of the one-off fee for mining usufruct rights for which KGHM Polska Miedź S.A. will engage in mining operations after 2013 may amount to tens of millions PLN.

Selection of other significant events covered by current reports

Company bodies

On 14 October 2010 Ryszard Janeczek submitted his resignation from the function of Vice President of the Management Board of KGHM Polska Miedź S.A.

On 19 November 2010 the Supervisory Board of the Company appointed Wojciech Kędzia to the Management Board of KGHM Polska Miedź S.A. - granting him the function of Vice President of the Management Board of KGHM Polska Miedź S.A. for the VIIth term. Currently the composition of the Management Board of KGHM Polska Miedź S.A. is as follows: Herbert Wirth - President of the Management Board, Maciej Tybura - I Vice President of the Management Board, Wojciech Kędzia - Vice President of the Management Board.

Adjusted forecast

On 6 December 2010 the Management Board of KGHM Polska Miedź S.A., based on the financial results of the Company achieved after the first ten months of 2010 and on verified assumptions in terms of: macroeconomic conditions, production plan, and the effects of derivative instruments measurement, presented an adjusted forecast of financial results for 2010. The adjusted forecast assumes the achievement in 2010 of revenues from sales in the amount of PLN 15 464 million and profit for the period at the level of PLN 4 462 million, meaning an increase in the planned results respectively by 7 % and 14 % in relation to the forecast published in the current report from 6 September 2010.

Significant contracts

On 3 November 2010 a contract was entered into between KGHM Polska Miedź S.A. and China Minmetals Corporation for the sale of copper cathodes in 2011. The estimated value of this contract is from USD 424 894 thousand, i.e. PLN 1 202 321 thousand to USD 849 787 thousand, i.e. PLN 2 404 642 thousand, depending on the amount of tonnage under option. This value was estimated based on the forecast copper price (using a forward curve) from 2 November 2010 and the USD/PLN exchange rate per NBP from 2 November 2010.

On 29 December 2010 a further contract was entered into with HSBC Bank USA N.A., London Branch. As a result of entering into this contract, the total estimated value of contracts entered into between KGHM Polska Miedź S.A. and HSBC Bank USA N.A., London Branch over the last 12 months, preceding the signing of the contract, exceeded 10% of the equity of the Company and amounts to PLN 1 326 439 thousand. The highest-value contract entered into during this period is the contract for silver sales in 2010 entered into on 20 January 2010. The estimated value of this contract is PLN 1 195 215 thousand.

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

Group

The court by a ruling dated 14 December 2010, announced the conclusion of bankruptcy proceedings for the company Vivid.pl S.A. with its registered head office in Warsaw. By a ruling dated 29 September 2008, the court announced the bankruptcy of the company Vivid.pl S.A., comprising the liquidation of the assets of the debtor.

2. Measurement of financial and tangible assets

Financial assets

Due to the measurement and settlement of future cash flow hedging transactions in an amount reflecting the effective portion of the hedge, after reflecting the results in deferred tax, other comprehensive income was decreased in the current quarter by PLN 33 341 thousand.

(an accrued decrease in other comprehensive income by PLN 35 965 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 44 227 thousand

(an accrued increase in other comprehensive income by PLN 119 896 thousand since the beginning of the financial year)

Due to the realisation and re-measurement of derivative instruments to the level of fair value there was a decrease in the profit for the current quarter of PLN 672 859 thousand (of which: as an increase in revenues from sales, PLN 12 725 thousand and as a decrease in the result on other operating activities, PLN 685 584 thousand). For detailed information on derivative instruments see part C point II 5 Risk management.

(an accrued decrease in profit by PLN 1 030 097 thousand due to measurement and realisation since the beginning of the financial year (of which: as an increase in revenues from sales of derivatives, PLN 142 187 thousand and as a decrease in the result on other operating activities in the amount of PLN 1 172 284 thousand).

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

Property, plant and equipment and receivables

Due to the depreciation of property, plant and equipment and amortisation of intangible assets, operating costs were increased in the current quarter by PLN 155 250 thousand.

(an accrued increase in costs by PLN 615 468 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 a decrease in the provision and an increase in profit in the amount of PLN 67 378 thousand (after reflecting the results in deferred tax a decrease in profit in the amount of PLN 54 578 thousand),

(an accrued decrease in profit by PLN 29 766 thousand since the beginning of the financial year)

3.2 provision for future costs of decommissioning (restoration) of the Company's mines, comprising the estimated costs of dismantling and removing technological facilities, for which the obligation for restoration upon the conclusion of activities is a result of separate law or standard practice. The result of this change in estimates is a decrease in the provision in the amount of PLN 68 835 thousand which was settled as a decrease in profit in the amount of PLN 5 418 thousand and as a decrease of property, plant and equipment in the amount of PLN 74 253 thousand. The decrease in the provision resulted in a decrease in deferred tax assets in the amount of PLN 13 443 thousand,

(an accrued increase in the provision by PLN 29 550 thousand since the beginning of the financial year, which was settled as a decrease in profit in the amount of PLN 30 174 thousand and as a decrease of property, plant and equipment in the amount of PLN 624 thousand.)

3.3 provisions for future employee remuneration costs together with charges in the amount of PLN 160 255 thousand, paid (in accordance with the Collective Labour Agreement) on the occasion of mining and smelting holidays and after approval of the annual financial statements.

(provision at 31 December 2010 amounted to PLN 281 944 thousand)

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

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

Deferred tax

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

There was an increase in the deferred tax asset in the current quarter in the amount of PLN 47 037 thousand, which was accounted for as an increase in profit.

(an accrued increase in the deferred tax asset since the beginning of the financial year in the amount of PLN 263 976 thousand, which was settled as an increase in profit)

There was a decrease in the deferred tax liability in the current quarter in the amount of PLN 22 595 thousand, of which the following was settled:

- as an increase in profit, PLN 8 275 thousand
- as an increase in other comprehensive income due to measurement of cash flow hedging financial instruments and available-for-sale financial assets, PLN 14 320 thousand.

(an accrued increase in the deferred tax liability since the beginning of the financial year in the amount of PLN 71 205 thousand, of which the following was settled:

- as a decrease in profit, PLN 51 518 thousand
- as a decrease in other comprehensive income due to measurement of cash flow hedging financial instruments and available-for-sale financial assets, PLN 19 687 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 359 833 thousand.

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

Production and financial results in the fourth quarter of 2010

In the fourth quarter of 2010, KGHM Polska Miedź S.A. produced 142 thousand t of electrolytic copper, including 27 thousand t from purchased copper-bearing materials and 322 t of metallic silver.

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

- o copper prices on the London Metal Exchange (LME) at the average level of 8 634 USD/t,
 - o an average exchange rate of 2.92 PLN/USD,
 - o average silver prices on the London Bullion Market (LBM) of 26.43 USD/troz,
- and the sales volume: 143 thousand t of copper and copper products, and 340 t of silver.

The revenues from sales achieved of PLN 4 753 224 thousand were higher than those achieved in the fourth quarter of 2009 by PLN 1 428 382 thousand, i.e. by 43%. The increase in sales was due to:

- o higher copper prices (an increase from 6 643 USD/t to 8 634 USD/t) and silver prices (an increase from 17.57 USD/troz to 26.43 USD/troz),
 - o higher volume of silver sale (an increase from 254 t to 340 t),
 - o weakening of the PLN from 2.82 PLN/USD to 2.92 PLN/USD, and
 - o a change in adjustment in revenues from sales due to settlement of hedging transactions (a change from PLN (40 801) thousand to PLN 12 726 thousand),
- along with a lower volume of copper sales (a change from 146 thousand t to 143 thousand t) which decreased revenues from sales.

In the fourth quarter of 2010, revenues from the sale of copper and copper products represented 78%, and silver 18% (in the comparable period of 2009 respectively: 83% and 12%) of total revenues from sales.

Operating costs (cost of sales, selling costs and administrative expenses) in the fourth quarter of 2010 amounted to PLN 2 484 835 thousand and were higher versus the comparable prior period by PLN 127 775 thousand, i.e. by 5%.

The level of costs was mainly impacted by the utilisation of stored half-finished products and finished goods (an increase in costs by PLN 95 364 thousand).

Expenses by nature amounted to PLN 2 373 614 thousand and were at a level similar to the comparable prior year period (+0.7%, i.e. PLN 17 001 thousand). The change in the structure of expenses by nature was impacted by the measurement (release) in the fourth quarter of 2010 of provisions for future employee benefits (PLN (67 378) thousand) and an increase in other costs by 7% (PLN 166 318 thousand), of which mainly due to the higher value of consumed purchased copper-bearing material (+PLN 49 836 thousand), labour costs (+PLN 47 971 thousand) and higher costs of materials, fuels and energy (+PLN 38 078 thousand).

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

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 fourth quarter of 2010 amounted to 16 158 PLN/t, and increased versus the fourth quarter of 2009 by 15% due to the higher share in production of inventories used and an increase in expenses by nature. The total unit cost of production amounted to 13 157 PLN/t.

The above-mentioned factors impacted also **the pre-precious metals credit unit cost of copper production from own concentrates**, which in the fourth quarter of 2010 amounted to 14 283 PLN/t and was higher than that achieved during the fourth quarter of 2009 by 1 941 PLN/t, i.e. by 16%. The higher volume of production from own concentrates by 11% (by 11.3 thousand tonnes) had a favourable impact on the level of cost from own concentrates. The total unit cost of production from own concentrates amounted to 10 604 PLN/t.

Profit on sales (gross profit less administrative expenses and selling costs) achieved in the fourth quarter of 2010 of PLN 2 268 389 thousand was higher by PLN 1 300 607 thousand, i.e. 2.3 times than that achieved in the fourth quarter of 2009.

Other operating activities showed a loss in the fourth quarter of 2010 in the amount of PLN 642 062 thousand, mainly due to the measurement of derivative instruments. The above-mentioned factor was also the main cause of an increase of the loss on other operating activities by PLN 528 726 thousand in relation to the result achieved in the fourth quarter of 2009.

As a result of the above-mentioned changes, **operating profit** in the fourth quarter of 2010 amounted to PLN 1 626 327 thousand and increased versus the comparable period of 2009 by PLN 771 881 thousand, i.e. almost twice.

KGHM Polska Miedź S.A. earned a **profit for the fourth quarter of 2010** of PLN 1 324 365 thousand, which was higher by PLN 639 014 thousand, i.e. 1.9 times, than that achieved in the fourth quarter of 2009.

EBITDA in the fourth quarter of 2010 amounted to PLN 1 781 577 thousand (including depreciation/amortisation of PLN 155 250 thousand) and was higher by PLN 783 406 thousand (1.8-times) than this ratio in the comparable prior year period.

5. Risk management

In the fourth quarter of 2010, strategies hedging the copper price represented approx. 36%, and those hedging the silver price approx. 18%, of the sales of these metals realised by the Company. In the case of currency transactions, approx. 17% of revenues from sales realised by the Company were hedged.

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

In the fourth quarter of 2010, the negative result on derivative instruments amounted to PLN 672 859 thousand, of which the amount of PLN 12 725 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 685 584 thousand decreased the result on other operating activities, of which PLN 73 214 thousand represented losses due to the realisation of derivative instruments, while PLN 612 370 thousand represented losses due to the measurement of derivative instruments. Losses on the measurement of derivative transactions recognised in other operating activities result mainly from the change in the time value of options which, in accordance with the hedge accounting policy, are recognised in profit or loss.

In the fourth quarter of 2010, the Company implemented copper price hedging strategies with a total volume of 58.5 thousand tonnes and a time horizon falling in 2011 and in the first half of 2012. The Company made use of producer puts (Asian options). In addition, in the analysed period the Company performed a restructurisation of seagull options for the second half of 2011 and for the first half of 2012, implemented in the first and third quarters of 2010, with a total volume of 39 thousand tonnes through the repurchase of sold puts¹. Restructurisation enables the full use of put options purchased within this structure in the case of any decrease in the price of this metal in the second half of 2011 and in the first half of 2012. In the analysed period, the Company implemented an adjustment hedge transaction for 250 tonnes of copper, falling in April 2011.

In the fourth quarter of 2010 the Company implemented strategies hedging the silver price with a total volume of 3.6 million troz and a time horizon falling in 2011. During the reporting period, adjustment hedge transactions were not implemented on this market.

In the case of the forward currency market, in the fourth quarter of 2010 the Company implemented transactions hedging revenues from sales with a total volume of USD 480 million and a time horizon falling in

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

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

2011. The Company made use of puts (European options). In the analysed period no adjustment hedge transactions were implemented on the currency market. In addition, the Company performed a restructurisation of positions for 2011, by offsetting collar option strategies (USD 180 million) implemented in second quarter of 2010. This operation was recognised in accumulated other comprehensive income in the amount of PLN 84 873 thousand, which will be an adjustment in plus of revenues from sales in 2011. At the same time, as part of this restructurisation, put options hedging the USD/PLN exchange rate were purchased for USD 180 million for the entire year 2011.

The Company remains hedged for a portion of copper sales planned in 2011 (156 thousand tonnes), in 2012 (136.5 thousand tonnes), and in the first half of 2013 (19.5 thousand tonnes), and for a portion of silver sales planned in 2011 (3.6 million troz). The Company holds hedging positions for revenues from sales (currency market), in 2011 (USD 1 200 million) and in 2012 (USD 360 million).

Following is condensed information on hedging positions, by type of hedged asset and instruments used at 31 December 2010. The hedged nominal/volume in the months included in the presented periods is equally balanced.

HEGDING POSITION (condensed information) – COPPER MARKET

Period	Instrument	Volume [tonnes]	Execution price [USD/t]	Average weighted premium [USD/t]	Effective hedge price [USD/t]
I half of 2011	Collar	Sold call option	8 800	(470)	6 230
		Purchased put option	6 700		participation restricted to 8 800
	Collar ¹	Sold call option	9 500	(463)	6 537
		Purchased put option	7 000		participation restricted to 9 500
	Collar ¹	Sold call option	9 600	(345)	6 755
		Purchased put option	7 100		participation restricted to 9 600
	Producer puts ²	19 500	8 000	9.78 ³ %	minimal effective hedging price 7 288
	Total	78 000			
II half of 2011	Collar ¹	Sold call option	9 500	(463)	6 537
		Purchased put option	7 000		participation restricted to 9 500
	Collar ¹	Sold call option	9 300	(521)	6 379
		Purchased put option	6 900		participation restricted to 9 300
	Collar ¹	Sold call option	9 600	(348)	6 752
		Purchased put option	7 100		participation restricted to 9 600
	Producer puts ²	19 500	8 000	9.78 ³ %	minimal effective hedging price 7 288
	Total	78 000			
	TOTAL 2011	156 000			
I half of 2012	Seagull ²	Sold call option	9 300	(397)	6 503
		Purchased put option	6 900		restricted to 4 700
		Sold put option	4 700		participation restricted to 9 300
	Collar ¹	Sold call option	9 000	(478)	6 322
		Purchased put option	6 800		participation restricted to 9 000
	Seagull ²	Sold call option	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 puts ²	19 500	8 000	9.90 ³ %	minimal effective hedging price 7 279
	Total	78 000			
II half of 2012	Seagull ²	Sold call option	9 300	(397)	6 503
		Purchased put option	6 900		restricted to 4 700
		Sold put option	4 700		participation restricted to 9 300
	Seagull ²	Sold call option	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	9 500	(383)	6 817	
	Purchased put option	7 200		restricted to 4 700	
	Sold put option	4 700		participation restricted to 9 500	
	Total	58 500			
	TOTAL 2012	136 500			
I half of 2013	Seagull ²	Sold call option	9 500	(383)	6 817
		Purchased put option	7 200		restricted to 4 700
		Sold put option	4 700		participation restricted to 9 500
	Total	19 500			
	TOTAL first half of 2013	19 500			

² Due to current hedge accounting laws, transactions embedded within a producer put – a purchased put option – are shown in the table containing a detailed list of derivative instrument positions – „Hedging instruments”, while sold call options are shown in the table „Trade instruments”. In addition transactions included in the seagull structure – purchased put options and sold call options – are shown in the table containing a detailed list of derivative instrument positions – „Hedging instruments”, with sold put options in the table „Trade instruments”.

³ Payable at the moment of settlement.

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]
I half of 2011	Purchased put option	1.80	20.00	(1.27)	18.73
	Total	1.80			
II half of 2011	Purchased put option	1.80	20.00	(1.27)	18.73
	Total	1.80			
TOTAL 2011		3.60			

HEDGING POSITION (condensed information) – CURRENCY MARKET

Period	Instrument		Nominal [million USD]	Execution price [USD/PLN]	Average weighted premium [PLN per 1 USD]	Effective hedge price [USD/PLN]
I half of 2011	Collar ¹	Sold call option	180	3.7000	(0.1277)	2.7723
		Purchased put option		2.9000		participation restricted to 3.70
		Purchased put option	90	3.3500	(0.2390)	3.1110
		Purchased put option	90	2.7000	(0.0781)	2.6219
		Purchased put option	120	2.8000	(0.0722)	2.7278
		Purchased put option	120	2.9000	(0.0993)	2.8007
Total			600			
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		2.7000		
		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			1 200			
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			180			
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			360			

All entities with which derivative transactions are entered into operate in the financial sector. These are financial institutions (mainly banks), with the highest⁴ (40.7%), medium-high⁵ (48.2%) or medium⁶ (11.1%) ratings. Based on fair value at 31 December 2010, the maximum share of a single entity with respect to credit risk arising from derivative transactions entered into by the Company amounted to 30%.

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.

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

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

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

At 31 December 2010, the fair value of open positions in derivative instruments amounted to PLN (495 572) thousand, of which PLN (286 896) thousand related to the negative fair value of hedging instruments, PLN (285 484) thousand related to the negative fair value of trade instruments, and PLN 76 808 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 derivative instruments varies, depending on changes in market conditions, and the final result on these transactions may vary significantly from the measurements described above. Detailed information on positions in derivative instruments at 31 December 2010 is presented below in the tables "Trade instruments", "Hedging instruments" and "Instruments initially designated as hedging instruments excluded from hedge accounting".

TRADE INSTRUMENTS			31 December 2010			
Type of derivative instrument	Volume/ Notional Cu [t] Currency ['000 USD]	Avg. weighted price/ex. rate Cu [USD/t] Currency [USD/PLN]	Financial assets		Financial liabilities	
			Current	Non- current	Current	Non- current
Derivatives - Metals - Copper						
Swaps/forwards						
Swaps/forwards - purchased	250	9 089.26	375			
Options						
Sold call options	5 744	1			(98 644)	(61 438)
Purchased put options	117 000	4 700	742	1 605		
Sold put options	234 000	4 683			(742)	(23 580)
TOTAL:			1 117	1 605	(99 386)	(85 018)
Derivatives - Currency contracts						
Options						
Purchased call options	180 000	4.4000	454			
Purchased put options	360 000	2.4000	4 003			
Sold put options	810 000	2.7222			(87 851)	(20 408)
TOTAL:			4 457		(87 851)	(20 408)
Total trade instruments			5 574	1 605	(187 237)	(105 426)

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Consolidated quarterly report with quarterly financial information prepared in accordance with IFRS
as adopted by the European Union
for the period from 1 October 2010 to 31 December 2010
(amounts in tables in thousand PLN, unless otherwise stated)

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

HEDGING INSTRUMENTS							31 December 2010			
Type of derivative instrument	Volume/ Notional	Avg. weighted price/ ex. rate	Maturity/ settlement period		Period of profit/loss impact		Financial assets		Financial liabilities	
	Cu [t] Ag ['000troz] Currency ['000USD]	Cu [USD/t] Ag [USD/troz] Currency [USD/PLN]	From	Till	From	Till	Current	Non-current	Current	Non-current
Derivatives – Metals- Copper										
Options										
Purchased put options										
Collar	19 500	6 700-8 800	Jan 11	June 11	Feb 11	July 11	817		(61 730)	
Collar - seagulls	234 000	7 008-9 383	Jan 11	June 13	Feb 11	July 13	26 198	208 333	(224 011)	(593 707)
Purchased put options-producer puts	58 500	8 000	Jan 11	June 12	Feb 11	July 12	25 300	45 704		
TOTAL:							52 315	254 037	(285 741)	(593 707)
Derivatives – Metals - Silver										
Options										
Purchased put options	3 600	20	Jan 11	Dec 11	Feb 11	Jan 12	1 333	406		
TOTAL:							1 333	406		
Derivatives – Currency contracts										
Options										
Purchased put options	750 000	2.8470	Jan 11	Dec 11	Jan 11	Dec 11	86 063			
Collar	180 000	3.4000-4.4500	Jan 12	Dec 12	Jan 12	Dec 12		79 369		(5 678)
Collar - seagull	630 000	3.0714-4.0000	Jan 11	Dec 12	Jan 12	Dec 12	71 475	68 422	(8 420)	(6 769)
TOTAL:							157 538	147 791	(8 420)	(12 447)
Total hedging instruments							211 186	402 234	(294 161)	(606 154)

INSTRUMENTS INITIALLY DESIGNATED AS HEDGING INSTRUMENTS EXCLUDED FROM HEDGE ACCOUNTING

INSTRUMENTS INITIALLY DESIGNATED AS HEDGING INSTRUMENTS EXCLUDED FROM HEDGE ACCOUNTING							At 31 December 2010			
Type of derivative instrument	Volume/ Notional	Avg. weighted price/ ex. rate	Maturity/ settlement period		Period of profit/loss impact		Financial assets		Financial liabilities	
	Currency ['000 USD]	Currency [USD/PLN]	From	Till	From	Till	Current	Non-current	Current	Non-current
Derivatives – Currency contracts										
Options										
Collar	180 000	3.4000 – 4.4500	Jan 11	Dec 11	Jan 11	Dec 11	77 261		(454)	
TOTAL							77 261		(454)	
Total instruments initially designated as hedging instruments excluded from hedge accounting							77 261		(454)	

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

The fair values of derivatives and other receivables/liabilities due to unsettled derivatives with a settlement date of 5 January 2011, as at 31 December 2010, are presented in the table below:

	Total: fair value of derivatives and of other receivables/liabilities due to unsettled derivatives	Fair value of derivatives	Fair value of other receivables/liabilities due to unsettled derivatives
Financial assets	697 860	697 860	-
Financial liabilities	(1 243 122)	(1 193 432)	(49 690)
Net fair value	(545 262)	(495 572)	(49 690)

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

At 30 September 2010, accumulated other comprehensive income (excluding the deferred tax effect) due to cash flow hedging instruments amounted to PLN 240 796 thousand, of which PLN (14 938) thousand related to the effective portion of the result from the measurement of transactions hedging metals price risk, and PLN 255 734 thousand related to the effective portion of the result from the measurement of transactions hedging currency risk.

During the fourth quarter of 2010 there was a decrease in other comprehensive income by PLN 129 964 thousand (excluding the deferred tax effect), comprised of: 1) changes in fair value during the period recognised as a decrease in other comprehensive income due to the effective portion of hedging transactions entered into, in the amount of PLN 117 239 thousand, 2) the amount of PLN 12 725 thousand, decreasing accumulated other comprehensive income transferred to increase revenues from sales, due to the settlement of the effective portion of hedging transactions.

Accumulated other comprehensive income	At 31 December 2010
Commodity price risk hedging transactions (copper and silver) – derivatives	(98 940)
Currency risk hedging transactions – derivatives	209 772
Total accumulated other comprehensive income - financial instruments hedging future cash flows (excluding deferred tax effects)	110 832
Gains or (losses) on derivative instruments hedging future cash flows recognised in other comprehensive income	For the period from 1 October 2010 to 31 December 2010
Accumulated gain or loss arising from financial instruments hedging cash flows at 1 October 2010	240 796
Amounts recognised in the reporting period due to hedging transactions	(117 239)
Amounts transferred from accumulated other comprehensive income to revenues from sales	(12 725)
Accumulated other comprehensive income arising from financial instruments hedging cash flows at 31 December 2010 (excluding the deferred tax effect)	110 832

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

III. Contingent assets and liabilities

	At 31 December 2010	Increase/(decrease) since the end of the last financial year
Contingent assets	205 634	102 620
Guarantees received	132 214	106 834
Disputed State budget issues	17 518	(5 682)
Promissory notes receivables	22 573	(350)
Inventions, implementation of projects	33 329	2 094
Other	-	(276)
Contingent liabilities	555 190	24 637
Guarantees	5 000	-
Disputed issues, pending court proceedings	15 566	504
Contingent penalties	-	(23)
Preventive safety measures in respect of mine-related damages	2 475	(16)
Liabilities due to implementation of projects, inventions	104 098	(2 243)
Operating leases	19 273	(314)
Future payments due to perpetual usufruct of land	408 774	26 728
Other	4	1

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

Lubin, 28 February 2011