Appendix to Resolution No. 25/VIII/13
of the Supervisory Board of KGHM Polska Miedź S.A.
dated 8 May 2013

KGHM POLSKA MIEDŹ S.A.

SUPERVISORY BOARD

Brief assessment of the standing of KGHM Polska Miedź S.A. for financial year 2012, including an evaluation of the internal control system and the Company's significant risk management system

May, 2013

Translation from the original Polish version.
In the event of differences, reference should be made to the official Polish version.

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Introduction

In accordance with chapter III point 1 sub-point 1) of the „Code of Best Practice for WSE Listed Companies" the Supervisory Board of KGHM Polska Miedź S.A. hereby presents a brief assessment of the Company's standing, including an evaluation of the risk management system and the internal control system for the Company. This assessment has been prepared based on documents submitted by the Management Board, discussions held with the participation of the Management Board and other individuals invited to attend meetings of the Supervisory Board, and also takes into account the financial statements and the reports of the Management Board on the Company's activities, and based on the conclusions from the audit of the Company's account books by a Certified Auditor.

1. Economic results of KGHM Polska Miedź S.A. in 2012

1.1 Macroeconomic conditions in 2012

After the record year of 2011 on the industrial and precious metals market, the past year brought a correction to prices. The average annual price of electrolytic copper in 2012 on the London Metal Exchange was 7 950 USD/t and was 10% lower than in 2011, when it amounted to 8 811 USD/t, while the average annual silver price on the London Bullion Market in 2012 amounted to 31.15 USD/troz (1 002 USD/kg), meaning a decrease by 11% versus the price in 2011 – 35.12 USD/troz (1 129 USD/kg).

The USD/PLN exchange rate (per the NBP) in 2012 amounted to 3.26 USD/PLN and was higher versus the prior year by 10% (2.96 USD/PLN). In 2012 the minimum USD/PLN exchange rate was recorded in the second half of December at the level of 3.07 USD/PLN, while the maximum was reached at the beginning of June – 3.58 USD/PLN.

1.2 Mine and smelter production

Mine production in the Company, in comparison to 2011, remained at a similar level, with a deterioration on copper content in ore (due to work in regions with lower copper ore mineralisation – average copper content in ore amounted to 1.59% versus the level of 1.61% in 2011) compensated by increased ore extraction (due to increased extraction on working days and to intensified work on statutorily free days).

The production of electrolytic copper in 2012 was slightly (1%) lower than the level in 2011, when it was the highest in the Company's history. Maintaining a similar level of production despite a higher level of production from inventories in the prior year was possible thanks to an increased share of production from purchased copper-bearing materials in the form of scrap, copper blister and imported concentrates. Supplementing own concentrates with purchased copper-bearing materials enabled the efficient utilisation of existing production capacity.

In relation to 2011, the production of metallic gold increased by 212 kg, i.e. 30%, mainly due to a higher gold content in purchased copper-bearing materials. In addition, the production of silver and lead increased respectively by 14 t (1%) and 2.3 kt (9%).

The production of other smelter products (wire rod, OFE and CuAg rod and round billets) depends on the level of electrolytic copper production, the type of raw materials used and on market demand.

1.3 Revenues from sales

In 2012, versus the prior year, the Company increased the volume of copper sales by 13 kt (2%). The volume of precious metals sales was higher versus the prior year – silver sales amounted to 1 267 t and were higher by 7% (88 t), while gold sales amounted to 908 kg and were higher by 38% (248 kg).

Total revenues from the sale of KGHM Polska Miedź S.A. products in 2012 amounted to PLN 20 510 million, and were higher by 3% than revenues achieved in 2011, mainly due to an increase in the amount of copper and precious metals sold. Revenues from the sale of copper and copper products were higher by 2%. Revenues from silver and gold sales versus their level in 2011 were higher respectively by 6% and 39%.

Revenues from sales in 2012 reflect the positive result from the settlement of hedging instruments in the amount of PLN 333 million (in the prior year PLN 242 million).

1.4 Basic operating costs

In 2012, total expenses by nature increased by PLN 2 963 million, i.e. by 27%, mainly due to:

- the introduction from April 2012 of the minerals extraction tax (+PLN 1 596 million),
- the higher value of purchased copper-bearing materials (+PLN 762 million) due to an increase in the volume of consumption by 30 kt Cu (of which 25 kt relates to electrolytic copper production),
- employee benefits costs (+PLN 206 million) – mainly due to an increase in remuneration by 5% and disability contributions by 2 percentage points,
- external services (+PLN 101 million) – mainly due to an increase in the scope of mine development work (+PLN 63 million),
- materials and fuel (+PLN 99 million) – mainly due to an increase in prices,
- depreciation/amortisation (+PLN 100 million) – due to an increase in realised investments in property, plant and equipment (+16%).

The pre-precious metals credit unit cost of copper production (unit cost prior to decrease by the value of anode slimes containing among others silver and gold) increased in 2012 versus 2011 by 4 008 PLN/t, i.e. by 23%, mainly due to the introduction of the minerals extraction tax (+2 346 PLN/t) and to an increase in the value of purchased copper-bearing materials (+1 182 PLN/t) due to a higher volume of consumption by 20% with a purchase price at the level of 2011.

1.5 Financial results

The Company realised a profit for 2012 in the amount of PLN 4 868 million, meaning a decrease by PLN 6 526 million (57%) versus profit earned in 2011, mainly affected by the following:

- an increase in revenues from sales by PLN 640 million, mainly impacted by the following:
  - lower prices of copper and silver respectively by 10% and 11% (PLN (2 129) million),
  - a change in the USD/PLN exchange rate from 2.96 USD/PLN to 3.26 USD/PLN (+PLN 1 968 million),
  - an increase in sales of basic products – copper by 13.4 kt, silver by 87 t and gold by 247 kg (+PLN 693 million),
  - a change in adjustment to sales due to hedging (+PLN 91 million),
- an increase in basic operating costs by PLN 2 942 million, mainly due to the impact of the minerals extraction tax in the amount of PLN 1 327 million from April 2012, and on

the higher costs of consumption of purchased copper-bearing materials (PLN 762 million),

- sale of subsidiaries and associates - in 2011, the Company earned a profit on the sale of Polkomtel S.A. and DIALOG S.A. of PLN 2 662 million, while in 2012 there were no sales of shares of subsidiaries or associates,
- a change in exchange differences by PLN (1 461) million (from +PLN 895 million in 2011 to PLN (566) million in 2012) – the high level of exchange differences was due to the accumulation of cash related to the planned acquisition of Quadra FNX,
- a decrease of PLN 405 million in the result due to the measurement and realisation of derivatives,
- impairment losses on available-for-sale financial assets - at 31 December 2012, an impairment loss was recognised on investments in the total amount of PLN (158) million, of which PLN (151) million was in respect of Tauron Polska Energia S.A., and PLN (7) million was in respect of Abacus Mining & Exploration Corporation,
- the lower by PLN 784 million income tax (decrease in tax base).

1.6 Selected financial ratios

	2010	2011	2012
Return on assets (ROA)	23.0	39.0	17.3
Return on equity (ROE)	31.6	49.3	22.2
Quick liquidity	1.9	3.9	0.7
Current liquidity	2.6	4.5	1.5
Debt ratio	27.1	20.9	22.2
Durability of financing structure	84.9	86.8	86.5

The decrease in profit of the Company for 2012 versus 2011 resulted in a deterioration in the profitability ratios ROA (from 39% to 17%) and ROE (from 49% to 22%).

Realisation of the acquisition of Quadra FNX and payment of the dividend for 2011 resulted in a decrease in the level of cash and in consequence of the liquidity ratios – quick liquidity decreased from 3.9 to 0.7 and current liquidity from 4.5 to 1.5.

The increase in the debt ratio is due to the lower level of equity, alongside a similar level of liabilities. It should be pointed out that at 31 December 2012, the Company held liabilities due to bank loans in the amount of PLN 1 013 million, while in 2011 this form of financing was not utilised. Simultaneously, liabilities due to current income tax decreased by PLN 1 198 million.

2. Realisation of Company Strategy and mission

In 2012, KGHM Polska Miedź S.A. consistently implemented the approved development Strategy. The process of implementing the Company Strategy was executed by investing in a continuously updated portfolio of strategic projects fulfilling the intended goals at the level of each pillar's strategic initiatives. The main project which were realised in 2012 are the following:

- In the first quarter of 2012, KGHM Polska Miedź S.A. engaged in the friendly **takeover of the Canadian company Quadra FNX** for the total price of CAD 2 900 million (representing the equivalent of PLN 9 147 million at the average CAD/PLN exchange rate of the National Bank of Poland of 5 March 2012). The transaction was financed using the Company's own funds. The name of the acquired company was changed to

KGHM INTERNATIONAL LTD. In 2012, work continued on integrating the company into the KGHM Group,

- In April 2012, KGHM Polska Miedź S.A. exercised the option to increase its share in **KGHM Ajax Mining Inc.** from 51% to 80%. In September 2012, KGHM INTERNATIONAL LTD. began to manage the project,
- Accessing the concession area **Deep Głogów** continued since 2006, work on which includes construction of the GG-1 shaft and the execution of primary drifts to access Deep Głogów area along with development of technical infrastructure,
- **„Construction of the SW-4 shaft"** for accessing ore below 1 000 m in the Polkowice-Sieroszowice mine, assuming balanced extraction of the ore resources,
- **Research into the use of mechanical mining in the conditions prevalent in the mines of KGHM Polska Miedź S.A.** in terms of developing and implementing mining combine technology, as an alternative to the currently used room-and-pillar systems, in which mining is conducted through blasting,
- **Concessions 2013**, based on obtaining new concessions for the extraction of copper ore from deposits currently being worked by KGHM Polska Miedź S.A. by the end of 2013.
- The **„Pyrometallurgy Modernisation Program",** whose goal is to create a functionally integrated, cost effective and environmentally friendly smelting structure for KGHM Polska Miedź S.A. This program is a multi-year venture, begun in 2008. Completion of the project is expected by the end of 2015,
- Multi-year programs involving t**he automation and modernisation of the ore concentration process** involving the replacement of floatation equipment and milling power units, modernisation of classifiers and a program to improve the energy efficiency of the existing machinery park, as well as implementation of a comprehensive production maintenance program in the Concentrator Division,
- **„Construction of gas-steam blocks at the Głogów and Polkowice power plants"** with installed capacity of 90 MWe and planned power generation of 560 GWh, all of which will be used to meet the Company's power needs.
- **„Construction of a power generation source based on the utilisation of natural gas as the raw material for its generation, on the grounds of the existing Blachownia Power Plant".**

  In respect of realisation of the agreement entered into on 20 January 2010 with TAURON Polska Energia S.A. and TAURON Wytwarzanie S.A., and on the basis of the permission received on 23 July 2012 of the European Commission (the applicable antimonopoly body) with respect to concentration, on 5 September 2012, KGHM Polska Miedź S.A. founded a special purpose company with TAURON Wytwarzanie S.A. called „Elektrownia Blachownia Nowa sp. z o.o." KGHM Polska Miedź S.A. acquired 50% of the shares in the share capital of the special purpose company. The share capital of this company is PLN 65 million.

  Together with the founding of this company, a Shareholders Agreement was signed describing the detailed principles of cooperation between the parties regarding realisation of the enterprise, comprising the preparation, construction and operation of the approx. 850 MW gas–steam block on the grounds of the Blachownia power plant in Kędzierzyn-Koźle belonging to the TAURON Group. In accordance with this Agreement, the Partners anticipate that the total estimated expenditure on this investment in the years 2012-2017 will amount to around PLN 3.5 billion. The project

will be realised using the project finance formula – at least 50% of its budget will be financed from outside sources.
In 2012, the special purpose company performed work related to preparing the investment, involving the obtaining of required documentation comprising among others sector projects, construction permits, connection conditions and the commencement of tender procedures to select advisors and a contractor to build the block.

- **„Exploration for and extraction of shale gas in Poland (KCT Project)"**
  On 4 July 2012, KGHM Polska Miedź S.A. signed a Framework Agreement with the following companies: Polskie Górnictwo Naftowe i Gazownictwo S.A. (PGNiG), ENEA S.A., PGE Polska Grupa Energetyczna S.A., and TAURON Polska Energia S.A. on the exploration, evaluation and extraction of shale gas in geological formations for which concessions have been granted to PGNiG for the exploration and evaluation of deposits of crude oil and natural gas in relation to the Wejherowo area with respect to the Kochanowo, Częstkowo and Tępcz pads of total area of 160 km2 (KCT Project).

  Estimated expenditures on exploration, evaluation and extraction with respect to the first three zones within the area of cooperation determined in the agreement are estimated at PLN 1 720 million. The parties to the agreement are in the process of determining the details of cooperation (including the project budget and schedule, the extent of financing by the parties of expenditures according to the agreed budget, participation in profits from the project and the principles of responsibility, including contractual penalties).

- **„Preparation for the construction and operation of the first Polish nuclear power plant".**
  On 5 September 2012, KGHM Polska Miedź S.A., PGE Polska Grupa Energetyczna S.A., Tauron Polska Energia S.A. and ENEA S.A. signed a Letter of Intent regarding the purchase of shares of a special purpose company founded in order to build and operate the first Polish nuclear power plant. In accordance with the Letter of Intent, the above-mentioned companies will work together to develop a draft agreement which will describe their rights and obligations in executing the project, with the assumption that PGE Polska Grupa Energetyczna S.A. will play the leading role.

3. Assessment of financial risk management system in the Company in 2012

The main financial risks to which the Company is exposed in the conduct of its business are:
- market risks (among others risk of changes in metal prices, risk of changes in foreign exchange rates, risk of changes in interest rates),
- liquidity risk,
- credit risk.

3.1 Market risk management

The Management Board is responsible for the management of market risk in the Company and for adhering to the approved policy in this regard. The main body responsible for overseeing market risk management is the Market Risk Committee, which recommends actions to the Management Board in this regard. The primary technique for market risk management is the use of hedging strategies involving derivative instruments. Apart from this, natural hedging is also used.

The Company continuously monitors the commodity and currency markets, and these monitoring activities are the basis for taking decisions on implementing hedging strategies. The management of market risk is also determined by the internal situation of the Company. KGHM Polska Miedź S.A. applies future cash flow hedge accounting. Monitoring of the amount of market risk in the Company is based on analysis of the impact of market risk factors on the activities of the Company (profit, statement of financial position, statement of cash flows) among others using the market risk measure Earnings-at-Risk, based on Corporate Metrics methodology.

In 2012, the Company was mainly exposed to the risk of changes in the prices of metals sold on the market: copper and silver. In addition, of major significance for KGHM Polska Miedź S.A. was the risk of changes in currency rates, in particular the USD/PLN exchange rate. In accordance with hedge policy, the Company applied a consistent and step-by-step approach to market risk management in order to hedge against unfavourable changes in copper prices and in the PLN exchange rate versus the USD.

In 2012 the Company implemented copper price hedging strategies with a total volume of 196.5 thousand tonnes and a time horizon falling in years 2013-2015, using options (Asian options), including: option strategies: seagull and collar.

During the reporting period no silver price hedging strategies were implemented by the Company.

In the case of the forward currency market, in 2012 the Company implemented transactions hedging revenues from sales with a total nominal amount of USD 720 million and a time horizon falling in years 2014-2015. The Company made use of option strategies: collars (European options).

The nominal of copper price hedging strategies settled in 2012 represented approx. 35% (in 2011 35%) of the total sales (production from copper-bearing materials and from own concentrates) of this metal realised by the Company. With respect to silver sales this figure amounted to approx. 27% (in 2011 9%). In the case of the currency market, hedged revenues from sales represented approx. 16% (in 2011 19%) of total revenues from sales realised by the Company. In addition, the result on derivatives in 2012 was at the level of PLN 249 million.

Interest rate risk is the possibility of a negative impact of changes in interest rates on the Company's results. In 2012, the Company was exposed to this type of risk due to the granting of loans, the depositing of unallocated cash and cash equivalents, the commencement of zero-balance cash pool services, and the use of borrowing.

In 2012, the Company did not make use of interest rate risk hedging instruments.

3.2 Financial liquidity management

The Management Board is responsible for the management of financial liquidity in the Company and for adhering to the approved policy in this regard. The Company actively manages financial liquidity, understood as the capacity to punctually regulate its liabilities and to obtain funds to finance its current activities and investment needs.

In order to minimise the risk of loss of liquidity in 2012, the Company made use of borrowing in the form of bank loans, using both an overdraft facility as well as a working capital facility. Open lines of credit are available in PLN, USD and EUR.

Simultaneously, in order to maintain financial liquidity and the creditworthiness to acquire external financing at a reasonable cost, the Company monitors its capital, among others based on the equity ratio and the ratio of Net Debt/EBITDA.

The Company assumes that the equity ratio shall be maintained at a level of not less than 0.5, and the ratio of Net Debt/EBITDA at a level of up to 2.0.

3.3 Credit risk management

The Management Board is responsible for the management of credit risk in the Company and for adhering to the approved policy in this regard. The main body responsible for overseeing actions in this area is the Credit Risk Committee. KGHM Polska Miedź S.A. continuously evaluates creditworthiness: of its customers with whom physical sales transactions are undertaken; of the financial institutions (banks/brokers) with whom hedging transactions are undertaken; and of the entities in which direct investments or equity investments are made.

In 2012, KGHM Polska Miedź S.A. was exposed to this credit risk, mainly in three areas, related to:

- trade receivables,
- cash and cash equivalents and bank deposits,
- hedging transactions.

The Company restricts its exposure to credit risk related to trade receivables by assessing and monitoring the financial condition of its customers, setting credit limits and the use of receivables insurance. An inseparable element of the credit risk management system realised in the Company is the on-going monitoring of receivables and the internal reporting system. Buyer's credit is only provided to proven, long-term customers, while sales of products to new customers are in most cases based on prepayments. In 2012, the Company secured the majority of its receivables by promissory notes, frozen funds on bank accounts, registered pledges, bank guarantees, corporate guarantees, mortgages and documentary collection. In addition, the majority of customers which hold buyer's credit on contracts have ownership rights confirmed by a date certain.

To reduce the risk of insolvency by its customers, the Company has entered into a receivables insurance contract, which covers receivables from entities with buyer's credit which have not provided strong collateral or have provided collateral which does not cover the total amount of the receivables. Taking into account the collateral held and the credit limits received from the insurance company, at 31 December 2012, the Company had secured 82% of its trade receivables.

The concentration of credit risk in the Company is related to the granting of extended terms of payment to key customers (most of whom operate within the European Union). As a result, at 31 December 2012 the balance of receivables from the Company's 7 largest customers, in terms of receivables at the end of the reporting period, represented 66% of the trade receivables balance (52% at 31 December 2011). Despite the concentration of this type of risk, the Company believes that due to the availability of historical data and the many years of experience cooperating with its clients, as well as to the hedging used, the level of credit risk is low.

All of the entities with whom the Company entered into depositary transactions in 2012 operated in the financial sector. These are exclusively banks registered in Poland or operating in Poland as branches of foreign banks, belonging to European and American financial institutions with highest (15% of deposits), medium-high (37% of deposits) and medium (48% of deposits) ratings, and having an appropriate level of equity and strong and stable market positions. At 31 December 2012, the maximum share of a single bank with respect to the amount of funds deposited by the Company amounted to 20%.

All of the entities with whom the Company enters derivative transactions operate in the financial sector. These are financial institutions (mainly banks), with the high and medium ratings. According to fair value at 31 December 2012, the maximum share of a single entity with respect to credit risk arising from open derivative transactions entered into by the Company and from unsettled derivatives amounted to 17%. Due to diversification of risk in terms both of the nature of individual entities and of their geographical location, as well as taking into consideration the fair value of assets and liabilities arising from derivative transactions, the Company is not materially exposed to credit risk as a result of derivative transactions entered into. To restrict cash flow and simultaneously restrict credit risk, the Company performs net settlement (based on framework agreements entered into with customers) to the level of positive balance of fair value measurement of transactions with the given counterparty.

4. Evaluation of the internal audit and internal control systems

4.1 Internal audit

The Company systematically examines and monitors the control mechanisms and identifies potential risks in individual processes occurring in the Company. This function is performed by the internal audit, which is independent in its activities.

Audit activities focus on estimating risk and examining the functioning of control systems in a process based on the collection of data (information and communications) of a given control environment in order to improve process functioning.

As a result of control audits performed in 2012, the Management Board ordered the realisation of recommendations and corrective measures to eliminate ineffective control mechanisms and to minimise potential risks in the following processes: management of strategic investments, selection of suppliers, management of suppliers of basic and other materials and of services, maintenance management, management of information technology and management of non-current assets.

The implementation of these recommendations is continuously monitored by the Management Board and evaluated by the Supervisory Board Audit Committee of KGHM Polska Miedź S.A.

4.2 Evaluation of the internal control system

Internal (institutional) control is performed by a separate department in the organisational structure of KGHM Polska Miedź S.A. – the Internal Control Department.

The internal control system in KGHM Polska Miedź S.A. is based on the principle of independence, and encompasses all Company processes, including those areas having direct or indirect impact on its proper functioning.

In addition, the obligation fully remains for each employee to control their own performance, and for every level of management staff to perform their control – within coordination- and supervisory-related duties.

In 2012, the Internal Control Department realised 12 planned control audits and 7 ad hoc audits. Control audits were performed in the Divisions of KGHM Polska Miedź S.A. and in three companies of the KGHM Polska Miedź S.A. Group.

The control audits identified irregularities and transgressions most often of a formal-legal nature (failure to properly follow internal regulations), and in addition, irregularities in the realisation of services by contractors for the divisions of KGHM Polska Miedź S.A., the improper functioning of applied technical equipment and the failure to follow employee regulations.

The post-audit recommendations (which have been or are being implemented) addressed to the Parties Audited were aimed at eliminating the irregularities identified and implementing corrective measures to conform to existing legal standards, as well as at improving the effectiveness of functional audits performed by management in terms of coordination and supervisory activities.

5. Selected areas requiring attention

5.1 Integration of KGHM International

Following completion of the acquisition of Quadra FNX (currently KGHM International) particular emphasis must be placed on integration with the KGHM Group in order to ensure an optimal model of supervision and cooperation between KGHM Polska Miedź S.A. and KGHM International to guarantee the widest spectrum of synergistic effects.

To introduce the above-mentioned model, the Management Board of KGHM Polska Miedź S.A. adopted a resolution on the implementation of policy with respect to supervision and the decision-making process in the KGHM Group. The „Policy of Coordination, Support and Integration with KGHM International Ltd." sets forth the main goals, organisational structures and products from the activities of these structures with respect to supervision of and integration with KGHM International Ltd.

The „Policy of Coordination, Support and Integration with KGHM International Ltd." is carried out by the Coordination and Integration Board together with its supporting functional committees, which present recommendations on important activities pursuant to their assigned substantive scopes and serve in an advisory role to the Management Board of KGHM Polska Miedź S.A., the Management Board of KGHM International Ltd. and the Board of Directors of KGHM International Ltd.

The organisational structure operating under this policy is responsible for on-going inter-company cooperation, the effective exchange of information, ensuring uniformity in action and the early identification of key risks, as well as determination of means for their mitigation.

5.2 Investment in Sierra Gorda

The Sierra Gorda project comprises the construction of an open-pit mine on one of the largest new deposits of copper and molybdenum in the world. The start of production at Sierra Gorda is planned for 2014. Planned annual production: approx. 220 thousand tonnes of copper, 11 thousand tonnes of molybdenum and 2 tonnes of gold for over 20 years.

In the first quarter of 2013, the project's final capital expenditure estimate was updated. Total initial capital expenditure amounts to USD 3.9 billion versus USD 2.9 billion forecast in February 2011. The main factors responsible for increasing expenditure are: rising costs of labour, services and materials, inflation and appreciation of the peso, increased legal requirements regarding buildings and environmental protection and changes in the project's scope. However, thanks to a variety of preventative measures, including realisation of a hedging policy and cost saving measures, the impact of external factors on realisation of the Sierra Gorda investment was partially alleviated. All of the partners of the Sierra Gorda joint venture intend to continue to cooperate on actions aimed at reducing capital expenditure and implementing a mine machinery leasing program.

Due to the critical importance of the Sierra Gorda project for the development of the Group, the Company exercises direct supervision over the project's realisation.

5.3 Minerals extraction tax

A significant new element in costs, starting from April 2012, is the minerals extraction tax. This tax was introduced in accordance with the Act on the minerals extraction tax dated 2 March 2012, which came into force on 18 April 2012.

The mineral extraction tax is calculated from the amount of copper and silver contained in produced concentrate and depends on the prices of these metals as well as on the USD/PLN exchange rate. The tax is accounted for under manufacturing costs and is not deductible for tax purposes, and therefore does not decrease the taxable base. As a result the tax represents a permanent and substantial charge on the results.

5.4 Concessions 2013

Activities involving the exploitation of copper ores are carried out based on concessions held by KGHM Polska Miedź S.A., which were issued by the Minister of Environmental Protection, Natural Resources and Forestry and the Ministry of the Environment in the years 1993-2004, most of which expire by December 2013.

In view of the above, in 2010 the Company commenced the project CONCESSIONS 2013, whose goal is to obtain concessions for the extraction of copper ore from the aforementioned mining areas for the maximum possible period provided for by law, which is 50 years. Considering the current state of work on obtaining the aforementioned concessions and the actions taken by the Company, there is no threat to the continuation of the Company's business operations.

5.5 The Comprehensive Risk Management System in the KGHM Polska Miedź S.A. Group

In 2012, KGHM Polska Miedź S.A. began work aimed at implementing a comprehensive, integrated risk management system to support the process of management at the strategic and operational level for the KGHM Polska Miedź S.A. Group.

This project is an element of the realisation of the Strategy, as well as of the development of organisational skills and know-how, improving corporate governance and strengthening the trust of investors in the Company. Effective implementation of this system will make the Company more robust, predictable and stable, more responsible towards its shareholders and also more capable of adapting to changing business conditions.

In 2012, work was carried out which included among others the analysis and assessment of solutions implemented in the Company, with respect to risk management in terms of regulations and sectoral best practice, as well as the design of a risk management system, including among others an organisational structure, duties, roles and scopes of responsibility.

An integral part of the project is the conduct of a program of training for the management staff and employees of the KGHM Polska Miedź S.A. Group on the question of risk management at the basic level (the principles and adopted risk management model) [realised at the turn of 2012/13] and advanced level (dedicated workshops for target groups of participants/roles in the risk management process).

In 2013, work will continue on subsequent stages of the project, which will produce the following products: corporate risk management policy and procedure, methodology and tools, registration of identified and assessed risks, risk maps and selected key risks. Subsequent stages of the project will provide a key risks management strategy and the first quarterly report for the second quarter of 2013 on risk management in the KGHM Polska Miedź S.A. Group.