

**Report of the Supervisory Board of KGHM Polska Miedź S.A.  
on the results of its evaluation of the consolidated financial statements  
of the KGHM Polska Miedź S.A. Group for financial year 2014  
and the report on the activities of the Group in financial year 2014**

*(Approved by Resolution No. 11/IX/15 of the Supervisory Board of KGHM Polska Miedź S.A. dated 16 March 2015)*

March, 2015

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

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## **1. Introduction**

In accordance with §20 sec. 2 points 1) and 3) of the Statutes of KGHM Polska Miedź S.A. and based on art. 382 §3 of the Commercial Partnerships and Companies Code, on 16 March 2015 the Supervisory Board of KGHM Polska Miedź S.A. carried out an evaluation of the consolidated financial statements of the KGHM Polska Miedź S.A. Group for financial year 2014 and the report on the activities of the Group in financial year 2014.

The Supervisory Board has summarised the conclusions from the above evaluation, after reviewing the documents presented to it by the Management Board of KGHM Polska Miedź S.A., in particular the following:

- the consolidated financial statements of the KGHM Polska Miedź S.A. Group for financial year 2014;
- the report on the activities of the KGHM Polska Miedź S.A. Group in financial year 2014;
- the auditor's opinion and report on its audit of the consolidated financial statements for 2014.

The audit of the consolidated financial statements of the KGHM Polska Miedź S.A. Group in accordance with International Financial Reporting Standards for the year ended 31 December 2014, has been carried out by the Certified Auditor - PricewaterhouseCoopers Sp. z o.o. with its registered head office in Warsaw. The audit included a review of the documentation which formed the basis for the amounts and information presented in the consolidated financial statements of the KGHM Polska Miedź S.A. Group for financial year 2014, as well as an assessment of the propriety of the accounting principles and significant estimates approved and applied in the Group.

The results of the evaluation of the Supervisory Board are presented in the following report.

## **2. Evaluation of the consolidated financial statements for financial year 2014 (from 1 January to 31 December 2014)**

The Supervisory Board reviewed and analysed the consolidated financial statements of the KGHM Polska Miedź S.A. Group prepared in accordance with International Financial Reporting Standards, as adopted by the European Union for the year ended 31 December 2014, containing:

- the consolidated statement of financial position, which shows total assets and total equity and liabilities of PLN 40 374 million
- the consolidated statement of profit or loss which shows profit for the period of PLN 2 451 million
- the consolidated statement of comprehensive income which shows total comprehensive income of PLN 3 448 million
- the consolidated statement of changes in equity which shows an increase in equity of PLN 2 466 million
- the consolidated statement of cash flows which shows a decrease in net cash and cash equivalents of PLN (447) million
- the accounting policies and other explanatory information to the consolidated financial statements.

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## **2.1 Consolidated statement of financial position as at 31 December 2014**

The consolidated statement of financial position prepared as at 31 December 2014 shows total assets and total equity and liabilities of PLN 40 374 million.

In terms of assets the above amount is comprised of:

- |                       |                     |
|-----------------------|---------------------|
| 1) non-current assets | PLN 33 569 million, |
| 2) current assets     | PLN 6 805 million.  |

In terms of equity and liabilities the above amount is comprised of:

- |                            |                     |
|----------------------------|---------------------|
| 1) equity                  | PLN 25 530 million, |
| 2) non-current liabilities | PLN 9 292 million,  |
| 3) current liabilities     | PLN 5 552 million.  |

In respect of the situation as at 31 December 2013, the following changes occurred in the assets structure and in the sources of financing structure:

In assets:

- |   |
|---|
| 1) non-current assets – an increase of PLN 7 081 million, |
| 2) current assets – a decrease of PLN 1 172 million.      |

In equity and liabilities:

- |  |
|--|
| 1) equity – an increase of PLN 2 466 million,                  |
| 2) non-current liabilities – an increase of PLN 2 578 million, |
| 3) current liabilities – an increase of PLN 865 million.       |

The level of liabilities and their cycle of repayment was managed in a proper manner.

## **2.2 Consolidated statement of profit or loss for the period from 1 January to 31 December 2014**

In financial year 2014, individual items were as follows:

- |                             |                     |
|-----------------------------|---------------------|
| 1) sales revenue            | PLN 20 492 million, |
| 2) gross profit             | PLN 4 741 million,  |
| 3) operating profit         | PLN 3 676 million,  |
| 4) profit before income tax | PLN 3 098 million,  |
| 5) profit for the period    | PLN 2 451 million.  |

The profit for the period of PLN 2 451 million was set following obligatory deductions.

## **2.3 Consolidated statement of comprehensive income for the period from 1 January to 31 December 2014**

The consolidated statement of comprehensive income for the year ended 31 December 2014 shows total comprehensive income of PLN 3 448 million.

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**2.4 Consolidated statement of changes in equity for the period from 1 January to 31 December 2014**

The consolidated statement of changes in equity for the year ended 31 December 2014 shows an increase in equity of PLN 2 466 million. Equity at the end of the period amounted to PLN 25 530 million.

The data presented in the consolidated statement of changes in equity for the year ended 31 December 2014 are complete and factually compliant.

**2.5 Consolidated statement of cash flows for the period from 1 January to 31 December 2014**

Cash and cash equivalents at the beginning of the year amounted to PLN 864 million, and at the end of the year to PLN 475 million. Cash and cash equivalents decreased by PLN 389 million.

Net cash flows in 2014 of PLN (447) million were as follows:

- 1) net cash generated by the KGHM Polska Miedź S.A. Group from operating activities of PLN 4 849 million,
- 2) net cash used by the KGHM Polska Miedź S.A. Group in investing activities of PLN 5 544 million,
- 3) net cash generated by the KGHM Polska Miedź S.A. Group from financing activities of PLN 248 million.

The Supervisory Board has no concerns or reservations as to the presented consolidated statement of cash flows.

The Supervisory Board declares that the consolidated financial statements of the KGHM Polska Miedź S.A. Group for the year ended 31 December 2014 were prepared within the statutory deadline and in accordance with International Financial Reporting Standards as adopted by the European Union.

The consolidated financial statements of the KGHM Polska Miedź S.A. Group, pursuant to the opinion issued by the certified auditor, in all material respects give an accurate and clear view of all information of material importance to evaluate the financial results of the business activities, as well as the assets and financial position of the KGHM Group, were prepared properly and are in compliance with prevailing laws.

The propriety of the preparation of the consolidated financial statements of the KGHM Polska Miedź S.A. Group for the year ended 31 December 2014, in terms of compliance with the accounts, documents and factual state, raise no reservations and is confirmed by the positive opinion of the certified auditor.

By confirming the compliance of the consolidated financial statements with the accounts and documents of the KGHM Group and with International Financial Reporting Standards and the factual state, the Supervisory Board evaluates them positively and recommends that the Ordinary General Meeting approve the presented consolidated financial statements of the KGHM Polska Miedź S.A. Group for the year ended 31 December 2014.

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### **3. Evaluation of the report on the activities of the Group in financial year 2014**

The Supervisory Board declares that the Management Board's Report on the activities of the KGHM Polska Miedź S.A. Group in financial year 2014 were prepared in accordance with the *Accounting Act dated 29 September 1994* and with the *Decree of the Minister of Finance dated 19 February 2009 concerning the publication of current and periodic information by issuers of securities and the conditions of recognising information as equivalent as required by the laws of a non-member state (Journal of Laws from 2014, item 133, unified text)*.

The financial statements in question give a fair and clear view of the assets, economic and financial position, as well as of the development of the KGHM Group. The completeness of the report on the activities of the KGHM Polska Miedź S.A. Group in financial year 2014, and its compliance with the scope of information which it discloses was confirmed by the certified auditor.

Consequently, the Supervisory Board positively evaluates the Management Board's Report on the activities of the KGHM Polska Miedź S.A. Group in financial year 2014, and recommends its approval by the Ordinary General Meeting.

### **4. Summation**

As a result of its evaluation, the Supervisory Board hereby finds that the above-mentioned statements and report:

- were prepared accurately, objectively and in accordance with the accounts and documents, as well as with the factual state,
- correctly and accurately reflect the results of the business activities for the year 2014 as well as the financial position of the Group as at 31 December 2014, and
- are compliant with the laws regulating the preparation of financial statements in form and content, as well as with the International Financial Reporting Standards approved by the EU.

Based on the results of this evaluation and on the positive opinion of the Certified Auditor – PricewaterhouseCoopers Sp. z o.o., issued on 16 March 2015, the Supervisory Board hereby recommends that the Ordinary General Meeting approve the consolidated financial statements of the KGHM Polska Miedź S.A. Group prepared as at 31 December 2014 and the Management Board's Report on the activities of the KGHM Polska Miedź S.A. Group for financial year 2014.