

KGHM POLSKA MIEDŹ S.A.

SUPERVISORY BOARD

**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 2012
and the report on the activities of the Group in financial year 2012**

May, 2013

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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 8 May 2013 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 2012 and the report on the activities of the Group in financial year 2012.

The Supervisory Board has summarised the conclusions from the above evaluation, after reviewing the documents presented to it by the Management Board of the Company, in particular the following:

- the consolidated financial statements of the KGHM Polska Miedź S.A. Group for financial year 2012,
- the report on the activities of the KGHM Polska Miedź S.A. Group in financial year 2012, and
- the audit opinion and report of the Certified Auditor on the consolidated financial statements for 2012.

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 2012, has been carried out by the Certified Auditor - PricewaterhouseCoopers Sp. z o.o. with its registered 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 2012, 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 2012 (from 1 January to 31 December 2012)

The Supervisory Board familiarised itself with 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 2012 containing:

- | | |
|--|--------------------|
| - the consolidated statement of financial position, which shows total assets and total equity and liabilities of | PLN 33 616 million |
| - the consolidated statement of profit or loss which shows profit for the period of | PLN 4 803 million |
| - the consolidated statement of comprehensive income which shows total comprehensive income of | PLN 4 063 million |
| - the consolidated statement of changes in equity which shows a decrease in equity of | PLN 1 681 million |
| - the consolidated statement of cash flows which shows a decrease in net cash and cash equivalents of | PLN 9 670 million |

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- the accounting policies and other explanatory information to the consolidated financial statements.

2.1 Consolidated statement of financial position as at 31 December 2012

The statement of financial position prepared as at 31 December 2012 shows total assets and total equity and liabilities of PLN 33 616 million.

In terms of assets the above amount is comprised of:

- 1) non-current assets – PLN 23 762 million,
- 2) current assets – PLN 9 854 million.

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

- 1) equity – PLN 21 710 million,
- 2) non-current liabilities – PLN 7 120 million,
- 3) current liabilities – PLN 4 786 million.

In respect of the situation as at 31 December 2011, 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 11 629 million,
- 2) current assets – a decrease of PLN 8 663 million.

In equity and liabilities:

- 1) equity – a decrease of PLN 1 681 million,
- 2) non-current liabilities – an increase of PLN 4 293 million,
- 3) current liabilities – an increase of PLN 354 million.

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

The main changes in the statement of financial position during the reporting period were due to the acquisition of shares of Quadra FNX Mining (currently KGHM INTERNATIONAL LTD.) and its consolidation with its subsidiaries.

2.2 Consolidated statement of profit or loss for the period from 1 January to 31 December 2012

In financial year 2012, individual items were as follows:

- 1) sales – PLN 26 705 million,
- 2) gross profit – PLN 8 626 million,
- 3) operating profit – PLN 6 594 million,
- 4) profit before income tax – PLN 6 448 million,
- 5) profit for the period – PLN 4 803 million.

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The profit for the period of PLN 4 803 million was set following obligatory deductions.

2.3 Consolidated statement of comprehensive income for the period from 1 January to 31 December 2012

The consolidated statement of comprehensive income for the year ended 31 December 2012 shows total comprehensive income of PLN 4 063 million.

2.4 Consolidated statement of changes in equity for the period from 1 January to 31 December 2012

The consolidated statement of changes in equity for the year ended 31 December 2012 shows a decrease in equity of PLN 1 681 million. The equity at the end of the period amounts to PLN 21 710 million.

The data presented in the consolidated statement of changes in equity for the year ended 31 December 2012 are complete and factually compliant.

2.5 Consolidated statement of cash flows for the period from 1 January to 31 December 2012

Cash and cash equivalents at the beginning of the year amounted to PLN 13 130 million, and at the end of the year – to PLN 2 629 million. Cash and cash equivalents decreased by PLN 10 501 million.

Net cash flows in 2012 of PLN 9 670 million were as follows:

- 1) net cash generated by the KGHM Polska Miedź S.A. Group from operating activities of PLN 5 521 million,
- 2) net cash used by the KGHM Polska Miedź S.A. Group in investing activities of PLN 10 762 million,
- 3) net cash used by the KGHM Polska Miedź S.A. Group in financing activities of PLN 4 429 million.

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

The Supervisory Board states that the consolidated financial statements of the KGHM Polska Miedź S.A. Group for the year ended 31 December 2012 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 2012, 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

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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 2012.

3. Evaluation of the report on the activities of the Group in financial year 2012

The Supervisory Board declares that the Report of the Management Board on the activities of the KGHM Polska Miedź S.A. Group in financial year 2012 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* together with the amendments arising from the Decree of the Minister of Finance dated 3 April 2012.

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 2012, and its compliance with the scope of information which it discloses was confirmed by the certified auditor.

Consequently, the Supervisory Board positively evaluates the Report of the Management Board on the activities of the KGHM Polska Miedź S.A. Group in financial year 2012, 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 2012 as well as the financial position of the Company as at 31 December 2012,
- 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 27 March 2013, 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 2012 and the report of the Management Board on the activities of the KGHM Polska Miedź S.A. Group for financial year 2012.