

KGHM POLSKA MIEDŹ S.A.

SUPERVISORY BOARD

Appendix to Resolution No. 22 /VIII/14
of the Supervisory Board of KGHM Polska Miedź S.A.
dated 12 May 2014

**Report of the Supervisory Board of KGHM Polska Miedź S.A.
on the results of its evaluation of the financial statements
of KGHM Polska Miedź S.A. for financial year 2013
and the report on the activities of the Company in financial year 2013**

May, 2014

**Report of the Supervisory Board of KGHM Polska Miedź S.A.
on the results of its evaluation of the financial statements
of KGHM Polska Miedź S.A. for financial year 2013
and the report on the activities of the Company in financial year 2013**

Table of contents

1.	Introduction	3
2.	Evaluation of the financial statements for financial year 2013	3
	(from 1 January to 31 December 2013	
2.1	Statement of financial position as at 31 December 2013	4
2.2	Statement of profit or loss for the period from 1 January to 31 December 2013.	4
2.3	Statement of comprehensive income for the period from 1 January to 31 December 2013.	4
2.4	Statement of changes in equity for the period from 1 January to 31 December 2013.	4
2.5	Statement of cash flows for the period from 1 January to 31 December 2013.	5
3.	Evaluation of the report of the Management Board on the Company's activities in financial year 2013	6
4.	Summation.....	6

**Report of the Supervisory Board of KGHM Polska Miedź S.A.
on the results of its evaluation of the financial statements
of KGHM Polska Miedź S.A. for financial year 2013
and the report on the activities of the Company in financial year 2013**

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 12 May 2014 the Supervisory Board of KGHM Polska Miedź S.A. carried out an evaluation of the financial statements of KGHM Polska Miedź S.A. for financial year 2013 and the report on the Company's activities in financial year 2013.

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 financial statements of KGHM Polska Miedź S.A. for financial year 2013;**
- **the report on the Company's activities in financial year 2013; and**
- **the audit opinion and report of the certified auditor on the financial statements for 2013.**

The audit of the financial statements of KGHM Polska Miedź S.A. prepared in accordance with International Financial Reporting Standards for the year ended 31 December 2013, was carried out by the Certified Auditor - PricewaterhouseCoopers Sp. z o.o. with its registered head office in Warsaw who issued an audit opinion together with a report dated 24 March 2014. The audit included a review of the documentation which formed the basis for the amounts and information presented in the financial statements of KGHM Polska Miedź S.A. for financial year 2013, as well as an assessment of the propriety of the accounting principles and significant estimates approved and applied in the Company.

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

2. Evaluation of the financial statements for financial year 2013 (from 1 January to 31 December 2013)

The Supervisory Board familiarised itself with and analysed the financial statements of KGHM Polska Miedź S.A. prepared in accordance with International Financial Reporting Standards, as adopted by the European Union for the year ended 31 December 2013, containing:

- the statement of financial position, which shows total assets and total equity and liabilities of PLN 29 038 million
- the statement of profit or loss which shows profit for the period of PLN 3 058 million
- the statement of comprehensive income which shows the total comprehensive income of PLN 3 335 million
- the statement of changes in equity which shows an increase in equity of PLN 1 375 million
- the statement of cash flows which shows a decrease in net cash and cash equivalents of PLN 581 million
- the accounting policies and other explanatory information to the financial statements.

**Report of the Supervisory Board of KGHM Polska Miedź S.A.
on the results of its evaluation of the financial statements
of KGHM Polska Miedź S.A. for financial year 2013
and the report on the activities of the Company in financial year 2013**

2.1 Statement of financial position as at 31 December 2013

The Statement of financial position prepared as at 31 December 2013 shows total assets and total equity and liabilities of PLN 29 038 million.

In terms of assets the above amount is comprised of:

- 1) non-current assets – PLN 23 535 million,
- 2) current assets – PLN 5 503 million.

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

- 1) equity – PLN 23 298 million,
- 2) non-current liabilities – PLN 1 989 million,
- 3) current liabilities – PLN 3 751 million.

In respect of the situation as at 31 December 2012, the following changes occurred in the assets structure and in the sources of financing structure:

In assets:

- 1) non-current assets – an increase by PLN 1 125 million,
- 2) current assets – a decrease by PLN 264 million

The main reason for the increase in non-current assets in 2013 was the realisation of investments in property, plant and equipment.

In equity and liabilities:

- 1) equity - an increase by PLN 1 375 million, mainly due to the surplus of profit for 2013 over the amount of the dividend paid for 2012,
- 2) non-current liabilities – a decrease by PLN 466 million,
- 3) current liabilities – a decrease by PLN 48 million.

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

2.2 Statement of profit or loss for the period from 1 January to 31 December 2013.

In financial year 2013, individual items were as follows:

- 1) Sales – PLN 18 579 million,
- 2) Gross profit – PLN 5 406 million,
- 3) Operating profit – PLN 4 208 million,
- 4) Profit before income tax – PLN 4 196 million,
- 5) Profit for the period – PLN 3 058 million.

The profit for the period of PLN 3 058 million was set following obligatory deductions.

2.3 Statement of comprehensive income for the period from 1 January to 31 December 2013.

The statement of comprehensive income for the year ended 31 December 2013 shows total comprehensive income of PLN 3 335 million, comprised of:

- 1) Profit for the period - PLN 3 058 million,

**Report of the Supervisory Board of KGHM Polska Miedź S.A.
on the results of its evaluation of the financial statements
of KGHM Polska Miedź S.A. for financial year 2013
and the report on the activities of the Company in financial year 2013**

- 2) Other comprehensive income from measurement
of financial instruments - PLN 226 million:
- 3) Net actuarial gains - PLN 51 million.

2.4 Statement of changes in equity for the period from 1 January to 31 December 2013.

The statement of changes in equity for the year ended 31 December 2013 shows an increase in equity of PLN 1 375 million. Equity at the end of the reporting period amounts to PLN 23 298 million.

The data presented in the statement of changes in equity for the year ended 31 December 2013 are complete and factually compliant.

2.5 Statement of cash flows for the period from 1 January to 31 December 2013.

Cash and cash equivalents at the beginning of the year amounted to PLN 707 million, and at the end of the year to PLN 123 million. Cash and cash equivalents decreased by PLN 584 million.

Net cash flows in 2013 of PLN 581 million were as follows:

- 1) net cash generated by KGHM Polska Miedź S.A. from operating activities of PLN 3 790 million,
- 2) net cash used by KGHM Polska Miedź S.A. in investing activities of PLN 2 547 million,
- 3) net cash used by KGHM Polska Miedź S.A. in financing activities of PLN 1 824 million.

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

The Supervisory Board states that the financial statements of KGHM Polska Miedź S.A. for the year ended 31 December 2013 were prepared within the statutory deadline and in accordance with International Financial Reporting Standards as adopted by the European Union.

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

The propriety of the preparation of the financial statements of KGHM Polska Miedź S.A. for the year ended 31 December 2013, in terms of compliance with the accounts, documents and factual state, raises no reservations and is confirmed by the positive opinion of the registered auditor.

By confirming the compliance of the financial statements with the Company's accounts and documents and with International Financial Reporting Standards and the factual state, the Supervisory Board assesses them positively and recommends that the Ordinary General Meeting approve the presented financial statements of KGHM Polska Miedź S.A. for the year ended 31 December 2013.

**Report of the Supervisory Board of KGHM Polska Miedź S.A.
on the results of its evaluation of the financial statements
of KGHM Polska Miedź S.A. for financial year 2013
and the report on the activities of the Company in financial year 2013**

3. Evaluation of the report of the Management Board on the Company's activities in financial year 2013

The Supervisory Board declares that the Report of the Management Board on the activities of KGHM Polska Miedź S.A. in financial year 2013 was 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 situation, as well as of the development of the Company. The completeness of the report on the Company's activities in financial year 2013, and its compliance with the scope of information which it discloses was confirmed by the registered auditor.

Consequently, the Supervisory Board positively assesses the Report of the Management Board on the Company's activities in financial year 2013, 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 2013 as well as the financial situation and assets of the Company as at 31 December 2013, 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 24 March 2014, the Supervisory Board hereby recommends that the Ordinary General Meeting approve the financial statements of KGHM Polska Miedź S.A. prepared as at 31 December 2013 and the report of the Management Board on the Company's activities in financial year 2013.