

POLISH FINANCIAL SUPERVISION AUTHORITY

Consolidated quarterly report QSr 1 / 2013

(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, with subsequent amendments)

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

For the first quarter of the financial year **2013** comprising the period from **1 January 2013** to **31 March 2013**
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: 15 May 2013

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(name of the issuer)

KGHM Polska Miedź S.A.

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**This report is a direct translation from the original Polish version.
In the event of differences, 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 PLN '000		in EUR '000	
	1st quarter of 2013 period from 1 January 2013 to 31 March 2013	1st quarter of 2012 period from 1 January 2012 to 31 March 2012 restated	1st quarter of 2013 period from 1 January 2013 to 31 March 2013	1st quarter of 2012 period from 1 January 2012 to 31 March 2012 restated
I. Sales	6 519 789	6 107 812	1 562 075	1 462 949
II. Operating profit	1 629 008	1 795 341	390 294	430 022
III. Profit before income tax	1 552 786	1 775 285	372 032	425 218
IV. Total profit for the period	1 100 770	1 415 632	263 733	339 073
V. Profit for the period attributable to shareholders of the Parent Entity	1 103 504	1 415 271	264 388	338 987
VI. Profit for the period attributable to non-controlling interest	(2 734)	361	(655)	86
VII. Other comprehensive income	462 264	(418 216)	110 754	(100 171)
VIII. Total comprehensive income	1 563 034	997 416	374 487	238 902
IX. Total comprehensive income attributable to the shareholders of the Parent Entity	1 564 633	1 004 747	374 870	240 658
X. Total comprehensive income attributable to non-controlling interest	(1 599)	(7 331)	(383)	(1 756)
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	5.52	7.08	1.32	1.69
XIII. Net cash generated from operating activities	1 710 855	2 439 552	409 903	584 324
XIV. Net cash used in investing activities	(1 119 164)	(7 479 493)	(268 140)	(1 791 495)
XV. Net cash (used in)/generated from financing activities	(1 045 158)	311 562	(250 409)	74 626
XVI. Total net cash flow	(453 467)	(4 728 379)	(108 646)	(1 132 545)
	At 31 March 2013	At 31 December 2012 restated	At 31 March 2013	At 31 December 2012 restated
XVII. Non-current assets	25 022 851	24 138 031	5 990 054	5 904 318
XVIII. Current assets	10 045 375	9 853 895	2 404 695	2 410 326
XIX. Total assets	35 068 226	33 991 926	8 394 749	8 314 644
XX. Non-current liabilities	7 566 950	7 354 374	1 811 402	1 798 928
XXI. Current liabilities	4 041 987	4 739 076	967 584	1 159 208
XXII. Equity	23 459 289	21 898 476	5 615 763	5 356 508
XXIII. Equity attributable to non-controlling interest	229 970	231 585	55 051	56 647

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

	in PLN '000		in EUR '000	
	1st quarter of 2013 period from 1 January 2013 to 31 March 2013	1st quarter of 2012 period from 1 January 2012 to 31 March 2012 restated	1st quarter of 2013 period from 1 January 2013 to 31 March 2013	1st quarter of 2012 period from 1 January 2012 to 31 March 2012 restated
I. Sales	5 105 613	5 216 578	1 223 253	1 249 480
II. Operating profit	1 472 835	1 803 738	352 876	432 033
III. Profit before income tax	1 437 731	1 795 454	344 466	430 049
IV. Profit for the period	1 058 908	1 442 972	253 704	345 622
V. Other comprehensive income	(89 125)	(439 222)	(21 353)	(105 203)
VI. Total comprehensive income	969 783	1 003 750	232 351	240 419
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)	5.29	7.21	1.27	1.73
IX. Net cash generated from operating activities	1 510 431	2 270 310	361 884	543 787
X. Net cash used in investing activities	(677 006)	(9 854 914)	(162 204)	(2 360 458)
XI. Net cash used in financing activities	(1 038 983)	(16)	(248 930)	(4)
XII. Total net cash flow	(205 558)	(7 584 620)	(49 250)	(1 816 675)
	At 31 March 2013	At 31 December 2012 restated	At 31 March 2013	At 31 December 2012 restated
XIII. Non-current assets	22 390 476	22 410 582	5 359 907	5 481 772
XIV. Current assets	6 041 141	5 766 730	1 446 149	1 410 579
XV. Total assets	28 431 617	28 177 312	6 806 056	6 892 351
XVI. Non-current liabilities	2 371 868	2 454 910	567 786	600 487
XVII. Current liabilities	3 166 495	3 798 931	758 006	929 243
XVIII. Equity	22 893 254	21 923 471	5 480 264	5 362 621

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A. Interim condensed consolidated financial statements

(Consolidated financial statements)

Interim consolidated statement of financial position

Note	31 March 2013	At 31 December 2012 restated*	1 January 2012
ASSETS			
Non-current assets			
Property, plant and equipment	14 129	13 929	9 093
Intangible assets	2 115	1 989	663
Investment property	58	59	60
Investments accounted for using the equity method	4 111	3 911	-
Deferred tax assets	705	637	272
Available-for-sale financial assets	807	892	994
Mine closure financial assets	482	460	112
Derivatives	542	745	899
Trade and other receivables	2 074	1 516	40
	25 023	24 138	12 133
Current assets			
Inventories	3 948	3 769	2 658
Trade and other receivables	3 215	2 846	1 839
Current corporate tax receivables	77	77	8
Available-for-sale financial assets	141	149	16
Mine closure financial assets	21	-	2
Derivatives	377	382	860
Cash and cash equivalents	2 263	2 629	13 130
Non-current assets held for sale	3	2	4
	10 045	9 854	18 517
TOTAL ASSETS	35 068	33 992	30 650
EQUITY AND LIABILITIES			
Equity attributable to shareholders of the Parent Entity			
Share capital	2 000	2 000	2 000
Revaluation reserve from measurement of financial instruments	259	235	536
Exchange differences from the translation of foreign operations statements	499	20	19
Capital due to actuarial gains/losses on post-employment benefits	(584)	(543)	(373)
Retained earnings	21 056	19 953	20 920
	23 230	21 665	23 102
Equity attributable to non-controlling interest	230	232	289
TOTAL EQUITY	23 460	21 897	23 391
LIABILITIES			
Non-current liabilities			
Trade and other payables	932	889	142
Borrowings, debt securities and finance lease liabilities	A.IV.7 1 867	1 783	194
Derivatives	112	230	538
Deferred tax liabilities	1 982	1 840	129
Employee benefits liabilities	1 656	1 615	1 339
Provisions for other liabilities and charges	1 017	999	485
	7 566	7 356	2 827
Current liabilities			
Trade and other payables	2 952	2 978	2 249
Borrowings, debt securities and finance lease liabilities	A.IV.7 92	1 075	104
Current corporate tax liabilities	792	448	1 596
Derivatives	9	25	331
Employee benefits liabilities	134	133	126
Provisions for other liabilities and charges	63	80	26
	4 042	4 739	4 432
TOTAL LIABILITIES	11 608	12 095	7 259
TOTAL EQUITY AND LIABILITIES	35 068	33 992	30 650

* details presented in note A.I.4

A. Interim condensed consolidated financial statements (continued)

Interim consolidated statement of profit or loss

	Note	Financial period	
		for the 3 months ended 31 March 2013	for the 3 months ended 31 March 2012 restated*
Sales	A.IV.2	6 520	6 108
Cost of sales	A.IV.3	(4 467)	(3 425)
Gross profit		2 053	2 683
Selling costs	A.IV.3	(100)	(60)
Administrative expenses	A.IV.3	(235)	(275)
Other operating income	A.IV.4	305	713
Other operating costs	A.IV.5	(395)	(1 265)
Operating profit		1 628	1 796
Finance costs	A.IV.6	(76)	(20)
Profit before income tax		1 552	1 776
Income tax expense		(452)	(360)
Profit for the period		1 100	1 416
Profit for the period attributable to:			
shareholders of the Parent Entity		1 103	1 416
non-controlling interest		(3)	-
Earnings per share attributable to the shareholders of the Parent Entity for the reporting period (in PLN per share)			
- basic		5.52	7.08
- diluted		5.52	7.08

* details presented in note A.I.4

A. Interim condensed consolidated financial statements (continued)

Interim consolidated statement of comprehensive income

	Financial period	
	for the 3 months ended 31 March 2013	for the 3 months ended 31 March 2013 restated*
<u>Profit for the period</u>	1 100	1 416
<u>Other comprehensive income</u>		
Other comprehensive income, which will be reclassified to profit or loss when specific conditions are met:	504	(380)
Available-for-sale financial assets	72	(67)
Income tax	-	8
	72	(59)
Cash flow hedging instruments	(59)	(452)
Income tax	11	86
	(48)	(366)
Exchange differences from the translation of foreign operations statements	480	45
Other comprehensive income, which will not be reclassified to profit or loss:	(41)	(38)
Actuarial losses on post-employment benefits	(50)	(47)
Income tax	9	9
<u>Other comprehensive net income for the financial period</u>	463	(418)
TOTAL COMPREHENSIVE INCOME	1 563	998
Total comprehensive income attributable to:		
shareholders of the Parent Entity	1 565	1 006
non-controlling interest	(2)	(8)

* details presented in note A.I.4

A. Interim condensed consolidated financial statements (continued)

Interim consolidated statement of changes in equity

	Equity attributable to shareholders of the Parent Entity						Total	Equity attributable to non-controlling interest	Total equity
	Share capital	Revaluation reserve from measurement of available-for-sale financial assets	Revaluation reserve from measurement of cash flow hedging instruments	Exchange differences from the translation of foreign operations statements	Capital due to actuarial gains/losses on post-employment benefits	Retained earnings			
At 1 January 2013	2 000	(51)	286	20	(543)	19 953	21 665	232	21 897
Total comprehensive income	-	72	(48)	479	(41)	1 103	1 565	(2)	1 563
Profit for the period	-	-	-	-	-	1 103	1 103	(3)	1 100
Other comprehensive income	-	72	(48)	479	(41)	-	462	1	463
At 31 March 2013	2 000	21	238	499	(584)	21 056	23 230	230	23 460
At 1 January 2012	2 000	(38)	574	19	(373)	20 920	23 102	289	23 391
Total comprehensive income	-	(59)	(366)	53	(38)	1 416	1 006	(8)	998
Profit for the period	-	-	-	-	-	1 416	1 416	-	1 416
Other comprehensive income	-	(59)	(366)	53	(38)	-	(410)	(8)	(418)
Changes in ownership shares in subsidiaries which do not lead to a loss of control	-	-	-	-	-	1	1	1	2
At 31 March 2012 restated*	2 000	(97)	208	72	(411)	22 337	24 109	282	24 391

* details presented in note A.I.4

A. Interim condensed consolidated financial statements (continued)

Interim consolidated statement of cash flows

	Financial period	
	for the 3 months ended 31 March 2013	for the 3 months ended 31 March 2012 restated*
Cash flow from operating activities		
Profit for the period	1 100	1 416
Adjustments to profit for the period:	701	1 243
Income tax recognised in profit or loss	452	360
Amortisation/Depreciation	368	287
Impairment loss/(reversal of impairment loss) on available-for-sale financial assets, property, plant and equipment, intangible assets, and allowances for impairment/(reversal of allowances for impairment) of loans granted	170	(2)
Interest and share in profits (dividends)	(9)	11
Foreign exchange losses	24	846
Change in provisions	(5)	(15)
Change in assets/liabilities due to derivatives	63	(103)
Reclassification of other comprehensive income to profit or loss as a result of realisation of derivatives	(48)	(53)
Other adjustments	-	5
Changes in working capital:	(314)	(93)
Inventories	(159)	(257)
Trade and other receivables	(340)	(144)
Trade and other payables	185	308
Income tax paid	(90)	(219)
Net cash generated from operating activities	1 711	2 440
Cash flow from investing activities		
Purchase of subsidiaries, less acquired cash and cash equivalents	-	(6 874)
Purchase of property, plant and equipment and intangible assets	(677)	(583)
Advances granted for purchase of property, plant and equipment and intangible assets	(30)	(6)
Proceeds from sale of property, plant and equipment and intangible assets	9	7
Proceeds from sale of available-for-sale financial assets	-	1
Purchase of mine closure financial assets	(26)	(24)
Termination of deposits	29	-
Loans granted	(424)	-
Net cash used in investing activities	(1 119)	(7 479)
Cash flow from financing activities		
Proceeds from bank and other loans	7	368
Repayments of bank and other loans	(1 045)	(51)
Payments of liabilities due to finance leases	(3)	(3)
Interest paid	(4)	(3)
Net cash (used in)/generated from financing activities	(1 045)	311
Total net cash flow	(453)	(4 728)
Exchange gains/(losses) on cash and cash equivalents	87	(849)
Movements in cash and cash equivalents	(366)	(5 577)
Cash and cash equivalents at beginning of the period	2 629	13 130
Cash and cash equivalents at end of the period	2 263	7 553
including restricted cash and cash equivalents	550	80

* details presented in note A.I.4

A. Interim condensed consolidated financial statements (continued)

Selected explanatory data

I. Principles 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 Parent Entity 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 merchandise,
- 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 ores, salt deposits and common minerals 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 in the years 1993-2004, most of which expire up to 31 December 2013. KGHM Polska Miedź S.A. in the current reporting period continues to obtain concessions for subsequent years.

Considering the present state of progress on the process of obtaining concessions, the Management Board of KGHM Polska Miedź S.A. believes that the probability of not obtaining these concessions is minimal and does not pose a threat to continuation of the activities of KGHM Polska Miedź S.A.

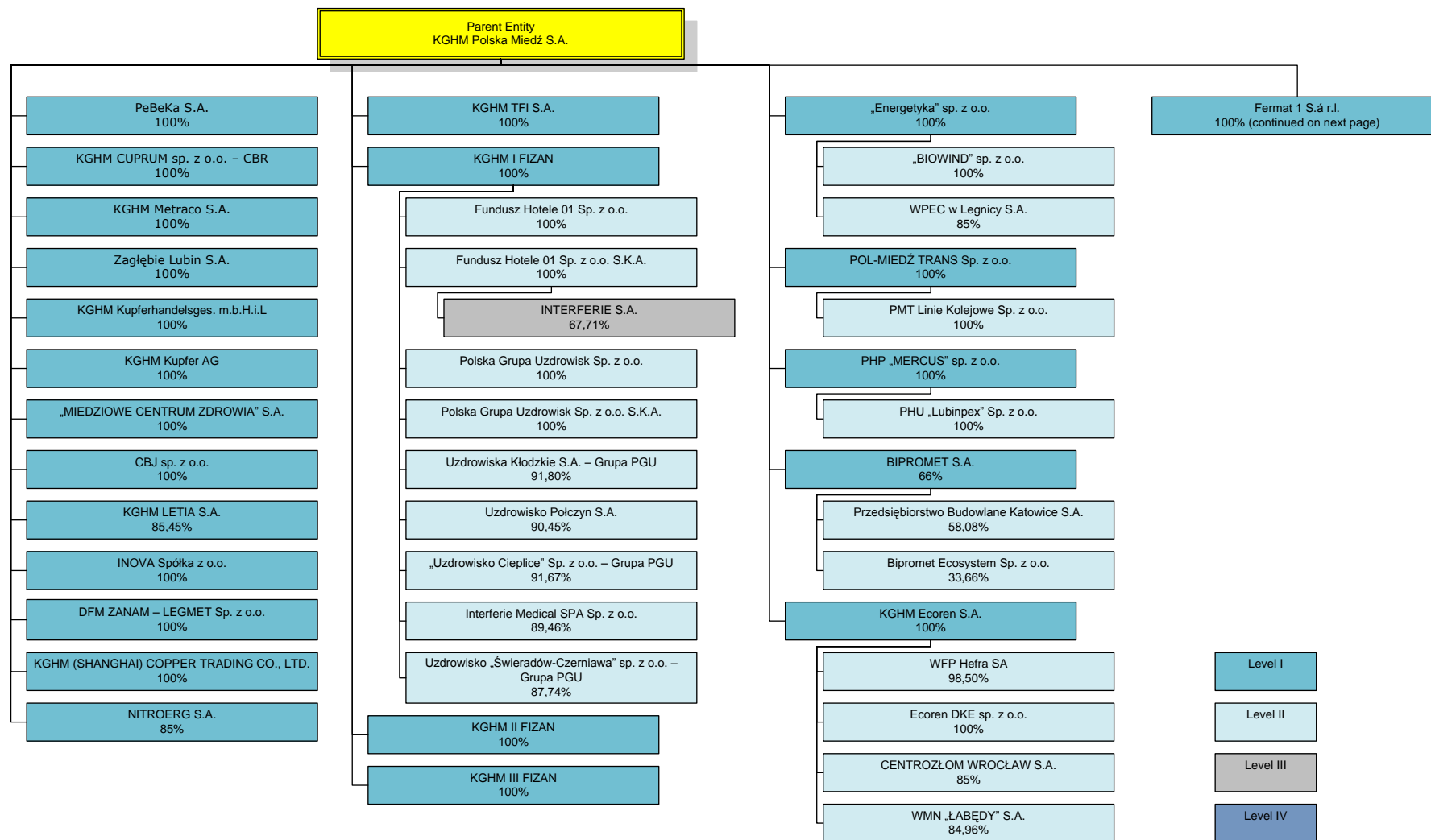
Detailed information on the process of obtaining concessions may be found in part C.III.1.

The business activities of the Group also include:

- mine production of metals, including copper, nickel, gold, platinum, palladium,
- 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 associated metals from copper ore.

A. Interim condensed consolidated financial statements (continued)

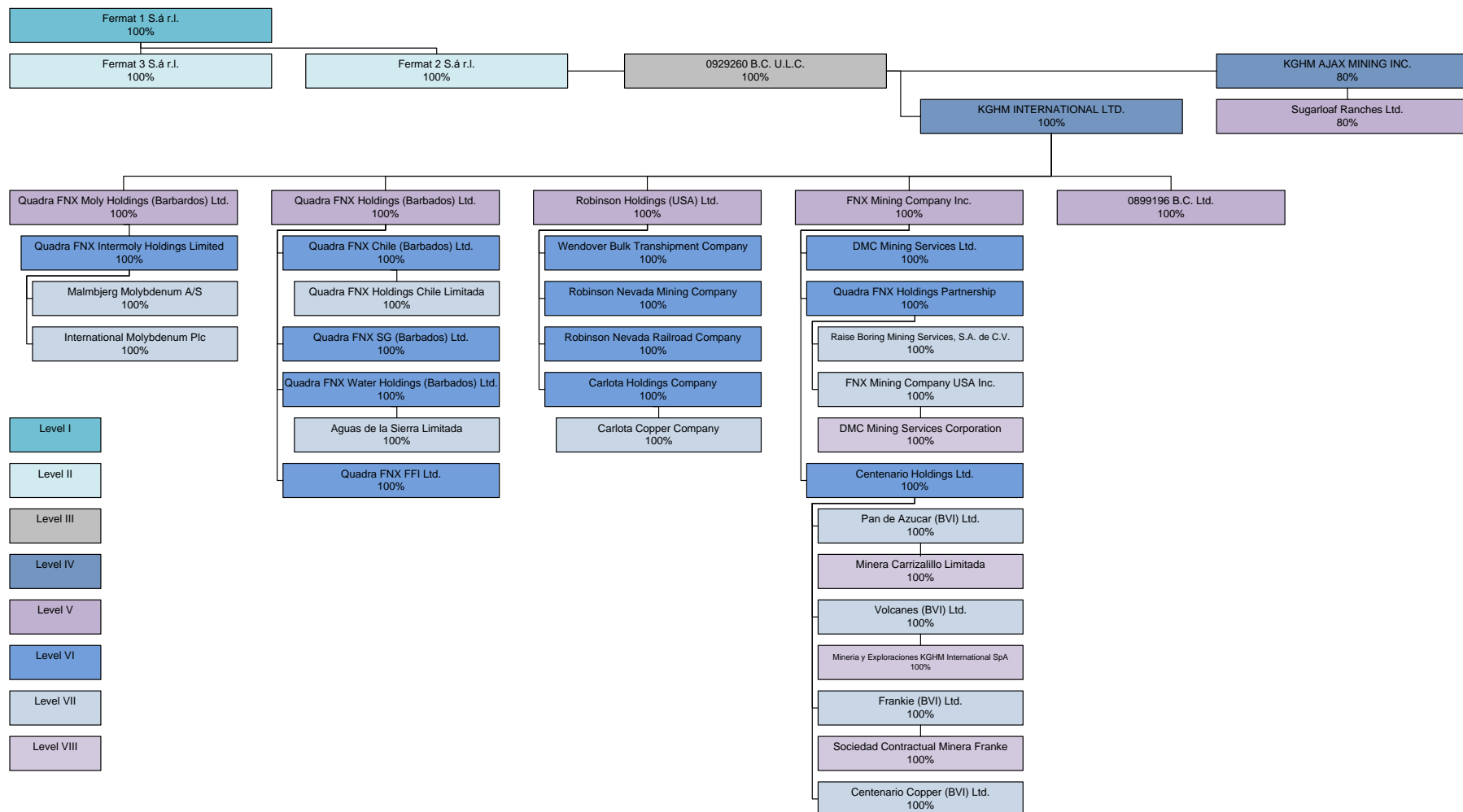
2. Composition of the KGHM Polska Miedź S.A. Group at 31 March 2013



The percentage share represents the total share of the Group.

KGHM Polska Miedź S.A.
 Consolidated quarterly report with quarterly financial information prepared in accordance with IAS 34
 for the period from 1 January 2013 to 31 March 2013
 (amounts in tables in PLN million, unless otherwise stated)

A. Interim condensed consolidated financial statements (continued)



A. Interim condensed consolidated financial statements (continued)

In the current quarter KGHM Polska Miedź S.A. consolidated 81 subsidiary entities (the subsidiaries of the Group are presented in part A.I.2), and one associated entity (BAZALT-NITRON Sp. z o.o.) and two joint ventures („Elektrownia Blachownia Nowa” sp. z o.o. and Sierra Gorda S.C.M.) were accounted for using the equity method.

The following quarterly report includes:

1. the interim condensed consolidated financial statements of the KGHM Polska Miedź S.A. Group for the period from 1 January to 31 March 2013 and the comparable period from 1 January to 31 March 2012, together with selected explanatory data **(Part A)**,
2. other information to the consolidated quarterly report **(Part B)**,
3. the quarterly financial information of KGHM Polska Miedź S.A. for the period from 1 January to 31 March 2013 and the comparable period from 1 January to 31 March 2012 **(Part C)**.

Neither the interim consolidated financial statements at 31 March 2013 nor the interim separate financial statements at 31 March 2013 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 **4.1738 PLN/EUR***,
- for the calculation of turnover, profit or loss and cash flow for the comparable period, the rate of **4.1750 PLN/EUR***,
- for the calculation of assets, equity and liabilities at 31 March 2013, the rate of **4.1774 PLN/EUR**,
- for the calculation of assets, equity and liabilities at 31 December 2012, the rate of **4.0882 PLN/EUR**.

**the rates represent the arithmetic mean of current average exchange rates announced by the NBP on the last day of each month during the period from January to March respectively of 2012 and 2013.*

4. Changes in accounting policies and impact of final accounting for an acquisition

The condensed consolidated financial report for the period from 1 January 2013 to 31 March 2013 was prepared in accordance with IAS 34 Interim Financial Reporting and for a full understanding of the financial position and operating results of KGHM Polska Miedź S.A. and the KGHM Polska Miedź S.A. Group, should be read jointly with the consolidated financial statements for the year ended 31 December 2012 and with the separate financial statements of KGHM Polska Miedź S.A. for the year ended 31 December 2012.

These financial statements have been prepared using the same principles for the current and comparable periods, applying changes in accounting policies and presentation to the comparable period and restating the comparable period due to final accounting for the acquisition of shares in a subsidiary. The effect of changes is presented in the following points:

- 4.1 Changes in the principles of presentation of the comparable period, which did not impact the financial data presented in the financial statements for the reporting and comparable periods, were with respect to the presentation of items of equity. Taking into consideration the nature of individual items of equity and the transparency of the financial data presented, the following actions were performed:
 - (a) the item „Capital due to actuarial gains/losses on post-employment benefits” was separated from „Retained earnings”,
 - (b) the combination in the statement of financial position of homogenous items of equity, i.e. “Revaluation reserve from the measurement of available-for-sale financial assets” and “Revaluation reserve from the measurement of cash flow hedging instruments”, into a single item - “Revaluation reserve from the measurement of financial instruments”.
- 4.2 Changes in accounting principles which affected amounts presented in prior periods involved the following:
 - (a) adoption by the Group from 1 January 2012 of changes to IAS 19 *Employee Benefits*, in accordance with rules regarding transition. The changes introduced by the Group involved the recognition of actuarial gains and losses on specified post-employment benefits in other comprehensive income and not as previously in profit or loss. As a result of the application of this standard in the consolidated financial statements as at 31 March 2012, other comprehensive income for the period from 1 January 2012 to 31 March 2012 decreased by PLN 38 million (gross amount of PLN 47 million less deferred tax of PLN 9 million), and simultaneously the profit for the period increased by the same amount. In the statement of profit or loss there was a decrease in:
 - costs of sales of PLN 26 million,
 - administrative expenses of PLN 21 million,and an increase in deferred tax of PLN 9 million.

A. Interim condensed consolidated financial statements (continued)

- (b) changes in the accounting principles regarding recognition in the consolidated financial statements of greenhouse gas emissions allowances granted to Group companies under the National Allocation Plan. The Group decided to present allowances and the respective non-cash subsidies separately and also the principle was adopted that a liability due to greenhouse gas emissions is recognised at the amount of the allowances held, and if there is a deficit of allowances, the remaining part is recognised at the market value of the allowances needed (a detailed description of the change in policy may be found in the consolidated annual report RS 2012). The result of this change on the comparable data for the period from 1 January 2012 to 31 March 2012 was an increase in costs of sales of PLN 6 million due to the recognition of a provision for allowances which should be submitted for redemption and simultaneous recognition of the respective non-cash subsidies received, which increased other operating income in the amount of PLN 6 million. This change did not affect profit or loss in the period from 1 January 2012 to 31 March 2012.

4.3 Changes in comparable data due to accounting for the acquisition of KGHM INTERNATIONAL LTD.

During the current reporting period a final accounting for the Quadra FNX Mining Ltd. (Quadra FNX) Group acquired on 5 March 2012 was performed.

The shares of Quadra FNX were purchased in execution of the agreement dated 6 December 2011 signed by the Parent Entity of the KGHM Polska Miedź S.A. Group and Quadra FNX under a Plan of Arrangement recommended by the Board of Directors of Quadra FNX. The shares purchased represent 100% of the share capital of Quadra FNX and 100% of the votes at the General Meeting of this company.

The consideration comprises:

- the purchase of ordinary shares for the amount of PLN 9 363 million,
- the purchase of warrants for the amount of PLN 39 million,
- the realisation of purchased warrants of PLN 305 million.

5 March 2012 was assumed as the date of obtaining control. Until the moment of obtaining control by the KGHM Polska Miedź S.A. Group, the Quadra FNX shares were listed on the TSX Venture Exchange in Toronto.

The operations of Quadra FNX (name changed to KGHM INTERNATIONAL LTD. from 12 March 2012) are focused on mine production of metals (including copper, nickel, gold, platinum, palladium) in the following mines: Robinson and Carlota in the USA, Franke in Chile, and McCreedy West, Levack (with the Morrison deposit) and Podolsky in Canada.

Activities of the acquired Group also include mining projects at the pre-operational stage at various stages of development, including Sierra Gorda in Chile - the company's major development project, involving one of the largest new copper and molybdenum deposits in the world, and the pursuit of exploration projects.

The signing of the Agreement is consistent with the strategy of the KGHM Polska Miedź S.A. Group aimed at increasing the resource base as well as copper production. The acquisition will increase annual mined copper production in the KGHM Polska Miedź S.A. Group by over 100 thousand tonnes beginning from 2012, and in 2018 by over 180 thousand tonnes, meaning a 25% increase versus the pre-acquisition level of the KGHM Polska Miedź S.A. Group production.

At the date control was obtained, the KGHM Polska Miedź S.A. Group performed an initial recognition of assets and liabilities of the acquired business, and accounted for them at the acquisition date in the consolidated financial statements in provisionally-determined amounts. The accounting data were based on the consolidated financial statements of KGHM INTERNATIONAL LTD. as at 29 February 2012, and were updated in respect of significant operations which occurred in the period from 29 February 2012 to 5 March 2012, i.e. to the date control was obtained.

In the first quarter of 2013 in accordance with IFRS 3, a final accounting for the acquired business was performed. Details regarding the finally-determined fair value of the net assets acquired, the gain on a bargain purchase and the purchase price at the date control was obtained and their impact on the comparable data are presented below (in million PLN):

A. Interim condensed consolidated financial statements (continued)

	Carrying amount according to the consolidated financial statements of the acquired group	Adjustments to arrive at fair value and other adjustments	Finally determined fair value at the date control was obtained	Provisionally determined fair value at the date control was obtained	Impact of final accounting in the consolidated statement of financial position
Mineral properties, property, plant and equipment and other intangible assets	3 526	1 560	5 086	5 299	(213)
Investment in Sierra Gorda joint venture	1 616	2 264	3 880	3 047	833
Intangible assets due to signed services sales contracts	-	105	105	107	(2)
Mine closure financial assets	256	-	256	256	-
Inventories	487	87	574	700	(126)
Trade and other receivables	757	-	757	757	-
Cash and cash equivalents	2 806	-	2 806	2 806	-
Other assets**	1 480	(533)	947	1 194	(247)
Bonds	(1 515)	(76)	(1 591)	(1 591)	-
Liabilities due to Franco Nevada streaming contract	(578)	(198)	(776)	(664)	(112)
Provisions	(314)	13	(301)	(301)	-
Trade and other liabilities	(599)	177	(422)	(422)	-
Deferred tax	(411)	(1 166)	(1 577)	(1 428)	(149)
Acquired net assets	7 511	2 233	9 744	9 760	(16)
Provisionally-determined gain on bargain purchase				(53)*	
Finally-determined gain on bargain purchase recognised in other operating income			(37)		(37)
Purchase consideration			9 707	9 707	-
Paid in cash			9 707	9 707	-
Acquired cash and cash equivalents, of which:			(2 806)	(2 806)	-
- restricted cash and cash equivalents			74	74	-
Cash expense due to acquisition			6 901	6 901	-

* To avoid volatility of the financial result for individual quarters of 2012 during initial accounting for this acquisition, the gain on a bargain purchase determined at this stage was not recognised in the financial result, due to the significant risk of changes in the amount of this gain. The provisionally determined gain on a bargain purchase was accounted for as a decrease of the largest item in assets, „Mineral properties, property, plant and equipment and other intangible assets”, as the most exposed to further adjustments of changes in value due to completion of the process of determining the fair value of the acquired net assets.

**The fair value of the item „other assets” also includes intangible assets in the amount of PLN 28 million.

A. Interim condensed consolidated financial statements (continued)

Methods and key assumptions assumed to the final fair value measurement of the net assets of KGHM INTERNATIONAL LTD. are presented in the following table

Items adjusted to fair value	Description	Method/key assumption
Mineral properties, property, plant and equipment	Assets held by acquired entities	Fair value set by the discounted cash flow method
Investment in Sierra Gorda	Investment in joint venture	Fair value set by the discounted cash flow method
Intangible assets due to signed services sales contracts	Recognised intangible assets	Fair value set by the discounted cash flow method
Inventories	Inventories held by acquired entities	Method based on net realisable value (assuming the rational level of profit on sales) less the costs necessary to make the sale
Issued bonds	Senior notes for financing a share of the Sierra Gorda project	Method based on determining the amount of debt portion together with adjustment due to issuer options
Liabilities due to Franco Nevada streaming contract	Recognised liabilities due to supply of metal (deferred income in this regard was presented in the financial statements of the acquired Group)	Fair value set by the discounted cash flow method (using contractual clauses involving contracted metals prices and forecast metals market price)
Provisions	Provision for site closure and other	Adjustment to the applied discount rate
Trade and other liabilities	Derivatives related to the supply of water and hydrochloric acid	Separation of embedded instruments pursuant to the terms of the host contract and based on forward copper market prices as at the date control was obtained, fair value equal to zero at the date of separation
Deferred tax	Recognised deferred tax from adjustment to fair value	Tax rates were applied which are in force in the countries where the Group operates (Canada – 33%, USA – 35%, Chile – 22%)

Based on final accounting for the acquisition, an adjustment was also made in the comparable period respecting a change in depreciation of the assets measured at fair value.

The impact of the depreciation of non-current assets and the realisation of inventories and liabilities decreased profit before taxation:

- for the first quarter of 2012 by PLN 45 million,
 - for the year 2012 by PLN 177 million,
- and increased profit for the period due to deferred income tax:
- for the first quarter of 2012 by PLN 13 million,
 - for the year 2012 by PLN 72 million.

Due to the final accounting for acquisition of the shares of KGHM INTERNATIONAL LTD. in the consolidated statement of financial position as at 31 December 2012, there were changes in the following items:

A. Interim condensed consolidated financial statements (continued)

	Adjustment due to final accounting for the acquisition	Depreciation of non-current assets and realisation of inventories and liabilities	Impact of final accounting in the consolidated statement of financial position as at 31 December 2012
ASSETS			
Non-current assets			
Property, plant and equipment	133	(320)	(187)
Intangible assets	(287)	17	(270)
Investments accounted for using the equity method	833	-	833
	679	(303)	376
Current assets			
Inventories	(126)	126	-
	(126)	126	-
TOTAL ASSETS	553	(177)	376
EQUITY AND LIABILITIES			
Equity attributable to shareholders of the Parent Entity			
Exchange differences from the translation of foreign operations	255	-	255
Retained earnings	37	(105)	(68)
	292	(105)	187
LIABILITIES			
Non-current liabilities			
Trade and other payables	161	(5)	156
Deferred tax liabilities	149	(69)	80
	310	(74)	236
Current liabilities			
Trade and other payables	(49)	2	(47)
	(49)	2	(47)
TOTAL EQUITY AND LIABILITIES	553	(177)	376

Costs related to the acquisition incurred to 31 December 2012 were recognised in the administrative expenses in the amount of PLN 91 million, of which PLN 16 million was settled in 2011, while PLN 75 million in 2012.

Revenues of the KGHM INTERNATIONAL LTD. Group recognised in the consolidated statement of profit or loss of the KGHM Polska Miedź S.A. Group for the period from the moment of acquisition to 31 December 2012 amounted to PLN 3 836 million, while the profit for this same period amounted to PLN 231 million.

Had the KGHM INTERNATIONAL LTD. Group been acquired on 1 January 2012, the consolidated statement of profit or loss of the KGHM Polska Miedź S.A. Group for the first quarter of 2012 would have shown revenues in the amount of PLN 6 744 million and a profit for the period in the amount of PLN 1 517 million.

4.4 From 1 January 2013 the following standards and interpretations are binding for the Group:

- IFRS 13 Fair Value Measurement,
- IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine,
- Amendments to MSSF 7 Financial Instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities,
- Amendments to IFRS 1 First-time Adoption of IFRS - Government loans,
- Annual Improvements 2009-2011 cycle.

A. Interim condensed consolidated financial statements (continued)

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 and other comprehensive income of the current quarter, and in particular due to:

- 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 an increase in the provision of PLN 42 million which was settled as:
 - a decrease in other comprehensive income of PLN 51 million
(after reflecting the deferred tax effects, a decrease in other comprehensive income of PLN 41 million),
 - an increase in the financial result of PLN 9 million
(after reflecting the deferred tax effects, an increase in the financial result of PLN 7 million),
- 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 of PLN 1 million, which was settled as a decrease in the financial result of PLN 9 million and a decrease of property, plant and equipment of PLN 10 million.
- 1.3 provisions for future employee remuneration costs together with charges of PLN 208 million, paid (in accordance with the Collective Labour Agreement) on the occasion of mining or smelting holidays and after approval of the annual financial statements.
(provision as at 31 March 2013 amounted to PLN 535 million).

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

2. Deferred tax

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

The deferred tax asset increased in the current quarter by PLN 88 million, of which:

- PLN 65 million was settled as an increase in profit,
- PLN 9 million was settled as an increase in other comprehensive income due to actuarial losses,
- PLN 14 million was settled as an increase in other comprehensive income due to exchange differences from measurement of the deferred tax asset of subsidiaries with a functional currency other than PLN.

The deferred tax liability increased in the current quarter by PLN 164 million, of which:

- PLN 81 million was settled as a decrease in profit,
- PLN 11 million was settled as an increase in other comprehensive income due to measurement of hedging financial instruments and available-for-sale financial assets,
- PLN 94 million was settled as a decrease in other comprehensive income due to exchange differences from measurement of the deferred tax liability of subsidiaries with a functional currency other than PLN.

After offsetting the deferred tax asset and deferred tax liability, in the statements of financial position at the level of subsidiaries as at 31 March 2013, the deferred tax asset was set at PLN 705 million, while the deferred tax liability - at PLN 1 982 million.

III. Financial and tangible assets

In the current quarter the most important changes in financial assets concerned the following:

1. in **investments accounted for using the equity method** – an increase in the value of the share of the Sierra Gorda joint venture of PLN 200 million, due to translation of the investments' value from the functional currency of the subsidiary (USD) to the functional currency of the Group (PLN) applying a higher USD/PLN exchange rate at 29 March 2013 versus the exchange rate at 31 December 2012 (a change from 3.0996 USD/PLN to 3.2590 USD/PLN),

A. Interim condensed consolidated financial statements (continued)

2. in **available-for-sale financial assets**
 - recognition in profit or loss of impairment losses of Tauron Polska Energia S.A. shares in the amount of PLN 86 million,
 - recognition of impairment losses of shares of companies listed on TSX Venture Exchange in the amount of PLN 84 million through the reclassification of a decrease in value of assets recognised in prior periods in other comprehensive income to profit or loss,
3. in **derivatives (assets and liabilities)** - as a result of changes in macroeconomic factors, the fair value of open positions in derivatives as at 31 March 2013 decreased. Simultaneously, as a result of these changes, derivative transactions with a settlement date falling in the first quarter of 2013 were settled with a positive result. Financial result for the current quarter increased by PLN 21 million. Detailed information on derivatives of the Parent Entity may be found in part C.II.5 of this report.

There was no transfer by the Group of financial instruments between individual levels of fair value hierarchy in either the reporting or the comparative periods, nor was there any change in the classification of instruments as a result of a change in the purpose or use of these instruments.

IV. Selected additional explanatory notes

1. Information on property, plant and equipment and intangible assets

Purchase and sale of property, plant and equipment

	Financial period	
	for the 3 months ended 31 March 2013	for the 3 months ended 31 March 2012
Purchase of property, plant and equipment	418	341
Net sale of property, plant and equipment	6	-

Capital commitments not recognised in the consolidated statement of financial position

	At	
	31 March 2013	31 December 2012
Capital commitments, of which:	4 224	2 207
- for the purchase of property, plant and equipment	4 187	2 167
- for the purchase of intangible assets	37	40
Capital commitments related to the Sierra Gorda S.C.M. project, of which:	6 752	7 093
- for investing activities	2 104	2 307
- for operating activities	4 648	4 786
Total capital commitments:	10 976	9 300

2. Sales

	Financial period	
	for the 3 months ended 31 March 2013	for the 3 months ended 31 March 2012
Copper, nickel, precious metals, smelter by-products	5 690	5 335
Energy	49	19
Services	326	191
Mining machinery, transport vehicles for mining and other	9	17
Merchandise – smelter products	121	103
Other merchandise	33	211
Scrap and materials	29	17
Other finished goods	263	215
Total sales	6 520	6 108

A. Interim condensed consolidated financial statements (continued)

3. Expenses by nature

	Financial period	
	for the 3 months ended 31 March 2013	for the 3 months ended 31 March 2012 restated*
Depreciation of property, plant and equipment and amortisation of intangible assets	368	287
Employee benefit expenses	1 133	1 007
Materials and energy	2 165	1 785
External services	610	659
Taxes and charges**	696	104
Advertising costs and representation expenses	5	7
Property and personal insurance	9	8
Other costs of which:	27	19
Write-down of inventories	1	-
Reversal of write-down of inventories	(1)	(7)
Losses from the sale of financial instruments	2	3
Other operating costs	25	23
Total expenses by nature	5 013	3 876
Cost of merchandise and materials sold (+)	177	167
Change in inventories of finished goods and work in progress (+/-)	(204)	(118)
Cost of manufacturing products for internal use (-)	(184)	(165)
Total cost of sales, selling costs and administrative expenses	4 802	3 760

* details presented in note A.I.4

** including the minerals extraction tax of PLN 569 million which increases costs of the Parent Entity (this tax is in force from 18 April 2012)

4. Other operating income

	Financial period	
	for the 3 months ended 31 March 2013	for the 3 months ended 31 March 2012 restated*
Income and gains on financial instruments, classified under other operating activities, resulting from:	255	638
Measurement and realisation of derivatives	163	564
Interest	57	72
Foreign exchange gains	35	-
Other	-	2
Gains on the sale of intangible assets	-	3
Gains on a bargain purchase of KGHM INTERNATIONAL LTD.	-	37
Reversal of allowance for impairment of non-financial receivables	1	-
Government grants and other donations received	5	7
Release of unused provisions	2	12
Penalties and compensation	4	2
Management fee for Sierra Gorda S.C.M.	20	7
Other operating income/gains	18	7
Total other operating income	305	713

* details presented in note A.I.4

A. Interim condensed consolidated financial statements (continued)

5. Other operating costs

	Financial period	
	for the 3 months ended 31 March 2013	for the 3 months ended 31 March 2012
Costs and losses on financial instruments, classified under other operating activities, resulting from:	362	1 155
Measurement and realisation of derivatives	191	607
Foreign exchange losses	-	548
Impairment losses on financial assets	171	-
Foreign exchange losses – non-financial	-	9
Losses on the sale of property, plant and equipment	4	2
Donations granted	16	86
Provisions for liabilities	4	3
Penalties and compensation	1	1
Other operating costs/losses	8	9
Total other operating costs	395	1 265

6. Finance costs

	Financial period	
	for the 3 months ended 31 March 2013	for the 3 months ended 31 March 2012
Interest expense:	35	14
On bonds	30	10
On bank and other loans	5	3
Due to finance leases	-	1
Foreign exchange losses/(gains) on borrowings	26	(4)
Changes in provisions and liabilities arising from the approach of the maturity date of liabilities (unwinding of discount effect)	12	11
Losses/(Gains) on measurement of trade derivatives related to borrowings	3	(1)
Total finance costs	76	20

A. Interim condensed consolidated financial statements (continued)

7. Borrowings, debt securities and finance lease liabilities

	At	
	31 March 2013	31 December 2012
Non-current	1 867	1 783
Bank loans	167	165
Loans	7	8
Debt securities*	1 676	1 593
Finance lease liabilities	17	17
Current	92	1 075
Bank loans**	44	1 057
Loans	3	3
Debt securities *	36	5
Finance lease liabilities	9	10
Total	1 959	2 858

* relate to bonds issued by KGHM INTERNATIONAL LTD.

** decrease in value versus 31 December 2012 due to repayment of a bank loan

8. Related entities transactions

	Financial period	
	for the 3 months ended 31 March 2013	for the 3 months ended 31 March 2012
Sales to related entities		
To associates	1	-
To other related entities	13	4
Total sales to related entities	14	4

	Financial period	
	for the 3 months ended 31 March 2013	for the 3 months ended 31 March 2012
Purchases from related entities		
From other related entities	13	12
Total purchases from related entities	13	12

	At	
	31 March 2013	31 December 2012
Trade and other receivables from related entities		
Loan granted to the jointly-controlled entity Sierra Gorda S.C.M.	2 025	1 471
Other receivables from related entities	19	3
Total receivables from related entities	2 044	1 474

A. Interim condensed consolidated financial statements (continued)

	At	
	31 March 2013	31 December 2012
Trade payables towards related entities		
Towards other related entities	9	4
Total payables towards related entities	9	4

During the current quarter, no individual transactions were identified between the Group and the government and with entities controlled or jointly controlled by the government, or over which the government has significant influence, which would be considered as significant in terms of unusual scope and amount.

The remaining transactions, which were collectively significant, between the Group and the government and entities controlled or jointly controlled by the government, or over which the government has significant influence, were within the scope of normal, daily economic operations, and were carried out at arm's length. These transactions involved the purchase by companies of the Group of materials and services to meet the needs of their current operating activities (fuel, energy, transport services). Turnover from these transactions in the current reporting period amounted to PLN 206 million (for the period from 1 January to 31 March 2012 – PLN 197 million), and the unsettled balance of liabilities from these transactions as at 31 March 2013 amounted to PLN 47 million (as at 31 December 2012: PLN 47 million).

	Financial period	
	for the 3 months ended 31 March 2013	for the 3 months ended 31 March 2012
Remuneration of the Supervisory Board of the Parent Entity (in PLN '000)		
Remuneration due to service in the Supervisory Board, salaries and other current employee benefits	207	380
Total	207	380

	Financial period	
	for the 3 months ended 31 March 2013	for the 3 months ended 31 March 2012
Remuneration of the Management Board of the Parent Entity (in PLN '000)		
Salaries and other current employee benefits	1 969	769
Total	1 969	769

	Financial period	
	for the 3 months ended 31 March 2013	for the 12 months ended 31 December 2012
Remuneration of other key management personnel (in PLN '000)		
Salaries and other short-term employee benefits	2 008	18 463
Total	2 008	18 463

A. Interim condensed consolidated financial statements (continued)

9. Contingent assets and liabilities and other liabilities not recognised in the statement of financial position

	At 31 March 2013	Increase/(decrease) since the end of the last financial year
Contingent assets	482	34
Guarantees received	235	24
Disputed State budget issues	29	-
Promissory notes receivables	89	8
Inventions, implementation of projects	42	2
Real estate tax on underground workings	87	-
Contingent liabilities	804	79
Guarantees and collateral, of which:	577	45
guarantees granted under a contract for the supply of electricity within the Sierra Gorda S.C.M. project	564	45
Promissory note liabilities	13	-
Disputed issues, pending court proceedings	26	-
Liabilities due to implementation of projects and inventions	138	10
Real estate tax on underground workings	26	8
Other	24	16
Liabilities not recognised in the statement of financial position	329	-
liabilities towards local government entities due to expansion of the tailings pond	194	1
liabilities due to operating leases	135	(1)

The value of the above items was determined based on estimates.

V. Strategy realisation

During the reporting period the Group consistently realised the adopted directions of development based on the strategy currently in force, concentrating on three areas:

1. Improving productivity – investments in new technology

Strategic investments in this regard were as follows:

- ✓ research into the use of mechanical mining in the conditions prevalent in the mines of KGHM Polska Miedź S.A. through the development of mining technology utilising the ACT mining complex and the tunnelling of drifts using mining combines. With respect to work on utilisation of the ACT mining complex, in the current quarter testing was completed on the compatibility of the complex to conduct mine tests in a prepared pilot section. Positive results from this research will form the basis for taking a decision as to implementation. As part of the drift tunnelling project, production commenced using combine no. 1, while combine no. 2 commenced mobility trials.
- ✓ pyrometallurgy modernisation program. In the current period design and construction-assembly work continued with respect to preparing infrastructure for the construction of the flash furnace, and a contract was signed with contractors for the construction of the main production facilities.

2. Developing the resource base

The strategy for developing the resource base comprises two areas:

- ✓ Exploration of new deposits in the region
 With respect to this project, activities in the current quarter included the continuation of work on obtaining concessions for the exploration for and evaluation of deposits in areas adjoining the concessioned areas held by the Group, i.e. the areas of Retków-Ścinawa, Głogów, Bytom Odrzański, Kulów-Luboszyce and Weisswasser II.

A. Interim condensed consolidated financial statements (continued)

With respect to the Synklina Grodziecka project, a tender was completed and a contractor selected for the second stage of drilling, which is scheduled to begin in the second quarter of 2013. On 28 February 2013, the share capital of KGHM Kupfer AG was increased to be used for the realisation of the second stage of exploratory work in the Weisswasser area.

✓ Acquisition and development of mining projects globally

1. Management of the Sierra Gorda deposit in Chile – construction of an open pit mine and processing plant
Due to the varying market conditions in the mining sector, the project budget was updated from USD 2.9 billion (equivalent of PLN 9.5 billion, according to the USD/PLN exchange rate per the NBP of 29 March 2013) forecast in February 2011 to around USD 3.9 billion (equivalent of PLN 12.7 billion, according to the USD/PLN exchange rate per the NBP of 29 March 2013). The Sierra Gorda S.C.M. JV shareholders also agreed to pursue saving plans to reduce the capital cost and to adopt leasing program for mining equipment. During the reporting period progress on the project amounted to 40.9%. With respect to the construction of the main production facilities and mine technical infrastructure, preparation continued on the processing plant's wet and dry areas, construction of the tailings facility and on the salt water pipe and power lines.
2. Victoria project in the Sudbury Basin in Canada – on-going activities continued with respect to obtaining the requisite legal permits and on performing technical-economic feasibility analyses.
3. KGHM AJAX MINING INC. – work continued related to obtaining environmental permits to construct the mine. With respect to consultations with local communities, the company signed a Memorandum of Understanding with representatives of First Nations living on territory adjoining the Afton-Ajax project, being a confirmation of the mutual good relations. Work also continued related to refinement and optimisation of the project to build the mine and necessary infrastructure.

3. Diversifying sources of revenues and gaining independence from energy prices

✓ Projects aimed at increasing the generation of energy for internal needs

1. Construction of gas-steam blocks at the Głogów and Polkowice power plants – final handover was performed and start-up testing began of the gas-steam blocks.
2. Production of synthetic gas through the underground gasification of brown coal in the Copper Belt (LGOM) – drilling continued as part of the project's second stage. 5 of the planned 6 drillholes were executed.

✓ Energy projects on a national scale, whose realisation will enable diversification of the structure of revenues and will increase the market value of KGHM

1. 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 the current period the special purpose company „Elektrownia Blachownia Nowa” sp. z o.o. continued work aimed at receiving from GAZ System S.A. the conditions necessary for connection with respect to delivery of natural gas, and from PSE S.A. with respect to transferring power to National Power System. Analysis also continues on the competitiveness of the planned Elektrownia Blachownia power plant in terms of various market scenarios and technological variations.
2. Exploration for and extraction of shale gas in Poland (KCT Project) – the parties to the framework agreement (Polskie Górnictwo Naftowe i Gazownictwo S.A. (PGNiG), KGHM Polska Miedź S.A., ENEA S.A., PGE Polska Grupa Energetyczna S.A., and TAURON Polska Energia S.A.) signed with respect to cooperation 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, Czestkowo and Tępcz pads, continued arrangements and analyses.
3. Preparation for the construction and operation of the first Polish nuclear power plant - the parties to the project continued conceptual analyses, among others with respect to the business model of cooperation and project economic feasibility analyses.

A. Interim condensed consolidated financial statements (continued)

VI. KGHM INTERNATIONAL LTD. - results

Significant events in the first quarter of 2013.

- according to plan, due to the exhaustion of economically justified reserves, the Podolsky mine was closed,
- a definitive cost estimate was made for the most important development project for the company – the Sierra Gorda copper, molybdenum and gold mine in Chile, 55% owned by KGHM INTERNATIONAL LTD., 31.5% owned by Sumitomo Metal Mining Co. Ltd. and 13.5% owned by Sumitomo Corporation; currently the capex amounts to USD 3.9 billion.
- the Robinson mine had record results – copper recovery in the floatation process at the level of 91.6%, ore processing at the level of 45.6 t/d and a C1 cash cost of 1.47 US\$/lb,
- a lower production at the Morrison mine due to rehabilitation of the Craig shaft.

Production results by individual mines of KGHM INTERNATIONAL LTD. in the first quarter of 2013 and the first quarter of 2012.

	Financial period	
	for the 3 months ended	for the 3 months ended
	31 March 2013	31 March 2012
Copper production [kt], of which:	29.5	25.1
Robinson ⁽¹⁾	16.6	10.9
Morrison ⁽³⁾	3.3	4.8
Franke ⁽²⁾	4.8	4.3
Carlota ⁽²⁾	2.5	2.5
Podolsky ⁽³⁾	1.9	2.4
McCreedy West ⁽³⁾	0.5	0.3
Nickel production [t], of which:	1 043	1 361
Morrison ⁽³⁾	499	771
Podolsky ⁽³⁾	45	91
McCreedy West ⁽³⁾	499	499
Precious metals production (gold, platinum, palladium) [koz], of which:	28.3	22.3
Robinson ⁽¹⁾	15.4	7.3
Morrison ⁽³⁾	7.6	10.2
Podolsky ⁽³⁾	3.9	4.8
McCreedy West ⁽³⁾	1.4	-
C1 [USD/lb]*	1.99	2.38

(1) payable metal produced in concentrate

(2) produced in cathode

(3) payable metal produced in ore

* cash cost of concentrate production plus administrative expenses and treatment and refining (TC/RC) charges, less depreciation/amortisation and by-product revenues

Despite the closure of the Podolsky mine at the end of the first quarter of 2013, copper production by the KGHM INTERNATIONAL LTD. Group increased by 18% versus the comparable prior period, thanks among others to a significant increase in metals recovery during floatation and to a significant increase in the processing capacity of the Robinson mine's processing plant mill.

The unit C1 cash cost recorded in the first quarter of 2013 was 84% of that recorded in the first quarter of 2012. The decrease in the unit cost was mainly due to the impact of the cost reduction policy implemented in 2012 within the KGHM INTERNATIONAL LTD. Group.

In the first quarter of 2013, the KGHM INTERNATIONAL LTD. Group continued the realisation of mining projects: the pre-operational development project Sierra Gorda located in northern Chile and the exploration project Victoria in the Sudbury Basin in Canada. Information on the projects being realised by KGHM INTERNATIONAL LTD. may be found in part A.V.2 of this report.

A. Interim condensed consolidated financial statements (continued)

Financial results of the KGHM INTERNATIONAL LTD. Group

	Financial period			
	for the 3 months ended 31 March 2013		for the 3 months ended 31 March 2012	
	PLN million*	USD million	PLN million*	USD million
Net revenues from sales**	863	272	977	312
Profit from mining operations	203	64	175	56
Adjusted EBITDA***	254	80	251	80
Profit for the period	48	15	103	33
Capex (excluding Sierra Gorda project)	46	15	91	29
Capex related to Sierra Gorda project	469	148	235	75

*data calculated using the arithmetic mean of current exchange rates announced by the NBP on the last day of each month, respectively for 2012 and 2013

**revenues from sales less TC/RC charges

*** operating profit adjusted by amortisation/depreciation, estimated recovery of metals in ore, administrative expenses and management fee for Sierra Gorda JV

In the first quarter of 2013, adjusted EBITDA for the KGHM INTERNATIONAL LTD. Group amounted to USD 80 million, similarly to the comparable prior period. A lower volume of copper sold and a lower copper price than in the comparable quarter of 2012 resulted in a decrease in net revenues from sales by 13%. Simultaneously the achievement of a significant improvement in the efficiency of the Robinson mine caused a decrease in the unit production cost which, despite the lower revenues, resulted in an improvement of the result from mining activities. The 55% lower profit for the first quarter of 2013 versus the comparable prior period was mainly due to impairment of securities and an increase in the effective tax rate versus the prior year.

VII. Seasonal or cyclical activities

The Group is not affected by seasonal or cyclical activities.

VIII. 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 reporting period.

IX. Information related to a declared dividend

The Management Board of KGHM Polska Miedź S.A. will recommend to the Ordinary General Meeting of KGHM Polska Miedź S.A. the payment of a dividend from profit for 2012 in the amount of PLN 1 600 000 thousand, i.e. 8.00 PLN/share and will propose the following dividend-related dates:

- a right to dividend date of 12 July 2013,
- date of payment of the first dividend instalment of 4 PLN/share: 14 August 2013,
- date of payment of the second dividend instalment of 4 PLN/share: 14 November 2013.

The proposals of the Management Board were positively evaluated by the Supervisory Board of KGHM Polska Miedź S.A.

The final decision on the appropriation of profit of KGHM Polska Miedź S.A for financial year 2012 and on the setting of a right to dividend date and dividend payment date will be made by the Ordinary General Meeting of KGHM Polska Miedź S.A.

All Parent Entity shares are ordinary shares.

A. Interim condensed consolidated financial statements (continued)

X. Business segments

The main role in the structure of assets and the generation of revenues in the KGHM Polska Miedź S.A. Group is held by the Parent Entity and by the KGHM INTERNATIONAL LTD. Group. The activities of KGHM Polska Miedź S.A. are concentrated on the mining industry in Poland, while those of the KGHM INTERNATIONAL LTD. Group are concentrated on the mining industry in the countries of North and South America. The profile of activities of the majority of remaining subsidiaries of the KGHM Polska Miedź S.A. Group differs from the main profile of activities of the Parent Entity.

As a result of significant changes made in 2012 in the structure of the KGHM Polska Miedź S.A. Group and the new manner of perceiving areas of activities by the bodies making operating decisions, new solutions were introduced in the way the Group is managed.

In the process of identifying business segments and developing a new model for managing the Group's structure, and also taking into account the principles of IFRS 8, as well as the usefulness of the information to users of the financial statements, five business segments were temporarily identified which are analysed in detail by management bodies. The identified business segments are simultaneously reporting segments:

- KGHM Polska Miedź S.A. - this segment comprises KGHM Polska Miedź S.A.,
- KGHM INTERNATIONAL LTD. - this segment comprises companies of the KGHM INTERNATIONAL LTD. Group,
- Sierra Gorda project - this segment comprises the joint venture Sierra Gorda S.C.M.,
- resource base development - this segment comprises companies involved in the exploration for and evaluation of minerals resources, companies intended to carry out mining,
- support of the core business - this segment comprises companies directly related to the core business of the Parent Entity*.

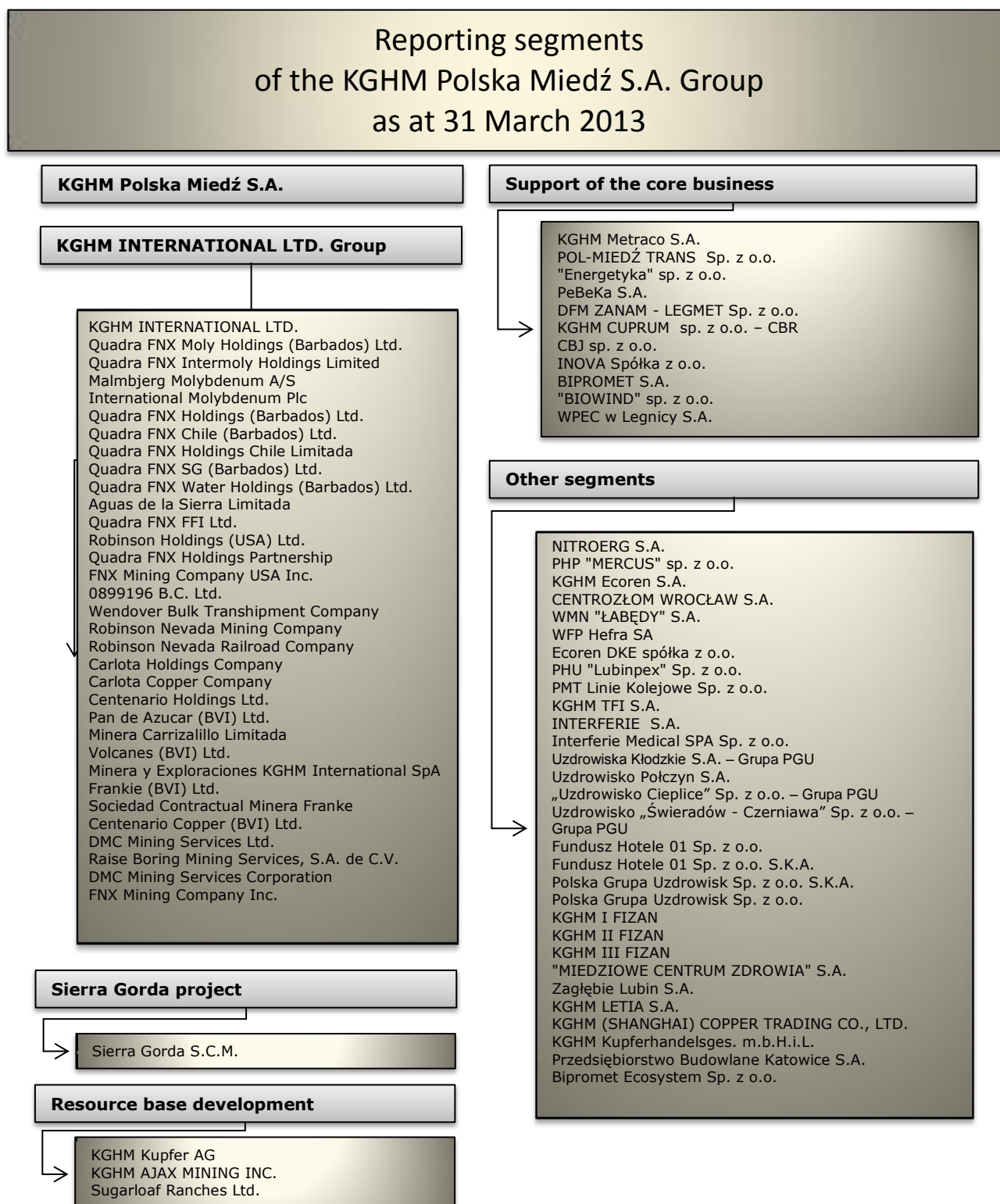
Other business segments were included in "Other segments". These are companies of the Group not related to the mining industry.

* in the reporting period KGHM Metraco S.A. was classified to the segment "support of the core business" due to its significant share in securing supplies of copper scrap for KGHM Polska Miedź S.A. The comparable data was restated respectively to the presentation in the current period.

Due to a change during the prior reporting period in the Group's organisational structure and a change in the composition of its reporting segments, analogous information for the comparable period was restated.

The ordering of the KGHM Polska Miedź S.A. Group by segment is presented in the following diagram.

A. Interim condensed consolidated financial statements (continued)



Internal reports on the results of Group 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 Group resources.

Inter-segment transaction prices are set under arm's length conditions, similarly as in relations with parties external to the Group.

KGHM Polska Miedź S.A.
Consolidated quarterly report with quarterly financial information prepared in accordance with IAS 34
for the period from 1 January 2013 to 31 March 2013
(amounts in tables in PLN million, unless otherwise stated)

A. Interim condensed consolidated financial statements (continued)

Financial period for the 3 months ended 31 March 2013

	KGHM Polska Miedź S.A.	KGHM INTERNATIONAL LTD.	Sierra Gorda project***	Resource base development	Support of the core business	Other segments	Adjustment restating to measurement/ principles under IFRS	Consolidation adjustments	Total
Sales	5 106	863	-	-	1 382	660	-	(1 491)	6 520
Inter-segment sales	73	-	-	-	1 175	245	-	(1 493)	-
External sales	5 033	863	-	-	207	415	-	2	6 520
Operating costs	(3 557)	(716)	-	(2)	(1 351)	(656)	(123)	1 603	(4 802)
Depreciation/Amortisation	(209)	(99)	-	-	(32)	(20)	(123)	115	(368)
Operating profit/(loss)	1 473	129*	-	(2)	39*	9*	(123)	103	1 628
Profit/(loss) before income tax	1 438	94	-	(2)	32	5	(123)	108	1 552
Income tax expense	(379)	(47)	-	-	(10)	(3)	16	(29)	(452)
Profit/(loss) for the period	1 059*	47*	-	(2)	22	2*	(107)	79	1 100
At 31 March 2013									
Segment assets	28 432	12 104	5 551	388	2 501	2 295	(2 412)	(13 791)	35 068
Liabilities	5 539	3 845	3 871	20	1 108	606	(2 877)	(504)	11 608
Other information									
Investments accounted for using the equity method	33	1 700**	-	-	-	-	2 378	-	4 111
Capital expenditure	313	46	567	16	74	18	-	(569)	465
EBITDA (operating profit plus depreciation/amortisation)	1 682	228			71				
% of sales to KGHM Polska Miedź S.A.					81%				
Production and cost data									
Payable copper ('000 t)	142.3	29.5							
- including from purchased copper-bearing materials ('000 t)	36.0	-							
Nickel ('000 t)	-	1.0							
Silver (t)	279.8	-							
Gold ('000 troz)	7.4	18.0							
Platinum ('000 troz)	-	3.8							
Palladium ('000 troz)	-	6.5							
C1 cash cost of copper in concentrate production (USD/lb)	1.72	1.99							

„Adjustment restating to measurement/principles under IFRS” – respecting adjustment due to final accounting for the acquisition of KGHM INTERNATIONAL LTD. at the consolidated level.

* result analysed in a given segment

** Sierra Gorda S.C.M. accounted for using the equity method

*** 55% share of the Group in Sierra Gorda S.C.M.

KGHM Polska Miedź S.A.
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A. Interim condensed consolidated financial statements (continued)

Financial period for the 3 months ended 31 March 2012 – restated

	KGHM Polska Miedź S.A.	KGHM INTERNATIONAL LTD.	Sierra Gorda project ***	Resource base development	Support of the core business	Other segments	Adjustment restating to measurement/ principles under IFRS	Consolidation adjustments	Total
Sales	5 216	340	-	-	1 525	638	-	(1 611)	6 108
Inter-segment sales	169	-	-	-	1 224	213	-	(1 606)	-
External sales	5 047	340	-	-	301	425	-	(5)	6 108
Operating costs	(2 831)	(324)	-	(2)	(1 498)	(632)	(45)	1 572	(3 760)
Depreciation/Amortisation	(198)	(41)	-	-	(27)	(18)	(45)	42	(287)
Operating profit/(loss)	1 804	(2)	-	(4)	37*	15*	(45)	(9)	1 796
Profit/(loss) before income tax	1 796	(12)	-	(4)	34	17	(45)	(10)	1 776
Income tax expense	(353)	-	-	-	(8)	(4)	13	(8)	(360)
Profit/(loss) for the period	1 443*	(12)	-	(4)	26	13*	(32)	(18)	1 416
At 31 December 2012 - restated									
Segment assets	28 177	11 416	4 689	375	2 341	2 290	(2 023)	(13 273)	33 992
Liabilities	6 254	3 674	3 092	17	1 080	628	(2 252)	(398)	12 095
Other information									
Investments accounted for using the equity method	33	1 615**	-	-	-	-	2 263	-	3 911
Capital expenditure	285	37	243	19	22	24	-	(254)	376
EBITDA									
(operating profit plus depreciation/amortisation)									
% of sales to KGHM Polska Miedź S.A.	2 002	39			64				77%
Production and cost data									
Production and cost data relating to KGHM INTERNATIONAL LTD. respect the period of 3 months of 2012									
Payable copper ('000 t)	133.6	25.1							
- including from purchased copper-bearing materials ('000 t)	31.7	-							
Nickel ('000 t)	-	1.4							
Silver (t)	335.4	-							
Gold ('000 troz)	7.6	9.7							
Platinum ('000 troz)	-	4.8							
Palladium ('000 troz)	-	7.8							
C1 cash cost of copper in concentrate production (USD/lb)	0.63	2.38							

„Adjustment restating to measurement/principles under IFRS” – respecting adjustment due to final accounting for the acquisition of KGHM INTERNATIONAL LTD. at the consolidated level.

* result analysed in a given segment

** Sierra Gorda S.C.M. accounted for using the equity method

*** 55% share of the Group in Sierra Gorda S.C.M.

A. Interim condensed consolidated financial statements (continued)

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

The geographical breakdown reflects the location of end clients.

	Financial period	
	for the 3 months ended	for the 3 months ended
	31 March 2013	31 March 2012
Poland	1 232	1 628
Germany	1 039	1 155
China	918	499
The United Kingdom	828	979
The Czech Republic	425	394
Canada	327	-
The USA	225	43
Italy	185	263
Hungary	179	197
Turkey	173	42
France	163	317
Switzerland	115	130
Austria	70	79
Belgium	59	68
Japan	49	9
South Korea	42	68
Denmark	30	34
Slovakia	24	23
Slovenia	11	9
Bosnia and Herzegovina	9	7
Bulgaria	8	16
Finland	6	10
Ukraine	5	10
Other countries (dispersed sale)	398	128
Total	6 520	6 108

Main customers

During the period from 1 January 2013 to 31 March 2013, and in the comparable period, the revenues from no single customer exceeded 10% of the revenues of the Group.

54.71% of the non-current assets of the Group are located in the country of origin of the Parent Entity. The remaining 45.29% of the non-current assets are located in the following countries: Chile – 22.27%; Canada – 18.82%; the USA – 3.75%; other countries – 0.45%.

XI. 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

During the reporting period there were no changes in the KGHM Polska Miedź S.A. Group economic structure. A final accounting for the Quadra FNX Mining Ltd. Group acquired on 5 March 2012 was performed. Detailed information on the accounting may be found in part A.I.4.3. of this report.

XII. Subsequent events

Opening of liquidation proceedings for Ecoren DKE Sp. z o.o.

On 2 April 2013 the Ordinary General Shareholders Meeting of Ecoren DKE Sp. z o.o resolved to dissolve the company, to put the company into liquidation and to choose a liquidator – Andrzej Gruszczynski, who was the previous President of the Management Board of this company. An application for the liquidation of Ecoren DKE Sp. z o.o. was submitted to the Regional Court for Wrocław-Fabryczna in Wrocław, Section IX (Economic) of the National Court of Registration on 4 April 2013. KGHM Ecoren S.A. (a subsidiary of KGHM Polska Miedź S.A.) owns of 100 % of the shares of Ecoren DKE Sp. z o.o.

A. Interim condensed consolidated financial statements (continued)

Acquisition of shares in NANO CARBON sp. z o.o.

On 24 April 2013, KGHM III Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych – an indirect subsidiary of KGHM Polska Miedź S.A. – acquired 19 600 shares of NANO CARBON spółka z ograniczoną odpowiedzialnością, with a nominal value of PLN 100 per share, and a total nominal value of PLN 1 960 thousand, for cash in the amount of PLN 1 960 thousand. The acquired shares represent 49.06% of the share capital of NANO CARBON spółka z ograniczoną odpowiedzialnością.

B. 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 2013, 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 14 February 2013, KGHM Polska Miedź S.A. published a forecast of Parent Entity results for 2013. In accordance with the above-mentioned forecast, KGHM Polska Miedź S.A. assumes achievement of revenues from sales in 2013 at the level of PLN 18 930 million, and profit for the period at the level of PLN 3 204 million.

The revenues from sales achieved in the first quarter in the amount of PLN 5 106 million and profit for the period of PLN 1 059 million are at a level which does not justify a correction to the forecast.

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 blocks 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 fourth quarter of 2012, i.e. at 1 March 2013, 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 a notification dated 12 January 2010).

Following publication of the consolidated report for the fourth quarter of 2012, KGHM Polska Miedź S.A. was not notified by any shareholder of any change in the ownership structure of a 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 fourth quarter of 2012, i.e. at 1 March 2013, and at the date of preparation of this report 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., the persons serving as Members of the Management Board of the Parent Entity did not sell/buy shares of KGHM Polska Miedź S.A. or rights to them during the period.

The Members of the Supervisory Board of KGHM Polska Miedź S.A., at the date of publication of the consolidated report for the fourth quarter of 2012, i.e. at 1 March 2013, and at the date of preparation of this report 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., the persons serving as Members of the Supervisory Board of the Parent Entity did not sell/buy shares of KGHM Polska Miedź S.A. or rights to them during the period.

List of proceedings being pursued in a court, an appropriate body for arbitration, or in a body of public administration

As at 31 March 2013, the total value of on-going proceedings before 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.

B. Other information to the consolidated quarterly report (continued)

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 first quarter of 2013, 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 subsidiaries of collateral on credit or loans, or of guarantees – jointly to a single entity or subsidiary thereof 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 2013 to 31 March 2013 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 subsidiary thereof 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 first quarter of 2013 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 meet 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 KGHM Polska Miedź S.A. Group is from the Parent Entity and, to a lesser extent, from the KGHM INTERNATIONAL LTD. Group.

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, including particularly due to the minerals extraction tax and the value of copper-bearing materials used,
- the effects of the hedging policy being realised.

Given the high volatility in macroeconomic conditions, the measurement of financial assets, including derivatives, may be subject to substantial volatility, and may at the end of the reporting period result in a change in the level of profit for the period.

The most significant factors impacting the results of the KGHM Polska Miedź S.A. Group, through the KGHM INTERNATIONAL LTD. Group, particularly in the following quarter, will be:

- copper, nickel and gold prices on the metals markets,
- the CLP/USD, CAD/USD and USD/PLN exchange rates, and
- mined copper production costs.

C. Quarterly financial information of KGHM Polska Miedź S.A.

Interim statement of financial position

	Note	At		
		31 March 2013	31 December 2012	1 January 2012
Assets				
Non-current assets				
Property, plant and equipment		8 533	8 445	7 277
Intangible assets		181	175	151
Shares and investment certificates in subsidiaries		11 648	11 641	2 012
Investment in associates and interest in joint ventures		33	33	-
Deferred tax assets		305	267	169
Available-for-sale financial assets		797	882	992
Mine closure financial assets		147	141	112
Derivatives		541	742	899
Trade and other receivables		206	84	84
		22 391	22 410	11 696
Current assets				
Inventories		3 018	2 992	2 356
Trade and other receivables		2 120	1 687	1 503
Mine closure financial assets		21	-	2
Derivatives		376	381	859
Cash and cash equivalents		506	707	12 836
		6 041	5 767	17 556
Total assets		28 432	28 177	29 252
Equity and liabilities				
Equity				
Share capital		2 000	2 000	2 000
Revaluation reserves from measurement of financial instruments		238	286	535
Capital due to actuarial gains/losses on post-employment benefits		(560)	(519)	(356)
Retained earnings		21 215	20 156	20 956
Total equity		22 893	21 923	23 135
Liabilities				
Non-current liabilities				
Trade and other payables		36	36	12
Derivatives		112	230	538
Employee benefits liabilities		1 511	1 471	1 216
Provisions for other liabilities and charges	C. II. 2	713	718	484
		2 372	2 455	2 250
Current liabilities				
Trade and other payables		2 267	2 227	1 828
Borrowings and finance lease liabilities		-	1 013	-
Current corporate tax liabilities		747	390	1 588
Derivatives		8	23	330
Employee benefits liabilities		112	110	107
Provisions for other liabilities and charges	C. II. 2	33	36	14
		3 167	3 799	3 867
Total liabilities		5 539	6 254	6 117
Total equity and liabilities		28 432	28 177	29 252

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

Interim statement of profit or loss

	Note	Financial period	
		for the 3 months ended 31 March 2013	for the 3 months ended 31 March 2012 restated*
Sales	C. II. 3	5 106	5 216
Cost of sales	C. II. 4	(3 393)	(2 659)
Gross profit		1 713	2 557
Selling costs	C. II. 4	(33)	(25)
Administrative expenses	C. II. 4	(131)	(147)
Other operating income	C. II. 5	225	632
Other operating costs	C. II. 6	(301)	(1 213)
Operating profit		1 473	1 804
Finance costs	C. II. 7	(35)	(8)
Profit before income tax		1 438	1 796
Income tax expense		(379)	(353)
Profit for the period		1 059	1 443
Earnings per share during the period (in PLN per share)			
- basic		5.30	7.22
- diluted		5.30	7.22

* explanation in part C.I.

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

Interim statement of comprehensive income

	Financial period	
	for the 3 months ended 31 March 2013	for the 3 months ended 31 March 2012 restated*
<u>Profit for the period</u>	1 059	1 443
<u>Other comprehensive income:</u>		
Other comprehensive income, which will be reclassified to profit or loss when specific conditions are met	(48)	(402)
Available-for-sale financial assets	-	(44)
Income tax	-	8
	-	(36)
Cash flow hedging instruments	(60)	(452)
Income tax	12	86
	(48)	(366)
Other comprehensive income, which will not be reclassified to profit or loss	(41)	(38)
Actuarial losses*	(50)	(47)
Income tax	9	9
<u>Other comprehensive net income for the financial period</u>	(89)	(440)
TOTAL COMPREHENSIVE INCOME	970	1 003

* explanation in part C.I.

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

Interim statement of changes in equity

	Share capital	Revaluation reserve from measurement of available-for- sale financial assets	Revaluation reserve from measurement of cash flow hedging instruments	Capital due to actuarial gains/losses on post-employment benefits	Retained earnings	Total equity
At 1 January 2013	2 000	-	286	(519)	20 156	21 923
Total comprehensive income	-	-	(48)	(41)	1 059	970
Profit for the period	-	-	-	-	1 059	1 059
Other comprehensive income	-	-	(48)	(41)	-	(89)
At 31 March 2013	2 000	-	238	(560)	21 215	22 893
At 1 January 2012	2 000	(39)	574	(356)	20 956	23 135
Total comprehensive income	-	(36)	(366)	(38)	1 443	1 003
Profit for the period	-	-	-	-	1 443	1 443
Other comprehensive income	-	(36)	(366)	(38)	-	(440)
At 31 March 2012 restated*	2 000	(75)	208	(394)	22 399	24 138

* explanation in part C.I.

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

Interim statement of cash flows

	Financial period	
	for the 3 months ended 31 March 2013	for the 3 months ended 31 March 2012 restated*
Cash flow from operating activities		
Profit for the period	1 059	1 443
Adjustments to profit for the period	490	1 037
Income tax recognised in profit or loss	379	353
Amortisation/Depreciation	209	198
Foreign exchange losses	23	864
Change in provisions	(10)	(22)
Change in assets/liabilities due to derivatives	62	(103)
Reclassification of other comprehensive income to profit or loss as a result of realisation of derivatives	(49)	(53)
Impairment loss on available-for-sale financial assets	86	-
Other adjustments	2	-
Changes in working capital:	(212)	(200)
Inventories	(26)	(228)
Trade and other receivables	(243)	(201)
Trade and other payables	57	229
Income tax paid	(39)	(210)
Net cash generated from operating activities	1 510	2 270
Cash flow from investing activities		
Purchase of shares and investment certificates in subsidiaries	(7)	(9 389)
Purchase of property, plant and equipment and intangible assets	(505)	(438)
Advances granted for purchase of property, plant and equipment and intangible assets	(24)	(6)
Proceeds from sale of property, plant and equipment and intangible assets	2	2
Purchase of mine closure financial assets	(26)	(24)
Loans granted	(118)	-
Other investment expenses	1	-
Net cash used in investing activities	(677)	(9 855)
Cash flow from financing activities		
Repayments of bank and other loans	(1 038)	-
Interest paid	(1)	-
Net cash used in financing activities	(1 039)	-
Total net cash flow	(206)	(7 585)
Exchange gains/(losses) on cash and cash equivalents	5	(864)
Movements in cash and cash equivalents	(201)	(8 449)
Cash and cash equivalents at beginning of the period	707	12 836
Cash and cash equivalents at end of the period	506	4 387
including restricted cash and cash equivalents	-	3

* explanation in part C.I.

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

Selected explanatory data

I. Accounting policies

These financial statements have been prepared using the same principles for the current and comparable periods, applying changes in accounting policies and presentation to the comparable period. The effect of changes is presented in the following points:

- 1) Changes in the principles of presentation of the comparable period, which did not impact the financial data presented in the financial statements for the reporting and comparable periods, were with respect to the presentation of items of equity. Taking into consideration the nature of individual items of equity and the transparency of the financial data presented, the following actions were performed:
 - (a) the item „Capital due to actuarial gains/losses on post-employment benefits” was separated from „Retained earnings”,
 - (b) the combination in the statement of financial position of homogenous items of equity, i.e. “Revaluation reserve from the measurement of available-for-sale financial assets” and “Revaluation reserve from the measurement of cash flow hedging instruments”, into a single item - “Revaluation reserve from the measurement of financial instruments”.

- 2) Changes in accounting principles which affected amounts presented in prior periods involved the adoption by the Company from 1 January 2012 of changes to IAS 19 *Employee Benefits*, in accordance with rules regarding transition. The changes introduced by the Company involved the recognition of actuarial gains and losses on specified post-employment benefits in other comprehensive income and not as previously in profit or loss. As a result of the application of this standard in the financial statements as at 31 March 2012, other comprehensive income for the period from 1 January 2012 to 31 March 2012 decreased by PLN 38 million (gross amount of PLN 47 million less deferred tax of PLN 9 million), and simultaneously the profit for the period increased by the same amount. In the statement of profit or loss there was a decrease in:
 - costs of sales of PLN 26 million,
 - administrative expenses of PLN 21 million,
 - and an increase in deferred tax of PLN 9 million.

II. Additional notes

1. Information on property, plant and equipment and intangible assets

Purchase of property, plant and equipment

	Financial period	
	for the 3 months ended 31 March 2013	for the 3 months ended 31 March 2012
Purchase of property, plant and equipment	299	271

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

Payables due to purchase of property, plant and equipment and intangible assets

	At	
	31 March 2013	31 December 2012
Payables due to purchase of property, plant and equipment and intangible assets	202	448

Capital commitments not recognised in the interim statement of financial position

	At	
	31 March 2013	31 December 2012
Purchase of property, plant and equipment	4 176	3 931
Purchase of intangible assets	34	46
Total capital commitments	4 210	3 977

2. Changes in provisions for other liabilities and charges

	TOTAL	Decommissioning costs of mines and other facilities, and costs of scrapping property, plant and equipment	Disputed issues and court proceedings, and other provisions
		TOTAL	TOTAL
Provisions at 1 January 2013	754	734	20
Recognition and updating of estimates	11	8	3
Utilisation	(5)	(5)	-
Transfer to Mine Closure Fund	(6)	(6)	-
Release and updating of estimates	(8)	(8)	-
Provisions at 31 March 2013	746	723	23
of which:			
Non-current provisions	713	708	5
Current provisions	33	15	18

	TOTAL	Decommissioning costs of mines and other facilities, and costs of scrapping property, plant and equipment	Disputed issues and court proceedings, and other provisions
		TOTAL	TOTAL
Provisions at 1 January 2012	498	481	17
Recognition and updating of estimates	321	306	15
Utilisation	(8)	(5)	(3)
Transfer to Mine Closure Fund	(27)	(27)	-
Release and updating of estimates	(30)	(21)	(9)
Provisions at 31 December 2012	754	734	20
of which:			
Non-current provisions	718	714	4
Current provisions	36	20	16

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

3. Sales

	Financial period	
	for the 3 months ended 31 March 2013	for the 3 months ended 31 March 2012
Copper, precious metals, smelter by-products	5 026	5 109
Salt	25	13
Services	19	16
Other finished goods	3	3
Merchandise	19	59
Scrap and production materials	14	16
Total	5 106	5 216

4. Expenses by nature

	Financial period	
	for the 3 months ended 31 March 2013	for the 3 months ended 31 March 2012 restated*
Depreciation of property, plant and equipment and amortisation of intangible assets	209	198
Employee benefit expenses	711	710
Materials and energy	1 627	1 605
External services	370	306
Taxes and charges**	655	75
Advertising costs and representation expenses	2	3
Property and personal insurance	7	6
Other costs	5	6
Total expenses by nature	3 586	2 909
Cost of merchandise and materials sold (+)	31	71
Change in inventories of finished goods and work in progress (+/-)	(21)	(108)
Cost of manufacturing products for internal use (-)	(39)	(41)
Total cost of sales, selling costs and administrative expenses	3 557	2 831

* explanation in part C.I.

** including the minerals extraction tax of PLN 569 million, which increases Company's costs (this tax is in force from 18 April 2012)

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

5. Other operating income

	Financial period	
	for the 3 months ended 31 March 2013	for the 3 months ended 31 March 2012
Income and gains on financial instruments, classified under other operating activities, resulting from:	206	615
Measurement and realisation of derivatives	160	550
Interest	12	64
Foreign exchange gains	34	-
Gains from measurement of non-current liabilities	-	1
Release of unused provisions	1	9
Penalties and compensation	3	2
Other operating income/gains	15	6
Total other operating income	225	632

6. Other operating costs

	Financial period	
	for the 3 months ended 31 March 2013	for the 3 months ended 31 March 2012
Costs and losses on financial instruments, classified under other operating activities, resulting from:	275	1 120
Measurement and realisation of derivatives	189	597
Foreign exchange losses	-	523
Impairment losses on available-for-sale financial assets	86	-
Losses on the sale of property, plant and equipment and intangible assets	2	-
Donations granted	16	86
Provisions recognised	3	2
Decommissioning of mines	-	1
Other	3	1
Other operating costs/losses	5	5
Total other operating costs	301	1 213

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

7. Finance costs

	Financial period	
	for the 3 months ended 31 March 2013	for the 3 months ended 31 March 2012
Foreign exchange losses on borrowings	25	-
Changes in provisions arising from the approach of the maturity date of liabilities (unwinding of discount effect)	9	8
Interest expense	1	-
Total finance costs	35	8

8. Related entities transactions

	Financial period	
	for the 3 months ended 31 March 2013	for the 3 months ended 31 March 2012
Revenues from sales to related entities	93	174
Purchases from related entities	1 351	1 383
	At	
	31 March 2013	31 December 2012
Trade receivables from related entities	317	281
Trade payables towards subsidiary entities	482	398

During the current quarter, no individual transactions were identified between KGHM Polska Miedź S.A. and the government and entities controlled or jointly controlled by the government, or over which the government has significant influence, which would be considered as significant in terms of unusual scope and amount.

The remaining transactions, which were collectively significant, between the Company and the government and with entities controlled or jointly controlled by the government, or over which the government has significant influence, were within the scope of normal, daily economic operations, and were carried out at arm's length. These transactions involved the purchase by the Company of materials and services to meet the needs of its current operating activities (fuel, energy, transport services). Turnover from these transactions in the current reporting period amounted to PLN 192 million (for the period from 1 January to 31 March 2012 – PLN 187 million), the unsettled balance of liabilities from these transactions as at 31 March 2013 amounted to PLN 43 million (as at 31 December 2012: PLN 41 million), and the unsettled balance of receivables as at 31 March 2013 amounted to PLN 6 million (as at 31 December 2012: PLN 4 million). Revenues from sales from State Treasury companies amounted to PLN 16 million (as at 31 March 2012, PLN 14 million).

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

	Financial period	
	for the 3 months ended 31 March 2013	for the 3 months ended 31 March 2012
Remuneration of the Supervisory Board (in PLN '000)		
Remuneration due to service in the Supervisory Board, salaries and other current employee benefits	207	380
Total	207	380

	Financial period	
	for the 3 months ended 31 March 2013	for the 3 months ended 31 March 2012
Remuneration of the Management Board (in PLN '000)		
Salaries and other current employee benefits	1 969	769
Total	1 969	769

9. Contingent assets and liabilities and other liabilities not recognised in the statement of financial position

	At 31 March 2013	Increase/(decrease) since the end of the last financial year
Contingent assets	445	31
Guarantees received	200	18
Disputed State budget issues	7	-
Promissory notes receivables	109	11
Inventions, implementation of projects	42	2
Real estate tax on underground workings	87	-
Contingent liabilities	197	19
Guarantees and collateral	5	-
Disputed issues, pending court proceedings	14	(1)
Liabilities due to implementation of projects and inventions	138	12
Real estate tax on underground workings	26	8
Other	14	-
Liabilities not recognised in the statement of financial position		
liabilities towards local government entities due to expansion of the tailings pond	194	1
liabilities due to operating leases	17	6

The value of the above items was determined based on estimates.

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

III. 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

Process of obtaining concessions for mining regions currently being worked

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. The concessions which expire on 31 December 2013 cover the following deposits: „Polkowice”, „Sieroszowice”, „Lubin-Małomice”, „Rudna”. The concession covering „Radwanice-Wschód” deposit expires in 2015.

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. As part of the work related to this project, the Company in the years 2010-2012 carried out work related to completing the concession applications together with the requisite appendices. The mining concession applications were submitted to the Concessions Body (the Ministry of the Environment) on 4 December 2012. The concessions body has forwarded the Deposit Development Plans (DDPs), being the fundamental element in concession applications, to the forum of the Minerals Resources Commission (MRC), being the application assessing and advisory body of the Ministry of the Environment, for their opinion. The Deposit Development Plans, corrected in accordance with the suggestions of the reviewers, were sent to the MRC on 12 March 2013. In March 2013, the Concessions Body received information from the MRC on the supplementation and amendment by the Company of the texts of the Deposit Development Plans.

Following the receipt of the MRC's opinion, the Concessions Body added its concerns and suggestions to the contents of the concession applications. On 24 April 2013, the amended versions of the applications were submitted to the concessions body. Subsequently, the concessions body will forward the concession applications together with the draft concessions decisions for the agreement of the 10 relevant mining municipalities (Gmina Lubin, the City of Lubin, Polkowice, Radwanice, Jerzmanowa, Rudna, Sieroszowice, Chocianów, Grębocice and Żukowice).

Rock mass tremor at the Rudna mine

On 19 March 2013, in the G-3 section of the Rudna mine, at a depth of 960 meters, there occurred a strong rock mass tremor (with a strength of 1.6×10^9). This was one of the strongest tremors to have occurred in the mines of KGHM Polska Miedź S.A. In the threatened region were 42 employees of KGHM, of which 23 left without assistance, while 19 employees were trapped underground. After an over-seven-hours-long rescue operation conducted by KGHM's Mine-Smelter Rescue Unit, the miners were successfully reached. As a result of the tremor, two of the miners suffered minor injuries. During the rescue operation psychological assistance was provided to the families of the miners.

Following completion of the rescue operation the site of the incident was secured. A special commission of the State Mining Authority is investigating the causes of the incident. The Company does not anticipate a threat to realisation of the production plan.

Other significant events covered by current reports

Company bodies

As a result of elections carried out on 12-13 March 2013, the employees of the Company chose the following two persons to the Supervisory Board: Józef Czyczerski and Leszek Hajdacki. The persons elected by the employees of the Company become members of the Eighth Term Supervisory Board from the moment of adoption of appropriate resolutions by the General Meeting of KGHM Polska Miedź S.A.

Forecast of results for 2013

The Supervisory Board of KGHM Polska Miedź S.A. at its meeting on 14 February 2013 approved the Company Budget for 2013 submitted by the Management Board. The bases for preparation of the Budget were the preliminary results for 2012 and the assumptions of individual operating plans. The forecast of results of the Company, which is based on the assumptions used in the approved Budget, assumes the achievement in 2013 of revenues from sales of PLN 18 930 million, profit for the period of PLN 3 204 million, and EBITDA at the level of PLN 5 337 million.

Selection of an entity entitled to audit financial statements

The Supervisory Board of KGHM Polska Miedź S.A., on 27 March 2013 has selected the firm PricewaterhouseCoopers Sp. z o.o. with its registered head office in Warsaw, al. Armii Ludowej 14, as the entity with which a contract will be entered into for the review and audit of the separate and consolidated financial statements of the Company for the years 2013-2015. KGHM Polska Miedź S.A. used the services of PricewaterhouseCoopers Sp. z o.o. for the review and audit of financial statements for the years 2004-2006 and 2010-2012 and for other services.

The contract for the review and audit of the separate and consolidated financial statements of the Company for the years 2013-2015 was entered into on 17 April 2013.

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

Significant contracts

On 21 January 2013 a contract was entered into between KGHM Polska Miedź S.A. and HSBC Bank USA N.A., London Branch for silver sales in 2013. The estimated value of the contract is PLN 1 672 million. 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 exceeded 10% of the equity of the Company and amounts to PLN 3 654 million. The highest-value contract signed during this period is the above-mentioned contract.

On 28 January 2013 a contract was entered into between KGHM Polska Miedź S.A. and MKM Mansfelder Kupfer und Messing GmbH for the sale of copper cathodes in 2013. The estimated value of this contract is PLN 1 524 million. As a result of entering into this contract, the total estimated value of contracts entered into between KGHM Polska Miedź S.A. and MKM Mansfelder Kupfer und Messing GmbH over the last 12 months exceeded 10% of the equity of the Company and amounts to PLN 3 497 million. The highest-value contract entered into during this period is the contract for the sale of copper cathodes in 2012 entered into on 30 January 2012. The value of this contract is PLN 1 824 million.

On 31 January 2013 a contract was entered into between KGHM Polska Miedź S.A. and Prysmian Metals Limited for the sale of copper wire rod in 2013 and 2014. The estimated value of this contract is from PLN 2 382 million to PLN 2 865 million, depending on the amount of tonnage under option and on the relocation of tonnage between Prysmian Metals Limited and Prysmian Kabel Und Systeme GmbH. The contract with Prysmian Metals Limited provides for the relocation of materials between Prysmian Metals Limited and Prysmian Kabel Und Systeme GmbH.

„Technical Report on the Copper-Silver Production Operations of KGHM Polska Miedź S.A. in the Legnica-Głogów Copper Belt Area of Southwestern Poland” prepared by Micon International Limited

On 11 February 2013, the Management Board of KGHM Polska Miedź S.A. provided „Technical Report on the Copper-Silver Production Operations of KGHM Polska Miedź S.A. in the Legnica-Głogów Copper Belt Area of Southwestern Poland”, presenting in a comprehensive and detailed manner information on the resources and production activities. This report was prepared by the Canadian company Micon International Limited, independent international mining sector consultants, and is compliant with the Canadian standard NI 43-101, which prescribes strict guidelines in respect of the disclosure of mining assets, and which is obligatory for those companies whose shares are listed on Canadian stock exchanges.

Sierra Gorda CAPEX definitive cost estimate

On 1 March 2013 the Management Board of KGHM Polska Miedź S.A. announced the definitive cost estimate and scheduled start-up for the company's flagship Sierra Gorda copper-molybdenum-gold project in Chile, 55% owned by KGHM International Ltd., 31.5% owned by Sumitomo Metal Mining and 13.5 % owned by Sumitomo Corporation. The estimated total initial capex is projected at approximately USD 3.9 billion compared with the February 2011 estimate of USD 2.9 billion. The Sierra Gorda SCM JV shareholders also agreed to pursue saving plans to reduce the capital cost and to adopt leasing program for mining equipment. With continuing strong copper prices, construction activities in northern Chile - the largest copper producing region in the world - have increased significantly, impacting construction costs across the mining industry. Consequently, many mining projects have seen substantial increases in their planned costs, and significant timing delays. However, this effect has been limited by various methods, including hedging, and a focus on cost control. The start of commercial production is still scheduled to be in 2014. The Sierra Gorda mine over its twenty year mine life will be one of the largest copper-molybdenum-gold mines in the world and is expected to be in the lowest quartile of cash operating costs of copper mines worldwide.

The Management Board of KGHM Polska Miedź S.A. announced also the key assumptions approved by the Board of Directors of KGHM International Ltd. of the company's budget for 2013: copper production at the level of 93.7 thousand t (207 million lbs), nickel production at the level of 5 thousand t (11 million lbs) and total precious metal production at the level of 2 t (64 kozs). The estimated C1 cash cost is projected at the level of USD 2.3/lb. Total capital expenditures for 2013, including the capital expenditures on the Sierra Gorda project, are projected to reach USD 733 million.

2. Measurement of financial and tangible assets

Financial assets – derivatives

In the current quarter due to the measurement and settlement of future cash flow hedging transactions other comprehensive income was decreased by PLN 48 million, of which:

- PLN 49 million represents a reclassification adjustment made at the time of impact of the hedged position on profit or loss,
- PLN 11 million represents a loss resulting from changes in fair value of the effective portion of hedging instruments,
- PLN 12 million represents tax from the above-mentioned items.

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

Due to the realisation and fair value remeasurement of derivatives, there was an increase in the financial result for the current quarter of PLN 20 million (of which: as an increase in revenues from sales, PLN 49 million and as a decrease in the result on other operating activities of PLN 29 million). Detailed information on derivatives is presented in part C point II 5 Commodity and currency risk management.

Available-for-sale financial assets

In the current quarter due to the fair value measurement of available-for-sale financial assets, other comprehensive income was increased by PLN 0.5 million.

For impaired available-for-sale financial assets as at 31 December 2012 whose fair value in the current quarter remained below their carrying amount (shares of Tauron Polska Energia S.A.), an impairment loss in the amount of PLN 86 million was recognised in profit or loss.

There was no transfer by the Company of financial instruments between individual levels of fair value hierarchy in either the reporting or the comparative periods, nor was there any change in the classification of instruments as a result of a change in the purpose or use of these assets.

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 209 million.

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 current quarter, 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 an increase in the provision of PLN 41 million which was settled as:

- a decrease in other comprehensive income of PLN 50 million
(after reflecting the deferred tax effects, a decrease in other comprehensive income of PLN 41 million),
- an increase in the financial result of PLN 9 million
(after reflecting the deferred tax effects, an increase in the financial result of PLN 7 million),

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 an increase in the provision of PLN 1 million, which was settled as a decrease in the financial result of PLN 8 million and as a decrease of property, plant and equipment of PLN 7 million.

3.3 provisions for future employee remuneration costs together with charges of PLN 173 million, paid (in accordance with the Collective Labour Agreement) on the occasion of mining or smelting holidays and after approval of the annual financial statements.

(provision as at 31 March 2013 amounted to PLN 477 million).

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

Deferred tax

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

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 305 million.

(after offsetting the deferred tax asset and deferred tax liability, the deferred tax asset at 31 December 2012 was set at PLN 267 million).

There was an increase in the deferred tax asset in the current quarter of PLN 11 million, which was settled:

- as an increase in profit, PLN 2 million,
- as an increase in other comprehensive income
due to actuarial losses on post-employment benefits, PLN 9 million.

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

There was a decrease in the deferred tax liability in the current quarter of PLN 27 million, of which the following was settled:

- | | |
|---|-----------------|
| - as an increase in profit, | PLN 15 million, |
| - as an increase in other comprehensive income
due to measurement of hedging financial instruments | PLN 12 million. |

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

Economic results in the first quarter of 2013

In the first quarter of 2013, KGHM Polska Miedź S.A. produced 109 thousand t of copper in concentrate. Electrolytic copper production amounted to 142 thousand t, including 106 thousand t from own concentrate, and 280 t of metallic silver.

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

- copper prices on the London Metal Exchange (LME) at the average level of 7 931 USD/t,
- an average exchange rate of 3.15 USD/PLN,
- average silver prices on the London Bullion Market Association (LBMA) of 30.74 USD/troz, and
- the sales volume of copper and copper products (154 thousand t), and of silver (303 t).

The **revenues from sales** achieved of PLN 5 106 million were lower by PLN 110 million, i.e. 2% than those achieved in the comparable prior period, in respect of which a decrease in copper prices (from 8 310 USD/t to 7 931 USD/t), silver prices (from 32.63 USD/troz to 30.74 USD/troz) and in USD/PLN exchange rate (a change from 3.22 USD/PLN to 3.15 USD/PLN) were partly offset by a higher copper sales volume.

In the first quarter of 2013, revenues from the sale of copper and copper products represented 77%, and silver 18% (in the comparable period of 2012 respectively: 74% and 21%) of total revenues from sales.

Operating costs (cost of sales, selling costs and administrative expenses) in the first quarter of 2013 amounted to PLN 3 557 million and were higher versus the comparable prior period by PLN 726 million, i.e. by 26%, mainly due to the minerals extraction tax and a higher volume of copper-bearing materials used, with a higher volume of copper products sales by 10%.

Expenses by nature in the first quarter of 2013 amounted to PLN 3 586 million, and after excluding purchased copper-bearing materials (PLN 1 047 million) and the minerals extraction tax (PLN 569 million) amounted to PLN 1 970 million and were higher than those in the comparable prior year period by 3.5% (i.e. by PLN 67 million).

The increase in the level of expenses by nature (after excluding purchased copper-bearing materials and the minerals extraction tax) is mainly due to the higher external services costs (+ PLN 65 million), mainly due to the following:

- increased scope of mine development work performed (+1.9 km, i.e. by 20%),
- rhenium treatment and refining charges,
- by-product transportation costs (mainly sulphuric acid, due to taking on the function of selling these products by KGHM Polska Miedź S.A. from a subsidiary – KGHM Metraco S.A.).

The pre-precious metals credit unit cost of electrolytic copper production (total cost prior to decrease by the value of precious metals) in the first quarter of 2013 amounted to 21 839 PLN/t, and increased versus the first quarter of 2012 by 18% due to the following:

- the introduced mineral extraction tax (3 205 PLN/t),
- increase in other costs, including amortisation/depreciation, and external services.

Taking into consideration the valuation of precious metals in anode slimes, the total unit cost of copper production amounted to 17 501 PLN/t.

The pre-precious metals credit unit cost of electrolytic copper production from own concentrate amounted to 20 456 PLN/t (in the comparable period – 15 679 PLN/t) alongside a higher by 4% volume of production from own concentrate and mineral extraction tax burden (4 291 PLN/t). The total cost of electrolytic copper production from own concentrate amounted to 14 893 PLN/t.

C1 cost (cash cost of concentrate production including the minerals extraction tax, plus administrative expenses and treatment and refining (TC/RC) charges, less depreciation/amortisation and by-product revenues, calculated for payable copper in concentrate) was as follows: 0.63 USD/lb in the first quarter of 2012 and 1.72 USD/lb in the first quarter of 2013.

The increase in the C1 cost was mainly due to the introduction from April 2012 of the minerals extraction tax (0.78 USD/lb).

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

Other operating activities showed a loss in the first quarter of 2013 of PLN 76 million, meaning improving of the result versus the first quarter of 2012 by PLN 505 million, mainly due to exchange differences.

As a result of the above, **operating profit** in the first quarter of 2013 amounted to PLN 1 473 million and decreased versus the comparable period of 2012 by PLN 331 million.

KGHM Polska Miedź S.A. earned a **profit for the first quarter of 2013** of PLN 1 059 million, which was lower by PLN 384 million than that achieved in the first quarter of 2012.

EBITDA in the first quarter of 2013 amounted to PLN 1 682 million (including depreciation/amortisation of PLN 209 million) and was lower by PLN 320 million than that in the comparable prior year period.

5. Commodity and currency risk management

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 derivatives. A hedged position comprises revenues from the physical sale of products.

The nominal of copper price hedging strategies settled in the first quarter of 2013 represented approx. 24% of the total sales of this metal realised by the Company. With respect to silver this figure amounted to approx. 9%. In the case of the currency market, hedged revenues from sales represented approx. 16% of total revenues from sales realised by the Company during the period.

In the first quarter of 2013, the positive result on derivatives amounted to PLN 20 million, of which the amount of PLN 49 million was recognised in revenues from sales (the amount transferred from revaluation reserve from measurement of cash flow hedging instruments to profit or loss), the amount of PLN 29 million decreased the result on other operating activities, of which PLN 11 million represented a loss due to the realisation of derivatives, while PLN 18 million represented a loss on the measurement of derivatives. The loss on the measurement of derivative transactions recognised in other operating activities, results mainly from the change in the time value of options which, in accordance with the hedge accounting policy, are recognised in profit or loss.

Impact of derivatives on the profit or loss of the current and comparable periods	Financial period	
	for the 3 months ended 31 March 2013	for the 3 months ended 31 March 2012
Impact on sales	49	53
Impact on other operating activities	(29)	(47)
Losses from realisation of derivatives	(11)	(19)
Losses from measurement of derivatives	(18)	(28)
Total impact of derivatives on profit or loss for the period:	20	6
	At	
Revaluation reserve from measurement of cash flow hedging instruments	31 March 2013	31 December 2012
Commodity price risk hedging transactions (copper and silver) – derivatives	235	163
Currency risk hedging transactions – derivatives	59	191
Total:	294	354

During the first quarter of 2013 there was a decrease in other comprehensive income by PLN 60 million (excluding the deferred tax effect), comprised of:

- changes in fair value during the period recognised as a decrease in revaluation reserve from measurement of effective portion cash flow hedging instruments, of PLN 11 million,
- the amount of PLN 49 million, decreasing revaluation reserve from measurement of cash flow hedging instruments, transferred to increase revenues from sales, due to the settlement of the effective portion of hedging transactions.

In the first quarter of 2013, the Company did not implement any hedging strategies on the copper and silver markets.

In the case of the forward currency market, in the first quarter of 2013 the Company implemented transactions hedging revenues from sales in the total nominal amount of USD 240 million and a time horizon falling in 2014. The Company made use of collars (European options). Additionally, in the reporting period the Company performed a restructure, implemented in the fourth quarter of 2011, of a seagull option strategies for the first half of 2014 of a total amount of USD 180 million, through the buyback of sold put options. This restructure in

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

derivatives allows the full utilisation of put options purchased within this structure in case of any eventual strengthening of the Polish currency in the first half of 2014.

The Company remains hedged for a portion of copper sales planned in the period from April to December 2013 (98.25 thousand tonnes), in 2014 (81 thousand tonnes) and in 2015 (42 thousand tonnes). A portion of silver sales planned in the period from April to December 2013 (2.7 million troz) is also hedged. With respect to revenues from sales (currency market) the Company holds a hedging position in the period from April to December 2013 (USD 720 million), in 2014 (USD 960 million) and in 2015 (USD 360 million).

Following is presented condensed information on open hedging positions, by type of hedged asset and instruments used as at 31 March 2013. The hedged nominal/volume in the months included in the presented periods is equally balanced.

COPPER MARKET

	Instrument	Volume [tonnes]	Option execution price [USD/t]			Average weighted premium [USD/t]	Effective hedge price [USD/t]	Limitations [USD/t]	
			Sold call option	Purchased put option	Sold put option ¹			Participation limited to	Hedge limited to
II quarter of 2013	Seagull	9 750	9 500	7 200	4 700	(383)	6 817	9 500	4 700
	Collar	5 250	12 000	8 500	-	(460)	8 040	12 000	-
	Collar	5 250	11 500	8 200	-	(333)	7 867	11 500	-
	Seagull	3 000	10 200	7 700	4 500	(332)	7 368	10 200	4 500
	Seagull	7 500	10 300	7 800	4 500	(368)	7 432	10 300	4 500
	Collar	1 500	9 200	7 200	-	(320)	6 880	9 200	-
	Collar	4 500	9 300	7 300	-	(340)	6 960	9 300	-
	Total	36 750							
II half of 2013	Collar	10 500	12 000	8 500	-	(460)	8 040	12 000	-
	Collar	10 500	11 500	8 200	-	(333)	7 867	11 500	-
	Seagull	6 000	10 200	7 700	4 500	(332)	7 368	10 200	4 500
	Seagull	15 000	10 300	7 800	4 500	(368)	7 432	10 300	4 500
	Collar	19 500	9 300	7 600	-	(290)	7 310	9 300	-
	Total	61 500							
	TOTAL Apr-Dec 2013	98 250							
I half of 2014	Seagull	6 000	10 200	7 700	4 500	(332)	7 368	10 200	4 500
	Seagull	15 000	10 300	7 800	4 500	(368)	7 432	10 300	4 500
	Seagull	19 500	9 300	7 700	5 000	(281)	7 419	9 300	5 000
	Total	40 500							
II half of 2014	Seagull	6 000	10 200	7 700	4 500	(332)	7 368	10 200	4 500
	Seagull	15 000	10 300	7 800	4 500	(368)	7 432	10 300	4 500
	Seagull	19 500	9 300	7 700	5 000	(281)	7 419	9 300	5 000
	Total	40 500							
	TOTAL 2014	81 000							
I half of 2015	Seagull	6 000	10 200	7 700	4 500	(332)	7 368	10 200	4 500
	Seagull	15 000	10 300	7 800	4 500	(368)	7 432	10 300	4 500
	Total	21 000							
II half of 2015	Seagull	6 000	10 200	7 700	4 500	(332)	7 368	10 200	4 500
	Seagull	15 000	10 300	7 800	4 500	(368)	7 432	10 300	4 500
	Total	21 000							
	TOTAL 2015	42 000							

¹ Due to current hedge accounting laws, transactions included in the seagull structure – *purchased put options* and *sold call options* – are shown in the table containing a detailed list of derivative positions - "Hedging instruments"; while *sold put options* of seagull structure are shown in the table "Trade instruments".

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

SILVER MARKET

	Instrument	Volume [million troz]	Option execution price [USD/troz]			Average weighted premium [USD/troz]	Effective hedge price [USD/troz]	Limitations [USD/troz]	
			Sold call option	Purchased put option	Sold put option ¹			Participation limited to	Hedge limited to
II quarter of 2013	Seagull	0.90	65.00	40.00	20.00	(1.98)	38.02	65.00	20.00
	Total	0.90							
II half of 2013	Seagull	1.80	65.00	40.00	20.00	(1.98)	38.02	65.00	20.00
	Total	1.80							
TOTAL Apr-Dec 2013		2.70							

CURRENCY MARKET

	Instrument	Notional [million USD]	Option execution price [USD/PLN]			Average weighted premium [PLN for USD 1]	Effective hedge price [USD/PLN]	Limitations [USD/PLN]	
			Sold call option	Purchased put option	Sold put option ¹			Participation limited to	Hedge limited to
II quarter of 2013	Seagull	120	4.0000	3.1500	2.6000	(0.0308)	3.1192	4.0000	2.6000
	Collar	120	4.2000	3.2000	-	(0.0650)	3.1350	4.2000	-
Total		240							
II half of 2013	Seagull	240	4.0000	3.1500	2.6000	(0.0230)	3.1270	4.0000	2.6000
	Collar	240	4.2000	3.2000	-	(0.0650)	3.1350	4.2000	-
Total		480							
TOTAL Apr-Dec 2013		720							
I half of 2014	Collar	180	4.5000	3.5000	-	(0.0641)	3.4359	4.5000	-
	Collar	180	4.5000	3.4000	-	(0.0093)	3.3907	4.5000	-
	Collar	120	4.0000	3.2000	-	(0.0574)	3.1426	4.0000	-
Total		480							
II half of 2014	Seagull	180	4.5000	3.5000	2.7000	(0.0345)	3.4655	4.5000	2.7000
	Collar	180	4.5000	3.4000	-	(0.0093)	3.3907	4.5000	-
	Collar	120	4.0000	3.2000	-	(0.0554)	3.1446	4.0000	-
Total		480							
TOTAL 2014		960							
I half of 2015	Collar	180	4.5000	3.4000	-	(0.0080)	3.3920	4.5000	-
	Total	180							
II half of 2015	Collar	180	4.5000	3.4000	-	(0.0080)	3.3920	4.5000	-
	Total	180							
TOTAL 2015		360							

All entities with which derivative transactions are entered into operate in the financial sector.

The following table presents the structure of ratings of the financial institutions with whom the Company engaged in derivatives transactions, representing an exposure to credit risk²

Rating levels	At	
	31 March 2013	31 December 2012
Highest ³	9%	12%
Medium-high ⁴	87%	82%
Medium ⁵	4%	6%

² weighed by positive fair value of open and unsettled derivatives

³ 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 Moody's.

⁴ 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 Moody's.

⁵ 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 Moody's.

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

Taking into consideration the fair value of open derivative transactions entered into by the Company and unsettled derivatives, as at 31 March 2013, the maximum single entity share of the amount exposed to credit risk arising from these transactions amounted to 24% (as at 31 December 2012: 17%).

Due to diversification of risk in terms both of the nature of individual entities and of their geographical location, as well as to cooperation with highly-rated and medium-high-rated financial institutions, the Company is not materially exposed to credit risk as a result of derivative transactions entered into.

In order to reduce cash flows as well as credit risk, the Company carries out net settlement (based on framework agreements entered into with its customers) to the level of the positive balance of fair value measurement of transactions in derivatives with a given counterparty.

As at 31 March 2013, the net fair value of open positions in derivatives amounted to PLN 797 million, of which PLN 808 million related to the positive fair value of hedging instruments, and PLN 11 million related to the negative fair value of trade instruments. The fair value of open positions in derivatives varies, depending on changes in market conditions, and the final result on these transactions may vary significantly from the measurements described above.

The fair values of derivatives and receivables due to unsettled derivatives as at 31 March 2013, are presented in the following table:

	Derivatives	Receivables due to unsettled derivatives ⁶
Financial assets	917	20
Financial liabilities	(120)	-
As at 31 March 2013	797	20

Detailed information on positions in derivatives as at 31 March 2013 is presented below in the tables "Trade instruments" and "Hedging instruments".

TRADE INSTRUMENTS			At 31 March 2013 [PLN '000]			
Type of derivative	Volume/ Notional Cu [t] Ag ['000 troz] Currency ['000 USD]	Avg. weighted price/ex. rate Cu [USD/t] Ag [USD/troz] Currency [USD/PLN]	Financial assets		Financial liabilities	
			Current	Non-current	Current	Non-current
Derivatives - Metals - Copper:						
Options						
Sold put options	164 250	4 631			(94)	(7 301)
TOTAL:			-	-	(94)	(7 301)
Derivatives - Metals - Silver:						
Options						
Sold put options	2 700	20.00			(82)	
TOTAL:			-	-	(82)	-
Derivatives - Currency contracts:						
Options USD						
Sold put options	720 000	2.6500			(764)	(4 661)
Purchased put options	180 000	2.7000	634	1 087		
TOTAL:			634	1 087	(764)	(4 661)
TOTAL TRADE INSTRUMENTS			634	1 087	(940)	(11 962)

⁶ Settlement date falls on 3 April 2013.

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

HEDGING INSTRUMENTS							At 31 March 2013 [PLN '000]			
Type of derivative	Volume/ Notional	Avg. weighted price/ ex. rate	Maturity/ settlement period		Period of impact on profit or loss		Financial assets		Financial liabilities	
			From	To	From	To	Current	Non- current	Current	Non- current
Derivatives – Metals- Copper										
Options										
Collar	57 000	7 980 - 10 651	Apr-13	Dec-13	May-13	Jan-14	119 163		(2 163)	
Seagulls	164 250	7 721 - 9 995	Apr-13	Dec-15	May-13	Jan-16	74 589	298 225	(3 289)	(72 851)
TOTAL:							193 752	298 225	(5 452)	(72 851)
Derivatives – Metals - Silver										
Options										
Seagull	2 700	40.00 - 65.00	Apr-13	Dec-13	May-13	Jan-14	99 104			
TOTAL:							99 104	-	-	-
Derivatives – Currency contracts										
Options USD										
Collar	1 320 000	3.3091 - 4.3273	Apr-13	Dec-15	Apr-13	Dec-15	44 451	167 679	(1 165)	(24 860)
Collar-seagull	180 000	3.5000 - 4.5000	Jan-14	June-14	Jan-14	June-14	23 448	24 246	(117)	(362)
Seagull	540 000	3.2667 - 4.1667	Apr-13 July-14	Dec-13 Dec-14	Apr-13 July-14	Dec-13 Dec-14	14 889	49 796	(725)	(2 243)
TOTAL:							82 788	241 721	(2 007)	(27 465)
TOTAL HEDGING INSTRUMENTS							375 644	539 946	(7 459)	(100 316)

Lubin, 14 May 2013