POLISH FINANCIAL SUPERVISION AUTHORITY

Consolidated quarterly report QSr 2 / 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 second quarter of the financial year **2013** comprising the period from **1 April 2013** to **30 June 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: 14 August 2013

KGHM Polska Miedź Spółka Akcyjna
(name of the issuer)

KGHM Polska Miedź S.A.	**Basic materials**
(name of issuer in brief)	(issuer branch title per the Warsaw Stock Exchange)
59-301	**LUBIN**
(postal code)	(city)
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(NIP)	(REGON)

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	
	2 quarters of 2013 period from 1 January 2013 to 30 June 2013	**2 quarters of 2012 period from 1 January 2012 to 30 June 2012 restated**	**2 quarters of 2013 period from 1 January 2013 to 30 June 2013**	**2 quarters of 2012 period from 1 January 2012 to 30 June 2012 restated**
I. Sales	12 517 593	13 111 244	2 970 478	3 103 547
II. Operating profit	2 625 379	3 655 959	623 014	865 398
III. Profit before income tax	2 494 065	3 585 609	591 852	848 745
IV. Total profit for the period	1 781 505	2 768 841	422 759	655 409
V. Profit for the period attributable to shareholders of the Parent Entity	1 783 553	2 767 657	423 245	655 129
VI. Profit for the period attributable to non-controlling interest	(2 048)	1 184	(486)	280
VII. Other comprehensive income	976 266	502 219	231 672	118 880
VIII. Total comprehensive income	2 757 771	3 271 060	654 431	774 289
IX. Total comprehensive income attributable to the shareholders of the Parent Entity	2 759 375	3 271 191	654 812	774 320
X. Total comprehensive income attributable to non-controlling interest	(1 604)	(131)	(381)	(31)
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	8.94	13.84	2.12	3.28
XIII. Net cash generated from operating activities	3 106 191	2 537 098	737 112	600 553
XIV. Net cash used in investing activities	(2 324 046)	(8 293 887)	(551 506)	(1 963 236)
XV. Net cash (used in)/generated from financing activities	(1 106 812)	280 237	(262 651)	66 335
XVI. Total net cash flow	(324 667)	(5 476 552)	(77 045)	(1 296 348)
	At 30 June 2013	**At 31 December 2012 restated**	**At 30 June 2013**	**At 31 December 2012 restated**
XVII. Non-current assets	26 306 537	24 138 031	6 076 535	5 904 318
XVIII. Current assets	9 675 708	9 853 895	2 234 988	2 410 326
XIX. Total assets	35 982 245	33 991 926	8 311 523	8 314 644
XX. Non-current liabilities	7 701 577	7 354 374	1 778 984	1 798 927
XXI. Current liabilities	5 575 437	4 739 076	1 287 868	1 159 208
XXII. Equity	22 705 231	21 898 476	5 244 671	5 356 509
XXIII. Equity attributable to non-controlling interest	222 789	231 585	51 462	56 647

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

	in PLN '000		in EUR '000	
	2 quarters of 2013 period from 1 January 2013 to 30 June 2013	**2 quarters of 2012 period from 1 January 2012 to 30 June 2012 restated**	**2 quarters of 2013 period from 1 January 2013 to 30 June 2013**	**2 quarters of 2012 period from 1 January 2012 to 30 June 2012 restated**
I. Sales	9 502 625	10 503 890	2 255 013	2 486 363
II. Operating profit	2 390 341	3 781 320	567 238	895 072
III. Profit before income tax	2 345 638	3 764 404	556 630	891 068
IV. Profit for the period	1 724 946	2 969 477	409 337	702 901
V. Other comprehensive income	236 931	(266 496)	56 225	(63 082)
VI. Total comprehensive income	1 961 877	2 702 981	465 562	639 819
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)	8.63	14.85	2.05	3.51
IX. Net cash generated from operating activities	2 383 480	2 259 057	565 610	534 739
X. Net cash used in investing activities	(1 239 227)	(10 374 841)	(294 074)	(2 455 816)
XI. Net cash used in financing activities	(1 038 362)	(32)	(246 408)	(8)
XII. Total net cash flow	105 891	(8 115 816)	25 128	(1 921 085)
	At 30 June 2013	**At 31 December 2012 restated**	**At 30 June 2013**	**At 31 December 2012 restated**
XIII. Non-current assets	23 021 106	22 410 582	5 317 635	5 481 772
XIV. Current assets	6 126 381	5 766 730	1 415 130	1 410 579
XV. Total assets	29 147 487	28 177 312	6 732 765	6 892 351
XVI. Non-current liabilities	2 512 748	2 454 910	580 419	600 487
XVII. Current liabilities	4 709 391	3 798 931	1 087 820	929 243
XVIII. Equity	21 925 348	21 923 471	5 064 526	5 362 621

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(amounts in tables in PLN million, unless otherwise stated)

A. Interim condensed consolidated financial statements
(Consolidated financial statements)

Interim consolidated statement of financial position

	Note	At 30 June 2013	31 December 2012 restated*	1 January 2012
ASSETS				
Non-current assets				
Property, plant and equipment		14 620	13 929	9 093
Intangible assets		2 202	1 989	663
Investment property		65	59	60
Investments accounted for using the equity method		4 191	3 911	-
Deferred tax assets		597	637	272
Available-for-sale financial assets		801	892	994
Mine closure financial assets		523	460	112
Derivatives		674	745	899
Trade and other receivables		2 634	1 516	40
		26 307	**24 138**	**12 133**
Current assets				
Inventories		3 841	3 769	2 658
Trade and other receivables		2 560	2 846	1 839
Current corporate tax receivables		48	77	8
Available-for-sale financial assets		158	149	16
Mine closure financial assets		1	-	2
Derivatives		636	382	860
Cash and cash equivalents		2 423	2 629	13 130
Non-current assets held for sale		9	2	4
		9 676	**9 854**	**18 517**
TOTAL ASSETS		**35 983**	**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		647	235	536
Exchange differences from the translation of foreign operations statements		669	20	19
Actuarial gains/losses on post-employment benefits		(272)	(543)	(373)
Retained earnings		19 439	19 953	20 920
		22 483	**21 665**	**23 102**
Equity attributable to non-controlling interest		**223**	**232**	**289**
TOTAL EQUITY		**22 706**	**21 897**	**23 391**
LIABILITIES				
Non-current liabilities				
Trade and other payables		891	889	142
Borrowings, debt securities and finance lease liabilities	A.IV.7	1 918	1 783	194
Derivatives		139	230	538
Deferred tax liabilities		1 941	1 840	129
Employee benefits liabilities		1 723	1 615	1 339
Provisions for other liabilities and charges		1 090	999	485
		7 702	**7 356**	**2 827**
Current liabilities				
Trade and other payables		4 963	2 978	2 249
Borrowings, debt securities and finance lease liabilities	A.IV.7	73	1 075	104
Current corporate tax liabilities		189	448	1 596
Derivatives		152	25	331
Employee benefits liabilities		132	133	126
Provisions for other liabilities and charges		66	80	26
		5 575	**4 739**	**4 432**
TOTAL LIABILITIES		**13 277**	**12 095**	**7 259**
TOTAL EQUITY AND LIABILITIES		**35 983**	**33 992**	**30 650**

* details presented in note A.I.4

(amounts in tables in PLN million, unless otherwise stated)

A. Interim condensed consolidated financial statements (continued)

Interim consolidated statement of profit or loss

	Note	Financial period for the 3 months ended 30 June 2013	for the 6 months ended 30 June 2013	for the 3 months ended 30 June 2012 restated*	for the 6 months ended 30 June 2012 restated*
Sales	A.IV.2	5 998	12 518	7 003	13 111
Cost of sales	A.IV.3	(4 547)	(9 014)	(4 923)	(8 348)
Gross profit		**1 451**	**3 504**	**2 080**	**4 763**
Selling costs	A.IV.3	(127)	(227)	(131)	(191)
Administrative expenses	A.IV.3	(235)	(470)	(252)	(527)
Other operating income	A.IV.4	217	522	328	1 041
Other operating costs	A.IV.5	(308)	(703)	(165)	(1 430)
Operating profit		**998**	**2 626**	**1 860**	**3 656**
Finance costs	A.IV.6	(55)	(131)	(50)	(70)
Profit before income tax		**943**	**2 495**	**1 810**	**3 586**
Income tax expense		(261)	(713)	(457)	(817)
Profit for the period		**682**	**1 782**	**1 353**	**2 769**
Profit for the period attributable to:					
shareholders of the Parent Entity		685	1 784	1 352	2 768
non-controlling interest		(3)	(2)	1	1
Earnings per share attributable to the shareholders of the Parent Entity for the reporting period (in PLN per share)					
- basic		3.43	8.94	6.76	13.84
- diluted		3.43	8.94	6.76	13.84

* details presented in note A.I.4

(amounts in tables in PLN million, unless otherwise stated)

A. Interim condensed consolidated financial statements (continued)

Interim consolidated statement of comprehensive income

	Financial period			
	for the 3 months ended 30 June 2013	for the 6 months ended 30 June 2013	for the 3 months ended 30 June 2012 restated*	for the 6 months ended 30 June 2012 restated*
Profit for the period	**682**	**1 782**	**1 353**	**2 769**
Other comprehensive income				
Other comprehensive income, which will be reclassified to profit or loss when specific conditions are met, due to:	**557**	**1 061**	**905**	**525**
Available-for-sale financial assets	23	95	(138)	(205)
Income tax	(1)	(1)	19	27
	22	94	(119)	(178)
Cash flow hedging instruments	451	392	293	(159)
Income tax	(85)	(74)	(56)	30
	366	318	237	(129)
Exchange differences from the translation of foreign operations statements	169	649	787	832
Other comprehensive income, which will not be reclassified to profit or loss, due to:	**(44)**	**(85)**	**15**	**(23)**
Actuarial (losses)/gains on post-employment benefits	(55)	(105)	19	(28)
Income tax	11	20	(4)	5
Other comprehensive net income for the financial period	**513**	**976**	**920**	**502**
TOTAL COMPREHENSIVE INCOME	**1 195**	**2 758**	**2 273**	**3 271**
			-	
Total comprehensive income attributable to:			-	
shareholders of the Parent Entity	1 197	2 760	2 265	3 271
non-controlling interest	(2)	(2)	8	-

* details presented in note A.I.4

(amounts in tables in PLN million, unless otherwise stated)

A. Interim condensed consolidated financial statements (continued)

Interim consolidated statement of changes in equity

	Equity attributable to shareholders of the Parent Entity								
		Revaluation reserve from measurement of financial instruments							
	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	Actuarial gains/losses on post-employment benefits	Retained earnings	Total	Equity attributable to non-controlling interest	Total equity
At 1 January 2013 restated*	**2 000**	**(51)**	**286**	**20**	**-**	**19 410**	**21 665**	**232**	**21 897**
Change in presentation principles*	-	-	-	-	**(543)**	543	**-**	-	**-**
At 1 January 2013 restated*	**2 000**	**(51)**	**286**	**20**	**(543)**	**19 953**	**21 665**	**232**	**21 897**
Dividends from profit for 2012 resolved but unpaid	-	-	-	-	-	(1 960)	(1 960)	-	**(1 960)**
Offsetting of profit from prior years with the reserves arising from actuarial gains and losses	-	-	-	-	356	(356)	-	-	**-**
Total comprehensive income	**-**	**94**	**318**	**649**	**(85)**	**1 784**	**2 760**	**(2)**	**2 758**
Profit for the period	**-**	-	-	-	-	1 784	1 784	(2)	**1 782**
Other comprehensive income	-	94	318	649	(85)	-	976	-	**976**
Obligation to repurchase of non-controlling interest	-	-	-	-	-	14	**14**	-	**14**
Changes in ownership shares in subsidiaries which do not lead to a loss of control	-	-	-	-	-	4	4	(7)	**(3)**
At 30 June 2013	**2 000**	**43**	**604**	**669**	**(272)**	**19 439**	**22 483**	**223**	**22 706**
At 1 January 2012	**2 000**	**(38)**	**574**	**19**	**-**	**20 547**	**23 102**	**289**	**23 391**
Change in presentation principles*	-	-	-	-	(373)	373	**-**	-	**-**
At 1 January 2012 restated*	**2 000**	**(38)**	**574**	**19**	**(373)**	**20 920**	**23 102**	**289**	**23 391**
Dividends from profit for 2011 resolved but unpaid	-	-	-	-	-	(5 668)	**(5 668)**	(1)	**(5 669)**
Total comprehensive income	**-**	**(178)**	**(129)**	**833**	**(23)**	**2 768**	**3 271**	**-**	**3 271**
Profit for the period – restated*	-	-	-	-	-	2 768	**2 768**	1	**2 769**
Other comprehensive income - restated*	-	(178)	(129)	833	(23)	-	**503**	(1)	**502**
Changes in ownership shares in subsidiaries which do not lead to a loss of control	-	-	-	11	-	(33)	**(22)**	(53)	**(75)**
At 30 June 2012 restated*	**2 000**	**(216)**	**445**	**863**	**(396)**	**17 987**	**20 683**	**235**	**20 918**

* details presented in note A.I.4

(amounts in tables in PLN million, unless otherwise stated)

A. Interim condensed consolidated financial statements (continued)

Interim consolidated statement of cash flows

	For the period	
	from 1 January 2013 to 30 June 2013	**from 1 January 2012 to 30 June 2012 restated***
Cash flow from operating activities		
Profit for the period	1 782	2 769
Adjustments to profit for the period:	**2 286**	**1 985**
Income tax recognised in profit or loss	713	817
Amortisation/Depreciation	720	793
Losses/(gains) on sale of property, plant and equipment and intangible assets	14	(2)
Impairment loss on property, plant and equipment, intangible assets and available-for-sale financial assets	252	1
Interest and share in profits (dividends)	(63)	(30)
Foreign exchange losses	23	1 131
Change in provisions	9	1
Change in assets/liabilities due to derivatives	411	(92)
Reclassification of other comprehensive income to profit or loss as a result of realisation of derivatives	(166)	(141)
Other adjustments	5	(59)
Changes in working capital:	368	(434)
Inventories	(50)	(411)
Trade and other receivables	309	(653)
Trade and other payables	109	630
Income tax paid	(962)	(2 217)
Net cash generated from operating activities	**3 106**	**2 537**
Cash flow from investing activities		
Purchase of subsidiaries, less acquired cash and cash equivalents	-	(6 995)
Purchase of interest in a joint venture	(5)	-
Purchase of non-controlling shares	(19)	
Purchase of property, plant and equipment and intangible assets	(1 401)	(1 084)
Advances granted for purchase of property, plant and equipment and intangible assets	(42)	(17)
Proceeds from sale of property, plant and equipment and intangible assets	14	17
Purchase of available-for-sale financial assets	(42)	-
Proceeds from sale of available-for-sale financial assets	25	3
Purchase of mine closure financial assets	(45)	(92)
Proceeds from sale of mine closure financial assets	3	-
Establishment of deposits	-	(7)
Termination of deposits	39	52
Loans granted	(885)	(172)
Interest received	1	3
Dividends received	37	-
Other investment expenses	(4)	(2)
Net cash used in investing activities	**(2 324)**	**(8 294)**

* details presented in note A.I.4

(amounts in tables in PLN million, unless otherwise stated)

A. Interim condensed consolidated financial statements (continued)

Interim consolidated statement of cash flows (continued)

	For the period	
	from 1 January 2013 to 30 June 2013	**from 1 January 2012 to 30 June 2012 restated***
Cash flow from financing activities		
Capital contributions to a subsidiary from holders of non-controlling interest	12	18
Proceeds from bank and other loans	15	386
Repayments of bank and other loans	(1 052)	(52)
Payments of liabilities due to finance leases	(6)	(5)
Interest paid	(70)	(71)
Other financial (expenses)/proceeds	(6)	4
Net cash (used in)/generated from financing activities	**(1 107)**	**280**
Total net cash flow	**(325)**	**(5 477)**
Exchange gains/(losses) on cash and cash equivalents	119	(870)
Movements in cash and cash equivalents	**(206)**	**(6 347)**
Cash and cash equivalents at beginning of the period	**2 629**	**13 130**
Cash and cash equivalents at end of the period	**2 423**	**6 783**
including restricted cash and cash equivalents	103	97

* 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. In the current reporting period KGHM Polska Miedź S.A. continues to obtain concessions for subsequent years.

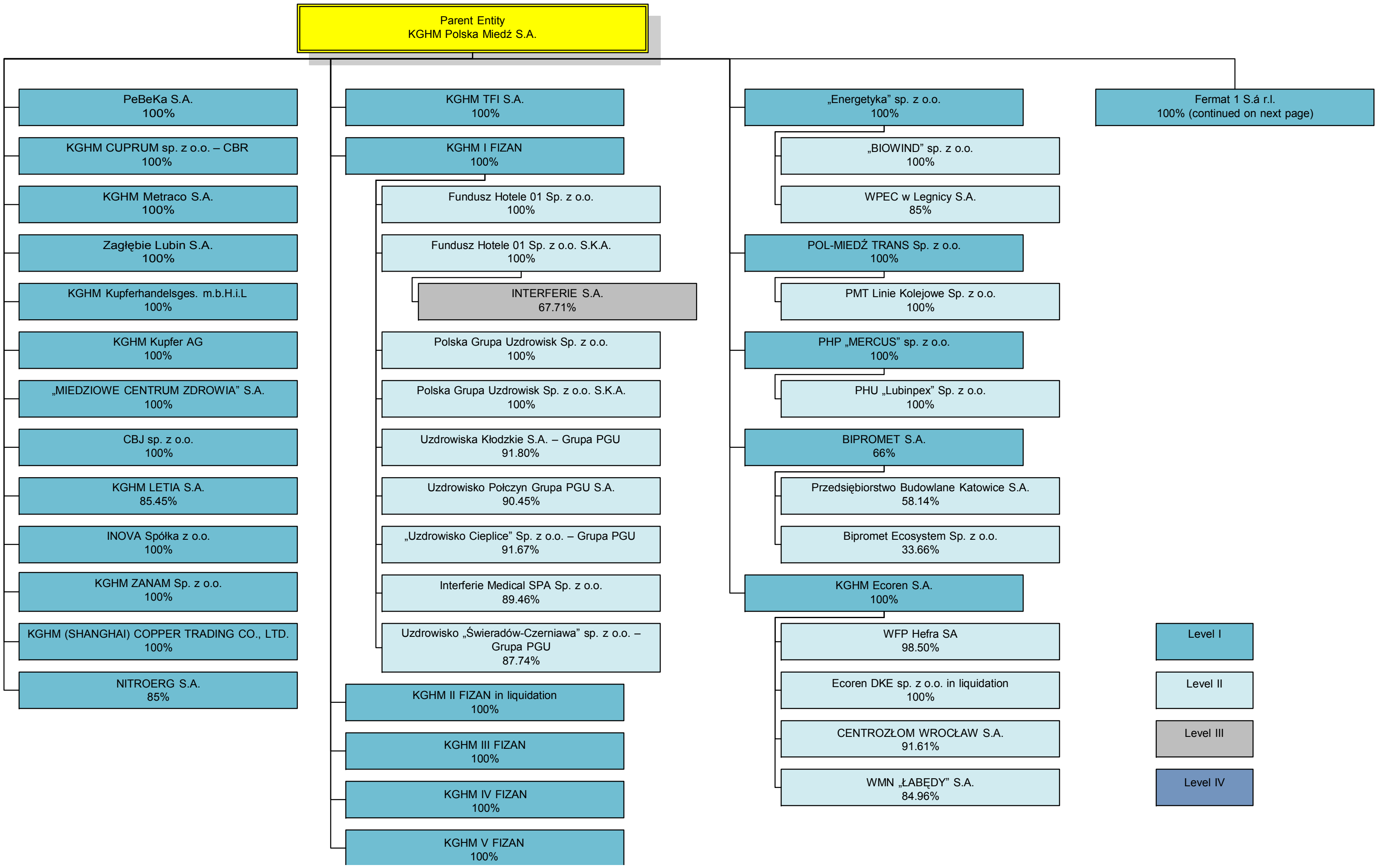
Considering the present state of progress on the process of obtaining concessions, the Management Board of KGHM Polska Miedź S.A. believes that the probability of not obtaining these concessions is minimal and does not pose a threat to continuation of the activities of KGHM Polska Miedź S.A.

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.

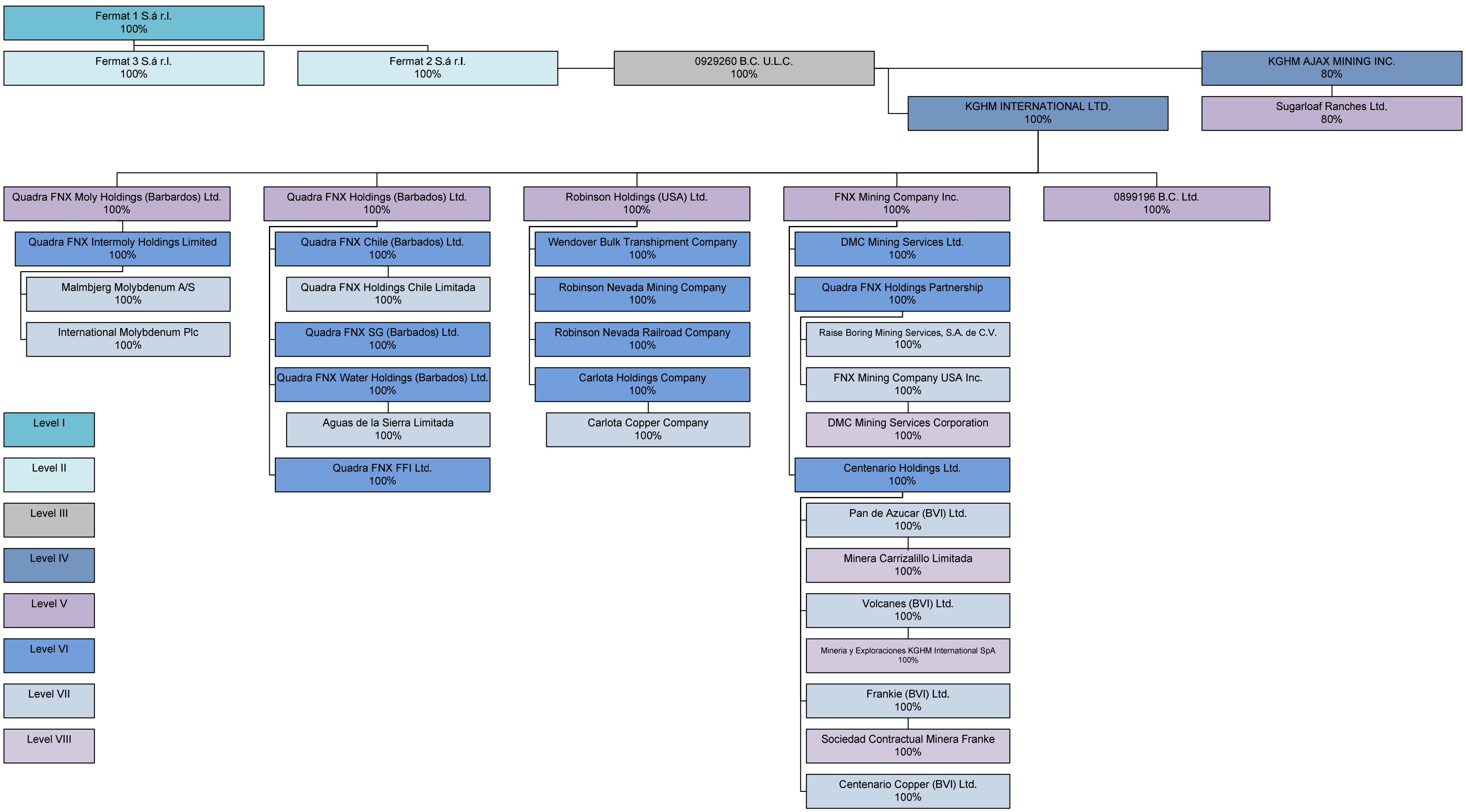
A. Interim condensed consolidated financial statements (continued)

2. Composition of the KGHM Polska Miedź S.A. Group at 30 June 2013



The percentage share represents the total share of the Group.

A. Interim condensed consolidated financial statements (continued)



A. Interim condensed consolidated financial statements (continued)

In the current quarter KGHM Polska Miedź S.A. consolidated 83 subsidiary entities (the subsidiaries of the Group are presented in part A.I.2), and one associated entity and three joint ventures 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 April to 30 June 2013 and the comparable period from 1 April to 30 June 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 April to 30 June 2013 and the comparable period from 1 April to 30 June 2012 **(Part C)**.

Neither the interim consolidated financial statements at 30 June 2013 nor the interim separate financial statements at 30 June 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 ***4.2140 PLNEUR*,***
- for the calculation of turnover, profit or loss and cash flow for the comparable period, the rate of ***4.2246 PLNEUR*,***
- for the calculation of assets, equity and liabilities at 30 June 2013, the rate of ***4.3292 PLNEUR,***
- for the calculation of assets, equity and liabilities at 31 December 2012, the rate of ***4.0882 PLNEUR.***

**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 June respectively of 2013 and 2012.*

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

The condensed consolidated financial report for the period from 1 April 2013 to 30 June 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 and presentation principles used in the current period 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 of equity „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 30 June 2012, other comprehensive income for the period from 1 January 2012 to 30 June 2012 decreased by PLN 23 million (gross amount of PLN 28 million less deferred tax of PLN 5 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 8 million,
   - administrative expenses of PLN 20 million,

   and an increase in deferred tax of PLN 5 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 30 June 2012 was an increase in costs of sales of PLN 13 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 13 million. This change did not affect profit or loss in the period from 1 January 2012 to 30 June 2012.

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

In the first quarter of 2013 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.

A. Interim condensed consolidated financial statements (continued)

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):

	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.

(amounts in tables in PLN million, unless otherwise stated)

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 increased profit before taxation:

– for the period from 1 April to 30 June 2012 by PLN 20 million,

(for the period from 1 January 2012 to 30 June 2012 profit before taxation was decreased by PLN 25 million),
and increased profit for the period due to deferred income tax:

- for the period from 1 April to 30 June 2012 by PLN 9 million,

(for the period from 1 January 2012 to 30 June 2012 by PLN 22 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:

(amounts in tables in PLN million, unless otherwise stated)

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 second quarter of 2012 would have shown revenues in the amount of PLN 7 639 million and a profit for the period in the amount of PLN 1 454 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 65 million which was settled as:

- a decrease in other comprehensive income of PLN 54 million
  (after reflecting the deferred tax effects, a decrease in other comprehensive income of PLN 44 million),
- a decrease in the financial result of PLN 11 million
  (after reflecting the deferred tax effects, a decrease in the financial result of PLN 9 million),

(an increase in the provision by PLN 107 million since the beginning of the financial year which was settled as:

- *a decrease in other comprehensive income of PLN 105 million*
  (after reflecting the deferred tax effects, a decrease of PLN 85 million),
- *a decrease in the financial result of PLN 2 million*
  (after reflecting the deferred tax effects, a decrease of PLN 1.6 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 an increase in the provision of PLN 81 million, which was settled as a decrease in the financial result of PLN 10 million and an increase of property, plant and equipment of PLN 66 million, and as a decrease in other comprehensive income due to exchange differences from the translation of foreign operations provisions of PLN 5 million. The increase in the provision caused an increase in deferred tax assets in the amount of PLN 13 million.

(an increase in the provision by PLN 95 million since the beginning of the financial year, which was settled as a decrease in the financial result in the amount of PLN 18 million and as an increase in property, plant and equipment in the amount of PLN 57 million, and a decrease in other comprehensive income in the amount of PLN 20 million. The increase in the provision caused an increase in deferred tax assets in the amount of PLN 8 million)

1.3 provisions for future employee remuneration costs together with charges of PLN 206 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 30 June 2013 amounted to PLN 406 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 decreased in the current quarter by PLN 177 million, of which:

- PLN 68 million was settled as a decrease in profit,
- PLN 11 million was settled as an increase in other comprehensive income due to actuarial losses,
- PLN 124 million was settled as a decrease in other comprehensive income due to measurement of available-for-sale financial assets and derivative hedging instruments,
- PLN 4 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.

(amounts in tables in PLN million, unless otherwise stated)

A. Interim condensed consolidated financial statements (continued)

(a decrease in the deferred tax asset since the beginning of the financial year in the amount of PLN 89 million, which was settled as:

- a decrease in profit,	*PLN 3 million,*
- a decrease in other comprehensive income due to measurement of available–for-sale financial assets and derivative hedging instruments,	*PLN 124 million,*
- an increase in other comprehensive income due to actuarial gains and losses,	*PLN 20 million,*
- 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,	*PLN 18 million)*

The deferred tax liability decreased in the current quarter by PLN 112 million, of which:
- PLN 106 million was settled as an increase in profit,
- PLN 38 million was settled as an increase in other comprehensive income due to measurement of hedging financial instruments and available–for-sale financial assets,
- PLN 32 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.

(an increase in the deferred tax liability since the beginning of the financial year in the amount of PLN 53 million, which was settled as:

- an increase in profit,	*PLN 25 million,*
- an increase in other comprehensive income due to measurement of hedging financial instruments, and available–for-sale financial assets	*PLN 49 million,*
- an 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,	*PLN 126 million)*

After offsetting the deferred tax asset and deferred tax liability, as at 30 June 2013 in the statements of financial position at the level of subsidiaries, the deferred tax asset was set at PLN 597 million, while the deferred tax liability - at PLN 1 941 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 71 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 28 June 2013 versus the exchange rate at 29 March 2013 (a change from 3.2590 USDPLN to 3.3175 USDPLN),

(an increase in exchange differences since the beginning of the financial year in the amount of PLN 271 million (a change in the exchange rate from 3.0996 USDPLN at 31 December 2012 to 3.3175 USDPLN at 28 June 2013,
– an increase due to allocation of capital expenditures incurred of the Sierra Gorda joint venture of PLN 7 million),

2. in **available-for-sale financial assets**
   - an increase due to an acquisition of PLN 42 million,
   - a decrease due to the realisation of a sale transaction of PLN 25 million,
   - a decrease due to the recognition in profit or loss of impairment losses on shares in the amount of PLN 116 million,
   - an increase due to the reversal of impairment losses of PLN 5 million,
   - an increase due to the recognition in other comprehensive income of a gain from measurement of PLN 18 million.

(amounts in tables in PLN million, unless otherwise stated)

A. Interim condensed consolidated financial statements (continued)

(since the beginning of the financial year :
- an increase due to an acquisition of PLN 42 million,
- a decrease due to the realisation of a sale transaction of PLN 25 million,
- a decrease due to the recognition in profit or loss of impairment losses on shares in the amount of PLN 201 million,
- an increase due to the reversal of impairment losses of PLN 6 million,
- an increase due to exchange differences from the translation of foreign operations of PLN 8 million.)

3. in **derivatives (assets and liabilities)** - as a result of changes in macroeconomic factors, the fair value of open positions in derivatives as at 30 June 2013 increased, which increased other comprehensive income by PLN 452 million and decreased the result on measurement of derivatives by PLN 118 million. The result on realisation of derivatives in the second quarter of 2013 decreased by PLN 37 million, while revenues from sales were increased by PLN 117 million. Profit or loss for the current quarter was charged in the amount of PLN 37 million.

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 6 months ended 30 June 2013	**for the 6 months ended 30 June 2012**
Purchase of property, plant and equipment	1 190	876
Net sale of property, plant and equipment	8	3

Capital commitments not recognised in the consolidated statement of financial position

	At	
	30 June 2013	**31 December 2012**
Capital commitments, of which:	**2 807**	**2 207**
- for the purchase of property, plant and equipment	2 746	2 167
- for the purchase of intangible assets	61	40
Capital commitments related to the Sierra Gorda S.C.M. project, of which:	**6 782**	**7 093**
- for investing activities	2 066	2 307
- for operating activities	4 716	4 786
Total capital commitments:	**9 589**	**9 300**

(amounts in tables in PLN million, unless otherwise stated)

A. Interim condensed consolidated financial statements (continued)

2. Sales

	Financial period			
	for the 3 months ended 30 June 2013	**for the 6 months ended 30 June 2013**	**for the 3 months ended 30 June 2012**	**for the 6 months ended 30 June 2012**
Copper, nickel, precious metals, smelter by-products	5 117	10 807	5 936	11 271
Energy	10	59	37	56
Services	365	691	452	643
Mining machinery, transport vehicles for mining and other	11	20	10	27
Merchandise – smelter products	167	288	259	362
Other merchandise	44	77	66	277
Scrap and materials	67	96	18	35
Other finished goods	217	480	225	440
Total sales	**5 998**	**12 518**	**7 003**	**13 111**

3. Expenses by nature

	Financial period			
	for the 3 months ended 30 June 2013	**for the 6 months ended 30 June 2013**	**for the 3 months ended 30 June 2012 restated***	**for the 6 months ended 30 June 2012 restated***
Depreciation of property, plant and equipment and amortisation of intangible assets**	352	720	506	793
Employee benefit expenses	1 151	2 284	1 180	2 187
Materials and energy	2 019	4 184	2 359	4 144
External services	617	1 227	612	1 271
Taxes and charges***	580	1 276	565	669
Advertising costs and representation expenses	23	28	28	35
Property and personal insurance	8	17	9	17
Other costs of which:	131	158	37	56
Impairment losses on property, plant and equipment	53	53	-	-
Write-down of inventories	39	40	3	3
Allowance for impairment of receivables	3	3	1	1
Reversal of impairment losses on property, plant and equipment, intangible assets, and of write-down of inventories	(2)	(3)	4	(3)
Reversal of allowance for impairment of receivables	-	-	(6)	(6)
Losses on the sale of financial instruments	2	4	1	4
Other operating costs	36	61	34	57
Total expenses by nature	**4 881**	**9 894**	**5 296**	**9 172**
Cost of merchandise and materials sold (+)	243	420	241	408
Change in inventories of finished goods and work in progress (+/-)	101	(103)	(8)	(126)
Cost of manufacturing products for internal use (-)	(316)	(500)	(223)	(388)
Total cost of sales, selling costs and administrative expenses	**4 909**	**9 711**	**5 306**	**9 066**

* details presented in note A.I.4

** The decrease in depreciation/amortisation in the second quarter of 2013 versus the level of depreciation/amortisation in the second quarter of 2012 was due to the final settlement of the acquisition of KGHM INTERNATIONAL LTD. in the current period and to an adjustment to depreciation/amortisation of the assets of this group measured to fair value.

*** The minerals extraction tax is a significant item in operating costs.
This tax was introduced in accordance with the Act on the extraction of certain minerals dated 2 March 2012, which came into force on 18 April 2012. The amount of this tax, recognised in operating costs in the period from 1 January to 30 June 2013, amounted to PLN 1 021 million (from 1 January 2012 to 30 June 2012, PLN 443 million).

(amounts in tables in PLN million, unless otherwise stated)

A. Interim condensed consolidated financial statements (continued)

The mineral extraction tax is calculated from the amount of copper and silver contained in produced concentrate and depends on the prices of these metals as well as on the USD/PLN exchange rate. The tax is accounted for under manufacturing costs and is not deductible for corporate income tax purposes.

4. Other operating income

	Financial period			
	for the 3 months ended 30 June 2013	**for the 6 months ended 30 June 2013**	**for the 3 months ended 30 June 2012 restated***	**for the 6 months ended 30 June 2012 restated***
Income and gains on financial instruments, classified under other operating activities, resulting from:	145	400	229	867
Measurement and realisation of derivatives	92	255	172	736
Interest	67	124	58	130
Foreign exchange gains	(16)	19	-	-
Other	2	2	(1)	1
Fair value increase of an investment property	4	4	-	-
Gains on a bargain purchase of KGHM INTERNATIONAL LTD.	-	-	-	37
Dividends received	37	37	57	57
Government grants and other donations received	1	6	9	16
Release of unused provisions	2	4	1	13
Penalties and compensation	2	6	4	6
Management fee for Sierra Gorda S.C.M.	20	40	20	27
Other operating income/gains	6	25	8	18
Total other operating income	**217**	**522**	**328**	**1 041**

* details presented in note A.I.4

5. Other operating costs

	Financial period			
	for the 3 months ended 30 June 2013	**for the 6 months ended 30 June 2013**	**for the 3 months ended 30 June 2012**	**for the 6 months ended 30 June 2012**
Costs and losses on financial instruments, classified under other operating activities, resulting from:	280	642	142	1 297
Measurement and realisation of derivatives	246	437	148	755
Foreign exchange losses	-	-	(7)	541
Losses on measurement of non-current liabilities	1	1	-	-
Losses on sale of financial assets	1	1	-	-
Impairment losses on financial assets	32	203	1	1
Foreign exchange losses – non-financial	-	-	(6)	3
Losses on the sale of property, plant and equipment and intangible assets	10	14	(1)	1
Interest on overdue non-financial liabilities	-	-	2	2
Donations granted	1	17	-	86
Provisions for liabilities	6	10	9	12
Penalties and compensation	1	2	2	3
Contributions to a voluntary organisation	9	9	6	6
Other operating costs/losses	1	9	11	20
Total other operating costs	**308**	**703**	**165**	**1 430**

(amounts in tables in PLN million, unless otherwise stated)

A. Interim condensed consolidated financial statements (continued)

6. Finance costs

	Financial period			
	for the 3 months ended 30 June 2013	**for the 6 months ended 30 June 2013**	**for the 3 months ended 30 June 2012**	**for the 6 months ended 30 June 2012**
Interest expense:	34	69	37	51
On bonds	32	62	33	43
On bank and other loans	1	6	4	7
Due to finance leases	1	1	-	1
Foreign exchange losses/(gains) on borrowings	3	29	1	(3)
Changes in provisions and liabilities arising from the approach of the maturity date of liabilities (unwinding of discount effect)	14	26	8	19
Other finance costs	4	7	4	3
Total finance costs	**55**	**131**	**50**	**70**

7. Borrowings, debt securities and finance lease liabilities

	At	
	30 June 2013	**31 December 2012**
Non-current	**1 918**	**1 783**
Bank loans	168	165
Loans	6	8
Debt securities*	1 699	1 593
Finance lease liabilities	45	17
Current	**73**	**1 075**
Bank loans**	48	1 057
Loans	3	3
Debt securities - interest	5	5
Finance lease liabilities	17	10
Total	**1 991**	**2 858**

* change results mainly from the translation of the foreign entity KGHM INTERNATIONAL LTD. from functional to presentation currency

** 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 30 June 2013	**for the 6 months ended 30 June 2013**	**for the 3 months ended 30 June 2012**	**for the 6 months ended 30 June 2012**
Sales to related entities				
To associates	-	1	1	1
To other related entities	1	14	-	4
Total sales to related entities	**1**	**15**	**1**	**5**

	Financial period			
	for the 3 months ended 30 June 2013	**for the 6 months ended 30 June 2013**	**for the 3 months ended 30 June 2012**	**for the 6 months ended 30 June 2012**
Purchases from related entities				
From other related entities	10	23	13	25
Total purchases from related entities	**10**	**23**	**13**	**25**

A. Interim condensed consolidated financial statements (continued)

	At 30 June 2013	31 December 2012
Trade and other receivables from related entities		
Loan granted to the jointly-controlled entity Sierra Gorda S.C.M.	2 587	1 471
From associates	1	-
From related entities	11	3
Total receivables from related entities	**2 599**	**1 474**

	At 30 June 2013	31 December 2012
Trade payables towards related entities		
Towards other related entities	10	4
Total payables towards related entities	**10**	**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 536 million (for the period from 1 January to 30 June 2012 – PLN 379 million), and the unsettled balance of liabilities from these transactions as at 30 June 2013 amounted to PLN 64 million (as at 31 December 2012: PLN 47 million).

	Financial period	
Remuneration of the Supervisory Board of the Parent Entity (in PLN '000)	**for the 6 months ended 30 June 2013**	**for the 6 months ended 30 June 2012**
Remuneration due to service in the Supervisory Board, salaries and other current employee benefits	515	838
Total	**515**	**838**

	Financial period	
Remuneration of the Management Board of the Parent Entity (in PLN '000)	**for the 6 months ended 30 June 2013**	**for the 6 months ended 30 June 2012**
Salaries and other current employee benefits	3 786	1 966
Benefits due to termination of employment	-	42
Total	**3 786**	**2 008**

	Financial period	
Remuneration of other key management personnel (in PLN '000)	**for the 6 months ended 30 June 2013**	**for the 12 months ended 31 December 2012**
Salaries and other short-term employee benefits	3 237	18 463
Total	**3 237**	**18 463**

(amounts in tables in PLN million, unless otherwise stated)

A. Interim condensed consolidated financial statements (continued)

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

	At 30 June 2013	Increase/(decrease) since the end of the last financial year
Contingent assets	**544**	**91**
Guarantees received	294	83
Disputed State budget issues	23	(6)
Promissory notes receivables	93	12
Inventions, implementation of projects	42	2
Real estate tax on underground workings	87	-
Other	5	5
Contingent liabilities	**691**	**(34)**
Guarantees and collateral, of which:	480	(52)
guarantees granted under a contract for the supply of electricity within the Sierra Gorda S.C.M. project	456	(63)
Promissory note liabilities	13	-
Disputed issues, pending court proceedings	29	3
Liabilities due to implementation of projects and inventions	129	1
Real estate tax on underground workings	30	12
Other	10	2
Liabilities not recognised in the statement of financial position	**337**	**8**
liabilities towards local government entities due to expansion of the tailings pond	206	13
liabilities due to operating leases	131	(5)

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 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, mining trials were performed and the process was begun of gathering technological experience. Positive results from this testing will form the basis for the decision to implement the technology. As part of the drift tunnelling project using a group of combines, assembly was completed of three combines, the technical and organisational structure was prepared and production trials were commenced using the combines group,

- ***pyrometallurgy modernisation program.*** With respect to construction of a flash furnace at the Głogów I smelter, in the current period contracts were signed with contractors covering all of the construction and assembly work. Design work was carried out along with construction and assembly of major units of the flash furnace, including foundations and the construction of the furnace hall.

A. Interim condensed consolidated financial statements (continued)

2. Developing the resource base

The strategy for developing the resource base comprises two areas:

- ***Exploration of new deposits in the region***

1. In June 2013 the Parent Entity received a concession for the exploration and investigation of the „Retków-Ścinawa" copper ore deposit. Proceedings are on-going at the concessioning body (the Ministry of the Environment) on the applications of KGHM Polska Miedź S.A. to grant concessions for the exploration and investigation of copper ore deposits in the areas „Głogów", „Bytom Odrzański" and „Kulów-Luboszyce".
2. With respect to the Synklina Grodziecka project (in the vicinity of the Old Copper Belt near Bolesławiec) the second stage of drilling commenced. Additionally, in April 2013 a concession application was submitted for the exploration and investigation of the copper ore deposit in the area „Konrad".
3. At the start of June 2013 the Saxon Mining Office issued a decision permitting exploratory work in the area „Weisswasser II" with an area of 190 km^2, representing an extension of the current area of Weisswasser in a south-easterly direction to the Polish border.

- ***Acquisition and development of mining projects globally***

1. Management of the Sierra Gorda deposit in Chile – construction of an open pit mine and concentrator. At the end of the reporting period, 50.74% of project construction was completed. In terms of construction of the main facilities and technical infrastructure of the mine, work continued on preparing the wet and dry areas of the concentrator, construction of the tailings facility, salt water pipeline and power lines. Start of excavation is planned in the second quarter of 2014.
2. Victoria project in the Sudbury Basin in Canada - on-going activities continued with respect to obtaining the requisite legal permits and technical-economic mine feasibility analyses were performed.
3. KGHM AJAX MINING INC. - work continued related to obtaining environmental permits to construct the mine. Work were also carried out related to refinement and optimisation of the project to build the mine and necessary infrastructure in order to limit any potential impact of mining activities on the surrounding populated areas.

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 continued as well as 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 – as part of the second stage 6 boreholes were drilled, and specialty research was conducted to determine the susceptibility of the brown coal to the process of gasification.

- ***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. performed a competitive scenario analysis of the planned Elektrownia Blachownia power plant using various market scenarios and technological variants. Work continues on optimising the project.

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, Częstkowo 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. On 25 June 2013 the parties entered into an Understanding regarding the continuation of work related to developing a draft agreement to acquire shares in a special purpose company to build and operate a nuclear power plant.

(amounts in tables in PLN million, unless otherwise stated)

A. Interim condensed consolidated financial statements (continued)

VI. KGHM INTERNATIONAL LTD. - results

Significant events in the second quarter of 2013

- The Robinson mine again recorded high operating results – cash cost C1 remained at the low level of 1.84 USD/lb versus 2.69 USD/lb in the second quarter of 2012.
- In the second quarter of 2013 copper production decreased by 5% to 25.6 kt versus 27 kt produced in the second quarter of 2012, mainly due to the closure of the Podolsky mine in the first quarter of 2013. Copper sales were however 7% higher than in the second quarter of 2012, reaching 31.3 kt due to the sale of the end of Q1 2013 product inventory.
- By the end of the second quarter the Sierra Gorda project had completed 51% of project construction. Production start according to the schedule will be in 2014.
- On 19 June 2013 the company entered into a USD 200 million corporate facility. The facility was used to secure a liability of USD 137.5 million in connection with an agreement for the power supply to the Sierra Gorda project in the form of letter of credit.
- On 1 August 2013, KGHM International Ltd. and FNX Mining Company Inc. entered into an agreement with Vale Canada Limited (wholly-owned subsidiary of Vale S.A.) which provides the framework for KGHM International Ltd. to develop the Victoria copper-nickel-PGM project in Sudbury, Canada. KGHM International Ltd. will retain its 100% ownership of Victoria and Vale will receive a 2.25% Net Smelter Return royalty on all future production from the project.
- KGHM International Ltd., FNX Mining Company Inc. and Vale re-negotiated and signed on 1 August 2013 an off-take agreement for all of KGHM International's production from its mines in the Sudbury basin in Ontario, Canada. The estimated value of the agreement for the 5 years following the effective date of the agreement (1 January 2013 to 31 December 2017) is approximately USD 1.13B.

Production results of KGHM INTERNATIONAL LTD. mines in the second quarter of 2013 and the second quarter of 2012.

	Financial period	
	for the 3 months ended 30 June 2013	**for the 3 months ended 30 June 2012**
Copper production [kt], *of which:*	**25.6**	**27.0**
Robinson(1)	14.0	14.0
Morrison(3)	4.5	3.7
Franke(2)	4.0	4.0
Carlota(2)	2.6	2.5
Podolsky(3)	0.0	2.6
McCreedy West(3)	0.4	0.2
Nickel production [t], *of which:*	**1 225**	**1 043**
Morrison(3)	726	544
Podolsky(3)	0	91
McCreedy West(3)	499	408
Precious metals production (gold, platinum, palladium) [koz], *of which:*	**24.8**	**23.3**
Robinson(1)	15	9.7
Morrison(3)	8.1	7.7
Podolsky(3)	0.3	5.5
McCreedy West(3)	1.4	0.4
C1 [USD/lb]*	**2.23**	**2.90**

(1) payable metal produced in concentrate
(2) produced in cathode
(3) shipped 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*

In the second quarter of 2013, copper production of KGHM INTERNATIONAL LTD. decreased by 1.4 kt to 25.6 kt due to closure of the Podolsky mine at the end of March 2013. This mine produced during the same period of 2012 over 2.6 kt of copper. Copper production in the Morrison and McCreedy West mines increased, while that in the other operating mines of KGHM INTERNATIONAL LTD. remained unchanged versus the comparable prior year period.

A. Interim condensed consolidated financial statements (continued)

In the second quarter of 2013, the KGHM INTERNATIONAL LTD. Group continued the realisation of projects belonging to its mining assets portfolio: Sierra Gorda, a development project in the pre-operational phase 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 V.2 of this report.

The unit cash cost C1 in the second quarter of 2013 was lower by 23% than that in the second quarter of 2012, mainly due to the effects of the cost cutting policy implemented in 2012 in the KGHM INTERNATIONAL LTD. Group.

Financial results of the KGHM INTERNATIONAL LTD. Group in the second quarter of 2013 and second quarter of 2012

	Financial period			
	for the 3 months ended 30 June 2013		for the 3 months ended 30 June 2012	
	PLN million*	USD million	PLN million*	USD million
Net revenues from sales**	1 022	314	1 125	335
Profit from mining operations***	90	27	-	-
Adjusted EBITDA****	213	65	227	67
Profit for the period	7	2	(92)	(28)
Capex (excluding Sierra Gorda project)	142	44	114	34
Capex related to Sierra Gorda project	521	160	250	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*
**** revenues from sales less costs of goods sold*
***** profit from mining operations adjusted by amortisation/depreciation, estimated recovery of metals in ore, administrative expenses and management fee for Sierra Gorda JV*

In the second quarter of 2013, the KGHM INTERNATIONAL LTD. Group recorded a 7% decrease in net revenues from sales resulting from a decrease in the achieved average price of copper sold by 8%, to USD 6 812 per tonne versus the comparable prior year period. In the second quarter of 2013, due to a decrease in costs in most of the mines versus the comparable prior year period and to closure of the Podolsky mine in the first quarter of 2013, the KGHM INTERNATIONAL LTD. Group generated a profit on mining operations of USD 27 million. Adjusted EBITDA at the level of USD 65 million was lower by USD 2 million than that achieved in the comparable prior year period, due to a write-off of inventories in the first quarter of 2012 and an increase in administration costs in the second quarter of 2013.

In the second quarter of 2013, KGHM INTERNATIONAL LTD. recorded a profit for the period of USD 2 million, versus a loss for the second quarter of 2012 of USD 28 million. The increase in profit for the second quarter of 2013 versus the second quarter of 2012 was mainly due to a profit achieved on mining operations of USD 27 million, thanks to increased cost efficiencies.

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.

A. Interim condensed consolidated financial statements (continued)

IX. Information related to paid (declared) dividend, total and per share

In accordance with Resolution No. 5/2013 of the Ordinary General Meeting of KGHM Polska Miedź S.A. dated 19 June 2013 regarding the appropriation of Parent Entity's profit for financial year 2012, the amount of PLN 1 960 million, representing PLN 9.8 per share, was allocated as a shareholders dividend.
The right to dividend date was set at 12 July 2013.
The dividend payment dates:
- 1st instalment of 4.90 PLN per share: 14 August 2013,
- 2nd instalment of 4.90 PLN per share: 14 November 2013.

All Parent Entity shares are ordinary shares.

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 periods 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)

Reporting segments of the KGHM Polska Miedź S.A. Group as at 30 June 2013

KGHM Polska Miedź S.A.

KGHM INTERNATIONAL LTD. Group

KGHM INTERNATIONAL LTD.
Quadra FNX Moly Holdings (Barbados) Ltd.
Quadra FNX Intermoly Holdings Limited
Malmbjerg Molybdenum A/S
International Molybdenum Plc
Quadra FNX Holdings (Barbados) Ltd.
Quadra FNX Chile (Barbados) Ltd.
Quadra FNX Holdings Chile Limitada
Quadra FNX SG (Barbados) Ltd.
Quadra FNX Water Holdings (Barbados) Ltd.
Aguas de la Sierra Limitada
Quadra FNX FFI Ltd.
Robinson Holdings (USA) Ltd.
Quadra FNX Holdings Partnership
FNX Mining Company USA Inc.
0899196 B.C. Ltd.
Wendover Bulk Transhipment Company
Robinson Nevada Mining Company
Robinson Nevada Railroad Company
Carlota Holdings Company
Carlota Copper Company
Centenario Holdings Ltd.
Pan de Azucar (BVI) Ltd.
Minera Carrizalillo Limitada
Volcanes (BVI) Ltd.
Minera y Exploraciones KGHM International SpA
Frankie (BVI) Ltd.
Sociedad Contractual Minera Franke
Centenario Copper (BVI) Ltd.
DMC Mining Services Ltd.
Raise Boring Mining Services, S.A. de C.V.
DMC Mining Services Corporation
FNX Mining Company Inc.

Sierra Gorda project

Sierra Gorda S.C.M.

Resource base development

KGHM Kupfer AG
KGHM AJAX MINING INC.
Sugarloaf Ranches Ltd.

Support of the core business

KGHM Metraco S.A.
POL-MIEDŹ TRANS Sp. z o.o.
"Energetyka" sp. z o.o.
PeBeKa S.A.
KGHM ZANAM Sp. z o.o.
KGHM CUPRUM sp. z o.o. – CBR
CBJ sp. z o.o.
INOVA Spółka z o.o.
BIPROMET S.A.
"BIOWIND" sp. z o.o.
WPEC w Legnicy S.A.

Other segments

NITROERG S.A.
PHP "MERCUS" sp. z o.o.
KGHM Ecoren S.A.
CENTROZŁOM WROCŁAW S.A.
WMN "ŁABĘDY" S.A.
WFP Hefra SA
Ecoren DKE spółka z o.o. in liquidation
PHU "Lubinpex" Sp. z o.o.
PMT Linie Kolejowe Sp. z o.o.
KGHM TFI S.A.
INTERFERIE S.A.
Interferie Medical SPA Sp. z o.o.
Uzdrowiska Kłodzkie S.A. – Grupa PGU
Uzdrowisko Połczyn Grupa PGU S.A.
„Uzdrowisko Cieplice" Sp. z o.o. – Grupa PGU
Uzdrowisko „Świeradów - Czerniawa" Sp. z o.o. – Grupa PGU
Fundusz Hotele 01 Sp. z o.o.
Fundusz Hotele 01 Sp. z o.o. S.K.A.
Polska Grupa Uzdrowisk Sp. z o.o. S.K.A.
Polska Grupa Uzdrowisk Sp. z o.o.
KGHM I FIZAN
KGHM II FIZAN in liquidation
KGHM III FIZAN
KGHM IV FIZAN
KGHM V FIZAN
"MIEDZIOWE CENTRUM ZDROWIA" S.A.
Zagłębie Lubin S.A.
KGHM LETIA S.A.
KGHM (SHANGHAI) COPPER TRADING CO., LTD.
KGHM Kupferhandelsges. m.b.H.i.L.
Przedsiębiorstwo Budowlane Katowice S.A.
Bipromet Ecosystem Sp. z o.o.

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.

A. Interim condensed consolidated financial statements (continued)

Financial period for the 6 months ended 30 June 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	9 503	1 886	-	-	2 696	1 443	-	(3 010)	**12 518**
Inter-segment sales	138	-	-	-	2 336	523	-	(2 997)	**-**
External sales	9 365	1 886	-	-	360	920	-	(13)	**12 518**
Operating costs	(6 925)	(1 680)	-	(3)	(2 663)	(1 422)	(162)	3 144	**(9 711)**
Depreciation/Amortisation	(418)	(221)	-	-	(66)	(39)	(166)	190	**(720)**
Operating profit/(loss)	2 391	209*	-	(2)	56*	20*	(162)	114	**2 626**
Profit/(loss) before income tax	**2 346**	**136**	**-**	**(2)**	**43**	**12**	**(162)**	**122**	**2 495**
Income tax expense	(621)	(83)	-	-	(11)	(5)	45	(38)	**(713)**
Profit/(loss) for the period	**1 725***	**53***	**-**	**(2)**	**32**	**7***	**(117)**	**84**	**1 782**
					At 30 June 2013				
Segment assets	**29 147**	**12 265**	**6 509**	**435**	**2 448**	**2 460**	**(3 494)**	**(13 787)**	**35 983**
Liabilities	**7 222**	**3 852**	**4 799**	**12**	**1 044**	**645**	**(3 625)**	**(672)**	**13 277**
Other information									
Investments accounted for using the equity method	33	1 736**	-	-	-	2	2 420	-	**4 191**
Capital expenditure	892	191	1 479	51	124	36	(1 479)	(7)	**1 287**
EBITDA (operating profit plus depreciation/amortisation)	**2 809**	**430**			**122**				
% of sales to KGHM Polska Miedź S.A.					**83%**				
Production and cost data									
Payable copper ('000 t)	286.0	55.1							
- including from purchased copper-bearing materials ('000 t)	213.0	-							
Nickel ('000 t)	-	2.3							
Molybdenum ('000 t)	-	0.2							
Silver (t)	544.0	-							
Gold ('000 troz)	11.3	34.9							
Platinum ('000 troz)	-	6.6							
Palladium ('000 troz)	-	11.5							
C1 cash cost of copper in concentrate production (USD/lb)	1.73	2.2							

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

Financial period for the 6 months ended 30 June 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	10 504	1 465	-	-	3 056	1 373	-	(3 287)	**13 111**
Inter-segment sales	322	-	-	-	2 500	459	-	(3 281)	**-**
External sales	10 182	1 465	-	-	556	914	-	(6)	**13 111**
Operating costs	(6 289)	(1 474)	-	(4)	(3 020)	(1 353)	(25)	3 099	**(9 066)**
Depreciation/Amortisation	(391)	(163)	-	-	(55)	(37)	(122)	(25)	**(793)**
Operating profit/(loss)	3 781	(17)	-	(5)	58*	44*	12	(217)	**3 656**
Profit/(loss) before income tax	**3 764**	**(63)**	**-**	**(5)**	**52**	**43**	**12**	**(217)**	**3 586**
Income tax expense	(795)	(41)	-	-	(12)	(7)	22	16	**(817)**
Profit/(loss) for the period	**2 969***	**(104)**	**-**	**(5)**	**40**	**36***	**34**	**(201)**	**2 769**
					At 31 December 2012 - restated				
Segment assets	**28 177**	**11 416**	**4 689**	**375**	**2 341**	**2 290**	**(1 476)**	**(13 820)**	**33 992**
Liabilities	**6 254**	**3 674**	**3 092**	**17**	**1 080**	**628**	**(1 995)**	**(655)**	**12 095**
Other information									
Investments accounted for using the equity method	-	1 766**	-	-	-	-	2 145	-	**3 911**
Capital expenditure	673	152	818	49	84	60	(818)	(18)	**1 000**
EBITDA (operating profit plus depreciation/amortisation)	**4 176**	**146**			**113**				
% of sales to KGHM Polska Miedź S.A.					**78%**				
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)	273.0	52.1							
- including from purchased copper-bearing materials ('000 t)	204.0	-							
Nickel ('000 t)	-	2.4							
Molybdenum ('000 t)	-	41.4							
Silver (t)	653.0	-							
Gold ('000 troz)	14.3	22.3							
Platinum ('000 troz)	-	8.6							
Palladium ('000 troz)	-	14.5							
C1 cash cost of copper in concentrate production (USD/lb)	1.02	2.66							

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

(amounts in tables in PLN million, unless otherwise stated)

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 6 months ended 30 June 2013	**for the 6 months ended 30 June 2012**
Poland	2 410	2 776
Germany	2 340	2 395
China	1 399	1 233
The United Kingdom	1 387	1 969
The Czech Republic	830	811
The USA	757	220
Canada	647	688
France	406	483
Hungary	379	398
Italy	354	697
Turkey	263	168
Switzerland	232	240
Japan	149	81
Austria	142	171
Belgium	110	140
Denmark	63	61
Slovakia	53	93
South Korea	40	73
Bulgaria	22	30
Slovenia	19	17
Bosnia and Herzegovina	18	16
Ukraine	12	10
Finland	7	10
Other countries (dispersed sale)	479	331
Total	**12 518**	**13 111**

Main customers

During the period from 1 January 2013 to 30 June 2013, and in the comparable period, the revenues from no single customer exceeded 10% of the revenues of the Group.

55.06% of the non-current assets of the Group are located in the country of origin of the Parent Entity. The remaining 44.94% of the non-current assets are located in the following countries: Chile – 21.98%; Canada - 18.24%; the USA – 4.15%; other countries – 0.57%.

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

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 Gruszczyński, 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 District 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 non-controlling shares in Centrozłom S.A.

KGHM Ecoren S.A. made the following payments:
- on 28 May 2013 for 726 813 shares of CENTROZŁOM WROCŁAW S.A. (representing 6.61% of the company's equity),
- on 27 June 2013 for 286 963 shares of CENTROZŁOM WROCŁAW S.A. (representing 2.61% of the company's equity), in accordance with the provisions of contracts to purchase the shares entered into between KGHM Ecoren S.A. and 290 non-controlling shareholders of CENTROZŁOM WROCŁAW S.A.

The total price of the shares acquired is PLN 19 million.
As at 30 June 2013, the Group held 94.22% of the equity of Centrozłom S.A. Acquisition of these shares represents realisation of liabilities due to an irrevocable purchase offer submitted by KGHM Ecoren S.A., as part of a sales agreement by the State Treasury of shares of CENTROZŁOM WROCŁAW S.A., of all other shares acquired by the employees during the privatisation of CENTROZŁOM S.A.
KGHM Polska Miedź S.A. in its consolidated financial statements settled the acquisition of a total of 9.22% of non-controlling interest through a decrease in the equity attributable to non-controlling interest in the amount of PLN 18 million, an increase in equity on valuation of employee shares put options in the amount of PLN 15 million, and an increase in retained earnings attributable to shareholders of the parent entity in the amount of PLN 3 million.

Acquisition of investment certificates of KGHM IV FIZAN, KGHM V FIZAN

On 19 April 2013, KGHM Polska Miedź S.A. acquired 4 970 investment certificates of the investment fund KGHM II Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych (KGHM II FIZAN closed-end non-public investment fund) for PLN 8.5 thousand per certificate, paid in cash in the amount of PLN 42.2 million.

On 23 May 2013, KGHM Polska Miedź S.A. acquired 100 investment certificates of the investment fund KGHM IV Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych (KGHM IV FIZAN closed-end non-public investment fund) for PLN 10 thousand per certificate, paid in cash in the amount of PLN 1 million.

On 3 June 2013, KGHM Polska Miedź S.A. acquired 4 210 investment certificates of the investment fund KGHM V Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych (KGHM V FIZAN closed-end non-public investment fund) for PLN 10 thousand per certificate, paid in cash in the amount of PLN 42.1 million.

The managing body of the KGHM Closed-end Non-public Investment Funds is KGHM TFI S.A. – a subsidiary of KGHM Polska Miedź S.A. The indirect share of the KGHM Polska Miedź S.A. Group in the capital of the investment fund is 100%. The investment objective of the KGHM IV FIZAN Fund is to develop the property projects of KGHM Polska Miedź S.A. which are at an early stage of investment development (development of an investment plan, area management planning) and to optimise the operations of the existing property belonging to entities of the KGHM Polska Miedź S.A. Group. The investment objective of the KGHM V FIZAN Fund is to invest capital in attractive sectors (apart from those in which the other funds managed by KGHM TFI S.A. have invested), creating synergy for the KGHM Polska Miedź S.A. Group based on the benefits arising from the diversification of activities.

Opening of proceedings to liquidate KGHM II FIZAN

On 18 June 2013 the General Meeting of the closed-end non-public investment fund KGHM II Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych (KGHM II FIZAN), resolved to dissolve the Fund. The application to liquidate KGHM II FIZAN was submitted to the District Court in Warsaw, Section VII Civil Registrations on 19 June 2013. The liquidator of KGHM II FIZAN is KGHM TFI S.A.

XII. Subsequent events

Significant agreement with Vale Canada Limited

On 1 August 2013 subsidiaries of KGHM Polska Miedź S.A., KGHM INTERNATIONAL LTD. and FNX Mining Company Inc. entered into an agreement with Vale Canada Limited (wholly-owned subsidiary of Vale S.A.) which provides the framework for KGHM INTERNATIONAL LTD. to develop the Victoria copper-nickel-PGM project in Sudbury, Canada. KGHM International Ltd. will retain its 100% ownership of Victoria and Vale will receive a 2.25% Net Smelter Return royalty on all future production from the project.

At the same time, KGHM INTERNATIONAL LTD., FNX Mining Company Inc. and Vale re-negotiated and signed on 01 August 2013 an off-take agreement for all of KGHM INTERNATIONAL's production from its mines in the Sudbury basin in Ontario, Canada. Vale will purchase polymetallic ore from KGHM INTERNATIONAL LTD. and process it at Vale's Clarabelle mill in Sudbury. The contract is valid for the full life of all KGHM INTERNATIONAL's Sudbury mines, including future production from Victoria. The estimated value of the agreement for the 5 years

A. Interim condensed consolidated financial statements (continued)

following the effective date of the agreement (1 January 2013 to 31 December 2017) is approximately USD 1.13B estimated on the basis of official LME evening evaluation prices and precious metals forward curves calculations as of 31 July 2013 (PLN 3.61B based on the National Bank of Poland exchange rate from 31 July 2013).

Liquidation of Przedsiębiorstwo Budowlane Katowice S.A.

On 5 August 2013 the Extraordinary General Meeting of Przedsiębiorstwo Budowlane Katowice S.A. with its registered head office in Katowice adopted a resolution to dissolve Przedsiębiorstwo Budowlane Katowice S.A. and commence its liquidation. The Group holds 2 310 105 shares, representing 88.09 % of the shares of PB Katowice S.A. and of the votes on the General Meeting. Aleksander Bogdziewicz was chosen as liquidator. The request to open liquidation proceedings was filed on 5 August 2013 at the Regional Court in Katowice - East with its registered head office in Katowice, Section VIII Economic of the National Court of Registration.

Filing of suits requesting that resolutions of the General Meeting be repealed

On 5 August 2013 the Parent Entity received, from the Regional Court in Legnica, Section VI Economic, suits filed by shareholders of KGHM Polska Miedź S.A.
- Ryszard Zbrzyzny, submitted to the court on 22 July 2013 "on the repeal of Resolution No. 35/2013 of the Ordinary General Meeting of KGHM Polska Miedź S.A. with its registered head office in Lubin dated 19 June 2013 regarding the failure to adopt a resolution on the appointment to the Supervisory Board of KGHM Polska Miedź S.A. of Leszek Hajdacki and Józef Czyczerski elected by the employees of KGHM Polska Miedź S.A.",
- Waldemar Brus, submitted to the court on 22 July 2013 "on the repeal of Resolution No. 35/2013 of the Ordinary General Meeting of KGHM Polska Miedź S.A. with its registered head office in Lubin dated 19 June 2013 regarding the failure to adopt a resolution on the appointment to the Supervisory Board of KGHM Polska Miedź S.A. of Leszek Hajdacki and Józef Czyczerski elected by the employees of KGHM Polska Miedź S.A.".

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 Company's results for 2013. In accordance with the above-mentioned forecast, KGHM Polska Miedź S.A. assumes achievement of revenues from sales, profit for the period and EBITDA in 2013 respectively at the level of PLN 18 930 million, PLN 3 204 million and PLN 5 337 million.

The revenues from sales achieved in the first half in the amount of PLN 9 503 million, profit for the period of PLN 1 725 million and EBITDA of PLN 2 809 million represent respectively 50%, 54% and 53% of the forecasted results. Because of changes in macroeconomic assumptions, in particular due to the worsening of metals prices, the Company is currently reviewing the published financial 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 first quarter of 2013, i.e. at 15 May 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 first quarter of 2013, 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 first quarter of 2013, i.e. at 15 May 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 first quarter of 2013, i.e. at 15 May 2013, did not own any shares of KGHM Polska Miedź S.A. or rights to them. At the date of preparation of this report only Marek Panfil, who was appointed to the Supervisory Board on 19 June 2013, owned 90 shares of KGHM Polska Miedź S.A. 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 30 June 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

During the period from 1 January 2013 to 30 June 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 30 June 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 second 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 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.

(amounts in tables in PLN million, unless otherwise stated)

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

Interim statement of financial position	Note	At		
		30 June 2013	31 December 2012	1 January 2012
Assets				
Non-current assets				
Property, plant and equipment		8 920	8 445	7 277
Intangible assets		218	175	151
Shares and investment certificates in subsidiaries		11 733	11 641	2 012
Interest in joint ventures		33	33	-
Deferred tax assets		231	266	169
Available-for-sale financial assets		799	882	992
Mine closure financial assets		168	141	112
Derivatives		661	742	899
Trade and other receivables		258	85	84
		23 021	**22 410**	**11 696**
Current assets				
Inventories		3 000	2 992	2 356
Trade and other receivables		1 672	1 687	1 503
Mine closure financial assets		1	-	2
Derivatives		630	381	859
Cash and cash equivalents		823	707	12 836
		6 126	**5 767**	**17 556**
Total assets		**29 147**	**28 177**	**29 252**
Equity and liabilities				
Equity				
Share capital		2 000	2 000	2 000
Revaluation reserves from measurement of financial instruments		608	286	535
Actuarial gains/losses on post-employment benefits		(248)	(519)	(356)
Retained earnings		19 565	20 156	20 956
Total equity		**21 925**	**21 923**	**23 135**
Liabilities				
Non-current liabilities				
Trade and other payables		20	36	12
Derivatives		138	230	538
Employee benefits liabilities		1 578	1 471	1 216
Provisions for other liabilities and charges	C. II. 2	777	718	484
		2 513	**2 455**	**2 250**
Current liabilities				
Trade and other payables		4 284	2 227	1 828
Borrowings and finance lease liabilities		-	1 013	-
Current corporate tax liabilities		133	390	1 588
Derivatives		150	23	330
Employee benefits liabilities		110	110	107
Provisions for other liabilities and charges	C. II. 2	32	36	14
		4 709	**3 799**	**3 867**
Total liabilities		**7 222**	**6 254**	**6 117**
Total equity and liabilities		**29 147**	**28 177**	**29 252**

(amounts in tables in PLN million, unless otherwise stated)

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 30 June 2013	for the 6 months ended 30 June 2013	for the 3 months ended 30 June 2012 restated*	for the 6 months ended 30 June 2012 restated*
Sales	C. II. 3	4 397	9 503	5 288	10 504
Cost of sales	C. II. 4	(3 168)	(6 561)	(3 234)	(5 893)
Gross profit		**1 229**	**2 942**	**2 054**	**4 611**
Selling costs	C. II. 4	(29)	(62)	(30)	(55)
Administrative expenses	C. II. 4	(171)	(302)	(194)	(341)
Other operating income	C. II. 5	157	382	263	895
Other operating costs	C. II. 6	(268)	(569)	(116)	(1 329)
Operating profit		**918**	**2 391**	**1 977**	**3 781**
Finance costs	C. II. 7	(10)	(45)	(9)	(17)
Profit before income tax		**908**	**2 346**	**1 968**	**3 764**
Income tax expense		(242)	(621)	(442)	(795)
Profit for the period		**666**	**1 725**	**1 526**	**2 969**
Earnings per share during the period (in PLN per share)					
- basic		3.33	8.63	7.63	14.85
- diluted		3.33	8.63	7.63	14.85

* explanation in part C.I.

(amounts in tables in PLN million, unless otherwise stated)

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

Interim statement of comprehensive income

	Financial period			
	for the 3 months ended 30 June 2013	**for the 6 months ended 30 June 2013**	**for the 3 months ended 30 June 2012 restated***	**for the 6 months ended 30 June 2012 restated***
Profit for the period	**666**	**1 725**	**1 526**	**2 969**
Other comprehensive income:				
Other comprehensive income, which will be reclassified to profit or loss when specific conditions are met	**370**	**322**	**159**	**(243)**
Available-for-sale financial assets	5	5	(97)	(141)
Income tax	(1)	(1)	19	27
	4	4	(78)	(114)
Cash flow hedging instruments	452	392	293	(159)
Income tax	(86)	(74)	(56)	30
	366	318	237	(129)
Other comprehensive income, which will not be reclassified to profit or loss	**(44)**	**(85)**	**15**	**(23)**
Actuarial losses*	(55)	(105)	19	(28)
Income tax	11	20	(4)	5
Other comprehensive net income for the financial period	**326**	**237**	**174**	**(266)**
TOTAL COMPREHENSIVE INCOME	**992**	**1 962**	**1 700**	**2 703**

* explanation in part C.I.

(amounts in tables in PLN million, unless otherwise stated)

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

Interim statement of changes in equity

		Revaluation reserve from measurement of financial instruments				
	Share capital	**Revaluation reserve from measurement of available-for-sale financial assets**	**Revaluation reserve from measurement of cash flow hedging instruments**	**Actuarial gains/losses on post-employment benefits**	**Retained earnings**	**Total equity**
At 1 January 2013	**2 000**	**-**	**286**	**-**	**19 637**	**21 923**
Change in presentation principles	**-**	**-**	**-**	(519)	519	**-**
At 1 January 2013 restated*	**2 000**		**286**	**(519)**	**20 156**	**21 923**
Dividends for 2012 resolved but unpaid	-	-	-	-	(1 960)	**(1 960)**
Offsetting of profit from prior years with the reserves arising from actuarial gains and losses	-	-	-	356	(356)	**-**
Total comprehensive income	-	4	318	(85)	1 725	**1 962**
Profit for the period	-	-	-	-	1 725	**1 725**
Other comprehensive income	-	4	318	(85)	-	**237**
At 30 June 2013	**2 000**	**4**	**604**	**(248)**	**19 565**	**21 925**
At 1 January 2012	**2 000**	**(39)**	**574**	**-**	**20 600**	**23 135**
Change in presentation principles	-	-	-	(356)	356	**-**
At 1 January 2012 restated*	**2 000**	**(39)**	**574**	**(356)**	**20 956**	**23 135**
Dividends for 2011 resolved but unpaid	-	-	-	-	(5 668)	**(5 668)**
Total comprehensive income	-	(114)	(129)	(23)	2 969	2 703
Profit for the period	-	-	-	-	2 969	**2 969**
Other comprehensive income	-	(114)	(129)	(23)	-	**(266)**
At 30 June 2012 restated*	**2 000**	**(153)**	**445**	**(379)**	**18 257**	**20 170**

* explanation in part C.I.

(amounts in tables in PLN million, unless otherwise stated)

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

Interim statement of cash flows

	Financial period	
	for the 6 months ended 30 June 2013	**for the 6 months ended 30 June 2012 restated***
Cash flow from operating activities		
Profit for the period	1 725	2 969
Total adjustments to profit for the period:	1 555	1 404
Income tax recognised in profit or loss	621	795
Amortisation/Depreciation	418	391
Losses on sale of property, plant and equipment and intangible assets	11	-
Interest and shares in profits (dividends)	(37)	(58)
Foreign exchange losses	18	872
Change in provisions	2	9
Change in assets/liabilities due to derivatives	425	(80)
Reclassification of other comprehensive income to profit or loss as a result of realisation of derivatives	(166)	(141)
Impairment loss on available-for-sale financial assets	89	-
Changes in working capital:	174	(384)
Inventories	(8)	(500)
Trade and other receivables	9	(453)
Trade and other payables	173	569
Income tax paid	(897)	(2 114)
Net cash generated from operating activities	**2 383**	**2 259**
Cash flow from investing activities		
Purchase of shares and investment certificates in subsidiaries	(92)	(9 570)
Purchase of property, plant and equipment and intangible assets	(959)	(762)
Advances granted for purchase of property, plant and equipment and intangible assets	(35)	(18)
Proceeds from sale of property, plant and equipment and intangible assets	5	5
Purchase of mine closure financial assets	(28)	(25)
Loans granted	(166)	(7)
Repayments of loans granted	3	3
Interest received	1	1
Dividends received	36	-
Other investment expenses	(4)	(2)
Net cash used in investing activities	**(1 239)**	**(10 375)**
Cash flow from financing activities		
Repayments of bank loans	(1 037)	-
Interest paid	(2)	-
Other financial proceeds/(expenses)	1	-
Net cash used in financing activities	**(1 038)**	**-**
Total net cash flow	**106**	**(8 116)**
Exchange gains/(losses) on cash and cash equivalents	10	(870)
Movements in cash and cash equivalents	**116**	**(8 986)**
Cash and cash equivalents at beginning of the period	**707**	**12 836**
Cash and cash equivalents at end of the period	**823**	**3 850**
including restricted cash and cash equivalents	-	1

* explanation in part C.I.

(amounts in tables in PLN million, unless otherwise stated)

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 used in the current period 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 equity item „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 30 June 2012, other comprehensive income for the period from 1 January 2012 to 30 June 2012 decreased by PLN 23 million (gross amount of PLN 28 million less deferred tax of PLN 5 million), and simultaneously the profit for the period increased by the same amount.

II. Additional notes

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

Purchase of property, plant and equipment

	Financial period		
	for the 6 months ended 30 June 2013	**for the 12 months ended 12 December 2012**	**for the 6 months ended 30 June 2012**
Purchase of property, plant and equipment	830	1 682	639
Net sale of property, plant and equipment	-	6	-

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

	At	
	30 June 2013	**31 December 2012**
Payables due to purchase of property, plant and equipment and intangible assets	340	448

(amounts in tables in PLN million, unless otherwise stated)

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

Capital commitments not recognised in the interim statement of financial position

	At 30 June 2013	At 31 December 2012
Purchase of property, plant and equipment	4 822	3 931
Purchase of intangible assets	66	46
Total capital commitments	**4 888**	**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
Provisions at 1 January 2013	**754**	**734**	**20**
Recognition and updating of estimates	**85**	81	4
Utilisation	**(7)**	(7)	-
Transfer to Mine Closure Fund	**(13)**	(13)	-
Release and updating of estimates	**(10)**	(9)	(1)
Provisions at 30 June 2013	**809**	**786**	**23**
of which:			
Non-current provisions	**777**	773	4
Current provisions	**32**	13	19

	TOTAL	Decommissioning costs of mines and other facilities, and costs of scrapping property, plant and equipment	Disputed issues and court proceedings
Provisions at 1 January 2012	**498**	**481**	**17**
Recognition and updating of estimates	**323**	307	16
Utilisation	**(8)**	(5)	(3)
Transfer to Mine Closure Fund	**(27)**	(27)	-
Release and updating of estimates	**(32)**	(22)	(10)
Provisions at 31 December 2012	**754**	**734**	**20**
of which:			
Non-current provisions	**718**	714	4
Current provisions	**36**	20	16

(amounts in tables in PLN million, unless otherwise stated)

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

	TOTAL	Decommissioning costs of mines and other facilities, and costs of scrapping property, plant and equipment	Disputed issues and court proceedings
Provisions at 1 January 2012	**498**	**481**	**17**
Recognition and updating of estimates	**54**	52	2
Utilisation	**(3)**	(1)	(2)
Transfer to Mine Closure Fund	**(13)**	(13)	-
Release and updating of estimates	**(14)**	(5)	(9)
Provisions at 30 June 2012	**522**	**514**	**8**
of which:			
Non-current provisions	**510**	505	5
Current provisions	**12**	9	3

3. Sales

	Financial period			
	for the 3 months ended 30 June 2013	for the 6 months ended 30 June 2013	for the 3 months ended 30 June 2012	for the 6 months ended 30 June 2012
Copper, precious metals, smelter by-products	4 325	9 351	5 170	10 279
Salt	17	42	13	26
Services	18	37	17	33
Other finished goods	3	6	3	6
Merchandise	16	35	68	127
Scrap and production materials	18	32	17	33
Total	**4 397**	**9 503**	**5 288**	**10 504**

4. Expenses by nature

	Financial period			
	for the 3 months ended 30 June 2013	for the 6 months ended 30 June 2013	for the 3 months ended 30 June 2012 restated*	for the 6 months ended 30 June 2012 restated*
Depreciation of property, plant and equipment and amortisation of intangible assets	209	418	193	391
Employee benefit expenses	737	1 448	766	1 476
Materials and energy	1 499	3 126	1 694	3 299
External services	376	746	328	634
Taxes and charges**	539	1 194	530	605
Advertising costs and representation expenses	17	19	19	22
Property and personal insurance	5	12	6	12
Other costs	12	17	8	14
Total expenses by nature	**3 394**	**6 980**	**3 544**	**6 453**
Cost of merchandise and materials sold (+)	30	61	80	151
Change in inventories of finished goods and work in progress (+/-)	(11)	(32)	(117)	(225)
Cost of manufacturing products for internal use (-)	(45)	(84)	(49)	(90)
Total cost of sales, selling costs and administrative expenses	**3 368**	**6 925**	**3 458**	**6 289**

* explanation in part C.I.

(amounts in tables in PLN million, unless otherwise stated)

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

** The minerals extraction tax is a significant item in operating costs.
This tax was introduced in accordance with the Act on the extraction of certain minerals dated 2 March 2012, which came into force on 18 April 2012. The amount of this tax, recognised in operating costs in the period from 1 January to 30 June 2013, amounted to PLN 1 021 million (for the period from 1 January to 30 June 2012 – PLN 443 million).

The mineral extraction tax is calculated from the amount of copper and silver contained in produced concentrate and depends on the prices of these metals as well as on the USD/PLN exchange rate. The tax is accounted for under manufacturing costs and is not deductible for corporate income tax purposes.

5. Other operating income

	Financial period			
	for the 3 months ended 30 June 2013	**for the 6 months ended 30 June 2013**	**for the 3 months ended 30 June 2012**	**for the 6 months ended 30 June 2012**
Income and gains on financial instruments, classified under other operating activities, resulting from:	117	323	199	814
Measurement and realisation of derivatives	73	233	162	712
Gains on disposal	-	-	1	1
Losses on measurement of non-current liabilities	-	-	(1)	-
Interest	7	19	37	101
Foreign exchange gains	36	70	-	-
Reversal of allowance for impairment of other receivables	1	1	-	-
Gains on the sale of property, plant and equipment and intangible assets	-	-	1	1
Reversal of allowance for impairment of non-financial receivables	1	1	1	1
Dividends received	36	36	57	57
Release of unused provisions	1	2	1	10
Penalties and compensation	1	4	1	3
Other operating income/gains	1	16	3	9
Total other operating income	**157**	**382**	**263**	**895**

(amounts in tables in PLN million, unless otherwise stated)

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

6. Other operating costs

	Financial period			
	for the 3 months ended 30 June 2013	**for the 6 months ended 30 June 2013**	**for the 3 months ended 30 June 2012**	**for the 6 months ended 30 June 2012**
Costs and losses on financial instruments, classified under other operating activities, resulting from:	250	525	105	1 225
Measurement and realisation of derivatives	245	434	155	752
Interests	1	1	-	-
Foreign exchange losses	-	-	(50)	473
Losses on measurement of non-current liabilities	1	1	-	-
Impairment losses on available-for-sale financial assets and allowances for impairment of other receivables	3	89	-	-
Losses on the sale of property, plant and equipment and intangible assets	9	11	-	-
Donations granted	-	16	-	86
Interests on overdue non-financial liabilities	-	-	2	2
Provisions recognised	1	4	-	2
Other operating costs/losses	8	13	9	14
Total other operating costs	**268**	**569**	**116**	**1 329**

7. Finance costs

	Financial period			
	for the 3 months ended 30 June 2013	**for the 6 months ended 30 June 2013**	**for the 3 months ended 30 June 2012**	**for the 6 months ended 30 June 2012**
Net foreign exchange losses on borrowings	-	25	-	-
Changes in provisions arising from the approach of the maturity date of liabilities (unwinding of discount effect)	9	18	9	17
Interest expense	-	1	-	-
Other finance costs	1	1	-	-
Total finance costs	**10**	**45**	**9**	**17**

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

8. Related entities transactions

	Financial period			
	for the 3 months ended 30 June 2013	for the 6 months ended 30 June 2013	for the 3 months ended 30 June 2012	for the 6 months ended 30 June 2012
Revenues from sales to related entities	67	160	153	327
Purchases from related entities	1 378	2 729	1 461	2 844

	At	
	30 June 2013	31 December 2012
Trade receivables from related entities	362	224
Trade payables towards related entities	472	460

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 357 million (for the period from 1 January to 30 June 2012 – PLN 381 million), the unsettled balance of liabilities from these transactions as at 30 June 2013 amounted to PLN 33 million (as at 31 December 2012: PLN 41 million), and the unsettled balance of receivables as at 30 June 2013 amounted to PLN 6 million (as at 31 December 2012: PLN 4 million). Revenues from sales from State Treasury companies amounted to PLN 30 million (as at 30 June 2012, PLN 28 million).

	Financial period	
Remuneration of the Supervisory Board (in PLN '000)	**for the 6 months ended 30 June 2013**	**for the 6 months ended 30 June 2012**
Remuneration due to service in the Supervisory Board, salaries and other current employee benefits	515	838
Total	**515**	**838**

	Financial period	
Remuneration of the Management Board (in PLN '000)	**for the 6 months ended 30 June 2013**	**for the 6 months ended 30 June 2012**
Salaries and other current employee benefits	3 786	1 966
Benefits due to termination of employment	-	42
Total	**3 786**	**2 008**

(amounts in tables in PLN million, unless otherwise stated)

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

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

	At 30 June 2013	Increase/(decrease) since the end of the last financial year
Contingent assets	**501**	**87**
Guarantees received	254	72
Disputed State budget issues	1	(6)
Promissory notes receivables	117	19
Inventions, implementation of projects	42	2
Real estate tax on underground workings	87	-
Contingent liabilities	**175**	**(3)**
Guarantees and collateral	11	6
Disputed issues, pending court proceedings	14	(1)
Liabilities due to implementation of projects and inventions	120	(6)
Real estate tax on underground workings	30	12
Other	-	(14)
Liabilities not recognised in the statement of financial position		
liabilities towards local government entities due to expansion of the tailings pond	206	13
liabilities due to operating leases	18	7

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

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 of copper ores

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 2010-2013 carried out work related to completing the concession applications together with the requisite appendices.

The mining concession applications were submitted to the Concessioning Body (the Ministry of the Environment) on 4 December 2012. The concessioning 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 Concessioning 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 Concessioning 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 concessioning body.

On 4 June 2013 the Concessioning Body forwarded the concession applications together with the draft concessioning decisions for the agreement of 9 relevant mining municipalities (Gmina Lubin, the City of Lubin, Polkowice, Radwanice, Jerzmanowa, Rudna, Chocianów, Grębocice and Żukowice). By 18 June the mining municipalities had positively agreed the draft concessions for the 5 relevant deposits (in the form of a decision sent to the Ministry of the Environment).

On 3 and 4 July 2013 the Concessioning Body sent to KGHM Polska Miedź S.A. drafts of agreements on the setting of mining usufruct rights, whose signing is a requisite condition for the obtaining of concessions. These agreements on mining usufruct rights, signed by the Management Board of the Company, were sent to the Ministry of the Environment on 30 July 2013. In letters dated 17 and 18 July 2013 the Concessioning Body informed the Company of the conclusion of proceedings regarding the granting of concessions for the extraction

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

of copper ore from the deposits „Polkowice", „Radwanice-Wschód" and „Rudna". Proceedings remain in progress for the deposits „Lubin-Małomice" and „Sieroszowice". Following receipt of the agreements regarding mining usufruct rights, the Department of Geology and Geological Concessions of the Ministry of the Environment will prepare the concessioning decisions and will submit them to the Ministry of the Environment. The mining concessions for the 5 copper ore deposits are expected to be received in the third quarter of 2013.

Maintenance work at the Głogów smelter

From 4 May 2013 to 23 May 2013 work was carried out on the planned maintenance of an installation at the Precious Metals Plant of the Głogów smelter. As a result, the production of silver in the second quarter was lower than in the comparable prior period. The annual production of metallic silver will be in accordance with the planned Budget for 2013.

On 15 July 2013 the planned 3-month shutdown of the flash furnace at the Głogów II smelter began. The lower production resulting from this maintenance work is reflected in the production plan for 2013.

Other significant events covered by current reports

Company bodies

Paweł Białek submitted his resignation as of 19 June 2013 from fulfilment of the duties of Member of the Supervisory Board of KGHM Polska Miedź S.A.

The Ordinary General Meeting on 19 June 2013 approved:
- the Report on the activities of KGHM Polska Miedź S.A. in financial year 2012,
- the Financial Statements of KGHM Polska Miedź S.A. for financial year 2012,
- the Report on the activities of the KGHM Polska Miedź S.A. Group in financial year 2012, and
- the Consolidated Financial Statements of the KGHM Polska Miedź S.A. Group for financial year 2012.

Additionally, the General Meeting:
- appropriated Company profit for financial year 2012,
- resolved to offset profit from prior years with the reserves arising from actuarial gains and losses which arose due to changes in accounting policy,
- approved the performance of duties of all members of the Management Board of KGHM Polska Miedź S.A. and of the Supervisory Board of KGHM Polska Miedź S.A. in financial year 2012,
- dismissed the following Supervisory Board Members: Dariusz Krawczyk and Ireneusz Piecuch and simultaneously appointed to the Supervisory Board of the Company the following persons: Andrzej Kidyba, Marek Panfil, Iwona Zatorska-Pańtak,
- did not adopt resolutions on the appointment to the Supervisory Board of persons elected by the employees of the Company: Józef Czyczerski and Leszek Hajdacki.

Management Board recommendation on payment of dividend – dividend resolved for 2012

On 8 May 2013 the Management Board of KGHM Polska Miedź S.A. recommended to the Ordinary General Meeting of KGHM Polska Miedź S.A. the payment of a dividend from profit for financial year 2012 in the amount of PLN 1 600 million (i.e. 8 PLN per share). Finally, the Ordinary General Meeting on 19 June 2013 allocated PLN 1 960 million as a shareholders dividend, representing PLN 9.80 per share, setting:
- right to dividend date: 12 July 2013,
- dividend payment dates: 1st instalment in the amount of PLN 980 million (i.e. 4.9 PLN per share): 14 August 2013, 2nd instalment in the amount of PLN 980 million (i.e. 4.9 PLN per share): 14 November 2013.

Group

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 Gruszczyński, 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 District Court for Wrocław-Fabryczna in Wrocław, Section IX (Economic) of the National Court of Registration on 4 April 2013.

On 18 June 2013 the General Meeting of the closed-end non-public investment fund KGHM II Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych (KGHM II FIZAN), resolved to dissolve the Fund. The liquidator of KGHM II FIZAN is KGHM Towarzystwo Funduszy Inwestycyjnych S.A. (KGHM TFI S.A.). The application to liquidate KGHM II FIZAN was submitted to the Regional Court in Warsaw, Section VII Civil Registrations on 19 June 2013. The sole participant in the Fund is KGHM Polska Miedź S.A.

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

Understanding on continuation of work related to creating a draft agreement regarding the purchase of shares of a special purpose company founded in order to build and operate a nuclear power plant

On 25 June 2013 KGHM Polska Miedź S.A., PGE Polska Grupa Energetyczna S.A., Tauron Polska Energia S.A. and ENEA S.A. signed an Understanding on the continuation of work related to creating a draft agreement regarding the purchase of shares of a special purpose company founded in order to build and operate a nuclear power plant ("Understanding"). The Understanding is valid until 30 September 2013 with the possibility of prolongation for a quarter of a year, if all parties to the Understanding agree to do so.

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 increased by PLN 366 million, of which:

- PLN 117 million represents a reclassification adjustment made at the time of impact of the hedged position on profit or loss,
- PLN 569 million represents a profit resulting from changes in fair value of the effective portion of hedging instruments,
- PLN 86 million represents tax from the above-mentioned items.

(since the beginning of the financial year an increase in other comprehensive income of PLN 318 million, of which:

- *PLN 166 million represents a reclassification adjustment made at the time of impact of the hedged position on profit or loss,*
- *PLN 558 million represents a profit resulting from changes in fair value of the effective portion of hedging instruments,*
- *PLN 74 million represents tax from the above-mentioned items.)*

Due to the realisation and fair value remeasurement of derivatives, there was a decrease in the financial result for the current quarter of PLN 55 million (of which: as an increase in revenues from sales, PLN 117 million and as a decrease in the result on other operating activities of PLN 172 million).

(a decrease in the financial result of PLN 35 million since the beginning of the financial year (of which: as an increase in revenues from sales, PLN 166 million and as a decrease in the profit on other operating activities in the amount of PLN 201 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 an increase in the fair value of available-for-sale financial assets above their carrying amount, a partial reversal was made of the impairment loss recognised in prior reporting periods, which increased other comprehensive income by PLN 5 million.

(since the beginning of the financial year:

- a profit decreased by PLN 89 million due to recognition of an impairment loss,

- other comprehensive income increased by PLN 5 million due to reversal of an impairment 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.

(an increase in costs by PLN 418 million since the beginning of the financial year)

The measurement of other assets did not significantly impact the current period profit.

(amounts in tables in PLN million, unless otherwise stated)

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

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 66 million which was settled as:

- a decrease in other comprehensive income of PLN 55 million
  (after reflecting the deferred tax effects, a decrease in other comprehensive income of PLN 44 million),
- a decrease in the financial result of PLN 11 million
  (after reflecting the deferred tax effects, a decrease in the financial result of PLN 9 million),

(an increase in the provision by PLN 107 million since the beginning of the financial year, which was settled as:

- *a decrease in other comprehensive income of PLN 105 million*
  (after reflecting the deferred tax effects, a decrease in other comprehensive income of PLN 85 million),
- *a decrease in the financial result of PLN 2 million*
  (after reflecting the deferred tax effects, a decrease in the financial result of PLN 1.6 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 71 million, which was settled as a decrease in the financial result of PLN 9 million and as an increase of property, plant and equipment of PLN 62 million. The increase in the provision caused an increase in deferred tax assets in the amount of PLN 13 million.

(an increase in the provision by PLN 72 million since the beginning of the financial year, which was settled as a decrease in the financial result in the amount of PLN 17 million and as an increase in property, plant and equipment in the amount of PLN 55 million, deferred tax effect: an increase in deferred tax assets in the amount of PLN 8 million)

3.3 provisions for future employee remuneration costs together with charges of PLN 172 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 30 June 2013 amounted to PLN 340 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 231 million.

(after offsetting the deferred tax asset and deferred tax liability, the deferred tax asset at 31 December 2012 was set at PLN 266 million).

There was a decrease in the deferred tax asset in the current quarter of PLN 114 million, which was settled:

– as an increase in other comprehensive income due to actuarial losses on post-employment benefits,	PLN 11 million,
– as a decrease in other comprehensive income due to measurement of hedging derivative instruments and available-for-sale financial assets	PLN 125 million.

(amounts in tables in PLN million, unless otherwise stated)

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

(a decrease in the deferred tax asset since the beginning of the financial year in the amount of PLN 103 million, which was settled as:

- an increase in profit,	*PLN 2 million,*
- an increase in other comprehensive income due to actuarial losses on post-employment benefits	*PLN 20 million,*
- a decrease in other comprehensive income due to measurement of hedging derivative instruments, and available–for-sale financial assets	*PLN 125 million)*

There was a decrease in the deferred tax liability in the current quarter of PLN 40 million, of which the following was settled as:

– an increase in profit,	PLN 3 million,
– an increase in other comprehensive income due to measurement of hedging financial instruments	PLN 37 million.

(a decrease in the deferred tax liability since the beginning of the financial year in the amount of PLN 68 million, of which the following was settled as:

- an increase in profit,	*PLN 18 million,*
- an increase in other comprehensive income due to measurement of hedging derivative instruments and available–for-sale financial assets	*PLN 50 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 second quarter of 2013

In the second quarter of 2013, KGHM Polska Miedź S.A. produced 107 thousand t of copper in concentrate (I half of 2013: 217 thousand t). Electrolytic copper production amounted to 144 thousand t, including 107 thousand t from own concentrate (I half of 2013: 286 thousand t and 213 thousand t, respectively), and 264 t of metallic silver (544 t).

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 7 148 USD/t,
- an average exchange rate of 3.21 USDPLN,
- average silver prices on the London Bullion Market Association (LBMA) of 23.14 USD/troz, and
- the sales volume of copper and copper products (144 thousand t), and of silver (293 t).

The **revenues from sales** achieved of PLN 4 397 million were lower by PLN 891 million, i.e. 17% than those achieved in the comparable prior period, mainly as a result of a decrease in copper prices (from 7 869 USD/t to 7 148 USD/t), silver prices (from 29.38 USD/troz to 23.14 USD/troz) and in USD/PLN exchange rate (a change from 3.33 USDPLN to 3.21 USDPLN).

In the second quarter of 2013, revenues from the sale of copper and copper products represented 78%, and silver 17% (in the comparable period of 2012 respectively: 75% and 20%) of total revenues from sales.

Operating costs (cost of sales, selling costs and administrative expenses) in the second quarter of 2013 amounted to PLN 3 368 million and were lower versus the comparable prior period by PLN 90 million, i.e. by 3%, mainly due to lower costs of purchased copper-bearing materials consumption (PLN 1 127 million for the second quarter of 2012, PLN 941 million for the second quarter of 2013) due a decrease in purchase prices and to lower consumption by volume.

Expenses by nature in the second quarter of 2013 amounted to PLN 3 394 million, and after excluding purchased copper-bearing materials (PLN 941 million) and the minerals extraction tax (PLN 452 million) amounted to PLN 2 001 million and were higher than those in the comparable prior year period by 1.3% (i.e. by PLN 26 million).

The pre-precious metals credit unit cost of electrolytic copper production (total cost prior to decrease by the value of precious metals) in the second quarter of 2013 amounted to 22 350 PLN/t, and increased versus the second quarter of 2012 by 8% mainly due to the mineral extraction tax representing the level of 3 390 PLN/t in the cost.

Taking into consideration the valuation of precious metals in anode slimes, the total unit cost of copper production amounted to 18 958 PLN/t.

(amounts in tables in PLN million, unless otherwise stated)

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

The pre-precious metals credit unit cost of electrolytic copper production from own concentrate amounted to 21 747 PLN/t (in the comparable period – 18 355 PLN/t) alongside a higher by 5% volume of production from own concentrate and mineral extraction tax burden (4 555 PLN/t). The total cost of electrolytic copper production from own concentrate amounted to 17 579 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: 1.41 USD/lb in the second quarter of 2012 and 1.74 USD/lb in the second quarter of 2013.

The increase in the C1 cost was mainly due to a decrease in silver and gold prices (an increase in the cost of 0.21 USD/lb).

Other operating activities showed a loss in the second quarter of 2013 of PLN 111 million, meaning worsening of the result versus the second quarter of 2012 by PLN 258 million, mainly due to measurement and realisation of derivatives.

As a result of the above, **operating profit** in the second quarter of 2013 amounted to PLN 918 million and decreased versus the comparable period of 2012 by PLN 1 059 million.

KGHM Polska Miedź S.A. earned a **profit for the second quarter of 2013** of PLN 666 million, which was lower by PLN 860 million than that achieved in the second quarter of 2012.

EBITDA in the second quarter of 2013 amounted to PLN 1 127 million (including depreciation/amortisation of PLN 209 million) and was lower by PLN 1 043 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 second quarter of 2013 represented approx. 26% of the total sales of this metal realised by the Company. With respect to silver this figure amounted to approx. 10%. In the case of the currency market, hedged revenues from sales represented approx. 19% of total revenues from sales realised by the Company during the period.

In the second quarter of 2013, the negative result on derivatives amounted to PLN 55 million, of which the amount of PLN 117 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 172 million decreased the result on other operating activities, of which PLN 39 million represented a loss due to the realisation of derivatives, while PLN 133 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 30 June 2013	**for the 6 months ended 30 June 2013**	**for the 3 months ended 30 June 2012**	**for the 6 months ended 30 June 2012**
Impact on sales	117	166	88	141
Impact on other operating activities	(172)	(201)	7	(40)
Losses on realisation of derivatives	**(39)**	**(50)**	**(67)**	**(86)**
(Losses)/gains on measurement of derivatives	**(133)**	**(151)**	**74**	**46**
Total impact of derivatives on (profit)/loss for the period:	(55)	(35)	95	101

Revaluation reserve from measurement of cash flow hedging instruments	**At**		
	30 June 2013	**31 March 2013**	**31 December 2012**
Commodity price risk hedging transactions (copper and silver) – derivatives	705	235	163
Currency risk hedging transactions – derivatives	41	59	191
Total:	**746**	**294**	**354**

(amounts in tables in PLN million, unless otherwise stated)

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

During the second quarter of 2013 there was an increase in other comprehensive income by PLN 452 million (excluding the deferred tax effect), comprised of:

- changes in fair value during the period recognised as an increase in revaluation reserve from measurement of effective portion cash flow hedging instruments, of PLN 569 million,
- the amount of PLN 117 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 second quarter of 2013, the Company did not implement any hedging strategies both on the copper and silver markets. However, a restructure was performed of a hedging position on the silver market, through the buyback of seagull option structure, implemented in the second quarter of 2011, in the total volume of 1.8 million troz, and a maturity falling in the second half of 2013. Closure of the position and un-designation of the transaction as a hedge was reflected in the revaluation reserve from the measurement of derivatives in the amount of PLN 95 million, which will increase revenues from sales in the second half of 2013.

In the case of the forward currency market, in the second 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 2015. The Company made use of collars (European options).

As at 30 June 2013, the Company remains hedged for a portion of copper sales planned in the period from July to December 2013 (61.5 thousand tonnes), in 2014 (81 thousand tonnes) and in 2015 (42 thousand tonnes). The Company does not hold any open hedging transactions on the silver market. With respect to revenues from sales (currency market) the Company holds a hedging position in the period from July to December 2013 (USD 480 million), in 2014 (USD 960 million) and in 2015 (USD 600 million).

Following is presented condensed information on open hedging positions, by type of hedged asset and instruments used as at 30 June 2013. The hedged nominal/volume in the presented periods is equally balanced in the months.

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 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 II half of 2013		**61 500**							
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".

(amounts in tables in PLN million, unless otherwise stated)

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

CURRENCY MARKET

	Instrument	**Notional** [million USD]	**Option execution price** [USD/PLN]			**Average weighted premium** [PLN for USD 1]	**Effective hedge price** [USDPLN]	**Limitations** [USDPLN]	
			Sold call option	Purchased put option	Sold put option[1]			Participation limited to	Hedge limited to
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 July - December 2013		**480**							
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	-
	Collar	120	4.0000	3.3000	-	(0.0694)	3.2306	4.0000	-
	Total	**300**							
II half of 2015	Collar	180	4.5000	3.4000	-	(0.0080)	3.3920	4.5000	-
	Collar	120	4.0000	3.3000	-	(0.0694)	3.2306	4.0000	-
	Total	**300**							
TOTAL 2015		**600**							

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			Participation limited to	Hedge limited to
II half of 2013	Position closed	-	-	-	-	Closure of the position and un-designation of the transaction as a hedge was reflected in the *Revaluation reserve* in the amount of PLN 95 million, which will increase revenues from sales in the second half of 2013.			
	Total	-							
TOTAL II half of 2013		**-**							

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 risk[2]

	At	
Rating levels	**30 June 2013**	**31 December 2012**
Highest[3]	7%	12%
Medium-high[4]	91%	82%
Medium[5]	2%	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 30 June 2013, the maximum single entity share of the amount exposed to credit risk arising from these transactions amounted to 31% (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 30 June 2013, the net fair value of open positions in derivatives amounted to PLN 1 003 million, of which PLN 1 037 million related to the positive fair value of hedging instruments, and PLN 34 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 30 June 2013, are presented in the following table:

	Derivatives	Receivables due to unsettled derivatives[6]
Financial assets	1 291	47
Financial liabilities	(288)	-
As at 30 June 2013	1 003	47

Detailed information on positions in derivatives as at 30 June 2013 is presented below in the tables "Trade instruments", "Hedging instruments" and "Instruments initially designated as hedging instruments excluded from hedge accounting".

TRADE INSTRUMENTS			**At 30 June 2013 [PLN '000]**			
			Financial assets		**Financial liabilities**	
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 [USDPLN]	**Current**	**Non-current**	**Current**	**Non-current**
Derivatives - Metals – Copper:						
Options						
Sold put options	144 000	4 635			(3 051)	(26 592)
TOTAL:			**-**	**-**	**(3 051)**	**(26 592)**
Derivatives - Metals – Silver:						
Options						
Purchased call options	1 800	65.00				
Purchased put options	1 800	20.00	11 144			
Sold put options	3 600	30.00			(137 058)	
TOTAL:			**11 144**	**-**	**(137 058)**	**-**
Derivatives – Currency contracts						
Options USD						
Purchased put options	180 000	2.7000	1 421			
Sold put options	600 000	2.6600			(1 466)	(3 723)
TOTAL:			**1 421**	**-**	**(1 466)**	**(3 723)**
TOTAL TRADE INSTRUMENTS			**12 565**	**-**	**(141 575)**	**(30 315)**

[6] Settlement date falls on 2 July 2013.

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

HEDGING INSTRUMENTS **At 30 June 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 [USDPLN]	Maturity/ settlement period		Period of profit/loss impact		Financial assets		Financial liabilities	
			From	To	From	To	Current	Non-current	Current	Non-current
Derivatives – Metals- Copper										
Options										
Collar	40 500	7 989-10 570	July-13	Dec-13	Aug-13	Jan-14	173 383		(320)	
Seagull	144 000	7 752-10 008	July-13	Dec-15	Aug-13	Jan-16	209 957	419 595	(3 874)	(42 672)
TOTAL:							**383 340**	**419 595**	**(4 194)**	**(42 672)**
Derivatives – Metals - Silver										
Options	-	-								
TOTAL:							**-**	**-**	**-**	**-**
Derivatives – Currency contracts										
Options USD										
Collar	1 440 000	3.3167-4.2833	July-13	Dec-15	July-13	Dec-15	56 429	192 429	(3 503)	(61 849)
Collar-seagull	180 000	3.5000-4.5000	Jan-14	June-14	Jan-14	June-14	44 379		(571)	
Seagull	420 000	3.3000-4.2143	July-13 July-14	Dec-13 Dec-14	July-13 July-14	Dec-13 Dec-14	7 692	49 140	(527)	(2 955)
TOTAL:							**108 500**	**241 569**	**(4 601)**	**(64 804)**
					TOTAL HEDGING INSTRUMENTS		**491 840**	**661 164**	**(8 795)**	**(107 476)**

INSTRUMENTS INITIALLY DESIGNATED AS HEDGING INSTRUMENTS EXCLUDED FROM HEDGE ACCOUNTING **At 30 June 2013 [PLN '000]**

Type of derivative	Volume Ag ['000 troz]	Avg. weighted price Ag [USD/troz]	Maturity/ settlement period		Period of profit/loss impact		Financial assets		Financial liabilities	
			From	To	From	To	Current	Non-current	Current	Non-current
Derivatives – Metals – Silver:										
Options										
Seagull	1 800	40.00-65.00	July-13	Dec-13	Aug-13	Jan-14	125 914			
TOTAL							**125 914**	-	-	-
TOTAL INSTRUMENTS INITIALLY DESIGNATED AS HEDGING INSTRUMENTS EXCLUDED FROM HEDGE ACCOUNTING							**125 914**	-	-	-

Lubin, 13 August 2013