

POLISH FINANCIAL SUPERVISION AUTHORITY

Consolidated quarterly report QSr 3 / 2012

(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)

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

For the third quarter of the financial year **2012** comprising the period from **1 July 2012** to **30 September 2012**
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: 12 November 2012

KGHM Polska Miedź Spółka Akcyjna

(name of the issuer)

KGHM Polska Miedź S.A.

(name of issuer in brief)

59-301

(postal code)

M. Skłodowskiej – Curie

(street)

(48 76) 74 78 200

(telephone)

IR@BZ.KGHM.pl

(e-mail)

692-000-00-13

(NIP)

Basic materials

(issuer branch title per the Warsaw Stock Exchange)

LUBIN

(city)

48

(number)

(48 76) 74 78 500

(fax)

www.kghm.pl

(website address)

390021764

(REGON)

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SELECTED FINANCIAL DATA

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

	in '000 PLN		in '000 EUR	
	3 quarters of 2012 period from 1 January 2012 to 30 September 2012	3 quarters of 2011 period from 1 January 2011 to 30 September 2011	3 quarters of 2012 period from 1 January 2012 to 30 September 2012	3 quarters of 2011 period from 1 January 2011 to 30 September 2011
I. Continued operations				
Sales	19 898 467	16 741 745	4 743 603	4 142 663
Operating profit	5 310 583	8 781 142	1 265 992	2 172 851
Profit before income tax	5 191 372	8 933 731	1 237 573	2 210 608
Profit for the period from continued operations	3 943 795	7 477 859	940 163	1 850 360
II. Discontinued operations				
Profit for the period from discontinued operations	-	31 577	-	7 814
III. Total profit for the period	3 943 795	7 509 436	940 163	1 858 173
IV. Profit for the period attributable to shareholders of the Parent Entity	3 942 201	7 506 258	939 783	1 857 387
V. Profit for the period attributable to non-controlling interest	1 594	3 178	380	786
VI. Other comprehensive income	(576 019)	559 291	(137 317)	138 394
VII. Total comprehensive income	3 367 776	8 068 727	802 846	1 996 567
VIII. Total comprehensive income attributable to the shareholders of the Parent Entity	3 368 475	8 055 158	803 013	1 993 210
IX. Total comprehensive income attributable to non-controlling interest	(699)	13 569	(167)	3 357
X. Number of shares issued	200 000 000	200 000 000	200 000 000	200 000 000
XI. Earnings per ordinary share (in PLN/EUR) attributable to the shareholders of the Parent Entity	19.71	37.53	4.70	9.29
XII. Net cash generated from operating activities	4 006 233	6 837 369	955 047	1 691 874
XIII. Net cash used in investing activities	(9 541 243)	(737 534)	(2 274 541)	(182 499)
XIV. Net cash used in financing activities	(3 122 289)	(3 019 735)	(744 324)	(747 219)
XV. Total net cash flow	(8 657 299)	3 080 100	(2 063 818)	762 156
	At 30 September 2012	At 31 December 2011	At 30 September 2012	At 31 December 2011
XVI. Non-current assets	23 153 259	12 050 205	5 628 193	2 728 266
XVII. Current assets	11 007 291	18 516 811	2 675 699	4 192 359
XVIII. Total assets	34 160 550	30 567 016	8 303 892	6 920 625
XIX. Non-current liabilities	7 287 397	2 815 264	1 771 452	637 399
XX. Current liabilities	5 855 274	4 365 142	1 423 325	988 304
XXI. Equity	21 017 879	23 386 610	5 109 115	5 294 922
XXII. Non-controlling interest	241 991	288 844	58 824	65 397

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

	in '000 PLN		in '000 EUR	
	3 quarters of 2012 period from 1 January 2012 to 30 September 2012	3 quarters of 2011 period from 1 January 2011 to 30 September 2011	3 quarters of 2012 period from 1 January 2012 to 30 September 2012	3 quarters of 2011 period from 1 January 2011 to 30 September 2011
I. Sales	15 558 805	15 244 742	3 709 070	3 772 237
II. Operating profit	5 255 483	8 966 093	1 252 857	2 218 616
III. Profit before income tax	5 229 887	8 940 845	1 246 755	2 212 369
IV. Profit for the period	4 069 517	7 520 246	970 134	1 860 848
V. Other comprehensive income	(510 010)	539 882	(121 581)	133 591
VI. Total comprehensive income	3 559 507	8 060 128	848 553	1 994 439
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)	20.35	37.60	4.85	9.30
IX. Net cash generated from operating activities	3 289 170	6 595 741	784 107	1 632 084
X. Net cash used in investing activities	(10 810 952)	(516 605)	(2 577 227)	(127 831)
XI. Net cash used in financing activities	(3 389 174)	(2 982 998)	(807 947)	(738 128)
XII. Total net cash flow	(10 910 956)	3 096 138	(2 601 067)	766 125
	At 30 September 2012	At 31 December 2011	At 30 September 2012	At 31 December 2011
XIII. Non-current assets	22 008 803	11 696 705	5 349 993	2 648 231
XIV. Current assets	6 190 474	17 556 484	1 504 807	3 974 933
XV. Total assets	28 199 277	29 253 189	6 854 800	6 623 164
XVI. Non-current liabilities	2 349 352	2 249 946	571 090	509 406
XVII. Current liabilities	4 822 907	3 867 732	1 172 373	875 687
XVIII. Equity	21 027 018	23 135 511	5 111 337	5 238 071

Translation from the original Polish version

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A. Interim condensed consolidated financial statements

(Consolidated financial statements)

Interim consolidated statement of financial position

	Note	At		
		30 September 2012	31 December 2011 restated*	1 January 2011
ASSETS				
Non-current assets				
Property, plant and equipment		13 686 133	9 092 529	8 670 554
Intangible assets		2 227 347	580 384	473 215
Investment property		60 172	59 930	59 760
Investments accounted for using the equity method		3 154 657	472	1 431 099
Deferred tax assets		777 014	272 331	592 792
Available-for-sale financial assets		920 067	993 960	751 718
Mine closure financial assets		465 653	111 709	84 157
Derivatives		908 306	899 400	403 839
Trade and other receivables		953 910	39 490	13 508
		23 153 259	12 050 205	12 480 642
Current assets				
Inventories		3 875 229	2 658 253	2 222 231
Trade and other receivables		2 915 033	1 838 979	2 727 935
Current corporate tax receivables		101 141	7 759	4 511
Available-for-sale financial assets		163 820	15 668	415 662
Mine closure financial assets		702	2 147	4 129
Derivatives		354 555	860 042	297 584
Cash and cash equivalents		3 594 317	13 130 401	3 086 957
Non-current assets held for sale		2 494	3 562	1 078
		11 007 291	18 516 811	8 760 087
TOTAL ASSETS		34 160 550	30 567 016	21 240 729
EQUITY AND LIABILITIES				
Equity attributable to shareholders of the Parent Entity				
Share capital		2 000 000	2 000 000	2 000 000
Accumulated other comprehensive income		(8 034)	554 924	209 821
Retained earnings		18 783 922	20 542 842	12 456 413
		20 775 888	23 097 766	14 666 234
Non-controlling interest		241 991	288 844	255 889
TOTAL EQUITY		21 017 879	23 386 610	14 922 123
LIABILITIES				
Non-current liabilities				
Trade and other payables		770 582	129 749	119 860
Borrowings, debt securities and finance lease liabilities	A.IV.7	1 826 305	194 370	173 652
Derivatives		442 371	538 320	711 580
Deferred tax liabilities		1 925 025	129 042	168 156
Employee benefits liabilities		1 436 400	1 338 743	1 221 794
Provisions for other liabilities and charges		886 714	485 040	520 727
		7 287 397	2 815 264	2 915 769
Current liabilities				
Trade and other payables		5 082 440	2 182 093	1 994 577
Borrowings, debt securities and finance lease liabilities	A.IV.7	90 812	103 587	96 162
Current corporate tax liabilities		377 617	1 595 528	672 152
Derivatives		112 251	331 331	482 118
Employee benefits liabilities		126 182	126 563	110 912
Provisions for other liabilities and charges		65 972	26 040	46 916
		5 855 274	4 365 142	3 402 837
TOTAL LIABILITIES		13 142 671	7 180 406	6 318 606
TOTAL EQUITY AND LIABILITIES		34 160 550	30 567 016	21 240 729

* details presented in note A.I.4

A. Interim condensed consolidated financial statements (continued)

Interim consolidated statement of comprehensive income

	Note	Financial period			
		for the 3 months ended 30 September 2012	for the 9 months ended 30 September 2012	for the 3 months ended 30 September 2011 restated*	for the 9 months ended 30 September 2011 restated*
Continued operations					
Sales	A.IV.2	6 787 223	19 898 467	5 775 686	16 741 745
Cost of sales	A.IV.3	(4 817 422)	(13 131 757)	(3 126 107)	(8 660 548)
Gross profit		1 969 801	6 766 710	2 649 579	8 081 197
Selling costs	A.IV.3	(99 152)	(290 648)	(57 485)	(141 767)
Administrative expenses	A.IV.3	(272 595)	(819 211)	(210 516)	(614 526)
Other operating income	A.IV.4	340 222	1 331 291	1 305 083	1 994 190
Other operating costs	A.IV.5	(247 652)	(1 677 559)	24 580	(537 952)
Operating profit		1 690 624	5 310 583	3 711 241	8 781 142
Finance costs	A.IV.6	(48 825)	(119 071)	(14 605)	(35 162)
Share of (losses)/profits of investments accounted for using the equity method		(36)	(140)	(4)	187 751
Profit before income tax		1 641 763	5 191 372	3 696 632	8 933 731
Income tax expense		(412 809)	(1 247 577)	(510 228)	(1 455 872)
Profit for the period from continued operations		1 228 954	3 943 795	3 186 404	7 477 859
Discontinued operations					
Profit for the period from discontinued operations		-	-	9 048	31 577
Profit for the period		1 228 954	3 943 795	3 195 452	7 509 436
Other comprehensive income - continued operations due to:					
Available-for-sale financial assets		80 949	(124 054)	(270 938)	(245 814)
Cash flow hedging instruments		(388 027)	(547 697)	704 593	910 116
Income tax from measurement of financial instruments recognised in other comprehensive income		62 499	119 676	(82 394)	(126 217)
Exchange differences from the translation of foreign operations		(599 659)	(23 944)	20 324	21 206
Other comprehensive net income for the financial period		(844 238)	(576 019)	371 585	559 291
TOTAL COMPREHENSIVE INCOME		384 716	3 367 776	3 567 037	8 068 727
Profit for the period attributable to:					
shareholders of the Parent Entity		1 228 126	3 942 201	3 193 040	7 506 258
non-controlling interest		828	1 594	2 412	3 178
Total comprehensive income attributable to:					
shareholders of the Parent Entity		386 613	3 368 475	3 564 625	8 055 158
non-controlling interest		(1 897)	(699)	2 412	13 569
Earnings per share from continued operations attributable to the shareholders of the Parent Entity for the reporting period (in PLN per share)					
- basic		6.14	19.71	15.92	37.37
- diluted		6.14	19.71	15.92	37.37
Earnings per share from discontinued operations attributable to the shareholders of the Parent Entity for the reporting period (in PLN per share)					
- basic		-	-	0.05	0.16
- diluted		-	-	0.05	0.16

* details presented in note A.I.4

A. Interim condensed consolidated financial statements (continued)

Interim consolidated statement of changes in equity

	Equity attributable to shareholders of the Parent Entity							Total equity
	Share capital	Accumulated other comprehensive income due to:			Retained earnings	Total	Equity attributable to non-controlling interest	
		Available-for-sale financial assets	Cash flow hedging instruments	Exchange differences from the translation of foreign operations				
At 1 January 2012	2 000 000	(38 296)	574 283	18 937	20 542 842	23 097 766	288 844	23 386 610
Dividends for 2011 - paid	-	-	-	-	(3 400 000)	(3 400 000)	(527)	(3 400 527)
Dividends for 2011 resolved but unpaid	-	-	-	-	(2 268 000)	(2 268 000)	-	(2 268 000)
Total comprehensive income	-	(108 441)	(443 634)	(21 651)	3 942 201	3 368 475	(699)	3 367 776
Profit for the period	-	-	-	-	3 942 201	3 942 201	1 594	3 943 795
Other comprehensive income	-	(108 441)	(443 634)	(21 651)	-	(573 726)	(2 293)	(576 019)
Changes due to obtaining control of subsidiaries	-	-	-	-	-	-	7 306	7 306
Changes in ownership shares in subsidiaries which do not lead to a loss of control	-	-	-	10 768	(33 121)	(22 353)	(52 933)	(75 286)
At 30 September 2012	2 000 000	(146 737)	130 649	8 054	18 783 922	20 775 888	241 991	21 017 879
At 1 January 2011	2 000 000	120 046	89 775	-	12 456 413	14 666 234	255 889	14 922 123
Dividends for 2010 paid	-	-	-	-	(2 980 000)	(2 980 000)	-	(2 980 000)
Total comprehensive income	-	(199 109)	737 194	10 815	7 506 258	8 055 158	13 569	8 068 727
Profit for the period	-	-	-	-	7 506 258	7 506 258	3 178	7 509 436
Other comprehensive income	-	(199 109)	737 194	10 815	-	548 900	10 391	559 291
Obligation to repurchase of non-controlling interest	-	-	-	-	(2 480)	(2 480)	-	(2 480)
Changes due to obtaining control of subsidiaries	-	-	-	-	-	-	18 547	18 547
Changes in ownership shares in subsidiaries which do not lead to a loss of control	-	-	-	-	7 141	7 141	(6 553)	588
At 30 September 2011 restated*	2 000 000	(79 063)	826 969	10 815	16 987 332	19 746 053	281 452	20 027 505

* details presented in note A.I.4

A. Interim condensed consolidated financial statements (continued)

Interim consolidated statement of cash flows

	Note	Financial period	
		for the 9 months ended 30 September 2012	for the 9 months ended 30 September 2011 restated*
Cash flow from operating activities			
Profit for the period		3 943 795	7 509 436
Adjustments to profit for the period	A.IV.8	2 610 528	384 508
Income tax paid		(2 548 090)	(1 056 575)
Net cash generated from operating activities		4 006 233	6 837 369
Cash flow from investing activities			
Purchase of subsidiaries, less acquired cash and cash equivalents		(7 055 288)	(116 529)
Purchase of an entity accounted for using the equity method		(32 576)	
Purchase of property, plant and equipment and intangible assets		(1 761 351)	(1 177 429)
Advances granted for purchase of property, plant and equipment and intangible assets		(29 612)	(41 316)
Proceeds from sale of property, plant and equipment and intangible assets		21 864	13 700
Purchase of investment property		(180)	-
Purchase of available-for-sale financial assets		-	(1 585 813)
Proceeds from sale of available-for-sale financial assets		3 222	1 560 197
Purchase of mine closure financial assets		(92 117)	(24 212)
Establishment of deposits		(10 731)	(450 000)
Termination of deposits		31 061	800 000
Expenses due to loans granted		(670 014)	(120)
Interest received		765	9 157
Dividends received		56 590	277 475
Other investment expenses		(2 876)	(2 644)
Net cash used in investing activities		(9 541 243)	(737 534)
Cash flow from financing activities			
Capital contributions to a subsidiary from holders of non-controlling interest		18 383	-
Proceeds from bank and other loans		402 273	66 909
Repayments of bank and other loans		(75 692)	(89 488)
Payments of liabilities due to finance leases		(7 997)	(10 839)
Interest paid		(74 230)	(7 174)
Dividends paid to shareholders of the Parent Entity		(3 400 000)	(2 980 000)
Dividends paid to non-controlling interests		(527)	-
Donations received		15 513	337
Other financial (expenses)/proceeds		(12)	520
Net cash used in financing activities		(3 122 289)	(3 019 735)
Total net cash flow		(8 657 299)	3 080 100
Exchange (losses)/gains on cash and cash equivalents		(878 785)	518 442
Movements in cash and cash equivalents		(9 536 084)	3 598 542
Cash and cash equivalents at beginning of the period		13 130 401	3 086 957
Cash and cash equivalents at end of the period		3 594 317	6 685 499
including restricted cash and cash equivalents		97 441	9 497

* details presented in note A.I.4

A. Interim condensed consolidated financial statements (continued)

Selected explanatory data

I. Policies 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 Company 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 goods,
- 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.

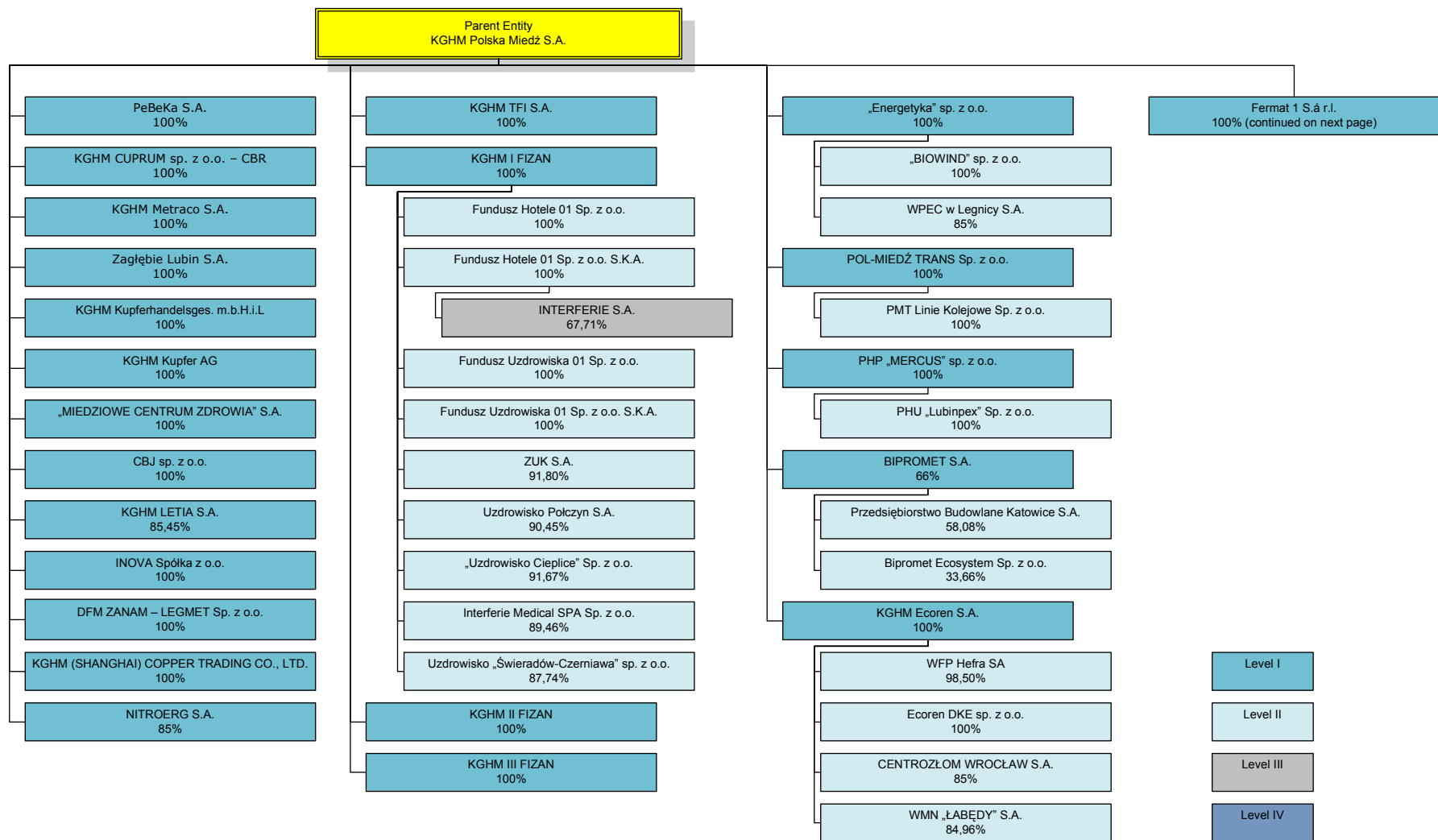
Activities involving the exploitation of copper ore, salt deposits and common minerals are carried out based on licenses held by KGHM Polska Miedź S.A., which were issued by the Minister of the Environment, Natural Resources and Forestry in the years 1993-2004, most of which expire up to 31 December 2013. KGHM Polska Miedź S.A. in the current reporting period is continuing to obtain licenses for subsequent years. In the opinion of the Management Board, the licensing process, which occurs periodically, is of an administrative nature, while the probability of not receiving a license is, in the opinion of the Management Board of the Parent Entity, minimal. Detailed information on the process of obtaining licenses may be found in note C.II.1. of this report.

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.

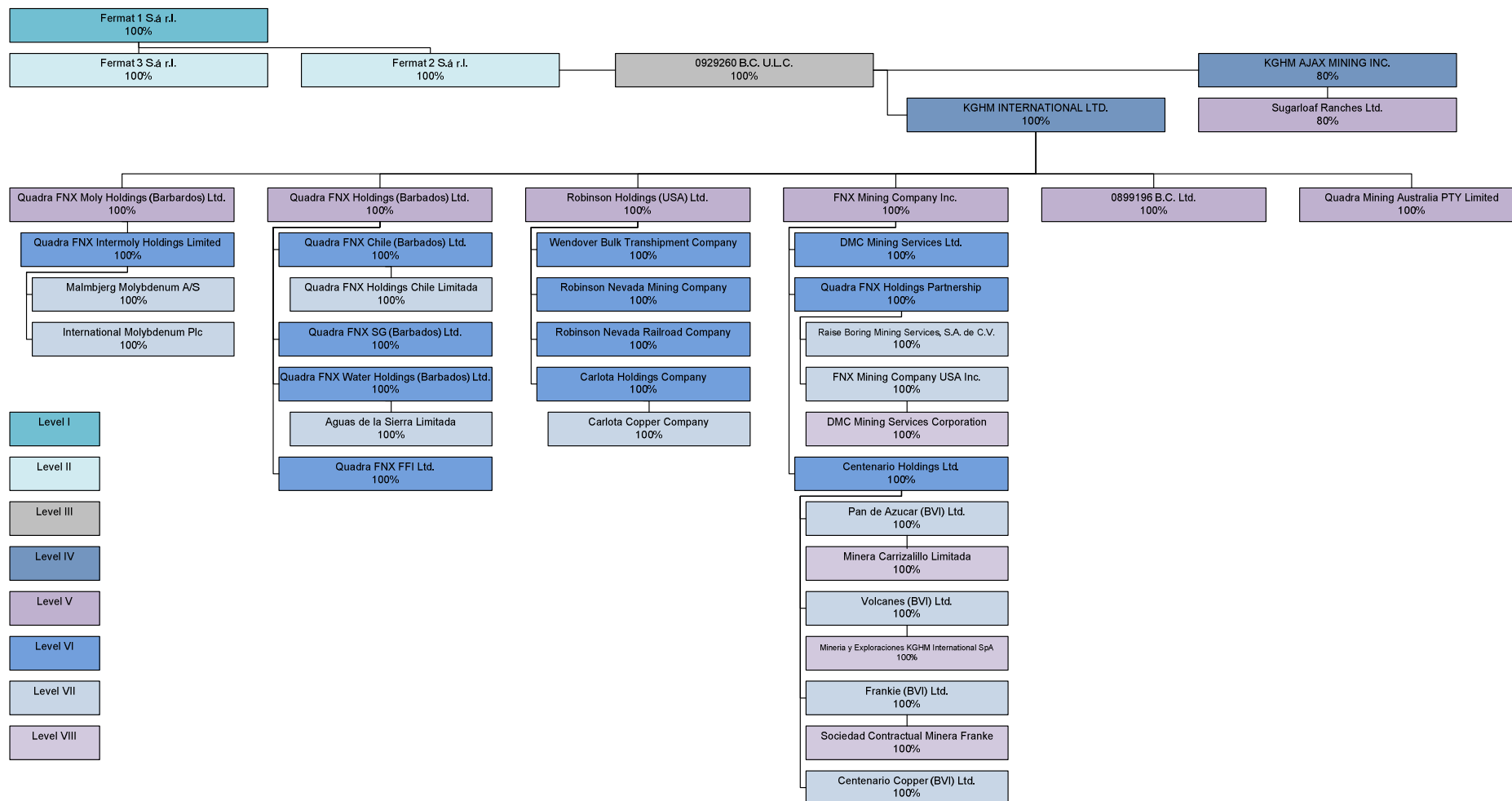
A. Interim condensed consolidated financial statements (continued)

2. Composition of the KGHM Polska Miedź S.A. Group at 30 September 2012



KGHM Polska Miedź S.A.
 Consolidated quarterly report with quarterly financial information prepared in accordance with IAS 34
 for the period from 1 July 2012 to 30 September 2012
 (amounts in tables in thousand PLN, unless otherwise stated)

A. Interim condensed consolidated financial statements (continued)



The percentage share represents the total share of the Group.

A. Interim condensed consolidated financial statements (continued)

In the current quarter KGHM Polska Miedź S.A. consolidated 82 subsidiary entities, and one associated entity and two joint ventures were accounted for using the equity method.

At 30 September 2012, based on IAS 8 § 8, which allows exemption from the application of IFRS in a case where the effects of exemption are immaterial, the following subsidiaries were excluded from consolidation - „Mercus Software” Sp. z o.o. and TUW Cuprum. Altogether, in the presented consolidated financial statements two subsidiaries were not consolidated, and one associated entity was not accounted for using the equity method. At the end of the reporting period these assets were measured at cost less impairment. Exclusion of these entities from consolidation does not affect the honest presentation of the assets, profit or loss and cash flows of the Group.

The following quarterly report includes:

1. the interim condensed consolidated financial statements of the KGHM Polska Miedź S.A. Group for the current period from 1 July to 30 September 2012 and the comparable period from 1 July to 30 September 2011, 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 current period from 1 July to 30 September 2012 and the comparable period from 1 July to 30 September 2011 **(Part C)**.

Neither the interim consolidated financial statements at 30 September 2012 nor the interim separate financial statements at 30 September 2012 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 **4.1948 PLN/EUR***,
- for the calculation of turnover, profit or loss and cash flow for the comparable period, the rate of **4.0413 PLN/EUR***,
- for the calculation of assets, equity and liabilities at 30 September 2012, the rate of **4.1138 PLN/EUR**,
- for the calculation of assets, equity and liabilities at 31 December 2011, the rate of **4.4168 PLN/EUR**.

**the rates represent the arithmetic mean of current average exchange rates announced by the NBP on the last day of each month during the periods from January to September respectively of 2011 and 2012.*

4. Accounting policies

The condensed consolidated financial statements for the period from 1 July 2012 to 30 September 2012 were 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 2011 and with the separate financial statements of KGHM Polska Miedź S.A. for the year ended 31 December 2011.

These financial statements have been prepared using the same principles for the current and comparable periods, restating the comparable period to changes in accounting principles, final accounting for an acquisition, and presentation principles to those applied in the statements in the current period.

Changes which affected the statement of financial position as at 31 December 2011 were with respect to:

- o final accounting for the acquisition of the shares of NITROERG S.A. as at 2 February 2011. As a result of this accounting, an adjustment was made to the company's net assets to the finally-set fair value,
- o amortisation of the differences between the fair value of the net assets of NITROERG S.A. and their carrying amount at the acquisition date of NITROERG S.A. shares as a result of final accounting for this acquisition and adjustment of net assets to the finally-set fair value pursuant to IFRS 3.

A. Interim condensed consolidated financial statements (continued)

Detailed data on the above-mentioned changes are presented in the following table:

Statement of financial position as at 31 December 2011	Final accounting for the acquisition of the shares of NITROERG S.A.	Amortisation of the differences between the fair value of the net assets of NITROERG S.A. and their carrying amount at the acquisition date	Total adjustment
ASSETS			
Non-current assets			
Property, plant and equipment	48 823	(2 071)	46 752
Intangible assets	(33 602)	(8)	(33 610)
of which goodwill	(33 644)	-	(33 644)
	15 221	(2 079)	13 142
TOTAL ASSETS	15 221	(2 079)	13 142
EQUITY AND LIABILITIES			
Equity			
Retained earnings - equity attributable to shareholders of the Parent Entity	-	(1 684)	(1 684)
of which profit for the period	-	(1 684)	(1 684)
Non-controlling interest	5 937	-	5 937
	5 937	(1 684)	4 253
Non-current liabilities			
Deferred tax liabilities	9 284	(395)	8 889
	9 284	(395)	8 889
TOTAL EQUITY AND LIABILITIES	15 221	(2 079)	13 142

Changes which affected the statement of comprehensive income for the period from 1 January 2011 to 30 September 2011 were with respect to the amortisation of the differences between the fair value of the net assets of the companies Uzdrowisko Połczyn S.A., ZUK S.A. „Uzdrowisko Cieplice” Sp. z o.o., and NITROERG S.A. and their carrying amount at the acquisition date of shares of these companies as a result of final accounting for the acquisition and adjustment of net assets to the finally-set fair value pursuant to IFRS 3. The effects of changes in amortisation of non-current assets decreased comprehensive income in the amount of PLN 3 580 thousand.

Detailed data on the above-mentioned changes are presented in the following table:

Interim consolidated statement of comprehensive income for the period from 1 January 2011 to 30 September 2011

	Amortisation of the differences between the fair value of the net assets and their carrying amount at the acquisition date of the following companies:				Total adjustment
	NITROERG S.A.	„Uzdrowisko Cieplice” Sp. z o.o.	Uzdrowisko Połczyn S.A.	Zespół Uzdrowisk Kłodzkich S.A.	
Cost of sales	(1 511)	(506)	(575)	(1 827)	(4 419)
Profit before income tax	(1 511)	(506)	(575)	(1 827)	(4 419)
Income tax expense	287	96	109	347	839
Profit for the period	(1 224)	(410)	(466)	(1 480)	(3 580)
TOTAL COMPREHENSIVE INCOME	(1 224)	(410)	(466)	(1 480)	(3 580)

Due to the restating of comparative data, the statement of financial position shows data at 1 January 2011 pursuant to IFRS, and as such the restatement of the comparative period to the changes in accounting principles, final accounting for an acquisition, and presentation adopted in the statement of the current period did not affect the amounts shown in the statement of financial position as at 1 January 2011.

A. Interim condensed consolidated financial statements (continued)

From 1 January 2012 the following standards and interpretations are binding for the Group:

- o Amendments to IFRS 7 Disclosures - Transfers of Financial Assets
- o Amendments to IFRS 1 First-time Adoption of IFRS - Severe Hyperinflation and Removal of Fixed Dates
- o Amendments to IAS 12 Income Taxes - Deferred Tax: Recovery of Underlying Assets
- o Amendments to IAS 1 Presentation of Financial Statements - Presentation of Other Comprehensive Income Items

Up to the date of publication of these financial statements, all of the above changes to the standards and interpretations have been approved for use by the European Union. In the opinion of the Group, their application did not have an impact on the financial statements or the impact was immaterial.

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 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 in the amount of PLN 53 537 thousand which was settled as a decrease in the financial result (after reflecting the deferred tax effects, a decrease in profit in the amount of PLN 43 280 thousand),

(a decrease in profit by PLN 78 766 thousand after reflecting the deferred tax effects since the beginning of the financial year)

- 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 in the amount of PLN 34 352 thousand, which was settled as a decrease in the financial result in the amount of PLN 9 053 thousand and as an increase of property, plant and equipment in the amount of PLN 25 299 thousand. The increase in the provision caused an increase in deferred tax assets in the amount of PLN 6 577 thousand,

(an increase in the provision by PLN 161 540 thousand since the beginning of the financial year, which was settled as a decrease in the financial result in the amount of PLN 32 812 thousand and as an increase in property, plant and equipment in the amount of PLN 128 728 thousand.)

- 1.3 provisions for future employee remuneration costs together with charges in the amount of PLN 213 142 thousand, 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 September 2012 amounted to PLN 497 238 thousand).

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

2. Deferred tax

The result of differences between the carrying amount and the tax base of statement of financial position items 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 in the amount of PLN 48 805 thousand, of which:

- PLN 16 137 thousand was settled as a decrease in profit,
- PLN 9 038 thousand was settled as a decrease in other comprehensive income due to measurement of available-for-sale financial assets and hedging financial instruments,
- PLN 23 630 thousand was settled as a decrease in other comprehensive income due to exchange differences from measurement of the deferred tax asset of subsidiaries with a functional currency other than PLN.

(an increase in the deferred tax asset since the beginning of the financial year in the amount of PLN 526 577 thousand, which was settled as:

- | | |
|---|------------------------------|
| <i>- an increase in profit,</i> | <i>PLN 203 197 thousand,</i> |
| <i>- an increase in other comprehensive income due to measurement of hedging financial instruments and available-for-sale financial assets,</i> | <i>PLN 30 921 thousand,</i> |
| <i>- 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,</i> | <i>PLN 4 923 thousand.</i> |

A. Interim condensed consolidated financial statements (continued)

The remaining changes - an increase in the deferred tax asset since the beginning of the financial year in the amount of PLN 287 536 thousand relate to the deferred tax asset of a subsidiary at the date on which control was obtained by the Group.)

The deferred tax liability decreased in the current quarter in the amount of PLN 200 069 thousand, of which:

- PLN 6 905 thousand was settled as an increase in profit,
- PLN 71 556 thousand was settled as an increase in other comprehensive income due to measurement of hedging financial instruments and available-for-sale financial assets,
- PLN 121 608 thousand was settled as an increase 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 1 817 876 thousand, which was settled as:

- | | |
|--|------------------------------|
| <i>- a decrease in profit,</i> | <i>PLN 152 107 thousand,</i> |
| <i>- an increase in other comprehensive income due to measurement of hedging financial instruments and available-for-sale financial assets,</i> | <i>PLN 88 755 thousand,</i> |
| <i>- 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,</i> | <i>PLN 38 999 thousand.</i> |

The remaining increases in the deferred tax liability since the beginning of the financial year in the amount of PLN 698 307 thousand relate to the deferred tax liability of a subsidiary at the date on which control was obtained by the Group, and an increase in the deferred tax liability in the amount of PLN 1 017 218 thousand due to fair value measurement of net assets from initial accounting for the acquisition of KGHM INTERNATIONAL LTD.)

After offsetting the deferred tax asset and deferred tax liability, in the statements of financial position at the level of subsidiaries as at 30 September 2012, the deferred tax asset was set at PLN 777 014 thousand, while the deferred tax liability - at PLN 1 925 025 thousand.

III. Financial and tangible assets

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

1. in **available-for-sale financial assets** settlement in other comprehensive income of an increase in value of assets at the end of the reporting period in the amount of PLN 80 724 thousand,

(a decrease in value of available-for-sale financial assets due to measurement since the beginning of the financial year in the amount of PLN 123 662 thousand),

2. in **mine closure financial assets (non-current and current)**

an increase due to acquisition of financial assets from the funds of the Mine Closure Fund in the amount of PLN 1 346 thousand.

(acquisitions of financial assets since the beginning of the financial year in the amount of PLN 93 429 thousand),

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 September 2012 decreased. Simultaneously, as a result of these changes, derivative transactions with a settlement date falling in the third quarter of 2012 were settled with a positive result. Profit for the current quarter increased in the amount of PLN 131 920 thousand. Detailed information on derivatives of the Parent Entity may be found in part C.II.5 of this report.

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

A. Interim condensed consolidated financial statements (continued)

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 9 months ended 30 September 2012	for the 9 months ended 30 September 2011 restated
Purchase of property, plant and equipment	1 485 867	996 806
Net sale of property, plant and equipment	7 605	3 049

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

	At	
	30 September 2012	31 December 2011 restated
Payables due to purchase of property, plant and equipment and intangible assets	129 282	278 973

Capital commitments not recognised in the consolidated statement of financial position

	At	
	30 September 2012	31 December 2011 restated
For the purchase of property, plant and equipment, of which:	4 109 859	709 883
- for the purchase of mining assets in the Sierra Gorda S.C.M. project*	2 155 320	-
For the purchase of intangible assets	16 801	18 076
Total capital commitments:	4 126 660	727 959

*At 30 September 2012, the share of the Group in the investment liabilities of the Sierra Gorda Joint Venture amounts to PLN 2 155 320 thousand, of which PLN 1 164 420 thousand relates to orders for mining equipment and construction of mine infrastructure, with PLN 990 900 thousand due to contracts for the construction of a mine.

2. Sales

	Financial period			
	for the 3 months ended 30 September 2012	for the 9 months ended 30 September 2012	for the 3 months ended 30 September 2011 restated	for the 9 months ended 30 September 2011 restated
Copper, precious metals, smelter by-products	5 834 089	17 104 711	5 120 906	14 864 491
Energy	9 361	65 686	7 327	61 593
Services	382 652	1 025 501	134 031	345 044
Mining machinery, transport vehicles for mining and other	13 224	40 320	12 968	22 147
Merchandise – smelter products	36 248	398 645	186 250	409 382
Other merchandise	(695)	275 828	77 155	350 158
Scrap and materials	24 693	60 038	7 816	19 220
Other finished goods	487 651	927 738	229 233	669 710
Total continued operations	6 787 223	19 898 467	5 775 686	16 741 745
Discontinued operations	-	-	126 596	381 709
Total sales	6 787 223	19 898 467	5 902 282	17 123 454

A. Interim condensed consolidated financial statements (continued)

3. Expenses by nature

	Financial period			
	for the 3 months ended 30 September 2012	for the 9 months ended 30 September 2012	for the 3 months ended 30 September 2011 restated	for the 9 months ended 30 September 2011 restated
Depreciation of property, plant and equipment and amortisation of intangible assets	414 399	1 085 533	206 390	627 571
Employee benefit expenses	1 186 788	3 397 678	931 126	2 690 995
Materials and energy	2 226 101	6 461 811	1 832 141	5 000 700
External services	747 395	2 017 965	354 090	957 076
Taxes and charges*	693 550	1 349 753	95 110	282 317
Advertising costs and representation expenses	10 365	45 478	9 814	36 153
Property and personal insurance	9 771	26 861	7 297	23 522
Research and development costs not capitalised in intangible assets	2 736	4 579	414	2 874
Other costs of which:	27 514	87 665	35 050	62 274
Impairment losses on property, plant and equipment, intangible assets, write-down of inventories, allowance for impairment of receivables	1 091	5 728	6 186	9 247
Reversal of impairment of property, plant and equipment, intangible assets, of write-down of inventories, of allowance for impairment of receivables	(419)	(9 578)	(1 234)	(4 448)
Losses from the sale of financial instruments	2 443	6 928	1 609	3 508
Other operating costs	24 399	84 587	28 489	53 967
Total expenses by nature	5 318 619	14 477 323	3 471 432	9 683 482
Cost of merchandise and materials sold (+)	187 969	596 232	146 275	442 208
Allowance for impairment of receivables	5 712	6 584	666	1 480
Write-down of inventories	250	250	(3)	(3)
Reversal of allowance for impairment of receivables	(143)	(390)	(254)	(614)
Reversal of write-down of inventories	(1)	(1)	-	-
Change in inventories of finished goods and work in progress (+/-)	(113 964)	(240 079)	(45 496)	(265 642)
Cost of manufacturing products for internal use (-)	(203 455)	(591 860)	(178 103)	(443 207)
Total continued operations	5 189 169	14 241 616	3 394 108	9 416 841
Discontinued operations	-	-	116 687	352 057
Total cost of sales, selling costs and administrative expenses	5 189 169	14 241 616	3 510 795	9 768 898

*including the minerals extraction tax for three quarters in the Parent Entity in the amount of PLN 1 024 687 thousand

4. Other operating income

	Financial period			
	for the 3 months ended 30 September 2012	for the 9 months ended 30 September 2012	for the 3 months ended 30 September 2011 restated	for the 9 months ended 30 September 2011 restated
Income and gains on financial instruments, classified under other operating activities, resulting from:	302 653	1 170 490	1 280 557	1 908 059
Measurement and realisation of derivatives	242 059	978 245	640 444	1 178 466
Interest	60 083	189 851	42 338	117 452
Foreign exchange gains	-	-	594 879	594 710
Gains from sales	442	1 921	2 732	16 877
Gains/(losses) from measurement of non-current financial liabilities	40	221	(204)	-
Reversal of allowance for impairment of loans and receivables	29	252	368	554
Other interest	404	1 080	1 096	4 801
Dividends received	-	56 590	-	27 462
Government grants and other donations received	2 237	5 546	1 234	2 062
Release of unused provisions due to:	1 538	14 955	845	10 912
Decommissioning of mines	206	1 827	45	2 427
Disputed issues, pending court proceedings	229	1 643	270	1 343
Other	1 103	11 485	530	7 142
Penalties and compensation	7 344	12 983	7 101	20 504
Other operating income/gains	28 732	69 647	14 743	20 390
Total continued operations	340 222	1 331 291	1 305 083	1 994 190
Discontinued operations	-	-	3 392	15 684
Total other operating income	340 222	1 331 291	1 308 475	2 009 874

A. Interim condensed consolidated financial statements (continued)

5. Other operating costs

	Financial period			
	for the 3 months ended 30 September 2012	for the 9 months ended 30 September 2012	for the 3 months ended 30 September 2011 restated	for the 9 months ended 30 September 2011 restated
Costs and losses on financial instruments, classified under other operating activities, resulting from:	218 069	1 515 324	(39 549)	477 930
Measurement and realisation of derivatives	216 993	971 793	16 724	471 173
Interest	14	244	171	329
Foreign exchange losses/(gains)	154	540 867	(57 018)	(69)
Losses due to change in the fair value of financial assets	53	409	-	-
Losses from measurement of non-current liabilities	-	-	1 625	1 625
Gains on sale	-	-	(1 143)	-
Impairment losses on financial assets	855	2 011	92	4 872
Losses on the sale of property, plant and equipment	4 012	4 843	345	6 027
Interest on overdue non-financial liabilities	5	2 252	(18)	407
Donations granted	89	86 485	2 526	15 630
Provisions for:	12 470	24 443	4 198	8 064
Decommissioning of mines	(535)	6 273	345	1 604
Disputed issues, pending court proceedings	417	904	223	1 627
Other	12 588	17 266	3 630	4 833
Penalties and compensation	1 365	4 099	818	2 636
Other operating costs/losses	11 642	40 113	7 903	27 258
Total continued operations	247 652	1 677 559	(24 580)	537 952
Discontinued operations	-	-	2 206	6 019
Total other operating costs	247 652	1 677 559	(22 374)	543 971

6. Finance costs

	Financial period			
	for the 3 months ended 30 September 2012	for the 9 months ended 30 September 2012	for the 3 months ended 30 September 2011 restated	for the 9 months ended 30 September 2011 restated
Interest expense:	35 304	85 925	2 817	6 894
On bonds	31 952	74 994	-	-
On bank and other loans	2 890	9 437	2 143	5 173
Due to finance leases	424	1 323	674	1 691
Due to finance liabilities	38	171	-	30
Foreign exchange (gains)/losses on borrowings	(2 728)	(5 559)	3 010	2 698
Changes in provisions and liabilities arising from the approach of the maturity date of liabilities (unwinding of discount effect)	9 958	28 628	7 509	23 831
(Gains)/Losses from measurement of trade derivatives related to borrowings	24	(238)	-	-
Other finance costs	6 267	10 315	1 269	1 739
Total continued operations	48 825	119 071	14 605	35 162
Discontinued operations	-	-	139	1 347
Total finance costs	48 825	119 071	14 744	36 509

A. Interim condensed consolidated financial statements (continued)

7. Borrowings, debt securities and finance lease liabilities

	At	
	30 September 2012	31 December 2011 restated
Non-current	1 826 305	194 370
Bank loans	173 481	176 909
Loans	8 740	1 738
Debt securities*	1 632 471	-
Finance lease liabilities	11 613	15 723
Current	90 812	103 587
Bank loans	41 473	91 269
Loans	5 000	2 032
Debt securities *	35 918	-
Finance lease liabilities	8 421	10 286
Total	1 917 117	297 957

* relate to bonds issued by KGHM INTERNATIONAL LTD.

8. Adjustments to profit for the period in the interim consolidated statement of cash flows

	Financial period	
	for the 9 months ended 30 September 2012	for the 9 months ended 30 September 2011 restated
Income tax expense	1 247 577	1 462 265
Depreciation/amortisation	1 085 533	694 114
Share of profits/(losses) from investments accounted for using the equity method	140	(187 751)
Interest and share in losses/(profits)	3 405	(28 290)
Foreign exchange losses/(gains)	970 303	(513 376)
Change in provisions	87 960	72 860
Change in assets/liabilities due to derivatives	(118 310)	(951 436)
Reclassification of accumulated other comprehensive income to profit or loss as a result of realisation of derivatives	(247 970)	(123 873)
Other adjustments	30 553	(6 669)
Changes in working capital:	(448 663)	(33 336)
Inventories	(385 584)	(480 323)
Trade and other receivables	(429 727)	328 659
Trade and other payables	366 648	118 328
Total adjustments to profit for the period	2 610 528	384 508

A. Interim condensed consolidated financial statements (continued)

9. Related entities transactions

	Financial period			
	for the 3 months ended 30 September 2012	for the 9 months ended 30 September 2012	for the 3 months ended 30 September 2011 restated	for the 9 months ended 30 September 2011 restated
Sales to related entities				
To associates	690	2 104	1 575	4 500
To other related entities	128	4 558	452	637
Total sales to related entities	818	6 662	2 027	5 137

	Financial period			
	for the 3 months ended 30 September 2012	for the 9 months ended 30 September 2012	for the 3 months ended 30 September 2011 restated	for the 9 months ended 30 September 2011 restated
Purchases from related entities				
From associates	5	12	2 424	6 859
From other related entities	7 133	31 552	7 442	23 517
Total purchases from related entities	7 138	31 564	9 866	30 376

	At	
	30 September 2012	31 December 2011 restated
Trade receivables from related entities		
From associates	722	673
From other related entities	4 767	1 888
Total receivables from related entities	5 489	2 561

	At	
	30 September 2012	31 December 2011 restated
Trade payables towards related entities		
Towards other related entities	7 686	4 096
Total payables towards related entities	7 686	4 096

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 610 038 thousand (for the period from 1 January to 30 September 2011 – PLN 600 742 thousand), and the unsettled balance of liabilities from these transactions at 30 September 2012 amounted to PLN 55 279 thousand (at 31 December 2011: PLN 80 841 thousand).

A. Interim condensed consolidated financial statements (continued)

Remuneration of the Supervisory Board of the Parent Entity	For the period	
	for the 9 months ended	for the 9 months ended
	30 September 2012	30 September 2011
Remuneration due to service in the Supervisory Board, salaries and other current employee benefits	1 031	949

Remuneration of the Management Board of the Parent Entity	For the period	
	for the 9 months ended	for the 9 months ended
	30 September 2012	30 September 2011
Salaries and other current employee benefits	4 078	3 273
Benefits due to termination of employment	42	-
Post-employment benefits	-	96
Total	4 120	3 369

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

	At	Increase/(decrease)
	30 September 2012	since the end of the last financial year
Contingent assets	468 044	42 294
Guarantees received	225 589	39 775
Disputed State budget issues	28 781	42
Promissory notes receivables	88 084	(825)
Inventions, implementation of projects	39 054	2 459
Real estate tax on mining facilities	86 296	807
Other	240	36
Contingent liabilities	178 212	(45 277)
Guarantees and collateral	14 218	(34 966)
Promissory note liabilities	13 043	(10 764)
Disputed issues, pending court proceedings	14 532	453
Liabilities due to implementation of projects and inventions	121 180	7 213
Other	15 239	6 545
Liabilities towards local municipalities (Gminas) due to a signed agreement in respect of expansion of the Żelazny Most tailings pond, not recognised in the statement of financial position	163 363	163 363

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

A. Interim condensed consolidated financial statements (continued)

V. Strategy realisation

The Strategy of the KGHM Polska Miedź S.A. Group in force is based on several pillars, of which the most important are:

- developing the resource base, which, apart from increasing the Group's resource base, is aimed at increasing the production of copper (to over 700 thousand tonnes annually in 2018),
- diversifying sources of revenues through gradual engagement in the power sector.

Developing the resource base

The Strategy for developing the resource base comprises two areas:

- exploration in the local region,
- acquisition and development of global mine projects.

The KGHM Polska Miedź S.A. Group is engaged in several explorations in the local region.

Synklina Grodziecka – this project includes an intensive program of drilling in the vicinity of Bolesławiec to precisely identify and document additional copper and silver ore resources. The area where this work is being conducted, known as the „Old Copper Belt” – in the vicinity of Iwiny, Wartowice, Lubichów, Żeliszów and Bolesławiec – contains deposits which were documented in the 1950s and 1960s called „Wartowice” and „Niecka Grodziecka”. During the first three quarters of 2012, the first stage of exploration and research work was performed, under which 8 out of 9 drillholes were executed, as well as geophysical and hydrogeological research and chemical analysis of the bore samples. The final, ninth drillhole of the first stage of work will be completed in the fourth quarter of 2012. In the second stage of work, a further 6 drillholes are planned, as well as geophysical measurements and hydrogeological research. The commencement of stage two of this exploration work is planned in the 4th quarter of 2012, the Company has received the required decision from the licensing body in this regard.

Szklary – technical and economic analyses are currently being performed to determine the feasibility of mining a nickel ore deposit located in Lower Silesia.

Weisswasser – this project is being carried out by a subsidiary, KGHM Kupfer AG, operating in Germany. The first stage of exploration work was completed in the Weisswasser license area, located in Saxony on the border with Poland. Four drillholes were executed as well as geophysical research and chemical analysis of the bore samples. Copper and silver mineralisation was identified which is similar in nature to the ore currently being mined by KGHM Polska Miedź S.A. in the Polish Copper Belt. Geochemical analysis of core samples is in progress. Once this is completed in the fourth quarter, a decision will be made in terms of the nature of further exploration work.

In addition, in the second quarter of 2012 KGHM Polska Miedź S.A. applied to the Ministry of the Environment on the granting of a license to carry out exploration and evaluation in additional areas adjoining the areas for which the Parent Entity already has licenses. Administrative proceedings are currently in progress on the granting of 4 new licenses.

With respect to the acquisition and development of global mine projects, work continued on the integration of KGHM INTERNATIONAL LTD. (formerly Quadra FNX Mining LTD) which was acquired from its former shareholders. In addition, the KGHM Polska Miedź S.A. Group, since increasing to 80% its interest in KGHM AJAX MINING INC., is continuing to develop the Afton-Ajax project. Work is currently in progress on obtaining permissions to build the mining plant.

KGHM INTERNATIONAL LTD.

In the third quarter of 2012, the KGHM INTERNATIONAL LTD. Group continued realisation of projects in its mining portfolio, including its largest project at the pre-operational stage - the world-class mine project Sierra Gorda, located in northern Chile. This is a joint venture (under the name Sierra Gorda SCM) of KGHM INTERNATIONAL LTD. (55%) and companies from the Sumitomo Group - Sumitomo Metal Mining Co., Ltd. (31.5%) and Sumitomo Corporation (13.5%).

The Sierra Gorda project comprises the construction of an open-pit mine on one of the largest new deposits of copper and molybdenum in the world. The start of production at Sierra Gorda is planned for 2014. Planned annual production: approx. 220 thousand tonnes of copper, 11 thousand tonnes of molybdenum and 2 tonnes of gold for over 20 years.

At the end of the third quarter of 2012, in terms of project execution, machinery was purchased and their assembly was begun, worker housing was completed and a power line was built from the Spence substation. At the end of the third quarter 78% of the engineering was completed, and 29% of the project. Current average employment on the project is 2 500 people. The deadlines for the most important deliveries of equipment and materials remain on schedule.

Recruitment continued for management and operating positions. Currently, work is focused on construction of the processing plant as well as service buildings. The main work on the construction of basic infrastructure, i.e. social buildings, fresh water supplies etc., was completed. Work continued on stripping the overburden. Assembly of the machine park continues. Work which will begin in the fourth quarter includes the construction of a pipeline to provide seawater necessary for the flotation process.

Work is proceeding according to plan, with start of production expected in 2014. The level of capital expenditure will be verified and confirmed in the fourth quarter of 2012.

A. Interim condensed consolidated financial statements (continued)

CSR-related activities pursued in respect of realisation of this investment have met with the approval of local communities, with the Company receiving an award from the town government of Sierra Gorda for its part in improving the life of its citizens.

With respect to the exploration projects being realised by the KGHM INTERNATIONAL LTD. Group, the most important project is Victoria (the subsidiary FNX Mining Company Inc. owns 100% of the project). The Company continues technical and economic analyses into the feasibility of mining the deposit of copper, nickel and precious metals located in the Sudbury Basin in Canada. Their results will indicate the course of future exploration work and the shape of the future mine. In the third quarter, discussions continued with Vale regarding ownership of the future project (Vale holds a back-in right to the Victoria project). Activities were also continued aimed at obtaining required permissions, including discussions with First Nations.

The following table presents the financial results of the KGHM INTERNATIONAL LTD. Group for the period when control was exercised – included in the consolidated financial statements of the KGHM Polska Miedź S.A. Group.

	For the period			
	for the 3 months ended		from the date of obtaining control	
	30 September 2012		to 30 September 2012	
	PLN (million)*	USD (million)	PLN (million)*	USD (million)
Sales	1 179	359	2 644	803
Profit from mining operations**	213	65	245	75
Operating profit	278	84	261	79
EBITDA***	406	123	552	167
Profit for the period from continued operations	193	59	89	27

* amounts in PLN set in accordance with principles for translation of financial statement items of subsidiaries, whose functional currency is different than the functional currency of entity preparing consolidated financial statement (IAS 21)

** revenue from sales less cost of sales and selling expenses

***EBITDA is operating profit + amortisation/depreciation

In the third quarter of 2012, the KGHM INTERNATIONAL LTD. Group recorded a profit of USD 59 million. The profit earned is mainly attributable to higher production by key mines alongside lower production costs.

KGHM AJAX MINING INC.

On 2 April 2012, KGHM Polska Miedź S.A. exercised an option to acquire 29% of the shares of KGHM AJAX MINING INC. with its registered head office in Vancouver from Abacus Mining & Exploration Corporation, based on the shareholders agreement dated 12 October 2010, and increased its share of KGHM AJAX MINING INC. from 51% to 80%. The shares were purchased for the amount of USD 29 908 thousand (the equivalent of PLN 92 765 thousand, according to the average rate of the National Bank of Poland for USD/PLN of 2 April 2012). The decision to exercise this option was taken following analysis of the Bankable Feasibility Study for the Afton-Ajax project received in December 2011.

In the third quarter of 2012, KGHM AJAX MINING INC. continued activities aimed at obtaining environmental permission to construct the mine. The timeframe for obtaining this permission is not under the company's control.

Diversifying sources of revenues – investments in the energy sector

KGHM Polska Miedź S.A. is actively participating in the realisation of major energy projects of a national scope. These projects are being considered purely in commercial terms, while their execution will result in a diversification of revenues and an increase in the market value of KGHM Polska Miedź S.A. In long term, investments in the energy sector are aimed at ensuring 30% of the Company's revenues.

"Exploration for and extraction of shale gas in Poland (KCT Project)"

On 4 July 2012 KGHM Polska Miedź S.A. signed a framework agreement with the following companies: Polskie Górnictwo Naftowe i Gazownictwo S.A. ("PGNiG"), ENEA S.A., PGE Polska Grupa Energetyczna S.A., and TAURON Polska Energia S.A. on the exploration, evaluation and extraction of shale gas in geological formations for which concessions have been granted for the exploration and evaluation of deposits of crude oil and natural gas in relation to the Wejherowo concession held by PGNiG with respect to the Kochanowo, Częstkowo and Tępcz pads of total area of 160 km² (KCT Project).

The agreement provides for cooperation based on the targeted structure of a limited partnership. The transfer of the concession for the extraction of shale gas is planned to such limited partnership after it has been obtained by PGNiG. Each party participates in control over the realisation of the project, in particular through participation in the operating committee formed for this purpose.

A. Interim condensed consolidated financial statements (continued)

Estimated expenditures on exploration, evaluation and extraction with respect to the first three zones within the area of cooperation determined in the agreement are estimated at PLN 1 720 million. The parties are involved in discussions concerning the detailed terms of cooperation.

"Construction of an electrical power plant using natural gas on the grounds of the Blachownia Power Plant"

As part of the process of realising the agreement signed on 20 January 2010 with TAURON Polska Energia S.A. and TAURON Wytwarzanie S.A., and based on the permission received on 23 July 2012 from the European Commission (the applicable antimonopoly body) with respect to concentration, on 5 September 2012, KGHM Polska Miedź S.A. and TAURON Wytwarzanie S.A. founded a special purpose company called "Elektrownia Blachownia Nowa" sp. z o.o. KGHM acquired 50% of the share capital of the special purpose company. The share capital of the company amounts to PLN 65 152 thousand. Together with its founding, a Shareholders Agreement was signed describing the detailed principles of cooperation between the parties regarding realisation of the enterprise, comprising the preparation, construction and operation of the approx. 850 MW gas-steam block on the grounds of the Blachownia power plant in Kędzierzyn-Koźle belonging to the TAURON Group. In accordance with this Agreement, the Partners anticipate that the total estimated expenditure on this investment in the years 2012-2016 will amount to around PLN 3.5 billion. The project will be realised using the project finance formula – at least 50% of its budget will be financed from outside sources.

"Preparation for the construction and operation of the first Polish nuclear power plant"

On 5 September 2012, KGHM Polska Miedź S.A., PGE Polska Grupa Energetyczna S.A., TAURON Polska Energia S.A. and Enea S.A. signed a Letter of Intent regarding the purchase of shares of a special purpose company founded in order to build and operate the first Polish nuclear power plant. In accordance with the Letter of Intent, the above-mentioned companies will work together to develop a draft agreement which will describe their rights and obligations in executing the project, with the assumption that PGE Polska Grupa Energetyczna S.A. will play the leading role.

VI. Seasonal or cyclical activities

The Group is not affected by seasonal or cyclical activities.

VII. 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.

VIII. Information related to a paid (or declared) dividend

In accordance with Resolution No. 5/2012 of the Ordinary General Meeting of KGHM Polska Miedź S.A. dated 28 June 2012 regarding the appropriation of Parent Entity's profit for financial year 2011, the amount of PLN 5 668 000 thousand, representing PLN 28.34 per share, was allocated as a shareholders dividend from profit for financial year 2011.

The right to dividend date was set at 16 July 2012.

The dividend payment dates:

- 1st instalment in the amount of PLN 3 400 000 thousand, i.e. PLN 17.00 per share: 20 August 2012,
- 2nd instalment in the amount of PLN 2 268 000 thousand, i.e. PLN 11.34 per share: 16 November 2012.

All Parent Entity shares are ordinary shares.

A. Interim condensed consolidated financial statements (continued)

IX. Business segments

With respect to the process of adapting the supervision of companies of the Group to the strategy and investment policy of KGHM Polska Miedź S.A., the Management Board of the Parent Entity implemented in 2011 a new management model for the Group, based on individual business supervisory units:

- o Production,
- o International expansion and resource base development,
- o Equity-portfolio investments,
- o Commerce and logistics,
- o A group of entities realising corporate social responsibility – CSR.

Taking into consideration IFRS 8 and the utility of information to users of the financial statements, four reporting segments were identified:

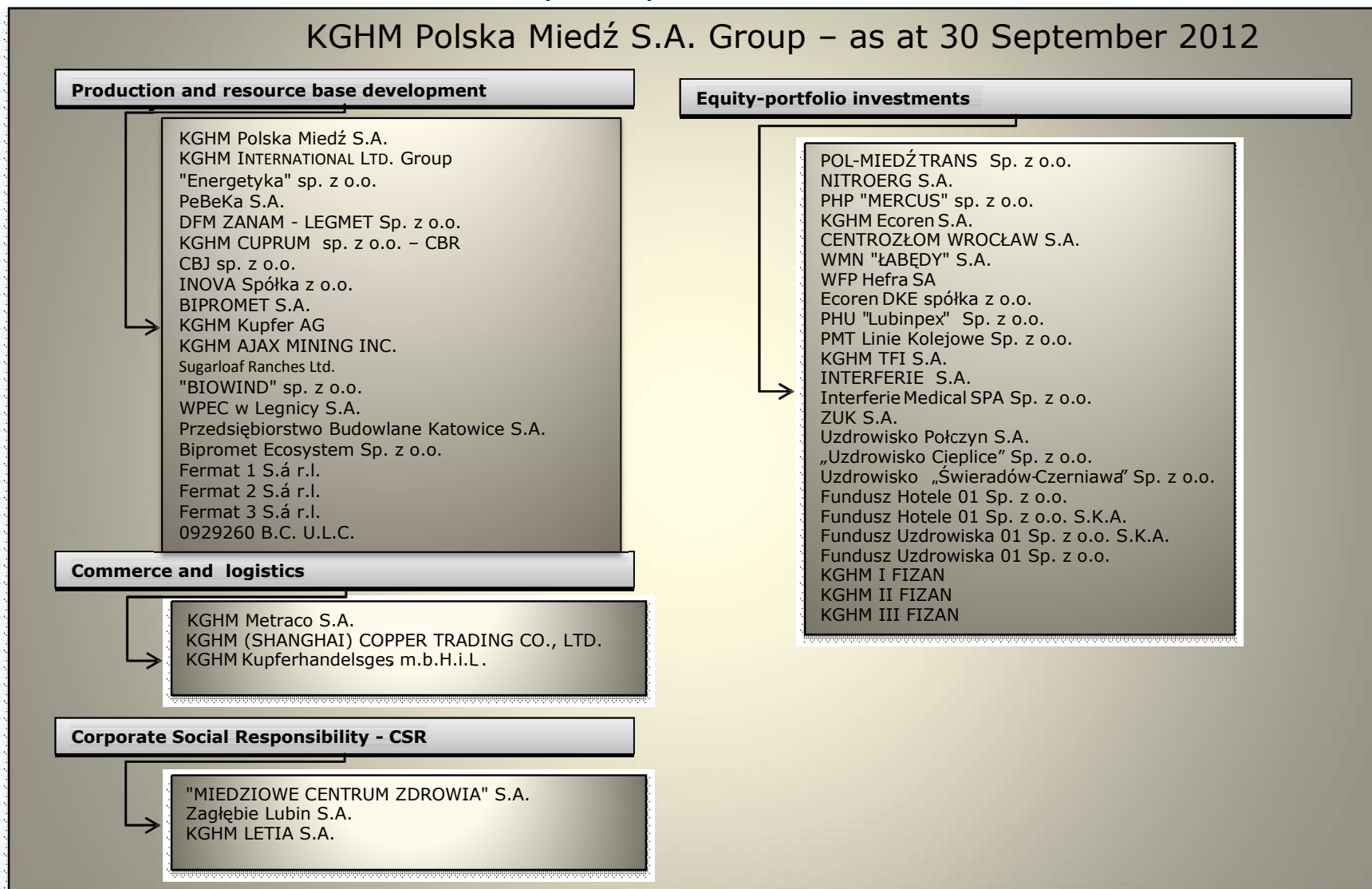
- production and resource base development, combining the production and international expansion and resource base development units in fulfilment of IFRS 8.12,
- equity-portfolio investment,
- commerce and logistics,
- corporate social responsibility - CSR.

In accordance with the approved strategy of the KGHM Polska Miedź S.A. Group, acquisition of the shares of KGHM INTERNATIONAL LTD. was aimed at increasing the resource base and increasing the production of copper. Consequently, data on the KGHM INTERNATIONAL LTD. Group and on the remaining companies which participated in creating a holding structure for the purpose of acquiring the KGHM INTERNATIONAL LTD. Group were recognised in the reporting segment „production and resource base development”.

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

To maintain the comparability, the segregation of reporting segments adopted in the current reporting period was also applied to data for the third quarter of 2011.

A. Interim condensed consolidated financial statements (continued)



A. Interim condensed consolidated financial statements (continued)

Internal reports on the results of Group companies 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 resources within the Group.

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

Financial period for the 9 months ended 30 September 2012

	Production and resource base development	Equity-portfolio investments	Commerce and logistics	Corporate social responsibility - CSR	Adjustment*	Consolidation eliminations (according to IAS 27)	Consolidated amount
Revenue	19 414 612	2 415 607	3 018 322	113 679	10	(5 063 763)	19 898 467
of which:							
- external sales	17 975 969	1 410 722	446 511	72 541	165	(7 441)	19 898 467
- inter-segment sales	1 438 643	1 004 885	2 571 811	41 138	(155)	(5 056 322)	-
Interest income	496 770	4 359	329	860	-	(311 387)	190 931
Interest costs	(387 899)	(8 284)	(848)	(291)	-	308 901	(88 421)
Depreciation/Amortisation	(944 542)	(53 611)	(1 789)	(11 108)	(4 043)	(70 440)	(1 085 533)
Revaluation of provisions for employee benefits	(96 542)	(163)	-	-	(571)	-	(97 276)
Recognition and reversal of impairment losses on property, plant and equipment and intangible assets	(467)	400	-	-	-	-	(67)
Income on measurement and realisation of derivatives	957 514	5 025	15 706	-	-	-	978 245
Costs on measurement and realisation of derivatives	(968 895)	(1 796)	(1 102)	-	-	-	(971 793)
Share of losses of associates	-	-	-	-	-	(140)	(140)
Profit before income tax	5 284 272	75 214	7 200	(9 007)	(8 553)	(157 754)	5 191 372
Income tax expense	(1 275 550)	(13 307)	(1 411)	(5)	1 173	41 523	(1 247 577)
Share of profit (losses) of subordinated entities accounted for using the equity method	-	2 750	-	-	(2 750)	-	-
Profit for the period	4 008 722	64 657	5 789	(9 012)	(10 130)	(116 231)	3 943 795
At 30 September 2012							
Segment assets	81 680 510	2 305 844	320 769	242 769	(4 192)	(50 385 150)	34 160 550
Segment liabilities	34 277 897	672 006	216 490	76 695	(5 138)	(22 095 279)	13 142 671
Bank and other loans, debt securities and finance lease liabilities	22 174 364	193 207	39 486	22 275	-	(20 512 215)	1 917 117
Investments accounted for using the equity method	1 691 624	449	-	-	-	1 462 584	3 154 657
Financial period for the 9 months ended 30 September 2012							
Capital expenditure	1 550 982	80 369	14 924	22 402	-	(23 484)	1 645 193

*Adjustment – adjustment restating the amounts to the measurement principles according to International Financial Reporting Standards.

A. Interim condensed consolidated financial statements (continued)

Information on business segments for the comparable period

	Financial period for the 9 months ended 30 September 2011 - restated							Consolidated amount
	Production and resource base development	Equity-portfolio investments	Commerce and logistics	Corporate social responsibility - CSR	Discontinued activities	Adjustment*	Consolidation eliminations (according to IAS 27)	
Revenue	16 278 775	2 104 227	2 461 101	103 935	396 170	(29)	(4 220 725)	17 123 454
of which:								
- external sales	14 950 153	1 243 782	481 996	67 579	381 709	202	(1 967)	17 123 454
- inter-segment sales	1 328 622	860 445	1 979 105	36 356	14 461	(231)	(4 218 758)	-
Interest income	120 048	3 694	679	567	3 200	-	(2 735)	125 453
Interest costs	(5 621)	(4 149)	(147)	(15)	(1 098)	-	2 302	(8 728)
Depreciation/Amortisation	(550 826)	(48 472)	(1 525)	(8 684)	(66 543)	(3 920)	(14 144)	(694 114)
Revaluation of provisions for employee benefits	(54 010)	1 467	-	-	18	-	(2 232)	(54 757)
Recognition and reversal of impairment losses on property, plant and equipment and intangible assets	204	512	-	-	(3 150)	(4 500)	-	(6 934)
Income on measurement and realisation of derivatives	1 168 555	747	9 164	-	-	-	-	1 178 466
Costs on measurement and realisation of derivatives	(463 375)	(2 049)	(5 749)	-	-	-	-	(471 173)
Share of profit of associates	-	-	-	-	-	-	187 751	187 751
Profit before income tax	8 990 484	23 410	10 474	(4 006)	37 970	(1 900)	(84 731)	8 971 701
Income tax expense	(1 431 131)	(9 137)	(2 096)	-	(6 393)	605	(14 113)	(1 462 265)
Share of profit (losses) of subordinated entities accounted for using the equity method	-	9 288	-	-	-	(9 288)	-	-
Profit for the period	7 559 353	23 561	8 378	(4 006)	31 577	(10 583)	(98 844)	7 509 436
	At 31 December 2011 - restated							
Segment assets	31 162 699	2 256 796	221 994	224 027	-	(339)	(3 298 161)	30 567 016
Segment liabilities	6 874 665	684 439	127 103	70 940	-	(6 771)	(569 970)	7 180 406
Bank and other loans, debt securities and finance lease liabilities	125 733	196 730	51	17 225	-	-	(41 782)	297 957
Investments accounted for using the equity method	-	449	-	-	-	-	23	472
	Financial period for the 9 months ended 30 September 2011 - restated							
Capital expenditure	910 407	142 280	10 868	29 936	55 907	(94)	(11 519)	1 137 785

*Adjustment – adjustment restating the amounts to the measurement principles according to International Financial Reporting Standards.

A. Interim condensed consolidated financial statements (continued)

Since 2005 the KGHM Polska Miedź S.A. Group has prepared its financial statements in accordance with International Financial Reporting Standards approved by the European Union. The companies of the Group which do not keep their book accounts in accordance with IFRS, restate data to the principles of International Financial Reporting Standards for the preparation of consolidated financial statements.

Details of adjustments restating the amounts shown in segments to the measurement principles of International Financial Reporting Standards at 30 September 2012 and for the period from 1 January 2012 to 30 September 2012:

	Profit or loss				Statement of financial position		
	Sales	Employee benefits	Depreciation /Amortisation	Profit before taxation	Income tax	Segment assets	Segment liabilities
Netting off of Social Fund assets and liabilities	-	-	-	-	-	(7 496)	(7 496)
Offsetting of deferred tax assets/ deferred tax liabilities	-	-	-	-	-	(6 650)	(6 650)
Accounting for shares using the equity method	-	-	-	(2 708)	-	(18 346)	-
Perpetual usufruct of land	-	-	-	-	-	(15 634)	-
Deferred tax liability due to fair value measurement of assets	-	-	-	-	1 277	-	9 298
Fair value measurement of assets	-	-	(4 105)	(4 206)	-	44 267	-
Other	10	(571)	62	(1 639)	(104)	(333)	(290)
Total adjustment	10	(571)	(4 043)	(8 553)	1 173	(4 192)	(5 138)

Details of adjustments restating the amounts shown in segments to the measurement principles according to International Financial Reporting Standards at 31 December 2011 and for the period from 1 January 2011 to 30 September 2011 (comparable):

	Profit or loss				Statement of financial position			
	Sales	Operating costs	Depreciation /Amortisation	Profit before taxation	Income tax	Segment assets	Segment liabilities	Capital expenditure
Netting off of Social Fund assets and liabilities	-	-	-	-	-	(10 021)	(10 021)	-
Offsetting of deferred tax assets/ deferred tax liabilities	-	-	-	-	-	(8 683)	(8 683)	-
Accounting for shares using the equity method	-	-	-	3 457	-	(15 536)	-	-
Perpetual usufruct of land	-	-	-	22	-	(15 641)	-	-
Deferred tax liability due to fair value measurement of assets	-	-	-	-	1 030	-	10 078	-
Fair value measurement of assets	-	-	(3 952)	(4 056)	-	48 176	-	-
Other	202	(4 500)	32	(1 323)	(425)	1 366	1 855	(94)
Total adjustment	202	(4 500)	(3 920)	(1 900)	605	(339)	(6 771)	(94)

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 9 months ended 30 September 2012	for the 9 months ended 30 September 2011 restated
Poland	4 121 813	4 549 876
Germany	3 573 420	3 481 785
The United Kingdom	2 904 574	2 008 370
China	2 224 527	1 622 022
The Czech Republic	1 256 000	1 124 754
Canada	1 189 064	4
Italy	944 580	914 460
France	623 097	518 177
Hungary	589 703	416 469
The USA	411 662	843 095
Switzerland	290 814	201 099
Austria	274 449	383 054
Turkey	224 898	50 396
Japan	190 872	372
Belgium	188 684	245 963
India	173 898	6 631
Korea	133 822	31 255
Slovakia	119 007	47 383
Denmark	89 187	67 748
Bulgaria	50 572	48 751
Bosnia and Herzegovina	22 866	11 259
Slovenia	21 925	15 940
Ukraine	17 633	72 912
Holland	16 918	820
Finland	11 399	30 755
Other countries (dispersed sale)	233 083	430 104
Total	19 898 467	17 123 454

Main customers

During the period from 1 January 2012 to 30 September 2012, and in the comparable period, the revenues from no single customer exceeded 10% of the revenues of the Group.

53.41% of the non-current assets of the Group are located in the country of origin of the Parent Entity. The remaining 46.59% are located in the following countries: Chile – 20.78%; Canada - 19.24%; the USA – 6.26%; other countries – 0.31%.

A. Interim condensed consolidated financial statements (continued)

X. 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

Changes during the period from 1 July 2012 to 30 September 2012

Acquisition of shares of Sugarloaf Ranches Ltd.

On 31 July 2012, the subsidiary KGHM AJAX MINING INC. acquired 100% of the shares of Sugarloaf Ranches Ltd. with its registered head office in Vancouver for the amount of CAD 12 027 thousand (the equivalent of PLN 39 991 thousand at the CAD/PLN sale exchange rate of the National Bank of Poland of 31 July 2012).

The net asset value of Sugarloaf Ranches Ltd. at the date control was obtained, in accordance with initial measurement to fair value, amounts to PLN 36 532 thousand, of which PLN 29 226 thousand is attributable to shareholders of the Parent Entity, while PLN 7 306 thousand is attributable to non-controlling interests. Goodwill, provisionally set amounts to PLN 10 765 thousand. The acquisition will be finally accounted for during the 12 months from the acquisition date.

Provisionally determined fair value of the acquired assets of Sugarloaf Ranches Ltd.

	Carrying amount according to the financial statements of the acquired company	Fair value adjustment	Provisionally determined fair value
Property, plant and equipment, of which:	2 454	42 438	44 892
- land	919	42 438	43 357
Inventories	274	-	274
Trade and other receivables	38	-	38
Cash and cash equivalents	141	-	141
Borrowings and finance leases	(8 813)	-	(8 813)
Net assets at the acquisition date	(5 906)	42 438	36 532
Share in net assets (%)	80.00%	80.00%	80.00%
Net assets attributable to the Group	(4 725)	33 950	29 226
Provisionally determined goodwill			10 765
Purchase consideration paid in cash			39 991
Acquired cash and cash equivalents			141
Cash expense due to acquisition			39 850

The company was purchased in order to realise the construction project assumptions for the Afton-Ajax mine.

Changes during the period from 1 January 2012 to 30 June 2012

Establishment of 0929260 B.C. UNLIMITED LIABILITY COMPANY

On 3 January 2012, Fermat 2 S.à r.l. (a 100% indirect subsidiary of KGHM Polska Miedź S.A.) established a company under the name 0929260 B.C. UNLIMITED LIABILITY COMPANY with its registered head office in Vancouver, Canada. The share capital amounts to CAD 100 and was paid for in cash.

The company was established as a part of the activities related to creating a holding structure to acquire the shares of KGHM INTERNATIONAL LTD. (former name - Quadra FNX Mining Ltd.).

Establishment of Fermat 3 S.à r.l.

On 15 February 2012, Fermat 1 S.à r.l. (a 100% subsidiary of KGHM Polska Miedź S.A.) established a company under the name Fermat 3 S.à r.l. with its registered head office in Luxembourg, in which, it acquired 20 000 shares with a nominal value of 1 USD/share for USD 20 000 paid for in cash, representing 100% of the share capital of Fermat 3 S.à r.l.

A. Interim condensed consolidated financial statements (continued)

The company was established as a part of the activities related to creating a holding structure to purchase the shares of KGHM INTERNATIONAL LTD. (former name - Quadra FNX Mining Ltd.).

Purchase of KGHM INTERNATIONAL LTD. (formerly Quadra FNX Mining Ltd.)

On 5 March 2012, the KGHM Polska Miedź S.A. Group purchased from the former shareholders of Quadra FNX Mining Ltd. with its registered head office in Vancouver ("Quadra FNX") 100% of the shares of Quadra FNX.

The consideration transferred comprises:

- the purchase of ordinary shares for the amount of PLN 9 362.4 million,
- the purchase of warrants for the amount of PLN 39.4 million,
- the realisation of purchased warrants in the amount of PLN 305.2 million.

The shares 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 ("Agreement"). The shares purchased represent 100% of the share capital of Quadra FNX and 100% of the votes at the General Meeting of this company. 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 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 described above will increase annual mined copper production in the KGHM Polska Miedź S.A. Group by over 100 thousand tonnes beginning from 2012, meaning a 25% increase versus the pre-acquisition level of the KGHM Polska Miedź S.A. Group production. In 2018 the annual increase will be of over 180 thousand tonnes. In addition, following the start-up of the Sierra Gorda project in Chile in 2014 and Victoria in Canada, the transaction will lead to a substantial decrease in average unit copper production costs in the entities directly and indirectly managed by KGHM Polska Miedź S.A.

The KGHM Polska Miedź S.A. Group made an initial recognition of the identifiable assets acquired and liabilities assumed in the acquired business, and reflected them at the acquisition date in the consolidated financial statements in provisionally-set amounts. The accounting data used were based on the consolidated financial statements of KGHM INTERNATIONAL LTD. as at 29 February 2012, and were updated in respect of significant operations to the balance at 5 March 2012, i.e. to the date control was obtained. In the opinion of the Management Board of KGHM Polska Miedź S.A., there are no significant differences, in other questions regarding accounting data, between the date of preparation of the consolidated financial statements by KGHM INTERNATIONAL LTD. and the date control was obtained.

A. Interim condensed consolidated financial statements (continued)

Provisionally estimated fair value of the net assets acquired, the gain on a bargain purchase and the purchase price at the date control was obtained¹ (in M PLN)

	Carrying amount according to the financial statements of the acquired Group	Fair value adjustments and other	Provisionally determined fair value
Mineral properties, plant and equipment	3 780.0	1 517.9	5 297.9
Investment in Sierra Gorda joint venture	1 616.6	1 430.8	3 047.4
Intangible assets due to signed services sales contracts	-	107.3	107.3
Mine closure financial assets	256.3	-	256.3
Inventories	666.4	139.6	806.0
Trade and other receivables	630.9	-	630.9
Cash and cash equivalents	2 806.1	-	2 806.1
Other assets	1 479.2	(286.7)	1 192.5
Bonds	(1 515.2)	(76.0)	(1 591.2)
Liabilities due to Franco Nevada streaming contract	(577.3)	(86.3)	(663.6)
Provisions	(313.4)	12.8	(300.6)
Trade and other liabilities	(589.7)	176.8	(412.9)
Deferred tax	(410.7)	(1 017.3)	(1 428.0)
Acquired net assets	7 829.2	1 918.9	9 748.1
Provisionally determined gain on bargain purchase (*)			(41.1)
Purchase consideration			9 707.0
Paid in cash			9 707.0
Acquired cash and cash equivalents, of which:			(2 806.1)
- restricted cash and cash equivalents			73.9
Cash expense due to acquisition			6 900.9

(*) To avoid volatility of the financial result for individual quarters of 2012 during initial accounting for this acquisition, the provisionally determined gain on a bargain purchase set 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-set gain on a bargain purchase was accounted for as a decrease of the largest item in assets, „Mineral properties, plant and equipment”, 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.

Items adjusted to fair value	Description	Method/key assumptions
Mineral properties, 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 senior notes	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	Forwards, fair value equal to zero at the date of separation
Deferred tax	Recognised deferred tax from adjustments to fair value	Average assumed rate of 25%

¹ the change in the fair value of the net assets acquired, the gain on a bargain purchase and the purchase price at the date control was obtained versus data presented in the Consolidated quarterly report QSr 1 / 2012 is due to further work on fair value measurement in the second quarter

A. Interim condensed consolidated financial statements (continued)

In the current reporting period amortisation was adjusted due to the remeasured assets and realisation of inventories and liabilities for the period from the acquisition date to 30 September 2012.

Due to the complexity of the recognition process of the net assets of the acquired business, their measurement process at the date control was obtained will be completed no later than within 12 months of the acquisition date.

Costs related to the acquisition incurred to 30 September 2012 were recognised in the administrative expenses in the amount of PLN 90 701 thousand, of which PLN 16 088 thousand was settled in 2011, while PLN 74 613 thousand in the first three quarters of 2012.

Revenues of the KGHM INTERNATIONAL LTD. Group recognised in the consolidated statement of comprehensive income of the KGHM Polska Miedź S.A. Group for the period from the moment of acquisition to 30 September 2012 amounted to PLN 2 643 786 thousand, while the profit for this same period amounted to PLN 88 519 thousand.

Had the KGHM INTERNATIONAL LTD. Group been acquired on 1 January 2012, the consolidated statement of comprehensive income of the KGHM Polska Miedź S.A. Group for the 9 months of 2012 would have shown revenues of PLN 20 590 934 thousand and a profit for the period of PLN 4 057 958 thousand.

Exercise of option to purchase a further 29% of the shares of KGHM AJAX MINING INC.

On 2 April 2012 KGHM Polska Miedź S.A. exercised the option to purchase 29% of the shares of KGHM AJAX MINING INC. with its registered head office in Vancouver ("Ajax") from Abacus Mining & Exploration Corporation ("Abacus") based on the shareholders agreement dated 12 October 2010 and increased its share in Ajax from 51% to 80%. The shares were acquired for the amount of USD 29 908 thousand (the equivalent of PLN 93 286 thousand, according to the sale exchange rate of the National Bank of Poland for USD/PLN of 2 April 2012).

The difference of PLN (22 639) thousand between the purchase price for a 29% non-controlling interest and 29% of the acquired equity of KGHM AJAX MINING LTD. was recognised in the consolidated statement of financial position to retained earnings in the amount of PLN (33 407) thousand and to exchange differences from the translation of foreign operations in the amount of PLN 10 768 thousand.

Acquisition of shares of KGHM AJAX MINING INC. by 0929260 B.C. UNLIMITED LIABILITY COMPANY (Group subsidiary)

On 26 April 2012, changes in ownership were carried out within the KGHM Polska Miedź S.A. Group, as a result of which:

1. KGHM AJAX MINING INC. – until now a direct subsidiary of KGHM Polska Miedź S.A. – became an indirect entity of the Parent Entity and a direct subsidiary of 0929260 B.C. UNLIMITED LIABILITY COMPANY. The transaction was concluded through the acquisition of shares of KGHM AJAX MINING INC. by 0929260 B.C. UNLIMITED LIABILITY COMPANY in exchange for the issuance of its own shares in the amount of PLN 203 049 thousand acquired by KGHM Polska Miedź S.A.,
2. KGHM Polska Miedź S.A. contributed the shares of 0929260 B.C. UNLIMITED LIABILITY COMPANY to Fermat 2 S.à r.l. in exchange for the acquisition of additional shares issued by Fermat 2 S.à r.l.,
3. KGHM Polska MIEDŹ S.A. contributed the shares of Fermat 2 S.à r.l. to Fermat 1 S.à r.l. in exchange for the acquisition of shares in the increased share capital of Fermat 1 S.à r.l. in the amount of PLN 203 049 thousand.

Execution of this transaction is one of the stages in the process of reorganising the structure of the Group.

XI. Subsequent events

Convening an Extraordinary General Meeting of KGHM Polska Miedź S.A.

On 24 October 2012 the Management Board of KGHM Polska Miedź S.A. announced the convening of an Extraordinary General Meeting of KGHM Polska Miedź S.A., which will take place on 21 November 2012, beginning at 11.00 AM at the head office of the Parent Entity in Lubin.

The purpose of convening an Extraordinary General Meeting of KGHM Polska Miedź S.A. is adoption of resolutions on appointment of employee-elected members of the Supervisory Board of KGHM Polska Miedź S.A.

Publication of an adjusted forecast of financial results of the Parent Entity for 2012

On 29 October 2012, the Management Board of KGHM Polska Miedź S.A., based on the financial results of the Parent Entity achieved after the 9 months of 2012 and on verified assumptions in terms of: production, investments, macroeconomic conditions, effects of measurement of derivatives and exchange differences, presented an adjusted forecast of financial results for 2012.

The adjusted forecast assumes the achievement in 2012 of revenues from sales in the amount of PLN 20 633 million and profit for the period at the level of PLN 4 744 million, meaning an increase in the planned results respectively by 6% and 25% in relation to the forecast published in the current report from 27 March 2012.

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 2012, 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 29 October 2012, KGHM Polska Miedź S.A. published an adjusted forecast of Company's results for 2012. In accordance with the above-mentioned forecast, taking into consideration the financial results achieved after the 9 months of 2012, KGHM Polska Miedź S.A. assumes achievement of revenues from sales in 2012 at the level of PLN 20 633 million, and profit for the period at the level of PLN 4 744 million.

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 second quarter of 2012, i.e. at 13 August 2012, 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 second quarter of 2012, KGHM Polska Miedź S.A. was not notified by any shareholder of any change in the ownership structure of a significant block of shares.

At the date of preparation of this report, based on information held by KGHM Polska Miedź S.A., the only shareholder owning at least 5% of the total number of votes at the General Meeting of KGHM Polska Miedź S.A. remains the State Treasury, which holds 63 589 900 shares of KGHM Polska Miedź S.A. representing 31.79% of the share capital and the same number of votes at the General Meeting of KGHM Polska Miedź S.A.

Ownership of shares of KGHM Polska Miedź S.A. or of rights to them by management or supervisory personnel of KGHM Polska Miedź S.A., as at the date of publication of the consolidated quarterly report, based on information held by KGHM Polska Miedź S.A. Changes in ownership during the period following publication of the prior consolidated quarterly report

The Members of the Management Board of KGHM Polska Miedź S.A., at the date of publication of the consolidated report for the second quarter of 2012, i.e. at 13 August 2012, 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 Company 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 second quarter of 2012, i.e. at 13 August 2012, and at the date of preparation of this report did not own any shares of KGHM Polska Miedź S.A. or rights to them. Based on information held by KGHM Polska Miedź S.A., the persons serving as Members of the Supervisory Board of the Company 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

At 30 September 2012, 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.

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

On 5 March 2012, the subsidiary Fermat 1 S.à r.l., of which KGHM Polska Miedź S.A. owns 100% of the shares, entered into a significant transaction under other than arm's length conditions with Fermat 3 S.à r.l. – a company in which Fermat 1 S.à r.l. owns 100% of the shares. This transaction relates to the granting by Fermat 1 S.à r.l. of an interest-free loan to Fermat 3 S.à r.l. in the amount of USD 1 873 100 thousand (PLN 5 873 105 thousand at the average exchange rate of the National Bank of Poland from the transaction date). This loan was granted for the purpose of optimising the structure for the purchase of Quadra FNX Mining LTD. (KGHM INTERNATIONAL LTD.)

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

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 2012 to 30 September 2012 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 third quarter of 2012 there were no other significant events, apart from those mentioned in the commentary to the report, which could have a significant impact on the assessment of assets and financial position, the financial result of the Group and any changes thereto, or any events significant for assessing the personnel situation and the ability to meet obligations.

Factors which will impact the financial results of the Group, at least in the following quarter

The largest impact on the results of the KGHM Polska Miedź S.A. Group is from the Parent Entity and, to a lesser extent, from the KGHM INTERNATIONAL LTD. Group.

As a result, through the Parent Entity, the most significant factors impacting the results of the Group, particularly in the following quarter, will be:

- copper and silver prices on the metals markets,
- the USD/PLN exchange rate,
- electrolytic copper production costs, and
- 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.

In addition, the financial results of the Parent Entity, starting from the second quarter of 2012, are significantly impacted by the introduction of the minerals extraction tax.

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

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

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

Interim statement of financial position

	Note	At	
		30 September 2012	31 December 2011
Assets			
Non-current assets			
Property, plant and equipment		7 839 685	7 277 903
Intangible assets		159 184	150 777
Shares and investment certificates in subsidiaries		11 641 203	2 012 209
Interest in joint ventures		32 576	-
Deferred tax assets		316 459	168 462
Available-for-sale financial assets		910 123	992 068
Mine closure financial assets		138 430	111 665
Derivatives		901 662	899 400
Trade and other receivables		69 481	84 221
		22 008 803	11 696 705
Current assets			
Inventories		2 916 367	2 355 741
Trade and other receivables		1 874 357	1 502 944
Mine closure financial assets		702	2 147
Derivatives		352 564	859 653
Cash and cash equivalents		1 046 484	12 835 999
		6 190 474	17 556 484
		28 199 277	29 253 189
Equity and liabilities			
Equity			
Share capital		2 000 000	2 000 000
Accumulated other comprehensive income		25 663	535 673
Retained earnings		19 001 355	20 599 838
		21 027 018	23 135 511
Liabilities			
Non-current liabilities			
Trade and other payables		55 836	11 579
Borrowings and finance lease liabilities		-	35
Derivatives		442 371	538 320
Employee benefits liabilities		1 311 815	1 216 355
Provisions for other liabilities and charges	C. I. 2	539 330	483 657
		2 349 352	2 249 946
Current liabilities			
Trade and other payables		4 249 959	1 827 536
Borrowings and finance lease liabilities		50	58
Current corporate tax liabilities		345 309	1 587 847
Derivatives		109 236	330 347
Employee benefits liabilities		107 034	107 471
Provisions for other liabilities and charges	C. I. 2	11 319	14 473
		4 822 907	3 867 732
		7 172 259	6 117 678
		28 199 277	29 253 189

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

Interim statement of comprehensive income

	Note	Financial period			
		for the 3 months ended 30 September 2012	for the 9 months ended 30 September 2012	for the 3 months ended 30 September 2011	for the 9 months ended 30 September 2011
Sales	C. I. 3	5 054 915	15 558 805	5 243 822	15 244 742
Cost of sales	C. I. 4	(3 336 959)	(9 233 546)	(2 671 341)	(7 378 699)
Gross profit		1 717 956	6 325 259	2 572 481	7 866 043
Selling costs	C. I. 4	(27 769)	(82 941)	(26 265)	(85 059)
Administrative expenses	C. I. 4	(182 339)	(544 462)	(171 312)	(497 094)
Other operating income	C. I. 5	281 334	1 176 106	1 283 335	2 198 309
Other operating costs	C. I. 6	(289 959)	(1 618 479)	26 401	(516 106)
Operating profit		1 499 223	5 255 483	3 684 640	8 966 093
Finance costs	C. I. 7	(8 680)	(25 596)	(9 191)	(25 248)
Profit before income tax		1 490 543	5 229 887	3 675 449	8 940 845
Income tax expense		(370 205)	(1 160 370)	(474 207)	(1 420 599)
Profit for the period		1 120 338	4 069 517	3 201 242	7 520 246
OTHER COMPREHENSIVE INCOME DUE TO:					
Available-for-sale financial assets		58 958	(81 945)	(269 483)	(243 595)
Cash flow hedging instruments		(388 026)	(547 697)	704 593	910 116
Income tax related to items presented in other comprehensive income		62 523	119 632	(82 671)	(126 639)
Other comprehensive net income for the financial period		(266 545)	(510 010)	352 439	539 882
TOTAL COMPREHENSIVE INCOME		853 793	3 559 507	3 553 681	8 060 128
Earnings per share during the period (in PLN per share)					
- basic		5.60	20.35	16.00	37.60
- diluted		5.60	20.35	16.00	37.60

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

Interim statement of changes in equity

	Accumulated other comprehensive income due to:				Total equity
	Share capital	Available-for- sale financial assets	Cash flow hedging instruments	Retained earnings	
At 1 January 2012	2 000 000	(38 610)	574 283	20 599 838	23 135 511
Dividends for 2011 resolved and paid	-	-	-	(3 400 000)	(3 400 000)
Dividends for 2011 resolved but unpaid	-	-	-	(2 268 000)	(2 268 000)
Total comprehensive income	-	(66 376)	(443 634)	4 069 517	3 559 507
Profit for the period	-	-	-	4 069 517	4 069 517
Other comprehensive income	-	(66 376)	(443 634)	-	(510 010)
At 30 September 2012	2 000 000	(104 986)	130 649	19 001 355	21 027 018
At 1 January 2011	2 000 000	121 385	89 774	12 245 318	14 456 477
Dividends for 2010 resolved and paid	-	-	-	(2 980 000)	(2 980 000)
Total comprehensive income	-	(197 312)	737 194	7 520 246	8 060 128
Profit for the period	-	-	-	7 520 246	7 520 246
Other comprehensive income	-	(197 312)	737 194	-	539 882
At 30 September 2011	2 000 000	(75 927)	826 968	16 785 564	19 536 605

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

Interim statement of cash flows

	Note	Financial period	
		for the 9 months ended 30 September 2012	for the 9 months ended 30 September 2011
Cash flow from operating activities			
Profit for the period		4 069 517	7 520 246
Adjustments to profit for the period	C. I. 8	1 650 927	113 282
Income tax paid		(2 431 274)	(1 037 787)
Net cash generated from operating activities		3 289 170	6 595 741
Cash flow from investing activities			
Purchase of shares and investment certificates in subsidiaries		(9 598 788)	(196 141)
Purchase of interest in joint ventures		(32 576)	-
Purchase of available-for-sale financial assets		-	(1 565 831)
Proceeds from sale of available-for-sale financial assets		-	1 548 193
Purchase of property, plant and equipment and intangible assets		(1 184 743)	(882 074)
Advances granted for purchase of property, plant and equipment and intangible assets		(29 285)	(38 786)
Proceeds from sale of property, plant and equipment and intangible assets		7 048	3 261
Purchase of mine closure financial assets		(25 321)	(24 212)
Establishment of deposits		-	(450 000)
Termination of deposits		-	800 000
Loans granted		(7 565)	-
Proceeds from repayments of loans granted		3 840	3 773
Interest received		1 949	10 767
Dividends received		57 477	277 330
Other investment expenses		(2 988)	(2 885)
Net cash used in investing activities		(10 810 952)	(516 605)
Cash flow from financing activities			
Payments of liabilities due to finance leases		(43)	(2 989)
Interest paid		(5)	(9)
Dividends paid		(3 400 000)	(2 980 000)
Donations received		10 874	-
Net cash used in financing activities		(3 389 174)	(2 982 998)
Total net cash flow		(10 910 956)	3 096 138
Exchange (losses)/gains on cash and cash equivalents		(878 559)	519 451
Movements in cash and cash equivalents		(11 789 515)	3 615 589
Cash and cash equivalents at beginning of the period		12 835 999	2 595 529
Cash and cash equivalents at end of the period		1 046 484	6 211 118
including restricted cash and cash equivalents		1 392	1 878

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

Selected explanatory data

I. Additional notes

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

Purchase and sale of property, plant and equipment

	for the 9 months ended 30 September 2012	for the 9 months ended 30 September 2011
Purchase of property, plant and equipment	1 053 089	762 575
Net sale of property, plant and equipment	271	2

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

	At	
	30 September 2012	31 December 2011
Payables due to purchase of property, plant and equipment and intangible assets	198 544	384 966

Capital commitments not recognised in the interim statement of financial position

	At	
	30 September 2012	31 December 2011
Purchase of property, plant and equipment	3 014 242	1 367 401
Purchase of intangible assets	21 680	19 211
Total capital commitments	3 035 922	1 386 612

2. Changes in provisions for other liabilities and charges

	TOTAL	Decommissioning costs of mines and other facilities	Costs of scrapping property, plant and equipment	Disputed issues and court proceedings	Other provisions
Provisions at 1 January 2012	498 130	475 606	4 919	2 324	15 281
Recognition and updating of estimates	91 638	88 388	875	904	1 471
Utilisation	(3 906)	(2 502)	-	(540)	(864)
Transfer to Mine Closure Fund	(19 159)	(19 159)	-	-	-
Release and updating of estimates	(16 054)	(5 778)	(304)	(1 410)	(8 562)
Provisions at 30 September 2012	550 649	536 555	5 490	1 278	7 326
of which:					
Non-current provisions	539 330	531 214	2 805	-	5 311
Current provisions	11 319	5 341	2 685	1 278	2 015

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

	TOTAL	Decommissioning costs of mines and other facilities	Costs of scrapping property, plant and equipment	Disputed issues and court proceedings	Other provisions
Provisions at 1 January 2011	535 533	514 006	5 600	1 975	13 952
Recognition and updating of estimates	82 536	72 721	2 217	2 688	4 910
Utilisation	(6 428)	(3 118)	(699)	(1 036)	(1 575)
Transfer to Mine Closure Fund	(22 867)	(22 867)	-	-	-
Release and updating of estimates	(90 644)	(85 136)	(2 199)	(1 303)	(2 006)
Provisions at 31 December 2011	498 130	475 606	4 919	2 324	15 281
of which:					
Non-current provisions	483 657	467 680	2 730	-	13 247
Current provisions	14 473	7 926	2 189	2 324	2 034

	TOTAL	Decommissioning costs of mines and other facilities	Costs of scrapping property, plant and equipment	Disputed issues and court proceedings	Other provisions
Provisions at 1 January 2011	535 533	514 006	5 600	1 975	13 952
Recognition and updating of estimates	58 972	52 950	119	1 362	4 541
Utilisation	(4 756)	(2 675)	(322)	(963)	(796)
Transfer to Mine Closure Fund	(17 153)	(17 153)	-	-	-
Release and updating of estimates	(69 350)	(66 956)	(32)	(1 184)	(1 178)
Provisions at 30 September 2011	503 246	480 172	5 365	1 190	16 519
of which:					
Non-current provisions	488 080	469 574	4 633	-	13 873
Current provisions	15 166	10 598	732	1 190	2 646

3. Sales

	Financial period			
	for the 3 months ended 30 September 2012	for the 9 months ended 30 September 2012	for the 3 months ended 30 September 2011	for the 9 months ended 30 September 2011
Copper, precious metals, smelter by-products	4 993 764	15 273 232	5 180 150	15 049 654
Salt	10 789	36 590	17 231	53 966
Services	16 894	49 968	15 045	44 216
Other finished goods	2 962	8 614	3 327	9 893
Merchandise	15 641	142 136	14 903	47 961
Scrap and production materials	14 817	48 120	13 035	38 764
Other materials	48	145	131	288
Total	5 054 915	15 558 805	5 243 822	15 244 742

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

4. Expenses by nature

	Financial period			
	for the 3 months ended 30 September 2012	for the 9 months ended 30 September 2012	for the 3 months ended 30 September 2011	for the 9 months ended 30 September 2011
Depreciation of property, plant and equipment and amortisation of intangible assets	193 553	584 794	164 992	496 231
Employee benefit expenses	770 972	2 271 966	728 378	2 093 998
Materials and energy	1 671 115	4 970 478	1 616 896	4 418 964
External services	332 363	965 967	313 345	896 047
Taxes and charges*	661 803	1 266 838	80 934	239 140
Advertising costs and representation expenses	4 735	26 276	5 414	22 908
Property and personal insurance	6 807	18 835	5 210	16 600
Research and development costs not capitalised in intangible assets	2 573	4 577	380	2 715
Other costs, of which:	5 278	17 096	4 331	13 078
Write-down of inventories	158	1 304	124	484
Reversal of write-down of inventories	(28)	(91)	(117)	(242)
Losses from the disposal of financial instruments	2 443	6 928	1 609	3 508
Other operating costs	2 705	8 955	2 715	9 328
Total expenses by nature	3 649 199	10 126 827	2 919 880	8 199 681
Cost of merchandise and materials sold (+)	27 571	179 047	26 142	78 510
Change in inventories of finished goods and work in progress (+/-)	(85 737)	(311 031)	(39 636)	(210 436)
Cost of manufacturing products for internal use (-)	(43 966)	(133 894)	(37 468)	(106 903)
Total cost of sales, selling costs and administrative expenses	3 547 067	9 860 949	2 868 918	7 960 852

*including the minerals extraction tax for three quarters in the amount of PLN 1 024 687 thousand

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

5. Other operating income

	Financial period			
	for the 3 months ended 30 September 2012	for the 9 months ended 30 September 2012	for the 3 months ended 30 September 2011	for the 9 months ended 30 September 2011
Income and gains on financial instruments, classified under other operating activities, resulting from:	275 756	1 090 324	1 277 727	1 894 115
Measurement and realisation of derivatives	241 662	953 661	638 058	1 168 555
Gains from the sale of financial instruments	442	1 506	2 710	16 855
Gains/(losses) from measurement of non-current liabilities	40	221	(204)	-
Interest	33 598	134 833	39 859	111 376
Foreign exchange gains	-	-	597 304	597 304
Reversal of allowance for impairment of other receivables	14	103	-	25
Gains on the sale of property, plant and equipment and intangible assets	(873)	-	-	-
Non-financial interest	45	46	506	2 710
Reversal of allowance for impairment of non-financial receivables	804	1 474	375	1 125
Dividends received	-	57 477	-	277 330
Release of unused provisions due to:	585	11 116	219	3 904
Decommissioning of mines	207	1 827	45	2 427
Disputed issues, pending court proceedings	107	1 410	174	1 184
Donations agreement signed with municipalities (Gminas)	148	7 575	-	250
Other	123	304	-	43
Penalties and compensation	904	4 364	2 016	13 665
Other operating income/gains	4 113	11 305	2 492	5 460
Total other operating income	281 334	1 176 106	1 283 335	2 198 309

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

6. Other operating costs

	Financial period			
	for the 3 months ended 30 September 2012	for the 9 months ended 30 September 2012	for the 3 months ended 30 September 2011	for the 9 months ended 30 September 2011
Costs and losses on financial instruments, classified under other operating activities, resulting from:	280 898	1 506 351	(38 345)	469 936
Measurement and realisation of derivatives	217 023	968 894	9 778	463 376
Interest	16	161	105	189
Foreign exchange losses/(gains)	63 639	537 006	(49 871)	-
Losses from measurement of non-current liabilities	-	-	1 625	1 625
Allowance for impairment of loans and other receivables	220	290	18	4 746
Losses on the sale of property, plant and equipment and intangible assets	677	677	1 519	7 450
Donations granted	3	85 862	2 503	15 020
Interest on overdue non-financial liabilities	33	2 048	(26)	379
Provisions recognised due to:	986	3 056	3 702	6 316
Decommissioning of mines	262	932	345	1 604
Disputed issues, pending court proceedings	466	904	97	1 362
Other	258	1 220	3 260	3 350
Other operating costs/losses	7 362	20 485	4 246	17 005
Total other operating costs	289 959	1 618 479	(26 401)	516 106

7. Finance costs

	Financial period			
	for the 3 months ended 30 September 2012	for the 9 months ended 30 September 2012	for the 3 months ended 30 September 2011	for the 9 months ended 30 September 2011
Interest expense	1	5	198	241
Foreign exchange losses on borrowings	-	-	888	958
Changes in provisions arising from the approach of the maturity date of liabilities (unwinding of discount effect)	8 435	25 048	8 025	23 831
Other financial costs	244	543	80	218
Total finance costs	8 680	25 596	9 191	25 248

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

8. Adjustments to profit for the period in the interim statement of cash flows

	Financial period	
	for the 9 months ended 30 September 2012	for the 9 months ended 30 September 2011
Income tax expense	1 160 370	1 420 599
Depreciation/amortisation	584 794	496 231
Interest and share in profits (dividends)	(62 191)	(287 176)
Foreign exchange losses/(gains)	880 906	(515 910)
Change in provisions	88 946	58 535
Change in assets/liabilities due to derivatives	(111 960)	(955 693)
Reclassification of accumulated other comprehensive income to profit or loss as a result of realisation of derivatives	(247 970)	(123 873)
Other adjustments	3 137	(9 066)
Changes in working capital:	(645 105)	29 635
Inventories	(560 558)	(387 455)
Trade and other receivables	(402 644)	405 988
Trade and other payables	318 097	11 102
Total adjustments to profit for the period	1 650 927	113 282

9. Related entities transactions

	Financial period			
	for the 3 months ended 30 September 2012	for the 9 months ended 30 September 2012	for the 3 months ended 30 September 2011	for the 9 months ended 30 September 2011
Revenues from sales to related entities				
To subsidiaries	150 198	477 345	180 028	544 989
To associate held for sale	-	-	302	380
Total revenues from sales to related entities	150 198	477 345	180 330	545 369

During the period from 1 July 2012 to 30 September 2012, KGHM Polska Miedź S.A. did not recognise any dividends from related entities.
(since the beginning of the financial year, other operating income due to dividends from a subsidiary amounted to PLN 1 023 thousand).

In the comparable period from 1 July 2011 to 30 September 2011, KGHM Polska Miedź S.A. did not recognise any dividends from related entities.
(since the beginning of the financial year, other operating income due to dividends from an associate amounted to PLN 250 013 thousand).

	Financial period			
	for the 3 months ended 30 September 2012	for the 9 months ended 30 September 2012	for the 3 months ended 30 September 2011	for the 9 months ended 30 September 2011
Purchases from related entities				
From subsidiaries	1 411 909	4 255 818	1 242 331	3 397 374
From associate held for sale	-	-	796	1 497
Total purchase from related entities	1 411 909	4 255 818	1 243 127	3 398 871

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

	At	
	30 September 2012	31 December 2011
Trade receivables from related entities		
From subsidiaries	276 420	269 922
Total receivables from related entities	276 420	269 922

	At	
	30 September 2012	31 December 2011
Trade payables towards related entities		
Towards subsidiaries	404 125	431 871
Total payables towards related entities	404 125	431 871

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 570 960 thousand (for the period from 1 January to 30 September 2011 – PLN 549 610 thousand), the unsettled balance of liabilities from these transactions at 30 September 2012 amounted to PLN 49 663 thousand (at 31 December 2011: PLN 45 968 thousand), and the unsettled balance of receivables at 30 September 2012 amounted to PLN 973 thousand (at 31 December 2011: PLN 1 414 thousand). Revenues from sales from State Treasury companies for the period from 1 January 2012 to 30 September 2012 amounted to PLN 41 865 thousand (for the period from 1 January to 30 September 2011, PLN 43 592 thousand).

	For the period	
	for the 9 months ended 30 September 2012	for the 9 months ended 30 September 2011
Remuneration of the Supervisory Board		
Remuneration due to service in the Supervisory Board, salaries and other current employee benefits	1 031	949
Total	1 031	949

	For the period	
	for the 9 months ended 30 September 2012	for the 9 months ended 30 September 2011
Remuneration of the Management Board		
Salaries and other current employee benefits	4 078	3 273
Benefits due to termination of employment	42	-
Post-employment benefits	-	96
Total	4 120	3 369

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

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

	At 30 September 2012	Increase/(decrease) since the end of the last financial year
Contingent assets	430 492	57 269
Guarantees received	198 863	31 845
Disputed State budget issues	7 038	(55)
Promissory notes receivables	99 002	21 995
Inventions, implementation of projects	39 054	2 459
Real estate tax on mining facilities	86 296	807
Other	239	218
Contingent liabilities	152 265	10 835
Guarantees and collateral	5 000	-
Disputed issues, pending court proceedings	14 532	763
Liabilities due to implementation of projects, inventions	121 180	7 213
Other	11 553	2 859
Liabilities towards local municipalities (Gminas) due to a signed agreement in respect of expansion of the Żelazny Most tailings pond, not recognised in the statement of financial position	163 363	163 363

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

II. 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 licenses for mining regions currently being worked

In December 2013, the 20-year licenses granted for the extraction of copper ore from 5 mining areas currently being worked by KGHM Polska Miedź S.A. – Polkowice, Sieroszowice, Radwanice-Wschód, Rudna and Lubin-Małomice – will expire. As a result, in 2010 the Company commenced the project LICENCING 2013, whose goal is to gain licenses for the extraction of copper ore from the aforementioned mining areas. The Company has applied for licenses for the maximum period provided for by law, which is 50 years.

In its reports for the first and second quarters, the Company provided updates on the continued work on obtaining licenses, including:

- the preparation and approval by the license-granting body (the Minister of the Environment) of supplementary information to the geological documentation of the aforementioned mining areas,
- preparation of the mining areas management projects, representing a basic element of the license applications,
- submission to the Regional Directorate for Environmental Protection (RDEP) in Wrocław of environmental impact reports,
- the signing of an agreement with the State Treasury for the paid use of the right to geological information,
- the signing of agreements with the municipalities (Gminas) of Rudna and Lubin Miasto involving the scope of required changes to the planning documents of the Gminas, and
- the preparation and submission to the Regional Directorate for Environmental Protection in Wrocław, as requested by the National Environmental Impact Assessment Commission, of supplementary information to the environmental impact reports.

In addition, 8 October 2012 marked the end of the statutory 21-day social consulting period (so-called social participation), during which it was possible to voice concerns to the final edited versions of the environmental impact reports.

In accordance with the announcement by RDEP on 1 October 2012, the conclusion of the process of issuing environmental decisions for the project „Extraction of copper ore from the mining areas of Polkowice, Sieroszowice, Radwanice-Wschód, Rudna and Lubin-Małomice” is expected by the end of November 2012. The preparation of the environmental decision is planned for the first half of November 2012, following which, according to procedure, it will be announced by the body responsible for issuing the decision and it will become final (second half of November 2012).

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

Assuming that the environmental decision becomes final by the end of November, the Company intends to submit to the Minister of the Environment licensing applications for the extraction of minerals for the aforementioned 5 mining areas, no later than in December 2012.

The next step in the licensing process will be the acceptance of the applications by the license-granting body. Copies of the licensing applications for each of the 5 mining areas will be submitted by the license-granting body, for confirmation purposes, to the appropriate respective 9 mining municipalities (the municipalities (Gminas) of Lubin, Lubin Miasto, Polkowice, Radwanice, Jertzmanowa, Rudna, Sieroszowice, Chocianów and Grębocice), in which the mining areas are located. The license-granting body will also seek agreement for the issuance of licenses by the appropriate minister in charge of the economy. An element inseparably related to the process of obtaining mining licenses is the signing by the State Treasury of an agreement for the establishment of mining usufruct rights, granting the applicant the exclusive right to engage in mining activities within the scope provided for by a given mining license.

In the Company's opinion, the present state of progress on the licensing process does not pose a threat to the stable continuation of the mining activities of KGHM Polska Miedź S.A.

Other significant events covered by current reports

Company bodies

On 3 July 2012 Robert Oliwa submitted his resignation, to take effect from the date of the next General Meeting of KGHM Polska Miedź S.A., from fulfilment of the duties of member of the Supervisory Board of KGHM Polska Miedź S.A.

The Extraordinary General Meeting of KGHM Polska Miedź S.A. convened for 3 September 2012, appointed Krzysztof Opawski to the Supervisory Board of KGHM Polska Miedź S.A.

On 13 July 2012, the court issued a judgment by which it registered changes in the Company Statutes, adopted by Resolution No. 24/2012 of the Ordinary General Meeting of KGHM Polska Miedź S.A. with its registered head office in Lubin dated 28 June 2012.

Framework Agreement on the Exploration for and Extraction of Shale Gas

On 4 July 2012 the Company signed a framework agreement on the exploration for and extraction of shale gas (the "Agreement"). The parties to the Agreement are KGHM Polska Miedź S.A., Polskie Górnictwo Naftowe i Gazownictwo S.A. ("PGNiG"), ENEA S.A., PGE Polska Grupa Energetyczna S.A. and TAURON Polska Energia S.A. (hereafter jointly referred to as the "Parties"). Detailed information on this agreement and the scope of cooperation is presented in note A.V.

Founding of special purpose company „Elektrownia Blachownia Nowa” sp. z o.o.

On 5 September 2012, KGHM Polska Miedź S.A. and TAURON Wytwarzanie S.A. (hereafter „Shareholders”), founded a special purpose company called „Elektrownia Blachownia Nowa” sp. z o.o. with its registered head office in Kędzierzyn Koźle („Company”). This Company was founded in order to fully realise an investment, comprising the preparation, construction and operation of an 850 MWe gas-steam block on grounds belonging to TAURON Wytwarzanie S.A. - Blachownia Power Plant Division („Enterprise”). Detailed information on the joint venture is presented in note A.V.

Letter of Intent on participation in the construction and operating of a nuclear power plant

On 5 September 2012 the Company signed a Letter of Intent regarding acquisition of shares in a special purpose company to build and operate a nuclear power plant („Letter of Intent”). The parties to the Letter of Intent are KGHM Polska Miedź S.A., PGE Polska Grupa Energetyczna S.A. (PGE), TAURON Polska Energia S.A. and ENEA S.A. („Parties”). Detailed information on the execution of the Letter of Intent is presented in note A.V.

Elections of employee-elected Members of the Supervisory Board

As a result of elections carried out on 5-6 September 2012, the employees of the Company chose the following three persons to the Supervisory Board: Józef Czyczerski, Leszek Hajdacki and Bogusław Szarek.

The persons elected by the Company's employees become members of the Eighth Term Supervisory Board from the moment of adoption of appropriate resolutions by the General Meeting of KGHM Polska Miedź S.A.

Report on the mining assets of KGHM Polska Miedź S.A. located within the Legnica-Głogów Copper Belt (LGCB) area

On 20 September 2012, the Management Board of KGHM Polska Miedź S.A., to satisfy the expectations of investors and to ensure access to comprehensive information on the mining assets of the Company located within the Legnica-Głogów Copper Belt (LGCB) area, provided a report titled „Report on the mining assets of KGHM Polska Miedź S.A. located within the Legnica-Głogów Copper Belt Area”.

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

2. Measurement of financial and tangible assets

Financial assets – derivatives

In the current quarter due to the measurement and settlement of future cash flow hedging transactions other comprehensive income was decreased by PLN 314 301 thousand, of which:

- PLN 106 858 thousand represents a reclassification adjustment made at the time of impact of the hedged position on profit or loss,
- PLN 281 169 thousand represents a loss resulting from changes in fair value of the effective portion of hedging instruments,
- PLN 73 726 thousand represents tax from the above-mentioned items.

(since the beginning of the financial year a decrease in other comprehensive income by PLN 443 634 thousand, of which:

- *PLN 247 970 thousand represents a reclassification adjustment made at the time of impact of the hedged position on profit or loss,*
- *PLN 299 727 thousand represents a loss resulting from changes in fair value of the effective portion of hedging instruments,*
- *PLN 104 063 thousand represents tax from the above-mentioned items.)*

Due to the realisation and fair value measurement of derivatives, there was an increase in the financial result for the current quarter of PLN 131 497 thousand (of which: as an increase in revenues from sales, PLN 106 858 thousand and as an increase in the result on other operating activities in the amount of PLN 24 639 thousand).

(an increase in the financial result by PLN 232 737 thousand since the beginning of the financial year (of which: as an increase in revenues from sales, PLN 247 970 thousand and as a decrease in the profit on other operating activities in the amount of PLN 15 233 thousand).

Detailed information on derivatives is presented in part C point II 5 Commodity and currency risk management.

Available-for-sale financial assets

In the current quarter due to the fair value measurement of available-for-sale financial assets, other comprehensive income was increased by PLN 58 958 thousand, after reflecting the deferred tax effects in the amount of PLN 47 756 thousand.

(a decrease in other comprehensive income by PLN 81 945 thousand since the beginning of the financial year, after reflecting the deferred tax effects in the amount of PLN 66 376 thousand).

There was no transfer by the Company of financial instruments by fair value hierarchy between individual levels 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 intangible assets

Due to the depreciation of property, plant and equipment and amortisation of intangible assets, operating costs were increased in the current quarter by PLN 193 553 thousand.

(an increase in costs by PLN 584 794 thousand since the beginning of the financial year)

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

3. Type and amounts of changes in estimates

Provisions

The effects of revaluation or recognition of estimates of future liabilities (provisions) were settled in the financial result of the current quarter, and 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 and a decrease in the financial result in the amount of PLN 53 369 thousand (after reflecting the deferred tax effects a decrease in profit in the amount of PLN 43 229 thousand),

(a decrease in profit after reflecting the deferred tax effects by PLN 76 969 thousand since the beginning of the financial year)

- 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 in the amount of PLN 35 967 thousand which was settled as a decrease in the financial result in the amount of PLN 8 449 thousand and as an

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

increase of property, plant and equipment in the amount of PLN 27 518 thousand. The increase in the provision resulted in an increase in deferred tax assets in the amount of PLN 6 577 thousand,
(an increase in the provision by PLN 82 609 thousand since the beginning of the financial year, which was settled as a decrease in the financial result in the amount of PLN 24 013 thousand and as an increase of property, plant and equipment in the amount of PLN 58 596 thousand.)

3.3 provisions for future employee remuneration costs together with charges in the amount of PLN 185 108 thousand, 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 at 30 September 2012 amounted to PLN 423 760 thousand)

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

Deferred tax

The result of differences between the carrying amount and the tax base of statement of financial position items 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 316 459 thousand.

(after offsetting the deferred tax asset and deferred tax liability, the deferred tax asset at 31 December 2011 was set at PLN 168 462 thousand).

There was a decrease in the deferred tax asset in the current quarter in the amount of PLN 15 692 thousand, which was settled:

- o as a decrease in profit, PLN 6 635 thousand,
- o as a decrease in other comprehensive income due to measurement of hedging financial instruments and available-for-sale financial assets PLN 9 057 thousand.

(an increase in the deferred tax asset since the beginning of the financial year in the amount of PLN 164 300 thousand, which was settled as:

- an increase in profit, PLN 133 379 thousand,
- an increase in other comprehensive income due to measurement of hedging financial instruments and available-for-sale financial assets, PLN 30 921 thousand.)

There was a decrease in the deferred tax liability in the current quarter in the amount of PLN 59 046 thousand, of which the following was settled:

- o as a decrease in profit, PLN 12 534 thousand,
- o as an increase in other comprehensive income due to measurement of hedging financial instruments and available-for-sale financial assets PLN 71 580 thousand.

(an increase in the deferred tax liability since the beginning of the financial year in the amount of PLN 16 303 thousand, of which the following was settled:

- as a decrease in profit, PLN 105 014 thousand
- as an increase in other comprehensive income due to measurement of hedging financial instruments and available-for-sale financial assets PLN 88 711 thousand.)

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

Economic results in the third quarter of 2012

In the third quarter of 2012, KGHM Polska Miedź S.A. produced 107 thousand t of copper in concentrate, in the period of 9 months of 2012: 323 thousand t. Electrolytic copper production amounted to 146 thousand t, accrued 419 thousand t (including 108 thousand t from own concentrate, accrued 312 thousand t), and 303 t of metallic silver, accrued 956 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 7 706 USD/t,
- an average exchange rate of 3.31 USD/PLN,
- average silver prices on the London Bullion Market Association (LBMA) of 29.80 USD/troz, and
- the sales volume of copper and copper products (146 thousand t), and of silver (302 t).

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

The **revenues from sales** achieved of PLN 5 054 915 thousand were lower by PLN 188 907 thousand, i.e. 4% than those achieved in the comparable prior period, in respect of which the impact of a decrease in metals prices (a decrease in copper prices from 8 982 USD/t to 7 706 USD/t and silver from 38.80 USD/troz to 29.80 USD/troz) was offset by a more favourable USD/PLN exchange rate (a change from 2.94 USD/PLN to 3.31 USD/PLN).

In the third quarter of 2012, revenues from the sale of copper and copper products represented 77%, and silver 20% (in the comparable period of 2011 respectively: 76% and 20%) of total revenues from sales.

Operating costs (cost of sales, selling costs and administrative expenses) in the third quarter of 2012 amounted to PLN 3 547 067 thousand and were higher versus the comparable prior period by PLN 678 149 thousand, i.e. by 24%, with a similar volume of copper products sales and a higher by 8% volume of metallic silver sales.

Expenses by nature in the third quarter of 2012 amounted to PLN 3 649 199 thousand, and after excluding purchased copper-bearing materials in the amount of PLN 1 090 994 thousand and the minerals extraction tax (PLN 582 118 thousand) amounted to PLN 1 976 087 thousand and were higher than those in the comparable prior year period by 7% (i.e. by PLN 126 411 thousand).

The increase in the level of other expenses by nature was mainly due to the following:

- higher remuneration together with charges due to an increase in the interest rate on disability insurance premium,
- an increase in depreciation/amortisation due to realisation of a higher scope of capital expenditures and their settlement for use,
- an increase in prices of materials and fuels, and higher energy consumption, among others due to realisation of the central air conditioning project in the mining divisions.

The pre-precious metals credit unit cost of electrolytic copper production (total cost prior to decrease by the value of precious metals) in the third quarter of 2012 amounted to 23 087 PLN/t, and increased versus the third quarter of 2011 by 26% due to the following:

- increase in the cost of own concentrate production due to the introduced mineral extraction tax (3 554 PLN/t),
- increase in other costs, including amortisation/depreciation, labour costs, materials and energy used, and external services.

Taking into consideration the valuation of precious metals in anode slimes, the total unit cost of copper production amounted to 19 080 PLN/t.

The pre-precious metals credit unit cost of copper production from own concentrate amounted to 21 999 PLN/t (in the comparable period – 15 322 PLN/t) alongside a slightly lower volume of production from own concentrate and mineral extraction tax burden (4 807 PLN/t). The total cost of copper production from own concentrate amounted to 16 945 PLN/t.

Other operating activities showed a loss in the third quarter of 2012 in the amount of PLN 8 625 thousand, meaning a worsening of the result from these activities versus the third quarter of 2011 by PLN 1 318 361 thousand, mainly due to a change in the result on exchange differences and measurement and realisation of derivatives.

As a result of the above, **operating profit** in the third quarter of 2012 amounted to PLN 1 499 223 thousand and decreased versus the comparable period of 2011 by PLN 2 185 417 thousand, i.e. by 59%.

KGHM Polska Miedź S.A. earned a **profit for the third quarter of 2012** of PLN 1 120 338 thousand, which was lower by PLN 2 080 904 thousand, i.e. by 65%, than that achieved in the third quarter of 2011.

EBITDA in the third quarter of 2012 amounted to PLN 1 692 776 thousand (including depreciation/amortisation of PLN 193 553 thousand) and was lower by PLN 2 156 856 thousand, i.e. by 56%, 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.

In the third quarter of 2012, strategies hedging the copper price represented approx. 35%, and those hedging the silver price approx. 28%, of the sales of metals realised by the Company. In the case of currency transactions, approx. 14% of revenues from sales realised by the Company in this period were hedged.

In the third quarter of 2012, the positive result on derivatives amounted to PLN 131 497 thousand, of which the amount of PLN 106 858 thousand was recognised in revenues from sales (the amount transferred from accumulated other comprehensive income to profit or loss), the amount of PLN 24 639 thousand increased the result on other operating activities, of which PLN 93 363 thousand represented a loss due to the realisation of derivatives, while PLN 118 002 thousand represented a gain due to the measurement of derivatives. The gain 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.

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

The impact of derivatives on the profit or loss of the current and comparable periods is presented below:

	Financial period			
	for the 3 months ended 30 September 2012	for the 9 months ended 30 September 2012	for the 3 months ended 30 September 2011	for the 9 months ended 30 September 2011
Impact on sales	106 858	247 970	40 296	123 873
Impact on other operating activities	24 639	(15 233)	628 280	705 179
Gains/(losses) from realisation of derivatives	(93 363)	(179 161)	31 585	56 905
Gains/(losses) from measurement of derivatives	118 002	163 928	596 695	648 274
Total impact of derivatives on profit or loss for the period:	131 497	232 737	668 576	829 052

In the third quarter of 2012, the Company implemented copper price hedging strategies with a total volume of 70.5 thousand tonnes and a time horizon falling in years 2013-2014. The Company made use of option strategies: collars and seagulls (Asian options). In the analysed period, the Company did not implement any hedging strategies on the silver and currency market.

The Company remains hedged for a portion of copper sales planned in the fourth quarter of 2012 (51.38 thousand tonnes), in 2013 (135 thousand tonnes), in 2014 (81 thousand tonnes) and in 2015 (42 thousand tonnes). A portion of silver sales planned in the fourth quarter of 2012 (2.7 million troz), and in 2013 (3.6 million troz) is also hedged. With respect to revenues from sales (currency market) the Company holds a hedging position in the fourth quarter of 2012 (USD 210 million), in 2013 (USD 960 million), in 2014 (USD 720 million) and in 2015 (USD 360 million).

Following is presented condensed information on open hedging positions, by type of hedged asset and instruments used as at 30 September 2012. The hedged nominal/volume in the months included in the presented periods is equally balanced.

HEDGING POSITION (condensed information) – COPPER MARKET

Period	Instrument	Volume [tonnes]	Execution price [USD/t]	Average weighted premium [USD/t]	Effective hedge price [USD/t]	
IV quarter of 2012	Collar ²	Sold call option	9 750	9 300	6 446 participation restricted to 9 300	
		Purchased put option		6 900		
	Collar ²	Sold call option	9 750	9 000	6 341 participation restricted to 9 000	
		Purchased put option		6 800		
	Collar ²	Sold call option	9 750	9 500	6 747 participation restricted to 9 500	
		Purchased put option		7 200		
		Producer's puts ³	9 750	8 500	8.74% ⁴	minimal effective hedging price 7 817
		Producer's puts ³	12 375	8 300	8.66% ⁴	minimal effective hedging price 7 639
	Total	51 375				
	IV quarter of 2012, total	51 375				

² Tables presenting the condensed list of open hedging positions, include restructured items: the type of instrument was changed from seagull to collar. The cost of restructuring (premium for repurchase of options) was added to the cost of implementation (i.e. the average weighted premium) and the effective hedge price/exchange rate was changed.

³ Due to current hedge accounting laws, transactions embedded within a producer's put – a purchased put option – are shown in the table containing a detailed list of derivatives positions – „Hedging instruments“, while sold call options are shown in the table „Trade instruments“.

⁴ Payable at the moment of settlement.

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

HEDGING POSITION (condensed information) – COPPER MARKET (continued)

Period	Instrument		Volume [tonnes]	Execution price [USD/t]	Average weighted premium [USD/t]	Effective hedge price [USD/t]
I half of 2013	Seagull ⁵	Sold call option	19 500	9 500	(383)	6 817 restricted to 4 700 participation restricted to 9 500
		Purchased put option		7 200		
		Sold put option		4 700		
	Collar	Sold call option	10 500	12 000	(460)	8 040 participation restricted to 12 000
		Purchased put option		8 500		
	Collar	Sold call option	10 500	11 500	(333)	7 867 participation restricted to 11 500
		Purchased put option		8 200		
	Seagull ⁵	Sold call option	6 000	10 200	(332)	7 368 restricted to 4 500 participation restricted to 10 200
		Purchased put option		7 700		
		Sold put option		4 500		
	Seagull ⁵	Sold call option	15 000	10 300	(368)	7 432 restricted to 4 500 participation restricted to 10 300
		Purchased put option		7 800		
		Sold put option		4 500		
	Collar	Sold call option	3 000	9 200	(320)	6 880 participation restricted to 9 200
		Purchased put option		7 200		
Collar	Sold call option	9 000	9 300	(340)	6 960 participation restricted to 9 300	
	Purchased put option		7 300			
Total			73 500			
II half of 2013	Collar	Sold call option	10 500	12 000	(460)	8 040 participation restricted to 12 000
		Purchased put option		8 500		
	Collar	Sold call option	10 500	11 500	(333)	7 867 participation restricted to 11 500
		Purchased put option		8 200		
	Seagull ⁵	Sold call option	6 000	10 200	(332)	7 368 restricted to 4 500 participation restricted to 10 200
		Purchased put option		7 700		
		Sold put option		4 500		
	Seagull ⁵	Sold call option	15 000	10 300	(368)	7 432 restricted to 4 500 participation restricted to 10 300
		Purchased put option		7 800		
		Sold put option		4 500		
	Collar	Sold call option	19 500	9 300	(290)	7 310 participation restricted to 9 300
		Purchased put option		7 600		
Total			61 500			
TOTAL 2013			135 000			
I half of 2014	Seagull ⁵	Sold call option	6 000	10 200	(332)	7 368 restricted to 4 500 participation restricted to 10 200
		Purchased put option		7 700		
		Sold put option		4 500		
	Seagull ⁵	Sold call option	15 000	10 300	(368)	7 432 restricted to 4 500 participation restricted to 10 300
		Purchased put option		7 800		
		Sold put option		4 500		
	Seagull ⁵	Sold call option	19 500	9 300	(281)	7 419 restricted to 5 000 participation restricted to 9 300
		Purchased put option		7 700		
		Sold put option		5 000		
Total			40 500			
II half of 2014	Seagull ⁵	Sold call option	6 000	10 200	(332)	7 368 restricted to 4 500 participation restricted to 10 200
		Purchased put option		7 700		
		Sold put option		4 500		
	Seagull ⁵	Sold call option	15 000	10 300	(368)	7 432 restricted to 4 500 participation restricted to 10 300
		Purchased put option		7 800		
		Sold put option		4 500		
	Seagull ⁵	Sold call option	19 500	9 300	(281)	7 419 restricted to 5 000 participation restricted to 9 300
		Purchased put option		7 700		
		Sold put option		5 000		
Total			40 500			
TOTAL 2014			81 000			

⁵ Due to current hedge accounting laws, transactions embedded within a seagull – a purchased put option and a sold call option – are shown in the table „Hedging instruments”, while sold put options are shown in the table „Trade instruments”.

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

HEDGING POSITION (condensed information) – COPPER MARKET (continued)

I half of 2015	Seagull ⁵	Sold call option	6 000	10 200	(332)	7 368 restricted to 4 500 participation restricted to 10 200
		Purchased put option		7 700		
		Sold put option		4 500		
	Seagull ⁵	Sold call option	15 000	10 300	(368)	7 432 restricted to 4 500 participation restricted to 10 300
		Purchased put option		7 800		
		Sold put option		4 500		
Total		21 000				
II half of 2015	Seagull ⁵	Sold call option	6 000	10 200	(332)	7 368 restricted to 4 500 participation restricted to 10 200
		Purchased put option		7 700		
		Sold put option		4 500		
	Seagull ⁵	Sold call option	15 000	10 300	(368)	7 432 restricted to 4 500 participation restricted to 10 300
		Purchased put option		7 800		
		Sold put option		4 500		
Total		21 000				
TOTAL 2015		42 000				

HEDGING POSITION (condensed information) – SILVER MARKET

Period	Instrument		Volume [million troz]	Execution price [USD/troz]	Average weighted premium [USD/troz]	Effective hedge price [USD/troz]
IV quarter of 2012	Purchased put option		0.90	30.00	(2.89)	27.11
	Put spread ⁶	Purchased put option		40.00		38.82
		Sold put option ²	19.80	restricted to 19.80		
	Collar	Sold call option	0.90	62.00	(1.63)	35.37
		Purchased put option		37.00		participation restricted to 62.00
Total		2.70				
IV quarter of 2012, total			2.70			
I half of 2013	Seagull ⁵	Sold call option	1.80	65.00	(1.98)	38.02 restricted to 20.00 participation restricted to 65.00
		Purchased put option		40.00		
		Sold put option		20.00		
	Total		1.80			
II half of 2013	Seagull ⁵	Sold call option	1.80	65.00	(1.98)	38.02 restricted to 20.00 participation restricted to 65.00
		Purchased put option		40.00		
		Sold put option		20.00		
	Total		1.80			
TOTAL 2013			3.60			

HEDGING POSITION (condensed information) – CURRENCY MARKET

Period	Instrument		Notional [million USD]	Execution price [USD/PLN]	Average weighted premium [PLN per 1 USD]	Effective hedge price [USD/PLN]
IV quarter of 2012	Seagull ⁵	Sold call option	45	4.4000	(0.0708)	3.2292 restricted to 2.70 participation restricted to 4.40
		Purchased put option		3.3000		
		Sold put option		2.7000		
	Collar	Sold call option	45	4.5000	(0.1443)	3.2557 participation restricted to 4.50
		Purchased put option		3.4000		
	Collar	Sold call option	120	4.2000	(0.0650)	3.1350 participation restricted to 4.20
		Purchased put option		3.2000		
Total		210				
IV quarter of 2012, total			210			
I half of 2013	Seagull ⁵	Sold call option	240	4.0000	(0.0332)	3.1168 restricted to 2.60 participation restricted to 4.00
		Purchased put option		3.1500		
		Sold put option		2.6000		
	Collar	Sold call option	240	4.2000	(0.0650)	3.1350 participation restricted to 4.20
		Purchased put option		3.2000		
Total		480				
II half of 2013	Seagull ⁵	Sold call option	240	4.0000	(0.0230)	3.1270 restricted to 2.60 participation restricted to 4.00
		Purchased put option		3.1500		
		Sold put option		2.6000		
	Collar	Sold call option	240	4.2000	(0.0650)	3.1350 participation restricted to 4.20
		Purchased put option		3.2000		
Total		480				
TOTAL 2013			960			

⁶ Due to current hedge accounting laws, transactions embedded within a put spread – purchased put options – are shown in the table containing a detailed list of derivatives positions – „Hedging instruments“, while sold put options are shown in the table „Trade instruments“.

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

HEDGING POSITION (condensed information) – CURRENCY MARKET (continued)

I half of 2014	Seagull ⁵	Sold call option	180	4.5000	(0.0506)	3.4494 restricted to 2.70 participation restricted to 4.50
		Purchased put option		3.5000		
		Sold put option		2.7000		
	Collar	Sold call option	180	4.5000	(0.0093)	3.3907 participation restricted to 4.50
		Purchased put option		3.4000		
Total		360				
II half of 2014	Seagull ⁵	Sold call option	180	4.5000	(0.0345)	3.4655 restricted to 2.70 participation restricted to 4.50
		Purchased put option		3.5000		
		Sold put option		2.7000		
	Collar	Sold call option	180	4.5000	(0.0093)	3.3907 participation restricted to 4.50
		Purchased put option		3.4000		
Total		360				
TOTAL 2014		720				
I half of 2015	Collar	Sold call option	180	4.5000	(0.0080)	3.3920 participation restricted to 4.50
		Purchased put option		3.4000		
	Total		180			
II half of 2015	Collar	Purchased put option	180	4.5000	(0.0080)	3.3920 participation restricted to 4.50
		Sold put option		3.4000		
	Total		180			
TOTAL 2015		360				

All entities with which derivative transactions are entered into operate in the financial sector. These are financial institutions (mainly banks), with the highest⁷ (5.5%), medium-high⁸ (77.8%) or medium⁹ (16.7%) ratings. Based on fair value at 30 September 2012, the maximum share of a single entity with respect to credit risk arising from open derivative transactions entered into by the Company amounted to 18.1%.

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 financial institutions, and also taking into consideration the fair value of assets and liabilities arising from derivative transactions, 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.

At 30 September 2012, the net fair value of open positions in derivatives amounted to PLN 702 619 thousand, of which PLN 810 841 thousand related to the positive fair value of hedging instruments, and PLN 108 222 thousand 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 and liabilities due to unsettled derivatives with a settlement date of 2 October 2012, as at 30 September 2012, are presented in the following table:

	Derivatives	Receivables and liabilities due to unsettled derivatives
Financial assets	1 254 226	16 821
Financial liabilities	(551 607)	(16 440)
As at 30 September 2012	702 619	381

Detailed information on positions in derivatives as at 30 September 2012 is presented on the following page in the tables "Trade instruments", "Hedging instruments" and "Instruments initially designated as hedging instruments excluded from hedge accounting".

⁷ 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.

⁸ 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.

⁹ 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)

							At 30 September 2012					
TRADE INSTRUMENTS							Financial assets		Financial liabilities			
Type of derivative	Volume/ Notional		Avg. weighted price/ex. rate				Current	Non- current	Current	Non- current		
	Cu [t] Ag ['000 troz] Currency ['000 USD]	Cu [t] Ag ['000 troz] Currency ['000 USD]	Cu [USD/t] Ag [USD/troz] Currency [USD/PLN]	Cu [USD/t] Ag [USD/troz] Currency [USD/PLN]								
Derivatives - Metals - Copper:												
Options												
Sold call options		1 924		1					(50 166)			
Sold put options		213 750		4 628					(159)	(31 713)		
TOTAL:									(50 325)	(31 713)		
Derivatives - Metals - Silver:												
Options												
Sold put options		4 500		19.96					(214)	(627)		
TOTAL:									(214)	(627)		
Derivatives - Currency contracts:												
Options USD												
Sold put options		885 000		2.6458					(3 052)	(22 291)		
TOTAL:									(3 052)	(22 291)		
TOTAL TRADE INSTRUMENTS									(53 591)	(54 631)		
							At 30 September 2012					
HEDGING INSTRUMENTS							Financial assets		Financial liabilities			
Type of derivative	Volume/ Notional		Avg. weighted price/ ex. rate		Maturity/ settlement period		Period of profit/loss impact		Current	Non- current	Current	Non- current
	Cu [t] Ag ['000 troz] Currency ['000 USD]	Cu [t] Ag ['000 troz] Currency ['000 USD]	Cu [USD/t] Ag [USD/troz] Currency [USD/PLN]	Cu [USD/t] Ag [USD/troz] Currency [USD/PLN]	From	To	From	To				
Derivatives - Metals- Copper												
Options												
Collar	73 500		7 976-10 696		Jan-13	Dec-13	Feb-13	Jan-14	82 669	69 137	(20 722)	(27 182)
Collar - seagulls	213 750		7 596-9 886		Oct-12	Dec-15	Nov-12	Jan-16	51 508	424 912	(26 166)	(275 285)
Purchased put options- producer's puts	22 125		8 388		Oct-12	Dec-12	Nov-12	Jan-13	25 570			
TOTAL:									159 747	494 049	(46 888)	(302 467)
Derivatives - Metals - Silver												
Options												
Purchased put options	1 800		35.00		Oct-12	Dec-12	Nov-12	Jan-13	16 045			
Collar	900		37.00-62.00		Oct-12	Dec-12	Nov-12	Jan-13	8 166			
Seagull	3 600		40.00-65.00		Jan-13	Dec-13	Feb-13	Jan-14	50 072	29 390	(207)	(759)
TOTAL:									74 283	29 390	(207)	(759)
Derivatives - Currency contracts												
Options USD												
Collar	1 365 000		3.3121-4.3681		Oct-12	Dec-15	Oct-12	Dec-15	69 601	235 385	(2 818)	(61 483)
Seagull	885 000		3.3000-4.2237		Oct-12	Dec-14	Oct-12	Dec-14	48 933	142 838	(5 732)	(23 031)
TOTAL:									118 534	378 223	(8 550)	(84 514)
TOTAL HEDGING INSTRUMENTS									352 564	901 662	(55 645)	(387 740)

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

At 30 September 2012, accumulated other comprehensive income (excluding the deferred tax effect) due to cash flow hedging instruments amounted to PLN 161 295 thousand, of which PLN 107 166 thousand related to the effective portion of the result from the measurement of transactions hedging metals price risk, and PLN 54 129 thousand related to the effective portion of the result from the measurement of transactions hedging currency risk.

At 30 June 2012, accumulated other comprehensive income (excluding the deferred tax effect) due to cash flow hedging instruments amounted to PLN 549 321 thousand. The entire amount related to the effective portion of the result from the measurement of transactions hedging metals price risk.

During the third quarter of 2012 there was a decrease in other comprehensive income by PLN 388 026 thousand (excluding the deferred tax effect), comprised of:

- changes in fair value during the period recognised as a decrease in accumulated other comprehensive income due to the measurement of the effective portion of hedging transactions, in the amount of PLN 281 168 thousand,
- the amount of PLN 106 858 thousand, decreasing accumulated other comprehensive income, transferred to increase revenues from sales, due to the settlement of the effective portion of hedging transactions.

	At		
	30 September 2012	30 June 2012	31 December 2011
Accumulated other comprehensive income			
Commodity price risk hedging transactions (copper and silver) - derivatives	107 166	549 321	708 992
Currency risk hedging transactions - derivatives	54 129	-	-
Total accumulated other comprehensive income - financial instruments hedging future cash flows (excluding deferred tax effects)	161 295	549 321	708 992

Lubin, 12 November 2012