POLISH FINANCIAL SUPERVISION AUTHORITY

Consolidated quarterly report QSr 4 / 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, with subsequent amendments)

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

For the fourth quarter of the financial year **2012** comprising the period from **1 October 2012** to **31 December 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: 1 March 2013

KGHM Polska Miedź Spółka Akcyjna
(name of the issuer)

KGHM Polska Miedź S.A.	**Basic materials**
(name of issuer in brief)	(issuer branch title per the Warsaw Stock Exchange)
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This report is a direct translation from the original Polish version.
In the event of differences, reference should be made to the official Polish version.

SELECTED FINANCIAL DATA

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

	in PLN '000		in EUR '000	
	4 quarters of 2012 period from 1 January 2012 to 31 December 2012	**4 quarters of 2011 period from 1 January 2011 to 31 December 2011 restated**	**4 quarters of 2012 period from 1 January 2012 to 31 December 2012**	**4 quarters of 2011 period from 1 January 2011 to 31 December 2011 restated**
I. Continued operations				
Sales	26 837 438	22 107 230	6 430 285	5 339 782
Operating profit	6 605 251	13 231 812	1 582 627	3 196 013
Profit before income tax	6 459 307	13 367 836	1 547 658	3 228 868
Profit for the period from continued operations	4 812 465	11 067 430	1 153 073	2 673 228
II. Discontinued operations				
Profit for the period from discontinued operations	-	59 631	-	14 403
III. Total profit for the period	4 812 465	11 127 061	1 153 073	2 687 631
IV. Profit for the period attributable to shareholders of the Parent Entity	4 811 787	11 126 514	1 152 911	2 687 499
V. Profit for the period attributable to non-controlling interest	678	547	162	132
VI. Other comprehensive income	(739 425)	297 218	(177 167)	71 790
VII. Total comprehensive income	4 073 040	11 424 279	975 906	2 759 421
VIII. Total comprehensive income attributable to the shareholders of the Parent Entity	4 076 836	11 405 538	976 816	2 754 894
IX. Total comprehensive income attributable to non-controlling interest	(3 796)	18 741	(910)	4 527
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	24.06	55.63	5.76	13.44
XII. Net cash generated from operating activities	5 527 699	9 098 660	1 324 444	2 197 691
XIII.Net cash (used in)/ generated from investing activities	(10 635 715)	3 049 579	(2 548 331)	736 595
XIV. Net cash (used in) financing activities	(4 428 439)	(2 978 408)	(1 061 060)	(719 405)
XV. Total net cash flow	(9 536 455)	9 169 831	(2 284 947)	2 214 881

	At 31 December 2012	**At 31 December 2011 restated**	**At 31 December 2012**	**At 31 December 2011 restated**
XVI. Non-current assets	23 796 978	12 132 738	5 820 894	2 746 952
XVII. Current assets	9 908 465	18 516 811	2 423 674	4 192 359
XVIII. Total assets	33 705 443	30 649 549	8 244 568	6 939 311
XIX. Non-current liabilities	7 145 236	2 827 280	1 747 770	640 120
XX. Current liabilities	4 840 791	4 432 081	1 184 089	1 003 460
XXI. Equity	21 719 416	23 390 188	5 312 709	5 295 731
XXII. Non-controlling interest	231 585	288 844	56 647	65 397

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

	in PLN '000		in EUR '000	
	4 quarters of 2012 period from 1 January 2012 to 31 December 2012	**4 quarters of 2011 period from 1 January 2011 to 31 December 2011 restated**	**4 quarters of 2012 period from 1 January 2012 to 31 December 2012**	**4 quarters of 2011 period from 1 January 2011 to 31 December 2011 restated**
I. Sales	20 736 845	20 097 392	4 968 575	4 854 325
II. Operating profit	6 425 997	13 760 435	1 539 677	3 323 696
III. Profit before income tax	6 417 086	13 726 392	1 537 542	3 315 474
IV. Profit for the period	4 868 249	11 393 484	1 166 439	2 751 983
V. Other comprehensive income	(412 289)	265 550	(98 785)	64 141
VI. Total comprehensive income	4 455 960	11 659 034	1 067 655	2 816 124
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)	24.34	56.97	5.83	13.76
IX. Net cash generated from operating activities	4 702 716	8 768 122	1 126 777	2 117 853
X. Net cash (used in)/generated from investing activities	(11 334 782)	3 589 742	(2 715 829)	867 066
XI. Net cash used in financing activities	(4 618 914)	(2 993 020)	(1 106 698)	(722 934)
XII. Total net cash flow	(11 250 980)	9 364 844	(2 695 750)	2 261 985

	At 31 December 2012	**At 31 December 2011 restated**	**At 31 December 2012**	**At 31 December 2011 restated**
XIII. Non-current assets	22 410 582	11 696 705	5 481 772	2 648 231
XIV. Current assets	5 766 730	17 556 484	1 410 579	3 974 933
XV. Total assets	28 177 312	29 253 189	6 892 351	6 623 164
XVI. Non-current liabilities	2 454 911	2 249 946	600 487	509 406
XVII. Current liabilities	3 798 931	3 867 732	929 243	875 686
XVIII. Equity	21 923 471	23 135 511	5 362 622	5 238 071

Table of contents to the consolidated quarterly report

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

A. Interim condensed consolidated financial statements

(Consolidated financial statements)

Interim consolidated statement of financial position

	Note	At		
		31 December 2012	**31 December 2011 restated***	**1 January 2011 restated***
ASSETS				
Non-current assets				
Property, plant and equipment		14 173	9 093	8 671
Intangible assets		2 214	663	605
Investment property		60	60	60
Investments accounted for using the equity method		3 078	-	1 431
Deferred tax assets		659	272	593
Available-for-sale financial assets		892	994	752
Mine closure financial assets		460	112	84
Derivatives		745	899	404
Trade and other receivables		1 516	40	14
		23 797	**12 133**	**12 614**
Current assets				
Inventories		3 771	2 658	2 222
Trade and other receivables		2 850	1 839	2 728
Current corporate tax receivables		126	8	4
Available-for-sale financial assets		149	16	416
Mine closure financial assets		-	2	4
Derivatives		382	860	298
Cash and cash equivalents		2 629	13 130	3 087
Non-current assets held for sale		2	4	1
		9 909	**18 517**	**8 760**
TOTAL ASSETS		**33 706**	**30 650**	**21 374**
EQUITY AND LIABILITIES				
Equity attributable to shareholders of the Parent Entity				
Share capital		2 000	2 000	2 000
Revaluation reserve from measurement of available-for-sale financial assets		(51)	(38)	120
Revaluation reserve from measurement of cash flow hedging instruments		286	574	90
Exchange differences from the translation of foreign operations statements		(235)	19	-
Retained earnings		19 487	20 547	12 461
		21 487	**23 102**	**14 671**
Non-controlling interest		**232**	**289**	**256**
TOTAL EQUITY		**21 719**	**23 391**	**14 927**
LIABILITIES				
Non-current liabilities				
Trade and other payables		737	142	136
Borrowings, debt securities and finance lease liabilities	A.IV.7	1 783	194	174
Derivatives		230	538	712
Deferred tax liabilities		1 782	129	168
Employee benefits liabilities		1 615	1 339	1 222
Provisions for other liabilities and charges		999	485	521
		7 146	**2 827**	**2 933**
Current liabilities				
Trade and other payables		3 031	2 249	2 106
Borrowings, debt securities and finance lease liabilities	A.IV.7	1 075	104	96
Current corporate tax liabilities		497	1 596	672
Derivatives		25	331	482
Employee benefits liabilities		133	126	111
Provisions for other liabilities and charges		80	26	47
		4 841	**4 432**	**3 514**
TOTAL LIABILITIES		**11 987**	**7 259**	**6 447**
TOTAL EQUITY AND LIABILITIES		**33 706**	**30 650**	**21 374**

* details presented in note A.I.4

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

A. Interim condensed consolidated financial statements (continued)

Interim consolidated statement of profit or loss

	Note	Financial period			
		for the 3 months ended 31 December 2012	**for the 12 months ended 31 December 2012**	**for the 3 months ended 31 December 2011 restated***	**for the 12 months ended 31 December 2011 restated***
Continued operations					
Sales	A.IV.2	6 938	26 837	5 365	22 107
Cost of sales	A.IV.3	(5 071)	(18 194)	(2 940)	(11 631)
Gross profit		**1 867**	**8 643**	**2 425**	**10 476**
Selling costs	A.IV.3	(117)	(408)	(46)	(187)
Administrative expenses	A.IV.3	(301)	(1 086)	(256)	(849)
Other operating income	A.IV.4	324	1 667	2 570	4 605
Other operating costs	A.IV.5	(534)	(2 212)	(275)	(813)
Operating profit		**1 239**	**6 604**	**4 418**	**13 232**
Finance costs	A.IV.6	(26)	(145)	(17)	(52)
Share of profits of investments accounted for using the equity method		-	-	-	188
Profit before income tax		**1 213**	**6 459**	**4 401**	**13 368**
Income tax expense		(389)	(1 647)	(838)	(2 300)
Profit for the period from continued operations		**824**	**4 812**	**3 563**	**11 068**
Discontinued operations					
Profit for the period from discontinued operations		-	-	28	60
Profit for the period		**824**	**4 812**	**3 591**	**11 128**
Profit for the period attributable to:					
shareholders of the Parent Entity		825	4 811	3 593	11 127
non-controlling interest		(1)	1	(2)	1
Earnings per share from continued operations attributable to the shareholders of the Parent Entity for the reporting period (in PLN per share)					
- basic		4.13	24.06	17.83	55.34
- diluted		4.13	24.06	17.83	55.34
Earnings per share from discontinued operations attributable to the shareholders of the Parent Entity for the reporting period (in PLN per share)					
- basic		-	-	0.14	0.30
- diluted		-	-	0.14	0.30

* details presented in note A.I.4

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

A. Interim condensed consolidated financial statements (continued)

Interim consolidated statement of comprehensive income

	Financial period			
	for the 3 months ended 31 December 2012	**for the 12 months ended 31 December 2012**	**for the 3 months ended 31 December 2011 restated***	**for the 12 months ended 31 December 2011 restated***
Profit for the period – continued operations	824	4 812	3 563	11 068
Profit for the period – discontinued operations	-	-	28	60
Profit for the period	**824**	**4 812**	**3 591**	**11 128**
Other comprehensive income – continued operations				
Other comprehensive income, which will be reclassified to profit or loss after meeting specific conditions, due to:	**6**	**(570)**	**(196)**	**363**
Available-for-sale financial assets	119	(5)	51	(195)
Income tax	(24)	(8)	(10)	37
	95	(13)	41	(158)
Cash flow hedging instruments	193	(355)	(312)	598
Income tax	(37)	67	59	(114)
	156	(288)	(253)	484
Exchange differences from the translation of foreign operations statements	(245)	(269)	16	37
Other comprehensive income, which will not be reclassified to profit or loss, due to:	**(125)**	**(170)**	**(38)**	**(66)**
Actuarial losses*	(154)	(210)	(48)	(82)
Income tax	29	40	10	16
Other comprehensive net income for the financial period	**(119)**	**(740)**	**(234)**	**297**
TOTAL COMPREHENSIVE INCOME	**705**	**4 072**	**3 357**	**11 425**
Total comprehensive income attributable to:				
shareholders of the Parent Entity	707	4 075	3 352	11 406
non-controlling interest	(2)	(3)	5	19

* details presented in note A.I.4

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

A. Interim condensed consolidated financial statements (continued)

Interim consolidated statement of changes in equity

	Equity attributable to shareholders of the Parent Entity							
	Share capital	**Revaluation reserve from measurement of available-for-sale financial assets**	**Revaluation reserve from measurement of cash flow hedging instruments**	**Exchange differences from the translation of foreign operations statements**	**Retained earnings**	**Total**	**Equity attributable to non-controlling interest**	**Total equity**
At 1 January 2012	**2 000**	**(38)**	**574**	**19**	**20 543**	**23 098**	**289**	**23 387**
Change in accounting principles*	-	-	-	-	4	**4**	-	**4**
At 1 January 2012 restated*	**2 000**	**(38)**	**574**	**19**	**20 547**	**23 102**	**289**	**23 391**
Dividends from profit for 2011 - paid	-	-	-	-	(5 668)	(5 668)	(1)	(5 669)
Total comprehensive income	-	(13)	(288)	(265)	4 641	4 075	(3)	4 072
Profit for the period	-	-	-	-	4 811	4 811	1	4 812
Other comprehensive income	-	(13)	(288)	(265)	(170)	(736)	(4)	(740)
Changes in ownership shares in subsidiaries which do not lead to a loss of control	-	-	-	11	(33)	(22)	(53)	(75)
At 31 December 2012	**2 000**	**(51)**	**286**	**(235)**	**19 487**	**21 487**	**232**	**21 719**
At 1 January 2011	**2 000**	**120**	**90**	**-**	**12 456**	**14 666**	**256**	**14 922**
Change in accounting principles*	-	-	-	-	5	**5**	-	**5**
At 1 January 2011 restated*	**2 000**	**120**	**90**	**-**	**12 461**	**14 671**	**256**	**14 927**
Dividends from profit for 2010 paid	-	-	-	-	(2 980)	(2 980)	-	(2 980)
Total comprehensive income	-	(158)	484	19	11 061	11 406	19	11 425
Profit for the period	-	-	-	-	11 127	11 127	1	11 128
Other comprehensive income	-	(158)	484	19	(66)	279	18	297
Obligation to repurchase of non-controlling interest	-	-	-	-	(2)	(2)	-	(2)
Changes due to obtaining control of subsidiaries	-	-	-	-	-	-	22	22
Changes in ownership shares in subsidiaries which do not lead to a loss of control	-	-	-	-	7	7	(8)	(1)
At 31 December 2011 restated*	**2 000**	**(38)**	**574**	**19**	**20 547**	**23 102**	**289**	**23 391**

* details presented in note A.I.4

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

A. Interim condensed consolidated financial statements (continued)

Interim consolidated statement of cash flows

	Financial period for the 12 months ended 31 December 2012	for the 12 months ended 31 December 2011 restated*
Cash flow from operating activities		
Profit for the period	4 812	11 128
Adjustments to profit for the period:	3 585	(714)
Income tax recognised in profit or loss	1 647	2 307
Amortisation/Depreciation	1 455	913
Gains on the sale of subsidiaries and an associate	-	(2 311)
Losses on the sale of property, plant and equipment and intangible assets	6	9
Share in losses/(profits) of investments accounted for using the equity method	-	(188)
Impairment loss on property, plant and equipment, intangible assets, available for sale financial assets and allowances for impairment of loans granted	203	11
Interest and share in profits (dividends)	8	(23)
Foreign exchange losses/(gains)	852	(866)
Change in provisions	50	36
Change assets/liabilities due to derivatives	(5)	(542)
Reclassification of other comprehensive income to profit or loss as a result of realisation of derivatives	(333)	(242)
Other adjustments	58	(62)
Changes in working capital:	(356)	244
Inventories	(285)	(436)
Trade and other receivables	(347)	568
Trade and other payables	276	112
Income tax paid	(2 870)	(1 316)
Net cash generated from operating activities	**5 527**	**9 098**
Cash flow from investing activities		
Purchase of subsidiaries, less acquired cash and cash equivalents	(6 891)	(117)
Proceeds from sale and liquidation of subsidiaries	-	892
Purchase of an entity accounted for using the equity method	(33)	-
Proceeds from sale of an associate	-	3 672
Purchase of property, plant and equipment and intangible assets	(2 402)	(1 859)
Advances granted for purchase of property, plant and equipment and intangible assets	(93)	(68)
Proceeds from sale of property, plant and equipment and intangible assets	42	19
Purchase of available-for-sale financial assets	-	(1 586)
Proceeds from sale of available-for-sale financial assets	3	1 560
Purchase of mine closure financial assets	(93)	(26)
Establishment of deposits	(43)	(518)
Termination of deposits	56	800
Loans granted	(1 251)	-
Proceeds from repayments of loans granted	2	-
Interest received	1	9
Dividends received	57	277
Other investment proceeds/(expenses)	9	(6)
Net cash (used in)/generated from investing activities	**(10 636)**	**3 049**
Cash flow from financing activities		
Capital contributions to a subsidiary from holders of non-controlling interest	17	-
Proceeds from bank and other loans	1 439	141
Repayments of bank and other loans	(86)	(105)
Payments of liabilities due to finance leases	(11)	(24)
Interest paid	(138)	(12)
Dividends paid to shareholders of the Parent Entity	(5 668)	(2 980)
Dividends paid to non-controlling interests	(1)	-
Donations received	19	-
Other financial proceeds	1	1
Net cash used in financing activities	**(4 428)**	**(2 979)**
Total net cash flow	**(9 537)**	**9 168**
Exchange (losses)/gains on cash and cash equivalents	(879)	875
Movements in cash and cash equivalents	**(10 416)**	**10 043**
Cash and cash equivalents at beginning of the period	**13 130**	**3 087**
Cash and cash equivalents at end of the period	**2 714**	**13 130**
including restricted cash and cash equivalents	12	10

* details presented in note A.I.4

A. Interim condensed consolidated financial statements (continued)

Selected explanatory data

I. Principles applied in preparing the financial statements

1. Introduction

The Parent Entity of the KGHM Polska Miedź S.A. Group is KGHM Polska Miedź S.A. with its registered head office in Lubin, whose shares are traded on a regulated market. The core business of the Parent Entity is the production of copper and silver.

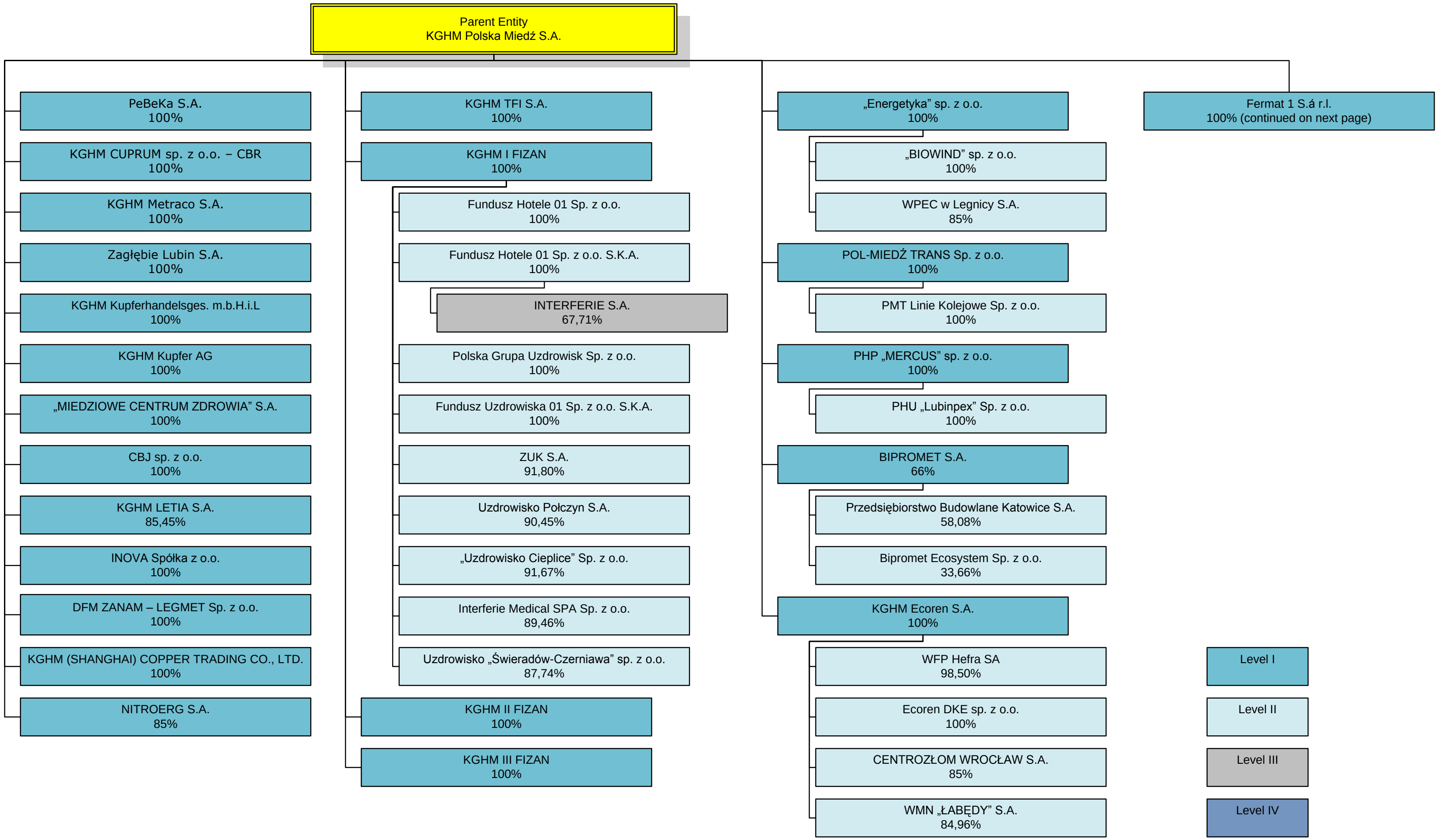
The principal activities of the Parent Entity comprise:
- mining of copper and non-ferrous metals ore,
- excavation of gravel and sand,
- production of copper, precious and non-ferrous metals,
- production of salt,
- casting of light and non-ferrous metals,
- forging, pressing, stamping and roll forming of metal - powder metallurgy,
- waste management,
- wholesale based on direct payments or contracts,
- warehousing and storage of merchandise,
- holding management activities,
- geological and exploratory activities,
- general construction activities with respect to mining and production facilities,
- generation and distribution of electricity, steam and hot water, production of gas and distribution of gaseous fuels through a supply network,
- scheduled and non-scheduled air transport, and
- telecommunication and IT activities.

Activities of KGHM Polska Miedź S.A. involving the exploitation of copper ore, salt deposits and common minerals are based on licenses issued by Minister of the Environment, Natural Resources and Forestry, and the Minister of the Environment in the years 1993-2004, most of which expire up to 31 December 2013. The Parent Entity in the current quarter continued to obtain licenses for subsequent years.
Considering the present state of progress on the licensing process and the positive social conditions of this process, the Management Board of KGHM Polska Miedź S.A. estimates the timeframe for receiving the licenses as the end of June-early July 2013. Additionally, the Management Board believes that the probability of not receiving these licenses is minimal and does not pose a threat to continuation of the activities of KGHM Polska Miedź S.A.
Detailed information on the process of obtaining licenses may be found in part C.III.1.

The business activities of the Group also include:
- mine production of metals, including copper, nickel, gold, platinum, palladium,
- production of goods from copper and precious metals,
- underground construction services,
- production of machinery and mining equipment,
- transport services,
- activities in the areas of research, analysis and design,
- production of road-building materials, and
- recovery of associated metals from copper ore.

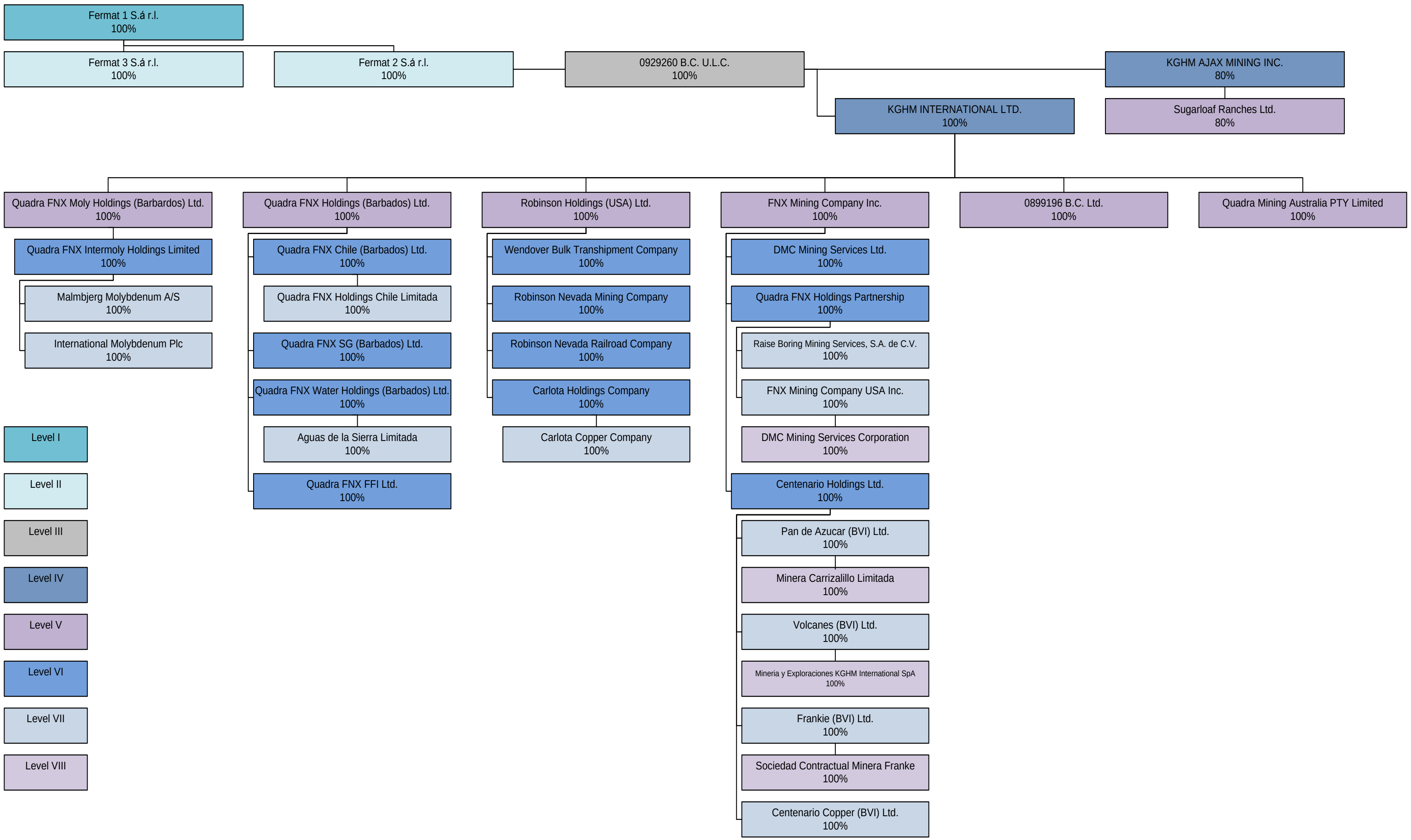
A. Interim condensed consolidated financial statements (continued)

2. Composition of the KGHM Polska Miedź S.A. Group at 31 December 2012



The percentage share represents the total share of the Group.

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 (the subsidiaries of the Group are presented in part A.I.2), and one associated entity (BAZALT-NITRON Sp. z o.o.) and two joint ventures („Elektrownia Blachownia Nowa" sp. z o.o. and Sierra Gorda JV) were accounted for using the equity method.

At 31 December 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 period from 1 October to 31 December 2012 and the comparable period from 1 October to 31 December 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 period from 1 October to 31 December 2012 and the comparable period from 1 October to 31 December 2011 **(Part C)**.

Neither the interim consolidated financial statements at 31 December 2012 nor the interim separate financial statements at 31 December 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 ***4.1736 PLN/EUR*,***
- for the calculation of turnover, profit or loss and cash flow for the comparable period, the rate of ***4.1401 PLN/EUR*,***
- for the calculation of assets, equity and liabilities at 31 December 2012, the rate of ***4.0882 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 respectively of 2012 and 2011.*

4. Accounting policies

The condensed consolidated financial statements for the period from 1 October 2012 to 31 December 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.

4.1 Changes in accounting policies

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

The changes in the principles of presentation of the comparable period, which did not impact the financial data presented in the financial statements for the reporting and comparable periods, were with respect to:

- a change in the nominal value of the presentation currency, from thousand PLN to million PLN. The use of rounding for the presentation currency at the level of million PLN enabled the aggregation and classification of immaterial financial data in accordance with their nature and function, and also limited the scope of published financial information to key categories of the financial statements, making them more understandable,

- a change in the name of the statement of financial position item in which financial assets acquired from the resources of the Mine Closure Fund are presented. Considering the substantial amount of these assets and a better reflection of their nature and designation, the name of the asset item was changed from „Held-to-maturity investments" to „Mine closure financial assets",

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

A. Interim condensed consolidated financial statements (continued)

- a change in the presentation of the statement of comprehensive income. Taking into consideration the clarity and transparency of the presented financial data, the Group decided to present the income and costs of the reporting period in two financial statements: the statement presenting items of profit or loss (the statement of profit or loss) and in the statement which begins with profit or loss and presents items of other comprehensive income (the statement of comprehensive income),

- a change in the presentation of other comprehensive income. The Group decided on the early adoption of changes to IAS 1 *Presentation of Financial Statements - Presentation of Other Comprehensive Income Items,* consequently the presentation of other comprehensive income items is done in two groups, which pursuant to other IFRS principles:

  - are reclassified to profit or loss after meeting specified conditions, and

  - are not reclassified to profit or loss.

Changes in accounting principles which affected amounts presented in prior periods involved the following:

(a) early application by the Group of changes to IAS 19 *Employee Benefits,* in accordance with rules regarding transition. The changes introduced by the Group involved the recognition of actuarial gains and losses in other comprehensive income (excluding actuarial gains and losses due to jubilee bonuses) and not as previously in profit or loss. As a result of the application of this standard in the financial statements as at 31 December 2011, other comprehensive income for the period from 1 January 2011 to 31 December 2011 decreased in the amount of PLN 66 million, and simultaneously the profit for the period increased in the same amount. The adjustment has not impacted the statement of financial position items.

	Statement of profit or loss			**Other comprehensive income**
	Profit before tax	**Tax**	**Profit for the period**	
Financial data before changes in policies				
for the 1st quarter of 2012	1 737	(364)	1 373	(634)
for 2 quarters of 2012	3 550	(835)	2 715	268
for 3 quarters of 2012	5 191	(1 248)	3 943	(576)
for 2012	6 249	(1 607)	4 642	(570)
Impact of changes on financial data				
for the 1st quarter of 2012	47	(9)	38	(38)
for 2 quarters of 2012	28	(5)	23	(23)
for 3 quarters of 2012	56	(11)	45	(45)
for 2012	210	(40)	170	(170)
Financial data after changes in policies				
for the 1st quarter of 2012	1 784	(373)	1 411	(672)
for 2 quarters of 2012	3 578	(840)	2 738	245
for 3 quarters of 2012	5 247	(1 259)	3 988	(621)
for 2012	6 459	(1 647)	4 812	(740)

(b) recognition in the consolidated financial statements of greenhouse gas emissions allowances granted to Group companies under the National Allocation Plan. Until now the Group has treated the emissions allowances received from the government as non-cash subsidies, and has presented them in the financial statements at net amount together with the allowances granted, representing intangible assets. Under the principle of net obligations, in a situation where actual emissions exceed the amount of allowances granted, the Group recognises a provision for greenhouse gas emissions solely in an amount exceeding the value of the allowances held. This provision was measured at the fair value of the emission allowances (set as their market value) which the Group was obliged to redeem due to increased emissions. Due to the significant amount of the emission allowances received as a result of newly granted allowances in 2012, the Group reviewed the principles of recognising emission allowances received free of charge and the principles of recognising the provision for redeemable allowances. The Group decided to present allowances together with the respective non-cash subsidies by the separate presentation of assets and liabilities. Also the principle was adopted that liabilities due to greenhouse gas emissions (the provision for redeemable allowances) is recognised at the amount of the allowances held, and if there is a deficit of allowances, the remaining part is recognised at the market value of the allowances needed.

Impact of this change on the consolidated financial statements:

- at 1 January 2011, an increase in intangible assets in the amount of PLN 132 million and an increase in liabilities in the amount of PLN 127 million (non-current PLN 16 million, current PLN 111 million) as well as in retained earnings in the amount of PLN 5 million,

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

A. Interim condensed consolidated financial statements (continued)

- at 31 December 2011, an increase in intangible assets in the amount of PLN 83 million and an increase in liabilities in the amount of PLN 79 million (non-current PLN 12 million, current PLN 67 million) as well as in retained earnings in the amount of PLN 4 million,
- at 31 December 2012, an increase in intangible assets in the amount of PLN 29 million and an increase in current liabilities in the amount of PLN 29 million,

(c) final accounting for the acquisition (acquisition date – 2 February 2011) of shares of NITROERG S.A. under IFRS 3, i.e. final setting of the fair value of the company net assets and adjusted amortisation of the difference between the fair value of the company net assets and their carrying amount. As a result of accounting in the statement of financial position, at 31 December 2011 there was a change in the following items:

Property, plant and equipment	47
Intangible assets	(34)
of which goodwill	(34)
Total assets	**13**
Equity attributable to shareholders of the Parent Entity	(2)
of which profit for the period	(2)
Non-controlling interest	6
Deferred tax liabilities	9
Total liabilities and equity	**13**

As a result of these changes there was an increase in basic and diluted earnings per share from continued operations attributable to the shareholders of the Parent Entity for the period from 1 January 2011 to 31 December 2011 from PLN 55.02 per share to PLN 55.34 per share.

The early application by the Group of changes to IAS 19 and a change of policy respecting the recognition of greenhouse gas emissions allowances also affected the level of this ratio for the year 2012, which amounted to PLN 24.06 per share. Had the Group not applied the changes from 1 January 2012, earnings per share would have amounted to PLN 23.21 per share.

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

- **Amendments to IFRS 7 Disclosures** – *Transfers of Financial Assets*;
- **Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards** - *Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters*;
- **Amendments to IAS 12 Income Taxes -** *Deferred Tax: Recovery of Underlying Assets*

The above changes to the standards have been approved for use by the European Union up to the date of publication of these financial statements.

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, respecting changes in accounting policies in this scope (detailed information on changes in policies is presented in part A.I.4.1 Changes in accounting policies), mainly as a result of changes in macroeconomic assumptions, is an increase in the provision in the amount of PLN 181 million which was settled as:

- a decrease in the financial result in the amount of PLN 27 million
(after reflecting the deferred tax effects, PLN 22 million),
- a decrease in other comprehensive income in the amount of PLN 154 million
(after reflecting the deferred tax effects, PLN 125 million),

(after reflecting the deferred tax effects, since the beginning of the financial year an increase in the provision by PLN 225 million, which was settled as:

- a decrease in profit in the amount of PLN 55 million,

- a decrease in other comprehensive income in the amount of PLN 170 million).

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

A. Interim condensed consolidated financial statements (continued)

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, mainly as a result of macroeconomic changes, is an increase in the provision in the amount of PLN 151 million, which was settled as a decrease in the financial result in the amount of PLN 8 million and as an increase of property, plant and equipment in the amount of PLN 143 million. The increase in the provision caused an increase in deferred tax assets in the amount of PLN 37 million,

(an increase in the provision by PLN 313 million since the beginning of the financial year, which was settled as a decrease in the financial result in the amount of PLN 41 million and as an increase in property, plant and equipment in the amount of PLN 272 million; deferred tax effect: an increase in deferred tax asset in the amount of PLN 48 million)

1.3 provisions for future employee remuneration costs together with charges in the amount of PLN 211 million, paid (in accordance with the Collective Labour Agreement) on the occasion of mining or smelting holidays and after approval of the annual financial statements.

(*provision as at 31 December 2012 amounted to PLN 353 million).*

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 19 million, of which:
- PLN 54 million was settled as a decrease in profit,
- PLN 40 million was settled as an increase in other comprehensive income due to actuarial losses,
- PLN 5 million 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 508 million*, which was settled as:*

- an increase in profit,	*PLN 149 million,*
- an increase in other comprehensive income due to measurement of hedging financial instruments, available–for-sale financial assets,	*PLN 31 million,*
- as an increase in other comprehensive income due to actuarial losses,	*PLN 40 million.*

The remaining changes - an increase in the deferred tax asset since the beginning of the financial year in the amount of PLN 288 million relate to the deferred tax asset of subsidiaries 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 44 million, of which:
- PLN 73 million was settled as an increase in profit,
- PLN 60 million was settled as a decrease in other comprehensive income due to measurement of hedging financial instruments and available–for-sale financial assets,
- PLN 37 million was settled as an increase in other comprehensive income due to exchange differences from measurement of the deferred tax liability of subsidiaries using a functional currency other than PLN.

The remaining increases in the amount of PLN 6 million relate to exchange differences from revaluation of the liability due to fair value measurement of net assets from initial accounting for the acquisition of KGHM INTERNATIONAL LTD.

(an increase in the deferred tax liability since the beginning of the financial year in the amount of PLN 1 774 million, which was settled as:

- a decrease in profit,	*PLN 79 million,*
- an increase in other comprehensive income due to measurement of hedging financial instruments and available–for-sale financial assets,	*PLN 29 million,*
- a decrease in other comprehensive income due to exchange differences from measurement of the deferred tax liability of subsidiaries using a functional currency other than PLN,	*PLN 2 million.*

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

A. Interim condensed consolidated financial statements (continued)

The remaining increases in the deferred tax liability since the beginning of the financial year in the amount of PLN 698 million relate to the deferred tax liability of subsidiaries at the date on which control was obtained by the Group, and an increase in the deferred tax liability in the amount of PLN 1 024 million due to fair value measurement of acquired 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 31 December 2012, the deferred tax asset was set at PLN 659 million, while the deferred tax liability - at PLN 1 782 million.

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 a decrease in value of assets at the end of the reporting period in the amount of PLN 39 million, reclassification of a decrease in value of assets in prior periods in the amount of PLN 158 million,
- settlement in profit or loss of impairment losses of PLN 159 million

(a decrease in value of available-for-sale financial assets due to measurement since the beginning of the financial year amounts to PLN 163 million, an increase in assets due to reclassification of a decrease in value of assets amounts to PLN 158 million, a decrease due to impairment losses amounts to PLN 159 million)

2. in **derivatives (assets and liabilities)** - as a result of changes in macroeconomic factors, the fair value of open positions in derivatives as at 31 December 2012 increased. Simultaneously, as a result of these changes, derivative transactions with a settlement date falling in the fourth quarter of 2012 were settled with a positive result. Profit for the current quarter increased in the amount of PLN 18 million. Detailed information on derivatives of the Parent Entity may be found in part C.III.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.

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 12 months ended 31 December 2012	**for the 12 months ended 31 December 2011 restated**
Purchase of property, plant and equipment	2 296	1 875
Net sale of property, plant and equipment	18	5

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

	At	
	31 December 2012	**31 December 2011 restated**
Payables due to purchase of property, plant and equipment and intangible assets	293	279

Capital commitments not recognised in the consolidated statement of financial position

	At	
	31 December 2012	**31 December 2011 restated**
For the purchase of property, plant and equipment, of which:	9 260	710
- for the purchase of mining assets in the Sierra Gorda S.C.M. project*	7 093	-
For the purchase of intangible assets	40	18
Total capital commitments:	**9 300**	**728**

*As at 31 December 2012, the 55% share of the Group in the investment liabilities of the Sierra Gorda Joint Venture amounts to PLN 7 093 million, of which PLN 751 million relates to orders for mining equipment and construction of mine infrastructure, with PLN 6 342 million due to contracts for the construction of a mine.

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

A. Interim condensed consolidated financial statements (continued)

2. Sales

	Financial period			
	for the 3 months ended 31 December 2012	**for the 12 months ended 31 December 2012**	**for the 3 months ended 31 December 2011 restated**	**for the 12 months ended 31 December 2011 restated**
Copper, precious metals, smelter by-products	6 016	23 120	4 747	19 612
Energy	15	81	26	88
Services	376	1 402	129	474
Mining machinery, transport vehicles for mining and other	7	47	(5)	17
Merchandise – smelter products	150	549	75	421
Other merchandise	83	359	151	564
Scrap and materials	23	83	47	66
Other finished goods	268	1 196	195	865
Total continued operations	**6 938**	**26 837**	**5 365**	**22 107**
Discontinued operations	-	-	**105**	**487**
Total sales	**6 938**	**26 837**	**5 470**	**22 594**

3. Expenses by nature

	Financial period			
	for the 3 months ended 31 December 2012	**for the 12 months ended 31 December 2012**	**for the 3 months ended 31 December 2011 restated**	**for the 12 months ended 31 December 2011 restated**
Depreciation of property, plant and equipment and amortisation of intangible assets	369	1 455	219	846
Employee benefit expenses	1 237	4 579	963	3 620
Materials and energy	2 370	8 832	1 759	6 759
External services	742	2 760	410	1 367
Taxes and charges*	690	2 055	94	419
Advertising costs and representation expenses	30	75	28	64
Property and personal insurance	9	36	8	32
Research and development costs not capitalised in intangible assets	4	9	3	6
Other costs of which:	65	150	19	82
Impairment losses on property, plant and equipment, intangible assets, write-down of inventories, allowance for impairment of receivables	51	57	19	28
Reversal of impairment of property, plant and equipment, intangible assets, of write-down of inventories, of allowance for impairment of receivables	(1)	(11)	(3)	(7)
Losses from the sale of financial instruments	2	9	2	6
Other operating costs	13	95	1	55
Total expenses by nature	**5 516**	**19 951**	**3 503**	**13 195**
Cost of merchandise and materials sold (+)	197	793	141	583
Allowance for impairment of receivables	(4)	3	2	3
Write-down of inventories	-	-	(1)	(1)
Reversal of allowance for impairment of receivables	-	-	-	(1)
Change in inventories of finished goods and work in progress (+/-)	80	(160)	(101)	(367)
Cost of manufacturing products for internal use (-)	(304)	(896)	(301)	(744)
Total continued operations	**5 489**	**19 688**	**3 242**	**12 667**
Discontinued operations	**-**	**-**	**84**	**436**
Total cost of sales, selling costs and administrative expenses	**5 489**	**19 688**	**3 326**	**13 103**

*including the minerals extraction tax in the Parent Entity for the period from 18 April to 31 December 2012 in the amount of PLN 1 596 million, for the fourth quarter in the amount of PLN 571 million.

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

A. Interim condensed consolidated financial statements (continued)

4. Other operating income

	Financial period			
	for the 3 months ended 31 December 2012	**for the 12 months ended 31 December 2012**	**for the 3 months ended 31 December 2011 restated**	**for the 12 months ended 31 December 2011 restated**
Income and gains on financial instruments, classified under other operating activities, resulting from:	264	1 434	229	2 137
Measurement and realisation of derivatives	207	1 185	(140)	1 038
Interest	56	246	75	192
Foreign exchange gains	-	-	294	889
Gains from sales	-	2	-	17
Reversal of allowance for impairment of loans and receivables	1	1	-	1
Gains on the sale of an associate	-	-	2 313	2 313
Gains on a bargain purchase	-	-	3	3
Gains on the sale of intangible assets	3	3	-	-
Reversal of allowance for impairment of non-financial receivables	-	2	2	3
Other interest	1	2	-	5
Dividends received	-	57	-	27
Government grants and other donations received	11	28	3	46
Release of unused provisions due to:	10	25	11	21
Decommissioning of mines	6	8	3	5
Disputed issues, pending court proceedings	1	3	1	2
Other	3	14	7	14
Surpluses identified in property, plant and equipment and current assets	3	3	2	2
Penalties and compensation	4	17	2	23
Management fee for SIERRA GORDA S.C.N.	21	68	-	-
Other operating income/gains	7	28	5	25
Total continued operations	**324**	**1 667**	**2 570**	**4 605**
Discontinued operations	**-**	**-**	**12**	**28**
Total other operating income	**324**	**1 667**	**2 582**	**4 633**

5. Other operating costs

	Financial period			
	for the 3 months ended 31 December 2012	**for the 12 months ended 31 December 2012**	**for the 3 months ended 31 December 2011 restated**	**for the 12 months ended 31 December 2011 restated**
Costs and losses on financial instruments, classified under other operating activities, resulting from:	491	2 006	250	728
Measurement and realisation of derivatives	274	1 246	244	715
Interest	1	1	1	1
Foreign exchange losses	51	592	-	-
Losses from measurement of non-current liabilities	-	-	-	2
Impairment losses on financial assets	165	167	5	10
Losses on the sale of property, plant and equipment	3	8	2	8
Interest on overdue non-financial liabilities	1	3	-	-
Donations granted	7	93	-	16
Provisions for:	21	45	6	15
Decommissioning of mines	5	11	1	3
Disputed issues, pending court proceedings	2	3	3	5
Other	14	31	2	7
Penalties and compensation	2	6	2	4
Contributions to a voluntary organisation	10	10	-	-
Other operating costs/losses	(1)	41	15	42
Total continued operations	**534**	**2 212**	**275**	**813**
Discontinued operations	**-**	**-**	**6**	**12**
Total other operating costs	**534**	**2 212**	**281**	**825**

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

A. Interim condensed consolidated financial statements (continued)

6. Finance costs

	Financial period			
	for the 3 months ended 31 December 2012	**for the 12 months ended 31 December 2012**	**for the 3 months ended 31 December 2011 restated**	**for the 12 months ended 31 December 2011 restated**
Interest expense:	41	126	4	11
On bonds	32	107	-	-
On bank and other loans	8	17	4	9
Due to finance leases	1	2	-	2
Foreign exchange (gains)/losses on borrowings	(27)	(33)	2	5
Changes in provisions and liabilities arising from the approach of the maturity date of liabilities (unwinding of discount effect)	13	50	11	35
Other finance costs	(1)	2	-	1
Total continued operations	**26**	**145**	**17**	**52**
Discontinued operations	**-**	**-**	**-**	**1**
Total finance costs	**26**	**145**	**17**	**53**

7. Borrowings, debt securities and finance lease liabilities

	At	
	31 December 2012	**31 December 2011 restated**
Non-current	**1 783**	**194**
Bank loans	165	176
Loans	8	2
Debt securities*	1 593	-
Finance lease liabilities	17	16
Current	**1 075**	**104**
Bank loans**	1 057	92
Loans	3	2
Debt securities *	5	-
Finance lease liabilities	10	10
Total	**2 858**	**298**

* relate to bonds issued by KGHM INTERNATIONAL LTD.

** PLN 1 013 million relates to a bank loan of KGHM Polska Miedź S.A.

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

A. Interim condensed consolidated financial statements (continued)

8. Related entities transactions

	Financial period			
	for the 3 months ended 31 December 2012	**for the 12 months ended 31 December 2012**	**for the 3 months ended 31 December 2011 restated**	**for the 12 months ended 31 December 2011 restated**
Sales to related entities				
To associates	1	3	1	6
To other related entities	(1)	4	-	1
Total sales to related entities	**-**	**7**	**1**	**7**
including from discontinued operations	-	-	*2*	*2*

	Financial period			
	for the 3 months ended 31 December 2012	**for the 12 months ended 31 December 2012**	**for the 3 months ended 31 December 2011 restated**	**for the 12 months ended 31 December 2011 restated**
Purchases from related entities				
From associates	-	-	1	8
From other related entities	4	36	4	28
Total purchases from related entities	**4**	**36**	**5**	**36**
including from discontinued operations	-	-	*8*	*8*

	At	
	31 December 2012	**31 December 2011 restated**
Trade receivables from related entities		
From associates	1	1
From other related entities	3	2
Total receivables from related entities	**4**	**3**

	At	
	31 December 2012	**31 December 2011 restated**
Trade payables towards related entities		
Towards other related entities	4	4
Total payables towards related entities	**4**	**4**

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

The remaining transactions, which were collectively significant, between the Group and the government and entities controlled or jointly controlled by the government, or over which the government has significant influence, were within the scope of normal, daily economic operations, and were carried out at arm's length. These transactions involved the purchase by companies of the Group of materials and services to meet the needs of their current operating activities (fuel, energy, transport services). Turnover from these transactions in the current reporting period amounted to PLN 817 million (for the period from 1 January to 31 December 2011 – PLN 1 151 million), and the unsettled balance of liabilities from these transactions as at 31 December 2012 amounted to PLN 47 million (as at 31 December 2011: PLN 81 million).

A. Interim condensed consolidated financial statements (continued)

Remuneration of the Supervisory Board of the Parent Entity (in PLN '000)	For the period for the 12 months ended 31 December 2012	for the 12 months ended 31 December 2011 restated
Remuneration due to service in the Supervisory Board, salaries and other current employee benefits	1 233	1 351
Total	**1 233**	**1 351**

Remuneration of the Management Board of the Parent Entity (in PLN '000)	For the period for the 12 months ended 31 December 2012	for the 12 months ended 31 December 2011 restated
Salaries and other current employee benefits	5 904	4 561
Benefits due to termination of employment	-	96
Post-employment benefits	42	-
Total	**5 946**	**4 657**

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

	At 31 December 2012	Increase/(decrease) since the end of the last financial year
Contingent assets	**448**	**22**
Guarantees received	211	25
Disputed State budget issues	29	-
Promissory notes receivables	81	(8)
Inventions, implementation of projects	40	3
Real estate tax on mining facilities	87	2
Contingent liabilities	**218**	**(28)**
Guarantees and collateral	20	(29)
Promissory note liabilities	13	(11)
Disputed issues, pending court proceedings	26	12
Liabilities due to implementation of projects and inventions	128	14
Real estate tax on mining facilities	18	18
Other	13	4
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	**193**	**193**

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

A. Interim condensed consolidated financial statements (continued)

2 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, and
– 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-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". In 2012, the first stage of exploration and research work was continued, under which 9 drillholes were executed, as well as geophysical and hydrogeological research and chemical analysis of the bore samples. In the second stage of work, a further 6 drillholes are planned, as well as geophysical surface measurements and hydrogeological research. The commencement of a further 6 drillholes is planned for March-April 2013.

Szklary – in the fourth quarter of 2012 work was performed to determine the technical aspect of the feasibility of mining a nickel ore deposit in Szklary. Currently, economic analyses are 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. In the fourth quarter of 2012, the Management Board of KGHM Kupfer AG proposed to the sole shareholder of the company, KGHM Polska Miedź S.A., that the share capital of the company be increased in the amount of EUR 1.6 million, and the proposal was accepted. The funds will be transferred for the realisation of stage 2 of the Weisswasser Project. It is assumed that this stage will involve the realisation of geophysical measurements.

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 permits to build the mining plant.

KGHM INTERNATIONAL LTD.

In the fourth 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 fourth quarter of 2012, in terms of project execution, the purchase and assembly of further machinery was begun, including a variety of components of the processing plant. Construction of the relay station was completed and a 220 kV power supply was opened from the Spence substation. At the end of the fourth quarter 92% of the engineering was completed, and 33% of the project construction. 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 and on stripping the overburden. The main work on the construction of basic infrastructure, i.e. social buildings, fresh water supplies etc., was completed. Assembly of the machine park continues.

A. Interim condensed consolidated financial statements (continued)

Production results of KGHM International in the fourth quarter 2012 and in 2012

	Financial period			
	for the 3 months ended 31 December 2012		for the 12 months ended 31 December 2012	
	M lbs	**t**	**M lbs**	**t**
Production Cu	67.7	30 709	243.6	110 496
Production Ni	2.8	1 270	10.5	4 763
Production TPM [‘000 oz]	26.8		95.2	
	PLN million*	**USD million**	**PLN million***	**USD million**
Capex (including Sierra Gorda JV)	659	209	1 886	580
	USD/lbs		**USD/lbs**	
C1**	2.18		2.43	

** 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)*
*** cash cost of concentrate production plus administrative and smelting and refining (TC/RC) costs, less depreciation/amortisation and by-product premiums*

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 (100% of the project owned by the KGHM INTERATIONAL LTD. Group). 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 fourth 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.

	Financial period			
	for the 3 months ended 31 December 2012		for the 12 months ended 31 December 2012	
	PLN million*	**USD million**	**PLN million***	**USD million**
Adjusted EBITDA***	283	90	1 082	333

** 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)*

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

In the fourth quarter of 2012, the KGHM INTERNATIONAL LTD. Group achieved EBITDA in the amount of USD 90 million, representing 35.5% of total EBITDA achieved since the date control over the company was obtained. The unit production cost in the fourth quarter of 2012 was 10% lower than the average production cost achieved in 2012. The achievement of a better result for this item was due to continuation of the policy of reducing costs in the KGHM INTERNATIONAL LTD Group.

<u>KGHM AJAX MINING INC.</u>

On 2 April 2012, KGHM Polska Miedź S.A. exercised an option to acquire a further 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 30 million (the equivalent of PLN 93 million, 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 fourth quarter of 2012, KGHM AJAX MINING INC. continued activities aimed at obtaining environmental permit to construct the mine.

A. Interim condensed consolidated financial statements (continued)

Diversifying sources of revenues – investments in the energy sector

The purpose of diversifying revenues and gaining independence from energy prices were investments in the energy sector, mainly in the energy generation segment.
Projects aimed at increasing energy generation to meet the Company's own power needs:

With respect to the project „Construction of Gas-Steam Blocks at the power plants in Głogów and Polkowice" during the reporting period construction, assembly, installation and electrical work was performed based on updated execution projects. The General Contractor delivered key equipment from the electrical and installation sectors:

- assembly was completed on the gas turbounits for Polkowice and Głogów,
- delivery was completed on the steam turbounits for Polkowice and Głogów,
- technical handover was performed for the gas reduction-measurement stations in Polkowice and Głogów,
- an agreement was signed for connection to the power grid of TAURON Dystrybucja for the gas-steam blocks at Polkowice and Głogów,
- work was begun on building the high-pressure gas network in Polkowice and Głogów,
- assembly continues of the auxiliary installation and on isolation of the recovery boilers,
- with respect to construction of the gas-steam block at the Głogów power plant, work continues on switching over to a 110kV current.

„Production of synthetic gas through the underground gasification of brown coal in the Copper Belt LGOM" – under the license received in April 2012 for exploration of the brown coal deposit in the Głogów region, in a selected area of 25.66 km^2 located in the Legnica-Głogów Copper Belt, in December 2012 the first stage (6 drillholes) was completed of the geological research program planned for the years 2012-2015. In January 2013 another 2 drillholes were performed of the 6 planned under the second stage of this work. Positive results from this geological work will enable a decision to be taken on whether to apply for a mining license for this deposit using an underground brown coal gasification research installation.

Energy projects of a national scope considered on a purely commercial basis, whose realisation will enable diversification of the structure of revenues and an increase in the market value of KGHM Polska Miedź S.A.:

"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 permit received on 23 July 2012 from the European Commission (the applicable antimonopoly body) with respect to concentration, on 5 September 2012, KGHM 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 65 152 000.

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 2012-2017 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.

In 2012 the special purpose company performed work related to preparing the investment, involving the obtaining of required documentation comprising among others sector projects, construction permits, connection conditions and the commencement of tender procedures to select advisors and a contractor to build the Plant.

"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 km^2 (KCT Project).

The Framework 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 the limited partnership after it has been obtained by PGNiG. Each party of the Framework Agreement participates in control over the realisation of the project, in particular through participation in the operating committee formed for this purpose.

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.

A. Interim condensed consolidated financial statements (continued)

In accordance with the Annex signed on 12 November 2012 to the Framework Agreement, the parties agreed that the date for determining the details regarding the terms of cooperation, including the budget and project schedule, participation of the parties in financing expenditures resulting from the agreed budget, participation in profit and on the principles of responsibility, among others contractual penalties, would be prolonged from 4 November 2012 to 4 February 2013.

Due to ongoing negotiations regarding the detailed terms of cooperation under which among others the project documentation is being developed, on 21 February 2013 the parties decided to prolong the period for determination of details regarding the terms of cooperation until 4 May 2013 by signing Annex no. 2 to the Framework Agreement. Should such specific arrangements not be determined by 4 May 2013, the Agreement may be terminated by each of the Parties. Moreover, if within three months after reaching such arrangements the Parties have not received all of the required corporate approvals, or if by 31 December 2013 the required antimonopoly clearances have not been received, the Agreement will expire.

"Preparation for the construction and operation of the first Polish nuclear power plant"
On 5 September 2012, KGHM Polska Miedź S.A. and 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. On 28 December 2012, the Parties to the Letter of Intent prolonged the Letter of Intent until 31 March 2013.

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 million, 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 million, i.e. PLN 17.00 per share: 20 August 2012,
- 2nd instalment in the amount of PLN 2 268 million, 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

Information previously presented on the operating segments of the KGHM Polska Miedź S.A. Group only reflected the structure and nature of the KGHM Polska Miedź S.A. Group, in which the activities of KGHM Polska Miedź S.A. are concentrated on the domestic mining industry, while the profiles of activities of most of the subsidiaries of the KGHM Polska Miedź S.A. Group differ from the main activities profile of the Parent Entity.

The acquisition in the first quarter of 2012 of the shares of KGHM INTERNATIONAL LTD., aimed at increasing the resource base and increasing copper production, had a major impact on the changes of assets structure and the generation of revenues by the KGHM Polska Miedź S.A. Group, in which the most important role is played by KGHM Polska Miedź S.A. and the operating segments of the KGHM INTERNATIONAL LTD. Group.

As a result of significant changes in the structure of the KGHM Polska Miedź S.A. Group and the new manner of perceiving areas of activities by the bodies making operating decisions, a detailed analysis was performed on the information disclosed on the operating segments, with due regard to the operating segments of the KGHM INTERNATIONAL LTD. Group.
As part of the process of separating operating segments, combination criteria were selected by similar type of production process and regulatory environment, as well as the geographical location of individual assets used in individual production lines.
Taking into consideration IFRS 8 and the usefulness of information to users of the financial statements, the following operating segments were identified which are also reporting segments:

– <u>basic materials – Poland</u> – this segment comprises KGHM Polska Miedź S.A. and its subsidiaries directly related to the core business of the Parent Entity,
– <u>basic materials – USA</u> – this segment comprises companies of the KGHM INTERNATIONAL LTD. Group, related to the activities in the USA,
– <u>basic materials – Chile</u> – this segment comprises companies of the KGHM INTERNATIONAL LTD. Group, related to the activities in Chile, and the joint venture Sierra Gorda,
– <u>basic materials – Canada</u> – this segment comprises companies of the KGHM INTERNATIONAL LTD. Group, related to the activities in Canada,
– <u>resource base development</u> – this segment comprises companies involved in the exploration for and evaluation of minerals resources, companies intended to carry out mining,
– <u>other</u> – all other companies of the Group not related to the mining industry.

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

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

A. Interim condensed consolidated financial statements (continued)

Reporting segments of the KGHM Polska Miedź S.A. Group as at 31 December 2012

Basic materials - Poland

KGHM Polska Miedź S.A.
"Energetyka" sp. z o.o.
PeBeKa S.A.
DFM ZANAM - LEGMET Sp. z o.o.
KGHM CUPRUM sp. z o.o. – CBR
CBJ sp. z o.o.
INOVA Spółka z o.o.
KGHM Metraco S.A.
POL-MIEDŹ TRANS Sp. z o.o.

Basic materials - USA

Wendover Bulk Transhipment Company
Robinson Nevada Mining Company
Robinson Nevada Railroad Company
Carlota Holdings Company
Carlota Copper Company

Basic materials - Chile

Centenario Holdings Ltd.
Pan de Azucar (BVI) Ltd.
Minera Carrizalillo Limitada
Volcanes (BVI) Ltd.
Minera y Exploraciones KGHM International SpA
Frankie (BVI) Ltd.
Sociedad Contractual Minera Franke
Centenario Copper (BVI) Ltd.
Sierra Gorda JV

Basic materials - Canada

DMC Mining Services Ltd.
Raise Boring Mining Services, S.A. de C.V.
DMC Mining Services Corporation
FNX Mining Company Inc.

Resource base development

KGHM Kupfer AG
KGHM AJAX MINING INC.
Sugarloaf Ranches Ltd.
FNX Mining Company Inc. – Victoria project

Other

NITROERG S.A.
PHP "MERCUS" sp. z o.o.
KGHM Ecoren S.A.
CENTROZŁOM WROCŁAW S.A.
WMN "ŁABĘDY" S.A.
WFP Hefra SA
Ecoren DKE spółka z o.o.
PHU "Lubinpex" Sp. z o.o.
PMT Linie Kolejowe Sp. z o.o.
KGHM TFI S.A.
INTERFERIE S.A.
Interferie Medical SPA Sp. z o.o.
"BIOWIND" sp. z o.o.
WPEC w Legnicy S.A.
ZUK S.A.
Uzdrowisko Połczyn S.A.
„Uzdrowisko Cieplice" Sp. z o.o.
Uzdrowisko „Świeradów - Czerniawa" Sp. z o.o.
Fundusz Hotele 01 Sp. z o.o.
Fundusz Hotele 01 Sp. z o.o. S.K.A.
Fundusz Uzdrowiska 01 Sp. z o.o. S.K.A.
Polska Grupa Uzdrowisk Sp. z o.o.
KGHM I FIZAN
KGHM II FIZAN
KGHM III FIZAN
"MIEDZIOWE CENTRUM ZDROWIA" S.A.
Zagłębie Lubin S.A.
KGHM LETIA S.A.
KGHM (SHANGHAI) COPPER TRADING CO., LTD.
KGHM Kupferhandelsges. m.b.H.i.L.
BIPROMET S.A.
Przedsiębiorstwo Budowlane Katowice S.A.
Bipromet Ecosystem Sp. z o.o.
Fermat 1 S.á r.l.
Fermat 2 S.á r.l.
Fermat 3 S.á r.l.
0929260 B.C. U.L.C.
KGHM INTERNATIONAL LTD.
Quadra FNX Moly Holdings (Barbados) Ltd.
Quadra FNX Intermoly Holdings Limited
Malmbjerg Molybdenum A/S
International Molybdenum Plc
Quadra FNX Holdings (Barbados) Ltd.
Quadra FNX Chile (Barbados) Ltd.
Quadra FNX Holdings Chile Limitada
Quadra FNX SG (Barbados) Ltd.
Quadra FNX Water Holdings (Barbados) Ltd.
Aguas de la Sierra Limitada
Quadra FNX FFI Ltd.
Robinson Holdings (USA) Ltd.
Quadra FNX Holdings Partnership
FNX Mining Company USA Inc.
0899196 B.C. Ltd.
Quadra Mining Australia PTY Limited

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.

Information on business segments

	Financial period for the 12 months ended 31 December 2012								
	Basic materials-Poland	**Basic materials-USA**	**Basic materials-Chile**	**Basic materials-Canada**	**Resource base development**	**Other**	**Discontinued activities**	**Consolidation adjustments**	**Total**
Sales	21 147	1 763	414	1 682	1	3 058	-	(1 228)	**26 837**
Inter-segment sales	152	-	-	-	-	1 041	-	(1 193)	**-**
External sales	20 995	1 763	414	1 682	1	2 017	-	(35)	**26 837**
Depreciation/Amortisation	866	96	81	323	-	87	-	2	**1 455**
Operating profit/(loss)	6 508	356	(142)	184	(10)	469	-	(761)	**6 604**
Profit/(loss) before income tax	**6 485**	**317**	**(149)**	**142**	**(9)**	**(53)**	**-**	**(274)**	**6 459**
Income tax expense									**(1 647)**
Profit/(loss) for the period									**4 812**
	At 31 December 2012								
Segment assets	**30 213**	**2 240**	**9 418**	**1 950**	**611**	**46 762**	**-**	**(57 488)**	**33 706**
Liabilities	**7 238**	**507**	**290**	**1 294**	**16**	**24 195**	**-**	**(21 533)**	**11 987**
Other information									
Investments accounted for using the equity method	33	-	-	-	-	-	-	3 045	**3 078**
Capital expenditure	1 987	80	55	120	129	290	-	(145)	**2 516**
Production data									
Payable copper ('000 t)	565.8	64.6	17.9	28.0					
- including from copper-bearing materials ('000 t)	146.7	-	-	-					
Nickel ('000 t)	-	-	-	4.8					
Silver (t)	1 273.8	-	-	-					
Gold (kg)	916.4	1 178.8	-	311.0					
Platinum (kg)	-	-	-	538.1					
Palladium (kg)	-	-	-	933.1					

A. Interim condensed consolidated financial statements (continued)

Information on business segments for the comparable period

	Basic materials-Poland	Basic materials-USA	Basic materials-Chile	Basic materials-Canada	Resource base development	Other	Discontinued activities	Consolidation adjustments	Total
	Financial period for the 12 months ended 31 December 2011 - restated								
Sales	20 396	-	-	-	-	2 697	506	(1 005)	**22 594**
Inter-segment sales	122	-	-	-	-	852	19	(993)	**-**
External sales	20 274	-	-	-	-	1 845	487	(12)	**22 594**
Depreciation/Amortisation	751	-	-	-	-	82	65	13	**911**
Operating profit/(loss)	13 768	-	-	-	(1)	17	67	(552)	**13 299**
Profit/(loss) before income tax	**13 724**	**-**	**-**	**-**	**-**	**8**	**66**	**(364)**	**13 434**
Income tax expense									**2 300**
Profit/(loss) for the period									**11 127**
	At 31 December 2011 - restated								
Segment assets	**31 061**	**-**	**-**	**-**	**324**	**2 480**	**-**	**(3 215)**	**30 650**
Liabilities	**7 001**	**-**	**-**	**-**	**21**	**729**	**-**	**(492)**	**7 259**
Other information									
Capital expenditure	1 680	-	-	-	58	241	66	(22)	**2 023**
Production data									
Payable copper (‘000 t)	571.0								
- including from copper-bearing materials (‘000 t)	124.6								
Silver (t)	1 259.6								
Gold (kg)	703.8								

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

A. Interim condensed consolidated financial statements (continued)

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

The geographical breakdown reflects the location of end clients.

	Financial period	
	for the 12 months ended 31 December 2012	**for the 12 months ended 31 December 2011 restated**
Poland, of which:	5 310	5 845
- discontinued activities	-	487
Germany	4 564	4 479
The United Kingdom	3 950	2 734
China	3 047	2 425
The Czech Republic	1 604	1 347
Canada	1 431	2
Italy	1 217	1 191
The USA	890	1 027
France	872	654
Hungary	750	523
Belgium	407	386
Switzerland	404	354
Austria	357	483
Japan	317	-
Turkey	269	94
Holland	246	2
Korea	200	34
India	176	7
Slovakia	155	110
Denmark	120	92
Bulgaria	58	74
Bosnia and Herzegovina	34	16
Slovenia	28	20
Ukraine	22	101
Finland	16	41
Other countries (dispersed sale)	393	553
Total	**26 837**	**22 594**

Main customers

During the period from 1 January 2012 to 31 December 2012, and in the comparable period, the revenues from no single customer exceeded 10% of the revenues of the Group.

55.96% of the non-current assets of the Group are located in the country of origin of the Parent Entity. The remaining 44.04% of the non-current assets are located in the following countries: Chile – 19.64%; Canada - 18.42%; the USA – 5.67%; 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

During the period from 1 October to 31 December 2012 there were no changes in the KGHM Polska Miedź S.A. Group structure.

Changes during the period from 1 January 2012 to 30 September 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 purchase the shares of KGHM INTERNATIONAL LTD. (former name - Quadra FNX Mining Ltd.).

Establishment of Fermat 3 S.á 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.

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 9 363 million,
- the purchase of warrants for the amount of PLN 39 million,
- the realisation of purchased warrants in the amount of PLN 305 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 obtained (in PLN M)

	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	1 518	5 298
Investment in Sierra Gorda joint venture	1 617	1 431	3 048
Intangible assets due to signed services sales contracts	-	107	107
Mine closure financial assets	256	-	256
Inventories	666	140	806
Trade and other receivables	631	-	631
Cash and cash equivalents	2 806	-	2 806
Other assets	1 480	(287)	1 193
Bonds	(1 515)	(76)	(1 591)
Liabilities due to Franco Nevada streaming contract	(578)	(86)	(664)
Provisions	(314)	13	(301)
Trade and other liabilities	(590)	177	(413)
Deferred tax	(411)	(1 017)	(1 428)
Acquired net assets	7 828	1 920	9 748
Provisionally determined gain on bargain purchase (*)			(41)
Purchase consideration			**9 707**
Paid in cash			9 707
Acquired cash and cash equivalents, of which:			(2 806)
- restricted cash and cash equivalents			74
Cash expense due to acquisition			6 901

(*) 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%

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

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

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 a further 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 30 million (the equivalent of PLN 93 million, according to the sale exchange rate of the National Bank of Poland for USD/PLN of 2 April 2012).

The difference of PLN (22) million between the purchase price for a 29% non-controlling interest and 29% of the acquired equity of KGHM AJAX MINING INC. was recognised in the consolidated statement of financial position to retained earnings in the amount of PLN (33) million and to exchange differences from the translation of foreign operations statements in the amount of PLN 11 million.

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 million 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 million.

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

Acquisition of shares of Sugarloaf Ranches Ltd.

On 31 July 2012, the subsidiary KGHM AJAX MINING INC. (an indirect subsidiary of KGHM Polska Miedź S.A.) acquired 100% of the shares of Sugarloaf Ranches Ltd. with its registered head office in Vancouver for the amount of CAD 12 million (the equivalent of PLN 40 million 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 40 million, and represents the acquisition price. The acquisition will be finally accounted for during the 12 months from the acquisition date.

	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	53	55
- land	1	53	54
Current assets	1	-	1
Deferred tax liabilities	-	(7)	(7)
Borrowings and finance leases	(9)	-	(9)
Net assets at the acquisition date	(6)	46	40
Purchase consideration paid in cash			**40**
Cash expense due to acquisition			**40**

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

A. Interim condensed consolidated financial statements (continued)

Revenues and the profit of Sugarloaf Ranches Ltd., recognised in the consolidated statement of comprehensive income of the KGHM Polska Miedź S.A. Group for the period from the acquisition date to 31 December 2012 are insignificant for the KGHM Polska Miedź S.A. Group.

XI. Subsequent events

Significant contracts

(a) On 21 January 2013 a contract was entered into between KGHM Polska Miedź S.A. and HSBC Bank USA N.A., London Branch for silver sales in 2013. The estimated value of the contract is PLN 1 672 million.
As a result of entering into this contract, the total estimated value of contracts entered into between KGHM Polska Miedź S.A. and HSBC Bank USA N.A., London Branch over the last 12 months exceeded 10% of the equity of the Company and amounts to PLN 3 654 million. The highest-value contract signed during this period with HSBC Bank USA N.A. is the above-mentioned contract.

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

(c) On 31 January 2013 a contract was entered into between KGHM Polska Miedź S.A. and Prysmian Metals Limited for the sale of copper wire rod in 2013 and 2014. The estimated value of this contract is from PLN 2 382 million to PLN 2 865 million, depending on the amount of tonnage under option and on the relocation of tonnage between Prysmian Metals Limited and Prysmian Kabel Und Systeme GmbH. This amount was calculated based on the forward copper curve from 30 January 2013 and the USD/PLN exchange rate per the NBP from 30 January 2013. The contract with Prysmian Metals Limited provides for the relocation of materials between Prysmian Metals Limited and Prysmian Kabel Und Systeme GmbH. The contract may be terminated, if the "Additional Provisions" are not signed by 28 February 2013.

Signing of an Annex to the Framework Agreement on the Joint Exploration for and Extraction of Shale Gas

On 21 February 2013, the Management Board of the Parent Entity signed an annex to the Framework Agreement on the Joint Exploration for and Extraction of Shale Gas of 4 July 2012. The parties of the Annex are all parties of the Agreement, i.e. KGHM Polska Miedź S.A., Polskie Górnictwo Naftowe i Gazownictwo SA, PGE Polska Grupa Energetyczna S.A., TAURON Polska Energia S.A. and ENEA S.A. The Parties have decided to prolong the period for determination of details regarding the terms of cooperation until 4 May 2013. Detailed information on the Framework Agreement and signed annexes is presented in point A.V.

Forecast of results for 2013

On 14 February 2013, the Supervisory Board of the Parent Entity approved the Budget of KGHM Polska Miedź S.A. for 2013 submitted by the Management Board. The bases for preparation of the Budget were the preliminary results for 2012 and the assumptions of individual operating plans.

The forecast of results, which is based on the assumptions used in the approved Budget, assumes the achievement in 2013 of revenues from sales of PLN 18 930 million, profit for the period of PLN 3 204 million, and EBITDA at the level of PLN 5 337 million.

Details of the forecast assumptions are the following:
- production of copper in concentrate   425.1 thousand t
- electrolytic copper production   548.0 thousand t
  - of which from purchased copper-bearing materials   146.6 thousand t
- silver production   1 075 t
- average annual copper price   7 800 USD/t
- average annual silver price   32.00 USD/troz
- USD/PLN exchange rate   3.10 USD/PLN
- total unit cost of electrolytic copper production from own concentrate   17 087 PLN/t
- cash cost of concentrate production – C1   1.76 USD/pound
- capital expenditure   PLN 2 470 million
- equity investments limit   PLN 523 million

The decrease in profit versus 2012 is mainly due to:
- a change in the level of the USD/PLN exchange rate,

A. Interim condensed consolidated financial statements (continued)

- lower production volume of basic products due to the planned maintenance shutdown in the Głogów Smelter, and
- recognition of the full impact of the minerals extraction tax (in 2012 the Parent Entity incurred this tax from 18 April).

The above factors are also the main reason for the increase in costs of electrolytic copper production from own concentrate and the cash cost of concentrate production – C1. The assumed decrease in the level of production, and consequently in the sales of basic products, is due to the necessity of carrying out a planned three-month maintenance-modernisation shutdown at the Głogów II Smelter. Realisation of this forecast will be monitored by the Parent Entity on an on-going basis. Should there occur significant deviation from the amounts forecasted, the Parent Entity will perform an adjustment to the forecast and immediately will publish it in the form of a current report.

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. assumed 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.

The results achieved does not significantly differ from the forecasted values.

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 third quarter of 2012, i.e. at 12 November 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 third 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 third quarter of 2012, i.e. at 12 November 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 third quarter of 2012, i.e. at 12 November 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

As at 31 December 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 million (PLN 5 873 million 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.

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

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

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

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

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

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

Interim statement of financial position	Note	At		
		31 December 2012	**31 December 2011 restated**	**1 January 2011 restated**
Assets				
Non-current assets				
Property, plant and equipment		8 445	7 278	6 551
Intangible assets		175	151	87
Shares and investment certificates in subsidiaries		11 641	2 012	2 643
Investment in associates and interest in joint ventures		33	-	1 160
Deferred tax assets		267	168	360
Available-for-sale financial assets		882	992	750
Mine closure financial assets		141	112	84
Derivatives		742	899	404
Trade and other receivables		84	84	86
		22 410	**11 696**	**12 125**
Current assets				
Inventories		2 992	2 356	2 011
Trade and other receivables		1 687	1 503	2 394
Available-for-sale financial assets		-	-	405
Mine closure financial assets		-	2	4
Derivatives		381	859	294
Cash and cash equivalents		707	12 836	2 596
		5 767	**17 556**	**7 704**
Total assets		**28 177**	**29 252**	**19 829**
Equity and liabilities				
Equity				
Share capital		2 000	2 000	2 000
Revaluation reserves from measurement of available-for-sale financial assets		-	(39)	121
Revaluation reserves from measurement of cash flow hedging instruments		286	574	90
Retained earnings		19 637	20 600	12 245
Total equity		**21 923**	**23 135**	**14 456**
Liabilities				
Non-current liabilities				
Trade and other payables		36	12	14
Borrowings and finance lease liabilities		-	-	8
Derivatives		230	538	712
Employee benefits liabilities		1 471	1 216	1 128
Provisions for other liabilities and charges	C. II. 2	718	484	518
		2 455	**2 250**	**2 380**
Current liabilities				
Trade and other payables		2 227	1 828	1 728
Borrowings and finance lease liabilities		1 013	-	3
Current corporate tax liabilities		390	1 588	669
Derivatives		23	330	482
Employee benefits liabilities		110	107	93
Provisions for other liabilities and charges	C. II. 2	36	14	18
		3 799	**3 867**	**2 993**
Total liabilities		**6 254**	**6 117**	**5 373**
Total equity and liabilities		**28 177**	**29 252**	**19 829**

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

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

Interim statement of profit or loss

	Note	Financial period for the 3 months ended 31 December 2012	for the 12 months ended 31 December 2012	for the 3 months ended 31 December 2011 restated*	for the 12 months ended 31 December 2011 restated*
Sales	C. II. 3	5 178	20 737	4 852	20 097
Cost of sales	C. II. 4	(3 574)	(12 786)	(2 486)	(9 853)
Gross profit		**1 604**	**7 951**	**2 366**	**10 244**
Selling costs	C. II. 4	(30)	(113)	(27)	(111)
Administrative expenses	C. II. 4	(193)	(703)	(220)	(696)
Other operating income	C. II. 5	224	1 400	2 895	5 093
Other operating costs	C. II. 6	(491)	(2 109)	(253)	(769)
Operating profit		**1 114**	**6 426**	**4 761**	**13 761**
Finance costs	C. II. 7	17	(9)	(9)	(34)
Profit before income tax		**1 131**	**6 417**	**4 752**	**13 727**
Income tax expense		(378)	(1 549)	(906)	(2 333)
Profit for the period		**753**	**4 868**	**3 846**	**11 394**
Earnings per share during the period (in PLN per share)					
- basic		3.77	24.34	19.23	56.97
- diluted		3.77	24.34	19.23	56.97

* explanation in part C.I.

Interim statement of comprehensive income

	Financial period for the 3 months ended 31 December 2012	for the 12 months ended 31 December 2012	for the 3 months ended 31 December 2011 restated*	for the 12 months ended 31 December 2011 restated*
Profit for the period	**753**	**4 868**	**3 846**	**11 394**
Other comprehensive income:				
Other comprehensive income, which will be reclassified to profit or loss after meeting specific conditions	**261**	**(249)**	**(217)**	**324**
Available-for-sale financial assets	130	48	45	(198)
Income tax	(25)	(9)	(46)	-
	105	39	(1)	(198)
Cash flow hedging instruments	193	(355)	(312)	598
Income tax	(37)	67	96	(76)
	156	(288)	(216)	522
Other comprehensive income, which will not be reclassified to profit or loss	**(118)**	**(163)**	**(31)**	**(59)**
Actuarial losses*	(145)	(201)	(39)	(73)
Income tax	27	38	8	14
Other comprehensive net income for the financial period	**143**	**(412)**	**(248)**	**265**
TOTAL COMPREHENSIVE INCOME	**896**	**4 456**	**3 598**	**11 659**

* explanation in part C.I.

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

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

Interim statement of changes in equity

	Share capital	Revaluation reserve from measurement of available-for-sale financial assets	Revaluation reserve from measurement of cash flow hedging instruments	Retained earnings	Total equity
At 1 January 2012 restated*	**2 000**	**(39)**	**574**	**20 600**	**23 135**
Dividends from profit for 2011 paid	-	-	-	(5 668)	**(5 668)**
Total comprehensive income	-	39	(288)	4 705	4 456
Profit for the period	-	-	-	4 868	**4 868**
Other comprehensive income	-	39	(288)	(163)	**(412)**
At 31 December 2012	**2 000**	**-**	**286**	**19 637**	**21 923**
At 1 January 2011 restated*	**2 000**	**121**	**90**	**12 245**	**14 456**
Dividends from profit for 2010 paid	-	-	-	(2 980)	**(2 980)**
Total comprehensive income	-	(160)	484	11 335	11 659
Profit for the period	-	-	-	11 394	**11 394**
Other comprehensive income	-	(160)	484	(59)	**265**
At 31 December 2011 restated*	**2 000**	**(39)**	**574**	**20 600**	**23 135**

* explanation in part C.I.

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

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

Interim statement of cash flows

	Financial period	
	for the 12 months ended 31 December 2012	for the 12 months ended 31 December 2011 restated*
Cash flow from operating activities		
Profit for the period	4 868	11 394
Adjustments to profit for the period	2 583	(1 341)
Income tax recognised in profit or loss	1 549	2 333
Amortisation/Depreciation	772	672
Interest and share in profits (dividends)	(58)	(288)
Gains on the sale of a subsidiary and an associate	-	(2 662)
Foreign exchange losses/(gains)	856	(871)
Change in provisions	70	34
Change in assets/liabilities due to derivatives	(2)	(546)
Reclassification of other comprehensive income to profit or loss as a result of realisation of derivatives	(333)	(241)
Allowance for impairment of a loan, impairment loss on property, plant and equipment and available-for-sale financial assets	185	-
Other adjustments	4	(7)
Changes in working capital:	(460)	235
Inventories	(636)	(344)
Trade and other receivables	(180)	544
Trade and other payables	356	35
Income tax paid	(2 748)	(1 285)
Net cash generated from operating activities	**4 703**	**8 768**
Cash flow from investing activities		
Purchase of shares and investment certificates in subsidiaries	(9 604)	(201)
Proceeds from sale of shares in subsidiaries	-	982
Proceeds from sale of shares in an associate	-	3 672
Purchase of interest in joint ventures	(33)	-
Purchase of available-for-sale financial assets	-	(1 566)
Proceeds from sale of available-for-sale financial assets	-	1 548
Purchase of property, plant and equipment and intangible assets	(1 647)	(1 406)
Advances granted for purchase of property, plant and equipment and intangible assets	(93)	(59)
Proceeds from sale of property, plant and equipment and intangible assets	16	6
Purchase of mine closure financial assets	(27)	(26)
Establishment of deposits	-	(450)
Termination of deposits	-	800
Loans granted	(8)	-
Proceeds from repayments of loans granted	5	5
Interest received	3	12
Dividends received	57	277
Other investment expenses	(4)	(4)
Net cash (used in)/generated from investing activities	**(11 335)**	**3 590**
Cash flow from financing activities		
Borrowings	1 039	-
Payments of liabilities due to finance leases	-	(13)
Dividends paid	(5 668)	(2 980)
Other financial inflow/(expenses)	10	-
Net cash used in financing activities	**(4 619)**	**(2 993)**
Total net cash flow	**(11 251)**	**9 365**
Exchange (losses)/gains on cash and cash equivalents	(878)	876
Movements in cash and cash equivalents	**(12 129)**	**10 241**
Cash and cash equivalents at beginning of the period	**12 836**	**2 595**
Cash and cash equivalents at end of the period	**707**	**12 836**
including restricted cash and cash equivalents	1	3

* explanation in part C.I.

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

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

Selected explanatory data

I. Change in accounting policies

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

The changes in the principles of presentation of the comparable period, which did not impact the financial data presented in the financial statements for the reporting and comparable periods, were with respect to:

- a change in the nominal value of the presentation currency, from thousand PLN to million PLN. The use of rounding for the presentation currency at the level of million PLN enabled the aggregation and classification of immaterial financial data in accordance with their nature and function, and also limited the scope of published financial information to key categories of the financial statements, making them more understandable,
- a change in the name of the statement of financial position item in which financial assets acquired using the Mine Closure Fund are presented. Considering the substantial amount of these assets and a better reflection of their nature and designation, the name of the assets item was changed from „Held-to-maturity investments" to „Mine closure financial assets",
- a change in the presentation of the statement of comprehensive income. Taking into consideration the clarity and transparency of the presented financial data, the Company decided to present the income and costs of the reporting period in two financial statements: the statement presenting items of profit or loss (the statement of profit or loss) and in the statement which begins with profit or loss and presents items of other comprehensive income (the statement of comprehensive income),
- a change in the presentation of other comprehensive income. The Company decided on the early adoption of changes to IAS 1 *Presentation of Financial Statements - Presentation of Other Comprehensive Income Items*, and consequently the presentation of other comprehensive income items is done in two groups, which pursuant to other IFRS principles:
  - are reclassified to profit or loss after meeting specified conditions, and
  - are not reclassified to profit or loss.

Changes in accounting principles which affected amounts presented in prior periods involved early application applied by the Company, in accordance with rules regarding transition changes to IAS 19 *Employee Benefits*. The changes introduced by the Company involved the recognition of actuarial gains and losses in other comprehensive income (excluding actuarial gains and losses due to jubilee bonuses) and not as previously in profit or loss. As a result of the application of this standard in the financial statements:

- at 31 December 2011, there was a decrease in other comprehensive income for the period from 1 January 2011 to 31 December 2011 in the amount of PLN 59 million, with a simultaneous increase in profit for the period in the same amount. This adjustment had no impact on the statement of financial position.

Impact of changes on quarterly results published in 2012 is presented in the following table:

	Statement of profit or loss			Other comprehensive income
	Profit before tax	**Tax**	**Profit for the period**	
Financial data before changes in policies				
for the 1st quarter of 2012	1 749	(344)	1 405	(402)
for 2 quarters of 2012	3 739	(790)	2 949	(243)
for 3 quarters of 2012	5 230	(1 160)	4 070	(510)
for 2012	6 216	(1 511)	4 705	(249)
Impact of changes on financial data				
for the 1st quarter of 2012	47	(9)	38	(38)
for 2 quarters of 2012	29	(6)	23	(23)
for 3 quarters of 2012	57	(11)	46	(46)
for 2012	201	(38)	163	(163)
Financial data after changes in policies				
for the 1st quarter of 2012	1 796	(353)	1 443	(440)
for 2 quarters of 2012	3 768	(796)	2 972	(266)
for 3 quarters of 2012	5 287	(1 171)	4 116	(556)
for 2012	6 417	(1 549)	4 868	(412)

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

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

As a result of these changes there was an increase in basic and diluted earnings per share for the period from 1 January 2011 to 31 December 2011 from PLN 56.67 per share to PLN 56.97 per share.

The early application by the Company of changes to IAS 19 also affected the level of this ratio for the year 2012, which amounted to PLN 24.36 per share. Had the Company not applied the changes to IAS 19 from 1 January 2012, earnings per share would have amounted to PLN 23.53 per share.

Due to the restatement of comparable data, the data in the statement of financial position at 1 January 2011 conforms to IFRS, while the restatement of comparable data to the changes in accounting principles applied in the financial statements of the current period had no impact on the data in the statement of financial position at 1 January 2011.

II. Additional notes

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

Purchase and sale of property, plant and equipment

	for the 12 months ended 31 December 2012	for the 12 months ended 31 December 2011 restated
Purchase of property, plant and equipment	1 683	1 418
Net sale of property, plant and equipment	6	-

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

	At 31 December 2012	31 December 2011 restated
Payables due to purchase of property, plant and equipment and intangible assets	448	385

Capital commitments not recognised in the interim statement of financial position

	At 31 December 2012	31 December 2011 restated
Purchase of property, plant and equipment	3 931	1 367
Purchase of intangible assets	46	19
Total capital commitments	**3 977**	**1 386**

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

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

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**	**476**	**5**	**2**	**15**
Recognition and updating of estimates	**321**	303	3	1	14
Utilisation	**(7)**	(6)	-	-	(1)
Transfer to Mine Closure Fund	**(26)**	(26)	-	-	-
Release and updating of estimates	**(32)**	(20)	(2)	(1)	(9)
Provisions at 31 December 2012	**754**	**727**	**6**	**2**	**19**
of which:					
Non-current provisions	**718**	708	5	-	5
Current provisions	**36**	19	1	2	14

	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	**536**	**514**	**6**	**2**	**14**
Recognition and updating of estimates	**83**	73	2	3	5
Utilisation	**(7)**	(3)	(1)	(1)	(2)
Transfer to Mine Closure Fund	**(23)**	(23)	-	-	-
Release and updating of estimates	**(91)**	(85)	(2)	(2)	(2)
Provisions at 31 December 2011	**498**	**476**	**5**	**2**	**15**
of which:					
Non-current provisions	**484**	468	3	-	13
Current provisions	**14**	8	2	2	2

3. Sales

	Financial period			
	for the 3 months ended 31 December 2012	for the 12 months ended 31 December 2012	for the 3 months ended 31 December 2011 restated	for the 12 months ended 31 December 2011 restated
Copper, precious metals, smelter by-products	5 106	20 379	4 782	19 832
Salt	16	53	18	72
Services	17	67	16	60
Other finished goods	3	12	3	13
Merchandise	17	159	16	64
Scrap and production materials	19	67	17	56
Total	**5 178**	**20 737**	**4 852**	**20 097**

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

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

4. Expenses by nature

	Financial period			
	for the 3 months ended 31 December 2012	**for the 12 months ended 31 December 2012**	**for the 3 months ended 31 December 2011 restated**	**for the 12 months ended 31 December 2011 restated**
Depreciation of property, plant and equipment and amortisation of intangible assets	187	772	176	672
Employee benefit expenses	772	2 988	722	2 782
Materials and energy	1 851	6 821	1 492	5 911
External services	391	1 357	360	1 256
Taxes and charges*	650	1 917	79	318
Advertising costs and representation expenses	25	51	20	43
Property and personal insurance	7	26	6	23
Research and development costs not capitalised in intangible assets	4	9	3	6
Other costs, of which:	**34**	**51**	**6**	**18**
Write-down of inventories	2	3	3	3
Impairment losses on property, plant and equipment, intangible assets	26	26	-	-
Reversal of allowances for impairment of receivables	-	-	-	(1)
Losses from the disposal of financial instruments	2	9	2	6
Other operating costs	4	13	1	10
Total expenses by nature	**3 921**	**13 992**	**2 864**	**11 029**
Cost of merchandise and materials sold (+)	32	211	28	107
Change in inventories of finished goods and work in progress (+/-)	(106)	(417)	(111)	(321)
Cost of manufacturing products for internal use (-)	(50)	(184)	(48)	(155)
Total cost of sales, selling costs and administrative expenses	**3 797**	**13 602**	**2 733**	**10 660**

*including the minerals extraction tax for the period from 18 April to 31 December 2012 in the amount of PLN 1 596 million, for the fourth quarter of 2012 in the amount of PLN 571 million.

5. Other operating income

	Financial period			
	for the 3 months ended 31 December 2012	**for the 12 months ended 31 December 2012**	**for the 3 months ended 31 December 2011 restated**	**for the 12 months ended 31 December 2011 restated**
Income and gains on financial instruments, classified under other operating activities, resulting from:	219	1 310	223	2 117
Measurement and realisation of derivatives	202	1 156	(144)	1 025
Gains from the sale of financial instruments	-	2	-	17
Interest	17	152	69	180
Foreign exchange gains	-	-	298	895
Gains on the sale of an associate	-	-	2 512	2 512
Gains on the sale of subsidiaries	-	-	150	150
Non-financial interest	-	-	-	3
Reversal of allowance for impairment of non-financial receivables	1	2	2	3
Dividends received	-	57	-	277
Release of unused provisions due to:	-	11	3	6
Decommissioning of mines	-	2	3	5
Disputed issues, pending court proceedings	-	1	-	1
Donations agreement signed with municipalities (Gminas)	-	8	-	-
Penalties and compensation	3	7	2	16
Other operating income/gains	1	13	3	9
Total other operating income	**224**	**1 400**	**2 895**	**5 093**

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

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

6. Other operating costs

	Financial period			
	for the 3 months ended 31 December 2012	**for the 12 months ended 31 December 2012**	**for the 3 months ended 31 December 2011 restated**	**for the 12 months ended 31 December 2011 restated**
Costs and losses on financial instruments, classified under other operating activities, resulting from:	457	1 963	241	711
Measurement and realisation of derivatives	271	1 240	241	704
Interest	0	-	-	-
Foreign exchange losses	28	565	-	-
Losses from measurement of non-current liabilities	-	-	-	2
Impairment losses on available-for-sale financial assets, allowance for impairment of other receivables	158	158	-	5
Losses on the sale of property, plant and equipment and intangible assets	-	1	4	11
Donations granted	6	92	-	15
Interest on overdue non-financial liabilities	-	2	-	-
Provisions recognised due to:	22	25	1	8
Decommissioning of mines	9	10	-	2
Other	13	15	1	6
Other operating costs/losses	6	26	7	24
Total other operating costs	**491**	**2 109**	**253**	**769**

7. Finance costs

	Financial period			
	for the 3 months ended 31 December 2012	**for the 12 months ended 31 December 2012**	**for the 3 months ended 31 December 2011 restated**	**for the 12 months ended 31 December 2011 restated**
Interest expense	2	2	1	1
Foreign exchange losses/(gains) on borrowings	(27)	(27)	-	1
Changes in provisions arising from the approach of the maturity date of liabilities (unwinding of discount effect)	8	33	8	32
Other financial costs	-	1	-	-
Total finance costs	**(17)**	**9**	**9**	**34**

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

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

8. Related entities transactions

	Financial period			
	for the 3 months ended 31 December 2012	**for the 12 months ended 31 December 2012**	**for the 3 months ended 31 December 2011 restated**	**for the 12 months ended 31 December 2011 restated**
Revenues from sales to related entities				
To subsidiaries	166	643	206	751
Total revenues from sales to related entities	**166**	**643**	**206**	**751**

During the period from 1 October 2012 to 31 December 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 million).

	Financial period			
	for the 3 months ended 31 December 2012	**for the 12 months ended 31 December 2012**	**for the 3 months ended 31 December 2011 restated**	**for the 12 months ended 31 December 2011 restated**
Purchases from related entities				
From subsidiaries	1 638	5 894	1 229	4 626
From associate held for sale	-	-	1	2
Total purchase from related entities	**1 638**	**5 894**	**1 230**	**4 628**

	At	
	31 December 2012	**31 December 2011 restated**
Trade receivables from related entities		
From subsidiaries	224	270
Total receivables from related entities	**224**	**270**

	At	
	31 December 2012	**31 December 2011 restated**
Trade payables towards related entities		
Towards subsidiaries	460	432
Total payables towards related entities	**460**	**432**

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 for the period from 1 January 2012 to 31 December 2012 amounted to PLN 765 million (for the period from 1 January 2011 to 31 December 2011 – PLN 769 million), the unsettled balance of liabilities from these transactions as at 31 December 2012 amounted to PLN 41 million (as at 31 December 2011: PLN 46 million), and the unsettled balance of receivables as at 31 December 2012 amounted to PLN 4 million (as at 31 December 2011: PLN 1 million). Revenues from sales from State Treasury companies for the period from 1 January 2012 to 31 December 2012 amounted to PLN 55 million (for the period from 1 January 2011 to 31 December 2011, PLN 55 million).

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

Remuneration of the Supervisory Board (in PLN '000)	For the period for the 12 months ended 31 December 2012	for the 12 months ended 31 December 2011 restated
Remuneration due to service in the Supervisory Board, salaries and other current employee benefits	1 233	1 351
Total	**1 233**	**1 351**

Remuneration of the Management Board (in PLN '000)	For the period for the 12 months ended 31 December 2012	for the 12 months ended 31 December 2011 restated
Salaries and other current employee benefits	5 904	4 561
Post-employment benefits	-	96
Benefits due to termination of employment	42	-
Total	**5 946**	**4 657**

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

	At 31 December 2012	Increase/(decrease) since the end of the last financial year
Contingent assets	**414**	**41**
Guarantees received	182	15
Disputed State budget issues	7	-
Promissory notes receivables	98	21
Inventions, implementation of projects	40	3
Real estate tax on mining facilities	87	2
Contingent liabilities	**178**	**36**
Guarantees and collateral	5	-
Disputed issues, pending court proceedings	15	1
Liabilities due to implementation of projects, inventions	126	12
Real estate tax on mining facilities	18	18
Other	14	5
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	**193**	**193**

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

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

III. Items affecting assets, liabilities, equity, profit or loss or cash flows, which are unusual as respects their type, amount or degree of influence

1. Significant achievements or failures during the reporting period, together with the most important related events

Process of obtaining renewed licenses for mining regions currently being worked

Activities involving the exploitation of copper ores are carried out based on licenses held by KGHM Polska Miedź S.A., which were issued by the Minister of Environmental Protection, Natural Resources and Forestry and the Minister of the Environment in the years 1993-2004, most of which expire by December 2013. The licenses which expire on 31 December 2013 cover the following deposits: „Polkowice", „Sieroszowice", „Lubin-Małomice", „Rudna". The license covering the „Radwanice-Wschód" deposit expires in 2015.

In light of the above, in 2010 the Company commenced the project LICENCING 2013, whose goal is to obtain licenses for the extraction of copper ore from the aforementioned mining areas for the maximum possible period provided for by law, which is 50 years. As part of the work related to this project, the Company in the years 2010-2012 carried out work related directly to the process of obtaining licenses, i.e.
- the preparation and approval of supplementary information to the geological documentation,
- the preparation of deposit management plans (DMP),
- submission to the Regional Directorate for Environmental Protection (RDEP) 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.

All of these actions were aimed at preparing the appropriate documentation and obtaining the appropriate permits required for submission to the licensing body, i.e. the Minister of the Environment, of minerals extraction licensing applications.

Status at the date of signing the financial statements
The most recent decision, which enabled the Company to submit licensing applications, was issued on 3 December 2012, by the Regional Directorate for Environmental Protection in Wrocław, was a decision on the environmental conditions for a project titled „The extraction of copper ore from the following deposits: „Polkowice", „Sieroszowice", „Radwanice-Wschód", „Rudna" and „Lubin-Małomice", with an immediate enforcement formula. This decision received the status of final decision on 16 January 2013. Following receipt of this decision, KGHM Polska Miedź S.A. immediately submitted licensing applications to the licensing body for the aforementioned 5 deposits. From information available to the Company it appears that the licensing body, following preliminary review of the applications, has no concerns as to their content or form.

The licensing body has forwarded the DMP, being the fundamental element in licensing applications, to the forum of the Minerals Resources Commission (MRC), being the opinion granting and consulting body of the Minister of the Environment. To accelerate the process of assessing the applications up to four joint report reviewers were selected. The Company has already received joint reports for review. The review of the relevant deposit management projects is expected (with the participation of KGHM representatives) at the end of February/beginning of March 2013. This process will conclude with the receipt by the licensing body of the opinion of the MRC.

Planned actions following the date of signing of the financial statements
Following receipt of the opinion of the MRC, the licensing body will forward the licensing applications to the 9 relevant mining municipalities (Gmina Lubin, Lubin Miasto, Polkowice, Radwanice, Jerzmanowa, Rudna, Sieroszowice, Chocianów and Grębocice). During this time the Company, as was done throughout the entire licensing process to date, will organise in March and April 2013 working meetings and seminars with the aforementioned municipalities, at which all questions regarding the contents of the licensing applications will be answered. In this manner, the Company intends to deal with all possible concerns and doubts which may be voiced in the municipalities before they arise.

In subsequent steps, (expected timeframe May-June 2013) in accordance with regulatory procedure, the Ministry of the Environment will prepare draft licensing decisions which will be forwarded to the relevant minister responsible for the economy and to the municipalities within whose territory the deposits for which licenses are being sought are located for the purpose of agreement. As part of this process, representatives of these municipalities may voice their opinions and concerns regarding the draft licensing decisions in a justified scope (e.g. by committing the Company to undertake additional measurements and observations with respect to protection of the surface terrain and mining-related damage, additional analyses or expert opinions on these matters).

As a result of the close and open cooperation of the Company with the municipalities and the good atmosphere between the parties, no concerns whatsoever have been raised during the process of obtaining environmental decisions. In the Company's opinion, this is a clear signal confirming the declarations of acceptance for the actions of KGHM which were submitted many times by the municipal bodies, and justifies minimalisation of the assessed actual threat of not receiving these operating licenses. We assume that any eventual concerns which are raised will be of a substantive nature and will not threaten the successful realisation of the project LICENCING 2013. In the Company's opinion, the process of submitting concerns should last no longer than 30 days.

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

Following this stage, the Ministry of the Environment will send to the municipalities the draft licensing decisions, and if within 14 days from the date of their receipt the municipalities do not voice any concerns, the body will treat the decisions as agreed.
An inseparable element of the process of receiving mining licenses is the signing with the State Treasury of an agreement on setting mining usufruct rights, granting a company the exclusive right to conduct the activities covered by a license. Normally the licensing body takes the initiative, directing the entity applying for a license to sign the relevant agreement.
The final task of the project LICENCING 2013 is the development of Mine Operating Plans for the 3 mines and their submission for approval by the mining oversight body (OUG), following the receipt of licenses for each of the deposits covered by the operating plans.

Considering the present state of progress on the licensing process and the positive social conditions of this process, the Management Board of the Company estimates the timeframe for receiving the licenses as the end of June-early July 2013. Additionally, the Management Board believes that the probability of not receiving these licenses is minimal and does not pose a threat to continuation of the activities of KGHM Polska Miedź S.A.

Increase in contribution to the Employee Retirement Plan (PPE)

On 10 October 2012, the Polish Financial Supervision Authority approved appendices to the agreements signed on 3 September 2012 on the contribution to the Employee Retirement Plan, based on which the basic contribution to the PPE increased by 1 percentage point (to 6% of an employee's remuneration).

This increase in the contribution was an element in shaping remuneration policy and employee wages in 2013 which the Management Board of the Company proposed to the trade unions at the start of the year.

Other significant events covered by current reports

Company bodies

On 21 November 2012, the Extraordinary General Meeting of KGHM Polska Miedź S.A., appointed Bogusław Szarek to the Supervisory Board of KGHM Polska Miedź S.A. - elected by the employees of the Company. The Extraordinary General Meeting did not adopt resolutions on the appointment to the Supervisory Board of persons elected by the employees of the Company: Józef Czyczerski and Leszek Hajdacki.

Adjusted forecast of financial results for 2012

On 29 October 2012, the Management Board of KGHM Polska Miedź S.A., based on the financial results of the Company 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.

Prolongation of the Letter of Intent

On 28 December 2012, the Parties to the Letter of Intent regarding the purchase of shares of a special purpose company founded in order to build and operate a nuclear power plant of 5 September 2012 prolonged the Letter of Intent until 31 March 2013.

Forecast of results for 2013

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

2. Measurement of financial and tangible assets

Financial assets – derivatives

In the current quarter due to the measurement and settlement of future cash flow hedging transactions other comprehensive income was increased by PLN 156 million, of which:

- PLN 85 million represents a reclassification adjustment made at the time of impact of the hedged position on profit or loss,
- PLN 278 million represents a gain resulting from changes in fair value of the effective portion of hedging instruments,
- PLN 37 million represents tax from the above-mentioned items.

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

(since the beginning of the financial year a decrease in other comprehensive income by PLN 288 million, of which:

- *PLN 333 million represents a reclassification adjustment made at the time of impact of the hedged position on profit or loss,*
- *PLN 22 million represents a loss resulting from changes in fair value of the effective portion of hedging instruments,*
- *PLN 67 million 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 16 million (of which: as an increase in revenues from sales, PLN 85 million and as a decrease in the result on other operating activities in the amount of PLN 69 million).

(an increase in the financial result by PLN 249 million since the beginning of the financial year (of which: as an increase in revenues from sales, PLN 333 million and as a decrease in the profit on other operating activities in the amount of PLN 84 million).

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

Available-for-sale financial assets

In the current quarter due to the fair value measurement of available-for-sale financial assets, other comprehensive income was increased by PLN 105 million, of which:

- PLN 158 million represent an impairment loss on assets and reclassification of a decrease in value of assets recognised in prior periods in other comprehensive income to profit or loss,
- PLN 28 million represents a gain resulting from changes in fair value of the effective portion of hedging instruments,
- PLN 25 million represents tax from the above-mentioned items.

(since the beginning of the financial year an increase in other comprehensive income by PLN 39 million, of which:

- *PLN 158 million represent an impairment loss on assets and reclassification of a decrease in value of assets recognised in prior periods in other comprehensive income to profit or loss,*
- *PLN 110 million represents a loss resulting from a change in fair value of assets,*
- *PLN 9 million represents tax from the above-mentioned items.)*

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 187 million.

(an increase in costs by PLN 772 million 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:

2.1 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, respecting changes in accounting policies in this scope (detailed information on changes in policies is presented in part C point I Changes in accounting policies), mainly as a result of changes in macroeconomic assumptions, is an increase in the provision in the amount of PLN 158 million which was settled as:

- a decrease in the financial result in the amount of PLN 13 million
(after reflecting the deferred tax effects, PLN 11 million),
- a decrease in other comprehensive income in the amount of PLN 145 million
(after reflecting the deferred tax effects, a decrease in profit of PLN 118 million),

(after reflecting the deferred tax effects, since the beginning of the financial year:

- *a decrease in profit in the amount of PLN 42 million,*
- *a decrease in other comprehensive income in the amount of PLN 163 million).*

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

2.2 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, mainly as a result of macroeconomic changes, is an increase in the provision in the amount of PLN 201 million, which was settled as a decrease in the financial result in the amount of PLN 18 million and as an increase of property, plant and equipment in the amount of PLN 183 million. The increase in the provision caused an increase in deferred tax assets in the amount of PLN 37 million,

(an increase in the provision by PLN 284 million since the beginning of the financial year, which was settled as a decrease in the financial result in the amount of PLN 42 million and as an increase in property, plant and equipment in the amount of PLN 242 million, deferred tax effect: an increase in deferred tax assets in the amount of PLN 48 million)

2.3 provisions for future employee remuneration costs together with charges in the amount of PLN 188 million, paid (in accordance with the Collective Labour Agreement) on the occasion of mining or smelting holidays and after approval of the annual financial statements.

(*provision as at 31 December 2012 amounted to PLN 304 million).*

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

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 267 million.

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

There was an increase in the deferred tax asset in the current quarter in the amount of PLN 47 million, which was settled:

- as an increase in profit, PLN 20 million,
- as an increase in other comprehensive income due to measurement of hedging financial instruments, available–for-sale financial assets and due to actuarial losses PLN 27 million.

(an increase in the deferred tax asset since the beginning of the financial year in the amount of PLN 211 million, which was settled as:
- an increase in profit, PLN 142 million,
- an increase in other comprehensive income due to measurement of hedging financial instruments, available–for-sale financial assets and due to actuarial losses PLN 69 million)

There was an increase in the deferred tax liability in the current quarter in the amount of PLN 97 million, of which the following was settled:

- as a decrease in profit, PLN 35 million,
- as a decrease in other comprehensive income due to measurement of hedging financial instruments and available–for-sale financial assets PLN 62 million.

(an increase in the deferred tax liability since the beginning of the financial year in the amount of PLN 113 million, of which the following was settled:
- as a decrease in profit, PLN 140 million
- as an increase in other comprehensive income due to measurement of hedging financial instruments and available–for-sale financial assets PLN 27 million.)

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

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

Economic results in the fourth quarter of 2012

In the fourth quarter of 2012, KGHM Polska Miedź S.A. produced 105 thousand t of copper in concentrate, (in 2012: 427 thousand t). Electrolytic copper production amounted to 147 thousand t, including 107 thousand t from own concentrate, and 318 t of metallic silver. In 2012, the Company produced 566 thousand t of electrolytic copper, including 419 thousand t from own concentrate and 1 274 t of metallic silver.

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

- copper prices on the London Metal Exchange (LME) at the average level of 7 909 USD/t,
- an average exchange rate of 3.17 USD/PLN,
- average silver prices on the London Bullion Market Association (LBMA) of 32.68 USD/troz, and
- the sales volume of copper and copper products (147 thousand t), and of silver (320 t).

The **revenues from sales** achieved of PLN 5 178 million were higher by PLN 326 million, i.e. 7% than those achieved in the comparable prior period, in respect of which the impact of an increase in copper prices (from 7 489 USD/t to 7 909 USD/t) and silver (from 31.87 USD/troz to 32.68 USD/troz) was partly offset by a lower USD/PLN exchange rate (a change from 3.28 USD/PLN to 3.17 USD/PLN).

In the fourth quarter of 2012, revenues from the sale of copper and copper products represented 74%, and silver 21% (in the comparable period of 2011 respectively: 73% and 21%) of total revenues from sales.

Operating costs (cost of sales, selling costs and administrative expenses) in the fourth quarter of 2012 amounted to PLN 3 797 million and were higher versus the comparable prior period by PLN 1 064 million, i.e. by 39%, mainly due to the minerals extraction tax and a higher volume of copper-bearing materials used, with a higher volume of copper and silver products sales, respectively by 8% and 7%.

Expenses by nature in the fourth quarter of 2012 amounted to PLN 3 921 million, and after excluding purchased copper-bearing materials (PLN 1 258 million) and the minerals extraction tax (PLN 571 million) amounted to PLN 2 092 million and were higher than those in the comparable prior year period by 7% (i.e. by PLN 135 million).

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

– higher external services costs, mainly due to the increased scope of mine development work performed (+1.5 km, i.e. by 16%),
– higher remuneration due to changes in wages categories, together with charges due to an increase in the interest rate on disability insurance premium,
– 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 fourth quarter of 2012 amounted to 23 501 PLN/t, and increased versus the fourth quarter of 2011 by 31% due to the following:

– the introduced mineral extraction tax (3 961 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 18 970 PLN/t.

The pre-precious metals credit unit cost of electrolytic copper production from own concentrate amounted to 22 222 PLN/t (in the comparable period – 15 521 PLN/t) alongside a lower by 5% volume of production from own concentrate and mineral extraction tax burden (5 442 PLN/t). The total cost of electrolytic copper production from own concentrate amounted to 16 636 PLN/t.

Other operating activities showed a loss in the fourth quarter of 2012 in the amount of PLN 267 million, meaning a worsening of the result versus the fourth quarter of 2011 by PLN 2 909 million, mainly in connection with a realisation of the telecom assets sale transaction, 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 fourth quarter of 2012 amounted to PLN 1 114 million and decreased versus the comparable period of 2011 by PLN 3 647 million.

KGHM Polska Miedź S.A. earned a **profit for the fourth quarter of 2012** of PLN 753 million, which was lower by PLN 3 093 million than that achieved in the fourth quarter of 2011.

EBITDA in the fourth quarter of 2012 amounted to PLN 1 301 million (including depreciation/amortisation of PLN 187 million) and was lower by PLN 3 636 million than that in the comparable prior year period.

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

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

5. Commodity and currency risk management

The management of market risk should be considered through analysis of the hedging position together with the item being hedged (hedged position). By hedging position is meant the position of the Company in derivatives. A hedged position comprises revenues from the physical sale of products.

The nominal of copper price hedging strategies settled in the fourth quarter of 2012 represented approx. 35% of the total sales of this metal realised by the Company. With respect to silver this figure amounted to approx. 26%. In the case of the currency market, hedged revenues from sales represented approx. 14% of total revenues from sales realised by the Company during the period.

In the fourth quarter of 2012, the positive result on derivatives amounted to PLN 16 million, of which the amount of PLN 85 million was recognised in revenues from sales (the amount transferred from revaluation reserve from measurement of cash flow hedging instruments to profit or loss), the amount of PLN 69 million decreased the result on other operating activities, of which PLN 108 million represented a loss due to the realisation of derivatives, while PLN 39 million represented a gain on 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.

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 31 December 2012	**for the 12 months ended 31 December 2012**	**for the 3 months ended 31 December 2011**	**for the 12 months ended 31 December 2011**
Impact on sales	**85**	**333**	**118**	**242**
Impact on other operating activities	**(69)**	**(84)**	**(385)**	**321**
Gains/(losses) from realisation of derivatives	(108)	(287)	6	63
Gains/(losses) from measurement of derivatives	39	203	(391)	258
Total impact of derivatives on profit or loss for the period:	**16**	**249**	**(267)**	**563**

In the fourth quarter of 2012, the Company did not implement any hedging strategies on the copper, silver and currency market.

The Company remains hedged for a portion of copper sales planned in 2013 (135 thousand tonnes), in 2014 (81 thousand tonnes) and in 2015 (42 thousand tonnes). A portion of silver sales planned in 2013 (3.6 million troz) is also hedged. With respect to revenues from sales (currency market) the Company holds a hedging position 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 31 December 2012. The hedged nominal/volume in the months included in the presented periods is equally balanced.

COPPER MARKET

	Instrument	**Volume** [tonnes]	**Option execution price** [USD/t]			**Average weighted premium** [USD/t]	**Effective hedge price** [USD/t]	**Restriction of** [USD/t]	
			Sold call option	Purchased put option	Sold put option [1]			Participation	Hedging
I half of 2013	Seagull	19 500	9 500	7 200	4 700	(383)	6 817	9 500	4 700
	Collar	10 500	12 000	8 500	-	(460)	8 040	12 000	-
	Collar	10 500	11 500	8 200	-	(333)	7 867	11 500	-
	Seagull	6 000	10 200	7 700	4 500	(332)	7 368	10 200	4 500
	Seagull	15 000	10 300	7 800	4 500	(368)	7 432	10 300	4 500
	Collar	3 000	9 200	7 200	-	(320)	6 880	9 200	-
	Collar	9 000	9 300	7 300	-	(340)	6 960	9 300	-
	Total	**73 500**							
II half of 2013	Collar	10 500	12 000	8 500	-	(460)	8 040	12 000	-
	Collar	10 500	11 500	8 200	-	(333)	7 867	11 500	-
	Seagull	6 000	10 200	7 700	4 500	(332)	7 368	10 200	4 500
	Seagull	15 000	10 300	7 800	4 500	(368)	7 432	10 300	4 500
	Collar	19 500	9 300	7 600	-	(290)	7 310	9 300	-
	Total	**61 500**							
TOTAL 2013		**135 000**							

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

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

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

COPPER MARKET (continued)

Period	Instrument	Volume [tonnes]	Option execution price [USD/t]			Average weighted premium [USD/t]	Effective hedge price [USD/t]	Restriction of [USD/t]	
			Sold call option	Purchased put option	Sold put option[1]			Participation	Hedging
I half of 2014	Seagull	6 000	10 200	7 700	4 500	(332)	7 368	10 200	4 500
	Seagull	15 000	10 300	7 800	4 500	(368)	7 432	10 300	4 500
	Seagull	19 500	9 300	7 700	5 000	(281)	7 419	9 300	5 000
	Total	**40 500**							
II half of 2014	Seagull	6 000	10 200	7 700	4 500	(332)	7 368	10 200	4 500
	Seagull	15 000	10 300	7 800	4 500	(368)	7 432	10 300	4 500
	Seagull	19 500	9 300	7 700	5 000	(281)	7 419	9 300	5 000
	Total	**40 500**							
TOTAL 2014		**81 000**							
I half of 2015	Seagull	6 000	10 200	7 700	4 500	(332)	7 368	10 200	4 500
	Seagull	15 000	10 300	7 800	4 500	(368)	7 432	10 300	4 500
	Total	**21 000**							
II half of 2015	Seagull	6 000	10 200	7 700	4 500	(332)	7 368	10 200	4 500
	Seagull	15 000	10 300	7 800	4 500	(368)	7 432	10 300	4 500
	Total	**21 000**							
TOTAL 2015		**42 000**							

SILVER MARKET

Period	Instrument	Volume [million troz]	Option execution price [USD/troz]			Average weighted premium [USD/troz]	Effective hedge price [USD/troz]	Restriction of [USD/troz]	
			Sold call option	Purchased put option	Sold put option			Participation	Hedging
I half of 2013	Seagull	1.80	65.00	40.00	20.00	(1.98)	38.02	65.00	20.00
	Total	**1.80**							
II half of 2013	Seagull	1.80	65.00	40.00	20.00	(1.98)	38.02	65.00	20.00
	Total	**1.80**							
TOTAL 2013		**3.60**							

CURRENCY MARKET

Period	Instrument	Notional [million USD]	Option execution price [USD/PLN]			Average weighted premium [PLN for USD 1]	Effective hedge price [USD/PLN]	Restriction of [USD/PLN]	
			Sold call option	Purchased put option	Sold put option[1]			Participation	Hedging
I half of 2013	Seagull	240	4.0000	3.1500	2.6000	(0.0332)	3.1168	4.0000	2.6000
	Collar	240	4.2000	3.2000	-	(0.0650)	3.1350	4.2000	-
	Total	**480**							
II half of 2013	Seagull	240	4.0000	3.1500	2.6000	(0.0230)	3.1270	4.0000	2.6000
	Collar	240	4.2000	3.2000	-	(0.0650)	3.1350	4.2000	-
	Total	**480**							
TOTAL 2013		**960**							
I half of 2014	Seagull	180	4.5000	3.5000	2.7000	(0.0506)	3.4494	4.5000	2.7000
	Collar	180	4.5000	3.4000	-	(0.0093)	3.3907	4.5000	-
	Total	**360**							
II half of 2014	Seagull	180	4.5000	3.5000	2.7000	(0.0345)	3.4655	4.5000	2.7000
	Collar	180	4.5000	3.4000	-	(0.0093)	3.3907	4.5000	-
	Total	**360**							
TOTAL 2014		**720**							
I half of 2015	Collar	180	4.5000	3.4000	-	(0.0080)	3.3920	4.5000	-
	Total	**180**							
II half of 2015	Collar	180	4.5000	3.4000	-	(0.0080)	3.3920	4.5000	-
	Total	**180**							
TOTAL 2015		**360**							

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

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

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

The following table presents the structure of ratings[2] of the financial institutions with whom the Company engaged in derivatives transactions, representing an exposure to credit risk[3]

	At	
Rating levels	**31 December 2012**	**31 December 2011**
Highest[4]	12%	12%
Medium-high[5]	82%	84%
Medium[6]	6%	4%

Taking into consideration the fair value as at 31 December 2012, the maximum share of a single entity with respect to credit risk arising from open derivative transactions entered into by the Company and unsettled derivatives amounted to 17% (as at 31 December 2011: 24%).

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

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

As at 31 December 2012, the net fair value of open positions in derivatives amounted to PLN 870 million, of which PLN 905 million related to the positive fair value of hedging instruments, and PLN 35 million related to the negative fair value of trade instruments. The fair value of open positions in derivatives varies, depending on changes in market conditions, and the final result on these transactions may vary significantly from the measurements described above.

The fair values of derivatives, and receivables and liabilities due to unsettled derivatives as at 31 December 2012, are presented in the following table:

	Derivatives	Receivables /(liabilities) due to unsettled derivatives[7]
Financial assets	1 123	22
Financial liabilities	(253)	(16)
As at 31 December 2012	870	6

Detailed information on positions in derivatives as at 31 December 2012 is presented on the following page in the tables "Trade instruments" and "Hedging instruments".

[2] There was a change in the methodology for calculating the structure of ratings, in order to reflect the measurement of open and unsettled positions in derivatives in individual financial institutions at the end of the reporting period. The structure as at 31 December 2011 presented in the above table was calculated in accordance with the new methodology.
[3] weighed by positive fair value of open and unsettled derivatives
[4] 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.
[5] 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.
[6] 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.
[7] Settlement date falls on 3 January 2013.

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

TRADE INSTRUMENTS

Type of derivative	Volume/ Notional Cu [t] Ag ['000 troz] Currency ['000 USD]	Avg. weighted price/ex. rate Cu [USD/t] Ag [USD/troz] Currency [USD/PLN]	At 31 December 2012 [PLN '000] Financial assets Current	Financial assets Non-current	Financial liabilities Current	Financial liabilities Non-current
Derivatives - Metals – Copper:						
Options						
Sold put options	184 500	4 627			(49)	(17 909)
TOTAL:			**-**	**-**	**(49)**	**(17 909)**
Derivatives - Metals – Silver:						
Options						
Sold put options	3 600	20.00			(315)	(142)
TOTAL:			**-**	**-**	**(315)**	**(142)**
Derivatives – Currency contracts:						
Options USD						
Sold put options	840 000	2.6429			(2 017)	(15 174)
TOTAL:			**-**	**-**	**(2 017)**	**(15 174)**
TOTAL TRADE INSTRUMENTS			**-**	**-**	**(2 381)**	**(33 225)**

HEDGING INSTRUMENTS — **At 31 December 2012 [PLN '000]**

Type of derivative	Volume/ Notional Cu [t] Ag ['000 troz] Currency ['000 USD]	Avg. weighted price/ ex. rate Cu [USD/t] Ag [USD/troz] Currency [USD/PLN]	Maturity/ settlement period From	Maturity/ settlement period To	Period of profit/loss impact From	Period of profit/loss impact To	Financial assets[8] Current	Financial assets[8] Non-current	Financial liabilities[8] Current	Financial liabilities[8] Non-current
Derivatives – Metals- Copper										
Options										
Collar	73 500	7 976-10 696	Jan-13	Dec-13	Feb-13	Jan-14	108 590	16 008	(12 596)	(3 587)
Seagulls	184 500	7 696-9 985	Jan-13	Dec-15	Feb-13	Jan-16	47 040	351 772	(6 255)	(170 461)
TOTAL:							**155 630**	**367 780**	**(18 851)**	**(174 048)**
Derivatives – Metals - Silver										
Options										
Seagull	3 600	40.00-65.00	Jan-13	Dec-13	Feb-13	Jan-14	102 955	9 585	(5)	(5)
TOTAL:							**102 955**	**9 585**	**(5)**	**(5)**
Derivatives – Currency contracts										
Options USD										
Collar	1 200 000	3.3200-4.3800	Jan-13	Dec-15	Jan-13	Dec-15	67 936	229 980	(571)	(19 046)
Seagull	840 000	3.3000-4.2143	Jan-13	Dec-14	Jan-13	Dec-14	54 503	134 855	(1 479)	(3 877)
TOTAL:							**122 439**	**364 835**	**(2 050)**	**(22 923)**
TOTAL HEDGING INSTRUMENTS							**381 024**	**742 200**	**(20 906)**	**(196 976)**

As at 31 December 2012, revaluation reserve from measurement of cash flow hedging instruments (excluding the deferred tax effect) amounted to PLN 354 million, of which PLN 163 million related to the effective portion of the result from the measurement of transactions hedging metals price risk, and PLN 191 million related to the effective portion of the result from the measurement of transactions hedging currency risk.

At 30 September 2012, revaluation reserve from measurement of cash flow hedging instruments (excluding the deferred tax effect) amounted to PLN 161 million, of which PLN 107 million related to the effective portion of the result from the measurement of transactions hedging metals price risk, and PLN 54 million related to the effective portion of the result from the measurement of transactions hedging currency risk.

During the fourth quarter of 2012 there was an increase in other comprehensive income by PLN 193 million (excluding the deferred tax effect), comprised of:

- changes in fair value during the period recognised as an increase in revaluation reserve from measurement of effective portion cash flow hedging instruments, in the amount of PLN 278 million,
- the amount of PLN 85 million, decreasing revaluation reserve from measurement of cash flow hedging instruments, transferred to increase revenues from sales, due to the settlement of the effective portion of hedging transactions.

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

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

	At		
Revaluation reserve from measurement of cash flow hedging instruments	**31 December 2012**	**30 September 2012**	**31 December 2011**
Commodity price risk hedging transactions (copper and silver) – derivatives	163	107	709
Currency risk hedging transactions – derivatives	191	54	-
Total	**354**	**161**	**709**

6. Liquidity risk and capital management

Capital management is aimed at maintaining continuous financial liquidity in every period.

The Company actively manages the risk of loss of liquidity to which it is exposed.

This risk is understood as an ability to settle liabilities on time and to obtain financing for operations.

In order to minimise risk associated with loss of liquidity, in the fourth quarter of 2012, the Company made use of borrowing in the form of bank loans, using both an overdraft facility as well as a working capital facility.

Open lines of credit are available in PLN, USD and EUR. Interest is based on variable WIBOR, LIBOR and EURIBOR rates plus a margin.

At 31 December 2012, the Company held liabilities due to bank loans drawn in the amount of PLN 1 013 million.

BANK LOANS LIABILITIES

Type of bank loan	Bank loan currency	Balance of bank loan in the currency [million]	Balance of bank loan in PLN [million]	Repayment date
Working capital facility	USD	90	279	31.08.2013
Overdraft facility	USD	142	441	14.10.2013
Overdraft facility	USD	33	102	25.09.2013
Overdraft facility	EUR	47	191	21.10.2013
Total			**1 013**	

An increase in market interest rates will increase the interest costs on these liabilities.

The impact of changes in interest rates on the Company’s results is considered immaterial, due to the scale of the Company’s operations.

At the end of the reporting period, the Company owned open lines of credit, whose balances were as follows:

CREDIT LINES as at 31 December 2012

Type of bank loan	Bank loan currency	Balance of bank loan in the currency [million]	Balance of bank loan in PLN [million]
Working capital and overdraft facility	USD	123	-
Working capital and overdraft facility	EUR	50	-
Working capital and overdraft facility	PLN	-	1 300

Lubin, 28 February 2013