

**POLISH FINANCIAL SUPERVISION AUTHORITY**

**Consolidated quarterly report QSr 4 / 2013**

(In accordance with § 82, section 2 and § 83, section 1 of the Decree of the Minister of Finance dated 19 February 2009 – Journal of Laws No. 33, point 259, with subsequent amendments)

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

For the fourth quarter of the financial year **2013** comprising the period from **1 October 2013** to **31 December 2013**  
Containing the interim condensed consolidated financial statements according to IAS 34 in PLN, and interim condensed financial statements according to IAS 34 in PLN.

publication date: 28 February 2014

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(name of the issuer)

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(name of issuer in brief)

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**This report is a direct translation from the original Polish version.  
In the event of differences resulting from the translation, 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 2013 period from 1 January 2013 to 31 December 2013	4 quarters of 2012 period from 1 January 2012 to 31 December 2012 restated	4 quarters of 2013 period from 1 January 2013 to 31 December 2013	4 quarters of 2012 period from 1 January 2012 to 31 December 2012 restated
I. Sales	24 110 202	26 704 865	5 725 529	6 398 520
II. Operating profit	4 355 049	6 475 269	1 034 208	1 551 483
III. Profit before income tax	4 217 641	6 329 325	1 001 577	1 516 515
IV. Total profit for the period	3 015 337	4 752 693	716 063	1 138 751
V. Profit for the period attributable to shareholders of the Parent Entity	3 017 120	4 752 015	716 486	1 138 589
VI. Profit for the period attributable to non-controlling interest	( 1 783)	678	( 423)	162
VII. Other comprehensive income	49 440	( 485 605)	11 741	( 116 352)
VIII. Total comprehensive income	3 064 777	4 267 088	727 804	1 022 399
IX. Total comprehensive income attributable to the shareholders of the Parent Entity	3 073 592	4 270 884	729 897	1 023 309
X. Total comprehensive income attributable to non-controlling interest	( 8 815)	( 3 796)	( 2 093)	( 910)
XI. Number of shares issued	200 000 000	200 000 000	200 000 000	200 000 000
XII. Earnings per ordinary share (in PLN/EUR) attributable to the shareholders of the Parent Entity	15.09	23.76	3.58	5.69
XIII. Net cash generated from operating activities	4 923 698	5 521 182	1 169 247	1 322 883
XIV. Net cash used in investing activities	(4 729 644)	(10 669 490)	(1 123 164)	(2 556 424)
XV. Net cash used in financing activities	(1 960 661)	(4 521 657)	( 465 605)	(1 083 395)
XVI. Total net cash flow	(1 766 607)	(9 669 965)	( 419 522)	(2 316 936)
	<b>At 31 December 2013</b>	<b>At 31 December 2012 restated</b>	<b>At 31 December 2013</b>	<b>At 31 December 2012 restated</b>
XVII. Non-current assets	26 492 847	24 108 176	6 388 129	5 897 015
XVIII. Current assets	7 975 395	9 854 075	1 923 079	2 410 370
XIX. Total assets	34 468 242	33 962 251	8 311 208	8 307 385
XX. Non-current liabilities	6 710 379	7 278 676	1 618 050	1 780 411
XXI. Current liabilities	4 688 683	4 769 602	1 130 566	1 166 675
XXII. Equity	23 069 180	21 913 973	5 562 592	5 360 299
XXIII. Equity attributable to non-controlling interest	222 949	231 585	53 759	56 647

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

	in PLN '000		in EUR '000	
	4 quarters of 2013 period from 1 January 2013 to 31 December 2013	4 quarters of 2012 period from 1 January 2012 to 31 December 2012 restated	4 quarters of 2013 period from 1 January 2013 to 31 December 2013	4 quarters of 2012 period from 1 January 2012 to 31 December 2012 restated
I. Sales	18 578 974	20 736 845	4 412 010	4 968 575
II. Operating profit	4 208 604	6 425 997	999 431	1 539 677
III. Profit before income tax	4 196 694	6 417 086	996 603	1 537 542
IV. Profit for the period	3 058 281	4 868 249	726 260	1 166 439
V. Other comprehensive income	276 727	( 412 289)	65 715	( 98 785)
VI. Total comprehensive income	3 335 008	4 455 960	791 975	1 067 654
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)	15.29	24.34	3.63	5.83
IX. Net cash generated from operating activities	3 790 752	4 702 716	900 202	1 126 777
X. Net cash used in investing activities	(2 547 279)	(11 334 782)	( 604 911)	(2 715 829)
XI. Net cash used in financing activities	(1 823 976)	(4 618 914)	( 433 146)	(1 106 698)
XII. Total net cash flow	( 580 503)	(11 250 980)	( 137 855)	(2 695 750)
	<b>At 31 December 2013</b>	<b>At 31 December 2012 restated</b>	<b>At 31 December 2013</b>	<b>At 31 December 2012 restated</b>
XIII. Non-current assets	23 534 682	22 410 582	5 674 837	5 481 772
XIV. Current assets	5 502 826	5 766 730	1 326 877	1 410 579
XV. Total assets	29 037 508	28 177 312	7 001 714	6 892 351
XVI. Non-current liabilities	1 988 589	2 454 910	479 502	600 487
XVII. Current liabilities	3 750 441	3 798 931	904 331	929 243
XVIII. Equity	23 298 478	21 923 471	5 617 881	5 362 621

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## A. Interim condensed consolidated financial statements

(Consolidated financial statements)

### Interim consolidated statement of financial position

	Note	31 December 2013	At 31 December 2012 restated*	1 January 2012 restated*
<b>ASSETS</b>				
<b>Non-current assets</b>				
Property, plant and equipment		15 131	13 971	9 093
Intangible assets		2 175	1 989	663
Investment property		65	59	60
Investments accounted for using the equity method	A.III.1.a	3 720	3 911	-
Deferred tax assets		451	565	272
Available-for-sale financial assets	A.III.1.b	810	892	994
Financial assets for mine closure and restoration of tailing storage facilities		323	460	112
Derivatives	A.III.1.c	357	745	899
Trade and other receivables	A.III.1.d	3 459	1 516	40
		<b>26 491</b>	<b>24 108</b>	<b>12 133</b>
<b>Current assets</b>				
Inventories		3 397	3 769	2 658
Trade and other receivables		3 119	2 846	1 839
Current corporate tax receivables		54	77	8
Available-for-sale financial assets	A.III.1.b	58	149	16
Mine closure financial assets		1	-	2
Derivatives	A.III.1.c	476	382	860
Cash and cash equivalents		864	2 629	13 130
Non-current assets held for sale		8	2	4
		<b>7 977</b>	<b>9 854</b>	<b>18 517</b>
<b>TOTAL ASSETS</b>		<b>34 468</b>	<b>33 962</b>	<b>30 650</b>
<b>EQUITY AND LIABILITIES</b>				
<b>Equity attributable to shareholders of the Parent Entity</b>				
Share capital		2 000	2 000	2 000
Revaluation reserve from measurement of financial instruments		522	235	536
Exchange differences from the translation of foreign operations statements		( 267)	19	19
Actuarial gains/losses on post-employment benefits		( 132)	( 543)	( 373)
Retained earnings		20 723	19 971	20 920
		<b>22 846</b>	<b>21 682</b>	<b>23 102</b>
<b>Equity attributable to non-controlling interest</b>		<b>223</b>	<b>232</b>	<b>289</b>
<b>TOTAL EQUITY</b>		<b>23 069</b>	<b>21 914</b>	<b>23 391</b>
<b>LIABILITIES</b>				
<b>Non-current liabilities</b>				
Trade and other payables		774	880	142
Borrowings, debt securities and finance lease liabilities	A.IV.7	1 714	1 783	194
Derivatives	A.III.1.c	17	230	538
Deferred tax liabilities		1 726	1 772	129
Employee benefits liabilities		1 561	1 615	1 339
Provisions for other liabilities and charges		918	999	485
		<b>6 710</b>	<b>7 279</b>	<b>2 827</b>
<b>Current liabilities</b>				
Trade and other payables		3 092	3 008	2 249
Borrowings, debt securities and finance lease liabilities	A.IV.7	1 215	1 075	104
Current corporate tax liabilities		128	448	1 596
Derivatives	A.III.1.c	7	25	331
Employee benefits liabilities		131	133	126
Provisions for other liabilities and charges		116	80	26
		<b>4 689</b>	<b>4 769</b>	<b>4 432</b>
<b>TOTAL LIABILITIES</b>		<b>11 399</b>	<b>12 048</b>	<b>7 259</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>34 468</b>	<b>33 962</b>	<b>30 650</b>

\* details presented in note A.I.4

**A. Interim condensed consolidated financial statements (continued)**

**Interim consolidated statement of profit or loss**

	Note	Financial period			
		for the 3 months ended 31 December 2013	for the 12 months ended 31 December 2013	for the 3 months ended 31 December 2012 restated*	for the 12 months ended 31 December 2012 restated*
Sales	A.IV.2	6 124	24 110	6 806	26 705
Cost of sales	A.IV.3	(4 723)	(18 093)	(5 027)	(18 235)
<b>Gross profit</b>		<b>1 401</b>	<b>6 017</b>	<b>1 779</b>	<b>8 470</b>
Selling costs	A.IV.3	( 105)	( 426)	( 111)	( 402)
Administrative expenses	A.IV.3	( 278)	( 989)	( 297)	(1 082)
Other operating income	A.IV.4	134	816	326	1 706
Other operating costs	A.IV.5	( 263)	(1 064)	( 539)	(2 217)
<b>Operating profit</b>		<b>889</b>	<b>4 354</b>	<b>1 158</b>	<b>6 475</b>
Finance costs	A.IV.6	33	( 137)	( 27)	( 146)
<b>Profit before income tax</b>		<b>922</b>	<b>4 217</b>	<b>1 131</b>	<b>6 329</b>
Income tax expense		( 244)	(1 202)	( 362)	(1 576)
<b>Profit for the period</b>		<b>678</b>	<b>3 015</b>	<b>769</b>	<b>4 753</b>

Profit for the period attributable to:

shareholders of the Parent Entity	679	3 017	770	4 752
non-controlling interest	( 1)	( 2)	( 1)	1

**Earnings per share attributable to the  
shareholders of the Parent Entity for the  
reporting period**  
(in PLN per share)

- basic	3.40	15.09	3.85	23.76
- diluted	3.40	15.09	3.85	23.76

\* details presented in note A.I.4

**A. Interim condensed consolidated financial statements (continued)**

**Interim consolidated statement of comprehensive income**

	Financial period			
	for the 3 months ended 31 December 2013	for the 12 months ended 31 December 2013	for the 3 months ended 31 December 2012 restated*	for the 12 months ended 31 December 2012 restated*
<b>Profit for the period</b>	<b>678</b>	<b>3 015</b>	<b>769</b>	<b>4 753</b>
<b>Other comprehensive income</b>				
<b>Other comprehensive income, which will be reclassified to profit or loss when specific conditions are met, due to:</b>	<b>( 347)</b>	<b>( 6)</b>	<b>5</b>	<b>( 316)</b>
Available-for-sale financial assets	( 91)	79	118	( 6)
Income tax	14	( 5)	( 23)	( 7)
	( 77)	74	95	( 13)
Cash flow hedging instruments	100	263	193	( 355)
Income tax	( 19)	( 50)	( 37)	67
	81	213	156	( 288)
Exchange differences from the translation of foreign operations statements	( 351)	( 293)	( 246)	( 15)
<b>Other comprehensive income, which will not be reclassified to profit or loss, due to:</b>	<b>24</b>	<b>55</b>	<b>( 125)</b>	<b>( 170)</b>
Actuarial (losses)/gains on post-employment benefits	30	68	( 154)	( 210)
Income tax	( 6)	( 13)	29	40
<b>Other comprehensive net income for the financial period</b>	<b>( 323)</b>	<b>49</b>	<b>( 120)</b>	<b>( 486)</b>
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>355</b>	<b>3 064</b>	<b>649</b>	<b>4 267</b>
Total comprehensive income attributable to:				
shareholders of the Parent Entity	361	3 073	651	4 270
non-controlling interest	( 6)	( 9)	( 2)	( 3)

\* details presented in note A.I.4

**A. Interim condensed consolidated financial statements (continued)**

**. Interim consolidated statement of changes in equity**

	Equity attributable to shareholders of the Parent Entity						Equity attributable to non-controlling interest	Total equity
	Share capital	Revaluation reserve from measurement of financial instruments	Exchange differences from the translation of foreign operations statements	Actuarial gains/losses on post-employment benefits	Retained earnings	Total		
<b>At 1 January 2013 restated*</b>	<b>2 000</b>	<b>235</b>	<b>19</b>	<b>( 543)</b>	<b>19 971</b>	<b>21 682</b>	<b>232</b>	<b>21 914</b>
Dividends from profit for 2012 paid	-	-	-	-	(1 960)	(1 960)	-	(1 960)
Offsetting of profit from prior years with actuarial gains and losses	-	-	-	356	( 356)	-	-	-
<b>Total comprehensive income</b>	<b>-</b>	<b>287</b>	<b>( 286)</b>	<b>55</b>	<b>3 017</b>	<b>3 073</b>	<b>( 9)</b>	<b>3 064</b>
Profit for the period	-	-	-	-	3 017	3 017	( 2)	3 015
Other comprehensive income	-	287	( 286)	55	-	56	( 7)	49
Changes in estimates of obligation to repurchase of non-controlling interest	-	-	-	-	23	23	-	23
Changes in ownership shares in subsidiaries which do not lead to a loss of control	-	-	-	-	28	28	-	28
<b>At 31 December 2013</b>	<b>2 000</b>	<b>522</b>	<b>( 267)</b>	<b>( 132)</b>	<b>20 723</b>	<b>22 846</b>	<b>223</b>	<b>23 069</b>
<b>At 1 January 2012</b>	<b>2 000</b>	<b>536</b>	<b>19</b>	<b>-</b>	<b>20 547</b>	<b>23 102</b>	<b>289</b>	<b>23 391</b>
Change in presentation principles*	-	-	-	( 373)	373	-	-	-
<b>At 1 January 2012 restated*</b>	<b>2 000</b>	<b>536</b>	<b>19</b>	<b>( 373)</b>	<b>20 920</b>	<b>23 102</b>	<b>289</b>	<b>23 391</b>
Dividends from profit for 2011 paid	-	-	-	-	(5 668)	(5 668)	( 1)	(5 669)
<b>Total comprehensive income</b>	<b>-</b>	<b>( 301)</b>	<b>( 11)</b>	<b>( 170)</b>	<b>4 752</b>	<b>4 270</b>	<b>( 3)</b>	<b>4 267</b>
Profit for the period – restated*	-	-	-	-	4 752	4 752	1	4 753
Other comprehensive income - restated*	-	( 301)	( 11)	( 170)	-	( 482)	( 4)	( 486)
Changes in ownership shares in subsidiaries which do not lead to a loss of control	-	-	11	-	( 33)	( 22)	( 53)	( 75)
<b>At 31 December 2012 restated*</b>	<b>2 000</b>	<b>235</b>	<b>19</b>	<b>( 543)</b>	<b>19 971</b>	<b>21 682</b>	<b>232</b>	<b>21 914</b>

\* details presented in note A.I.4

**A. Interim condensed consolidated financial statements (continued)**

**Interim consolidated statement of cash flows**

	For the period	
	from 1 January 2013 to 31 December 2013	from 1 January 2012 to 31 December 2012 restated*
<b>Cash flow from operating activities</b>		
Profit for the period	3 015	4 753
Adjustments to profit for the period:	3 365	3 638
Income tax recognised in profit or loss	1 202	1 576
Amortisation/Depreciation	1 580	1 724
Impairment losses on goodwill	27	-
Losses on sale of property, plant and equipment and intangible assets	47	6
Gains on disposal of available-for-sale financial assets	( 24)	-
Impairment loss recognised	444	205
Impairment loss reversed	( 41)	( 2)
Interest and share in profits (dividends)	( 75)	8
Foreign exchange (gains)/losses	( 37)	852
Change in provisions	( 19)	68
Change in assets/liabilities due to derivatives	774	( 5)
Reclassification of other comprehensive income to profit or loss as a result of realisation of derivatives	( 450)	( 333)
Other adjustments	45	( 21)
Changes in working capital:	( 108)	( 440)
Inventories	357	( 420)
Trade and other receivables	( 242)	( 346)
Trade and other payables	( 223)	326
Income tax paid	(1 456)	(2 870)
<b>Net cash generated from operating activities</b>	<b>4 924</b>	<b>5 521</b>
<b>Cash flow from investing activities</b>		
Purchase of subsidiaries, less acquired cash and cash equivalents	( 1)	(6 917)
Purchase of interest in a joint venture	( 9)	( 33)
Purchase of property, plant and equipment and intangible assets	(3 189)	(2 402)
Advances granted for purchase of property, plant and equipment and intangible assets	( 84)	( 93)
Proceeds from sale of property, plant and equipment and intangible assets	56	42
Purchase of available-for-sale financial assets	( 42)	-
Proceeds from sale of available-for-sale financial assets	139	3
Purchase of financial assets from mine closure fund and tailing storage facilities restoration fund	( 63)	( 93)
Proceeds from sale of financial assets purchased from the mine closure fund	197	-
Establishment of deposits	-	( 43)
Termination of deposits	42	66
Loans granted	(1 798)	(1 251)
Dividends received	37	57
Other investment expenses	( 15)	( 5)
<b>Net cash used in investing activities</b>	<b>(4 730)</b>	<b>(10 669)</b>

\* details presented in note A.I.4



**A. Interim condensed consolidated financial statements (continued)**

**Interim consolidated statement of cash flows (continued)**

	For the period	
	from 1 January 2013 to 31 December 2013	from 1 January 2012 to 31 December 2012 restated*
<b>Cash flow from financing activities</b>		
Proceeds from payment to reserve capital of a subsidiary from holders of non-controlling interest	29	17
Purchase of non-controlling interest	( 31)	( 93)
Proceeds from bank and other loans	1 597	1 439
Repayments of bank and other loans	(1 446)	( 86)
Payments of liabilities due to finance leases	( 16)	( 11)
Interest paid	( 144)	( 139)
Dividends paid to shareholders of the Parent Entity	(1 960)	(5 668)
Donations received	10	19
<b>Net cash used in financing activities</b>	<b>(1 961)</b>	<b>(4 522)</b>
<b>Total net cash flow</b>	<b>(1 767)</b>	<b>(9 670)</b>
Exchange gains/(losses) on cash and cash equivalents	2	( 831)
<b>Movements in cash and cash equivalents</b>	<b>(1 765)</b>	<b>(10 501)</b>
<b>Cash and cash equivalents at beginning of the period</b>	<b>2 629</b>	<b>13 130</b>
<b>Cash and cash equivalents at end of the period</b>	<b>864</b>	<b>2 629</b>
including restricted cash and cash equivalents	108	99

\* 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.

The activities of KGHM Polska Miedź S.A. involving the mining of the copper ore deposit, salt and common minerals were based on concessions held by the Company which were issued by the Minister of Environmental Protection, Natural Resources and Forestry in the years 1993-2004, most of which expired by December 2013 (concessions for the deposits "Polkowice", "Sieroszowice", "Lubin-Małomice", "Rudna" expired on 31 December 2013, while the concessions for the deposit area "Radwanice-Wschód" would have expired in 2015). In view of the above, in 2010 the Parent Entity commenced the project CONCESSIONS 2013, whose goal was to obtain concessions for the extraction of copper ore for the maximum possible period provided for by law, which is 50 years.

On the basis of action undertaken as a part of the project, in the second half of 2013 concession decisions were signed by the Minister of the Environment for the extraction of copper ore from the deposits together with agreements regarding the granting of mining usufruct rights to the concessions. Also a decision was issued terminating the existing concession for the extraction of copper ore from the deposit „Radwanice-Wschód”.

On the basis of decisions issued by the Minister of the Environment, Mine Operating Plans for three mines (Polkowice-Sieroszowice, Rudna and Lubin) were submitted by the Parent Entity for approval by the District Mining Office, which were approved within the deadline by 31 December 2013.

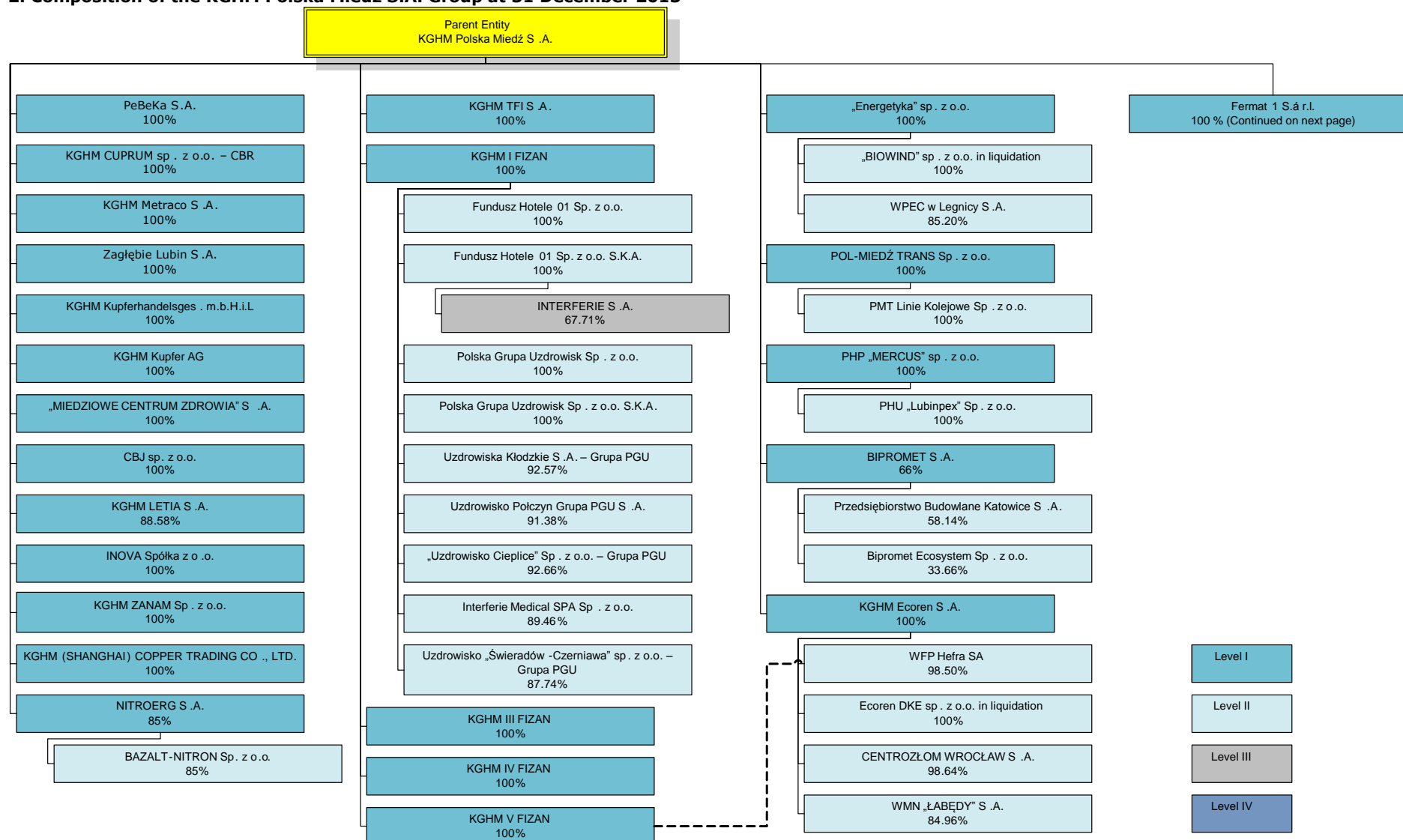
Consequently, since 1 January 2014 KGHM Polska Miedź S.A. has continued its core operations based on new concessions, new mining usufruct agreements and new mine operating plans.

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

The business activities of the Group also include:

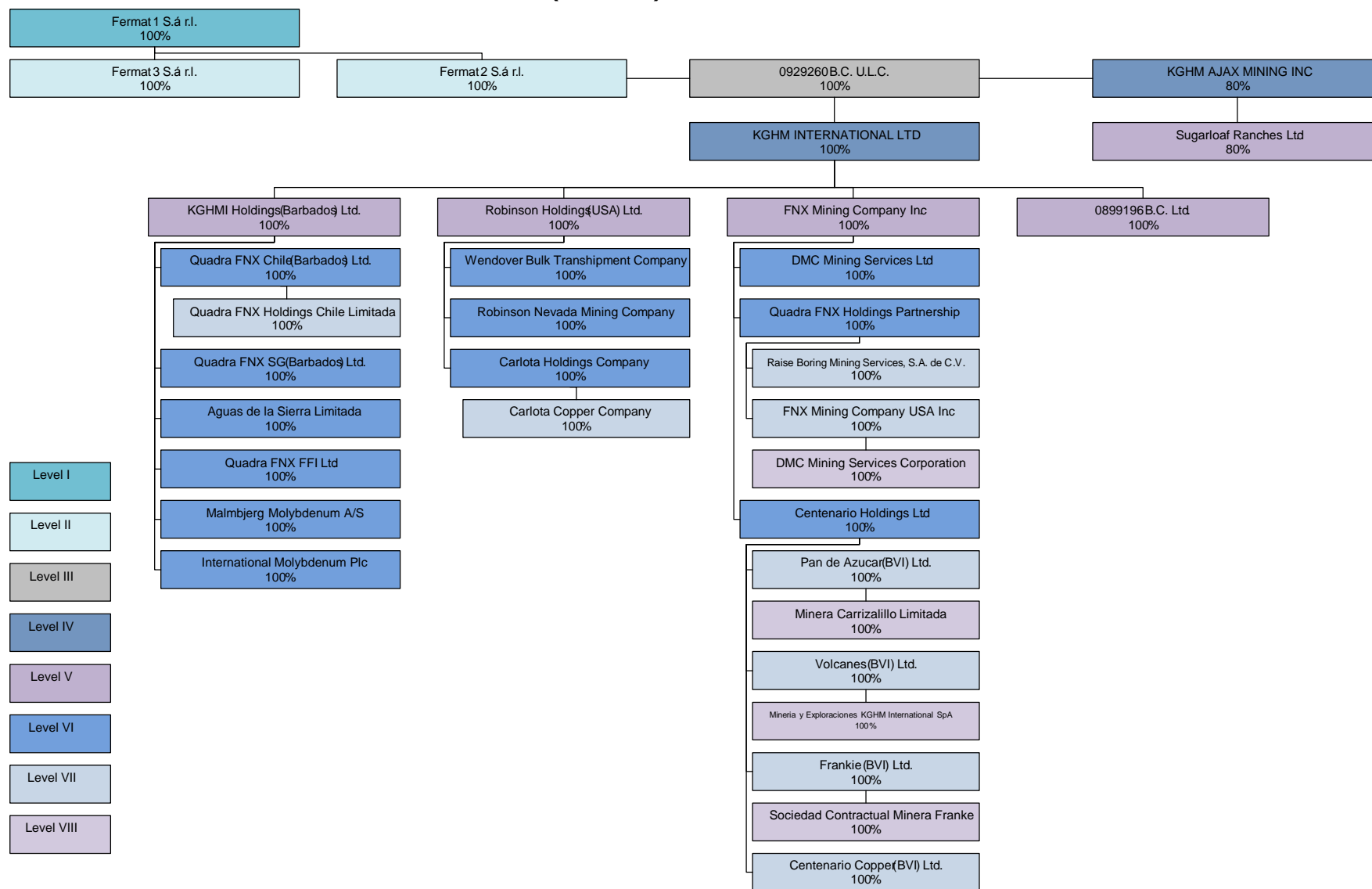
- mine production of metals, including copper, nickel, gold, platinum, palladium,
- production of goods from copper and precious metals,
- underground construction services,
- production of machinery and mining equipment,
- transport services,
- activities in the areas of research, analysis and design,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

**A. Interim condensed consolidated financial statements (continued)**  
**2. Composition of the KGHM Polska Miedź S.A. Group at 31 December 2013**



The percentage share represents the total share of the Group.

**A. Interim condensed consolidated financial statements (continued)**



### A. Interim condensed consolidated financial statements (continued)

In the current quarter KGHM Polska Miedź S.A. consolidated 79 subsidiary entities (the subsidiaries of the Group are presented in part A.I.2), and three joint ventures (Sierra Gorda S.C.M., „Elektrownia Blachownia Nowa” sp. z o.o., NANO CARBON Sp. z o.o.) were accounted for using the equity method.

The following quarterly report includes:

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

Neither the interim consolidated financial statements at 31 December 2013 nor the interim separate financial statements at 31 December 2013 were audited by a certified auditor.

### 3. Exchange rates applied

The following currency rates were applied in the calculation of selected financial data in EUR:

- for the calculation of turnover, profit or loss and cash flow for the current period, the rate of **4.2110 PLNEUR\***,
- for the calculation of turnover, profit or loss and cash flow for the comparable period, the rate of **4.1736 PLNEUR\***,
- for the calculation of assets, equity and liabilities at 31 December 2013, the rate of **4.1472 PLNEUR**,
- for the calculation of assets, equity and liabilities at 31 December 2012, the rate of **4.0882 PLNEUR**.

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

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

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

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

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

In the first quarter of 2013 a final accounting for the Quadra FNX Mining Ltd. (“Quadra FNX”, currently “KGHM INTERNATIONAL LTD.”) Group acquired on 5 March 2012 was performed.

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

The consideration comprises:

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

**A. Interim condensed consolidated financial statements (continued)**

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 in the USA, Franke in Chile, and McCreedy West, and Levack (with the Morrison deposit) in Canada.

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

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.

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

### A. Interim condensed consolidated financial statements (continued)

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

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

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

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

### A. Interim condensed consolidated financial statements (continued)

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

Items adjusted to fair value	Description	Method/key assumption
Mineral properties, property, plant and equipment	Assets held by acquired entities	Fair value set by the discounted cash flow method
Investment in Sierra Gorda	Investment in joint venture	Fair value set by the discounted cash flow method
Intangible assets due to signed services sales contracts	Recognised intangible assets	Fair value set by the discounted cash flow method
Inventories	Inventories held by acquired entities	Method based on net realisable value (assuming a rational level of profit on sales) less the costs necessary to make the sale
Issued bonds	Senior notes for financing a share of the Sierra Gorda project	Method based on determining the amount of the 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 sulphuric acid	Separation of embedded instruments pursuant to the terms of the host contract and based on forward copper market prices as at the date control was obtained, fair value equal to zero at the date of separation
Deferred tax	Recognised deferred tax from adjustment to fair value	Tax rates were applied which are in force in the countries where the Group operates (Canada – 33%, USA – 35%, Chile – 22%)

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

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

- for the period from 1 October to 31 December 2012 by PLN 74 million, (for the period from 1 January to 31 December 2012 by PLN 156 million), and increased profit for the period due to deferred income tax:
- for the period from 1 October to 31 December 2012 by PLN 26 million, (for the period from 1 January to 31 December 2012 by PLN 69 million).

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



**A. Interim condensed consolidated financial statements (continued)**

	<b>Adjustment due to final accounting for the acquisition</b>	<b>Depreciation of non-current assets and realisation of inventories and liabilities</b>	<b>Impact of final accounting on consolidated statement of financial position as at 31 December 2012</b>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	133	( 278)	( 145)
Intangible assets	( 287)	17	( 270)
Investments accounted for using the equity method	833	-	833
Deferred tax assets	(79)	7	(72)
	<b>600</b>	<b>( 254)</b>	<b>346</b>
<b>Current assets</b>			
Inventories	( 126)	126	-
	<b>( 126)</b>	<b>126</b>	<b>-</b>
	<b>474</b>	<b>( 128)</b>	<b>346</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity attributable to shareholders of the Parent Entity</b>			
Exchange differences from the translation of foreign operations	255	( 1)	254
Retained earnings	37	( 87)	( 50)
	<b>292</b>	<b>( 88)</b>	<b>204</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Trade and other payables	161	( 14)	147
Deferred tax liabilities	70	( 58)	12
	<b>231</b>	<b>( 72)</b>	<b>159</b>
<b>Current liabilities</b>			
Trade and other payables	( 49)	32	( 17)
	<b>( 49)</b>	<b>32</b>	<b>( 17)</b>
	<b>474</b>	<b>( 128)</b>	<b>346</b>

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 accounted for in 2011, while PLN 75 million in 2012.

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

Had the KGHM INTERNATIONAL LTD. Group been acquired on 1 January 2012, the consolidated statement of profit or loss of the KGHM Polska Miedź S.A. Group for 2012 would have shown revenues in the amount of PLN 27 341 million and a profit for the period in the amount of PLN 4 854 million.

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

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

## A. Interim condensed consolidated financial statements (continued)

### II. Information on significant changes in estimates

#### 1. Provisions for future liabilities

The effects of revaluation or recognition of estimates of future liabilities (provisions) were settled in the financial result and other comprehensive income of the current quarter, and in particular due to:

- 1.1 provisions for future employee benefits due to one-off retirement or disability payments, jubilee awards, post-mortem benefits and the coal equivalent also paid after the period of employment. The result of this change in estimates, mainly as a result of changes in macroeconomic assumptions, is a decrease in the provision of PLN 31 million which was settled as an increase in other comprehensive income of PLN 30 million and an increase in profit or loss of PLN 1 million.

(after reflecting the deferred tax effects, an increase in other comprehensive income of PLN 24 million),

*(a decrease in the provision by PLN 56 million since the beginning of the financial year which was settled as:*

- *an increase in other comprehensive income of PLN 68 million  
(after reflecting the deferred tax effects, an increase of PLN 55 million),*
- *a decrease in profit before taxation of PLN 12 million  
(after reflecting the deferred tax effects, a decrease of PLN 10 million),*

- 1.2 provision for future costs of decommissioning (restoration) of the Group's mines, comprising the estimated costs of dismantling and removing technological facilities (waste storage facility, facility for neutralisation of production tailings), for which the obligation for restoration upon the conclusion of activities is a result of separate law or standard practice. The result of this change in estimates is an increase in the provision of PLN 57 million, which was settled as an increase in the financial result of PLN 4 million and an increase of property, plant and equipment of PLN 61 million.

*(an increase in the provision by PLN 13 million since the beginning of the financial year, which was settled as a decrease in the financial result)*

- 1.3 provisions for future employee remuneration costs together with charges of PLN 199 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 2013 amounted to PLN 343 million).*

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

#### 2. Deferred tax

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

The deferred tax asset decreased in the current quarter by PLN 63 million, and was settled as:

- a decrease in profit PLN 48 million,
- a decrease in other comprehensive income due to actuarial losses PLN 5 million,
- an increase in other comprehensive income due to measurement of available-for-sale financial assets and derivative hedging instruments PLN 1 million,
- 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 PLN 11 million.

*(a decrease in the deferred tax asset since the beginning of the financial year in the amount of PLN 219 million, which was settled as:*

- *a decrease in profit, PLN 74 million,*
- *a decrease in other comprehensive income due to measurement of available-for-sale financial assets and derivative hedging instruments, PLN 124 million,*
- *a decrease in other comprehensive income due to actuarial gains and losses, PLN 13 million,*
- *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, PLN 8 million)*

### A. Interim condensed consolidated financial statements (continued)

The deferred tax liability decreased in the current quarter by PLN 63 million and was settled as:

- an increase in profit PLN 4 million,
- a decrease in other comprehensive income due to measurement of hedging financial instruments and available-for-sale financial assets PLN 4 million,
- an increase in other comprehensive income due to exchange differences from measurement of the deferred tax liability of subsidiaries with a functional currency other than PLN PLN 63 million.

*(a decrease in the deferred tax liability since the beginning of the financial year in the amount of PLN 150 million, which was settled as:*

- an increase in profit, PLN 32 million,
- an increase in other comprehensive income due to measurement of hedging financial instruments, and available-for-sale financial assets PLN 70 million,
- an increase in other comprehensive income due to exchange differences from measurement of the deferred tax liability of subsidiaries with a functional currency other than PLN, PLN 48 million)

After offsetting the deferred tax asset and deferred tax liability, as at 31 December 2013 in the statements of financial position at the level of subsidiaries, the deferred tax asset was set at PLN 451 million, while the deferred tax liability - at PLN 1 726 million.

### III. Financial assets

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

#### a) in investments in the Sierra Gorda joint venture accounted for using the equity method

- a decrease in the value of investments of PLN 134 million, due to translation of the investments' value from the functional currency of the subsidiary (USD) to the functional currency of the Group (PLN) applying a USD/PLN exchange rate at 31 December 2013 which was lower than the exchange rate at 30 September 2013 (a change from 3.1227 USDPLN to 3.012 USDPLN),
- a decrease in the value of investments due to the exclusion of unrealised gains, proportionally to the Group share, due to transactions between the Group entities and Sierra Gorda of PLN 92 million,
- a decrease in the value of investments due to adjustments of incurred expenditure on the Sierra Gorda investment of PLN 9 million,

*(since the beginning of the financial year :*

- a decrease in the value of investments due to exchange differences of PLN 106 million, (a change in the exchange rate from 3.0996 USDPLN as at 31 December 2012 to 3.012 USDPLN as at 31 December 2013),
- a decrease in the value of investments due to the exclusion of unrealised gains due to transactions between the Group and Sierra Gorda (55% - proportionally to the Group share) of PLN 92 million,
- an increase in the value of investments due to incurred expenditures on the Sierra Gorda investment of PLN 7 million)

#### b) in available-for-sale financial assets

- a decrease due to the realisation of a sale transaction of PLN 13 million,
- a decrease due to a decrease in the gain from measurement of PLN 92 million, recognised in other comprehensive income.

*(since the beginning of the financial year :*

- an increase due to an acquisition of PLN 42 million,
- a decrease due to the realisation of a sale transaction of PLN 115 million,
- a decrease due to the recognition in profit or loss of impairment losses on shares in the amount of PLN 182 million,
- an increase due to the reversal of impairment losses of PLN 85 million, recognised in other comprehensive income

**c) in derivatives (assets and liabilities)** – as a result of changes in macroeconomic factors and settlement of derivative transactions falling in the fourth quarter of 2013, and in relation to the passage of time to maturity for unsettled transactions, the fair value of open positions in derivatives as at 31 December 2013 slightly increased. As a result of measurement of derivatives as at 31 December 2013, the result on profit or loss for the fourth quarter of 2013 was decreased in the amount of PLN 70 million and other comprehensive income increased in the amount of PLN 99 million (excluding the deferred tax effect). As a result of realisation of derivatives, the result on profit or loss for the fourth quarter was increased in the amount of PLN 76 million. For detailed information on derivatives of the Parent Entity see part C.III.5 of this report.

**A. Interim condensed consolidated financial statements (continued)**

**d) in trade and other receivables** – an increase due to a loan granted to the Sierra Gorda joint venture in the amount of USD 109 million (PLN 328 million at the USDPLN exchange rate of 3.0120 announced by the NBP as at 31 December 2013),  
*(an increase in trade and other receivables since the beginning of the year due to the loan granted to Sierra Gorda in the amount of USD 568 million (PLN 1 711 million at the USDPLN exchange rate of 3.0120 announced by the NBP as at 31 December 2013)).*

**2. The fair value hierarchy of financial instruments**

Investments in listed companies (classified as available-for-sale financial assets) are classified under level 1 of the fair value hierarchy. All remaining financial instruments are classified by the Group under level 2 of the fair value hierarchy. The manner and techniques for measuring financial instruments which are measured to fair value have not changed in comparison to the manner and techniques for measurement as at 31 December 2012.

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

**IV. Selected additional explanatory notes**

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

**Purchase and sale of property, plant and equipment**

	Financial period	
	for the 12 months ended 31 December 2013	for the 12 months ended 31 December 2012
Purchase of property, plant and equipment	3 060	2 993
Net sale of property, plant and equipment	18	18

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

	At	
	31 December 2013	31 December 2012
Payables due to purchase of property, plant and equipment and intangible assets	423	292

**Contractual commitments not recognised in the consolidated statement of financial position**

	At	
	31 December 2013	31 December 2012
Purchase of property, plant and equipment	2 711	2 167
Purchase of intangible assets	38	40
<b>Total contractual commitments:</b>	<b>2 749</b>	<b>2 207</b>

## A. Interim condensed consolidated financial statements (continued)

### 2. Sales

	Financial period			
	for the 3 months ended 31 December 2013	for the 12 months ended 31 December 2013	for the 3 months ended 31 December 2012	for the 12 months ended 31 December 2012
Copper, nickel, precious metals, smelter by-products	5 448	20 823	5 884	22 988
Energy	( 1)	68	15	81
Services	262	1 222	376	1 402
Mining machinery, transport vehicles for mining and other	6	37	7	47
Merchandise – smelter products	58	495	150	549
Other merchandise	95	454	83	359
Scrap and materials	55	118	23	83
Other finished goods	201	893	268	1 196
<b>Total sales</b>	<b>6 124</b>	<b>24 110</b>	<b>6 806</b>	<b>26 705</b>

### 3. Expenses by nature

	Financial period			
	for the 3 months ended 31 December 2013	for the 12 months ended 31 December 2013	for the 3 months ended 31 December 2012 restated*	for the 12 months ended 31 December 2012 restated*
Depreciation of property, plant and equipment and amortisation of intangible assets	437	1 580	447	1 724
Employee benefit expenses	1 273	4 700	1 225	4 570
Materials and energy	1 569	7 899	2 248	8 597
External services	481	2 282	736	2 754
Taxes and charges including the minerals extraction tax**	527 393	2 360 1 856	686 571	2 051 1 596
Advertising costs and representation expenses	28	65	30	75
Property and personal insurance	9	33	10	37
Other costs	233	377	84	178
Impairment losses on property, plant and equipment and intangible assets	200	254	41	47
Write-down of inventories	10	15	8	8
Impairment losses on goodwill	27	27	-	-
Reversal of impairment losses on property, plant and equipment, intangible assets, and of write-down of inventories	( 28)	( 44)	6	( 4)
Other operating costs	24	125	29	127
<b>Total expenses by nature</b>	<b>4 557</b>	<b>19 296</b>	<b>5 466</b>	<b>19 986</b>
Cost of merchandise and materials sold (+)	162	973	197	793
Change in inventories of finished goods and work in progress (+/-)	881	546	76	( 164)
Cost of manufacturing products for internal use (-)	( 494)	(1 307)	( 304)	( 896)
<b>Total cost of sales, selling costs and administrative expenses</b>	<b>5 106</b>	<b>19 508</b>	<b>5 435</b>	<b>19 719</b>

\* details presented in note A.I.4

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

**A. Interim condensed consolidated financial statements (continued)**

**4. Other operating income**

	Financial period			
	for the 3 months ended 31 December 2013	for the 12 months ended 31 December 2013	for the 3 months ended 31 December 2012 restated*	for the 12 months ended 31 December 2012 restated*
Income and gains on financial instruments, classified under other operating activities, resulting from:	67	611	264	1 491
Measurement and realisation of derivatives	39	324	207	1 185
Interest	23	225	56	246
Dividends received	-	37	-	57
Other	5	25	1	3
Gains on a bargain purchase of KGHM INTERNATIONAL LTD.	-	-	-	37
Government grants and other donations received	39	46	23	28
Release of unused provisions	18	35	10	25
Penalties and compensation	5	16	4	17
Management fee for Sierra Gorda S.C.M.	( 11)	49	21	68
Other operating income/gains	16	59	4	40
<b>Total other operating income</b>	<b>134</b>	<b>816</b>	<b>326</b>	<b>1 706</b>

\* details presented in note A.I.4

**5. Other operating costs**

	Financial period			
	for the 3 months ended 31 December 2013	for the 12 months ended 31 December 2013	for the 3 months ended 31 December 2012	for the 12 months ended 31 December 2012
Costs and losses on financial instruments, classified under other operating activities, resulting from:	218	921	492	2 007
Measurement and realisation of derivatives	183	676	274	1 246
Foreign exchange losses	33	58	51	592
Impairment losses on financial assets	3	185	6	8
Other items	( 1)	2	161	161
Losses on the sale of property, plant and equipment	14	47	3	8
Donations granted	-	17	7	93
Provisions for liabilities	10	27	22	46
Other operating costs/losses	21	52	15	63
<b>Total other operating costs</b>	<b>263</b>	<b>1 064</b>	<b>539</b>	<b>2 217</b>

## A. Interim condensed consolidated financial statements (continued)

### 6. Finance costs

	Financial period			
	for the 3 months ended 31 December 2013	for the 12 months ended 31 December 2013	for the 3 months ended 31 December 2012	for the 12 months ended 31 December 2012
Interest expense:	( 3)	101	41	126
On bonds	( 12)	81	32	107
On bank and other loans and finance leases	9	20	9	19
Foreign exchange gains on borrowings	( 39)	( 26)	( 27)	( 33)
Changes in provisions and liabilities arising from the approach of the maturity date of liabilities (unwinding of discount effect)	11	42	1	38
Other finance costs	( 2)	20	12	15
<b>Total finance costs</b>	<b>( 33)</b>	<b>137</b>	<b>27</b>	<b>146</b>

### 7. Borrowings, debt securities and finance lease liabilities

	At	
	31 December 2013	31 December 2012
<b>Non-current</b>	<b>1 714</b>	<b>1 783</b>
Bank loans	162	165
Loans	5	8
Debt securities	1 513	1 593
Finance lease liabilities	34	17
<b>Current</b>	<b>1 215</b>	<b>1 075</b>
Bank loans	1 186	1 057
Loans	3	3
Debt securities - interest	9	5
Finance lease liabilities	17	10
<b>Total</b>	<b>2 929</b>	<b>2 858</b>

### 8. Related party transactions

	Financial period			
	for the 3 months ended 31 December 2013	for the 12 months ended 31 December 2013	for the 3 months ended 31 December 2012	for the 12 months ended 31 December 2012
<b>Sales to related entities</b>				
To associates	1	3	1	3
To other related entities	-	14	( 1)	4
<b>Total sales to related entities</b>	<b>1</b>	<b>17</b>	<b>-</b>	<b>7</b>

	Financial period			
	for the 3 months ended 31 December 2013	for the 12 months ended 31 December 2013	for the 3 months ended 31 December 2012	for the 12 months ended 31 December 2012
<b>Purchases from related entities</b>				
From other related entities	6	34	3	35
<b>Total purchases from related entities</b>	<b>6</b>	<b>34</b>	<b>3</b>	<b>35</b>

**A. Interim condensed consolidated financial statements (continued)**

	At	
	31 December 2013	31 December 2012
<b>Trade and other receivables from related entities</b>		
Loan granted to the jointly-controlled entity Sierra Gorda S.C.M.	3 378	1 471
From associates	1	-
From related entities	2	3
<b>Total receivables from related entities</b>	<b>3 381</b>	<b>1 474</b>
<b>Trade payables towards related entities</b>		
Towards other related entities	6	4
<b>Total payables towards related entities</b>	<b>6</b>	<b>4</b>
<b>Contingent liabilities</b>		
- liabilities related to Siera Gorda S.C.M. project	414	519
- liabilities towards subsidiary	184	-
<b>Total contingent liabilities</b>	<b>598</b>	<b>519</b>

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 for the period from 1 January 2013 to 31 December 2013 amounted to PLN 960 million (for the period from 1 January to 31 December 2012 – PLN 817 million), and the unsettled balance of liabilities from these transactions as at 31 December 2013 amounted to PLN 36 million (as at 31 December 2012 - PLN 47 million).

	Financial period	
	for the 12 months ended 31 December 2013	for the 12 months ended 31 December 2012
<b>Remuneration of the Supervisory Board of the Parent Entity (in PLN '000)</b>		
Remuneration due to service in the Supervisory Board, salaries and other current employee benefits	1 175	1 233
<b>Total</b>	<b>1 175</b>	<b>1 233</b>

	Financial period	
	for the 12 months ended 31 December 2013	for the 12 months ended 31 December 2012
<b>Remuneration of the Management Board of the Parent Entity (in PLN '000)</b>		
Salaries and other current employee benefits	9 877	5 904
Benefits due to termination of employment	-	42
Post employment benefits	88	-
<b>Total</b>	<b>9 965</b>	<b>5 946</b>

	Financial period	
	for the 12 months ended 31 December 2013	for the 12 months ended 31 December 2012
<b>Remuneration of other key management personnel (in PLN '000)</b>		
Salaries and other short-term employee benefits	5 307	18 463
<b>Total</b>	<b>5 307</b>	<b>18 463</b>



**A. Interim condensed consolidated financial statements (continued)**

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

	At 31 December 2013	Increase/(decrease) since the end of the last financial year
<b>Contingent assets</b>	<b>529</b>	<b>79</b>
Guarantees received	248	37
Disputed State budget issues	22	( 7)
Promissory notes receivables	126	45
Inventions, implementation of projects	44	4
Real estate tax on underground workings	87	-
Other	2	2
<b>Contingent liabilities</b>	<b>892</b>	<b>167</b>
Guarantees and collateral, of which:	620	88
guarantees granted under a contract for the supply of electricity within the Sierra Gorda S.C.M. project	414	( 105)
security granted by KGHM INTERNATIONAL LTD. for the payment of future environmental liabilities of the Robinson mine	184	-
Promissory note liabilities	15	2
Disputed issues, pending court proceedings	74	48
Liabilities due to implementation of projects and inventions	123	( 5)
Real estate tax on underground workings	42	24
Other	18	10
<b>Liabilities not recognised in the statement of financial position</b>	<b>308</b>	<b>( 21)</b>
liabilities towards local government entities due to expansion of the tailings pond	187	( 6)
liabilities due to operating leases	121	( 15)

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

**V. Strategy realisation**

During the reporting period the Group realised the adopted directions of development based on the Strategy for the years 2009-2018 currently in force, concentrating on three areas:

**1. Improving productivity – investments in new technology**

Strategic investments in this regard were:

Research into the development and application of mechanical technology for the extraction of ore in the conditions prevalent in the mines of KGHM Polska Miedź S.A.:

- ¹ Mine tests continued using the ACT mining complex at a research site of the pilot section in the Polkowice-Sieroszowice mine, whose positive results will serve in taking a decision as to implementation of this mining technology using the ACT mining complex in the mines of KGHM Polska Miedź S.A.
- ¹ Trials commenced on drilling drifts using the team of three combines as part of work to access the Deep Głogów deposit area, aimed at the technical and economic justification for implementing this combine technology in performing preparatory mine work in the mines of KGHM Polska Miedź S.A.

Pyrometallurgy Modernisation Program, with respect to which design and construction-assembly work continued on construction of the main elements of the flash furnace production line at the Głogów I smelter, including the foundations and construction of the furnace hall, the power switching station for the main facilities and installations, and the electric furnace slag pouring reserve front. In addition, work is in progress on the installation design, an important element of which is optimisation of smelting assets in terms of their best possible adaptation to the geological conditions of the deposits mined by KGHM Polska Miedź S.A.

## A. Interim condensed consolidated financial statements (continued)

### 2. Developing the resource base

The strategy for developing the resource base comprises two areas:

#### Exploration of new deposits in the region

- With respect to the exploration of new deposits on the region, work continued on acquiring concessions for the exploration and investigation of copper ore deposits in areas adjacent to the concessioned mining areas of KGHM Polska Miedź S.A. In the fourth quarter of 2013, the Ministry of the Environment granted KGHM Polska Miedź S.A. concession no. 25/2013/p for the exploration and investigation of the „Głogów” copper ore deposit area. Commencement of exploration work on this terrain is planned for 2014.
- Due to the receipt in August 2013 of a concession for the exploration and investigation of the copper ore deposit area „Retków-Ścinawa” in the fourth quarter of 2013, organisational and conceptual work was carried out to commence geological work, planned for 2014.
- Due to the receipt in August 2013 by KGHM Polska Miedź S.A. of a decision altering the concessions for the investigation of copper ore deposits in the area „Gaworzyce-Radwanice”, in the fourth quarter of 2013, surface geophysical research commenced.
- With respect to the realisation of Stage II exploration and investigation work in the concessioned area „Synklina Grodziecka”, in the fourth quarter of 2013, work was completed on the drilling of another 4 drillholes, in one of which hydrogeological measurements and observations are being performed.
- With respect to exploration projects in progress in Germany by the 100% subsidiary KGHM Kupfer AG, in the fourth quarter of 2013, the Saxon Mining Office issued a decision to prolong the term of validity of the „Weisswasser” concession to the end of 2016.
- Due to the decision to cease further work on the concessioned area „Szklary”, in the fourth quarter of 2013, work was concluded on the preparation of geological documentation for the nickel ore deposit „Szklary 1” in cat. C1 together with supplements to the documentation, which was submitted to the concession granting body. Approval of the geological documentation by the Commission for Mineral Resources is expected in the first half of 2014.

Information on decisions issued and contracts signed by the Parent Entity after 31 December 2013 with respect to resource base development in the region may be found in Part A.XII

#### Acquisition and development of mining projects globally

- Sierra Gorda project in Chile (KGHM INTERNATIONAL LTD. 55%, Sumitomo Metal Mining and Sumitomo Corporation 45%) – construction of an open pit mine and concentrator. During the reporting period work on project construction reached 86%. As part of the first stage of investment, with respect to construction of the mine’s technical infrastructure, major work was completed related to construction of basic infrastructure, including social buildings and fresh water supplies, design work was completed as well as construction of the 220kV and 110kV power networks together with primary and sub-stations. With respect to construction of the mine’s production-related facilities, work continued on assembling the installations, machinery and equipment of the production line, including preparation of the wet and dry areas of the processing plant, construction of the tailings storage facility and of the sea water pipeline. Commencement of mining is planned for mid-2014.  
In addition, work continued on stripping of the overburden (oxide ore) needed to access the actual ore deposit. By the end of December 2013, 158.8 million tonnes of rock had been removed, i.e. around 81% of the target amount.  
The oxide ore is currently being stored in heaps and tests are being conducted on its processing potential. Design work is also being performed aimed at preparing assumptions for starting up the metals recovery installation using SX/EW technology.  
With respect to preparing the second stage of the investment aimed at increasing the capacity of the processing plant from 110 kt to 190 kt of ore per day, design work is underway with respect to development of the processing plant infrastructure.
- Victoria project in the Sudbury Basin in Canada (KGHM INTERNATIONAL LTD. 100%) – by the end of the fourth quarter of 2013, applications were made for the requisite environmental permits. Work was completed on a mine closure plan, setting forth the principles for restoration of the terrain once mining ends. The mine closure plan is required in order to receive a permit to build the first shaft. In addition, work continued on the mine plan and work commenced related to preparation of terrain for the future aboveground infrastructure. Talks were also held with the First Nations who live in the area.
- Afton-Ajax project in Canada (KGHM Polska Miedź S.A. 80%, Abacus Mining and Exploration Corp. 20%) – exploration work continued, including geophysical research and a campaign of exploratory drilling on the adjacent areas of Rainbow and Ajax North. Further geological work, which will provide more precise knowledge of the initially identified ore potential, will be realised in 2014. Work also continued on the preparation of an alternate mine plan, including changing the siting of certain mining facilities, which will enable both maximisation of the value of the Afton-Ajax project as well as reduce its impact on the environment.

## **A. Interim condensed consolidated financial statements (continued)**

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

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

- Construction of gas-steam blocks at the Głogów and Polkowice power plants – final handover, start-up testing and preparatory work related to the handover of the gas-steam blocks for operation continued. On 5 November 2013, the gas-steam block in Polkowice was handed over for operation. Handover of the the gas-steam block in Głogów will take place in the first quarter of 2014.
- Production of synthetic gas through the underground gasification of brown coal in the Copper Belt (LGOM) – on the area comprising the concession for the investigation of the brown coal deposit in the vicinity of Głogów, as part of stage II of the project geological work continued on investigating the deposit. In the fourth quarter of 2013, another two drillholes were executed, thereby completing all of the geological drilling work planned for stage II. In 2013, a total of 9 holes were drilled as part of stage II. In addition, specialty research was performed on the brown coal removed from the drillholes in terms of their susceptibility to gasification, hydrogeological charting was carried out and a digital area model of the brown coal deposit was made.

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

- On 30 December 2013, an agreement was signed by KGHM Polska Miedź S.A., TAURON Polska Energia S.A. and TAURON Wytwarzanie S.A. (a subsidiary of TAURON), based on which it was decided to temporarily suspend realisation of the project to build a gas-steam block in the company "Elektrownia Blachownia Nowa" Sp. z o.o. (KGHM Polska Miedź S.A. 50% and TAURON S.A. 50%) The cause of the suspension is the current situation on the electricity and natural gas market, resulting in increased investment risk and the consequent need to review and optimise the project.

Expressing their desire to continue the project to jointly build a gas-steam block through the company „Elektrownia Blachownia Nowa” Sp. z o.o., the Parties committed themselves to ensure the continued functioning of the company "Elektrownia Blachownia Nowa" Sp. z o.o. and to secure the results of the Project achieved to date, in particular to ensure that the documentation held is kept up to date, and additionally committed themselves to continued monitoring of the energy market and the regulatory environment, in terms of the possibility to rapidly re-commence realisation of the Project.

The Parties to the Agreement resolved that a decision to re-commence realisation of the Project will be made in the form of a separate agreement, which in accordance with the expectations of the Parties to the Agreement should be signed by 31 December 2016.

- Exploration for and extraction of shale gas in Poland (KCT Project) – on 31 December 2013 the framework agreement dated 4 July 2012 on the joint exploration for and extraction of shale gas between KGHM Polska Miedź S.A., Polskie Górnictwo Naftowe i Gazownictwo S.A., PGE Polska Grupa Energetyczna S.A., TAURON Polska Energia S.A. and ENEA S.A. expired
- Preparation for the construction and operation of the first Polish nuclear power plant—despite the failure to meet the conditions precedent provided for in the Draft Shareholders Agreement initialled by ENEA S.A., PGE Polska Grupa Energetyczna S.A., TAURON Polska Energia S.A. and KGHM Polska Miedź S.A. on 23 September 2013, on 31 December 2013 the parties have resolved to continue work on the project to prepare and build a nuclear power plant in Poland and to develop updated provisions for the Draft Shareholders Agreement.

In accordance with the initialled Draft Shareholders Agreement, the parties committed themselves to enter into a Shares Purchase Agreement in PGE EJ1 after two conditions precedent are met:

- receipt of a decision regarding the unconditional approval by the President of UOKiK (the Office of Competition and Consumer Protection) to carry out the concentration;
- adoption of a resolution on the Polish Nuclear Energy Program by the Council of Ministers in 2013.

## A. Interim condensed consolidated financial statements (continued)

### VI. KGHM INTERNATIONAL LTD. - results

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

	Financial period	
	for the 3 months ended 31 December 2013	for the 3 months ended 31 December 2012
<b>Copper production</b> [kt], of which:	<b>24.4</b>	<b>30.8</b>
Robinson <sup>(1)</sup>	9.9	15.6
Morrison <sup>(3)</sup>	6.2	5.7
Franke <sup>(2)</sup>	5.4	4.9
Carlota <sup>(2)</sup>	2.5	2.6
Podolsky <sup>(3)</sup>	0.0	1.6
McCreeedy West <sup>(3)</sup>	0.4	0.4
<b>Nickel production</b> [kt], of which:	<b>1.4</b>	<b>1.3</b>
Morrison <sup>(3)</sup>	1.0	0.8
Podolsky <sup>(3)</sup>	0.0	0.1
McCreeedy West <sup>(3)</sup>	0.4	0.4
<b>Precious metals production</b> (gold, platinum, palladium) [koz], of which:	<b>23.8</b>	<b>26.7</b>
Robinson <sup>(1)</sup>	7.2	10.6
Morrison <sup>(3)</sup>	15.9	10.0
Podolsky <sup>(3)</sup>	0	6.1
McCreeedy West <sup>(3)</sup>	0.7	0
<b>C1 [USD/lb]*</b>	<b>1.97</b>	<b>2.18</b>

(1) payable metal produced in concentrate

(2) produced in cathode

(3) shipped payable metal produced in ore

\* C1 unit cost of copper production - cash cost of payable copper production, reflecting ore mining and processing costs, transport costs, minerals extraction tax, administrative expenses, smelter treatment and refining charges (TC/RC) less by-product revenues

In the fourth quarter of 2013, copper production by KGHM INTERNATIONAL LTD. amounted to 24.4 kt, meaning an improvement versus the prior quarter by 3.1 kt (by 15%) and a decrease versus the fourth quarter of 2012 by 6.4 kt (by 21%). This decrease in production versus the comparable prior period of 2012 was due to the following factors:

- the processing of stored ore and of ore from the Liberty pit (Robinson mine), characterised by lower metal content than in the Ruth pit which had been mined in the comparable quarter of 2012 – the drop in copper production at Robinson amounted to 5.7 kt,
  - termination of operations at the Podolsky mine due to the exhaustion of economically-viable resources– the decrease in production in this regard amounted to 1.6 kt,
- alongside an increase in production from the Morrison mine by 9%, mainly due to an increase in extracted volume, and in the Franke mine by 10% due to improved recovery – total increase in production in this regard amounted to 1.0 kt.

Unit cash cost C1 recorded in the fourth quarter of 2013 was lower by 10% than the cost recorded in the fourth quarter of 2012. The drop was mainly due to the Robinson mine, which was responsible for over 40% of copper production sold. The decrease in the operating cost of this mine is related among others to the capitalisation of costs incurred for stripping in the Kimbley pit. C1 cost was unfavourably impacted by the decrease in sold production and lower revenues from the sale of byproducts.

## A. Interim condensed consolidated financial statements (continued)

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

	Financial period			
	for the 3 months ended 31 December 2013		for the 3 months ended 31 December 2012	
	PLN million*	USD million	PLN million*	USD million
<b>Net revenues from sales**</b>	768	253	1 193	378
<b>Profit/(loss) from mining operations***</b>	(83)	(25)	207	65
<b>Adjusted EBITDA****</b>	211	69	283	90
<b>Profit/(loss) for the period</b>	(66)	(21)	140	44
<b>Capex (excluding Sierra Gorda project)</b>	245	79	100	31
<b>Founding of Sierra Gorda project</b>	325	108	570	179

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

\*\*revenues from sales less TC/RC charges

\*\*\* revenues from sales less costs of goods sold

\*\*\*\* profit from mining operations adjusted by amortisation/depreciation, administrative expenses impairment losses and management fee for Sierra Gorda JV

In the fourth quarter of 2013, the KGHM INTERNATIONAL LTD. Group recorded a decrease in net revenues from sales by PLN 425 million (USD 125 million, i.e. by 33%) mainly due to the decrease in the amount of payable copper sold (due to the decrease in production described above) and to the decrease in the average price of copper sold to the level 7 341 USD per tonne (by 5%). Of no less significance were the lower revenues from mining services, which in the last quarter of 2013 represented 49% of revenues in this regard recorded in the comparable period of 2012. The main reason was the limited participation by DMC Mining Services in projects realised in Canada and the USA.

In addition, in the fourth quarter of 2013 the KGHM INTERNATIONAL LTD. Group recognised an impairment loss in the non-current assets of the Carlota mine in the amount of USD 55.4 million. Combined with the factors mentioned above, this impairment loss was the main reason for the loss in mining activities for the fourth quarter of 2013 in the amount of PLN 83 million (USD 25 million). If this impairment loss had been excluded the result of KGHM International Ltd. would have been positive. This impairment loss did not impact adjusted EBITDA, which amounted to PLN 243 million (USD 79 million).

The negative factors mentioned above were the main cause of the loss in the amount of USD 21 million for the fourth quarter of 2013, versus a profit of USD 44 million earned in the last three months of 2012.

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

## VII. Seasonal or cyclical activities

The Group is not affected by seasonal or cyclical activities.

## VIII. Information on the issuance, redemption and repayment of debt and equity securities

There was no issuance, redemption or repayment of debt and equity securities in the Group during the reporting period.

## **A. Interim condensed consolidated financial statements (continued)**

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

In accordance with Resolution No. 5/2013 of the Ordinary General Meeting of KGHM Polska Miedź S.A. dated 19 June 2013 regarding the appropriation of Parent Entity's profit for financial year 2012, the amount of PLN 1 960 million, representing PLN 9.8 per share, was allocated as a shareholders dividend.

The right to dividend date was set at 12 July 2013.

The dividend payment dates:

- 1st instalment of PLN 4.90 per share: 14 August 2013,
- 2nd instalment of PLN 4.90 per share: 14 November 2013.

All Parent Entity shares are ordinary shares.

### **X. Business segments**

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

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

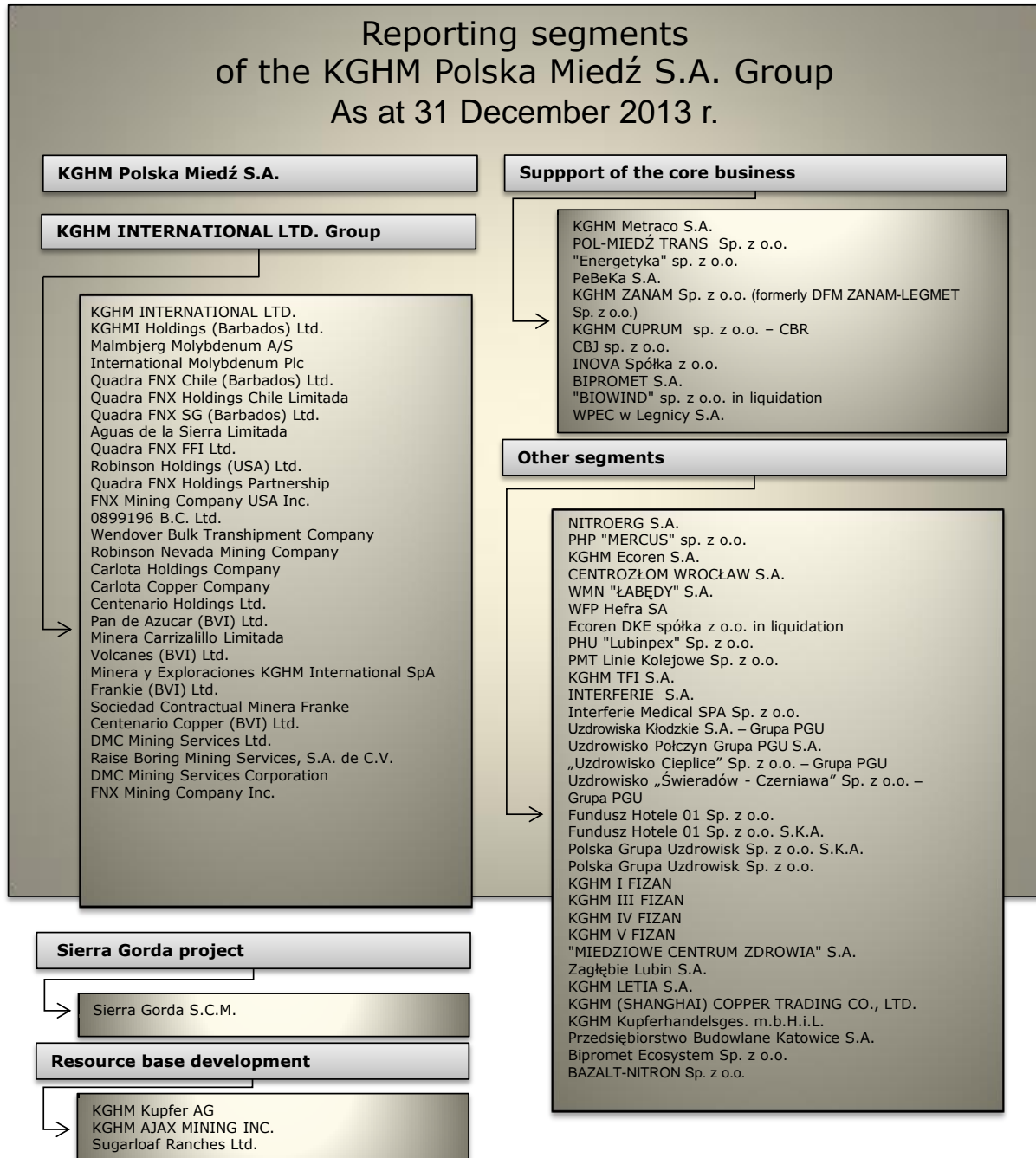
In the process of identifying business segments and developing a new model for managing the Group's structure, and also taking into account the principles of IFRS 8, as well as the usefulness of the information to users of the financial statements, five business segments were identified which are analysed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

- KGHM Polska Miedź S.A. - this segment comprises KGHM Polska Miedź S.A.,
- KGHM INTERNATIONAL LTD. - this segment comprises companies of the KGHM INTERNATIONAL LTD. Group,
- Sierra Gorda project - this segment comprises the joint venture Sierra Gorda S.C.M.,
- resource base development - this segment comprises companies involved in the exploration for and evaluation of minerals resources, companies intended to carry out mining,
- support of the core business - this segment comprises companies directly related to the core business of the Parent Entity\*,
- other business segments included companies of the Group not related to the mining industry.

\* in the reporting period KGHM Metraco S.A. was classified to the segment "support of the core business" due to its significant share in securing supplies of copper scrap for KGHM Polska Miedź S.A.

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

**A. Interim condensed consolidated financial statements (continued)**



Internal reports on the results of the Group are prepared monthly in a condensed form, and quarterly in an expanded scope. The Management Board of the Parent Entity is the body which performs regular reviews of the internal financial reports of the whole Group for purposes of making major investment decisions, as it is the body which is responsible for allocating Group resources. Inter-segment transaction prices are set under arm's length conditions, similarly as in relations with parties external to the Group.

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

**A. Interim condensed consolidated financial statements (continued)**

**Financial period for the 12 months ended 31 December 2013**

	<b>KGHM Polska Miedź S.A.</b>	<b>KGHM INTERNATIONAL LTD.</b>	<b>Sierra Gorda project***</b>	<b>Resource base development</b>	<b>Support of the core business</b>	<b>Other segments</b>	<b>Adjustment restating to measurement/ principles under IFRS</b>	<b>Consolidation adjustments</b>	<b>Total</b>
Sales	18 579	3 364	-	1	5 174	2 880	-	(5 888)	<b>24 110</b>
Inter-segment sales	278	-	-	-	4 481	1 111	-	(5 870)	-
External sales	18 301	3 364	-	1	693	1 769	-	( 18)	<b>24 110</b>
Operating costs	(13 970)	(3 287)	-	( 5)	(5 150)	(2 859)	( 149)	5 912	<b>(19 508)</b>
Depreciation/Amortisation	( 768)	( 536)	-	( 1)	( 137)	( 79)	( 107)	48	<b>(1 580)</b>
Operating profit/(loss)	4 208	212*	-	( 4)	90*	11*	( 149)	( 14)	<b>4 354</b>
<b>Profit/(loss) before income tax</b>	<b>4 196</b>	<b>56</b>	-	<b>( 4)</b>	<b>83</b>	<b>2</b>	<b>( 90)</b>	<b>( 26)</b>	<b>4 217</b>
Income tax expense	(1 138)	( 26)	-	( 16)	( 19)	1	43	( 47)	<b>(1 202)</b>
<b>Profit/(loss) for the period</b>	<b>3 058*</b>	<b>30*</b>	-	<b>( 20)</b>	<b>64</b>	<b>3*</b>	<b>( 47)</b>	<b>( 73)</b>	<b>3 015</b>
<b>At 31 December 2013</b>									
<b>Segment assets</b>	<b>29 038</b>	<b>11 252</b>	<b>7 381</b>	<b>484</b>	<b>2 649</b>	<b>2 365</b>	<b>(4 657)</b>	<b>(14 044)</b>	<b>34 468</b>
<b>Liabilities</b>	<b>5 740</b>	<b>3 634</b>	<b>5 828</b>	<b>33</b>	<b>1 233</b>	<b>571</b>	<b>(4 727)</b>	<b>( 913)</b>	<b>11 399</b>
<b>Other information</b>									
Investments accounted for using the equity method	33	1 488**	-	-	-	2	2 197	-	<b>3 720</b>
Capital expenditure	2 356	577	3 551	87	277	100	(3 551)	( 11)	<b>3 386</b>
<b>EBITDA</b> (operating profit plus depreciation/amortisation)	<b>4 976</b>	<b>748</b>			<b>227</b>				
<b>% of sales to KGHM Polska Miedź S.A.</b>					<b>82%</b>				
<b>Production and cost data</b>									
Payable copper (kt)	565.2	100.8							
- including from purchased copper-bearing materials (kt)	134.8	-							
Nickel (kt)	-	4.7							
Molybdenum (kt)	-	0.6							
Silver (t)	1 161.1	2.6							
Gold (k troz)	34.3	53.2							
Platinum (k troz)	-	13.3							
Palladium (k troz)	-	31.8							
C1 cash cost of copper in concentrate production (USD/lb)****	1.78	2.15							

„Adjustment restating to measurement/principles under IFRS” – respecting adjustment due to final accounting for the acquisition of KGHM INTERNATIONAL LTD. at the consolidation level including accumulated adjustment from the acquisition date to 31 December 2013.

\* result analysed in a given segment

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

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

\*\*\*\* C1 cash cost of copper production - cash cost of payable copper production, reflecting ore mining and processing costs, transport costs, minerals extraction tax, administrative expenses, smelter treatment and refining charges (TC/RC) less by-product revenues



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

**A. Interim condensed consolidated financial statements (continued)**

**Information on business segments for the comparable period**

**Financial period for the 12 months ended 31 December 2012 – restated**

	KGHM Polska Miedź S.A.	KGHM INTERNATIONAL LTD.	Sierra Gorda project ***	Resource base development	Support of the core business	Other segments	Adjustment restating to measurement/ principles under IFRS	Consolidation adjustments	Total
Sales	20 737	3 836	-	1	6 195	2 859	-	(6 923)	<b>26 705</b>
Inter-segment sales	626	-	-	-	5 132	1 024	-	(6 782)	-
External sales	20 111	3 836	-	1	1 063	1 835	-	( 141)	<b>26 705</b>
Operating costs	(13 602)	(3 535)	-	( 9)	(6 191)	(2 827)	( 447)	6 892	<b>(19 719)</b>
Depreciation/Amortisation	( 772)	( 394)	-	-	( 107)	( 67)	( 421)	37	<b>(1 724)</b>
Operating profit/(loss)	6 426	448*	-	( 10)	81*	91*	( 410)	( 151)	<b>6 475</b>
<b>Profit/(loss) before income tax</b>	<b>6 417</b>	<b>328</b>	-	<b>( 9)</b>	<b>68</b>	<b>88</b>	<b>( 410)</b>	<b>( 153)</b>	<b>6 329</b>
Income tax expense	(1 549)	( 97)	-	-	( 21)	( 13)	124	( 20)	<b>(1 576)</b>
<b>Profit/(loss) for the period</b>	<b>4 868*</b>	<b>231*</b>	-	<b>( 9)</b>	<b>47</b>	<b>75*</b>	<b>( 286)</b>	<b>( 173)</b>	<b>4 753</b>
<b>At 31 December 2012 - restated</b>									
<b>Segment assets</b>	<b>28 177</b>	<b>11 416</b>	<b>4 689</b>	<b>375</b>	<b>2 341</b>	<b>2 290</b>	<b>(1 476)</b>	<b>(13 850)</b>	<b>33 962</b>
<b>Liabilities</b>	<b>6 254</b>	<b>3 674</b>	<b>3 092</b>	<b>17</b>	<b>1 080</b>	<b>628</b>	<b>(1 995)</b>	<b>( 702)</b>	<b>12 048</b>
<b>Other information</b>									
Investments accounted for using the equity method	33	1 615**	-	-	-	-	2 263	-	<b>3 911</b>
Capital expenditure	1 766	348	2 371	86	253	125	(2 371)	( 62)	<b>2 516</b>
<b>EBITDA</b> (operating profit plus depreciation/amortisation)	<b>7 198</b>	<b>842</b>			<b>188</b>				
<b>% of sales to KGHM Polska Miedź S.A.</b>					<b>80%</b>				
<b>Production and cost data</b>									
Production and cost data relating to KGHM INTERNATIONAL LTD. respect the period of 12 months of 2012									
Payable copper (kt)	565.8	110.5							
- including from purchased copper-bearing materials (kt)	146.7	-							
Nickel (kt)	-	4.7							
Molybdenum (kt)	-	0.1							
Silver (t)	1 273.8	3.8							
Gold (k troz)	29.5	47.9							
Platinum (k troz)	-	17.3							
Palladium (k troz)	-	30.0							
C1 cash cost of copper in concentrate production (USD/lb)****	1.34	2.43							

„Adjustment restating to measurement/principles under IFRS” – respecting adjustment due to final accounting for the acquisition of KGHM INTERNATIONAL LTD. at the consolidation level including accumulated adjustment from the acquisition date to 31 December 2012.

\* result analysed in a given segment

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

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

\*\*\*\* C1 cash cost of copper production - cash cost of payable copper production, reflecting ore mining and processing costs, transport costs, minerals extraction tax, administrative expenses, smelter treatment and refining charges (TC/RC) less by-product revenues

## 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 2013	for the 12 months ended 31 December 2012
Poland	4 837	5 309
Germany	4 315	4 564
China	3 379	3 047
The United Kingdom	2 581	3 950
The Czech Republic	1 547	1 604
Canada	1 199	1 431
The USA	1 144	758
France	815	872
Italy	774	1 217
Hungary	733	750
Turkey	507	269
Switzerland	372	404
Austria	269	357
Japan	220	317
Belgium	158	407
Slovakia	142	155
Denmark	110	120
South Korea	93	200
Bulgaria	44	58
Slovenia	36	28
Bosnia and Herzegovina	36	34
The Netherlands	35	246
Ukraine	31	22
Finland	8	16
Other countries (dispersed sale)	725	570
<b>Total</b>	<b>24 110</b>	<b>26 705</b>

### Main customers

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

59.25% of the non-current assets of the Group are located in the country of origin of the Parent Entity. The remaining 40.75% of the non-current assets are located in the following countries: Chile – 19.46%; Canada – 13.64%; the USA – 4.76%; other countries – 2.89%.

### XI. Effects of changes in the economic structure, including due to the combination of economic entities, to the takeover or sale of entities of the KGHM Polska Miedź S.A. Group, to long-term investments, or to the separation, restructurisation or discontinuation of operations

#### Changes during the period from 1 October 2013 to 31 December 2013

##### **Purchase of Investment Certificates in KGHM I FIZAN**

On 20 December 2013, KGHM Polska Miedź S.A. acquired 2 225 investment certificates in the closed-end non-public investment fund KGHM I Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych (KGHM I FIZAN) at the price of PLN 9 886.71 per certificate, paid for in cash in the amount of PLN 22 million.

## **A. Interim condensed consolidated financial statements (continued)**

### **Acquisition of employee shares**

In the fourth quarter of 2013, the Group performed an acquisition of employee shares in the following subsidiaries:

- CENTROZŁOM WROCŁAW S.A.: 75 532 shares (representing 0.69% of the company's share capital),
- Uzdrowiska Kłodzkie S.A. – Grupa PGU (representing 0.77% of the company's share capital),
- Uzdrowisko Połczyn Grupa PGU S.A. (representing 0.93% of the company's share capital),
- Uzdrowisko Cieplice Sp. z o.o. - Grupa PGU (representing 0.99% of the company's share capital),

The total value of shares purchased is PLN 4 million and decreased put option liabilities for employee shares in the consolidated financial statements. The balance of these liabilities as at 31 December 2013 amounted to PLN 28 million.

Acquisition of these shares represents realisation of an obligation due to an irrevocable purchase offer submitted as part of a sales agreement by the State Treasury of all remaining shares acquired by employees during the privatisation of the aforementioned companies.

KGHM Polska Miedź S.A. in its consolidated financial statements accounted for the acquisition of a non-controlling interest through a decrease in the equity attributable to non-controlling interest in the amount of PLN 2 million, and an increase in equity on the valuation of employee shares put options in the amount of PLN 2 million.

### **Changes during the period from 1 January 2013 to 30 September 2013**

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

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

#### **Acquisition of non-controlling shares in CENTROZŁOM WROCŁAW S.A.**

In the second and third quarters of 2013 KGHM Ecoren S.A. acquired 1 425 058 employee shares, in accordance with the provisions of contracts to purchase the shares entered into between KGHM Ecoren S.A. and 290 non-controlling shareholders of CENTROZŁOM WROCŁAW S.A., representing 12.96 % of the company equity.

The total value of the shares acquired is PLN 27 million, and decreased put option liabilities for employee shares in the consolidated financial statements. As at 30 September 2013, the Group held 97.96% of the equity of Centrozłom S.A. Acquisition of these shares represents realisation of an obligation due to an irrevocable purchase offer submitted by KGHM Ecoren S.A., as part of a sales agreement by the State Treasury of shares of CENTROZŁOM WROCŁAW S.A., of all other shares acquired by the employees during the privatisation of CENTROZŁOM S.A.

KGHM Polska Miedź S.A. in its consolidated financial statements accounted for the acquisition of a total of 12.96% of non-controlling interest through a decrease in the equity attributable to non-controlling interest in the amount of PLN 26 million, an increase in equity on valuation of employee shares put options in the amount of PLN 21 million, and an increase in retained earnings attributable to shareholders of the Parent Entity in the amount of PLN 5 million.

#### **Acquisition of investment certificates of KGHM II FIZAN, KGHM IV FIZAN, KGHM V FIZAN**

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

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

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

The managing body of the KGHM closed-end non-public investment funds is KGHM TFI S.A. – a subsidiary of KGHM Polska Miedź S.A. The share of the KGHM Polska Miedź S.A. Group in the capital of the investment fund is 100%. The investment objective of the KGHM IV FIZAN Fund is to develop the property projects of KGHM Polska Miedź S.A. which are at an early stage of investment development (development of an investment plan, land development plan) and to optimise the operations of the existing property belonging to entities of the KGHM

## **A. Interim condensed consolidated financial statements (continued)**

Polska Miedź S.A. Group. The investment objective of the KGHM V FIZAN Fund is to invest capital in attractive sectors (apart from those in which the other funds managed by KGHM TFI S.A. have invested), creating synergy for the KGHM Polska Miedź S.A. Group based on the benefits arising from the diversification of activities.

### **Opening of proceedings to liquidate KGHM II FIZAN**

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

The liquidation of the closed-end non-public investment fund KGHM II Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych was accounted for in the consolidated financial statements as at 30 September 2013 by settlement of the Fund's cash and cash equivalents with equity.

## **XII. Subsequent events**

### **Agreements on setting mining usufruct rights for the extraction of copper ore in force from 1 January 2014**

On 1 January 2014, the Parent Entity recognised liabilities in the amount of PLN 144 million due to agreements entered into setting mining usufruct rights for the extraction of copper ore. Liabilities from the fixed part of remuneration in this regard were transferred to intangible assets at a discounted amount.

### **Issuance of a letter of credit to secure liabilities of KGHM International Ltd.**

On 8 January 2014, at the request of KGHM Polska Miedź S.A., HSBC Bank plc issued a letter of credit in the amount of USD 137.5 million (PLN 414 million at the exchange rate of 3.0120 announced by the NBP dated 31 December 2013), securing liabilities of KGHM International Ltd. towards the beneficiary Empresa Eléctrica Cochrane S.A. due to a contract for the purchase of electricity entered into between Sierra Gorda SCM and Empresa Eléctrica Cochrane S.A. According to the contract the sponsors of the Sierra Gorda project are obliged to secure the transaction in the form of a guarantee or letter of credit. As at 8 January 2014, KGHM Polska Miedź S.A. assumed from KGHM International Ltd. the obligation to meet this requirement.

### **Exploration for, evaluation and extraction of deposits**

On 10 January 2014, KGHM Polska Miedź S.A. signed an Agreement with Gdańskie Zakłady Nawozów Fosforowych FOSFOR Sp. z o.o. and Grupa Azoty Zakłady Azotowe „Puławy” S.A. on assumptions for cooperation regarding exploration for, evaluation and extraction of deposits of potassium salts, phosphorus, rock salt and nonferrous metals.

### **Signing of a Letter of Intent with the company Grupa Azoty S.A.**

On 16 January 2014, KGHM Polska Miedź S.A. signed a Letter of Intent with the company Grupa Azoty S.A. with its registered head office in Tarnów, setting forth the general principles for the eventual undertaking of joint business activities in the following areas: processing of phosphogypsum, exploration for potassium salt deposits abroad, gaining access to sources of natural gas, construction of a polygeneration power plant, and exploration for and extraction of phosphorite. The Parties determined that eventual realisation of joint projects in individual areas would be realised based on detailed agreements or through the establishment of joint venture companies.

### **Concessions received**

On 21 January 2014, KGHM Polska Miedź S.A. received a concession for exploration and assessment of the „Konrad” copper ore deposit. This area is directly adjacent to the Synklina Grodziecka concession.

### **Refusal to grant concessions**

On 28 January 2014, the Minister of the Environment issued a decision declining to grant a concession to KGHM Polska Miedź S.A. for the exploration and assessment of the „Bytom Odrzański” copper ore deposit and a decision granting to KGHM Polska Miedź S.A. concession no. 5/2014/p for the exploration of the „Kulów-Luboszyce” copper ore deposit, in that part covered by the Parent Entity's request from 2012. These decisions are not legally binding, and KGHM Polska Miedź S.A. has submitted appeals of them to the Minister of the Environment.

### **Borrowing agreements entered into by the Parent Entity**

On 29 January 2014 an agreement was signed for an overdraft facility in the following amounts:

- USD 100 million, available in the period from 31 January 2014 to 29 January 2017.
- USD 30 million, available in the period from 31 January 2014 to 29 January 2015.

Interest on the amounts drawn will be calculated based on EURIBOR, LIBOR plus a bank margin.

## **B. Other information to the consolidated quarterly report**

### **Position of the Management Board with respect to the possibility of achieving previously-published forecasts of results for 2013, in light of the results presented in this consolidated quarterly report relative to forecasted results**

The Management Board of KGHM Polska Miedź S.A. has not published a forecast of Group results.

In the current report dated 15 February 2013, KGHM Polska Miedź S.A. published a forecast of the Company's results for 2013. In accordance with the above-mentioned forecast, KGHM Polska Miedź S.A. assumed achievement of revenues from sales, profit for the period and EBITDA in 2013 respectively at the level of PLN 18 930 million, PLN 3 204 million and PLN 5 337 million.

Despite the deterioration in macroeconomic conditions in 2013, divergence from none of the projected positions exceeded 10 %, mainly due to an increase in production and sales volume by the Company.

The revenues from sales achieved in 2013 in the amount of PLN 18 579 million, profit for the period of PLN 3 058 million and EBITDA of PLN 4 976 million represent respectively 98%, 95% and 93% of the forecasted results.

### **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, 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 2013, i.e. at 14 November 2013, the only shareholder owning at least 5% of the total number of votes at the General Meeting of KGHM Polska Miedź S.A. was the State Treasury – which owned 63 589 900 shares of KGHM Polska Miedź S.A., representing 31.79% of the share capital and the same number of votes at the General Meeting of KGHM Polska Miedź S.A. (based on a notification dated 12 January 2010).

Following publication of the consolidated report for the third quarter of 2013, KGHM Polska Miedź S.A. was not notified by any shareholder of any change in the ownership structure of a significant block of shares.

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

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

Among 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 2013, i.e. at 14 November 2013 and at the date of preparation of this report, Vice President of the Management Board Marcin Chmielewski owned 93 shares of KGHM Polska Miedź S.A. 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.

On 16 January 2014 Marek Panfil, a Member of the Supervisory Board, informed the Company about the sale on 19 September 2013 of 90 shares of the Company. Based on the information held by the Company, as at the date of preparation of this report, the persons serving as Members of the Supervisory Board did not own shares of KGHM Polska Miedź S.A. or rights to them.

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

As at 31 December 2013, the total value of on-going proceedings before courts, bodies appropriate for arbitration proceedings and bodies of public administration respecting liabilities and debtors, of KGHM Polska Miedź S.A. and subsidiaries, did not represent at least 10% of the equity of KGHM Polska Miedź S.A.

### **Information on single or multiple transactions entered into by KGHM Polska Miedź S.A. or its subsidiary with related entities, if separately or jointly they are significant and were entered into under other than arm's length conditions**

During the period from 1 January 2013 to 31 December 2013, neither KGHM Polska Miedź S.A. nor any of its subsidiaries entered into significant transactions with related entities under other than arm's length conditions.

**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 2013 to 31 December 2013, neither KGHM Polska Miedź S.A. nor its subsidiaries granted collateral on credit or loans, nor did they grant guarantees to a single entity or subsidiary thereof whose total value would represent at least 10% of the equity of KGHM Polska Miedź S.A.

**Other information which in the opinion of KGHM Polska Miedź S.A. is significant for the assessment of personnel situation, assets, finances and the financial result and any changes thereto, and information which is significant for assessing the ability to perform obligations**

In the fourth quarter of 2013 there were no other significant events, apart from those mentioned in the commentary to the report, which could have a significant impact on the assessment of assets and financial position, the financial result of the Group and any changes thereto, or any events significant for assessing the personnel situation and the ability to meet obligations.

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

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

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

- copper and silver prices on the metals markets,
- the USD/PLN exchange rate,
- electrolytic copper production costs, including particularly due to the minerals extraction tax and the value of purchased copper-bearing materials used, and
- the effects of the hedging policy being realised.

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

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

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

### Interim statement of financial position

	Note	At		
		31 December 2013	31 December 2012 restated *	1 January 2012 restated*
<b>Assets</b>				
<b>Non-current assets</b>				
Property, plant and equipment		9 744	8 445	7 277
Intangible assets		273	175	151
Shares and investment certificates in subsidiaries		11 744	11 641	2 012
Interest in joint ventures		33	33	-
Deferred tax assets		98	266	169
Available-for-sale financial assets		809	882	992
Financial assets for mine closure and restoration of tailing storage facilities		178	141	112
Derivatives		342	742	899
Trade and other receivables		314	85	84
		<b>23 535</b>	<b>22 410</b>	<b>11 696</b>
<b>Current assets</b>				
Inventories		2 432	2 992	2 356
Trade and other receivables		2 475	1 687	1 503
Mine closure financial assets		1	-	2
Derivatives		472	381	859
Cash and cash equivalents		123	707	12 836
		<b>5 503</b>	<b>5 767</b>	<b>17 556</b>
<b>Total assets</b>		<b>29 038</b>	<b>28 177</b>	<b>29 252</b>
<b>Equity and liabilities</b>				
<b>Equity</b>				
Share capital		2 000	2 000	2 000
Revaluation reserves from measurement of financial instruments		512	286	535
Actuarial gains/losses on post-employment benefits		( 112)	( 519)	( 356)
Retained earnings		20 898	20 156	20 956
<b>Total equity</b>		<b>23 298</b>	<b>21 923</b>	<b>23 135</b>
<b>Liabilities</b>				
<b>Non-current liabilities</b>				
Trade and other payables		26	36	12
Derivatives		17	230	538
Employee benefits liabilities		1 423	1 471	1 216
Provisions for other liabilities and charges	C. II. 2	523	718	484
		<b>1 989</b>	<b>2 455</b>	<b>2 250</b>
<b>Current liabilities</b>				
Trade and other payables		2 431	2 227	1 828
Borrowings		1 123	1 013	-
Current corporate tax liabilities		50	390	1 588
Derivatives		6	23	330
Employee benefits liabilities		110	110	107
Provisions for other liabilities and charges	C. II. 2	31	36	14
		<b>3 751</b>	<b>3 799</b>	<b>3 867</b>
<b>Total liabilities</b>		<b>5 740</b>	<b>6 254</b>	<b>6 117</b>
<b>Total equity and liabilities</b>		<b>29 038</b>	<b>28 177</b>	<b>29 252</b>

\* explanation in Part C.I.

**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 2013	for the 12 months ended 31 December 2013	for the 3 months ended 31 December 2012	for the 12 months ended 31 December 2012
Sales	C. II. 3	4 905	18 579	5 178	20 737
Cost of sales	C. II. 4	(3 432)	(13 173)	(3 571)	(12 786)
<b>Gross profit</b>		<b>1 473</b>	<b>5 406</b>	<b>1 607</b>	<b>7 951</b>
Selling costs	C. II. 4	( 39)	( 126)	( 30)	( 113)
Administrative expenses	C. II. 4	( 206)	( 671)	( 193)	( 703)
Other operating income	C. II. 5	69	460	224	1 400
Other operating costs	C. II. 6	( 210)	( 861)	( 491)	(2 109)
<b>Operating profit</b>		<b>1 087</b>	<b>4 208</b>	<b>1 117</b>	<b>6 426</b>
Finance costs	C. II. 7	28	( 12)	17	( 9)
<b>Profit before income tax</b>		<b>1 115</b>	<b>4 196</b>	<b>1 134</b>	<b>6 417</b>
Income tax expense		( 302)	(1 138)	( 379)	(1 549)
<b>Profit for the period</b>		<b>813</b>	<b>3 058</b>	<b>755</b>	<b>4 868</b>
<b>Earnings per share during the period</b>					
(in PLN per share)					
- basic		4.07	15.29	3.78	24.34
- diluted		4.07	15.29	3.78	24.34



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

**Interim statement of comprehensive income**

	Financial period			
	for the 3 months ended 31 December 2013	for the 12 months ended 31 December 2013	for the 3 months ended 31 December 2012	for the 12 months ended 31 December 2012
<b><u>Profit for the period</u></b>	<b>813</b>	<b>3 058</b>	<b>755</b>	<b>4 868</b>
<b><u>Other comprehensive income:</u></b>				
<b>Other comprehensive income, which will be reclassified to profit or loss when specific conditions are met</b>	<b>19</b>	<b>226</b>	<b>261</b>	<b>( 249)</b>
Available-for-sale financial assets	( 77)	16	130	48
Income tax	15	( 3)	( 25)	( 9)
	( 62)	13	105	39
Cash flow hedging instruments	100	263	193	( 355)
Income tax	( 19)	( 50)	( 37)	67
	81	213	156	( 288)
<b>Other comprehensive income, which will not be reclassified to profit or loss</b>	<b>23</b>	<b>51</b>	<b>( 117)</b>	<b>( 163)</b>
Actuarial gains/(losses)	29	63	( 145)	( 201)
Income tax	( 6)	( 12)	28	38
<b><u>Other comprehensive net income for the financial period</u></b>	<b>42</b>	<b>277</b>	<b>144</b>	<b>( 412)</b>
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>855</b>	<b>3 335</b>	<b>899</b>	<b>4 456</b>

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

**Interim statement of changes in equity**

	Share capital	Revaluation reserve from measurement of financial instruments	Actuarial gains/losses on post-employment benefits	Retained earnings	Total equity
<b>At 1 January 2013 restated*</b>	<b>2 000</b>	<b>286</b>	<b>( 519)</b>	<b>20 156</b>	<b>21 923</b>
Dividends from profit for 2012 resolved and paid	-	-	-	(1 960)	<b>(1 960)</b>
Offsetting of profit from prior years with actuarial gains and losses	-	-	356	( 356)	-
Total comprehensive income	-	226	51	3 058	<b>3 335</b>
Profit for the period	-	-	-	3 058	<b>3 058</b>
Other comprehensive income	-	226	51	-	<b>277</b>
<b>At 31 December 2013</b>	<b>2 000</b>	<b>512</b>	<b>( 112)</b>	<b>20 898</b>	<b>23 298</b>
<b>At 1 January 2012</b>	<b>2 000</b>	<b>535</b>	-	<b>20 600</b>	<b>23 135</b>
Change in presentation principles*	-	-	( 356)	356	-
<b>At 1 January 2012 restated*</b>	<b>2 000</b>	<b>535</b>	<b>( 356)</b>	<b>20 956</b>	<b>23 135</b>
Dividends from profit for 2011 resolved and paid	-	-	-	(5 668)	<b>(5 668)</b>
Total comprehensive income	-	( 249)	( 163)	4 868	<b>4 456</b>
Profit for the period	-	-	-	4 868	<b>4 868</b>
Other comprehensive income	-	( 249)	( 163)	-	<b>( 412)</b>
<b>At 31 December 2012 restated*</b>	<b>2 000</b>	<b>286</b>	<b>( 519)</b>	<b>20 156</b>	<b>21 923</b>

\* explanation in part C.I.

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

**Interim statement of cash flows**

	Financial period	
	for the 12 months ended 31 December 2013	for the 12 months ended 31 December 2012
<b>Cash flow from operating activities</b>		
Profit for the period	3 058	4 868
Total adjustments to profit for the period:	2 106	2 583
Income tax recognised in profit or loss	1 138	1 549
Amortisation/Depreciation	768	772
Losses on sale of property, plant and equipment and intangible assets	34	1
Interest and shares in profits (dividends)	( 40)	( 58)
Losses on sale of a subsidiary	2	-
Foreign exchange losses	3	856
Change in provisions	( 15)	70
Change in assets/liabilities due to derivatives	791	( 2)
Reclassification of other comprehensive income to profit or loss as a result of realisation of hedging derivatives	( 450)	( 333)
Impairment loss recognised	95	185
Impairment loss reversed	( 47)	-
Other adjustments	1	3
Changes in working capital:	( 174)	( 460)
Inventories	560	( 636)
Trade and other receivables	( 777)	( 180)
Trade and other payables	43	356
Income tax paid	(1 374)	(2 748)
<b>Net cash generated from operating activities</b>	<b>3 790</b>	<b>4 703</b>
<b>Cash flow from investing activities</b>		
Purchase of shares and investment certificates in subsidiaries	( 129)	(9 604)
Proceeds from sale of shares in subsidiaries	48	-
Purchase of interest in joint ventures	-	( 33)
Purchase of property, plant and equipment and intangible assets	(2 174)	(1 647)
Advances granted for purchase of property, plant and equipment and intangible assets	( 84)	( 93)
Proceeds from sale of property, plant and equipment and intangible assets	33	16
Purchase of financial assets from mine closure fund and tailing storage facilities restoration fund	( 38)	( 27)
Loans granted	( 239)	( 8)
Proceeds from repayments of loans granted	13	5
Interest received	2	3
Dividends received	36	57
Other investment expenses	( 15)	( 4)
<b>Net cash used in investing activities</b>	<b>(2 547)</b>	<b>(11 335)</b>
<b>Cash flow from financing activities</b>		
Proceeds from bank loans	1 546	1 039
Dividends paid	(1 960)	(5 668)
Repayments of bank loans	(1 409)	-
Other financial proceeds/(expenses)	( 1)	10
<b>Net cash used in financing activities</b>	<b>(1 824)</b>	<b>(4 619)</b>
<b>Total net cash flow</b>	<b>( 581)</b>	<b>(11 251)</b>
Exchange losses on cash and cash equivalents	( 3)	( 878)
<b>Movements in cash and cash equivalents</b>	<b>( 584)</b>	<b>(12 129)</b>
<b>Cash and cash equivalents at beginning of the period</b>	<b>707</b>	<b>12 836</b>
<b>Cash and cash equivalents at end of the period</b>	<b>123</b>	<b>707</b>
including restricted cash and cash equivalents	-	1

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

**Selected explanatory data**

**I. Accounting policies**

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

Changes in the principles of presentation of the comparable period, which did not impact the financial data presented in the financial statements for the reporting and comparable periods, were with respect to the presentation of items of equity. Taking into consideration the nature of individual items of equity and the transparency of the financial data presented, the following actions were performed:

- (a) the equity item „Actuarial gains/losses on post-employment benefits” was separated from „Retained earnings”,
- (b) the combination in the statement of financial position of homogenous items of equity, i.e. “Revaluation reserve from the measurement of available-for-sale financial assets” and “Revaluation reserve from the measurement of cash flow hedging instruments”, into a single item - “Revaluation reserve from the measurement of financial instruments”.

**II. Additional notes**

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

**Purchase of property, plant and equipment**

	for the 12 months ended 31 December 2013	for the 12 months ended 31 December 2012
Purchase of property, plant and equipment	2 222	1 682
Net revenues from sale of property, plant and equipment	-	6

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

	At	
	31 December 2013	31 December 2012
Payables due to purchase of property, plant and equipment and intangible assets	591	448

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

**Capital commitments not recognised in the interim statement of financial position**

	At	
	31 December 2013	31 December 2012
Purchase of property, plant and equipment	4 989	3 931
Purchase of intangible assets	78	46
<b>Total capital commitments</b>	<b>5 067</b>	<b>3 977</b>

**2. Changes in provisions for other liabilities and charges**

	TOTAL	Decommissioning costs of mines and other facilities, and costs of scrapping property, plant and equipment	Disputed issues and court proceedings and other provisions
		754	734
<b>Provisions at 1 January 2013</b>			
Recognition and updating of estimates	174	166	8
Utilisation	( 12)	( 10)	( 2)
Adjustment of contributions to Special Purpose Funds	( 33)	( 33)	-
Release and updating of estimates	( 329)	( 328)	( 1)
<b>Provisions at 31 December 2013</b>	<b>554</b>	<b>529</b>	<b>25</b>
of which:			
Non-current provisions	523	520	3
Current provisions	31	9	22

	TOTAL	Decommissioning costs of mines and other facilities, and costs of scrapping property, plant and equipment	Disputed issues and court proceedings
		498	481
<b>Provisions at 1 January 2012</b>			
Recognition and updating of estimates	323	307	16
Utilisation	( 8)	( 5)	( 3)
Adjustment of contributions to Special Purpose Funds	( 27)	( 27)	-
Release and updating of estimates	( 32)	( 22)	( 10)
<b>Provisions at 31 December 2012</b>	<b>754</b>	<b>734</b>	<b>20</b>
of which:			
Non-current provisions	718	714	4
Current provisions	36	20	16

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

#### 3. Sales

	Financial period			
	for the 3 months ended 31 December 2013	for the 12 months ended 31 December 2013	for the 3 months ended 31 December 2012	for the 12 months ended 31 December 2012
Copper, precious metals, smelter by-products	4 799	18 113	5 106	20 379
Salt	21	84	16	53
Merchandise	44	227	17	159
Services	19	76	17	67
Scrap and production materials	19	68	20	68
Other finished goods	3	11	2	11
<b>Total</b>	<b>4 905</b>	<b>18 579</b>	<b>5 178</b>	<b>20 737</b>

#### 4. Expenses by nature

	Financial period			
	for the 3 months ended 31 December 2013	for the 12 months ended 31 December 2013	for the 3 months ended 31 December 2012	for the 12 months ended 31 December 2012
Depreciation of property, plant and equipment and amortisation of intangible assets	147	768	187	772
Employee benefit expenses	756	2 946	770	2 988
Materials and energy	1 024	5 740	1 851	6 821
External services	409	1 516	391	1 357
Taxes and charges	480	2 200	650	1 917
including the minerals extraction tax*	393	1 856	571	1 596
Other costs	20	84	69	137
<b>Total expenses by nature</b>	<b>2 836</b>	<b>13 254</b>	<b>3 918</b>	<b>13 992</b>
Cost of merchandise and materials sold (+)	62	288	32	211
Change in inventories of finished goods and work in progress (+/-)	819	594	( 106)	( 417)
Cost of manufacturing products for internal use (-)	( 40)	( 166)	( 50)	( 184)
<b>Total cost of sales, selling costs and administrative expenses</b>	<b>3 677</b>	<b>13 970</b>	<b>3 794</b>	<b>13 602</b>

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

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

**5. Other operating income**

	Financial period			
	for the 3 months ended 31 December 2013	for the 12 months ended 31 December 2013	for the 3 months ended 31 December 2012	for the 12 months ended 31 December 2012
Income and gains on financial instruments, classified under other operating activities, resulting from:	14	326	219	1 310
Measurement and realisation of derivatives	33	298	202	1 156
Gains on disposal	-	-	-	2
Interest	5	27	17	152
Foreign exchange gains	( 24)	-	-	-
Reversal of allowance for impairment of other receivables	-	1	-	-
Dividends received	-	36	-	57
Reversal of impairment loss in a subsidiary	20	21	-	-
Release of unused provisions	17	31	-	11
Penalties and compensation	3	11	3	7
Other operating income/gains	15	35	2	15
<b>Total other operating income</b>	<b>69</b>	<b>460</b>	<b>224</b>	<b>1 400</b>

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

**6. Other operating costs**

	Financial period			
	for the 3 months ended 31 December 2013	for the 12 months ended 31 December 2013	for the 3 months ended 31 December 2012	for the 12 months ended 31 December 2012
Costs and losses on financial instruments, classified under other operating activities, resulting from:	184	767	457	1 963
Measurement and realisation of derivatives	183	675	271	1 240
Interests	-	1	-	-
Foreign exchange losses	-	-	28	565
Losses on measurement of non-current liabilities	-	1	-	-
Impairment losses on available-for-sale financial assets and allowances for impairment of other receivables	1	90	158	158
Losses on the sale of property, plant and equipment and intangible assets	8	34	-	1
Donations granted	-	16	6	92
Provisions recognised for liabilities	4	12	22	25
Other operating costs/losses	14	32	6	28
<b>Total other operating costs</b>	<b>210</b>	<b>861</b>	<b>491</b>	<b>2 109</b>

**7. Finance costs**

	Financial period			
	for the 3 months ended 31 December 2013	for the 12 months ended 31 December 2013	for the 3 months ended 31 December 2012	for the 12 months ended 31 December 2012
Net foreign exchange losses/(gains) on borrowings	( 38)	( 27)	( 27)	( 27)
Changes in provisions arising from the approach of the maturity date of liabilities (unwinding of discount effect)	9	35	8	33
Interest expense	1	3	2	2
Other finance costs	-	1	-	1
<b>Total finance costs</b>	<b>( 28)</b>	<b>12</b>	<b>( 17)</b>	<b>9</b>



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

#### 8. Related party transactions

	Financial period			
	for the 3 months ended 31 December 2013	for the 12 months ended 31 December 2013	for the 3 months ended 31 December 2012	for the 12 months ended 31 December 2012
Revenues from sales of products, services, merchandise, materials and non-currents assets to related entities	98	327	166	643
Purchases of products, services, merchandise, materials and non-currents assets from related entities	1 068	5 290	1 638	5 894

	At	
	31 December 2013	31 December 2012
Trade receivables from related entities	545	224
Trade payables towards related entities	495	460

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

The remaining transactions, which were collectively significant, between the Company and the government and with entities controlled or jointly controlled by the government, or over which the government has significant influence, were within the scope of normal, daily economic operations, and were carried out at arm's length. These transactions involved the purchase of materials and services to meet the needs of its current operating activities (fuel, energy, transport services). Turnover from these transactions in the period from 1 January 2013 to 31 December 2013 amounted to PLN 665 million (for the period from 1 January 2012 to 31 December 2012 – PLN 765 million), the unsettled balance of liabilities from these transactions as at 31 December 2013 amounted to PLN 30 million (as at 31 December 2012: PLN 41 million), and the unsettled balance of receivables as at 31 December 2013 amounted to PLN 5 million (as at 31 December 2012: PLN 4 million). Revenues from sales from State Treasury companies in the period from 1 January 2013 to 31 December 2013 amounted to PLN 46 million (for the period from 1 January 2012 to 31 December 2012 – PLN 55 million).

	Financial period	
	for the 12 months ended 31 December 2013	for the 12 months ended 31 December 2012
<b>Remuneration of the Supervisory Board (in PLN '000)</b>		
Remuneration due to service in the Supervisory Board, salaries and other current employee benefits	1 175	1 233
<b>Total</b>	<b>1 175</b>	<b>1 233</b>

	Financial period	
	for the 12 months ended 31 December 2013	for the 12 months ended 31 December 2012
<b>Remuneration of the Management Board (in PLN '000)</b>		
Salaries and other current employee benefits	9 877	5 904
Benefits due to termination of employment	-	42
Post employment benefits	88	-
<b>Total</b>	<b>9 965</b>	<b>5 946</b>

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

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

	At 31 December 2013	Increase/(decrease) since the end of the last financial year
<b>Contingent assets</b>	<b>464</b>	<b>50</b>
Guarantees received	213	31
Disputed State budget issues	-	( 7)
Promissory notes receivables	120	22
Inventions, implementation of projects	44	4
Real estate tax on underground workings	87	-
<b>Contingent liabilities</b>	<b>191</b>	<b>13</b>
Guarantees and collateral	10	5
Disputed issues, pending court proceedings	16	1
Liabilities due to implementation of projects and inventions	123	( 3)
Real estate tax on underground workings	42	24
Other	-	( 14)
<b>Liabilities not recognised in the statement of financial position</b>		
liabilities towards local government entities due to expansion of the tailings pond	187	( 6)
liabilities due to operating leases	19	8

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

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

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

##### Process of obtaining concessions for mining of copper ores

The activities of KGHM Polska Miedź S.A. involving the mining of the copper ore deposit over the last 20 years were based on concessions held by the Company 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 expired by December 2013. The concessions which expired on 31 December 2013 covered the following deposit areas: „Polkowice”, „Sieroszowice”, „Lubin-Małomice” and „Rudna”. The concession covering „Radwanice-Wschód” deposit would have expired in 2015.

In view of the above, in 2010 the Company commenced the project CONCESSIONS 2013, whose aim was to obtain concessions to extract copper ore from the aforementioned mining areas for the maximum possible period provided for by law, which is 50 years.

On 14 August 2013, three concession decisions were signed by the Minister of the Environment for the extraction of copper ore from the deposits: „Polkowice”, „Radwanice-Wschód” and „Rudna”. On the same day three agreements were also signed regarding the granting of mining usufruct rights to the concessions in question and a decision was issued terminating the existing concession for the extraction of copper ore from the deposit „Radwanice-Wschód”.

Two other concessions, for the deposits „Lubin-Małomice” and „Sieroszowice”, were signed by the Minister of the Environment on 12 September 2013. Also signed were two agreements regarding the granting of mining usufruct rights to these deposits.

In October 2013, Mine Operating Plans for three mines (Polkowice-Sieroszowice, Rudna and Lubin) were submitted for approval to the District Mining Office. Within the established deadline, i.e. 31 December 2013, the mining authority approved all three Mine Operating Plans.

The Company has continued its core operations based on new concessions, new mining usufruct agreements and new mine operating plans. The new concessions and new mining usufruct agreements for all five deposits are in force to 31 December 2063 and the new mining operating plans for three mines are approved for the years from 2014 to 2016 (to 31 December 2016).

### **C. Quarterly financial information of KGHM Polska Miedź S.A. (continued) Signing of Additional Protocol to the Collective Labour Agreement**

In October of 2013 the trade union Związek Zawodowy Pracowników Przemysłu Miedziowego announced the following wage demands: payment of a one-off bonus for all employees in the amount of monthly remuneration, an additional contribution to the Social Fund in the amount of PLN 500 per employee, setting the salary increase factor at a min. 5% level and reconstruction of the table of basic wages. Due to the lack of an agreement in this regard, the trade union in the month of November initiated a collective dispute, with respect to which negotiations were held.

Independently of the above, a dialogue was pursued with the trade union party to the Collective Labour Agreement (ZUZP) regarding the shaping of pay and employee benefits in 2014. As a result of these negotiations on 28 January 2014 the parties signed Additional Protocol No. 15, increasing the table of basic wages by 2.4% and increasing by 4.5% the additional contribution to the Social Fund for use in the financing of fees for daycare and preschool. In addition, changes were made regulating the payment of additional annual bonuses – above one billion PLN an additional 0.5% of the bonus will be added after each subsequent achievement of PLN 80 million (according to existing principles this level equals PLN 100 million).

With respect to the collective dispute, the negotiations between the parties to date led to positive results in Additional Protocol No. 15 to the ZUZP signed in January. Representatives of the Management Board of KGHM Polska Miedź S.A. and the trade union Związek Zawodowy Pracowników Przemysłu Miedziowego decided to suspend the collective dispute from 13 February 2014. The dispute was suspended until the holding of a Parliamentary debate and further decisions by Parliament regarding the minerals extraction tax. This tax represents a very large burden on the Company, and has a direct impact on profit, and consequently on the size of the annual bonus from profit for employees.

#### **Conclusion of maintenance work at the Głogów smelter**

In accordance with the plan, the maintenance of the flash furnace was finished on 4 October 2013, and the maintenance of the electric furnace in HM Głogów was finished on 22 October 2013 (respectively 82 and 99 days of shutdown).

The maintenance is one of the elements of the Pyrometallurgy Modernisation Program in KGHM Polska Miedź S.A. The goal of modernisation of HM Głogów II was to increase its efficiency and reliability, optimise costs, prepare for the smelting of concentrate with increased carbon content, and to modernise the infrastructure of the electric furnace and sulphuric acid plant.

As a result, the blister copper production line gained the ability to smelt copper concentrate at a level of approx. 863 kt per year. Among the most important tasks performed during the shutdown were the total replacement of the electric furnace (for the first time in 17 years of operation), the recovery boiler and the contact apparatus in the Sulphuric Acid Plant. This operation was an enormous technical and organisational challenge. The preparations lasted two years, the maintenance and modernisation work lasted three months and seventy companies were engaged in the work.

#### **Other significant events covered by current reports**

##### **Company bodies**

On 25 November 2013 the Company received, from the Regional Court in Legnica, Section VI Economic, a suit filed by Józef Czyczerski, submitted to the Court on 3 October 2013 "requesting that Resolution No. 35 of the Ordinary General Meeting of KGHM Polska Miedź S.A. with its registered head office in Lubin dated 19 June 2013, regarding the failure to adopt a resolution on the appointment to the Supervisory Board of KGHM Polska Miedź S.A. of Józef Czyczerski elected by the employees of KGHM PM S.A., be declared invalid". On 27 January 2014 the Court issued a judgment in which it dismissed the suit of the plaintiff.

On 2 December 2013 the Regional Court in Legnica, Section VI Economic, regarding suits filed by:

- Ryszard Zbrzyzny „on the repeal of Resolution No. 35/2013 of the Ordinary General Meeting of KGHM Polska Miedź S.A. with its registered head office in Lubin dated 19 June 2013 regarding the failure to adopt a resolution on the appointment to the Supervisory Board of KGHM Polska Miedź S.A. of Leszek Hajdacki and Józef Czyczerski elected by the employees of KGHM Polska Miedź S.A.”, and
  - Waldemar Brus „on the repeal of Resolution No. 35/2013 of the Ordinary General Meeting of KGHM Polska Miedź S.A. with its registered head office in Lubin dated 19 June 2013 regarding the failure to adopt a resolution on the appointment to the Supervisory Board of KGHM Polska Miedź S.A. of Leszek Hajdacki and Józef Czyczerski elected by the employees of KGHM Polska Miedź S.A.”,
- issued a judgement, in which it dismissed the suits of the plaintiffs.

On 6 December 2013 the Regional Court in Legnica, Section VI Economic, regarding a suit filed by Leszek Hajdacki "requesting that Resolution No. 35 of the Ordinary General Meeting of KGHM Polska Miedź S.A. with its registered head office in Lubin dated 19 June 2013, regarding the failure to adopt a resolution on the appointment to the Supervisory Board of KGHM Polska Miedź S.A. of Leszek Hajdacki elected by the employees of KGHM PM S.A., be declared invalid" issued a judgement, in which it dismissed the suit of the plaintiff.

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

On 27 November 2013 The Company was informed of the death of Member of the Supervisory Board of KGHM Polska Miedź S.A. Krzysztof Opawski. Krzysztof Opawski served as a Member of the Supervisory Board of the Company from 3 September 2012.

#### **Group**

On 10 December 2013 the sole shareholder of Robinson Nevada Railroad Company, with its registered office in Nevada, U.S.A., adopted a resolution dissolving the Company. As provided by Nevada statutes applicable to corporations, the Board of Directors will act on behalf of the Company over the next two years by distributing its assets to the Company's sole shareholder, and in any other matters that may arise during this time.

On 31 December 2013 the Extraordinary General Shareholders Meeting of „BIOWIND” sp. z o.o. resolved to dissolve the company and to initiate its liquidation, and has appointed as liquidator the existing President of the Management Board of this company, Joanna Ślęzak-Młynarczyk. „BIOWIND” sp. z o.o. has not initiated operating activities.

## **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 81 million, of which:

- PLN 150 million represents a reclassification adjustment made at the time of impact of the hedged position on profit or loss,
- PLN 250 million represents a profit resulting from changes in fair value of the effective portion of hedging instruments,
- PLN 19 million represents tax from the above-mentioned items.

*(since the beginning of the financial year an increase in other comprehensive income of PLN 213 million, of which:*

- *PLN 450 million represents a reclassification adjustment made at the time of impact of the hedged position on profit or loss,*
- *PLN 713 million represents a profit resulting from changes in fair value of the effective portion of hedging instruments,*
- *PLN 50 million represents tax from the above-mentioned changes)*

Realisation and fair value re-measurement of derivatives did not impact profit or loss for the current quarter, resulting simultaneously in adjustments in particular items of the statement of profit or loss by increasing revenues from sales, in the amount of PLN 150 million and decreasing the result on other operating activities in the amount of PLN 150 million.

*(an increase in the financial result of PLN 73 million since the beginning of the financial year (of which: as an increase in revenues from sales, PLN 450 million and as a decrease in the profit on other operating activities in the amount of PLN 377 million).*

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

### **Available-for-sale financial assets**

In the current quarter there was a decrease in the fair value of available-for-sale financial assets below their carrying amount, which resulted in a decrease in their carrying amount by PLN 77 million and recognition of the impact under other comprehensive income.

*(since the beginning of the financial year:*

- *profit decreased by PLN 89 million due to recognition of an impairment loss,*
- *other comprehensive income increased by PLN 16 million due to reversal of an impairment loss resulting from an increase in the price of shares during the reporting period compared to the end of the previous reporting period.*

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

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

#### Property, plant and equipment and receivables

Due to the depreciation of property, plant and equipment and amortisation of intangible assets, operating costs were increased in the current quarter by PLN 147 million. The decrease in depreciation for the current quarter versus depreciation in the previous quarter in the amount of PLN 56 million resulted from an adjustment of depreciation from 1 January 2013 due to an extension of the useful life of property, plant and equipment as a result of concessions obtained by KGHM Polska Miedź S.A. for mining copper ore for the period of 50 years.

*(an increase in costs by PLN 768 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 accounted for in the current quarter, in particular:

3.1 provisions for future employee benefits due to one-off retirement or disability payments, jubilee awards, post-mortem benefits and the coal equivalent also paid after the period of employment. The result of this change in estimates, mainly as a result of changes in macroeconomic assumptions, is a decrease in the provision of PLN 29 million which was settled as:

- an increase in other comprehensive income of PLN 28 million  
(after reflecting the deferred tax effects, an increase in other comprehensive income of PLN 23 million),
- an increase in the financial result of PLN 1 million

*(a decrease in the provision by PLN 48 million since the beginning of the financial year, which was settled as:*

- *an increase in other comprehensive income of PLN 63 million  
(after reflecting the deferred tax effects, an increase in other comprehensive income of PLN 51 million),*
- *a decrease in the financial result of PLN 15 million  
(after reflecting the deferred tax effects, a decrease in the financial result of PLN 12 million),*

3.2 provision for future costs of decommissioning (restoration) of the mines, comprising the estimated costs of dismantling and removing technological facilities, for which the obligation for restoration upon the conclusion of activities is a result of separate law or standard practice. The result of this change in estimates is a decrease in the provision of PLN 116 million, which was accounted for as an increase in the financial result of PLN 6 million and as a decrease of property, plant and equipment of PLN 110 million. The decrease in the provision caused a decrease in deferred tax assets in the amount of PLN 22 million.

*(a decrease in the provision by PLN 162 million since the beginning of the financial year, which was settled as a decrease in the financial result in the amount of PLN 9 million and as a decrease in property, plant and equipment in the amount of PLN 171 million; deferred tax effect: a decrease in deferred tax assets in the amount of PLN 37 million)*

3.3 provisions for future employee remuneration expenses together with charges of PLN 166 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 2013 amounted to PLN 280 million).*

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

#### Deferred tax

As a result of differences between the carrying amount and the tax base of statement of financial position items, there was 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 98 million.

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

There was a decrease in the deferred tax asset in the current quarter of PLN 88 million, which was settled:

- as a decrease in profit PLN 82 million
- as a decrease in other comprehensive income  
due to actuarial losses on post-employment benefits, PLN 6 million,

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

(a decrease in the deferred tax asset since the beginning of the financial year in the amount of PLN 297 million, which was settled as:

- a decrease in profit,	PLN 160 million,
- a decrease in other comprehensive income due to actuarial losses on post-employment benefits	PLN 12 million,
- a decrease in other comprehensive income due to measurement of hedging derivative instruments, and available-for-sale financial assets	PLN 125 million)

There was an increase in the deferred tax liability in the current quarter of PLN 10 million, of which the following was settled as:

- a decrease in profit,	PLN 6 million,
- a decrease in other comprehensive income due to measurement of hedging financial instruments and available-for-sale financial assets	PLN 4 million.

(a decrease in the deferred tax liability since the beginning of the financial year in the amount of PLN 129 million, of which the following was settled as:

- an increase in profit,	PLN 57 million,
- an increase in other comprehensive income due to measurement of hedging derivative instruments and available-for-sale financial assets	PLN 72 million.)

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

#### Economic results in the fourth quarter of 2013

In the fourth quarter of 2013, KGHM Polska Miedź S.A. produced 104 kt of copper in concentrate (in 2013: 429 kt). Electrolytic copper production amounted to 148 kt, including 126 kt from own concentrate (in 2013: 565 kt and 430 kt, respectively), and 297 t of metallic silver (1 161 t).

The most significant factors impacting the value of sales in the fourth quarter of 2013 were macroeconomic factors:

- copper prices on the London Metal Exchange (LME) at the average level of 7 153 USD/t,
- an average exchange rate of 3.07 USDPLN,
- average silver prices on the London Bullion Market (LBM) of 20.82 USD/troz, and
- the sales volume of copper and copper products (168 kt), and of silver (335 t).

The **revenues from sales** achieved of PLN 4 905 million were lower by PLN 273 million, i.e. by 5% than those achieved in the comparable prior period, mainly as a result of a decrease in copper prices (from 7 909 USD/t to 7 153 USD/t), silver prices (from 32.68 USD/troz to 20.82 USD/troz) and in the USDPLN exchange rate (a change from 3.17 USDPLN to 3.07 USDPLN), alongside a higher volume of sales of products.

In the fourth quarter of 2013, revenues from the sale of copper and copper products represented 79%, and silver 15% (in the comparable period of 2012 respectively: 74% and 21%) of total revenues from sales.

**Expenses by nature** in the fourth quarter of 2013 amounted to PLN 2 836 million, and after excluding purchased copper-bearing materials (PLN 463 million) and the minerals extraction tax (PLN 393 million) amounted to PLN 1 980 million and were lower than those in the comparable prior year period by PLN 109 million i.e. by 5%.

The change in the level of expenses by nature is mainly due to decreases in:

- depreciation (due to an extension of mine usufruct period with respect to new concessions),
- labour costs (a change in the provision for future employee benefits),
- materials and energy (due to a decline in prices)

**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 2013 amounted to 20 303 PLN/t, and decreased versus the fourth quarter of 2012 by 14% due to the decreased utilisation of purchased copper-bearing materials.

Taking into consideration the valuation of precious metals in anode slimes, the total unit cost of copper production amounted to 16 557 PLN/t.

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

**The pre-precious metals credit unit cost of electrolytic copper production from own concentrate** amounted to 19 740 PLN/t (in the comparable period 22 222 PLN/t) alongside a higher by 18% volume of production from own concentrate and a lower minerals extraction tax by 1 589 PLN/t. The total unit cost of electrolytic copper production from own concentrate amounted to 15 458 PLN/t.

**C1 cost** (cash cost of concentrate production including the minerals extraction tax, plus administrative expenses and treatment and refining (TC/RC) charges, less depreciation/amortisation and by-product revenues, calculated for payable copper in concentrate) was as follows: 1.65 USD/lb in the fourth quarter of 2012 and 1.91 USD/lb in the fourth quarter of 2013. The increase in the C1 cost ( by 0.26 USD/lb) was mainly due to the lower value of by-products (a decrease in silver and gold prices) alongside a lower mineral extraction tax.

**Other operating activities** showed a loss in the fourth quarter of 2013 of PLN 141 million, meaning an increase of the result versus the fourth quarter of 2012 by PLN 126 million, mainly due to impairment losses on financial assets in 2012 alongside worsening of the results due to measurement and realisation of derivatives.

As a result of the above, **operating profit** in the fourth quarter of 2013 amounted to PLN 1 087 million and decreased versus the comparable period of 2012 by PLN 30 million.

KGHM Polska Miedź S.A. earned a **profit for the fourth quarter of 2013** of PLN 813 million, which was higher by PLN 58 million than that achieved in the fourth quarter of 2012.

**EBITDA** in the fourth quarter of 2013 amounted to PLN 1 234 million (including depreciation/amortisation of PLN 147 million) and was lower by PLN 70 million than that in the comparable period of 2012.

### 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 2013 represented approx. 19% of the total sales of this metal realised by the Company. With respect to silver this figure amounted to approx. 8%. In the case of the currency market, approx. 17% of total revenues from metals sales realised by the Company during the period were hedged.

In the fourth quarter of 2013, the amount of PLN 150 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 150 million decreased the result on other operating activities, of which PLN 75 million represented a loss due to the realisation of derivatives, while PLN 75 million represented a loss on the measurement of derivatives. The loss on the measurement of derivative transactions recognised in other operating activities, results mainly from the change in the time value of options which, in accordance with the hedge accounting policy, are recognised in profit or loss.

#### Impact of derivatives on the profit or loss of the current and comparable periods

	for the 3 months ended 31 December 2013	for the 12 months ended 31 December 2013	for the 3 months ended 31 December 2012	for the 12 months ended 31 December 2012
<b>Impact on sales</b>	<b>150</b>	<b>450</b>	<b>85</b>	<b>333</b>
<b>Impact on other operating activities</b>	<b>(150)</b>	<b>(377)</b>	<b>(69)</b>	<b>(84)</b>
Losses on realisation of derivatives	(75)	(185)	(108)	(287)
(Losses)/gains on measurement of derivatives	(75)	(192)	39	203
<b>Total impact of derivatives on profit for the period:</b>	<b>-</b>	<b>73</b>	<b>16</b>	<b>249</b>

	At		
	31 December 2013	30 September 2013	31 December 2012
<b>Revaluation reserve from measurement of cash flow hedging instruments</b>			
Commodity price risk hedging transactions (copper and silver) – derivatives	161	259	163
Currency risk hedging transactions – derivatives	456	258	191
<b>Total (excluding the deferred tax effects)</b>	<b>617</b>	<b>517</b>	<b>354</b>

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

During the fourth quarter of 2013 there was an increase in other comprehensive income by PLN 100 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 the effective portion of cash flow hedging instruments, of PLN 250 million,
- the amount of PLN 150 million, decreasing the revaluation reserve from measurement of cash flow hedging instruments, transferred to increase revenues from sales, due to the settlement of the effective portion of hedging transactions.

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

As at 31 December 2013, the Company remains hedged for a portion of copper sales planned in 2014 (81 kt) and in 2015 (42 kt). The Company does not hold any open hedging transactions on the silver market. With respect to revenues from sales (currency market) the Company holds a hedging position in 2014 (USD 960 million) and in 2015 (USD 600 million).

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

#### COPPER MARKET

	Instrument	Volume [tonnes]	Option execution price [USD/t]			Average weighted premium [USD/t]	Effective hedge price [USD/t]	Limitations [USD/t]	
			Sold call option	Purchased put option	Sold put option <sup>1</sup>			Participation limited to	Hedge limited to
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
	<b>Total</b>	<b>40 500</b>							
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
	<b>Total</b>	<b>40 500</b>							
<b>TOTAL 2014</b>		<b>81 000</b>							
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
	<b>Total</b>	<b>21 000</b>							
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
	<b>Total</b>	<b>21 000</b>							
<b>TOTAL 2015</b>		<b>42 000</b>							

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



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

**CURRENCY MARKET**

	Instrument	Notional [million USD]	Option execution price [USD/PLN]			Average weighted premium [PLN for USD 1]	Effective hedge price [USD/PLN]	Limitations [USD/PLN]	
			Sold call option	Purchased put option	Sold put option <sup>1</sup>			Participation limited to	Hedge limited to
I half of 2014	Collar	180	4.5000	3.5000	-	-0.0641	3.4359	4.5000	-
	Collar	180	4.5000	3.4000	-	-0.0093	3.3907	4.5000	-
	Collar	120	4.0000	3.2000	-	-0.0574	3.1426	4.0000	-
	<b>Total</b>	<b>480</b>							
II half of 2014	Seagull	180	4.5000	3.5000	2.7000	-0.0345	3.4655	4.5000	2.7000
	Collar	180	4.5000	3.4000	-	-0.0093	3.3907	4.5000	-
	Collar	120	4.0000	3.2000	-	-0.0554	3.1446	4.0000	-
	<b>Total</b>	<b>480</b>							
<b>TOTAL 2014</b>		<b>960</b>							
I half of 2015	Collar	180	4.5000	3.4000	-	-0.0080	3.3920	4.5000	-
	Collar	120	4.0000	3.3000	-	-0.0694	3.2306	4.0000	-
	<b>Total</b>	<b>300</b>							
II half of 2015	Collar	180	4.5000	3.4000	-	-0.0080	3.3920	4.5000	-
	Collar	120	4.0000	3.3000	-	-0.0694	3.2306	4.0000	-
	<b>Total</b>	<b>300</b>							
<b>TOTAL 2015</b>		<b>600</b>							

With respect to currency risk management whose source is borrowing, the Company uses natural hedging by borrowing in currencies in which it has revenues.

As at 31 December 2013, the net fair value of open positions in derivatives amounted to PLN 791 million, of which PLN 797 million related to positive fair value of the hedging instruments and PLN 6 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 measurement described above.

The fair values of opened derivatives and receivables and liabilities due to unsettled derivatives are presented in the following table

	As at 31 December 2013		As at 31 December 2012	
	Derivatives	Receivables and (liabilities) due to unsettled derivatives <sup>2</sup>	Derivatives	Receivables and (liabilities) due to unsettled derivatives <sup>3</sup>
Financial assets	814	41	1 123	22
Financial liabilities	(23)	(19)	(253)	(16)
<b>Fair value</b>	<b>791</b>	<b>22</b>	<b>870</b>	<b>6</b>

<sup>2</sup> Settlement date falls on 3 January 2014.

<sup>3</sup> Settlement date falls on 3 January 2013.

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

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

TRADE INSTRUMENTS			At 31 December 2013 [PLN '000]			
			Financial assets		Financial liabilities	
Type of derivative	Volume/ Notional Cu [t] Currency ['000 USD]	Avg. weighted price/ex. rate Cu [USD/t] Currency [USD/PLN]	Current	Non-current	Current	Non-current
<b>Derivatives - Metals - Copper:</b>						
Options						
Sold put options	123 000	4 659			(138)	(1 651)
<b>TOTAL:</b>			-	-	<b>(138)</b>	<b>(1 651)</b>
<b>Derivatives - Currency contracts</b>						
Options USD						
Purchased put options	180 000	2.7000	407			
Sold put options	360 000	2.7000			(3 885)	
<b>TOTAL:</b>			<b>407</b>	-	<b>(3 885)</b>	-
<b>TOTAL TRADE INSTRUMENTS</b>			<b>407</b>	-	<b>(4 023)</b>	<b>(1 651)</b>

HEDGING INSTRUMENTS					At 31 December 2013 [PLN '000]					
Type of derivative	Volume/ Notional Cu [t] Currency ['000 USD]	Avg. weighted price/ ex. rate Cu [USD/t] Currency [USD/PLN]	Maturity/ settlement period		Period of profit/loss impact		Financial assets		Financial liabilities	
			From	To	From	To	Current	Non-current	Current	Non-current
<b>Derivatives - Metals- Copper</b>										
Options										
Seagull	123 000	7 749-9 963	Jan 14-	Dec 15	Feb 14-	Jan 16	128 863	140 117	(2 129)	(9 343)
<b>TOTAL:</b>							<b>128 863</b>	<b>140 117</b>	<b>(2 129)</b>	<b>(9 343)</b>
<b>Derivatives - Currency contracts</b>										
Options USD										
Collar	1 200 000	3.3400-4.3000	Jan 14-	Dec 15	Jan 14-	Dec 15	178 648	202 452	(183)	(5 681)
Collar-seagull	180 000	3.5000-4.5000	Jan 14-	Jun 14	Jan 14-	Jun 14	83 985			
Seagull	180 000	3.5000-4.5000	Jul 14-	Dec 14	Jul 14-	Dec 14	80 057		(12)	
<b>TOTAL:</b>							<b>342 690</b>	<b>202 452</b>	<b>(195)</b>	<b>(5 681)</b>
<b>TOTAL HEDGING INSTRUMENTS</b>							<b>471 553</b>	<b>342 569</b>	<b>(2 324)</b>	<b>(15 024)</b>

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

The following table presents the structure of ratings of the financial institutions with whom the Company engaged in derivatives transactions, representing an exposure to credit risk<sup>4</sup>

Rating levels	At	
	31 December 2013	31 December 2012
Highest <sup>5</sup>	16%	12%
Medium-high <sup>6</sup>	79%	82%
Medium <sup>7</sup>	5%	6%

Taking into consideration the fair value of open derivative transactions entered into by the Company and unsettled derivatives, as at 31 December 2013, the maximum single entity share of the amount exposed to credit risk arising from these transactions amounted to 22% (as at 31 December 2012: 17%).

<sup>4</sup> Weighed by positive fair value of open and unsettled derivatives

<sup>5</sup> 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.

<sup>6</sup> 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.

<sup>7</sup> By medium rating is meant a rating from BBB+ to BBB- as determined by Standard & Poor's and Fitch, and from Baa1 to Baa3 as determined by Moody's.

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

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

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

#### 6. Liquidity risk and capital management

Capital management is aimed at maintaining continuous financial liquidity in every period. The Company actively manages the liquidity risk to which it is exposed.

In order to minimise this risk in the fourth quarter of 2013 the Company made use of borrowing in the form of bank loans, using both an overdraft facility as well as a working capital facility.

As at 31 December 2013, the Company held liabilities due to bank loans drawn in the amount of PLN 1 123 million (i.e. USD 373 million).

#### Bank loans liabilities

Type of bank loan	Bank loan currency	Balance of bank loan drawn in the currency [million]	Balance of bank loan drawn in PLN [million]	Repayment date
Working capital facility	USD	17	51	30.01.2014
Working capital facility	USD	162	488	07.05.2014
Overdraft facility	USD	32	98	30.04.2015
Overdraft facility	USD	120	360	14.10.2015
Overdraft facility	USD	42	126	21.10.2015
<b>Total</b>		<b>373</b>	<b>1 123</b>	

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

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

#### Open lines of credit as at 31 December 2013

Type of bank loan	Bank loan currency	Available balance of bank loan in the currency [million]
Working capital facility and overdraft facility	USD	88
Overdraft facility	EUR	50
Working capital facility and overdraft facility	PLN	2600

Lubin, 27 February 2014