POLISH FINANCIAL SUPERVISION AUTHORITY

Consolidated half-year report PS 2012

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

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

for the first half of financial year **2012** comprising the period from **1 January 2012** to **30 June 2012** containing the interim condensed consolidated financial statements according to IAS 34 in PLN.

publication date: 31 August 2012

KGHM Polska Miedź Spółka Akcyjna
(name of the issuer)

KGHM Polska Miedź S.A.
(name of issuer in brief)

Basic materials
(issuer branch title per the Warsaw Stock Exchange)

59 - 301
(postal code)

LUBIN
(city)

M. Skłodowskiej – Curie
(street)

48
(number)

(48 76) 74 78 200
(telephone)

(48 76) 74 78 500
(fax)

IR@BZ.KGHM.pl
(e-mail)

www.kghm.pl
(website address)

692–000–00-13
(NIP)

390021764
(REGON)

PricewaterhouseCoopers Sp. z o.o.
(entity entitled to audit financial statements)

SELECTED FINANCIAL DATA	in '000 PLN		in '000 EUR	
	half-year 2012 period from 1 January 2012 to 30 June 2012	**half-year 2011** period from 1 January 2011 to 30 June 2011	**half-year 2012** period from 1 January 2012 to 30 June 2012	**half-year 2011** period from 1 January 2011 to 30 June 2011
I. Sales	13 111 244	11 221 172	3 103 547	2 828 415
II. Operating profit	3 619 959	5 098 123	856 876	1 285 036
III. Profit before income tax	3 549 609	5 264 113	840 224	1 326 875
IV. Profit for the period	2 714 841	4 313 984	642 627	1 087 385
V. Profit for the period attributable to shareholders of the Parent Entity	2 713 657	4 313 218	642 347	1 087 192
VI. Profit for the period attributable to non-controlling interests	1 184	766	280	193
VII. Other comprehensive income	268 219	187 706	63 490	47 313
VIII. Total comprehensive income	2 983 060	4 501 690	706 117	1 134 698
IX. Total comprehensive income attributable to the shareholders of the Parent Entity	2 983 191	4 500 492	706 148	1 134 396
X. Total comprehensive income attributable to non-controlling interest	(131)	1 198	(31)	302
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	13.57	21.57	3.21	5.44
XIII. Net cash generated from operating activities	2 537 098	4 130 660	600 553	1 041 177
XIV. Net cash used in investing activities	(8 293 887)	(1 108 897)	(1 963 236)	(279 509)
XV. Net cash generated from/(used in) financing activities	280 237	(64 352)	66 335	(16 221)
XVI. Total net cash flow	(5 476 552)	2 957 411	(1 296 348)	745 447
	At 30 June 2012	**At 31 December 2011**	**At 30 June 2012**	**At 31 December 2011**
XVII. Non-current assets	23 048 083	12 050 205	5 408 698	2 728 266
XVIII. Current assets	14 711 339	18 516 811	3 452 312	4 192 359
XIX. Total assets	37 759 422	30 567 016	8 861 010	6 920 625
XX. Non-current liabilities	7 577 972	2 815 264	1 778 324	637 399
XXI. Current liabilities	9 555 716	4 365 142	2 242 442	988 304
XXII. Equity	20 625 734	23 386 610	4 840 244	5 294 922
XXIII. Non-controlling interest	235 130	288 844	55 178	65 397

Average PLN/EUR exchange rate applied to the calculation of the selected financial data

Selected data items	Exchange rate	30 June 2012	31 December 2011	30 June 2011
I - XVI	exchange rate representing the arithmetical average of the current average exchange rates announced by the National Bank of Poland on the last day of each month during the period from January to June respectively of 2012 and 2011	4.2246	not applicable	3.9673
XVII - XXIII	current average exchange rate announced by the National Bank of Poland on the last day of June/December respectively of 2012 and 2011	4.2613	4.4168	not applicable

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.

KGHM POLSKA MIEDŹ S.A.
GROUP

CONSOLIDATED HALF-YEAR REPORT PS 2012 COMPRISES:

1. **AUDITOR'S REVIEW REPORT ON THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**
2. **DECLARATION BY THE MANAGEMENT BOARD ON THE ACCURACY OF THE PREPARED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**
3. **DECLARATION BY THE MANAGEMENT BOARD ON THE ENTITY ENTITLED TO AUDIT FINANCIAL STATEMENTS**
4. **INTERIM CONDESED CONSOLIDATED FINANCIAL STATEMENTS**
5. **REPORT ON THE ACTIVITIES OF THE GROUP**

Lubin, August 2012

KGHM POLSKA MIEDŹ S.A.
GROUP

AUDITOR'S REVIEW REPORT ON THE INTERIM CONDESED CONSOLIDATED FINANCIAL STATEMENTS FOR THE FIRST HALF OF 2012

Lubin, August 2012

TRANSLATORS' EXPLANATORY NOTE

The following document is a free translation of the registered auditor's report of the below-mentioned Polish Company. In Poland statutory accounts must be prepared and presented in accordance with Polish legislation and in accordance with the accounting principles and practices generally used in Poland.

The accompanying translated report has not been reclassified or adjusted in any way to conform to accounting principles generally accepted in countries other than in Poland, but certain terminology current in Anglo-Saxon countries has been adopted to the extent practicable. In the event of any discrepancy in interpreting the terminology, the Polish version is binding.

Independent registered auditor's report on the review of the interim condensed consolidated financial statements for the period from 1 January to 30 June 2012

To the Shareholders and the Supervisory Board of KGHM Polska Miedź Spółka Akcyjna

We have reviewed the accompanying interim condensed consolidated financial statements of KGHM Polska Miedź Spółka Akcyjna Group (hereinafter called *the Group*) of which KGHM Polska Miedź Spółka Akcyjna is the parent company (hereinafter called *the Parent Company*) with its registered office in Lubin, M. Skłodowskiej-Curie 48 Street, comprising the interim consolidated statement of financial position as at 30 June 2012, the interim consolidated statement of comprehensive income, the interim consolidated statement of changes in equity, the interim consolidated statement of cash flows for the period from 1 January to 30 June 2012 and selected explanatory notes to the interim condensed consolidated financial statements.

The Parent Company's Management Board is responsible for the preparation of interim condensed consolidated financial statements which comply with the International Financial Reporting Standards adopted by the European Union concerning interim reporting (IAS 34). Our responsibility was to issue a report on these interim condensed consolidated financial statements based on our review.

We conducted our review in accordance with the requirements of the national standards of auditing issued by the National Chamber of Registered Auditors. These standards require us to plan and perform the review to obtain moderate assurance that the interim condensed consolidated financial statements are free of material misstatements. We conducted the review mainly by analysing the data in the interim condensed consolidated financial statements, inspecting the consolidation documentation, and making use of information obtained from the Company's Management Board and persons responsible for financial and accounting matters in the Group.

Independent registered auditor's report on the review of the interim condensed consolidated financial statements for the period from 1 January to 30 June 2012

To the Shareholders and the Supervisory Board of KGHM Polska Miedź Spółka Akcyjna (cont.)

The scope and methodology of the review of interim condensed consolidated financial statements is significantly different from the scope of an audit aimed at expressing an opinion on compliance of the financial statements with the applicable accounting policies and their fairness and clarity, therefore we cannot express an opinion on the attached financial statements.

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements have not been prepared, in all material respects, in accordance with International Accounting Standard 34 'Interim Financial Reporting'.

Conducting the review on behalf of PricewaterhouseCoopers Sp. z o.o., Registered Audit Company No. 144:

Marcin Sawicki

Group's Auditor, Key Registered Auditor
No. 11393

Wrocław, 28 August 2012

KGHM POLSKA MIEDŹ S.A.
GROUP

DECLARATION BY THE MANAGEMENT BOARD ON THE ACCURACY OF THE PREPARED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Lubin, August 2012

DECLARATION BY THE MANAGEMENT BOARD OF KGHM POLSKA MIEDŹ S.A. ON THE ACCURACY OF THE PREPARED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

According to our best judgement the interim condensed consolidated financial statements and the comparative data have been prepared in accordance with accounting principles currently in force, and give a true, fair and clear view of the financial position of the KGHM Polska Miedź S.A. Group and the profit for the period of the Group. The half-year report on the activities of the Group presents a true picture of the development and achievements, as well as the condition of the KGHM Polska Miedź S.A. Group, including a description of the basic exposures and risks.

SIGNATURES OF ALL MEMBERS OF THE MANAGEMENT BOARD			
Date	**First, Last name**	**Position/Function**	**Signature**
28 August 2012	Herbert Wirth	President of the Management Board	
28 August 2012	Włodzimierz Kiciński	I Vice President of the Management Board	
28 August 2012	Wojciech Kędzia	Vice President of the Management Board	
28 August 2012	Dorota Włoch	Vice President of the Management Board	

SIGNATURE OF PERSON RESPONSIBLE FOR ACCOUNTING			
Date	**First, Last name**	**Position/Function**	**Signature**
28 August 2012	Ludmiła Mordylak	Chief Accountant of KGHM Executive Director of Accounting Services Center	

KGHM POLSKA MIEDŹ S.A.

GROUP

DECLARATION BY THE MANAGEMENT BOARD REGARDING THE ENTITY ENTITLED TO AUDIT FINANCIAL STATEMENTS

Lubin, August 2012

DECLARATION BY THE MANAGEMENT BOARD OF KGHM POLSKA MIEDŹ S.A. REGARDING THE ENTITY ENTITLED TO AUDIT FINANCIAL STATEMENTS

The entity entitled to audit financial statements, and which has reviewed the interim condensed consolidated financial statements, was selected in compliance with legal provisions. This entity, as well as the certified auditors who have carried out this review, have met the conditions for issuing an impartial and independent report on their review, in compliance with appropriate legal provisions and professional standards.

SIGNATURES OF ALL MEMBERS OF THE MANAGEMENT BOARD			
Date	**First, Last name**	**Position/Function**	**Signature**
28 August 2012	Herbert Wirth	President of the Management Board	
28 August 2012	Włodzimierz Kiciński	I Vice President of the Management Board	
28 August 2012	Wojciech Kędzia	Vice President of the Management Board	
28 August 2012	Dorota Włoch	Vice President of the Management Board	

SIGNATURE OF PERSON RESPONSIBLE FOR ACCOUNTING			
Date	**First, Last name**	**Position/Function**	**Signature**
28 August 2012	Ludmiła Mordylak	Chief Accountant of KGHM Executive Director of Accounting Services Center	

KGHM POLSKA MIEDŹ S.A.
GROUP

INTERIM
CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS
FOR THE FIRST HALF OF 2012

Lubin, August 2012

Table of contents to the interim condensed consolidated financial statements

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

Interim consolidated statement of financial position

	Note	At 30 June 2012	31 December 2011 restated*	1 January 2011
ASSETS				
Non-current assets				
Property, plant and equipment	6	13 645 769	9 092 529	8 670 554
Intangible assets	7	2 334 895	580 384	473 215
Investment property	8	60 171	59 930	59 760
Investments accounted for using the equity method	9	3 328 892	472	1 431 099
Deferred tax assets	23	765 738	272 331	592 792
Available-for-sale financial assets	10	860 982	993 960	751 718
Mine closure financial assets	11	485 356	111 709	84 157
Derivatives	12	1 040 823	899 400	403 839
Trade and other receivables	13	525 457	39 490	13 508
		23 048 083	**12 050 205**	**12 480 642**
Current assets				
Inventories	14	3 853 235	2 658 253	2 222 231
Trade and other receivables	13	3 188 624	1 838 979	2 727 935
Current corporate tax receivables		129 595	7 759	4 511
Available-for-sale financial assets	10	151 236	15 668	415 662
Mine closure financial assets	11	1 198	2 147	4 129
Derivatives	12	600 954	860 042	297 584
Other financial assets measured at fair value through profit or loss		55	-	-
Cash and cash equivalents	15	6 782 892	13 130 401	3 086 957
Non-current assets held for sale	16	3 550	3 562	1 078
		14 711 339	**18 516 811**	**8 760 087**
TOTAL ASSETS		**37 759 422**	**30 567 016**	**21 240 729**
EQUITY AND LIABILITIES				
Equity attributable to shareholders of the Parent Entity				
Share capital	17	2 000 000	2 000 000	2 000 000
Accumulated other comprehensive income	18	835 226	554 924	209 821
Retained earnings	19	17 555 378	20 542 842	12 456 413
		20 390 604	**23 097 766**	**14 666 234**
Non-controlling interest	20	**235 130**	**288 844**	**255 889**
TOTAL EQUITY		**20 625 734**	**23 386 610**	**14 922 123**
LIABILITIES				
Non-current liabilities				
Trade and other payables	21	809 599	129 749	119 860
Borrowings, debt securities and finance lease liabilities	22	1 929 776	194 370	173 652
Derivatives	12	511 104	538 320	711 580
Deferred tax liabilities	23	2 065 012	129 042	168 156
Employee benefits liabilities	24	1 385 305	1 338 743	1 221 794
Provisions for other liabilities and charges	25	877 176	485 040	520 727
		7 577 972	**2 815 264**	**2 915 769**
Current liabilities				
Trade and other payables	21	8 791 409	2 182 093	1 994 577
Borrowings, debt securities and finance lease liabilities	22	81 463	103 587	96 162
Current corporate tax liabilities		326 591	1 595 528	672 152
Derivatives	12	167 660	331 331	482 118
Employee benefits liabilities	24	123 740	126 563	110 912
Provisions for other liabilities and charges	25	64 853	26 040	46 916
		9 555 716	**4 365 142**	**3 402 837**
TOTAL LIABILITIES		**17 133 688**	**7 180 406**	**6 318 606**
TOTAL EQUITY AND LIABILITIES		**37 759 422**	**30 567 016**	**21 240 729**

* details presented in note 2.1

The explanatory information presented on pages 7 to 70 represent an integral part of the interim condensed consolidated financial statements

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

Interim consolidated statement of comprehensive income

	Note	For the period	
		from 1 January 2012 to 30 June 2012	**from 1 January 2011 to 30 June 2011 restated***
Sales	27	13 111 244	11 221 172
Cost of sales	28	(8 314 335)	(5 693 527)
Gross profit		**4 796 909**	**5 527 645**
Selling costs	28	(191 496)	(141 554)
Administrative expenses	28	(546 616)	(423 022)
Other operating income	30	991 069	701 399
Other operating costs	31	(1 429 907)	(566 345)
Operating profit		**3 619 959**	**5 098 123**
Finance costs	32	(70 246)	(21 765)
Share of (losses)/profits of investments accounted for using the equity method		(104)	187 755
Profit before income tax		**3 549 609**	**5 264 113**
Income tax expense	35	(834 768)	(950 129)
Profit for the period		**2 714 841**	**4 313 984**
Other comprehensive income due to:			
Available-for-sale financial assets		(205 002)	25 124
Cash flow hedging instruments		(159 671)	205 523
Income tax		57 177	(43 823)
Exchange differences from the translation of foreign operations	18	575 715	882
Other comprehensive net income for the financial period	18	**268 219**	**187 706**
TOTAL COMPREHENSIVE INCOME		**2 983 060**	**4 501 690**
Profit for the period attributable to:			
shareholders of the Parent Entity		2 713 657	4 313 218
non-controlling interest		1 184	766
Total comprehensive income attributable to:			
shareholders of the Parent Entity		2 983 191	4 500 492
non-controlling interest		(131)	1 198
Earnings per share attributable to the shareholders of the Parent Entity during the period (in PLN per share)	37		
- basic		13.57	21.57
- diluted		13.57	21.57

* details presented in note 2.1

The explanatory information presented on pages 7 to 70 represent an integral part of the interim condensed consolidated financial statements

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

Interim consolidated statement of changes in equity

	Note	Equity attributable to shareholders of the Parent Entity						Equity attributable to non-controlling interest	Total equity
			Accumulated other comprehensive income due to:						
		Share capital	Available-for-sale financial assets	Cash flow hedging instruments	Exchange differences from the translation of foreign operations	Retained earnings	Total		
At 1 January 2012		**2 000 000**	**(38 296)**	**574 283**	**18 937**	**20 542 842**	**23 097 766**	**288 844**	**23 386 610**
Dividends for 2011 resolved but unpaid	21, 38	-	-	-	-	(5 668 000)	(5 668 000)	(527)	(5 668 527)
Total comprehensive income		**-**	**(178 163)**	**(129 333)**	**577 030**	**2 713 657**	**2 983 191**	**(131)**	**2 983 060**
Profit for the period		-	-	-	-	2 713 657	2 713 657	1 184	2 714 841
Other comprehensive income	18	-	(178 163)	(129 333)	577 030	-	269 534	(1 315)	268 219
Changes in ownership shares in subsidiaries which do not lead to a loss of control	20	-	-	-	10 768	(33 121)	(22 353)	(53 056)	(75 409)
At 30 June 2012		**2 000 000**	**(216 459)**	**444 950**	**606 735**	**17 555 378**	**20 390 604**	**235 130**	**20 625 734**
At 1 January 2011		**2 000 000**	**120 046**	**89 775**	**-**	**12 456 413**	**14 666 234**	**255 889**	**14 922 123**
Dividends for 2010 resolved but unpaid	21	-	-	-	-	(2 980 000)	(2 980 000)	-	(2 980 000)
Total comprehensive income		**-**	**20 350**	**166 474**	**450**	**4 313 218**	**4 500 492**	**1 198**	**4 501 690**
Profit for the period		-	-	-	-	4 313 218	4 313 218	766	4 313 984
Other comprehensive income	18	-	20 350	166 474	450	-	187 274	432	187 706
Changes due to obtaining control of subsidiaries		-	-	-	-	-	-	18 647	18 647
Changes in ownership shares in subsidiaries which do not lead to a loss of control	20	-	-	-	-	7 238	7 238	(7 746)	(508)
At 30 June 2011 restated*		**2 000 000**	**140 396**	**256 249**	**450**	**13 796 869**	**16 193 964**	**267 988**	**16 461 952**

* details presented in note 2.1

The explanatory information presented on pages 7 to 70 represent an integral part of the interim condensed consolidated financial statements

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

Interim consolidated statement of cash flows

	Note	For the period from 1 January 2012 to 30 June 2012	For the period from 1 January 2011 to 30 June 2011 restated*
Cash flow from operating activities			
Profit for the period		2 714 841	4 313 984
Adjustments to profit for the period	39	2 039 550	731 572
Income tax paid		(2 217 293)	(914 896)
Net cash generated from operating activities		**2 537 098**	**4 130 660**
Cash flow from investing activities			
Purchase of subsidiaries, less acquired cash and cash equivalents		(6 994 766)	(94 644)
Purchase of property, plant and equipment and intangible assets		(1 083 636)	(754 095)
Advances granted for purchase of property, plant and equipment and intangible assets		(17 612)	(46 061)
Proceeds from sale of property, plant and equipment and intangible assets		17 360	10 350
Purchase of investment property		(180)	(44)
Purchase of available-for-sale financial assets		-	(1 585 813)
Proceeds from sale of available-for-sale financial assets		3 223	1 028 023
Purchase of mine closure financial assets		(91 865)	(23 500)
Establishment of deposits		(7 542)	(450 000)
Termination of deposits		52 156	800 000
Loans granted		(172 368)	(60)
Interest received		2 837	8 599
Dividends received		136	145
Other investment expenses		(1 630)	(1 797)
Net cash used in investing activities		**(8 293 887)**	**(1 108 897)**
Cash flow from financing activities			
Capital contributions from holders of non-controlling interest	20.1	18 383	-
Proceeds from borrowings		385 908	40 020
Repayments of borrowings		(52 036)	(91 118)
Payments of finance leases liabilities		(5 443)	(8 152)
Interest paid		(71 202)	(5 311)
Other financial proceeds		4 627	209
Net cash generated from/(used in) financing activities		**280 237**	**(64 352)**
Total net cash flow		**(5 476 552)**	**2 957 411**
Exchange (losses)/gains on cash and cash equivalents		(870 957)	51 836
Movements in cash and cash equivalents		**(6 347 509)**	**3 009 247**
Cash and cash equivalents at beginning of the period	15	**13 130 401**	**3 086 957**
Cash and cash equivalents at end of the period	15	**6 782 892**	**6 096 204**
including restricted cash and cash equivalents		97 441	5 320

* details presented in note 2.1

The explanatory information presented on pages 7 to 70 represent an integral part of the interim condensed consolidated financial statements

Selected explanatory information

1. General information

Company name, registered office, business activities

KGHM Polska Miedź S.A. (the "Parent Entity") with its registered office in Lubin at 48 M.Skłodowskiej-Curie Street is a stock company registered at the Wrocław Fabryczna Regional Court, Section IX (Economic) in the National Court Register, entry no. KRS 23302, operating on the territory of the Republic of Poland. The Parent Entity was issued with tax identification number (NIP) 692-000-00-13 and statistical REGON number 390021764.
KGHM Polska Miedź S.A. has a multi-divisional organisational structure, which comprises its Head Office and 10 divisions: 3 mines (Lubin Mine, Polkowice-Sieroszowice Mine, Rudna Mine), 3 smelters (Głogów Smelter, Legnica Smelter, the Cedynia Wire Rod Plant), the Ore Enrichment Plant (OEP), the Tailings Plant, the Mine-Smelter Emergency Rescue Unit and the Data Center. The composition of the Group was presented in Note 4.
The shares of KGHM Polska Miedź S.A. are listed on the Warsaw Stock Exchange.

According to the classification of the Warsaw Stock Exchange, KGHM Polska Miedź S.A. is classified under the "basic materials" sector.

The principal activities of the Parent Entity comprise:
- mining of other non-ferrous metals ore,
- excavation of gravel and sand, excavation of clay and kaolin, excavation of salt,
- production of technical gases, production of other primary inorganic chemicals,
- production of precious metals, production of lead, zinc and tin,
- production of copper, production of other non-ferrous metals,
- casting of copper and copper alloys, casting of other non-ferrous metals, if not elsewhere classified,
- forging, pressing, stamping and roll forming of metal - powder metallurgy,
- repair and conservation of machinery, repair and conservation of electrical equipment,
- installation of industrial machinery, equipment and fittings,
- generation, transmission, distribution, trade in electricity,
- manufacture, distribution, trade in gaseous fuels
- generation and supply of steam, hot water and air for air conditioners,
- collection, purification and distribution of water, discharge and treatment of waste,
- collection of waste, treatment and removal of non-hazardous waste,
- cable-based telecom activities, other telecom activities,
- activities related to software, activities related to managing IT equipment, data processing; management of Internet sites (hosting) and related activities, Internet portal activities,
- financial holding activities,
- extraction of crude petroleum,
- support activities for petroleum and natural gas extraction.

Activities involving the exploitation of copper ore, salt deposits and common minerals are carried out on licenses held by KGHM Polska Miedź S.A., which were issued by the Minister of Environmental Protection, Natural Resources and Forestry (currently Minister of Environment) in the years 1993-2004, most of which expire on 31 December 2013. KGHM Polska Miedź S.A. is at the stage of acquiring licenses for subsequent years. In the opinion of the Management Board, the licensing process, which occurs periodically, is of an administrative nature, while the probability of not receiving a license is, in the opinion of the Management Board of the Parent Entity, minimal and and does not threaten the continuation of the activities of KGHM Polska Miedź S.A. Detailed information on the process of obtaining licenses may be found in this report in the Report on the activities of the Group, point 5.5.

The business activities of the Group also include:
- mining production of metals, e.g. 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 material, and
- recovery of associated metals from copper ore.

Period of operation of the Group

KGHM Polska Miedź S.A. has been conducting its business since 12 September 1991. The Parent Entity and subsidiaries have an unlimited period of operation.
The legal antecedent of KGHM Polska Miedź S.A. was the State-owned enterprise Kombinat Górniczo-Hutniczy Miedzi in Lubin transformed into a State-owned joint stock company in accordance with principles set forth in the law dated 13 July 1990 on the privatisation of State-owned enterprises.

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

1. General information (continued)

Management Board

The 7th-term Management Board of KGHM Polska Miedź S.A. as at 1 January 2012 consisted of:

- Herbert Wirth President of the Management Board,
- Maciej Tybura I Vice President of the Management Board (Finance),
- Wojciech Kędzia Vice President of the Management Board (Production).

On 27 June 2012, the Supervisory Board of KGHM Polska Miedź S.A. appointed Herbert Wirth as President of the 8th-term Management Board, as well as the following Members of the Management Board: Włodzimierz Kiciński, Wojciech Kędzia, Dorota Włoch and from 1 September 2012 Adam Sawicki.

On 25 July 2012, the Supervisory Board appointed Włodzimierz Kiciński to the function of I Vice President of the Management Board, and the Management Board segregated its duties amongst the members of the Management Board in the following manner:

- Herbert Wirth	President of the Management Board,
- Włodzimierz Kiciński	I Vice President of the Management Board (Finance),
- Wojciech Kędzia	Vice President of the Management Board (Production),
- Dorota Włoch	Vice President of the Management Board (Development).

The duties of Adam Sawicki, a member of the Management Board of KGHM Polska Miedź S.A., will be determined upon his assumption of this function on 1 September 2012.

Supervisory Board

The 8th-term Supervisory Board of KGHM Polska Miedź S.A. as at 1 January 2012 consisted of:

- Jacek Kuciński	Chairman
- Marcin Dyl	Deputy Chairman
- Marek Panfil	Secretary
- Franciszek Adamczyk	
- Arkadiusz Kawecki	
- Marzenna Weresa	
- Jan Rymarczyk	

as well as the following employee-elected members:

- Lech Jaroń
- Maciej Łaganowski
- Paweł Markowski.

During the period from 1 January 2012 to the date of authorisation of this report for issue, the bodies of the Parent Entity undertook the following decisions, which affected the composition of the Supervisory Board:

1) On 19 January 2012, the Extraordinary General Meeting resolved to:
   - dismiss from the Supervisory Board: Franciszek Adamczyk, Marcin Dyl, Arkadiusz Kawecki, Jan Rymarczyk and Marzenna Weresa,
   - appoint to the Supervisory Board: Aleksandra Magaczewska, Krzysztof Kaczmarczyk, Mariusz Kolwas, Robert Oliwa and Jacek Poświata.

2) On 13 February 2012, the Supervisory Board selected to serve in the function of:
   - Deputy Chairman - Marek Panfil,
   - Secretary - Mariusz Kolwas.

3) On 17 April 2012, Marek Panfil resigned from the function of Deputy Chairman and on the same day the Supervisory Board selected Aleksandra Magaczewska to serve in this function.

4) On 24 April 2012, Mariusz Kolwas resigned as a Member of the Supervisory Board.

5) On 25 April 2012, the Extraordinary General Meeting resolved to:
   - dismiss from the Supervisory Board: Jacek Kuciński and Marek Panfil,
   - appoint to the Supervisory Board: Paweł Białek, Dariusz Krawczyk and Ireneusz Piecuch.

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

1. General information (continued)

6) On 21 May 2012, the Supervisory Board selected to serve in the function of:
- o Chairwoman - Aleksandra Magaczewska,
- o Deputy Chairman - Krzysztof Kaczmarczyk,
- o Secretary - Dariusz Krawczyk.

7) On 28 June 2012, the Ordinary General Meeting, after reviewing the requests of employees regarding the dismissal of members of the Supervisory Board elected by the Parent Entity's employees, dismissed the following persons from the Supervisory Board: Lech Jaroń, Maciej Łaganowski and Paweł Markowski.

8) On 3 July 2012, Robert Oliwa submitted his resignation as a Member of the Supervisory Board effective as of the date of the General Meeting of KGHM Polska Miedź S.A., the subject of which will be changes in the composition of the Supervisory Board (the Extraordinary General Meeting was convened for 3 September 2012).

At 30 June 2012 the composition of the Supervisory Board was as follows:

- Aleksandra Magaczewska	Chairwoman
- Krzysztof Kaczmarczyk	Deputy Chairman
- Dariusz Krawczyk	Secretary
- Paweł Białek	
- Robert Oliwa	
- Ireneusz Piecuch	
- Jacek Poświata.	

Signing of the interim consolidated financial statements

These interim condensed consolidated financial statements (consolidated financial statements) do not require authorisation by an approving body pursuant to art. 53 of the Accounting Act dated 29 September 1994. The interim financial statements are signed by the head of the unit, i.e. the Management Board of KGHM Polska Miedź S.A. and by the person responsible for accounting. These consolidated financial statements were signed on 28 August 2012.

Going concern assumption

The consolidated financial statements were prepared under the assumption that the Group companies will continue as a going concern during a period of at least 12 months from the end of the reporting period in an unaltered form and business scope, and there are no reasons to suspect any intentional or forced discontinuation or significant limitation of its current activities. At the date of signing of the consolidated financial statements the Management Board of the Parent Entity is not aware of any facts or circumstances that may cast doubt about the going concern in the foreseeable future. Expiry of the licenses (as mentioned on page 7) on which the Parent Entity bases its operations in terms of the extraction of copper ore and salt deposits along with associated minerals, does not represent an indication of a threat to continuation of the Parent Entity's activities, as in the opinion of the Management Board the licensing process, which occurs periodically, is of an administrative nature, while the probability of not receiving licenses is, in the opinion of the Management Board of the Parent Entity, minimal.

Seasonal or cyclical activities

The Group is not affected by seasonal or cyclical activities.

2. Basis of preparing consolidated financial statements

2.1 Accounting principles

These consolidated financial statements have been prepared in accordance with IAS 34 Interim financial reporting and, for a full understanding of the financial position and the results of the Group, should be read together with the consolidated financial statements for the financial year ended 31 December 2011 which are an element of the Consolidated Annual Report RS 2011 available at the website www.kghm.pl.

These consolidated financial statements have been prepared on the historical cost basis (adjusted for the effects of hyperinflation in respect of property, plant and equipment and equity), except for available-for-sale financial assets and derivatives.

The carrying amount of recognised hedged assets and liabilities is adjusted for the changes in fair value attributable to the hedged risk.

These financial statements have been prepared using the same principles for the current and comparable periods, restating the comparable period to conform to the changes in accounting and presentation principles to those applied in the statements in the current period and restating the value of acquired assets and liabilities to the final fair values of acquired companies.

2. Basis of preparing consolidated financial statements (continued)

2.1 Accounting principles (continued)

Changes to the comparable period were with respect to:

- a change in the name of the statement of financial position line item in which financial assets purchased from the Mine Closure Fund are presented. As a result of the obtaining of control over the KGHM INTERNATIONAL LTD. Group during the reporting period, the value of the separated financial assets accumulated to cover future decommissioning costs of mines and other facilities increased substantially, from PLN 113 856 thousand at 31 December 2011 to PLN 486 554 thousand at 30 June 2012. Considering the substantial amount of these assets and a better reflection of their nature and designation, the name of the item in assets was changed from „Held-to-maturity investments" to „Mine closure financial assets",
- final purchase price allocation of the shares of NITROERG S.A. at 2 February 2011. As a result of this allocation, an adjustment was made to the company's net assets to final fair value.
  As a result of measurement in the consolidated statement of financial position as at 31 December 2011, there was a decrease in goodwill by PLN 33 644 thousand, an increase in property, plant and equipment and other intangible assets in the amount of PLN 48 865 thousand, an increase in the deferred tax liability by PLN 9 284 thousand and an increase in non-controlling interests in the amount of PLN 5 937 thousand,
- amortisation of the differences between the fair value of the net assets of NITROERG S.A. and their carrying amount at the date of purchase of NITROERG S.A. shares as a result of final purchase price allocation of this transaction and adjustment of net assets to the finally-set fair value pursuant to IFRS 3. The effects of amortisation of non-current assets were reflected in retained earnings at 30 June 2011 in the amount of PLN 766 thousand, and at 31 December 2011 in the amount of PLN 1 684 thousand,
- amortisation of the differences between the fair value of the net assets of the companies Uzdrowisko Połczyn S.A., ZUK S.A. and „Uzdrowisko Cieplice" Sp. z o.o., and their carrying amount at the date of purchase of shares of these companies as a result of final purchase price allocation of this transaction and adjustment of net assets to the finally-set fair value pursuant to IFRS 3. The effects of changes in amortisation of non-current assets were reflected in retained earnings as at 30 June 2011 in the amount of PLN 1 570 thousand.

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

In the current period changes were also made in the presentation of intangible assets and property, plant and equipment in comparison with data published in the consolidated quarterly report QSr 1/2012. As a result of obtaining control over the KGHM INTERNATIONAL LTD. Group in the first quarter of 2012, an initial recognition of the identifiable assets acquired and the liabilities assumed in the acquired business has been made, and they were recognised in the consolidated financial statements in provisionally-set amounts. In the current quarter, work continued with respect to settlement of the purchase of the KGHM INTERNATIONAL LTD. Group as well as on implementation in the KGHM INTERNATIONAL LTD. Group of the accounting policy in force in the KGHM Polska Miedź S.A. Group. As a result of this work, assets presented in intangible assets were partly verified, and after analysis of their nature, they were reclassified to property, plant and equipment. As a result of the above changes, property, plant and equipment in the net amount of PLN 2 697 032 thousand presented in the consolidated statement of financial position as at 31 March 2012 (in the consolidated quarterly report QSr 1/2012) under intangible assets, are presented in this report in the consolidated statement of financial position at 30 June 2012 under property, plant and equipment.

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

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

Up to the date of publication of these consolidated financial statements, all of the above changes to the standards and interpretations have been approved for use by the European Union. In the opinion of the Group, their application would not have an impact on the financial statements or the impact would be immaterial.
Up to the date of publication of these consolidated financial statements, further standards and interpretations have been published by the International Accounting Standards Board which as at this date have not come into force, while some of them have been adopted for use by the European Union.
The Group decided not to apply any of these standards prior than their coming into force.

3. Important estimates and assumptions

In preparing the consolidated financial statements, the Management Board of the Parent Entity makes use of estimates based on assumptions and opinions which affect the applied accounting principles and presented assets, liabilities, income and costs. The assumptions and estimates on which they are based result from historical experience and the analysis of various factors which are considered as prudent, while their results represent the basis for professional judgement as to the value of the item which they concern. In certain vital questions the Management Board relies on the opinions of independent experts.

Estimates and assumptions of importance for the consolidated financial statements of the Group are presented below.

3.1 Purchase price allocation of the acquisition of subsidiaries

During the current reporting period, the KGHM Polska Miedź S.A. Group performed an initial recognition of assets and liabilities of the KGHM INTERNATIONAL LTD. Group and reflected them in the consolidated financial statements in provisionally-set amounts. The estimates and assumptions related to the recognition and measurement to fair value of the acquired assets and liabilities of the KGHM INTERNATIONAL LTD. Group are described in note no. 4.

3.2 Useful life of property, plant and equipment

The Management Boards of the Group's companies annually reviews the residual value, depreciation methods and useful lives of depreciable property, plant and equipment. At 30 June 2012, it is determined that the useful lives of assets applied by the Group's companies for purposes of depreciation reflect the expected period of future economic benefits from these assets.

3.3 Financial instruments

In accordance with the guidelines of IAS 39 relating to the classification of non-derivatives with fixed payments or determinable maturity, these assets are classified as held-to-maturity investments. In making this judgement, the intended use and possibility of holding such investments to maturity are evaluated. Should the Group's companies fail to hold such instruments to maturity, apart from the situation described in IAS 39, it would have to reclassify all such assets recognised in this group as available-for-sale. In such a situation, the reclassified investments would be measured at fair value, and not at amortised cost.

Embedded derivatives

At the end of each reporting period the Parent Entity analyses the materiality of the impact of separation of embedded derivatives on the financial statements. Following this analysis, at 30 June 2012 the consolidated financial statements present the embedded derivatives of the KGHM INTERNATIONAL LTD. Group, details of which are described in note 34.1.3.

3.4 Testing for impairment

Pursuant to IAS 36, the Management Board of the Parent Entity, at the end of the reporting period, performs annual testing for the impairment of cash-generating units to which goodwill was allocated. The tests will be performed in the reporting period ending 31 December 2012.

3.5 Provisions

1. Future employee benefits, i.e. retirement or disability benefits, jubilee bonuses, post-mortem benefits and post-employment coal equivalent payments is equal to the present value of a defined benefit obligation. The amount of obligations depends on many factors, which are used as assumptions in the actuarial method. Every change in these assumptions impacts the carrying amount of the provisions.

   One of the basic assumptions for setting the amount of these provisions is the discount rate. At the end of the reporting period, based on the opinion of an independent actuary, an appropriate discount rate used for setting the present value of estimated future cash flow due to these benefits is applied. In setting the discount rate for the reporting period, the actuary analyses the interest rates on treasury bonds expressed in the currency of the future benefits payments, with maturities similar to the settlement dates of the benefits in question.

   Remaining macroeconomic assumptions used to measure liabilities due to future employee benefits, such as inflation or the minimum wage, are based in part on current market conditions. Other information and the assumptions applied may be found in note 24.

3. Important estimations and assumptions (continued)

2. Provisions for decommissioning costs of mines and other facilities.

These provisions represent the discounted to present value estimated future decommissioning costs of mines and other facilities. Revaluation of this provision at the end of the reporting period is affected by the following indicators:
- the index of changes in prices in the construction-assembly sector published by the Central Statistical Office (GUS),
- the real discount rate calculated based on the profitability of treasury bonds with maturities nearest to the planned financial outflow (nominal discount rate) and the forecast rate of inflation,
- rate of return on investments in ten-year US Treasury bills.

3.6 Deferred tax assets/liabilities

The deferred tax assets/liabilities are measured using the tax rates which are expected to apply at the moment when the asset is realised or the liability is settled, based on tax laws that have been enacted or substantively enacted in the country at the end of the reporting period.

The probability of realising a deferred tax asset with future tax gains is based on the budgets of Group companies. The companies of the Group recognise deferred tax assets to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

3.7 Valuation of inventories

In the consolidated financial statements, the value of inventories of the KGHM INTERNATIONAL LTD. Group which arise from the leaching process is set based on the estimated recovery of metals from ore. The nature of the process of leaching copper from ore limits the precise monitoring of the level of inventories arising during this process. Based on information about production levels achieved during subsequent periods, the initial estimation of recovery of metals from the leaching process is adjusted to reflect the actual level of copper recovery.

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

4. Composition of the KGHM Polska Miedź S.A. Group – subsidiaries

KGHM Polska Miedź S.A. consolidated in the consolidated financial statements 81 subsidiaries in the current half-year.

Entity	Head office	Scope of activities	% of the Group at 30 June 2012	% of the Group at 31 December 2011
"BIOWIND" sp. z o.o.	Lubin	generation, transfer and distribution of electricity	100	100
BIPROMET S.A.	Katowice	construction, urban planning, and technology design; construction of complete facilities or parts thereof; civil and water engineering; property leasing	66	66
Bipromet Ecosystem Sp. z o.o.	Katowice	execution of central heating and ventilation installations	33.66	33.66
CBJ sp. z o.o.	Lubin	technical research and analyses; measurement of imissions and emissions; industrial research	100	100
CENTROZŁOM WROCŁAW S.A.	Wrocław	purchase/sale of scrap: steel, coloured metals and steel alloys, sale of smelter products and construction reinforcing materials, waste recycling	85	85
DFM ZANAM - LEGMET Sp. z o.o.	Polkowice	repair and manufacture of machinery	100	100
Ecoren DKE sp. z o.o.	Polkowice	collection of municipal and industrial waste, processing, storage and utilisation of waste	100	100
"Energetyka" sp. z o.o.	Lubin	generation, distribution and sale of electricity and heat; water-sewage management	100	100
Fermat 1 S.á r.l.	Luxembourg	foundation, development, management and exercise of control of other companies	100	100
Fermat 2 S.á r.l.	Luxembourg	foundation, development, management and exercise of control of other companies	100	100
Fermat 3 S.á r.l.	Luxembourg	foundation, development, management and exercise of control of other companies	100	-
Fundusz Hotele 01 Sp. z o.o.	Warsaw	financial activities, trade in real estate, management consulting	100	100
Fundusz Hotele 01 Sp. z o.o. S.K.A.	Warsaw	financial activities, retail and wholesale of different merchandise and products	100	100
Fundusz Uzdrowiska 01 Sp. z o.o.	Warsaw	financial holding activities, financial services, turnover and real estate services	100	100
Fundusz Uzdrowiska 01 Sp. z o.o. S.K.A.	Warsaw	financial activities, retail and wholesale of different merchandise and products	100	100
INOVA Spółka z o.o.	Lubin	inspections and control of machinery, R&D work	100	100
INTERFERIE S.A.	Lubin	tourism, hotel and spa services	67.71	66.82
Interferie Medical SPA Sp. z o.o.	Lubin	hotel services, recreation, rehabilitation, tourism, health and wellness	89.46	89.17
KGHM AJAX MINING INC.	Vancouver	mining of copper and gold ore	80	51
KGHM CUPRUM sp. z o.o. – CBR	Wrocław	R&D activities	100	100
KGHM Ecoren S.A.	Lubin	production of ammonium perrhenate and road-building material; sale of raw materials for the production of abrasives; the processing and recovery of metals from ores, mineral resources and industrial waste	100	100
KGHM INTERNATIONAL LTD.	Vancouver	founding, development, management and exercise of control of other companies	100	-
KGHM Kupfer AG	Berlin	exploration for and evaluation of deposits of copper and other metals in Europe	100	100
KGHM I FIZAN	Wrocław	capital investing within the Portfolio of Private Assets and the Portfolio of Public Assets	100	100
KGHM II FIZAN	Wrocław	capital investing within the Portfolio of Private Assets and the Portfolio of Public Assets	100	100
KGHM III FIZAN	Wrocław	capital investing within the Portfolio of Private Assets and the Portfolio of Public Assets	100	100
KGHM Kupferhandelsges. m.b.H.i.L.	Vienna	copper trading	100	100
KGHM LETIA S.A.	Legnica	promotion of innovation; technology transfer; operation of a technology park; property sale and rental	85.45	85.45
KGHM Metraco S.A.	Legnica	wholesale sales of scrap and waste, lead, non-ferrous metals, chemicals and salt, shipping services	100	100

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

4. Composition of the KGHM Polska Miedź S.A. Group – subsidiaries (continued)

Entity	Head office	Scope of activities	% of the Group at 30 June 2012	% of the Group at 31 December 2011
KGHM (SHANGHAI) COPPER TRADING CO., LTD.	Shanghai	wholesale activities, import/export of copper/silicon products and chemicals, mechanical and electrical equipment, office materials, commercial consulting services	100	100
KGHM TFI S.A.	Wrocław	creation and management of funds and management of financial instruments portfolios	100	100
"MIEDZIOWE CENTRUM ZDROWIA" S.A.	Lubin	hospital services; physician practice; activities related to protecting human health; occupational medicine	100	100
NITROERG S.A.	Bieruń	production of explosives and detonation agents used in mining	85	85
PeBeKa S.A.	Lubin	underground and mining construction, construction of tunnels	100	100
Przedsiębiorstwo Budowlane Katowice S.A.	Katowice	construction of complete facilities or parts thereof, general and specialty construction	58.08	58.08
PHP "MERCUS" sp. z o.o.	Polkowice	trade, production of bundled electrical cables	100	100
PHU "Lubinpex" Sp. z o.o.	Lubin	retail trade in food items, catering services	100	100
PMT Linie Kolejowe Sp. z o.o.	Polkowice	management over railway infrastructure	100	100
POL-MIEDŹ TRANS Sp. z o.o.	Lubin	railway and road transportation services; trade in fuels	100	100
„Uzdrowisko Cieplice" Sp. z o.o.	Jelenia Góra	spa services	91.67	91.67
Uzdrowisko Połczyn S.A.	Połczyn Zdrój	spa services	90.45	90.45
Uzdrowisko "Świeradów-Czerniawa" Sp. z o.o.	Świeradów Zdrój	spa services	87.74	87.74
WFP Hefra SA	Warsaw	production and sale of rust-proof, silver-plated and semi-silver-plated table settings, from man-made materials and ceramics	98.5	98.5
WMN "ŁABĘDY" S.A.	Gliwice	production of non-ferrous metals, products from non-ferrous metals, services	84.96	84.96
WPEC w Legnicy S.A.	Legnica	generation, transfer and distribution of heat	85	85
Zagłębie Lubin S.A.	Lubin	management of football section, organisation of professional sporting events	100	100
ZUK S.A.	Polanica Zdrój	spa services, production and sale of mineral waters	91.80	91.80
0929260 B.C U.L.C.	Vancouver	management and exercise of control of other companies	100.00	-
Quadra FNX Moly Holdings (Barbados) Ltd.	Barbados	management and exercise of control of other companies	100.00	-
Quadra FNX Intermoly Holdings Limited	Barbados	management and exercise of control of other companies	100.00	-
Malmbjerg Molybdenum A/S	Greenland	management and development of the Malmbjerg project with respect to molybdenum mining	100.00	-
International Molybdenum Plc	United Kingdom	financial activities	100.00	-
Quadra FNX Holdings (Barbados) Ltd.	Barbados	management and exercise of control of other companies	100.00	-
Quadra FNX Chile (Barbados) Ltd.	Barbados	management and exercise of control of other companies	100.00	-
Quadra FNX Holdings Chile Limitada	Chile	management and exercise of control of other companies	100.00	-
Quadra FNX SG (Barbados) Ltd.	Barbados	management and exercise of control of other companies	100.00	-
Quadra FNX Water Holdings (Barbados) Ltd.	Barbados	management and exercise of control of other companies	100.00	-
Aguas de la Sierra Limitada	Chile	ownership and exercise of water rights in Chile	100.00	-
Quadra FNX FFI Ltd.	Barbados	financial activities	100.00	-
Robinson Holdings (USA) Ltd.	Nevada, USA	technical and management services for subsidiaries in the USA	100.00	-
Wendover Bulk Transhipment Company	Nevada, USA	loading services for the Robinson mine	100.00	-
Robinson Nevada Mining Company	Nevada, USA	copper ore mining, copper production and sale	100.00	-
Robinson Nevada Railroad Company	Nevada, USA	railway services for the Robinson mine	100.00	-

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

4. Composition of the KGHM Polska Miedź S.A. Group – subsidiaries (continued)

Entity	Head office	Scope of activities	% of the Group at 30 June 2012	% of the Group at 31 December 2011
Carlota Holdings Company	Arizona, USA	management and exercise of control of other companies	100.00	-
Carlota Copper Company	Arizona, USA	leaching of copper ore, copper production and sale	100.00	-
FNX Mining Company Inc.	Ontario, Canada	copper and nickel ore mining, copper and nickel production and sale, Victoria project development	100.00	-
DMC Mining Services Ltd.	Ontario, Canada	mining services contracting	100.00	-
Quadra FNX Holdings Partnership	British Columbia, Canada	management and exercise of control of other companies	100.00	-
Raise Boring Mining Services, S.A. de C.V.	Mexico	mining services contracting	100.00	-
FNX Mining Company USA Inc.	USA	management and exercise of control of other companies	100.00	-
DMC Mining Services Corporation	USA	mining services contracting	100.00	-
Centenario Holdings Ltd.	British Virgin Islands	management and exercise of control of other companies	100.00	-
Pan de Azucar (BVI) Ltd.	British Virgin Islands	management and exercise of control of other companies	100.00	-
Minera Carrizalillo Limitada	Chile	management and exercise of control of other companies	100.00	-
Volcanes (BVI) Ltd.	British Virgin Islands	management and exercise of control of other companies	100.00	-
Mineria y Exploraciones Quadra FNX SpA	Chile	management and exercise of control of other companies, exploration services for the Sierra Gorde project and the Franke mine	100.00	-
Frankie (BVI) Ltd.	British Virgin Islands	management and exercise of control of other companies	100.00	-
Sociedad Contractual Minera Franke	Chile	management of the Franke mine, leaching of copper ore production and sale of copper	100.00	-
Centenario Copper (BVI) Ltd.	British Virgin Islands	financial activities	100.00	-
0899196 B.C. Ltd.	British Columbia, Canada	management and exercise of control of other companies	100.00	-
Quadra Mining Australia PTY Limited	Australia	activities related to an acquisition of a subsidiary in Australia	100.00	-

In the current period, in the consolidated financial statements, the shares of one associate BAZALT - NITRON Sp. z o.o. and the Sierra Gorda joint venture were accounted for using the equity method for consolidation purposes.

At 30 June 2012, based on paragraph 8 of IAS 8, which provides for the exclusion from application of IFRS principles where the effect of applying them is immaterial, the subsidiaries „Mercus Software" Sp. z o.o. and TUW Cuprum were not consolidated. Altogether, in the presented consolidated financial statements, three subsidiaries were not consolidated and the shares of one associate were not accounted for using the equity method. At the end of the reporting period, they were measured at their cost less any impairment. The exclusion of these entities from consolidation does not affect the accurate presentation of the assets, profit or loss and cash flow of the Group.

Changes in the structure of the KGHM Polska Miedź S.A. Group during the reporting period

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

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

4. Composition of the KGHM Polska Miedź S.A. Group – subsidiaries (continued)

Founding of Fermat 3 S.á r.l.

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

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

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

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

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

The shares were purchased in execution of the agreement dated 6 December 2011 signed by the Parent Entity of the KGHM Polska Miedź S.A. Group and Quadra FNX under a Plan of Arrangement recommended by the Board of Directors of Quadra FNX ("Agreement"). The shares purchased represent 100% of the share capital of Quadra FNX and 100% of the votes at the General Meeting of this company. 5 March 2012 was assumed as the date of obtaining control. Until the moment of obtaining control by the KGHM Polska Miedź S.A. Group, the Quadra FNX shares were listed on the TSX Venture Exchange in Toronto.

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

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

The signing of the Agreement is consistent with the strategy of the KGHM Polska Miedź S.A. Group aimed at increasing the resource base as well as copper production. The acquisition described above will increase annual mined copper production in the KGHM Polska Miedź S.A. Group by over 100 thousand tonnes beginning from 2012, and in 2018 by over 180 thousand tonnes, meaning a 25% increase versus the pre-acquisition level of the KGHM Polska Miedź S.A. Group production. In addition, following the start-up of the Sierra Gorda project in Chile in 2014 and Victoria in Canada, the transaction will lead to a substantial decrease in average unit copper production costs in the entities directly and indirectly managed by KGHM Polska Miedź S.A.

The KGHM Polska Miedź S.A. Group performed an initial recognition of assets and liabilities of the acquired business, and reflected them in the consolidated financial statements in provisionally-set amounts. The accounting data used were based on the consolidated financial statements of KGHM INTERNATIONAL LTD. as at 29 February 2012, and were updated in respect of significant operations to the balance at 5 March 2012, i.e. to the date control was obtained. In the opinion of the Management Board of KGHM Polska Miedź S.A., there are no significant differences, in other questions regarding accounting data, between the date of preparation of the consolidated financial statements by KGHM INTERNATIONAL LTD. and the date control was obtained. Details regarding the initially estimated fair value of the net assets acquired, the gain on a bargain purchase and the purchase price at the date control was obtained[1] are presented below (in M PLN):

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

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

4. Composition of the KGHM Polska Miedź S.A. Group – subsidiaries (continued)

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

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

The fair value of the assets and liabilities of KGHM INTERNATIONAL LTD. provisionally set at the purchase date increased the balance respectively of the assets and liabilities of the KGHM Polska Miedź S.A. Group at 30 June 2012 in the amounts presented above. In the current reporting period an adjustment was performed with respect to amortisation of the remeasured assets and realisation of inventories and liabilities for the period from the purchase date to 30 June 2012.

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

4. Composition of the KGHM Polska Miedź S.A. Group – subsidiaries (continued)

Items adjusted to fair value	Description	Method/key assumptions
Mineral properties, plant and equipment	Assets held by acquired entities	Fair value set by the discounted cash flow method
Investment in Sierra Gorda	Investment in joint venture	Fair value set by the discounted cash flow method
Intangible assets due to signed services sales contracts	Recognised intangible assets	Fair value set by the discounted cash flow method
Inventories	Inventories held by acquired entities	Method based on net realisable value (assuming the rational level of profit on sales) less the costs necessary to make the sale
Issued senior notes	Senior notes for financing a share of the Sierra Gorda project	Method based on determining the amount of debt portion together with adjustment due to issuer options
Liabilities due to Franco Nevada streaming contract	Recognised liabilities due to supply of metal (deferred income in this regard was presented in the financial statements of the acquired Group)	Fair value set by the discounted cash flow method (using contractual clauses involving contracted metals prices and forecast metals market price)
Provisions	Provision for site closure and other	Adjustment to the applied discount rate
Trade and other liabilities	Derivatives related to the supply of water and hydrochloric acid	Forwards, fair value equal to zero at the date of separation
Deferred tax	Recognised deferred tax from adjustment to fair value	Average assumed rate of 25%

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

Costs related to the acquisition incurred to 30 June 2012 were recognised in the administrative expenses in the amount of PLN 90 201 thousand, of which PLN 16 088 thousand was settled in 2011, while PLN 74 113 thousand in the first half of 2012.

Revenues of the KGHM INTERNATIONAL LTD. Group recognised in the consolidated statement of comprehensive income of the KGHM Polska Miedź S.A. Group for the period from the moment of acquisition to 30 June 2012 amounted to PLN 1 465 223 thousand, while the loss for this same period amounted to PLN 104 182 thousand. Had the KGHM INTERNATIONAL LTD. Group been acquired on 1 January 2012, the consolidated statement of comprehensive income of the KGHM Polska Miedź S.A. Group for the 6 months of 2012 would have shown revenues of PLN 13 463 937 thousand and a profit for the period of PLN 2 829 324 thousand.

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

On 2 April 2012 KGHM Polska Miedź S.A. (KGHM) exercised the option to purchase additional 29% of the shares of KGHM AJAX MINING INC. with its registered head office in Vancouver ("Ajax") from Abacus Mining & Exploration Corporation ("Abacus") based on the shareholders agreement dated 12 October 2010 and increased its share in Ajax from 51% to 80%. The shares were acquired for the amount of USD 29 908 thousand (the equivalent of PLN 93 286 thousand, according to the average rate of the National Bank of Poland for USD/PLN of 30 March 2012).

Ajax will realise the Afton – Ajax copper and gold ore mining project in Canada.

The decision of the Management Board of KGHM Polska Miedź S.A. to exercise the call option was made after analysis of the Bankable Feasibility Study on the Afton – Ajax project received in December 2011. The document describes the specific technical and economic conditions related to the construction and operation of the future copper and gold mine located in the vicinity of the town of Kamloops in British Columbia, Canada.

The Bankable Feasibility Study was prepared in accordance with Canadian standard NI 43-101 by a consortium of independent consultants under the direction of Tetra Tech WEI (Wardrop).

4. Composition of the KGHM Polska Miedź S.A. Group – subsidiaries (continued)

Measured & Indicated mineral resources amount to 512 million tonnes of ore containing 0.31% copper and 0.19 g/t of gold. Proven & Probable mineral reserves were calculated at 1.34 million tonnes of copper and 2.75 million ounces of gold. Average annual production of copper and gold in concentrate amounts respectively to 50 000 tonnes of copper and 100 000 ounces of gold. Mine life was calculated at 23 years.

Under the base scenario, the investment payback period is approx. 8 years, while at current metals prices this period is less than 3 years.

Under the shareholders agreement, when KGHM exercised its option to purchase an additional 29% of the company's shares, the commitment arose by the Group to arrange financing for the project.

Capital expenditure for realisation of the project is estimated at USD 795 million (the equivalent of PLN 2 466 million, according to the average USD/PLN exchange rate of the National Bank of Poland of 2 April 2012).

The cost of producing one tonne of copper was calculated in the range of USD 1740 – USD 2800. Mine construction will last two years. Considering the progress to date and the time needed to obtain further permits and administrative approval, the start-up date for the mine has been set at 2015.

As a result of settlement of the transaction with non-controlling interests, the difference of PLN (22 763) thousand between the purchase price for a 29% non-controlling interest and 29% of the acquired equity of KGHM AJAX MINING LTD. was recognised in the consolidated statement of financial position to retained earnings in the amount of PLN (33 351) thousand and to exchange differences from the translation of foreign operations in the amount of PLN 10 768 thousand.

Acquisition of shares of KGHM AJAX MINING INC. by 0929260 B.C. UNLIMITED LIABILITY COMPANY

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

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

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

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

4. Composition of the KGHM Polska Miedź S.A. Group – subsidiaries (continued)

During the current reporting period, a measurement to fair value was performed on the assets and liabilities of NITROERG S.A., a subsidiary acquired in 2011, as at the date control was obtained, as well as final settlement of the impact of acquisition, as shown in the table below:

	Carrying amount assumed to provisional settlement	**Fair value adjustments**	**Fair value assumed to final settlement**
Property, plant and equipment	50 754	48 823	99 577
Intangible assets	42	42	84
Investments in associates	449	-	449
Deferred tax assets	3 062	-	3 062
Available-for-sale financial assets	5	-	5
Trade and other non-current receivables - gross	161	-	161
Trade and other non-current receivables - net	161	-	161
Inventories	15 874	-	15 874
Trade and other current receivables – gross	46 885	-	46 885
Trade and other current receivables - net	43 884	-	43 884
Cash and cash equivalents	27 283	-	27 283
Total assets	**141 514**	**48 865**	**190 379**
Trade and other non-current payables	1 609	-	1 609
Deferred tax liabilities	-	9 284	9 284
Borrowings, non-current	1 241	-	1 241
Trade and other current payables	33 379	-	33 379
Borrowings, current	3 154	-	3 154
Employee benefits liabilities	16 445	-	16 445
Provisions for other liabilities and charges	1 618	-	1 618
Total liabilities	**57 446**	**9 284**	**66 730**
Net assets at the acquisition date	**84 068**	**39 581**	**123 649**
Net assets attributable to the Group	71 458	33 644	105 102
% in net assets	85.00%	85.00%	85.00%
Purchase price	120 052		120 052
Acquisition-related cost	1 221		1 221
Total cash flow from the acquisition less cash and cash equivalents received	93 990		93 990
Goodwill	**48 594**	**(33 644)**	**14 950**

Information about changes in the structure of the KGHM Polska Miedź S.A. Group during period from 1 January 2011 to 31 December 2011 was described in the Consolidated Annual Report RS 2011 available at the website www.kghm.pl.

5. Information on business segments

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

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

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

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

In accordance with the approved strategy of the KGHM Polska Miedź S.A. Group, the purchase of the shares of KGHM INTERNATIONAL LTD. was aimed at increasing the resource base and at increasing copper production. In respect of this, the data for the KGHM INTERNATIONAL LTD. Group, and of the remaining companies which participated in forming the holding structure for the purchase of the KGHM INTERNATIONAL LTD. Group, were recognised in the reporting segment „production and resource base development".

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

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

5. Information on business segments (continued)

KGHM Polska Miedź S.A. Group as at 30 June 2012

Production and resource base development

- KGHM Polska Miedź S.A.
- KGHM INTERNATIONAL LTD. Group
- "Energetyka" sp. z o.o.
- PeBeKa S.A.
- DFM ZANAM - LEGMET Sp. z o.o.
- KGHM CUPRUM sp. z o.o. – CBR
- CBJ sp. z o.o.
- INOVA Spółka z o.o.
- BIPROMET S.A.
- KGHM Kupfer AG
- KGHM AJAX MINING INC.
- "BIOWIND" sp. z o.o.
- WPEC w Legnicy S.A.
- Przedsiębiorstwo Budowlane Katowice S.A.
- Bipromet Ecosystem Sp. z o.o.
- Fermat 1 S.á r.l.
- Fermat 2 S.á r.l.
- Fermat 3 S.á r.l.
- 0929260 B.C. U.L.C.

Commerce and logistics

- KGHM Metraco S.A.
- KGHM (SHANGHAI) COPPER TRADING CO., LTD.
- KGHM Kupferhandelsges. m.b.H.i.L.

Corporate social resposibility – CSR

- "MIEDZIOWE CENTRUM ZDROWIA" S.A.
- Zagłębie Lubin S.A.
- KGHM LETIA S.A.

Equity-portfolio investment

- POL-MIEDŹ TRANS Sp. z o.o.
- NITROERG S.A.
- PHP "MERCUS" sp. z o.o.
- KGHM Ecoren S.A.
- CENTROZŁOM WROCŁAW S.A.
- WMN "ŁABĘDY" S.A.
- WFP Hefra SA
- Ecoren DKE spółka z o.o.
- PHU "Lubinpex" Sp. z o.o.
- PMT Linie Kolejowe Sp. z o.o.
- KGHM TFI S.A.
- INTERFERIE S.A.
- Interferie Medical SPA Sp. z o.o.
- ZUK S.A.
- Uzdrowisko Połczyn S.A.
- „Uzdrowisko Cieplice” Sp. z o.o.
- Uzdrowisko „Świeradów - Czerniawa” Sp. z o.o.
- Fundusz Hotele 01 Sp. z o.o.
- Fundusz Hotele 01 Sp. z o.o. S.K.A.
- Fundusz Uzdrowiska 01 Sp. z o.o. S.K.A.
- Fundusz Uzdrowiska 01 Sp. z o.o.
- KGHM I FIZAN
- KGHM II FIZAN
- KGHM III FIZAN

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

5. Information on business segments (continued)

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

	For the period from 1 January 2012 to 30 June 2012						
	Production and resource base development	**Equity-portfolio investments**	**Commerce and logistics**	**Corporate social responsibility - CSR**	**Adjustment***	**Consolidation eliminations (according to IAS 27)**	**Consolidated amount**
Revenue	12 806 710	1 577 618	2 041 506	77 009	12	(3 391 611)	**13 111 244**
of which:							
- external sales	11 829 816	923 984	314 112	49 625	12	(6 305)	**13 111 244**
- inter-segment sales	976 894	653 634	1 727 394	27 384	-	(3 385 306)	**-**
Interest income	299 027	2 789	216	516	-	(172 104)	**130 444**
Interest costs	(218 215)	(5 830)	(372)	(59)	-	171 378	**(53 098)**
Depreciation/Amortisation	(600 110)	(35 289)	(999)	(7 230)	(2 699)	(24 807)	**(671 134)**
Revaluation of provisions for employee benefits	(43 229)	61	-	-	(571)	-	**(43 739)**
Recognition and reversal of impairment losses on property, plant and equipment and intangible assets	122	5	-	-	-	-	**127**
Income on measurement and realisation of derivatives	721 251	3 432	11 503	-	-	-	**736 186**
Costs on measurement and realisation of derivatives	(751 870)	(1 840)	(1 090)	-	-	-	**(754 800)**
Share of losses of associates	-	-	-	-	-	(104)	**(104)**
Profit before income tax	3 632 113	56 692	6 157	(6 371)	(4 341)	(134 641)	**3 549 609**
Income tax expense	(850 949)	(8 041)	(1 162)	(3)	919	24 468	**(834 768)**
Share of profit (losses) of subordinated entities accounted for using the equity method	-	4 043	-	-	(4 043)	-	**-**
Profit for the period	2 781 164	52 694	4 995	(6 374)	(7 465)	(110 173)	**2 714 841**
	At 30 June 2012						
Segment assets	86 489 981	2 309 781	282 755	223 468	(3 758)	(51 542 805)	**37 759 422**
Segment liabilities	39 597 921	685 042	179 271	67 641	(4 733)	(23 391 454)	**17 133 688**
Bank and other loans, debt securities and finance lease liabilities	23 514 284	200 332	28 649	22 400	-	(21 754 426)	**2 011 239**
Investments accounted for using the equity method	1 765 739	449	-	-	-	1 562 704	**3 328 892**
	For the period from 1 January 2012 to 30 June 2012						
Capital expenditure	948 313	47 095	9 374	14 106	-	(18 635)	**1 000 253**

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

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

5. Information on business segments (continued)

Information on business segments for the comparable period

	Production and resource base development	Equity-portfolio investments	Commerce and logistics	Corporate social responsibility - CSR	Adjustment*	Consolidation eliminations (according to IAS 27)	Consolidated amount
	For the period from 1 January 2011 to 30 June 2011 - restated						
Revenue	10 655 879	1 621 080	1 569 076	70 067	80	(2 695 010)	**11 221 172**
of which:							
- external sales	9 794 889	1 064 919	316 994	45 514	80	(1 224)	**11 221 172**
- inter-segment sales	860 990	556 161	1 252 082	24 553	-	(2 693 786)	**-**
Interest income	77 610	4 499	406	347	-	(1 832)	**81 030**
Interest costs	(3 490)	(3 597)	(111)	(13)	-	1 502	**(5 709)**
Depreciation/Amortisation	(367 530)	(76 162)	(1 001)	(5 415)	(2 585)	(12 505)	**(465 198)**
Revaluation of provisions for employee benefits	(9 113)	1 638	-	-	-	(2 233)	**(9 708)**
Recognition and reversal of impairment losses on property, plant and equipment and intangible assets	(66)	(1 438)	-	-	(4 435)	-	**(5 939)**
Income on measurement and realisation of derivatives	530 497	762	6 763	-	-	-	**538 022**
Costs on measurement and realisation of derivatives	(453 598)	(388)	(463)	-	-	-	**(454 449)**
Share of profit of associates	-	-	-	-	-	187 755	**187 755**
Profit before income tax	5 301 648	52 917	3 110	(1 236)	(2 097)	(90 229)	**5 264 113**
Income tax expense	(955 462)	(10 220)	(1 081)	-	1 164	15 470	**(950 129)**
Share of profit (losses) of subordinated entities accounted for using the equity method	-	6 160	-	-	(6 160)	-	**-**
Profit for the period	4 346 186	48 857	2 029	(1 236)	(7 093)	(74 759)	**4 313 984**
	At 31 December 2011 - restated						
Segment assets	31 162 699	2 256 796	221 994	224 027	(339)	(3 298 161)	**30 567 016**
Segment liabilities	6 874 665	684 439	127 103	70 940	(6 771)	(569 970)	**7 180 406**
Bank and other loans, debt securities and finance lease liabilities	125 733	196 730	51	17 225	-	(41 782)	**297 957**
Investments accounted for using the equity method	-	449	-	-	-	23	**472**
	For the period from 1 January 2011 to 30 June 2011 - restated						
Capital expenditure	494 139	97 772	3 854	15 729	(94)	(5 150)	**606 250**

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

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

5. Information on business segments (continued)

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

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

	Profit or loss					Statement of financial position	
	Sales	**Employee benefits**	**Depreciation /Amortisation**	**Profit before taxation**	**Income tax**	**Segment assets**	**Segment liabilities**
Netting off of Social Fund assets and liabilities	-	-	-	-	-	(8 044)	(8 044)
Offsetting of deferred tax assets/ deferred tax liabilities	-	-	-	-	-	(6 244)	(6 244)
Accounting for shares using the equity method	-	-	-	(53)	-	(19 639)	-
Perpetual usufruct of land	-	-	-	-	-	(15 641)	-
Deferred tax liability due to fair value measurement of assets	-	-	-	-	235	-	9 551
Fair value measurement of assets	-	-	(2 745)	(3 620)	-	45 850	-
Other	12	(571)	46	(668)	684	(40)	4
Total adjustment	**12**	**(571)**	**(2 699)**	**(4 341)**	**919**	**(3 758)**	**(4 733)**

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

	Profit or loss					Statement of financial position		
	Sales	**Operating costs**	**Depreciation /Amortisation**	**Profit before taxation**	**Income tax**	**Segment assets**	**Segment liabilities**	**Capital expenditure**
Netting off of Social Fund assets and liabilities	-	-	-	-	-	(10 021)	(10 021)	-
Offsetting of deferred tax assets/ deferred tax liabilities	-	-	-	-	-	(8 683)	(8 683)	-
Accounting for shares using the equity method	-	-	-	1 796	-	(15 536)	-	-
Perpetual usufruct of land	-	-	-	7	-	(15 641)	-	-
Deferred tax liability due to fair value measurement of assets	-	-	-	-	745	-	10 078	-
Fair value measurement of assets	-	-	(2 606)	(2 685)	-	48 176	-	-
Other	80	(4 435)	21	(1 215)	419	1 366	1 855	(94)
Total adjustment	**80**	**(4 435)**	**(2 585)**	**(2 097)**	**1 164**	**(339)**	**(6 771)**	**(94)**

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

5. Information on business segments (continued)

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

The geographical breakdown of revenues from sales reflects the location of end clients.

	Financial period	
	from 1 January 2012 to 30 June 2012	**from 1 January 2011 to 30 June 2011 restated**
Poland	2 775 978	2 939 310
Germany	2 395 118	2 405 862
The United Kingdom	1 969 065	1 238 693
China	1 232 726	797 975
The Czech Republic	810 869	723 515
Italy	697 141	649 887
Canada	687 801	-
France	483 147	327 488
Hungary	398 214	262 563
Switzerland	239 654	124 800
The USA	220 440	633 190
India	175 962	3 207
Austria	170 665	303 093
Turkey	167 698	40 789
Belgium	140 262	161 135
Slovakia	93 050	44 545
Japan	81 296	373
Korea	72 573	28 603
Finland	10 455	24 920
Other countries (dispersed sale)	289 130	511 224
Total	**13 111 244**	**11 221 172**

Main customers

During the period from 1 January 2012 to 30 June 2012, the revenues from any customer exceeded 10% of the revenues of the Group.

During the period from 1 January 2011 to 30 June 2011, the revenues from any customer exceeded 10% of the revenues of the Group.

50.94% of the non-current assets of the Group are located in the country of origin of the Parent Entity. The remaining 49.06% of them are located in the following countries: Chile – 22.01%; Canada – 20.24%; the USA – 6.59%; other countries – 0.22%.

6. Property, plant and equipment

	At	
	30 June 2012	**31 December 2011 restated**
Land	46 773	39 165
Buildings	4 102 160	3 615 399
Technical equipment and machinery	4 319 168	3 220 823
Motor vehicles	247 154	248 273
Other fixed assets	2 917 039	84 847
Fixed assets under construction	2 013 475	1 884 022
Total	**13 645 769**	**9 092 529**

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

6. Property, plant and equipment (continued)

Major investment projects recognised under fixed assets under construction

	At 30 June 2012
Construction of the SW-4 shaft	506 604
Construction of the Głogów Głęboki – Przemysłowy shaft	348 116
Construction of gas-steam blocks in Głogów and Polkowice Power plants	239 466
Program of Pyrometallurgy Modernisation	124 094
Investments in the Ore Enrichment Plants – preparation of floatation process, floatation and preparation and receipt of concentrate	110 307
Equipping and infrastructure in the mining divisions	109 347
Ventilation and air conditioning equipment in the mines	101 059
Power and communications infrastructure	56 733
Exploratory drillings (to analyse mineral ore) in the Weisswasser concession	52 707
Expenditures on exploration	45 167
Conformatory work to currently binding standards	43 125
Purchase of mine machinery and other purchase	36 618
Expenditure on fixed assets components	33 499
Construction of the LETIA Business Center (LBC) at the Legnica Technology Park	33 471
Design, construction and obtaining of permits to utilise a sulphuric acid warehouse-loading base, with required technical infrastructure	32 301
Conveyor belt and pipeline transport investments	22 005
Hoisting machinery	17 348
Investments in the Żelazny Most tailings pond – tailings management and facility development	12 846
Total	**1 924 813**

	At 31 December 2011 restated
Construction of the SW-4 shaft	471 432
Construction of the Głogów Głęboki – Przemysłowy shaft	295 997
Construction of gas-steam blocks in Głogów and Polkowice Power plants	179 593
Ventilation and air conditioning equipment in the mines	136 399
Investments related to mining region infrastructural development in mines	111 431
Program of Pyrometallurgy Modernisation	78 226
Sulphuric Acid Plant in Głogów I Smelter, Głogów II Smelter and Legnica Smelter	69 294
Exchange of floatation machinery in the Ore Enrichment Plants	69 252
Purchase of mine machinery and technical equipment	50 781
Conformatory work to currently binding standards	42 366
Power and communications infrastructure	36 557
Investments in power and communications infrastructure, related buildings and other investments in the Ore Enrichment Plants	32 031
Construction of the LETIA Business Center (LBC) at the Legnica Technology Park	31 138
Exploratory drillings (to analyse mineral ore) in the Weisswasser concession	31 099
Design, construction and obtaining of permits to utilise a sulphuric acid warehouse-loading base, with required technical infrastructure	23 265
Shafts and primary equipment in mines	23 009
Conveyor belt and pipeline transport investments	20 064
Total	**1 701 934**

Purchase and sale of property, plant and equipment

	For the period from 1 January 2012 to 30 June 2012	from 1 January 2011 to 31 December 2011 restated	from 1 January 2011 to 30 June 2011 restated
Purchase	876 364	1 875 266	555 207
Net sale	2 761	5 128	1 756

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

7. Intangible assets

	At	
	30 June 2012	**31 December 2011 restated**
Development costs	2 684	347
Goodwill	66 338	66 338
Software	27 894	13 696
Acquired concessions, patents, licenses	48 052	52 177
Other intangible assets	1 481 798	171 359
Assets used in the exploration for and evaluation of mineral resources	680 496	249 438
Intangible assets not yet available for use	27 633	27 029
Total	**2 334 895**	**580 384**

8. Investment property

		For the period	
	from 1 January 2012 to 30 June 2012	**from 1 January 2011 to 31 December 2011 restated**	**from 1 January 2011 to 30 June 2011 restated**
Beginning of financial period	**59 930**	**59 760**	**59 760**
Increases due to obtaining control of subsidiaries	-	1 653	43
Purchase of property	180	-	-
Settlement of fixed assets under construction	-	574	2 608
Fair value measurement	-	(878)	-
Transfer of used property for internal use	-	(1 179)	(172)
Other changes	61	-	-
End of financial period	**60 171**	**59 930**	**62 239**

9. Investments accounted for using the equity method

		For the period	
	from 1 January 2012 to 30 June 2012	**from 1 January 2011 to 31 December 2011 restated**	**from 1 January 2011 to 30 June 2011 restated**
Beginning of financial period	**472**	**1 431 099**	**1 431 099**
Changes due to obtaining control of subsidiaries	3 047 389	449	449
Share of (losses)/profits of associates	(104)	187 729	187 755
Changes in equity due to payment of dividend	-	(250 013)	(250 013)
Amortisation of relations with customers identified in the process of allocating purchase cost	-	(9 224)	(9 224)
Exchange differences from the translation of foreign operations at the end of the reporting period	281 135	-	-
Reclassification of the shares in Polkomtel S.A. to non-current assets held for sale	-	(1 359 568)	(1 359 568)
End of financial period	**3 328 892**	**472**	**498**

The increase in investments accounted for using the equity method in the reporting period is due to the acquisition of the KGHM INTERNATIONAL LTD. Group, which holds a 55% interest in the Sierra Gorda joint venture in the amount of PLN 3 047 389 thousand at the date of obtaining control.
Sierra Gorda is a mine development project at the pre-operational stage located in Chile. It is a joint venture of KGHM INTERNATIONAL LTD. and companies of the Sumitomo Group – Sumitomo Metal Mining Co, Ltd. and Sumitomo Corporation – in which KGHM INTERNATIONAL LTD. holds a 55% interest.
The Sierra Gorda project comprises the construction of an open-pit mine in one of the largest new deposits of copper and molybdenum in the world. The start of production at Sierra Gorda is projected in 2014.

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

10. Available-for-sale financial assets

	Note	At 30 June 2012	At 31 December 2011 restated
Shares in unlisted companies		11 286	11 388
Shares in listed companies		841 665	982 568
Bonds		8 031	-
Other		-	4
Non-current available-for-sale financial assets		**860 982**	**993 960**
Participation units in open-end investment funds		-	2 126
Shares in listed companies		151 236	5 279
Treasury bonds		-	8 263
Current available-for-sale financial assets		**151 236**	**15 668**
Total available-for-sale financial assets:	**33.1**	**1 012 218**	**1 009 628**

In non-current available-for-sale financial assets, the change in the amount of PLN 140 903 thousand is due to the measurement of available-for-sale financial assets to fair value at the end of the reporting period. In current available-for-sale financial assets, the change is mainly due to the purchase of the KGHM INTERNATIONAL LTD. Group, which as at 30 June 2012 owned shares of listed companies classified as available-for-sale financial assets in the amount of PLN 146 891 thousand.

11. Mine closure financial assets

	Note	At 30 June 2012	At 31 December 2011 restated
Cash held in the Mine Closure Fund		161 226	111 709
Debt securities		324 130	-
Non-current mine closure financial assets		**485 356**	**111 709**
Cash held in the Mine Closure Fund		1 198	2 147
Current mine closure financial assets		**1 198**	**2 147**
Total mine closure financial assets	**33.1**	**486 554**	**113 856**

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

12. Derivatives

	Note	At 30 June 2012	At 31 December 2011 restated
Non-current assets			
Hedging instruments		1 032 760	896 375
Trade and embedded instruments		8 063	3 025
Non-current assets due to derivatives, total:		**1 040 823**	**899 400**
Current assets			
Hedging instruments		597 388	850 530
Trade and embedded instruments		3 566	9 512
Current assets due to derivatives, total:		**600 954**	**860 042**
Total assets due to derivatives	**33.1**	**1 641 777**	**1 759 442**
Non-current liabilities			
Hedging instruments		437 374	427 049
Trade and embedded instruments		73 730	111 064
Instruments initially designated as hedging instruments excluded from hedge accounting		-	207
Non-current liabilities due to derivatives, total:		**511 104**	**538 320**
Current liabilities			
Hedging instruments		60 777	125 754
Trade and embedded instruments		106 882	205 168
Instruments initially designated as hedging instruments excluded from hedge accounting		1	409
Current liabilities due to derivatives, total:		**167 660**	**331 331**
Total liabilities due to derivatives	**33.1**	**678 764**	**869 651**

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

13. Trade and other receivables

	Note	At 30 June 2012	At 31 December 2011 restated
Trade and other non-current receivables			
Trade receivables		4	-
Retentions (collateral) due to long-term construction contracts		1 126	2 084
Deposits of over 12 months		647	34 291
Loans granted	34.2.4	439 815	-
Other financial receivables		21 031	2 530
Impairment allowances		(60)	(1 010)
Total loans and financial receivables, net*	**33.1**	**462 563**	**37 895**
Other non-financial receivables		33 291	39
Prepayments		29 603	1 556
Total non-financial receivables, net		**62 894**	**1 595**
Trade and other non-current receivables, net:		**525 457**	**39 490**
Trade and other current receivables			
Trade receivables		2 568 904	1 387 659
Retentions (collateral) due to long-term construction contracts		331	845
Receivables due to unsettled derivatives	34.1.4	41 922	29 834
Loans granted	34.2.4	1 687	1 687
Deposits of over 3 up to 12 months		15 676	35 415
Other financial receivables		135 520	67 400
Impairment allowances		(66 742)	(71 493)
Total loans and financial receivables, net*	**33.1**	**2 697 298**	**1 451 347**
Other non-financial receivables, including:		340 265	397 263
- due to taxes and other charges		300 879	346 391
Prepayments		178 639	17 918
Impairment allowances		(27 578)	(27 549)
Total non-financial receivables, net		**491 326**	**387 632**
Trade and other current receivables, net		**3 188 624**	**1 838 979**
Total trade and other non-current and current receivables, net		**3 714 081**	**1 878 469**

*As at 30 June 2012, the item loans and financial receivables net is comprised of the following: trade receivables, net in the amount of PLN 2 513 530 thousand (gross, PLN 2 568 908 thousand; allowance for impairment, PLN 55 378 thousand), other financial assets, net in the amount of PLN 630 008 thousand (gross, PLN 641 432; allowance for impairment, PLN 11 424 thousand) and deposits in the amount of PLN 16 323 thousand.

As at 31 December 2011, the item loans and financial receivables net is comprised of the following: trade receivables, net in the amount of PLN 1 327 554 thousand (gross, PLN 1 387 659 thousand; allowance for impairment, PLN 60 105 thousand), other financial assets, net in the amount of PLN 91 982 thousand (gross, PLN 104 380 thousand; allowance for impairment, PLN 12 398 thousand) and deposits in the amount of PLN 69 706 thousand.

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

14. Inventories

	At	
	30 June 2012	**31 December 2011 restated**
Materials	716 273	307 343
Half-finished products and work in progress	2 213 387	1 681 837
Finished goods	608 435	581 208
Merchandise	315 140	87 865
Total carrying amount of inventories	**3 853 235**	**2 658 253**

	For the period	
Write-down of inventories in the financial period	**from 1 January 2012 to 30 June 2012**	**from 1 January 2011 to 30 June 2011 restated**
Write-down of inventories recognised in cost of sales	(1 432)	(11 261)
Reversal of write-down recognised in cost of sales	1 204	3 409

15. Cash and cash equivalents

	Note	At	
		30 June 2012	**31 December 2011 restated**
Cash in hand		1 564	984
Cash at bank		830 736	51 949
Other cash and other financial assets with a maturity of up to 3 months from the date of acquisition		5 950 592	13 077 468
Total cash and cash equivalents	**33.1**	**6 782 892**	**13 130 401**

Other financial assets with a maturity of up to 3 months from the date of acquisition include mainly deposits with interest in the amount of PLN 5 810 570 thousand (as at 31 December 2011: PLN 13 069 452 thousand) and debt securities with interest in the amount of PLN 49 787 thousand (as at 31 December 2011 there were no debt securities).

Components of cash and cash equivalents presented in the consolidated statement of cash flows are the same as those presented in the consolidated statement of financial position.

16. Non-current assets held for sale

	At	
	30 June 2012	**31 December 2011 restated**
Property, plant and equipment	3 161	3 173
Intangible assets	389	389
Total non-current assets held for sale	**3 550**	**3 562**

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

17. Share capital

At 30 June 2012, the share capital of the Parent Entity, in accordance with the entry in the National Court Register, amounted to PLN 2 000 000 000 and was divided into 200 000 000 shares, series A, fully paid, having a face value of PLN 10 each. All shares are bearer shares. The Parent Entity has not issued preference shares.
Each share gives the right to one vote at the General Meeting. The Parent Entity does not have treasury shares. Subsidiaries and associates do not have shares of KGHM Polska Miedź S.A.
In the first half of 2012 and in the first half of 2011 there were no changes in the registered share capital or in the number of shares.

Ownership structure
At 30 June 2012, the only shareholder of the Parent Entity holding shares granting the right to at least 5% of the total number of votes at the General Meeting was the Polish State Treasury, which - based on an notification dated 12 January 2010 - held 63 589 900 shares, representing 31.79% of the share capital and the same number of votes at the General Meeting.
The remaining shareholders held shares representing less than 5% of the total number of votes at the General Meeting – a total of 136 410 100 shares, representing 68.21% of the share capital and the same number of votes at the General Meeting.

In the first half of 2012 and in the first half of 2011 there were no changes in significant blocks of shares of KGHM Polska Miedź S.A. Up to the date of signing by the Management Board of KGHM Polska Miedź S.A. of these consolidated financial statements this has not changed.

18. Accumulated other comprehensive income

	Note	Accumulated other comprehensive income due to:			Total accumulated other comprehensive income
		Available-for-sale financial assets	Cash flow hedging financial instruments	Exchange differences from translation	
At 1 January 2012		**(38 296)**	**574 283**	**18 937**	**554 924**
Fair value losses on available-for-sale financial assets		(204 386)	-	-	(204 386)
Amount transferred to profit or loss due to the settlement of available-for-sale financial assets		(616)	-	-	(616)
Impact of effective cash flow hedging transactions		-	(18 558)	-	(18 558)
Amount transferred to profit or loss due to the settlement of hedging instruments		-	(141 113)	-	(141 113)
Exchange differences from the translation of foreign operations		-	-	577 030	577 030
Deferred income tax	23	26 839	30 338	-	57 177
Other comprehensive income		**(178 163)**	**(129 333)**	**577 030**	**269 534**
Change in non-controlling interest in subsidiaries which do not result in a loss of control		-	-	10 768	10 768
At 30 June 2012		**(216 459)**	**444 950**	**606 735**	**835 226**

	Note	Accumulated other comprehensive income due to:			Total accumulated other comprehensive income
		Available-for-sale financial assets	Cash flow hedging financial instruments	Exchange differences from translation	
At 1 January 2011		**120 046**	**89 775**	**-**	**209 821**
Fair value losses on available-for-sale financial assets		(189 633)	-	-	(189 633)
Amount transferred to profit or loss due to the settlement of available-for-sale financial assets		(10 692)	-	-	(10 692)
Amount transferred to profit or loss due to impairment of available-for-sale financial assets		4 840	-	-	4 840
Impact of effective cash flow hedging transactions		-	839 724	-	839 724
Amount transferred to profit or loss due to the settlement of hedging instruments		-	(241 565)	-	(241 565)
Exchange differences from the translation of foreign operations		-	-	18 937	18 937
Deferred income tax	23	37 143	(113 651)	-	(76 508)
Other comprehensive income		**(158 342)**	**484 508**	**18 937**	**345 103**
At 31 December 2011 - restated		**(38 296)**	**574 283**	**18 937**	**554 924**

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

18. Accumulated other comprehensive income (continued)

	Note	Accumulated other comprehensive income due to: Available-for-sale financial assets	Cash flow hedging financial instruments	Exchange differences from translation	Total accumulated other comprehensive income
At 1 January 2011		**120 046**	**89 775**	**-**	**209 821**
Fair value gains on available-for-sale financial assets		29 445	-	-	29 445
Amount transferred to profit or loss due to the settlement of available-for-sale financial assets		(4 321)	-	-	(4 321)
Impact of effective cash flow hedging transactions		-	289 100	-	289 100
Amount transferred to profit or loss due to the settlement of hedging instruments		-	(83 577)	-	(83 577)
Exchange differences from the translation of foreign operations		-	-	450	450
Deferred income tax	23	(4 774)	(39 049)	-	(43 823)
Other comprehensive income		**20 350**	**166 474**	**450**	**187 274**
At 30 June 2011- restated		**140 396**	**256 249**	**450**	**397 095**

19. Retained earnings

	At 30 June 2012	At 31 December 2011 restated
Undistributed profit/(uncovered loss) from prior years	(517 351)	(151 505)
including obligation to repurchase of non-controlling interest	(69 860)	(69 860)
Reserve capital created in accordance with the Commercial Partnerships and Companies Code	719 359	693 541
Reserve capital created and utilised in accordance with the Statutes of Group entities	14 639 713	8 939 034
Profit for the current period	2 713 657	11 061 772
Total retained earnings	**17 555 378**	**20 542 842**

At 30 June 2012 this statutory reserve capital created in accordance with the Commercial Partnerships and Companies Code in the Group entities amounts to PLN 719 359 thousand, of which PLN 660 000 thousand relates to the Parent Entity.

20. Changes in equity attributable to non-controlling interest

	Note	from 1 January 2012 to 30 June 2012	For the period from 1 January 2011 to 31 December 2011 restated	from 1 January 2011 to 30 June 2011 restated
At beginning of the period		**288 844**	**255 889**	**255 889**
Non-controlling interest in profits of subsidiaries		1 184	547	766
Dividends for 2011 resolved but unpaid to non-controlling interest		(527)	-	-
Changes due to obtaining /(losing) control of subsidiaries	20.1	-	21 860	18 547
Changes in ownership shares in subsidiaries which do not result in loss of control	20.1	(53 056)	(7 646)	(7 646)
Changes in equity attributable to non-controlling interest due to exchange differences from the translation of foreign operations		(1 315)	18 194	432
At end of the period		**235 130**	**288 844**	**267 988**

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

20. Changes in equity attributable to non-controlling interest (continued)

20.1 Transactions with non-controlling interest

For the period from 1 January 2012 to 30 June 2012	**Note**	**Net assets at the day of change in % held**	**% of non-controlling interest in respect of the change**	**Equity attributable to non-controlling interest**
Changes in ownership shares in subsidiaries which do not result in loss of control	**20**	-	**-**	**(53 056)**
Purchase of non-controlling interest of KGHM AJAX MINING INC.	4	243 184	29%	(70 523)
Increase in the share capital of KGHM AJAX MINING INC.		91 915	-	18 383
Purchase of non-controlling interest of INTERFERIE S.A.		104 719	0.89%	(932)
Percentage change in non-controlling interest in INTERFERIE Medical SPA Sp. z o.o., a subsidiary of INTERFERIE S.A.		(5 550)	0.29%	16

For the period from 1 January 2011 to 31 December 2011 - restated	**Note**	**Net assets at the day of obtaining control/loss of control/change in % held**	**% of non-controlling interest in respect of the change**	**Equity attributable to non-controlling interest**
Changes due to obtaining control/(loss of control) of subsidiaries	**20**	**201 232**	**-**	**21 860**
Purchase of NITROERG S.A.		123 647	15%	18 547
Purchase of Uzdrowisko "Świeradów-Czerniawa" Sp. z o.o.		27 071	12.26%	3 319
Sale of DIALOG S.A. Group – loss of control of indirect subsidiary Petrotel S.A.		50 514	0.012%	(6)
Changes in ownership shares in subsidiaries which do not result in loss of control	**20**	-	**-**	**(7 646)**
Increase in the share capital of ZUK S.A.		113 802	1.71%	(1 946)
Increase in the share capital of Uzdrowisko Połczyn S.A.		24 308	0.54%	(131)
Increase in the share capital of "Uzdrowisko Cieplice" Sp. z o.o.		26 329	1.96%	(518)
Settlement of WMN Sp. z o.o. due to combination with WM "ŁABĘDY" S.A.		47 722	15.63%	(7 459)
Settlement of WM "ŁABĘDY" S.A. due to combination with WMN Sp. z o.o.		52 292	11.08%	(5 794)
WMN "ŁABĘDY" S.A.– new entity founded from the combination of WMN Sp. z o.o. and WM „ŁABĘDY" S.A.		54 076	15.04%	8 133
Purchase of non-controlling interest of KGHM Kupfer AG		(270)	25.10%	69

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

20. Changes in equity attributable to non-controlling interest (continued)

20.1 Transactions with non-controlling interest (continued)

For the period from 1 January 2011 to 30 June 2011 - restated	Note	Net assets at the day of change in % held	% of non-controlling interest in respect of the change	Equity attributable to non-controlling interest
Changes due to obtaining control of subsidiary NITROERG S.A.	**20**	**123 647**	**15.00%**	**18 547**
Changes in ownership shares in subsidiaries which do not result in loss of control	**20**	-	**-**	**(7 646)**
Increase in the share capital of ZUK S.A.		113 802	1.71%	(1 946)
Increase in the share capital of Uzdrowisko Połczyn S.A.		24 308	0.54%	(131)
Increase in the share capital of "Uzdrowisko Cieplice" Sp. z o.o.		26 329	1.96%	(518)
Settlement of WMN Sp. z o.o. due to combination with WM "ŁABĘDY" S.A.		47 722	15.63%	(7 459)
Settlement of WM "ŁABĘDY" S.A. due to combination with WMN Sp. z o.o.		52 292	11.08%	(5 794)
WMN "ŁABĘDY" S.A. – new entity founded from the combination of WMN Sp. z o.o. and WM „ŁABĘDY" S.A.		54 076	15.04%	8 133
Purchase of non-controlling interest of KGHM Kupfer AG		(270)	25.10%	69

The method of percentage share in the net assets of acquired companies was used to measure non-controlling shares.

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

21. Trade and other payables

	Note	At 30 June 2012	At 31 December 2011 restated
Trade and other non-current payables			
Trade payables		6 242	8 024
including payables due to purchase, construction of property, plant and equipment and intangible assets		17	79
Liabilities due to measurement of employee shares put options		77 233	74 437
Other financial liabilities		48 961	13 718
Total financial liabilities (scope of IFRS 7)	**33.1**	**132 436**	**96 179**
Deferred income		676 842	32 864
including liabilities due to Franco Nevada streaming contract		638 112	-
Other non-financial liabilities		321	706
Total non-financial liabilities		**677 163**	**33 570**
Total trade and other non-current payables		**809 599**	**129 749**
Trade and other current payables			
Trade payables		1 365 363	989 030
including payables due to purchase, construction of property, plant and equipment and intangible assets		146 056	278 894
Payables due to unsettled derivatives	34.1	17 070	17 073
Other financial liabilities		5 716 494	29 587
Of which payables due to unpaid dividends	38	5 668 527	-
Total financial liabilities (scope of IFRS 7)	**33.1**	**7 098 927**	**1 035 690**
Other financial liabilities (IAS 19 – Employee benefits)		107 383	181 316
Total financial liabilities		**7 206 310**	**1 217 006**
Liabilities due to taxes and social security		573 350	316 741
Other non-financial liabilities		94 400	53 747
Special funds		153 118	138 307
Deferred income		99 877	35 732
Accruals		664 354	420 560
of which bonus paid on a one-off basis together with the related surcharges recognised in the costs of financial year		431 764	305 389
Total non-financial liabilities		**1 585 099**	**965 087**
Total trade and other current payables		**8 791 409**	**2 182 093**
Total trade and other non-current and current payables		**9 601 008**	**2 311 842**

Details on put option liabilities for employee shares:

Companies, whose employees have the right to receive shares free of charge pursuant to the Act dated 30 August 1996 on the commercialisation and privatisation of companies	Number of employee shares	Share price (PLN)	Amount of liability at 30 June 2012	Amount of liability at 31 December 2011 restated
WPEC w Legnicy S.A.	1 770 000	20.00	30 965	29 891
"Uzdrowisko Cieplice" Sp. z o.o.	13 110	256.50	2 788	2 684
ZUK S.A.	379 500	40.06	12 605	12 133
Uzdrowisko Połczyn S.A.	179 550	16.51	2 458	2 366
Uzdrowisko "Świeradów-Czerniawa" Sp. z o.o.	1 881	1 560.30	2 602	2 514
CENTROZŁOM WROCŁAW S.A.	1 650 000	18.87	25 815	24 849
Put option liabilities for employee shares			**77 233**	**74 437**

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

21. Trade and other payables (continued)

Capital commitments, not recognised in the consolidated statement of financial position

	At	
	30 June 2012	**31 December 2011 restated**
For the purchase of property, plant and equipment, of which:	5 949 084	709 883
- for the purchase of mining assets in the Sierra Gorda S.C.M. project	5 037 005	-
For the purchase of intangible assets	44 201	18 076
Total capital commitments	**5 993 285**	**727 959**

At 30 June 2012, the 55% interest of the Group in the investment liabilities of the Sierra Gorda joint venture amounts to PLN 5 037 005 thousand, of which PLN 1 716 275 thousand is in respect of orders for mining equipment and the construction of mine infrastructure, and PLN 3 320 730 thousand is in respect of contracts for the construction of power lines, a shipping port and railway networks.

22. Borrowings, debt securities and finance lease liabilities

	Note	At	
		30 June 2012	**31 December 2011 restated**
Non-current borrowings, debt securities and finance lease liabilities			
Bank loans		174 898	176 909
Loans		2 470	1 738
Finance lease liabilities		13 305	15 723
Debt securities*		1 739 103	-
Total non-current borrowings, debt securities and finance lease liabilities		**1 929 776**	**194 370**
Current borrowings, debt securities and finance lease liabilities			
Bank loans		62 001	91 269
Loans		4 660	2 032
Finance lease liabilities		9 331	10 286
Debt securities*		5 471	-
Total current borrowings, debt securities and finance lease liabilities		**81 463**	**103 587**
Total borrowings, debt securities and finance lease liabilities	**33.1**	**2 011 239**	**297 957**

* relate to bonds issued by KGHM INTERNATIONAL LTD., described in note 34.1.8.

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

23. Deferred tax

	Note	At 30 June 2012	31 December 2011 restated	30 June 2011 restated
Net deferred tax assets at the beginning of the period, of which:		**143 289**	**424 636**	**424 636**
Deferred tax assets at the beginning of the period		**272 331**	**592 792**	**592 792**
Deferred tax liabilities at the beginning of the period		**(129 042)**	**(168 156)**	**(168 156)**
Credited / (charged) to profit	35	60 321	(50 079)	(39 400)
Increase/(Decrease) in other accumulated comprehensive income	18	57 177	(76 508)	(43 823)
Deferred tax liabilities at the date of obtaining control of subsidiaries		(1 427 989)	(7 608)	(6 222)
Exchange differences from the translation of deferred tax of foreign operations		(132 072)	-	-
Reclassification of deferred tax to assets held for sale in connection with the reclassification of an investment in a subsidiary to assets held for sale		-	(147 152)	-
Net deferred tax (liabilities)/assets at the end of the period, of which:		**(1 299 274)**	**143 289**	**335 191**
Deferred tax assets at the end of the period		**765 738**	**272 331**	**498 854**
Deferred tax liabilities at the end of the period		**(2 065 012)**	**(129 042)**	**(163 663)**

Deferred tax assets prior to offsetting

	At 30 June 2012	31 December 2011 restated
Exchange rate differences	29 866	1 052
Accruals due to remuneration and unused holiday	110 624	78 359
Allowances for impairment of receivables	5 530	6 883
Provision for decommissioning costs of mines and other facilities	99 270	94 955
Measurement of forward transactions	531 474	427 232
Re-measurement of hedging instruments	92 712	79 590
Depreciation and amortisation	333 388	33 672
Future employee benefits liabilities	285 130	276 876
Measurement of available-for-sale financial assets	40 656	13 904
Other	170 398	111 143
Total	**1 699 048**	**1 123 666**

Deferred tax liabilities prior to offsetting

	At 30 June 2012	31 December 2011 restated
Exchange rate differences	161 689*	285
Measurement of forward transactions	257 662	181 208
Re-measurement of hedging instruments	197 114	214 179
Depreciation/amortisation	1 099 775	439 802
Measurement of available-for-sale financial assets	14 329	14 397
Initial measurement of assets and liabilities of KGHM INTERNATIONAL LTD. at the date of obtaining control	1 017 218	-
Other	250 535	130 506
Total	**2 998 322**	**980 377**

* these are mainly exchange differences from the translation of foreign operations, the KGHM INTERNATIONAL LTD. Group

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

24. Employee benefits

	Note	TOTAL liabilities	Jubilee awards	Retirement and disability benefits	Coal equivalent	Other benefits
Present value of obligations - at 1 January 2012		**1 469 523**	**312 927**	**245 259**	**855 274**	**56 063**
Interest costs		39 291	7 248	6 204	24 361	1 478
Current service cost		20 266	8 170	5 407	6 103	586
Past service costs		1 050	832	(185)	571	(168)
Benefits paid		(62 906)	(13 650)	(12 031)	(36 593)	(632)
Actuarial losses		45 195	17 390	2 946	22 552	2 307
Present value of obligations - at 30 June 2012	29	**1 512 419**	**332 917**	**247 600**	**872 268**	**59 634**
Past service cost unrecognised at the end of the reporting period		(3 374)	-	(3 374)	-	-
Carrying amount of liabilities - at 30 June 2012		**1 509 045**	**332 917**	**244 226**	**872 268**	**59 634**
of which:						
Carrying amount of non-current liabilities		1 385 305	288 614	210 447	831 450	54 794
Carrying amount of current liabilities		123 740	44 303	33 779	40 818	4 840

	TOTAL liabilities	Jubilee awards	Retirement and disability benefits	Coal equivalent	Other benefits
Present value of obligations - at 1 January 2011	**1 338 609**	**298 001**	**226 203**	**764 060**	**50 345**
Interest costs	71 454	15 331	12 113	41 376	2 634
Current service cost	43 873	21 035	12 889	11 010	(1 061)
Past service costs	610	534	76	-	-
Benefits paid	(89 363)	(39 210)	(13 619)	(34 547)	(1 987)
Actuarial losses	87 491	5 912	2 866	73 375	5 338
Losses/(Gains) due to limitation of the employee benefit plans	324	214	141	-	(31)
Liabilities transferred due to business combination	18 576	12 557	5 188	-	831
Reclassification to assets held for sale	(2 051)	(1 447)	(598)	-	(6)
Present value of obligations - at 31 December 2011 - restated	**1 469 523**	**312 927**	**245 259**	**855 274**	**56 063**
Past service cost unrecognised at the end of the reporting period	(4 217)	-	(4 217)	-	-
Carrying amount of liabilities - at 31 December 2011 - restated	**1 465 306**	**312 927**	**241 042**	**855 274**	**56 063**
of which:					
Carrying amount of non-current liabilities	1 338 743	267 887	205 060	814 546	51 250
Carrying amount of current liabilities	126 563	45 040	35 982	40 728	4 813

	Note	TOTAL liabilities	Jubilee awards	Retirement and disability benefits	Coal equivalent	Other benefits
Present value of obligations - at 1 January 2011		**1 338 609**	**298 001**	**226 203**	**764 060**	**50 345**
Interest costs		33 317	6 500	5 478	20 625	714
Current service cost		19 346	8 207	5 207	5 537	395
Benefits paid		(50 241)	(9 617)	(6 829)	(33 622)	(173)
Actuarial losses/(gains)		6 459	(5 505)	1 972	9 594	398
Gains due to limitation of the employee benefit plans		(16)	-	(16)	-	-
Liabilities transferred due to business combination		16 445	11 665	4 780	-	-
Present value of obligations - at 30 June 2011 - restated	29	**1 363 919**	**309 251**	**236 795**	**766 194**	**51 679**
Past service cost unrecognised at the end of the reporting period		(5 060)	-	(5 060)	-	-
Carrying amount of liabilities - at 30 June 2011 - restated		**1 358 859**	**309 251**	**231 735**	**766 194**	**51 679**
of which:						
Carrying amount of non-current liabilities		1 239 385	268 226	197 094	728 574	45 491
Carrying amount of current liabilities		119 474	41 025	34 641	37 620	6 188

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

24. Employee benefits (continued)

Total costs recognised in profit or loss due to future employee benefits

	Note	For the period from 1 January 2012 to 30 June 2012	For the period from 1 January 2011 to 30 June 2011 restated
Interest costs		39 291	33 317
Current service cost		20 266	19 346
Actuarial losses		45 195	6 459
Gains due to limitation of the employee benefit plans		-	(16)
Past service cost	**29**	1 893	843
Total costs recognised in profit or loss		**106 645**	**59 949**

For purposes of re-measuring the provision at the end of the current period, the Group assumed parameters based on available forecasts of inflation, an analysis of rates of increases in coal prices and in the lowest salary, and also based on the anticipated profitability of highly-liquid securities.

Main actuarial assumptions at 30 June 2012

	2012	**2013**	**2014**	**2015**	**2016 and beyond**
- discount rate	5.50%	5.50%	5.50%	5.50%	5.50%
- rate of increase in coal prices	0.00%	3.30%	3.00%	3.00%	3.00%
- rate of increase in the lowest salary	0.00%	4.00%	4.00%	4.00%	4.00%
- expected inflation	3.10%	2.80%	2.50%	2.50%	2.50%
- future expected increase in salary	1.40%	3.80%	3.50%	3.50%	3.50%

Main actuarial assumptions at 30 June 2011

	2011	**2012**	**2013**	**2014**	**2015 and beyond**
- discount rate	6.00%	6.00%	6.00%	6.00%	6.00%
- rate of increase in coal prices	0.00%	4.00%	3.00%	3.00%	3.00%
- rate of increase in the lowest salary	5.20%	4.00%	4.00%	4.00%	4.00%
- expected inflation	4.00%	3.50%	2.50%	2.50%	2.50%
- future expected increase in salary	4.60%	5.00%	4.00%	4.00%	4.00%

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

25. Provisions for other liabilities and charges

	Note	TOTAL	Decommissioning costs of mines and other facilities	Costs of scrapping property, plant and equipment	Disputed issues and court proceedings	Other provisions
Provisions at 1 January 2012		**511 080**	**476 981**	**5 665**	**6 438**	**21 996**
Provisions recognised in other operating costs	31	11 044	6 138	350	487	4 069
Changes due to obtaining control of subsidiaries		300 696	260 903	-	18 614	21 179
Changes in provisions after updating of estimates recognised in other operating (income)/costs	30, 31	(8 118)	(951)	-	-	(7 167)
Changes in provisions arising from updating of estimates recognised in fixed assets		103 429	103 429	-	-	-
Changes in provisions arising from the approach of the maturity date of a liability (unwinding of the discount) recognised in finance costs	32	18 670	18 572	49	-	49
Utilisation of provisions		(23 139)	(1 150)	-	(1 431)	(20 558)
Release of provisions and recognition in other operating income	30	(4 370)	-	(181)	(1 414)	(2 775)
Provision for decommissioning costs of mines and other facilities*		(14 463)	(14 463)	-	-	
Other		47 200	26 342	9	1 716	19 133
Provisions at 30 June 2012		**942 029**	**875 801**	**5 892**	**24 410**	**35 926**
of which:						
Non-current provisions		**877 176**	**867 068**	**3 534**	**-**	**6 574**
Current provisions		**64 853**	**8 733**	**2 358**	**24 410**	**29 352**

* of which PLN 12 770 thousand relates to the transfer to Mine Closure Fund in the Parent Entity

	TOTAL	Decommissioning costs of mines and other facilities	Costs of scrapping property, plant and equipment	Disputed issues and court proceedings	Other provisions
Provisions at 1 January 2011	**567 643**	**515 877**	**5 609**	**12 297**	**33 860**
Provisions recognised in other operating costs	12 557	-	644	6 034	5 879
Changes due to obtaining control of subsidiaries	945	-	-	-	945
Changes in provisions after updating of estimates recognised in other operating (income)/costs	(42 081)	(43 906)	(32)	-	1 857
Changes in provisions arising from updating of estimates recognised in fixed assets	32 052	31 490	217	-	345
Changes in provisions arising from the approach of the maturity date of a liability (unwinding of the discount) – recognised in finance costs	(9 817)	(3 614)	(699)	(1 399)	(4 105)
Utilisation of provisions	(22 912)	-	(175)	(10 024)	(12 713)
Release of provisions and recognition in other operating income	(22 866)	(22 866)	-	-	-
Transfer to Mine Closure Fund	(3 188)	-	-	(940)	(2 248)
Other	(1 253)	-	101	470	(1 824)
Provisions at 31 December 2011 - restated	**511 080**	**476 981**	**5 665**	**6 438**	**21 996**
of which:					
Non-current provisions	**485 040**	**467 692**	**3 476**	**-**	**13 872**
Current provisions	**26 040**	**9 289**	**2 189**	**6 438**	**8 124**

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

25. Provisions for other liabilities and charges (continued)

	Note	TOTAL	Decommissioning costs of mines and other facilities	Costs of scrapping property, plant and equipment	Disputed issues and court proceedings	Other provisions
Provisions at 1 January 2011		**567 643**	**515 877**	**5 609**	**12 297**	**33 860**
Provisions recognised in other operating costs	31	3 463	-	-	1 659	1 804
Changes due to obtaining control of subsidiaries		945	-	-	-	945
Changes in provisions after updating of estimates recognised in other operating (income)/costs	30, 31	(2 548)	(1 123)	(32)	(1 143)	(250)
Changes in provisions arising from updating of estimates recognised in fixed assets		(56 041)	(56 041)	-	-	-
Changes in provisions arising from the approach of the maturity date of a liability (unwinding of the discount) recognised in finance costs	32	15 806	15 515	116	-	175
Utilisation of provisions		(4 830)	(2 110)	(235)	(616)	(1 869)
Release of provisions and recognition in other operating income	30	(6 330)	-	(9)	-	(6 321)
Transfer to Mine Closure Fund		(11 435)	(11 435)	-	-	
Other		123	-	620	-	(497)
Provisions at 30 June 2011 - restated		**506 796**	**460 683**	**6 069**	**12 197**	**27 847**
of which:						
Non-current provisions		**467 389**	**448 102**	**5 250**	**-**	**14 037**
Current provisions		**39 407**	**12 581**	**819**	**12 197**	**13 810**

As at 30 June 2012, the largest item of provisions for other liabilities is an estimate for the costs of future decommissioning (liquidation) of mines and other technological facilities with the carrying amount of PLN 875 801 thousand (as at 31 December 2011: PLN 476 981 thousand), estimated in accordance with the methodology defined in the International Financial Reporting Standards. The increase in the provision in the first half of 2012 was caused by the change in long term forecast yield on bonds and treasury bills (decrease in the discount rate) and an increase by the amount of the provision at the date of obtaining control over KGHM INTERNATIONAL LTD. of PLN 260 903 thousand.

26. Impairment losses

Impairment losses on property, plant and equipment used in the manufacture of goods or in the providing of services were recognised in profit or loss as costs of sales. For other property, plant and equipment impairment losses were recognised in administrative expenses.

Impairment losses recognised relate to property, plant and equipment and intangible assets which will not bring expected economic benefits.

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

26. Impairment losses (continued)

Impairment losses by asset class during the financial period from 1 January to 30 June 2012

	Impairment loss recognised	Impairment loss reversed	Impairment loss used
Land	477	-	-
Buildings	1 468	81	495
Technical equipment and machinery	9	301	103
Motor vehicles	-	-	328
Fixed assets under construction	28	-	3 013
Other intangible assets	-	1 727	267
Intangible assets not yet available to use	-	-	794
Total	**1 982**	**2 109**	**5 000**

Impairment losses by segment during the financial period from 1 January to 30 June 2012

	Impairment loss recognised	Impairment loss reversed	Impairment loss used
Production and resource base development	1 982	2 104	4 068
Equity-portfolio investments	-	5	665
Corporate social responsibility – CSR	-	-	267
Total consolidated value	**1 982**	**2 109**	**5 000**

Impairment losses by asset class during the financial period from 1 January to 30 June 2011 - restated

	Impairment loss recognised	Impairment loss reversed	Impairment loss used
Buildings	1	54	427
Technical equipment and machinery	1 319	62	563
Other fixed assets	900	-	-
Fixed assets under construction	4 435	600	1
Software	-	-	14
Total	**6 655**	**716**	**1 005**

Impairment losses by segment during the financial period from 1 January to 30 June 2011 - restated

	Impairment loss recognised	Impairment loss reversed	Impairment loss used
Production and resource base development	119	53	-
Equity-portfolio investments	6 536	663	1 005
Total consolidated value	**6 655**	**716**	**1 005**

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

27. Sales

	For the period	
	from 1 January 2012 to 30 June 2012	from 1 January 2011 to 30 June 2011 restated
Copper, precious metals, smelter by-products	11 270 622	9 743 585
Salt	17 989	39 520
Energy	56 325	54 266
Services	642 849	465 967
Mining machinery, transport vehicles for mining and other	27 096	9 179
Merchandise – smelting products	362 397	223 132
Other merchandise	276 523	273 153
Scrap and materials	35 345	11 413
Other goods	422 098	400 957
Total	**13 111 244**	**11 221 172**
of which:		
Net revenues from the sale of products, merchandise and materials - domestic	2 775 978	2 939 310
Net revenues from the sale of products, merchandise and materials - foreign	10 335 266	8 281 862

Supplementary data

	For the period	
	from 1 January 2012 to 30 June 2012	from 1 January 2011 to 30 June 2011 restated
Average copper price on LME (USD/t)	8 096	9 398
Average exchange rate (USD/PLN) per NBP	3.27	2.82

28. Expenses by nature

		For the period	
	Note	from 1 January 2012 to 30 June 2012	from 1 January 2011 to 30 June 2011 restated
Depreciation of property, plant and equipment and amortisation of intangible assets		671 134	465 198
Employee benefits expenses	29	2 210 890	1 803 456
Materials and energy		4 235 710	3 174 654
External services		1 270 570	717 599
Taxes and charges*		656 203	196 378
Advertising costs and representation expenses		35 113	36 998
Property and personal insurance		17 090	17 046
Research and development costs not capitalised in intangible assets		1 843	2 460
Other costs, of which:		60 151	31 662
Impairment losses on property, plant and equipment, intangible assets, write-down of inventories		3 385	3 339
Allowance for impairment of receivables	33.2	1 252	6 175
Reversal of impairment of property, plant and equipment, intangible assets, write-down of inventories		(3 313)	(1 351)
Reversal of allowance for impairment of receivables	33.2	(5 846)	(4 584)
Losses from the disposal of financial instruments	33.2	4 485	1 899
Other operating costs		60 188	26 184
Total expenses by nature		**9 158 704**	**6 445 451**
Cost of merchandise and materials sold (+), of which:		408 263	297 902
Allowance for impairment of receivables	33.2	872	814
Reversal of allowance for impairment of receivables	33.2	(247)	(360)
Change in inventories of finished goods and work in progress (+/-)		(126 115)	(220 146)
Cost of manufacturing products for internal use (-)		(388 405)	(265 104)
Total cost of sales, selling costs and administrative expenses		**9 052 447**	**6 258 103**

* Starting from April 2012, a new significant item of operating costs in the Parent Entity is the minerals extraction tax. This tax was introduced in accordance with the Act on the minerals extraction tax dated 2 March 2012, which came into force on 18 April 2012.

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

28. Expenses by nature (continued)

The amount of the tax, recognised in operating costs in the current reporting period, amounted to PLN 442 569 thousand.

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 tax purposes, and therefore does not decrease the taxable base. For detailed information on the minerals extraction tax see note 36.

29. Employee benefits expenses

	Note	For the period from 1 January 2012 to 30 June 2012	For the period from 1 January 2011 to 30 June 2011 restated
Remuneration		1 605 767	1 338 034
Costs of social security		561 384	455 714
Costs of future benefits (provisions) due to retirement benefits, jubilee awards and similar employee benefits, of which:		43 739	9 708
Present value of obligation	24	41 846	8 865
Past service costs	24	1 893	843
Employee benefits expenses	**28**	**2 210 890**	**1 803 456**

30. Other operating income

	Note	For the period from 1 January 2012 to 30 June 2012	For the period from 1 January 2011 to 30 June 2011 restated
Income and gains from financial instruments classified under other operating activities, resulting from:	33.2	867 837	630 371
Measurement and realisation of derivatives		736 186	538 022
Interest		129 768	77 323
Gains from realisation of financial instruments		1 479	14 145
Gains on measurement of non-current financial liabilities		181	204
Reversal of allowance for impairment of receivables		223	677
Gains from the disposal of intangible assets		2 686	155
Interest on non-financial receivables		676	3 707
Dividends received		56 590	27 462
Government grants and other donations received		3 309	842
Release of unused provisions due to:	25	13 417	10 137
Decommissioning of mines		1 621	2 382
Disputed issues, pending court proceedings		1 414	1 143
Other		10 382	6 612
Surpluses identified in current assets		1 127	109
Penalties and compensation received		5 639	16 805
Other operating income/gains		39 788	11 811
Total other operating income		**991 069**	**701 399**

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

31. Other operating costs

	Note	For the period from 1 January 2012 to 30 June 2012	For the period from 1 January 2011 to 30 June 2011 restated
Costs and losses on financial instruments classified under other operating activities, resulting from:	33.2	1 297 255	517 879
Measurement and realisation of derivatives		754 800	454 449
Interest		230	163
Foreign exchange losses		540 713	56 949
Losses due to change in the fair value of financial assets		356	-
Losses from disposal		-	1 143
Impairment losses on financial assets		1 156	5 175
Losses on the sale of property, plant and equipment		831	5 965
Interest on overdue non-financial liabilities		2 247	430
Donations granted		86 396	13 120
Provisions for:	25	11 973	4 722
Decommissioning of mines		6 808	1 259
Disputed issues, pending court proceedings		487	1 659
Other		4 678	1 804
Penalties and compensation paid		2 734	2 491
Contributions to a voluntary organisation		6 214	5 496
Foreign exchange losses-non-financial		2 514	-
Other operating costs/losses		19 743	16 242
Total other operating costs		**1 429 907**	**566 345**

32. Finance costs

	Note	For the period from 1 January 2012 to 30 June 2012	For the period from 1 January 2011 to 30 June 2011 restated
Interest expense due to:	33.2	50 621	5 116
Bonds		43 042	-
Bank and other loans		6 547	4 029
Finance leases		899	1 057
Financial liabilities		133	30
Foreign exchange gains on borrowings	33.2	(2 831)	(312)
Changes in provisions arising from the approach of the maturity date of a liability (unwinding of the discount), due to:	25	18 670	15 806
Measurement of provisions for decommissioning of mines		18 572	15 515
Measurement of other provisions		98	291
Changes in liabilities due to measurement of the put option for employee shares arising from the approach of maturity date of a liability (unwinding of discount effect)	33.2	2 796	516
Changes in other liabilities arising from the approach of the maturity date of a liability (unwinding of the discount)	33.2	456	136
Gains due to measurement of derivatives	33.2	(262)	-
Other finance costs		796	503
Total finance costs		**70 246**	**21 765**

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

33. Financial instruments

33.1 Financial instrument classes and categories

At 30 June 2012

Categories of financial instruments

						Other financial liabilities			
Classes of financial instruments	**Note**	Available-for-sale financial assets	Financial assets at fair value through profit or loss	Loans and receivables	Financial liabilities at fair value through profit or loss*	Financial liabilities measured at amortised cost	Financial liabilities due to factoring and liabilities excluded from the scope of IAS 39	Hedging instruments	**Total**
Debt securities	10,11,15	8 031	-	373 917	-	-	-	-	**381 948**
Listed shares	10	992 901	-	-	-	-	-	-	**992 901**
Unlisted shares	10	11 286	-		-	-	-	-	**11 286**
Trade receivables (net)	13	-	-	2 513 530	-	-	-	-	**2 513 530**
Cash and cash equivalents and deposits	11,13,15	-	-	6 911 852	-	-	-	-	**6 911 852**
Other financial assets (net)	13	-	55	630 008	-	-	-	-	**630 063**
Derivatives - Currency	12	-	2 305	-	(25 594)	-	-	144 253	**120 964**
Derivatives - Commodity contracts - metals	12	-	73	-	(155 019)	-	-	987 744	**832 798**
Embedded derivatives	12	-	9 251	-	-	-	-	-	**9 251**
Trade payables	21	-	-	-	-	(1 371 605)	-	-	**(1 371 605)**
Bank and other loans	22	-	-	-	-	(244 029)	-	-	**(244 029)**
Debt securities – issued bonds	22	-	-	-	-	(1 744 574)	-	-	**(1 744 574)**
Other financial liabilities	21, 22	-	-	-	-	(5 859 758)	(22 636)	-	**(5 882 394)**
		1 012 218	**11 684**	**10 429 307**	**(180 613)**	**(9 219 966)**	**(22 636)**	**1 131 997**	**3 161 991**

* Instruments initially designated as hedging instruments, excluded from hedge accounting, were included in the categories of financial liabilities at fair value through profit or loss.

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

33. Financial instruments (continued)

33.1 Financial instrument classes and categories (continued)

At 31 December 2011 - restated

Categories of financial instruments

Classes of financial instruments	**Note**	Available-for-sale financial assets	Financial assets at fair value through profit or loss*	Loans and receivables	Financial liabilities at fair value through profit or loss*	Other financial liabilities: Financial liabilities measured at amortised cost	Other financial liabilities: Financial liabilities due to factoring and liabilities excluded from the scope of IAS 39	Hedging instruments	**Total**
Debt securities	10	8 263	-	-	-	-	-	-	**8 263**
Listed shares	10	987 847	-	-	-	-	-	-	**987 847**
Unlisted shares	10	11 388	-	-	-	-	-	-	**11 388**
Participation units of investment funds	10	2 126	-	-	-	-	-	-	**2 126**
Trade receivables (net)	13	-	-	1 327 554	-	-	-	-	**1 327 554**
Cash and cash equivalents and deposits	11,13,15	-	-	13 313 963	-	-		-	**13 313 963**
Other financial assets (net)	10,11,13	4	-	91 982	-	-	-	-	**91 986**
Derivatives - Currency	12	-	389	-	(63 871)	-	-	59 138	**(4 344)**
Derivatives - Commodity contracts - metals	12	-	12 148	-	(252 977)	-	-	1 134 964	**894 135**
Trade payables	21	-	-	-	-	(997 054)	-	-	**(997 054)**
Bank and other loans	22	-	-	-	-	(271 948)	-	-	**(271 948)**
Other financial liabilities	21,22	-	-	-	-	(134 815)	(26 009)	-	**(160 824)**
		1 009 628	**12 537**	**14 733 499**	**(316 848)**	**(1 403 817)**	**(26 009)**	**1 194 102**	**15 203 092**

* Instruments initially designated as hedging instruments, excluded from hedge accounting, were included in the categories of financial assets and liabilities at fair value through profit or loss.

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

33. Financial instruments (continued)

33.2 Items of income, costs, profit and losses recognised in profit or loss by category of financial instruments

For the period from 1 January 2012 to 30 June 2012	**Note**	Financial assets/ liabilities measured at fair value through profit or loss	Available-for-sale financial assets	Loans and receivables	Other financial liabilities		Hedging instruments	**Total financial instruments**
					Financial liabilities measured at amortised cost	Financial liabilities due to factoring and liabilities excluded from the scope of IAS 39		
Interest income/(costs) recognised in:	**30,31,32**	-	**447**	**129 321**	**(49 952)**	**(899)**	-	**78 917**
Other operating income	30	-	447	129 321	-	-	-	129 768
Other operating costs	31	-	-	-	(230)	-	-	(230)
Finance costs	32	-	-	-	(49 722)	(899)	-	(50 621)
Exchange gains/(losses) recognised in:	**31, 32**	-	-	**(393 405)**	**(144 477)**	**-**	-	**(537 882)**
Other operating costs	31	-	-	(393 405)	(147 308)	-	-	(540 713)
Finance costs	32	-	-	-	2 831	-	-	2 831
Gains/(Losses) on measurement of non-current liabilities recognised in:	**30, 32**	-	-	-	**(3 071)**	-	-	**(3 071)**
Other operating income	30	-	-	-	181	-	-	181
Finance costs	32	-	-	-	(3 252)	-	-	(3 252)
Impairment allowances recognised in:	**28, 31**	-	**(996)**	**(2 284)**	-	-	-	**(3 280)**
Expenses by nature	28	-	-	(2 124)	-	-	-	(2 124)
Other operating costs	31		(996)	(160)	-	-	-	(1 156)
Reversal of impairment allowances recognised in:	**28, 30**	-	-	**6 316**	-	-	-	**6 316**
Expenses by nature	28	-	-	6 093	-	-	-	6 093
Other operating income	30	-	-	223	-	-	-	223
Fair value losses of financial assets recognised in other operating costs	**31**	(356)	-	-	-	-	-	**(356)**
Adjustment to sales due to hedging transactions		-	-	-	-	-	141 113	**141 113**
Gains/(losses) from disposal of financial instruments recognised in:	**28, 30**	**-**	**412**	**(3 418)**	**-**	**-**	**-**	**(3 006)**
Expenses by nature	28	-	-	(4 485)	-	-	-	(4 485)
Other operating income	30	-	412	1 067	-	-	-	1 479
Gains on measurement and realisation of derivatives recognised in:	**30, 32**	**736 448**	**-**	**-**	**-**	**-**	**-**	**736 448**
Other operating income	30	736 186	-	-	-	-	-	**736 186**
Finance costs	32	262	-	-	-	-	-	**262**
Losses on measurement and realisation of derivatives	**31**	(754 800)	-	-	-	-	-	**(754 800)**
Total net gain/(loss)		**(18 708)**	**(137)**	**(263 470)**	**(197 500)**	**(899)**	**141 113**	**(339 601)**

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

33. Financial instruments (continued)

33.2 Items of income, costs, profit and losses recognised in profit or loss by category of financial instruments (continued)

For the period from 1 January 2011 to 30 June 2011 - restated	**Note**	Financial assets/ liabilities measured at fair value through profit or loss	Available-for-sale financial assets	Loans and receivables	Other financial liabilities: Financial liabilities measured at amortised cost	Other financial liabilities: Financial liabilities due to factoring and liabilities excluded from the scope of IAS 39	Hedging instruments	**Total financial instruments**
Interest income/(costs) recognised in:	**30,31,32**	-	-	**77 323**	**(4 222)**	**(1 057)**	-	**72 044**
Other operating income	30	-	-	77 323	-	-	-	77 323
Other operating costs	31	-	-	-	(163)	-	-	(163)
Finance costs	32	-	-	-	(4 059)	(1 057)	-	(5 116)
Exchange gains/(losses) recognised in:	**31, 32**	-	-	**8 414**	**(64 981)**	**(70)**	-	**(56 637)**
Other operating costs	31	-	-	8 414	(65 363)	-	-	(56 949)
Finance costs	32	-	-	-	382	(70)	-	312
Gains/(losses) on measurement of non-current liabilities recognised in:	**30, 32**	-	-	-	**68**	-	-	**68**
Other operating income	30	-	-	-	204	-	-	204
Finance costs	32	-	-	-	(136)	-	-	(136)
Impairment allowances recognised in:	**28, 31**	-	-	**(12 164)**	-	-	-	**(12 164)**
Expenses by nature	28	-	-	(6 989)	-	-	-	(6 989)
Other operating costs	31	-	-	(5 175)	-	-	-	(5 175)
Reversal of impairment allowances recognised in:	**28, 30**	-	-	**5 621**	-	-	-	**5 621**
Expenses by nature	28	-	-	4 944	-	-	-	4 944
Other operating income	30	-	-	677	-	-	-	677
Adjustment to sales due to hedging transactions		-	-	-	-	-	83 577	**83 577**
Profit/(losses) from disposal of financial instruments recognised in:	**28, 30, 31**	**-**	**14 145**	**(3 042)**	**-**	**-**	**-**	**11 103**
Expenses by nature	28	-	-	(1 899)	-	-	-	(1 899)
Other operating income	30	-	14 145	-	-	-	-	14 145
Other operating costs	31	-	-	(1 143)	-	-	-	(1 143)
Gains on measurement and realisation of derivatives	**30**	538 022	-	-	-	-	-	**538 022**
Losses on measurement and realisation of derivatives	**31**	(454 449)	-	-	-	-	-	**(454 449)**
Total net gain/(loss)		**83 573**	**14 145**	**76 152**	**(69 135)**	**(1 127)**	**83 577**	**187 185**

33. Financial instruments (continued)

33.3 Fair value hierarchy

There was no transfer by the Group of financial instruments by fair value hierarchy between individual levels in either the reporting or the comparable 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.

34. Financial risk management

The Group companies are exposed to risk in each area of their activities. Understanding these risks and the principles of their management allows the Group to better meet its objectives.

Financial risk management includes the processes of risk identification, measurement and determination of appropriate methods to deal with those risks.

The Group is predominantly exposed to the following financial risks:

- market risk:
  - risk of changes in commodity prices,
  - price risk related to investments in debt securities and participation units in investment funds,
  - price risk related to investments in shares of listed companies,
  - risk of changes in foreign exchange rates (Currency Risk),
  - risk of changes in interest rates (Interest Rate Risk),
- liquidity risk,
- credit risk.

An appropriate policy, organisational structure and procedures support the financial risk management process.

34.1 Market risk

Selected principles for managing market risk (including the goal of market risk management, techniques applied, requirements for effective hedging, market risk measurement and restrictions on entering into hedging transactions) are presented in the Consolidated Annual Report RS 2011 and didn't change.

34.1.1. Commodity risk

The Parent Entity and the KGHM INTERNATIONAL LTD. Group are exposed to the risk of changes in market prices of copper, silver and gold. The price formulas used in physical delivery contracts are mainly based on average monthly quotations from the London Metal Exchange for copper and other metals and from the London Bullion Market for silver and gold. Under commercial policy the Parent Entity sets the price base for physical delivery contracts as the average price of the appropriate future month. As a result the Parent Entity is exposed to the risk of decline in metals prices from the moment of entering into a sale contract until the moment of setting the contractual average metal price from the month of dispatch. In the case of the KGHM INTERNATIONAL LTD. Group, as the forward prices for the expected delivery period represents the base, the risk exists of a fall in prices from the moment a contract is entered into to the date of final settlement of the transaction. To a certain level, the risk of price changes is mitigated by the possibility of buying copper puts. This type of financial instrument is purchased from various international financial institutions to limit the risk of changes in metal prices. At 30 June 2012, the KGHM INTERNATIONAL LTD. Group did not hold this type of instrument.

In a situation where a non-standard formula is used to set the sales price, the Parent Entity may enter into transactions (so-called adjustment hedge transactions) which change the price base agreed with the customer to the average price of the appropriate month. These transactions lead to a harmonisation of the base price applied to physical sales of products, and therefore harmonisation of the exposure to the risk of fluctuations in metals prices.

When analysing the Parent Entity's exposure to market risk, the amount of metals contained in purchased external materials should be deducted from the volume of sales of metals.

Exposure of the Group to commodity risk is presented below:

	For the period			
	from 1 January 2012 to 30 June 2012		from 1 January 2011 to 30 June 2011 restated	
	Sales	**Purchases**	**Sales**	**Purchases**
Copper [‘000 tonnes]	344	96	310	83
Silver [tonnes]	645	20	599	12

34. Financial risk management (continued)

34.1 Market risk (continued)

34.1.2 Currency risk

The Group is exposed to the risk of changes in currency rates, as it is generally accepted on commodities markets that physical contracts are either concluded or denominated in USD, and the base (functional) currency for the KGHM Polska Miedź S.A. Group is the PLN.

As a result, the Group receives the equivalent in PLN or exchanges the USD it receives for PLN. This leads to the arising of risk associated with fluctuations in the USD/PLN exchange rate during the period from the moment of entering into the trade contract to the moment of determining the exchange rate. In a situation wherein foreign clients pay in local currency for the copper or precious metals which they have imported, the Group is also exposed to fluctuations in the exchange rates of other currencies, e.g.: EUR/PLN, GBP/PLN, CAD/USD, CLP/USD.

The KGHM INTERNATIONAL LTD. Group is not however exposed to currency risk related to volatility in the USD exchange rate versus other currencies, as its functional currency, the USD, is also the currency used for most of the settlements carried out by this Group. As the transactions carried out by the KGHM INTERNATIONAL LTD. Group in CAD and CLP are immaterial, they do not expose this Group to risk. However, due to the functional currency of the KGHM INTERNATIONAL LTD. Group (USD), the KGHM Polska Miedź S.A. Group is exposed to currency risk due to the need to translate the amounts presented in the consolidated financial statements of the KGHM INTERNATIONAL LTD. Group into the functional currency of the KGHM Polska Miedź S.A. Group, i.e. into PLN.

Moreover, the Group is exposed to the risk of changes in foreign exchange rates due to the fact of drawing loans and incurring other liabilities (for example from the import of goods and services) which are denominated in currencies other than the USD.

34.1.3 Commodity and currency risk management

In the Group, only the Parent Entity uses hedging strategies. In the first half of 2012 strategies hedging the copper price represented approx. 36% (in the first half of 2011: 28%) of the sales of metals realised by the Parent Entity. With respect to silver sales, this figure amounted to approx. 26% (in the first half of 2011: 9%). In the case of the currency market, hedged revenues from sales represented approx. 18% (in the first half of 2011: 18%) of total revenues from sales realised by the Parent Entity during this period.

The management of market risk in the context of the risk of changes in metals prices and of currency risk should be considered through analysis of the hedging position together with the item being hedged. By hedging position is meant the position of the Parent Entity in derivatives. A hedged position comprises revenues from the physical sale of merchandise and products. The cash flow hedge accounting practiced by the Parent Entity requires that hedges be highly effective in offsetting changes in cash flow, related to a hedged position attributable to a particular type of risk, by changes in cash flow related to hedging instruments.

In the first half of 2012, the Parent Entity implemented copper price hedging strategies with a total volume of 126 thousand tonnes and a time horizon falling in the years 2013-2015. The Parent Entity made use of seagull option strategies (Asian options). During the analysed period, the Parent Entity did not implement any transactions on the silver market.

In the case of the forward currency market, in the first half of 2012 the Parent Entity implemented transactions hedging revenues from sales in the total nominal amount of USD 720 million and a time horizon falling in the years 2014-2015. The Parent Entity made use of collar option strategies (European options).

The Parent Entity remains hedged for a portion of copper sales planned in the second half of 2012 (102.75 thousand tonnes), in 2013 (103.5 thousand tonnes), in 2014 (42 thousand tonnes) and in 2015 (42 thousand tonnes). A portion of silver sales planned in the second half of 2012 (5.4 million troz), and in 2013 (3.6 million troz) is also hedged. With respect to revenues from sales (currency market) the Parent Entity holds a hedging position in the second half of 2012 (USD 420 million), in 2013 (USD 960 million), in 2014 (USD 720 million) and in 2015 (USD 360 million).

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

34. Financial risk management (continued)

34.1 Market risk (continued)

34.1.3 Commodity and currency risk management (continued)

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

HEDGING POSITION (condensed information) – COPPER MARKET

Period	Instrument		Volume [tonnes]	Execution price [USD/t]	Average weighted premium [USD/t]	Effective hedge price [USD/t]
II half of 2012	Collar[2]	Sold call option	19 500	9 300	(454)	6 446 participation restricted to 9 300
		Purchased put option		6 900		
	Collar[2]	Sold call option	19 500	9 000	(459)	6 341 participation restricted to 9 000
		Purchased put option		6 800		
	Collar[2]	Sold call option	19 500	9 500	(453)	6 747 participation restricted to 9 500
		Purchased put option		7 200		
	Producer's puts[3]		19 500	8 500	8.74%[4]	minimal effective hedging price 7 817
	Producer's puts[3]		24 750	8 300	8.66%[4]	minimal effective hedging price 7 639
	Total		**102 750**			
II half of 2012, TOTAL			**102 750**			
I half of 2013	Seagull[5]	Sold call option	19 500	9 500	(383)	6 817 restricted to 4 700 participation restricted to 9 500
		Purchased put option		7 200		
		Sold put option		4 700		
	Collar	Sold call option	10 500	12 000	(460)	8 040 participation restricted to 12 000
		Purchased put option		8 500		
	Collar	Sold call option	10 500	11 500	(333)	7 867 participation restricted to 11 500
		Purchased put option		8 200		
	Seagull[5]	Sold call option	6 000	10 200	(332)	7 368 restricted to 4 500 participation restricted to 10 200
		Purchased put option		7 700		
		Sold put option		4 500		
	Seagull[5]	Sold call option	15 000	10 300	(368)	7 432 restricted to 4 500 participation restricted to 10 300
		Purchased put option		7 800		
		Sold put option		4 500		
	Total		**61 500**			

[2] Tables presenting the condensed list of open hedging positions, include restructured items: the type of instrument was changed from seagull to collar. The cost of restructuring (premium for repurchase of options) was added to the cost of implementation (i.e. the average weighted premium) and the effective hedge price/exchange rate was changed.
[3] Due to current hedge accounting laws, transactions embedded within a producer's put – a purchased put option – are shown in the table containing a detailed list of derivatives positions -„Hedging instruments", while sold call options are shown in the table „Trade instruments".
[4] Payable at the moment of settlement.
[5] Due to current hedge accounting laws, transactions embedded within a seagull – a purchased put option and a sold call option – are shown in the table -„Hedging instruments", while sold put options are shown in the table „Trade instruments".

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

34. Financial risk management (continued)

34.1 Market risk (continued)

34.1.3 Commodity and currency risk management (continued)

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

Period	Instrument		Volume [tonnes]	Execution price [USD/t]	Average weighted premium [USD/t]	Effective hedge price [USD/t]
II half of 2013	Collar	Sold call option	10 500	12 000	(460)	8 040 participation restricted to 12 000
		Purchased put option		8 500		
	Collar	Sold call option	10 500	11 500	(333)	7 867 participation restricted to 11 500
		Purchased put option		8 200		
	Seagull [5]	Sold call option	6 000	10 200	(332)	7 368 restricted to 4 500 participation restricted to 10 200
		Purchased put option		7 700		
		Sold put option		4 500		
	Seagull [5]	Sold call option	15 000	10 300	(368)	7 432 restricted to 4 500 participation restricted to 10 300
		Purchased put option		7 800		
		Sold put option		4 500		
		Total	**42 000**			
		TOTAL 2013	**103 500**			
I half of 2014	Seagull [5]	Sold call option	6 000	10 200	(332)	7 368 restricted to 4 500 participation restricted to 10 200
		Purchased put option		7 700		
		Sold put option		4 500		
	Seagull [5]	Sold call option	15 000	10 300	(368)	7 432 restricted to 4 500 participation restricted to 10 300
		Purchased put option		7 800		
		Sold put option		4 500		
		Total	**21 000**			
II half of 2014	Seagull [5]	Sold call option	6 000	10 200	(332)	7 368 restricted to 4 500 participation restricted to 10 200
		Purchased put option		7 700		
		Sold put option		4 500		
	Seagull [5]	Sold call option	15 000	10 300	(368)	7 432 restricted to 4 500 participation restricted to 10 300
		Purchased put option		7 800		
		Sold put option		4 500		
		Total	**21 000**			
		TOTAL 2014	**42 000**			
I half of 2015	Seagull [5]	Sold call option	6 000	10 200	(332)	7 368 restricted to 4 500 participation restricted to 10 200
		Purchased put option		7 700		
		Sold put option		4 500		
	Seagull [5]	Sold call option	15 000	10 300	(368)	7 432 restricted to 4 500 participation restricted to 10 300
		Purchased put option		7 800		
		Sold put option		4 500		
		Total	**21 000**			
II half of 2015	Seagull [5]	Sold call option	6 000	10 200	(332)	7 368 restricted to 4 500 participation restricted to 10 200
		Purchased put option		7 700		
		Sold put option		4 500		
	Seagull [5]	Sold call option	15 000	10 300	(368)	7 432 restricted to 4 500 participation restricted to 10 300
		Purchased put option		7 800		
		Sold put option		4 500		
		Total	**21 000**			
		TOTAL 2015	**42 000**			

HEDGING POSITION (condensed information) – SILVER MARKET

Period	Instrument		Volume [million troz]	Execution price [USD/troz]	Average weighted premium [USD/troz]	Effective hedge price [USD/troz]
II half of 2012		Purchased put option	1.80	30.00	(2.89)	27.11
	Put spread[6]	Purchased put option	1.80	40.00	(1.18)	38.82 restricted to 19.80
		Sold put option[2]		19.80		
	Collar	Sold call option	1.80	62.00	(1.63)	35.37 participation restricted to 62.00
		Purchased put option		37.00		
		Total	**5.40**			
		II half of 2012, total	**5.40**			

[5] Payable at the moment of settlement.

[6] Due to current hedge accounting laws, transactions embedded within a put spread – a purchased put option– are shown in the table -„Hedging instruments", while sold put options are shown in the table „Trade instruments".

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

34. Financial risk management (continued)

34.1 Market risk (continued)

34.1.3 Commodity and currency risk management (continued)

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

Period	Instrument		Volume [million troz]	Execution price [USD/troz]	Average weighted premium [USD/troz]	Effective hedge price [USD/troz]
I half of 2013	Seagull[5]	Sold call option	1.80	65.00	(1.98)	38.02 restricted to 20.00 participation restricted to 65.00
		Purchased put option		40.00		
		Sold put option		20.00		
		Total	**1.80**			
II half of 2013	Seagull[5]	Sold call option	1.80	65.00	(1.98)	38.02 restricted to 20.00 participation restricted to 65.00
		Purchased put option		40.00		
		Sold put option		20.00		
		Total	**1.80**			
		TOTAL 2013	**3.60**			

HEDGING POSITION (condensed information) – CURRENCY MARKET

Period	Instrument		Notional [million USD]	Execution price [USD/PLN]	Average weighted premium [PLN per 1 USD]	Effective hedge price [USD/PLN]
II half of 2012	Seagull[5]	Sold call option	90	4.4000	(0.0767)	3.2233 restricted to 2.70 participation restricted to 4.40
		Purchased put option		3.3000		
		Sold put option		2.7000		
	Collar	Sold call option	90	4.5000	(0.1473)	3.2527 participation restricted to 4.50
		Purchased put option		3.4000		
	Collar	Sold call option	240	4.2000	(0.0650)	3.1350 participation restricted to 4.20
		Purchased put option		3.2000		
		Total	**420**			
		II half of 2012, TOTAL	**420**			
I half of 2013	Seagull[5]	Sold call option	240	4.0000	(0.0332)	3.1168 restricted to 2.60 participation restricted to 4.00
		Purchased put option		3.1500		
		Sold put option		2.6000		
	Collar	Sold call option	240	4.2000	(0.0650)	3.1350 participation restricted to 4.20
		Purchased put option		3.2000		
		Total	**480**			
II half of 2013	Seagull[5]	Sold call option	240	4.0000	(0.0230)	3.1270 restricted to 2.60 participation restricted to 4.00
		Purchased put option		3.1500		
		Sold put option		2.6000		
	Collar	Sold call option	240	4.2000	(0.0650)	3.1350 participation restricted to 4.20
		Purchased put option		3.2000		
		Total	**480**			
		TOTAL 2013	**960**			
I half of 2014	Seagull[5]	Sold call option	180	4.5000	(0.0506)	3.4494 restricted to 2.70 participation restricted to 4.50
		Purchased put option		3.5000		
		Sold put option		2.7000		
	Collar	Sold call option	180	4.5000	(0.0093)	3.3907 participation restricted to 4.50
		Purchased put option		3.4000		
		Total	**360**			
II half of 2014	Seagull[5]	Sold call option	180	4.5000	(0.0345)	3.4655 restricted to 2.70 participation restricted to 4.50
		Purchased put option		3.5000		
		Sold put option		2.7000		
	Collar	Sold call option	180	4.5000	(0.0093)	3.3907 participation restricted to 4.50
		Purchased put option		3.4000		
		Total	**360**			
		TOTAL 2014	**720**			
I half of 2015	Collar	Sold call option	180	4.5000	(0.0080)	3.3920 participation restricted to 4.50
		Purchased put option		3.4000		
		Total	**180**			
II half of 2015	Collar	Purchased put option	180	4.5000	(0.0080)	3.3920 participation restricted to 4.50
		Sold put option		3.4000		
		Total	**180**			
		TOTAL 2015	**360**			

[5] Payable at the moment of settlement.

34. Financial risk management (continued)

34.1 Market risk (continued)

34.1.3 Commodity and currency risk management (continued)

At 30 June 2012, the net fair value of open positions in derivatives amounted to PLN 987 865 thousand, of which PLN 1 131 997 thousand related to the positive fair value of hedging instruments, PLN 168 983 thousand related to the negative fair value of trade instruments, and PLN 1 thousand related to the negative fair value of instruments initially designated as hedging instruments excluded from hedge accounting. The fair value of open positions in derivatives varies, depending on changes in market conditions, and the final result on these transactions may vary significantly from the measurements described above.

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

TRADE INSTRUMENTS

Type of derivative	Volume/ Notional Cu [t] Ag ['000 troz] Currency ['000 USD, '000 EUR]	Avg. weighted price/ex. rate Cu [USD/t] Ag [USD/troz] Currency [USD/PLN, EUR/PLN]	At 30 June 2012 Financial assets Current	Financial assets Non-current	Financial liabilities Current	Financial liabilities Non-current
Derivatives - Metals – Copper:						
Options						
Sold call options	3 848	1	-	-	(100 004)	-
Purchased put options	58 500	4 633	72	-		-
Sold put options	204 000	4 557	-	-	(1 137)	(42 735)
TOTAL:			**72**	**-**	**(101 141)**	**(42 735)**
Derivatives - Metals – Silver:						
Options						
Purchased call options	1 800	62.00	1	-	-	-
Sold put options	5 400	19.93	-	-	(3 156)	(7 986)
TOTAL:			**1**	-	**(3 156)**	**(7 986)**
Derivatives – Currency contracts – Currency:						
Forwards/swaps						
forwards/swaps– USD sale	2 780	3.4878	267	-	(14)	-
forwards/swaps– EUR sale	13 689	4.3159	517	-	(272)	-
Options USD						
Sold call options	4 194	3.6000			(296)	-
Purchased put options	8 387	3.5000	1 410	-	-	-
Sold put options	930 000	2.6484	-	-	(1 995)	(23 009)
Options EUR						
Purchased put options	500	4.4942	111	-	-	-
Collars	200	4.1800 – 4.4400		-	(8)	-
TOTAL:			**2 305**		**(2 585)**	**(23 009)**
Total trade instruments			**2 378**		**(106 882)**	**(73 730)**

EMBEDDED INSTRUMENTS

Type of derivative	At 30 June 2012 Financial assets Current	Financial assets Non-current	Financial liabilities Current	Financial liabilities Non-current
Embedded derivatives – based on copper price:				
Long-term contracts for sulphuric acid supply	940	6 562	-	-
Long-term contracts for water supply	248	1 501	-	-
TOTAL	**1 188**	**8 063**	**-**	**-**
Total embedded instruments	**1 188**	**8 063**	**-**	**-**

KGHM INTERNATIONAL LTD. holds long-term contracts for the supply of sulphuric acid and water at determined prices, whose amounts depend on actual copper prices. The contract for the supply of acid has a low base price, but requires the additional payment of USD 2.50 per tonne of acid per each 0.10 USD/lb (i.e. 220 USD/t) increase in the copper price above 1.1 USD/lb (i.e. 2 425 USD/t). Analogously, the water supply contract requires the additional payment of USD 0.08 per cubic meter of water per each price rise of 0.15 USD/lb (i.e. 331 USD/t) above 1.5 USD/lb (i.e. 3 307 USD/t). The value of annual supply is estimated at USD 4.1 million for acid, and USD 1.1 million for water. The clauses tying the value of the contracts to the copper price lead to the creation of embedded instruments. At 30 June 2012, the fair value of embedded instruments in the amount of PLN 9 251 thousand was recognised as financial assets of the KGHM Polska Miedź S.A. Group.

34. Financial risk management (continued)

34.1 Market risk (continued)

34.1.3. Commodity and currency risk management (continued)

HEDGING INSTRUMENTS — **At 30 June 2012**

Type of derivative	Volume/ Notional Cu [t] Ag ['000 troz] Currency ['000 USD]	Avg. weighted price/ ex. rate Cu [USD/t] Ag [USD/troz] Currency [USD/PLN]	Maturity/ settlement period		Period of profit/loss impact		Financial assets		Financial liabilities	
			From	To	From	To	Current	Non-current	Current	Non-current
Derivatives – Metals- Copper										
Options										
Collar	42 000	8 350 - 11 750	Jan-13	Dec-13	Feb-13	Jan-14	67 466	112 238	(2 219)	(9 863)
Collar - seagulls	204 000	7 486 - 9 910	July-12	Dec-15	Aug-12	Jan-16	100 275	480 291	(29 870)	(184 524)
Purchased put options- producer's puts	44 250	8 388	July-12	Dec-12	Aug-12	Jan-13	129 383	-	-	-
TOTAL:							**297 124**	**592 529**	**(32 089)**	**(194 387)**
Derivatives – Metals - Silver										
Options										
Purchased put options	3 600	35.00	July-12	Dec-12	Aug-12	Jan-13	100 763	-	-	-
Collar - seagull	1 800	37.00-62.00	July-12	Dec-12	Aug-12	Jan-13	60 724	-	(1)	-
Collar - seagull	3 600	40.00-65.00	Jan-13	Dec-13	Feb-13	Jan-14	66 476	97 308	(44)	(659)
TOTAL:							**227 963**	**97 308**	**(45)**	**(659)**
Derivatives – Currency contracts										
Options										
Collar	1 530 000	3.3059-4.3588	July-12	Dec-15	July-12	Dec-15	45 010	212 925	(11 478)	(159 048)
Seagull	930 000	3.3000-4.2323	July-12	Dec-14	July-12	Dec-14	27 291	129 998	(17 165)	(83 280)
TOTAL:							**72 301**	**342 923**	**(28 643)**	**(242 328)**
Total hedging instruments							**597 388**	**1 032 760**	**(60 777)**	**(437 374)**

INSTRUMENTS INITIALLY DESIGNATED AS HEDGING INSTRUMENTS EXCLUDED FROM HEDGE ACCOUNTING — **At 30 June 2012**

Type of derivative	Notional Ag ['000 troz]	Avg. weighted ex. rate Ag [USD/troz]	Maturity/ settlement period		Period of profit/loss impact		Financial assets		Financial liabilities	
			From	To	From	To	Current	Non-current	Current	Non-current
Derivatives – Metals – Silver:										
Options										
Sold call options	1 800	62.00	July-12	Dec-12	Aug-12	Jan-13	-	-	(1)	-
TOTAL							**-**	**-**	**(1)**	**-**
Total instruments initially designated as hedging instruments excluded from hedge accounting							**-**	**-**	**(1)**	**-**

34.1.4. Impact of derivatives on the consolidated statement of financial position of the Group

The fair values of derivatives and other receivables and liabilities due to unsettled derivatives with a settlement date of 3 July 2012, as at 30 June 2012, are presented in the table below:

	Total: fair value of derivatives and of other receivables and liabilities due to unsettled derivatives	Fair value of derivatives	Fair value of other receivables and liabilities due to unsettled derivatives
Financial assets	**1 683 699**	1 641 777	41 922
Financial liabilities	**(695 834)**	(678 764)	(17 070)
Net fair value	**987 865**	963 013	24 852

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

34. Financial risk management (continued)

34.1 Market risk (continued)

34.1.5 Impact of derivatives on profit or loss or other comprehensive income of the Group

In the first half of 2012, the result on derivatives amounted to PLN 122 499 thousand, of which the amount of PLN 141 113 thousand was recognised in revenues from sales (the amount transferred from accumulated other comprehensive income to profit or loss in the reporting period), the amount of PLN 18 614 thousand decreased the result on other operating activities, of which PLN 74 936 thousand represented loss from the realisation of derivatives, while PLN 56 322 thousand represented gain from the measurement of derivatives. The gain on the measurement of derivative transactions recognised in other operating activities results mainly from the change in the time value of options which, in accordance with the hedge accounting policy, are recognised in profit or loss.

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

	For the period	
	from 1 January 2012 to 30 June 2012	**from 1 January 2011 to 30 June 2011 restated**
Impact on sales	**141 113**	**83 577**
Impact on other operating activities	**(18 614)**	**83 573**
(Losses)/gains from realisation of derivatives	(74 936)	31 864
Gains from measurement of derivatives	56 322	51 709
Total impact of derivatives on profit or loss:	**122 499**	**167 150**

In the first half of 2012, the amount recognised in profit or loss of the Group - in other operating costs due to the ineffective portion of cash flow hedges – amounted to PLN (153 913) thousand, of which PLN 69 031 thousand is a loss on the measurement of hedging instruments and PLN 84 882 thousand is a loss on the realisation of the ineffective portion of hedging instruments.

In the first half of 2011, the amount recognised in profit or loss of the Group - in other operating income due to the ineffective portion of cash flow hedges – amounted to PLN 32 164 thousand, of which PLN 8 935 thousand was a gain on the measurement of hedging instruments and PLN 23 229 thousand was a gain on the realisation of the ineffective portion of hedging instruments.

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

At 31 December 2011, accumulated other comprehensive income (excluding the deferred tax effect) due to cash flow hedging instruments amounted to PLN 708 991 thousand. The entire amount related to the effective portion of the result from the measurement of transactions hedging metals price risk.

During the first half of 2012 there was a decrease in other comprehensive income by PLN 159 670 thousand (excluding the deferred tax effect), comprised of:

- changes in fair value during the period recognised as a decrease in other comprehensive income due to the effective portion of hedging transactions entered into, in the amount of PLN 18 558 thousand,
- the amount of PLN 141 113 thousand, decreasing accumulated other comprehensive income transferred to increase revenues from sales, due to the settlement of the effective portion of hedging transactions.

	At	
Accumulated other comprehensive income	**30 June 2012**	**31 December 2011 restated**
Commodity price risk hedging transactions (copper and silver) – derivatives	549 321	708 991
Currency risk hedging transactions – derivatives	-	-
Total accumulated other comprehensive income - financial instruments hedging future cash flows (excluding deferred tax effects)	**549 321**	**708 991**

34. Financial risk management (continued)

34.1 Market risk (continued)

34.1.6 Price risk related to investments in debt securities and participation units of investment funds

At 30 June 2012, the Group held corporate bonds with a carrying amount equivalent to PLN 49 787 thousand with the maturity not exceeding 90 days from the purchase date, with interest based on the variable interest rate WIBOR 1M plus a margin.

At 30 June 2012, the Group held 7 774 Treasury bonds in the amount of PLN 8 031 thousand with a variable interest rate, recognised as available-for-sale financial assets.

Due to the variable interest rates applied in contracts, the exposure of these investments to price risk is minimal.

34.1.7 Price risk related to the purchase of shares of listed companies

At 30 June 2012, the carrying amount of shares listed on the Warsaw Stock Exchange and on the TSX Venture Exchange amounted to PLN 992 901 thousand. Due to these investments, the Group is exposed to the risk of a substantial change in accumulated other comprehensive income due to changes in the prices of the shares held, caused by the current macroeconomic situation.

34.1.8 Interest rate risk

Interest rate risk is the danger of the negative impact of changes in interest rates on the financial position.
The Group is exposed to interest rate risk due to:

- changes in the fair value of loans drawn, issued bonds and bank deposits for which interest is calculated at fixed rates, due to their inflexibility to adaptation to changes in market interest rates,
- changes in cash flow related to bank and other loans drawn, a decrease in expected income from bank deposits, for which interest is calculated at variable rates.

As at 30 June 2012, the Group held liabilities due to bank and other loans in the amount of PLN 239 874 thousand (as at 31 December 2011, PLN 271 210 thousand) based on variable interest rates, and liabilities due to loans in the amount of PLN 4 155 thousand (as at 31 December 2011, PLN 738 thousand) based on fixed interest rates. As at 30 June 2012, the Group held liabilities due to issued bonds in the amount of PLN 1 744 574 thousand. KGHM INTERNATIONAL LTD. is the issuer of these bonds, which are based on fixed interest rate of 7.75% with a maturity falling in 2019.

As at 30 June 2012, the Group held bank deposits in the amount of PLN 5 815 101 thousand (as at 31 December 2011, PLN 13 123 074 thousand) based on fixed and variable interest rates.

At 30 June 2012, the net amount of loans granted amounted to PLN 440 005 thousand, of which the most important was a loan granted to finance the Sierra Gorda project in the KGHM INTERNATIONAL LTD. Group in the amount of PLN 439 815 thousand.

At the end of the reporting period the Group had no instruments hedging against interest rate risk.

34.2 Credit risk

Credit risk is defined as the risk that counterparties of the Group will not be able to meet their contractual obligations. Exposure to credit risk is related to three main areas:

- the creditworthiness of the customers with whom physical sale transactions are undertaken,
- the creditworthiness of the financial institutions (banks/brokers) with whom, or through whom, hedging transactions are undertaken,
- the creditworthiness of companies in which investments are made or whose securities are acquired.

Areas in which credit risk exposure has different characteristics from those mentioned above:

- cash and cash equivalents and deposits,
- derivatives,
- trade receivables,
- loans granted,
- debt securities and participation units of investment funds, and
- guaranties granted.

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

34. Financial risk management (continued)

34.2. Credit risk (continued)

34.2.1 Credit risk related to cash and cash equivalents and bank deposits

All entities with which deposit transactions are entered into by the Group operate in the financial sector. These are solely banks which belong to European and American financial institutions with the highest[7], medium-high[8] and medium[9] credit ratings, an appropriate level of equity and a strong, stable market position. As at 30 June 2012, the maximum exposure of the Group to a single bank in respect of deposited cash and cash equivalents amounted to 12.5% (as at 31 December 2011: 25%).

34.2.2 Credit risk related to derivative transactions

All entities with which derivative transactions are entered into by the Group in the first half of 2012 operate in the financial sector. These were financial institutions (mainly banks), with the highest (5.5%), medium-high (77.8%) or medium (16.7%) credit ratings. Based on fair value at 30 June 2012, the maximum share of a single entity with respect to credit risk arising from derivative transactions entered into by the Group amounted to 20.1%.

Measurement of transactions in derivatives entered into by the Group[10]

	At	
	30 June 2012	**31 December 2011 restated**
Balance from measurement of derivatives	**987 865**	**902 552**
Financial assets	1 683 699	1 789 276
Financial liabilities	695 834	886 724

Due to diversification of risk in terms both of the nature of individual entities and of their geographical location, as well as to cooperation with highly-rated financial institutions, and also taking into consideration the fair value of assets and liabilities arising from derivative transactions, the Group 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 Parent Entity 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.

[7] By highest rating is meant a rating from AAA to AA- as determined by Standard & Poor's and Fitch, and from Aaa to Aa3 as determined by Moody's.
[8] By medium-high rating is meant a rating from A+ to A- as determined by Standard & Poor's and Fitch, and from A1 to A3 as determined by Moody's.
[9] By medium rating is meant a rating from BBB+ to BBB- as determined by Standard & Poor's and Fitch, and from Baa1 to Baa3 as determined by Moody's.
[10] The measurement of transactions involves both measurement of open positions as well as transactions with a settlement date of:
- 3 July 2012, which were shown in the Group's consolidated statement of financial position, in the item other receivables and payables due to unsettled derivatives – as at 30 June 2012.
- 4 January 2012, which were shown in the Group's consolidated statement of financial position in the item other financial receivables and payables – as at 31 December 2011.

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

34. Financial risk management (continued)

34.2. Credit risk (continued)

34.2.3 Credit risk related to trade and other financial receivables

The Group's companies have been cooperating for many years with a number of geographically diversified clients.

Geographical concentration of credit risk for trade receivables arising from sales of copper and silver in the Group:

	At					
	30 June 2012			31 December 2011 restated		
	Poland	EU (excl. Poland)	Other Countries	Poland	EU (excl. Poland)	Other Countries
Net receivables from sales of copper and silver	21.76%	35.05%	43.19%	23.15%	49.82%	27.03%

Most sales are made based on prepayments. The creditworthiness of its customers[11] is constantly monitored, in particular those to whom buyer's credit has been granted. Buyer's credit is only provided to proven, long-term customers, while sales of products to new customers are always secured by promissory notes[12], frozen funds on bank accounts, registered pledges[13], bank guarantees, corporate guarantees, mortgages, letters of credit and documentary collection. Additionally, the majority of customers who hold buyer's credit on contracts have ownership rights confirmed by a date certain[14]. To reduce the risk of insolvency by its customers, the Parent Entity has entered into a receivables insurance contract, which covers receivables from entities with buyer's credit which have not provided strong collateral or have provided collateral which does not cover the total amount of the receivables. Taking into account the collateral held and the credit limits received from the insurance company, at 30 June 2012 the Parent Entity had secured 85.1% of its trade receivables.

The KGHM INTERNATIONAL LTD. Group has not entered into receivables insurance contracts. However, in order to reduce credit risk it makes use of other tools, such as:
- servicing a small number of steady customers,
- execution of payment deadlines immediately after delivery or at the moment of receipt by the customer of sales documents, and
- on-going monitoring of payments.

The total value of the Group's net trade receivables as at 30 June 2012, excluding the fair value of collaterals, in respect of which the Group may be exposed to credit risk, amounts to PLN 2 513 530 thousand (at 31 December 2011: PLN 1 327 554 thousand), and this is the maximum exposure of the Group to credit risk due to trade receivables.

The concentration of credit risk in the Group results from the fact that key clients of the Parent Entity (the majority of whom operate within the European Union) are allowed extended terms of payment. Consequently, at 30 June 2012 the balance of receivables from 7 of the Parent Entity's largest clients represented 37.5% of the Group's balance of trade receivables (at 31 December 2011: 42%). Despite the concentration of this type of risk, the Parent Entity believes that due to the availability of historical data and the many years of experience cooperating with its clients, as well as to the hedging used, the risk that there will not be proceeds due to its trade receivables is low.

The following Group companies have significant trade receivables: the KGHM INTERNATIONAL LTD. Group PLN 850 247 thousand (balance with ten main customers), CENTROZŁOM WROCŁAW S.A. PLN 89 343 thousand, KGHM Metraco S.A. PLN 86 243 thousand, NITROERG S.A. PLN 28 039 thousand, ZUK S.A. PLN 18 119 thousand, WMN "ŁABĘDY" S.A. PLN 17 714 thousand, POL-MIEDŹ TRANS Sp. z o.o. PLN 15 234 thousand, BIPROMET S.A. PLN 12 282 thousand, PHP "MERCUS" sp. z o.o. PLN 11 333 thousand.

[11] Due to the lack of data necessary to measure credit risk, risk arising from derivatives transactions entered into by customers was not taken into consideration.
[12] In order to speed up any potential collection of receivables, a promissory note is usually accompanied by a notarial enforcement declaration.
[13] At the end of the reporting period date the Parent Entity held pledges on aggregate tangible assets or rights representing an organisational whole, whose elements (variable) are recognised in a customer's trade accounts.
[14] A confirmed notarial clause which is applied in trade contracts means that rights to ownership of merchandise are transferred to the buyer only after payment is received despite physical delivery. Application of this clause is aimed solely at hedging credit risk and simplifying any eventual legal claims with regard to deliveries. The Parent Entity transfers substantially all of the risks and rewards of ownership, and therefore such transactions are treated as sales and accounted for as income.

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

34. Financial risk management (continued)

34.2. Credit risk (continued)

34.2.3 Credit risk related to trade and other financial receivables (continued)

These Group companies operate in various economic sectors, such as transport, construction, trade, industrial production, and consequently there is no concentration of credit risk in any sector. The companies of the Group, with the exception of the Parent Entity, do not enter into framework agreements of a net settlement in order to reduce exposure to credit risk, although in situations where the given entity recognises both receivables and liabilities with the same client, in practice net settlement is applied, as long as both parties accept such settlement.

Due to the extensive volatility in the level of net settlement on particular days ending reporting periods, it is difficult in practice to determine a representative amount of such compensation.

34.2.4 Credit risk related to loans granted

At 30 June 2012 the carrying amount of loans granted amounted to PLN 440 005 thousand. This amount is composed of loans granted in the gross amount of PLN 441 502 thousand and of allowances for impairment of loans in the amount of PLN 1 497 thousand performed in prior years. The major item is a loan granted to finance a Sierra Gorda project of the KGHM INTERNATIONAL LTD. Group in the amount of PLN 439 815 thousand. The loan granted due to the financing of a joint venture, is exposed to minimal risk.

34.2.5 Credit risk related to investments in debt securities and in participation units of investment funds

At 30 June 2012, the Parent Entity held corporate bonds with a carrying amount of PLN 49 787 thousand and a maturity of 3 months. The issuer of the bonds purchased by the Parent Entity holds a medium-high rating, and therefore the risk is minimal.

With respect to mine closure financial assets, at 30 June 2012 the KGHM INTERNATIONAL LTD. Group held government environmental bonds in the amount of PLN 324 130 thousand. In regard of the issuer, this investment is only slightly exposed to risk.

34.2.6 Other information related to credit risk

Aging analysis of financial assets overdue as at the end of the reporting period, for which no impairment loss has been recognised

	At 30 June 2012					
	Carrying value	**Up to 1 month**	**From 1 to 3 months**	**From 3 to 6 months**	**From 6 to 12 months**	**Over 1 year**
Trade receivables	**91 140**	66 268	7 489	8 820	6 701	1 862
Other financial receivables	**1 284**	285	565	325	4	105

	At 31 December 2011 - restated					
	Carrying value	**Up to 1 month**	**From 1 to 3 months**	**From 3 to 6 months**	**From 6 to 12 months**	**Over 1 year**
Trade receivables	**107 014**	85 045	11 894	3 434	1 722	4 919
Other financial receivables	**604**	306	32	6	248	12

Except for trade receivables and other financial receivables, no other classes of financial instruments were identified as overdue but not impaired at the end of the reporting period.

34.3 Liquidity risk and capital management

The Group is exposed to financial liquidity risk, where financial liquidity is understood as the ability to settle financial liabilities on time.

The Parent Entity manages its financial liquidity in accordance with the policy approved by the Management Board „Financial Liquidity Management Policy". This document describes in a comprehensive manner the process of managing financial liquidity in the Parent Entity, based on best practice for such procedures and instruments.

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

34. Financial risk management (continued)

34.3 Liquidity risk and capital management (continued)

The KGHM INTERNATIONAL LTD. Group does not have a formal liquidity management policy, however it periodically monitors the basic debt ratios and manages liquidity risk by:

- preparing and monitoring actual forecasts of undiscounted cash flow regarding the regulation of financial liabilities at the earliest possible maturity dates, and

- managing capital structure and financial leveraging in order to ensure appropriate sources of financing of its operations and development projects.

In the first half of 2012, the Group made use of external financing in the form of bank and other loans and issued bonds. The largest amount represented the senior bonds of the KGHM INTERNATIONAL LTD. Group in the amount of PLN 1 744 574 thousand, with maturity in 2019, while bank and other loans granted by financial institutions were settled on time.

In the comparable period, due to positive cash flow and the significant amount of cash balances, the Group made use to a slight extent of external financing in the form of bank and other loans from financial institutions and settled all of its liabilities in a timely manner.

The Group manages its capital in order to maintain the capacity to continue its operations, including the realisation of planned investments, in a manner enabling it to generate returns for the shareholders and benefits to other stakeholders.

In accordance with market practice, the Group companies monitor their capital, among others based on the *equity ratio* and the *ratio of net debt/EBITDA*. The *equity ratio* is calculated as the relation of net assets (equity less intangible assets) to total assets. The ratio of *net debt/EBITDA* is calculated as the relation of borrowings, debt securities and finance lease liabilities minus unallocated cash and cash equivalents and short term investments with a maturity up to 1 year to EBITDA (operating profit plus depreciation and amortisation).

In order to maintain financial liquidity and the creditworthiness to acquire external financing at a reasonable cost, the Group assumes that the *equity ratio* shall be maintained at a level of not less than 0.5, and the *ratio of net debt/EBITDA* at a level of up to 2.0.

The above ratios at 30 June 2012, 31 December 2011 and 30 June 2011 are presented below:

	30 June 2012	**31 December 2011 restated**	**30 June 2011 restated**
Equity	20 625 734	23 386 610	16 461 952
Less: intangible assets	2 334 895	580 384	522 771
Net assets	18 290 839	22 806 226	15 939 181
Total assets	37 759 422	30 567 016	25 228 337
Equity ratio	**0.48**	**0.75**	**0.63**

		For the period	
	from 1 January 2012 to 30 June 2012	**from 1 January 2011 to 31 December 2011 restated**	**from 1 January 2011 to 30 June 2011 restated**
Operating profit	3 619 959	13 151 570	5 098 123
Plus: depreciation/amortisation	671 134	845 082	465 198
EBITDA	4 291 093	13 996 652	5 563 321
Borrowings, debt securities and finance lease liabilities	2 011 239	297 957	217 066
Unallocated cash and cash equivalents	6 685 451	13 120 563	6 090 884
Ratio of net debt/EBITDA	**0.00**	**0.00**	**0.00**

As at 30 June 2012, the ratio of net debt/EBITDA amounted to 0.00.

The equity ratio was slightly below the assumed minimum level and amounted to 0.48 at 30 June 2012.

In the first half of 2012 and in 2011 there were no external equity requirements imposed on the Parent Entity.

35. Income tax

Income tax	Note	For the period from 1 January 2012 to 30 June 2012	from 1 January 2011 to 30 June 2011 restated
Current income tax		898 824	914 025
Deferred income tax	23	(60 321)	39 400
Tax settlement adjustments for prior periods		(3 735)	(3 296)
Total		**834 768**	**950 129**

The effective interest rate amounted to 23.52% (in the first half of 2011: 18.05%). The increase in the effective interest rate in the first half of 2012 was mainly due to the introduction of minerals extraction tax, which is not a deductible cost for tax purposes.

36. Taxation due to minerals extraction in force in Group companies by country

	Area	Income tax in force in the countries	Basis for calculating tax	Tax rates of the countries	Formula of tax calculation	Amount charged due to the tax for the period from 01.01.12 to 30.06.12 (PLN '000)	Presentation in the consolidated statement of comprehensive income
1	Poland	Mineral extraction tax:					
		- copper	78 220.97 t	PLN 4 326.09*	Multiple of the amount of copper, expressed in tonnes, and the tax rate set applying the applicable model	338 391	Taxes and charges in expenses by nature, presented in note 28
		- silver	215 529 kg	PLN 483.36*	Multiple of the amount of silver, expressed in kg, and the tax rate set applying the applicable model	104 178	Taxes and charges in expenses by nature, presented in note 28
2	Nevada (USA)	Nevada Net proceeds tax	USD 31 018 192	5%	Multiple of the basis for calculating tax and the tax rate	5 116	Income tax
3	Ontario (Canada)	Ontario Mining tax	USD 5 637 929	10%	Multiple of the basis for calculating tax and the tax rate	1 860	Income tax

The table above presents all types of taxation due to extraction with which the KGHM Polska Miedź S.A. Group is charged.

Ad.1. Tax rates for a given month are calculated in accordance with conditions specified by the Act dated 2 March 2012 on the minerals extraction tax (Journal of Laws dated 3 April 2012, item 362), as presented in the following table:

Type of mineral	Condition** (average price of the mineral)	Formula according to the condition	Additional restrictions
Copper	> PLN 15 000	0.033 * average copper price + (0.001 * average copper price) ^ 2.5	tax rate not higher than 16 000 PLN/t
	<= PLN 15 000	(average copper price – PLN 12 000) * 0.44	tax rate not lower than 0.5% of the average price of copper
Silver	> PLN 1 200	0.125 * average silver price +(0.001 * average silver price) ^ 4	tax rate not higher than 2 100 PLN/kg
	<= PLN 1 200	(average silver price - 1000) * 0.75	tax rate not lower than 0.5% of the average price of silver

Ad.2. The basis for calculating tax in the United States is the multiple of the following amounts:
- 80 549 697 - basis for calculating tax in the state of Nevada, in USD;
- 39 556 159 – actual production in the reporting period;
- 102 721 545 ^ (-1) – the reciprocal of the planned production volume in the reporting period.

Ad.3. The basis for calculating tax in Canada is the multiple of the following amounts:
- 29 090 000 - basis for calculating tax in Ontario, Canada;
- 6 453 907 – actual pre-tax profit for the reporting period;
- 33 300 197 ^ (-1) - the reciprocal of the planned pre-tax profit for the reporting period.

* Average tax rate calculated for the period from the date of coming into force of the Act dated 2 March 2012 on the minerals extraction tax, i.e. from 18 April 2012 to the end of the reporting period, i.e. to 30 June 2012.

**The Minister responsible for public finance announces, through public announcement, by the 10th day of each month, in the Journal of Laws of the Republic of Poland "Monitor Polski", the average price per tonne of copper and the average price per kilogram of silver for the previous month.

37. Earnings per share

	For the period	
	from 1 January 2012 to 30 June 2012	from 1 January 2011 to 30 June 2011 restated
Profit attributable to shareholders of the Parent Entity	2 713 657	4 313 218
Weighted average number of ordinary shares ('000)	200 000	200 000
Basic/diluted earnings per share (PLN/share)	13.57	21.57

There are no dilutive potential ordinary shares.

38. Dividend resolved but unpaid

In accordance with Resolution No. 5/2012 of the Ordinary General Meeting of KGHM Polska Miedź S.A. dated 28 June 2012 regarding the appropriation of Parent Entity's profit for financial year 2011, the amount of PLN 5 668 000 thousand, representing PLN 28.34 per share, was allocated as a shareholders dividend.
The right to dividend date was set at 16 July 2012, the dividend payment dates: 1st instalment in the amount of PLN 3 400 000 thousand: 20 August 2012, 2nd instalment in the amount of PLN 2 268 000 thousand: 16 November 2012.
All Parent Entity shares are ordinary shares.
In accordance with Resolution No. 3/2012 of the Ordinary General Meeting dated 11 May 2012 of the subsidiary BIPROMET S.A., regarding the appropriation of profit for financial year 2011, the amount of PLN 527 thousand was allocated as a dividend for non-controlling shareholders. The right to dividend date was set at 16 July 2012, the dividend payment date at 31 July 2012.

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

	For the period	
	from 1 January 2012 to 30 June 2012	from 1 January 2011 to 30 June 2011 restated
Income tax recognised in profit or loss	834 768	950 129
Depreciation/amortisation	671 134	465 198
(Gains)/Losses on sales of property, plant and equipment and intangible assets	(2 323)	5 810
Gains on the sale of financial assets	(415)	(14 145)
Recognition and reversal of impairment losses on assets	875	5 945
Losses on financial assets fair value changes	356	-
Share of losses/(profits) of associates accounted for using the equity method	104	(187 755)
Interest and share in profits	(29 714)	(29 750)
Foreign exchange losses/(gains)	1 131 064	(51 110)
Change in provisions	24 730	20 728
Change in derivatives	(91 782)	(218 815)
Reclassification of accumulated other comprehensive income to profit or loss as a result of realisation of derivatives	(141 113)	(83 577)
Other adjustments	(21 113)	163
Changes in working capital:	(337 021)	(131 249)
Inventories	(318 831)	(603 062)
Trade and other receivables	(652 996)	327 627
Trade and other payables	634 806	144 186
Total adjustments to profit for the period	**2 039 550**	**731 572**

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

40. Related party transactions

	For the period from 1 January 2012 to 30 June 2012		
Sales to related entities	**Sales of products**	**Sales of merchandise and materials**	**Other transactions**
- to associates	1 414	-	-
- to other related entities	196	129	4 105
Total sales to related entities	**1 610**	**129**	**4 105**

During the period from 1 January 2012 to 30 June 2012, no sales of property, plant and equipment, intangible assets and investment property to related entities of the Group were reported.

	For the period from 1 January 2011 to 30 June 2011 - restated		
Sales to related entities	**Sales of products**	**Sales of merchandise and materials**	**Other transactions**
- to associates	2 885	31	9
- to other related entities	87	93	4
Total sales to related entities	**2 972**	**124**	**13**

During the period from 1 January 2011 to 30 June 2011, no sales of property, plant and equipment, intangible assets and investment property to related entities of the Group were reported.

	For the period from 1 January 2012 to 30 June 2012			
Purchases from related entities	**Purchase of services**	**Purchase of merchandise and materials**	**Purchase of property, plant and equipment, intangible assets, investment property**	**Other purchase transactions**
- from associates	7	-	-	-
- from other related entities	8 108	4 598	2 159	9 555
Total purchases from related entities	**8 115**	**4 598**	**2 159**	**9 555**

	For the period from 1 January 2011 to 30 June 2011 - restated			
Purchases from related entities	**Purchase of services**	**Purchase of merchandise and materials**	**Purchase of property, plant and equipment, intangible assets, investment property**	**Other purchase transactions**
- from associates	4 337	41	16	-
- from other related entities	9 972	5 928	2 563	2 111
Total purchases from related entities	**14 309**	**5 969**	**2 579**	**2 111**

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

40. Related party transactions (continued)

	At	
Trade and other receivables from related entities	**30 June 2012**	**31 December 2011 restated**
- from associates,	997	673
- from other related entities	10 653	1 888
Total receivables from related entities	**11 650**	**2 561**

	At	
Trade and other payables towards related entities	**30 June 2012**	**31 December 2011 restated**
- towards other related entities	12 498	4 096
Total liabilities towards related entities	**12 498**	**4 096**

During the reporting period, 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 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, carried out at arm's length. These transactions involved the purchase by companies of the Group of materials and services to meet the needs of their current operating activities (fuel, energy, transport services). Turnover from these transactions in the current period amounted to PLN 378 619 thousand (for the period from 1 January 2011 to 30 June 2011: PLN 218 371 thousand), and the unsettled balance of liabilities from these transactions at 30 June 2012 amounted to PLN 47 136 thousand (at 31 December 2011: PLN 80 841 thousand).

	For the period	
Remuneration of the Supervisory Board of the Parent Entity	**from 1 January 2012 to 30 June 2012**	**from 1 January 2011 to 30 June 2011**
Remuneration due to service in the Supervisory Board, salaries and other current employee benefits	838	750
Total	**838**	**750**

	For the period	
Remuneration of the Management Board of the Parent Entity	**from 1 January 2012 to 30 June 2012**	**from 1 January 2011 to 30 June 2011**
Salaries and other current employee benefits	1 966	2 033
Benefits due to termination of employment	42	-
Total	**2 008**	**2 033**

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

41. Contingent assets and liabilities

	At	
	30 June 2012	**31 December 2011 restated**
Contingent assets	**441 486**	**425 750**
Guarantees received	197 097	185 814
Disputed State Budget issues	28 747	28 739
Promissory note receivables	91 096	88 909
Inventions, implementation of projects	38 228	36 595
Real estate tax on mining facilities	86 296	85 489
Other	22	204
Contingent liabilities	**836 161**	**209 731**
Guarantees	510 695	49 184
Promissory note liabilities	18 303	23 807
Disputed issues, pending court proceedings	14 429	14 079
Liabilities due to implementation of projects, inventions	119 309	113 967
Liabilities towards municipal authorities due to a signed agreement in respect of expansion of the Żelazny Most tailings pond	156 268	-
Other	17 157	8 694

The value of contingent assets and liabilities was determined based on estimates. The significant increase in bank and other loans granted in the first half of 2012 is comprised of guarantees granted in respect of realisation of the Sierra Gorda S.C.M. project in the amount of PLN 467 613 thousand.

42. Employment structure

Average employment in the Group was as follows:

	For the period	
	from 1 January 2012 to 30 June 2012	**from 1 January 2011 to 30 June 2011 restated**
White-collar employees	9 606	10 445
Blue-collar employees	24 501	21 598
Total:	**34 107**	**32 043**

43. Subsequent events

Resignation of a Member of the Supervisory Board

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

Signing of a Framework Agreement on the Exploration for and Extraction of Shale Gas

On 4 July 2012 the Management Board of KGHM Polska Miedź S.A. signed a framework agreement on the exploration for and extraction of shale gas (the "Agreement"). The parties to the Agreement are KGHM Polska Miedź S.A., Polskie Górnictwo Naftowe i Gazownictwo S.A. ("PGNiG"), ENEA S.A., PGE Polska Grupa Energetyczna S.A. and TAURON Polska Energia S.A. (hereafter jointly referred to as the "Parties").

The subject of cooperation of the Parties based on the Agreement will be the exploration, evaluation and extraction of shale gas in geological formations for which concessions have been granted for the exploration and evaluation of deposits of crude oil and natural gas in relation to the Wejherowo concession held by PGNiG (the "Wejherowo Concession"). With respect to the Wejherowo Concession, there will be close cooperation involving an area of approximately 160 km^2 (the "Area of Cooperation"). The Agreement also provides for preferential treatment of the Parties with regard to the possibility of cooperation in relation to the remaining area of the Wejherowo Concession (with the exception of a situation where PGNiG on its own engages in exploration, evaluation or extraction of shale gas and excluding the area in the vicinity of Opalino and Lubocino where PGNiG is already conducting exploratory work).

The Agreement provides for cooperation based on the targeted structure of a limited partnership that, following a successful exploration, will extract shale gas. The Parties foresee the transfer of the concession for the extraction of shale gas to such limited partnership after it has been obtained by PGNiG. Each of the Parties participates in control over the realisation of the project, in particular through participation in the operating committee formed for this purpose. Estimated expenditures on exploration, evaluation and extraction with respect to the first three zones (the Kochanowo, Częstkowo and Tępcz pads) within the Area of Cooperation are projected to be in the amount of PLN 1 720 000 thousand. Details regarding the terms of cooperation, including a detailed project budget and timeline, the shares of the Parties in financing the expenditures arising from the agreed-on budget, shares in the project's profits and the principles of responsibility, including contractual penalties in the case of the failure, in particular by PGNiG, to fulfil certain obligations resulting from the Agreement, will be determined by the Parties within four months from the date the Agreement is signed. Should such specific arrangements not be forthcoming, the Agreement may be terminated by each of the Parties. If within three months after reaching such arrangements the Parties have not received all of the required corporate approvals, or if by 30 December 2012 the required antimonopoly clearances have not been received, the Agreement will expire.

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

On 20 July 2012 the Management Board of KGHM Polska Miedź S.A. announced the convening of the Extraordinary General Meeting of KGHM Polska Miedź S.A. for 17 August 2012, 11.00 AM, at the head office of the Parent Entity in Lubin.

The purpose of convening an Extraordinary General Meeting of KGHM Polska Miedź S.A. is adoption of resolutions on changes to the composition of the Supervisory Board of KGHM Polska Miedź S.A.

On 7 August 2012, the Management Board of KGHM Polska Miedź S.A. announced that at the request of the State Treasury – a Shareholder representing at least one-twentieth of the share capital – it has decided to change the date of the Extraordinary General Meeting convened for 17 August 2012, and set a new date for the Extraordinary General Meeting of 3 September 2012. The Management Board also announced that there is no change to the existing agenda.

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

On 23 July 2012 the European Commission permitted the founding of a target company by KGHM Polska Miedź S.A. and TAURON Wytwarzanie S.A. in order to build a 850 MW power plant on the grounds of the PKE Blachownia Power plant.

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

SIGNATURES OF PERSONS REPRESENTING THE COMPANY			
DATE	**FIRST, LAST NAME**	**POSITION / FUNCTION**	**SIGNATURE**
28 August 2012	Herbert Wirth	President of the Management Board	
28 August 2012	Włodzimierz Kiciński	I Vice President of the Management Board	
28 August 2012	Wojciech Kędzia	Vice President of the Management Board	
28 August 2012	Dorota Włoch	Vice President of the Management Board	

SIGNATURE OF PERSON RESPONSIBLE FOR ACCOUNTING			
DATE	**FIRST, LAST NAME**	**POSITION / FUNCTION**	**SIGNATURE**
28 August 2012	Ludmiła Mordylak	Chief Accountant of KGHM Executive Director of Accounting Services Center	

KGHM POLSKA MIEDŹ S.A.

GROUP

REPORT ON THE ACTIVITIES

OF THE GROUP

IN THE FIRST HALF OF 2012

Lubin, August 2012

Contents of the Report on the activities of the Group in the first half of 2012

1. Introduction

The Parent Entity of the Group is KGHM Polska Miedź S.A, which has been conducting its business, as a joint stock company, since 12 September 1991. Its legal antecedent was the State-owned enterprise Kombinat Górniczo-Hutniczy Miedzi in Lubin, transformed into a State-owned joint stock company in the manner set forth in the law dated 13 July 1990 on the privatisation of State-owned enterprises.

The Parent Entity is an issuer of securities which have been admitted to trading on the Warsaw Stock Exchange. It is a company with great traditions, rich experience and substantial achievements.

KGHM Polska Miedź S.A. is one of the world's leaders in the production of electrolytic copper and metallic silver. Apart from copper and silver, KGHM also produces gold, lead, sulphuric acid and rock salt. KGHM Polska Miedź S.A. is one of the largest Polish exporters. The position of KGHM Polska Miedź S.A. in terms of copper production strengthened following the acquisition of the KGHM INTERNATIONAL LTD. Group (formerly Quadra FNX Mining Ltd.), whose core business is also the production of mined metals, such as copper, nickel, gold, platinum and palladium.

The remaining companies of the Group are diversified in terms of types of activity. They mainly offer products and services related to the basic activities and core business of KGHM Polska Miedź S.A., including: mined metal production (such as copper, nickel, gold, platinum and palladium), exploring for and mining deposits of copper ore and other metals, mine construction, generation of electricity and heat production, the production of mining machinery and equipment, the production of explosives, and research and development). The remaining activities, unrelated to the core business, include the providing of services in areas such as transportation, tourism, health and cash investing. A significant portion of the domestically-based companies, mainly those involved in production, provide services to the Parent Entity.

The entire Group employs over 34 thousand people, while the Parent Entity employs 18.6 thousand people, making it the largest employer in Lower Silesia.

The KGHM Polska Miedź S.A. Group has developed over the last 20 years. During the initial phase, most entities arose as a result of the separation of specific operational areas of KGHM Polska Miedź S.A. In this manner, in 1993 the Group's first companies arose. In subsequent years there were changes to the composition of the Group and the number of entities it contained. At the end of 2011 the KGHM Polska Miedź S.A. Group numbered 50 entities. The events which occurred in the first half of 2012 had a major impact on the shape of the Group. The purchase of 100% of the shares of the mid-sized miner Quadra FNX Mining Ltd with its registered head office in Vancouver (with its own Group), increased the number of companies comprising the KGHM Polska Miedź S.A. Group by 34 companies. At the end of the first half of 2012, the Group amounted to 84 entities.

The acquisition of Quadra FNX Mining Ltd. (currently KGHM INTERNATIONAL LTD.) was the largest equity investment in the history of the KGHM Polska Miedź S.A. Group, and is a critical event in terms of realisation of its strategy, aimed mainly at expanding the resource base in order to increase copper production. The focus of operations of the KGHM INTERNATIONAL LTD. Group is the mined production of metals (including copper, nickel, gold, platinum and palladium). As a result of the acquisition of this company, KGHM Polska Miedź S.A. has become a global mining corporation.

Amongst the activities realised in the first half of 2012 which may also be considered as in realisation of the strategy of expanding the resource base is the exercise by KGHM Polska Miedź S.A. of a call option for an additional 29% of the shares of KGHM AJAX MINING INC. with its registered head office in Vancouver, which will operate a copper and gold mine on the Afton – Ajax deposit in Canada. As a result of this transaction, the Group's share of this company increased from 51% to 80%.

Currently the KGHM Polska Miedź S.A. Group holds geographically diversified mining assets located in low-risk countries. The copper ore mines operated by the Parent Entity and its projects in the pre-production stage are located in south-west Poland. Exploration projects (such as Weisswaser in Germany) are also under way in this region. The copper, nickel and precious metals mines belonging to the KGHM INTERNATIONAL LTD. Group are located in the USA, Chile and Canada. In addition, in Chile, Canada and Greenland are mine projects at the pre-production stage at varied stages of development, as well as exploration projects.

Apart from development of the resource base, another important pillar of the Group's strategy is the diversification of revenues through progressive engagement in the energy sector. The generation of electricity was considered as a stable source of income, uncorrelated with conditions on the metals market. The goal is also to partially neutralise the impact of energy price increases – a significant cost element in copper production – on the results of the Parent Entity. With respect to this area, KGHM Polska Miedź S.A. signed a framework agreement with Polskie Górnictwo Naftowe i Gazownictwo S.A., ENEA S.A., PGE Polska Grupa Energetyczna S.A. and TAURON Polska Energia S.A. on the exploration for and extraction of shale gas. In addition, KGHM Polska Miedź S.A. and TAURON Wytwarzanie S.A. received European Commission approval for the joint founding of a special purpose company „Elektrownia Blachownia Nowa" sp. z o.o., whose goal will be to build a power generation block.

Presented below is a list of the major events which occurred in the Group in the first half of 2012.

1. Introduction (continued)

Table 1. *Major events in the Group in the first half of 2012**

MAJOR EVENTS IN THE FIRST HALF OF 2012		page
05.03.2012	Purchase by the company 0929260 B.C. Unlimited Liability Company with its registered head office in Vancouver (an indirect subsidiary of KGHM Polska Miedź S.A.) of 100% of the shares of Quadra FNX Mining Ltd. (currently KGHM INTERNATIONAL LTD.)	79
27.03.2012	Supervisory Board approval of the KGHM Polska Miedź S.A. Budget for 2012 *(sales of PLN 19 418 million, profit of PLN 3 804 million)*	104
02.04.2012	Exercise by KGHM Polska Miedź S.A. of a call option on an additional 29% of the shares of KGHM AJAX MINING INC.	80
18.04.2012	Coming into force of the Act on the minerals extraction tax	98
19.01.2012 25.04.2012 28.06.2012	General Meetings of KGHM Polska Miedź S.A. – changes in the composition of the Supervisory Board	82
27.06.2012	Appointment of the Management Board of KGHM Polska Miedź S.A. for the 8th term	81
28.06.2012 20.08.2012	Adoption of a resolution by the Ordinary General Meeting of KGHM Polska Miedź S.A. on the payment of a dividend for 2011 (28.34 PLN/share) Payment of the first instalment of the shareholder dividend (PLN 3.4 million)	97
04.07.2012	Signing of a framework agreement on the exploration for and extraction of shale gas	105
23.07.2012	Approval of the European Commission for the founding, with TAURON Wytwarzanie S.A., of the special purpose company „Elektrownia Blachownia Nowa” sp. z o.o.	105

** including events to the date of preparation of the report*

2. Composition of the Group

The diagram below shows the composition of the Group at 30 June 2012. The percentage ownership shown represents the total share of the Group in the share capital of the given company. In each of the Group's companies, the share capital owned is equal to the share of the total number of votes.

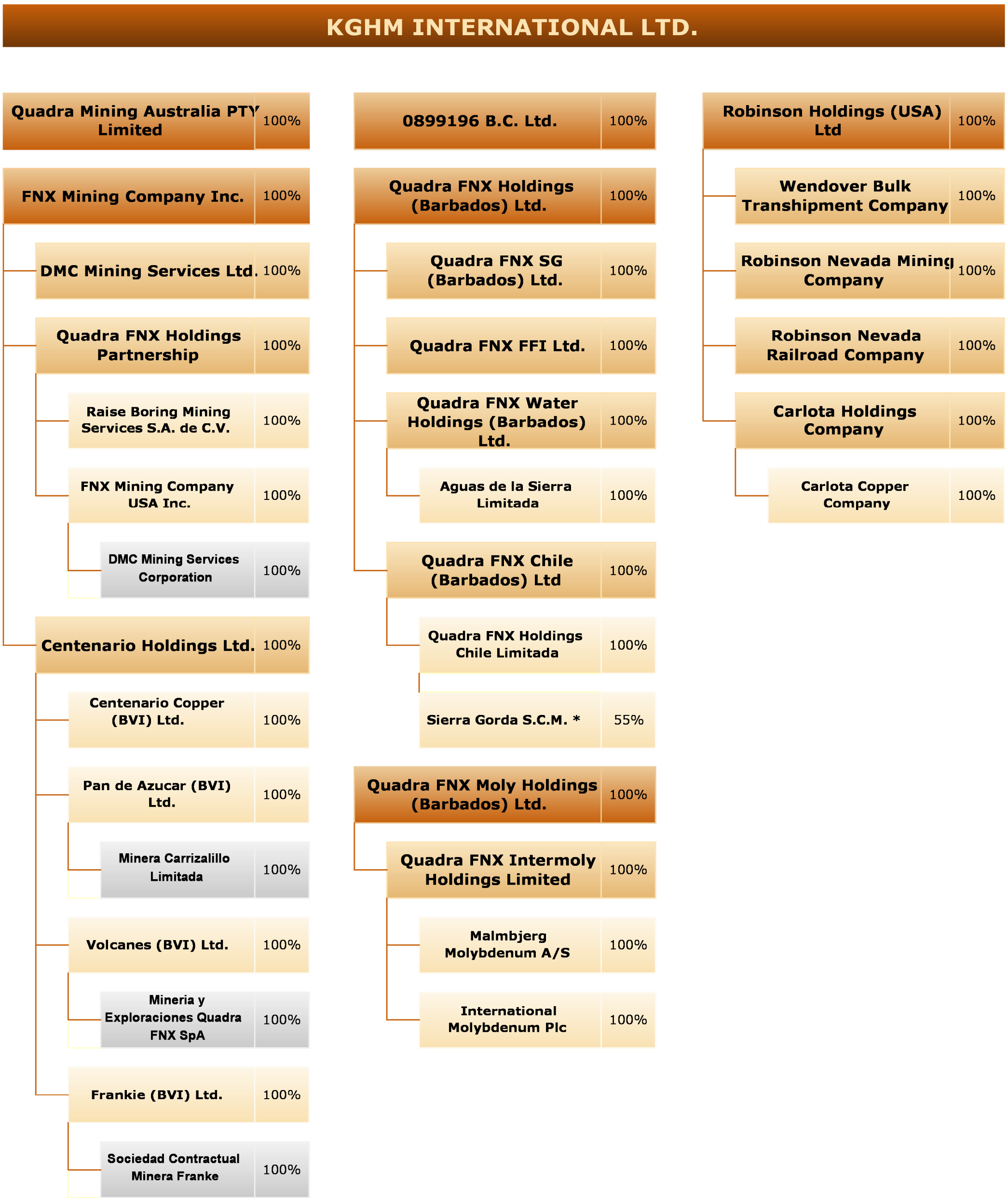
Diagram 1. *Group structure as at 30 June 2012*

*associated entity – not subject to consolidation

Translation from the original Polish version

2. Composition of the Group (continued)

Diagram 2. *KGHM INTERNATIONAL LTD. Group structure (formerly Quadra FNX Mining Ltd.) at 30 June 2012*



*associated entity – not subject to consolidation

At 30 June 2012, the Group was composed of the Parent Entity – KGHM Polska Miedź S.A. – and 83 subsidiaries. Some of the subsidiaries form their own groups. The largest of these is KGHM INTERNATIONAL LTD. (formerly Quadra FNX Mining Ltd.), composed of 34 subsidiaries. At the end of the reporting period the KGHM Polska Miedź S.A. Group held shares in two associates and in one joint venture.

During the analysed period KGHM Polska Miedź S.A., as the Parent Entity of the Group, consolidated 81 subsidiaries and accounted for one associate, BAZALT-NITRON Sp. z o.o., and one joint venture, Sierra Gorda S.C.M., using the equity method.

2. Composition of the Group (continued)

Two subsidiaries – TUW – CUPRUM and „Mercus Software" sp. z o.o. – were not consolidated, and the shares of one associate – PHU „Mercus Bis" Sp. z o.o. – were not accounted for using the equity method, as the assets, revenues and profits of these entities do not materially impact the consolidated statement of financial position and the consolidated statement of comprehensive income.

3. Management principles of the Group

In the first half of 2012 there were no fundamental changes in the management principles of the KGHM Polska Miedź S.A. Group. Management of the Group was performed in accordance with the model introduced in 2011 related to the planned increase of activities by the Group with respect to acquisitions. This model assumes management of the KGHM Polska Miedź S.A. Group based on separate business supervision units.
The table below presents these business supervision units with their assigned companies.
These business supervision units form the operating segments of the Group, while the companies in the first two business supervision units form a single segment – Production and Resource base development. Information on these operating segments may be found in Note No. 5 of the consolidated financial statements of the KGHM Polska Miedź S.A. Group. for the first half of 2012.

The KGHM INTERNATIONAL LTD. Group, with regard to the initial stage of integration, was allocated to the Production unit, although it is also realising resource base development projects. Actions currently being undertaken are aimed at the final allocation of companies of the KGHM INTERNATIONAL LTD. Group to individual business supervision units. Once this is completed the changes will be recognised in the report of the KGHM Polska Miedź S.A. Group for 2012.

Table 2. *Business supervision units*

BUSINESS SUPERVISION UNITS

Production

includes Group companies supporting the core business (CB) and acquisitions (resource assets in production). This unit also includes companies/resource projects once they have begun production

KGHM INTERNATIONAL LTD. Group *(formerly Quadra FNX Mining Ltd.)*
PeBeKa S.A.
ZANAM-LEGMET Sp. z o.o.
KGHM CUPRUM sp. z o.o. – CBR
INOVA Spółka z o.o.
CBJ sp. z o.o.
BIPROMET S.A. *(with subsidiaries)*
„Energetyka" sp. z o.o. *(with subsidiaries)*

International expansion and resource base development

includes exploration companies and pre-production companies/projects

KGHM Kupfer AG
KGHM AJAX MINING INC.
0929260 B.C. Unlimited Liability Company
Fermat 1 S.à r.l. *
Fermat 2 S.à r.l. *
Fermat 3 S.à r.l. *

Equity-portfolio investments

includes companies of a financial investment nature and investment funds managed by KGHM TFI S.A.

KGHM Ecoren S.A. *(with subsidiaries)*
PHP „MERCUS" sp. z o.o. *(with subsidiaries)*
POL-MIEDŹ TRANS Sp. z o.o. *(with a subsidiary)*
NITROERG S.A.
KGHM TFI S.A.
FIZAN I
FIZAN II
FIZAN III

Diversified investments in the Energy sector

includes strategic energy investments and other energy investments not related directly to the CB
TAURON Polska Energia S.A. *(share capital held: 10.39% - pursuant to a current report dated 23 March 2011)***

Commerce and logistics

includes domestic and foreign trade companies

KGHM Metraco S.A.
KGHM (SHANGHAI) COPPER TRADING CO. LTD.
KGHM Kupferhandelsges.m.b.H.i.L

CSR unit

includes a group of entities realising corporate social responsibility policy

„MCZ" S.A.
KGHM LETIA S.A.
Zagłębie Lubin S.A.

Insurance services center

comprises an entity providing mutual insurance services –
TUW-CUPRUM *(an unconsolidated subsidiary)*

* - *companies founded as a holding structure for the purpose of purchasing the shares of KGHM INTERNATIONAL LTD. (formerly Quadra FNX Mining Ltd.); the structure will be changed as a result of the process of integrating the Group*

** - *although the company is not part of the KGHM Polska Miedź S.A. Group, it was recognised under the Group Management Model due to the joint project with KGHM Polska Miedź S.A. in the energy sector „Elektrownia Blachownia Nowa sp. z o.o."*

4. Changes in Group structure, other equity investments

Changes in the Group's structure in the first half of 2012 are presented in table below.

Table 3. *Changes in the Group's structure in the first half of 2012*

Event	Description
Founding of 0929260 B.C. UNLIMITED LIABILITY COMPANY	On 3 January 2012, Fermat 2 S.à r.l. (a 100% indirect subsidiary of KGHM Polska Miedź S.A.) founded the company 0929260 B.C. UNLIMITED LIABILITY COMPANY with its registered head office in Vancouver, Canada through a cash contribution in the amount of CAD 100, representing the share capital of the founded company. This company was founded in relation to the establishing a holding structure for the purpose of purchasing the shares of KGHM INTERNATIONAL LTD. (formerly Quadra FNX Mining Ltd.)
Founding of Fermat 3 S.à r.l.	On 15 February 2012, Fermat 1 S.à r.l. (a 100% subsidiary of KGHM Polska Miedź S.A.) founded the company Fermat 3 S.à r.l. with its registered head office in Luxembourg, in which, through a cash contribution in the amount of USD 20 000, it acquired 20 000 shares with a nominal value of 1 USD/share, representing 100% of the share capital of Fermat 3 S.à r.l. This company was founded in relation to the establishing a holding structure for the purpose of purchasing the shares of KGHM INTERNATIONAL LTD. (formerly Quadra FNX Mining Ltd.)
Purchase of the shares of KGHM INTERNATIONAL LTD. *(formerly Quadra FNX Mining Ltd.)*	On 5 March 2012, the company 0929260 B.C. UNLIMITED LIABILITY COMPANY with its registered head office in Vancouver purchased from the former shareholders of Quadra FNX Mining Ltd. with its registered head office in Vancouver ("Quadra FNX") 100% of the shares of Quadra FNX, representing 100% of the votes at the General Meeting. The consideration transferred, recognised in the consolidated financial statements for the purpose of settling the acquisition, amounts to PLN 9 707 million and comprises: - the purchase of ordinary shares for the amount of PLN 9 362.4 million, - the purchase of warrants for the amount of PLN 39.4 million, - the realisation of purchased warrants in the amount of PLN 305.2 million. The shares were purchased in execution of the agreement dated 6 December 2011 signed by KGHM Polska Miedź S.A. and Quadra FNX under a Plan of Arrangement recommended by the Board of Directors of Quadra FNX ("Plan of Arrangement"). Following the obtaining of control, the decision was taken to delist the shares of Quadra FNX from the trade on the Toronto Stock Exchange and to change the company's name to KGHM INTERNATIONAL LTD. The focus of operations of the KGHM INTERNATIONAL LTD. Group is the mined production of metals (including copper, nickel, gold, platinum, palladium) in the following mines: Robinson and Carlota in the USA, Franke in Chile, and McCreedy West, Levack (with the Morrison deposit) and Podolsky in Canada. Its portfolio of assets also includes pre-operational mining projects at various stages of development, including Sierra Gorda in Chile (the company's major development project), Victoria in Canada and Malmbjerg in Greenland, as well as exploration projects. Sierra Gorda is a joint venture (under the company named Sierra Gorda SCM) of KGHM INTERNATIONAL LTD. (55%) and companies from the Sumitomo Group - Sumitomo Metal Mining Co., Ltd. (31.5%) and Sumitomo Corporation (13.5%). The Sierra Gorda project comprises the construction of an open-pit mine on one of the largest new deposits of copper and molybdenum in the world. The start of production at Sierra Gorda is planned for 2014. Planned annual production: approx. 220 thousand tonnes of copper, 11 thousand tonnes of molybdenum and 2 tonnes of gold for over 20 years. This acquisition will increase annual mined copper production in the KGHM Polska Miedź S.A. Group by over 100 thousand tonnes beginning from 2012, and ultimately in 2018 by over 180 thousand tonnes. In addition, following the start-up of production in Sierra Gorda in Chile in 2014 and Victoria in Canada, the transaction will lead to a substantial decrease in average unit copper production costs in the KGHM Polska Miedź S.A. Group. As a result of the acquisition of KGHM INTERNATIONAL LTD., the KGHM Polska Miedź S.A. Group advanced to fourth place in the world in terms of documented copper resources, and eighth place in terms of copper production volume.

4. Changes in Group structure, other equity investments (continued)

Event	Description
Exercise of the option to purchase an additional 29% of the shares of KGHM AJAX MINING INC.	On 2 April 2012 KGHM Polska Miedź S.A. exercised the option to purchase an additional 29% of the shares of KGHM AJAX MINING INC. with its registered head office in Vancouver from Abacus Mining & Exploration Corporation, based on the shareholders agreement dated 12 October 2010, and increased its share in KGHM AJAX MINING INC. from 51% to 80%. The shares were acquired for the amount of USD 29 908 thousand (the equivalent of PLN 93 286 thousand, according to the average rate of the National Bank of Poland for USD/PLN of 30 March 2012). Under the shareholders agreement respecting the company KGHM AJAX MINING INC., when KGHM Polska Miedź S.A. exercised its option to purchase an additional 29% of the company's shares, the commitment arose by the Group to arrange financing for the project. The decision to exercise this option was taken following analysis of the Bankable Feasibility Study for the Afton–Ajax project, received in December 2011, prepared in accordance with the Canadian standard NI 43-101 by a consortium of independent consultants under the direction of Tetra Tech WEI (Wardrop). This document describes the specific technical and economic conditions related to the construction and operation of the future copper and gold mine located in the vicinity of the town of Kamloops, in British Columbia, Canada. KGHM AJAX MINING INC. will operate the copper and gold mine on the Afton – Ajax deposit in Canada. Measured & Indicated mineral resources amount to 512 million tonnes of ore containing 0.31% copper and 0.19 g/t of gold. Proven & Probable mineral reserves were calculated at 1.34 million tonnes of copper and 2.75 million ounces of gold. Average annual production of copper and gold in concentrate amounts respectively to 50 000 tonnes of copper and 100 000 ounces of gold. Mine life was calculated at 23 years. Under the base scenario, the investment payback period is approx. 8 years, while at current metals prices this period is less than 3 years. Capital expenditure is estimated at USD 795 million (the equivalent of PLN 2 466 million, according to the average USD/PLN exchange rate of the National Bank of Poland of 2 April 2012). It is estimated that the cost of producing one tonne of copper is in the range of USD 1740 – USD 2800. Mine construction will last two years. Considering the progress to date and the time needed to obtain further permissions and administrative approval, the start-up date for the mine has been set at 2015.
Acquisition of shares of KGHM AJAX MINING INC. by 0929260 B.C. Unlimited Liability Company	On 26 April 2012, changes in ownership were carried out within the KGHM Polska Miedź S.A. Group, as a result of which: – KGHM AJAX MINING INC. – until this date a direct subsidiary of KGHM Polska Miedź S.A. – became an indirect subsidiary of the Parent Entity and a direct subsidiary of 0929260 B.C. UNLIMITED LIABILITY COMPANY. This transaction occurred through the acquisition by 0929260 B.C. UNLIMITED LIABILITY COMPANY of shares of KGHM AJAX MINING INC. in exchange for the issuance of its own shares in the amount of PLN 203 049 thousand, acquired by KGHM Polska Miedź S.A., – KGHM Polska Miedź S.A. contributed shares of 0929260 B.C. UNLIMITED LIABILITY COMPANY to Fermat 2 S.à r.l. in exchange for the acquisition of additional shares issued by Fermat 2 S.à r.l., – KGHM Polska MIEDŹ S.A. contributed shares of Fermat 2 S.à r.l. to Fermat 1 S.à r.l. in exchange for the acquisition of shares in the increased share capital of Fermat 1 S.à r.l. in the amount of PLN 203 049 thousand. Execution of this transaction is one of the stages in the process of reorganising the structure of the Group.

Increases of share capital

Apart from those investments which led to changes in the structure of the Group (presented above in Table 3), the following capital increases were also carried out:

Table 4. *Increases of share capital in the first half of 2012*

Company	Amount of increase	Description
„Energetyka" sp. z o.o.	PLN 67 287 thousand	On 26 March 2012, KGHM Polska Miedź S.A. acquired all of the shares in the increased share capital of the company. The shares will be paid for in cash in three instalments. In the first half of 2012, two instalments were paid totalling PLN 41 300 thousand. The remaining amount of PLN 25 987 thousand will be paid in September 2012. The share capital of the company following the increase amounts to PLN 469 580 thousand. The proceeds will be used for the partial financing of investment projects, mainly modernisation of producing assets and distribution networks.

4. Changes in Group structure, other equity investments (continued)

Company	Amount of increase	Description
„MCZ" S.A.	PLN 9 114 thousand	On 11 May 2012 a capital increase was registered. KGHM Polska Miedź S.A. acquired all of the shares in the increased share capital of the company and covered them with cash at their nominal amount. The share capital of the company following the increase amounts to PLN 67 313 thousand. The proceeds from this capital increase were used for the partial financing of investment projects aimed at expanding the medical activities of the company.
KGHM Metraco S.A.	PLN 5 000 thousand	On 14 May 2012 a capital increase was registered. KGHM Polska Miedź S.A. acquired all of the shares in the increased share capital of the company and covered them with cash at their nominal amount. The share capital of the company following the increase amounts to PLN 22 545 thousand. The proceeds were used for the partial financing of an investment, „Construction and operation of a Sulphuric Acid Commercial Base".

All of the equity investments were financed from the internal funds of KGHM Polska Miedź S.A.

5. Parent Entity

5.1. Composition of Parent Entity bodies

Management Board of the Parent Entity

In accordance with the Statutes of KGHM Polska Miedź S.A. the Members of the Management Board are appointed and dismissed by the Supervisory Board.

Changes in the composition of the Management Board are presented in the following table.

Table 5. *Changes in the composition of the Management Board of the Parent Entity **

Date	Description of events
1 January 2012	The 7th-term Management Board of KGHM Polska Miedź S.A. commenced its work in 2012 in the following composition: – Herbert Wirth - President of the Management Board, – Maciej Tybura - I Vice President of the Management Board (Finance), – Wojciech Kędzia - Vice President of the Management Board (Production).
27 June 2012	Due to the expiry of the 7th-term Management Board, the Supervisory Board appointed the 8th-term Management Board in the following composition: – Herbert Wirth - President of the Management Board, – Włodzimierz Kiciński, – Wojciech Kędzia, – Dorota Włoch, – Adam Sawicki (from 1 September 2012).
25 July 2012	The Supervisory Board selected Włodzimierz Kiciński to serve in the function of I Vice President of the Management Board.

** including decisions taken after the end of the reporting period to the date of preparation of this report*

The Management Board segregated its duties amongst the members of the Management Board in the following manner:

– Herbert Wirth - President of the Management Board,
– Włodzimierz Kiciński - I Vice President of the Management Board (Finance),
– Wojciech Kędzia - Vice President of the Management Board (Production),
– Dorota Włoch - Vice President of the Management Board (Development).

The duties of Adam Sawicki, a member of the Management Board of KGHM Polska Miedź S.A., will be determined upon his assumption of this function on 1 September 2012.

5. Parent Entity (continued)

5.1. Composition of Parent Entity bodies (continued)

Supervisory Board of the Parent Entity

Under the Statutes of KGHM Polska Miedź S.A., the Members of the Supervisory Board are appointed and dismissed by the General Meeting.

Changes in the composition of the Supervisory Board are presented in the following table.

Table 6. *Changes in the Supervisory Board of the Parent Entity **

Date	Description of events
1 January 2012	The 8th-term Supervisory Board of KGHM Polska Miedź S.A. commenced its work in 2012 in the following composition: – Jacek Kuciński - Chairman, – Marcin Dyl - Deputy Chairman, – Marek Panfil - Secretary, – Franciszek Adamczyk, – Arkadiusz Kawecki, – Marzenna Weresa, – Jan Rymarczyk as well as the following employee-elected members: – Lech Jaroń, – Maciej Łaganowski, – Paweł Markowski.
19 January 2012	The Extraordinary General Meeting resolved to: – dismiss from the Supervisory Board: Franciszek Adamczyk, Marcin Dyl, Arkadiusz Kawecki, Jan Rymarczyk and Marzenna Weresa, – appoint to the Supervisory Board: Aleksandra Magaczewska, Krzysztof Kaczmarczyk, Mariusz Kolwas, Robert Oliwa and Jacek Poświata.
13 February 2012	The Supervisory Board selected to serve in the function of: – Deputy Chairman - Marek Panfil, – Secretary - Mariusz Kolwas.
17 April 2012	Marek Panfil resigned from the function of Deputy Chairman. The Supervisory Board selected Aleksandra Magaczewska to serve in the function of Deputy Chairman.
24 April 2012	Mariusz Kolwas resigned as a Member of the Supervisory Board.
25 April 2012	The Extraordinary General Meeting resolved to: – dismiss from the Supervisory Board: Jacek Kuciński and Marek Panfil, – appoint to the Supervisory Board: Paweł Białek, Dariusz Krawczyk, Ireneusz Piecuch.
21 May 2012	The Supervisory Board selected to serve in the function of: – Chairwoman - Aleksandra Magaczewska, – Deputy Chairman - Krzysztof Kaczmarczyk, – Secretary - Dariusz Krawczyk.
28 June 2012	The Ordinary General Meeting, after reviewing the requests of employees regarding the dismissal of members of the Supervisory Board elected by the company's employees, dismissed the following persons from the Supervisory Board: Lech Jaroń, Maciej Łaganowski, Paweł Markowski.
30 June 2012	The composition of the Supervisory Board at the end of the first half of 2012 was as follows: – Aleksandra Magaczewska - Chairwoman, – Krzysztof Kaczmarczyk - Deputy Chairman, – Dariusz Krawczyk - Secretary, – Paweł Białek, – Robert Oliwa, – Ireneusz Piecuch, – Jacek Poświata.
3 July 2012	Robert Oliwa submitted his resignation as a Member of the Supervisory Board effective as of the date of the next General Meeting of KGHM Polska Miedź S.A. The General Meeting was convened for 3 September 2012.

** including decisions taken after the end of the reporting period to the date of preparation of this report*

5. Parent Entity (continued)

5.2. Share capital and ownership structure of the Parent Entity

As at 30 June 2012, the share capital of KGHM Polska Miedź S.A., in accordance with the entry in the National Court Register, amounted to PLN 2 000 000 000 and was divided into 200 million shares, series A, having a face value of PLN 10 each. All shares are bearer shares. KGHM Polska Miedź S.A. has not issued preference shares. Each share grants the right to one vote at the General Meeting.

In the first half of 2012 there was no change either in registered share capital or in the number of issued shares.

As at 30 June 2012, and at the date of preparation of this report, as far as the Parent Entity is aware, the only shareholder of KGHM Polska Miedź S.A. holding shares granting the right to at least 5% of the total number of votes at the General Meeting was the Polish State Treasury, which held 63 589 900 shares, representing 31.79% of the share capital and of the total number of votes at the General Meeting.

The remaining shareholders of KGHM Polska Miedź S.A., at 30 June 2012 and at the date of preparation of this report, held shares granting the right to less than 5% of the total number of votes at the General Meeting - altogether 136 410 100 shares, representing 68.21% of the share capital and the total number of votes at the General Meeting.

During the period from 1 January 2012 to the date of preparation of this report, as far as the Parent Entity is aware, there was no change in the structure of ownership of significant blocks of shares of KGHM Polska Miedź S.A.

The Management Board of the Company is unaware of any agreements which could result in changes in the proportion of shares held by present shareholders in the future.

Based on information held by the Parent Entity, Members of the company's Supervisory Board and Management Board were not in the possession of shares of KGHM Polska Miedź S.A. or of rights to them, either at 30 June 2012, 31 March 2012 or 31 December 2011. During the first half of 2012, Members of the Company's Supervisory Board and Management Board neither sold nor purchased the shares of KGHM Polska Miedź S.A. or rights to them.

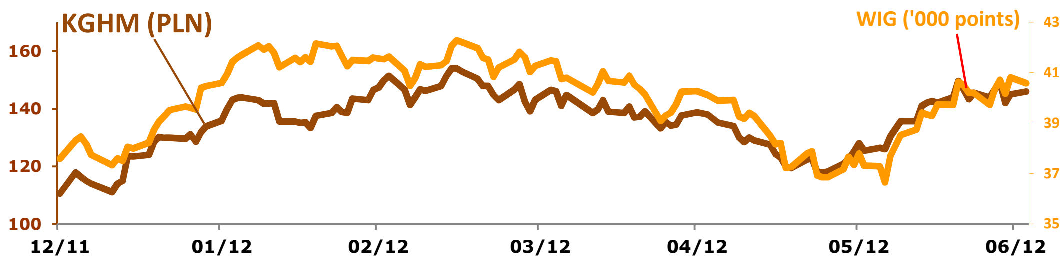
In the first half of 2012, KGHM Polska Miedź S.A. did not have an employee share incentive program.

5.3. The Parent Entity on the stock exchange

In July 1997 KGHM Polska Miedź S.A. debuted on the Warsaw Stock Exchange. The shares of the Company are traded on the primary market in a continuous trading system, and are a component of the WIG and WIG20 indices; the WIG-SUROWCE index, comprising companies classified as operating in the „basic materials" sector; the RESPECT Index, comprising socially responsible companies; and the WIGdiv index, comprising companies with the highest dividend payout ratios, and which regularly pay dividends to their shareholders.

The share price of KGHM Polska Miedź S.A. at the beginning of the first half of 2012 systematically rose, reaching its maximum on 14 March 2012 of PLN 154.00. Thereafter the Parent Entity's shares were in a downward trend which lasted until May 2012. Finally, during the past half year the share price rose by 31%, from PLN 110.60 on the last trading day of 2011 to PLN 145.00 on the last trading day of the first half of 2012. During this same time the Warsaw Stock Exchange's WIG index rose by 8.55%, and the WIG20 index by 6.10%.

Chart 1. *Share price of KGHM Polska Miedź S.A. versus the WIG index*



The shares of KGHM Polska Miedź S.A. in the first half of 2012 were among the most liquid. The Parent Entity's share of turnover in value terms amounted to 16.94%. The average per-session trading volume of the shares of KGHM Polska Miedź S.A. on the Warsaw Stock Exchange in the first half 2012 amounted to 980 346.

5. Parent Entity (continued)

5.3. The Parent Entity on the stock exchange (continued)

Key data on the share performance of KGHM Polska Miedź S.A. on the Warsaw Stock Exchange are presented in the table below.

Table 7. *Key share quotation data of KGHM Polska Miedź S.A. on the Warsaw Stock Exchange*

	Unit	2011	I-VI 2011	I-VI 2012
Number of shares issued	million	200	200	200
Closing price from the last trading day of the period	PLN	110.60	197.00	145.00
Market value of the company at period end	PLN million	22 120	39 400	29 000
Highest closing price in the period	PLN	198.40	198.40	154.00
Lowest closing price in the period	PLN	104.60	161.40	111.10
Average trading volume per session	'000	1 070	901	980

5.4. Capital market ratios

The activities of KGHM Polska Miedź S.A. are described by the following ratios:

Table 8. *Capital market ratios*

		I-VI 2011	I-VI 2012
EPS *[PLN]*	Profit for the period / number of shares	21.6	14.7
P/CE	Price per share / financial surplus per share *	8.5	8.7
P/E	Price per share / earnings per share	9.1	9.8
MC/S	Market capitalisation**/ revenues from sales	3.9	2.8
P/BV	Price per share / book value per share ***	2.5	1.4

* *financial surplus = profit for the period + depreciation/amortisation*
** *market capitalisation represents total shares outstanding times share price from the last day of the reporting period (200 million shares x PLN 197.00 in the first half of 2011; PLN 145.00 in the first half of 2012)*
*** *carrying amount of the equity at the end of the reporting period*

In comparison to the first half of 2011, the capital market ratios were substantially impacted by the lower profit earned by the Parent Entity and by the fall in the share price of KGHM Polska Miedź S.A. from PLN 197.00 at the end of June 2011 to PLN 145.00 at the end of June 2012.

5.5. Major actions taken in respect of securing production

Process of obtaining licenses for mining areas currently in use

In December 2013 the 20-year licenses for the extraction of copper ore from 5 of the mining areas currently in use by KGHM Polska Miedź S.A. will expire. As a result, the Parent Entity has submitted applications for the granting of licenses for these areas for the maximum period provided for by law, which is 50 years.

As part of the procedure to obtain new mining licenses, with respect to information published in the report for the first quarter of 2012, there occurred a change in the expected date for receiving an environmental decision, due to the procedure for providing an opinion on environmental reports by the National Commission for Environmental Impact Assessment. At the request of the Commission, KGHM Polska Miedź S.A. completed the documentation by additional elements and submitted them to the Regional Directorate for Environmental Protection. At present this procedure is continuing, which due to possible appeals and community participation will extend the date for receiving this decision, and as a result the submission of licensing applications to the Minister of the Environment – probably to the fourth quarter of 2012.

In the Parent Entity's opinion, the change in the above dates does not represent a threat to the continuity of the mining activities of KGHM Polska Miedź S.A.

5. Parent Entity (continued)

5.5. Major actions taken in respect of securing production (continued)

Agreement with local governments regarding the planned expansion of the Żelazny Most Mining Waste Treatment Facility (MWTF).

On 7 March 2012, KGHM Polska Miedź S.A. entered into agreements with the municipalities (gminas) of Grębocice, Polkowice and Rudna (hereinafter "Gminas"), with respect to the granting of financial support by KGHM Polska Miedź S.A. to the Gminas due to economic use of the environment. At the same time the Gminas committed themselves to cooperate with respect to the Parent Entity's activities, in particular with respect to enabling the planned expansion of the Żelazny Most Mining Waste Treatment Facility (MWTF).

In accordance with the signed agreements, KGHM Polska Miedź S.A. foresees financial support for the Gminas in the years 2012-2042 in the total amount of PLN 258 million, of which PLN 72 million was charged to other operating activities in the first quarter of 2012 (execution of these liabilities will occur in the years 2012-2014).

The Żelazny Most MWTF operated by KGHM Polska Miedź S.A. is currently the only site at which waste from the floatation of copper ore from the company's mines is stored, and therefore this site represents a crucial element in the production chain, without which the production of metals would be impossible. Currently the Żelazny Most MWTF is at the development stage, consisting of formation of the retention walls to a crown height of 180 m above sea level, which ensures the possibility of storing waste to the year 2016. Expansion of the facility is planned in the years 2012-2042 to a crown height of 195 m above sea level.

6. Scope of activities of Group companies

The scope of activities of the Group's companies is very broad, though the main subject of activities is the production of metals, primarily copper.

The activities of these companies indicates their position in the Group. Taking into consideration the management model for the KGHM Polska Miedź S.A. Group, the companies are grouped into several business supervision units:

- ✓ the production unit includes the Parent Entity and companies operating on its behalf. They manufacture products and provide services whose main purpose is to ensure a continuous flow of production in the core business of KGHM Polska Miedź S.A.

  This unit also includes the KGHM INTERNATIONAL LTD. Group (formerly Quadra FNX Mining Ltd.), in which projects in accordance with the strategy of resource base development are realised. (Final allocation of these projects in the business supervision units will be done at the end of 2012 – information on this subject may be found in point 3 of this report).

- ✓ Companies assigned to the commerce and logistics unit are mainly related to the activities of the Parent Entity. They serve as commercial intermediaries, ensure the supply of raw and other materials to guarantee the uninterrupted work of KGHM Polska Miedź S.A.'s divisions and sell the by-products of the core business' production to external markets.

- ✓ Companies assigned to the international expansion and resource base development unit are significant from the point of view of realisation of the strategy assuming an increase in copper production.

- ✓ Closed-end Investment Funds, forming among others the equity-portfolio investments unit, were founded in order to diversify investment risk. These are of a sector nature, in investing areas such as health, renewable energy sources, new technology and property.

- ✓ Also in the Group are companies which realise corporate social responsibility policy. Their purpose is to create new jobs and to engage in activities on behalf of local communities.

6. Scope of activities of Group companies (continued)

The following table lists the activities of important Group companies and their significance in the Group.

Table 9. *Scope of activities of Group companies*

TYPE OF ACTIVITY	
Production	
KGHM Polska Miedź S.A.	mining of copper ore, excavation of salt, production of copper and precious metals
PeBeKa S.A.	mine construction (construction of shafts and drifts), construction of roadway/railway tunnels; specialist construction ⇨ *This company is the main performer of mining work for KGHM Polska Miedź S.A.*
ZANAM-LEGMET Sp. z o.o.	production of mining machinery and equipment, construction machinery; machinery repairs; production maintenance services, steel constructions ⇨ *This company is a significant supplier and service provider for machinery and mining equipment to KGHM Polska Miedź S.A., and also provides production maintenance services in selected areas*
INOVA Spółka z o.o.	design and production – innovative solutions in electronics, automated and communication systems; certification and attestation of machinery and equipment ⇨ *This company is a supplier and service provider for the underground radio communication system for the mines of KGHM Polska Miedź S.A.*
CBJ sp. z o.o.	research and chemical-physical analysis; measurement of imissions and emissions; industrial research ⇨ *This company mainly provides industrial research services for the Parent Entity*
KGHM CUPRUM sp. z o.o. - CBR	R&D activities ⇨ *This company performs a substantial part of the design-related work for KGHM Polska Miedź S.A.*
„Energetyka" sp. z o.o.	generation, transmission and distribution of electrical and heating energy, water-sewage management ⇨ *This company secures part of the energy supply for the Parent Entity*
WPEC w Legnicy S.A.	production of heat from its own sources, transmission and distribution of heat, servicing
BIPROMET S.A.	design services, consulting, technical conceptual work; general realisation of investments ⇨ *This company provides technical documentation for the pyrometallurgy program of KGHM Polska Miedź S.A.*
KGHM INTERNATIONAL LTD. Group *(formerly Quadra FNX Mining Ltd.)*	production of mined metals, incl.: copper, nickel, gold, platinum, palladium
including:	
Robinson Nevada Mining Company	mining, production of copper concentrate and precious metals ⇨ *This company owns the open-pit Robinson mine in the state of Nevada in the USA (one of the most important mine assets in the KGHM INTERNATIONAL LTD. Group)*
FNX Mining Company USA Inc.	mining, sale of copper and nickel ore ⇨ *This company owns underground mines: Levack/Morrison, Podolsky and McCreedy West in Ontario in Canada;* *The company is realising the Victoria exploration project in the Sudbury Basin in Canada*
Carlota Copper Company	mining, production of copper cathodes ⇨ *This company owns the open-pit Carlota mine in the state of Arizona in the USA*
Sociedad Contractual Minerale Franke	mining, production of copper cathodes ⇨ *This company owns the open-pit Franke mine in Chile*

6. Scope of activities of Group companies (continued)

TYPE OF ACTIVITY	
International expansion and resource base development	
KGHM AJAX MINING INC.	exploration for and evaluation of mineral resource deposits ⇨ *This company is advancing the Afton-Ajax copper and gold project in British Columbia, Canada*
KGHM Kupfer AG	involved in the exploration for and evaluation of deposits of copper and other minerals ⇨ *This company is realising a resource project – exploration of the Weisswasser copper ore deposit in Germany*
Equity-portfolio investments	
KGHM Ecoren S.A.	production of ammonium perrhenate, metallic rhenium and road-building material; the processing and recovery of metals, processing of electrical/electronic waste ⇨ *This company manages and processes the industrial waste of KGHM Polska Miedź S.A.*
CENTROZŁOM WROCŁAW S.A.	recovery of raw materials from segregated materials – purchase and sale of metal scrap, waste recycling, sale of steel and aluminium and production of reinforcing building materials
Walcownia Metali Nieżelaznych „ŁABĘDY" S.A.	production of pressed goods from copper and its alloys; rolling services
POL-MIEDŹ TRANS Sp. z o.o.	railway cargo transport, passenger and cargo road transport; trade in fuels ⇨ *This company is the leading railway and roadway carrier and supplier of fuels to KGHM Polska Miedź S.A.*
PHP „MERCUS" sp. z o.o.	trade in consumer goods; supply of technical materials; production of bundled electrical cables and hydraulic cables ⇨ *This company serves to coordinate supplies for the core business of KGHM Polska Miedź S.A. in materials and spare parts*
NITROERG S.A.	production of explosives and Nitrocet 50, production of detonation agents ⇨ *This company supplies most of the explosives needed by the mines of KGHM Polska Miedź S.A.*
KGHM TFI S.A.	creation and management of investment funds ⇨ *This company manages the closed-end investment funds in which KGHM Polska Miedź S.A. participates*
KGHM I FIZAN KGHM II FIZAN KGHM III FIZAN	capital investing ⇨ *The purpose of these funds is to diversify the investment risk of KGHM Polska Miedź S.A.*
ZUK S.A. Uzdrowisko Połczyn S.A. „Uzdrowisko Cieplice" sp. z o.o. Uzdrowisko „Świeradow-Czerniawa" sp. z o.o. INTERFERIE S.A. Interferie Medical SPA Sp. z o.o.	spa, sanatorium and tourist-recreational services ⇨ *These companies are participating in the project to develop a Polish Spa Group realised by KGHM I FIZAN*

6. Scope of activities of Group companies (continued)

	TYPE OF ACTIVITY
	Commerce and logistics
KGHM Metraco S.A.	wholesale sales of scrap and waste, lead, non-ferrous metals, chemicals and salt ⇨ *This company secures supplies of copper scrap for KGHM Polska Miedź S.A., and sells to external markets the by-products of the Parent Entity's core business production, including sulphuric acid*
KGHM (SHANGHAI) COPPER TRADING CO., LTD.	sales and intermediary for the following: copper/silicon goods, mine products (copper/silicon) and other, and related services ⇨ *This company is a commercial intermediary for KGHM Polska Miedź S.A. on the Chinese market*
	Entities realising corporate social responsibility policy
KGHM LETIA S.A.	operation of a technology park; promotion of scientific achievement; technology transfer; property sale and rental
„MCZ" S.A.	hospital services; physician practice; activities related to protecting human health; occupational medicine
Zagłębie Lubin S.A.	management of a football club, organisation of professional sporting events

7. Employment in the Group

The level and structure of employment in the KGHM Polska Miedź S.A. Group is presented below.

Table 10. *Average employment by period (positions)*

Description	I-VI 2011	2011	I-VI 2012	Change 2011=100
White collar employees	10 445	9 149	9 606	105.0
Blue collar employees	21 598	22 034	24 501	111.2
Total	**32 043**	**31 183**	**34 107**	**109.4**

The highest employment is in the Parent Entity. In the first half of 2012, the average level of employment was 18 550 positions. Among the remaining Group companies the highest average number of employees in first half of 2012 was recorded in the following entities (in positions):

- KGHM INTERNATIONAL LTD. Group *(formerly Quadra FNX Mining Ltd.)* 2 528,
- ZANAM – LEGMET Sp. z o.o. 2 198,
- PeBeKa S.A. 1 589,
- POL – MIEDŹ TRANS Sp. z o.o. 1 037,
- NITROERG S.A. 986.

In the first half of 2012, the average level of employment in the KGHM Polska Miedź S.A. Group increased versus 2011 by 2 924 positions, mainly the result of the inclusion in the Group of companies belonging to the KGHM INTERNATIONAL LTD. Group. In addition, there was an increase in the average level of employment in the company ZANAM – LEGMET Sp. z o.o. by 476 positions due to development of new areas of activities.

8. Basic products, merchandise and services

Amongst the most important products manufactured by the companies of the Group are the basic products manufactured by the Parent Entity and companies of the KGHM INTERNATIONAL LTD. Group, i.e.: copper and copper products, nickel and precious metals (silver, gold, platinum and palladium).

The largest share in the total sales of the KGHM Polska Miedź S.A. Group, in this production area, is held by the Parent Entity - in the first half of 2012, around 77%.

The value and volume of the sales of the basic products of the Parent Entity are presented in the following tables.

8. Basic products, merchandise and services (continued)

Table 11. *Revenues from sales of the basic products of KGHM Polska Miedź S.A. ('000 PLN)*

	2011	I-VI 2011	I-VI 2012	Change I-VI' 2011=100
Copper and copper products	15 179 193	7 660 870	7 810 735	102.0
Silver	4 066 646	1 969 454	2 186 896	111.0
Gold	111 866	18 913	78 387	x4.1

Table 12. *Volume of sales of the basic products of KGHM Polska Miedź S.A.*

	Unit	2011	I-VI 2011	I-VI 2012	Change I-VI' 2011=100
Copper and copper products	'000 t	566.9	282.4	287.1	101.7
Silver	t	1 179.4	599.2	644.3	107.5
Gold	kg	660.0	148.4	461.3	x3.1

In the first half of 2012, versus the comparable prior period, KGHM Polska Miedź S.A. recorded a slight increase in the volume of copper sales by 4.7 thousand t (1.7%). The structure of sales changed, i.e. the volume of copper wire rod sales increased by 8% (8.9 thousand t) alongside slightly lower sales of cathode by 2% (3.7 thousand t).

The volume of sales of precious metals was higher versus the comparable prior period, and increased for silver by 7.5% (45.1 t), and for gold three-fold, i.e. by around 313 kg. The higher level of gold sales in the first half of 2012 versus the first half of 2011 was due to higher gold production in the first half of 2012 and to the need to match the gold sales structure in 2011 to market demand.

With respect to sales of copper and copper products, revenues increased by 2%. Revenues from silver sales versus the comparable period of 2011 were higher by 11%, due to an increase in the volume sold by 7% and an increase in the average sale price by 3%. Revenues from gold sales were more than four times higher due to a more-than-triple increase in the volume sold and an increase in the average sale price by 33%.

Revenues from sales in the first half of 2012 reflect the positive result from the settlement of hedging instruments in the amount of PLN 141 113 thousand (in the first half 2011, PLN 83 577 thousand).

The second-largest share of metals sales in the KGHM Polska Miedź S.A. Group (around 8%) are the total revenues from sales of products of the KGHM INTERNATIONAL LTD. Group companies, with such as: copper, nickel, precious metals (silver, gold, platinum, palladium). For the period control was exercised they amounted to PLN 1 060 619 thousand. In addition, the KGHM INTERNATIONAL LTD. Group also has revenues from mining services. For the period control was exercised they amounted to PLN 404 605 thousand.

Most of the remaining companies of the Group provide services and supply products, merchandise and materials to the Parent Entity. The largest amount of sales outside the Group in the first half of 2012 were realised by CENTROZŁOM WROCŁAW S.A. (3.7% of the Group's revenues from sales) and KGHM Metraco S.A. (2.4% of the Group's revenues from sales). A large part of the merchandise sold by KGHM Metraco S.A. are by-products of the core business of KGHM Polska Miedź S.A.

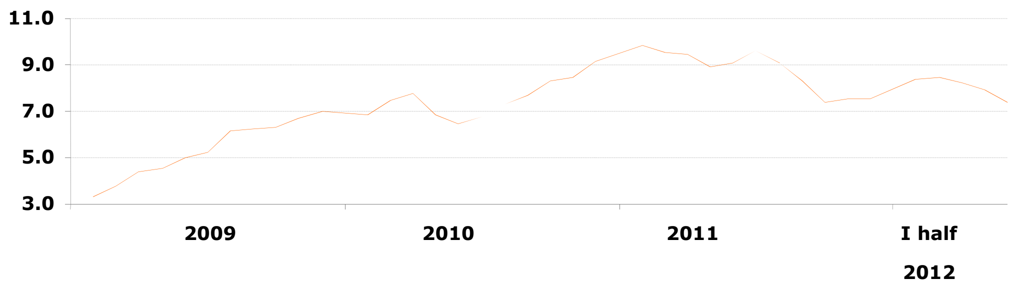
9. Macroeconomic sales conditions

For most of the first half of 2012, copper prices remained in the range of 8 200 – 8 650 USD/t, although a clear decrease in prices in the second half of May 2012 caused a decrease in the average for the period below the lowest amount in the range. The deterioration of conditions in the financial markets in May, related to another phase of the debt crisis in Europe, caused the price of copper to fall below 8 000 USD/t. On the silver market, following increases at the start of the year and a peak price on 29 February 2012 (37.46 USD/ounce) silver prices systematically decreased, and at the end of the year were below 30 USD/ounce.

The average electrolytic copper price in the first half of 2012 on the London Metal Exchange (LME) amounted to 8 097 USD/t and was 14% lower than in the first half of 2011, when it reached 9 398 USD/t.

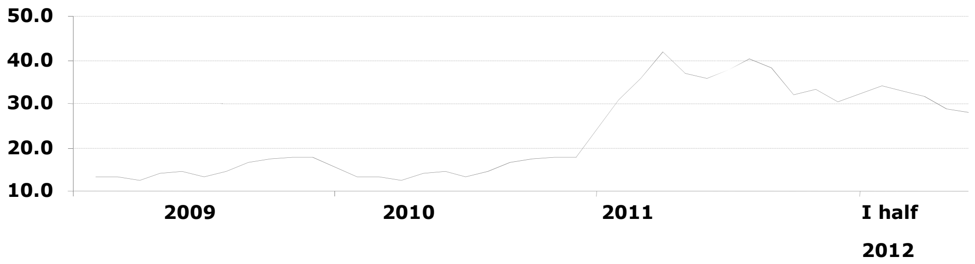
9. Macroeconomic sales conditions (continued)

Chart 2. *Copper prices on the LME ('000 USD/t)*



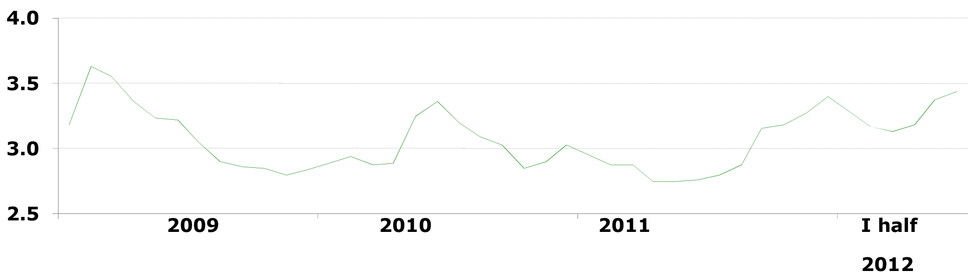
The average silver price according the London Bullion Market Association (LBMA) in the first half 2012 amounted to 31.06 USD/troz (998.5 USD/kg), meaning a decrease by 11% versus the average price in the first half of 2011 – 34.84 USD/troz (1 120.1 USD/kg).

Chart 3. *Silver prices per the LBMA (USD/troz)*



The first half of 2012 brought high volatility to the currency market. In January 2012 the Polish zloty underwent rapid appreciation versus the USD, from 3.50 to 3.15, and over the subsequent three months the USD/PLN exchange rate fluctuated in the range of 3.05 – 3.25. However, at the beginning of May 2012, as a result of the growing aversion to risk, the Polish currency began to lose in value versus the main world currencies, and the USD/PLN exchange rate returned to levels observed at the start of the year. On 1 June 2012 the highest exchange rate since 2009 was recorded in continuous trading (3.60 USD/PLN). The average USD/PLN exchange rate (per the NBP) in the first half 2012 amounted to 3.27 USD/PLN and was higher versus the first half of the prior year by 16.2% (2.82 USD/PLN).

Chart 4. *USD/PLN exchange rate per the NBP*



The most important macroeconomic factors are presented in the following table.

Table 13. *Significant macroeconomic conditions*

	Unit	I-VI 2011	2011	I-VI 2012	Change I-VI' 2011=100
Average copper price on the LME	USD/t	9 398	8 811	8 096	86.2
Average silver price on the LBMA	USD/troz	34.84	35.12	31.06	89.2
Average NBP USD/PLN exchange rate	USD/PLN	2.82	2.96	3.27	116.0

10. Sales markets

Geographical structure of sales markets

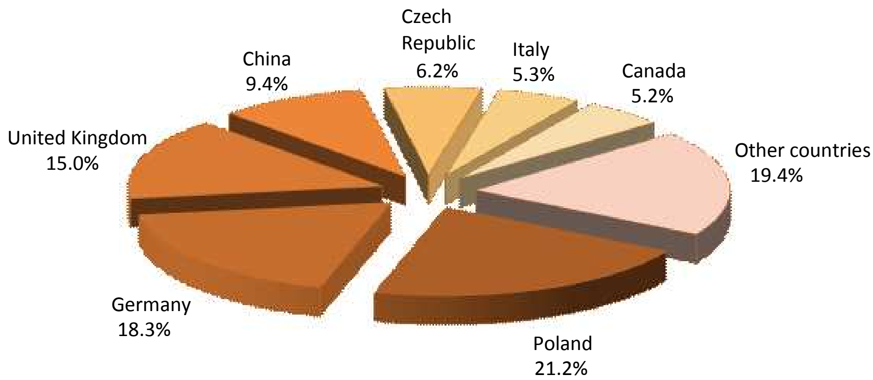
The largest part, i.e. 21.2% of the revenues from sales earned by the Group in the first half of 2012, was from the domestic market. The largest remaining recipients of the products, merchandise and services offered by Group companies were Germany (18.3%), the United Kingdom (15.0%) and China (9.4%). The largest increase in sales was on the British market (59%).

Revenues from sales of the Group to external customers by geographic region are presented in the following table.

Table 14. *Group sales by market ('000 PLN)*

	I-VI 2011	I-VI 2012	Change I-VI' 2011=100
Poland	2 939 310	2 775 978	94.4
Germany	2 405 862	2 395 118	99.6
United Kingdom	1 238 693	1 969 065	159.0
China	797 975	1 232 726	154.5
Czech Republic	723 515	810 869	112.1
Italy	649 887	697 141	107.3
Canada	-	687 801	-
Other countries	2 465 930	2 542 545	103.1
Total	**11 221 172**	**13 111 244**	**116,8**

Chart 5. *Structure of revenues by sales market in the first half of 2012*



** sales to each of the remaining countries did not exceed 5%*

Sales on the Polish market

Sales of the Parent Entity on the domestic market in the first half of 2012 accounted for around 60% of sales of the entire Group. The sales volume of copper and copper products on the domestic market accounted for 20% of total copper sales. Silver sales on the Polish market accounted for 1.7% of the total volume of silver sold.

Revenues of other companies which are significant in the revenues of the KGHM Polska Miedź S.A. Group on the domestic market:

- CENTROZŁOM WROCŁAW S.A. (about 12% share) – trade in scrap and smelter products,
- KGHM Metraco S.A. (about 7% share) – trade in merchandise and materials.

Sales to other countries

Around 82% of revenues from sales of the KGHM Polska Miedź S.A. Group to the remaining countries in the first half of 2012 were realised by the Parent Entity.

The sales volume of copper and copper products accounted for 80% of total copper sales. During the analysed period, the largest recipients of the copper produced by KGHM Polska Miedź S.A. were Germany, China, Italy and the Czech Republic.

Silver sales accounted for 98% of the total volume of silver sales. The largest recipients of the silver produced by KGHM Polska Miedź S.A. were the United Kingdom, Belgium and Switzerland.

Companies belonging to the KGHM INTERNATIONAL LTD. Group (formerly Quadra FNX Mining Ltd.) accounted altogether for approx. 14% of revenues from sales of the KGHM Polska Miedź S.A. Group to other countries. The main recipients of the products produced by these entities were China, the USA and India.

11. Significant contracts for the Group

In the first half of 2012, the companies of the Group entered into the following significant contracts, whose value exceeds 10% of the equity of KGHM Polska Miedź S.A.

Table 15. *Significant contracts for the Group's activities entered into in the first half of 2012*

Date	Amount	Description of contract
5 March 2012	CAD 2 900 012 thousand (PLN 9 147 219 thousand)*	An agreement for the acquisition by 0929260 B.C. UNLIMITED LIABILITY COMPANY with its registered head office in Vancouver (an indirect subsidiary of KGHM Polska Miedź S.A.) of 100% of the shares of KGHM INTERNATIONAL LTD. (formerly Quadra FNX Mining Ltd.). Details of this transaction are described in Table 3 of this report.
5 March 2012	USD 2 936 840 thousand (PLN 9 208 462 thousand)*	An agreement for an interest-bearing loan between KGHM Polska Miedź S.A. (as lender) and Fermat 1 S.à r.l. (as borrower). Loan used for conversion into equity of Fermat 1 S.à r.l. on the date granted. (Fermat 1 S.à r.l. is 100% owned by KGHM Polska Miedź S.A.)
5 March 2012	USD 1 063 740 thousand (PLN 3 335 357 thousand)*	An agreement for an interest-bearing loan between Fermat 1 S.à r.l. (as lender) and Fermat 2 S.à r.l. (as borrower). Loan used for conversion into equity of Fermat 2 S.à r.l. on the date granted. (Fermat 2 S.à r.l. is 100% owned by Fermat 1 S.à r.l.)
5 March 2012	USD 1 873 100 thousand (PLN 5 873 105 thousand)*	An agreement for an interest-free loan between Fermat 1 S.à r.l. (as lender) and Fermat 3 S.à r.l. (as borrower). (Spółka Fermat 3 S.à r.l. is 100% owned by Fermat 1 S.à r.l.)
5 March 2012	USD 1 873 100 thousand (PLN 5 873 105 thousand)*	An agreement for an interest-bearing loan between Fermat 3 S.à r.l. (as lender) and Fermat 2 S.à r.l. (as borrower). Loan used for conversion into shares of Fermat 2 S.à r.l.
5 March 2012	USD 1 873 100 thousand (PLN 5 873 105 thousand)*	Forward agreement for the acquisition by Fermat 1 S.à r.l. from Fermat 3 S.à r.l. of shares of Fermat 2 S.à r.l., which Fermat 3 S.à r.l. will acquire from conversion of the aforementioned loan into capital of Fermat 2 S.à r.l.
5 March 2012	USD 1 873 100 thousand (PLN 5 873 105 thousand)*	An agreement for an interest-bearing loan between Fermat 2 S.à r.l. (as lender) and 0929260 B.C. Unlimited Liability Company (as borrower). (0929260 B.C. Unlimited Liability Company is 100% owned by Fermat 2 S.à r.l.)

** estimated value per the exchange rate at the date agreement signed*

Information on significant transactions entered into between related entities, under other than arm's length conditions

In the first half of 2012, there was one significant transaction entered into between related entities of the KGHM Polska Miedź S.A. Group under other than arm's length conditions. This transaction is described in Table 15 (the previous table – fourth item).

12. Capital expenditure

In the first half of 2012, the highest capital expenditures in the Group were incurred by the Parent Entity.

The amount and structure of capital expenditures by KGHM Polska Miedź S.A. is presented in the following table.

Table 16. *Capital expenditures by KGHM Polska Miedź S.A. ('000 PLN)*

	2011	I-VI 2011	I-VI 2012	Change I-VI' 2011=100
Mining	1 056 553	286 703	505 432	176.3
Smelting	218 404	44 332	99 560	x 2.2
Other activities	238 941	118 675	67 971	57.3
Capitalised uncompleted development work	4 611	399	78	19.5
Total	**1 518 509**	**450 109**	**673 041**	**149.5**

With respect to the capital expenditures in the first half of 2012 presented above, development-related investments amounted to PLN 358 658 thousand (54%).

Following are the major investment projects realised by the Parent Entity in the first half of 2012.

Table 17. *Significant tasks realised by KGHM Polska Miedź S.A. in the first half of 2012*

Mining
Construction of the SW-4 shaft – work continued on sinking the shaft and main drifts – since work started the depth of the shaft has reached 982 meters, while 542 meters of drifts have been excavated, representing 65% of the planned amount.
Głogów Głęboki–Przemysłowy – work continued on realisation of temporary and permanent facilities and main drifts with infrastructure – since 2005, 40.2 thousand meters of drifts have been excavated, representing 31% of the planned amount.
With respect to modernisation and replacement of the machinery park in the mines, 124 mining machines were purchased, representing 58% of the amount of mining machines planned for purchase in 2012.
In the mining divisions, work was carried out on investments related to development of the infrastructure of the mining sections, ventilation and cooling equipment and investments in the conveyor belts and pipelines.
With respect to the replacement of floatation machinery, of the 113 machines planned for replacement, since 2009 58 machines have been replaced (13 in the reporting period).
Work began on realisation of the project „Modernisation of classification units" - modernisation of hydrocyclone batteries with new-generation equipment. The project foresees the exchange of a total of 78 hydrocyclone batteries throughout the Ore Enrichment Plants.
As part of the exploration project "Investigation and documentation of the Synklina Grodziecka region of the „Niecka Grodziecka" deposit", in the first half of 2012 work was completed on the drilling of the 8th drillhole, and on the development and submission of a request to the Minister of the Environment on a change to the existing license for the exploration and evaluation of copper ore deposits in the Synklina Grodziecka region (issuance of a decision on conduct of stage II of the geological work – execution of 7 drillholes).
Facilities were realised related to improving and maintaining the safe operation of the Żelazny Most Mining Waste Treatment Facility (MWTF) and to elimination of its environmental impact.
Realisation was continued on the project „Development of the Żelazny Most Mining Waste Treatment Facility to ensure the ability to store floatation tailings after 2016": – an agreement was signed between KGHM Polska Miedź S.A. and the Municipalities (Gminas) regarding expansion of the Żelazny Most MWTF once a level of 180 m above sea level is achieved; – work began on drilling and the installation of control-measurement equipment (Southern Quarter).

12. Capital expenditure (continued)

Mining
Realisation was continued on the project „Achieving rock salt production of 1 million tonnes/year”.
As part of the project „Development and implementation in the mines of KGHM Polska Miedź S.A. of technology for the mechanical extraction of ore” (automated extraction machinery): – infrastructure for a pilot section was installed with all components required for the section to conduct trials of the ACT Mining Complex, – the ACT cutting head and ACT Mining Machine were installed and tested at the test site, and tests were performed on the component parts of the ACT Mining Complex, – approvals were obtained from mining authorities for the conduct of trials at the pilot section as well as a positive opinion from the Committee for Natural Hazards of the State Mining Authority.
Smelting
As part of the Pyrometallurgy Modernisation Program, construction-assembly work continued on preparing infrastructure for construction of the Flash Furnace: – trestle bridges for power supply, ground pipes, narrow railways, roads and work sites, underground pipes, a xanthenol station, and electrical and communication cable networks, – work related to development of the slag pouring and processing station of the Electric Furnace with infrastructure, – a contract was signed to build the foundations of Flash Furnace Hall Complex No. 2, Electric Furnace No. 2 and the Recovery Boiler and Power Building. In addition, tenders are being held for the purchase of key equipment for the flash and electrical furnaces.
Realisation began on the project „Intensification of smelting at the Głogów II smelter”: – key design contracts were signed, – contracting continued for the supply of materials, machinery, equipment and construction-assembly work.
Other
As part of the project Construction of Gas-Steam Blocks in the Power plants in Głogów and Polkowice, work continued on concrete reinforcement, and delivery and assembly of the recovery boilers and gas turbounits was realised. Also as part of this project, during the reporting period construction, assembly, installation and electrical work based on current projects was carried out. Deliveries of major electrical and installation equipment were arranged by the General Contractor.

13. Review of financial position

At 30 June 2012 total assets in the consolidated statement of financial position increased versus the end of 2011 by PLN 7 192 406 thousand (i.e. by 23.5%), mainly due to acquisition of the KGHM INTERNATIONAL LTD. Group (formerly Quadra FNX Mining Ltd.).

At the end of June 2012, the assets structure of the KGHM Polska Miedź S.A. Group was dominated by the assets of the Parent Entity and of the KGHM INTERNATIONAL LTD. Group.

13. Review of financial position (continued)

Table 18. *Assets ('000 PLN)*

	31.12.2011 restated	30.06.2012	Structure %	Change 31.12.11=100
Non-current assets	**12 050 205**	**23 048 083**	**61.0**	**191.3**
Property, plant and equipment	9 092 529	13 645 769	36.1	150.1
Intangible assets	580 384	2 334 895	6.2	x4.0
Investment property	59 930	60 171	0.2	100.4
Investments accounted for using the equity method	472	3 328 892	8.8	x7 052.7
Deferred tax asset	272 331	765 738	2.0	281.2
Available-for-sale financial assets	993 960	860 982	2.3	86.6
Mine closure financial assets	111 709	485 356	1.3	x4.3
Derivatives	899 400	1 040 823	2.8	115.7
Trade and other receivables	39 490	525 457	1.4	x13.3
Current assets	**18 516 811**	**14 711 339**	**39.0**	**79.4**
Inventories	2 658 253	3 853 235	10.2	145.0
Trade and other receivables	1 838 979	3 188 624	8.5	173.4
Current corporate tax receivables	7 759	129 595	0.3	x16.7
Available-for-sale financial assets	15 668	151 236	0.4	x9.7
Mine closure financial assets	2 147	1 198	0.0	55.8
Derivatives	860 042	600 954	1.6	69.9
Other financial assets measured at fair value through profit and loss	-	55	0.0	-
Cash and cash equivalents	13 130 401	6 782 892	18.0	51.7
Non-current assets held for sale	3 562	3 550	0.0	99.7
TOTAL ASSETS	**30 567 016**	**37 759 422**	**100.0**	**123.5**

The most important changes in assets were mainly due to inclusion in the consolidated financial statements of the KGHM INTERNATIONAL LTD. Group, including an increase in property, plant and equipment by PLN 4 157 362 thousand, intangible assets by PLN 1 724 080 thousand and non-current and current receivables by PLN 1 550 611 thousand. The largest increase was in respect of investments accounted for using the equity method. Recognised in this item is Sierra Gorda S.C.M., a joint venture of KGHM INTERNATIONAL LTD. (55%) and companies of the Sumitomo Group: Sumitomo Metal Mining Co., Ltd. (31.5%) and Sumitomo Corporation (13.5%). The investment amounts to PLN 3 047 389 thousand.

The expenditures incurred on financing the acquisition of KGHM INTERNATIONAL LTD. (formerly Quadra FNX Mining Ltd.) was a significant cause of the decrease in cash and cash equivalents.

Apart from the factors mentioned above, a significant cause of the changes in the Group's assets was the changes in the assets of the Parent Entity, i.e.:

- an increase in property, plant and equipment by PLN 304 888 thousand, mainly due to realisation of investments – expenditures in this regard amounted to PLN 673 041 thousand, including replacement-related investments of PLN 306 435 thousand,
- an increase in inventories by PLN 499 911 thousand, as a result of the planned increase in inventory volume due to planned shut-downs: for technological reasons at the Głogów II smelter in the second half of 2012 and for maintenance at the Legnica smelter in 2013, and of the higher unit cost of copper production, representing the basis for valuing inventories,
- an increase in receivables by PLN 475 391 thousand,
- a decrease by PLN 128 832 thousand in the value of derivatives – due to a change in the forward prices of metals, the settlement of derivatives and the opening of new transactions on the copper market (126 thousand tonnes in the years 2013-2015) and currency market (USD 720 million in the years 2014-2015),
- a decrease by PLN 140 903 thousand in the value of available-for-sale financial assets – in respect of non-current assets, and mainly the result of re-measurement of the shares of TAURON Polska Energia S.A. (a fall in the share price).

13. Review of financial position (continued)

Table 19. *Assets effectiveness ratios **

	I-VI 2011	I-VI 2012
Assets turnover ratio	0.4	0.3
Non-current assets turnover ratio	1.0	0.6
Current assets turnover ratio	0.8	0.9
Liquid assets turnover ratio	1.3	1.3

** - ratios calculated based on end-of-period balances, pursuant to methodology described in Appendix A.*

The deterioration in the non-current assets turnover ratio was mainly due to the significant increase in non-current assets due to inclusion in the consolidated financial statements of the KGHM INTERNATIONAL LTD. Group.

The remaining ratios remained at similar levels.

14. Equity and liabilities

The share of equity in total equity and liabilities at 30 June 2012 amounted to 54.6%.

Table 20. *Equity and liabilities ('000 PLN)*

	31.12.2011 restated	30.06.2012	Structure %	Change 30.12.11=100
EQUITY	**23 386 610**	**20 625 734**	**54.6**	**88.2**
Share capital	2 000 000	2 000 000	5.3	100.0
Accumulated other comprehensive income	554 924	835 226	2.2	150.5
Retained earnings	20 542 842	17 555 378	46.5	85.5
Equity attributable to shareholders of the Parent Entity	**23 097 766**	**20 390 604**	**54.0**	**88.3**
Non-controlling interest	**288 844**	**235 130**	**0.6**	**81.4**
Non-current liabilities	**2 815 264**	**7 577 972**	**20.1**	**269.2**
Trade and other payables	129 749	809 599	2.1	x6.2
Borrowings, debt securities and finance lease liabilities	194 370	1 929 776	5.1	x9.9
Derivatives	538 320	511 104	1.4	94.9
Deferred tax liabilities	129 042	2 065 012	5.5	x16.0
Employee benefits liabilities	1 338 743	1 385 305	3.7	103.5
Provisions for other liabilities and charges	485 040	877 176	2.3	180.8
Current liabilities	**4 365 142**	**9 555 716**	**25.3**	**218.9**
Trade and other payables	2 182 093	8 791 409	23.3	x4.0
Borrowings, debt securities and finance lease liabilities	103 587	81 463	0.2	78.6
Current corporate tax liability	1 595 528	326 591	0.9	20.5
Derivatives	331 331	167 660	0.4	50.6
Employee benefits liabilities	126 563	123 740	0.3	97.8
Provisions for other liabilities and charges	26 040	64 853	0.2	249.1
TOTAL LIABILITIES	**7 180 406**	**17 133 688**	**45.4**	**238.6**
TOTAL LIABILITIES AND EQUITY	**30 567 016**	**37 759 422**	**100.0**	**123.5**

A substantial portion of the significant changes with respect to liabilities is mainly due to inclusion in the consolidated financial statements of the KGHM INTERNATIONAL LTD. Group. The most important changes in this regard are an increase in non-current liabilities due to deferred tax by PLN 1 932 122 thousand; due to the issuance of non-current debt securities (senior notes) by PLN 1 744 574 thousand (issued mainly for the purpose of acquiring funds for realisation of the Sierra Gorda project); and due to trade and other payables by PLN 638 112 thousand.

14. Equity and liabilities (continued)

The remaining significant changes with respect to equity and liabilities are mainly due to events which occurred in the Parent Entity, i.e.:

- a decrease by PLN 2 962 286 thousand in equity, due to the shareholder dividend resolved in the Parent Entity for 2011 in the amount of PLN 5 668 000 thousand, with profit earned in the first half of 2012 in the amount of PLN 2 949 179 thousand,
- an increase by PLN 6 119 504 thousand in trade and other payables, mainly due to liabilities in respect of the shareholder dividend, which pursuant to a decision of the General Meeting will be paid in the second half (PLN 3 400 000 thousand on 20 August and PLN 2 268 000 thousand on 16 November 2012),
- a decrease by PLN 1 276 752 thousand in current corporate tax liability, due to payment of the difference between prepayments on income tax paid in 2011 and tax liabilities resulting from the CIT 2 form for 2011 (in 2011 the company made use of fixed monthly prepayments on income tax based on the tax result for 2009),
- a decrease by PLN 190 493 thousand in derivatives due to a change in the forward prices of metals, the forward USD/PLN exchange rate, the settlement of instruments during the year and the opening of new transactions on the copper and currency markets. For the copper market there was a decrease in liabilities of PLN 60 927 thousand, and for the silver market by PLN 22 169 thousand; for the currency market there was a decrease in liabilities of PLN 107 397 thousand.

Table 21. *Assets financing ratios **

	I-VI 2011	I-VI 2012
Coverage of assets by equity	0.7	0.5
Coverage of non-current assets by equity	1.4	0.9
Coverage of non-current assets by long-term capital	1.6	1.2
Coverage of current assets by current liabilities	0.5	0.6

** - Ratios calculated based on end-of-period balances, in accordance with methodology described in Appendix A.*

The increase in the ratio describing the coverage of current assets by current liabilities was mainly due to the increase in liabilities due to payment of a dividend by the Parent Entity.

The increase in the liabilities and the increase in assets as a result of the inclusion in the financial statements of the KGHM INTERNATIONAL LTD. Group was the reason for the decrease in the remaining ratios.

15. Contingent assets and liabilities

At 30 June 2012, contingent assets amounted to PLN 441 486 thousand and related mainly to guarantees received (in the amount of PLN 197 097 thousand), related to securities to cover potential claims due to the non-execution or improper execution of agreements by contractors. Other contingent assets primarily involve promissory note receivables (PLN 91 096 thousand) and overpayment of the tax on the underground mines of KGHM Polska Miedź S.A. (PLN 86 296 thousand).

Contingent liabilities at the end of the first half of 2012 amounted to PLN 836 161 thousand, of which:

- guarantees granted – PLN 510 695 thousand (PLN 467 613 thousand respecting guarantees granted to Sierra Gorda S.C.M.),
- liabilities to municipalities (gminas) due to an agreement signed by the Parent Entity in respect of development of the Żelazny Most mining tailings treatment pond – PLN 156 268 thousand,
- liabilities due to implementation of projects and inventions in KGHM Polska Miedź S.A. – PLN 119 309 thousand.

16. Statement of comprehensive income

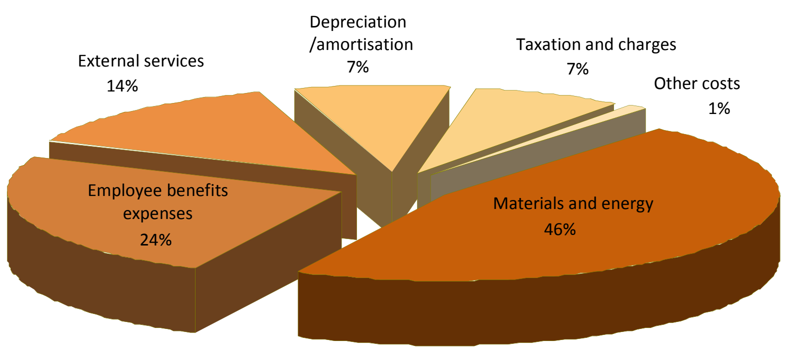
Table 22. *Consolidated statement of comprehensive income ('000 PLN)*

	2011 restated	I-VI 2011 restated	I-VI 2012	Change I-VI'2011=100
Continued operations				
Sales	22 107 230	11 221 172	13 111 244	116.8
Cost of sales	(11 622 020)	(5 693 527)	(8 314 335)	146.0
Gross profit	**10 485 210**	**5 527 645**	**4 796 909**	**86.8**
Selling costs	(186 917)	(141 554)	(191 496)	135.3
Administrative expenses	(897 882)	(423 022)	(546 616)	129.2
Other operating income	4 563 818	701 399	991 069	141.3
Other operating costs	(812 659)	(566 345)	(1 429 907)	x2.5
Operating profit	**13 151 570**	**5 098 123**	**3 619 959**	**71.0**
Finance costs	(51 705)	(21 765)	(70 246)	x3.2
Share of profits of associates accounted for using the equity method	187 729	187 755	(104)	-
Profit before income tax	**13 287 594**	**5 264 113**	**3 549 609**	**67.4**
Income tax expense	(2 285 301)	(950 129)	(834 768)	87.9
Profit for the period from continued operations	**11 002 293**	**4 313 984**	**2 714 841**	62.9
Discontinued operations				
Profit for the period from discontinued operations	59 631			
Profit for the period	**11 062 319.00**			

As a result of inclusion of the KGHM INTERNATIONAL LTD. Group in the consolidated financial statements, revenues from sales increased for the first half of 2012 by PLN 1 465 223 thousand, with profit for the period lower by PLN 104 182 thousand. In addition, the financial result of the Group in the first half of 2012 was significantly impacted by the profit of the Parent Entity.
Following are the main factors which impacted the results of KGHM Polska Miedź S.A. in the first half of 2012:
- the decrease in copper prices by 14% and silver by 11% (a decrease in the result by PLN 1 540 003 thousand),
- a change in the exchange rate from 2.82 USD/PLN to 3.27 USD/PLN (an increase in the result by PLN 1 598 566 thousand),
- an increase in the total unit cost of electrolytic copper production in PLN/t by 19% (a decrease in the result by PLN 1 221 948 thousand), mainly due to an increase in the value of purchased copper-bearing materials consumed and an increase in expenses by nature, mainly due to the minerals extraction tax,
- exchange differences due to the high level of cash and cash equivalents in foreign currencies accumulated at the turn of 2011/12 to finance investment expenditures in the first quarter of 2012 - a decrease in the result by PLN 423 496 thousand,
- an increase in the volume of copper sold by 4.7 thousand tonnes, silver by 45.2 t and gold by 313 kg (an increase in the result by PLN 310 682 thousand).

Starting from April 2012, a significant new element in costs is the minerals extraction tax. This tax was introduced in accordance with the Act on the minerals extraction tax dated 2 March 2012, which came into force on 18 April 2012.
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 tax purposes, and therefore does not decrease the taxable base.

Chart 6. *Structure of expenses by nature in the first half of 2012*



Translation from the original Polish version

16. Statement of comprehensive income (continued)

Table 23. *Economic activities ratios**

	I-VI 2011	I-VI 2012
Current liquidity	2.2	1.5
Quick liquidity	1.7	1.1
ROA - return on assets (%)	17.2	7.2
ROE - return on equity (%)	26.3	13.2
Debt ratio (%)	34.7	45.4
Durability of financing structure (%)	75.2	74.7

** - ratios calculated according to methodology in Appendix A.*

The decrease in the liquidity ratios is mainly due to an increase in liabilities due to payment of a dividend by the Parent Entity. The increase in liabilities also caused an increase in the debt ratio.

The decrease in the ROA and ROE ratios is due to an increase in assets and equity (respecting the KGHM INTERNATIONAL LTD. Group), alongside a decrease in profit for the period.

Table 24. *Structure of the profit for the period ('000 PLN)*

Description	Profit/(loss) for the first half of 2012
KGHM Polska Miedź S.A.	**2 949 179**
Subsidiaries	**(124 167)**
including the most important:	
KGHM I FIZAN	17 360
PeBeKa S.A.	12 125
KGHM Ecoren S.A.	9 515
„Energetyka" sp. z o.o.	9 106
NITROERG S.A.	5 816
KGHM Metraco S.A.	4 766
KGHM CUPRUM sp. z o.o. - CBR	4 478
CENTROZŁOM WROCŁAW S.A.	3 929
ZANAM-LEGMET Sp. z o.o.	3 079
POL-MIEDŹ TRANS Sp. z o.o.	3 026
BIPROMET S.A.	2 797
PHP „MERCUS" sp. z o.o.	2 602
INOVA Spółka z o.o.	1 618
Przedsiębiorstwo Budowlane Katowice S.A.	(1 092)
WPEC w Legnicy S.A.	(1 580)
KGHM Kupfer AG	(1 762)
„MCZ" S.A.	(2 706)
KGHM AJAX MINING INC.	(3 362)
Zagłębie Lubin S.A.	(3 748)
0929260 B.C. UNLIMITED LIABILITY COMPANY *(from 3.01.2012 to 30.06.2012)*	(91 133)
KGHM INTERNATIONAL LTD. *(formerly Quadra FNX Mining Ltd.)* *(from 15.03.2012 to 30.06.2012)*	(104 182)
Total profits of Group entities	**2 825 012**
Consolidation adjustments	(111 355)
Profit of the Group attributable to shareholders of the Parent Entity	**2 713 657**
Profit attributable to non-controlling interest	1 184
Total profit for the period	**2 714 841**

17. Risk management

The companies of the Group are exposed to risk in each of their operational areas. A factor which substantially impacts the financial results of the Group is financial risk, which is divided into the following areas:

1) market risk:
   - the risk of changes in metals prices,
   - the risk of changes in exchange rates,
   - the risk of changes in interest rates,
   - price risk related to investments in debt securities, in participatory units in investment funds and in shares of listed companies,
2) liquidity risk,
3) credit risk.

Market risk

The Group actively manages that market risk to which it is exposed. The process of managing market risk is regulated by unified principles applied in the companies of the Group.

Amongst the companies of the Group only the Parent Entity applies hedging strategies, utilising derivatives (under hedge accounting). KGHM Polska Miedź S.A. uses derivatives instruments such as swaps, options contracts, forwards and structures combining the above instruments. The market strategies are applied in such a way as to make the best use of existing market conditions. The Parent Entity applies a consistent and step-by-step approach to market risk management.

<u>Risk of changes in metals and currency prices</u>

The Parent Entity and the KGHM INTERNATIONAL LTD. Group (formerly Quadra FNX Mining Ltd.) is exposed to the risk of changes in market prices of copper, silver and gold. The price formulas used in physical delivery contracts are mainly based on average monthly quotations from the London Metal Exchange for copper and other metals, and from the London Bullion Market for silver and gold. To hedge against decreases in metals prices, KGHM Polska Miedź S.A. uses derivatives.

The Group is exposed to the risk of changes in exchange rates, as it is generally accepted on commodities markets that physical contracts of metals delivery are either concluded or denominated in USD, while the functional currency for the KGHM Polska Miedź S.A. Group is the PLN.

As a result, the Group receives the equivalent in PLN or exchanges the USD it receives for PLN. This leads to the risk associated with fluctuations in the USD/PLN exchange rate during the period from the moment of entering into the trade contract to the moment of determining the exchange rate. In a situation wherein foreign clients pay in local currency for the copper or precious metals which they have imported, there also arises risk related to fluctuations in the exchange rates of other currencies, for example: EUR/PLN and GBP/PLN, CAD/USD, CLP/USD.

The KGHM INTERNATIONAL LTD. Group, whose functional currency is the USD, carries out most of its settlements in this currency, with transactions also taking place in CAD and CLP, which, as these amounts are immaterial, generate minimal currency exposure.

As a result, the KGHM Polska Miedź S.A. Group is exposed to currency risk due to the need to translate the amounts presented in the financial statements of the KGHM INTERNATIONAL LTD. Group for the purposes of the consolidated financial statements of the KGHM Polska Miedź S.A. Group.

The Group is also exposed to the risk of changes in exchange rates whose sources are borrowings or other liabilities (e.g. arising from the import of goods and services) denominated in currencies other than the USD.

Similarly as in prior years, in the first half of 2012 the Parent Entity applied a consistent and step-by-step approach to market risk management. In January 2012 strategies hedging the copper price were implemented in the years 2013-2015. In addition, in May 2012 the dynamic depreciation of the Polish zloty versus the USD was used to hedge the USD/PLN exchange rate in the years 2014-2015.

In the first half of 2012, the result on derivatives was PLN 122 499 thousand, of which PLN 141 113 thousand was recognised in revenues from sales (the amount transferred from accumulated other comprehensive income to profit or loss in the reporting period), PLN 18 614 thousand reduced other operating activities, of which PLN 74 936 thousand represented a loss due to realisation of derivatives, while PLN 56 322 thousand represented a gain due to the measurement of derivatives. The gain on the measurement of derivatives transferred to other operating activities was mainly due to changes in the time value of options which, in accordance with hedge accounting, are transferred to profit or loss.

<u>Risk of changes in interest rates</u>

The Group is exposed to interest rate risk due to:

- changes in the fair value of loans drawn, bonds issued and bank deposits for which interest is calculated at fixed rates, due to their inflexibility to adaptation to changes in market interest rates,
- changes in cash flow related to bank and other loans drawn, a decrease in expected income from bank deposits, for which interest is calculated at variable rates.

17. Risk management (continued)

At 30 June 2012 the Group had liabilities due to bank and other loans in the amount of PLN 239 874 thousand (at 31 December 2011, PLN 271 210 thousand) based on a variable interest rates as well as liabilities due to loans received in the amount of PLN 4 155 thousand (at 31 December 2011, PLN 738 thousand) with interest based on fixed interest rates. At 30 June 2012, the Group had liabilities due to issued bonds in the amount of PLN 1 744 574 thousand (KGHM INTERNATIONAL LTD is the issuer of the bonds), based on a fixed interest rate of 7.75%, with maturity in 2019. At 30 June 2012, the Group had bank deposits in the amount of PLN 5 815 101 thousand (at 31 December 2011, PLN 13 123 074 thousand) based on a variable and fixed interest rates.
At 30 June 2012, the net value of loans granted amounted to PLN 440 005 thousand, of which the most important was the loan granted to finance the Sierra Gorda project of the KGHM INTERNATIONAL LTD. Group in the amount of PLN 439 815 thousand.

At the end of the reporting period, the Group had no instruments hedging against interest rate risk.

Price risk related to investments in securities, participation units of investment funds and shares of listed companies

At 30 June 2012, the Group held corporate bonds with a carrying amount equivalent to PLN 49 787 thousand, with a maturity not exceeding 90 days from the purchase date, based on the variable interest rate WIBOR 1M plus a margin.

At 30 June 2012, the Group held 7 774 Polish Treasury bonds in the amount of PLN 8 031 thousand with a variable interest rate, classified as available-for-sale financial assets. Due to the nature of the issuer, this investment is only minimally exposed to price risk.

At 30 June 2012 the carrying amount of shares listed on the Warsaw Stock Exchange and on the TSX Venture Exchange amounted to PLN 992 901 thousand. Because of these investments, the Group is exposed to the risk of substantial changes in accumulated other comprehensive income due to changes in the prices of the shares held caused by the current macroeconomic situation.

Liquidity risk and capital management

The Group is exposed to financial liquidity risk, where financial liquidity is understood as the ability to settle financial liabilities on time.
The Parent Entity manages its financial liquidity in accordance with the policy „Financial Liquidity Management Policy" approved by the Management Board. This document describes in a comprehensive manner the process of managing financial liquidity in KGHM Polska Miedź S.A., based on best practice for such procedures and instruments.
Although the KGHM INTERNATIONAL LTD. Group does not have a formal liquidity management policy, it periodically monitors the basic debt ratios and manages liquidity risk by:

- preparing and monitoring actual forecasts of undiscounted cash flow regarding the regulation of financial liabilities at the earliest possible maturity dates, and
- managing capital structure and financial leveraging in order to ensure appropriate sources of financing of its operations and development projects.

In the first half of 2012, the Group made use of external financing in the form of bank and other loans as well as issued bonds. The most important item was the long-term bonds of the KGHM INTERNATIONAL LTD. Group in the amount of PLN 1 744 574 thousand, with maturity in 2019, while bank and other loans granted by financial institutions were regulated on time.
During the comparable prior period, due to positive cash flow and the significant amount of cash balances, the Group made only slight use of external financing in the form of bank and other loans granted by financial institutions and regulated all of its liabilities on time.
In accordance with approved market practice, the companies of the Group monitor their capital levels, based among others on the equity and debt/EBITDA ratios. The equity ratio is calculated as the ratio of net assets (equity less intangible assets) to total assets. The debt/EBITDA ratio is calculated as the ratio of liabilities due to bank and other loans and finance leases less unallocated cash and short-term investments with maturity up to 1 year, to EBITDA (operating profit plus depreciation/amortisation).
In order to maintain financial liquidity and the creditworthiness to acquire external financing at a reasonable cost, the Group assumes that the equity ratio shall be maintained at a level of not less than 0.5, and the ratio of debt/EBITDA at a level of up to 2.0. At 30 June 2012, the ratio of debt/EBITDA amounted to 0.00. The equity ratio was slightly below the assumed minimum level and at 30 June 2012 amounted to 0.48.
Both in the first half of 2012 as well as in 2011, there were no capital requirements imposed on the Parent Entity.
In the first half of 2012, KGHM Polska Miedź S.A. implemented cash management services in the Group – Zero balance cash pool. Several of the Group companies take advantage of them. This service enables optimisation of finance costs and effective management of current financial liquidity in the Group.
KGHM Polska Miedź S.A. is the coordinator of this service. This function is based on ensuring coverage of borrowing limits granted to participants of the system, establishing the conditions for functioning of the system, including in particular representation of the participants in bank relations with respect to services and the principles for calculating interest.

17. Risk management (continued)

Credit risk

Credit risk is defined as the risk that counterparties of the Group will not be able to meet their contractual obligations. Credit risk is related to three main areas:
- the creditworthiness of the customers with whom physical sale transactions are undertaken,
- the creditworthiness of the financial institutions (banks/brokers) with whom, or through whom, hedging transactions are undertaken, and
- the creditworthiness of the entities in which investments are made, or whose securities are purchased.

All of the entities with whom the Group enters into depositary transactions operate in the financial sector. These are exclusively banks belonging to European and American financial institutions with the highest, medium-high and medium ratings, and having an appropriate level of equity and strong and stable market positions. At 30 June 2012, the maximum share of a single entity with respect to the amount of funds deposited by the Group amounted to 12.5% (at 31 December 2011: 25%).

All of the entities with whom the Group entered into derivative transactions in the first half of 2012 operated in the financial sector. These were financial institutions (mainly banks), with the highest (5.5%), medium-high (77.8%) and medium (16.7%) ratings. According to fair value at 30 June 2012, the maximum share of a single entity with respect to credit risk arising from derivative transactions entered into by the Group amounted to 20.1%.

All of the entities with whom the Group entered into derivative transactions in 2011 operated in the financial sector. These were financial institutions (mainly banks), with the highest (21%), medium-high (73.7%) and medium (5.3%) ratings. The maximum share of a single entity with respect to credit risk arising from derivative transactions entered into by the Group amounted to 23.6%.

Due to diversification of risk in terms both of the nature of individual entities and of their geographical location, as well as to cooperation with highly-rated financial institutions, as well as taking into consideration the fair value of assets and liabilities arising from derivative transactions, the Group is not materially exposed to credit risk as a result of derivative transactions entered into.

To restrict cash flow and simultaneously restrict credit risk, the Parent Entity performs net settlement (based on framework agreements entered into with customers) to the level of positive balance of fair value measurement of hedging transactions with the given counterparty.

For many years the companies of the Group have cooperated with a large number of geographically diversified clients.

To reduce the risk of insolvency by its customers, the Parent Entity has entered into a receivables insurance contract, which covers receivables from entities with buyer's credit which have not provided strong collateral or have provided collateral which does not cover the total amount of the receivables. Taking into account the collateral held and the credit limits received from the insurance company, as at 30 June 2012, the Parent Entity had secured 85.1% of its trade receivables.

The KGHM INTERNATIONAL LTD. Group has not entered into a receivables insurance contract. However, in order to reduce credit risk it makes use of other tools, such as:
- servicing a small number of steady customers,
- execution of payment deadlines immediately after delivery or at the moment of receipt by the customer of sales documents, and
- on-going monitoring of payments.

The concentration of credit risk in the Group results from the fact that key clients of the Parent Entity (the majority of whom operate within the European Union) are allowed extended terms of payment. Consequently, at 30 June 2012 the balance of receivables from 7 of the Parent Entity's largest clients, represented 37.5% of the balance of trade receivables of the Group (at 31 December 2011 respectively, 42%). Despite the concentration of this type of risk, the Parent Entity believes that due to the availability of historical data and the many years of experience cooperating with its clients, as well as to the hedging used, the level of credit risk is low.

The following Group companies have significant trade receivables: the KGHM INTERNATIONAL LTD. Group, PLN 850 247 thousand (balance with ten main customers); CENTROZŁOM WROCŁAW S.A., PLN 89 343 thousand; KGHM Metraco S.A., PLN 86 243 thousand; NITROERG S.A., PLN 28 039 thousand; ZUK S.A., PLN 18 119 thousand; WMN „ŁABĘDY" S.A., PLN 17 714 thousand; POL-MIEDŹ TRANS Sp. z o.o., PLN 15 234 thousand; BIPROMET S.A., PLN 12 282 thousand; and PHP „MERCUS" sp. z o.o., PLN 11 333 thousand.

Group companies operate in various economic sectors, such as transport, construction, trade, and industrial production, and consequently there is no concentration of credit risk in any sector. The companies of the Group, with the exception of the Parent Entity, do not enter into framework agreements of a net settlement in order to reduce exposure to credit risk, although in situations where the given entity recognises both receivables and liabilities with the same client, in practice net settlement is applied, as long as both parties accept such settlement.

At 30 June 2012, the carrying amount of loans granted amounted to PLN 440 005 thousand. This amount was comprised of loans granted in the gross amount of PLN 441 502 thousand and impairment allowances in the amount of PLN 1 497 thousand performed in prior years. The most important item is a loan granted to finance the Sierra Gorda project of the KGHM INTERNATIONAL LTD. Group in the amount of PLN 439 815 thousand. This loan is payable on demand and due to the financing of a joint venture, is exposed to minimal risk.

18. Disputed issues

At 30 June 2012, the total value of ongoing disputed issues both by and against KGHM Polska Miedź S.A. and its subsidiaries amounted to PLN 327 067 thousand, including receivables of PLN 113 857 thousand and liabilities of PLN 213 210 thousand. The total value of the above disputed issues does not exceed 10% of the equity of the Parent Entity.

Value of proceedings involving receivables at 30 June 2012:

- proceedings by and against KGHM Polska Miedź S.A. amounted to PLN 58 618 thousand,
- proceedings by and against subsidiaries amounted to PLN 55 239 thousand.

Value of proceedings involving liabilities at 30 June 2012:

- proceedings by and against KGHM Polska Miedź S.A. amounted to PLN 179 067 thousand,
- proceedings by and against subsidiaries amounted to PLN 34 143 thousand.

The largest ongoing proceedings involving the receivables and liabilities of KGHM Polska Miedź S.A. and subsidiaries are presented in the following table.

Table 25. *Largest ongoing proceedings by and against KGHM Polska Miedź S.A. and its subsidiaries at 30 June 2012*

Proceedings involving liabilities
Setting additional royalties for the extraction of copper ore for the period from the start of 2006 to the end of the 3rd quarter of 2011 The municipalities (Gminas) of Polkowice, Lubin, the City of Lubin, Radwanice and Jerzmanowa submitted requests to the Minister of the Environment to open administrative proceedings to set additional royalties for the extraction by KGHM Polska Miedź S.A., for the period from the start of 2006 to the end of the 3rd quarter of 2011, of copper ore from deposits located in these municipalities and to allow them to participate as parties in these proceedings. The municipalities have noted that KGHM Polska Miedź S.A. lowered the amount of royalties paid on extracted non-balance copper ore in the total amount of PLN 90 442 thousand, including that portion payable to the municipalities in the amount of PLN 54 265 thousand, with the remainder representing payments to the National Fund for Environmental Protection and Water Management. The Minister of the Environment, in decisions dated 11 April 2012, dismissed the proceedings on the grounds that they were unfounded. The municipalities submitted appeals dated 26 April 2012 to the Minister of the Environment to reopen these proceedings. KGHM Polska Miedź S.A., in its replies in June 2012 to the appeals of the municipalities, requested that the decisions of the Minister of the Environment dated 11 April 2012 under appeal by the municipalities be upheld.
Royalties for use of invention project no. 1/97/KGHM Value of amount under dispute: PLN 42 413 thousand. The claim was filed with the Regional Court in Legnica on 26 September 2007 by 14 co-authors of invention project no. 1/97/KGHM. KGHM Polska Miedź S.A. received a summons on 14 January 2008. Each of the plaintiffs in this complaint is demanding royalties equivalent to the given plaintiff's share in the economic effects achieved for the 8th period of the project's application (calendar year 2006). In accordance with a decision of the Regional Court in Legnica, in June 2012 a court expert issued a further opinion regarding the methodology for calculating the economic effects by the plaintiffs and the company for 2006, being the basis for setting potential royalties. The Parent Entity questioned the opinion, and requested that a supplementary opinion be prepared. As at the date of preparation of this report, the request for a supplementary opinion had not been reviewed. In the Parent Entity's opinion the royalties being pursued by the Court are undue, as KGHM Polska Miedź S.A. covered the amounts due to the authors of the project resulting from use of an invention project.
Return of costs of protecting against mining damage Value of amount under dispute: PLN 16 409 thousand. A claim was filed against KGHM Polska Miedź S.A. with the Regional Court in Legnica by the company Prestiż MGC Inwest Sp. z o. o. Sp. k. in August 2009 for payment of the amount of PLN 16 409 thousand due to the return of costs of work to protect against mine damages incurred during construction of the Centrum Handlowo-Usługowe „CUPRUM ARENA" in Lubin. Proceedings are in progress. In the Parent Entity's opinion the claim is unfounded and should be dismissed.

18. Disputed issues (continued)

Proceedings involving receivables

Return of undue royalties for use of invention project no. 1/97/KGHM

In January 2008 KGHM Polska Miedź S.A. filed a counter claim against 14 project co-authors for payment of undue royalties paid in the amount of PLN 25 195 thousand for use of invention project no. 1/97/KGHM in the 6th and 7th periods (calendar years 2004-2005). The court has combined both these matters – the claims of 14 co-authors for the payment of royalties for use of invention project no. 1/97/KGHM in the amount of PLN 42 413 thousand with the claims of KGHM Polska Miedź S.A. for the payment of undue royalties paid for use of invention project no. 1/97/KGHM in the amount of PLN 25 195 thousand, for mutual hearing. Proceedings are in progress. In the Parent Entity's opinion the payment of royalties to the project's authors was unfounded.

Return of excise tax

Value of amount under dispute: PLN 17 618 thousand. „Energetyka" sp. z o. o. (a subsidiary of KGHM Polska Miedź S.A.) filed a claim with the Voivodeship Administrative Court against a decision of the Director of the Customs Office setting excise taxation from January 2006 to February 2009. The Voivodeship Administrative Court, in a judgment from October 2011, overturned the decision opposed by the subsidiary, and ordered compensation to be paid to the subsidiary in the amount of PLN 107 thousand. „Energetyka" sp. z o. o., in December 2011, filed a cassation appeal against the judgment of the Voivodeship Administrative Court to the Supreme Administrative Court and took actions aimed at transferring the matter from Section I of the Economic Chamber of the Supreme Administrative Court to the Financial Chamber of the SAC. Proceedings are in progress.

Return of excise tax

Amount under dispute: PLN 12 531 thousand. POL-MIEDŹ TRANS Sp. z o. o. (a subsidiary of KGHM Polska Miedź S.A.) filed a claim with the Voivodeship Administrative Court against a judgment of the Director of the Customs Office setting excise taxation for individual months from March to December 2003.

The Voivodeship Administrative Court, in judgments from April, May and June 2011, dismissed the claims. POL-MIEDŹ TRANS Sp. z o. o. filed cassation appeals against the judgments to the Supreme Administrative Court. Proceedings are in progress.

19. Realisation of projected financial results

Forecasts of the consolidated results of the KGHM Polska Miedź S.A. Group are not prepared. Each company prepares its own projections of its results.

The Parent Entity publishes its projections of results. In a current report dated 27 March 2012, KGHM Polska Miedź S.A. published its Budget assumptions for 2012 as approved by the Supervisory Board on the same day. The basis for preparing the Budget were the results of 2011 and the assumptions of individual operating plans. The basic assumptions of the Budget for 2012 are presented in the following table.

Table 26. *Assumptions of KGHM Polska Miedź S.A. Budget for 2012*

		Execution I-VI'12	Budget 2012	Realisation of Budget (%)
Sales	**M PLN**	**10 504**	**19 418**	**54.1**
Profit for the period	**M PLN**	**2 949**	**3 804**	**77.5**
Average annual copper price	USD/t	8 097	8 000	101.2
Average annual silver price	USD/troz	31.06	30.00	103.5
Exchange rate	USD/PLN	3.27	3.09	105.8
Unit cost of electrolytic copper production from own concentrate	PLN/t	12 277	15 729	78.1
Electrolytic copper production	'000 t	272.9	562.0	48.6
- including from purchased Cu-bearing materials	'000 t	68.7	147.3	46.6
Silver production	t	653.3	1 098	59.5

The relatively low unit cost of copper production from own concentrate in the first half 2012, versus the level planned for 2012, is due to the impact of the minerals extraction tax, which has increased the cost of copper production since April 2012.

The high advance on realisation of the Budget is mainly due to the more favourable than planned USD/PLN exchange rate. The Company is currently reviewing the published financial forecast.

20. Direction of the equity investments

The direction of the KGHM Polska Miedź S.A. Group concerning equity investments are mainly aimed at:
- development of the resource base, in order to increase mined copper production in the Group,
- realisation of investments in the energy sector,
- financial support of Group companies to realise investment programs,
- diversification of investment risk through participation in the closed-end investment funds managed by KGHM TFI S.A.

Development of the resource base is the main assumption of the strategy realised by KGHM Polska Miedź S.A. Equity investments in this regard comprise exploration work, mine investments and acquisitions of mining entities.

Equity investments realised in the energy sector are aimed at diversifying income sources and becoming less dependent of changes in energy prices.

In respect of these actions, on 4 July 2012, KGHM Polska Miedź S.A. signed a framework agreement with the companies Polskie Górnictwo Naftowe i Gazownictwo S.A. ("PGNiG"), ENEA S.A., PGE Polska Grupa Energetyczna S.A. and TAURON Polska Energia S.A. on the exploration for and extraction of shale gas. The subject of cooperation based on the agreement will be the exploration, evaluation and extraction of shale gas in geological formations for which concessions have been granted for the exploration and evaluation of deposits of crude oil and natural gas in relation to the Wejherowo concession held by PGNiG (the "Wejherowo Concession"). With respect to the Wejherowo Concession, there will be close cooperation involving an area of approximately 160 km^2 (the "Area of Cooperation").

The agreement provides for cooperation based on the targeted structure of a limited partnership whose subject of activities, assuming positive results at the stage of exploration and analysis of the deposits, will be the extraction of shale gas. The parties foresee the transfer of the concession for the extraction of shale gas to such limited partnership after it has been obtained by PGNiG. Each of the parties participates in control over the realisation of the project, in particular through participation in the operating committee formed for this purpose. Estimated expenditures on exploration, evaluation and extraction with respect to the first three zones (the Kochanowo, Częstkowo and Tępcz pads) within the Area of Cooperation are projected to be in the amount of PLN 1 720 000 thousand.

Details regarding the terms of cooperation will be determined within four months from the date the agreement is signed. Should such specific arrangements not be agreed, the agreement may be terminated by each of the parties. If within three months after reaching such arrangements the parties have not received all of the required corporate approvals, or if by 30 December 2012 the required antimonopoly clearances have not been received, the agreement will expire.

In addition, KGHM Polska Miedź S.A., in cooperation with TAURON Wytwarzanie S.A., intends to found the company Elektrownia Blachownia Nowa sp. z o.o. (each having a 50% interest), which will realise an investment based on the construction of a power plant on the grounds of the power plant Elektrownia Blachownia in Kędzierzyn Koźle belonging to TAURON Wytwarzanie S.A. This is the result of realisation of an agreement signed on 20 January 2010 by KGHM Polska Miedź S.A. with TAURON Polska Energia S.A. and TAURON Wytwarzanie S.A., in which the parties expressed their readiness to cooperate, as a result of which realisation of this joint investment is possible.

On 23 July 2012, KGHM Polska Miedź S.A. received the approval of the European Commission (the appropriate anti-monopoly body) regarding concentration based on the setting up of the special purpose company „Elektrownia Blachownia Nowa" sp. z o.o. Work being performed presently is related to the preparation of documents required for its founding.

Plans with respect to equity investments include also further acquisitions of the investment certificates of Closed-End Investment Funds (managed by KGHM TFI S.A. – a wholly-owned subsidiary of KGHM Polska Miedź S.A.). This investment is of a long-term nature, is not related with the core business and does not require operational involvement in the activities of Fund companies. The Funds are of a sector nature, and their chief areas of present and future focus are: protection of health and spa activities, renewable energy sources, new technology and property.

Realising a strategy of responsibility towards local communities, KGHM Polska Miedź S.A. intends to continue investments of social importance.

In addition, activities will be continued aimed at liquidating the company KGHM CONGO S.P.R.L. with its registered head office in Lubumbashi in the Democratic Republic of Congo, and at liquidating KGHM Kupferhandelsges. m.b.H.i.L in Vienna.

Possibility of realising investment intentions in terms of the amount of funds possessed, reflecting potential changes in the structure of financing these activities

The cash possessed by the Parent Entity at the present moment and its creditworthiness enable realisation of the equity investments foreseen in the company strategy. Depending on the macroeconomic conditions, the USD/PLN and on copper prices, in order to guarantee the availability of funds required to realise its investment goals, KGHM Polska Miedź S.A. is considering the drawing of bank and other loans or the issuance of bonds, with a finance cost based on a variable or fixed interest rate, depending on market conditions, the financial condition of the company and the type of financing.

Financing of equity expenditure for the largest investment of KGHM INTERNATIONAL LTD. – Sierra Gorda – is fully assured by funds provided by the joint venture partners and by external financing (project finance). Financing of the further development of other investment projects will be through the cash flow generated by the current operating activities of KGHM INTERNATIONAL LTD., external financing and eventual disinvestment.

21. Significant subsequent events

Resignation of a Member of the Supervisory Board

On 3 July 2012, Robert Oliwa submitted his resignation effective as of the date of the next General Meeting of KGHM Polska Miedź S.A. from fulfilment of the function of Member of the Supervisory Board of KGHM Polska Miedź S.A.

Signing of a framework agreement on the exploration for and extraction of shale gas

On 4 July 2012, the Management Board of KGHM Polska Miedź S.A. signed a framework agreement on the exploration for and extraction of shale gas (the "Agreement"). The parties to the Agreement are KGHM Polska Miedź S.A., Polskie Górnictwo Naftowe i Gazownictwo S.A. ("PGNiG"), ENEA S.A., PGE Polska Grupa Energetyczna S.A. and TAURON Polska Energia S.A. (hereafter jointly referred to as the "Parties"). Detailed information may be found in point 20 of this report.

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

On 20 July 2012, the Management Board of the Parent Entity announced the convening of an Extraordinary General Meeting of KGHM Polska Miedź S.A., on 17 August 2012, at 11:00 am, at the Head Office of the Parent Entity in Lubin.

The purpose of convening the Extraordinary General Meeting of KGHM Polska Miedź S.A. is to adopt resolutions regarding changes to the composition of the Supervisory Board of KGHM Polska Miedź S.A.

On 7 August 2012, the Management Board of KGHM Polska Miedź S.A. announced that at the request of a shareholder representing at least one-twentieth of the share capital – the State Treasury – it decided to change the date of the Extraordinary General Meeting convened for 17 August 2012, and set a new date for the Extraordinary General Meeting of 3 September 2012. The Management Board of the Parent Entity also announced that there is no change to the existing agenda.

Construction of a power generation source based on the use of natural gas on the grounds of the Elektrownia Blachownia power plant

On 23 July 2012, the European Commission granted approval to the founding by KGHM Polska Miedź S.A. and TAURON Wytwarzanie S.A. of the special purpose company „Elektrownia Blachownia Nowa" sp. z o.o., in order to build an 850 MW power plant on the grounds of the PKE Elektrownia Blachownia power plant.

APPENDIX A: Methodology of calculating ratios used in the report

Assets effectiveness ratios

$$\text{Assets turnover ratio} = \frac{\text{sales}}{\text{total assets}}$$

$$\text{Non-current assets turnover ratio} = \frac{\text{sales}}{\text{non-current assets}}$$

$$\text{Current assets turnover ratio} = \frac{\text{sales}}{\text{current assets}}$$

$$\text{Liquid assets turnover ratio} = \frac{\text{sales}}{\text{current receivables + cash and cash equivalents}}$$

Assets financing ratios

$$\text{Coverage of assets by equity} = \frac{\text{equity}}{\text{total assets}}$$

$$\text{Coverage of non-current assets by equity} = \frac{\text{equity}}{\text{non-current assets}}$$

$$\text{Coverage of non-current assets by long-term capital} = \frac{\text{equity + non-current liabilities}}{\text{non-current assets}}$$

$$\text{Coverage of current assets by current liabilities} = \frac{\text{current liabilities}}{\text{current assets}}$$

Economic activity ratios

$$\text{Current liquidity} = \frac{\text{current assets}}{\text{current liabilities}}$$

$$\text{Quick liquidity} = \frac{\text{current assets - inventories}}{\text{current liabilities}}$$

$$\text{ROA (return on assets)} = \frac{\text{profit for the period}}{\text{total assets}} \times 100$$

$$\text{ROE (return on equity)} = \frac{\text{profit for the period}}{\text{equity}} \times 100$$

$$\text{Debt ratio} = \frac{\text{total liabilities}}{\text{equity and liabilities}} \times 100$$

$$\text{Durability of financing structure} = \frac{\text{equity + non-current liabilities}}{\text{equity and liabilities}} \times 100$$

APPENDIX B: List of tables, diagrams and charts

TABLES

CHARTS

DIAGRAMS

SIGNATURES OF ALL MEMBERS OF THE MANAGEMENT BOARD OF THE PARENT ENTITY			
Date	**First, Last name**	**Position/Function**	**Signature**
28 August 2012	Herbert Wirth	President of the Management Board	
28 August 2012	Włodzimierz Kiciński	I Vice President of the Management Board	
28 August 2012	Wojciech Kędzia	Vice President of the Management Board	
28 August 2012	Dorota Włoch	Vice President of the Management Board	