POLISH FINANCIAL SUPERVISION AUTHORITY

Consolidated half-year report PS 2015

(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, with subsequent amendments)

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

for the first half of financial year **2015** comprising the period from **1 January 2015** to **30 June 2015**
Including the interim condensed consolidated financial statements prepared under International Accounting Standard 34 in **PLN**.

date of publication: **13 August 2015**

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@kghm.com (e-mail)	**www.kghm.com** (website address)
692–000–00-13 (NIP)	**390021764** (REGON)

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

	SELECTED FINANCIAL DATA	in M PLN		in M EUR	
		Half-year 2015 For the period from 1 January 2015 to 30 June 2015	**Half-year 2014** For the period from 1 January 2014 to 30 June 2014	**Half-year 2015** For the period from 1 January 2015 to 30 June 2015	**Half-year 2014** For the period from 1 January 2014 to 30 June 2014
I.	Sales revenue	10 060	9 528	2 433	2 280
II.	Profit on sales	1 766	1 569	427	376
III.	Profit before income tax	1 693	1 544	410	370
IV.	Profit for the period	1 194	1 101	289	263
V.	Profit for the period attributable to shareholders of the Parent Entity	1 192	1 100	289	263
VI.	Profit for the period attributable to non-controlling interest	2	1	-	-
VII.	Other comprehensive income	627	(8)	152	(2)
VIII.	Total comprehensive income	1 821	1 093	441	261
IX.	Total comprehensive income attributable to shareholders of the Parent Entity	1 819	1 093	441	261
X.	Total comprehensive income attributable to non-controlling interest	2	-	-	-
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 shareholders of the Parent Entity	5.96	5.50	1.45	1.32
XIII.	Net cash generated from operating activities	2 429	2 495	588	597
XIV.	Net cash used in investing activities	(2 174)	(2 574)	(526)	(616)
XV.	Net cash generated from financing activities	206	200	50	48
XVI.	Total net cash flow	461	121	112	29
		At 30 June 2015	**At 31 December 2014**	**At 30 June 2015**	**At 31 December 2014**
XVII.	Non-current assets	35 488	33 569	8 461	7 876
XVIII.	Current assets	6 938	6 805	1 654	1 597
XIX.	Total assets	42 426	40 374	10 115	9 473
XX.	Non-current liabilities	9 870	9 292	2 354	2 180
XXI.	Current liabilities	5 999	5 552	1 430	1 303
XXII.	Equity	26 557	25 530	6 331	5 990
XXIII.	Equity attributable to shareholders of the Parent Entity	26 346	25 302	6 281	5 937
XXIV.	Equity attributable to non-controlling interest	211	228	50	53

Average EUR/PLN exchange rate announced by the National Bank of Poland

	30 June 2015	31 December 2014	30 June 2014
Average exchange rate for the period*	4.1341	not applicable	4.1784
Exchange rate at the end of the period	4.1944	4.2623	not applicable

**Exchange rates are the arithmetical average of the current average exchange rates announced by the National Bank of Poland on the last day of each month respectively of 2015 and 2014*

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.

CONSOLIDATED HALF-YEAR REPORT PS 2015 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 REGARDING THE ENTITY ENTITLED TO AUDIT FINANCIAL STATEMENTS**

4. **INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

5. **THE MANAGEMENT BOARD'S REPORT ON THE ACTIVITIES OF THE GROUP**

Lubin, August 2015

AUDITOR'S REVIEW REPORT ON THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE FIRST HALF OF 2015

Lubin, August 2015

Independent registered auditor's report on the review of the interim condensed consolidated financial statements for the period from 1 January to 30 June 2015 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 profit or loss, the interim consolidated statement of comprehensive income for the period from 1 January to 30 June 2015, the interim consolidated statement of financial position as at 30 June 2015, the interim consolidated statement of changes in equity, the interim consolidated statement of cash flows for the period from 1 January to 30 June 2015 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.

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 accompanying interim condensed consolidated financial statements.

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Independent registered auditor's report on the review of the interim condensed financial statements for the period from 1 January to 30 June 2015 to the Shareholders and the Supervisory Board of KGHM Polska Miedź Spółka Akcyjna (cont.)

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:

Katarzyna Ignaszak

Group's Auditor, Key Registered Auditor
No. 11715

Wrocław, 12 August 2015

Translation note:
This version of our report is a translation from the original, which was prepared in Polish language. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.

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

Lubin, August 2015

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 judgment 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**
12 August 2015	Herbert Wirth	President of the Management Board	
12 August 2015	Jarosław Romanowski	First Vice President of the Management Board	
12 August 2015	Marcin Chmielewski	Vice President of the Management Board	
12 August 2015	Jacek Kardela	Vice President of the Management Board	
12 August 2015	Mirosław Laskowski	Vice President of the Management Board	

SIGNATURE OF PERSON RESPONSIBLE FOR ACCOUNTING			
Date	**First, Last name**	**Position/Function**	**Signature**
12 August 2015	Ludmiła Mordylak	Executive Director of Accounting Services Center Chief Accountant of KGHM Polska Miedź S.A.	

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

Lubin, August 2015

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**
12 August 2015	Herbert Wirth	President of the Management Board	
12 August 2015	Jarosław Romanowski	First Vice President of the Management Board	
12 August 2015	Marcin Chmielewski	Vice President of the Management Board	
12 August 2015	Jacek Kardela	Vice President of the Management Board	
12 August 2015	Mirosław Laskowski	Vice President of the Management Board	

SIGNATURE OF PERSON RESPONSIBLE FOR ACCOUNTING			
Date	**First, Last name**	**Position/Function**	**Signature**
12 August 2015	Ludmiła Mordylak	Executive Director of Accounting Services Center Chief Accountant of KGHM Polska Miedź S.A.	

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE FIRST HALF OF 2015

Lubin, August 2015

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

Interim consolidated statement of profit or loss

	Note	For the period from 1 January 2015 to 30 June 2015	from 1 January 2014 to 30 June 2014
Continued operations			
Sales revenue	6	10 060	9 528
Cost of sales	7	(7 681)	(7 297)
Gross profit		**2 379**	**2 231**
Selling costs	7	(163)	(193)
Administrative expenses	7	(450)	(469)
Profit on sales		**1 766**	**1 569**
Other operating income	9	431	310
Other operating costs	10	(332)	(236)
Operating profit		**1 865**	**1 643**
Finance costs	11	(171)	(99)
Share in losses of investments accounted for using the equity method	12	(1)	-
Profit before income tax		**1 693**	**1 544**
Income tax expense	13	(499)	(443)
Profit for the period		**1 194**	**1 101**
Profit for the period attributable to:			
shareholders of the Parent Entity		1 192	1 100
non-controlling interest		2	1
Earnings per share from continued operations attributable to the shareholders of the Parent Entity during the period	15		
(in PLN per share)			
- basic		5.96	5.50
- diluted		5.96	5.50

The accounting policies and other explanatory information presented on pages 9 to 76 represent an integral part of these interim condensed consolidated financial statements.

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

Interim consolidated statement of comprehensive income

	Note	For the period from 1 January 2015 to 30 June 2015	For the period from 1 January 2014 to 30 June 2014
Profit for the period		**1 194**	**1 101**
Other comprehensive income:			
Other comprehensive income, which will be reclassified to profit or loss when specific conditions are met:			
Other comprehensive income from measurement of financial instruments:			
Available-for-sale financial assets		(105)	156
Income tax related to available-for-sale financial assets		23	(28)
Cash flow hedging instruments		(205)	(143)
Income tax related to cash flow hedging instruments		39	27
Total other comprehensive income from measurement of financial instruments	27	**(248)**	**12**
Exchange differences from the translation of foreign operations statements	27	728	107
Total other comprehensive income, which will be reclassified to profit or loss when specific conditions are met		**480**	**119**
Other comprehensive income, which will not be reclassified to profit or loss:			
Actuarial gains/(losses)		181	(157)
Income tax related to actuarial gains/losses		(34)	30
Total other comprehensive income which will not be reclassified to profit or loss	27	**147**	**(127)**
Other comprehensive net income for the financial period		**627**	**(8)**
TOTAL COMPREHENSIVE INCOME		**1 821**	**1 093**
Total comprehensive income attributable to:			
shareholders of the Parent Entity		1 819	1 093
non-controlling interest		2	-

The accounting policies and other explanatory information presented on pages 9 to 76 represent an integral part of these interim condensed consolidated financial statements.

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

Interim consolidated statement of financial position

	Note	At 30 June 2015	At 31 December 2014
ASSETS			
Non-current assets			
Property, plant and equipment	16	17 909	17 621
Intangible assets	17	3 306	2 918
Investment property	18	60	60
Investments accounted for using the equity method	19	4 944	4 363
Deferred tax assets	32	581	535
Available-for-sale financial assets	20	826	931
Financial assets for mine closure and restoration of tailings storage facilities	21	369	358
Derivatives	22	191	214
Trade and other receivables	23	7 302	6 569
		35 488	**33 569**
Current assets			
Inventories	24	3 890	3 362
Trade and other receivables	23	1 896	2 537
Current corporate tax receivables		91	87
Available-for-sale financial assets	20	72	57
Financial assets for mine closure	21	5	2
Derivatives	22	193	277
Cash and cash equivalents	25	780	475
Non-current assets held for sale		11	8
		6 938	**6 805**
TOTAL ASSETS		**42 426**	**40 374**
EQUITY AND LIABILITIES			
Equity attributable to shareholders of the Parent Entity			
Share capital	26	2 000	2 000
Revaluation reserve from measurement of financial instruments	27	129	377
Exchange differences from the translation of foreign operations statements	27	1 899	1 171
Actuarial gains/losses on post-employment benefits	27	(283)	(430)
Retained earnings	28	22 601	22 184
		26 346	**25 302**
Equity attributable to non-controlling interest	29	**211**	**228**
TOTAL EQUITY		**26 557**	**25 530**
LIABILITIES			
Non-current liabilities			
Trade and other payables	30	1 031	1 002
Borrowings, debt instruments and finance lease liabilities	31	3 903	2 997
Derivatives	22	206	123
Deferred tax liabilities	32	1 696	1 676
Employee benefits liabilities	33	1 812	2 011
Provisions for other liabilities and charges	34	1 222	1 483
		9 870	**9 292**
Current liabilities			
Trade and other payables	30	3 504	3 236
Borrowings, debt instruments and finance lease liabilities	31	1 850	1 813
Current corporate tax liabilities		295	164
Derivatives	22	44	37
Employee benefits liabilities	33	138	135
Provisions for other liabilities and charges	34	168	167
		5 999	**5 552**
TOTAL LIABILITIES		**15 869**	**14 844**
TOTAL EQUITY AND LIABILITIES		**42 426**	**40 374**

The accounting policies and other explanatory information presented on pages 9 to 76 represent an integral part of these interim condensed consolidated financial statements.

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

Interim consolidated statement of changes in equity

	Note	Equity attributable to shareholders of the Parent Entity							
		Share capital	Revaluation reserve from measurement of financial instruments	Exchange differences from the translation of foreign operations statements	Actuarial gains/losses on post-employment benefits	Retained earnings	Total	Equity attributable to non-controlling interest	Total equity
At 1 January 2015		**2 000**	**377**	**1 171**	**(430)**	**22 184**	**25 302**	**228**	**25 530**
Dividends from profit for 2014, paid	37	-	-	-	-	(400)	**(400)**	-	**(400)**
Dividends from profit for 2014 resolved but unpaid	37	-	-	-	-	(400)	**(400)**	-	**(400)**
Total comprehensive income		**-**	**(248)**	**728**	**147**	**1 192**	**1 819**	**2**	**1 821**
Profit for the period		**-**	-	-	-	1 192	**1 192**	2	**1 194**
Other comprehensive income	27	-	(248)	728	147	-	**627**	-	**627**
Changes in ownership shares in subsidiaries which do not lead to a loss of control	29.1	-	-	-	-	25	**25**	(19)	**6**
At 30 June 2015		**2 000**	**129**	**1 899**	**(283)**	**22 601**	**26 346**	**211**	**26 557**
At 1 January 2014		**2 000**	**522**	**(267)**	**(132)**	**20 718**	**22 841**	**223**	**23 064**
Dividends from profit for 2013 resolved but unpaid		-	-	-	-	(1 000)	**(1 000)**	-	**(1 000)**
Offsetting of profit from prior years with actuarial gains and losses		-	-	-	4	(4)	**-**	-	**-**
Total comprehensive income		**-**	**12**	**108**	**(127)**	**1 100**	**1 093**	**-**	**1 093**
Profit for the period		-	-	-	-	1 100	**1 100**	1	**1 101**
Other comprehensive income	27	-	12	108	(127)	-	**(7)**	(1)	**(8)**
Changes in ownership shares in subsidiaries which do not lead to a loss of control	29.1	-	-	-	-	19	**19**	(15)	**4**
At 30 June 2014		**2 000**	**534**	**(159)**	**(255)**	**20 833**	**22 953**	**208**	**23 161**

The accounting policies and other explanatory information presented on pages 9 to 76 represent an integral part of these interim condensed consolidated financial statements.

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

Interim consolidated statement of cash flows

	For the period from 1 January 2015 to 30 June 2015	from 1 January 2014 to 30 June 2014
Cash flow from operating activities		
Profit for the period	1 194	1 101
Adjustments to profit for the period:	**1 691**	**1 854**
Income tax recognised in profit or loss	499	443
Depreciation/amortisation recognised in profit for the period	944	793
Losses on the sale of property, plant and equipment and intangible assets	7	10
Impairment loss	3	1
Share in losses of investments accounted for using the equity method	1	-
Reversal of impairment loss	-	(4)
Dividends and interest	(63)	(61)
Foreign exchange gains	(38)	(1)
Change in provisions	(48)	31
Change in assets/liabilities due to derivatives	291	617
Reclassification of other comprehensive income to profit or loss as a result of realisation of hedging derivatives	(221)	(264)
Other adjustments	-	19
Changes in working capital:	316	270
Inventories	(362)	(440)
Trade and other receivables	694	605
Trade and other payables	(16)	105
Income tax paid	(456)	(460)
Net cash generated from operating activities	**2 429**	**2 495**
Cash flow from investing activities		
Acquisition of newly-issued shares in the increased share capital of a joint venture	(369)	-
Purchase of property, plant and equipment and intangible assets	(1 747)	(1 625)
Advances granted for purchase of property, plant and equipment and intangible assets	(34)	(41)
Proceeds from sale of property, plant and equipment and intangible assets	11	8
Purchase of available-for-sale financial assets	(16)	-
Purchase of financial assets from mine closure fund and tailings storage facilities restoration fund	(29)	(26)
Proceeds from sale of financial assets purchased from mine closure fund	23	16
Termination of deposits	1	5
Loans granted	(11)	(911)
Other investment expenses	(3)	-
Net cash used in investing activities	**(2 174)**	**(2 574)**

The accounting policies and other explanatory information presented on pages 9 to 76 represent an integral part of these interim condensed consolidated financial statements.

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

Interim consolidated statement of cash flows (continued)

	Note	For the period from 1 January 2015 to 30 June 2015	For the period from 1 January 2014 to 30 June 2014
Cash flow from financing activities			
Proceeds from payment to capital of a subsidiary from holders of non-controlling interest		21	5
Redemption of financial debt instruments		(1 863)	-
Acquisition of non-controlling interest		(24)	(14)
Proceeds from bank and other loans		3 411	579
Repayments of bank and other loans		(764)	(291)
Payments of liabilities due to finance leases		(9)	(8)
Interest paid		(179)	(77)
Dividends paid to shareholders of the Parent Entity	37	(400)	-
Other financial proceeds		13	6
Net cash generated from financing activities		**206**	**200**
Total net cash flow		**461**	**121**
Exchange (losses)/gains on cash and cash equivalents and on translation of foreign operations statements		(156)	22
Movements in cash and cash equivalents		**305**	**143**
Cash and cash equivalents at beginning of the period	25	**475**	**864**
Cash and cash equivalents at end of the period	25	**780**	**1 007**
including restricted cash and cash equivalents		27	31

The accounting policies and other explanatory information presented on pages 9 to 76 represent an integral part of these interim condensed consolidated financial statements.

Accounting policies and other explanatory information

1. Corporate information

Details of the Parent Entity

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, 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 Division, Polkowice-Sieroszowice Mine Division, Rudna Mine Division), 3 metallurgical plants (Głogów Smelter/Refinery Division, Legnica Smelter/Refinery Division, the Cedynia Wire Rod Division), the Concentrator Division, the Tailings Division, the Mine-Smelter Emergency Rescue Division and the Data Center Division.

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

The business activities of the Group also include:

- mining production of metals, e.g. copper, nickel, gold, platinum and 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.

Going concern assumption

The interim condensed 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 interim condensed 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.

The activities of the KGHM Polska Miedź S.A. Group involving the exploration and mining of copper, nickel and precious metals ores are carried out based on concessions held by the KGHM Polska Miedź S.A to mine deposits in Poland and legal titles held by KGHM INTERNATIONAL LTD., KGHM AJAX MINING INC. and KGHM Kupfer AG for the exploration for and extraction of these basic materials in the USA, Canada, Chile and Germany.

The activities of the Parent Entity involving the mining of copper ores are carried out based on concessions held by the Parent Entity, which were issued by the Minister of the Environment in 2013, mining usufruct rights and mine operating plans for the five basic deposits. Concessions and mining usufruct rights for the five basic deposits are in force to 31 December 2063.

1. General information (continued)

Legal titles to carry out mining in North and South America are in accordance with federal and state laws. KGHM INTERNATIONAL LTD. holds all required permits to conduct the aforementioned activities in an unaltered form and scope for a period of at least 12 months from the end of the reporting period.

KGHM Kupfer AG holds a concession given in October 2013 by the Saxon Mining Office (SOBA) to explore for minerals in the „Weisswasser" area. The concession is valid to 31 December 2016.

KGHM AJAX MINING INC. conducts its operations based on owned surface rights and mineral claims, based on which permits were received which are required in the process of preparing environmental assessment applications and identifying additional ore potential.

Period of operation

KGHM Polska Miedź S.A. has been conducting its business since 12 September 1991. The Parent Entity has 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.

Management Board of the Parent Entity

As at 1 January 2015 the composition of the 8th-term Management Board of KGHM Polska Miedź S.A. was as follows:

- Herbert Wirth — President of the Management Board;
- Jarosław Romanowski — First Vice President of the Management Board (Finance);
- Marcin Chmielewski — Vice President of the Management Board (Corporate Affairs);
- Jacek Kardela — Vice President of the Management Board (Development);
- Wojciech Kędzia — Vice President of the Management Board (Production).

On 18 December 2014, Wojciech Kędzia submitted his resignation from the function of Member of the Management Board, effective as at 31 January 2015. On 18 December 2014, the Supervisory Board appointed, with an effective date of 1 February 2015, Mirosław Laskowski as a Member of the Management Board of KGHM Polska Miedź S.A. in the function of Vice President of the Management Board (Production).

On 16 March 2015, the Supervisory Board adopted a resolution specifying the number of Members of the 9th-term Management Board of the Parent Entity as 5 persons, and appointed as at 17 March 2015 the following persons as Members of the Management Board of KGHM Polska Miedź S.A.:

- Herbert Wirth — President of the Management Board;
- Jarosław Romanowski — First Vice President of the Management Board;
- Marcin Chmielewski — Vice President of the Management Board;
- Jacek Kardela — Vice President of the Management Board;
- Mirosław Laskowski — Vice President of the Management Board.

Supervisory Board of the Parent Entity

As at 1 January 2015 and 30 June 2015 the composition of the 9th-term Supervisory Board of KGHM Polska Miedź S.A. was as follows:

- Marcin Moryń — Chairman
- Tomasz Cyran — Deputy Chairman
- Bogusław Stanisław Fiedor
- Jacek Poświata
- Andrzej Kidyba
- Barbara Wertelecka-Kwater

along with the following employee-elected members:

- Bogusław Szarek — Secretary
- Józef Czyczerski
- Leszek Hajdacki.

To the date of signing of these interim condensed consolidated financial statements there were no changes in the composition of the Management Board or the Supervisory Board.

1. General information (continued)

Signing of the interim condensed consolidated financial statements

These interim condensed consolidated financial statements (consolidated financial statements) do not require approval by an approving body pursuant to art. 53 of the Accounting Act dated 29 September 1994. The interim condensed consolidated 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 12 August 2015.

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 activities, should be read together with the consolidated financial statements for the financial year ended 31 December 2014 which are an element of the Consolidated Annual Report RS 2014 available at the website www.kghm.com. These consolidated financial statements have been prepared in accordance with the same principles for the current and comparable periods.

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 measured at fair value.

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

These consolidated financial statements have been prepared using the same principles for the reporting and comparable periods. To ensure the usefulness of information presented in the consolidated financial statements, the Parent Entity has changed the order of presentation of individual financial statements. After this change, the statements are presented in the following order: consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of financial position, consolidated statement of changes in equity and the consolidated statement of cash flows. The order of presentation of explanatory notes has been accordingly adjusted to this new order of presentation of the financial statements. This change did not have an impact on the financial data presented in these financial statements for the reporting and comparable periods.

From 1 January 2015 Annual improvements resulting from a review of IFRSs, 2011-2013 Cycle, are binding for the Group.

As a result of a review of IFRSs minor amendments were made to the following standards:

- IFRS 1 First-time Adoption of International Financial Reporting Standards;
- IFRS 3 Business Combinations;
- IFRS 13 Fair Value Measurement;
- IAS 40 Investment Property.

Application of the above changes to standards did not have an impact on the Group's accounting policy with respect to assets and liabilities held by the Group at the end of the reporting and comparable periods, transactions realised by the Group during the reporting and comparable periods or these financial statements.

3. Important estimates and assumptions

In the consolidated financial statements, estimates are used which are based on assumptions and judgments. They have an impact on the accounting standards which are used and on the values of assets, liabilities, revenues and costs which are presented throughout the consolidated financial statements. The estimates and assumptions result from historical experience and the analysis of various factors which are considered to be reasonable, and their results are considered as a basis for making a professional judgment as to the value of items in the consolidated financial statements. In certain vital questions the Management Board relies on the opinions of independent experts. Estimates and assumptions which are important for the consolidated financial statements of the Group are presented below.

3.1 Assessment of the risk of impairment of the KGHM Polska Miedź S.A. Group's assets in the context of the market capitalisation

In accordance with IAS 36 , one of the indications of the possible impairment of assets is whether the carrying amount of the Group's net assets value is higher than the Parent Entity's market capitalisation.
In accordance with its adopted accounting policies, KGHM Polska Miedź S.A. recognises the following indications to carry out impairment testing of the carrying amount of the Group's net assets: a significant or prolonged decrease in market capitalisation relative to the carrying amount of net assets. A decrease by at least 20% and a decline over a period of 12 months are classified respectively as significant and prolonged by the Group.
Taking into consideration the 200 000 000 shares issued by KGHM Polska Miedź S.A., it was determined that the Parent Entity's market capitalisation on the 1st, 2nd and 8th of October 2014 and in the period from 1 December 2014 to 30 June 2015 was below the carrying amount of the Group's net assets. KGHM Polska Miedź S.A.'s share price decreased during the year by 13.45%, from PLN 123.1 per share on 1 July 2014 to PLN 106.55 per share on 30 June 2015. In addition, an increase over the share price of PLN 123.1 from 1 July 2014 was noted during the year.
Taking into consideration that the decline in the Parent Entity's market capitalisation did not exceed the period of 12 months and the decrease was below 20%, versus the carrying amount of net assets, there were no indications to perform impairment testing of assets.

3.2 Useful life of property, plant and equipment

The management boards of Group companies perform annual reviews of residual values, depreciation methods and anticipated useful lives of depreciable property, plant and equipment.

The adopted depreciation methods reflect the way in which the economic benefits received from a given asset are utilised.

For assets which are used, in the opinion of a company's management board, on a systematic basis, the straight-line method of depreciation is applied. Depreciation charges are set through the estimation of useful lives and equal distribution of the amounts to be depreciated. It is estimated that the useful lives of assets assumed by Group companies for purposes of depreciation reflect the period of expected economic benefits from these assets in the future. As at 30 June 2015, the net value of property, plant and equipment subject to depreciation using the straight line method amounted to PLN 10 761 million (as at 31 December 2014: PLN 10 777 million).

For assets the utilisation of which, in the opinion of a given company's management board, is directly related to the amount of mineral extracted from ore or the amount of cathodes produced, and extraction or production is not evenly distributed during their useful lives, the natural depreciation method (units of production method) is applied. Depreciation charges are estimated based on the expected amount of mineral reserves tonnage to be extracted, or based on the expected amount of copper cathode tonnage to be produced. Production budgets for the planned amounts of mineral reserves to be extracted or the expected amount of copper cathode tonnage to be produced, which are the basis for natural depreciation, are subject to periodic reassessment. As at 30 June 2015, the net value of property, plant and equipment subject to depreciation using the units of production method amounted to PLN 3 575 million (as at 31 December 2014: PLN 3 505 million).

3.3 Stripping costs

In the reporting period the Group recognised as property, plant and equipment (mining and metallurgical assets) costs in the amount of PLN 230 million, which were incurred in the first half of 2015 to access ore through pre-stripping during the production phase in open-pit mines belonging to KGHM INTERNATIONAL LTD. These assets will be depreciated over periods conforming to the periods of use of the identified orebody, access to which improved as a result of this work. The balance of non-current assets due to stripping costs as at 30 June 2015 amounted to PLN 618 million, or USD 164 million (as at 31 December 2014: PLN 598 million, or USD 170 million).

3.4 Testing for impairment

IAS 36 requires annual testing for impairment of intangible assets with an unspecified period of use, and of cash-generating units to which goodwill was allocated. In the opinion of the Parent Entity's Management Board, no evidence arose during the reporting period which would justify the performance of such tests (including changes in key assumptions adopted for the tests performed in 2014) for goodwill or intangible assets with an unspecified period of use.

3. Important estimates and assumptions (continued)

In accordance with the KGHM Polska Miedź S.A. Group's accounting policy, the required tests will be performed as at 31 December 2015.

The Parent Entity's Management Board also analysed the question whether there were indications to carry out tests for impairment amongst the Group's remaining assets and also the impact of changes to the assumptions concerning the recoverable value of assets which were adopted for the impairment testing of the Sierra Gorda project and the Robinson mine in 2014 .

In the reporting period, assumptions adopted for impairment testing of the Sierra Gorda project in 2014 in the scope of the long-term production levels and investment projects planned for implementation did not change significantly. In June the Project fulfilled the criteria of commercial production for the production of copper and molybdenum . A decrease in copper prices in the first half of 2015, as compared to the assumptions adopted for the test performed as at 31 December 2014, did not have a significant impact on the result of the measurement due to its long mine life and because there was a decrease in the price of basic materials and energy prices as compared to the assumptions adopted for the test performed as at 31 December 2014. In addition, it is expected that productivity-enhancing initiatives, mainly with respect to molybdenum and copper recovery, will be implemented in Sierra Gorda S.C.M.

In the reporting period, assumptions adopted for impairment testing of the Robinson mine in 2014 with respect to production have improved as compared to the forecasted assumptions for 2014 (higher copper and gold recovery) as a result of gaining access to rich deposits within the Ruth pit (in 2015), which in turn has resulted in better technological processing parameters in the pit. Updating the production plan resulted in an increase in EBITDA of USD 72 million for the entire mine life.

Taking into account current economic conditions and that there were no significant changes to data used to calculate the discount rate as at 31 December 2014, the discount rate was deemed to be valid as at 30 June 2015. However, there was a small decrease of gold and copper prices with respect to the adopted price curves in the reporting period as compared to those observed at the end of 2014. Analyses have confirmed that they do not significantly impact the recoverable value of assets and therefore there was no basis to update the impairment test performed as at 31 December 2014.

3.5 Joint ventures (jointly controlled entities)

The Group classified three projects as joint ventures under IFRS 11 in the current reporting period:

- the "JV Sierra Gorda" agreement, in which the KGHM INTERNATIONAL LTD. has 55% of the shares, entered into to carry out the extraction of copper and molybdenum in the Sierra Gorda area;
- the "Elektrownia Blachownia Nowa" agreement, in which the Group has 50% of the shares, entered into to build a gas-fired source of power generation on the grounds of the existing Blachownia Power Plant;
- the agreement between KGHM III FIZAN and the Agencja Rozwoju Przemysłu S.A. (an industry development agency) on implementation of the project concerning commercialisation of research on graphene, aimed at supporting and accelerating R&D work, selecting the products portfolio and launching selected products on the market. The Group owns 49% of the company "Nano Carbon Sp. z o.o." which will carry out the assigned goals.

Classification of Sierra Gorda S.C.M. and "Nano Carbon Sp. z o.o" as joint ventures, despite the respective 55% and 49% shares of the Group, was made based on analysis of the terms of the agreements between the parties and contractual stipulations which in both cases indicated joint control.

In the consolidated financial statements, the shares in the jointly controlled entities were evaluated using the equity method. According to this method the shares in the jointly controlled entities were measured at the moment of initial recognition at cost, and then on dates ending subsequent reporting periods were respectively adjusted by any changes which occurred after the date of their acquisition in the value of net assets attributable to the share of the joint operator.

3.6 Measurement of available-for-sale financial assets

As at 30 June 2015, in accordance with the accounting policy, the Group analysed evidence indicating a risk of the impairment of shares classified to the category of available-for-sale financial assets. Analysis of the value of shares with regard to their acquisition cost is performed at the end of each quarter. In the first half of 2015, the most important changes concerned the shares of Tauron Polska Energia S.A. The present value of these shares at the end of the reporting period was lower than their carrying amount, and as a result we recognised an impairment loss due to changes in fair value in the amount of PLN 122 million, which decreased other comprehensive income.

As at 30 June 2015 the carrying amount of available-for-sale financial assets amounted to PLN 898 million (as at 31 December 2014: PLN 988 million).

3. Important estimates and assumptions (continued)

3.7 Receivables due to loans granted

The KGHM INTERNATIONAL LTD. Group has granted a long-term loan to the Sierra Gorda S.C.M. to finance its mining projects in Chile. As at 30 June 2015, the balance of the loan granted (including accrued interest on these loans) amounted to USD 1 848 million, i.e. PLN 6 957 million. The repayment date of this loan was set at 2024. According to the financial projections prepared by Sierra Gorda S.C.M., the expense of repaying this loan was included in the plans for the years in which maturity of the loan expires. Due to the fact that settling the loan is planned and probable in the foreseeable future, the loan is not a net investment under IAS 21.15 and the assessment as to its recoverability was prepared independently of the analysis with respect to the recoverable amount of the investment in Sierra Gorda S.C.M. On the basis of the adopted financial projections, no risk concerning the recoverability of the loan granted was identified.

3.8 Valuation of inventories

As at 30 June 2015, in accordance with approved accounting policy, the Group performed a measurement of inventories. For inventories whose acquisition cost or manufacturing cost at the end of the reporting period was higher than their net recoverable sale price, an impairment loss was recognised in the amount of PLN 75 million (for the period of 6 months ended 30 June 2014: PLN 46 million) which was recognised in cost of sales.

In the consolidated financial statements the volume of the KGHM INTERNATIONAL LTD. Group's inventories which arise from the leaching process is determined on the basis of the estimated recovery of metal from ore. The nature of the process of leaching copper from ore restricts the precision of monitoring the level of inventories arising during this process. Adjustments are made in subsequent reporting periods to the estimated recovery of copper from the leaching of ore in a given reporting period to the level of production achieved in the subsequent period. In the first half of 2015, an adjustment of inventories arising from the leaching process whose value was set provisionally in previous reporting periods amounted to PLN 30 million (in 2014: PLN 88 million). As at 30 June 2015, the provisionally-set value of inventories amounted to PLN 385 million (as at 31 December 2014: PLN 309 million).

3.9 Measurement of future employee benefits liabilities

Future employee benefits, i.e. retirement or disability benefits, jubilee bonuses, post-mortem benefits and post-employment coal equivalent payments are equal to the present value of the defined benefit obligation. The amount of these 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 liability.

One of the basic assumptions for setting the amount of these liabilities is the discount rate. At the end of the reporting period, an independent actuary estimates the present value of future cash flow due to these benefits. When setting the discount rate in accordance with IAS 19, the actuary makes reference to the market yields of corporate bonds or, if there is no deep market for such bonds, the market yields of treasury bonds.

Other macroeconomic assumptions used to measure liabilities due to future employee benefits, such as inflation or the lowest salary, are based on current market conditions. Other information and the assumptions applied may be found in **note 33**.

As at 30 June 2015 the carrying amount of future employee benefits liabilities was PLN 1 950 million (as at 31 December 2014: PLN 2 146 million).

3.10 Provision for decommissioning costs of mines and other technological facilities

This provision represents the discounted-to-present-value estimated future decommissioning costs of mines and other technological facilities. Reassessment of this provision at the end of the reporting period is affected by the following indicators:

a) the index of changes in prices in the construction-assembly sector published by the Central Statistical Office (GUS);

b) the real discount rate calculated on the basis of the nominal discount rate (i.e. the yield on treasury bonds with maturities nearest to the planned financial outflow) and the forecasted rate of inflation;

c) the rate of return on investments in 10-year treasury notes of the Federal Reserve of the United States of America; and

d) the rate of return on investments in 5-year and 10-year government bonds issued by the National Bank of Canada.

Detailed information on reassessment of provisions is presented in **note 34**.

As at 30 June 2015 the carrying amount of the provision for decommissioning costs of mines and other technological facilities was PLN 1 296 million (as at 31 December 2014: PLN 1 554 million).

3. Important estimates and assumptions (continued)

3.11 Deferred tax assets/liabilities

The deferred tax assets/liabilities are measured using the tax rates which are expected to be applied at the moment when the assets are realised or the liabilities are settled, based on tax laws that have been enacted or substantively enacted at the end of the reporting period in a given country.
The probability of realising the deferred tax assets with future tax income is based on budgets of Group companies. The Group companies recognised in their accounts deferred tax assets in amounts to which it is probable that they will achieve taxable profit which will enable the deduction of deductible temporary differences.

Group companies which historically have generated losses, and whose financial projections do not foresee the achievement of taxable profit enabling the deduction of deductible temporary differences, do not recognise deferred tax assets in their accounts.
As at 30 June 2015, the Group did not recognise deferred tax assets on unused tax losses and tax allowances in the amount of PLN 1 116 million (as at 31 December 2014: PLN 1 639 million), as it is unlikely that a taxable profit would be generated in the future against which the carryforward of unused tax losses and tax allowances can be utilised.

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

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

Entity	Head office	Scope of activities	% of Group's share as at 30 June 2015	% of Group's share as at 31 December 2014
"BIOWIND" sp. z o.o. in liquidation	Lubin	generation, transfer and distribution of electricity	-	100
BIPROMET S.A.	Katowice	construction and urban planning, technology design; erection of complete facilities or parts thereof; civil and water engineering; property leasing	100	66
CBJ sp. z o.o.	Lubin	Research and chemical-physical analysis; 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 metallurgical products and construction reinforcing materials, waste recycling	99.65	99.54
CUPRUM Nieruchomości sp. z o.o.	Wrocław	activities connected with real estate management and construction, design and financial services	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	founding, development, management or exercise of control over other companies, including over the KGHM INTERNATIONAL LTD. Group and KGHM AJAX MINING INC.	100	100
Fermat 2 S.á r.l.	Luxembourg	founding, development, management or exercise of control over other companies	100	100
Fermat 3 S.á r.l.	Luxembourg	founding, development, management or exercise of control over other companies	100	100
Fundusz Hotele 01 Sp. z o.o.	Wrocław	financial activities, buying and selling of real estate on its own account, management consulting	100	100
Fundusz Hotele 01 Sp. z o.o. S.K.A.	Wrocław	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	67.71
Interferie Medical SPA Sp. z o.o.	Lubin	hotel services, recreation, rehabilitation, health tourism and wellness	89.46	89.46
KGHM AJAX MINING INC.	Vancouver	mining of copper and gold ore	80	80
KGHM CUPRUM sp. z o.o. – CBR	Wrocław	R&D activities	100	100
CUPRUM DEVELOPMENT sp. z o.o.	Wrocław	activities connected with real estate management and construction, design and financial services	100	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 III FIZAN	Wrocław	capital investing within the Portfolio of Private Assets and the Portfolio of Public Assets	100	100

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

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

Entity	Head office	Scope of activities	% of Group's share as at 30 June 2015	% of Group's share as at 31 December 2014
KGHM IV FIZAN	Wrocław	capital investing within the Portfolio of Private Assets and the Portfolio of Public Assets	100	100
KGHM V FIZAN	Wrocław	capital investing within the Portfolio of Private Assets and the Portfolio of Public Assets	100	100
Legnicki Park Technologiczny LETIA S.A. (formerly KGHM LETIA S.A.)	Legnica	promotion of innovation; technology transfer; operation of a technology park; property sale and rental	84.93	84.93
KGHM Metraco S.A. (currently Metraco S.A.)	Legnica	wholesale sales of scrap and waste, lead, non-ferrous metals, chemicals and salt, spedition services	100	100
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
KGHM ZANAM S.A. (formerly KGHM ZANAM Sp. z o.o.)	Polkowice	repair and construction of machinery	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
NITROERG SERWIS Sp. z o.o.	Wilków	sales and transport of blasting materials, drilling and blasting services	85	85
PeBeKa S.A.	Lubin	underground and mining construction, construction of tunnels	100	100
PB Katowice S.A. in liquidation	Katowice	construction of complete facilities or parts thereof, general and specialty construction	88.09	58.14
MERCUS Logistyka sp. z o.o. (formerly 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
Sugarloaf Ranches Limited	Vancouver	agricultural activity	100*	100*

* actual Group share

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

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

Entity	Head office	Scope of activities	% of Group's share as at 30 June 2015	% of Group's share as at 31 December 2014
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
Polska Grupa Uzdrowisk Sp. z o.o.	Wrocław	financial holding activities, financial services, trade and real estate services	100	100
Polska Grupa Uzdrowisk Sp. z o.o. S.K.A. in liquidation	Warsaw	financial activities, retail and wholesale of various merchandise and products	100	100
„Uzdrowisko Cieplice" Sp. z o.o. – Grupa PGU	Jelenia Góra	spa services	98.2	97.87
Uzdrowiska Kłodzkie S.A. – Grupa PGU	Polanica Zdrój	spa services, production and sale of mineral water	100	99.31
Uzdrowisko Połczyn S.A. – Grupa PGU	Połczyn Zdrój	spa services	100	98.42
Uzdrowisko "Świeradów-Czerniawa" Sp. z o.o. – Grupa PGU	Świeradów Zdrój	spa services	98.81	98.65
WFP Hefra S.A.	Warsaw	production and sale of rust-proof, silver-plated and semi-silver-plated table settings, from man-made materials and ceramics	100	100
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	95.71	85.2
Zagłębie Lubin S.A.	Lubin	management of football section, organisation of professional sporting events	100	100
0929260 B.C U.L.C.	Vancouver	management or exercise of control over other companies	100	100
KGHM INTERNATIONAL LTD. Group				
KGHM INTERNATIONAL LTD.	Vancouver	foundation, development, management or exercise of control over other companies	100	100
Malmbjerg Molybdenum A/S	Greenland	management and development of the Malmbjerg project with respect to molybdenum mining	100	100
International Molybdenum Limited in liquidation	United Kingdom	financial activities	100	100
KGHMI (Barbados) Holdings Ltd.	Barbados	management and exercise of control over other companies	100	100
Quadra FNX Chile (Barbados) Ltd.	Barbados	management and exercise of control over other companies	100	100
Quadra FNX Holdings Chile Limitada	Chile	management and exercise of control over other companies	100	100
Quadra FNX SG (Barbados) Ltd.	Barbados	management and exercise of control over other companies	100	100
Aguas de la Sierra Limitada	Chile	ownership and exercise of water rights in Chile	100	100

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

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

Entity	Head office	Scope of activities	% of Group's share as at 30 June 2015	% of Group's share as at 31 December 2014
Quadra FNX FFI Ltd.	Barbados	financial activities	100	100
Robinson Holdings (USA) Ltd.	Nevada, USA	technical and management services for subsidiaries in the USA	100	100
Wendover Bulk Transhipment Company	Nevada, USA	loading services for the Robinson mine	100	100
Robinson Nevada Mining Company	Nevada, USA	copper ore mining, copper production and sale	100	100
Carlota Holdings Company	Arizona, USA	management and exercise of control over other companies	100	100
Carlota Copper Company	Arizona, USA	leaching of copper ore, copper production and sale	100	100
FNX Mining Company Inc.	Ontario, Canada	copper and nickel ore mining, copper and nickel production and sale, Victoria project development	100	100
DMC Mining Services Ltd.	Ontario, Canada	mining services contracting	100	100
Quadra FNX Holdings Partnership	British Columbia, Canada	management and exercise of control of other companies	100	100
Raise Boring Mining Services, S.A. de C.V.	Mexico	mining services contracting	100	100
FNX Mining Company USA Inc.	USA	management and exercise of control over other companies	100	100
DMC Mining Services Corporation	USA	mining services contracting	100	100
Centenario Holdings Ltd.	British Virgin Islands	management and exercise of control over other companies	100	100
Minera Carrizalillo Limitada	Chile	management and exercise of control over other companies	100	100
Mineria y Exploraciones KGHM International SpA	Chile	exploration services for the Sierra Gorda project and the Franke mine	100	100
Frankie (BVI) Ltd.	British Virgin Islands	management and exercise of control of other companies	100	100
Sociedad Contractual Minera Franke	Chile	leaching of copper ore, production and sale of copper	100	100
0899196 B.C. Ltd.	British Columbia, Canada	management and exercise of control over other companies	100	100

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

In the current period in the consolidated financial statements three joint ventures were accounted for using the equity method: Sierra Gorda S.C.M., „Elektrownia Blachownia Nowa" sp. z o.o. and NANO CARBON sp. z o.o.

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

Acquisition of shares of BIPROMET S.A.

On 29 January 2015, KGHM Polska Miedź S.A. announced a tender offer to purchase all shares of BIPROMET S.A. which were not already owned by the Company, i.e. an amount of shares representing 34% of the share capital, and granting the right to 34% of the total number of votes at the General Meeting of BIPROMET S.A.
On 27 March 2015 the share purchase transactions were settled, and as a result KGHM Polska Miedź S.A. acquired shares of BIPROMET S.A. representing 25.23% of the share capital. As a result of this acquisition, KGHM Polska Miedź S.A.'s ownership in BIPROMET S.A. increased to 91.23%.
On 24 April 2015, as a result of the compulsory acquisition of shares announced by KGHM Polska Miedź S.A., the Group acquired 8.77% of BIPROMET S.A.'s shares. Following this transaction, the Group owns 100% of the share capital of BIPROMET S.A. The transactions took place on the Warsaw Stock Exchange. The shares were acquired for a total cost of PLN 13 million. The cost of acquisition of these shares was settled with equity attributable to non-controlling interest in the consolidated financial statements.

Change in legal form of a subsidiary

On 17 April 2015, the conversion of the subsidiary KGHM ZANAM Sp. z o.o. (a limited liability company) into a joint-stock company was registered in the National Court Register at the Wrocław Fabryczna Regional Court, Section IX (Economic). After the change in legal form, the company's name is KGHM ZANAM S.A.

Acquisition of employee shares

In the first half of 2015, the Group acquired employee shares in the following subsidiaries:

- WPEC w Legnicy S.A., representing 10.51% of the company's share capital;
- Uzdrowiska Kłodzkie S.A. – Grupa PGU., representing 0.69% of the company's share capital;
- Uzdrowisko Połczyn Grupa PGU S.A., representing 1.58% of the company's share capital;
- Uzdrowisko Cieplice Sp. z o.o. - Grupa PGU, representing 0.33% of the company's share capital;
- Uzdrowisko Świeradów-Czerniawa Sp. z o.o. - Grupa PGU, representing 0.16% of the company's share capital; and
- CENTROZŁOM WROCŁAW S.A., representing 0.17% of the company's share capital.

The total value of the shares acquired is PLN 13 million, and decreased put option liabilities for employee shares in the consolidated financial statements.
Simultaneously, a decrease in equity attributable to non-controlling interest of PLN 22 million was performed by a settlement of capital from valuation of the put option for employee shares in the amount of PLN 22 million (capital from initial recognition of put option liabilities in retained earnings).
Acquisition of these shares represents the execution of an obligation arising from a sales agreement with the State Treasury to submit an irrevocable purchase offer for all remaining employee shares, which were purchased by the employees during the privatisation process of the aforementioned companies.

Other changes in the Group's structure in the first half of 2015 were immaterial with regards to the consolidated financial statements.

Significant changes in the structure of the KGHM Polska Miedź S.A. Group during the period from 1 January 2014 to 31 December 2014

Combination of jointly-controlled entities

On 21 January 2014 the General Meeting of KGHM Metraco S.A. (currently Metraco S.A.) and the General Meeting of KGHM Ecoren S.A. decided to combine the companies through the acquisition of KGHM Ecoren S.A. by Metraco S.A.
KGHM Polska Miedź S.A. owned 100% of the shares in both companies at the moment the decision to combine the companies was made. On 31 January 2014, an entry about the combination was made in the National Court Register. After the combination, KGHM Polska Miedź S.A. remains the owner of 100% of the shares of Metraco S.A., as it acquired all of the newly-issued shares in the increased share capital of Metraco S.A., by contributing the assets of KGHM Ecoren S.A. From the date of combination Metraco S.A. continued the activities previously carried out by KGHM Ecoren S.A. Due to the finalised transaction's character (the combination of jointly-controlled entities) it did not have a significant impact on the Group's consolidated financial statements as at 31 December 2014.
On 22 January 2014 there was a combination of subsidiaries of the KGHM INTERNATIONAL LTD. Group: Pan de Azucar (BVI) Ltd., Centenario Copper (BVI) Ltd. and Volcanes (BVI) Ltd., and subsequently their acquisition by Centenario Holdings Ltd. These actions were undertaken in order to simplify the KGHM INTERNATIONAL LTD. Group structure by dissolving subsidiaries whose activities are not related to the core business operations of KGHM INTERNATIONAL LTD. This transaction did not have a significant impact on the Group's consolidated financial statements as at 31 December 2014.

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

Acquisition of employee shares

In 2014, the Group acquired employee shares in the following subsidiaries:

- Uzdrowiska Kłodzkie S.A. – Grupa PGU., representing 6.74% of the company's share capital;
- Uzdrowisko Połczyn Grupa PGU S.A., representing 7.04% of the company's share capital;
- Uzdrowisko Cieplice Sp. z o.o. - Grupa PGU, representing 5.21% of the company's share capital;
- Uzdrowisko Świeradów-Czerniawa Sp. z o.o. - Grupa PGU, representing 10.91% of the company's share capital; and
- CENTROZŁOM WROCŁAW S.A., representing 0.9% of the company's share capital.

The total value of the shares acquired is PLN 15 million, and decreased put option liabilities for employee shares in the consolidated financial statements.
Simultaneously, a decrease in equity attributable to non-controlling interest of PLN 21 million was performed by a settlement of capital from valuation of the put option for employee shares in the amount of PLN 21 million (capital from initial recognition of put option liabilities in retained earnings).
Acquisition of these shares represents the execution of an obligation arising from a sales agreement with the State Treasury to submit an irrevocable purchase offer for all remaining employee shares, which were purchased by the employees during the privatisation process of the aforementioned companies.

Other changes in the structure of the Group in 2014 were immaterial with regards to the consolidated financial statements.

5. Operating segments

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

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

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

Fermat 1 S. á r. l., Fermat 2 S. á r. l., Fermat 3 S. á r. l. and 0929260 B.C.U.L.C were founded within the holding structure created to acquire KGHM INTERNATIONAL LTD. These companies' scope of activities include: foundation, development, management and exercise of control over other companies within this structure. These companies do not conduct operating activities which could impact the results achieved by individual segments. Because of this they were not classified to any of the aforementioned segments and their financial data was included in the column "Consolidation adjustments".

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

Segment results are measured by: Profit/(loss) for the period and the EBITDA ratio: profit/(loss) on sales plus depreciation/amortisation.

**in the reporting period and in the comparable periods KGHM Metraco S.A. (from 1 July 2015 Metraco S.A.) was classified to the segment "support of the core business" due to its significant share in securing supplies of copper scrap for KGHM Polska Miedź S.A.*

5. Operating segments (continued)

Reporting segments of the KGHM Polska Miedź S.A. Group at 30 June 2015

KGHM Polska Miedź S.A.

KGHM INTERNATIONAL LTD. Group

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

Sierra Gorda project

- Sierra Gorda S.C.M.

Resource base development

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

Support of the core business

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

Other segments

- NITROERG S.A.
- MERCUS Logistyka sp. z o.o.
- CENTROZŁOM WROCŁAW S.A.
- WMN "ŁABĘDY" S.A.
- WFP Hefra SA
- PHU "Lubinpex" Sp. z o.o.
- PMT Linie Kolejowe Sp. z o.o.
- KGHM TFI S.A.
- INTERFERIE S.A.
- Interferie Medical SPA Sp. z o.o.
- Uzdrowiska Kłodzkie S.A. – Grupa PGU
- Uzdrowisko Połczyn Grupa PGU S.A.
- Uzdrowisko Cieplice Sp. z o.o. – Grupa PGU
- Uzdrowisko Świeradów - Czerniawa Sp. z o.o. – Grupa PGU
- Fundusz Hotele 01 Sp. z o.o.
- Fundusz Hotele 01 Sp. z o.o. S.K.A.
- Polska Grupa Uzdrowisk Sp. z o.o. S.K.A.
- Polska Grupa Uzdrowisk Sp. z o.o.
- KGHM I FIZAN
- KGHM III FIZAN
- KGHM IV FIZAN
- KGHM V FIZAN
- "MIEDZIOWE CENTRUM ZDROWIA" S.A.
- Zagłębie Lubin S.A.
- LETIA S.A.
- KGHM (SHANGHAI) COPPER TRADING CO., LTD.
- PB Katowice S.A. in liquidation
- NITROERG SERWIS Sp. z o.o.
- CUPRUM Nieruchomości sp. z o.o.
- CUPRUM Development sp. z o.o.

Internal reports on the results of the Group are prepared monthly in a condensed form, and quarterly in an expanded scope. The Management Board of the Parent Entity is the body which performs regular reviews of the internal financial reports of the whole Group for purposes of making major investment decisions, as it is the body which is responsible for allocating Group resources.

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

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

5. Operating segments (continued)

	Note	KGHM Polska Miedź S.A.	KGHM INTERNATIONAL LTD. Group	Sierra Gorda ***	Resource base development	Support of the core business	Other segments	Adjustment due to measurement in accordance with IFRS 3	Consolidation adjustments	Total
		For the period from 1 January 2015 to 30 June 2015								
Sales revenue	6	8 092	1 224	-	-	2 339	1 171	-	(2 766)	**10 060**
Inter-segment sales revenue		140	-	-	-	2 117	503	-	(2 760)	**-**
External sales revenue		7 952	1 224	-	-	222	668	-	(6)	**10 060**
Total costs of products, merchandise and materials sold		(6 157)	(1 422)	-	(2)	(2 300)	(1 161)	(27)	2 775	**(8 294)**
Profit/(loss) on sales		1 935	(198)	-	(2)	39	10	(27)	9	**1 766**
Profit/(loss) on other operating activities		(12)	193	-	1	9	(22)	-	(70)	**99**
- including interest		85	177	-	-	2	1	-	(81)	**184**
Profit/(loss) on financing activities		(42)	(224)	-	-	(4)	(2)	51	50	**(171)**
- including interest		(11)	(202)	-	-	(3)	(3)	51	41	**(127)**
Share in profits/(losses) of investments accounted for using the equity method		-	-	-	-	-	-	-	(1)	**(1)**
Profit/(loss) before income tax		**1 881**	**(229)**	**-**	**(1)**	**44**	**(14)**	**24**	**(12)**	**1 693**
Income tax expense		(560)	65	-	(1)	(14)	(4)	(26)	41	**(499)**
Profit/(loss) for the period		**1 321***	**(164)***	**-**	**(2)***	**30***	**(18)***	**(2)**	**29**	**1 194**
		At 30 June 2015								
Segment assets, including:		**36 114**	**16 876**	**13 457**	**752**	**2 876**	**2 243**	**2 890**	**(32 782)**	**42 426**
Investments accounted for using the equity method		-	2 465**	-	-	-	-	2 450	29	**4 944**
Property, plant and equipment + Inventories		14 625	4 170	13 088	69	1 524	1 059	282	(13 018)	**21 799**
Liabilities		**11 437**	**5 566**	**10 624**	**61**	**1 055**	**591**	**813**	**(14 278)**	**15 869**
Additional information		For the period from 1 January 2015 to 30 June 2015								
Expenditures on property, plant and equipment and intangible assets		991	448	1 451	76	76	37	-	(1 447)	**1 632**
Depreciation/amortisation recognised in profit for the period		(429)	(372)	-	-	(81)	(32)	(36)	6	**(944)**

„Adjustment due to measurement in accordance with IFRS 3" – respecting adjustment to fair value due to final accounting for the acquisition of KGHM INTERNATIONAL LTD. at the consolidated level, including accumulated adjustments from the acquisition date to 30 June 2015 for an item in the consolidated statement of financial position and from 1 January to 30 June 2015 for an item of the consolidated statement of profit or loss.
* result analysed in a given segment
** Sierra Gorda S.C.M. investment
*** 55% share of the Group in Sierra Gorda S.C.M.

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

5. Operating segments (continued)
Information on segments for the comparable period

	Note	KGHM Polska Miedź S.A.	KGHM INTERNATIONAL LTD. Group	Sierra Gorda ***	Resource base development	Support of the core business	Other segments	Adjustment due to measurement in accordance with IFRS 3	Consolidation adjustments	Total
		For the period from 1 January 2014 to 30 June 2014								
Sales revenue	6	7 727	996	-	-	2 292	1 184	-	(2 671)	**9 528**
Inter-segment sales revenue		140	-	-	-	2 074	473	-	(2 687)	**-**
External sales revenue		7 587	996	-	-	218	711	-	16	**9 528**
Total costs of products, merchandise and materials sold		(6 127)	(1 055)	-	(2)	(2 232)	(1 178)	(53)	2 688	**(7 959)**
Profit/(loss) on sales		1 600	(59)	-	(2)	60	6	(53)	17	**1 569**
Profit/(loss) on other operating activities		(54)	152	-	-	1	107	-	(132)	**74**
- including interest		22	129	-	-	2	1	-	(20)	**134**
Profit/(loss) on financing activities		(15)	(86)	-	-	(7)	(3)	1	11	**(99)**
- including interest		(3)	(70)	-	-	(6)	(3)	1	5	**(76)**
Profit/(loss) before income tax		**1 531**	**7**	**-**	**(2)**	**54**	**110**	**(52)**	**(104)**	**1 544**
Income tax expense		(412)	(2)	-	-	(16)	(5)	8	(16)	**(443)**
Profit/(loss) for the period		**1 119***	**5***	**-**	**(2)***	**38***	**105***	**(44)**	**(120)**	**1 101**
		At 31 December 2014								
Segment assets, including:		**32 312**	**15 376**	**12 003**	**631**	**2 901**	**2 201**	**2 720**	**(27 770)**	**40 374**
Investments accounted for using the equity method		-	2 051**	-	-	-	-	2 282	30	**4 363**
Property, plant and equipment + Inventories		13 939	3 996	11 228	70	1 586	1 049	285	(11 170)	**20 983**
Liabilities		**8 035**	**5 193**	**9 655**	**56**	**1 116**	**584**	**865**	**(10 660)**	**14 844**
Additional information		For the period from 1 January 2014 to 30 June 2014								
Expenditures on property, plant and equipment and intangible assets		1 026	330	1 761	67	60	30	-	(1 770)	**1 504**
Depreciation/amortisation recognised in profit for the period		(419)	(202)	-	-	(81)	(35)	(59)	3	**(793)**

„Adjustment due to measurement in accordance with IFRS 3" – respecting adjustment to fair value due to final accounting for the acquisition of KGHM INTERNATIONAL LTD. at the consolidated level, including accumulated adjustments from the acquisition date to 31 December 2014 for an item in the consolidated statement of financial position and from 1 January to 30 June 2014 for an item of the consolidated statement of profit or loss.
* result analysed in a given segment
** Sierra Gorda S.C.M. investment
*** 55% share of the Group in Sierra Gorda S.C.M.

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

5. Operating segments (continued)

	For the period from 1 January 2015 to 30 June 2015					
	KGHM Polska Miedź S.A.	KGHM INTERNATIONAL LTD. Group	Resource base development	Support of the core business	Other segments	Total
Operating data						
Payable copper (kt)	286.2	45	-	-	-	331.2
- including from purchased copper-bearing materials (kt)	76.6	-	-	-	-	76.6
Nickel (kt)	-	1.1	-	-	-	1.1
Molybdenum (kt)	-	0.2	-	-	-	0.2
Silver (t)	612.2	0.8	-	-	-	613
TPM (koz t)*	36.5	41.9	-	-	-	78.4
C1 cost (USD/lb)**	1.50	2.03	-	-	-	1.59
EBITDA***	2 364	174	(2)	120	42	2 698
% of sales to KGHM Polska Miedź S.A.				85%	33%	

	For the period from 1 January 2014 to 30 June 2014					
	KGHM Polska Miedź S.A.	KGHM INTERNATIONAL LTD. Group	Resource base development	Support of the core business	Other segments	Total
Operating data						
Payable copper (kt)	282.9	41.5	-	-	-	324.4
- including from purchased copper-bearing materials (kt)	73.1	-	-	-	-	73.1
Nickel (kt)	-	1.7	-	-	-	1.7
Molybdenum (kt)	-	0.2	-	-	-	0.2
Silver (t)	605.5	0.9	-	-	-	606.4
TPM (koz t)*	26.1	33.6	-	-	-	59.7
C1 cost (USD/lb)**	1.79	2.35	-	-	-	1.87
EBITDA***	2 019	167	(2)	141	41	2 366
% of sales to KGHM Polska Miedź S.A.				85%	32%	

* TPM = total precious metals: gold, platinum, palladium
** Unit cash cost of payable copper production, reflecting ore mining and processing costs, transport costs, the minerals extraction tax, administrative expenses during the mining phase and smelter treatment and refining charges (TC/RC) less by-product value.
*** EBITDA = profit/(loss) on sales plus depreciation/amortisation.
In order to ensure comparability to data presented in the consolidated financial statements for the first half of 2014, EBITDA of the KGHM INTERNATIONAL LTD. Group's segment for this period was increased by PLN 23 million due to the management fee for the Sierra Gorda project (in the consolidated financial statements for the first half of 2014, this fee was presented in other operating income, and now it is recognised in sales revenue).

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

5. Operating segments (continued)

Sales revenue of the Group - external clients with geographical breakdown

The geographical breakdown reflects the location of end clients.

	Note	For the period from 1 January 2015 to 30 June 2015	For the period from 1 January 2014 to 30 June 2014
Poland		2 504	2 352
Germany		1 593	1 782
China		1 109	943
The USA		900	209
The Czech Republic		774	727
The United Kingdom		732	709
Italy		408	391
France		380	417
Hungary		357	308
Canada		330	375
Switzerland		208	160
Austria		144	125
Belgium		108	89
Turkey		103	222
Romania		63	69
Slovakia		53	60
Japan		48	76
Sweden		39	10
South Korea		36	-
Chile		28	-
Bosnia and Hercegovina		21	11
Slovenia		19	15
Ukraine		16	9
Finland		11	22
Bulgaria		9	38
Netherlands		7	26
Australia		-	278
Spain		-	49
Other countries (dispersed sale)		60	56
Total	6	**10 060**	**9 528**

Main customers

During the period from 1 January 2015 to 30 June 2015, and in the comparable period, the revenues from no single customer exceeded 10% of the sales revenue of the Group.

69.89% of the Group's non-current assets (property, plant and equipment and intangible assets) are located in Poland. The remaining 30.11% of the non-current assets are located in the following countries: Canada – 16.99%; the USA – 6.31%; Chile – 2.77%; other countries – 4.04%.

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

6. Sales revenue

Net revenues from the sale of products, merchandise and materials (by type of activity)

	Note	For the period from 1 January 2015 to 30 June 2015	For the period from 1 January 2014 to 30 June 2014
Copper, precious metals, smelter by-products		8 930	8 370
Salt		13	17
Energy		46	47
Services		456	420
Mining machinery, transport vehicles for mining and other		3	4
Electro-mechanical products		52	46
Merchandise – smelting products		156	145
Other merchandise		76	90
Scrap and materials		109	115
Other finished goods		219	274
Total	5	**10 060**	**9 528**

	For the period from 1 January 2015 to 30 June 2015	For the period from 1 January 2014 to 30 June 2014
Average copper price on LME (USD/t)	5 929	6 915
Average exchange rate (USD/PLN) per NBP	3.72	3.05

Group companies recognise income due to realisation of construction contracts. Income due to these contracts is presented below:

	For the period from 1 January 2015 to 30 June 2015	For the period from 1 January 2014 to 30 June 2014
Income due to realisation of contracts	177	196

Income due to realisation of contracts recognised for the period is presented in the item *services*.

Data for contracts being realised at the end of the reporting period:

	At 30 June 2015	At 31 December 2014
Total income due to realisation of contracts	1 306	1 482
Total costs incurred so far due to realisation of contracts	1 109	1 260
Gains due to realisation of contracts	**197**	**222**

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

7. Expenses by nature

	Note	For the period from 1 January 2015 to 30 June 2015	For the period from 1 January 2014 to 30 June 2014
Depreciation of property, plant and equipment and amortisation of intangible assets *		1 080	793
Employee benefits expenses	8	2 297	2 297
Materials and energy		3 704	3 744
External services		950	884
Taxes and charges		1 059	985
including the minerals extraction tax**		810	748
Advertising costs and representation expenses		33	32
Property and personal insurance		17	16
Other costs, of which:		126	55
Write-down of inventories	24	75	45
Allowance for impairment of receivables		4	1
Reversal of impairment losses on property, plant and equipment, intangible assets		-	(4)
Reversal of write-down of inventories	24	-	(36)
Reversal of allowance for impairment of receivables		(1)	(2)
Losses from the disposal of financial instruments	35	6	3
Other operating costs		42	48
Total expenses by nature		**9 266**	**8 806**
Cost of merchandise and materials sold (+), of which:		243	253
Write-down of inventories	24	-	1
Reversal of allowance for impairment of receivables		-	(1)
Change in inventories of finished goods and work in progress (+/-)		(445)	(434)
Cost of manufacturing products for internal use (-)		(770)	(666)
Total cost of sales, selling costs and administrative expenses		**8 294**	**7 959**
of which:			
Cost of sales		7 681	7 297
Selling costs		163	193
Administrative expenses		450	469

* Depreciation of property, plant and equipment and amortisation of intangible assets was recognised in:

- profit for the period in the amount of PLN 944 million;
- inventories in the amount of PLN 121 million; and
- fixed assets in the amount of PLN 15 million.

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

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

8. Employee benefits expenses

	Note	For the period from 1 January 2015 to 30 June 2015	For the period from 1 January 2014 to 30 June 2014
Remuneration		1 700	1 672
Costs of social security		611	604
Costs of future benefits		(14)	21
Total	7	**2 297**	**2 297**

9. Other operating income

	Note	For the period from 1 January 2015 to 30 June 2015	For the period from 1 January 2014 to 30 June 2014
Income and gains on financial instruments classified under other operating activities, resulting from:	35	328	229
Measurement and realisation of derivatives		80	59
Interest		185	134
Foreign exchange gains		35	-
Dividends received		27	35
Reversal of allowance for impairment of loans and receivables		1	1
Government grants received and other donations		8	4
Release of unused provisions, resulting from:		22	3
Mine closure		15	1
Disputed issues and court proceedings		1	1
Other		6	1
Penalties and compensation received		7	5
Other operating income/gains		66	69
Total other operating income		**431**	**310**

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

10. Other operating costs

	Note	For the period from 1 January 2015 to 30 June 2015	from 1 January 2014 to 30 June 2014
Costs and losses on financial instruments classified under other operating activities, resulting from:	35	255	171
Measurement and realisation of derivatives		253	163
Interest		1	1
Foreign exchange losses		-	6
Impairment losses on available-for-sale financial assets		1	1
Losses on the sale of property, plant and equipment and intangible assets		7	10
Donations granted		29	17
Provisions for liabilities due to:		11	11
Mine closure		4	4
Disputed issues and court proceedings		5	3
Other		2	4
Penalties and compensation		3	3
Contributions to voluntary organisations		7	7
Other operating costs/losses		20	17
Total other operating costs		**332**	**236**

11. Finance costs

	Note	For the period from 1 January 2015 to 30 June 2015	from 1 January 2014 to 30 June 2014
Costs and income on financial instruments, classified under financial activities, resulting from:	35	137	74
Interest		127	77
including interest on bonds		78	59
interest on borrowings		44	17
Foreign exchange gains on borrowings		(13)	(8)
Changes in other liabilities arising from the approach of the maturity date of liabilities (unwinding of the discount)		4	4
Gains on measurement of derivatives		(2)	-
Charges and bank provisions on borrowings		21	1
Changes in provisions for decommissioning of mines arising from the approach of the maturity date of a liability (unwinding of the discount)	34	22	20
Other finance costs		12	5
Total		**171**	**99**

12. Share in profits/losses of entities accounted for using the equity method

	For the period from 1 January 2015 to 30 June 2015	from 1 January 2014 to 30 June 2014
Share in losses of entities accounted for using the equity method	(1)	-

13. Income tax

Income tax	Note	For the period from 1 January 2015 to 30 June 2015	from 1 January 2014 to 30 June 2014
Current income tax		581	445
Deferred income tax	32	(81)	8
Adjustments to income tax from prior periods		(1)	(10)
Total		**499**	**443**

* In accordance with the Act of 29 August 2014 on the amendment of the corporate income tax, personal income tax and some other laws, on 1 January 2015 regulations came into force that oblige the KGHM Polska Miedź S.A. Group to apply a 19% tax rate to income from controlled foreign corporations (CFC). As at 30 June 2015, this additional tax charge amounted to PLN 50 million.

The rate applied to the taxation of income in accordance with income tax law in force amounted to: 19% in Poland, 26%, in Canada, 35% in the USA, 22.5% in Chile and 0.25-2.5% in Barbados (in the first half of 2014: 19% in Poland, 26% in Canada, 35% in the USA, 21%, in Chile and 0.25-2.5% in Barbados). The effective tax rate was 29.77% (in the first half of 2014: 27.00%). The high level of the effective tax rate was mainly due to the minerals extraction tax which is not a deductible cost for tax purposes as well as to the CFC tax.

In one of the KGHM Group's companies, a tax audit was performed with respect to corporate income tax for 2010. The auditors concluded that the income tax due was underreported. The potential additional taxation amounts to approx. PLN 21.5 million. The Company's Management Board believes that the auditor's opinion is groundless and will make use of all legal remedies available.

14. Minerals extraction tax

The table below presents the minerals extraction tax with which the KGHM Polska Miedź S.A. Group is charged.

Area	Name of tax due to extraction in a given country	Amount charged due to the tax for the period from 1 January 2015 to 30 June 2015	Amount charged due to the tax for the period from 1 January 2014 to 30 June 2014
Poland	Minerals extraction tax:		
	- copper	650	592
	- silver	160	156
	Total	**810**	**748**

15. Earnings per share

	For the period from 1 January 2015 to 30 June 2015	from 1 January 2014 to 30 June 2014
Profit from continued operations attributable to shareholders of the Parent Entity	1 192	1 100
Weighted average number of ordinary shares (millions)	200	200
Basic/diluted earnings per share (PLN/share)	5.96	5.50

There are no dilutive potential ordinary shares.

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

16. Property, plant and equipment

	At 30 June 2015	At 31 December 2014
Mining and metallurgical assets, of which:	**15 270**	**14 876**
Buildings and land	6 961	6 584
Technical equipment and machinery, motor vehicles and other fixed assets	4 930	5 018
Fixed assets under construction	3 379	3 274
Other assets not related to mining and metallurgical activities, of which:	**2 639**	**2 745**
Buildings and land	1 203	1 563
Technical equipment and machinery, motor vehicles and other fixed assets	1 242	1 117
Fixed assets under construction	194	65
Total	**17 909**	**17 621**

There were no significant impairment losses on property, plant and equipment during the reporting period.

Major investment projects recognised under fixed assets under construction, related to mining and metallurgical assets

	At 30 June 2015	At 31 December 2014
Pyrometallurgy Modernisation Program	1 221	956
Deep Głogów (Głogów Głęboki – Przemysłowy)	865	821
Construction of the SW-4 shaft	542	574
Investment activity related to development and operation of the Żelazny Most Tailings Storage Facility	202	234
Investments related to mining region infrastructural development in mines	168	167

Purchase and sale of property, plant and equipment

	For the period		
	from 1 January 2015 to 30 June 2015	from 1 January 2014 to 31 December 2014	from 1 January 2014 to 30 June 2014
Purchase	744	2 083	776
Net sale	2	8	4

Capital commitments not recognised in the consolidated statement of financial position

	At 30 June 2015	At 31 December 2014
Capital commitments due to purchase of:		
- property, plant and equipment	2 527	2 855
- intangible assets	53	34

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

17. Intangible assets

	At 30 June 2015	At 31 December 2014
Development costs	9	11
Goodwill	15	15
Software	29	26
Acquired concessions, patents, licenses	272	269
Other intangible assets, including:	421	406
- water rights*	220	217
- intangible assets due to service sales contracts*	25	23
- management fee for Sierra Gorda S.C.M.*	28	29
Intangible assets not yet available for use, of which:	2 560	2 191
- exploration and evaluation assets	2 465	2 105
- other intangible assets not yet available for use	95	86
Total	**3 306**	**2 918**

* Relates to the KGHM INTERNATIONAL LTD. Group.

As at 30 June 2015, the largest item within intangible assets not yet available for use are exploration and evaluation assets regarding the following projects:

- Victoria, located in the Sudbury Basin in Canada, expenditures related to work performed by KGHM INTERNATIONAL LTD. aimed at accessing the deposit of copper, nickel and precious metals. As at 30 June 2015, incurred expenditures amounted to PLN 1 540 million, including expenditures incurred in the first half of 2015 in the amount of PLN 80 million.
- Ajax, carried out by a company of the KGHM AJAX MINING INC. Group. As at 30 June 2015, incurred expenditures amounted to PLN 505 million, including expenditures incurred in the first half of 2015 in the amount of PLN 75 million.

There were no significant impairment losses on intangible assets during the reporting period.

18. Investment property

	For the period from 1 January 2015 to 30 June 2015	from 1 January 2014 to 31 December 2014	from 1 January 2014 to 30 June 2014
Beginning of financial period	**60**	**65**	**65**
Fair value measurement	-	(2)	-
Reclassification from properties for internal use to investment properties	-	-	2
Sale of properties	-	(3)	-
End of financial period	**60**	**60**	**67**

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

19. Investments accounted for using the equity method

	For the period from 1 January 2015 to 30 June 2015	from 1 January 2014 to 31 December 2014	from 1 January 2014 to 30 June 2014
Beginning of financial period	**4 363**	**3 720**	**3 720**
Purchase of shares	369	502	-
Share in losses of investments accounted for using the equity method	(1)	(252)	-
Elimination of unrealised profits	(108)	(201)	(86)
Exchange differences from translation of the value of a foreign operation's shares at the end of the reporting period	321	608	43
Impairment losses	-	(14)	-
End of financial period	**4 944**	**4 363**	**3 677**

In the first half of 2015 significant changes in the value of the investment in Sierra Gorda S.C.M., accounted for using the equity method, concerned:

– an increase in value due to the acquisition of newly-issued shares in the increased share capital in the amount of USD 99 million (PLN 369 million at the current average exchange rates announced by the NBP on every day a transaction was made);
– an increase in value due to exchange differences from translation in the amount of PLN 321 million (change in the exchange rates from 3.5072 USDPLN as at 31 December 2014 to 3.7645 USDPLN as at 30 June 2015); and
– a decrease in value due to elimination of unrealised profits on transactions between the Group and Sierra Gorda S.C.M. (55% - proportionally to the Group's share) of USD 29 million (PLN 108 million at the arithmetic average of the current average exchange rates announced by the NBP at the end of each month in the first half of 2015).

20. Available-for-sale financial assets

	Note	At 30 June 2015	At 31 December 2014
Shares in unlisted companies		26	10
Shares in listed companies		800	921
Non-current available-for-sale financial assets		**826**	**931**
Shares in listed companies		72	57
Current available-for-sale financial assets		**72**	**57**
Total available-for-sale financial assets:	35	**898**	**988**

The main decrease in the carrying amount of available-for-sale financial assets in the reporting period was the result of a loss due to the valuation of shares in listed companies of PLN 122 million, which was recognised in other comprehensive income.

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

21. Financial assets for mine closure and restoration of tailings storage facilities

	Note	At 30 June 2015	At 31 December 2014
Cash held in the Mine Closure Fund and Tailings Storage Facilities Restoration Fund		303	297
Debt instruments		66	61
Non-current financial assets for mine closure and restoration of tailings storage facilities		**369**	**358**
Cash held in the Mine Closure Fund		5	2
Current financial assets for mine closure		**5**	**2**
Financial assets for mine closure and restoration of tailings storage facilities, total:	35	**374**	**360**

As at 30 June 2015, the following funds were held for mine closure and restoration of tailings storage facilities:

(a) Cash accumulated by the Parent Entity in separate bank accounts of the Mine Closure Fund (MCF) based on obligations under the Law on Geology and Mining, dated 9 June 2011 (Journal of Laws No. 11.163.981) and the Tailings Storage Facilities Restoration Fund (TSFR) under the Waste Act, dated 14 December 2012 (Journal of Laws 2013.21) to cover future decommissioning costs of mines and other technological facilities and restoration of tailings storage facilities.
(balance of the Fund as at 30 June 2015: PLN 237 million, as at 31 December 2014: PLN 206 million).

(b) Cash accumulated by KGHM INTERNATIONAL LTD. to cover the costs of restoration of areas degraded by the mining activities of this group.
(balance as at 30 June 2015: PLN 71 million, as at 31 December 2014: PLN 91 million).

As at 30 June 2015, debt instruments in the amount of PLN 66 million (as at 31 December 2014: PLN 61 million) represented funds for decommissioning costs of mines belonging to the KGHM INTERNATIONAL LTD. Group. Under the law in force in the USA and Canada, the KGHM INTERNATIONAL LTD. Group is obliged to purchase government environmental bonds in the amount of the estimated provision for the decommissioning of mines and other technological facilities.

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

22. Derivatives

	Note	At 30 June 2015	At 31 December 2014
Non-current assets			
Hedging instruments		131	190
Trade and embedded instruments		60	24
Total non-current assets due to derivatives, total		**191**	**214**
Current assets			
Hedging instruments		177	243
Trade and embedded instruments		14	10
Instruments initially designated as hedging instruments excluded from hedge accounting		2	24
Current assets due to derivatives, total		**193**	**277**
Total assets due to derivatives	35	**384**	**491**
Non-current liabilities			
Hedging instruments		205	122
Trade and embedded instruments		1	1
Non-current liabilities due to derivatives, total		**206**	**123**
Current liabilities			
Hedging instruments		41	10
Trade and embedded instruments		3	26
Instruments initially designated as hedging instruments excluded from hedge accounting		-	1
Current liabilities due to derivatives, total		**44**	**37**
Total liabilities due to derivatives	35	**250**	**160**
Derivatives, net assets/(liabilities)	35	**134**	**331**
including:			
Derivatives – currency – net		(96)	55
Derivatives – metals – net		158	244
Derivatives – interest rate – net		21	-
Embedded derivatives		51	32

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

23. Trade and other receivables

	Note	At 30 June 2015	At 31 December 2014
Trade and other non-current receivables			
Loans granted*		6 968	6 231
Other financial receivables		300	269
Total loans and financial receivables, net	35	**7 268**	**6 500**
Prepayments		34	69
Total non-financial receivables, net		**34**	**69**
Trade and other non-current receivables, net		**7 302**	**6 569**
Trade and other current receivables			
Trade receivables		1 317	1 925
Amount retained (collateral) due to long-term construction contracts		30	52
Unsettled derivative receivables		31	34
Deposits of over 3 up to 12 months		-	1
Other financial receivables		147	83
Impairment allowances		(68)	(67)
Total loans and financial receivables, net	35	**1 457**	**2 028**
Other non-financial receivables, including:		281	418
- due to taxes and other charges		210	358
- advances granted		63	54
Prepayments		176	108
Impairment allowances		(18)	(17)
Total non-financial receivables, net		**439**	**509**
Trade and other current receivables, net		**1 896**	**2 537**
Total trade and other non-current and current receivables, net		**9 198**	**9 106**

* The amount of PLN 6 957 million concerns the loan granted by KGHM INTERNATIONAL LTD. to Sierra Gorda S.C.M. As at 30 June 2015 the balance of the principal of the loan amounted to PLN 5 785 million and the total accrued interest amounted to PLN 1 172 million as at 30 June 2015 (including accrued interest for the half-year period ended on 30 June 2015 in the amount of PLN 226 million).
Details in **note 36.2.4**.

There are long-term construction contracts in the companies of the Group. As at 30 June 2015, the gross amount due from clients as a result of construction work contracts was recognised in trade and other receivables and amounted to PLN 102 million (as at 31 December 2014: PLN 70 million).

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

24. Inventories

	At 30 June 2015	At 31 December 2014
Materials	847	682
Half-finished products and work in progress	2 149	1 933
Finished goods	735	547
Merchandise	159	200
Total carrying amount of inventories, net	**3 890**	**3 362**

		For the period	
Write-down of inventories in the financial period	**Note**	from 1 January 2015 to 30 June 2015	from 1 January 2014 to 30 June 2014
Write-down of inventories recognised in cost of sales	7	(75)	(46)
Reversal of write-down recognised in cost of sales	7	-	36

25. Cash and cash equivalents

	Note	At 30 June 2015	At 31 December 2014
Cash in hand		1	1
Cash at bank		307	288
Other cash		3	2
Other financial assets with a maturity of up to 3 months from the date of acquisition - deposits		469	184
Total cash and cash equivalents	35, 36	**780**	**475**

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.

26. Share capital

As at 30 June 2015, the share capital of the Parent Entity, in accordance with the entry in the National Court Register, amounted to PLN 2 000 million 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 joint ventures do not have shares of KGHM Polska Miedź S.A.
In the first half of 2015 and in 2014 there were no changes in the registered share capital or in the number of shares.

Ownership structure

As at 30 June 2015, 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 notification dated 12 January 2010 - held 63 589 900 shares, with a total nominal value of PLN 635 899 thousand, 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, with a total nominal value of PLN 1 364 101 thousand, representing 68.21% of the share capital and the same number of votes at the general meeting.
In the first half of 2015 and in 2014 there were no changes in significant blocks of shares of KGHM Polska Miedź S.A. Up to the date of signing of these financial statements by the Management Board of KGHM Polska Miedź S.A. this has not changed.

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

27. Other equity items attributable to the shareholders of the Parent Entity

	Note	Revaluation reserve from measurement of financial instruments					
		Revaluation reserve from measurement of available-for-sale financial assets	**Revaluation reserve from measurement of cash flow hedging instruments**	**Total**	**Exchange differences from the translation of foreign operations statements**	**Actuarial gains/losses on post-employment benefits**	**Retained earnings**
At 1 January 2015		**124**	**253**	**377**	**1 171**	**(430)**	**22 184**
Dividends from profit for 2014		-	-	**-**	-	-	**(800)**
Total comprehensive income		**(82)**	**(166)**	**(248)**	**728**	**147**	**1 192**
Profit for the period		-	-	**-**	-	-	1 192
Other comprehensive income		(82)	(166)	**(248)**	728	147	-
Fair value gains on available-for-sale financial assets		(106)	-	**(106)**	-	-	-
Profit from measurement after prior impairment		1	-	**1**	-	-	-
Impact of effective cash flow hedging transactions	36.1.5	-	16	**16**	-	-	-
Amount transferred to profit or loss due to the settlement of hedging instruments	36.1.5	-	(221)	**(221)**	-	-	-
Actuarial gains on post-employment benefits		-	-	**-**	-	181	-
Exchange differences from the translation of foreign subsidiaries statements		-	-	**-**	407	-	**-**
Exchange differences from the translation of investment in Sierra Gorda S.C.M.		-	-	**-**	321	-	**-**
Deferred income tax	32	23	39	**62**	-	(34)	-
Changes in ownership shares in subsidiaries which do not result in a loss of control		-	-	**-**	-	-	25
At 30 June 2015		**42**	**87**	**129**	**1 899**	**(283)**	**22 601**

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

27. Other equity items attributable to the shareholders of the Parent Entity (continued)

	Note	Revaluation reserve from measurement of financial instruments					
		Revaluation reserve from measurement of available-for-sale financial assets	Revaluation reserve from measurement of cash flow hedging instruments	Total	Exchange differences from the translation of foreign operations statements	Actuarial gains/losses on post-employment benefits	Retained earnings
At 1 January 2014		**23**	**499**	**522**	**(267)**	**(132)**	**20 718**
Dividends from profit for 2013 - paid		-	-	**-**	-	-	**(1 000)**
Offsetting of profit from prior years with the actuarial gains and losses		-	-	**-**	-	4	**(4)**
Total comprehensive income		**101**	**(246)**	**(145)**	**1 438**	**(302)**	**2 450**
Profit for the period		-	-	**-**	-	-	2 450
Other comprehensive income		101	(246)	**(145)**	1 438	(302)	-
Profit from measurement of available-for-sale financial assets after prior impairment		124	-	**124**	-	-	-
Impact of effective cash flow hedging transactions		-	227	**227**	-	-	-
Amount transferred to profit or loss due to the settlement of hedging instruments		-	(531)	**(531)**	-	-	-
Actuarial losses on post-employment benefits		-	-	**-**	-	(372)	-
Exchange differences from the translation of foreign subsidiaries statements		-	-	**-**	830	-	-
Exchange differences from the translation of investment in Sierra Gorda S.C.M.		-	-	**-**	608	-	-
Deferred income tax	32	(23)	58	**35**	-	70	-
Changes in ownership shares in subsidiaries which do not result in a loss of control		-	-	**-**	-	-	20
At 31 December 2014		**124**	**253**	**377**	**1 171**	**(430)**	**22 184**

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

27. Other equity items attributable to the shareholders of the Parent Entity (continued)

	Note	Revaluation reserve from measurement of financial instruments					
		Revaluation reserve from measurement of available-for-sale financial assets	Revaluation reserve from measurement of cash flow hedging instruments	Total	Exchange differences from the translation of foreign operations statements	Actuarial gains/losses on post-employment benefits	Retained earnings
At 1 January 2014		**23**	**499**	**522**	**(267)**	**(132)**	**20 718**
Dividends from profit for 2013 – resolved but unpaid		-	-	**-**	-	-	**(1 000)**
Offsetting of profit from prior years with the actuarial gains and losses		-	-	**-**	-	4	**(4)**
Total comprehensive income		**128**	**(116)**	**12**	**108**	**(127)**	**1 100**
Profit for the period		-	-	**-**	-	-	1 100
Other comprehensive income		128	(116)	**12**	108	(127)	-
Fair value gains on available-for-sale financial assets		10	-	**10**	-	-	-
Amount transferred to profit or loss due to the impairment of available-for-sale financial assets		146	-	**146**	-	-	-
Impact of effective cash flow hedging transactions		-	121	**121**	-	-	-
Amount transferred to profit or loss due to the settlement of hedging instruments	36.1.5	-	(264)	**(264)**	-	-	-
Actuarial losses on post-employment benefits		-	-	**-**	-	(157)	-
Exchange differences from the translation of foreign subsidiaries statements		-	-	**-**	65	-	-
Exchange differences from the translation of investment in Sierra Gorda S.C.M.		-	-	**-**	43	-	-
Deferred income tax	32	(28)	27	**(1)**	-	30	-
Changes in ownership shares in subsidiaries which do not result in a loss of control		-	-	**-**	-	-	19
At 30 June 2014		**151**	**383**	**534**	**(159)**	**(255)**	**20 833**

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

28. Retained earnings

	At 30 June 2015	At 31 December 2014
Undistributed profit/(loss) from prior years	(1 004)	(772)
Reserve capital created in accordance with the Commercial Partnerships and Companies Code	766	764
Reserve capital created and utilised in accordance with the Statutes of Group entities	21 657	19 772
Capital from valuation of the put option for employee shares	(10)	(30)
Profit for the period	1 192	2 450
Total retained earnings	**22 601**	**22 184**

Based on the Commercial Partnerships and Companies Code, the Group's companies are required to create reserve capital for any potential (future) or existing losses, to which no less than 8% of a given financial year's profit is transferred until the reserve capital has been built up to no less than one-third of the registered share capital. The reserve capital created in this manner may not be employed otherwise than in covering the loss reported in the financial statements.
As at 30 June 2015, this statutory reserve capital in the Group's entities amounted to PLN 766 million, of which PLN 660 million related to the Parent Entity.

29. Changes in equity attributable to non-controlling interest

	Note	For the period		
		from 1 January 2015 to 30 June 2015	from 1 January 2014 to 31 December 2014	from 1 January 2014 to 30 June 2014
As at beginning of the period		**228**	**223**	**223**
Non-controlling interest in profits of subsidiaries		2	1	1
Changes in ownership shares in subsidiaries which do not result in loss of control	29.1	(19)	(2)	(15)
Changes in equity attributable to non-controlling interest due to exchange differences from the translation of foreign operations statements		-	6	(1)
At end of the period		**211**	**228**	**208**

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

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

29.1 Transactions with non-controlling interest

For the period from 1 January 2015 to 30 June 2015	Note	Net assets at the date of change in % held	% of non-controlling interest in respect of changes	Net assets attributable to non-controlling interest in respect of changes	Transaction value	Impact on equity attributable to non-controlling interest	Impact on equity attributable to the Parent Entity
Changes in ownership shares in subsidiaries which do not result in loss of control	29			**43**	**47**	**(19)**	**25**
Acquisition of employee shares of WPEC w Legincy S.A., Centrozłom Wrocław S.A. and Grupa PGU companies		639	x	22	13	(22)	20
Acquisition of non-controlling interest in Bipromet S.A.		55	34.00%	18	13	(18)	5
Increase in the share capital of KGHM AJAX MINING INC.		642	-	21	21	21	-

For the period from 1 January 2014 to 31 December 2014	Note	Net assets at the date of change in % held	% of non-controlling interest in respect of changes	Net assets attributable to non-controlling interest in respect of changes	Transaction value	Impact on equity attributable to non-controlling interest	Impact on equity attributable to the Parent Entity
Changes in ownership shares in subsidiaries which do not result in loss of control	29			**41**	**33**	**(2)**	**19**
Acquisition of employee shares of Centrozłom Wrocław S.A. and Grupa PGU companies		464	x	22	14	(21)	19
Increase in the share capital of KGHM AJAX MINING INC.		534	-	19	19	19	-

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

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

For the period from 1 January 2014 to 30 June 2014	Note	Net assets at the date of change in % held	% of non-controlling interest in respect of changes	Net assets attributable to non-controlling interest in respect of changes	Transaction value	Impact on equity attributable to non-controlling interest	Impact on equity attributable to the Parent Entity
Changes in ownership shares in subsidiaries which do not result in loss of control	29			**23**	**23**	**(15)**	**19**
Acquisition of employee shares of Centrozłom Wrocław S.A.		469	26.68%	19	19	(19)	19
Increase in the share capital of KGHM AJAX MINING INC.		431	-	4	4	4	-

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

30. Trade and other payables

	Note	At 30 June 2014	At 31 December 2014
Trade and other non-current payables			
Trade payables, including:		176	175
payables due to the purchase or construction of property, plant and equipment and intangible assets		168	168
Other financial liabilities		13	15
Total financial liabilities (under IFRS 7)	35	**189**	**190**
Deferred income:		842	812
liabilities due to Franco Nevada streaming contract*		751	731
advances received from customers		91	81
Total non-financial liabilities		**842**	**812**
Total trade and other non-current payables		**1 031**	**1 002**
Trade and other current payables			
Trade payables, including:		1 287	1 209
payables due to the purchase or construction of property, plant and equipment and intangible assets		191	407
Other financial liabilities, including:		495	122
liabilities due to resolved but unpaid dividend from appropriation of profit for financial year 2014 for shareholders of the Parent Entity		400	-
Total financial liabilities (under IFRS 7)	35	**1 782**	**1 331**
Employee benefits liabilities		119	217
Liabilities due to taxes and social security		420	587
Other non-financial liabilities		35	65
Special funds		255	238
Deferred income		74	35
Accruals**		819	763
Total non-financial liabilities		**1 722**	**1 905**
Total trade and other current payables		**3 504**	**3 236**
Total trade and other non-current and current payables		**4 535**	**4 238**

* This liability is recognised at fair value, and is equal to the value of the obligation stipulated in the agreement to provide future streaming services, which will be accounted for based on the amount of services rendered.

**As at 30 June 2015, accruals consisted mainly of the one-off bonus paid after the approval of the annual financial statements which were recorded in the accounting books as well as other employee benefits resulting from the collective labour agreements in the amount of PLN 418 million (PLN 321 million as at 31 December 2014) and costs due to unused annual leave in the amount of PLN 65 million (PLN 60 million as at 31 December 2014).

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

31. Borrowings, debt instruments and finance lease liabilities

	Note	At 30 June 2015	At 31 December 2014
Bank loans		2 742	143
Loans		1 135	1 057
Finance lease liabilities		26	28
Debt instruments*		-	1 769
Total non-current borrowings, debt instruments and finance lease liabilities		**3 903**	**2 997**
Bank loans		1 828	1 782
Loans		6	10
Finance lease liabilities		16	15
Debt instruments - interest		-	6
Total current borrowings, debt instruments and finance lease liabilities		**1 850**	**1 813**
Total borrowings, debt instruments and finance lease liabilities	35	**5 753**	**4 810**

* On 15 June 2015, senior notes issued by KGHM INTERNATIONAL LTD. were redeemed before the redemption date of 2019. The value of the transaction amounted to USD 500 million (nominal value of issued senior notes) plus a redemption premium of USD 19 million. This transaction was financed with funds from the syndicated credit facility agreement signed by the Parent Entity.

As at 30 June 2015, the amount of PLN 5 539 million (as at 31 December 2014: PLN 2 108 million) relates to borrowings of KGHM Polska Miedź S.A.

Detailed information on borrowings drawn and debt instruments is presented in note Financial risk management in point **36.3.1.**

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

32. Deferred tax

	Note	At 30 June 2015	At 31 December 2014	At 30 June 2014
Net deferred tax liabilities at the beginning of the period, of which:		**(1 141)**	**(1 275)**	**(1 275)**
Deferred tax assets at the beginning of the period		**535**	**451**	**451**
Deferred tax liabilities at the beginning of the period		**(1 676)**	**(1 726)**	**(1 726)**
Charged/(credited) to profit for the period	13	81	221	(8)
Increase in other comprehensive income	27	28	105	29
Exchange differences from the translation of deferred tax of foreign operations		(83)	(192)	(18)
Net deferred tax liabilities at the end of the period, of which:		**(1 115)**	**(1 141)**	**(1 272)**
Deferred tax assets at the end of the period		**581**	**535**	**468**
Deferred tax liabilities at the end of the period		**(1 696)**	**(1 676)**	**(1 740)**

Deferred tax assets prior to offsetting

	At 30 June 2015	At 31 December 2014
Exchange differences	2	2
Allowance for impairment of receivables	6	5
Short-term accruals for remuneration	76	64
Employee benefits (holidays)	8	9
Provision for decommissioning of mines and other technological facilities	146	198
Measurement of forward transactions	184	211
Re-measurement of hedging instruments	18	3
Difference between the depreciation rates for accounting purposes and for tax purposes	284	238
Realisation of adjustment due to fair value measurement of KGHM INTERNATIONAL LTD.	(49)	(39)
Future employee benefits liabilities	369	406
Unpaid remuneration with surcharges	13	18
Measurement of available-for-sale financial assets	1	1
Other	392	367
Total	**1 450**	**1 483**

The deferred tax assets and deferred tax liabilities are offset in the statements of financial position at the level of the financial statements of subsidiaries.

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

32. Deferred tax (continued)

Deferred tax liabilities prior to offsetting

	At 30 June 2015	At 31 December 2014
Measurement of forward transactions	64	93
Interest	21	7
Re-measurement of hedging instruments	38	63
Difference between the depreciation rates for accounting purposes and for tax purposes	1 430	1 272
Adjustment due to fair value measurement of KGHM INTERNATIONAL LTD. including realisation of adjustment to the end of the reporting period	262	401
Temporary differences from dividends income of the Sierra Gorda S.C.M. investment	366	369
Measurement of available-for-sale financial assets	5	29
Other	379	390
Total	**2 565**	**2 624**

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

33. Employee benefits

The present value of liabilities due to future employee benefits equals their carrying amount.

Change in liabilities due to future employee benefits

	TOTAL liabilities	Jubilee awards	Retirement and disability benefits	Coal equivalent	Other benefits
At 1 January 2015	**2 146**	**379**	**293**	**1 393**	**81**
Total amount of costs recognised in profit or loss:	**57**	**13**	**11**	**31**	**2**
Interest costs	**27**	4	4	18	1
Current service cost	**31**	10	7	13	1
Actuarial gains recognised in profit or loss	**(1)**	(1)	-	-	-
Actuarial gains recognised in other comprehensive income	**(181)**	-	-	(177)	(4)
Benefits paid	**(71)**	(16)	(16)	(38)	(1)
Obligations assumed following business combinations	**(1)**	(1)	-	-	-
At 30 June 2015	**1 950**	**375**	**288**	**1 209**	**78**
of which:					
Carrying amount of non-current liabilities	**1 812**	327	246	1 165	74
Carrying amount of current liabilities	**138**	48	42	44	4

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

33. Employee benefits (continued)

	TOTAL liabilities	Jubilee awards	Retirement and disability benefits	Coal equivalent	Other benefits
At 1 January 2014	**1 694**	**328**	**250**	**1 050**	**66**
Total amount of costs recognised in profit or loss:	**192**	**100**	**24**	**63**	**5**
Interest costs	**76**	15	11	47	3
Current service cost	**57**	26	13	16	2
Past service cost	**1**	1	-	-	-
Actuarial losses recognised in profit or loss	**58**	58	-	-	-
Actuarial losses recognised in other comprehensive income	**372**	-	40	318	14
Benefits paid	**(112)**	(49)	(21)	(38)	(4)
At 31 December 2014	**2 146**	**379**	**293**	**1 393**	**81**
of which:					
Carrying amount of non-current liabilities	**2 011**	332	253	1 350	76
Carrying amount of current liabilities	**135**	47	40	43	5

	TOTAL liabilities	Jubilee awards	Retirement and disability benefits	Coal equivalent	Other benefits
At 1 January 2014	**1 694**	**328**	**250**	**1 050**	**66**
Total amount of costs recognised in profit or loss:	**82**	**38**	**10**	**32**	**2**
Interest costs	**36**	6	5	24	1
Current service cost	**25**	11	5	8	1
Actuarial losses recognised in profit or loss	**21**	21	-	-	-
Actuarial losses recognised in other comprehensive income	**157**	-	18	132	7
Benefits paid	**(61)**	(13)	(11)	(36)	(1)
At 30 June 2014	**1 872**	**353**	**267**	**1 178**	**74**
of which:					
Carrying amount of non-current liabilities	**1 739**	306	230	1 134	69
Carrying amount of current liabilities	**133**	47	37	44	5

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

33. Employee benefits (continued)

Main actuarial assumptions at 30 June 2015

	2015	2016	2017	2018	2019 and beyond
- discount rate	3.40%	3.40%	3.40%	3.40%	3.40%
- rate of increase in coal prices	0.00%	0.00%	2.30%	3.00%	3.00%
- rate of increase in the lowest salary	0.00%	3.80%	3.60%	4.00%	4.00%
- expected inflation	0.00%	1.70%	1.80%	2.50%	2.50%
- future expected increase in salary	2.20%	1.70%	1.80%	2.50%	2.50%

Main actuarial assumptions at 31 December 2014

	2015	2016	2017	2018	2019 and beyond
- discount rate	2.75%	2.75%	2.75%	2.75%	2.75%
- rate of increase in coal prices	0.00%	2.80%	2.60%	3.00%	3.00%
- rate of increase in the lowest salary	0.00%	3.80%	3.60%	4.00%	4.00%
- expected inflation	1.20%	2.30%	2.10%	2.50%	2.50%
- future expected increase in salary	1.50%	2.30%	2.10%	2.50%	2.50%

Main actuarial assumptions at 30 June 2014

	2014	2015	2016	2017	2018 and beyond
- discount rate	3.75%	3.75%	3.75%	3.75%	3.75%
- rate of increase in coal prices	0.00%	3.00%	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	2.40%	2.50%	2.50%	2.50%	2.50%
- future expected increase in salary	0.00%	2.50%	2.50%	2.50%	2.50%

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

34. Provisions for other liabilities and charges

	Note	TOTAL	Decommissioning costs of mines and other technological facilities and costs of scrapping property, plant and equipment	Disputed issues and court proceedings, and other provisions
Provisions at 1 January 2015	**Note**	**1 650**	**1 566**	**84**
Provisions recognised in other operating costs		9	2	7
Changes in provisions arising from updating of estimates recognised in other operating (income)/ costs		(13)	(13)	-
Changes in provisions arising from updating of estimates recognised in fixed assets		(268)	(268)	-
Changes in provisions arising from the approach of the maturity date of a liability (unwinding of the discount) recognised in finance costs	11	22	22	-
Utilisation of provisions		(31)	(29)	(2)
Release of provisions and recognition in other operating income		(7)	-	(7)
Adjustment of contribution to Mine Closure Fund and to Tailings Storage Facilities Restoration Fund		(11)	(11)	-
Other changes		39	39	-
Provisions at 30 June 2015		**1 390**	**1 308**	**82**
of which:				
Non-current provisions		**1 222**	**1 213**	**9**
Current provisions		**168**	**95**	**73**

	TOTAL	Decommissioning costs of mines and other technological facilities and costs of scrapping property, plant and equipment	Disputed issues and court proceedings, and other provisions
Provisions at 1 January 2014	**1 032**	**964**	**68**
Provisions recognised in other operating costs	35	1	34
Changes in provisions arising from updating of estimates recognised in other operating (income)/costs	8	8	-
Decrease in provisions arising from updating of estimates recognised in fixed assets	520	520	-
Changes in provisions arising from the approach of the maturity date of a liability (unwinding of the discount) recognised in finance costs	41	41	-
Utilisation of provisions	(36)	(11)	(25)
Release of provisions and recognition in other operating income	(17)	(13)	(4)
Adjustment of contribution to Mine Closure Fund and to Tailings Storage Facilities Restoration Fund	(27)	(27)	-
Other changes	94	83	11
Provisions at 31 December 2014	**1 650**	**1 566**	**84**
of which:			
Non-current provisions	**1 483**	**1 473**	**10**
Current provisions	**167**	**93**	**74**

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

34. Provisions for other liabilities and charges (continued)

		TOTAL	Decommissioning costs of mines and other technological facilities and costs of scrapping property, plant and equipment	Disputed issues and court proceedings, and other provisions
Provisions at 1 January 2014	**Note**	**1 032**	**964**	**68**
Provisions recognised in other operating costs		7		7
Changes in provisions arising from updating of estimates recognised in other operating (income)/costs		4	4	
Changes in provisions arising from updating of estimates recognised in fixed assets		180	180	-
Changes in provisions arising from the approach of the maturity date of a liability (unwinding of the discount) recognised in finance costs	11	20	20	-
Utilisation of provisions		(6)	(3)	(3)
Release of provisions and recognition in other operating income		(3)	(1)	(2)
Adjustment of contribution to Mine Closure Fund and to Tailings Storage Facilities Restoration Fund		(12)	(12)	-
Other changes		5	6	(1)
Provisions at 30 June 2014		**1 227**	**1 158**	**69**
of which:				
Non-current provisions		**1 113**	**1 100**	**13**
Current provisions		**114**	**58**	**56**

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

35. Financial instruments

35.1 Carrying amount

		At 30 June 2015 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 beyond the scope of IAS 39	Hedging instruments	**Total**
Debt instruments- financial assets for mine closure	21	-	-	66	-	-	-	-	**66**
Listed shares	20	872	-	-	-	-	-	-	**872**
Unlisted shares	20	26	-	-	-	-	-	-	**26**
Trade receivables (net)	23	-	-	1 281	-	-	-	-	**1 281**
Cash and cash equivalents and deposits		-	-	1 088	-	-	-	-	**1 088**
Financial assets for mine closure and restoration of tailings storage facilities	21	-	-	308	-	-	-	-	**308**
Cash and cash equivalents	25	-	-	780	-	-	-	-	**780**
Loans granted (net)		-	-	6 968	-	-	-	-	**6 968**
Other financial assets (net)		-	-	476	-	-	-	-	**476**
Derivatives – Currency (net)	22	-	4	-	(4)	-	-	(96)	**(96)**
Derivatives - Commodity contracts – metals (net)	22	-	-	-	-	-	-	158	**158**
Derivatives – interest rate (net)	22	-	21	-	-	-	-	-	**21**
Embedded derivatives	22	-	51	-	-	-	-	-	**51**
Trade payables	30	-	-	-	-	(1 463)	-	-	**(1 463)**
Borrowings	31	-	-	-	-	(5 711)	-	-	**(5 711)**
Other financial liabilities		-	-	-	-	(508)	(42)	-	**(550)**
Trade and other payables	30	-	-	-	-	(508)	-	-	**(508)**
Finance lease liabilities	31	-	-	-	-	-	(42)	-	**(42)**
Total		**898**	**76**	**9 879**	**(4)**	**(7 682)**	**(42)**	**62**	**3 187**

* Instruments initially designated as hedging instruments, excluded from hedge accounting, were included in the category financial assets and liabilities at fair value through profit or loss. The fair value of individual classes of financial instruments did not differ significantly from their carrying amount both as at 30 June 2015 and as at 31 December 2014.

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

35. Financial instruments (continued)

At 31 December 2014

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 beyond the scope of IAS 39	Hedging instruments	**Total**
		Categories of financial instruments							
Debt instruments - financial assets for mine closure	21	-	-	61	-	-	-	-	**61**
Listed shares	20	978	-	-	-	-	-	-	**978**
Unlisted shares	20	10	-	-	-	-	-	-	**10**
Trade receivables (net)	23	-	-	1 891	-	-	-	-	**1 891**
Cash and cash equivalents and deposits		-	-	775	-	-	-	-	**775**
Financial assets for mine closure and restoration of tailings storage facilities	21	-	-	299	-	-	-	-	**299**
Trade and other receivables	23	-	-	1	-	-	-	-	**1**
Cash and cash equivalents	25	-	-	475	-	-	-	-	**475**
Loans granted (net)		-	-	6 231	-	-	-	-	**6 231**
Other financial assets (net)		-	-	405	-	-	-	-	**405**
Derivatives – Currency (net)	22	-	25	-	(26)	-	-	56	**55**
Derivatives - Commodity contracts – metals (net)	22	-	-	-	(1)	-	-	245	**244**
Embedded derivatives	22	-	32	-	-	-	-	-	**32**
Trade payables	30	-	-	-	-	(1 384)	-	-	**(1 384)**
Borrowings	31	-	-	-	-	(2 992)	-	-	**(2 992)**
Debt instruments – issued bonds	31	-	-	-	-	(1 775)	-	-	**(1 775)**
Other financial liabilities		-	-	-	-	(137)	(43)	-	**(180)**
Trade and other payables	30	-	-	-	-	(137)	-	-	**(137)**
Finance lease liabilities	31	-	-	-	-	-	(43)	-	**(43)**
Total		**988**	**57**	**9 363**	**(27)**	**(6 288)**	**(43)**	**301**	**4 351**

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

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

35. Financial instruments (continued)

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

For the period from 1 January 2015 to 30 June 2015	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 out of the scope of IAS 39	Hedging instruments	**Total**
Dividends received	9	-	27	-	-	-	-	**27**
Interest income/(costs) recognised in:		**-**	**-**	**185**	**(127)**	**(1)**	**-**	**57**
Other operating income	9	-	-	185	-	-	-	185
Other operating costs	10	-	-	-	(1)	-	-	(1)
Finance costs	11	-	-	-	(126)	(1)	-	(127)
Foreign exchange gains/(losses) recognised in:		**-**	**-**	**117**	**(69)**	**-**	**-**	**48**
Other operating income	9	-	-	117	(82)	-	-	35
Finance costs	11	-	-	-	13	-	-	13
Losses on measurement of non-current liabilities recognised in finance costs	11	**-**	**-**	**-**	(4)	**-**	**-**	**(4)**
Impairment allowances recognised in:		**-**	**(1)**	**(4)**	**-**	**-**	**-**	**(5)**
Expenses by nature	7	-	-	(4)	-	-	-	(4)
Other operating costs	10	-	(1)	-	-	-	-	(1)
Reversal of impairment losses recognised in:		**-**	**-**	**2**	**-**	**-**	**-**	**2**
Expenses by nature	7	-	-	1	-	-	-	1
Other operating income	9	-	-	1	-	-	-	1
Adjustment to sales due to hedging transactions	36.1.5	-	-	-	-	-	221	**221**
Losses from disposal of financial instruments recognised in expenses by nature	7	-	-	(6)	**-**	**-**	**-**	**(6)**
Gains on measurement and realisation of derivatives recognised in other operating income	9	80	-	-	**-**	**-**	**-**	**80**
Losses on measurement and realisation of derivatives recognised in:		(255)	-	-	**-**	**-**	**-**	**(255)**
Other operating costs	10	(253)	-	-	-	-	-	(253)
Finance costs	11	(2)	-	-	-	-	-	(2)
Charges and bank provisions on borrowings	11	-	-	-	(21)	-	-	(21)
Total net gain/(loss)		**(175)**	**26**	**294**	**(221)**	**(1)**	**221**	**144**

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

35. Financial instruments (continued)

For the period from 1 January 2014 to 30 June 2014	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 liabilities measured at amortised cost	Financial liabilities due to factoring and liabilities out of the scope of IAS 39		
Dividends received	9	-	35	-	-	-	-	**35**
Interest income/(costs) recognised in:		**-**	**-**	**134**	**(77)**	**(1)**	**-**	**56**
Other operating income	9	-	-	134	-	-	-	134
Other operating costs	10	-	-	-	(1)	-	-	(1)
Finance costs	11	-	-	-	(76)	(1)	-	(77)
Foreign exchange gains/(losses) recognised in:		**-**	**-**	**69**	**(67)**	**-**	**-**	**2**
Other operating income	9	-	-	71	(71)	-	-	-
Other operating costs	10	-	-	(2)	(4)	-	-	(6)
Finance costs	11	-	-	-	8	-	-	8
Losses on measurement of non-current liabilities recognised in finance costs	11	**-**	**-**	**-**	**(4)**	**-**	**-**	**(4)**
Impairment allowances recognised in:		**-**	**(1)**	**(1)**	**-**	**-**	**-**	**(2)**
Expenses by nature	7	-	-	(1)	-	-	-	(1)
Other operating costs	10	-	(1)	-	-	-	-	(1)
Reversal of impairment losses recognised in:		-	-	4	**-**	**-**	**-**	**4**
Expenses by nature	7	-	-	3	-	-	-	3
Other operating income	9	-	-	1	-	-	-	1
Adjustment to sales due to hedging transactions	36.1.5	-	-	-	-	-	264	**264**
Losses from disposal of financial instruments recognised in expenses by nature	7	-	-	(3)	-	-	-	(3)
Gains on measurement and realisation of derivatives recognised in other operating income	9	59	**-**	**-**	**-**	**-**	**-**	**59**
Losses on measurement and realisation of derivatives recognised in other operating costs	10	(163)	**-**	**-**	**-**	**-**	**-**	**(163)**
Charges and bank provisions on borrowings	11	-	-	-	-	(1)	-	(1)
Total net gain/(loss)		**(104)**	**34**	**203**	**(148)**	**(2)**	**264**	**247**

35. Financial instruments (continued)

35.3 Fair value hierarchy

Investments in listed companies (classified as available-for-sale financial assets) are classified under level 1 of the fair value hierarchy. All other financial instruments (presented in **note 35.1**) are classified by the Group under level 2 of the fair value hierarchy. The manner and techniques for measuring financial instruments to fair value have not changed in comparison to the manner and techniques for measurement as at 31 December 2014.
There was no transfer by the Group of financial instruments between individual levels of the fair value hierarchy in either the reporting or the comparative periods, nor was there any change in the classification of instruments as a result of a change in the purpose or use of these instruments

36. Financial risk management

In the course of its business activities the Group is exposed to the following main financial risks:

- market risks:
  - risk of changes in metal prices;
  - risk of changes in foreign exchange rates;
  - risk of changes in interest rates;
  - price risk related to investments in debt instruments;
  - price risk related to investments in shares of listed companies;
- credit risk; and
- liquidity risk.

The Group continuously identifies and measures financial risk, and also takes actions aimed at minimising its impact on the financial situation. Understanding these threats arising from exposure to risk and having an appropriate organisational structure and procedures enable better realisation of its tasks.

The Parent Entity manages identified financial risks in a conscious and responsible manner on the basis of the approved Market Risk Management Policy, Financial Liquidity Management Policy and Credit Risk Management Policy. The process of financial risk management in the Parent Entity is supported by the work of the Market Risk Committee and the Credit Risk Committee.

Liquidity management in the Parent Entity is based on the Financial Liquidity Management Policy approved by the Management Board. In KGHM INTERNATIONAL LTD. the liquidity management principles are described in the Investment Policy. These documents describe the financial liquidity management process while taking into account the specific character of the Group's companies, indicating best practise procedures and instruments. The Parent Entity supervises the process of managing liquidity and acquiring external financing in the Group.

36.1 Market risk

The market risk to which the Group is exposed is understood as the possible negative impact on the Group's results, resulting from changes in the market prices of commodities, exchange rates and interest rates, as well as the prices of debt instruments and the share prices of listed companies.

36.1.1 Commodity risk

The Parent Entity is exposed to the risk of changes in market prices of the metals it sells: copper, silver, gold and lead. The KGHM INTERNATIONAL LTD. Group is exposed to the risk of changes in the market prices of copper, gold, nickel, molybdenum, platinum and palladium.

In the Parent Entity and the KGHM INTERNATIONAL LTD. Group the price formulas used in physical delivery contracts are mainly based on average monthly prices from the London Metal Exchange (LME) for copper and other common metals and from the London Bullion Market (LBM) for precious metals. As part of the trading policy, the Parent Entity and KGHM INTERNATIONAL LTD. set the price base for physical delivery contracts as the average price of the appropriate future month. There are also other formulas in the Group for setting metals sales prices.

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

36. Financial risk management (continued)

The permanent and direct link between sales proceeds and metals prices, without similar relationships on the expenditures side, results in a strategic exposure. In turn, operating exposure is a result of possible mismatches in the pricing of physical contracts with respect to the Group's benchmark profile, in particular in terms of the reference prices and the quotation periods.

On the metals market, the Group has a so-called long position, which means it has higher sales than purchases. The analysis of the Group's exposure to market risk should be performed on a net basis, i.e. by deducting the volume of metals' contained in materials purchased from external sources, from the volume of sales.

The Group's strategic exposure to commodity risk in the reporting period and in the comparable period is presented below[(1)]:

	For the period					
	from 1 January 2015 to 30 June 2015			from 1 January 2014 to 30 June 2014		
	Net	Sales	Purchases	Net	Sales	Purchases
Copper [tonnes]	**240 266**	322 621	82 355	**233 199**	309 567	76 368
Silver [tonnes]	**552**	563	11	**557**	571	14
Nickel [tonnes]	**1 089**	1 089	-	**1 655**	1 655	-

Exposure to the risk of changes in other metal prices was not included in the table because of its lower significance.

36.1.2 Currency risk

Regarding the risk of changes in foreign exchange rates, the KGHM Polska Miedź S.A. Group identifies the following types of exposures:

- transaction exposure related to the volatility of cash flows in the base currency;
- exposure related to the volatility of selected items of the consolidated statements of financial position in the base (functional) currency; and
- exposure due to net investments in foreign subsidiaries concerning volatility of consolidated equity in the Group's base currency (presentation currency).

The transaction exposure to currency risk stems from cash flow-generating contracts, whose values expressed in the base (functional) currency depend on future levels of exchange rates of the foreign currencies with respect to the base currency. Cash flows exposed to currency risk may possess the following characteristics:

- denomination in the foreign currency – cash flows are settled in the foreign currencies other than the functional currency; and
- indexation to the foreign currency – cash flows may be settled in the base currency, but the price (i.e. of a metal) is set in a different foreign currency.[(2)]

The key source of exposure to currency risk in the Parent Entity's business operations are the proceeds from sales of products (with respect to metals prices, processing and producer margins).

The exposure to currency risk derives from items in the statement of financial position denominated in foreign currencies, which under the existing accounting regulations must be, upon settlement, periodic valuation or translation of foreign operations statements, translated by applying the current exchange rate of the foreign currencies versus the base (functional) currency. Changes in the carrying amounts of such items between valuation dates result in the volatility of profit/loss or of other comprehensive income.

Items in the consolidated statement of financial position which are exposed to currency risk related in particular to:

- trade receivables and payables related to purchases and sales denominated in foreign currencies;
- financial receivables due to loans granted in foreign currencies;
- financial debt liabilities in foreign currencies; and
- cash and cash equivalents in foreign currencies.

[(1)] Tonnage relates to the amounts of payable metal in sold and purchased products.
[(2)] It is widely accepted on commodity markets that physical delivery contracts of metals are settled in USD or indexed in USD.

36. Financial risk management (continued)

36.1.3 Interest rate risk

Interest rate risk is the possibility of the negative impact of changes in interest rates on the Group's results. In the first half of 2015, the Group was exposed to such risk due to loans granted, free cash invested on deposits and external sources of financing.

As at 30 June 2015 the following positions were exposed to interest rate risk by impacting the amount of interest costs and income:

- cash: PLN 780 million
- bank loans: PLN 4 570 million.

As at 30 June 2015 the positions exposed to interest rate risk due to fair value changes of a financial instrument with a fixed interest rate were as follows:

- receivables due to loans granted by the Group: PLN 6 968 million, including loans granted by KGHM INTERNATIONAL LTD. to finance a mining joint venture in Chile: PLN 6 957 (USD 1848 million); and
- liabilities due to loans drawn: PLN 1 141 million, including the loan drawn by the Parent Entity from the European Investment Bank: PLN 1 135 million (or USD 301 million);

As at 30 June 2015, the Group held liabilities due to borrowings in the amount of PLN 5 711 million.

36.1.4 Commodity, currency and interest risk management - derivatives

The Parent Entity, KGHM INTERNATIONAL LTD. and some other domestic companies of the Group make use of derivatives in order to reduce the market risk related to changes in commodity prices, foreign exchanges and interest rates. However, only the Parent Entity applies hedging strategies as understood by hedge accounting.

Taking into account the exposure to market risk, the activities of the Parent Entity and KGHM INTERNATIONAL LTD have the most significant impact on the Group's results.

Commodity, currency and interest risk management in the Parent Entity

The notional amount of copper price hedging strategies settled in the first half of 2015 represented approx. 10% (in the first half of 2014: 15%) of the total[3] sales of this metal achieved by the Parent Entity. In the first half of 2015, as well as in the first half of 2014, the revenues from sales of silver were not hedged by derivatives. In the case of the currency market, hedged revenues from sales represented approx. 31% (in the first half of 2014: 25%) of total revenues from metals sales achieved by the Parent Entity.

The Parent Entity did not implement any hedging transactions for the copper market or the silver market in the first half of 2015.

However, transactions hedging sales revenues for the total notional amount of USD 735 million and a time horizon falling from April 2015 to December 2017 (including USD 45 million for the second quarter of 2015) were implemented for the currency market. The Parent Entity made use of put options (European options) and collar option strategies.

With respect to currency risk management whose source is borrowing, the Parent Entity uses natural hedging by borrowing in currencies in which it has revenues. As at 30 June 2015, bank loans and the investment loan were drawn in USD, and following their translation to PLN they amounted to PLN 5 575 million.

Transactions hedging the Parent Entity against an increase in the interest rate (LIBOR USD) were implemented in the first quarter of 2015 by purchasing call options (interest rate cap) with a 2.50 % interest rate, for the period from January 2016 to December 2018 and an average quarterly notional amount of USD 717 million.

[3] Relates to the sales of metal products from own concentrates and from purchased copper-bearing materials.

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

36. Financial risk management (continued)

As at 30 June 2015, the Parent Entity remains hedged for a portion of copper sales planned for the period from July to December 2015 (21 thousand tonnes) and does not hold any open hedging transactions on the silver market. On the currency market however, as at 30 June 2015 the Parent Entity held a hedging position in derivatives for the planned revenues from sales of metals in the amount of USD 2 430 million, including: USD 570 million for the period from July to December 2015, USD 960 million for 2016 and USD 900 million for 2017. In addition, the first instalment of the loan granted by the European Investment Bank (in the amount of USD 300 million) hedges revenues from sales against the risk of changes in foreign exchange rates for the period from October 2017 to October 2026. Moreover, the Parent Entity holds open derivatives transactions on the interest rate market for 2016 (average quarterly notional amount of USD 550 million), for 2017 (average quarterly notional amount of USD 700 million) and for 2018 (average quarterly notional amount of USD 900 million).

Condensed table of open transactions in derivatives of the Parent Entity[4]

COPPER MARKET

	Instrument	**Volume** [tonnes]	**Option strike price** [USD/t]			**Average weighted premium** [USD/t]	**Effective hedge price** [USD/t]	**Limitations** [USD/t]	
			Sold call option	Purchased put option	Sold put option[5]			Participation limited to	Hedge limited to
II half of 2015	Seagull	6 000	10 200	7 700	4 500	-332	7 368	10 200	4 500
	Seagull	15 000	10 300	7 800	4 500	-368	7 432	10 300	4 500
	Total	**21 000**							
TOTAL June-Dec 2015		**21 000**							

CURRENCY MARKET

	Instrument	**Notional** [million USD]	**Option strike price** [USD/PLN]			**Average weighted premium** [PLN for USD 1]	**Effective hedge price** [USD/PLN]	**Limitations** [USD/PLN]	
			Sold call option	Purchased put option	Sold put option			Participation limited to	Hedge limited to
II half of 2015	Sold call option	180	4.5000	-	-	+0.3125	-	4.5000	-
	Purchased put option	180	-	2.7000	-	-0.0352	2.6648	-	-
	Collar	120	4.0000	3.3000	-	-0.0694	3.2306	4.0000	-
	Collar	180	4.0000	3.2000	-	-0.0499	3.1501	4.0000	-
	Purchased put option	90	-	3.5500	-	-0.0654	3.4846	-	-
	Total[6]	**570**	Closure of the purchased put option USDPLN 3.40 and un-designation of the hedging transactions in the first quarter of 2014 was reflected in the *Revaluation reserve from the measurement of financial instruments* in the amount of PLN 43 million, which will increase *Sales revenue* for the second half of 2015.						
TOTAL June-Dec 2015		**570**							
I half of 2016	Collar	180	4.0000	3.2000	-	-0.0525	3.1475	4.0000	-
	Collar	180	4.2000	3.3000	-	-0.0460	3.2540	4.2000	-
	Collar	120	4.4000	3.5500	-	-0.0448	3.5052	4.4000	-
	Total	**480**							

(4) By type of assets hedged and type of instrument used as at 30 June 2015; hedged notional/volume in the presented periods is allocated monthly, on a systematic basis.
(5) Due to current hedge accounting laws, transactions included in the seagull structures – purchased put options and sold call options – are shown in the table containing a detailed list of derivative positions - "Hedging instruments", while sold put options in seagull structures are shown in the table "Trade instruments".
(6) Excluded from the amount is the notional of *sold call options* (USD 180 million) which, from the risk profile point of view, represent a *collar strategy* together with *purchased put options* of the same notional amount. The strategy is not presented directly as a collar, as it arose as a result of a restructuring of the position and, from a formal point of view and in accordance with the risk management principles, could not be designated as such.

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

36. Financial risk management (continued)

II half of 2016	Collar	180	4.0000	3.2000	-	-0.0553	3.1447	4.0000	-
	Collar	180	4.2000	3.3000	-	-0.0473	3.2527	4.2000	-
	Collar	120	4.4000	3.5500	-	-0.0468	3.5032	4.4000	-
	Total	**480**							
TOTAL 2016		**960**							
I half of 2017	Collar	270	4.0000	3.3500	-	-0.0523	3.2977	4.0000	-
	Collar	180	4.4000	3.5500	-	-0.0477	3.5023	4.4000	-
	Total	**450**							
II half of 2017	Collar	270	4.0000	3.3500	-	-0.0524	3.2976	4.0000	-
	Collar	180	4.4000	3.5500	-	-0.0487	3.5013	4.4000	-
	Total	**450**							
TOTAL 2017		**900**							

INTEREST RATE MARKET

	Instrument	Notional [million USD]	Option strike level	Average weighted premium		Effective hedge level
			[LIBOR 3M]	[USD for USD 1 million hedged]	[%]	[LIBOR 3M]
IQ 2016	Purchase of interest rate cap options	400	2.50%	734	0.29%	2,79%
IIQ 2016	Purchase of interest rate cap options	500	2.50%	734	0.29%	2,79%
IIIQ 2016	Purchase of interest rate cap options	600	2.50%	734	0.29%	2,79%
IVQ 2016	Purchase of interest rate cap options	700	2.50%	734	0.29%	2,79%
AVERAGE IN 2016		**550**				
IQ 2017	Purchase of interest rate cap options	700	2.50%	734	0.29%	2,79%
IIQ 2017	Purchase of interest rate cap options	700	2.50%	734	0.29%	2,79%
IIIQ 2017	Purchase of interest rate cap options	700	2.50%	734	0.29%	2,79%
IVQ 2017	Purchase of interest rate cap options	700	2.50%	734	0.29%	2,79%
AVERAGE IN 2017		**700**				
IQ 2018	Purchase of interest rate cap options	900	2.50%	734	0.29%	2,79%
IIQ 2018	Purchase of interest rate cap options	900	2.50%	734	0.29%	2,79%
IIIQ 2018	Purchase of interest rate cap options	900	2.50%	734	0.29%	2,79%
IVQ 2018	Purchase of interest rate cap options	900	2.50%	734	0.29%	2,79%
AVERAGE IN 2018		**900**				

Commodity and currency risk management in selected mining companies and in KGHM INTERNATIONAL LTD.

Market risk management is centralised at the Parent Entity's level. KGHM INTERNATIONAL LTD.'s exposure to market risk is continuously monitored and measured by the Parent Entity and is discussed at the Group's Market Risk Committee. As at 30 June 2015, KGHM INTERNATIONAL LTD. did not hold open derivatives on the commodity or currency markets.

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

36. Financial risk management (continued)

36.1.5 Impact of derivatives on the Group's financial statement

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

	Note	For the period from 1 January 2015 to 30 June 2015	For the period from 1 January 2014 to 30 June 2014
Impact on sales revenue	27	**221**	**264**
Impact on other operating activities		**(173)**	**(104)**
from realisation of derivatives		(3)	(17)
from measurement of derivatives		(170)	(87)
Impact on financial activities		**(2)**	**-**
from measurement of derivatives		(2)	-
Total impact of derivatives on profit or loss for the period		**46**	**160**

The impact of derivatives on the revaluation reserve from measurement of cash flow hedging instruments is presented in the table below.

Revaluation reserve from measurement of cash flow hedging instruments[7]

	At 30 June 2015	At 31 December 2014
Commodity price risk hedging transactions	**159**	**237**
derivatives on the copper market	159	237
Currency risk hedging transactions	**(51)**	**76**
derivatives on the currency market	43	93
bank and other loans in foreign currencies	(94)	(17)
As at the end of the period (excluding the deferred tax effect)	**108**	**313**

During the first half of 2015 there was a decrease by PLN 205 million in other comprehensive income (excluding the deferred tax effect), which was comprised of:

- PLN 16 million, the result of changes in fair value during the period, recognised as an increase in the revaluation reserve from the measurement of cash flow hedging instruments in the portion reflecting an effective hedge; and
- PLN 221 million, the amount of the decrease of the revaluation reserve from the measurement of cash flow hedging instruments. This amount increased revenues from sales and was a result of the settlement of hedging transactions in the portion reflecting an effective hedge.

The fair values of the Group's open derivatives and receivables due to unsettled derivatives are presented in the following table[8].

	At 30 June 2015		At 31 December 2014	
	Derivatives	Receivables due to unsettled derivatives[9]	Derivatives	Receivables/(payables) due to unsettled derivatives[10]
Financial assets	384	31	491	34
Financial liabilities	(250)	-	(160)	-
Fair value	**134**	**31**	**331**	**34**

[7] In the Financial Statements for 2014, the negative amount of PLN 17 million, which was recognised due to the exchange differences on the loan instalment drawn from the European Investment Bank, and was designated as a cash flow hedging instrument, was not presented as a separate item in the table "Revaluation reserve from the measurement of cash flow hedging instruments" due to its being immaterial.
[8] Including embedded derivatives.
[9] Settlement date fell on 2 July 2015.
[10] Settlement date fell on 5 January 2015.

36. Financial risk management (continued)

Detailed information on positions in derivatives as at 30 June 2015 is presented below in the tables "Trade instruments" and "Hedging instruments" and "Instruments initially designated as hedging instruments excluded from hedge accounting".

TRADE INSTRUMENTS

Type of derivative	Volume/ Notional Cu [t] Currency [USD thousands, EUR thousands] Interest rate [USD thousands]	Avg. weighted price/ ex. rate/interest rate level Cu [USD/t] Currency [USD/PLN, EUR/PLN] Interest rate [LIBOR 3M]	At 30 June 2015 Financial assets Current	 Non-current	 Financial liabilities Current	 Non-current
Derivatives - Metals – Copper:						
Options						
Sold put options	21 000	4 500	-	-	-	-
TOTAL			**-**	**-**	**-**	**-**
Derivatives – Currency contracts:						
Forwards/swaps						
Forwards/swaps – sold USD	1 337	3.7465	-	-	-	-
Forwards/swaps – sold EUR	13 630	4.2580	1	-	(1)	-
Options						
Collar – EUR	10 980	4.2084-4.4051	1	-	(1)	-
Sold put options – USD	180 000	3.4000	-	-	(2)	-
TOTAL			**2**	**-**	**(4)**	**-**
Derivatives – Interest rate:						
Options						
Purchased interest rate cap options	717 000[11]	2.50%	-	21	-	-
TOTAL			**-**	**21**	**-**	**-**
		TOTAL TRADE INSTRUMENTS	**2**	**21**	**(4)**	**-**

HEDGING INSTRUMENTS

Type of derivative	Volume/ Notional Cu [t] Currency [USD thousands]	Avg. weighted price/ ex. rate Cu [USD/t] Currency [USD/PLN]	Maturity/ settlement period From	 To	Period of impact on profit or loss From	 To	At 30 June 2015 Financial assets Current	 Non-current	 Financial liabilities Current	 Non-current
Derivatives – Metals- Copper										
Options										
Seagull	21 000	7 771 – 10 271	Jul 15-Dec 15		August 15-Jan 16		158	-	-	-
TOTAL							**158**	**-**	**-**	**-**
Derivatives – Currency contracts										
Options USD										
Purchased put options	270 000	2.9833	Jul 15-Dec 15		Jul 15-Dec 15		3	-	-	-
Collar	2 160 000	3.3569-4.1444	Jul 15-Dec 17		Jul 15-Dec 17		16	131	(41)	(205)
TOTAL							**19**	**131**	**(41)**	**(205)**
					TOTAL HEDGING INSTRUMENTS		**177**	**131**	**(41)**	**(205)**

[11] Interest rate cap options hedge the quarterly interest payments on bank loans drawn in USD. The notional hedged in individual interest periods is presented in the "INTEREST RATE MARKET" table.

36. Financial risk management (continued)

INSTRUMENTS INITIALLY DESIGNATED AS HEDGING INSTRUMENTS EXCLUDED FROM HEDGE ACCOUNTING — At 30 June 2015

Type of derivative	Volume/ Notional	Avg. weighted price/ ex. rate	Maturity/ settlement period		Period of impact on profit or loss		Financial assets		Financial liabilities	
	Currency [USD thousands]	Currency [USD/PLN]	From	To	From	To	Current	Non-current	Current	Non-current
Derivatives – Currency contracts										
Options USD Collar	180 000	3.4000-4.5000	Jul 15-Dec 15		Jul 15-Dec 15		2	-	-	-
TOTAL:							**2**	**-**	**-**	-
INSTRUMENTS INITIALLY DESIGNATED AS HEDGING INSTRUMENTS EXCLUDED FROM HEDGE ACCOUNTING - TOTAL							**2**	**-**	**-**	-

EMBEDDED INSTRUMENTS — At 30 June 2015

Type of derivative	Financial assets		Financial liabilities	
	Current	Non-current	Current	Non-current
Embedded financial instruments – based on the copper price:				
Long-term contracts for the supply of sulphuric acid and water	12	39	-	-
EMBEDDED INSTRUMENTS - TOTAL	**12**	**39**	**-**	-

36.1.6 Price risk related to investments in debt instruments

As at 30 June 2015, the Group held treasury bonds in the amount PLN 66 million, i.e. USD 17 million (as at 31 December 2014: PLN 61 million). This amount is represented by bonds denominated in USD which were issued by the United States government. These bonds secure the future decommissioning costs of KGHM INTERNATIONAL LTD.'s mines. Their change in value was described in **note 21**.

The Group's investments in debt instruments are slightly exposed to price risk.

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

Price risk related to the shares of listed companies held by the Group is understood as the change in their fair value due to changes in their quoted share prices.

Due to investments in listed companies, the Group is exposed to the risk of significant changes in accumulated other comprehensive income due to changes in the share prices of these companies, resulting from current macroeconomic conditions. In case of an increase in the fair value of the shares relative to their purchase cost or when the decrease in the value of the shares versus their purchase cost is at least 20%, the Group is exposed to the risk of changes in profit or loss due to an impairment loss.
As at 30 June 2015, the carrying amount of shares of companies which are held by the Group and are listed on the Warsaw Stock Exchange and on the TSX Ventures Exchange was PLN 872 million.

36.2 Credit risk

Credit risk is defined as the risk that the Group's counterparties 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, as well as those in which free cash and cash equivalents are deposited; and
- the financial standing of subsidiaries - borrowers.

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

36. Financial risk management (continued)

In particular, the Group is exposed to credit risk due to:

- cash and cash equivalents and deposits;
- derivatives;
- trade receivables;
- loans granted;
- debt instruments; and
- guaranties granted.

36.2.1 Credit rate risk related to cash, cash equivalents and bank deposits

The Group periodically allocates free cash in accordance with the requirements to maintain financial liquidity and limit risk and in order to protect capital and maximise interest income.

All entities with which deposit transactions are entered into by the Group operate in the financial sector. Analysis of exposure to this type of risk, conducted as at 30 June 2015 for the amount of PLN 767 million, which represents 98% of the Group's cash, has proven that these are solely banks with the highest[(12)], medium-high[(13)] and medium[(14)] ratings, an appropriate level of equity and a strong, stable market position. In the Parent Entity and in KGHM INTERNATIONAL LTD. credit risk in this regard is continuously monitored through the on-going review of their financial standing and by maintaining an appropriately low level of concentration in individual financial institutions.

The following table presents the level of concentration respectively:

- as at 30 June 2015 of 98%; and
- as at 31 December 2014 of 95%.

of the periodically free cash and cash equivalents, showing the assessed creditworthiness of the financial institutions[(15)].

Rating levels	At 30 June 2015	At 31 December 2014
Highest	14%	40%
Medium-high	35%	23%
Medium	51%	37%

As at 30 June 2015 the maximum exposure of the Group to a single bank in respect of deposited cash and cash equivalents amounted to 22% (as at 31 December 2014: 20%).

36.2.2 Credit risk related to derivative transactions

All entities with which the Group enters into derivative transactions (excluding the embedded derivatives) operate in the financial sector.

The following table presents the structure of ratings of financial institutions with whom the Group engaged in derivatives transactions, representing an exposure to credit risk[(16)].

Rating levels	At 30 June 2015	At 31 December 2014
Highest	-	1%
Medium-high	98%	93%
Medium	2%	6%

[(12)] 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.
[(13)] 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.
[(14)] 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.
[(15)] Weighed by amount of cash and cash equivalents.
[(16)] Weighed by positive fair value of open and unsettled derivatives.

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

36. Financial risk management (continued)

Taking into consideration the fair value of open derivative transactions entered into by the Group and the fair value of unsettled derivatives, as at 30 June 2015 the maximum single entity share of the amount exposed to credit risk arising from these transactions amounted to 54% (as at 31 December 2014: 44%).

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 medium-high and medium-rated financial institutions, the Group is not materially exposed to credit risk arising from derivative transactions entered into.

In order to reduce cash flows and limit credit risk, the Parent Entity carries out net settlements (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.

The fair value of open derivatives of the Group, and receivables and payables due to unsettled derivatives by counterparty (financial institutions), are presented in the table below[17].

	At 30 June 2015			At 31 December 2014		
	Financial receivables	Financial payables	Net	Financial receivables	Financial payables	Net
Counterparty 1	117	-	**117**	154	(1)	**153**
Counterparty 2	98	(24)	**74**	106	(8)	**98**
Counterparty 3	25	(13)	**12**	22	-	**22**
Counterparty 4	5	-	**5**	37	(22)	**15**
Other	119	(213)	**(94)**	174	(129)	**45**
Total	**364**	**(250)**	**114**	**493**	**(160)**	**333**
Open derivatives	333	(250)	**83**	459	(160)	**299**
Unsettled derivatives	31	-	**31**	34	-	**34**

36.2.3 Credit risk related to trade and other financial receivables

Group companies have been cooperating for many years with a large number of customers, which affects the geographical diversification of trade and other receivables.

Geographical concentration of credit risk for trade receivables

	At 30 June 2015			At 31 December 2014		
	Poland	EU (excl. Poland)	Other Countries	Poland	EU (excl. Poland)	Other Countries
Net trade receivables	39%	28%	33%	31%	28%	41%

The Parent Entity limits its exposure to credit risk related to trade and other receivables by evaluating and monitoring the financial standing of its customers, setting credit limits and using debtor security. An inseparable element of the credit risk management process realised by the Parent Entity is the on-going monitoring of receivables and the internal reporting system.

[17] Excluding embedded derivatives, which are included in the contracts with counterparties not being financial institutions. As at 30 June 2015 the fair value of embedded derivatives amounted to PLN 51 million, while as at 31 December 2014: PLN 32 million.

36. Financial risk management (continued)

Buyer’s credit is only provided to proven, long-term customers, while sales of products to new customers are mostly based on prepayments or trade financing instruments which wholly transfer the credit risk to financial institutions. The Parent Entity has secured the majority of its receivables by promissory notes[18], frozen funds on bank accounts, registered pledges[19], 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[20].

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 2015 the Parent Entity had secured 93% of its trade receivables (as at 31 December 2014: 95%).

The concentration of credit risk in the Group is related to the terms of payment allowed to key clients. Consequently, as at 30 June 2015 the balance of receivables from the 7 largest clients, in terms of trade receivables at the end of the reporting period, represented 59% of the trade receivables balance (as at 31 December 2014: 60%). Despite the concentration of this type of risk, it is believed 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: KGHM Polska Miedź S.A. PLN 767 million, the KGHM INTERNATIONAL LTD. Group PLN 272 million, CENTROZŁOM WROCŁAW S.A. PLN 85 million, NITROERG S.A. PLN 31 million, WPEC w Legnicy S.A. PLN 17 million, WMN „ŁABĘDY” S.A. PLN 14 million , „MIEDZIOWE CENTRUM ZDROWIA” S.A. PLN 14 million, Uzdrowiska Kłodzkie S.A. – Grupa PGU PLN 13 million, POL - MIEDŹ TRANS Sp. z o.o. PLN 13 million, Metraco S.A. PLN 11 million, MERCUS Logistyka Sp. z o.o. PLN 10 million.

Individual Group companies operate in various economic sectors, such as transport, construction, commerce, industrial production and energy. As a consequence, in the case of most Group companies, in terms of sectors, there is no concentration of credit risk. KGHM INTERNATIONAL LTD. operates in the same economic sector as the Parent Entity. Despite operating in the same sector, these two companies are different both in terms of their portfolios of products as well as in terms of the geographic location and nature of their customers, and consequently this sector concentration of credit risk is considered to be acceptable.

The companies of the Group, with the exception of the Parent Entity, do not enter into net settlement framework agreements 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.

36.2.4 Credit risk related to loans granted

As at 30 June 2015 the carrying amount of loans granted by the Group amounted to PLN 6 968 million (as at 31 December 2014: PLN 6 231 million).

The most significant item is represented by long-term loans granted by the KGHM INTERNATIONAL LTD. Group to finance a mining joint venture in Chile in the total amount of PLN 6 957 million, i.e. USD 1 848 million.

Credit risk related to the loan granted is dependent on the risk connected with mine project realisation, and is judged by the Group to be moderate.

[18] In order to speed up any potential collection of receivables, a promissory note is usually accompanied by a notarial enforcement declaration.
[19] At the end of the reporting period, 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.
[20] 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 the substantial risks and rewards of ownership, and therefore such transactions are treated as sales and accounted for as income.

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

36. Financial risk management (continued)

36.2.5 Credit risk related to investments in debt instruments

As at 30 June 2015, the Group held US government bonds in the amount PLN 66 million, i.e. USD 17 million (as at 31 December 2014: PLN 61 million, i.e. USD 17 million). These bonds secure the future decommissioning costs of KGHM INTERNATIONAL LTD's mines. Taking into account the USA's rating, these investments are minimally exposed to credit risk.

36.2.6 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 2015					
	Total value	Up to 1 month	From 1 up to 3 months	From 3 up to 6 months	From 6 up to 12 months	Over 1 year
Trade receivables	**107**	45	18	37	7	-
Other financial receivables	**1**	1	-	-	-	-

	At 31 December 2014					
	Total value	Up to 1 month	From 1 up to 3 months	From 3 up to 6 months	From 6 up to 12 months	Over 1 year
Trade receivables	**120**	100	10	6	3	1
Other financial receivables	**1**	1	-	-	-	-

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

36.3 Liquidity risk and management of capital

The Group's management of capital aims at providing both relevant funding capabilities for business development and at securing relevant liquidity.

36.3.1 Financial liquidity management

In the Parent Entity, financial liquidity is managed in accordance with the Management Board-approved "Financial Liquidity Management Policy". In KGHM INTERNATIONAL LTD. the financial liquidity management principles are described in the Investment Policy. These documents describe the process of managing financial liquidity, including the specific character of the Group companies, indicating best practise procedures and instruments. The basic principles resulting from these documents are:

- the placement of surplus cash in safe financial instruments;
- compliance with the limits for individual financial investment categories;
- compliance with the limits for the concentration of resources for financial institutions; and
- assuring the stable and effective financing of the Group's activities.

The Group's external financing is based on 3 pillars:

1. The unsecured, revolving syndicated credit facility in the amount of USD 2 500 million (PLN 9 411 million using the exchange rate as at 30 June 2015) with the maturity date falling on 10 July 2020 (and the option to extend it for another 1 year) granted to the Parent Entity;
2. The investment loan granted to the Parent Entity by the European Investment Bank, in the amount of PLN 2 000 million and a 12-year financing period;
3. Bilateral bank loans in the amount of over PLN 4 200 million, used to finance working capital and to support current liquidity in Group companies and to finance the continued advancement of investment activities; and

The above-mentioned sources of borrowing fully satisfy the liquidity needs of the Group. In the first half of 2015, the Group engaged in borrowing using all of the aforementioned pillars.

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

36. Financial risk management (continued)

Unsecured revolving syndicated credit facility

A financing agreement signed by the Parent Entity with a relational banks group in 2014 for the amount of USD 2 500 million for a five-year tenor with an option to extend it for further 2 years which may be exercised, at the Parent Entity's request, on the first and second anniversary of signing the agreement. In the first half of 2015, the Parent Entity obtained permission from the relational banks group to extend the maturity of the loan by 1 year. The new maturity date expires on 10 July 2020.

In the first half of 2015, the Parent Entity drew an instalment in the total amount of USD 700 million to refinance the debt of KGHM INTERNATIONAL LTD, i.e. a bank loan in the amount of USD 200 million and senior notes issued in the amount of USD 500 million. Consolidating the Group's external financing at the Parent Entity's level is a basic assumption of the financing strategy. The remaining funds from the credit facility will be used in financing general corporate purposes, including, among others, covering expenses related to the continuation of investment projects.

The Parent Entity plans to gradually utilise the credit facility. The flexible structure of the transaction provides the possibility for multiple drawing and repaying of the loan instalments, depending on the current liquidity needs of the KGHM Polska Miedź S.A. Group. The interest rate on the credit facility was calculated based on LIBOR plus a bank margin, depending on the net debt/EBITDA financial ratio. The credit facility agreement obliges the Group to maintain its financial covenant and non-financial covenants, which are standard for these types of transactions. As at 30 June 2015 and during the reporting period, there were no instances of breaching the covenants stipulated in the aforementioned agreement.

Investment loan from the European Investment Bank

A financing agreement signed with the European Investment Bank in 2014 for the amount of PLN 2 000 million, with an option to utilise the loan in the form of non-renewable instalments drawn in PLN, EUR or USD, and for which the interest may be calculated based on fixed rate or on variable WIBOR, LIBOR or EURIBOR rates plus a margin. The instalments are available for a period of 22 months from the date of signing the agreement. The deadline for repaying the instalments drawn is 30 October 2026.

The funds acquired through this loan are being used to finance the Parent Entity's investment projects related to modernisation of metallurgy and may be used to finance the development of the Żelazny Most tailings storage facility.

The loan agreement obliges the Group to maintain its financial and non-financial covenants, which are standard for these types of transactions. As at 30 June 2015 and during the reporting period, there were no instances of breaching the covenants stipulated in the aforementioned agreement.

Short-term bilateral bank loans

The Group has credit lines as a consequence of short- and long-term bank loans agreements entered into. The funds from these credit lines are available in the following currencies: PLN, USD and EUR, with the interest based on variable WIBOR, LIBOR, EURIBOR rates plus a margin. The funds acquired from the aforementioned credit agreements are used for financing working capital and support financial liquidity management.

As at 30 June 2015, the Parent Entity had open credit lines and an investment loan, which were drawn as follows:

Type of Bank Loan/loan	Available currency	Amount available (in PLN)	Amount drawn (in PLN)
Working capital facility and overdraft facility	USD, EUR, PLN	3 571	1 801
Unsecured, revolving syndicated credit facility	USD	9 411	2 639
Investment loan	USD, EUR, PLN	2 000	1 135
Total		**14 982**	**5 575**

All bank and other loans drawn by the Parent Entity, in the amount of PLN 5 575 million as at 30 June 2015, were in USD.

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

36. Financial risk management (continued)

The Parent Entity continues to add additional participants to the cash management service of the KGHM Polska Miedź S.A. Group (zero-balance cash pool). The Parent Entity is the coordinator of this service. As at 30 June 2015, a local cash pool in PLN and an international cash pool in USD were functioning in the Group. Actions were undertaken in the first half of 2015 to add USD and EUR currencies to the local cash pool service. The cash pool service is aimed at optimising the management of cash resources, the limiting of interest costs, the effective financing of current working capital needs and the support of financial liquidity in the Group. As at 30 June 2015, 27 companies and the Parent Entity participated in the cash pool service.

Guarantees and letters of credit are important financial liquidity management tools of the KGHM Polska Miedź S.A. Group, thanks to which the Group does not need to use its cash and cash equivalents in order to secure its liabilities towards other entities.

As at 30 June 2015, the Group held contingent liabilities due to guarantees and letters of credit granted in the total amount of PLN 1 270 million and promissory note liabilities in the amount of PLN 258 million.

The most significant of these are the following contingent liabilities of the Parent Entity aimed at:

- securing the liabilities associated with the performance of agreements entered into by the Sierra Gorda in the amount of PLN 854 million;
- securing the liabilities associated with the costs of restoration of the Robinson mine, Podolsky mine and the Victoria project in the amount of PLN 315 million;
- securing the liabilities associated with the proper performance by the Parent Entity of future environmental obligations to restore the area following the conclusion of operations of the Żelazny Most tailings storage facility in the total amount of PLN 320 million (bank guarantee: PLN 64 million; promissory note: PLN 256 million).

36.3.2 Management of capital

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

In accordance with accepted market practices, the Group's 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 and finance lease liabilities less free cash to EBITDA (profit on sales plus depreciation/amortisation).

In the process of managing financial liquidity in the Group, a broad range of liquidity ratios are used which play a supportive role in this process.

In order to maintain financial liquidity and the creditworthiness to acquire external financing at an optimum 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 ratios for the Group are presented in the table below:

Ratios	At 30 June 2015	At 31 December 2014
Net Debt/EBITDA	0.93	0.87
Equity ratio	0.55	0.56

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

37. Dividends paid and declared for payment

In accordance with Resolution No. 5/2015 of the Ordinary General Meeting of KGHM Polska Miedź S.A. dated 29 April 2015 regarding the appropriation of the Parent Entity's profit for financial year 2014, the amount of PLN 800 million was allocated as a shareholder dividend, amounting to PLN 4.00 per share. The dividend date (the day on which the right to dividend is set) was set at 27 May 2015 with the dividend being paid in two instalments: 18 June 2015 – PLN 2.00 per share (paid) and 19 October 2015 – PLN 2.00 per share. All shares of the Parent Entity are ordinary shares.

38. Related party transactions

As a result of the Polish State Treasury's control over KGHM Polska Miedź S.A., companies controlled by the Polish State Treasury (in accordance with the list published by the Ministry of State Treasury) as at 30 June 2015 meet the definition of related entities. Turnover and balances with these entities have been reflected in the information presented in this note, in those items respecting other related parties.

	For the period	
Operating income	from 1 January 2015 to 30 June 2015	from 1 January 2014 to 30 June 2014
From joint ventures, including due to:	221	149
- interest on a loan granted to Sierra Gorda S.C.M. by KGHM INTERNATIONAL LTD.	177	126
- an agreement to render services to support the management process in Sierra Gorda S.C.M. by KGHM INTERNATIONAL LTD.	28	23
From other related parties	10	10
Total operating income	**231**	**159**

During the period from 1 January to 30 June 2015 and the comparable period there were no sales of property, plant and equipment, intangible assets and investment property to other related parties of the Group.

	For the period from 1 January 2015 to 30 June 2015	
	Purchase of services	Other purchase transactions
Purchases from other related parties	**14**	**1**

	For the period from 1 January 2014 to 30 June 2014	
	Purchase of services	Other purchase transactions
Purchases from other related parties	**13**	**1**

38. Related party transactions (continued)

Trade and other receivables	Note	At 30 June 2015	At 31 December 2014
-from the jointly-controlled entity Sierra Gorda S.C.M.	35	7 192	6 238
- including due to a loan granted		6 957	6 231
-from other related parties		11	2
Total receivables from related parties		**7 203**	**6 240**

Trade and other payables	At 30 June 2015	At 31 December 2014
- towards jointly-controlled entities	43	-
- towards other related parties	7	2
Total trade payables towards related parties	**50**	**2**

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

The remaining transactions, which were collectively significant, between the Company and the Polish Government and entities controlled or jointly controlled by the government, or over which it has significant influence, were within the scope of normal, daily economic operations, carried out at arm's length. These transactions concerned:

- the purchase of materials and services to meet the needs of current operating activities (fuel, energy, transport services). Turnover from these transactions in the period from 1 January 2015 to 30 June 2015 amounted to PLN 322 million (for the period from 1 January 2014 to 30 June 2014: PLN 444 million), and the unsettled balance of liabilities from these transactions as at 30 June 2015 amounted to PLN 226 million (as at 31 December 2014: PLN 241 million);
- sales to State Treasury companies, which in the period from 1 January 2015 to 30 June 2015 amounted to PLN 68 million (for the period from 1 January 2014 to 30 June 2014: PLN 36 million) and the unsettled balance of receivables as at 30 June 2015 amounted to PLN 44 million (as at 31 December 2014: PLN 7 million);
- dividends received from State Treasury companies during the period from 1 January 2015 to 30 June 2015 amounted to PLN 27 million (for the period from 1 January 2014 to 30 June 2014: PLN 35 million).

Remuneration of key managers

(a) Remuneration of the Management Board of the Parent Entity (in PLN thousands)

	For the period	
Remuneration of the Management Board of the Parent Entity	from 1 January 2015 to 30 June 2015	from 1 January 2014 to 30 June 2014
Salaries and other current employee benefits	6 730	4 084
Benefits due to termination of employment	249	1 576
Total	**6 979**	**5 660**

38. Related party transactions (continued)

(b) Remuneration of the Supervisory Board of the Parent Entity (in PLN thousands)

	For the period	
Remuneration of the Supervisory Board of the Parent Entity	from 1 January 2015 to 30 June 2015	from 1 January 2014 to 30 June 2014
Remuneration due to service in the Supervisory Board, salaries and other current employee benefits	945	678

(c) Remuneration of other key managers (in PLN thousands)

	For the period	
Remuneration and other benefits of other key managers	from 1 January 2015 to 30 June 2015	from 1 January 2014 to 30 June 2014
Salaries and other short-term employee benefits	3 641	3 268
Total	**3 641**	**3 268**

Based on the definition of key managers according to IAS 24 and based on an analysis of the rights and scope of responsibilities of managers of the Group arising from corporate documents and from management contracts, the members of the Board of Directors of KGHM INTERNATIONAL LTD. and the President of the Management Board of KGHM INTERNATIONAL LTD. were recognised as other key managers of the Group.

39. Assets and liabilities not recognised in the statement of financial position

The value of contingent liabilities, other liabilities and contingent assets not recognised in the statement of financial position were determined based on estimates.

	At 30 June 2015	At 31 December 2014
Contingent liabilities	**1 816**	**1 720**
- Guarantees granted, including	1 270	1 429
a letter of credit granted to secure the liabilities associated with the performance of a long-term contract for the supply of electricity for Sierra Gorda S.C.M.	518	482
guarantees and a letter of credit granted to additionally secure the liabilities associated with the performance of leasing agreements entered into by Sierra Gorda S.C.M. and KGHM INTERNATIONAL LTD.	347	341
letters of credit granted to secure the liabilities associated with the proper performance of agreements by KGHM INTERNATIONAL LTD. – future environmental obligations to restore the area following the conclusion of operations of the Robinson mine, Podolsky mine and the Victoria project	315	272
letters of credit granted to secure the proper performance of agreements and financial liabilities of FNX MINING COMPANY INC. associated with the realisation of the Victoria project.	18	-
- a guarantee granted to secure the liabilities associated with the proper performance of future environmental obligations of the Parent Entity to restore the area, following the conclusion of operations of the Żelazny Most tailings storage facility	320	320
guarantee	64	320
promissory notes liabilities	256	-
- disputed issues, pending court proceedings	33	43
- liabilities due to implementation of projects and inventions	140	154
- real estate tax on mining facilities	86	70
- other	31	24

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

39. Assets and liabilities not recognised in the statement of financial position (continued)

		At 30 June 2015	At 31 December 2014
	Other liabilities not recognised in the statement of financial position	**253**	**244**
-	liabilities towards local government entities due to expansion of the tailings storage facility	123	120
-	liabilities due to operating leases	130	124
	Contingent assets	**530**	**474**
-	disputed State Budget issues	21	2
-	guarantees received	250	223
-	promissory notes receivables	117	109
-	real estate tax on mining facilities	87	87
-	Inventions, implementation of projects	48	47
-	other	7	6

40. Subsequent events

Beginning of commercial production by the Sierra Gorda mine

The Sierra Gorda Mine in Chile has commenced commercial production. The declaration of commercial production is based on the following criteria :

- quantity & quality - Sierra Gorda is producing saleable product, available for placement in the market. The copper plant has been operating for over 60 days at 65% of its designed capacity. Simultaneously, the molybdenum plant has produced molybdenum concentrate with at least 40% molybdenum content.
- expenditures - all major expenditures have been incurred to bring the mine to the condition necessary, and in the manner intended by the Parent Entity's Management Board, for commercial production to commence.
- handover and operation - the plant was handed over to the operating personnel.

The first copper production commenced on 30 July 2014. The molybdenum plant commenced production on 14 April 2015. The production of copper and molybdenum reached a consistent and predictable level at the end of June 2015.

Increase in the share capital of PGE EJ1 Sp. z o.o.

On 29 July 2015, the Extraordinary General Meeting of Shareholders of PGE EJ1 Sp. z o.o. resolved to increase the Company's share capital by PLN 70 million. Shareholders acquired shares in the increased share capital proportionally to their share:

- KGHM Polska Miedź S.A. (10% share): 49 645 shares for PLN 7 million;
- PGE Polska Grupa Energetyczna S.A. (70% share): 347 515 shares for PLN 49 million;
- TAURON Polska Energia S.A. (10% share) 49 645 shares for PLN 7 million; and
- ENEA S.A. (10% share) 49 645 shares for PLN 7 million.

Declarations by the Shareholders regarding the acquisition of newly-issued shares in the increased share capital and coverage of the shares in the increased share capital by cash contributions will be provided within a period of 14 days from the date of adoption of this resolution.

Division of POL-MIEDŹ TRANS Sp. z o.o.

On 31 July 2015, a decrease in the share capital of POL-MIEDŹ TRANS Sp. z o.o. by PLN 61 million (from PLN 124 million to PLN 63 million) was registered due to a division of the company. At the same time, there were increases in the share capital of companies acquiring organised parts of POL-MIEDŹ TRANS Sp. z o.o. separated from the company, as presented below:

- MERCUS Logistyka sp. z o.o. – an increase in the share capital of PLN 1.7 million (from PLN 10.7 million to PLN 12.4 million) as a result of acquisition of the Passenger Transport Division (Wydział Przewozów Osobowych);
- "Energetyka" sp. z o.o. – an increase in the share capital of PLN 0.3 million (from PLN 469.6 million to PLN 469.9 million) as a result of acquisition of the Oil Products Sales Division (Oddział Obrotu Produktami Naftowymi); and
- KGHM ZANAM S.A. – an increase in the share capital of PLN 6 million (from PLN 71 million to PLN 77 million) as a result of acquisition of the Goods Transport and Shipping Division (Wydział Transportu Towarowego i Spedycji).

In addition, the newly founded company PMT Linie Kolejowe 2 Sp. z o.o. was registered, with share capital of PLN 5 million, which acquired the Infrastructure Management Division (Division Wydział Zarządzania Infrastrukturą).

POL-MIEDŹ TRANS Sp. z o.o. will continue to provide railway services.

40. Subsequent events (continued)

Loans granted to Quadra FNX Holdings Chile Limitada

On 10 July 2015 and on 7 August 2015, KGHM Polska Miedź S.A. signed agreements granting loans totalling USD 44 million (PLN 169 million) to a subsidiary of the KGHM INTERNATIONAL LTD. Group - Quadra FNX Holdings Chile Limitada, to be used as financing for the Sierra Gorda project. Interest on the loans is based on a fixed interest rate, with maturity of 31 December 2024.

Extension of maturity for the repayment of a syndicated credit facility instalment

On 20 July 2015 the Parent Entity extended the use of an unsecured, revolving syndicated credit facility instalment in the amount of USD 200 million (PLN 767 million) by a further 3 months. Interest on the credit facility is based on LIBOR plus a margin. Maturity for repayment of the liabilities is on 20 October 2015. The agreement sets the period of availability of the credit facility as ending on 10 July 2020 with an option to extend by 1 year.

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

SIGNATURES OF ALL MEMBERS OF THE MANAGEMENT BOARD			
DATE	**FIRST, LAST NAME**	**POSITION / FUNCTION**	**SIGNATURE**
12 August 2015	Herbert Wirth	President of the Management Board	
12 August 2015	Jarosław Romanowski	First Vice President of the Management Board	
12 August 2015	Marcin Chmielewski	Vice President of the Management Board	
12 August 2015	Jacek Kardela	Vice President of the Management Board	
12 August 2015	Mirosław Laskowski	Vice President of the Management Board	

SIGNATURE OF PERSON RESPONSIBLE FOR ACCOUNTING			
DATE	**FIRST, LAST NAME**	**POSITION / FUNCTION**	**SIGNATURE**
12 August 2015	Ludmiła Mordylak	Executive Director of Accounting Services Center Chief Accountant of KGHM Polska Miedź S.A.	

The Management Board's Report on the activities of the Group in the first half of 2015

Lubin, August 2015

Contents of the Management Board's Report on the Activities of the Group in the first half of 2015

1. Introduction

KGHM Polska Miedź S.A. is the Parent Entity of a Group which is a world leader in the production of copper and silver with over half a century of experience in the copper ore mining and processing industry. The Parent Entity owns one of the largest copper ore deposits in the world. It is a company with great traditions and substantial achievements.

The company's wealth of experience in production technology and the skills of its employees, based on knowledge, enabled the company to develop on an international scale through the friendly takeover in 2012 of the Canadian company Quadra FNX Mining Ltd. (today KGHM INTERNATIONAL LTD.). As a result of this event the KGHM Polska Miedź S.A. Group became a global company, with significant mine resources and production assets on three continents. The key asset overseas is the Sierra Gorda mine in Chile, with one of the world's largest deposits of copper, molybdenum and gold, which on 1 July 2015 commenced commercial production.

KGHM Polska Miedź S.A. is consistently carrying out its development strategy, aimed at increasing copper production and strengthening the international position of the Group.

Table 1. Significant events in the KGHM Polska Miedź S.A. Group*

EVENT		C/RF **
Strategy		
26.01.2015	Approval by the Supervisory Board of the Strategy of KGHM Polska Miedź S.A. for the years 2015-2020 with an outlook to 2040.	C 4
Governance bodies		
01.02.2015	Change in the composition of the KGHM Polska Miedź S.A. Management Board	
17.03.2015	Appointment of the 9th-term Management Board of KGHM Polska Miedź S.A.	C 3.1
Projects		
15.04.2015	Agreement signed to acquire shares in PGE EJ 1 sp. z o.o. – the special purpose company responsible for preparing and carrying out the investment to build and operate the first Polish nuclear power plant.	C 4
01.07.2015	Commencement of commercial production by the Sierra Gorda mine in Chile.	C 6.1
Dividends		
26.01.2015	Adoption by the Parent Entity's Management Board of the Dividend Policy of KGHM Polska Miedź S.A.	C 3.3
29.04.2015	Adoption by the Ordinary General Meeting of a resolution on the allocation of profit for financial year 2014.	
Significant agreements		
08.05.2015	Agreement signed by KGHM Polska Miedź S.A. with Tele-Fonika Kable S.A. for the sale of copper wire rod in the years 2016-2018 with the option to extend it for a subsequent two years.	
	Loan agreements entered into related to refinancing of the debt of KGHM INTERNATIONAL LTD.:	
14.01.2015	Loan agreement entered into between KGHM Polska Miedź S.A. and the indirect subsidiary 0929260 B.C. UNLIMITED LIABILITY COMPANY,	C 5.5
25.05.2015	Loan agreement entered into between KGHM Polska Miedź S.A. and the subsidiary Fermat 1 S.à r.l.,	
03.06.2015	Loan agreement entered into between KGHM Polska Miedź S.A. and the indirect subsidiary 0929260 B.C. UNLIMITED LIABILITY COMPANY,	
08.06.2015	Loan agreement entered into between subsidiaries: 0929260 B.C. UNLIMITED LIABILITY COMPANY and KGHM INTERNATIONAL LTD.	
Other		
Jan-Jun 2015	Complete refinancing of the debt of KGHM INTERNATIONAL LTD.	C 6.5
25.06.2015	Publication by KGHM Polska Miedź S.A. of a „Mineral resources and reserves report", prepared as at 31 December 2014.	RF 21/2015

* *significant events in the first half of 2015 and to the date of signing of this report*

** *C – chapter in this report, RF – regulatory filing (aka current report)*

2. Profile of KGHM Polska Miedź S.A. Group operations

2.1. Group structure and major assets

As at 30 June 2015, the Group was composed of KGHM Polska Miedź S.A. - the Parent Entity, and 74 subsidiaries (including four closed-end, non-public investment funds). Some of these subsidiaries formed their own groups. The largest of these, in terms both of the number of entities as well as the level of equity, was KGHM INTERNATIONAL LTD. It was comprised of 26 subsidiaries. As at the end of the reporting period the KGHM Polska Miedź S.A. Group owned shares in three joint ventures - Sierra Gorda S.C.M., „Elektrownia Blachownia Nowa" sp. z o.o. and NANO CARBON Sp. z o.o.

Following is a simplified Diagram of the Group's structure by operating segments which are independently evaluated by management bodies. Important production assets and projects are shown by segment.

A detailed diagram of the KGHM Polska Miedź S.A. Group showing the relationships between entities may be found in Appendices 1 and 2 to this report.

Diagram 1. Operating segments in the KGHM Polska Miedź S.A. Group as at 30 June 2015

SEGMENT

KGHM Polska Miedź S.A.
Parent Entity

Mined and metallurgical metals production, mainly - **CU, Ag**
Resources - **one of the world's largest copper deposits**

Main production assets:
- underground mines
  - **Lubin**
  - **Polkowice-Sieroszowice**
  - **Rudna**
- metallurgical plants
  - **Legnica**
  - **Głogów I and Głogów II**
- **Cedynia** copper wire rod plant

SEGMENT

KGHM INTERNATIONAL LTD. Group

Mined metals production - **CU, Ni, Au, Pt, Pd**

Main production assets:
- **Robinson mine in the USA** (open-pit)
- **Morrison mine in Canada** (underground)
- **Franke mine in Chile** (open-pit)

Assets in pre-production stage:
- **Victoria project in Canada** construction of underground copper and nickel mine

SEGMENT

Support of core business
domestic companies which secure the operations of KGHM Polska Miedź S.A.'s core business

Significant entities

- **PeBeKa S.A.** - mining work
- **KGHM ZANAM S.A.** - production of mining machinery, production maintenance services
- **Metraco S.A.** - sales of copper scrap
- **„Energetyka" sp. z o.o.** - energy generation

SEGMENT

Sierra Gorda
joint venture of KGHM INTERNATIONAL LTD. and Sumitomo Group companies

the key asset abroad in the Group
- located in Chile, one of the world's largest mines of copper, molybdenum and gold

SEGMENT

Other segments
companies not related with the mining industry

Main groups

- closed-end investment funds
- companies serving an important role in CSR policy
- special purpose companies in the holding structure
- companies targeted for restructuring or divestment

SEGMENT

Resource base development
companies engaged in exploration and resource assessment

Main project
Ajax
in British Columbia, Canada
aimed at building an open-pit copper and gold mine, processing plant and associated infrastructure

Detailed information on operating segments may be found in Chapter 6.1 to this report.

Principles for managing the Group

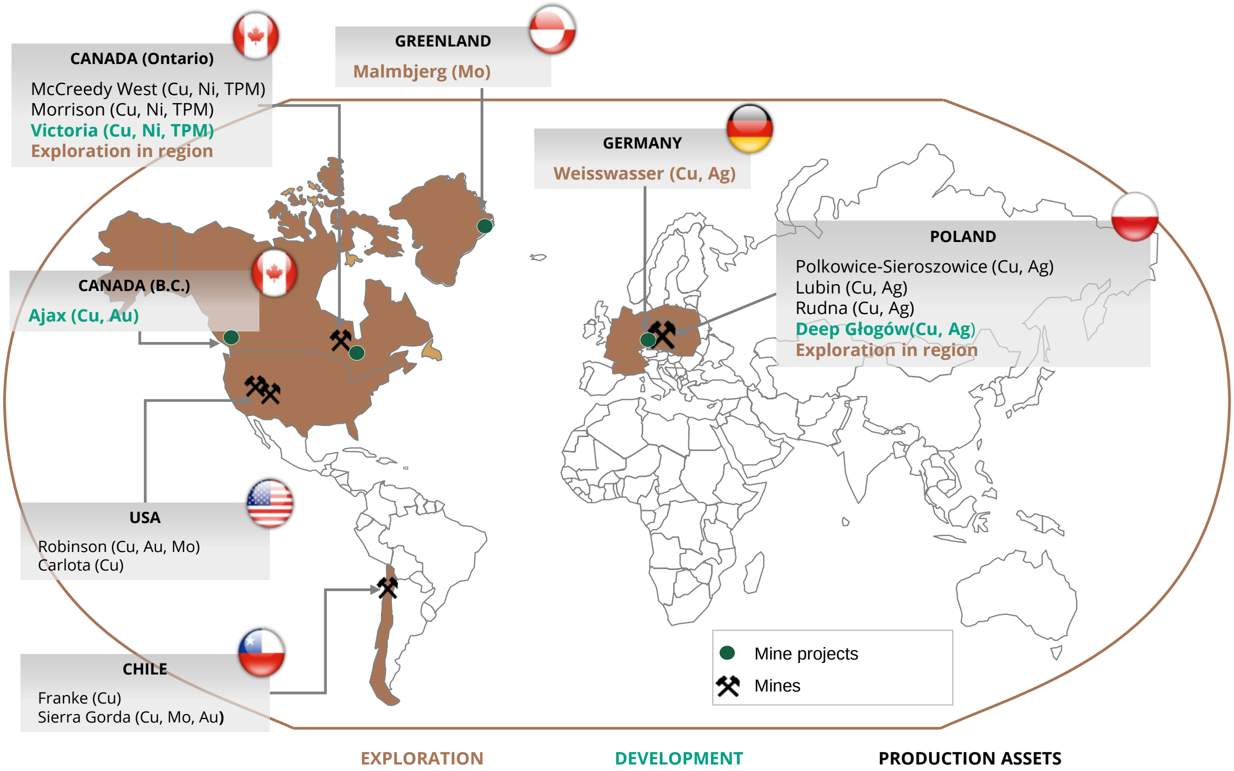
In the first half of 2015, there were no changes in the principles for managing the Group, which are based on principles adopted in 2012 resulting from the acquisition of foreign mining assets. The internal structures and tools employed in the management process are adapted to the needs arising from the process of integration in the Group and project development.

2.2. Group activities, location of mining assets

The Group includes companies involved in the core business, i.e. the mining production of metals (such as copper, silver, nickel, gold, molybdenum, platinum and palladium), exploring for and mining deposits of copper and other metals, and companies which support the core business, for example companies which provide services involving mine construction, transportation, the production of mining machinery and equipment, the generation of electricity and heat, the production of explosives and also research and development. Other companies which are not related to the core business provide services in fields such as health care and cash investment. Details on the activities of the Group companies may be found in Appendix 3 to this report.

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 phase are located in south-west Poland. Exploration projects (such as Weisswasser in Germany) are also underway 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. The key asset abroad – the Sierra Gorda mine – is located in Chile. This is a joint venture of KGHM INTERNATIONAL LTD. and companies from the Sumitomo Group. In addition, in Chile, Canada and Greenland are mine projects at the preproduction phase at varied stages of development, as well as exploration projects.

Drawing 1. *Location of mining assets of the KGHM Polska Miedź S.A. Group*



TPM – precious metals (gold, platinum, palladium)

2.3. Employment in the Group

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

Table 2. Average employment by period (positions)

	H1 '14	2014	H1 '15	Change 2014=100
White collar employees	10 184	10 190	10 203	100.1
Blue collar employees	24 014	23 907	23 379	97.8
Total	**34 198**	**34 097**	**33 582**	**98.5**

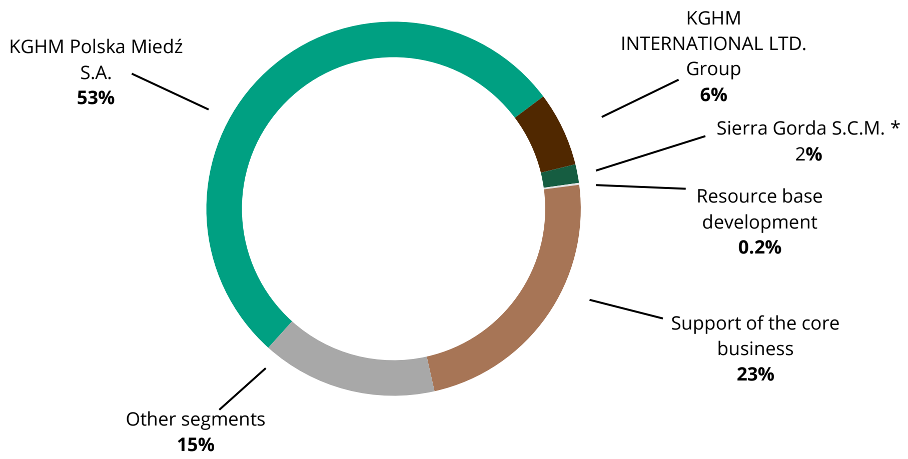
In the first half of 2015, average employment in the KGHM Polska Miedź S.A. Group was lower as compared to 2014 by 515 positions (by 1.5%), due to a decrease in employment in blue collar positions.

The largest drop in employment was in the KGHM INTERNATIONAL LTD. Group, by 172 positions (or 7%) and was due to reduced employment at the Carlota mine as a result of the completion of mine production and to a decrease in the scope of services provided by DMC Mining Services.

In the Parent Entity employment decreased by 166 positions (or 1%) and was due to natural movements in staff.

The following chart shows employment in the KGHM Polska Miedź S.A. Group by segment.

Chart 1. Structure of employment by segment in the first half of 2015



* *employment proportional to share in the company (55%)*

Relations with the trade unions

The major events involving relations with the trade unions in the first half of 2015 are described below:

KGHM Polska Miedź S.A. - in February 2015 an Agreement was signed regarding remuneration and employee benefits in 2015 and an Additional Protocol to the Collective Labour Agreement for the Employees of KGHM Polska Miedź S.A. As a result of these agreements, there was an increase in basic wage rates by PLN 50 and in the additional contribution to the social fund by 4.5%, while up to 10% of employees received raises.
On 9 July 2015, an appendix was signed to the agreement on the granting of one-category raises starting from 1 August 2015 to blue-collar underground mine employees from category 7 or category 8, which are also the lowest categories for a given position.

„MCZ" S.A. - this company remains in four collective disputes announced in 2007 mainly involving the question of wage raises. As a result of agreements between the trade unions and the Management Board of the company, the parties agreed that subsequent negotiations regarding the question of employee wages would be held on 15 September 2015.

PeBeKa S.A. - in the first half of 2015 a collective dispute was initiated in the company with trade unions with respect to working conditions, remuneration and social benefits, which concluded with the signing of an agreement. The trade unions withdrew the demand for pay increases in individual categories, but accepted the proposal of the company regarding changes in the principles for paying the additional annual bonus.
Since March 2010, the company has been in a collective dispute with the trade union Związek Zawodowy Pracowników Dołowych, which is demanding an increase in wage categories for employees, the payment of a one-off bonus and an increase in contributions to the Social Fund. Since 12 August 2010 this dispute has been suspended for an indefinite time.

POL-MIEDŹ TRANS Sp. z o.o. – an agreement was signed on the conclusion of a collective dispute initiated in 2013 over remuneration. Due to the planned breakup of POL-MIEDŹ TRANS Sp. z o.o. and the transferal of selected Organised Parts of the Company to other entities within the KGHM Polska Miedź S.A. Group, representatives of the trade unions were informed of the anticipated date of the acquisition, and of its legal, economic and social consequences for employees.

Apart from the aforementioned events, agreements were signed in several other domestic companies with the trade unions regarding remuneration, working time and the social fund.

KGHM INTERNATIONAL LTD. Group - in January 2015 the company Sierra Gorda S.C.M. signed a collective agreement pursuant to Chilean law with representatives of Trade Union no. 2 as well as a new agreement for a period of 48 months, regarding various types of benefits for 433 employees. In May 2015 the company Sierra Gorda S.C.M. signed a collective agreement with representatives of Trade Union no. 1 and a new agreement for a period of 44 months, regarding various types of benefits for 366 employees.

3. Parent Entity

3.1. Parent Entity governance

Management Board

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. The composition of the 8th-term Management Board of KGHM Polska Miedź S.A. as at 1 January 2015 was as follows:

- Herbert Wirth – President of the Management Board,
- Jarosław Romanowski – First Vice President of the Management Board (Finance),
- Marcin Chmielewski – Vice President of the Management Board (Corporate Affairs),
- Jacek Kardela – Vice President of the Management Board (Development),
- Wojciech Kędzia – Vice President of the Management Board (Production).

On 18 December 2014, Wojciech Kędzia submitted his resignation from the function of Member of the Management Board, effective as at 31 January 2015.

On 18 December 2014, the Supervisory Board appointed, with an effective date of 1 February 2015, Mirosław Laskowski as a Member of the Management Board of KGHM Polska Miedź S.A. in the function of Vice President of the Management Board.

Beginning from 1 February 2015, the composition of the Management Board was as follows:

- Herbert Wirth – President of the Management Board,
- Jarosław Romanowski – First Vice President of the Management Board (Finance),
- Marcin Chmielewski – Vice President of the Management Board (Corporate Affairs),
- Jacek Kardela – Vice President of the Management Board (Development),
- Mirosław Laskowski – Vice President of the Management Board (Production).

Due to the conclusion of the 8th-term mandate, on 17 March 2015 the Supervisory Board appointed the 9th-term Management Board with the following composition:

- Herbert Wirth – President of the Management Board,
- Jarosław Romanowski – First Vice President of the Management Board (Finance),
- Marcin Chmielewski – Vice President of the Management Board (Corporate Affairs),
- Jacek Kardela – Vice President of the Management Board (Development),
- Mirosław Laskowski – Vice President of the Management Board (Production).

From 17 March to 30 June 2015 there were no changes in the composition of the Management Board of KGHM Polska Miedź S.A.

The Supervisory Board assigned specific duties to individual members of the Management Board as follows:

The President of the Management Board is responsible for supervising:

- the initiation, development and updating of the Main Strategy;
- activities related to comprehensive risk management at the corporate level as well as internal auditing and controlling within the Group;
- activities related to communications and corporate image-building within the Group;
- on the Founder's behalf - the functioning of the Polish Copper Foundation as well as other organisations serving the public (as defined by Polish law) which support achievement of the Group's business goals;
- the shaping of human resources policy within the Group; and
- activities related to developing the company's resource base and advancement of the innovation policy.

The First Vice President of the Management Board (Finance) is responsible for supervising:

- the shaping of Group financial policy,
- finances in all of the Group's operations and activities;
- the creation of Group tax policy;
- the company's accounting services;
- the shaping of the company's portfolio of products and services;
- the shaping of the company's commercial policy; and
- reviewal of the Main Strategy's projects in terms of their financial feasibility.

The Vice President of the Management Board (Corporate Affairs) is responsible for managing business relations and tasks related with corporate governance in the Group, including.

- the shaping of the portfolio of production and equity assets, as well as overall corporate supervision over the Group's subsidiaries;

- compliance with corporate governance standards;
- analytical support with respect to equity investments,
- the means used to shape relations with the company's external business environment (with current and potential investors);
- compliance with formal reporting and publishing obligations within the scope required by law;
- the restructurisation and transformation of the Group;
- the integration of acquired entities with other entities in the Group;
- the development, updating and monitoring of the Group's equity investment plan.

The Vice President of the Management Board (Development) is responsible for supervising:

- the development and implementation of management standards related to carrying out the Main Strategy;
- the conduct of projects with respect to tangible investments;
- progress in projects other than R&D and tangible investments;
- management of the company's property and real estate;
- work of the Central Procurement Office.

The Vice President of the Management Board (Production) is responsible for managing the process of manufacturing the company's products and services and supervises production operations in the Group's subsidiaries, and is also responsible for acquiring, building and maintaining in readiness the production assets, in particular with respect to the tasks of workplace safety and control of environmental risk.

The Vice President of the Management Board (Production) is responsible for supervising:

- activities involving the optimisation of production processes, workplace safety and control of environmental risk;
- activities with respect to acquiring, building and maintaining in readiness the production and non-production assets and achievement of the main goals of the Energy Strategy;
- activities with respect to manufacturing the company's products and services (primary mine and metallurgical production).

Supervisory Board

In accordance with the Statutes of KGHM Polska Miedź S.A. the Members of the Supervisory Board are appointed and dismissed by the General Meeting. As at 1 January 2015, the composition of the 9th-term Supervisory Board of KGHM Polska Miedź S.A. was as follows:

- Marcin Moryń Chairman,
- Tomasz Cyran Deputy Chairman,
- Bogusław Stanisław Fiedor,
- Jacek Poświata,
- Andrzej Kidyba,
- Barbara Wertelecka-Kwater

along with the following employee-elected members:

- Bogusław Szarek Secretary,
- Józef Czyczerski,
- Leszek Hajdacki.

From 1 January to 30 June 2015 there were no changes in the composition of the Supervisory Board of KGHM Polska Miedź S.A.

3.2. The Parent Entity's shareholders and share prices

As at 30 June 2015, the share capital of KGHM Polska Miedź S.A., in accordance with the entry in the National Court Register, amounted to PLN 2 000 million and was divided into 200 million shares, series A, having a face value of PLN 10 each. All shares are bearer shares. Each share grants the right to one vote at the General Meeting. The Company has not issued preference shares.

As far as the company's Management Board is aware, there was also no change in the ownership structure of significant blocks of shares of KGHM Polska Miedź S.A. during the same period. The only shareholder who as at 1 January 2015 as well as at 30 June 2015 held a number of shares granting the right to 5% or more of the total number of votes at the General Meeting of KGHM Polska Miedź S.A. was the Polish State Treasury. The company's shareholder structure as at 30 June 2015 and at the date of signing of this report is as follows:

Table 3. Shareholder structure of KGHM Polska Miedź S.A.

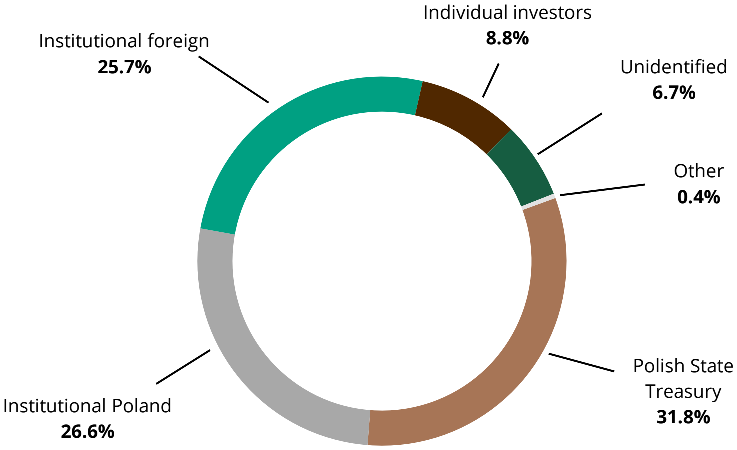
Shareholder	Number of shares/votes	% of share capital	% of total number of votes
State Treasury*	63 589 900	31.8%	31.8%
Other shareholders	136 410 100	68.2%	68.2%
Total	**200 000 000**	**100.0%**	**100.0%**

** based on an announcement received by the company dated 12 January 2010*

Other shareholders, whose total ownership of the share capital and share in the total number of votes amounts to 68.2%, are mainly institutional investors, both domestic and international.

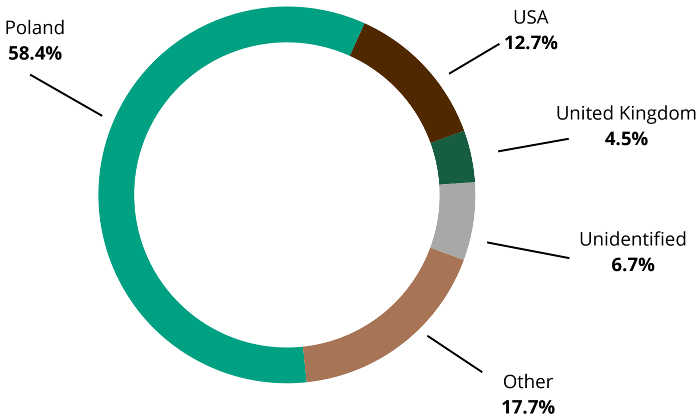
Following is a breakdown of the Parent Entity's shareholder structure, by type of investor ad location. The data is based on research into the company's shareholder structure performed in the second quarter of 2015 by the company IPREO.

Chart 2. Shareholder structure of KGHM Polska Miedź S.A. – type of investor (as at 30 April 2015)



The largest part of the shareholder structure is the holding of the State Treasury (31.8%). The remaining 68.2% is held by other investors, including Polish institutional investors with 26.6%, foreign institutional investors with 25.7%, and individual investors with 8.8%.

Chart 3. Shareholder structure of KGHM Polska Miedź S.A. – geographic location (as at 30 April 2015)



Polish investors held 58.4% shares, while shareholders from the United States and the United Kingdom held respectively 12.7% and 4.5% of the company's shares.

Financial institutions which prepare research reports on KGHM Polska Miedź S.A.

Based in Poland:		
Deutsche Bank	Dom Maklerski BZ WBK	UBS
DM Banku Handlowego	ING Securities S.A.	Pekao Investment Banking
Dom Inwestycyjny mBank	IPOPEMA Securities	DM BOŚ
Dom Inwestycyjny Investors S.A.	JP Morgan	Societe Generale
Espirito Santo	PKO Dom Maklerski	
Erste Group	Trigon Dom Maklerski	
Based outside Poland:		
Bank of America Merrill Lynch	Credit Suisse	WOOD & Company
BMO	Goldman Sachs	

KGHM Polska Miedź S.A. does not hold any treasury shares.

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 the information held by the company, as at 30 June 2015 and at the date of signing of this report, the following Members of the Management Board of the company held the KGHM Polska Miedź S.A.'s shares:

Table 4. KGHM Polska Miedź S.A. shares held by the Members of the company's Management Board

Management Board Member	Shares held as at the date of publication of the consolidated report for Q1 2015	Shares acquired since the date of publication of the consolidated report for Q1 2015	Shares sold since the date of publication of the consolidated report for Q1 2015	Shares held at the date of signing of this report	Nominal value of shares (PLN)
President of the Management Board Herbert Wirth	1 900	1 739	-	3 639	36 390
First Vice President of the Management Board Jarosław Romanowski	1 900	1 750	-	3 650	36 500
Vice President of the Management Board Marcin Chmielewski	1 993	1 750	-	3 743	37 430
Vice President of the Management Board Jacek Kardela	1 900	1 764	-	3 664	36 640
Vice President of the Management Board Mirosław Laskowski	-	1 715	-	1 715	17 150

Based on the information held by KGHM Polska Miedź S.A., as at 30 June 2015 and as at the date of signing of this report, there was no change in the number of shares held by Members of the Supervisory Board of KGHM Polska Miedź S.A. since the date of publication of the consolidated report for the first quarter of 2015, and was as follows:

Table 5. KGHM Polska Miedź S.A. shares held by the Members of the company's Supervisory Board

Supervisory Board Member	Shares held at the date of preparation of this report	Nominal value of shares (PLN)
Józef Czyczerski	10	100
Leszek Hajdacki	1	10

Members of the company's Management Board and Supervisory Board did not hold shares of the related entities of KGHM Polska Miedź S.A. The Company does not have an employee share incentive program.

3.3. The Parent Entity on the Warsaw Stock Exchange

KGHM Polska Miedź S.A. debuted on the Warsaw Stock Exchange (WSE) in July 1997. The Parent Entity's shares are traded on the primary market in the continuous trading system and are a component of the WIG, WIG20 and WIG30 indices. Continuously since 2009 the company has also been amongst the group of socially-responsible companies which comprise the RESPECT Index. The company's shares are included in the WIG-basic materials ("WIG-SUROWCE") sector index and the WIGdiv index.

Key data on the shares of KGHM Polska Miedź S.A. on the Warsaw Stock Exchange

Table 6. Key data on the shares of KGHM Polska Miedź S.A. on the WSE

Symbol: KGH, ISIN: PLKGHM000017	Unit	2014	H1'14	H1'15	IQ'15	IIQ'15
Number of shares issued	mn	200	200	200	200	200
Closing price from the last day of trading in the period	PLN	108.85	124.45	106.55	120.00	106.55
Market capitalisation of the company at the end of the period	bn PLN	21.8	24.9	21.3	24.0	21.3
Highest closing price in the period	PLN	138.00	125.90	131.00	122.70	131.00
Lowest closing price in the period	PLN	99.90	99.90	100.95	100.95	106.55
Average trading volume per session	thousand	883.4	966.1	824.1	893.4	753.6

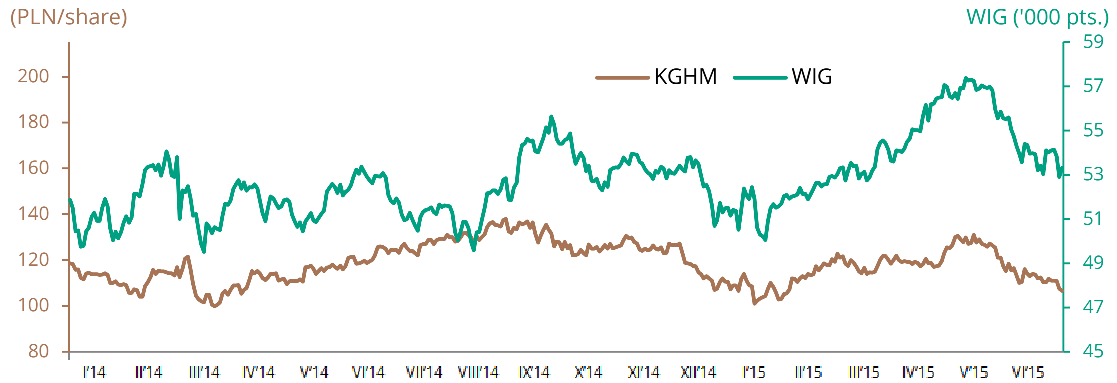
Source: WSE Statistic Bulletin

KGHM Polska Miedź S.A.'s share price in the first half of 2015

During the last day of trading in 2014 the KGHM Polska Miedź S.A.'s closing share price amounted to PLN 108.85, and in the first half of 2015 the share price of the company fell by 2% while the closing price on 30 June 2015 amounted to PLN 106.55 (Chart 4). During this same period the price of copper fell by 9%. The company's shares reached their half-year maximum closing price of PLN 131.00 on 13 May 2015. The minimum closing share price of PLN 100.95 was recorded at the close of trade on 14 January 2015.

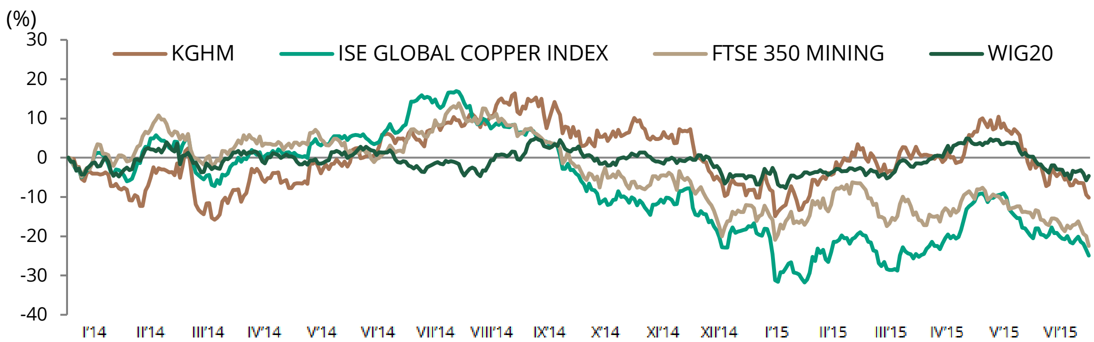
In the first half of 2015 the main indices on the WSE performed as follows: the WIG index rose by 4%, the WIG20 by 0.1% and the WIG30 by 2%.

Chart 4. KGHM Polska Miedź S.A.'s share price versus the WIG Index



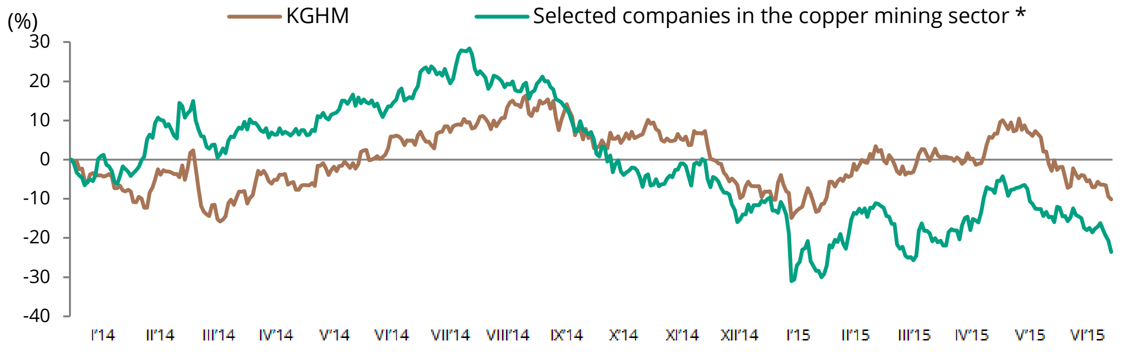
In the period from January 2014 to 30 June 2015, mining companies listed under the FTSE 350 MINING INDEX of the London Stock Exchange (LSE) fell by 22% (Chart 5). At the same time the ISE GLOBAL COPPER INDEX, an index of companies in the copper mining sector, fell by 25%.

Chart 5. Share price of KGHM Polska Miedź S.A. compared to selected market indices (percentage change)



In the period from January 2014 to 30 June 2015, as compared to the average percentage change in the share prices of selected companies in the mining sector, the company's share price fell by 10%, while the average percentage change in the share prices of selected companies in the copper mining sector fell by 24% (Chart 6).

Chart 6. Share price of KGHM Polska Miedź S.A. compared to selected companies in the copper mining sector (percentage change)



** KAZAKHMYS, VEDANTA RESOURCES, ANGLOAMERICAN, FIRST QUANTUM, ANTOFAGASTA*

Dividend payout

On 26 January 2015, the Management Board of KGHM Polska Miedź S.A. adopted a resolution on approving a Dividend Policy for KGHM Polska Miedź S.A. The Dividend Policy is part of its on-going efforts to ensure a balance between dividends paid out to shareholders and opportunities to efficiently invest the company's funds.

The Dividend Policy of KGHM Polska Miedź S.A. assumes that the Management Board will recommend allocation of up to one-third of the profit for the previous financial year as a dividend, while taking into account the current and anticipated financial situation of the company and the Group. In particular, in making its recommendation the Management Board will take into account the company's anticipated capital needs to complete the company's development program as well as a safe debt level for the Group.

The final decision regarding the amount of dividends paid is made by the General Meeting of KGHM Polska Miedź S.A.

In accordance with Resolution No. 5/2015 of the Ordinary General Meeting of KGHM Polska Miedź S.A. dated 29 April 2015 regarding the appropriation of the company's profit for financial year 2014, the amount of PLN 800 million was allocated as a shareholder dividend, amounting to PLN 4.00 per share. The dividend date (the day on which the right to dividend is set) was set at 27 May 2015 with the dividend being paid in two instalments: 18 June 2015 – PLN 2.00 per share and 19 October 2015 – PLN 2.00 per share.

4. Implementation of the Strategy in the first half of 2015

In the first half of 2015, work was carried out on preparing the process of implementing the Strategy of KGHM Polska Miedź S.A. for the years 2015-2020 with an outlook to 2040, as adopted by the company's Supervisory Board on 26 January 2015. The concept was developed of operationalization of the strategy into its individual areas. Work is underway to establish a schedule of deadlines for strategic goals along with the allocation of required resources, as well as the selection of parameters to measure success for the defined strategic goals. In the second half of 2015, we plan to develop a comprehensive Strategy Implementation Plan for KGHM Polska Miedź SA for the years 2015-2020 along with a system to monitor and measure progress on the implemented tasks.

Table 7. Key achievements with respect to progress on strategic projects in individual areas of the Strategy in the first half of 2015

Pillar I. Resource Base Development	
Regional exploration program of KGHM Polska Miedź S.A. regarding the exploration and documentation of copper deposits in the Lower Zechstein formation located in south-western Poland and Lusatia (Saxony in Germany).	
Advanced exploration projects, with defined copper mineralisation, for which geological exploration is underway throughout or in part of the given concession area:	
Gaworzyce-Radwanice	In June 2015 the Minister of the Environment approved the geological documentation. Work is underway on preparing the deposit mining plan.

Synklina Grodziecka	In April 2015 a decision was received on a change in the concession, among others with respect to extending its validity to July 2017, i.e. to match the period of validity of the concession for the Konrad deposit. This action will enable the development of joint geological documentation for both the Synklina Grodziecka and Konrad deposits. A contractor was selected to carry out surface-based geophysical surveys; preparations are underway to commence the surveys.
Konrad	A contractor was selected to carry out surface-based geophysical surveys and work began to prepare for their implementation.
Retków-Ścinawa and Głogów	Exploration of the deposit continued, with three drillholes made by the end of June 2015. Drilling is currently underway in five locations. The first stage of work on this project involves the sinking of 15 drillholes.
Projects at the early exploration stage, without defined copper mineralisation:	
Stojanów	Work performed involved the reinterpretation of archival geological and geophysical data for the currently explored part of the deposit. On 1 April 2015, an agreement was signed with the State Treasury – with the Minister of the Environment acting on its behalf – for the paid use of geological information in the form of geological data.
Weisswasser (Saxony in Germany)	Work continued on the second phase of the second stage of the project. Drilling was carried out including drillholes to take geophysical measurements in the area of the Weisswasser II concession. Based on the results of this drilling, which is expected to be completed at the end of August 2015, the strategy for subsequent work under the project will be determined.
Exploration projects in the preparatory phase:	
Bytom Odrzański Kulów–Luboszyce	Judicial administrative proceedings are underway with regard to the claims filed by the competing company Leszno Copper sp. z o.o. with the Regional Administrative Court against the decision of the Minister of the Environment to reverse in their entirety the decision issued on 28 January 2014 regarding the refusal to grant KGHM Polska Miedź S.A. a concession for the exploration and evaluation of the Bytom Odrzański copper ore deposit and for the part of the Kulów-Luboszyce area applied for. Detailed information on these proceedings may be found in Chapter 5.6 of this report.
Other concessions:	
Zatoka Pucka	Work begun in the first quarter of 2015 continued on the reinterpretation of archival geological data, which will form the basis for performing surface-based geophysical surveys. In addition, a tender was initiated to select contractors to carry out these surveys.

Pillar II. Production Assets Development

Key development projects in terms of the Core Business in Poland:	
Deep Głogów Program	Work continued on the sinking of the GG-1 ventilation (input) shaft using tubing construction. At the end of June 2015 the shaft had reached a depth of 563 meters using tubing construction (target depth is 1 340 meters with a diameter of 7.5 meters). In the first half of 2015, 7 574.4 meters of primary and development tunneling were excavated in the Rudna and Polkowice–Sieroszowice mines together with necessary technical infrastructure (water pipes, power cables, electrical switching stations, conveyor belts, retention reservoirs, climate control piping and equipment and communications equipment). With respect to construction of the Surface-based Ventilation Station at the R-XI shaft, the first stage of the investment was completed – based on a power supply of 15 MW cool air is being produced. Upgrade of the Surface-based Ventilation Station to 25 MW is expected in mid-2016.
Mechanical mining program	**Excavation of drift tunnels using a combine team** – Based on mining experience gathered to date, a periodic evaluation was made of the project's organisational and technical aspects, as well as of the technology for carrying out mine development work using a combine team. The excavation of drift tunnels using a combine team in the underground conditions prevailing in the Polkowice-Sieroszowice mine confirmed the technical possibility of using mechanised methods to extract ore from the copper deposit, as a technological alternative to the current method based on blasting technology.

	By using combine technology it was possible to achieve a substantial improvement in monthly drift hub development as compared to other mine areas under development. At the same time we are identifying potential sources of effects and benefits across the entire spectrum of mining activities deriving from the use of combine teams, for example the quality of areas excavated, the rate of excavation, following the path of the ore, selective extraction and the capabilities for continuous work. **Development of mechanised mining technology** – In cooperation with the company Caterpillar Global Mining Europe GmbH, work was performed on the implementation of required modifications, both in the body of the prototype machine as well as in its housing, which will enable completion of the final stage of mining trials using the ACT (Active Cutting Technology) mining complex in a pilot section of the Polkowice-Sieroszowice mine. At the same time intensive efforts are being made to prepare a new mining field to carry out trials in a pilot section. In cooperation with the company KOPEX Machinery SA design and research work is underway on the possibilities of developing a mechanised longwall complex for mining copper ore as an alternative technology to the ACT mining complex which is currently being tested. Research is focused on selecting the body of the mechanised longwall complex, a design for the longwall complex and the beam stage loader and also building a model of the mining machine.
Pyrometallurgy Modernisation Program at the Głogów smelter/refinery	Construction and assembly work continued on the main elements of the modernised flash furnace production line at the Głogów I smelter/refinery, including the Flash Furnace, Electrical Furnace, Recovery Boiler and elements of the Charge Preparation Section. All technical permits were received. The current state of permitting allows the work to be completed on time. Due to the specific nature of work in an operating plant, the process of obtaining building permits and substitute building permits will continue until completion of the investment. Further design work was carried out on the modernised flash furnace. About 98% of the design work has been completed. The remaining elements of the smelting intensification program at the Głogów II smelter/refinery were handed over for operation. On 30 June 2015 the expenditures incurred on the project were completed and settled.
Development projects abroad:	
Victoria project (Sudbury Basin, Canada) *KGHM INTERNATIONAL LTD.100%*	Preliminary work continued on gaining access to the deposit, as well as work involving the preparation of shaft infrastructure, including the preparation of foundations for the lift machinery and preparations for work directly related to sinking the shaft. Work continued on developing technical documentation, i.e. the Integrated Development Study, which will provide a detailed project schedule and show the required project capex. The deposit mining model was reviewed.
Development of the Sierra Gorda project (Chile)	**Phase 2** *(KGHM INTERNATIONAL LTD. 55%, Sumitomo Group companies 45%)* – Work was performed on optimising project assumptions and on basic engineering for the second phase of the project, involving an increase in daily ore processing capacity from 110 thousand tonnes to at least 190 thousand tonnes. **Sierra Gorda Oxide** – Final work is underway to develop a feasibility study for the oxide ore processing project.
Ajax project (British Columbia, Canada) *KGHM Polska Miedź S.A. Group 80%, Abacus Mining and Exploration Corp. 20%*	Preparations continued aimed at submitting an application for environmental permits, which is expected to be done in the second half of 2015. To ensure the full transparency of the process of analyzing the Ajax mine's impact on the environment, KGHM Polska Miedź S.A. is working closely both with First Nations representatives as well as with government officials. Work continues on basic engineering, which takes into account the change in the siting of certain elements of the mine's facilities and technological improvements to the plant, which will enable capex on the Project to be optimised. The drilling campaign continued, comprising among others the conclusion in March 2015 of drilling within the planned open pit. The drill cores obtained will be used in further metallurgical research.

Initiatives aimed at enhancing knowledge and innovation in KGHM Polska Miedź S.A.:

CuBR Sector Program *(in cooperation with the National Centre for Research and Development)*	At the start of 2015 work commenced on projects selected during the first edition of the CuBR Program competition, for which PLN 40 million was allocated. These projects will be carried out in terms of R&D involving the development of new mining technology and metallurgical and processing processes, as well as of new products and their recycling, while at the same time reducing environmental costs. In the second quarter of 2015 work commenced on the implementation of most of the projects selected during the second edition of the CuBR Program competition, for which PLN 52 million was allocated. The goal of the projects is to discover innovative solutions for the core business of KGHM Polska Miedź S.A., above all in terms of the Intelligent Mine concept with respect to developing remote controlling and automated equipment for breaking up rock, and a fully automated bolting process. In addition, work will be carried out aimed at acquiring highly efficient copper ore processing technology as well as on advanced applications of the metals produced by KGHM Polska Miedź S.A. The acceptance of applications for the third edition of the competition will be announced in the third quarter of 2015.

Pillar III. Production

Sierra Gorda mine in Chile - Phase 1 *KGHM INTERNATIONAL LTD. 55%, Sumitomo Metal Mining and Sumitomo Corporation 45%*	Work continued to increase processing capacity under phase 1 of the Sierra Gorda project. The achievement of target phase 1 processing capacity, enabling the production of 120 thousand tonnes of copper annually (the processing of 110 thousand tonnes of ore per day), is planned in the second half of 2015. The production of copper in concentrate from the Sierra Gorda mine in the first half of 2015 amounted to around 38 thousand tonnes. The molybdenum installation began production on 14 April 2015. Sierra Gorda has commenced commercial production, as defined by the following criteria. – **Quantity & Quality** – Sierra Gorda is producing saleable product, available for placement in the market. The copper plant has been operating for over 60 days at 65% of its designed capacity. Simultaneously, the molybdenum plant has produced molybdenum concentrate with at least 40% molybdenum content. – **Expenditures** - all major expenditures have been incurred to bring the mine to the condition necessary for commercial production to commence. – **Handover and operation** - the plant was handed over to the operating personnel. Starting on 1 July 2015, due to the achievement of commercial production, Sierra Gorda will provide profit or loss statements.

Other significant initiatives with respect to actions to support the core business:

Ensuring energy security for the KGHM Polska Miedź S.A. Group	**Development of small-scale photovoltaics** – In its search for new, innovative methods of generating electricity, "Energetyka" sp. z o.o. is developing projects related to the construction of pilot photovoltaic farms. In the first half of 2015 another pilot installation using thin-layer CIGS (Copper Indium Gallium Selenide) technology was opened. The photovoltaic farms in use to date in Legnica and Głogów use three different photovoltaic technology modules: CIGS, monocrystalline and polycrystalline. The goal of the project is to determine which of the three applied technologies is the most suitable for local atmospheric conditions. **Preparations to build and operate the first Polish nuclear power plant** – KGHM Polska Miedź S.A., PGE Polska Grupa Energetyczna S.A., TAURON Polska Energia S.A. and ENEA S.A. continued work on the project to prepare for the construction of a nuclear power plant in Poland. On 15 April 2015, these companies signed an agreement for the acquisition of shares in PGE EJ 1 sp. z o.o. („PGE EJ 1"), the special purpose company which is responsible for the preparation and execution of the investment to build and operate the first Polish nuclear power plant with a capacity of approx. 3 GWe (the Project). KGHM Polska Miedź S.A., TAURON Polska Energia S.A. and ENEA S.A. each acquired from PGE Polska Grupa Energetyczna S.A. 10% of the shares in PGE EJ 1 sp. z o.o. (a total of 30% of the shares). KGHM Polska Miedź S.A. paid the amount of PLN 16 million for the acquired shares. The transaction was financed by internal funds. According to the Shareholders Agreement dated 3 September 2014, the parties will jointly, proportionally to their interest, fund activities of the initial phase of the Project. The objective of the initial phase of the Project is to determine such elements as potential

	partners, including the strategic partner, technology suppliers, EPC (Engineering, Procurement, Construction) contractors, nuclear fuel suppliers and acquiring funds for the Project, as well as preparing PGE EJ 1 sp. z o.o. organisationally and in terms of the skills required for its role as the nuclear power plant's future operator, responsible for its safe and efficient operation („Integrated Proceedings"). On 29 July 2015 the Shareholders Meeting of PGE EJ 1 adopted a resolution to increase the share capital of PGE EJ 1 by PLN 70 million. KGHM Polska Miedź S.A. acquired shares in the increased share capital proportionally to its stake in the company and paid for them in cash in the amount of PLN 7 million (described in greater detail in Chapter 7 of this report). The Parties to the Shareholders Agreement expect that subsequent decisions concerning the Project, including a decision on the further participation of each Party in the next stage of the Project, will be made after the end of the initial phase and directly before the conclusion of the Integrated Proceedings.

5. Activities of the Group

5.1. Changes in Group structure, equity investments

In the first half of 2015, financing for the overseas resource base development projects, including the key project Sierra Gorda, and the projects Sierra Gorda Oxide, Victoria and Ajax, was provided in the form of loans granted by KGHM Polska Miedź S.A. to the company Fermat 1 S.à r.l. (a direct subsidiary) and the company 0929260 B.C. Unlimited Liability Company (an indirect subsidiary) in the total amount of USD 171 million (PLN 643 million at the average exchange rate of the National Bank of Poland (NBP) from 30 June 2015). Subsequently these funds were transferred as loans and/or increases in the share capital of special purpose companies within the holding structure to companies carrying out individual investment projects.

Table 8. Financing of resource base development projects abroad in the first half of 2015.

Sierra Gorda project	Financing for the Sierra Gorda project, proportionally to the interest held in the share capital of Sierra Gorda S.C.M. (55%), amounted in the first half of 2015 to USD 99 million, all of which came from funds supplied by KGHM Polska Miedź S.A. (PLN 373 million at the average exchange rate of the NBP from 30 June 2015).
Victoria project	Financing for the Victoria project amounted to USD 32 million (PLN 122 million at the average exchange rate of the NBP from 30 June 2015) all of which came from funds supplied by KGHM Polska Miedź S.A.
Ajax project	Financing for the Ajax project, proportionally to the interest held by the KGHM Group in the share capital of KGHM AJAX MINING INC. (80%), KGHM Polska Miedź S.A. provided USD 26 million (PLN 97 million at the average exchange rate of the NBP from 30 June 2015), including USD 2.9 million (PLN 11 million at the average exchange rate of the NBP from 30 June 2015) under a loan granted to the partner in this company pursuant to the JV agreement.
Sierra Gorda Oxide project	Financing for the Sierra Gorda Oxide project from KGHM Polska Miedź S.A. amounted to USD 14 million (PLN 51 million at the average exchange rate of the NBP from 30 June 2015).

Increases in the share capital of Group companies aimed at financing development projects abroad and others involving domestic entities (including issuances of certificates) are described in detail in the following table.

Table 9. Increases in the share capital of Group companies and issuances of certificates in the first half of 2015

Company	Amount*	Description
Foreign entities		
Fermat 2 S.à r.l.	USD 355 million (PLN 1 331.7 million) **	The share capital of the company was increased several times. All of the shares in the increased share capital were acquired by Fermat 1 S.à r.l. (the sole owner of the company). The shares were paid for in cash. The funds obtained from this capital increase were used to increase the share capital of the company 0929260 B.C. Unlimited Liability Company, as described below.

Company	Amount*	Description
0929260 B.C. Unlimited Liability Company	CAD 473.8 million (PLN 1 435.0 million)	The share capital of the company was increased several times. All of the shares in the increased share capital were acquired by Fermat 2 S.à r.l. (the sole owner of the company 0929260 B.C. Unlimited Liability Company). The shares were paid for in cash. The funds obtained from this capital increase were used to increase the share capital of the company KGHM INTERNATIONAL LTD. and of the company KGHM AJAX MINING INC., as described below, to refinance the debt of KGHM INTERNATIONAL LTD. and to provide a loan to the company Abacus Mining & Exploration Corp.
KGHM INTERNATIONAL LTD.	CAD 187.3 million (PLN 566.6 million)	The share capital of the company was increased several times. All of the shares in the increased share capital were acquired by 0929260 B.C. Unlimited Liability Company (an indirect subsidiary of KGHM Polska Miedź S.A., being the sole owner of KGHM INTERNATIONAL LTD.). The shares were paid for in cash. The funds obtained from this capital increase were used to advance the projects Sierra Gorda, Sierra Gorda Oxide and Victoria.
Quadra FNX Chile (Barbados) Ltd.	USD 99 million (PLN 374.6 million)	The share capital was increased in relation to financing of the Sierra Gorda project. All of the shares in the increased share capital were acquired by KGHMI (Barbados) Holdings Ltd. The shares were paid for in cash.
Quadra FNX Chile Limitada	USD 99 million (PLN 365.4 million)	The share capital was increased in relation to financing of the Sierra Gorda project. All of the shares in the increased share capital were acquired by Quadra FNX Chile (Barbados) Ltd.
Sierra Gorda S.C.M.	USD 99 million (PLN 370.7 million)	The share capital was increased in relation to financing of the Sierra Gorda project. Proportionally to its interest in the company Sierra Gorda S.C.M., the company Quadra FNX Holdings Chile Limitada acquired 55% of the shares in the increased share capital, while the remaining 45% were acquired by SMM SIERRA GORDA INVERSIONES LIMITADA (a Sumitomo Group company). The shares were paid for in cash.
KGHM AJAX MINING INC.	CAD 28 million (PLN 84.5 million)	The share capital of the company was increased several times. Proportionally to its interest in the share capital, the company 0929260 B.C. Unlimited Liability Company acquired 80% of the shares in the increased share capital, while the remaining 20% were acquired by Abacus Mining & Exploration Corp. The shares were paid for in cash. The funds obtained from this capital increase were used to advance the Ajax project.
KGHM Kupfer AG	EUR 2 million (PLN 8.6 million)	All of the shares in the increased share capital were acquired by KGHM Polska Miedź S.A. which paid for them in cash. The funds obtained from this capital increase were used to carry out phase II of the research under stage II of the Weisswasser project.
Domestic entities		
KGHM CUPRUM sp. z o.o. - CBR	PLN 9 million	All of the shares in the increased share capital were acquired by KGHM Polska Miedź S.A. (the sole owner) which paid for them in cash. The funds obtained from this capital increase were used as a return on a payment to capital.
NITROERG SERWIS Sp. z o.o.	PLN 1.2 million	All of the shares in the increased share capital were acquired by NITROERG S.A. (the sole owner) which paid for them in cash. The funds obtained from this capital increase were used for investments.
Investment Funds		
KGHM IV FIZAN	PLN 9 million	KGHM Polska Miedź S.A. acquired Investment Certificates. The funds from the issuance were used to advance a real estate project.

**amount of capital paid by Group companies, translated based on the NBP exchange rate from the date of the increase in capital*
*** amount of agio from the excess of the issue value over the nominal value of shares in the increased share capital*

The acquisition of shares in the first half of 2015 are shown in the following table.

Table 10. Acquisition of shares in the first half of 2015

BIPROMET S.A.	KGHM Polska Miedź S.A. purchased 34 % of the shares of the subsidiary BIPROMET S.A. (including 25.23% as a result of a call-up of shares, 8.77% due to a compulsory acquisition) achieving full control over the company - 100% of the share capital.
PGE EJ 1 sp. z o.o.	10% of the shares of the special purpose company PGE EJ 1 sp. z o.o. were purchased, which is responsible for the preparation and execution of the investment to build and operate the first Polish nuclear power plant. In July 2015 the Shareholders Meeting of the company passed a resolution to increase the share capital (details in Chapter 7 of this report).

In execution of obligations arising from a sales agreement with the State Treasury to submit an irrevocable purchase offer for all remaining employee shares acquired by employees during the privatisation process, employee shares were purchased in spa companies and in CENTROZŁOM WROCŁAW S.A. In addition, shares were purchased from employees of the company WPEC w Legnicy S.A., which they acquired during the privatization process.

Table 11. Acquisition of employee shares of Group companies in the first half of 2015

Acquisition by KGHM I FIZAN of shares from employees of spa companies

KGHM I FIZAN acquired shares from employees of spa companies, increasing its ownership interest in the following manner:

- Uzdrowiska Kłodzkie S.A. - Grupa PGU - an increase to 100% (or by 0.7%),
- Uzdrowisko Połczyn Grupa PGU S.A. - an increase to 100% (or by 1.6%),
- Uzdrowisko Cieplice Sp. z o.o. – Grupa PGU - an increase to 98.2% (or by 0.3%),
- Uzdrowisko Świeradów-Czerniawa Sp. z o.o. – Grupa PGU - an increase to 98.8% (or by 0.2%).

Acquisition by KGHM Metraco S.A. of employee shares of CENTROZŁOM WROCŁAW S.A.

Metraco S.A. acquired shares from employees of the company CENTROZŁOM WROCŁAW S.A. representing 0.2% of the share capital of this company, increasing its interest from 99.5% to 99.7%.

Acquisition by „Energetyka" sp. z o.o. of employee shares of WPEC w Legnicy S.A.

„Energetyka" sp. z o.o. acquired shares from employees of the company WPEC w Legnicy S.A. representing 10.5% of the share capital of this company, increasing its interest from 85.2% to 95.7%.

In the first half of 2015, the subsidiary KGHM ZANAM Sp. z o.o. was transformed into a joint stock company (presently KGHM ZANAM S.A.) while the indirect subsidiary „BIOWIND" sp. z o.o. in liquidation was de-listed from the National Court Register (this company had not commenced operations).
During the analysed period actions were continued aimed at improving and simplifying the Group structure. These actions included commencement of the process of liquidation of two subsidiaries: in the domestic company Polska Grupa Uzdrowisk Spółka z ograniczoną odpowiedzialnością S.K.A. and in the non-domestic company International Molybdenum Ltd.
In addition, the subsidiary CUPRUM Development sp. z o.o. (which arose from the separation of an organised part of the company KGHM CUPRUM sp. z o.o. - CBR in the form of property) was transferred through a special purpose company to a closed-end investment fund of KGHM Polska Miedź S.A. which invests in real estate.

5.2. Macroeconomic environment

Economic growth in the first quarter of 2015 amounted to 2.2% year on year (yoy) and was 0.8 percentage points (pp) lower than the initial estimates by the International Monetary Fund (IMF). The main factor in the weaker-than-expected in April 2015 rate of global economic growth was the lower level of economic activity in the USA due to weather-related problems, strikes in ports and to substantially lower investment in the oil sector. The problems in the United States led to lower rates of growth in Mexico and Canada. In other parts of the world, the negative and positive variations from the expected growth rate balanced out, on average at around the rate of growth forecasted by the IMF.

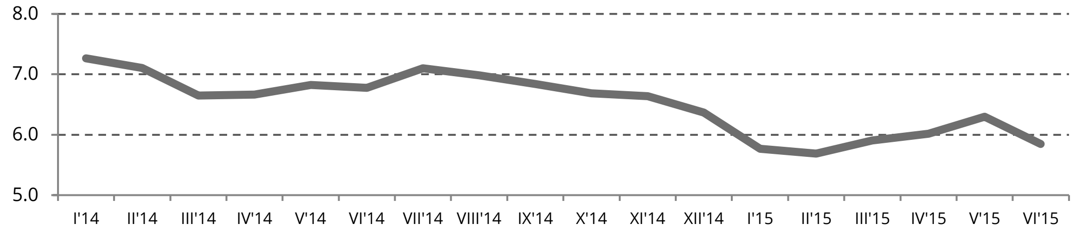
The rate of economic growth in developed countries is expected to accelerate for the following reasons: relatively easy access to financing, a departure from the restrictive fiscal policy in the eurozone, lower oil prices, greater consumer confidence and better conditions in the job market. Factors which are hampering growth, whose origins are in the developing countries, are lower commodity prices, tighter borrowing conditions, a change in the structure of Chinese growth and geopolitical volatility. Due to the expected lower rate of GDP growth in the first half of 2015, the IMF decided to lower its economic growth forecast in 2015 by 0.2 pp to 3.3% yoy and to maintain its outlook for 2016 at 3.8% yoy.

Despite the fact that at the end of June 2015 the Bloomberg Commodity Index was only approx. 1 pp lower than at the start of 2015, there was heightened volatility on the commodities markets. These markets were affected by increased investor aversion to risk, fears about the durability of growth in China, the conflict between Ukraine and Russia, the heightened risk of Greece's exit from the eurozone and the rapid drop in China's main stock market index – the Shanghai Composite – at the end of the first half of 2015.

The cash settlement price of copper on the London Metal Exchange (LME) in the first half of 2015 ranged from approx. 5 390 to 6 450 USD/t. The start of 2015 saw a drop in the copper price, mainly due to negative investor sentiment towards the commodities markets. The main reason for this attitude by market participants was the substantial fall in the prices of oil and iron ore as compared to the previous periods of heightened activity by Chinese hedge funds involved in short selling, and to the continued strong increase in the value of the US dollar (for example a strengthening of approx. 18% compared to the euro). In subsequent months the price of copper came under pressure from lower-than-expected demand for the metal in China and from the slowdown in the USA in the first quarter of 2015.

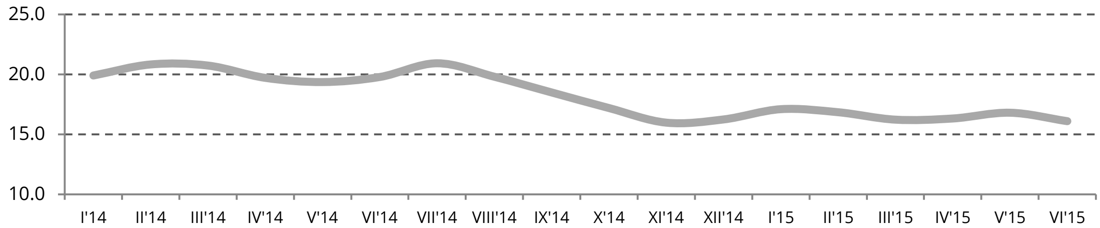
The average cash settlement price of copper in the first half of 2015 on the LME amounted to 5 929 USD/t and was 14.3% lower than in the first half of 2014, when it amounted on average to 6 916 USD/t.

Chart 7. Copper prices on the London Metal Exchange (thousand USD/t)



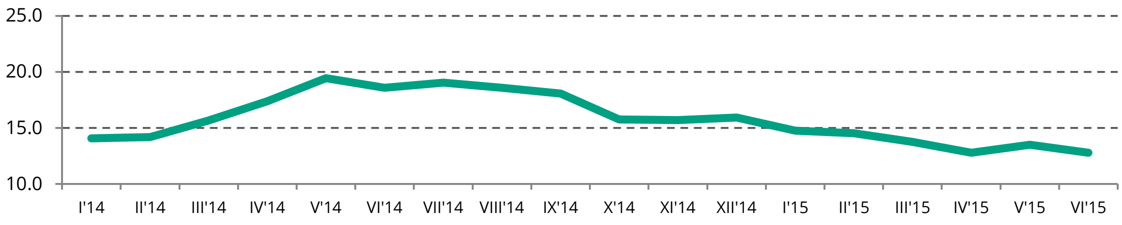
The average price of silver on the London Bullion Market (LBM) in the first half of 2015 amounted to 16.55 USD/oz t (532.09 USD/kg), or a decrease of 17.5% compared to the price in the first half of 2014 – 20.05 USD/oz t. Greater uncertainty at the start of 2015, due to the conflict in Eastern Europe and to the deferral of interest rate hikes in the USA, caused a short-term increase in the gold price, which led to an increase in the price of silver. The signing of an accord between Russia and Ukraine later reduced the probability of a further escalation of the conflict. Moreover, the continued appreciation of the American dollar together with the greater supply of silver as an associated element in new mining projects (mainly copper) were the main barriers holding back increases in the silver market.

Chart 8. Silver prices on the London Bullion Market (USD/oz t)



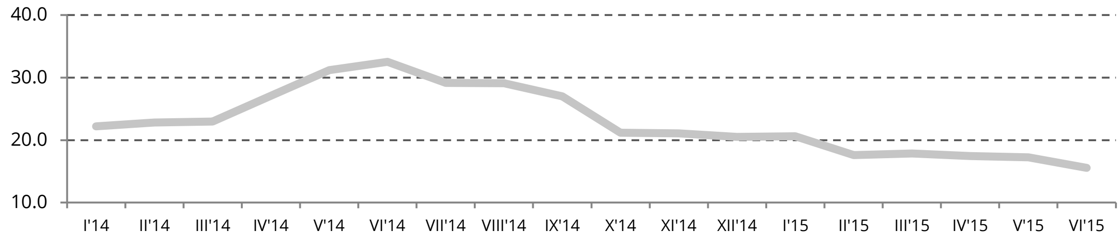
The average price of nickel in the first half of 2015 amounted to 13 684 USD/t, or a decrease of 17% year-on-year (in the first half of 2014 the average price amounted to 16 523 USD/t). The main causes of the lower prices were the weak demand for stainless steel, the substitution of material from Indonesia with material from the Philippines and the build-up of LME warehouse inventories (an increase of over 10% since the start of the year).

Chart 9. Nickel prices on the London Metal Exchange (thousand USD/t)



The decrease in the price of molybdenum since June 2014 is due to a slowdown in the global steel market, which in turn has a substantial impact on demand for the metal. While these lower prices have resulted in a reduction in mined output, market participants are taking into consideration the supply coming from new mining projects when pricing molybdenum. The average price of molybdenum on the LME in the first half of 2015 amounted to 17 719 USD/t, or a decrease of 33% as compared to the first half of 2014 (26 449 USD/t).

Chart 10. Molybdenum prices on the London Metal Exchange (thousand USD/t)



The average USD/PLN exchange rate (per the NBP) in the first half of 2015 amounted to 3.7150 and was higher as compared to the same period in 2014 by 22% (3.0466). The deepening of deflation in Poland at the end of 2014 convinced the Monetary Policy Council to renew the cycle of interest rate decreases to stabilise prices and to support economic growth. However, the decrease in the cost of money along with the continuing conflict in Ukraine, as well as the start of quantitative easing in the eurozone, led to an increase in risk aversion in the region. As a result, the action of international investors led among others to the depreciation of Polish bonds and to the strong weakening of the Polish zloty versus the USD, as compared to the same period of 2014.

Chart 11. USD/PLN exchange rate per the National Bank of Poland

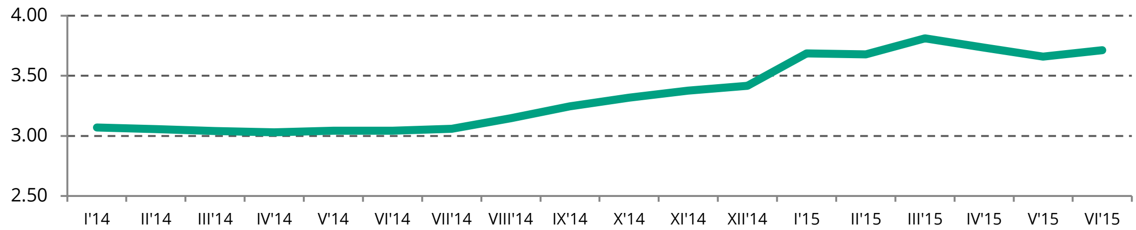
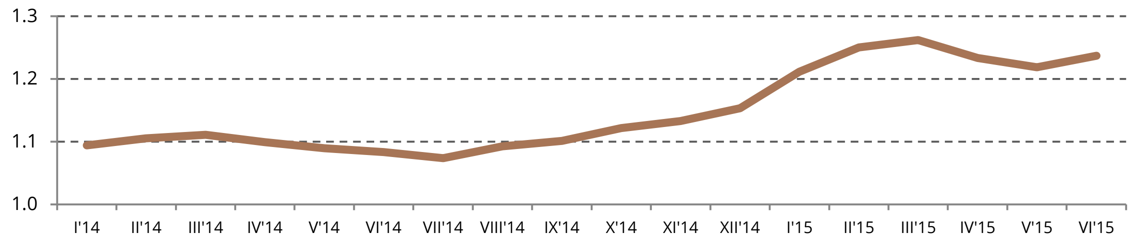


Chart 12. USD/CAD exchange rate as per the Bank of Canada

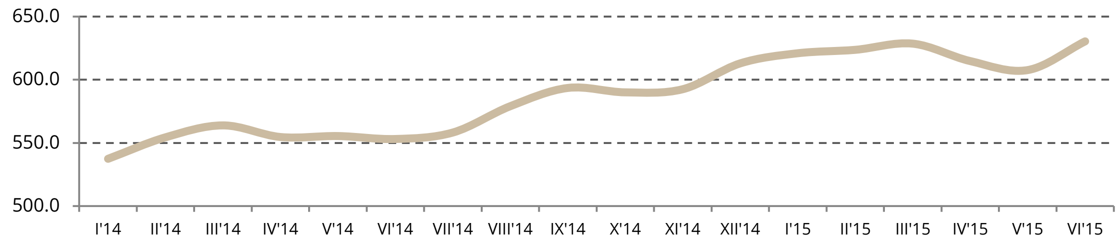


Both the Canadian dollar and the Chilean peso in the first half of 2015 weakened versus the US dollar, similarly as was the case in 2014. The main reason for the continuation of this trend were the fears surrounding demand for the raw materials exported by these countries related to the slowdown in economic growth, as well as to the general appreciation of the American currency as compared to nearly all other world currencies.

The average annual USD/CLP exchange rate (per the Bank of Chile) in the first half of 2015 amounted to 621.13 and was 12% higher than in the first half of 2014 (553.10). During the analysed period the peso recorded its strongest rate of 597.10 in May 2015, while the weakest exchange rate of 642.18 was recorded in June 2015.

The average USD/CAD exchange rate (per the Bank of Canada) in the first half of 2015 amounted to 1.2354 and was 13% higher than in the first half of 2014 (1.0968). During the analysed period the lowest exchange rate of 1.1728 was recorded in January, while the highest rate of 1.2803 was recorded in March.

Chart 13. USD/CLP exchange rate as per the Bank of Chile



The macroeconomic factors of greatest importance for the operations of the KGHM Polska Miedź S.A. Group are presented in the following table.

Table 12. Macroeconomic factors of importance for the operations of the KGHM Polska Miedź S.A. Group

	Unit	H1'2014	H1'2015	Change H1'2014=100	IQ'15	IIQ'15
Average copper price on the LME	USD/t	6 916	5 929	85.7	5 818	6 043
Average silver price on the LBM	USD/oz t	20.05	16.55	82.5	16.71	16.39
Average nickel price on the LME	USD/t	16 523	13 684	82.8	14 338	13 008
Average molybdenum price on the LME	USD/t	26 449	17 719	67.0	18 711	16 694
Average USD/PLN exchange rate per the NBP	PLN/USD	3.05	3.72	122.0	3.73	3.70
Average USD/CAD exchange rate per the Bank of Canada	CAD/USD	1.10	1.24	112.6	1.24	1.23
Average USD/CLP exchange rate per the Bank of Chile	CLP/USD	553.10	621.13	112.3	624.42	617.67

5.3. Basic products

The largest share in the sales revenues of the KGHM Polska Miedź S.A. Group is from sales of the basic products produced by the Parent Entity and companies of the KGHM INTERNATIONAL LTD. Group.

Table 13. Revenues from sales of products of the KGHM Polska Miedź S.A. Group (in PLN millions)

	H1'14	H1'15	Change H1'14=100	IQ'15	IIQ'15
Cathodes and cathode parts	3 043	3 070	100.9	1 357	1 713
Copper wire rod and OFE rod	3 010	3 259	108.3	1 568	1 691
Other copper products	120	139	115.8	69	70
Total copper and copper products	**6 174**	**6 468**	**104.8**	**2 994**	**3 474**
Metallic silver	1 145	1 129	98.6	501	628
Metallic gold	102	146	143.1	90	56
Refined lead	83	120	144.6	55	65
Other goods and services	142	**164**	115.5	**93**	**71**
Total	**7 647**	**8 027**	**105.0**	**3 734**	**4 293**

Table 14. Revenues from sales of products of the KGHM INTERNATIONAL LTD. Group (in USD millions)

	H1'14	H1'15	Change H1'14=100	IQ'15	IIQ'15
Copper *	236	248	105.1	129	120
Nickel	32	14	43.8	6	8
Precious metals (gold, platinum, palladium)	28	40	142.9	20	20
Other**	30	27	90.0	11	15
Total	**326**	**329**	**100.7**	**166**	**163**

* *copper in the form of copper cathodes, payable copper in concentrate, payable copper in ore*

** *including revenues from sales of other metals, revenues from services provided by DMC, TC/RC (treatment and refining charges) and starting from 2015 income from a service fee for operator services rendered by KGHM INTERNATIONAL LTD. over the Sierra Gorda project in the amount of USD 7 million*

Table 15. Revenues from sales of products of the KGHM INTERNATIONAL LTD. Group (in PLN millions)

	H1'14	H1'15	Change H1'14=100	IQ'15	IIQ'15
Copper *	721	924	128.2	479	445
Nickel	98	52	53.1	22	30
Precious metals (gold, platinum, palladium)	86	149	173.3	75	74
Other**	91	99	108.8	43	56
Total	**996**	**1 224**	**122.9**	**619**	**605**

* *copper in the form of copper cathodes, payable copper in concentrate, payable copper in ore*

** *including revenues from sales of other metals, revenues from services provided by DMC, TC/RC (treatment and refining charges) and starting from 2015 income from a service fee for operator services rendered by KGHM INTERNATIONAL LTD. over the Sierra Gorda project in the amount of PLN 28 million*

Table 16. Volume of sales of basic products of the KGHM Polska Miedź S.A. Group

	Unit	H1'14	H1'15	Change H1'14=100	IQ'15	IIQ'15
KGHM Polska Miedź S.A.						
Cathodes and cathode parts	kt	136.4	133.4	97.8	61.3	72.1
Copper wire rod and OFE rod	kt	132.2	138.1	104.5	67.7	70.4
Other copper products	kt	6.0	6.1	101.7	3.1	3.0
Total copper and copper products	**kt**	**274.6**	277.6	**101.1**	**132.1**	**145.5**
Metallic silver	t	572	563	98.4	245	317
Metallic gold	kg	801	999	124.7	612	388
Refined lead	kt	12.1	16.2	133.9	7.7	8.5
KGHM INTERNATIONAL LTD. Group						
Copper *	kt	35.1	44.1	125.6	23.1	20.9
Nickel	kt	1.7	1.1	64.7	0.5	0.6
Precious metals (gold, platinum, palladium)	koz t	31.3	40.4	129.1	20.8	19.6

** copper in the form of copper cathodes, payable copper in concentrate, payable copper in ore*

Total revenues from sales of KGHM Polska Miedź S.A. in the first half of 2015 amounted to PLN 8 027 million and were higher by 5% than revenues achieved in the first half of 2014, mainly due to a higher volume of copper sales by 3 thousand tonnes and to an increase in average metals prices expressed in PLN due to an increase in the USD/PLN exchange rate.

Revenues from the sale of copper and copper products were higher by nearly 5%. Revenues from silver sales were lower by around 1.5% as compared to their level in the first half of 2014, as a result of lower volume as well as lower sale prices. Revenues from gold sales were higher by 43%, as a result of an increase in the price of this metal expressed in PLN and of an increase in sales volume by nearly 25% (199 kg) as compared to the first half of 2014.

Revenues from sales in the first half of 2015 reflect the positive result from the settlement of hedging instruments in the amount of PLN 221 million (in the same period of 2014: PLN 264 million).

In the first half of 2015, revenues from sales by the KGHM INTERNATIONAL LTD. Group amounted to 12% of the revenues from sales of the entire KGHM Polska Miedź S.A. Group. The KGHM INTERNATIONAL LTD. Group achieved revenues from sales at the same level as in the comparable period of 2014. The increase in revenues from sales of basic products (including copper by USD 12 million and precious metals by USD 12 million) was due to higher sales volumes, despite the unfavourable metals prices.

In the first half of 2015, the KGHM INTERNATIONAL LTD. Group recorded an increase in sales of most metals (including copper by 26%) compared to the same period in 2014. The increase in sales was due to higher production and to higher inventories at the start of the first half of 2015.

A large portion of the remaining Polish companies of the KGHM Polska Miedź S.A. Group provide services and supply products, merchandise and materials to the Parent Entity. The largest sales outside the Group in the first half of 2015 were earned by CENTROZŁOM WROCŁAW S.A. (3.2% of Group sales). Sales of other companies did not exceed 1%.

5.4. Sales markets

69.89% of the non-current assets (property, plant and equipment and intangible assets) of the KGHM Polska Miedź S.A. Group are located in Poland. The remaining 30.11% of the non-current assets are located in the following countries: Canada – 16.99%, the United States – 6.31%, Chile – 2.77%, other countries – 4.04%.

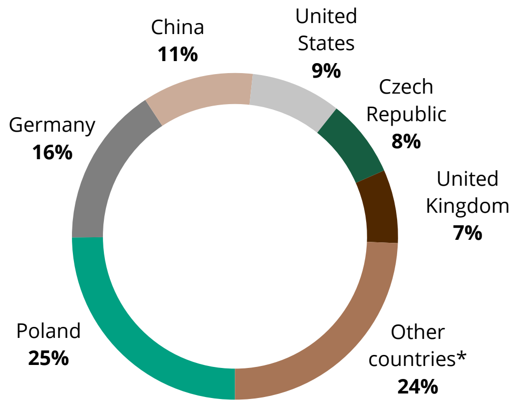
Geographical breakdown of sales

In the first half of 2015 the largest proportion of the Group's sales revenue (25%) was from Poland. The largest remaining customers of the products, merchandise and services offered by the Group's companies were from Germany, China, the United States, the Czech Republic and the United Kingdom.
The Group's revenues from sales to customers outside the Group is broken down geographically in the following table.

Table 17. Sales revenue by market (in PLN millions)

Country	H1'14	H1'15	Change H1'14=100	IQ'15	IIQ'15
Poland	2 352	2 504	106.5	1 159	1 345
Germany	1 782	1 593	89.4	726	867
China	943	1 109	117.6	571	538
The United States	209	900	430.6	379	521
The Czech Republic	727	774	106.5	376	398
The United Kingdom	709	732	103.2	333	399
Other countries	2 806	2 448	87.2	1 187	1 261
Total	**9 528**	**10 060**	**105.6**	**4 731**	**5 329**

Chart 14. Sales revenue breakdown by market in the first half of 2015



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

Sales in the Polish market

Around 70% of the revenues from Group sales in the first half of 2015 on the Polish market were earned by the Parent Entity. The sales volume of copper and copper products achieved by KGHM Polska Miedź S.A. on the Polish market accounted for 25% of total copper sales. Silver sales on the Polish market accounted for 1% of the total volume of silver sales.

Amongst other companies, a significant part of the revenues of the KGHM Polska Miedź S.A. Group on the Polish market came from CENTROZŁOM WROCŁAW S.A. (11%), whose business involves trade in scrap and smelter products. The share of other companies did not exceed 3%.

Other markets

Around 82% of sales revenue of the KGHM Polska Miedź S.A. Group to other countries in the first half of 2015 were earned by the Parent Entity. The sales volume of copper and copper products accounted for 75% of total copper sales. During the analysed period, the largest recipients of the copper produced by KGHM Polska Miedź S.A. were Germany, China, the Czech Republic and France. Silver sales accounted for 99% of the total volume of silver sales. The largest recipients of the silver produced by KGHM Polska Miedź S.A. were the United Kingdom, the United States and Germany.

Companies belonging to the KGHM INTERNATIONAL LTD. Group accounted for approx. 16% 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 the USA, Canada, Italy and China.

Suppliers to and customers of Group companies

In the first half of 2015, there was no recorded dependence in the Group on a single or multiple customers or suppliers – neither revenues from nor the level of purchases of a single contracting party exceeded 10% of the Group's revenues.

5.5. Significant contracts for the Group

In the first half of 2015, Group companies entered into the following significant contracts.

Table 18. Significant contracts signed in the first half of 2015

8 May 2015 **Contract for the sale of copper wire rod in the years 2016-2018** (with the option to extend it for a subsequent two years) **signed between KGHM Polska Miedź S.A. and Tele-Fonika Kable S.A.**	The estimated value of the Contract during the first three years ranges from PLN 3 913 million to PLN 4 246 million, depending on the volume of options used and the relocation of material between plants belonging to Tele-Fonika Kable S.A. The value of the contract was calculated based on the forward copper price curve and the average USD/PLN and EUR/PLN exchange rates announced by the National Bank of Poland as at 7 May 2015. The contract's coming into force is contingent on Tele-Fonika Kable S.A. receiving necessary financing for the repayment of financial liabilities as specified in the contract, but no sooner than on 1 January 2016 (condition precedent). If the condition precedent is not met by 30 June 2016 the contract will expire. If the condition precedent is not met by 1 January 2016, the Parties will undertake steps to extend the contract dated 16 January 2013 and annexed on 29 December 2014 (current report 32/2014 dated 30 December 2014).
14 January 2015 **Loan agreement between KGHM Polska Miedź S.A. and the indirect subsidiary 0929260 B.C. UNLIMITED LIABILITY COMPANY**	Based on an agreement, KGHM Polska Miedź S.A. granted a loan to the company 0929260 B.C. UNLIMITED LIABILITY COMPANY in the amount of USD 200 million (the equivalent of PLN 730.5 million at the average exchange rate for USD/PLN, announced by the National Bank of Poland dated 14 January 2015) with a maturity date of 31 December 2019. The loan was used to refinance the debt of KGHM INTERNATIONAL LTD. in the form of a bank loan.
25 May 2015 **Loan agreement between KGHM Polska Miedź S.A. and the direct subsidiary Fermat 1 S.à r.l.**	Based on an agreement, KGHM Polska Miedź S.A. granted Fermat 1 S.à r.l. a cash loan in the amount of USD 210 million (the equivalent of PLN 788 million at the average exchange rate for USD/PLN, announced by the National Bank of Poland dated 25 May 2015) with a maturity date of 31 December 2021. Funds from the loan were transferred through special purpose companies within the holding structure to 0929260 B.C. UNLIMITED LIABILITY COMPANY in order to refinance the debt of KGHM INTERNATIONAL LTD. in the form of senior notes issued in 2011.
3 June 2015 **Loan agreement between KGHM Polska Miedź S.A. and the indirect subsidiary 0929260 B.C. UNLIMITED LIABILITY COMPANY**	Based on an agreement, KGHM Polska Miedź S.A. granted a loan to the company 0929260 B.C. UNLIMITED LIABILITY COMPANY in the amount of USD 309 million (the equivalent of PLN 1 148 million at the average exchange rate for USD/PLN, announced by the National Bank of Poland dated 3 June 2015) with a maturity date of 31 December 2021. The loan was used to refinance the debt of KGHM INTERNATIONAL LTD. in the form of senior notes issued in 2011.
8 June 2015 **Loan agreement between the indirect subsidiaries 0929260 B.C. UNLIMITED LIABILITY COMPANY and KGHM INTERNATIONAL LTD.**	A loan agreement, pursuant to which the indirect subsidiary 0929260 B.C. UNLIMITED LIABILITY COMPANY advanced a loan in the amount of USD 519 million (the equivalent of PLN 1 941 million, according to the average exchange rate of the NBP for USD/PLN of 8 June 2015) to its wholly-owned subsidiary KGHM INTERNATIONAL LTD. for the early redemption of the senior notes issued in 2011. The funds for this loan were transferred by KGHM Polska Miedź S.A. under the financing described above (the agreement dated 25 May 2015 and the agreement dated 3 June 2015). The loan, which has a maturity date of 31 December 2021, is secured by a demand promissory note issued by KGHM INTERNATIONAL LTD.

Detailed information regarding the process of optimising the Group's financing, which includes the aforementioned agreements dated 25 May 2015 and 8 June 2015, may be found in Chapter 6.5 of this report.

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

In the first half of 2015, neither the Parent Entity nor subsidiaries entered into transactions between related entities under other than arm's length conditions.

5.6. Claims, disputes, fines and proceedings

At the end of the first half of 2015, the total value of on-going disputed issues both by and against KGHM Polska Miedź S.A. and its subsidiaries amounted to receivables of PLN 131 million and liabilities of PLN 191 million. The total value of the above disputes did not exceed 10% of the equity of the Parent Entity.

Value of proceedings involving receivables at the end of the first half of 2015:

- proceedings by KGHM Polska Miedź S.A. amounted to PLN 41 million,
- proceedings by subsidiaries amounted to PLN 90 million.

Value of proceedings involving liabilities at the end of the first half of 2015:

- proceedings against KGHM Polska Miedź S.A. amounted to PLN 101 million,
- proceedings against subsidiaries amounted to PLN 90 million.

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

Table 19. On-going proceedings

Proceedings involving liabilities	
Administrative proceedings regarding the granting of a concession for exploration and evaluation of the Bytom Odrzański copper deposit - re-hearing	The Minister of the Environment on 29 July 2014 reversed the following decisions in entirety: – a decision dated 28 January 2014 declining to grant a concession to KGHM Polska Miedź S.A. for the exploration and evaluation of the Bytom Odrzański copper ore deposit, – Concession no. 3/2014/p dated 28 January 2014 issued to Leszno Copper Spółka z o.o. for the exploration and evaluation of the Bytom Odrzański copper and silver ore deposit. Leszno Copper filed claims with the Regional Administrative Court against the decisions issued by the Ministry of the Environment. The Regional Administrative Court in Warsaw, at a hearing on 10 July 2015, reviewed the claims of Leszno Copper Spółka z o.o. against the decisions of the Minister of the Environment from 29 July 2014, overturned the decisions based on formal reasons and ordered the matter to be reviewed once more by the Ministry of the Environment. The Regional Administrative Court in Warsaw also adjudged that the decisions of the Minister of the Environment cannot be executed. This means that there are no legal ramifications until the judgment becomes legally binding. The judgment announced by the Regional Administrative Court is not legally binding until the deadline for filing a cassation appeal has passed, and if such an appeal is filed, until it is reviewed by the Supreme Administrative Court. The Company is awaiting a justification of the judgment, and once it is reviewed will undertake further legal decisions.
Royalties for use of invention project no. 1/97/KGHM	Value of amount under dispute: PLN 42 million. The claim was filed with the District Court in Legnica on 26 September 2007 by 14 co-authors of invention project no. 1/97/KGHM. Each of the plaintiffs in this suit 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). KGHM Polska Miedź S.A. received a summons on 14 January 2008. In the company's opinion the royalties being pursued through 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. Proceedings are in progress.
Payment of remuneration or contractual penalties	Value of amount under dispute: PLN 20 million. In a claim from April 2012, filed against „Energetyka" sp. z o. o. (a subsidiary of KGHM Polska Miedź S.A.), liquidation receiver Gross-Pol Sp. z o.o. is demanding payment of remuneration or contractual penalties due to the execution of five contracts entered into in the years 2007, 2008 and 2009. „Energetyka" sp. z o. o., in a response to the claim dated 10 September 2012, requested the dismissal of the claim in its entirety, citing their claim and evidence for its support. The parties petitioned for evidence to be presented in the form of testimony by witnesses and in the form of court experts from various fields. Proceedings are in progress. In the company's opinion the probability of the claims being adjudicated against the company is very low.

Payment of contractual penalties	Amount under dispute: PLN 19 million. The Capital City Warsaw, in a suit filed 12 March 2013, is seeking the payment of contractual penalties from Przedsiębiorstwo Robót Górniczych „Metro" Sp. z o. o. and from PeBeKa S.A. (a subsidiary of KGHM Polska Miedź S.A.) – as leader of the consortium – due to failure to perform remediation work during construction of a metro station on time. The company PeBeKa S.A. has charged that the Capital City Warsaw cannot act as plaintiff in the suit as the entity Metro Warszawskie is the actual investor, and has requested the court to order the company BEM Brudniccy z o.o. (subcontractors) to take part in the proceedings, as it was this company which performed the faulty work. In the opinion of PeBeKa S.A. it is possible that the imposition of contractual penalties may be waived due to the lack of possibility to remediate defects caused by unfavourable atmospheric conditions, or that contractual penalties may be imposed in an amount up to PLN 0.5 million, representing 10% of the value of the faulty work. At a hearing on 12 November 2013 the District Court ordered the appointment of a court expert. The opinion of the court expert confirmed the lack of possibility to remediate the defects due to the unfavourable atmospheric conditions. The parties to the proceedings decided to work out an agreement. The terms of this agreement are currently being determined. Proceedings are in progress.
Return of costs related to protection against mining damages	Value of amount under dispute: PLN 16 million. A claim was filed against KGHM Polska Miedź S.A. with the District 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 million due to the return of costs of protecting against mine damages incurred during construction of the Centrum Handlowo-Usługowe „CUPRUM ARENA" in Lubin. The District Court, by a judgment dated 26 February 2013, ordered KGHM Polska Miedź S.A. to pay the amount of PLN 307 thousand. Both parties filed appeals: the defendant in respect of the amount of PLN 305 thousand, and the plaintiff in respect of the amount of PLN 16 million. The Appeals Court appointed a court expert. In the company's opinion the claim is unfounded and should be dismissed. However, due to the complex nature of the matter and the judgment made by the District Court, it is difficult to foresee the final resolution. Appeal proceedings are in progress.
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 million 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 million, 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 million, for joint hearing. In the Parent Entity's opinion the payment of royalties to the project's authors was unfounded. Proceedings are in progress.
Return of excise tax	Value of amount under dispute: PLN 18 million. „Energetyka" sp. z o. o. (a subsidiary of KGHM Polska Miedź S.A.) filed a claim with the Regional Administrative Court against a decision of the Director of the Customs Office which denied a refund for overpayment of excise tax from January 2006 to February 2009. The Regional Administrative Court, in a judgment from October 2011, reversed the decision appealed by the subsidiary. The Director of the Customs Office and „Energetyka" sp. z o.o. in December 2011 filed cassation appeals to the Supreme Administrative Court. The court upheld the cassation appeal of „Energetyka" sp. z o.o., and by a judgment dated 27 November 2013 it reversed the appealed judgment and ordered the matter to be reheard by the Regional Administrative Court. As a result of these proceedings, on 2 September 2014 the Regional Administrative Court in Wrocław reversed the Decision of the Director of the Customs Office. At present, proceedings are in progress with the Director of the Customs Office in Wrocław regarding the entirety of the dispute, i.e. PLN 18 million.
Return of excise tax	The amount of excise tax for 2003 under dispute as at 30 June 2015 amounts in total to PLN 16 million. POL-MIEDŹ TRANS Sp. z o. o. (a subsidiary of KGHM Polska Miedź S.A.) filed a claim with the Regional Administrative Court against a decision of the Director of the Customs Office setting excise taxation for individual months from March to December 2003. The Regional 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, which reversed the judgments of the Regional Administrative Court and ordered the matter to be re-heard by the Regional Administrative Court. The Regional Administrative Court, in a hearing on 16 January 2014, reversed all of the decisions of the Director of the Customs Office respecting the period from March to December 2003.

	After re-hearing the matter regarding the months of March to December 2003, the Director of the Customs Office in Wrocław, over the period 28 May 2014 to 6 August 2014, reversed the decisions of the Head of the Customs Office and issued decisions which set new, lower tax liabilities (decreased by PLN 2 164 thousand). Claims have been filed with the Regional Administrative Court against these decisions. On 2 February 2015 the RAC in Wrocław suspended all proceedings for the period of March-December 2003 until a hearing has been held regarding the point of law directed to the Constitutional Tribunal regarding the constitutionality of the clauses of the excise tax which form the basis for making a judgment on the disputed decisions of the customs authorities. With respect to the clauses for January and February 2003, on 16 December 2011, POL-MIEDŹ TRANS Sp. z o.o. filed a claim with the European Human Rights Tribunal. On 20 February 2015, following review of the constitutional claims, the Constitutional Tribunal issued an interpretation decision, in which it stated that the interpretation of the law applied with respect to the company, is unconstitutional. As a result of this judgment the company requested the Supreme Administrative Court to reopen proceedings for the two months of 2003. On 30 June 2015, with respect to the five months of 2003, judgments were issued dismissing the company's claims calling for new decisions by the Director of the Customs Office. With respect to the subsequent five months of 2003 and the period of January to April 2004 - proceedings are in progress. With respect to the first five judgments, claims were filed requesting the court's justification in order to file cassation appeals in these cases.

5.7. Capital expenditures

In the first half of 2015, expenditures on property, plant and equipment and intangible assets in the Group amounted to PLN 1 632 million and were higher by PLN 128 million (8.5%) than those incurred in the same period of 2014. This was mainly due to an increase in capital expenditures in the KGHM INTERNATIONAL LTD. Group by PLN 118 million (35.8%). In addition, the most important project being advanced by the Group was the joint venture Sierra Gorda project in Chile. The share of KGHM INTERNATIONAL LTD. in the capital expenditures incurred on this project in the first half of 2015 amounted to PLN 1 451 million. Detailed information on this project may be found in Chapters 4 and 6.1 of this report.

Expenditures on property, plant and equipment and intangible assets by operating segment are presented in the following table.

Table 20. Expenditures on property, plant and equipment and intangible assets in the KGHM Polska Miedź S.A. Group by operating segment (in PLN millions)*

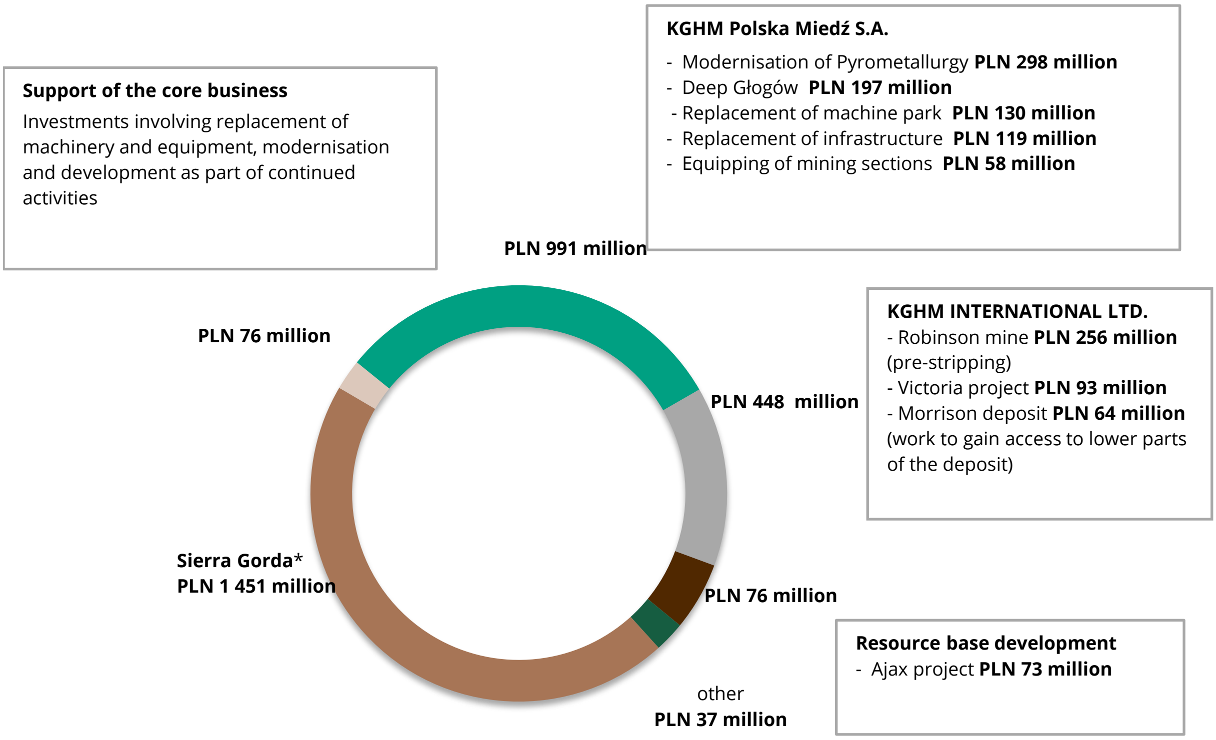
Segment	H1'14	H1'15	Change H1'14=100	IQ'15	IIQ'15
KGHM Polska Miedź S.A.	1 026	991	96.6	419	572
KGHM INTERNATIONAL LTD. Group	330	448	135.8	198	250
Sierra Gorda **	1 707	1 451	85.0	796	655
Resource base development	67	76	113.4	28	48
Support of the core business	60	76	126.7	30	46
Other segments	30	37	123.3	16	21

* *prior to consolidation adjustments*

** *55% share of the Group*

The following chart shows capital expenditures by operating segment, with indication of those projects with the highest expenditures.

Chart 15. Capital expenditures by operating segment in the first half of 2015



** 55% share of Group*

5.8. Risk Management

Comprehensive Risk Management System in the KGHM Polska Miedź S.A. Group

The KGHM Polska Miedź S.A. Group defines risk as uncertainty, being an integral part of the activities conducted and having the potential to result in both opportunities and threats to achievement of the business goals. The current, future, actual and potential impact of risk on the KGHM Polska Miedź S.A. Group's activities is assessed. Based on this assessment, management practices are reviewed and adjusted in terms of responses to individual risks.

Under the Corporate Risk Management Policy and Procedure and the Rules of the Corporate Risk Committee approved in 2013, the process of corporate risk management in the KGHM Polska Miedź S.A. Group is consistently performed. The companies of the Group have implemented rules and procedures to regulate the management of corporate risk which are consistent with those of the Parent Entity. KGHM Polska Miedź S.A. supervises the process of managing corporate risk in the KGHM Polska Miedź S.A. Group.

Risks in various areas of the KGHM Polska Miedź S.A. Group's operations are continuously identified, assessed and analysed in terms of their possible limitation.

Key risks in the Group undergo in-depth analysis in order to develop a Risk Response Plan and Corrective Actions. Other risks undergo constant monitoring by the Corporate Risk Management and Compliance Department, and in terms of financial risk by the Market and Credit Risk Management Department, the Treasury Department and the Financial Instruments Control and Reporting Unit.

Presented below is the organisational structure of risk management in the Parent Entity. The breakdown of rights and responsibilities applies best practice principles for Corporate Governance and the generally recognised model of three lines of defense.

Diagram 2. Organisational structure of risk management in KGHM Polska Miedź S.A.

Supervisory Board (Audit Committee)
Performs annual assessment of the effectiveness of the risk management process and monitors the level of key risks and ways to address them.

Management Board
Has ultimate responsibility for the risk management system and supervision of its individual elements.

1st line of defense	2nd line of defense				3rd line of defense
Management	**Risk Committees**				**Internal Audit**
Management staff is responsible for identifying, assessing and analysing risk and for the implementation, within their daily duties, of responses to risk. The task of the management staff is ongoing supervision of the application of appropriate responses to risk within the tasks realised, to ensure the expected level of risk is not exceeded.	Support effective risk management and ongoing supervision of key risks.			Management of liquidity risk, understood as the ability to pay financial liabilities on time and to gain resources to finance its activities	The Internal Audit Plan is based on assessing risk and subordinated business goals, assessed is the current level of individual risks and the degree of efficiency with which they are managed.
	Market Risk Committee	**Credit Risk Committee**	**Corporate Risk Committee**		
	Manages risk of changes in metals prices (e.g.: copper and silver) as well as exchange and interest rates	Manages risk of failure of debtors to meet their obligations	Manages corporate risk and continuously monitors key risks		
	Market Risk Management Policy	*Credit Risk Management Policy*	*Corporate Risk Management Policy*	*Liquidity Management Policy*	*Internal Audit Rules*
	Market and Credit Risk Management Department ***Reports to the First Vice President of the Management Board (Finance)***		Corporate Risk Management and Compliance Department ***Reports to the President of the Management Board***	Treasury Department ***Reports to the Executive Director, Finance***	Internal Audit and Control Department ***Reports to the President of the Management Board***

Corporate risk – key risks and their mitigation

A detailed description of risks and mitigation activities is available on the Company's website, www.kghm.com, in the Consolidated Annual Report RS 2014.

Following is a discussion of selected risks and their impact on the Financial Statements of the Group for the first half of 2015.

Market, credit and liquidity risk

The goal of market, credit and liquidity risk management in the KGHM Polska Miedź S.A. Group is to restrict the undesired impact of financial factors on cash flow and financial results in the short and medium terms and to enhance the Group's value over the long term.

Market risk management

Market risk is understood as the possible negative impact on the Group's results arising from changes in the market prices of commodities, exchange rates and interest rates, as well as the share prices of listed companies.

In terms of market risk management (in particular the risk of changes in metals prices and exchange rates) of greatest significance and impact on the results of the Group are the scale and nature of the activities of the Parent Entity and the mining companies of KGHM INTERNATIONAL LTD.

The Parent Entity actively manages the market risk to which it is exposed, taking into consideration that actions and decisions in this regard should be considered within the context of the global exposure to market risk throughout the KGHM Polska Miedź S.A. Group.

The Management Board is responsible for market risk management in the Parent Entity and for adherence to policy in this regard. The main body involved in performing market risk management is the Market Risk Committee, which makes recommendations to the Management Board in this area.

Commodity risk, currency risk

In the first half of 2015, the Group was mainly exposed to the risk of the changes in the prices of metals it sells: copper and silver. Of major significance for the Parent Entity was the risk of changes in currency rates, in particular the USD/PLN exchange rate. Other Group companies are additionally exposed to the risk of volatility in the prices of nickel, lead, molybdenum, platinum and palladium. Market risk related to changes in metals prices arises from the formula for setting prices in physical metals sales contracts, which are usually based on the average monthly market prices for the relevant future month.

In accordance with the Market Risk Management Policy, in the first half of 2015 the Parent Entity continuously identified and measured market risk related to changes in metals prices, exchange rates and interest rates (analysis of the impact of market risk factors on the Parent Entity's activities - profit, statement of financial position, statement of cash flow), and also analysed the metals and currencies markets. These analyses, along with assessment of the internal situation of the Parent Entity and Group, represented the basis for taking decisions on the application of hedging strategies on the metals, currency and interest rates markets.

In the first half of 2015, the Parent Entity did not implement any copper or silver price hedging strategies.

However, on the currency market transactions were entered into to hedge revenues from sales in the total notional amount of USD 735 million and a time horizon covering the period from April 2015 to December 2017. Put options were used (European options) as well as collar options strategies.

In terms of managing currency risk deriving from bank loans, the Parent Entity applies natural hedging, based on the drawing of credit in those currencies in which it earns revenues. All liabilities which comprised the balance of bank loans as at 30 June 2015 were drawn in USD, and following their translation to PLN they amounted to PLN 5 575 million.

As at 30 June 2015, the Parent Entity held an open hedging position on the copper market totalling 21 thousand tonnes and on the currency market for USD 2 430 million in planned revenues from sales. In addition, the first instalment from the European Investment Bank (in the amount of USD 300 million) is being used to hedge revenues from sales against the risk of a change in the exchange rate in the period from October 2017 to October 2026.

As at 30 June 2015, KGHM INTERNATIONAL LTD. did not hold open hedging positions on the metals and currency markets.

Some of the Group's Polish companies managed the currency risk related to their core businesses by opening hedging positions on the USD/PLN and EUR/PLN markets.

The total impact of derivative instruments on the Group's profit or loss in the first half of 2015 amounted to PLN 46 million, of which:

- PLN 221 million was recognised in sales revenue,
- PLN 173 million decreased other operating activities (wherein: the loss from realisation of derivatives amounted to PLN 3 million, and the loss from the measurement of derivatives amounted to PLN 170 million), and
- PLN 2 million decreased the result on financing activities (loss from the measurement of derivatives).

As at 30 June 2015, the fair value of open positions in derivatives amounted to PLN 134 million, including derivatives on the metals, currency and interest rates markets of PLN 83 million, and instruments embedded in contracts for the supply of acid and water of PLN 51 million.

PLN 108 million was recognised in the revaluation reserve from the measurement of financial instruments hedging cash flows, including derivatives of PLN 202 million and foreign currency borrowings (PLN 94 million).

Interest rate risk

Interest rate risk is the possibility of the negative impact of changes in interest rates on the Group's situation and results. In the first half of 2015, the Group was exposed to such risk due to loans granted, free cash invested on deposits and borrowings.

As at 30 June 2015 the following positions were exposed to interest rate risk by impacting the amount of interest costs and income:

	– cash and cash equivalents: PLN 780 million, – bank loans: PLN 4 570 million. As at 30 June 2015, the following positions were exposed to interest rate risk due to changes in fair value of instruments with fixed interest rates: – payables due to loans granted by the KGHM INTERNATIONAL LTD. Group: PLN 6 968 million, including due to loans granted by KGHM INTERNATIONAL LTD. arising from the financing of a joint mining venture in Chile: PLN 6 957 million (USD 1 848 million), – liabilities due to loans drawn: PLN 1 141 million, including loans received by the Parent Entity from the European Investment Bank in the amount of PLN 1 135 million (or USD 301 million). As at 30 June 2015, the Group held liabilities due to bank and other loans drawn in the amount of PLN 5 711 million. In terms of interest rate risk management, in the first quarter of 2015 the Parent Entity entered into transactions hedging itself against an increase in the interest rate (LIBOR USD) by purchasing call options (interest rate cap) with a 2.50 % interest rate, for the period from January 2016 to December 2018 and an average quarterly notional amount of USD 717 million.
Price risk related to the purchase of shares of listed companies and investments in debt instruments	Price risk related to the shares of listed companies held by the Group is understood as the change in their fair value due to changes in their quoted share prices. As at 30 June 2015, the carrying amount of shares of companies which were listed on the Warsaw Stock Exchange and on the TSX Venture Exchange was PLN 872 million. As at 30 June 2015, the Group held government bonds in the amount of PLN 66 million, or USD 17 million. This amount represents bonds denominated in USD issued by the United States government, which secure future costs related to closure of the mines of KGHM INTERNATIONAL LTD. The Group's investments in in debt instruments are only minimally exposed to price risk.

Credit risk management

Credit risk is defined as the risk that counterparties will not be able to meet their contractual obligations.

The Management Board is responsible for credit risk management in the Parent Entity and for compliance with policy in this regard. The main body involved in realising credit risk management is the Credit Risk Committee.

In the first half of 2015, the KGHM Polska Miedź S.A. Group was exposed to this risk, mainly in four areas:

Credit risk related to trade receivables	The Group's companies have been cooperating for many years with a large number of customers, which affects the geographical diversification of trade receivables. The Parent Entity limits its exposure to credit risk related to trade receivables by evaluating and monitoring the financial standing of its customers, setting credit limits and using debtor security. An inseparable element of the credit risk management process realised by the Parent Entity is the on-going monitoring of receivables and the internal reporting system. Buyer's credit is only provided to proven, long-term customers, while sales of products to new customers are mostly based on prepayments or commercial financing instruments which transfer all of the credit risk to financial institutions. In the first half of 2015, the Parent Entity secured the majority of its receivables by promissory notes, frozen funds on bank accounts, registered pledges, bank guarantees, corporate guarantees, mortgages, documentary collection and letters of credit. Additionally, the majority of customers who hold buyer's credit on contracts have ownership rights confirmed by a date certain. 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 2015 the Parent Entity had secured 93% of its trade receivables (as at 31 December 2014: 95%). The concentration of credit risk in the Group is related to the terms of payment granted to key clients. Consequently, as at 30 June 2015 the balance of receivables

	from 7 of the Group's largest clients, in terms of trade receivables at the end of the reporting period, represented 59% of the trade receivables balance (as at 31 December 2014: 60%). Despite the concentration of this type of risk, it is believed that due to the availability of historical data and the many years of experience cooperating with clients, as well as above all due to the hedging used, the level of credit risk is low.
Credit risk related to cash and cash equivalents and bank deposits	The Group periodically allocates free cash in accordance with the requirements to maintain financial liquidity and limit risk and in order to protect capital and maximise interest income. Credit risk related to bank deposits is continuously monitored by the on-going review by analysing the credit ratings of those financial institutions with which the Group cooperates, and by maintaining an appropriately low level of concentration in individual financial institutions.
Credit risk related to derivatives transactions	All of the entities with which the Group enters into derivative transactions operate in the financial sector. These are mainly financial institutions, with medium-high and medium ratings. According to fair value as at 30 June 2015, the maximum share of a single entity with respect to credit risk arising from open derivative transactions entered into by the Group and from unsettled derivatives amounted to 54%. Due to diversification of risk in terms both of the nature of individual entities and of their geographical location, 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.
Credit risk related to loans granted	As at 30 June 2015, the balance of loans granted by the Group amounted to PLN 6 968 million. The most important of these are long-term loans in the total amount of PLN 6 957 million, or USD 1 848 million, granted by the KGHM INTERNATIONAL LTD. Group for the financing of a joint mining venture in Chile. Credit risk related to the loans granted is dependent on the risk connected with mine project advancement and is considered by the Group to be moderate.

Financial liquidity risk and management of capital

The management of capital in the Group aims at providing both relevant funding capabilities for business development and at securing relevant liquidity.

Financial liquidity management	Financial liquidity is managed in the Parent Entity in accordance with the Management Board-approved „Financial Liquidity Management Policy". In KGHM INTERNATIONAL LTD., the principles of liquidity management have been set forth in the Investment Policy. These documents describe the process of financial liquidity management considering the nature of the Group's companies, indicating best practice procedures and instruments. The basic principles resulting from these documents are: – the placement of surplus cash in safe financial instruments, – limits for individual financial investment categories, – limits for the concentration of resources for financial institutions, and – the need to ensure stable and effective financing for the Group's operations. Borrowing by the Group is based on three pillars: – an unsecured, revolving syndicated credit facility in the amount of USD 2 500 million with a maturity of 10 July 2020 (with the option to extend for another year) obtained by the Parent Entity, – an investment loan granted to the Parent Entity by the European Investment Bank in the amount of PLN 2 000 million with a financing period of 12 years, and – bilateral bank loans in the amount of over PLN 4 200 million, to support the management of current liquidity in companies as well as to finance the continued advancement of investment activities. These sources of financing fully cover the Group's liquidity needs. During the first half of 2015 the Group made use of borrowing which was available from all of the above pillars. As at 30 June 2015, liabilities of the Group due to bank and other loans drawn amounted to PLN 5 711 million.

Management of capital	In order to maintain the ability to operate, taking into consideration the execution of planned investments, the Group manages capital so as to be able to generate returns for shareholders and provide benefits for other stakeholders. 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.

6. Review of financial performance

Principles for the preparation of the consolidated financial statements

During the analysed period KGHM Polska Miedź S.A., as the Parent Entity of the Group, consolidated 73 subsidiaries, and used the equity method to account for the shares of three jointly-controlled entities – Sierra Gorda S.C.M., „Elektrownia Blachownia Nowa" sp. z o.o. and NANO CARBON Sp. z o.o.

The subsidiary TUW–CUPRUM was not consolidated, as the assets, revenues and financial result of this entity do not materially impact the consolidated statement of financial position and the consolidated statement of comprehensive income.

Detailed principles adopted when preparing the Consolidated Financial Statements for the first half of 2015 are presented in Note 2 of this document.

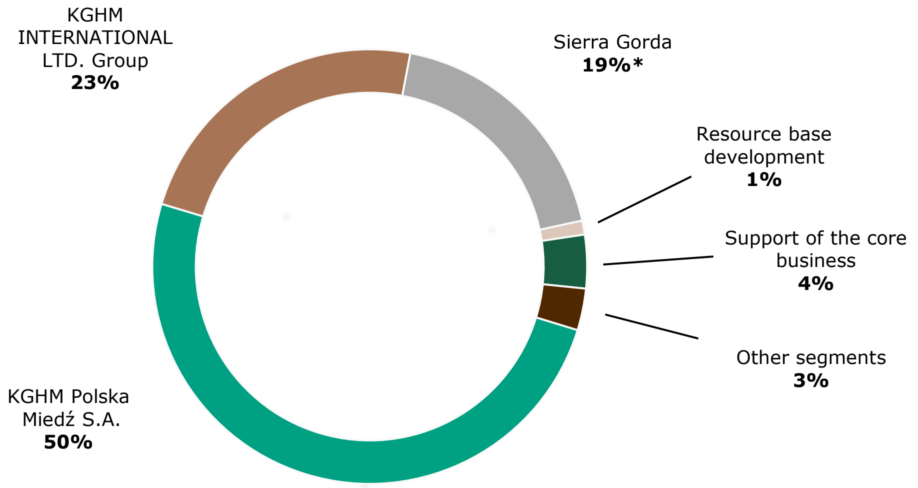
6.1. Operating segments

Within the activities of the KGHM Polska Miedź S.A. Group five operating segments have been identified which are analysed in detail by management bodies. The identified operating segments are simultaneously reporting segments:

- **KGHM Polska Miedź S.A.**,
- **KGHM INTERNATIONAL LTD. Group,**
- **Sierra Gorda**,
- **Resource base development** - comprised of companies involved in the exploration for and evaluation of mineral resources, whose purpose is to conduct mining operations,
- **Support of the core business** - comprised of companies directly related to the core business of the Parent Entity,
- **Other segments** - all remaining Group companies, unrelated to the mining industry.

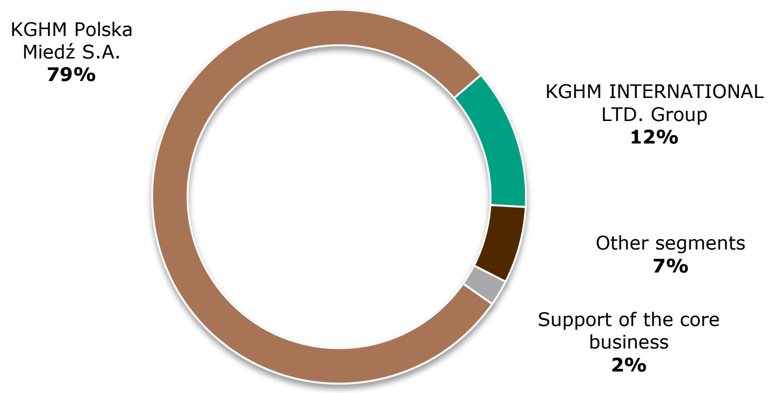
Presented below is the structure of assets and revenues from sales of the KGHM Polska Miedź S.A. Group by segment.

Chart 16. Structure of Group assets by operating segment (as at 30 June 2015)



** proportionally to the share in the company (55%)*

Chart 17. Breakdown of Group sales revenue by operating segment



SEGMENT - KGHM POLSKA MIEDŹ S.A.

The Parent Entity represents the most important production segment in the Group. The segment KGHM Polska Miedź S.A. generates the highest results in the Group.

The mining assets of KGHM Polska Miedź S.A. are comprised of deposits of copper ore which are extracted by the following mines: Lubin, Polkowice-Sieroszowice and Rudna, as well as the Głogów Głęboki Przemysłowy (Deep Głogów) mine project to access ore in this area. KGHM Polska Miedź S.A. also owns exploration projects involved in the exploration for and evaluation of deposits of copper ore in the region.

Processing of the copper ore extracted and the production of copper concentrate is performed by the Concentrator Division, comprised of three installations located at each of the mines (Lubin, Polkowice-Sieroszowice and Rudna). The production of electrolytic copper, silver and other products produced from copper concentrate takes place at two metallurgical facilities, the Głogów and Legnica smelter/refineries, while numerous copper products are produced at the Cedynia wire rod plant from the electrolytic copper, including rod, wire and granulate.

KGHM Polska Miedź S.A. conducts mining and exploration activities on one of the largest copper ore deposits in the world. The copper ore owned ensures continuity of operations in Poland for the next 40 years.

Production and operating results

Table 21. Production results of KGHM Polska Miedź S.A. (metallurgical production)

	Unit	H1'14	H1'15	Change H1'14	IQ'15	IIQ'15
Payable copper	kt	282.9	286.2	101.2	142.4	143.8
- from own concentrate	kt	209.8	209.7	100.0	105.5	104.2
- from purchased copper-bearing materials	kt	73.1	76.6	104.8	36.9	39.7
Wire rod, OFE and CuAg rod	kt	134.7	140.6	104.4	69.5	71.1
Round billets	kt	1.8	6.1	x3.4	3.6	2.5
Metallic silver	t	605	612	101.2	298	314
Metallic gold	kg	812	1 135	139.8	560	575
	koz t	26.1	36.5	139.8	18.0	18.5
Refined lead	kt	12.7	15.3	120.5	7.8	7.5

The production of electrolytic copper increased as compared to the same period of 2014 by 3.4 thousand tonnes, or 1.2%, due to the processing of a greater amount of purchased copper-bearing materials while maintaining production from own concentrate at a stable level. The larger amount of metallic silver produced in the first half of 2015 was due to the higher content of silver in processed concentrates. The increase in gold production is related to the increase in processing of purchased concentrates containing substantial amounts of this metal.

Table 22. Cash cost of producing copper in KGHM Polska Miedź S.A.

	Unit	H1'14	H1'15	Change H1'14=100	IQ'15	IIQ'15
Cash cost of producing copper – C1*	USD/lb	1.79	1.50	83.8	1.46	1.52

** unit cost of producing copper C1 - cash cost of producing payable copper, reflecting costs of ore extraction and processing, the minerals extraction tax, transport costs, administrative expenses during the mining stage, and smelter treatment and refining charges (TC/RC), less the value of by-products*

C1 cost was mainly impacted by a weaker PLN as compared to the USD. C1 cost achieved in the first half of 2015, using the USD/PLN rate and metals prices from the first half of 2014, would amount to 1.80 USD/lb, meaning it would be at a level comparable to that of 2014.

Table 23. Operating results of the segment KGHM Polska Miedź S.A. (in PLN millions)

	H1'14	H1'15	Change H1'14=10	IQ'14	IIQ'14
Sales revenue	7 727	8 092	104.7	3 767	4 325
Total costs of products, merchandise and materials sold	(6 127)	(6 157)	100.5	(2 898)	(3 259)
Profit/(loss) on sales (EBIT)	1 600	1 935	120.9	869	1 066
Profit for the period	**1 119**	**1 321**	**118.1**	**497**	**824**
Depreciation/amortisation (recognised in profit for the period)	419	429	102.4	226	203
Capital expenditure *	1 026	991	96.6	419	572
EBITDA **	**2 019**	**2 364**	**117.1**	**1 095**	**1 269**

* *expenditures on property, plant and equipment and intangible assets*
*** EBITDA = EBIT + depreciation/amortisation*

Revenues from sales by KGHM Polska Miedź S.A. in the first half of 2015 were higher than those achieved in the same period of 2014 by PLN 365 million, or by 5%, mainly due to an increase in the volume of copper sales by 3 thousand tonnes as well as a change in the average USD/PLN exchange rate from 3.05 to 3.72.

The value of revenues from sales in the first half of 2015 reflects the positive result from the settlement of hedging instruments in the amount of PLN 221 million (in the comparable period of 2014: PLN 264 million).

Operating costs, or the total cost of products merchandise and materials sold (comprising the manufacturing cost of products sold, the cost of merchandise and materials sold, selling costs and administrative expenses) in the first half of 2015 amounted to PLN 6 157 million and were only slightly higher, by PLN 30 million, as compared to the first half of 2014, mainly due to the greater use of own concentrates inventories, whose value increased the cost of products sold.

In the first half of 2015 KGHM Polska Miedź S.A. earned a profit in the amount of PLN 1 321 million, or an increase by PLN 202 million (18%) as compared to profit earned in the first half of 2014. Apart from the changes in revenues and costs mentioned above, profit was significantly affected by the change in the result on other operating activities due to the measurement and realisation of derivatives (a loss of PLN 193 million).

SEGMENT - KGHM INTERNATIONAL LTD. GROUP

This segment comprises the company KGHM INTERNATIONAL LTD. and its 25 subsidiaries, presented in Appendix 2 of this report. In this group, apart from companies fulfilling an operational role, are also companies created to optimise functionality.

KGHM INTERNATIONAL LTD. has been a subsidiary of KGHM Polska Miedź S.A. since March 2012. Until control was gained by KGHM Polska Miedź S.A. the company had been listed on the Toronto Stock Exchange (previous name Quadra FNX Mining Ltd).

The KGHM INTERNATIONAL LTD. Group represents the second-largest, after KGHM Polska Miedź S.A., production segment in the Group.

This segment comprises the operation of functioning mines extracting copper (and other metals) located in Canada (McCreedy West, Morrison), in the USA (Robinson and Carlota) and in Chile (Franke), pre-operational mining projects at various stages of development (Victoria in Canada and Malmbjerg in Greenland) as well as exploration projects.

Companies of the KGHM INTERNATIONAL LTD. Group also provide services under the brand DMC Mining Services in shaft sinking, development work, above-ground and underground mine facilities, mine drilling, tunnel drilling for general construction purposes and engineering services.

Under the segment KGHM INTERNATIONAL LTD. Group, the share of the Group (55%) in the Sierra Gorda S.C.M. is shown as an investment accounted for using the equity method, which due to its importance represents a separate operating segment.

Production and operating results

Table 24. Production results of the KGHM INTERNATIONAL LTD. Group

Mines	Unit	H1'14	H1'15	Change H1'14=100	IQ'15	IIQ'15
Payable copper	**kt**	**41.5**	**45.0**	**108.4**	**21.6**	**23.5**
including:						
Robinson mine	kt	18.9	25.9	137.0	12.2	13.8
Morrison mine	kt	7.4	5.8	78.4	2.7	3.1
Payable nickel	**kt**	**1.7**	**1.1**	64.7	0.5	0.6
including:						
Morrison mine	kt	1.3	1.0	76.9	0.5	0.6
Precious metals (TPM)*	**koz t**	**33.6**	**41.9**	**124.7**	**20.2**	**21.7**
including:						
Robinson mine	koz t	12.1	24.1	199.2	10.2	13.9
Morrison mine	koz t	19.8	15.8	79.8	8.9	6.9

* *TPM - precious metals – gold, platinum, palladium*

Copper production by the KGHM INTERNATIONAL LTD. Group in the first half of 2015 amounted to 45.0 thousand tonnes and was higher by 3.5 thousand tonnes as compared to the same period of 2014. The increase in volume is due to the Robinson mine, in which copper production and precious metals increased respectively by 7 thousand tonnes and by 12 thousand troy ounces as compared to the first half of 2014. Production by this mine increased as a result of extracting a better quality ore from the Ruth pit, as compared to the ore from the Kimbley pit which was mined in the same period of 2014, which also led to improved operating parameters.

The extraction of ore from the lower elevations of the Ruth pit led to an increase in copper content in ore, from 0.38% in the first half of 2014 to 0.45% in the same period of 2015. Copper content in ore also increased over the first six months of 2015, from 0.41% in the first quarter of 2015 to 0.49% in the second quarter of 2015.

Precious metals production increased by 25% (including gold by 72%) as a result of improved operating parameters resulting from the mining of high-quality ore by the Robinson mine.

The Morrison mine recorded a decrease in the production of copper and nickel respectively by 1.6 thousand tonnes and 0.3 thousand tonnes, due to lower metals content in ore, a change in mining technology in accordance with the mine's development plan and to the threat of seismic activity, which prevented mining from areas with high metals content.

Table 25. Cash cost of producing copper in KGHM INTERNATIONAL LTD. Group

	Unit	H1'14	H1'15	Change H1'14=100	IQ'15	IIQ'15
Cash cost of producing copper - C1*	USD/lb	2.35	2.03	86.4	2.21	1.83

* *unit cost of producing copper C1 - cash cost of producing payable copper, reflecting costs of ore extraction and processing, the minerals extraction tax, transport costs, administrative expenses during the mining stage, and smelter treatment and refining charges (TC/RC), less the value of by-products*

The unit cash cost of producing copper by the KGHM INTERNATIONAL LTD. Group in the first six months of 2015 amounted to 2.03 USD/lb, and was lower by 14% than in the comparable period of 2014. This was the result of decreased costs and higher sales volume by the Robinson mine, in which C1 in the first half of 2015 amounted to 1.57 USD/lb. Additionally, as a result of mining better quality ore, and consequently better recoveries, revenues from precious metals sales were also higher, which lowered C1 cost.

Table 26. Operating results of the segment KGHM INTERNATIONAL LTD. Group (in USD millions)*

	H1'14	H1'15	Change H1'14=100	IQ'15	IIQ'15
Sales revenue **	326	329	100.9	166	163
Total costs of products, merchandise and materials sold	(345)	(382)	110.7	(209)	(173)
Profit/loss on sales (EBIT)	(19)	(53)	x2.8	(43)	(10)
Profit for the period	**2**	**(44)**	**-**	**(25)**	**(19)**
Depreciation/amortisation	66	100	151.5	56	44
EBITDA ***	**55**	**47**	**85.5**	**13**	**34**

* *data do not reflect adjustment due to final accounting for the acquisition of KGHM INTERNATIONAL LTD.*

** *starting from 2015 sales revenue includes income from a service fee for operator services rendered by KGHM INTERNATIONAL LTD. over the Sierra Gorda project; for comparability purposes this fee is included in EBITDA for the first half of 2014 in the amount of USD 8 million*

*** *EBITDA = EBIT + depreciation/amortisation*

Table 27. Operating results of the segment KGHM INTERNATIONAL LTD. (in PLN millions)*

	H1'14	H1'15	Change H1'14=100	IQ'15	IIQ'15
Sales revenue **	996	1 224	122.9	619	605
Total costs of products, merchandise and materials sold	(1 055)	(1 422)	134.8	(780)	(642)
Profit/loss on sales (EBIT)	(59)	(198)	x3.4	(161)	(37)
Profit for the period	**5**	**(164)**	**-**	**(94)**	**(70)**
Depreciation/amortisation	202	372	184.2	209	163
EBITDA ***	**167**	**174**	**104.2**	**52**	**122**

* *data do not reflect adjustment due to final accounting for the acquisition of KGHM INTERNATIONAL LTD.*

** *starting from 2015 sales revenue includes income from a service fee for operator services rendered by KGHM INTERNATIONAL LTD. over the Sierra Gorda project; for comparability purposes this fee is included in EBITDA for the first half of 2014 in the amount of PLN 23 million*

*** *EBITDA = EBIT + depreciation/amortisation*

The increase in operating costs by 11%, or USD 37 million, in the first half of 2015 was due to the increase in sales volume and to higher depreciation as a result of higher extraction by the Robinson mine. The level of depreciation in the KGHM INTERNATIONAL LTD. Group is directly related to production volume, pursuant to the adopted unit production method for calculating depreciation.

Excluding depreciation, basic operating costs in the first half of 2015 remained at a similar level to that incurred in the same period of 2014, despite a significant increase in production volume.

The KGHM INTERNATIONAL LTD. Group recorded a significant drop in operating costs, excluding depreciation, in the second quarter of 2015, when they amounted to USD 129 million as compared to USD 153 million in the first quarter of 2015.

It should be stressed that costs in the KGHM INTERNATIONAL LTD. Group are impacted by the cost management initiatives being undertaken and by the weakening of the Canadian dollar and Chilean peso.

The KGHM INTERNATIONAL LTD. Group incurred a loss on sales in the amount of USD 53 million, mainly due to lower metals prices and to higher depreciation by USD 34 million, or 52%, due to increased ore extraction and to capitalised pre-stripping costs in the Ruth pit (Robinson mine).

These factors were responsible for the loss for the period incurred by the Group in the amount of USD 44 million, as compared to a profit of USD 2 million in the same period of 2014. Moreover, the financial result was impacted by a one-off payment of USD 19 million, representing a premium related to the early redemption of bonds by the Group.

Unfavourable metals prices, partially offset by the increase in sales volume and cost discipline, resulted in lower EBITDA, from USD 55 million in the first half of 2014 to USD 47 million in the first half of 2015.

Capital expenditures

Capital expenditures of KGHM INTERNATIONAL LTD. in the first half of 2015 amounted to USD 120 million (in the same period of 2014: USD 108 million).

Table 28. Capital expenditures on projects of the KGHM INTERNATIONAL LTD. Group segment (in USD millions)

Capital expenditures	H1'14	H1'15	Change H1'14=100	IQ'15	IIQ'15
Victoria project	27	25	92.6	12	13
Sierra Gorda Oxide project	6	6	100.0	3	3
Pre-stripping and other	75	89	118.7	38	51
Total	**108**	**120**	**111.1**	**53**	**67**
Financing for Sierra Gorda S.C.M.	298	99	33.2	55	44

Table 29. Capital expenditures on projects of the KGHM INTERNATIONAL LTD. Group segment (in PLN millions)

Capital expenditures	H1'14	H1'15	Change H1'14=100	IQ'15	IIQ'15
Victoria project	82	93	113.4	45	48
Sierra Gorda Oxide project	18	22	122.2	11	11
Pre-stripping and other	229	332	145.0	142	190
Total	**330**	**447**	**135.5**	**198**	**249**
Financing for Sierra Gorda S.C.M.	910	369	40.5	206	163

The largest expenditures in the first half of 2015 were incurred in connection with pre-stripping, mainly at the Robinson mine, and amounted to USD 62 million.

In the first half of 2015 work continued on the mining projects. Capital expenditures on the Victoria project in Canada's Sudbury Basin in the first six months of 2015 were primarily related to development of an Engineering Study and amounted to USD 25 million. For the Sierra Gorda Oxide project, expenditures incurred in the first half of 2015 comprised work on the preparation of a Basic Engineering Study and amounted to USD 6 million.

KGHM INTERNATIONAL LTD. continued the financing of investments related to increasing production capacity under phase 1 of the Sierra Gorda project, which after the first six months of 2015 amounted to USD 99 million.

In June 2015 the Sierra Gorda project achieved commercial production. This means that for over 60 days the copper processing plant maintained production at 65% of its designed processing capacity, while the molybdenum plant produced concentrate with a minimum 40% molybdenum content. All substantial expenditures aimed at bringing the mine to a state enabling the commencement of commercial production, were incurred, and the plant was handed over to the operating personnel.

Major production assets and projects

Robinson mine

Location	Nevada, USA
Ownership	100% Robinson Nevada Mining Company
Type of mine	open pit
Main ore type	copper ore
Associated metals	gold
Type of orebody	porphyry/skarn
End product	copper concentrate
Production (H1 2015)	25.9 kt Cu, 24.1 koz t TPM*
Employment (30.06.2015)	631

**TPM – precious metals: gold, platinum, palladium*

The mine is located in White Pine County, Nevada, USA, around 11 km west of Ely (approx. 400 km north of Las Vegas), in the Egan Range, at an average altitude of 2 130 m a.s.l., near Highway 50.

The mine is comprised of 3 large pits: Liberty, Tripp-Veteran and Ruth, which is currently in operation. The ore is extracted by conventional open-pit methods, and is then processed into a copper and gold concentrate in a concentrating plant.

Morrison mine

Location	Sudbury Basin, Ontario, Canada
Ownership	100% FNX Mining Company
Type of mine	underground
Main ore type	copper ore
Associated metals	nickel, platinum, palladium, gold
Type of orebody	footwall/contact Ni
End product	copper ore
Production (H1 2015)	5.8 kt Cu, 1 kt Ni, 15.9 koz t TPM*
Employment (30.06.2015)	350

**TPM – precious metals: gold, platinum, palladium*

The mine is located at the edge of the town of Sudbury (Ontario Province, Canada), on the western border of the richly-mineralised North Range complex of the Sudbury Igneous Complex (SIC) in the Sudbury Basin. This is an elliptical structure 60 km long and 30 km wide, which is related to substantial economic resources of nickel, copper, platinum, palladium, gold, and other metals.

The ore is accessed and mined with the aid of leased infrastructure belonging to the Craig mine owned by Xstrata Nickel. Mineralisation in the Morrison deposit most commonly occurs in the form of ore veins.

Mining is carried out at the 4030 level (approx. 1228 m) using mining techniques adapted to the deposit's geometry - mainly this is a mechanised method of selective extraction using undercutting of successive levels from bottom to top. Drilling is being carried out to define the lower portions of the orebody above the 4700 level (approx. 1433 m). All of the ore extracted from the mine is processed by Vale's Clarabelle plant in Sudbury.

Franke mine

Location	Antofagasta Region, Chile
Ownership	100% Sociedad Contractual Minera Franke
Type of mine	open pit
Main ore type	copper ore
Associated metals	none
Type of orebody	IOCG (iron oxide copper gold)
End product	copper cathodes
Production (H1 2015)	8.9 kt Cu
Employment (30.06.2015)	530

This mine is located in a desert area of northern Chile, in the Altamira region, near the southern boundary of the Antofagasta region, near a public road connecting the mine with the Pan-American highway.

Mining is conducted by conventional open-pit methods from two orebodies: China (part of the larger Pelusa mine area) and Franke. Due to the nature of the ore, it is processed using the heap leach, solvent-extraction and electrowinning method. The end product is electrolytic copper in the form of cathodes.

DMC – mining services

Under the DMC Mining Services brand, the group of companies FNX Mining Company Inc., Raise Boring Mining Services S.A. de C.V. and DMC Mining Services Corporation provide services in shaft sinking, development work, above-ground and underground mine facilities, mine drilling, tunnel drilling for general construction purposes and engineering services.

One of the most important assets in the development stage is the Victoria project.

Victoria project

Location	Sudbury Basin, Ontario, Canada
Ownership	100% KGHM INTERNATIONAL LTD.
Type of mine	underground
Main ore type	copper-nickel ore
Associated metals	precious metals (gold) and platinum group metals (platinum, palladium)
Mine life	15 years
End product	copper concentrate, nickel concentrate
Forecasted production	16 kt Ni, 15 kt Cu
Start of production	Start of mining in 2020, full production by 2022

This project is located in the Canadian province of Ontario, around 35 km west of the town of Sudbury. In 2002 rights to the Victoria mineral deposit were acquired and an exploration campaign commenced in this terrain. Resources (measured, indicated and inferred) are estimated at 13.6 million tonnes of ore, with average grade of 2.6% Cu, 2.7% Ni and 8.3 g/t of associated metals.

The current development scenario envisions accessing the orebody by the sinking of two shafts (an operational shaft and a ventilation shaft). Preparations are underway to commence shaft sinking, which is expected in the second half of 2016.

All of the ore extracted from the mine will be processed by Vale's Clarabelle plant in Sudbury.

Information on progress regarding this project in the first half of 2015 may be found in Chapter 4 of this report.

SEGMENT: SIERRA GORDA

Quadra FNX Mining Ltd (currently KGHM INTERNATIONAL LTD.) acquired the project in 2008. Since September 2011 the Sierra Gorda project has been a joint venture (under the JV company Sierra Gorda S.C.M.) of KGHM INTERNATIONAL LTD. (55%) and companies of the Sumitomo Group. This is a key development project in the KGHM Polska Miedź S.A. Group due to its scale – construction of one of the world's largest mines of copper, molybdenum and gold, which will improve the Group's position on the cost curve.

Sierra Gorda project

Location	Region II , Chile
Ownership	55% KGHM INTERNATIONAL LTD, 45% Sumitomo group companies - Sumitomo Metal Mining Co., Ltd. (31.5%) and Sumitomo Corporation (13.5%)
Type of mine	open pit
Main ore type	copper ore
Associated metals	molybdenum, gold
Mine life	23 years for the current deposit, with the possibility to prolong to 42 years, taking into account new deposits
End product	copper concentrate, molybdenum concentrate
Forecasted production	approx. 220 kt Cu, 11 kt Mo, 2 tonnes Au per year
Start of production	2014

The Sierra Gorda project is located in the Atacama desert, in the Sierra Gorda administrative area in the Antofagasta region, in northern Chile, approx. 60 km south-west of the city of Calama. The project is situated at an altitude of 1 700 m a.s.l. and 4 km from the town of Sierra Gorda, having a communications network with direct access to a highway and railway connections. Power for the project is supplied through a line from Mejillones. The water supplied by pipeline to the Sierra Gorda project comes from the cooling systems of a power plant located in the coastal city of Mejillones. The copper and molybdenum concentrates produced are transported to the port of Antofagasta, and from there by sea to smelters around the world.

The Sierra Gorda orebody is one of the largest deposits of copper and molybdenum in the world, comprising both sulphide copper ore as well as oxide copper ore located above the sulphide level. The Sierra Gorda project assumes two investment stages. The first stage comprised the construction of a conventional open-pit mine (extraction using blasting materials and dump trucks, loading and ore transport to a processing plant), development of infrastructure (among others a tailings pond, power line, salt water pipeline) and a processing plant with an installation to separate the molybdenum concentrate (high-pressure crushers, ball mills and conventional flotation) with processing capacity of 110 thousand tonnes of ore per day. In the second stage, the capacity of the processing plant is planned to be increased to at least 190 thousand tonnes of ore per day. In addition, we expect the life of the mine to be prolonged as a result of mining of the mineralized areas Pampa Lina and Salvadora which are adjacent to the Sierra Gorda mine, based on the infrastructure of the investment's second stage.

Copper production commenced on 30 July 2014. On 25 October 2014, the first shipment to the Toyo Smelter and Refinery in Japan (with approx. 6 thousand tonnes of copper concentrate from the Sierra Gorda mine) left the Port of Antofagasta. The molybdenum installation commenced production on 14 April 2015. Production of copper and molybdenum reached a consistent and predictable level at the end of June 2015.

On 1 July 2015 Sierra Gorda commenced commercial production and will prepare profit or loss statements. Following a ramp-up phase which will be completed in 2015, the mine will annually produce 120 thousand tonnes of copper and 50 million pounds of molybdenum in its first years of operation.

The Sierra Gorda Oxide project is aimed at processing the oxide ore obtained during the construction and development of the Sierra Gorda mine in an installation for the recovery of metal using SX/EW technology. Oxide ore is stored separately for later heap leaching. Under this project, stacking tests are being conducted as well as semi-industrial tests, whose results will enable selection of an optimum means of utilising all of the oxide ore.

SEGMENT: RESOURCE BASE DEVELOPMENT

This segment comprises the following companies engaged in exploration-evaluation activities:

- **KGHM AJAX MINING INC.** – this company is advancing the Ajax copper and gold resource project in British Columbia, Canada (also known as the Afton-Ajax project), (the Group's share: 80%, 20% belongs to Abacus Mining & Exploration Corp.),
- **Sugarloaf Ranches Ltd.** – this company owns land designated for future mining activities related to the Ajax project,
- **KGHM Kupfer AG** – this company is advancing a resource project – exploration for a copper deposit in Weisswasser in Germany.

Due to the current stages of work performed by the aforementioned projects, this segment does not generate income, and the companies are of a cost-generating nature. The loss of this segment in the first half of 2015 was PLN 2 million.

Capital expenditure in this segment in the first half of 2015 amounted to PLN 76 million and was mainly due to advancement of the Ajax project (PLN 73 million).

The Ajax project, located south of the town of Kamloops in British Columbia, Canada, assumes the construction and operation of an open-pit copper and gold mine and an ore processing plant, with associated infrastructure.

The Weisswasser project is located on the German side of the Nysa Łużycka river, in the vicinity of the town of Weisswasser (Saxony, Germany). The project is being realised by a direct subsidiary of KGHM Polska Miedź S.A. - KGHM Kupfer AG.

Information on activities regarding the advancement of these projects in the first half of 2015 may be found in Chapter 4 of this report.

SEGMENT: SUPPORT OF THE CORE BUSINESS

This segment is comprised of companies related directly to the core business of KGHM Polska Miedź S.A.:

- **Metraco S.A.** – this company secures supplies of copper scrap for KGHM Polska Miedź S.A., and sells the by-products of the Parent Entity's core business to external markets,
- **POL-MIEDŹ TRANS Sp. z o.o.** – this company is a leading railway carrier for KGHM Polska Miedź S.A,
- **PeBeKa S.A.** – this company is the main performer of mining work for KGHM Polska Miedź S.A.,
- **KGHM ZANAM S.A.** – this company is a significant supplier and service provider for KGHM Polska Miedź S.A., and also provides production maintenance services in selected areas,
- **KGHM CUPRUM sp. z o.o. - CBR** – this company performs a substantial part of the design-related work for KGHM Polska Miedź S.A.,
- **INOVA Spółka z o.o.** – this company is a supplier of electrotechnical products and services and automatic devices and is a service provider for the underground radio communication system for the mines of KGHM Polska Miedź S.A.,
- **BIPROMET S.A.** – among others, this company prepares technical documentation for the pyrometallurgy modernisation program of KGHM Polska Miedź S.A.,
- **CBJ sp. z o.o.** – this company mainly provides industrial research services for KGHM Polska Miedź S.A.,
- **„Energetyka" sp. z o.o.,** and the subsidiary **WPEC w Legnicy S.A.** – this company secures part of the energy supply for KGHM Polska Miedź S.A.

The above companies are mainly aimed at ensuring uninterrupted production by the Parent Entity. These companies maintain their resources at levels required to accomplish the tasks assigned to them.

Operating results

Table 30. Operating results of the segment Support of the core business (in PLN millions)*

	H1'14	H1'15	Change H1'14=100	IQ'15	IIQ'15
Sales revenue	2 292	2 339	102.1	1 103	1 236
Total costs of products, merchandise and materials sold	(2 232)	(2 300)	103.0	(1 084)	1 216
Profit/loss on sales (EBIT)	60	39	65.0	19	20
Profit for the period	**45**	**30**	**113.3**	**24**	**27**
Depreciation/amortisation (*recognised in profit for the period*)	81	81	100.0	42	39
Capital expenditure **	60	76	126.7	30	46
EBITDA ***	**141**	**120**	**85.1**	**61**	**59**

* *prior to consolidation adjustment*
** *expenditures on property, plant and equipment and intangible assets*
****EBITDA = EBIT + depreciation/amortisation*

The sales revenues of this segment for the first half of 2015 were higher as compared to do the same period of 2014 by PLN 309 million, or 15% (mainly due to an increase in sales by KGHM Metraco S.A. of copper scrap to KGHM Polska Miedź S.A.).
Around 90% of the segment's sales revenues for the first half of 2015 were earned from sales to other segments of the Group. Consequently, the results of this segment do not have a material impact on the consolidated results of the KGHM Polska Miedź S.A. Group.
In the first half of 2015 POL-MIEDŹ TRANS Sp. z o.o. – a company belonging to this segment – underwent the process of division, which was aimed at separation of those areas of the company's activities unrelated to railway transport and their transfer to other companies in the Group (acquirees): MERCUS Logistyka sp. z o.o., KGHM ZANAM S.A., „Energetyka" sp. z o.o. as well as a newly-founded company which will operate under the name PMT Linie Kolejowe 2 Sp. z o.o. In February 2015 the Management Board of POL-MIEDŹ TRANS Sp. z o.o. announced an agreed, approved and signed company Division Plan. At the start of July 2015, resolutions in respect of this division were adopted. As at 31 July 2015 court registration of the division of POL-MIEDŹ TRANS Sp. z o.o. took place. Details are described in Chapter 7 of this report.

OTHER SEGMENTS

This segment is comprised of all other companies of the KGHM Polska Miedź S.A. Group that are not directly related to the mining industry, with the exception of the companies Fermat 1 S. á r. l., Fermat 2 S. á r. l., Fermat 3 S. á r. l. and 0929260 B.C.U.L.C. These entities were not recognised in this segment due to their nature – they were created as part of a holding structure for the purpose of acquiring KGHM INTERNATIONAL LTD. The subject of their activities is the foundation, development, management and supervision of other companies within this structure. They do not engage in operations which have an impact on the results achieved by individual segments, which is why they were not classified to any of the presented segments while their data was recognised under consolidation adjustments and under adjustments of the value of the segments to consolidated amounts.
Companies in the other segments are very diversified in their operations. Among others they are of an equity investment nature, as well as fulfilling corporate social responsibility. This segment includes companies which are to be restructured and divested.
The segment also includes closed-end investment funds and their portfolio companies (including those forming the Polska Grupa Uzdrowisk (Polish Spa Group)).

Operating results

Table 31. Operating results of other segments (in PLN millions)*

	H1'14	H1'15	Change H1'14=100	IQ'15	IIQ'15
Sales revenue	1 184	1 171	98.9	556	615
Total costs of products, merchandise and materials sold	(1 178)	(1 161)	98.6	(554)	(607)
Profit/loss on sales (EBIT)	6	10	166.7	2	8
Profit for the period	**107**	**(18)**	**-**	**51**	**(69)**
Depreciation/amortisation (*recognised in profit for the period*)	35	32	91.4	16	16
Capital expenditure **	30	37	123.3	16	21
EBITDA ***	**41**	**42**	**102.4**	**18**	**24**

* *prior to consolidation adjustment*
** *expenditures on property, plant and equipment and intangible assets*
****EBITDA = EBIT + depreciation/amortisation*

Translation from the original Polish version

Profit of this segment for the first half of 2015 decreased substantially as compared to profit for the same period of 2014 (in the first half of 2014 a high profit was recorded due to the high valuation of the assets of the KGHM I FIZAN fund – companies forming the Polish Spa Group). This does not however have a material impact on the Group's consolidated results.

6.2. Review of financial performance

Assets

At the end of the first half of 2015, total assets in the consolidated statement of financial position increased as compared to the end of 2014 by PLN 2 052 million (+5%).

Table 32. Current and non-current assets (in PLN millions)

	31.12.2014	31.03.2015	30.06.2015	Change 31.12.14=100
Property, plant and equipment	17 621	18 091	17 909	101.6
Intangible assets	2 918	3 101	3 306	113.3
Investment property	60	60	60	100.0
Investments accounted for using the equity method	4 363	4 914	4 944	113.3
Deferred tax assets	535	760	581	108.6
Available-for-sale financial assets	988	887	898	90.9
Financial assets for mine closure and restoration of tailings storage facilities	360	375	374	103.9
Derivatives	491	434	384	78.2
Inventories	3 362	3 678	3 890	115.7
Trade and other receivables	9 106	9 507	9 198	101.0
Current corporate tax receivables	87	93	91	104.6
Cash and cash equivalents	475	876	780	164.2
Non-current assets held for sale	8	5	11	137.5
TOTAL ASSETS	**40 374**	**42 781**	**42 426**	**105.1**

Chart 18. Change in assets in the first half of 2015 (in PLN millions)

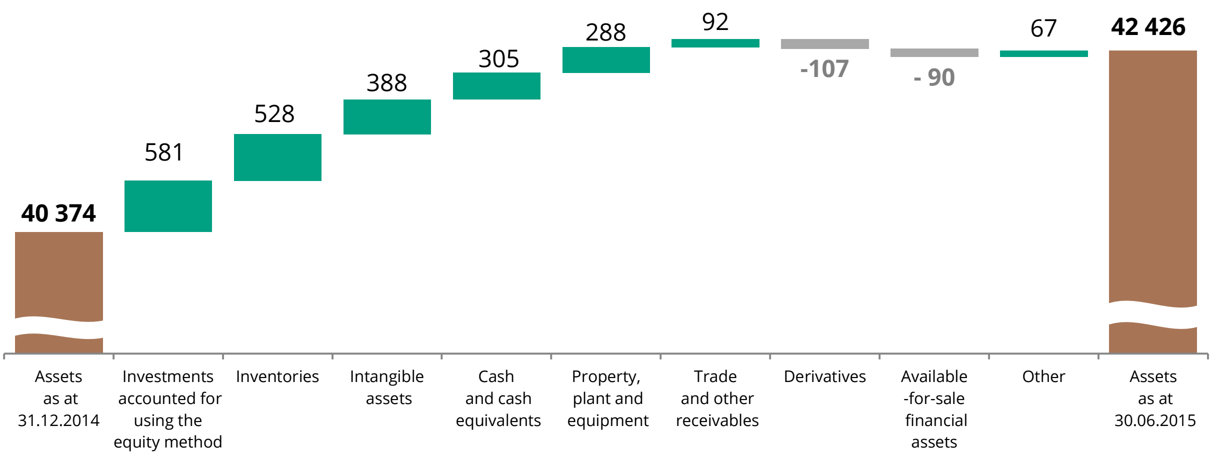


Table 33. Major changes in assets in the first half of 2015

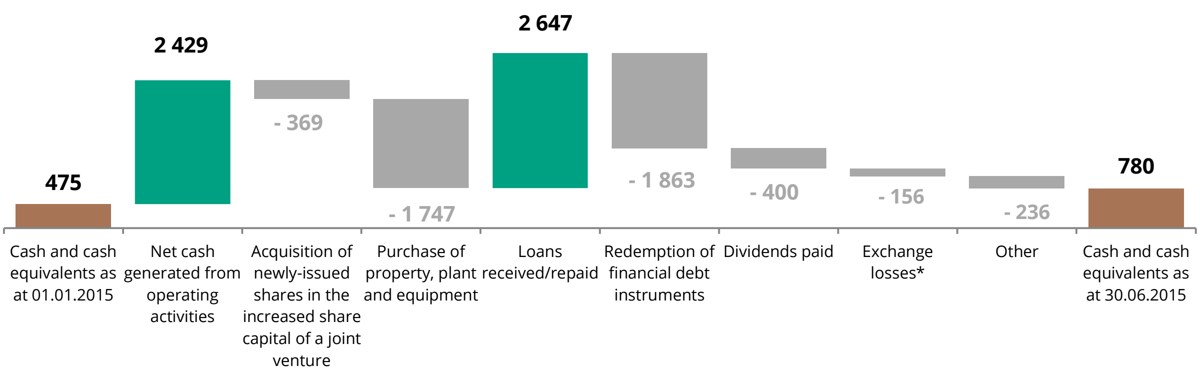
Item	Main reason for change
Investments accounted for using the equity method	An increase by PLN 581 million is mainly in respect of the Sierra Gorda S.C.M. investment (an increase by PLN 582 million from PLN 4 333 million at the end of 2014 to PLN 4 915 million at the end of the first half of 2015). The change in the value of the investment in Sierra Gorda S.C.M. was due to: – the acquisition of newly-issued shares in the increased share capital in the amount of USD 99 million (+PLN 369 million), – an increase in value due to exchange differences from translation in the amount of PLN 321 million (*[a change in the exchange rate from 3.5072 USD/PLN as at 31 December 2014 to 3.7645 USD/PLN as at 30 June 2015],* – the exclusion of unrealised gains due to a transaction between the Group and Sierra Gorda S.C.M. *(55% - proportionally to the Group's share) – a decrease in value in the amount of USD 29 million (PLN (108) million).*
Inventories	An increase by PLN 528 million is mainly in respect of the Parent Entity (an increase by PLN 429 million) where there was an increase in the value of materials (+PLN 166 million), finished products (+PLN 149 million) and half-finished products and work in progress (+PLN 137 million), due to a higher level of production.
Intangible assets	An increase by PLN 388 million, mainly due to an increase in assets due to the exploration for and evaluation of mineral resources (+PLN 360 million). Significant expenditures in respect of the exploration for and evaluation of mineral resources were incurred in the following companies: – KGHM INTERNATIONAL LTD. - Victoria Project - expenditures as at 30 June 2015 amounted to PLN 1 540 million, including expenditures incurred in the first half of 2015: PLN 80 million, – KGHM AJAX MINING INC. – Ajax Project - expenditures as at 30 June 2015 amounted to PLN 505 million, including expenditures incurred in the first half of 2014: PLN 75 million,
Cash and cash equivalents	An increase by PLN 305 million, mainly due to the higher cash inflows from operating and financing activities than cash outflows from investment activities.
Property, plant and equipment	An increase by PLN 288 million, mainly due to carrying out investments – total expenditures on property, plant and equipment in the Group amounted to PLN 1 632 million, of which the highest expenditures, PLN 991 million, were incurred by the Parent Entity (detailed information may be found in point 5.7 of this report).
Derivatives	A decrease by PLN 107 million, mainly in respect of the Parent Entity (PLN (126) million), mainly due to the settlement of transactions hedging the USD/PLN exchange rate in the amount of USD 180 million which were closed in the first quarter of 2014, and to the increase in the USD/PLN exchange rate, from 3.5072 as at 31 December 2014 to 3.7645 as at 30 June 2015.
Available-for-sale financial assets	A decrease by PLN 90 million is mainly in respect of a loss due to the valuation of shares of TAURON Polska Energia S.A. (PLN (122) million).

Cash flow

Table 34. Cash flow (in PLN millions)

	H1'14	H1'15	Change H1'14=100	IQ'15	IIQ'14
Profit for the period	**1 101**	**1 194**	**108,4**	**398**	**796**
Adjustment to profit for the period:	1 854	1 691	91.2	1 047	644
Income tax recognised in profit or loss	443	499	112.6	179	320
Depreciation/amortisation recognised in profit for the period	793	944	119.0	564	380
Impairment adjustments	(3)	3	(100.0)	-	3
Share in losses of investments accounted for using the equity method	-	1	-	-	1
Interest and share in profits (dividends)	(61)	(63)	103.3	(29)	(34)
Adjustments related to derivatives	353	70	19.8	149	(79)
Other adjustments	59	(79)	-	(52)	(27)
Change in working capital	270	316	117.0	236	80
Income tax paid	(460)	(456)	99.1	(237)	(219)
Net cash generated from operating activities	**2 495**	**2 429**	**97.4**	**1 208**	**1 221**
Acquisition of newly-issued shares in the increased share capital of a joint venture	-	(369)	-	(206)	(163)
Purchase of property, plant and equipment and intangible assets	(1 625)	(1 747)	107.5	(890)	(857)
Loans granted	(911)	(11)	1.2	-	(11)
Other	(38)	(47)	123.7	(15)	(32)
Net cash used in investing activities	**(2 574)**	**(2 174)**	**84.5**	**(1 111)**	**(1 063)**
Proceeds from bank and other loans	579	3 411	589.1	1 147	2 264
Repayments of bank and other loans	(291)	(764)	262.5	(756)	(8)
Dividends paid to shareholders of the Parent Entity	-	(400)	-	-	(400)
Redemption of financial debt instruments	-	(1 863)	-	-	(1 863)
Other	(88)	(178)	202.3	(14)	(164)
Net cash generated from/used in financing activities	**200**	**206**	**103.0**	**377**	**(171)**
Total net cash flow	**121**	**461**	**381.0**	**474**	**(13)**
Exchange (losses)/gains on cash and cash equivalents and on the translation of foreign operations statements	**22**	**(156)**	-	(73)	(83)
Movements in cash and cash equivalents	**143**	**305**	**213.3**	**401**	**(96)**
Cash and cash equivalents at beginning of the period	**864**	**475**	**55.0**	**475**	**876**
Cash and cash equivalents at end of the period	**1 007**	**780**	**77.5**	**876**	**780**

Chart 19. Cash flow in the first half of 2015 (in PLN millions)



* *due to the measurement of cash and cash equivalents and from translation of the financial statements of foreign operations*

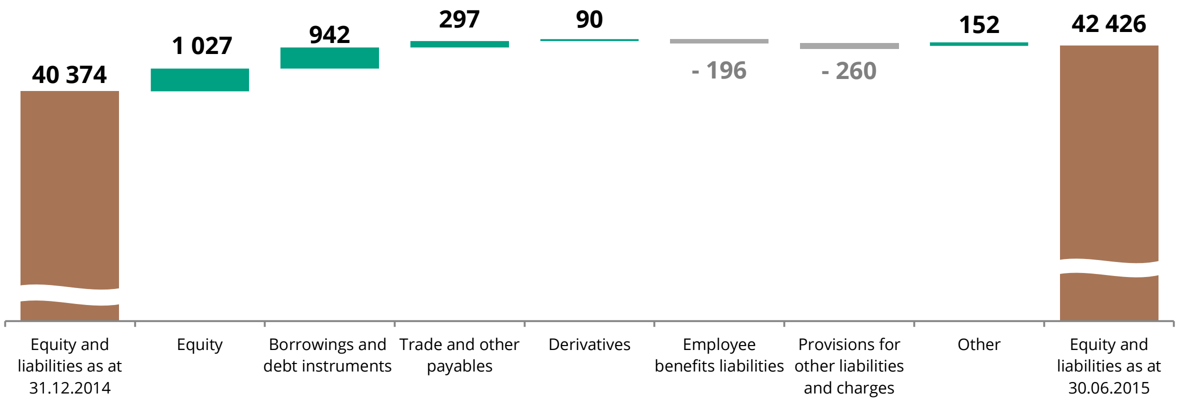
6.3. Equity and liabilities

At the end of the first half of 2015, the share of equity in total equity and liabilities amounted to 63%.

Table 35. Equity and liabilities (in PLN millions)

	31.12.2014	31.03.2015	30.06.2015	Change 31.12.14=100
EQUITY	**25 530**	**26 402**	**26 557**	**104.0**
Share capital	2 000	2 000	2 000	100.0
Other capital	(53)	(334)	(154)	290.6
Exchange differences from the translation of foreign operations statements	1 171	1 928	1 899	162.2
Retained earnings	22 184	22 584	22 601	101.9
Equity attributable to shareholders of the Parent Entity	**25 302**	**26 178**	**26 346**	**104.1**
Equity attributable to non-controlling interest	**228**	**224**	**211**	**92.5**
LIABILITIES (current and non-current)	**14 844**	**16 379**	**15 869**	**106.9**
Trade and other payables	4 238	4 324	4 535	107.0
Borrowings, debt instruments and finance lease liabilities	4 810	5 556	5 753	119.6
Derivatives	160	326	250	156.3
Deferred tax liabilities	1 676	1 865	1 696	101.2
Current corporate tax liability	164	229	295	179.9
Employee benefits liabilities	2 146	2 273	1 950	90.9
Provisions for other liabilities and charges	1 650	1 806	1 390	84.2
TOTAL EQUITY AND LIABILITIES	**40 374**	**42 781**	**42 426**	**105.1**

Chart 20. Change in equity and liabilities in the first half of 2015 (in PLN millions)



Translation from the original Polish version

Table 36. Major changes in equity and liabilities in the first half of 2015

Item	Main reason for change
EQUITY	An increase by PLN 1 027 million, mainly due to: – profit for the first half of 2015 in the amount of PLN 1 194 million, – the dividend allocated by the shareholders of the Parent Entity for 2014 in the amount of PLN 800 million. – an increase in exchange differences from translation of foreign operations statements (+PLN 728 million)
Borrowings and debt instruments	An increase by PLN 942 million, mainly due to: – an increase in debt in the Parent Entity due to borrowings (+PLN 3 431 million); at the end of the first half of 2015: PLN 5 539 million; at the end of 2014: PLN 2 108 million – repayment of a working capital facility by KGHM INTERNATIONAL LTD. (PLN (701) million), – redemption of bonds issued by KGHM INTERNATIONAL LTD. (PLN (1 775) million).
Trade and other payables	An increase by PLN 297 million mainly due to an increase in liabilities due to the planned payment of the second dividend instalment in October 2015 to shareholders of the Parent Entity from the allocation of profit for 2014 (+PLN 400 million), alongside a decrease in liabilities due to the purchase and construction of property, plant and equipment and intangible assets (PLN (216) million).
Derivatives	An increase by PLN 90 million with respect to the Parent Entity, mainly due to entering into new transactions hedging the USD/PLN exchange rate in the amount of USD 690 million in the period from July 2015 to December 2017, and to the increase in the USD/PLN exchange rate, from 3.5072 as at 31 December 2014 to 3.7645 as at 30 June 2015
Employee benefits liabilities	A decrease by PLN 196 million, mainly due to liabilities of the Parent Entity due to the coal equivalent, and was mainly due to an increase in the discount rate.
Provisions for other liabilities and charges	A decrease by PLN 260 million, mainly due to a decrease in the provision for future decommissioning costs of mines and other technological facilities and of fixed assets (PLN (268) million) due to an increase in the discount rate.

6.4. Contingencies and commitments

At the end of the first half of 2015, contingent assets amounted to PLN 530 million and related mainly to guarantees received by the Group (mainly with respect to the proper performance of agreements) of PLN 250 million and promissory notes receivable of PLN 117 million.

At the end of the first half of 2015, contingent liabilities amounted to PLN 1 816 million and mainly concerned guarantees granted which amounted to PLN 1 270 million, including:

- a letter of credit granted to secure the liabilities associated with the performance of a long-term contract for the supply of electricity to Sierra Gorda S.C.M. - PLN 518 million;
- guarantees and a letter of credit granted to additionally secure the liabilities associated with the performance of leasing agreements entered into by Sierra Gorda S.C.M. and KGHM INTERNATIONAL LTD. - PLN 347 million;
- a guarantee granted to secure the liabilities associated with the proper performance of future environmental obligations of the Parent Entity to restore the area, following the conclusion of operations of the Żelazny Most tailings storage facility – PLN 320 million;
- a letter of credit granted to secure the liabilities associated with the proper performance of future environmental obligations by KGHM INTERNATIONAL LTD. to restore the area following the conclusion of operations of the Robinson mine, Podolsky mine and the Victoria project - PLN 315 million;
- promissory notes receivable - PLN 256 million; and
- liabilities due to inventions and the implementation of projects – PLN 140 million.

Detailed information regarding contingent assets and liabilities may be found in note 39 of the consolidated financial statements.

6.5. Borrowings and debt instruments

Total debt of the Group due to borrowings and debt instruments at the end of the first half of 2015 amounted to PLN 5 711 million and increased as compared to the end of 2014 by PLN 944 million (20%). This increase was due to an increase in liabilities due to borrowing by the Parent Entity.

In the first half of 2015, the process of debt consolidation in the Group at the Parent Entity level continued by refinancing the USD 700 million debt of KGHM INTERNATIONAL LTD. (a bank loan of USD 200 million and USD 500 million in senior notes). At the end of the first half of 2015 the Group did not have liabilities due to debt instruments, while the liabilities of KGHM Polska Miedź S.A. due to borrowings (after drawing a loan instalment to refinance the debt of KGHM INTERNATIONAL LTD.) amounted to PLN 5 539 million. At the end of 2014 the Parent Entity's liabilities to due to borrowings amounted to PLN 2 108 million.

The Group's net debt structure (liabilities due to borrowings and debt instruments less cash and cash equivalents) is shown below.

Table 37. Net debt of the Group (in PLN millions)

	31.12.2014	31.03.2015	30.06.2015	Change 31.12.2014=100
Liabilities due to:	**4 767**	**5 513**	**5 711**	**119.8**
Bank loans	1 925	2 389	4 570	x2.4
Other loans	1 067	1 154	1 141	106.9
Debt instruments	1 775	1 970	-	-
Free cash and cash equivalents	**448**	**831**	**753**	**168.1**
Net debt	**4 319**	**4 682**	**4 958**	**114.8**

Borrowing by the Group

The medium and long-term liquidity needs of the Parent Entity and Group are fully secured by the following three sources of borrowing. Total available funds amount to PLN 14 982 million.

Unsecured, revolving syndicated credit facility in the amount of USD 2.5 billion with maturity of 10 July 2020 (with an option to extend for another year)	This financing agreement was signed with a relational banks group in 2014 in the amount of USD 2.5 billion with a five-year tenor with the option of extending for another 2 years. In the first half of 2015, KGHM Polska Miedź S.A. obtained permission of the relational banks group to extend the maturity of credit facility by 1 year. The new maturity date is now 10 July 2020. The USD 700 million which was drawn was used to refinance the debt of KGHM INTERNATIONAL LTD. The remaining amount of available credit will be used to finance general corporate goals, including covering expenses related to the continuation of investment projects.
Investment loan from the European Investment Bank for PLN 2.0 billion with a financing period of 12 years	This financing agreement was signed with the European Investment Bank in 2014 for PLN 2 billion, with the possibility of drawing loan instalments in PLN, EUR and USD. The loan is available for a period of 22 months from the date of signing the agreement. The deadline for repaying the instalments drawn is 30 October 2026. The funds acquired through this loan are being used to finance KGHM Polska Miedź S.A. investment projects related to modernisation of metallurgy and development of the Żelazny Most tailings storage facility.
Short-term bilateral bank loans in the amount of up to PLN 3.6 billion with availability up to 2 years	KGHM Polska Miedź S.A. holds open lines of credit in the form of short-term bilateral agreements in the total amount of PLN 3.6 billion. These are working capital facilities and overdraft facilities with availability up to 2 years. The maturities of these agreement are successively extended for subsequent periods. The funds obtained under these credit agreements are used to finance working capital and support short-term financial liquidity management.

Debt position as at 30 June 2015

Around 97% of the liabilities due to borrowing by the Group at the end of the first half of 2015 were liabilities of the Parent Entity.

Amongst the remaining companies, the largest amount of debt at the end of the first half of 2015 was held by Interferie Medical SPA Sp. z o.o., in the amount of PLN 50 million (liabilities at the end of June 2015 due to an investment loan drawn, with maturity of 31 December 2021).

The following table presents a breakdown of borrowing by the Parent Entity. Total debt held by the remaining Group companies (apart from KGHM INTERNATIONAL LTD., whose debt has been refinanced in full), did not change materially.

Table 38. Available financing and loans drawn by KGHM Polska Miedź S.A. as at 30 June 2015 (in PLN millions)

Type of bank loan	Available currency	Amount available	Amount drawn*
Working capital facility and overdraft facility	USD, EUR, PLN	3 571	1 801
Unsecured, revolving syndicated credit facility	USD	9 411	2 639
Investment loan	USD, EUR, PLN	2 000	1 135
Total		**14 982**	**5 575**

* *amounts drawn include accrued interest unpaid as at the balance sheet date*

All bank and other loans drawn, in the amount of PLN 5 575 million as at 30 June 2015, were in USD.

Cash pool

KGHM Polska Miedź S.A. manages its financial resources in accordance with the Management Board-approved „Financial Liquidity Management Policy". Pursuant to this Policy, the company makes use of instruments which enhance the efficiency of the liquidity management process. One of the basic instruments used by the Parent Entity is the cash pool management system, domestically in PLN and abroad in USD. The company plans to expand the domestic services by including USD and EUR. The cash pool system is aimed at optimising cash management and limiting interest costs, working capital needs to be efficiently financed and financial liquidity to be supported in the Group.

Loans granted within the Group

The following table shows the outstanding loans granted to Group companies, which at the end of the first half of 2015 held a total amount of debt exceeding PLN 10 million.

Table 39. Loans granted to Group companies as at 30 June 2015

Borrower	Year granted	Loan amount*	Balance as at 30.06.2015*	Maturity**
Loans granted by KGHM Polska Miedź S.A.				
„Energetyka" sp. z o.o.	2009	PLN 50 million	PLN 22.7 million	31.12.2019
Zagłębie Lubin S.A.	2013-2014	PLN 12.5 million	PLN 12.6 million	31.12.2026
0929260 B.C. Unlimited Liability Company	2014-2015	USD 575.4 million	USD 583.1 million (PLN 2 195.3 million)	31.12.2024
Fermat 1 S.à r.l.	2013-2015	USD 873.6 million	USD 900.9 million (PLN 3 391.2 million)	31.12.2024
Loans granted by Fermat 1 S.àr.l.				
Fermat 2 S.à r.l.	2013-2015	USD 121.5 million	USD 130.3 million (PLN 490.1 million)	31.12.2024
Fermat 3 S.à r.l.	2012-2015	USD 1 873.5 million	USD 1 872.8 million (PLN 7 049.7 million)	04.03.2020

Borrower	Year granted	Loan amount*	Balance as at 30.06.2015*	Maturity**
Loans granted by Fermat 3 S.àr.l.				
Fermat 2 S.à r.l.	2012	USD 2 825.1 million	USD 2 507.0 million (PLN 9 437.5 million)	04.03.2020
Loans granted by Fermat 2 S.àr.l.				
0929260 B.C. Unlimited Liability Company	2012	USD 1 873.1 million	USD 2 166.0 million (PLN 8 154.0 million)	05.03.2020
Loans granted by 0929260 B.C. Unlimited Liability Company				
KGHM INTERNATIONAL LTD.	2015	USD 719.4 million	USD 725.2 million (PLN 2 730.0 million)	31.12.2021
Loans granted by KGHM INTERNATIONAL LTD.				
Sociedad Contractual Minera Franke	2010, 2012	USD 130 million	USD 104.1 million (PLN 391.9 million)	on demand
Quadra FNX FFI Ltd.	2012, 2013	USD 1 289 million	USD 1 287.8 million (PLN 4 847.9 million)	on demand
KGHMI (Barbados) Holdings Ltd.	2014	USD 154 million	USD 154 million (PLN 579.7 million)	on demand
Robinson Holdings USA Ltd.	2013	USD 150 million	USD 30.0 million (PLN 112.9 million)	on demand, no later than to 30.06.2025
FNX Mining Company Inc.	2015	USD 140 million	USD 15.5 million (PLN 58.3 million)	on demand
Loans granted by FNX Mining Company Inc.				
Minera Exploraciones KGHM International SpA	2012	USD 50 million	USD 36.7 million (PLN 138.0 million)	on demand, no later than to 31.12.2015
KGHM INTERNATIONAL LTD.	2014	USD 200 million	USD 104.3 million (PLN 392.6 million)	on demand, no later than to 20.06.2025

** Total amount of loans granted to the given company*
*** dates refer to loans with the longest maturity*

Other loans, not shown in the above table, were granted to 8 companies in the Group, while total liabilities due to loans drawn at the end of the first half of 2015 amounted to PLN 19 million.

Table 40. Loans granted to other entities as at 30 June 2015

Borrower	Year granted	Loan amount and currency	Balance as at 30.06.2015	Maturity
Loans granted by KGHM INTERNATIONAL LTD.				
Sierra Gorda S.C.M.*	2012	USD 1 700 million	USD 1 848.0 million (PLN 6 956.8 million)	2024
Loans granted by 0929260 B.C. Unlimited Liability Company				
Abacus Mining & Exploration Corporation	2015	USD 3.6 million	USD 3.6 million (PLN 10.8 million)	2020

** loan amended by appendices in 2013 and 2014 (increase in loan amount)*

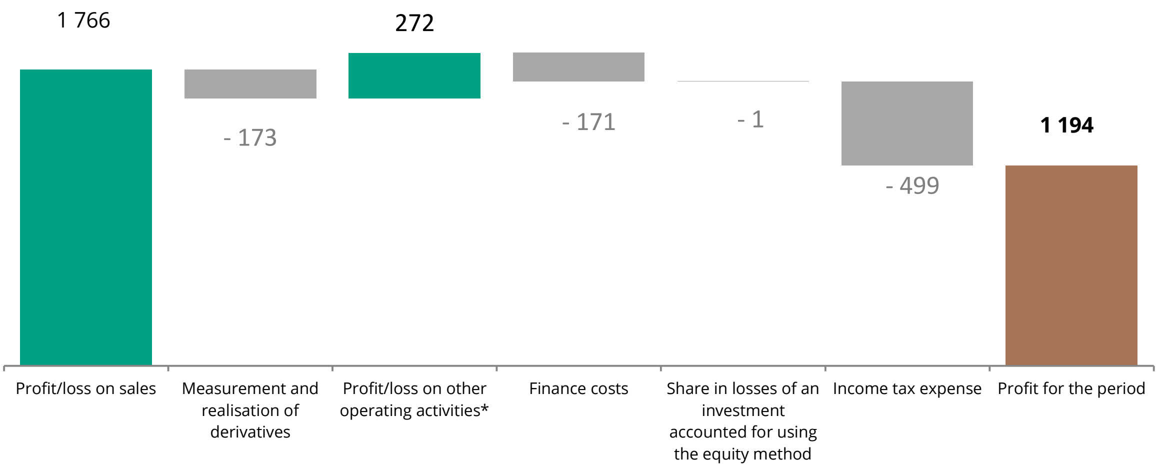
6.6. Statement of profit or loss

Table 41. Consolidated statement of profit or loss (in PLN millions)

	H1'14	H1'15	Change 31.12.14=100	IQ'15	IIQ'15
Sales revenue	9 528	10 060	105.6	4 731	5 329
Total costs of products, merchandise and materials sold	(7 959)	(8 294)	104.2	(4 008)	(4 286)
Profit/loss on sales	**1 569**	**1 766**	**112.6**	**723**	**1 043**
Profit/loss on other operating activities,	**74**	**99**	**133.8**	**(10)**	**109**
of which:					
- Measurement and realisation of derivatives	(104)	(173)	166.3	(233)	60
- Interest income and costs	133	184	138.3	86	98
- Exchange differences	(6)	35	-	134	(99)
- Dividends	35	27	77.1	-	27
- Other	16	26	162.5	3	23
Operating profit	**1 643**	**1 865**	**113.5**	**713**	**1 152**
Finance costs,	(99)	(171)	172.7	(136)	(35)
of which:					
- Interest	(77)	(127)	164.9	(49)	(78)
- Exchange differences	8	13	162.5	(59)	72
- Other	(30)	(57)	190.0	(28)	(29)
Share in losses of an investment accounted for using the equity method	-	(1)	-	-	(1)
Profit before income tax	1 544	1 693	109.7	577	1 116
Income tax expense	(443)	(499)	112.6	(179)	(320)
Profit for the period	**1 101**	**1 194**	**108.4**	**398**	**796**
EBITDA (profit/loss on sales + depreciation/amortisation) *	**2 366**	**2 698**	**128.2**	**1 242**	**1 456**

** pursuant to note 5 of the Interim Consolidated Financial Statements for the first half of 2015, with respect to operating segments*

Chart 21. Profit in the first half of 2015 (in PLN millions)



** excluding the result on derivatives*

Table 42. Main factors impacting profit for the first half of 2015 as compared to the first half of 2014

Sales revenue	An increase by PLN 532 million, mainly due to an increase in the volume of copper sales and an increase in the USD/PLN exchange rate (details described in Chapters 5.3 and 6.1 of this report).
Total costs of products, merchandise and materials sold	An increase by PLN 335 million (including higher depreciation/amortisation by PLN 287 million).
Derivatives	An increase by PLN 69 million in the loss on other operating activities due to the measurement and realisation of derivatives.
Interest income and costs	An increase by PLN 51 million in other operating income due to interest on loans granted. An increase by PLN 50 million in finance costs due to interest, including an increase of PLN 27 million due to interest on borrowings and of PLN 19 million due to interest on bonds.
Exchange differences	An increase by PLN 41 million in the profit on other operating activities due to exchange differences.
Income tax expense	An increase in taxation by PLN 56 million, mainly due to inclusion of the CFC (controlled foreign corporations) tax, which came into force on 1 January 2015.

Table 43. Structure of Group profit for the first half of 2015 (in PLN millions)

Description	Profit for the first half of 2015
KGHM Polska Miedź S.A.	**1 321**
Subsidiaries	**(351)**
including:	
KGHM INTERNATIONAL LTD. Group *	(164)
Other companies of the KGHM Polska Miedź S.A. Group	(187)
Total profit of Group entities	**970**
Consolidation adjustment	222
Group profit attributable to shareholders of the Parent Entity	1 192
Profit attributable to non-controlling interest	2
Total profit for the period	**1 194**

* *data do not include adjustments due to final accounting for the acquisition of KGHM INTERNATIONAL LTD. – adjustments in this regard were recognised in the item „Consolidation adjustment"*

6.7. Operating costs

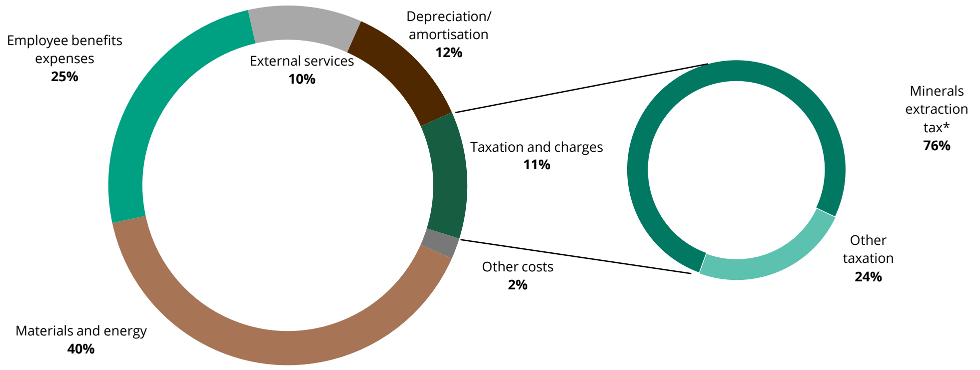
Operating costs, or the total cost of products merchandise and materials sold (comprising the manufacturing cost of products sold, the cost of merchandise and materials sold, selling costs and administrative expenses) in the first half of 2015 amounted to PLN 8 294 million and were 4% higher than operating costs in the same period of 2014. Expenses by nature also rose by a similar amount (by 5%).

Table 44. Expenses by nature (in PLN millions)

	H1'14	H1"15	Change H1'14=100	IQ'15	IIQ'15
Depreciation/amortisation	793	1 080	136.2	564	516
Employee benefits expenses	2 297	2 297	100.0	1 179	1 118
Materials and energy	3 744	3 704	98.9	1 755	1 949
External services	884	950	107.5	418	532
Taxation and charges	985	1 059	107.5	533	526
of which:					
- minerals extraction tax	748	810	108.3	393	417
Other costs	103	176	170.9	50	126
Total	**8 806**	**9 266**	**105.2**	**4 499**	**4 767**

Expenses by nature in the first half of 2015 are presented in the following chart.

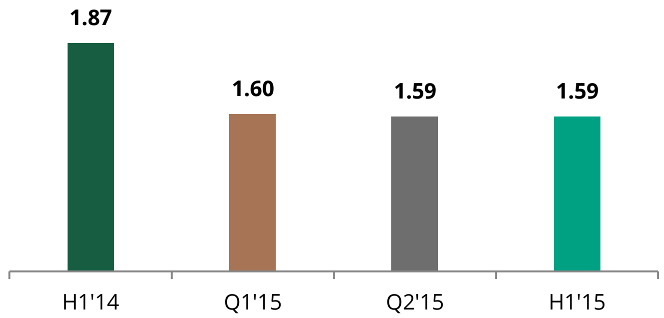
Chart 22. Expenses by nature of the Group in the first half of 2015



** The minerals extraction tax paid by the Parent Entity 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 of basic products and is not deductible for corporate income tax purposes.*

A key element impact operating costs are the costs associated with producing electrolytic copper (C1). The following chart illustrates the change in C1 cost over several periods.

Chart 23. C1 cost of producing copper in concentrate * in the KGHM Polska Miedź S.A. Group (USD/lb)



** C1 unit cost of producing copper - cash cost of producing payable copper, reflecting costs of ore extraction and processing, the minerals extraction tax, transport costs, administrative expenses during the mining stage, and smelter treatment and refining charges (TC/RC), less the value of by-products*

6.8. 2015 targets versus achievements

The greatest impact on the results of the KGHM Polska Miedź S.A. Group is from the Parent Entity and, to a lesser degree, the KGHM INTERNATIONAL LTD. Group. The future results of the Group will be substantially impacted by the realisation of the main development project Sierra Gorda in the KGHM INTERNATIONAL LTD. Group. At the end of June 2015, the production of copper and molybdenum by the Sierra Gorda mine reached a consistent and predictable level. On 1 July 2015 the mine commenced commercial production.

The production results and sales volumes achieved by the Parent Entity in the first half of 2015 are at a similar level to the targets set for 2015 – the company does not foresee a risk to achieving its plans for 2015 in this regard. The lower-than-expected metals prices are offset by a more favourable exchange rate. The copper price expressed in PLN is only 2% lower than planned for the whole year. A lower unit cost of production of electrolytic copper from own concentrates was achieved due to a higher-than-planned level of copper production. The C1 cash cost of producing copper in concentrate was however substantially lower than planned, which is mainly due to the weakening of the PLN as compared to the USD, but also due to the higher content of silver in own concentrate.

The achievement of individual assumptions of KGHM Polska Miedź S.A. for 2015 is discussed in detail in the Management Board's Report on the activities of the Company in the first half of 2015.

6.9. Future equity considerations

Equity investments are based on the main goals of the Strategy of KGHM Polska Miedź S.A. for the years 2015-2020 with an outlook to 2040 adopted in January 2015, which indicates resource base development as one of the three key pillars of the Group's development.

Investments related to resource base development are aimed at acquiring selected exploration projects to achieve the main strategic goal of producing over 1 million tonnes of copper equivalent. In this regard, the Group's actions will be focused on advancing the projects in its portfolio – above all Sierra Gorda (phase II of the project as well as the Sierra Gorda Oxide project, involving utilisation of the oxide ore), Victoria and Ajax.

With respect to domestic equity investments involved in resource base development, KGHM Polska Miedź S.A. intends to advance a project related to the exploration and evaluation of deposits of potassium-magnesium salt, phosphorous minerals, rock salt and non-ferrous metals in the Zatoka Pucka region. The partners in the project are companies in the Azoty Group.

KGHM Polska Miedź S.A., as one of the largest consumers of electricity in Poland, plans to take an active role in projects in the energy sector which will enable the company to secure its power needs, reduce its exposure to changes in fuel and electricity prices and reduce the impact of its climate-related obligations. KGHM Polska Miedź S.A. is participating in the project to prepare for the construction of Poland's first nuclear power plant. The company's partners in the project are ENEA S.A., PGE Polska Grupa Energetyczna S.A. and TAURON Polska Energia S.A.

Information regarding progress on the above projects may be found in Chapter 4 of this report.

In terms of its planned equity investments, KGHM Polska Miedź S.A. also intends to provide equity support to entities of the Group whose strategies and scopes of operation are closely connected with the core business of KGHM Polska Miedź S.A. This support will be aimed at advancing projects related to maintaining production capacity and ensuring continuous operations by KGHM Polska Miedź S.A.

Equity investments will also include the purchase of certificates in closed-end investment funds managed by the company KGHM TFI S.A.

In addition, we will continue actions aimed at optimising the structure of the KGHM Polska Miedź S.A. Group, through the processes of restructuring and liquidation.

Assessment of investment capabilities in terms of available funds, reflecting potential changes in the structure of financing these activities

The cash currently held by the Parent Entity along with the borrowing capabilities acquired guarantee that we will be able to achieve our investment goals, both in terms of equity investments as well as the purchase and construction of property, plant and equipment.

7. Significant subsequent events

Beginning of commercial production by the Sierra Gorda mine (1 July 2015)

The Sierra Gorda in Chile commenced commercial production. The declaration of commercial production was based on the following criteria:

– quantity & quality - Sierra Gorda is producing saleable product, available for placement in the market. The copper plant has been operating for over 60 days at 65% of its designed capacity. Simultaneously, the molybdenum plant has produced molybdenum concentrate with at least 40% molybdenum content,
– expenditures - all major expenditures have been incurred to bring the mine to the condition necessary, and in the manner intended by Management Board of the Parent Entity, for commercial production to commence,
– handover and operation - the plant was handed over to the operating personnel.

The first copper production commenced on 30 July 2014. The molybdenum plant commenced production on 14 April 2015. The production of copper and molybdenum reached a consistent and predictable level at the end of June 2015.

Increase in the share capital of PGE EJ1 sp. z o.o.

On 29 July 2015, the Extraordinary General Meeting of Shareholders of PGE EJ1 Sp. z o.o. resolved to increase the company's share capital by PLN 70 million. Shareholders acquired shares in the increased share capital proportionally to their share:

– KGHM Polska Miedź S.A. (10% share): 49 645 shares for PLN 7 million,
– PGE Polska Grupa Energetyczna S.A. (70% share): 347 515 shares for PLN 49 million;
– TAURON Polska Energia S.A. (10% share) 49 645 shares for PLN 7 million; and
– ENEA S.A. (10% share) 49 645 shares for PLN 7 million.

The resolution on increasing the share capital states that declarations by the Shareholders regarding the acquisition of newly-issued shares in the increased share capital and coverage of the shares in the increased share capital by cash contributions will be provided within a period of 14 days from the date of adoption of this resolution.

Division of POL-MIEDŹ TRANS Sp. z o.o.

On 31 July 2015, a decrease in the share capital of POL-MIEDŹ TRANS Sp. z o.o. by PLN 61 million (from PLN 124 million to PLN 63 million) was court registered due to a division of the company. At the same time, there were increases in the share capital of companies acquiring organised parts of the company separated from POL-MIEDŹ TRANS Sp. z o.o., as presented below:

- MERCUS Logistyka sp. z o.o. – an increase in the share capital of PLN 1.7 million (from PLN 10.7 million to PLN 12.4 million) as a result of acquisition of the Passenger Transport Division (Wydział Przewozów Osobowych);
- "Energetyka" sp. z o.o. – an increase in the share capital of PLN 0.3 million (from PLN 469.6 million to PLN 469.9 million) as a result of acquisition of the Oil Products Sales Division (Oddział Obrotu Produktami Naftowymi); and
- KGHM ZANAM S.A. – an increase in the share capital of PLN 6 million (from PLN 71 million to PLN 77 million) as a result of acquisition of the Goods Transport and Shipping Division (Wydział Transportu Towarowego i Spedycji),

In addition, the newly founded company PMT Linie Kolejowe 2 Sp. z o.o. was registered, with share capital of PLN 5 million, which acquired the Infrastructure Management Division (Wydział Zarządzania Infrastrukturą).

POL-MIEDŹ TRANS Sp. z o.o. will continue to provide railway services.

Loans granted to Quadra FNX Holdings Chile Limitada

On 10 July 2015 and on 7 August 2015, KGHM Polska Miedź S.A. signed agreements granting loans totalling USD 44 million (PLN 169 million) to a subsidiary of the KGHM INTERNATIONAL LTD. Group - Quadra FNX Holdings Chile Limitada, to be used as financing for the Sierra Gorda project. Interest on the loans is based on a fixed interest rate, with maturity of 31 December 2024.

Extension of maturity for the repayment of a syndicated credit facility instalment

On 20 July 2015 the Parent Entity extended the use of an unsecured, revolving syndicated credit facility instalment in the amount of USD 200 million (PLN 767 million) by a further 3 months. Interest on the credit facility is based on LIBOR plus a margin. Maturity for repayment of the liabilities is on 20 October 2015. The agreement sets the period of availability of the credit facility as ending on 10 July 2020 with an option to extend by 1 year.

Appendix 1 Structure of the KGHM Polska Miedź S.A. Group as at 30 June 2015

The percentages shown in the diagram represent the total interest of the Group in the share capital of the given company. In every Group company, the share held is equal to the number of votes.

KGHM Polska Miedź S.A.

- **KGHM TFI S.A.** – 100%
- **KGHM IV FIZAN** – 100%
  - Cuprum Development sp. z o.o. – 100%
- **KGHM V FIZAN** – 100%
  - WFP Hefra SA – 100%
- **KGHM III FIZAN** – 100%
  - NANO CARBON Sp. z o.o. [2] – 49%
- **KGHM I FIZAN** – 100%
  - Polska Grupa Uzdrowisk Sp. z o.o. – 100%
  - Polska Grupa Uzdrowisk Sp. z o.o. S.K.A. in liquidation – 100%
  - Fundusz Hotele 01 Sp. z o.o. – 100%
  - Uzdrowiska Kłodzkie S.A. - Grupa PGU – 100%
  - Uzdrowisko Połczyn Grupa PGU S.A. – 100%
  - Uzdrowisko Swieradów -Czerniawa Sp. z o.o. - Grupa PGU – 99%
  - Uzdrowisko Cieplice Sp. z o.o. - Grupa PGU – 98%
  - Interferie Medical SPA Sp. z o.o. – 89%
  - Fundusz Hotele 01 Sp. z o.o. S.K.A. – 100%
    - INTERFERIE S.A. – 68%
- **KGHM CUPRUM sp. z o.o. – CBR** – 100%
- **PeBeKa S.A.** – 100%
- **INOVA Spółka z o.o.** – 100%
- **KGHM ZANAM S.A.** [4] – 100%
- **CBJ sp. z o.o.** – 100%
- **Metraco S.A.** [5] – 100%
  - CENTROZŁOM WROCŁAW S.A. – 99.7%
  - Walcownia Metali Nieżelaznych „ŁABĘDY" S.A. – 85%
- **POL-MIEDŹ TRANS Sp. z o.o.** – 100%
  - PMT Linie Kolejowe Sp. z o.o. – 100%
- **Fermat 1 S.à r.l.** – 100%
  - Fermat 3 S.à r.l. – 100%
  - Fermat 2 S.à r.l. – 100%
    - 0929260 B.C. Unlimited Liability Company – 100%
      - KGHM AJAX MINING INC. – 80%
        - Sugarloaf Ranches Ltd. – 100% [3]
      - **KGHM INTERNATIONAL LTD. Group** – 100%
- **Cuprum Nieruchomości sp. z o.o.** – 100%
- **KGHM (SHANGHAI) COPPER TRADING CO., LTD.** – 100%
- **KGHM Kupfer AG** – 100%
- **„MCZ" S.A.** – 100%
- **Zagłębie Lubin S.A.** – 100%
- **LETIA S.A.** [6] – 85%
- **TUW-CUPRUM** [1] – 100%
- **MERCUS Logistyka sp. z o.o.** [7] – 100%
  - PHU „Lubinpex" Sp. z o.o. – 100%
- **„Energetyka" sp. z o.o.** – 100%
  - WPEC w Legnicy S.A. – 96%
- **BIPROMET S.A.** – 100%
  - Przedsiębiorstwo Budowlane Katowice S.A. in liquidation – 88%
- **NITROERG S.A.** – 85%
  - NITROERG SERWIS Sp. z o.o. – 85%
- **„Elektrownia Blachownia Nowa" Sp. z o.o.** [2] – 50%

Group structure presented in Appendix 2

1/ *unconsolidated subsidiary*
2/ *joint venture accounted for using the equity method*
3/ *actual Group share*
4/ *transformed: spółka z o.o. (limited liability) to spółka akcyjna (joint stock)*
5/ *name change (formerly KGHM Metraco S.A.)*
6/ *name change (formerly KGHM LETIA S.A.)*
7/ *name change (formerly PHP "MERCUS" sp. z o.o.)*

Appendix 2 Structure of the KGHM INTERNATIONAL LTD. Group as at 30 June 2015

KGHM INTERNATIONAL LTD.

- **FNX Mining Company Inc.** 100%
  - DMC Mining Services Ltd. 100%
  - Quadra FNX Holdings Partnership 100%
    - Raise Boring Mining Services S.A. de C.V. 100%
    - FNX Mining Company USA Inc. 100%
      - DMC Mining Services Corporation 100%
  - Centenario Holdings Ltd. 100%
    - Minera Carrizalillo Limitada 100%
    - Mineria y Exploraciones KGHM International SpA 100%
    - Frankie (BVI) Ltd. 100%
      - Sociedad Contractual Minera Franke 100%
- **0899196 B.C. Ltd.** 100%
  - **KGHMI (Barbados) Holdings Ltd.** 100%
    - Malmbjerg Molybdenum A/S 100%
    - Quadra FNX FFI Ltd. 100%
    - International Molybdenum Limited in liquidation 100%
    - Quadra FNX SG (Barbados) Ltd. 100%
    - Aguas de la Sierra Limitada 100%
    - Quadra FNX Chile (Barbados) Ltd. 100%
      - Quadra FNX Holdings Chile Limitada 100%
        - Sierra Gorda S.C.M. /1 55%
- **Robinson Holdings (USA) Ltd.** 100%
  - Wendover Bulk Transhipment Company 100%
  - Robinson Nevada Mining Company 100%
  - Carlota Holdings Company 100%
    - Carlota Copper Company 100%

1/ joint venture accounted for using the equity method

Appendix 3 Subsidiaries and joint ventures of KGHM Polska Miedź S.A.

Entity	Head Office	Activities
KGHM Polska Miedź S.A.	Poland	mining of copper ore, excavation of salt, production of copper and precious metals
„Energetyka" sp. z o.o.	Poland	generation, transmission and distribution of electrical and heating energy, water-sewage management
PeBeKa S.A.	Poland	mine construction (construction of shafts and drifts), construction of roadway/railway tunnels; specialist construction, drilling services (geological-exploration drilling)
KGHM ZANAM S.A. *formerly KGHM ZANAM Sp. z o.o.*	Poland	production of mining machinery and equipment, construction machinery; machinery repairs; production maintenance services; objects made of steel
KGHM CUPRUM sp. z o.o. - CBR	Poland	design and R&D activities
CBJ sp. z o.o.	Poland	research and chemical-physical analysis; measurement of imissions and emissions; industrial research
INOVA Spółka z o.o.	Poland	design and production – innovative solutions in electronics, automated equipment and communication systems; certification and attestation of machinery and equipment
Metraco S.A. *formerly KGHM Metraco S.A.*	Poland	wholesale of scrap and waste, lead, non-ferrous metals, chemicals and salt; the processing of industrial acid waste to produce rhenium-based products; production of road-building material; the processing and recovery of metals
POL-MIEDŹ TRANS Sp. z o.o.	Poland	railway cargo transport, passenger and cargo road transport; trade in oil-based fuels
NITROERG S.A.	Poland	production of explosives and Nitrocet 50 as well as of detonation agents
MERCUS Logistyka sp. z o.o. *formerly PHP „MERCUS" sp. z o.o.*	Poland	materials logistics; trade in consumer goods; production of bundled electrical cables and hydraulic cables
NITROERG SERWIS Sp. z o.o.	Poland	comprehensive drilling and blasting work for mines, sale of explosives and detonators
CENTROZŁOM WROCŁAW S.A.	Poland	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.	Poland	production of pressed goods from copper and its alloys; rolling services
WFP Hefra SA	Poland	production and sale of rust-proof, silver-plated and semi-silver-plated table settings
PHU „Lubinpex" Sp. z o.o.	Poland	gastronomic, commercial and catering services
PMT Linie Kolejowe Sp. z o.o.	Poland	management of railway infrastructure, maintenance of railway infrastructure, repair services
KGHM TFI S.A.	Poland	creation and management of investment funds
INTERFERIE S.A.	Poland	sale of tourism services, including tourism-recreation, sanatorium-healing and hotel services
Interferie Medical SPA Sp. z o.o.	Poland	services respecting hotels, recreation, rehabilitation, health tourism and wellness
WPEC w Legnicy S.A.	Poland	production of heat from its own sources, transmission and distribution of heat, servicing
Uzdrowiska Kłodzkie S.A. – Grupa PGU	Poland	spa-healing, sanatorium and tourism-recreation services
Uzdrowisko Połczyn Grupa PGU S.A.		
Uzdrowisko Cieplice sp. z o.o. – Grupa PGU		
Uzdrowisko Świeradów -Czerniawa Sp. z o.o. - Grupa PGU		
Fundusz Hotele 01 Sp. z o.o.	Poland	special-purpose companies operating within the structures of the KGHM I FIZAN investment fund
Fundusz Hotele 01 Sp. z o.o. S.K.A.		
Polska Grupa Uzdrowisk Sp. z o.o.		
Polska Grupa Uzdrowisk Sp. z o.o. S.K.A. in liquidation		

Entity	Head Office	Activities
KGHM I FIZAN KGHM III FIZAN KGHM IV FIZAN KGHM V FIZAN	Poland	closed-end, non-public investment funds – cash depositing
„MCZ" S.A.	Poland	hospital services; medical practice; activities related to protecting human health; occupational medicine
Zagłębie Lubin S.A.	Poland	management of a football club, organisation of professional sporting events
LETIA S.A. *formerly KGHM LETIA S.A.*	Poland	operation of a technology park; promotion of scientific achievements; technology transfer; property sale and leasing
BIPROMET S.A.	Poland	design services, consulting, technical conceptual work; general realisation of investments
Przedsiębiorstwo Budowlane Katowice S.A. in liquidation	Poland	comprehensive construction and specialist work
Cuprum Nieruchomości sp. z o.o.	Poland	activities related to real estate market services, construction services, design work and financing
Cuprum Development sp. z o.o.	Poland	
NANO CARBON Sp. z o.o.	Poland	production of epitaxial graphene
KGHM (SHANGHAI) COPPER TRADING CO., LTD.	China	commercial activities involving copper/silicon merchandise, mine products (copper/silicon) and related services
KGHM Kupfer AG	Germany	exploration for and evaluation of deposits of copper and other minerals
Fermat 1 S.à r.l. Fermat 2 S.à r.l. Fermat 3 S.à r.l.	Luxembourg	the founding, development, management or control of other companies, including over the KGHM INTERNATIONAL LTD. Group and KGHM AJAX MINING INC. (holding-type companies)
KGHM AJAX MINING INC.	Canada	exploration for and evaluation of mineral deposits
0929260 B.C. U.L.C.	Canada	the management and control of other companies, including over the KGHM INTERNATIONAL LTD. Group and KGHM AJAX MINING INC.
Sugarloaf Ranches Ltd.	Canada	agricultural activities (this company owns assets in the form of land designated for future mining activities related to the Ajax project)
KGHM INTERNATIONAL LTD. Group		
KGHM INTERNATIONAL LTD.	Canada	the founding, development, management or control of other companies
FNX Mining Company Inc.	Canada	mining of copper and nickel ore, production and sale of copper and nickel
DMC Mining Services Ltd.	Canada	contract mining services
Quadra FNX Holdings Partnership 0899196 BC Ltd.	Canada	the management and control of other companies
Sierra Gorda S.C.M.	Chile	the construction and operation of an open-pit copper and molybdenum mine
Quadra FNX Holdings Chile Limitada Minera Carrizalillo Limitada	Chile	the management and control of other companies
Aguas de la Sierra Limitada	Chile	the ownership and exercise of water rights in Chile
Mineria y Exploraciones KGHM International SpA	Chile	exploration services for the Sierra Gorda project
Sociedad Contractual Minera Franke	Chile	copper ore leaching, production and sale of copper
Robinson Holdings (USA) Ltd.	USA	technical and management services
Wendover Bulk Transhipment Company	USA	shipment services

Entity	Head Office	Activities
Robinson Nevada Mining Company	USA	copper ore mining, production and sale of copper
Carlota Copper Company	USA	copper ore leaching, production and sale of copper
Carlota Holdings Company	USA	the management and control of other companies
FNX Mining Company USA Inc.		
DMC Mining Services Corporation	USA	contract mining services
KGHMI (Barbados) Holdings Ltd.	Barbados	the management and control of other companies
Quadra FNX Chile (Barbados) Ltd.		
Quadra FNX SG (Barbados) Ltd.		
Quadra FNX FFI Ltd.	Barbados	financial services
Raise Boring Mining Services S.A. de C.V	Mexico	mine drilling services
Centenario Holdings Ltd.	British Virgin Islands	the management and control of other companies
Frankie (BVI) Ltd.		
Malmbjerg Molybdenum A/S	Greenland	development of the Malmbjerg molybdenum project
International Molybdenum Limited in liquidation	United Kingdom	financial services

Appendix 4 List of tables, charts, diagrams and drawings

TABLES

CHARTS

DIAGRAMS

DRAWINGS

SIGNATURES OF ALL MEMBERS OF THE MANAGEMENT BOARD OF THE PARENT ENTITY			
Date	**First, Last name**	**Position/Function**	**Signature**
12 August 2015	Herbert Wirth	President of the Management Board	
12 August 2015	Jarosław Romanowski	First Vice President of the Management Board	
12 August 2015	Marcin Chmielewski	Vice President of the Management Board	
12 August 2015	Jacek Kardela	Vice President of the Management Board	
12 August 2015	Mirosław Laskowski	Vice President of the Management Board	