

**KGHM POLSKA MIEDŹ S.A.**

SUPERVISORY BOARD

**Report of the Supervisory Board of KGHM Polska Miedź S.A.  
on the results of its evaluation of the financial statements of KGHM Polska Miedź S.A.  
for financial year 2012 and the report  
on the Company's activities in financial year 2012**

May, 2013

**Report of the Supervisory Board of KGHM Polska Miedź S.A.  
on the results of its evaluation of the financial statements  
of KGHM Polska Miedź S.A. for financial year 2012  
and the report on the Company's activities in financial year 2012**

---

**Table of contents**

1. Introduction.....	2
2. Evaluation of the financial statements for financial year 2012 (from 1 January to 31 December 2012).....	2
2.1 Statement of financial position as at 31 December 2012 .....	3
2.2 Statement of profit or loss for the period from 1 January to 31 December 2012 .....	3
2.3 Statement of comprehensive income for the period from 1 January to 31 December 2012.....	4
2.4 Statement of changes in equity for the period from 1 January to 31 December 2012 ....	4
2.5 Statement of cash flows for the period from 1 January to 31 December 2012 .....	4
3. Evaluation of the report on the Company's activities in financial year 2012 .....	5
4. Summation .....	5

**Report of the Supervisory Board of KGHM Polska Miedź S.A.  
on the results of its evaluation of the financial statements  
of KGHM Polska Miedź S.A. for financial year 2012  
and the report on the Company's activities in financial year 2012**

---

## **1. Introduction**

In accordance with §20 sec. 2 points 1) and 3) of the Statutes of KGHM Polska Miedź S.A. and based on art. 382 §3 of the Commercial Partnerships and Companies Code, on 8 May 2013 the Supervisory Board of KGHM Polska Miedź S.A. carried out an evaluation of the financial statements of KGHM Polska Miedź S.A. for financial year 2012 and the report on the Company's activities in financial year 2012.

The Supervisory Board has summarised the conclusions from the above evaluation, after reviewing the documents presented to it by the Management Board of the Company, in particular the following:

- the financial statements of KGHM Polska Miedź S.A. for financial year 2012,
- the report on the Company's activities in financial year 2012, and
- the audit opinion and report of the Certified Auditor on the financial statements for 2012.

The audit of the financial statements of KGHM Polska Miedź S.A. prepared in accordance with International Financial Reporting Standards for the year ended 31 December 2012, has been carried out by the Certified Auditor - PricewaterhouseCoopers Sp. z o.o. with its registered office in Warsaw who has issued an audit opinion together with a report dated 27 March 2013. The audit included a review of the documentation which formed the basis for the amounts and information presented in the financial statements of KGHM Polska Miedź S.A. for financial year 2012, as well as an assessment of the propriety of the accounting principles and significant estimates approved and applied in the Company.

The results of the evaluation of the Supervisory Board are presented in the following report.

## **2. Evaluation of the financial statements for financial year 2012 (from 1 January to 31 December 2012)**

The Supervisory Board familiarised itself with and analysed the financial statements of KGHM Polska Miedź S.A. prepared in accordance with International Financial Reporting Standards, as adopted by the European Union for the year ended 31 December 2012 containing:

- |   |                    |
|---|--------------------|
| - the statement of financial position, which shows total assets and total equity and liabilities of | PLN 28 177 million |
| - the statement of profit or loss which shows profit for the period of                              | PLN 4 868 million  |
| - the statement of comprehensive income which shows total comprehensive income of                   | PLN 4 456 million  |
| - the statement of changes in equity which shows a decrease in equity of                            | PLN 1 212 million  |
| - the statement of cash flows which shows a decrease in net cash and cash equivalents of            | PLN 11 251 million |
| - the accounting policies and other explanatory information to the financial statements.            |                    |

**Report of the Supervisory Board of KGHM Polska Miedź S.A.  
on the results of its evaluation of the financial statements  
of KGHM Polska Miedź S.A. for financial year 2012  
and the report on the Company's activities in financial year 2012**

---

## **2.1 Statement of financial position as at 31 December 2012**

The statement of financial position prepared as at 31 December 2012 shows total assets and total equity and liabilities of PLN 28 177 million.

In terms of assets the above amount is comprised of:

- 1) non-current assets – PLN 22 410 million,
- 2) current assets – PLN 5 767 million.

In terms of equity and liabilities the above amount is comprised of:

- 1) equity – PLN 21 923 million,
- 2) non-current liabilities – PLN 2 455 million,
- 3) current liabilities – PLN 3 799 million.

In respect of the situation as at 31 December 2011, the following changes occurred in the assets structure and in the sources of financing structure:

In assets:

- 1) non-current assets – an increase of PLN 10 714 million,
- 2) current assets – a decrease of PLN 11 789 million.

The main impact on the change in the assets structure during the financial period was the acquisition of shares in the company Fermat 1 S.a.r.l. in relation to the process of creating a holding structure related to the acquisition of Quadra FNX Mining LTD. (currently KGHM INTERNATIONAL LTD.).

In equity and liabilities:

- 1) equity – a decrease of PLN 1 212 million, mainly due to an excess of dividends paid over the profit for 2012,
- 2) non-current liabilities – an increase of PLN 205 million,
- 3) current liabilities – a decrease of PLN 68 million.

The level of liabilities and their cycle of regulation was managed in a proper manner.

## **2.2 Statement of profit or loss for the period from 1 January to 31 December 2012**

In financial year 2012, individual items were as follows:

- 1) sales – PLN 20 737 million,
- 2) gross profit – PLN 7 951 million,
- 3) operating profit – PLN 6 426 million,
- 4) profit before income tax – PLN 6 417 million,
- 5) profit for the period – PLN 4 868 million.

The profit for the period of PLN 4 868 million was set following obligatory deductions.

**Report of the Supervisory Board of KGHM Polska Miedź S.A.  
on the results of its evaluation of the financial statements  
of KGHM Polska Miedź S.A. for financial year 2012  
and the report on the Company's activities in financial year 2012**

---

**2.3 Statement of comprehensive income for the period from 1 January to 31 December 2012**

The statement of comprehensive income for the year ended 31 December 2012 shows total comprehensive income of PLN 4 456 million.

**2.4 Statement of changes in equity for the period from 1 January to 31 December 2012**

The statement of changes in equity for the year ended 31 December 2012 shows a decrease in equity of PLN 1 212 million. The equity at the end of the reporting period amounts to PLN 21 923 million.

The data presented in the statement of changes in equity for the year ended 31 December 2012 are complete and factually compliant.

**2.5 Statement of cash flows for the period from 1 January to 31 December 2012**

Cash and cash equivalents at the beginning of the year amounted to PLN 12 836 million, and at the end of the year – to PLN 707 million. Cash and cash equivalents decreased by PLN 12 129 million.

Net cash flows in 2012 of PLN 11 251 million were as follows:

- 1) net cash generated by KGHM Polska Miedź S.A. from operating activities of PLN 4 703 million,
- 2) net cash used by KGHM Polska Miedź S.A. in investing activities of PLN 11 335 million,
- 3) net cash used by KGHM Polska Miedź S.A. in financing activities of PLN 4 619 million.

The Supervisory Board has no concerns or reservations as to the presented statement of cash flows.

The Supervisory Board states that the financial statements of KGHM Polska Miedź S.A. for the year ended 31 December 2012 were prepared within the statutory deadline and in accordance with International Financial Reporting Standards as adopted by the European Union.

The financial statements of KGHM Polska Miedź S.A., pursuant to the opinion issued by the certified auditor, in all material respects give an accurate and clear view of all information of material importance to assess the financial results of the business activities, as well as the assets and financial position of the Company, were prepared properly and are in compliance with prevailing laws.

The propriety of the preparation of the financial statements of KGHM Polska Miedź S.A. for the year ended 31 December 2012, in terms of compliance with the accounts, documents and factual state, raises no reservations and is confirmed by the positive opinion of the certified auditor.

By confirming the compliance of the financial statements with the Company's accounts and documents and with International Financial Reporting Standards and the factual state, the Supervisory Board evaluates them positively and recommends that the Ordinary General Meeting approve the presented financial statements of KGHM Polska Miedź S.A. for the year ended 31 December 2012.

**Report of the Supervisory Board of KGHM Polska Miedź S.A.  
on the results of its evaluation of the financial statements  
of KGHM Polska Miedź S.A. for financial year 2012  
and the report on the Company's activities in financial year 2012**

---

**3. Evaluation of the report on the Company's activities in financial year 2012**

The Supervisory Board declares that the Report of the Management Board on the activities of KGHM Polska Miedź S.A. in financial year 2012 were prepared in accordance with the *Accounting Act dated 29 September 1994* and with the Decree of the Minister of Finance dated 19 February 2009 *concerning the publication of current and periodic information by issuers of securities and the conditions of recognising information as equivalent as required by the laws of a non-member state* together with the amendments arising from the Decree of the Minister of Finance dated 3 April 2012.

The financial statements in question give a fair and clear view of the assets, economic and financial position, as well as of the development of the Company. The completeness of the report on the Company's activities in financial year 2012, and its compliance with the scope of information which it discloses was confirmed by the certified auditor.

Consequently, the Supervisory Board positively evaluates the Report of the Management Board on the Company's activities in financial year 2012, and recommends its approval by the Ordinary General Meeting.

**4. Summation**

As a result of its evaluation, the Supervisory Board hereby finds that the above-mentioned statements and report:

- were prepared accurately, objectively and in accordance with the accounts and documents, as well as with the factual state,
- correctly and accurately reflect the results of the business activities for the year 2012 as well as the financial position of the Company as at 31 December 2012,
- are compliant with the laws regulating the preparation of financial statements in form and content, as well as with the International Financial Reporting Standards approved by the EU.

Based on the results of this evaluation and on the positive opinion of the Certified Auditor – PricewaterhouseCoopers Sp. z o.o., issued on 27 March 2013, the Supervisory Board hereby recommends that the Ordinary General Meeting approve the financial statements of KGHM Polska Miedź S.A. prepared as at 31 December 2012 and the report of the Management Board on the Company's activities in financial year 2012.

Signatures of members of the Supervisory Board of KGHM Polska Miedź S.A. :

Paweł Białek .....

Krzysztof Kaczmarczyk .....

Dariusz Krawczyk .....

**Report of the Supervisory Board of KGHM Polska Miedź S.A.  
on the results of its evaluation of the financial statements  
of KGHM Polska Miedź S.A. for financial year 2012  
and the report on the Company's activities in financial year 2012**

---

Aleksandra Magaczewska .....

Krzysztof Opawski .....

Ireneusz Piecuch .....

Jacek Poświęta .....

Bogusław Szarek .....