

POLISH FINANCIAL SUPERVISION AUTHORITY

Consolidated quarterly report QSr 2 / 2012

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

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

For the second quarter of the financial year **2012** comprising the period from **1 April 2012** to **30 June 2012**
Containing the interim condensed consolidated financial statements according to IAS 34 in PLN, and interim condensed financial statements according to IAS 34 in PLN.

publication date: 13 August 2012

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(name of the issuer)

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This report is a direct translation from the original Polish version. In the event of differences resulting from the translation, reference should be made to the official Polish version.

SELECTED FINANCIAL DATA

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

	in '000 PLN		in '000 EUR	
	2 quarters of 2012 period from 1 January 2012 to 30 June 2012	2 quarters of 2011 period from 1 January 2011 to 30 June 2011	2 quarters of 2012 period from 1 January 2012 to 30 June 2012	2 quarters of 2011 period from 1 January 2011 to 30 June 2011
I. Sales	13 111 244	11 221 172	3 103 547	2 828 415
II. Operating profit	3 619 959	5 098 123	856 876	1 285 036
III. Profit before income tax	3 549 609	5 264 113	840 224	1 326 875
IV. Profit for the period	2 714 841	4 313 984	642 627	1 087 385
V. Profit for the period attributable to shareholders of the Parent Entity	2 713 657	4 313 218	642 347	1 087 192
VI. Profit for the period attributable to non-controlling interest	1 184	766	280	193
VII. Other comprehensive income	268 219	187 706	63 490	47 313
VIII. Total comprehensive income	2 983 060	4 501 690	706 117	1 134 698
IX. Total comprehensive income attributable to the shareholders of the Parent Entity	2 983 191	4 500 492	706 148	1 134 396
X. Total comprehensive income attributable to non-controlling interest	(131)	1 198	(31)	302
XI. Number of shares issued	200 000 000	200 000 000	200 000 000	200 000 000
XII. Earnings per ordinary share (in PLN/EUR) attributable to the shareholders of the Parent Entity	13.57	21.57	3.21	5.44
XIII. Net cash generated from operating activities	2 611 500	4 130 660	618 165	1 041 177
XIV. Net cash used in investing activities	(8 442 183)	(1 108 897)	(1 998 339)	(279 509)
XV. Net cash generated from/(used in) financing activities	280 237	(64 352)	66 335	(16 221)
XVI. Total net cash flow	(5 550 446)	2 957 411	(1 313 839)	745 447
	At 30 June 2012	At 31 December 2011	At 30 June 2012	At 31 December 2011
XVII. Non-current assets	23 048 083	12 050 205	5 408 698	2 728 266
XVIII. Current assets	14 711 339	18 516 811	3 452 312	4 192 359
XIX. Total assets	37 759 422	30 567 016	8 861 010	6 920 625
XX. Non-current liabilities	7 577 972	2 815 264	1 778 324	637 399
XXI. Current liabilities	9 555 716	4 365 142	2 242 442	988 304
XXII. Equity	20 625 734	23 386 610	4 840 244	5 294 922
XXIII. Non-controlling interest	235 130	288 844	55 178	65 397

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

	in '000 PLN		in '000 EUR	
	2 quarters of 2012 period from 1 January 2012 to 30 June 2012	2 quarters of 2011 period from 1 January 2011 to 30 June 2011	2 quarters of 2012 period from 1 January 2012 to 30 June 2012	2 quarters of 2011 period from 1 January 2011 to 30 June 2011
I. Sales	10 503 890	10 000 920	2 486 363	2 520 838
II. Operating profit	3 756 260	5 281 453	889 140	1 331 246
III. Profit before income tax	3 739 344	5 265 396	885 136	1 327 199
IV. Profit for the period	2 949 179	4 319 004	698 097	1 088 651
V. Other comprehensive income	(243 465)	187 443	(57 630)	47 247
VI. Total comprehensive income	2 705 714	4 506 447	640 467	1 135 898
VII. Number of shares issued	200 000 000	200 000 000	200 000 000	200 000 000
VIII. Earnings per ordinary share (in PLN/EUR)	14.75	21.60	3.49	5.44
IX. Net cash generated from operating activities	2 259 057	3 987 760	534 739	1 005 157
X. Net cash used in investing activities	(10 374 841)	(1 004 847)	(2 455 816)	(253 282)
XI. Net cash used in financing activities	(32)	(2 982)	(8)	(752)
XII. Total net cash flow	(8 115 816)	2 979 931	(1 921 085)	751 123
	At 30 June 2012	At 31 December 2011	At 30 June 2012	At 31 December 2011
XIII. Non-current assets	21 726 399	11 696 705	5 098 538	2 648 231
XIV. Current assets	9 282 332	17 556 484	2 178 286	3 974 933
XV. Total assets	31 008 731	29 253 189	7 276 824	6 623 164
XVI. Non-current liabilities	2 328 793	2 249 946	546 498	509 406
XVII. Current liabilities	8 506 713	3 867 732	1 996 272	875 687
XVIII. Equity	20 173 225	23 135 511	4 734 054	5 238 071

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A. Interim condensed consolidated financial statements

(Consolidated financial statements)

Interim consolidated statement of financial position

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

* details presented in note A.I.4

A. Interim condensed consolidated financial statements (continued)

Interim consolidated statement of comprehensive income

	Note	Financial period			
		for the 3 months ended 30 June 2012	for the 6 months ended 30 June 2012	for the 3 months ended 30 June 2011 restated*	for the 6 months ended 30 June 2011 restated*
Sales	A.IV.1	7 003 432	13 111 244	5 874 632	11 221 172
Cost of sales	A.IV.2	(4 914 192)	(8 314 335)	(3 026 212)	(5 693 527)
Gross profit		2 089 240	4 796 909	2 848 420	5 527 645
Selling costs	A.IV.2	(131 706)	(191 496)	(80 108)	(141 554)
Administrative expenses	A.IV.2	(250 517)	(546 616)	(219 949)	(423 022)
Other operating income	A.IV.3	320 989	991 069	274 151	701 399
Other operating costs	A.IV.4	(164 661)	(1 429 907)	(182 351)	(566 345)
Operating profit		1 863 345	3 619 959	2 640 163	5 098 123
Finance costs	A.IV.5	(50 276)	(70 246)	(10 830)	(21 765)
Share of (losses)/profits of investments accounted for using the equity method		(18)	(104)	123 050	187 755
Profit before income tax		1 813 051	3 549 609	2 752 383	5 264 113
Income tax expense		(471 235)	(834 768)	(470 612)	(950 129)
Profit for the period		1 341 816	2 714 841	2 281 771	4 313 984
Other comprehensive income due to:					
Available-for-sale financial assets		(137 999)	(205 003)	52 294	25 124
Cash flow hedging instruments		292 109	(159 670)	141 000	205 523
Income tax from measurement of financial instruments recognised in other comprehensive income		(37 007)	57 177	(36 726)	(43 823)
Exchange differences from the translation of foreign operations		785 545	575 715	(4 423)	882
Other comprehensive net income for the financial period		902 648	268 219	152 145	187 706
TOTAL COMPREHENSIVE INCOME		2 244 464	2 983 060	2 433 916	4 501 690
Profit for the period attributable to:					
shareholders of the Parent Entity		1 340 993	2 713 657	2 281 893	4 313 218
non-controlling interest		823	1 184	(122)	766
Total comprehensive income attributable to:					
shareholders of the Parent Entity		2 237 264	2 983 191	2 434 038	4 500 492
non-controlling interest		7 200	(131)	(122)	1 198
Earnings per share attributable to the shareholders of the Parent Entity for the reporting period (in PLN per share)					
- basic		6.70	13.57	11.41	21.57
- diluted		6.70	13.57	11.41	21.57

* details presented in note A.I.4

A. Interim condensed consolidated financial statements (continued)

Interim consolidated statement of changes in equity

	Equity attributable to shareholders of the Parent Entity				Retained earnings	Total	Equity attributable to non-controlling interest	Total equity
	Share capital	Accumulated other comprehensive income due to:						
	Available-for-sale financial assets	Cash flow hedging instruments	Exchange differences from the translation of foreign operations					
At 1 January 2012	2 000 000	(38 296)	574 283	18 937	20 542 842	23 097 766	288 844	23 386 610
Dividends for 2011 resolved but unpaid	-	-	-	-	(5 668 000)	(5 668 000)	(527)	(5 668 527)
Total comprehensive income	-	(178 163)	(129 333)	577 030	2 713 657	2 983 191	(131)	2 983 060
Profit for the period	-	-	-	-	2 713 657	2 713 657	1 184	2 714 841
Other comprehensive income	-	(178 163)	(129 333)	577 030	-	269 534	(1 315)	286 219
Changes in ownership shares in subsidiaries which do not lead to a loss of control	-	-	-	10 768	(33 121)	(22 353)	(53 056)	(75 409)
At 30 June 2012	2 000 000	(216 459)	444 950	606 735	17 555 378	20 390 604	235 130	20 625 734
At 1 January 2011	2 000 000	120 046	89 775	-	12 456 413	14 666 234	255 889	14 922 123
Dividends for 2010 resolved but unpaid	-	-	-	-	(2 980 000)	(2 980 000)	-	(2 980 000)
Total comprehensive income	-	20 350	166 474	450	4 313 218	4 500 492	1 198	4 501 690
Profit for the period	-	-	-	-	4 313 218	4 313 218	766	4 313 984
Other comprehensive income	-	20 350	166 474	450	-	187 274	432	187 706
Changes due to obtaining control of subsidiaries	-	-	-	-	-	-	18 647	18 647
Changes in ownership shares in subsidiaries which do not lead to a loss of control	-	-	-	-	7 238	7 238	(7 746)	(508)
At 30 June 2011 restated*	2 000 000	140 396	256 249	450	13 796 869	16 193 964	267 988	16 461 952

* details presented in note A.I.4

A. Interim condensed consolidated financial statements (continued)

Interim consolidated statement of cash flows

	Note	Financial period	
		for the 6 months ended 30 June 2012	for the 6 months ended 30 June 2011 restated*
Cash flow from operating activities			
Profit for the period		2 714 841	4 313 984
Adjustments to profit for the period	A.IV.7	2 082 994	731 572
Income tax paid		(2 186 335)	(914 896)
Net cash generated from operating activities		2 611 500	4 130 660
Cash flow from investing activities			
Purchase of subsidiaries, less acquired cash and cash equivalents		(7 125 540)	(94 644)
Purchase of property, plant and equipment and intangible assets		(1 083 636)	(754 095)
Advances granted for purchase of property, plant and equipment and intangible assets		(17 612)	(46 061)
Proceeds from sale of property, plant and equipment and intangible assets		17 360	10 350
Purchase of investment property		(180)	(44)
Purchase of available-for-sale financial assets		-	(1 585 813)
Proceeds from sale of available-for-sale financial assets		3 223	1 028 023
Purchase of mine closure financial assets		(91 865)	(23 500)
Establishment of deposits		-	(450 000)
Termination of deposits		27 092	800 000
Expenses due to loans granted		(172 368)	(60)
Interest received		2 837	8 599
Dividends received		136	145
Other investment expenses		(1 630)	(1 797)
Net cash used in investing activities		(8 442 183)	(1 108 897)
Cash flow from financing activities			
Proceeds from capital increases		18 383	-
Proceeds from bank and other loans		385 908	40 020
Repayments of bank and other loans		(52 036)	(91 118)
Payments of liabilities due to finance leases		(5 443)	(8 152)
Interest paid		(71 202)	(5 311)
Other financial proceeds		4 627	209
Net cash generated from/(used in) financing activities		280 237	(64 352)
Total net cash flow		(5 550 446)	2 957 411
Exchange (losses)/gains on cash and cash equivalents		(870 957)	51 836
Movements in cash and cash equivalents		(6 421 403)	3 009 247
Cash and cash equivalents at beginning of the period		13 204 295	3 086 957
Cash and cash equivalents at end of the period		6 782 892	6 096 204
including restricted cash and cash equivalents		97 441	5 320

* details presented in note A.I.4

A. Interim condensed consolidated financial statements (continued)

Selected explanatory data

I. Policies applied in preparing the financial statements

1. Introduction

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

The principal activities of the Parent Entity comprise:

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

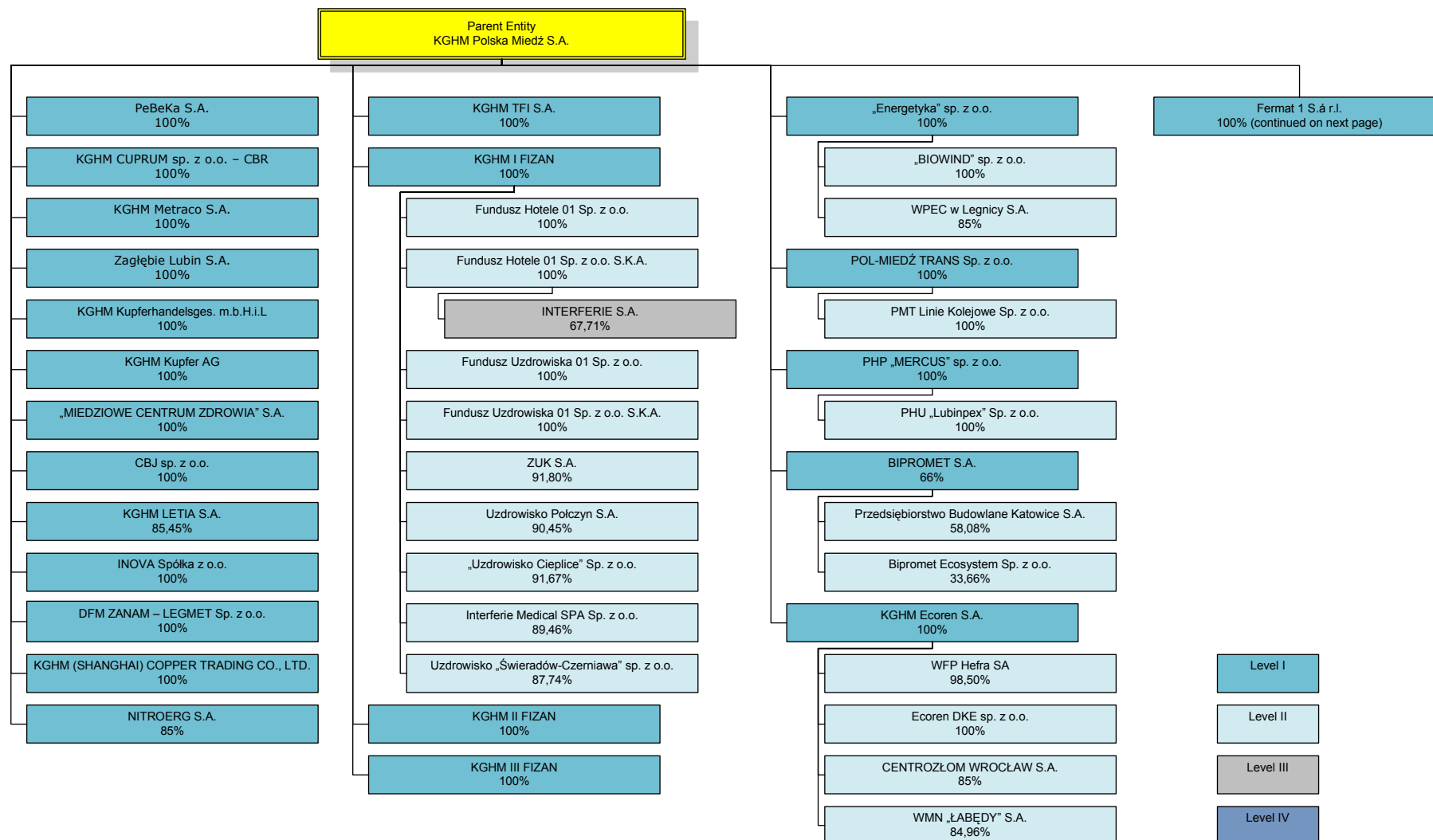
Activities involving the exploitation of copper ore, salt deposits and common minerals are carried out based on licenses held by KGHM Polska Miedź S.A., which were issued by the Minister of Environmental Protection, Natural Resources and Forestry in the years 1993-2004, most of which expire up to 31 December 2013. KGHM Polska Miedź S.A. in the current reporting period is continuing to obtain licenses for subsequent years. In the opinion of the Management Board, the licensing process, which occurs periodically, is of an administrative nature, while the probability of not receiving a license is, in the opinion of the Management Board of the Parent Entity, minimal. Detailed information on the process of acquiring licenses may be found in note C.II.1. of this report.

The business activities of the Group also include:

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

A. Interim condensed consolidated financial statements (continued)

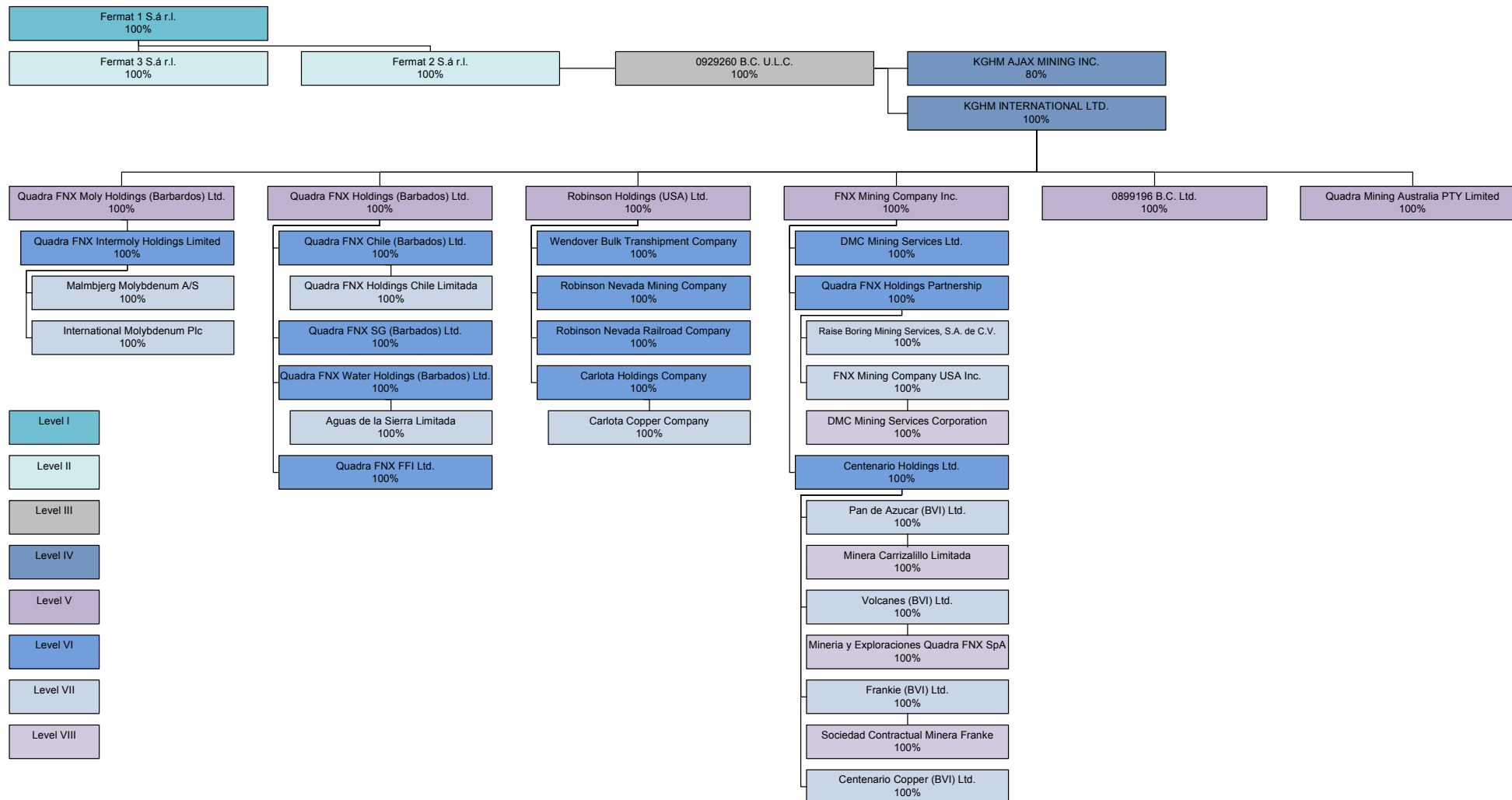
2. Composition of the KGHM Polska Miedź S.A. Group at 30 June 2012



The percentage share represents the total share of the Group.

KGHM Polska Miedź S.A.
 Consolidated quarterly report with quarterly financial information prepared in accordance with IAS 34
 for the period from 1 April 2012 to 30 June 2012
 (amounts in tables in thousand PLN, unless otherwise stated)

A. Interim condensed consolidated financial statements (continued)



The percentage share represents the total share of the Group.

A. Interim condensed consolidated financial statements (continued)

In the current quarter KGHM Polska Miedź S.A. consolidated 81 subsidiary entities, and one associated entity and a joint venture were accounted for using the equity method.

At 30 June 2012, based on IAS 8 § 8, which allows exemption from the application of IFRS in a case where the effects of exemption are immaterial, the following subsidiaries were excluded from consolidation - „Mercus Software” Sp. z o.o. and TUW Cuprum. Altogether, in the presented consolidated financial statements 2 subsidiaries were not consolidated, and one associated entity was not accounted for using the equity method. At the end of the reporting period these assets were measured at cost less impairment. Exclusion of these entities from consolidation does not affect the honest presentation of the assets, profit or loss and cash flows of the Group.

The following quarterly report includes:

1. the interim condensed consolidated financial statements of the KGHM Polska Miedź S.A. Group for the current period from 1 April to 30 June 2012 and the comparable period from 1 April to 30 June 2011, together with selected explanatory data **(Part A)**,
2. other information to the consolidated quarterly report **(Part B)**,
3. the quarterly financial information of KGHM Polska Miedź S.A. for the current period from 1 April to 30 June 2012 and the comparable period from 1 April to 30 June 2011 **(Part C)**.

Neither the interim consolidated financial statements at 30 June 2012 nor the interim separate financial statements at 30 June 2012 were audited by a certified auditor.

3. Exchange rates applied

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

- for the calculation of turnover, profit or loss and cash flow for the current period, the rate of **4.2246 PLN/EUR***,
- for the calculation of turnover, profit or loss and cash flow for the comparable period, the rate of **3.9673 PLN/EUR***,
- for the calculation of assets, equity and liabilities at 30 June 2012, the rate of **4.2613 PLN/EUR**,
- for the calculation of assets, equity and liabilities at 31 December 2011, the rate of **4.4168 PLN/EUR**.

**the rates represent the arithmetic mean of current average exchange rates announced by the NBP on the last day of each month during the periods from January to June respectively of 2011 and 2012.*

4. Accounting policies

The condensed consolidated financial statements for the period from 1 April 2012 to 30 June 2012 were prepared in accordance with IAS 34 Interim Financial Reporting and for a full understanding of the financial situation and operating results of KGHM Polska Miedź S.A. and the KGHM Polska Miedź S.A. Group, should be read jointly with the consolidated financial statements for the year ended 31 December 2011 and with the separate financial statements of KGHM Polska Miedź S.A. for the year ended 31 December 2011.

These financial statements have been prepared using the same principles for the current and comparable periods, restating the comparable period to changes in accounting principles, final accounting of a purchase transaction and presentation principles to those applied in the statements in the current period.

Changes to the comparable period were with respect to:

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

A. Interim condensed consolidated financial statements (continued)

- o amortisation of the differences between the fair value of the net assets of the companies Uzdrowisko Polczyn S.A., ZUK S.A. and „Uzdrowisko Cieplice” Sp. z o.o., and their carrying amount at the date of purchase of shares of these companies as a result of final accounting of this transaction and adjustment of net assets to the finally-set fair value pursuant to IFRS 3. The effects of changes in amortisation of non-current assets was charged to retained earnings as at 30 June 2011 in the amount of PLN 1 570 thousand.

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

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

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

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

Up to the date of publication of these financial statements, all of the above changes to the standards and interpretations have been approved for use by the European Union. In the opinion of the Group, their application would not have an impact on the financial statements or the impact would be immaterial.

II. Information on significant changes in estimates

1. Provisions for future liabilities

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

- 1.1 provisions for future employee benefits due to one-off retirement or disability payments, jubilee awards, post-mortem benefits and the coal equivalent also paid after the period of employment. The result of this change in estimates, mainly as a result of changes in macroeconomic assumptions, is an increase in the provision in the amount of PLN 11 721 thousand which was settled as a decrease in profit (after reflecting the results in deferred tax, a decrease in profit in the amount of PLN 9 577 thousand),

(a decrease in profit by PLN 35 486 thousand after reflecting the results in deferred tax since the beginning of the financial year)

- 1.2 provision for future costs of decommissioning (restoration) of the Group's mines, comprising the estimated costs of dismantling and removing technological facilities, for which the obligation for restoration upon the conclusion of activities is a result of separate law or standard practice. The result of this change in estimates is an increase in the provision in the amount of PLN 85 822 thousand, which was settled as a decrease in profit in the amount of PLN 12 770 thousand and as an increase of property, plant and equipment in the amount of PLN 73 052 thousand. The increase in the provision caused an increase in deferred tax assets in the amount of PLN 627 thousand,

(an increase in the provision by PLN 127 188 thousand since the beginning of the financial year, which was settled as a decrease in profit in the amount of PLN 23 759 thousand and as an increase in property, plant and equipment in the amount of PLN 103 429 thousand.)

- 1.3 provisions for future employee remuneration costs together with charges in the amount of PLN 230 038 thousand, paid (in accordance with the Collective Labour Agreement) on the occasion of mining or smelting holidays and after approval of the annual financial statements.

(provision at 30 June 2012 amounted to PLN 431 764 thousand)

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

A. Interim condensed consolidated financial statements (continued)

2. Deferred tax

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

The deferred tax asset increased in the current quarter in the amount of PLN 83 193 thousand, of which:

- PLN 24 613 thousand was settled as an increase in profit,
- PLN 33 105 thousand was settled as an increase in other comprehensive income due to measurement of available-for-sale financial assets and hedging financial instruments,
- PLN 25 475 thousand was settled as an increase in other comprehensive income due to exchange differences from measurement of the deferred tax asset of subsidiaries with a functional currency other than PLN.

(an increase in the deferred tax asset since the beginning of the financial year in the amount of PLN 575 382 thousand, which was settled as:

- | | |
|---|------------------------------|
| <i>- an increase in profit,</i> | <i>PLN 219 334 thousand,</i> |
| <i>- an increase in other comprehensive income due to measurement of hedging financial instruments and available-for-sale financial assets,</i> | <i>PLN 39 959 thousand,</i> |
| <i>- as an increase in other comprehensive income due to exchange differences from measurement of the deferred tax asset of subsidiaries with a functional currency other than PLN,</i> | <i>PLN 28 553 thousand.</i> |

The remaining changes in the deferred tax asset since the beginning of the financial year relate to an increase in the deferred tax asset in the amount of PLN 287 536 thousand and represent the deferred tax asset of subsidiaries at the date on which control was obtained by the Group.)

The deferred tax liability increased in the current quarter in the amount of PLN 286 174 thousand, of which:

- PLN 71 624 thousand was settled as a decrease in profit,
- PLN 72 302 thousand was settled as a decrease in other comprehensive income due to measurement of hedging financial instruments and available-for-sale financial assets,
- PLN 142 248 thousand was settled as a decrease in other comprehensive income due to exchange differences from measurement of the deferred tax liability of subsidiaries with a functional currency other than PLN.

(an increase in the deferred tax liability since the beginning of the financial year in the amount of PLN 2 017 945 thousand, which was settled as:

- | | |
|--|------------------------------|
| <i>- an decrease in profit,</i> | <i>PLN 159 012 thousand,</i> |
| <i>- an increase in other comprehensive income due to measurement of hedging financial instruments and available-for-sale financial assets,</i> | <i>PLN 17 199 thousand,</i> |
| <i>- as a decrease in other comprehensive income due to exchange differences from measurement of the deferred tax liability of subsidiaries with a functional currency other than PLN,</i> | <i>PLN 160 607 thousand.</i> |

The remaining increases in the deferred tax liability since the beginning of the financial year relate to an increase in the liability in the amount of PLN 698 307 thousand and represent the deferred tax liability of subsidiaries at the date on which control was obtained by the Group, and an increase in the deferred tax liability in the amount of PLN 1 017 218 thousand due to fair value measurement of net assets from provisional settlement of purchase of KGHM INTERNATIONAL LTD.)

After offsetting the deferred tax asset and deferred tax liability, in the statements of financial position at the level of subsidiaries as at 30 June 2012, the deferred tax asset was set at PLN 765 738 thousand, while the deferred tax liability - at PLN 2 065 012 thousand.

III. Financial and tangible assets

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

1. in **available-for-sale financial assets** settlement in other comprehensive income of a decrease in value of assets at the end of the reporting period in the amount of PLN 137 273 thousand,

(a decrease in value of available-for-sale financial assets since the beginning of the financial year in the amount of PLN 204 386 thousand),

A. Interim condensed consolidated financial statements (continued)

2. in mine closure financial assets (non-current and current)

acquisition of financial assets from the funds of the Mine Closure Fund in the amount of PLN 67 938 thousand.

(acquisitions of financial assets since the beginning of the financial year in the amount of PLN 92 083 thousand),

3. in derivatives (assets and liabilities) - as a result of changes in macroeconomic factors, an increase in hedged volume and extension of the time horizon of hedging, the fair value of open positions in derivatives at 30 June 2012 increased.

Simultaneously, as a result of these changes, derivative transactions with a settlement date falling in the second quarter of 2012 were settled with a positive result. Profit for the current quarter increased in the amount of PLN 111 382 thousand. Detailed information on derivatives of the Parent Entity may be found in part C.II.5 of this report.

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

In the current period a write down of inventories was recognised in the KGHM INTERNATIONAL LTD. Group in the amount of PLN 88 million.

IV. Selected additional explanatory notes

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

Purchase and sale of property, plant and equipment

	Financial period		
	for the 6 months ended 30 June 2012	for the 12 months ended 31 December 2011 restated	for the 6 months ended 30 June 2011 restated
Purchase of property, plant and equipment	876 364	1 875 266	555 207
Net sale of property, plant and equipment	2 761	5 128	1 756

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

	At	
	30 June 2012	31 December 2011 restated
Payables due to purchase of property, plant and equipment and intangible assets	146 073	278 973

Capital commitments not recognised in the consolidated statement of financial position

	At	
	30 June 2012	31 December 2011 restated
For the purchase of property, plant and equipment	912 079	709 883
For the purchase of intangible assets, of which:	5 081 206	18 076
- for the purchase of mining assets in the Sierra Gorda S.C.M. project*	5 037 005	-
Total capital commitments:	5 993 285	727 959

*At 30 June 2012, 55 percent of the share of the Group in the investment liabilities of the Sierra Gorda Joint Venture amounts to PLN 5 037 005 thousand, of which PLN 1 716 275 thousand relates to orders for mining equipment and construction of mine infrastructure, with PLN 3 320 730 thousand due to contracts for the construction of electrical power lines, a shipping port and a railway network.

A. Interim condensed consolidated financial statements (continued)

2. Sales

	Financial period			
	for the 3 months ended 30 June 2012	for the 6 months ended 30 June 2012	for the 3 months ended 30 June 2011 restated	for the 6 months ended 30 June 2011 restated
Copper, precious metals, smelter by-products	5 935 272	11 270 622	5 102 104	9 743 585
Energy	36 988	56 325	37 058	54 266
Services	452 493	642 849	239 291	465 967
Mining machinery, transport vehicles for mining and other	10 533	27 096	8 531	9 179
Merchandise	324 826	638 920	248 462	496 285
Scrap and materials	18 435	35 345	6 386	11 413
Other finished goods	224 885	440 087	232 800	440 477
Total	7 003 432	13 111 244	5 874 632	11 221 172

3. Expenses by nature

	Financial period			
	for the 3 months ended 30 June 2012	for the 6 months ended 30 June 2012	for the 3 months ended 30 June 2011 restated	for the 6 months ended 30 June 2011 restated
Depreciation of property, plant and equipment and amortisation of intangible assets	428 820	671 134	232 031	465 198
Employee benefit expenses	1 157 331	2 210 890	927 299	1 803 456
Materials and energy	2 117 238	4 235 710	1 485 633	3 174 654
External services	611 590	1 270 570	376 516	717 599
Taxes and charges*	558 609	656 203	99 372	196 378
Advertising costs and representation expenses	28 030	35 113	23 104	36 998
Property and personal insurance	9 132	17 090	9 830	17 046
Research and development costs not capitalised in intangible assets	1 350	1 843	2 401	2 460
Other costs of which:	41 052	60 151	20 772	31 662
Impairment losses on property, plant and equipment, intangible assets, write-down of inventories, allowance for impairment of receivables	3 910	4 637	5 992	9 514
Reversal of impairment of property, plant and equipment, intangible assets, write-down of inventories, allowance for impairment of receivables	(2 819)	(9 159)	(2 688)	(5 935)
Losses from the sale of financial instruments	2 031	4 485	1 165	1 899
Other operating costs	37 930	60 188	16 303	26 184
Total expenses by nature	4 953 152	9 158 704	3 176 958	6 445 451
Cost of merchandise and materials sold (+) of which:	575 516	408 263	174 243	297 902
Allowance for impairment of receivables	712	872	318	814
Reversal of allowance for impairment of receivables	(120)	(247)	(121)	(360)
Change in inventories of finished goods and work in progress (+/-)	(8 450)	(126 115)	107 680	(220 146)
Cost of manufacturing products for internal use (-)	(223 803)	(388 405)	(132 612)	(265 104)
Total cost of sales, selling costs and administrative expenses	5 296 415	9 052 447	3 326 269	6 258 103

*including the minerals extraction tax in the Parent Entity in the amount of PLN 442 569 thousand

A. Interim condensed consolidated financial statements (continued)

4. Other operating income

	Financial period			
	for the 3 months ended 30 June 2012	for the 6 months ended 30 June 2012	for the 3 months ended 30 June 2011 restated	for the 6 months ended 30 June 2011 restated
Income and gains on financial instruments, classified under other operating activities, resulting from:	229 842	867 837	227 582	630 371
Measurement and realisation of derivatives	171 811	736 186	178 733	538 022
Interest	57 686	129 768	40 438	77 323
Gains from realisation of financial instruments	910	1 479	7 665	14 145
Gains from measurement of non-current financial liabilities	(429)	181	153	204
Reversal of allowance for impairment of receivables	(136)	223	593	677
Gains from the sale of intangible assets	15	2 686	132	155
Other interest	478	676	994	3 707
Dividends received	56 455	56 590	27 317	27 462
Government grants and other donations received	1 993	3 309	303	842
Release of unused provisions due to:	1 692	13 417	2 349	10 137
Decommissioning of mines	471	1 621	-	2 382
Disputed issues, pending court proceedings	353	1 414	579	1 143
Other foreseeable losses, expenses and liabilities	868	10 382	1 770	6 612
Penalties and compensation	4 109	5 639	8 477	16 805
Other operating income/gains	26 405	40 915	6 997	11 920
Total other operating income	320 989	991 069	274 151	701 399

5. Other operating costs

	Financial period			
	for the 3 months ended 30 June 2012	for the 6 months ended 30 June 2012	for the 3 months ended 30 June 2011 restated	for the 6 months ended 30 June 2011 restated
Costs and losses on financial instruments, classified under other operating activities, resulting from:	142 332	1 297 255	165 482	517 879
Measurement and realisation of derivatives	148 196	754 800	130 623	454 449
Interest	117	230	87	163
Foreign exchange losses	(7 232)	540 713	32 077	56 949
Losses on sale	-	-	1 141	1 143
Losses due to change in the fair value of financial assets	211	356	-	-
Allowances for impairment of loans and receivables	106	160	1 554	5 175
Impairment losses on available-for-sale financial assets	934	996	-	-
Losses on the sale of property, plant and equipment	(745)	831	4 586	5 965
Interest on overdue non-financial liabilities	2 123	2 247	407	430
Foreign exchange losses-non-financial	(6 487)	2 514	-	-
Donations granted	442	86 396	293	13 120
Provisions for:	8 612	11 973	2 535	4 722
Decommissioning of mines	6 169	6 808	1 237	1 259
Disputed issues, pending court proceedings	292	487	1 048	1 659
Other	2 151	4 678	250	1 804
Penalties and compensation	1 896	2 734	1 335	2 491
Contributions to a voluntary organisation	2 938	6 214	2 649	5 496
Other operating costs/losses	13 550	19 743	5 064	16 242
Total other operating costs	164 661	1 429 907	182 351	566 345

A. Interim condensed consolidated financial statements (continued)

6. Finance costs

	Financial period			
	for the 3 months ended 30 June 2012	for the 6 months ended 30 June 2012	for the 3 months ended 30 June 2011 restated	for the 6 months ended 30 June 2011 restated
Interest expense:	36 618	50 621	2 561	5 116
On bank and other loans	3 179	6 547	1 885	4 029
On bonds	32 898	43 042	-	-
Due to finance leases	431	899	648	1 057
Due to finance liabilities	110	133	28	30
Foreign exchange (gains)/losses on borrowings	1 376	(2 831)	(554)	(312)
Changes in provisions arising from the approach of the maturity date of liabilities (unwinding of discount effect)	9 859	18 670	7 887	15 806
Other finance costs	2 423	3 786	936	1 155
Total finance costs	50 276	70 246	10 830	21 765

7. Borrowings, debt securities and finance lease liabilities

	At	
	30 June 2012	31 December 2011 restated
Non-current	1 929 776	194 370
Bank loans	174 899	176 909
Loans	2 470	1 738
Bonds*	1 739 102	-
Finance lease liabilities	13 305	15 723
Current	81 463	103 587
Bank loans	62 001	91 269
Loans	4 660	2 032
Bonds*	5 471	-
Finance lease liabilities	9 331	10 286
Total	2 011 239	297 957

* relate to KGHM INTERNATIONAL LTD.

A. Interim condensed consolidated financial statements (continued)

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

	Financial period	
	for the 6 months ended 30 June 2012	for the 6 months ended 30 June 2011 restated
Income tax expense	834 768	950 129
Depreciation/amortisation	671 134	465 198
Share of profits/(losses) of investments accounted for using the equity method	104	(187 755)
Interest and share in profits	(29 714)	(29 750)
Foreign exchange losses/(gains)	874 583	(51 110)
Change in provisions	28 045	20 728
Change in derivatives	(75 697)	(218 815)
Reclassification of accumulated other comprehensive income to profit or loss as a result of realisation of derivatives	(141 113)	(83 577)
Exchange differences from translation of foreign entities' statement of cash flows	216 648	(8 758)
Other adjustments	150 098	6 531
Changes in working capital:	(445 862)	(131 249)
Inventories	(475 997)	(603 062)
Trade and other receivables	(694 472)	327 627
Trade and other payables	724 607	144 186
Total adjustments to profit for the period	2 082 994	731 572

9. Related entities transactions

	Financial period			
	for the 3 months ended 30 June 2012	for the 6 months ended 30 June 2012	for the 3 months ended 30 June 2011 restated	for the 6 months ended 30 June 2011 restated
Sales to related entities				
To associates	1 414	1 414	1 624	2 925
To other related entities	193	4 430	113	185
Total sales to related entities	1 607	5 844	1 737	3 110

	Financial period			
	for the 3 months ended 30 June 2012	for the 6 months ended 30 June 2012	for the 3 months ended 30 June 2011 restated	for the 6 months ended 30 June 2011 restated
Purchases from related entities				
From associates	7	7	2 107	4 435
From other related entities	12 629	24 419	7 238	16 075
Total purchases from related entities	12 636	24 426	9 345	20 510

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

A. Interim condensed consolidated financial statements (continued)

	At 30 June 2012	31 December 2011 restated
Trade payables towards related entities		
Towards other related entities	12 498	4 096
Total payables towards related entities	12 498	4 096

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

The remaining transactions, which were collectively significant, between the Group and the government and entities controlled or jointly controlled by the government, or over which the government has significant influence, were within the scope of normal, daily economic operations, carried out at arm's length. These transactions involved the purchase by companies of the Group of materials and services to meet the needs of their current operating activities (fuel, energy, transport services). Turnover from these transactions in the current reporting period amounted to PLN 378 619 thousand (for the period from 1 January to 30 June 2011 – PLN 218 371 thousand), and the unsettled balance of liabilities from these transactions at 30 June 2012 amounted to PLN 47 136 thousand (at 31 December 2011: PLN 80 841 thousand).

	For the period	
Remuneration of the Supervisory Board of the Parent Entity	for the 6 months ended 30 June 2012	for the 6 months ended 30 June 2011
Remuneration due to service in the Supervisory Board, salaries and other current employee benefits	838	750

	For the period	
Remuneration of the Management Board of the Parent Entity	for the 6 months ended 30 June 2012	for the 6 months ended 30 June 2011
Salaries and other current employee benefits	1 966	2 033
Benefits due to termination of employment	42	-
Total	2 008	2 033

10. Contingent assets and liabilities

	At 30 June 2012	Increase/(decrease) since the end of the last financial year
Contingent assets	441 486	15 736
Guarantees received	197 097	11 283
Disputed State budget issues	28 747	8
Promissory notes receivables	91 096	2 187
Inventions, implementation of projects	38 228	1 633
Real estate tax on mining facilities	86 296	807
Other	22	(182)
Contingent liabilities	836 161	456 357
Guarantees and collateral	510 695	461 511
Promissory note liabilities	18 303	(5 504)
Disputed issues, pending court proceedings	14 429	350
Liabilities due to implementation of projects and inventions	119 309	5 342
Liabilities towards local municipalities (Gminas) due to a signed donation agreement in respect of expansion of the Żelazny Most tailings pond	156 268	156 268
Other	17 157	8 463

The value of contingent assets and liabilities was determined based on estimates.

A. Interim condensed consolidated financial statements (continued)

V. Strategy realisation

The Strategy of the KGHM Polska Miedź S.A. Group in force is based on several pillars, of which the most important are:

- developing the resource base, which, apart from increasing the Group's resource base, is aimed at increasing the production of copper (to over 700 thousand tonnes annually in 2018),
- diversifying sources of revenues through gradual engagement in the power sector.

Developing the resource base

The Strategy for developing the resource base comprises two areas:

- exploration in the local region,
- acquisition and development of global mine projects.

The KGHM Polska Miedź S.A. Group is engaged in several exploration in the local region.

Synklina Grodziecka – this project includes an intensive program of drilling in the vicinity of Bolesławiec to precisely identify and document additional copper and silver ore resources. The area where this work is being conducted, known as the „Old Copper Belt” – in the vicinity of Iwiny, Wartowice, Lubichów, Żeliszów and Bolesławiec – contains deposits which were documented in the 1950s and 1960s called „Wartowice” and „Niecka Grodziecka”. In the first half of 2012, the first stage of exploration and research work was performed, under which 8 out of 9 drillholes were executed, as well as geophysical and hydrogeological research and chemical analysis of the bore samples. The final, ninth drillhole of the first stage of work will be executed in the third quarter of 2012. In the second stage of work, a further 6 drillholes are planned, as well as geophysical measurements and hydrogeological research. The commencement of stage two of this exploration work is planned at the turn of the 3rd-4th quarters of 2012, following receipt of licensing decisions.

Szklary – technical and economic analyses are currently being performed to determine the feasibility of mining a nickel ore deposit located in Lower Silesia.

Weisswasser – this project is being carried out by a subsidiary operating in Germany, KGHM Kupfer AG. In the second quarter of 2012 the first stage of exploration work was performed in the Weisswasser license area, located in Saxony on the border with Poland. Four drillholes were executed as well as geophysical research and chemical analysis of the bore samples. Copper and silver mineralisation was identified which is similar in nature to the ore currently being mined by KGHM Polska Miedź S.A. in the Polish Copper Belt.

In addition, in the second quarter of 2012 KGHM Polska Miedź S.A. applied to the Ministry of Environmental Protection on the granting of a license to carry out exploration and research in additional areas adjoining the areas for which the Parent Entity already has licenses. Administrative proceedings are currently in progress on the granting of 4 new licenses.

With respect to the acquisition and development of global mine projects, work continued on the integration of Quadra FNX Mining LTD (currently KGHM INTERNATIONAL LTD.) which was acquired from its former shareholders in the first quarter of 2012. In addition, the KGHM Polska Miedź S.A. Group increased its share of KGHM AJAX MINING INC. with its registered head office in Canada, which continued work on development of the Afton-Ajax project.

KGHM INTERNATIONAL LTD.

In the second quarter of 2012, the KGHM INTERNATIONAL LTD. Group continued realisation of projects in its mining portfolio, including its largest project at the pre-operational stage - the world-class mine project Sierra Gorda, located in northern Chile. This is a joint venture (under the name Sierra Gorda SCM) of KGHM INTERNATIONAL LTD. (55%) and companies from the Sumitomo Group - Sumitomo Metal Mining Co., Ltd. (31.5%) and Sumitomo Corporation (13.5%).

The Sierra Gorda project comprises the construction of an open-pit mine on one of the largest new deposits of copper and molybdenum in the world. The start of production at Sierra Gorda is planned for 2014. Planned annual production: approx. 220 thousand tonnes of copper, 11 thousand tonnes of molybdenum and 2 tonnes of gold for over 20 years.

At the end of the second quarter of 2012, with respect to realisation of the project, over 320 contracts had been signed (over 90% of those planned) for the supply of machinery, equipment and services, including design services. The deadlines for the most important deliveries remain on schedule.

Key long-term contracts were signed (period of 20 – 22 years) for the supply of water, railway transportation services and the distribution and purchase of electricity, as well as for port services. Recruitment continued for management and operating positions. Ground work was carried out according to plan related to construction of the processing plant as well as work related to building infrastructure, i.e. social buildings, workshops, etc. Work continued to waste stripping. Assembly of the machine park is ongoing.

Work is proceeding according to plan, with start of production expected in 2014. The level of capital expenditure will be verified and confirmed in the fourth quarter of 2012, once 75% of the engineering for the project is complete.

A. Interim condensed consolidated financial statements (continued)

CSR-related activities pursued in respect of realisation of this investment have met with the approval of local communities, with the Company receiving an award from the town government of Sierra Gorda for its part in improving the life of its citizens.

With respect to the exploration projects being realised by the KGHM INTERNATIONAL LTD. Group, the most important project is Victoria (the subsidiary FNX Mining Company Inc. owns 100% of the project). The Company continues technical and economic analyses into the feasibility of mining the deposit of copper, nickel and precious metals located in the Sudbury Basin in Canada. Their results will indicate the course of future exploration work and the shape of the future mine. In the second quarter, discussions continued with Vale regarding ownership of the future project (Vale holds a back-in right to the Victoria project). Activities were also continued aimed at obtaining required permitting, including discussions with First Nations.

Mining production of the KGHM INTERNATIONAL LTD. Group:

	Financial period		Financial period	
	for the 3 months ended 30 June 2012	for the 6 months ended 30 June 2012	for the 3 months ended 30 June 2011	for the 6 months ended 30 June 2011
Copper production [thousand t]	26.9	52.1	24.8	45.7
Nickel production [thousand t]	1.0	2.4	1.1	2.0
Precious metals production (gold, platinum, palladium) [kg]	661	1 285	782	1 494

The following table presents the financial results of the KGHM INTERNATIONAL LTD. Group for the period when control was exercised – included in the consolidated financial statements of the KGHM Polska Miedź S.A. Group for the period of exercising control.

	For the period			
	for the 3 months ended 30 June 2012		from the date of obtaining control to 30 June 2012	
	PLN (million)*	USD (million)	PLN (million)*	USD (million)
Sales	1 125	335	1 465	444
Profit from mining operations**	-	-	32	10
Operating loss	(15)	(5)	(17)	(5)
EBITDA***	107	31	146	44
Loss for the period from continued operations	(92)	(28)	(104)	(32)

* amounts in PLN set in accordance with principles for translation of financial statement items of subsidiaries, whose functional currency is different than the functional currency of entity preparing consolidated financial statement (IAS 21)

** revenue from sales less cost of sales and selling expenses

***EBITDA is operating profit + amortisation/depreciation

In the second quarter of 2012, the KGHM INTERNATIONAL LTD. Group recorded a loss of USD 28 million. The main factors which impacted the result were the recognition of write down related to leach pad inventory at the Franke mine in the amount of USD 26 million (i.e. approx. PLN 88 million, at the National Bank of Poland exchange rate of 29 June 2012) and to a temporary increase in mining costs at the Robinson and Morrison mines.

KGHM AJAX MINING INC.

On 2 April 2012, KGHM Polska Miedź S.A. exercised an option to acquire 29% of the shares of KGHM AJAX MINING INC. with its registered head office in Vancouver from Abacus Mining & Exploration Corporation, based on the shareholders agreement dated 12 October 2010, and increased its share of KGHM AJAX MINING INC. from 51% to 80%. The shares were purchased for the amount of USD 29 908 thousand (the equivalent of PLN 92 765 thousand, according to the average rate of the National Bank of Poland for USD/PLN of 2 April 2012). The decision to exercise this option was taken following analysis of the Bankable Feasibility Study for the Afton-Ajax project received in December 2011, as reported by KGHM Polska Miedź S.A. in its consolidated financial statements for the first quarter of 2012. There was a change during the reporting period of the direct owner of the company, as described in detail in note A.X.

In the second quarter of 2012, KGHM AJAX MINING INC. continued activities aimed at obtaining environmental permitting to construct the mine. The timeframe for gaining these permits is not under the company's control. It is however assumed that the permits enabling commencement of the mine's construction will be received in 2013, and consequently it will allow the completion of the construction of the Afton-Ajax mine and the start of Cu-Au concentrate production in 2015.

A. Interim condensed consolidated financial statements (continued)

Diversifying sources of revenues – investments in the energy sector

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

On 4 July 2012 KGHM Polska Miedź S.A. signed a framework agreement with the following companies: Polskie Górnictwo Naftowe i Gazownictwo S.A. ("PGNiG"), ENEA S.A., PGE Polska Grupa Energetyczna S.A. and TAURON Polska Energia S.A. on the exploration, evaluation and extraction of shale gas in geological formations for which concessions have been granted for the exploration and evaluation of deposits of crude oil and natural gas in relation to the Wejherowo concession held by PGNiG.

The agreement provides for cooperation based on the targeted structure of a limited partnership. The transfer of the concession for the extraction of shale gas is planned to such limited partnership after it has been obtained by PGNiG. Each party participates in control over the realisation of the project, in particular through participation in the operating committee formed for this purpose.

Estimated expenditures on exploration, evaluation and extraction with respect to the first three zones (the Kochanowo, Częstkowo and Tępcz pads) within the area of cooperation determined in the agreement are projected to be in the amount of PLN 1 720 million. Details regarding the terms of cooperation, including a detailed project budget and timeline, the shares of the parties in financing the expenditures arising from the agreed-on budget, shares in the project's profits and the principles of responsibility, including contractual penalties, will be determined by the parties within four months from the date the agreement is signed.

Should such specific arrangements not be forthcoming, the agreement may be terminated by each party. If within three months after reaching such arrangements the parties have not received all of the required corporate approvals, or if by 30 December 2012 the required antimonopoly clearances have not been received, the agreement will expire.

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

On 23 July 2012 the Parent Entity received the permission of the European Commission (the applicable anti-monopoly body) with respect to concentration based on the founding of a joint venture company, Elektrownia Blachownia Nowa sp. z o.o. The new shares of the special purpose vehicle which will operate the venture will be acquired by KGHM (50%) and TAURON Wytwarzanie S.A. (50%)

At present, work is being performed on the preparation of documents required for the founding of the company under an agreement entered into on 20 January 2010 with TAURON Polska Energia S.A. and TAURON Wytwarzanie S.A. In this agreement, the parties expressed their desire for cooperation, as a result of which it would be possible to make a decision on the mutual realisation of an investment based on the construction of a power plant on grounds of the Elektrownia Blachownia in Kędzierzyn-Koźle belonging to TAURON Wytwarzanie S.A.

VI. Seasonal or cyclical activities

The Group is not affected by seasonal or cyclical activities.

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

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

VIII. Information related to a paid (or declared) dividend

In accordance with Resolution No. 5/2012 of the Ordinary General Meeting of KGHM Polska Miedź S.A. dated 28 June 2012 regarding the appropriation of Parent Entity's profit for financial year 2011, the amount of PLN 5 668 000 thousand, representing PLN 28.34 per share, was allocated as a shareholders dividend from profit for financial year 2011.

The right to dividend date was set at 16 July 2012.

The dividend payment dates:

- 1st instalment in the amount of PLN 3 400 000 thousand, i.e. PLN 17.00 per share: 20 August 2012,
- 2nd instalment in the amount of PLN 2 268 000 thousand, i.e. PLN 11.34 per share: 16 November 2012.

All Parent Entity shares are ordinary shares.

A. Interim condensed consolidated financial statements (continued)

IX. Business segments

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

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

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

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

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

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

A. Interim condensed consolidated financial statements (continued)

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

Production and resource base development

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

Equity-portfolio investments

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

Commerce and hedging

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

Corporate Social Responsibility - CSR

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

A. Interim condensed consolidated financial statements (continued)

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

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

Financial period for the 6 months ended 30 June 2012

	Production and resource base development	Equity-portfolio investments	Commerce and hedging	Corporate social responsibility - CSR	Adjustment*	Consolidation eliminations (according to IAS 27)	Consolidated amount
Revenue	12 806 710	1 577 618	2 041 506	77 009	12	(3 391 611)	13 111 244
of which:							
- external sales	11 829 816	923 984	314 112	49 625	12	(6 305)	13 111 244
- inter-segment sales	976 894	653 634	1 727 394	27 384	-	(3 385 306)	-
Interest income	299 027	2 789	216	516	-	(172 103)	130 445
Interest costs	(218 215)	(5 830)	(372)	(59)	-	171 378	(53 098)
Depreciation/Amortisation	(600 110)	(35 289)	(999)	(7 230)	(2 699)	(24 807)	(671 134)
Revaluation of provisions for employee benefits	(43 229)	61	-	-	(571)	-	(43 739)
Recognition and reversal of impairment losses on property, plant and equipment and intangible assets	122	5	-	-	-	-	127
Income on measurement and realisation of derivatives	721 251	3 432	11 503	-	-	-	736 186
Costs on measurement and realisation of derivatives	(751 870)	(1 840)	(1 090)	-	-	-	(754 800)
Share of losses of associates	-	-	-	-	-	(104)	(104)
Profit before income tax	3 632 113	56 692	6 157	(6 371)	(4 341)	(134 641)	3 549 609
Income tax expense	(850 949)	(8 041)	(1 162)	(3)	919	24 468	(834 768)
Share of profit (losses) of subordinated entities accounted for using the equity method	-	4 043	-	-	(4 043)	-	-
Profit for the period	2 781 164	52 694	4 995	(6 374)	(7 465)	(110 173)	2 714 841
At 30 June 2012							
Segment assets	86 489 981	2 309 781	282 755	223 468	(3 758)	(51 542 805)	37 759 422
Segment liabilities	39 597 921	685 042	179 271	67 641	(4 733)	(23 391 454)	17 133 688
Bank and other loans, debt securities and finance lease liabilities	23 514 284	200 332	28 649	22 400	-	(21 754 426)	2 011 239
Investments accounted for using the equity method	1 765 739	449	-	-	-	1 562 704	3 328 892
Financial period for the 6 months ended 30 June 2012							
Capital expenditure	948 313	47 095	9 374	14 106	-	(18 635)	1 000 253

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

A. Interim condensed consolidated financial statements (continued)

Information on business segments for the comparable period

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

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

A. Interim condensed consolidated financial statements (continued)

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

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

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

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

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

A. Interim condensed consolidated financial statements (continued)

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

The geographical breakdown reflects the location of end clients.

	Financial period	
	for the 6 months ended 30 June 2012	for the 6 months ended 30 June 2011 restated
Poland	3 463 780	2 939 310
Germany	2 395 118	2 405 862
Great Britain	1 969 065	1 238 693
China	1 232 726	797 975
The Czech Republic	810 869	723 515
Italy	697 141	649 887
France	483 147	327 488
Hungary	398 214	262 563
Switzerland	239 654	124 800
Austria	170 665	303 093
Belgium	140 262	161 135
Slovakia	93 050	44 545
Finland	10 455	24 920
Other countries (dispersed sale)	1 007 098	1 217 386
Total	13 111 244	11 221 172

Main customers

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

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

50.94% of the non-current assets of the Group are located in the country of origin of the Parent Entity. The remaining 49.06% are located in other countries.

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

Changes during the period from 1 April 2012 to 30 June 2012

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

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

As a result of the settlement of transactions with non-controlling interests, the difference in the amount of PLN (27 831) thousand between the purchase price for 29% of the non-controlling shares and the amount of 29% of the equity acquired in KGHM AJAX MINING INC. was recognised in retained earnings in the consolidated statement of financial position.

A. Interim condensed consolidated financial statements (continued)

Acquisition of shares of KGHM AJAX MINING INC. by 0929260 B.C. UNLIMITED LIABILITY COMPANY (Group subsidiary)

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

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

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

Changes during the period from 1 January 2012 to 31 March 2012

Establishment of 0929260 B.C. UNLIMITED LIABILITY COMPANY

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

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

Establishment of Fermat 3 S.à r.l.

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

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

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

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

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

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

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

In preparing the consolidated financial statements for the first quarter of 2012, the KGHM Polska Miedź S.A. Group performed a preliminary identification of assets and liabilities of the acquired business, and recognised them in the consolidated financial statements in provisionally-set amounts. The detailed data on the transaction and provisional settlement were presented in the Consolidated quarterly report QSr 1/2012. In the second quarter of 2012 an adjustment was made due to amortisation of revalued assets and liabilities for the period from the date of acquisition to 30 June 2012.

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

Costs related to the acquisition incurred to 30 June 2012 were recognised in the administrative expenses in the amount of PLN 90 201 thousand, of which PLN 16 088 thousand was settled in 2011, while PLN 74 113 thousand in the first half of 2012, of which PLN 11 823 thousand was settled in the second quarter 2012.

A. Interim condensed consolidated financial statements (continued)

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

XI. Subsequent events

Resignation of a Member of the Supervisory Board

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

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

On 4 July 2012 the Management Board of KGHM Polska Miedź S.A. signed a framework agreement on the exploration for and extraction of shale gas. The parties to the Agreement are KGHM Polska Miedź S.A., Polskie Górnictwo Naftowe i Gazownictwo S.A., ENEA S.A., PGE Polska Grupa Energetyczna S.A. and TAURON Polska Energia S.A. Detailed information on this agreement are described in note A.V.

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

On 20 July 2012 the Management Board of KGHM Polska Miedź S.A. announced the convening of an Extraordinary General Meeting of KGHM Polska Miedź S.A., which will take place on 17 August 2012, beginning at 11.00 AM at the head office of the Parent Entity in Lubin.

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

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

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

Detailed information on this agreement is described in note A.V.

Announcement on the change in date of the Extraordinary General Meeting of KGHM Polska Miedź S.A.

On 7 August 2012 the Management Board of KGHM Polska Miedź S.A. announced that it has decided to change the date of the Extraordinary General Meeting convened for 17 August 2012 and set a new date for the Extraordinary General Meeting of 3 September 2012. The Management Board also announced that there was no change to the existing agenda.

B. Other information to the consolidated quarterly report

Position of the Management Board with respect to the possibility of achieving previously-published forecasts of results for 2012, in light of the results presented in this consolidated quarterly report relative to forecasted results

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

In the current report dated 27 March 2012, KGHM Polska Miedź S.A. published a forecast of Parent Entity's results for 2012. In accordance with the above-mentioned forecast, KGHM Polska Miedź S.A. assumed achievement of revenues from sales in 2012 at the level of PLN 19 418 million, and profit for the period at the level of PLN 3 804 million.

The revenues from sales achieved in the first half of 2012 in the amount of PLN 10 504 million and profit for the period of PLN 2 949 million represent respectively 54% and 78% of the forecasted results for 2012. The high advance on realisation of the Budget is mainly due to the more favourable than planned USD/PLN exchange rate. KGHM Polska Miedź S.A. is currently reviewing the published financial forecast.

Shareholders holding at least 5% of the total number of votes at the General Meeting of KGHM Polska Miedź S.A. as at the date of publication of this consolidated quarterly report, and changes in the ownership structure of significant blocks of shares of KGHM Polska Miedź S.A. in the period since publication of the prior consolidated quarterly report

At the date of publication of the consolidated report for the first quarter of 2012, i.e. at 15 May 2012, the only shareholder owning at least 5% of the total number of votes at the General Meeting of KGHM Polska Miedź S.A. was the State Treasury – which owned 63 589 900 shares of KGHM Polska Miedź S.A., representing 31.79% of the share capital and the same number of votes at the General Meeting of KGHM Polska Miedź S.A. (based on a notification dated 12 January 2010).

Following publication of the consolidated report for the first quarter of 2012, KGHM Polska Miedź S.A. was not notified by any shareholder of any change in the ownership structure of a significant block of shares.

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

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

The Members of the Management Board of KGHM Polska Miedź S.A., at the date of publication of the consolidated report for the first quarter of 2012, i.e. at 15 May 2012, and at the date of preparation of this report did not own any shares of KGHM Polska Miedź S.A. or rights to them. Based on information held by KGHM Polska Miedź S.A., the persons serving as Members of the Management Board of the Company did not sell/buy shares of KGHM Polska Miedź S.A. or rights to them during the period.

The Members of the Supervisory Board of KGHM Polska Miedź S.A., at the date of publication of the consolidated report for the first quarter of 2012, i.e. at 15 May 2012, and at the date of preparation of this report did not own any shares of KGHM Polska Miedź S.A. or rights to them. Based on information held by KGHM Polska Miedź S.A., the persons serving as Members of the Supervisory Board of the Company did not sell/buy shares of KGHM Polska Miedź S.A. or rights to them during the period.

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

At 30 June 2012, the total value of on-going proceedings before courts, bodies appropriate for arbitration proceedings and bodies of public administration respecting liabilities and debtors, of KGHM Polska Miedź S.A. and subsidiaries, did not represent at least 10% of the equity of KGHM Polska Miedź S.A.

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

On 5 March 2012, the subsidiary Fermat 1 S.à r.l., of which KGHM Polska Miedź S.A. owns 100% of the shares, entered into a significant transaction under other than arm's length conditions with Fermat 3 S.à r.l. – a company in which Fermat 1 S.à r.l. owns 100% of the shares. This transaction relates to the granting by Fermat 1 S.à r.l. of an interest-free loan to Fermat 3 S.à r.l. in the amount of USD 1 873 100 thousand (PLN 5 873 105 thousand at the average exchange rate of the National Bank of Poland from the transaction date). This loan was granted for the purpose of optimising the structure for the purchase of KGHM INTERNATIONAL LTD.

B. Other information to the consolidated quarterly report (continued)

Information on the granting by KGHM Polska Miedź S.A. or by its subsidiaries of collateral on credit or loans, or of guarantees – jointly to a single entity or subsidiary thereof if the total value of such collateral or guarantees represents the equivalent of at least 10% of the equity of KGHM Polska Miedź S.A.

During the period from 1 January 2012 to 30 June 2012 neither KGHM Polska Miedź S.A. nor its subsidiaries granted collateral on credit or loans, nor did they grant guarantees to a single entity or subsidiary thereof whose total value would represent at least 10% of the equity of KGHM Polska Miedź S.A.

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

In the second quarter of 2012 there were no other significant events, apart from those mentioned in the commentary to the report, which could have a significant impact on the assessment of assets and financial position, the financial result of the Group and any changes thereto, or any events significant for assessing the personnel situation and the ability to meet obligations.

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

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

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

- copper and silver prices on the metals markets,
- the USD/PLN exchange rate,
- electrolytic copper production costs, and
- the effects of the hedging policy being realised.

Under conditions involving a high level of hedging of future revenues of the Parent Entity, the continued high volatility in metals prices and in the exchange rate has a substantial impact on the change in measurement of derivatives at the end of the reporting period and on exchange differences, and consequently on the level of profit.

In addition, the financial results of the Parent Entity, starting from the second quarter of 2012, are significantly impacted by the introduction of the minerals extraction tax.

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

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

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

Interim statement of financial position

	Note	At	
		30 June 2012	31 December 2011
Assets			
Non-current assets			
Property, plant and equipment	C.I.1	7 582 791	7 277 903
Intangible assets		156 452	150 777
Shares and investment certificates in subsidiaries		11 608 140	2 012 209
Deferred tax assets		273 105	168 462
Available-for-sale financial assets		851 165	992 068
Mine closure financial assets		137 658	111 665
Derivatives		1 032 760	899 400
Trade and other receivables		84 328	84 221
		21 726 399	11 696 705
Current assets			
Inventories		2 855 652	2 355 741
Trade and other receivables		1 978 228	1 502 944
Mine closure financial assets		1 198	2 147
Derivatives		597 461	859 653
Cash and cash equivalents		3 849 793	12 835 999
		9 282 332	17 556 484
		31 008 731	29 253 189
Equity and liabilities			
Equity			
Share capital		2 000 000	2 000 000
Accumulated other comprehensive income		292 208	535 673
Retained earnings		17 881 017	20 599 838
		20 173 225	23 135 511
Liabilities			
Non-current liabilities			
Trade and other payables		47 155	11 579
Borrowings and finance lease liabilities		4	35
Derivatives		511 104	538 320
Employee benefits liabilities		1 260 761	1 216 355
Provisions for other liabilities and charges	C. I. 2	509 769	483 657
		2 328 793	2 249 946
Current liabilities			
Trade and other payables		7 911 464	1 827 536
Borrowings and finance lease liabilities		61	58
Current corporate tax liabilities		311 095	1 587 847
Derivatives		167 070	330 347
Employee benefits liabilities		104 718	107 471
Provisions for other liabilities and charges	C. I. 2	12 305	14 473
		8 506 713	3 867 732
		10 835 506	6 117 678
		31 008 731	29 253 189

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

Interim statement of comprehensive income

	Note	Financial period			
		for the 3 months ended 30 June 2012	for the 6 months ended 30 June 2012	for the 3 months ended 30 June 2011	for the 6 months ended 30 June 2011
Sales	C. I. 3	5 287 312	10 503 890	5 227 432	10 000 920
Cost of sales	C. I. 4	(3 211 411)	(5 896 587)	(2 490 807)	(4 707 358)
Gross profit		2 075 901	4 607 303	2 736 625	5 293 562
Selling costs	C. I. 4	(30 201)	(55 172)	(30 843)	(58 794)
Administrative expenses	C. I. 4	(194 466)	(362 123)	(176 763)	(325 782)
Other operating income	C. I. 5	262 769	894 772	504 383	914 974
Other operating costs	C. I. 6	(115 058)	(1 328 520)	(173 519)	(542 507)
Operating profit		1 998 945	3 756 260	2 859 883	5 281 453
Finance costs	C. I. 7	(8 632)	(16 916)	(8 015)	(16 057)
Profit before income tax		1 990 313	3 739 344	2 851 868	5 265 396
Income tax expense		(446 525)	(790 165)	(491 258)	(946 392)
Profit for the period		1 543 788	2 949 179	2 360 610	4 319 004
OTHER COMPREHENSIVE INCOME DUE TO:					
Available-for-sale financial assets		(96 829)	(140 903)	52 727	25 888
Cash flow hedging instruments		292 108	(159 671)	141 000	205 523
Income tax related to items presented in other comprehensive income		(37 103)	57 109	(36 808)	(43 968)
Other comprehensive net income for the financial period		158 176	(243 465)	156 919	187 443
TOTAL COMPREHENSIVE INCOME		1 701 964	2 705 714	2 517 529	4 506 447

Earnings per share during the period
 (in PLN per share)

- basic	7.72	14.75	11.80	21.60
- diluted	7.72	14.75	11.80	21.60

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

Interim statement of changes in equity

	Accumulated other comprehensive income due to:				Total equity
	Share capital	Available-for- sale financial assets	Cash flow hedging instruments	Retained earnings	
At 1 January 2012	2 000 000	(38 610)	574 283	20 599 838	23 135 511
Dividends for 2011 resolved but unpaid	-	-	-	(5 668 000)	(5 668 000)
Total comprehensive income	-	(114 132)	(129 333)	2 949 179	2 705 714
Profit for the period	-	-	-	2 949 179	2 949 179
Other comprehensive income	-	(114 132)	(129 333)	-	(243 465)
At 30 June 2012	2 000 000	(152 742)	444 950	17 881 017	20 173 225
At 1 January 2011	2 000 000	121 385	89 774	12 245 318	14 456 477
Dividends for 2010 resolved but unpaid	-	-	-	(2 980 000)	(2 980 000)
Total comprehensive income	-	20 969	166 474	4 319 004	4 506 447
Profit for the period	-	-	-	4 319 004	4 319 004
Other comprehensive income	-	20 969	166 474	-	187 443
At 30 June 2011	2 000 000	142 354	256 248	13 584 322	15 982 924

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

Interim statement of cash flows

	Note	Financial period	
		for the 6 months ended 30 June 2012	for the 6 months ended 30 June 2011
Cash flow from operating activities			
Profit for the period		2 949 179	4 319 004
Adjustments to profit for the period	C. I. 8	1 424 330	571 694
Income tax paid		(2 114 452)	(902 938)
Net cash generated from operating activities		2 259 057	3 987 760
Cash flow from investing activities			
Purchase of shares and investment certificates in subsidiaries		(9 569 944)	(180 985)
Purchase of available-for-sale financial assets		-	(1 565 831)
Purchase of property, plant and equipment and intangible assets		(761 669)	(583 918)
Proceeds from sale of property, plant and equipment and intangible assets		4 874	2 069
Proceeds from sale of available-for-sale financial assets		-	1 028 023
Purchase of mine closure financial assets		(25 044)	(23 500)
Establishment of deposits		-	(450 000)
Termination of deposits		-	800 000
Loans granted		(7 565)	-
Proceeds from repayments of loans granted		2 582	2 515
Interest received		1 333	9 972
Expenses due to advances granted for the purchase of property, plant and equipment and intangible assets		(17 612)	(41 397)
Other investment expenses		(1 796)	(1 795)
Net cash used in investing activities		(10 374 841)	(1 004 847)
Cash flow from financing activities			
Payments of liabilities due to finance leases		(28)	(2 976)
Interest paid		(4)	(6)
Net cash used in financing activities		(32)	(2 982)
Total net cash flow		(8 115 816)	2 979 931
Exchange (losses)/gains on cash and cash equivalents		(870 390)	53 504
Movements in cash and cash equivalents		(8 986 206)	3 033 435
Cash and cash equivalents at beginning of the period		12 835 999	2 595 529
Cash and cash equivalents at end of the period		3 849 793	5 628 964
including restricted cash and cash equivalents		1 481	1 413

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

Selected explanatory data

I. Additional notes

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

Purchase and sale of property, plant and equipment

	Financial period		
	for the 6 months ended	for the 12 months ended	for the 6 months ended
	30 June 2012	31 December 2011	30 June 2011
Purchase of property, plant and equipment	639 028	1 417 772	418 987
Net sale of property, plant and equipment	256	21	-

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

	At	
	30 June 2012	31 December 2011
Payables due to purchase of property, plant and equipment and intangible assets	209 214	384 966

Capital commitments not recognised in the interim statement of financial position

	At	
	30 June 2012	31 December 2011
Purchase of property, plant and equipment	1 636 722	1 367 401
Purchase of intangible assets	44 469	19 211
Total capital commitments	1 681 191	1 386 612

2. Changes in provisions for other liabilities and charges

	TOTAL	Decommissioning costs of mines and other facilities	Costs of scrapping property, plant and equipment	Disputed issues and court proceedings	Other provisions
Provisions at 1 January 2012	498 130	475 606	4 919	2 324	15 281
Recognised	1 141	-	350	438	353
Other increase	53 458	52 169	49	-	1 240
Used	(2 515)	(1 150)	-	(505)	(860)
Released	(1 484)	-	(181)	(1 303)	-
Other decreases	(26 656)	(18 295)	-	-	(8 361)
Provisions at 30 June 2012	522 074	508 330	5 137	954	7 653
of which:					
Non-current provisions	509 769	501 604	2 779	-	5 386
Current provisions	12 305	6 726	2 358	954	2 267

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

	TOTAL	Decommissioning costs of mines and other facilities	Costs of scrapping property, plant and equipment	Disputed issues and court proceedings	Other provisions
Provisions at 1 January 2011	535 533	514 006	5 600	1 975	13 952
Recognised	3 064	-	-	2 688	376
Other increase	79 474	72 722	2 217	-	4 535
Used	(6 429)	(3 118)	(699)	(1 036)	(1 576)
Released	(1 479)	-	(166)	(1 303)	(10)
Other decreases	(112 033)	(108 004)	(2 033)	-	(1 996)
Provisions at 31 December 2011	498 130	475 606	4 919	2 324	15 281
of which:					
Non-current provisions	483 657	467 680	2 730	-	13 247
Current provisions	14 473	7 926	2 189	2 324	2 034

	TOTAL	Decommissioning costs of mines and other facilities	Costs of scrapping property, plant and equipment	Disputed issues and court proceedings	Other provisions
Provisions at 1 January 2011	535 533	514 006	5 600	1 975	13 952
Recognised	1 355	-	-	1 265	90
Other increase	26 224	25 177	116	-	931
Used	(3 508)	(2 110)	(235)	(416)	(747)
Released	(1 020)	-	-	(1 009)	(11)
Other decreases	(79 300)	(78 260)	(32)	-	(1 008)
Provisions at 30 June 2011	479 284	458 813	5 449	1 815	13 207
of which:					
Non-current provisions	463 847	447 594	4 630	-	11 623
Current provisions	15 437	11 219	819	1 815	1 584

3. Sales

	Financial period			
	for the 3 months ended 30 June 2012	for the 6 months ended 30 June 2012	for the 3 months ended 30 June 2011	for the 6 months ended 30 June 2011
Copper, precious metals, smelter by-products	5 170 697	10 279 468	5 163 623	9 869 504
Salt	12 694	25 801	17 254	36 735
Services	16 759	33 074	14 195	29 171
Other finished goods	2 788	5 652	3 481	6 566
Merchandise	67 548	126 495	15 444	33 058
Scrap and production materials	16 765	33 303	13 308	25 729
Other materials	61	97	127	157
Total	5 287 312	10 503 890	5 227 432	10 000 920

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

4. Expenses by nature

	Financial period			
	for the 3 months ended 30 June 2012	for the 6 months ended 30 June 2012	for the 3 months ended 30 June 2011	for the 6 months ended 30 June 2011
Depreciation of property, plant and equipment and amortisation of intangible assets	193 285	391 241	164 497	331 239
Employee benefit expenses	743 808	1 500 994	695 383	1 365 620
Materials and energy	1 694 045	3 299 363	1 289 229	2 802 068
External services	328 090	633 604	317 035	582 702
Taxes and charges*	529 825	605 035	80 420	158 206
Advertising costs and representation expenses	18 982	21 541	11 772	17 494
Property and personal insurance	6 171	12 028	6 569	11 390
Research and development costs not capitalised in intangible assets	1 776	2 004	2 285	2 335
Other costs, of which:	6 066	11 818	5 127	8 747
Write-down of inventories	1 096	1 146	254	360
Reversal of write-down of inventories	(19)	(63)	(112)	(125)
Losses from the disposal of financial instruments	2 031	4 485	1 165	1 899
Other operating costs	2 958	6 250	3 820	6 613
Total expenses by nature	3 522 048	6 477 628	2 572 317	5 279 801
Cost of merchandise and materials sold (+)	80 051	151 476	25 291	52 368
Change in inventories of finished goods and work in progress (+/-)	(117 558)	(225 294)	139 480	(170 800)
Cost of manufacturing products for internal use (-)	(48 463)	(89 928)	(38 675)	(69 435)
Total cost of sales, selling costs and administrative expenses	3 436 078	6 313 882	2 698 413	5 091 934

*including the minerals extraction tax in the amount of PLN 442 569 thousand

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

5. Other operating income

	Financial period			
	for the 3 months ended 30 June 2012	for the 6 months ended 30 June 2012	for the 3 months ended 30 June 2011	for the 6 months ended 30 June 2011
Income and gains on financial instruments, classified under other operating activities, resulting from:	199 227	814 568	220 457	616 388
Measurement and realisation of derivatives	161 388	711 999	175 582	530 497
Gains from the sale of financial investments	710	1 064	7 665	14 145
Gains/(losses) from measurement of non-current liabilities	(429)	181	153	204
Interest	37 470	101 235	37 057	71 517
Reversal of allowance for impairment of other receivables	88	89	-	25
Gains on the sale of property, plant and equipment and intangible assets	873	873	-	-
Non-financial interest	-	1	201	2 204
Reversal of allowance for impairment of non-financial receivables	241	670	375	750
Dividends received	57 477	57 477	277 330	277 330
Release of unused provisions due to:	1 052	10 531	616	3 685
Decommissioning of mines	758	1 620	-	2 382
Disputed issues, pending court proceedings	294	1 303	446	1 010
Liabilities towards local municipalities (Gminas) due to signed donations agreement	-	7 427	170	250
Other	-	181	-	43
Penalties and compensation	1 845	3 460	4 932	11 649
Other operating income/gains	2 054	7 192	472	2 968
Total other operating income	262 769	894 772	504 383	914 974

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

6. Other operating costs

	Financial period			
	for the 3 months ended 30 June 2012	for the 6 months ended 30 June 2012	for the 3 months ended 30 June 2011	for the 6 months ended 30 June 2011
Costs and losses on financial instruments, classified under other operating activities, resulting from:	105 105	1 225 453	161 033	508 281
Measurement and realisation of derivatives	154 412	751 871	130 633	453 598
Interest	53	145	46	84
Foreign exchange losses	(49 426)	473 367	28 862	49 871
Allowance for impairment of loans and other receivables	66	70	1 492	4 728
Losses on the sale of property, plant and equipment and intangible assets	(77)	-	4 594	5 931
Donations granted	1	85 859	-	12 517
Interest on overdue non-financial liabilities	1 945	2 015	391	405
Provisions recognised due to:	462	2 070	1 950	2 614
Decommissioning of mines	31	670	1 237	1 259
Disputed issues, pending court proceedings	313	438	713	1 265
Other	118	962	-	90
Other operating costs/losses	7 622	13 123	5 551	12 759
Total other operating costs	115 058	1 328 520	173 519	542 507

7. Finance costs

	Financial period			
	for the 3 months ended 30 June 2012	for the 6 months ended 30 June 2012	for the 3 months ended 30 June 2011	for the 6 months ended 30 June 2011
Interest expense	2	4	147	43
Foreign exchange losses/(gains) on borrowings	-	-	(92)	70
Changes in provisions arising from the approach of the maturity date of liabilities (unwinding of discount effect)	8 377	16 613	7 887	15 806
Other financial costs	253	299	73	138
Total finance costs	8 632	16 916	8 015	16 057

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

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

	Financial period	
	for the 6 months ended 30 June 2012	for the 6 months ended 30 June 2011
Income tax expense	790 165	946 392
Depreciation/amortisation	391 241	331 239
Interest and share in profits (dividends)	(58 181)	(286 471)
Foreign exchange (gains)/losses	872 219	(52 389)
(Gains)/losses on the sale of property, plant and equipment and intangible assets	(873)	5 931
Change in provisions	34 520	9 050
Change in derivatives	(80 220)	(219 006)
Reclassification of accumulated other comprehensive income to profit or loss as a result of realisation of derivatives	(141 113)	(83 577)
Other adjustments	22	(13 810)
Changes in working capital:	(383 450)	(65 665)
Inventories	(499 842)	(478 260)
Trade and other receivables	(452 966)	425 417
Trade and other payables	569 358	(12 822)
Total adjustments to profit for the period	1 424 330	571 694

9. Related entities transactions

	Financial period			
	for the 3 months ended 30 June 2012	for the 6 months ended 30 June 2012	for the 3 months ended 30 June 2011	for the 6 months ended 30 June 2011
Revenues from sales to related entities				
To subsidiaries	153 411	327 147	181 506	364 961
To associate held for sale	-	-	(54)	78
Total revenues from sales to related entities	153 411	327 147	181 452	365 039

During the period from 1 April 2012 to 30 June 2012, KGHM Polska Miedź S.A. recognised in other operating income dividends from a subsidiary in the amount of PLN 1 023 thousand.

(since the beginning of the financial year other operating income due to dividends from a subsidiary amounted to PLN 1 023 thousand).

In the comparable period from 1 April 2011 to 30 June 2011, KGHM Polska Miedź S.A. recognised in other operating income dividends from an associate in the amount of PLN 250 013 thousand, there were no dividends from subsidiaries.

(since the beginning of the financial year other operating income due to dividends from an associate amounted to PLN 250 013 thousand).

	Financial period			
	for the 3 months ended 30 June 2012	for the 6 months ended 30 June 2012	for the 3 months ended 30 June 2011	for the 6 months ended 30 June 2011
Purchases from related entities				
From subsidiaries	1 460 456	2 843 909	949 737	2 155 043
From associate held for sale	-	-	257	701
Total purchase from related entities	1 460 456	2 843 909	949 994	2 155 744

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

	At	
	30 June 2012	31 December 2011
Trade receivables from related entities		
From subsidiaries	249 752	269 922
Total receivables from related entities	249 752	269 922

	At	
	30 June 2012	31 December 2011
Trade payables towards related entities		
Towards subsidiaries	424 225	431 871
Total payables towards related entities	424 225	431 871

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

The remaining transactions, which were collectively significant, between the Company and the government and with entities controlled or jointly controlled by the government, or over which the government has significant influence, were within the scope of normal, daily economic operations, carried out at arm's length. These transactions involved the purchase by the Company of materials and services to meet the needs of its current operating activities (fuel, energy, transport services). Turnover from these transactions in the current reporting period amounted to PLN 380 816 thousand (for the period from 1 January to 30 June 2011 – PLN 343 757 thousand), the unsettled balance of liabilities from these transactions at 30 June 2012 amounted to PLN 41 539 thousand (at 31 December 2011: PLN 45 968 thousand), and the unsettled balance of receivables at 30 June 2012 amounted to PLN 59 801 thousand (at 31 December 2011: PLN 1 414 thousand). Revenues from sales from State Treasury companies amounted to PLN 28 640 thousand (for the period from 1 January to 30 June 2011, PLN 27 808 thousand).

	For the period	
	for the 6 months ended 30 June 2012	for the 6 months ended 30 June 2011
Remuneration of the Supervisory Board		
Remuneration due to service in the Supervisory Board, salaries and other current employee benefits	838	750

	For the period	
	for the 6 months ended 30 June 2012	for the 6 months ended 30 June 2011
Remuneration of the Management Board		
Salaries and other current employee benefits	1 966	2 033
Benefits due to termination of employment	42	-
Total	2 008	2 033

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

10. Contingent assets and liabilities

	At 30 June 2012	Increase/(decrease) since the end of the last financial year
Contingent assets	396 149	22 926
Guarantees received	171 303	4 285
Disputed State budget issues	7 101	8
Promissory notes receivables	93 200	16 193
Inventions, implementation of projects	38 228	1 633
Real estate tax on mining facilities	86 296	807
Other	21	-
Contingent liabilities	303 381	161 951
Guarantees and collateral	5 000	-
Disputed issues, pending court proceedings	14 119	350
Liabilities due to implementation of projects, inventions	119 309	5 342
Liabilities towards local municipalities (Gminas) due to a signed agreement in respect of expansion of the Żelazny Most tailings pond	156 268	156 268
Other	8 685	(9)

The value of contingent assets and liabilities was determined based on estimates.

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

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

Process of obtaining licenses for mining areas currently being worked

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

As part of the procedure to obtain new mining licenses, with respect to information published in the report for the first quarter of 2012, there occurred a change in the expected date for receiving an environmental decision, due to the procedure for providing an opinion on environmental reports by the National Environmental Impact Assessment Commission. Following a meeting by the Commission, the Company was requested to supplement the documentation by additional subjects. Following the submission by the Company of the supplemented documentation to the Regional Directorate for Environmental Protection this procedure is continuing, which taking into consideration possible appeals and community participation, may extend the assumed date for receiving this decision, and as a result the submission of licensing applications to the Minister of the Environment – probably to the fourth quarter of 2012.

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

Other significant events covered by current reports

Company bodies

The Ordinary General Meeting on 28 June 2012 approved the following:

- the Report on the activities of KGHM Polska Miedź S.A. in financial year 2011,
- the Financial Statements of KGHM Polska Miedź S.A. for financial year 2011,
- the Report on the activities of the KGHM Polska Miedź S.A. Group in financial year 2011,
- the Consolidated Financial Statements of the KGHM Polska Miedź S.A. Group for financial year 2011.

In addition, the resolutions were adopted regarding the following:

- the appropriation of Company profit for financial year 2011,
- approval of the performance of duties of all members of the Management Board and of the Supervisory Board, except for employee-elected Members: Józef Czyczerski, Leszek Hajdacki and Ryszard Kurek,
- dismissal of Members of the Supervisory Board elected by the Company's employees: Lech Jaroń, Maciej Łaganowski and Paweł Markowski,
- changes in the Statutes of KGHM Polska Miedź S.A.

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

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

2. Measurement of financial and tangible assets

Financial assets

Due to the measurement and settlement of future cash flow hedging transactions in an amount reflecting the effective portion of the hedge, after reflecting the results in deferred tax, other comprehensive income was increased in the current quarter by PLN 236 608 thousand.

(a decrease in other comprehensive income by PLN 129 333 thousand since the beginning of the financial year)

Due to the fair value measurement and settlement of available-for-sale financial assets, after reflecting the results in deferred tax, other comprehensive income was decreased in the current quarter by PLN 78 432 thousand.

(a decrease in other comprehensive income by PLN 114 132 thousand since the beginning of the financial year)

Due to the realisation and measurement of derivatives to the level of fair value there was an increase in the profit for the current quarter of PLN 94 745 thousand (of which: as an increase in revenues from sales, PLN 87 769 thousand and as an increase in the result on other operating activities in the amount of PLN 6 976 thousand). For detailed information on derivatives see part C point II 5 Commodity and currency risk management.

(an increase in profit by PLN 101 241 thousand since the beginning of the financial year (of which: as an increase in revenues from sales, PLN 141 113 thousand and as a decrease in the profit on other operating activities in the amount of PLN 39 872 thousand).

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

Property, plant and equipment and receivables

Due to the depreciation of property, plant and equipment and amortisation of intangible assets, operating costs were increased in the current quarter by PLN 193 285 thousand.

(an increase in costs by PLN 391 241 thousand since the beginning of the financial year)

The measurement of other assets did not significantly impact the current period profit.

3. Type and amounts of changes in estimates

Provisions

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

3.1 provisions for future employee benefits due to one-off retirement or disability payments, jubilee awards, post-mortem benefits and the coal equivalent also paid after the period of employment. The result of this change in estimates, mainly as a result of changes in macroeconomic assumptions, is an increase in the provision and a decrease in profit in the amount of PLN 10 048 thousand (after reflecting the results in deferred tax a decrease in profit in the amount of PLN 8 139 thousand),

(a decrease in profit after reflecting the results in deferred tax by PLN 33 739 thousand since the beginning of the financial year)

3.2 provision for future costs of decommissioning (restoration) of the Company's mines, comprising the estimated costs of dismantling and removing technological facilities, for which the obligation for restoration upon the conclusion of activities is a result of separate law or standard practice. The result of this change in estimates is an increase in the provision in the amount of PLN 3 927 thousand which was settled as a decrease in profit in the amount of PLN 7 610 thousand and as a decrease of property, plant and equipment in the amount of PLN 3 683 thousand. The increase in the provision resulted in an increase in deferred tax assets in the amount of PLN 628 thousand,

(an increase in the provision by PLN 46 642 thousand since the beginning of the financial year, which was settled as a decrease in profit in the amount of PLN 15 564 thousand and as an increase of property, plant and equipment in the amount of PLN 31 078 thousand.)

3.3 provisions for future employee remuneration costs together with charges in the amount of PLN 189 776 thousand, paid (in accordance with the Collective Labour Agreement) on the occasion of mining or smelting holidays and after approval of the annual financial statements

(provision at 30 June 2012 amounted to PLN 375 267 thousand)

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

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

Deferred tax

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

After offsetting the deferred tax asset and deferred tax liability, the deferred tax asset at the end of the reporting period was set at PLN 273 105 thousand.

(after offsetting the deferred tax asset and deferred tax liability, the deferred tax asset at 31 December 2011 was set at PLN 168 462 thousand).

There was an increase in the deferred tax asset in the current quarter in the amount of PLN 1 701 thousand, which was settled:

- o as a decrease in profit, PLN 29 903 thousand,
- o as an increase in other comprehensive income due to measurement of hedging financial instruments and available-for-sale financial assets PLN 31 604 thousand.

(an increase in the deferred tax asset since the beginning of the financial year in the amount of PLN 179 992 thousand, which was settled as:

- *an increase in profit,* PLN 140 014 thousand,
- *an increase in other comprehensive income due to measurement of hedging financial instruments and available-for-sale financial assets,* PLN 39 978 thousand.)

There was an increase in the deferred tax liability in the current quarter in the amount of PLN 84 725 thousand, of which the following was settled:

- o as a decrease in profit, PLN 16 018 thousand,
- o as a decrease in other comprehensive income due to measurement of hedging financial instruments PLN 68 707 thousand.

(an increase in the deferred tax liability since the beginning of the financial year in the amount of PLN 75 349 thousand, of which the following was settled:

- *as a decrease in profit,* PLN 92 480 thousand
- *as an increase in other comprehensive income due to measurement of hedging financial instruments* PLN 17 131 thousand.)

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

Economic results in the second quarter of 2012

In the second quarter of 2012, KGHM Polska Miedź S.A. produced 105 thousand t of copper in concentrate (I half of 2012: 215 thousand t). The electrolytic copper production amounted to 139 thousand t (273 thousand t), including 102 thousand t (204 thousand t) from own concentrate and 318 t (653 t) of metallic silver.

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

- copper prices on the London Metal Exchange (LME) at the average level of 7 869 USD/t,
- an average exchange rate of 3.33 PLN/USD,
- average silver prices on the London Bullion Market Association (LBMA) of 29.38 USD/troz, and
- the sales volume of copper and copper products (148 thousand t), and of silver (322 t).

The **revenues from sales** achieved of PLN 5 287 312 thousand were slightly higher (1%) than those achieved in the comparable prior period, in respect of which the positive impact of a substantially changed USD/PLN exchange rate (a change from 2.75 USD/PLN to 3.33 USD/PLN) was offset by a decrease in metals prices (a decrease in copper prices from 9 137 USD/t to 7 869 USD/t and silver from 37.96 USD/troz to 29.38 USD/troz).

In the second quarter of 2012, revenues from the sale of copper and copper products represented 76%, and silver 20% (in the comparable period of 2011 respectively: 74% and 22%) of total revenues from sales.

Operating costs (cost of sales, selling costs and administrative expenses) in the second quarter of 2012 amounted to PLN 3 436 078 thousand and were higher versus the comparable prior period by PLN 737 665 thousand, i.e. by 27%, with a slightly lower volume of copper products sales and metallic silver sales.

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

Expenses by nature in the second quarter of 2012 amounted to PLN 3 522 048 thousand, and after excluding purchased copper-bearing materials amounted to PLN 2 395 471 thousand and were higher than those in the comparable prior year period by 32% (i.e. by PLN 584 996 thousand). The change in the level of expenses by nature was mainly due to the following:

- introduction of the minerals extraction tax,
- higher remuneration together with charges due to an increase in the interest rate on disability insurance premium,
- an increase in prices of materials and fuels, and higher energy consumption, among others due to realisation of the central air conditioning project in the mining divisions.

The pre-precious metals credit unit cost of electrolytic copper production (total cost prior to decrease by the value of precious metals) in the second quarter of 2012 amounted to 20 754 PLN/t, and increased versus the second quarter of 2011 by 23% due to the following:

- increase in the cost of own concentrate production due to the introduced mineral extraction tax,
- increase in purchased copper-bearing materials used,
- a lower volume of electrolytic copper production by 3%.

Taking into consideration the valuation of precious metals in anode slimes, the total unit cost of copper production amounted to 17 027 PLN/t.

The pre-precious metals credit unit cost of copper production from own concentrates amounted to 18 355 PLN/t (in the comparable period – 14 840 PLN/t) alongside a lower volume of own production by 13% and mineral extraction tax burden. The total cost of copper production from own concentrate amounted to 13 699 PLN/t.

Profit from operations (gross profit less administrative expenses and selling costs) achieved in the second quarter of 2012 of PLN 1 851 234 thousand was lower by PLN 677 785 thousand, i.e. by 27%, than that achieved in the second quarter of 2011, mainly due to an increase in operating costs, of which mainly due to the introduction of mineral extraction tax and use of purchased copper-bearing materials.

Other operating activities showed a profit in the second quarter of 2012 in the amount of PLN 147 711 thousand, meaning a worsening of the result from that in the second quarter of 2011 by PLN 183 153 thousand, mainly due to lower dividends received.

As a result of the above, **operating profit** in the second quarter of 2012 amounted to PLN 1 998 945 thousand and decreased versus the comparable period of 2011 by PLN 860 938 thousand, i.e. by 30%.

KGHM Polska Miedź S.A. earned a **profit for the second quarter of 2012** of PLN 1 543 788 thousand, which was lower by PLN 816 822 thousand, i.e. by 35%, than that achieved in the second quarter of 2011.

EBITDA in the second quarter of 2012 amounted to PLN 2 192 230 thousand (including depreciation/amortisation of PLN 193 285 thousand) and was lower by PLN 832 150 thousand, i.e. by 28%, than that in the comparable prior year period.

5. Commodity and currency risk management

In the second quarter of 2012, strategies hedging the copper price represented approx. 26%, and those hedging the silver price approx. 8%, of the sales of metals realised by the Company. In the case of currency transactions, approx. 18% of revenues from sales realised by the Company in this period were hedged.

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

In the second quarter of 2012, the positive result on derivatives amounted to PLN 94 746 thousand, of which the amount of PLN 87 769 thousand was recognised in revenues from sales (the amount transferred from accumulated other comprehensive income to profit or loss in the reporting period), the amount of PLN 6 977 thousand increased the result on other operating activities, of which PLN 67 236 thousand represented a loss due to the realisation of derivatives, while PLN 74 213 thousand represented a gain due to the measurement of derivatives. The gain on the measurement of derivative transactions recognised in other operating activities, results mainly from the change in the time value of options which, in accordance with the hedge accounting policy, are recognised in profit or loss.

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

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

	Financial period			
	for the 3 months ended 30 June 2012	for the 6 months ended 30 June 2012	for the 3 months ended 30 June 2011	for the 6 months ended 30 June 2011
Impact on sales	87 769	141 113	62 170	83 577
Impact on other operating activities	6 976	(39 872)	44 949	76 899
Gains or (losses) from realisation of derivatives	(67 236)	(85 798)	22 296	25 320
Gains or (losses) from measurement of derivatives	74 212	45 926	22 653	51 579
Total impact of derivatives on profit or loss:	94 745	101 241	107 119	160 476

In the second quarter of 2012, the Company did not implement any copper and silver price hedging strategies.

In the case of the forward currency market, in the current quarter the Company implemented transactions hedging revenues from sales in the total nominal amount of USD 720 million and a time horizon falling in years 2014-2015. The Company made use of collars (European options).

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

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

HEDGING POSITION (condensed information) – COPPER MARKET

Period	Instrument	Volume [tonnes]	Execution price [USD/t]	Average weighted premium [USD/t]	Effective hedge price [USD/t]	
II half of 2012	Collar ¹	Sold call option	19 500	9 300	6 446 participation restricted to 9 300	
		Purchased put option		6 900		
	Collar ¹	Sold call option	19 500	9 000	6 341 participation restricted to 9 000	
		Purchased put option		6 800		
	Collar ¹	Sold call option	19 500	9 500	6 747 participation restricted to 9 500	
		Purchased put option		7 200		
		Producer's puts ²	19 500	8 500	8.74% ³	minimal effective hedging price 7 817
		Producer's puts ²	24 750	8 300	8.66% ³	minimal effective hedging price 7 639
		Total	102 750			
		II half of 2012, TOTAL	102 750			

¹ Tables presenting the condensed list of open hedging positions, include restructured items: the type of instrument was changed from seagull to collar. The cost of restructuring (premium for repurchase of options) was added to the cost of implementation (i.e. the average weighted premium) and the effective hedge price/exchange rate was changed.

² Due to current hedge accounting laws, transactions embedded within a producer's put – a purchased put option – are shown in the table containing a detailed list of derivatives positions – „Hedging instruments“, while sold call options are shown in the table „Trade instruments“.

³ Payable at the moment of settlement.

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

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

Period	Instrument		Volume [tonnes]	Execution price [USD/t]	Average weighted premium [USD/t]	Effective hedge price [USD/t]	
I half of 2013	Seagull ⁴	Sold call option	19 500	9 500	(383)	6 817 restricted to 4 700 participation restricted to 9 500	
		Purchased put option		7 200			
		Sold put option		4 700			
	Collar	Sold call option	10 500	12 000	(460)	8 040 participation restricted to 12 000	
		Purchased put option		8 500			
	Collar	Sold call option	10 500	11 500	(333)	7 867 participation restricted to 11 500	
		Purchased put option		8 200			
	Seagull ⁴	Sold call option	6 000	10 200	(332)	7 368 restricted to 4 500 participation restricted to 10 200	
		Purchased put option		7 700			
		Sold put option		4 500			
	Seagull ⁴	Sold call option	15 000	10 300	(368)	7 432 restricted to 4 500 participation restricted to 10 300	
		Purchased put option		7 800			
Sold put option		4 500					
Total			61 500				
II half of 2013	Collar	Sold call option	10 500	12 000	(460)	8 040 participation restricted to 12 000	
		Purchased put option		8 500			
	Collar	Sold call option	10 500	11 500	(333)	7 867 participation restricted to 11 500	
		Purchased put option		8 200			
	Seagull ⁴	Sold call option	6 000	10 200	(332)	7 368 restricted to 4 500 participation restricted to 10 200	
		Purchased put option		7 700			
		Sold put option		4 500			
	Seagull ⁴	Sold call option	15 000	10 300	(368)	7 432 restricted to 4 500 participation restricted to 10 300	
		Purchased put option		7 800			
		Sold put option		4 500			
	Total			42 000			
	TOTAL 2013			103 500			
I half of 2014	Seagull ⁴	Sold call option	6 000	10 200	(332)	7 368 restricted to 4 500 participation restricted to 10 200	
		Purchased put option		7 700			
		Sold put option		4 500			
	Seagull ⁴	Sold call option	15 000	10 300	(368)	7 432 restricted to 4 500 participation restricted to 10 300	
		Purchased put option		7 800			
		Sold put option		4 500			
Total			21 000				
II half of 2014	Seagull ⁴	Sold call option	6 000	10 200	(332)	7 368 restricted to 4 500 participation restricted to 10 200	
		Purchased put option		7 700			
		Sold put option		4 500			
	Seagull ⁴	Sold call option	15 000	10 300	(368)	7 432 restricted to 4 500 participation restricted to 10 300	
		Purchased put option		7 800			
		Sold put option		4 500			
Total			21 000				
TOTAL 2014			42 000				
I half of 2015	Seagull ⁴	Sold call option	6 000	10 200	(332)	7 368 restricted to 4 500 participation restricted to 10 200	
		Purchased put option		7 700			
		Sold put option		4 500			
	Seagull ⁴	Sold call option	15 000	10 300	(368)	7 432 restricted to 4 500 participation restricted to 10 300	
		Purchased put option		7 800			
		Sold put option		4 500			
Total			21 000				
II half of 2015	Seagull ⁴	Sold call option	6 000	10 200	(332)	7 368 restricted to 4 500 participation restricted to 10 200	
		Purchased put option		7 700			
		Sold put option		4 500			
	Seagull ⁴	Sold call option	15 000	10 300	(368)	7 432 restricted to 4 500 participation restricted to 10 300	
		Purchased put option		7 800			
		Sold put option		4 500			
Total			21 000				
TOTAL 2015			42 000				

⁴ Due to current hedge accounting laws, transactions embedded within a seagull – a purchased put option and a sold call option – are shown in the table „Hedging instruments”, while sold put options are shown in the table „Trade instruments”.

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

HEDGING POSITION (condensed information) – SILVER MARKET

Period	Instrument		Volume [million troz]	Execution price [USD/troz]	Average weighted premium [USD/troz]	Effective hedge price [USD/troz]
II half of 2012	Purchased put option		1.80	30.00	(2.89)	27.11
	Put spread ⁵	Purchased put option	1.80	40.00	(1.18)	38.82
		Sold put option ²		19.80		restricted to 19.80
	Collar	Sold call option	1.80	62.00	(1.63)	35.37
		Purchased put option		37.00		participation restricted to 62.00
Total			5.40			
II half of 2012, total			5.40			
I half of 2013	Seagull ⁴	Sold call option	1.80	65.00	(1.98)	38.02
		Purchased put option		40.00		restricted to 20.00
		Sold put option		20.00		participation restricted to 65.00
Total			1.80			
II half of 2013	Seagull ⁴	Sold call option	1.80	65.00	(1.98)	38.02
		Purchased put option		40.00		restricted to 20.00
		Sold put option		20.00		participation restricted to 65.00
Total			1.80			
TOTAL 2013			3.60			

HEDGING POSITION (condensed information) – CURRENCY MARKET

Period	Instrument		Notional [million USD]	Execution price [USD/PLN]	Average weighted premium [PLN per 1 USD]	Effective hedge price [USD/PLN]
II half of 2012	Seagull ⁴	Sold call option	90	4.4000	(0.0767)	3.2233
		Purchased put option		3.3000		restricted to 2.70
		Sold put option		2.7000		participation restricted to 4.40
	Collar	Sold call option	90	4.5000	(0.1473)	3.2527
		Purchased put option		3.4000		participation restricted to 4.50
	Collar	Sold call option	240	4.2000	(0.0650)	3.1350
		Purchased put option		3.2000		participation restricted to 4.20
Total			420			
II half of 2012, TOTAL			420			
I half of 2013	Seagull ⁴	Sold call option	240	4.0000	(0.0332)	3.1168
		Purchased put option		3.1500		restricted to 2.60
		Sold put option		2.6000		participation restricted to 4.00
	Collar	Sold call option	240	4.2000	(0.0650)	3.1350
		Purchased put option		3.2000		participation restricted to 4.20
Total			480			
II half of 2013	Seagull ⁴	Sold call option	240	4.0000	(0.0230)	3.1270
		Purchased put option		3.1500		restricted to 2.60
		Sold put option		2.6000		participation restricted to 4.00
	Collar	Sold call option	240	4.2000	(0.0650)	3.1350
		Purchased put option		3.2000		participation restricted to 4.20
Total			480			
TOTAL 2013			960			
I half of 2014	Seagull ⁴	Sold call option	180	4.5000	(0.0506)	3.4494
		Purchased put option		3.5000		restricted to 2.70
		Sold put option		2.7000		participation restricted to 4.50
	Collar	Sold call option	180	4.5000	(0.0093)	3.3907
		Purchased put option		3.4000		participation restricted to 4.50
Total			360			
II half of 2014	Seagull ⁴	Sold call option	180	4.5000	(0.0345)	3.4655
		Purchased put option		3.5000		restricted to 2.70
		Sold put option		2.7000		participation restricted to 4.50
	Collar	Sold call option	180	4.5000	(0.0093)	3.3907
		Purchased put option		3.4000		participation restricted to 4.50
Total			360			
TOTAL 2014			720			
I half of 2015	Collar	Sold call option	180	4.5000	(0.0080)	3.3920
		Purchased put option		3.4000		participation restricted to 4.50
Total			180			
II half of 2015	Collar	Purchased put option	180	4.5000	(0.0080)	3.3920
		Sold put option		3.4000		participation restricted to 4.50
Total			180			
TOTAL 2015			360			

⁵ Due to current hedge accounting laws, transactions embedded within a put spread – purchased put options – are shown in the table containing a detailed list of derivatives positions „Hedging instruments”, while sold put options are shown in the table „Trade instruments”.

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

All entities with which derivative transactions are entered into operate in the financial sector. These are financial institutions (mainly banks), with the highest⁶ (5.9%), medium-high⁷ (76.5%) or medium⁸ (17.6%) ratings. Based on fair value at 30 June 2012⁹, the maximum share of a single entity with respect to credit risk arising from derivative transactions entered into by the Company amounted to 20.1%.

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

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

At 30 June 2012, the fair value of open positions in derivatives amounted to PLN 952 046 thousand, of which PLN 1 131 997 thousand related to the positive fair value of hedging instruments, PLN 179 950 thousand related to the negative fair value of trade instruments, and PLN 1 thousand related to the negative fair value of instruments initially designated as hedging instruments excluded from hedge accounting. The fair value of open positions in derivatives varies, depending on changes in market conditions, and the final result on these transactions may vary significantly from the measurements described above.

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

TRADE INSTRUMENTS			At 30 June 2012			
Type of derivative	Volume/ Notional Cu [t] Ag [‘000 troz] Currency [‘000 USD]	Avg. weighted price/ex. rate Cu [USD/t] Ag [USD/troz] Currency [USD/PLN]	Financial assets		Financial liabilities	
			Current	Non-current	Current	Non-current
Derivatives - Metals - Copper:						
Options						
Sold call options	3 848	1			(100 005)	
Purchased put options	58 500	4 633	72			
Sold put options	204 000	4 557			(1 137)	(42 735)
TOTAL:			72		(101 142)	(42 735)
Derivatives - Metals - Silver:						
Options						
Purchased call options	1 800	62.00	1			
Sold put options	5 400	19.93			(3 156)	(7 986)
TOTAL:			1		(3 156)	(7 986)
Derivatives - Currency contracts:						
Options USD						
Sold put options	930 000	2.6484			(1 995)	(23 009)
TOTAL:					(1 995)	(23 009)
TOTAL TRADE INSTRUMENTS			73		(106 293)	(73 730)

⁶ 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.

⁷ 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.

⁸ 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.

⁹ The fair value of derivatives as at 31 March 2012 amounted to PLN 595 219 thousand.

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

HEDGING INSTRUMENTS							At 30 June 2012			
Type of derivative	Volume/ Notional	Avg. weighted price/ ex. rate	Maturity/ settlement period		Period of profit/loss impact		Financial assets		Financial liabilities	
			From	To	From	To	Current	Non- current	Current	Non- current
Derivatives – Metals- Copper										
Options										
Collar	42 000	8 350-11 750	Jan-13	Dec-13	Feb-13	Jan-14	67 466	112 238	(2 219)	(9 863)
Collar - seagulls	204 000	7 486 -9 910	July-12	Dec-15	Aug-12	Jan-16	100 275	480 291	(29 870)	(184 524)
Purchased put options- producer's puts	44 250	8 388	July-12	Dec-12	Aug-12	Jan-13	129 383			
TOTAL:							297 124	592 529	(32 089)	(194 387)
Derivatives – Metals - Silver										
Options										
Purchased put options	3 600	35.00	July-12	Dec-12	Aug-12	Jan-13	100 763			
Collar	1 800	37.00-62.00	July-12	Dec-12	Aug-12	Jan-13	60 724		(1)	
Collar - seagull	3 600	40.00-65.00	Jan-13	Dec-13	Feb-13	Jan-14	66 476	97 308	(44)	(659)
TOTAL:							227 963	97 308	(45)	(659)
Derivatives – Currency contracts										
Options USD										
Collar	1 530 000	3.3059-4.3588	July-12	Dec-15	July-12	Dec-15	45 010	212 925	(11 478)	(159 048)
Seagull	930 000	3.3000-4.2323	July-12	Dec-14	July-12	Dec-14	27 291	129 998	(17 165)	(83 280)
TOTAL:							72 301	342 923	(28 643)	(242 328)
TOTAL HEDGING INSTRUMENTS							597 388	1 032 760	(60 777)	(437 374)

INSTRUMENTS INITIALLY DESIGNATED AS HEDGING INSTRUMENTS EXCLUDED FROM HEDGE ACCOUNTING

							At 30 June 2012			
Type of derivative	Volume	Avg. weighted price	Maturity/ settlement period		Period of profit/loss impact		Financial assets		Financial liabilities	
			From	To	From	To	Current	Non- current	Current	Non- current
Derivatives – Metals - Silver										
Options										
Sold call options	1 800	62.00	July-12	Dec-12	Aug-12	Jan-13				(1)
TOTAL										(1)
TOTAL INSTRUMENTS INITIALLY DESIGNATED AS HEDGING INSTRUMENTS EXCLUDED FROM HEDGE ACCOUNTING										(1)

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

	Total: fair value of derivatives and of other receivables and liabilities due to unsettled derivatives	Fair value of derivatives	Fair value of other receivables and liabilities due to unsettled derivatives
Financial assets	1 672 143	1 630 221	41 922
Financial liabilities	(695 244)	(678 174)	(17 070)
Net fair value	976 899	952 047	24 852

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

At 31 March 2012, accumulated other comprehensive income (excluding the deferred tax effect) due to cash flow hedging instruments amounted to PLN 257 213 thousand, of which PLN 178 215 thousand related to the effective portion of the result from the measurement of transactions hedging metals price risk, and PLN 78 998 thousand related to the effective portion of the result from the measurement of transactions hedging currency risk.

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

During the second quarter of 2012 there was an increase in other comprehensive income by PLN 292 108 thousand (excluding the deferred tax effect), comprised of:

- changes in fair value during the period recognised as an increase in accumulated other comprehensive income due to the measurement of the effective portion of hedging transactions, in the amount of PLN 379 877 thousand,
- the amount of PLN 87 769 thousand, decreasing accumulated other comprehensive income, transferred to increase revenues from sales, due to the settlement of the effective portion of hedging transactions.

	At		
Accumulated other comprehensive income	30 June 2012	31 March 2012	31 December 2011
Commodity price risk hedging transactions (copper and silver) - derivatives	549 321	178 215	708 992
Currency risk hedging transactions - derivatives	-	78 998	-
Total accumulated other comprehensive income - financial instruments hedging future cash flows (excluding deferred tax effects)	549 321	257 213	708 992

Lubin, 13 August 2012