POLISH FINANCIAL SUPERVISION AUTHORITY

Half-year report P 2015

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

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

for the first half of the financial year **2015** from **1 January 2015** to **30 June 2015**
Including the interim condensed financial statements prepared under International Accounting Standard 34 in PLN.
date of publication: 13 August 2015

KGHM Polska Miedź Spółka Akcyjna
(name of the issuer)

KGHM Polska Miedź S.A.	**Basic materials**
(name of issuer in brief)	(issuer branch title per the Warsaw Stock Exchange)
59 – 301	**LUBIN**
(postal code)	(city)
M. Skłodowskiej – Curie	**48**
(street)	(number)
(48 76) 74 78 200	**(48 76) 74 78 500**
(telephone)	(fax)
ir@kghm.com	**www.kghm.com**
(e-mail)	(website address)
692–000–00-13	**390021764**
(NIP)	(REGON)

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

	SELECTED FINANCIAL DATA	in M PLN		in M EUR	
		Half-year 2015 For the period from 1 January 2015 to 30 June 2015	**Half-year 2014** For the period from 1 January 2014 to 30 June 2014	**Half-year 2015** For the period from 1 January 2015 to 30 June 2015	**Half-year 2014** For the period from 1 January 2014 to 30 June 2014
I.	Sales revenue	8 092	7 727	1 957	1 849
II.	Profit on sales	1 935	1 600	468	383
III.	Profit before income tax	1 881	1 531	455	366
IV.	Profit for the period	1 321	1 119	320	268
V.	Other comprehensive income	(121)	(121)	(29)	(29)
VI.	Total comprehensive income	1 200	998	291	239
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)	6.60	5.60	1.60	1.34
IX.	Net cash generated from operating activities	2 122	2 210	513	529
X.	Net cash used in investing activities	(4 739)	(1 976)	(1 146)	(473)
XI.	Net cash generated from/(used in) financing activities	2 970	(49)	718	(12)
XII.	Total net cash flow	353	185	85	44
		At 30 June 2015	**At 31 December 2014**	**At 30 June 2015**	**At 31 December 2014**
XIII.	Non-current assets	31 182	27 439	7 434	6 438
XIV.	Current assets	4 932	4 873	1 176	1 143
XV.	Total assets	36 114	32 312	8 610	7 581
XVI.	Non-current liabilities	6 509	4 195	1 552	984
XVII.	Current liabilities	4 928	3 840	1 175	901
XVIII.	Equity	24 677	24 277	5 883	5 696

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

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

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

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

HALF-YEAR REPORT P 2015 COMPRISES:

1. AUDITOR'S REVIEW REPORT ON THE INTERIM CONDENSED FINANCIAL STATEMENTS

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

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

4. INTERIM CONDENSED FINANCIAL STATEMENTS

5. THE MANAGEMENT BOARD'S REPORT ON THE ACTIVITIES OF THE COMPANY

Lubin, August 2015

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

Lubin, August 2015

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

We have reviewed the accompanying interim condensed financial statements of KGHM Polska Miedź Spółka Akcyjna (hereinafter called *the Company*), with its registered office in Lubin, M. Skłodowskiej-Curie 48 Street, comprising the interim statement of profit or loss, the interim statement of comprehensive income for period from 1 January to 30 June 2015, the interim statement of financial position as at 30 June 2015, , the interim statement of changes in equity, the interim statement of cash flows for the period from 1 January to 30 June 2015 and selected explanatory notes to the interim condensed financial statements.

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

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

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

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

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

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

Katarzyna Ignaszak

Key Registered Auditor
No. 11715

Wrocław, 12 August 2015

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

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

Lubin, August 2015

DECLARATION BY THE MANAGEMENT BOARD ON THE ACCURACY OF THE PREPARED FINANCIAL STATEMENTS

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

SIGNATURES OF ALL MEMBERS OF THE MANAGEMENT BOARD			
Date	**First, Last name**	**Position/Function**	**Signature**
12 August 2015	Herbert Wirth	President of the Management Board	
12 August 2015	Jarosław Romanowski	First Vice President of the Management Board	
12 August 2015	Marcin Chmielewski	Vice President of the Management Board	
12 August 2015	Jacek Kardela	Vice President of the Management Board	
12 August 2015	Mirosław Laskowski	Vice President of the Management Board	

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

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

Lubin, August 2015

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

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

SIGNATURES OF ALL MEMBERS OF THE MANAGEMENT BOARD			
Date	**First, Last name**	**Position/Function**	**Signature**
12 August 2015	Herbert Wirth	President of the Management Board	
12 August 2015	Jarosław Romanowski	First Vice President of the Management Board	
12 August 2015	Marcin Chmielewski	Vice President of the Management Board	
12 August 2015	Jacek Kardela	Vice President of the Management Board	
12 August 2015	Mirosław Laskowski	Vice President of the Management Board	

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

INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE FIRST HALF OF 2015

Lubin, August 2015

Table of contents f

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

Interim statement of profit or loss

	Note	For the period from 1 January 2015 to 30 June 2015	from 1 January 2014 to 30 June 2014
Sales revenue	5	8 092	7 727
Cost of sales	6	(5 782)	(5 727)
Gross profit		**2 310**	**2 000**
Selling costs	6	(58)	(62)
Administrative expenses	6	(317)	(338)
Profit on sales		**1 935**	**1 600**
Other operating income	8	299	151
Other operating costs	9	(311)	(205)
Operating profit		**1 923**	**1 546**
Finance costs	10	(42)	(15)
Profit before income tax		**1 881**	**1 531**
Income tax expense	11	(560)	(412)
Profit for the period		**1 321**	**1 119**
Earnings per share for the half-year period (in PLN per share)	12		
- basic		6.60	5.60
- diluted		6.60	5.60

The accounting policies and other explanatory information presented on pages 8 to 64 represent an integral part of these interim condensed financial statements.

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

Interim statement of comprehensive income

	Note	For the period from 1 January 2015 to 30 June 2015	For the period from 1 January 2014 to 30 June 2014
Profit for the period		**1 321**	**1 119**
Other comprehensive income:			
Other comprehensive income, which will be reclassified to profit or loss when specific conditions are met:			
Other comprehensive income from measurement of financial instruments:			
Available-for-sale financial assets		(121)	146
Income tax related to available-for-sale financial assets		23	(28)
Cash flow hedging instruments		(205)	(143)
Income tax related to cash flow hedging instruments		39	27
Total other comprehensive income, which will be reclassified to profit or loss when specific conditions are met		**(264)**	**2**
Other comprehensive income, which will not be reclassified to profit or loss:			
Actuarial gains/(losses)		177	(152)
Income tax related to actuarial gains and losses		(34)	29
Total other comprehensive income, which will not be reclassified to profit or loss		**143**	**(123)**
Other comprehensive net income for the reporting period	**23**	**(121)**	**(121)**
TOTAL COMPREHENSIVE INCOME		**1 200**	**998**

The accounting policies and other explanatory information presented on pages 8 to 64 represent an integral part of these interim condensed financial statements.

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

Interim statement of financial position

	Note	At 30 June 2015	At 31 December 2014
Assets			
Non-current assets			
Property, plant and equipment	13	11 819	11 562
Intangible assets	14	561	511
Shares and investment certificates in subsidiaries	15	11 774	11 760
Interest in joint ventures	15	18	18
Deferred tax assets	26	109	111
Available-for-sale financial assets	16	826	931
Financial assets for mine closure and restoration of tailings storage facilities	17	232	206
Derivatives	18	152	190
Trade and other receivables	19	5 691	2 150
		31 182	**27 439**
Current assets			
Inventories	20	2 806	2 377
Trade and other receivables	19	1 519	2 142
Financial assets for mine closure	17	5	2
Derivatives	18	179	267
Cash and cash equivalents	21	423	85
		4 932	**4 873**
TOTAL ASSETS		**36 114**	**32 312**
EQUITY AND LIABILITIES			
Equity			
Share capital	22	2 000	2 000
Revaluation reserve from measurement of financial instruments	23	102	366
Actuarial gains/losses on post-employment benefits	23	(258)	(401)
Retained earnings	23	22 833	22 312
TOTAL EQUITY		**24 677**	**24 277**
LIABILITIES			
Non-current liabilities			
Trade and other payables	24	189	185
Borrowings	25	3 734	1 052
Derivatives	18	205	122
Employee benefits liabilities	27	1 650	1 842
Provisions for other liabilities and charges	28	731	994
		6 509	**4 195**
Current liabilities			
Trade and other payables	24	2 764	2 537
Borrowings	25	1 805	1 056
Current corporate tax liabilities		154	56
Derivatives	18	43	36
Employee benefits liabilities	27	117	114
Provisions for other liabilities and charges	28	45	41
		4 928	**3 840**
TOTAL LIABILITIES		**11 437**	**8 035**
TOTAL EQUITY AND LIABILITIES		**36 114**	**32 312**

The accounting policies and other explanatory information presented on pages 8 to 64 represent an integral part of these interim condensed financial statements.

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

Interim statement of changes in equity

	Note	Share capital	Revaluation reserve from measurement of financial instruments	Actuarial gains/losses on post-employment benefits	Retained earnings	Total equity
At 1 January 2015		**2 000**	**366**	**(401)**	**22 312**	**24 277**
Dividends from profit for 2014, resolved and paid	31	-	**-**	-	(400)	**(400)**
Dividends from profit for 2014, resolved but unpaid		-	**-**	-	(400)	**(400)**
Total comprehensive income		-	(264)	143	1 321	**1 200**
Profit for the period	23	**-**	**-**	**-**	1 321	**1 321**
Other comprehensive income	23	-	(264)	143	-	**(121)**
At 30 June 2015		**2 000**	**102**	**(258)**	**22 833**	**24 677**
At 1 January 2014		**2 000**	**512**	**(112)**	**20 898**	**23 298**
Dividends from profit for 2013, resolved but unpaid		-	-	-	(1 000)	**(1 000)**
Total comprehensive income		-	2	(123)	1 119	**998**
Profit for the period	23	-	-	-	1 119	**1 119**
Other comprehensive income	23	-	2	(123)	-	**(121)**
At 30 June 2014		**2 000**	**514**	**(235)**	**21 017**	**23 296**

The accounting policies and other explanatory information presented on pages 8 to 64 represent an integral part of these interim condensed financial statements.

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

Interim statement of cash flows

	Note	For the period from 1 January 2015 to 30 June 2015	For the period from 1 January 2014 to 30 June 2014
Cash flow from operating activities			
Profit for the period	23	1 321	1 119
Total adjustments to profit for the period:		**1 232**	**1 498**
Income tax recognised in profit or loss		560	412
Depreciation/amortisation recognised in profit for the period		429	419
Losses on sale of property, plant and equipment and intangible assets		7	5
Dividends and interest		(70)	(30)
Foreign exchange gains		(40)	(2)
Change in provisions		(19)	21
Change in assets/liabilities due to derivatives		309	621
Reclassification of other comprehensive income to profit or loss as a result of realisation of derivatives		(221)	(264)
Other adjustments		(2)	1
Changes in working capital:		279	315
Inventories		(407)	(492)
Trade and other receivables		681	637
Trade and other payables		5	170
Income tax paid		(431)	(407)
Net cash generated from operating activities		**2 122**	**2 210**
Cash flow from investing activities			
Purchase of shares and investment certificates in subsidiaries		(40)	-
Purchase of property, plant and equipment and intangible assets		(1 146)	(1 125)
Advances granted for purchase of property, plant and equipment and intangible assets		(62)	(41)
Proceeds from sale of property, plant and equipment and intangible assets		6	6
Purchase of available-for-sale financial assets		(16)	-
Purchase of financial assets from mine closure fund and tailings storage facilities restoration fund		(29)	(26)
Loans granted		(3 453)	(799)
Repayments of loans granted		3	3
Interest received		1	1
Dividends received		-	7
Other investment expenses		(3)	(2)
Net cash used in investing activities		**(4 739)**	**(1 976)**
Cash flow from financing activities			
Proceeds from bank and other loans		3 398	205
Repayments of bank loans		-	(250)
Interest paid		(28)	(4)
Dividends paid	23	(400)	-
Net cash generated from/(used in) financing activities		**2 970**	**(49)**
Total net cash flow		**353**	**185**
Exchange gains/(losses) on cash and cash equivalents		(15)	17
Movements in cash and cash equivalents		**338**	**202**
Cash and cash equivalents at beginning of the period	**21**	**85**	**123**
Cash and cash equivalents at end of the period	**21**	**423**	**325**
including restricted cash and cash equivalents		6	-

The accounting policies and other explanatory information presented on pages 8 to 64 represent an integral part of these interim condensed financial statements.

Accounting policies and other explanatory information

1. Corporate information

Details of the Company

KGHM Polska Miedź S.A. ("the Company") with its registered office in Lubin at 48 M.Skłodowskiej-Curie Street is a joint stock company registered at the Wrocław Fabryczna Regional Court, Section IX (Economic) in the National Court Register, entry no. KRS 23302, operating on the territory of the Republic of Poland. The Company was assigned a tax identification number (NIP) 692-000-00-13 and a statistical REGON number 390021764. KGHM Polska Miedź S.A. has a multi-divisional organisational structure, which comprises its Head Office and 10 divisions: 3 mines (Lubin Mine Division, Polkowice-Sieroszowice Mine Division, Rudna Mine Division), 3 metallurgical plants (Głogów Smelter/Refinery Division, Legnica Smelter/Refinery Division, the Cedynia Wire Rod Division), the Concentrator Division, the Tailings Division, the Mine-Smelter Emergency Rescue Division and the Data Center Division.

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

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

Going concern assumption

The interim condensed financial statements were prepared under the assumption that the Company will continue as a going concern during a period of at least 12 months from the end of the reporting period in an unaltered form and business scope, and there are no reasons to suspect any intentional or forced discontinuation or significant limitation of its current activities. At the date of signing of the interim condensed financial statements the Management Board of the Company is not aware of any facts or circumstances that may cast doubt about the going concern in the foreseeable future.

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

Period of operation

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

Management Board

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

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

1. General information (continued)

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

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

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

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

Supervisory Board

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

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

along with the following employee-elected members:

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

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

Signing of the interim condensed financial statements

These interim condensed financial statements (financial statements) do not require approval by an approving body pursuant to art. 53 of the Accounting Act dated 29 September 1994. The interim condensed financial statements are signed by the head of the unit, i.e. the Management Board of KGHM Polska Miedź S.A. and by the person responsible for accounting. These financial statements were signed on 12 August 2015.

Seasonal or cyclical activities

The Company is not affected by seasonal or cyclical activities.

2. Basis of preparing financial statements

Accounting principles

These financial statements have been prepared in accordance with IAS 34 Interim financial reporting and, for a full understanding of the financial position and the results of the Company's activities, should be read together with the financial statements for the financial year ended 31 December 2014 which are an element of the Annual Report R 2014 available at the website www.kghm.com. These financial statements have been prepared in accordance with the same principles for the current and comparable periods.

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

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

These financial statements have been prepared using the same principles for the reporting and comparable periods. To ensure the usefulness of information presented in the financial statements, we have changed the order of presentation of individual financial statements. After this change, the statements are in the following order:

2. Basis of preparing financial statements (continued)

statement of profit or loss, statement of comprehensive income, statement of financial position, statement of changes in equity and the statement of cash flows. The order of presentation of explanatory notes has been accordingly adjusted to this new order of presentation of the financial statements. This change did not have an impact on the financial data presented in these financial statements for the reporting and comparable periods.

From 1 January 2015 Annual improvements resulting from a review of IFRSs, 2011-2013 Cycle, are binding for the Company. As a result of a review of IFRSs minor amendments were made to the following standards:

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

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

3. Important estimates and assumptions

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

(a) Assessment of the risk of impairment of KGHM Polska Miedź S.A.'s assets of in the context of the market capitalisation

In accordance with IAS 36 , one of the indications of the possible impairment of assets is whether the carrying amount of the net assets is higher than their market capitalisation.
In accordance with its adopted accounting policies, KGHM Polska Miedź S.A. recognises the following indications to carry out impairment testing of the carrying amount of the Company's assets: a significant decrease in market capitalisation (by 20%) or a prolonged decline in market capitalisation, i.e. a period of 12 months relative to the carrying amount of net assets.
Taking into consideration the 200 000 000 shares issued by KGHM Polska Miedź S.A., it was determined that the Company's market capitalisation in the period from 1 December 2014 to 30 June 2015, excluding the market capitalisation on 26 February 2015 and in the period from 27 April 2015 to 27 May 2015, was below the carrying amount of the Company's net assets. KGHM Polska Miedź S.A.'s share price decreased during the year by 13.45%, from PLN 123.10 per share on 1 July 2014 to PLN 106.55 per share on 30 June 2015. In addition, during the year the share price increased above the level of PLN 123.10 from 1 July 2014.
Taking into consideration that the decline in the Company's market capitalisation did not exceed the period of 12 months and the decrease was below 20% versus the carrying amount of net assets, there were no reasons indicating the need to perform impairment testing of the assets.

b) Useful life of property, plant and equipment

The Management Board of the Company annually reviews the residual value, depreciation methods and useful lives of depreciable property, plant and equipment. As of 30 June 2015, the Management Board estimates that the periods of use of assets, adopted by the Company for purposes of depreciation, reflect the period of expected economic benefits from these assets in the future.

c) Investments in subsidiaries and in joint ventures

In order to determine the value in use of investments in subsidiaries and in joint ventures, the Management Board estimates the forecasted cash flows that are expected as a result of maintaining a given investment and the rates that will be used to discount these cash flows to present value. In determining present value, the Management Board applies the assumptions on a given company's projected financial results over the next several years, based on future events and circumstances which could differ from amounts actually achieved, and which in future reporting periods could lead to adjustments in the values of investments in subsidiaries and in joint ventures. At the end of the reporting period, the Management Board analysed the question of the arising of evidence of impairment of shares as well as the impact of changes to the assumptions adopted for the impairment testing conducted in 2014.

3. Important estimates and assumptions (continued)

The analyses performed in the current period concerned:

(**c1**) Investment in the company Fermat 1

The company Fermat 1 was created in 2011 as a result of the process of creating a holding structure related to the acquisition of the company Quadra FNX Mining. In 2012 the shares of Quadra FNX Mining (today KGHM INTERNATIONAL LTD.) were acquired. At the end of 2014, the Management Board assessed whether there were indications of an impairment of the assets of the Robinson mine, which belongs to KGHM INTERNATIONAL LTD. (100% share) and the Sierra Gorda project (55% share) which are separate cash generating units within Fermat 1. Recoverable amounts were calculated and they exceeded the carrying amount of the investments, and therefore there was no basis for recognition of impairment losses on these assets.

Sierra Gorda project

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

Robinson mine

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

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

(**c2**) Investment in the subsidiary "Energetyka" sp. z o.o.

At the end of 2014, as a result of impairment testing of the investment in this company, a recoverable amount was calculated which exceeded the carrying amount of the investment, and therefore there was no basis for recognition of impairment.
The key assumptions adopted for this measurement, derived from the financial plan approved by the Supervisory Board of "Energetyka" sp. z o.o. for the years 2015-2020, especially the EBIT generated and the value of non-operating assets (investment in the subsidiary WPEC w Legnicy S.A.), remain valid as at 30 June 2015. As at 30 June 2015, the discount rate applied while using a prudent approach to macroeconomic and sector parameters did not change as compared to the assumptions adopted in the impairment test performed as at 31 December 2014.

In the first half of 2015, the company achieved its targets for this period at close to planned levels, and therefore no risk of impairment was identified in respect of the investment in "Energetyka" sp. z o.o.

(**c3**) Investment in the subsidiary METRACO S.A.

At the end of 2014, as a result of impairment testing of the investment in this company, a recoverable amount was calculated which exceeded the carrying amount of the investment, and therefore there was no basis for recognition of impairment.

The key assumptions adopted for this measurement, derived from the financial plan approved by the Supervisory Board of METRACO S.A. for the years 2015-2020, especially the generated EBIT and the value of non-operating assets, remain valid as at 30 June 2015. As at 30 June 2015, the discount rate applied while using a prudent approach to macroeconomic and sector parameters did not change as compared to the assumptions adopted in the impairment test performed as at 31 December 2014.

In the first half of 2015, the company achieved its targets for this period at close to planned levels, and therefore no risk of impairment was identified in respect of the investment in METRACO S.A.

3. Important estimates and assumptions (continued)

After taking into account the aforementioned analyses, the Management Board has determined that there was no evidence indicating an impairment of investments in subsidiaries and in joint ventures, nor were there any significant changes in assumptions adopted for the purposes of tests conducted as at 31 December 2014.

d) Measurement of available-for-sale financial assets

As at 30 June 2015, in accordance with the accounting policy, the Company measured the value of the investment in Tauron Polska Energia S.A., whose shares are listed on the Warsaw Stock Exchange. The present value of these shares at the end of the reporting period was lower than their carrying amount, and as a result losses due to changes in fair value were recognised in the amount of PLN 122 million, which was recognised as a decrease of other comprehensive income.

As at 30 June 2015 the carrying amount of the shares of Tauron Polska Energia S.A. was PLN 798 million (as at 31 December 2014: PLN 920 million).

e) Future employee benefits

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

The basic assumption for setting the amount of these liabilities is the discount rate. At the end of the reporting period, the present value of estimated future cash outflow due to these benefits is calculated by an independent actuary. When setting the discount rate, IAS 19 requires that reference be made to the market yields of corporate bonds or, if there is no deep market for such bonds, the market yields of treasury bonds should be used.

Other macroeconomic assumptions used to measure liabilities due to future employee benefits, such as inflation or the minimum salary, are based on current market conditions. Other information and the assumptions applied may be found in **note 27**.

As at 30 June 2015 the carrying amount of employee benefits liabilities was PLN 1 767 million (as at 31 December 2014: PLN 1 956 million).

f) Provision for decommissioning costs of mines and other technological facilities

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

a) the index of changes in prices in the construction-assembly sector published by the Central Statistical Office (GUS); and
b) the real discount rate calculated on the basis of the nominal discount rate (i.e. the yield on treasury bonds with maturities nearest to the planned financial outflow) and the forecasted rate of inflation.

Discount rates (nominal and inflation) are set separately for future periods, i.e. for the first, second and third years, and jointly for periods from the fourth year. As At 30 June 2015, these provisions were reassessed using the real discount rate of 3.40%.

As at 30 June 2015 the carrying amount of provisions for decommissioning costs of mines and other technological facilities was PLN 743 million (as at 31 December 2014: PLN 1 005 million). The decrease in the value of the provision was caused by an increase of the real discount rate from 1.53% as at 31 December 2014 to 3.40% as at 30 June 2015.

g) Deferred tax assets/liabilities

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

3. Important estimates and assumptions (continued)

The probability of realising the deferred tax assets with future tax income is estimated on the basis of the Company budget approved by the Supervisory Board. The projected financial results indicate that the Company will achieve taxable income, based on which the probability of settling deferred tax assets is determined as high and these deferred tax assets are recognised in their full amount.

h) Receivables due to loans granted

KGHM Polska Miedź S.A. has granted loans to Fermat 1 S.à r.l. and to the company 0929260 B.C.U.L.C. These loans were granted to refinance the debt of KGHM INTERNATIONAL LTD. and to finance mining projects being advanced by indirect subsidiaries of KGHM Polska Miedź S.A.: KGHM INTERNATIONAL LTD. and KGHM AJAX Mining Inc. As at 30 June 2015, the balance of loans granted (including accrued interest on these loans) amounted to USD 1 484 million, i.e. PLN 5 586 million. The repayment dates of these loans were set at 2018, 2019, 2021 and 2024. According to the financial projections prepared by the Management Board for the companies within the structure of the Fermat 1 S.a r.l. Group and the company 0929260 B.C. U.L.C., expenditures due to repayment of the loans mentioned above were reflected in the plans for those years in which the repayment of the loans comes due. As the settlement of the loans is planned and probable in the foreseeable future, the loans do not represent a net investment as understood by IAS 21.15, and evaluation of their recoverability was made independently of the analysis of the recoverability of the investments in Fermat 1 S.a r.l. and 0929260 B.C. U.L.C. Based on the financial projections prepared, the Management Board of KGHM Polska Miedź S.A. has not identified a threat to the recoverability of the loans granted.

4. Operating segments

Based on analysis of the Company's organisational structure, the system of internal reporting and the management model, it was determined that the Company represents a single operating and reporting segment, which may be defined as „Production of copper, precious metals and other smelter products".

The core business of the Company is the production of copper and silver. Production is a fully integrated process, in which the end-product of one stage is the half-finished product used in the next stage. Copper ore extracted in the mines is transported to concentrators where it is enriched. As a result of this process, copper concentrate is produced, which is then supplied to the smelters. At the smelters, concentrate is smelted and fire refined into copper anodes, which is then subjected to electrolytic refining into copper cathodes. From these cathodes wire rod and round billets are produced. Anode slimes, which arise from the process of copper electrorefining, is a raw material used to produce precious metals. Lead-bearing dust which is generated from the smelting processes is used to produce lead. Nickel sulphate and copper sulphate are recovered from the processing of used electrolyte. Gases generated from the smelting furnaces are used to produce sulphuric acid. Economic use is also made of smelter slags, which are sold as road-building materials.

Settlements between further stages of the production process are at cost, and as a result the internal organisational units (mines, processing plants, smelters) in the production cycle do not show a profit from sales. The financial data which are prepared for management accounting purposes are based on the same accounting principles which are used to prepare the financial statements. The body which performs regular reviews of the internal reports for purposes of making major operational decisions is the Management Board of the Company as it is responsible for allocating resources and for the financial results of the Company. The internal reports of the Company on its results are prepared on a monthly basis, and do not contain profits/losses on the separate stages of the production process, concentrating on an analysis of costs of their realisation.

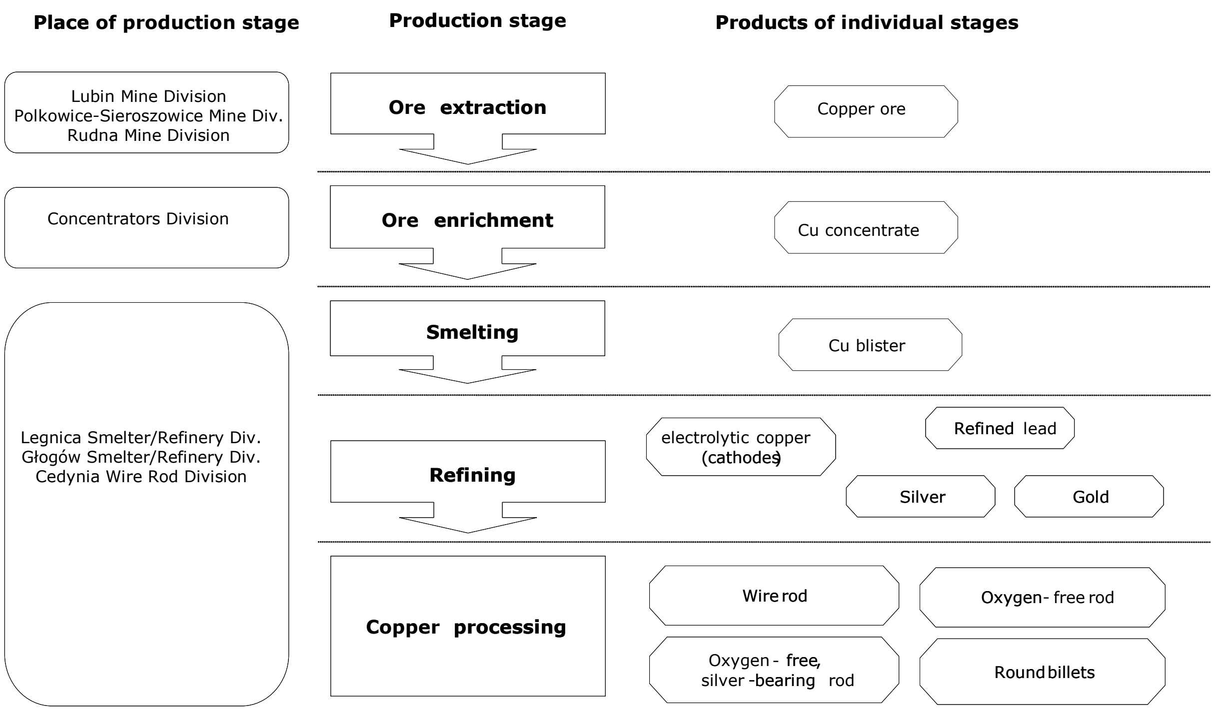
The organisational structure of KGHM Polska Miedź S.A. comprises the Head Office and 10 Divisions: mines, concentrators and metallurgical plants. The Head Office carries out sales of the Company's basic products, i.e. copper cathodes, round billets, wire rod, rod and silver and in addition, the Head Office carries out support functions, particularly including the management of financial assets, centralised finance and accounting, marketing, legal and other services.

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

4. Operating segments (continued)

Production of basic products

In the first half of 2015 the Company produced 286 thousand tonnes of electrolytic copper and 612 tonnes of metallic silver (in the first half of 2014: 283 thousand tonnes of electrolytic copper and 605 tonnes of metallic silver). During this period, the production of copper and silver in own concentrate amounted to 215 thousand tonnes of copper and 609 tonnes of silver. The C1 cash cost of payable copper production in own concentrate (reflecting ore mining and processing costs, transport costs, minerals extraction tax, administrative expenses during the mining phase, smelter treatment and refining charges of concentrate (TC/RC) less by-product value) amounted respectively to 1.50 USD/lb in the first half of 2015 and 1.79 USD/lb in the first half of 2014. The C1 cost was mainly impacted by the weakening of the PLN versus the USD by 22%. The C1 cost realised in the first half of 2015, calculated under the USD/PLN exchange rate and metals prices from the first half of 2014, would amount to 1.80 USD/lb and would be on the level achieved in the comparable prior year period.



Segment assets and liabilities	At 30 June 2015	At 31 December 2014
Assets	36 114	32 312
Liabilities	11 437	8 035

In the process of making decisions on the allocation of resources, reports are prepared for managing purposes on capital expenditures, which are presented in the following table.

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

4. Operating segments (continued)

Capital expenditures on property, plant and equipment and intangible assets of the segment

	For the period	
	from 1 January 2015 to 30 June 2015	from 1 January 2014 to 30 June 2014
Capital expenditures by type of activity	**982**	**1 021**
Mining	621	758
Metallurgy	338	226
Other activities	23	37
Incomplete capitalised development	**9**	**5**
Total	**991**	**1 026**
Capital expenditures by project	**982**	**1 021**
Local	362	417
Central	619	604
Study and analysis stage	1	-
Incomplete capitalised development	**9**	**5**
Total	**991**	**1 026**

Segment profit or loss

	For the period	
	from 1 January 2015 to 30 June 2015	from 1 January 2014 to 30 June 2014
Sales revenue	**8 092**	**7 727**
Interest income	86	23
Interest cost	(12)	(4)
Depreciation/amortisation recognised in profit for the period	(429)	(419)
Other operating income on measurement and realisation of derivatives	59	54
Other operating costs on measurement and realisation of derivatives	(252)	(158)
Income tax	(560)	(412)
Profit for the period	**1 321**	**1 119**
ROA* - return on assets (%)	3.7	3.7
ROE** - return on equity (%)	5.4	4.8
EBITDA (profit on sales + depreciation/amortisation)	**2 364**	**2 019**

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

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

Geographical areas

The geographical breakdown of sales revenue reflects the location of end clients.

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

4. Operating segments (continued)

	Note	For the period from 1 January 2015 to 30 June 2015	from 1 January 2014 to 30 June 2014
Poland		1 883	1 714
Germany		1 560	1 713
China		1 025	740
The Czech Republic		760	720
The United Kingdom		724	699
France		378	416
Hungary		354	306
The USA		323	40
Italy		282	313
Switzerland		207	158
Austria		135	117
Turkey		102	221
Belgium		101	76
Romania		61	67
Slovakia		33	43
Sweden		31	-
South Korea		24	-
Bosnia and Hercegovina		21	11
Slovenia		19	15
Ukraine		15	9
Latvia		12	1
Finland		8	19
Bulgaria		6	35
Netherlands		5	13
Australia		-	278
Spain		-	2
Other countries		23	1
Total	5	**8 092**	**7 727**

Main contractors

In the first half of 2015 and in the first half of 2014, the revenues from no single Company contractor were equal to or exceeded 10% of the revenues of KGHM Polska Miedź S.A.

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

5. Sales revenue

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

	Note	For the period from 1 January 2015 to 30 June 2015	For the period from 1 January 2014 to 30 June 2014
Copper, precious metals, smelter by-products		7 953	7 576
Salt		19	21
Merchandise		33	48
Services		41	43
Scrap and production materials		32	32
Other goods		14	7
Total	4	**8 092**	**7 727**

	For the period from 1 January 2015 to 30 June 2015	For the period from 1 January 2014 to 30 June 2014
Average copper price on LME (USD/t)	5 929	6 916
Average exchange rate (USD/PLN) per NBP	3.72	3.05

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

6. Expenses by nature

	Note	For the period from 1 January 2015 to 30 June 2015	For the period from 1 January 2014 to 30 June 2014
Depreciation of property, plant and equipment and amortisation of intangible assets*		454	419
of which:			
Depreciation of property, plant and equipment		445	413
Amortisation of intangible assets		9	6
Employee benefits expenses	7	1 452	1 487
Materials and energy		2 808	2 909
including purchased copper-bearing materials		1 771	1 826
External services		672	688
Taxes and charges		1 000	935
including the minerals extraction tax**		810	748
Advertising costs and representation expenses		20	22
Property and personal insurance		11	11
Research and development costs not capitalised in intangible assets		1	4
Other costs, of which:		**57**	**11**
Write-down of inventories		44	1
Losses from the disposal of financial instruments	29	6	3
Business trip expenses		5	5
Other operating costs		2	2
Total expenses by nature		**6 475**	**6 486**
Merchandise and materials sold (+)		63	79
Change in inventories of finished goods and work in progress (+/-)		(328)	(364)
Cost of manufacturing products for internal use (-)		(53)	(74)
Total cost of sales, selling costs and administrative expenses		**6 157**	**6 127**
of which:			
Cost of sales		5 782	5 727
Selling costs		58	62
Administrative expenses		317	338

* Depreciation of property, plant and equipment and amortisation of intangible assets was recognised in profit for the period in the amount of PLN 429 million, inventories in the amount of PLN 21 million and property, plant and equipment in the amount of PLN 4 million.

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

7. Employee benefits expenses

	Note	For the period from 1 January 2015 to 30 June 2015	For the period from 1 January 2014 to 30 June 2014
Remuneration		1 031	1 034
Costs of social security and other benefits		433	434
Costs of future benefits		(12)	19
Employee benefits expenses	6	**1 452**	**1 487**

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

8. Other operating income

	Note	For the period from 1 January 2015 to 30 June 2015	from 1 January 2014 to 30 June 2014
Income and gains on financial instruments classified under other operating activities, resulting from:	29	224	112
Measurement and realisation of derivatives		59	54
Interest		86	23
Foreign exchange gains		52	-
Dividends received from other entity		27	35
Dividends received from subsidiaries		-	10
Reversal of allowances for impairment of non-financial receivables		1	1
Government grants received and other donations		4	1
Release of unused provisions, resulting from:		16	2
Mine closure		15	1
Court proceedings and disputed issues		1	1
Penalties and compensation received		2	3
Fees and charges due to re-invoicing costs of bank guarantees securing liabilities		17	7
Other operating income/gains		35	15
Total other operating income		**299**	**151**

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

9. Other operating costs

	Note	For the period from 1 January 2015 to 30 June 2015	from 1 January 2014 to 30 June 2014
Costs and losses on financial instruments classified under other operating activities, resulting from:	29	253	165
Measurement and realisation of derivatives		252	158
Interest		1	1
Foreign exchange losses		-	5
Impairment losses on available-for-sale financial assets		-	1
Losses on the sale of property, plant and equipment and intangible assets		7	5
Donations granted		28	17
Provisions for liabilities due to:		7	5
Mine closure		2	4
Court proceedings and disputed issues		5	1
Contributions to voluntary organisations		7	7
Other operating costs/losses		9	6
Total other operating costs		**311**	**205**

10. Finance costs

	Note	For the period from 1 January 2015 to 30 June 2015	from 1 January 2014 to 30 June 2014
Costs due to financial instruments	29	26	-
Interest due to drawn bank loans		11	3
Losses on measurement of derivatives related to borrowings		2	-
Foreign exchange gains on borrowings		(12)	(8)
Changes in liabilities arising from the approach of the maturity date of liabilities (unwinding of the discount)		4	4
Charges and bank provisions on borrowings		21	1
Changes in provisions for decommissioning of mines arising from the approach of the maturity date of a liability (unwinding of the discount)	28	16	15
Total finance costs		**42**	**15**

11. Income tax

Income tax	Note	For the period from 1 January 2015 to 30 June 2015	For the period from 1 January 2014 to 30 June 2014
Current income tax		530	428
including CFC tax*		50	-
Deferred income tax	26	30	(5)
Adjustments to income tax from prior periods		-	(11)
Total		**560**	**412**

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

The rate applied to the taxation of income in accordance with corporate income tax law in force amounted to 19% (in the first half of 2014: 19%). The effective tax rate was 29.77% (in the first half of 2014: 27.00%). The high level of the effective tax rate was mainly due to the minerals extraction tax which is not a deductible cost for tax purposes as well as to the CFC tax.

12. Earnings per share

	For the period from 1 January 2015 to 30 June 2015	For the period from 1 January 2014 to 30 June 2014
Profit for the period	1 321	1 119
Weighted average number of ordinary shares (thousands)	200 000	200 000
Basic/diluted earnings per share (PLN/share)	6.60	5.60

There are no dilutive ordinary shares.

13. Property, plant and equipment

	At 30 June 2015	At 31 December 2014
Land	18	18
Buildings	3 819	3 855
Technical equipment and machinery	4 328	4 290
Motor vehicles	77	78
Other items of property, plant and equipment	25	26
Fixed assets under construction	3 552	3 295
Total	**11 819**	**11 562**

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

13. Property, plant and equipment (continued)

Major investment projects recognised under fixed assets under construction

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

Capital commitments incurred during the reporting period, not recognised in the statement of financial position, due to:

	At 30 June 2015	At 31 December 2014
Purchase of property, plant and equipment	4 456	4 821
Purchase of intangible assets	36	45
Total capital commitments	**4 492**	**4 866**

Purchase and sale of property, plant and equipment

	For the period	
	from 1 January 2015 to 30 June 2015	from 1 January 2014 to 30 June 2014
Purchase of property, plant and equipment	899	819

14. Intangible assets

	At 30 June 2015	At 31 December 2014
Development costs	3	4
Software	2	2
Acquired concessions, patents and licenses	237	236
Other intangible assets	26	21
Exploration and evaluation assets	201	166
Intangible assets not yet available for use	92	82
Total	**561**	**511**

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

15. Investments in subsidiaries and interest in joint ventures

	shares and investment certificates in subsidiaries	joint ventures
At 1 January 2015		
Amount at cost	11 826	18
Discount on receivables due to returnable payments to capital	30	-
Impairment losses	(96)	-
Net carrying amount at 1 January 2015	**11 760**	**18**
Changes in the first half of 2015		
- acquisition of shares	13	-
- acquisition of newly-issued shares	27	-
- redemption of shares	(26)	-
At 30 June 2015		
Amount at cost	11 839	18
Discount on receivables due to returnable payments to capital	30	-
Impairment losses	(95)	-
Net carrying amount at 30 June 2015	**11 774**	**18**
At 1 January 2014		
Amount at cost	11 798	33
Discount on receivables due to returnable payments to capital	27	-
Impairment losses	(81)	-
Net carrying amount at 1 January 2014	**11 744**	**33**
Changes in 2014		
- acquisition of newly-issued shares	27	-
- recognition of impairment losses	(15)	(15)
- redemption of shares	(1)	-
- discount on receivables due to payments to capital	3	-
- other	2	-
At 31 December 2014		
Amount at cost	11 826	33
Discount on receivables due to returnable payments to capital	30	-
Impairment losses	(96)	(15)
Net carrying amount at 31 December 2014	**11 760**	**18**
At 1 January 2014		
Amount at cost	11 798	33
Discount on receivables due to returnable payments to capital	27	-
Impairment losses	(81)	-
Net carrying amount at 1 January 2014	**11 744**	**33**
Changes in the first half of 2014	2	-
At 30 June 2014		
Amount at cost	11 799	33
Discount on receivables due to returnable payments to capital	27	-
Impairment losses	(80)	-
Net carrying amount at 30 June 2014	**11 746**	**33**

15. Investments in subsidiaries and interest in joint ventures (continued)

Changes in the first half of 2015

In the first half of 2015, the Company acquired shares of Bipromet S.A. in the amount of PLN 13 million, acquired investment certificates of KGHM IV FIZAN in the amount of PLN 9 million, redeemed shares of POL-MIEDŹ TRANS Sp. z o.o. in the amount of PLN 26 million and acquired newly issued shares in the increased share capital of:

- KGHM Cuprum sp. z o.o. – CBR in the amount of PLN 9 million;
- KGHM Kupfer AG in the amount of PLN 9 million;
- Cuprum Nieruchomości sp. z o.o. in the amount of PLN 7 million, which were covered by a contribution in kind in the form of shares in Cuprum Development sp. z o.o.

Changes in 2014

In 2014, the Company acquired shares in the following companies:

- KGHM Metraco S.A. in the amount of PLN 74 million (nominal value of newly-issued shares) due to the combination of KGHM Metraco S.A. and KGHM Ecoren S.A. These shares were fully covered by the contributed assets of the subsidiary KGHM Ecoren S.A., in the amount of PLN 387 million. The acquisition of these newly-issued shares in the increased share capital of KGHM Metraco S.A. did not have an impact on the total carrying amount of shares and investment certificates in subsidiaries;
- newly–issued shares of Miedziowe Centrum Zdrowia S.A. in the amount of PLN 4 million;
- newly–issued shares of KGHM ZANAM S.A. in the amount of PLN 4 million;
- newly–issued shares of KGHM Cuprum Sp. z o.o. – CBR in the amount of PLN 7 million;
- investment certificates in KGHM III FIZAN in the amount of PLN 12 million.

In addition, other changes in 2014 concerned:

- the division of KGHM Cuprum sp. z o.o. – CBR by separating property, representing an organised part of the company, to the newly-created company CUPRUM Development sp. z o.o., all of whose shares, valued at PLN 7 million, were acquired by KGHM Polska Miedź S.A.
- an impairment loss due to impairment of the shares of Zagłębie Lubin S.A. in the amount of PLN 15 million, and impairment of shares held in a joint venture - Elektrownia Blachownia Nowa – in the amount of PLN 15 million.

Changes in the first half of 2014

In the first half of 2014, the Company acquired newly-issued shares in the increased share capital of KGHM Metraco S.A., in the nominal amount of PLN 74 million, due to the combination of KGHM Metraco S.A. and KGHM Ecoren S.A.
The acquired newly-issued shares were fully covered by the assets of the subsidiary KGHM Ecoren S.A. in the amount of PLN 387 million. The acquisition of newly-issued shares in the increased share capital of KGHM Metraco S.A. did not have an impact on the total carrying amount of shares and investment certificates in subsidiaries.

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

15. Investments in subsidiaries and joint ventures (continued)

Investment in subsidiaries (direct share)

Entity	Head office	Subject of activities	As at 30 June 2015 % of share capital held	% of voting power	Carrying amount of shares/investment certificates	As at 31 December 2014 % of share capital held	% of voting power	Carrying amount of shares/investment certificates
Fermat 1 S.a r.l.	Luxembourg	foundation, development, management and exertion of control over other companies, including over the KGHM INTERNATIONAL LTD Group and KGHM AJAX MINING INC.	100	100	9 624	100	100	9 624
"Energetyka" sp. z o.o.	Lubin	generation, distribution and sale of electricity and heat	100	100	488	100	100	488
Metraco S.A. (up to 1 July 2015 – KGHM Metraco S.A.)	Legnica	trade, agency and representative services	100	100	420	100	100	420
KGHM I FIZAN	Wrocław	cash investing in securities, monetary market instruments and other property rights	100	100	378	100	100	378
POL-MIEDŹ TRANS Sp. z o.o.	Lubin	transport services	100	100	125	100	100	151
NITROERG S.A.	Bieruń	production and sale of explosives, blasting materials, emulsions, nitrocet	85	85	121	85	85	121
PeBeKa S.A.	Lubin	underground and mining construction, construction of tunnels	100	100	84	100	100	84
"MIEDZIOWE CENTRUM ZDROWIA" S.A.	Lubin	medical services	100	100	83	100	100	83
Zagłębie Lubin S.A.	Lubin	participation in and organisation of professional sporting events	100	100	83	100	100	83
KGHM Kupfer AG	Berlin	copper and other deposits exploring and mining	100	100	71	100	100	62
KGHM ZANAM S.A. (up to 17 April 2015 - KGHM ZANAM Sp. z o.o.)	Polkowice	repair and construction of machinery	100	100	58	100	100	58
BIPROMET S.A.	Katowice	design services, general realisation of construction projects, supply completion	100	100	44	66	66	31
KGHM V FIZAN	Wrocław	cash investing in securities, monetary market instruments and other property rights	92.37	92.37	43	92.37	92.37	43
MERCUS Logistyka sp. z o.o. (up to 12 March 2015 - PHP "MERCUS" sp. z o.o.)	Polkowice	trade, production of bundled electrical cables	100	100	34	100	100	34
LETIA S.A. (up to 22 May 2015 – KGHM LETIA S.A.)	Legnica	promotion of innovation	84.93	84.93	31	84.93	84.93	31
KGHM CUPRUM sp. z o.o. - CBR	Wrocław	R&D activities	100	100	22	100	100	13
KGHM III FIZAN	Wrocław	cash investing in securities, monetary market instruments and other property rights	100	100	17	100	100	17
CBJ sp. z o.o.	Lubin	technical research and analyses	100	100	13	100	100	13
INOVA Spółka z o.o.	Lubin	inspection and control of machinery, R&D work	100	100	13	100	100	13
KGHM IV FIZAN	Wrocław	cash investing in securities, monetary market instruments and other property rights	34.19	34.19	10	100	100	1
CUPRUM Nieruchomości sp. z o.o.	Wrocław	activities connected with real estate management and construction, design and financial services	100	100	7	100	100	-
KGHM TFI S.A.	Wrocław	creation and management of investment funds and management of financial instruments portfolios	100	100	3	100	100	3
KGHM (SHANGHAI) COPPER TRADING CO., LTD.	Shanghai	trade, intermediation and trade consulting services	100	100	2	100	100	2
CUPRUM Development sp. z o.o.	Wrocław	activities connected with real estate management, construction, design and financial services	-	-	-	100	100	7
					11 774			**11 760**

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

16. Available-for-sale financial assets

	Note	At 30 June 2015	At 31 December 2014
Shares in unlisted companies		26	10
Shares in listed companies*		800	921
Non-current available-for-sale financial assets	29	**826**	**931**
Total available-for-sale financial assets	29	**826**	**931**

*The decrease in the value of available-for-sale financial assets was due to measurement to fair value of listed shares, which was recognised as a decrease in other comprehensive income.

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

	Note	At 30 June 2015	At 31 December 2014
Cash held in the Mine Closure Fund and Tailings Storage Facility Restoration Fund – non-current		232	206
Cash held in the Mine Closure Fund - current		5	2
Financial assets for mine closure and restoration of tailings storage facilities, total	29	**237**	**208**

As at 30 June 2015 and as at 31 December 2014, the balance of financial assets for mine closure and restoration of tailings storage facilities was comprised of bank deposits.

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

18. Derivatives

	Note	At 30 June 2015	At 31 December 2014
Non-current assets			
Hedging instruments		131	190
Trade instruments		21	-
Non-current assets due to derivatives, total		**152**	**190**
Current assets			
Hedging instruments		177	243
Instruments initially designated as hedging instruments excluded from hedge accounting		2	24
Current assets due to derivatives, total		**179**	**267**
Total assets due to derivatives		**331**	**457**
Non-current liabilities			
Hedging instruments		205	122
Non-current liabilities due to derivatives, total		**205**	**122**
Current liabilities			
Hedging instruments		41	10
Trade instruments		2	25
Instruments initially designated as hedging instruments excluded from hedge accounting		-	1
Current liabilities due to derivatives, total		**43**	**36**
Total liabilities due to derivatives		**248**	**158**
Derivatives net assets/ (liabilities)	29	**83**	**299**
including:			
Derivatives – currency contracts		(96)	55
Derivatives – commodity contracts – metals		158	244
Derivatives – interest rate		21	-

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

19. Trade and other receivables

	Note	At 30 June 2015	At 31 December 2014
Trade and other non-current receivables			
Payments to capital		61	59
Other financial receivables		1	1
Loans granted*		5 616	2 042
Total loans and financial receivables, net	29	**5 678**	**2 102**
Non-financial receivables		13	48
Total trade and other non-current receivables, net		**5 691**	**2 150**
Trade and other current receivables			
Trade receivables		803	1 408
Loans granted		4	4
Payments to capital		6	14
Cash pool receivables		207	242
Other financial receivables		94	43
Receivables due to unsettled derivatives		31	34
Impairment allowances		(7)	(7)
Total loans and financial receivables, net	29	**1 138**	**1 738**
Non-financial receivables		262	335
Advances granted		119	78
Impairment allowances		-	(9)
Total non-financial current receivables, net		**381**	**404**
Total trade and other current receivables, net		**1 519**	**2 142**
Total trade and other current and non-current receivables, net		**7 210**	**4 292**

*The most significant items in non-current receivables resulting from loans granted are:

- Loans granted to Fermat 1 S.à r.l. in the amount of PLN 3 391 million, including:
  - loans in the amount of PLN 297 million (USD 79 million) with a fixed interest rate of 4.46% and a maturity date on 28 February 2018;
  - loans in the amount of PLN 2 301 million (USD 611 million) with a fixed interest rate of 4.27% and a maturity date on 31 December 2024;
  - a loan in the amount of PLN 793 million (USD 211 million) with a fixed interest rate of 4.27% and a maturity date on 31 December 2021;
- Loans granted to 0929260 B.C.U.L.C in the amount of PLN 2 195 million, including:
  - a loan in the amount of PLN 258 million (USD 69 million) with a fixed interest rate of 5.23% and a maturity date on 31 December 2024;
  - a loan in the amount of PLN 769 million (USD 204 million) with a fixed interest rate of 5.11% and a maturity date on 31 December 2019;
  - a loan in the amount of PLN 1 168 million (USD 310 million) with a fixed interest rate of 4.43% and a maturity date on 31 December 2021.

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

20. Inventories

	At 30 June 2015	At 31 December 2014
Materials	536	370
Half-finished products and work in progress	1 698	1 561
Finished goods	528	379
Merchandise – property rights resulting from certificates of origin for energy from renewable energy resources, cogeneration and energy efficiency	44	67
Total net carrying amount of inventories	**2 806**	**2 377**

		For the period	
Write-down of inventories in the reporting period	**Note**	**from 1 January 2015 to 30 June 2015**	**from 1 January 2014 to 30 June 2014**
Write-down of inventories recognised in cost of sales	6	(44)	(1)
Write-down used		-	2

21. Cash and cash equivalents

	Note	At 30 June 2015	At 31 December 2014
Cash at bank		86	3
Other financial assets with a maturity of up to 3 months from the date of acquisition - deposits		337	82
Total cash and cash equivalents	29	**423**	**85**

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

22. Share capital

As at 30 June 2015, the share capital of the Company, in accordance with the entry in the National Court Register, amounted to PLN 2 000 million and was divided into 200 000 000 shares, series A, fully paid, having a face value of PLN 10 each. All shares are bearer shares. The Company has not issued preference shares. Each share gives the right to one vote at the general meeting. The Company does not have treasury shares. Subsidiaries and joint ventures do not have shares of KGHM Polska Miedź S.A.
In the first half of 2015 and in 2014 there were no changes in the registered share capital or in the number of shares.

Ownership structure

As at 30 June 2015, the only shareholder of the Company holding shares granting the right to at least 5% of the total number of votes at the general meeting was the Polish State Treasury, which - based on notification dated 12 January 2010 - held 63 589 900 shares, with a total nominal value of PLN 635 899 thousand, representing 31.79% of the share capital and the same number of votes at the general meeting.
The remaining shareholders held shares representing less than 5% of the total number of votes at the general meeting – a total of 136 410 100 shares, with a total nominal value of PLN 1 364 101 thousand, representing 68.21% of the share capital and the same number of votes at the general meeting.
In the first half of 2015 and in 2014 there were no changes in significant blocks of shares of KGHM Polska Miedź S.A. Up to the date of signing of these financial statements by the Management Board of KGHM Polska Miedź S.A. this has not changed.

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

23. Other equity items

	Note	Revaluation reserve from measurement of financial instruments			Retained earnings		
		Revaluation reserve from measurement of available-for-sale financial assets	Revaluation reserve from measurement of cash flow hedging financial instruments	Actuarial gains/losses on post-employment benefits	Reserve capital created in accordance with the Commercial Partnerships and Companies Code, art. 396	Reserve capital created from profit in accordance with the Statutes	Profit/(loss) from prior years
At 1 January 2015		**114**	**252**	**(401)**	**660**	**19 238**	**2 414**
Dividends paid		-	-	-	-	-	(400)
Dividends from profit for 2014 resolved but unpaid		-	-	-	-	-	(400)
Transfer of profit for 2014 to reserve capital		-	-	-	-	1 614	(1 614)
Offsetting of profit from prior years with actuarial gains and losses		-	-	-	-	-	-
Total comprehensive income:		**(98)**	**(166)**	**143**	**-**	**-**	**1 321**
Profit for the year		-	-	-	-	-	1 321
Other comprehensive income		**(98)**	**(166)**	**143**	**-**	**-**	**-**
Losses resulting from changes to fair value of available-for-sale financial assets		(122)	-	-	-	-	-
Impact of effective cash flow hedging transactions entered into		-	93	-	-	-	-
Amount transferred to profit or loss due to the reclassification of hedging instruments		-	(221)	-	-	-	-
Fair value gains after prior impairment		1	-	-	-	-	-
Actuarial gains/(losses) on post-employment benefits		-	-	177	-	-	-
Gains/(losses) due to measurement of bank loans hedging transactions in the portion reflecting an effective hedge		-	(77)	-	-	-	-
Deferred income tax	26	23	39	(34)	-	-	-
At 30 June 2015		**16**	**86**	**(258)**	**660**	**20 852**	**1 321**

Based on the Commercial Partnerships and Companies Code, the Company is required to create a reserve capital for any potential (future) or existing losses, to which no less than 8% of a given financial year's profit is transferred until the reserve capital has been built up to no less than one-third of the registered share capital. The reserve capital created in this manner may not be employed otherwise than in covering the loss reported in the financial statements.
As at 30 June 2015 the statutory reserve capital in the Company amounted to PLN 660 million, and is recognised in reserve capital, created in accordance with the Commercial Partnerships and Companies Code, art. 396, in retained earnings.

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

23. Other equity items (continued)

	Note	Revaluation reserve from measurement of financial instruments			Retained earnings			
		Revaluation reserve from measurement of available-for-sale financial assets	Revaluation reserve from measurement of cash flow hedging financial instruments	Actuarial gains/losses on post-employment benefits	Reserve capital created in accordance with the Commercial Partnerships and Companies Code, art. 396	Reserve capital created from profit in accordance with the Statutes	Profit/(loss) from prior years	Total retained earnings
At 1 January 2014		**13**	**499**	**(112)**	**660**	**17 180**	**3 058**	**20 898**
Dividends paid		-	-	-	-	-	(1 000)	**(1 000)**
Transfer of profit for 2013 to reserve capital		-	-	-	-	2 058	(2 058)	-
Total comprehensive income:		**101**	**(247)**	**(289)**	**-**	**-**	**2 414**	**2 414**
Profit for the period		-	-	-	-	-	2 414	**2 414**
Other comprehensive income		**101**	**(247)**	**(289)**	**-**	**-**	**-**	**-**
Fair value gains after prior impairment		124	-	-	-	-	-	-
Impact of effective cash flow hedging transactions entered into		-	227	-	-	-	-	-
Amount transferred to profit or loss due to the reclassification of hedging instruments		-	(531)	-	-	-	-	-
Actuarial gains/(losses) on post-employment benefits		-	-	(357)	-	-	-	-
Deferred income tax	26	(23)	57	68	-	-	-	-
At 31 December 2014		**114**	**252**	**(401)**	**660**	**19 238**	**2 414**	**22 312**

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

23. Other equity items (continued)

	Note	Revaluation reserve from measurement of financial instruments		Actuarial gains/losses on post-employment benefits	Retained earnings			
		Revaluation reserve from measurement of available-for-sale financial assets	Revaluation reserve from measurement of cash flow hedging financial instruments		Reserve capital created in accordance with the Commercial Partnerships and Companies Code, art. 396	Reserve capital created from profit in accordance with the Statutes	Profit/(loss) from prior years	Total retained earnings
At 1 January 2014		**13**	**499**	**(112)**	**660**	**17 180**	**3 058**	**20 898**
Dividends from profit for 2013 resolved but unpaid		-	-	-	-	-	(1 000)	**(1 000)**
Transfer of profit for 2013 to reserve capital		-	-	-	-	2 058	(2 058)	-
Total comprehensive income:		**118**	**(116)**	**(123)**	**-**	**-**	**1 119**	**1 119**
Profit for the period		**-**	**-**	**-**	**-**	**-**	**1 119**	**1 119**
Other comprehensive income		**118**	**(116)**	**(123)**	**-**	**-**	**-**	**-**
Fair value gains after prior impairment		146	-	-	-	-	-	-
Impact of effective cash flow hedging transactions entered into		-	121	-	-	-	-	-
Amount transferred to profit or loss due to the reclassification of hedging instruments		-	(264)	-	-	-	-	-
Actuarial gains/(losses) on post-employment benefits		-	-	(152)	-	-	-	-
Deferred income tax	26	(28)	27	29	-	-	-	-
At 30 June 2014		**131**	**383**	**(235)**	**660**	**19 238**	**1 119**	**21 017**

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

24. Trade and other payables

	Note	At 30 June 2015	At 31 December 2014
Trade and other non-current payables			
Trade payables, including:		168	168
payables due to the purchase or construction of property, plant and equipment and intangible assets		166	166
Other financial liabilities		6	6
Total financial liabilities (under IFRS 7)	29	**174**	**174**
Deferred income		15	11
Total non-financial liabilities		**15**	**11**
Total trade and other non-current payables		**189**	**185**
Trade and other current payables			
Trade payables, of which:		1 169	1 109
payables due to the exploration and evaluation of mineral resources		13	11
payables due to the purchase or construction of property, plant and equipment and intangible assets		337	566
Payables due to a cash pool		36	36
Other financial liabilities*		440	43
Total financial liabilities (under IFRS 7)	29	**1 645**	**1 188**
Employee benefits liabilities		74	163
Liabilities due to taxes and social security		320	466
Other non-financial liabilities		30	58
Special funds		248	235
Deferred income		12	2
Accruals		435	425
Total non-financial liabilities		**1 119**	**1 349**
Total trade and other current payables		**2 764**	**2 537**
Total trade and other non-current and current payables		**2 953**	**2 722**

* A liability due to the unpaid shareholders dividend from appropriation of profit for financial year 2014 in the amount of PLN 400 million is recognised in other financial liabilities.

25. Borrowings

	Note	At 30 June 2015	At 31 December 2014
Bank loans		2 605	-
Loans		1 129	1 052
Total non-current borrowings		**3 734**	**1 052**
Bank loans		1 799	1 050
Loans		6	6
Total current borrowings		**1 805**	**1 056**
Total borrowings	29	**5 539**	**2 108**

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

25. Borrowings (continued)

The balances of bank and other loans shown above include accrued interest, which as at 30 June 2015 amounted to PLN 10 million (as at 31 December 2014: PLN 1 million).

In the first half of 2015, the Company benefited from external financing in the form of short-term bilateral bank loans, a revolving unsecured syndicated credit facility and an investment loan from the European Investment Bank.

Bank or other loan liabilities as at 30 June 2015

Type of bank or other loan	Bank or other loan currency	Balance of bank or other loan in the currency	Balance of bank or other loan in PLN	Expiry date of agreement
Working capital facility	USD	55	207	31.08.2015
Working capital facility	USD	162	609	08.08.2016
Overdraft facility	USD	77	291	14.10.2015
Overdraft facility	USD	45	168	21.10.2015
Overdraft facility	USD	100	376	30.10.2015
Overdraft facility	USD	23	86	29.02.2016
Overdraft facility	USD	17	64	29.01.2017
Unsecured revolving syndicated credit facility	USD	701	2 603*	10.07.2020**
Investment loan	USD	301	1 135	30.10.2026
Total		**1 481**	**5 539**	

** Credit in the amount of PLN 2 639 million reduced by the cost associated with the conclusion of the syndicated credit facility agreement. These costs are included in the initial amount of the liability.*
*** The syndicated credit facility agreement has an option to extend the credit facility's maturity date by 1 year.*

Interest on the bank loans is based on variable LIBOR rates plus a margin. Interest on the investment loan is based on a fixed interest rate.

The agreement for an unsecured revolving syndicated credit facility and the loan agreement signed with the European Investment Bank oblige the Company to maintain its financial and non-financial covenants, which are standard for these types of transactions. As at 30 June 2015, as well as in the reporting period covered by these financial statements, there were no instances of breaching the covenants stipulated in the aforementioned agreements.

As at 30 June 2015, the Company held open credit lines whose balances (not deducting the amounts drawn as at the reporting date) in their base currencies were as follows:

Open credit lines as at 30 June 2015

Type of bank or other loan	Bank or other loan currency	Balance of bank or other loan available in the currency [million]
Working capital facility and overdraft facility	USD	335
Overdraft facility	EUR	50
Working capital facility and overdraft facility	PLN	2 100
Unsecured revolving syndicated credit facility	USD	2 500
Investment loan	PLN	2 000

Interest is based on variable WIBOR, LIBOR and EURIBOR rates plus a margin. Available credit facility limits in EUR and partially in PLN concern bank loans, which may also be drawn in USD.

The investment loan may be drawn in the form of non-renewable instalments in PLN, EUR or USD, with either a fixed or variable interest rate of WIBOR, LIBOR or EURIBOR plus a margin.

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

26. Deferred tax

	Note	At 30 June 2015	At 31 December 2014	At 30 June 2014
Net deferred tax assets at the beginning of the reporting period, of which:		**111**	**98**	**98**
Deferred tax assets at the beginning of the reporting period		989	892	892
Deferred tax liabilities at the beginning of the reporting period		(878)	(794)	(794)
Changes during the reporting period				
(Charged)/credited to profit for the period	11	(30)	(89)	5
Increase in other comprehensive income	23	28	102	28
Net deferred tax assets at the end of the reporting period, of which:		**109**	**111**	**131**
Deferred tax assets at the end of the reporting period		**904**	**989**	**957**
Deferred tax liabilities at the end of the reporting period		**(795)**	**(878)**	**(826)**

Realisation periods of deferred tax assets and deferred tax liabilities

	At 30 June 2015	At 31 December 2014	At 30 June 2014
in the period of over 12 months from the end of the reporting period	(52)	(60)	(74)
in the period of 12 months and less from the end of the reporting period	161	171	205
Total	**109**	**111**	**131**

Deferred tax assets prior to offsetting

	At 30 June 2015	At 31 December 2014
Provision for decommissioning of mines and other technological facilities	146	198
Measurement of forward transactions	183	211
Re-measurement of hedging instruments	17	3
Future employee benefits	336	371
Difference between the depreciation rates for accounting purposes and for tax purposes	32	29
Other	190	177
Total	**904**	**989**

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

26. Deferred tax (continued)

Deferred tax liabilities prior to offsetting

	At 30 June 2015	At 31 December 2014
Interest	20	6
Measurement of forward transactions	61	91
Re-measurement of hedging instruments	40	64
Difference between the depreciation rates for accounting purposes and for tax purposes	670	690
Measurement of available-for-sale financial assets	3	27
Other	1	-
Total	**795**	**878**

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

27. Employee benefits

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

Changes in future employee benefits

	TOTAL liabilities	jubilee awards	retirement and disability benefits	coal equivalent	other benefits
As at 1 January 2015	**1 956**	**280**	**251**	**1 393**	**32**
Total amount of revaluation of costs recognised in profit or loss	**55**	**13**	**10**	**31**	**1**
Interest costs	**26**	4	3	19	-
Current service cost	**29**	9	7	12	1
Actuarial gains recognised in other comprehensive income	**(177)**	-	-	(176)	(1)
Benefits paid	**(67)**	(13)	(14)	(39)	(1)
As at 30 June 2015	**1 767**	**280**	**247**	**1 209**	**31**
of which:					
Carrying amount of non-current liabilities	**1 650**	244	212	1 165	29
Carrying amount of current liabilities	**117**	36	35	44	2

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

27. Employee benefits (continued)

	TOTAL liabilities	jubilee awards	retirement and disability benefits	coal equivalent	other benefits
As at 1 January 2014	**1 533**	**241**	**213**	**1 051**	**28**
Total amount of revaluation of costs recognised in profit or loss	**160**	**75**	**20**	**63**	**2**
Interest costs	**69**	11	10	47	1
Current service cost	**42**	15	10	16	1
Actuarial gains recognised in profit or loss	**49**	49	-	-	-
Actuarial losses recognised in other comprehensive income	**357**	-	35	319	3
Benefits paid	**(94)**	(36)	(17)	(40)	(1)
As at 31 December 2014	**1 956**	**280**	**251**	**1 393**	**32**
of which:					
Carrying amount of non-current liabilities	**1 842**	244	218	1 350	30
Carrying amount of current liabilities	**114**	36	33	43	2

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

27. Employee benefits (continued)

	TOTAL liabilities	jubilee awards	retirement and disability benefits	coal equivalent	other benefits
As at 1 January 2014	**1 533**	**241**	**213**	**1 051**	**28**
Total amount of revaluation of costs recognised in profit or loss	**76**	**34**	**10**	**31**	**1**
Interest costs	**35**	6	5	23	1
Current service cost	**20**	7	5	8	-
Actuarial losses recognised in profit or loss	**21**	21	-	-	-
Actuarial losses recognised in other comprehensive income	**152**	-	17	131	4
Benefits paid	**(57)**	(11)	(10)	(36)	-
As at 30 June 2014	**1 704**	**264**	**230**	**1 177**	**33**
of which:					
Carrying amount of non-current liabilities	**1 592**	229	199	1 134	30
Carrying amount of current liabilities	**112**	35	31	43	3

For purposes of reassessment of the liabilities at the end of the current reporting period, the Company assumed parameters based on available forecasts of inflation, an analysis of coal prices and of the lowest salary, and also based on the anticipated profitability of non-current bonds.

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

27. Employee benefits (continued)

Main actuarial assumptions adopted for purposes of reassessment of the liabilities as at 30 June 2015:

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

Main actuarial assumptions adopted for purposes of reassessment of the liabilities at 31 December 2014:

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

Main actuarial assumptions adopted for purposes of reassessment of the liabilities at 30 June 2014:

	2014	2015	2016	2017	2018 and beyond
- discount rate	3.75%	3.75%	3.75%	3.75%	3.75%
- rate of increase in coal prices	0.00%	3.00%	3.00%	3.00%	3.00%
- rate of increase in the lowest salary	0.00%	4.00%	4.00%	4.00%	4.00%
- expected inflation	2.40%	2.50%	2.50%	2.50%	2.50%
- future expected increase in salary	0.00%	2.50%	2.50%	2.50%	2.50%

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

28. Provisions for other liabilities and charges

		TOTAL	decommissioning costs of mines and other technological facilities and costs of scrapping property, plant and equipment	disputed issues and court proceedings, and other provisions
Provisions at 1 January 2015	**Note**	**1 035**	**1 010**	**25**
Provisions recognised in other operating costs	9	**5**	-	5
Changes in provisions arising from updating of estimates recognised in other operating (income)/costs	8,9	**(13)**	(13)	-
Changes in provisions arising from updating of estimates recognised in fixed assets		**(254)**	(254)	-
Changes in provisions arising from the approach of the maturity date of a liability (unwinding of the discount) recognised in finance costs	10	**16**	16	-
Utilisation of provisions		**(1)**	-	(1)
Release of provisions recognised in other operating income	8	**(1)**	-	(1)
Adjustment of contribution to Mine Closure Fund and Tailings Storage Facilities Restoration Fund		**(11)**	(11)	-
Provisions at 30 June 2015		**776**	**748**	**28**
of which:				
Non-current provisions		**731**	**731**	**-**
Current provisions		**45**	**17**	**28**

	TOTAL	decommissioning costs of mines and other technological facilities and costs of scrapping property, plant and equipment	disputed issues and court proceedings, and other provisions
Provisions at 1 January 2014	**554**	**529**	**25**
Provisions recognised in other operating costs	**23**	-	23
Changes in provisions arising from updating of estimates recognised in other operating (income)/costs	**8**	8	-
Changes in provisions arising from updating of estimates recognised in fixed assets	**471**	471	-
Changes in provisions arising from the approach of the maturity date of a liability (unwinding of the discount) recognised in finance costs	**30**	30	-
Utilisation of provisions	**(22)**	(1)	(21)
Release of provisions recognised in other operating income	**(2)**	-	(2)
Adjustment of contribution to Mine Closure Fund and Tailings Storage Facilities Restoration Fund	**(27)**	(27)	-
Provisions at 31 December 2014	**1 035**	**1 010**	**25**
of which:			
Non-current provisions	**994**	**992**	**2**
Current provisions	**41**	**18**	**23**

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

28. Provisions for other liabilities and charges (continued)

	Note	TOTAL	decommissioning costs of mines and other technological facilities and costs of scrapping property, plant and equipment	disputed issues and court proceedings, and other provisions
Provisions at 1 January 2014	**Note**	**554**	**529**	**25**
Provisions recognised in other operating costs	9	**1**	-	1
Changes in provisions arising from updating of estimates recognised in other operating costs	9	**4**	4	-
Changes in provisions arising from updating of estimates recognised in fixed assets		**164**	164	-
Changes in provisions arising from the approach of the maturity date of a liability (unwinding of the discount) recognised in finance costs	10	**15**	15	-
Utilisation of provisions		**(2)**	(1)	(1)
Release of provisions recognised in other operating income	8	**(2)**	(1)	(1)
Adjustment of contribution to Mine Closure Fund		**(12)**	(12)	-
Provisions at 30 June 2014		**722**	**698**	**24**
of which:				
Non-current provisions		**693**	**691**	**2**
Current provisions		**29**	**7**	**22**

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

29. Financial instruments
29.1 Carrying amount

At 30 June 2015

Categories of financial instruments

Classes of financial instruments	Note	Available-for-sale financial assets	Financial assets at fair value through profit or loss	Loans and receivables	Financial liabilities at fair value through profit or loss	Financial liabilities measured at amortised cost	Hedging instruments	Total
Listed shares	16	800	-	-	-	-	-	**800**
Unlisted shares	16	26	-	-	-	-	-	**26**
Trade receivables (net)	19	-	-	803	-	-	-	**803**
Cash and cash equivalents and deposits		-	-	660	-	-	-	**660**
Financial assets for mine closure and restoration of tailings storage facilities	17	-	-	237	-	-	-	**237**
Cash and cash equivalents	21	-	-	423	-	-	-	**423**
Loans granted	19	-	-	5 620	-	-	-	**5 620**
Other financial assets (net)	19	-	-	393	-	-	-	**393**
Derivatives – Currency (net)	18	-	2*	-	(2)	-	(96)	**(96)**
Derivatives – Commodity contracts - Metals (net)	18	-	-	-	-	-	158	**158**
Derivatives – interest rate (net)	18	-	21	-	-	-	-	**21**
Trade payables	24	-	-	-	-	(1 337)	-	**(1 337)**
Borrowings	25	-	-	-	-	(5 539)	-	**(5 539)**
Other financial liabilities	24	-	-	-	-	(482)	-	**(482)**
Total		**826**	**23**	**7 476**	**(2)**	**(7 358)**	**62**	**1 027**

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

Fair value of individual classes of financial instruments did not significantly differ from their carrying amount as at 30 June 2015 and as well as at 31 December 2014.

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

29. Financial instruments (continued)

		At 31 December 2014						
		Categories of financial instruments						
	Note	Available-for-sale financial assets	Financial assets at fair value through profit or loss*	Loans and receivables	Financial liabilities at fair value through profit or loss*	Financial liabilities measured at amortised cost	Hedging instruments	Total
Classes of financial instruments								
Listed shares	16	921	-	-	-	-	-	**921**
Unlisted shares	16	10	-	-	-	-	-	**10**
Trade receivables (net)	19	-	-	1 407	-	-	-	**1 407**
Cash and cash equivalents and deposits		-	-	293	-	-	-	**293**
Financial assets for mine closure and restoration of tailings storage facilities	17	-	-	208	-	-	-	**208**
Cash and cash equivalents	21	-	-	85	-	-	-	**85**
Loans granted	19	-	-	2 046	-	-	-	**2 046**
Other financial assets (net)	19	-	-	387	-	-	-	**387**
Derivatives – Currency (net)	18	-	24	-	(25)	-	56	**55**
Derivatives – Commodity contracts – Metals (net)	18	-	-	-	(1)	-	245	**244**
Trade payables	24	-	-	-	-	(1 277)	-	**(1 277)**
Borrowings	25	-	-	-	-	(2 108)	-	**(2 108)**
Other financial liabilities	24	-	-	-	-	(85)	-	**(85)**
Total		**931**	**24**	**4 133**	**(26)**	**(3 470)**	**301**	**1 893**

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

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

29. Financial instruments (continued)

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

For the period from 1 January 2015 to 30 June 2015	Note	Financial assets/ liabilities measured at fair value through profit or loss	Available-for-sale financial assets	Loans and receivables	Financial liabilities measured at amortised cost	Hedging instruments	Total
Dividends received	8	-	27	-	-	-	**27**
Interest income/(costs) recognised in:		**-**	**-**	**86**	**(12)**	**-**	**74**
Other operating income	8	-	-	86	-	-	86
Other operating costs	9	-	-	-	(1)	-	(1)
Finance costs	10	-	-	-	(11)	-	(11)
Foreign exchange gains/(losses) recognised in:		**-**	**-**	**163**	**(99)**	**-**	**64**
Other operating income	8	-	-	163	(111)	-	52
Finance costs	10	-	-	-	12	-	12
Gains/(losses) on measurement of non-current liabilities recognised in:		**-**	**-**	**-**	**(4)**	**-**	**(4)**
Finance costs	10	-	-	-	(4)	-	(4)
Adjustment to sales due to hedging transactions	23	-	-	-	-	221	**221**
Losses from disposal of financial instruments recognised in:		**-**	**-**	**(6)**	**-**	**-**	**(6)**
Expenses by nature	6	-	-	(6)	-	-	(6)
Gains on measurement and realisation of derivatives	8	59	-	-	-	-	**59**
Losses on measurement and realisation of derivatives	9	(252)	-	-	-	-	**(252)**
Finance costs resulting from measurement of derivatives related to borrowings		(2)	-	-	-	-	**(2)**
Charges and bank provisions on borrowings	10	-	-	-	(21)	-	**(21)**
Total net gain/(loss)		**(195)**	**27**	**243**	**(136)**	**221**	**160**

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

29. Financial instruments (continued)

For the period from 1 January 2014 to 30 June 2014	**Note**	Financial assets/ liabilities measured at fair value through profit or loss	Available-for-sale financial assets	Loans and receivables	Financial liabilities measured at amortised cost	Hedging instruments	**Total**
Dividends received	8	-	35	-	-	-	**35**
Interest income/(costs) recognised in:		**-**	**-**	**23**	**(4)**	**-**	**19**
Other operating income	8	-	-	23	-	-	23
Other operating costs	9	-	-	-	(1)	-	(1)
Finance costs	10	-	-	-	(3)	-	(3)
Foreign exchange gains/(losses) recognised in:		**-**	**-**	**88**	**(85)**	**-**	**3**
Other operating costs	9	-	-	88	(93)	-	(5)
Finance costs	10	-	-	-	8	-	8
Gains/(losses) on measurement of non-current liabilities recognised in:		**-**	**-**	**-**	**(4)**	**-**	**(4)**
Finance costs	10	-	-	-	(4)	-	(4)
Impairment losses recognised in:		**-**	**(1)**	**-**	**-**	**-**	**(1)**
Other operating costs	9	-	(1)	-	-	-	(1)
Adjustment to sales due to hedging transactions	23	-	-	-	-	264	**264**
Losses from disposal of financial instruments recognised in:		**-**	**-**	**(3)**	**-**	**-**	**(3)**
Expenses by nature	6	-	-	(3)	-	-	(3)
Gains on measurement and realisation of derivatives	8	54	-	-	-	-	**54**
Losses on measurement and realisation of derivatives	9	(158)	-	-	-	-	**(158)**
Charges and bank provisions on borrowings	10	-	-	-	(1)	-	**(1)**
Total net gain/(loss)		**(104)**	**34**	**108**	**(94)**	**264**	**208**

29. Financial instruments (continued)

29.3 Fair value hierarchy

Investments in listed companies (classified as available-for-sale financial assets) are classified under level 1 of the fair value hierarchy. All other financial instruments (presented in **note 29.1**) are classified by the Company under level 2 of the fair value hierarchy. The manner and techniques for measuring financial instruments to fair value have not changed in comparison to the manner and techniques for measurement as at 31 December 2014.
There was no transfer by the Company of financial instruments between individual levels of the fair value hierarchy in either the reporting or the comparative periods, nor was there any change in the classification of instruments as a result of a change in the purpose or use of these instruments.

30. Financial risk management

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

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

The Market Risk Management Policy, the Financial Liquidity Management Policy and the Credit Risk Management Policy approved by the Company's Management Board are the basis for financial risk management. Understanding the threats deriving from the Company's exposure to risk and maintaining an appropriate organisational structure and procedures enable a better achievement of tasks. The Company continually identifies and measures financial risk, and also takes actions aimed at minimising their impact on the financial situation.

The process of financial risk management in the Company is supported by the work of the Market Risk Committee and the Credit Risk Committee.

30.1 Market risk

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

30.1.1 Commodity risk

The Company is exposed to the risk of changes in the price of metals it sells: copper, silver, gold and lead. The price formulas used in physical delivery contracts are mainly based on average monthly prices from the London Metal Exchange for copper and lead and from the London Bullion Market for silver and gold. The Company's commercial policy is to set the price base for physical delivery contracts as the average price of the appropriate future month.

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

On the metals market, the Company has a so-called long position, which means it has higher sales than purchases. The analysis of the Company's exposure to market risk should be performed by deducting from the volume of metals sold the amount of purchased metal-bearing materials.

The Company's strategic exposure to the risk of changes in copper and silver prices in the reporting and comparable period is presented below:

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

30. Financial risk management (continued)

	For the period					
	from 1 January 2015 to 30 June 2015			from 1 January 2014 to 30 June 2014		
	Net	**Sales**	**Purchases**	**Net**	**Sales**	**Purchases**
Copper [tonnes]	**201 792**	277 604	75 812	**193 672**	274 634	80 962
Silver [tonnes]	**545**	563	18	**551**	571	20

30.1.2 Currency risk

Regarding the risk of changes in foreign exchange rates, the following types of exposures were identified:

- transaction exposure related to the volatility of cash flows in the base currency; and
- exposure related to the volatility of selected items of the statement of financial position in the base (functional) currency.

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

- denomination in the foreign currency – cash flows are settled in foreign currencies other than the functional currency; and
- indexation in the foreign currency – cash flows may be settled in the base currency, but the price (i.e. of a metal) is set in a different foreign currency.(1)

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

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

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

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

30.1.3 Interest rate risk

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

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

- loans granted to subsidiaries with a variable interest rate for the total amount of PLN 34 million;
- bank deposits: PLN 631 million, including deposits of Social Fund and Mine Closure Fund;
- receivables due to participation in a cash pool service: PLN 207 million;
- liabilities due to participation in a cash pool service: PLN 36 million;
- liabilities due to drawn short-term loans: PLN 1 801 million (or USD 479 million); and
- liabilities due to drawn instalments of the unsecured, revolving syndicated credit facility: PLN 2 639 million (or USD 701 million).

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

- liability due to a loan drawn from the European Investment Bank: PLN 1 135 million (USD 301 million); and
- loans granted to Fermat 1 S.a.r.l. and 0929260 B.C. U.L.C. (subsidiaries) in the total amount of PLN 5 586 million (USD 1 484 million).

(1) It is widely accepted on commodity markets that physical delivery contracts of metals are settled in USD or indexed in USD.

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

30. Financial risk management (continued)

As at 30 June 2015, the Company held liabilities due to short-term bilateral bank loans, an unsecured revolving syndicated credit facility and an investment loan in the amount of PLN 5 575 million (USD 1 481 million).

The agreement for an unsecured revolving syndicated credit facility and the loan agreement signed with the European Investment Bank oblige the Company to maintain its financial and non-financial covenants, which are standard for these types of transactions. As at 30 June 2015, as well as in the reporting period, there were no instances of breaching the covenants stipulated in the aforementioned agreements.

30.1.4 Commodity, currency and interest risk management - derivatives

The notional amount of copper price hedging strategies settled in the first half of 2015 represented approx. 10% (in the first half of 2014: 15%) of the total[(2)] sales of this metal achieved by the Company. In the first half of 2015, as well as in the first half of 2014, the revenues from sales of silver were not hedged by derivatives. In the case of the currency market, hedged revenues from sales represented approx. 31% (in the first half of 2014: 25%) of total revenues from metals sales achieved by the Company.

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

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

With respect to currency risk management whose source is borrowing, the Company uses natural hedging by borrowing in currencies in which it has revenues. As at 30 June 2015, bank loans and the investment loan were drawn in USD, and following their translation to PLN they amounted to PLN 5 575 million[(3)].

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

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

Condensed table of open transactions in derivatives[(4)]

COPPER MARKET

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

[(2)] Relates to the sales of metal products from own concentrates and from purchased copper-bearing materials.
[(3)] The balance of liabilities due to bank loans and an investment loan is presented in the statement of financial position in the amount of PLN 5 539 million, and is the amount of bank loans and a loan drawn in the amount of PLN 5 575 million reduced by the costs associated with conclusion of the syndicated credit facility agreement. These costs are included in the initial amount of the liability.
[(4)] With the classification by type of assets hedged and type of instrument used as at 30 June 2015; hedged notional/volume in the presented periods is allocated monthly, on a systematic basis.
[(5)] Due to current hedge accounting laws, transactions included in the seagull structures – purchased put options and sold call options – are shown in the table containing a detailed list of derivative positions - "Hedging instruments", while sold put options in seagull structures are shown in the table "Trade instruments".

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

30. Financial risk management (continued)

CURRENCY MARKET

	Instrument	Notional [million USD]	Option strike price [USD/PLN]			Average weighted premium [PLN for USD 1]	Effective hedge price [USD/PLN]	Limitations [USD/PLN]	
			Sold call option	Purchased put option	Sold put option			Participation limited to	Hedge limited to
II half of 2015	Sold call option	180	4.5000	-	-	+0.3125	-	4.5000	-
	Purchased put option	180	-	2.7000	-	-0.0352	2.6648	-	-
	Collar	120	4.0000	3.3000	-	-0.0694	3.2306	4.0000	-
	Collar	180	4.0000	3.2000	-	-0.0499	3.1501	4.0000	-
	Purchased put option	90	-	3.5500	-	-0.0654	3.4846	-	-
	Total(6)	**570**	Closure of the purchased put option USDPLN 3.40 and un-designation of the hedging transactions in the first quarter of 2014 was reflected in the *Revaluation reserve from the measurement of financial instruments* in the amount of PLN 43 million, which will increase *Sales revenue* for the second half of 2015.						
TOTAL June-Dec 2015		**570**							
I half of 2016	Collar	180	4.0000	3.2000	-	-0.0525	3.1475	4.0000	-
	Collar	180	4.2000	3.3000	-	-0.0460	3.2540	4.2000	-
	Collar	120	4.4000	3.5500	-	-0.0448	3.5052	4.4000	-
	Total	**480**							
II half of 2016	Collar	180	4.0000	3.2000	-	-0.0553	3.1447	4.0000	-
	Collar	180	4.2000	3.3000	-	-0.0473	3.2527	4.2000	-
	Collar	120	4.4000	3.5500	-	-0.0468	3.5032	4.4000	-
	Total	**480**							
TOTAL 2016		**960**							
I half of 2017	Collar	270	4.0000	3.3500	-	-0.0523	3.2977	4.0000	-
	Collar	180	4.4000	3.5500	-	-0.0477	3.5023	4.4000	-
	Total	**450**							
II half of 2017	Collar	270	4.0000	3.3500	-	-0.0524	3.2976	4.0000	-
	Collar	180	4.4000	3.5500	-	-0.0487	3.5013	4.4000	-
	Total	**450**							
TOTAL 2017		**900**							

(6) Excluded from the amount is the notional of *sold call options* (USD 180 million) which, from the risk profile point of view, represent a *collar strategy* together with *purchased put options* of the same notional amount. The strategy is not presented directly as a collar, as it arose as a result of a restructuring of the position and, from a formal point of view and in accordance with the risk management principles, could not be designated as such.

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

30. Financial risk management (continued)

INTEREST RATE MARKET

	Instrument	Notional [million USD]	Option strike level	Average weighted premium		Effective hedge level
			[LIBOR 3M]	[USD for USD 1 million hedged]	[%]	[LIBOR 3M]
IQ 2016	Purchase of interest rate cap options	400	2.50%	734	0.29%	2.79%
IIQ 2016	Purchase of interest rate cap options	500	2.50%	734	0.29%	2.79%
IIIQ 2016	Purchase of interest rate cap options	600	2.50%	734	0.29%	2.79%
IVQ 2016	Purchase of interest rate cap options	700	2.50%	734	0.29%	2.79%
AVERAGE IN 2016		**550**				
IQ 2017	Purchase of interest rate cap options	700	2.50%	734	0.29%	2.79%
IIQ 2017	Purchase of interest rate cap options	700	2.50%	734	0.29%	2.79%
IIIQ 2017	Purchase of interest rate cap options	700	2.50%	734	0.29%	2.79%
IVQ 2017	Purchase of interest rate cap options	700	2.50%	734	0.29%	2.79%
AVERAGE IN 2017		**700**				
IQ 2018	Purchase of interest rate cap options	900	2.50%	734	0.29%	2.79%
IIQ 2018	Purchase of interest rate cap options	900	2.50%	734	0.29%	2.79%
IIIQ 2018	Purchase of interest rate cap options	900	2.50%	734	0.29%	2.79%
IVQ 2018	Purchase of interest rate cap options	900	2.50%	734	0.29%	2.79%
AVERAGE IN 2018		**900**				

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

30. Financial risk management (continued)

30.1.5. Impact of derivatives on the Company's financial statement

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

	For the period	
	from 1 January 2015 to 30 June 2015	from 1 January 2014 to 30 June 2014
Impact on sales revenue	**221**	**264**
Impact on other operating activities	**(193)**	**(104)**
from realisation of derivatives	(5)	(13)
from measurement of derivatives	(188)	(91)
Impact on financial activities	**(2)**	**-**
from measurement of derivatives	(2)	-
Total impact of derivatives on profit or loss for the period	**26**	**160**

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

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

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

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

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

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

	At 30 June 2015		At 31 December 2014	
	Derivatives	Receivables due to unsettled derivatives[8]	Derivatives	Receivables due to unsettled derivatives[9]
Financial assets	331	31	457	34
Financial liabilities	(248)	-	(158)	-
Fair value	**83**	**31**	**299**	**34**

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

30. Financial risk management (continued)

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

TRADE INSTRUMENTS

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

HEDGING INSTRUMENTS

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

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

30. Financial risk management (continued)

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

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

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

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

Due to investments in listed companies, KGHM Polska Miedź S.A. is exposed to the risk of significant changes in accumulated other comprehensive income due to changes in the share prices of these companies, resulting from current macroeconomic conditions. In case of a prolonged decrease in the value of the shares below their purchase cost or when the decrease in the fair value of the shares versus their purchase cost is at least 20%, the Company is exposed to the risk of changes in profit or loss due to an impairment loss.

As at 30 June 2015, the carrying amount of shares of companies listed on the Warsaw Stock Exchange and on the TSX Ventures Exchange was PLN 800 million.

30.2 Credit risk

Credit risk is defined as the risk that the Company's counterparties will not be able to meet their contractual obligations. Credit risk is related to three main areas:

- the creditworthiness of the customers with whom physical sale transactions are undertaken;
- the creditworthiness of the financial institutions (banks/brokers) with whom, or through whom, hedging transactions are undertaken, as well as those in which free cash and cash equivalents are deposited; and
- the financial standing of subsidiaries - borrowers.

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

- cash and cash equivalents and deposits;
- derivatives;
- trade receivables;
- loans granted; and
- guarantees granted.

30.2.1 Credit risk related to cash, cash equivalents and bank deposits

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

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

30. Financial risk management (continued)

All entities with which deposit transactions are entered into by the Company, both in terms of the Company's monetary resources as well as resources accumulated in the MCF, TSFRF and SF(11), operate in the financial sector. These are solely banks registered in Poland or operating in Poland as branches of foreign banks, which belong to European and American financial institutions with the highest(12), medium-high(13) and medium(14)ratings, an appropriate level of equity and a strong, stable market position. Credit risk in this regard is continuously monitored through the on-going review of the credit ratings and by maintaining an appropriately low level of concentration of resources in individual financial institutions.

The following table presents the level of concentration of periodically free cash and cash equivalents, showing the assessed creditworthiness of the financial institutions(15).

Rating levels	At 30 June 2015	At 31 December 2014
Highest	18%	-
Medium-high	16%	67%
Medium	66%	33%

30.2.2 Credit risk related to derivative transactions

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

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

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

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

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

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

(11)MCF - Mine Closure Fund, TSRF - Tailings Storage Facilities Restoration Fund and SF - Social Fund.
(12) By highest rating is meant a rating from AAA to AA- as determined by Standard & Poor's and Fitch, and from Aaa to Aa3 as determined by Moody's.
(13) By medium-high rating is meant a rating from A+ to A- as determined by Standard & Poor's and Fitch, and from A1 to A3 as determined by Moody's.
(14) By medium rating is meant a rating from BBB+ to BBB- as determined by Standard & Poor's and Fitch, and from Baa1 to Baa3 as determined by Moody's.
(15) weighed by amount of deposits.
(16) weighed by positive fair value of open and unsettled derivatives.

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

30. Financial risk management (continued)

The fair value of open derivatives of the Company and receivables due to unsettled derivatives are presented by counterparty in the table below.

	As at 30 June 2015			As at 31 December 2014		
	Financial receivables	Financial payables	Net	Financial receivables	Financial payables	Net
Counterparty 1	117	-	**117**	154	(1)	**153**
Counterparty 2	98	(24)	**74**	106	(8)	**98**
Counterparty 3	25	(13)	**12**	-	(8)	**(8)**
Counterparty 4	5	-	**5**	22	-	**22**
Other	117	(211)	**(94)**	209	(141)	**68**
Total	**362**	**(248)**	**114**	**491**	**(158)**	**333**
open derivatives	331	(248)	**83**	457	(158)	**299**
unsettled derivatives	31	-	**31**	34	-	**34**

30.2.3 Credit risk related to trade and other financial receivables

For many years, the Company has been cooperating with a large number of customers, which affects the geographical diversification of trade and other receivables. The vast majority of sales go to EU countries.

	At 30 June 2015			At 31 December 2014		
	Poland	EU (excl. Poland)	Other Countries	Poland	EU (excl. Poland)	Other Countries
Net trade receivables	42%	41%	17%	27%	38%	35%

The Company limits its exposure to credit risk related to trade receivables by evaluating and monitoring the financial condition of its customers, setting credit limits and using debtor security. An inseparable element of the credit risk management process performed by the Company is the continuous monitoring of receivables and the internal reporting system.

Buyer's credit is only provided to proven, long-term customers, while sales of products to new customers are mostly based on prepayments or trade financing instruments which wholly transfer the credit risk to financial institutions. The Company has secured the majority of its receivables by promissory notes(17), frozen funds on bank accounts, registered pledges(18), bank guarantees, corporate guarantees, mortgages and documentary collection. Additionally, the majority of customers who hold buyer's credit on contracts have ownership rights confirmed by a date certain(19).

To reduce the risk of insolvency by its customers, the Company has entered into a receivables insurance contract, which covers receivables from entities with buyer's credit which have not provided strong collateral or have provided collateral which does not cover the total amount of the receivables. Taking into account the collateral held and the credit limits received from the insurance company, as at 30 June 2015 the Company had secured 93% of its trade receivables.

(17) In order to speed up any potential collection of receivables, a promissory note is usually accompanied by a Notarial Enforcement Declaration.
(18) At the end of the reporting period, the Company held pledges on aggregate tangible assets or rights representing an organisational whole, whose elements (variable) are recognised in a customer's trade accounts.
(19) A confirmed notarial clause which is applied in trade contracts means that rights to ownership of merchandise are transferred to the buyer only after payment is received despite physical delivery. Application of this clause is aimed solely at hedging credit risk and simplifying any eventual legal claims with regard to deliveries. The Company transfers the substantial risks and rewards of ownership, and therefore such transactions are treated as sales and accounted for as income.

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

30. Financial risk management (continued)

The total value of the Company's net trade receivables as at 30 June 2015, excluding the fair value of collaterals, to the value of which the Company may be exposed to credit risk, amounts to PLN 803 million (as at 31 December 2014: PLN 1 407 million).

The concentration of credit risk in the Company is related to the terms of payment allowed to key clients. Consequently, as at 30 June 2015 the balance of receivables from the Company's 7 largest clients, in terms of trade receivables at the end of the reporting period, represented 74% of the balance of trade receivables (as at 31 December 2014: 75%). Despite the concentration of this type of risk, the Company believes that due to the available historical data and the many years of experience in cooperating with its clients, as well as to securities used, the level of credit risk is low.

30.2.4 Credit risk related to loans granted

As at 30 June 2015, the carrying amount of loans granted by KGHM Polska Miedź S.A. amounted to PLN 5 620 million, of which PLN 5 616 million represented long-term loans, and PLN 4 million short-term loans.

The most significant items are loans granted to the companies belonging to the KGHM Polska Miedź S.A. Group, connected with the realisation of mining projects and refinancing of KGHM INTERNATIONAL LTD.'s debt. The credit risk due to loans granted depends on the risk related to the execution of projects and was deemed by the Company to be moderate.

To reduce the risk due to loans granted, the Company continuously monitors the assets and financial results of the borrowers.

30.2.5 Other information related to credit risk

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

	At 30 June 2015			At 31 December 2014		
	Value	Up to 1 month	From 6 months up to 1 year	Value	Up to 1 month	1 - 3 months
Trade receivables	**7**	7	-	**73**[20]	71	2
Other financial receivables	**1**	-	1	**2**	2	-

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

Allowances for impairment of financial assets in the category loans and receivables were insignificant either in the reporting period or in the comparable period.

30.3 Liquidity risk and management of capital

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

30.3.1 Financial liquidity management

Financial liquidity is managed in accordance with the Management Board-approved "Financial Liquidity Management Policy". This document describes in a comprehensive manner the process of managing financial liquidity in the Company, indicating best practice procedures and instruments.

[20]During the period from the end of the reporting period to the publication date of the financial statements for 2014, payment was made on overdue trade receivables.

30. Financial risk management (continued)

The basic principles resulting from this document are:

- the placement of surplus cash in safe financial instruments;
- limits for individual financial investment categories;
- limits for the concentration of resources for financial institutions;
- required investment–level rating for banks in which financial surpluses are invested; and
- the need to ensure stable and effective financing for the Company's operations.

Borrowing by the Company is based on three pillars:

1. An unsecured, revolving syndicated credit facility in the amount of USD 2 500 million (PLN 9 411 million using the exchange rate as at 30 June 2015) with the maturity date falling on 10 July 2020 (and the option to extend it for another year);
2. An investment loan from the European Investment Bank in the amount of PLN 2 000 million and a 12-year financing period;
3. Short-term bilateral bank loans in the amount of up to PLN 3 571 million, with an availability period of up to 2 years.

These three sources of borrowing ensure the availability of PLN 14 982 million and fully cover the medium and long-term liquidity needs of the Company and Group. During the first half of 2015 the Company engaged in borrowing using all of the aforementioned pillars.

Unsecured revolving syndicated credit facility

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

The USD 700 million which was drawn was used to refinance the debt of KGHM INTERNATIONAL LTD. Consolidating the Group's external financing at the Parent Entity's level is a basic assumption of the financing strategy. The remaining amount of available credit will be used to finance general corporate goals, including, among others, covering expenses related to continuation of investment projects.

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

Investment loan from the European Investment Bank

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

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

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

Short-term bilateral bank loans

As a consequence of short term bilateral agreements entered into, the Company has credit lines in the total amount of PLN 3 571 million. These are both working capital facilities and overdraft facilities with availability periods of up to 2 years. The maturities of these agreements are successively extended for subsequent periods.

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

30. Financial risk management (continued)

The funds from the aforementioned agreements are available in the following currencies: PLN, USD and EUR, with the interest based on variable WIBOR, LIBOR, EURIBOR rates plus a margin. The funds acquired from the aforementioned credit agreements are used for financing the working capital and support short-term financial liquidity management.

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

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

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

The Company continues to add additional participants to the cash management service of the KGHM Polska Miedź S.A. Group (zero-balance cash pool). The Company is the coordinator of this service (Local Cash Pool in PLN and International Cash Pool in USD). In the first half of 2015, actions were undertaken to add USD and EUR currencies to the local cash pool service. The cash pool service is aimed at optimising the management of cash resources, the limiting of interest costs, the effective financing of current working capital needs and the support of financial liquidity in the Group.

As at 30 June 2015, the balance of receivables (net balance) due to the Cash Pool amounted to PLN 171 million due to participation in the cash management services in the Group.

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

As at 30 June 2015, the Company held contingent liabilities due to guarantees and letters of credit granted in the total amount of PLN 1 264 million and promissory note liabilities in the amount of PLN 256 million.

The most significant items are:

- a letter of credit in the amount of PLN 518 million granted to secure the liabilities associated with the performance of a long-term contract for the supply of electricity to Sierra Gorda S.C.M.;
- guarantees and a letter of credit in the total amount of PLN 347 million, granted to additionally secure the liabilities associated with the performance of leasing agreements entered into by Sierra Gorda S.C.M. and KGHM INTERNATIONAL LTD.;
- a guarantee in the amount of PLN 64 million and a promissory note with a promissory note declaration in the amount of PLN 256 million granted to secure the liabilities associated with the proper performance of future environmental obligations of the Company to restore the area, following the conclusion of operations of the Żelazny Most tailings storage facility;
- letters of credit in the amount of PLN 315 million, granted to secure the liabilities associated with the proper performance of future environmental obligations by KGHM INTERNATIONAL LTD. to restore the area following the conclusion of operations of the Robinson mine, Podolsky mine and the Victoria project; and
- letters of credit in the total amount of PLN 18 million, granted to secure the proper performance of agreements and financial liabilities of FNX MINING COMPANY INC. related to the realisation of the Victoria project.

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

30. Financial risk management (continued)

30.3.2 Management of capital

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

In accordance with accepted market practices, the Company monitors the capital in the Group, among others based on the equity ratio and the ratio of Net Debt/EBITDA. The equity ratio is calculated as the relation of net assets (equity less intangible assets) to total assets. The ratio of Net Debt/EBITDA is calculated as the relation of borrowings and finance lease liabilities less free cash to EBITDA (profit on sales plus depreciation/amortisation).

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

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

The ratios for the Group are presented in the table below:

Ratio	As at 30 June 2015	As at 31 December 2014
Net debt/EBITDA	0.93	0.87
Equity ratio	0.55	0.56

31. Dividends paid and declared for payment

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

32. Related party transactions

	For the period from 1 January 2015 to 30 June 2015		
Sales	Sales of products	Sales of merchandise and materials	Other transactions
- to subsidiaries	107	34	102
- to other related parties	-	-	9
Total sales to related parties	**107**	**34**	**111**

The Company did not receive dividends from subsidiaries during the period from 1 January 2015 to 30 June 2015. Dividends from subsidiaries amounted to PLN 10 million in the comparable period.

During the period from 1 January 2015 to 30 June 2015 and in the comparable period, there were no transactions between the Company and related entities concerning the sale of property, plant and equipment, intangible assets and investment property.

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

32. Related party transactions (continued)

	For the period from 1 January 2014 to 30 June 2014		
	Sales of products	Sales of merchandise and materials	Other transactions
Sales to subsidiaries	**105**	**35**	**32**

	For the period from 1 January 2015 to 30 June 2015		
	Purchase of services, merchandise and materials	Purchase of property, plant and equipment, intangible assets, investment property	Other purchase transactions
Purchases from subsidiaries	**1 939**	**525**	**-**

	For the period from 1 January 2014 to 30 June 2014		
	Purchase of services, merchandise and materials	Purchase of property, plant and equipment, intangible assets, investment property	Other purchase transactions
Purchases from subsidiaries	**1 946**	**461**	**-**

Receivables from related entities due to sales of products, services, merchandise, materials, non-current assets; and due to cash pooling and loans	At 30 June 2015	At 31 December 2014
- from subsidiaries	6 005	2 433
- from other related parties	17	7
Total receivables from related parties	**6 022**	**2 440**

Trade and other payables towards related entities due to the purchase of products, services, merchandise, materials, and non-current assets	At 30 June 2015	At 31 December 2014
- towards subsidiaries	477	499
- towards other related parties	36	-
Total payables towards related parties	**513**	**499**

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

32. Related party transactions (continued)

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

- the purchase of materials and services to meet the needs of current operating activities (fuel, energy, transport services). Turnover from these transactions in the period from 1 January 2015 to 30 June 2015 amounted to PLN 309 million (for the period from 1 January 2014 to 30 June 2014: PLN 399 million), and the unsettled balance of liabilities from these transactions as at 30 June 2015 amounted to PLN 222 million (as at 31 December 2014: PLN 238 million);
- sales to State Treasury companies, which in the period from 1 January 2015 to 30 June 2015 amounted to PLN 65 million (for the period from 1 January 2014 to 30 June 2014: PLN 32 million) and the unsettled balance of receivables as at 30 June 2015 amounted to PLN 43 million (as at 31 December 2014: PLN 6 million);
- dividends received from State Treasury companies during the period from 1 January 2015 to 30 June 2015 amounted to PLN 27 million (for the period from 1 January 2014 to 30 June 2014: PLN 35 million).

Remuneration of key managers

Remuneration of the Management Board [in PLN thousands]	For the period from 1 January 2015 to 30 June 2015	from 1 January 2014 to 30 June 2014
Salaries and other short-term employee benefits	6 730	4 084
Benefits due to termination of employment	249	1 576
Total	**6 979**	**5 660**

Remuneration of the Supervisory Board [in PLN thousands]	For the period from 1 January 2015 to 30 June 2015	from 1 January 2014 to 30 June 2014
Remuneration due to service in the Supervisory Board, salaries and other short-term employee benefits	945	678
Total	**945**	**678**

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

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

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

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

	At 30 June 2015	At 31 December 2014
Contingent assets	**545**	**467**
- guarantees received	197	178
- promissory notes receivables	213	154
- real estate tax on mining facilities	87	87
- inventions, implementation of projects	48	47
- other	-	1
Contingent liabilities	**1 765**	**1 647**
- guarantees and letters of credit granted, including:	1 200	1 100
a letter of credit granted to secure the liabilities associated with the performance of a long-term contract for the supply of electricity for Sierra Gorda S.C.M	518	482
guarantees and a letter of credit granted to additionally secure the liabilities associated with the performance of leasing agreements entered into by Sierra Gorda S.C.M. and KGHM INTERNATIONAL LTD.	347	341
letters of credit granted to secure the liabilities associated with the proper performance of agreements by KGHM INTERNATIONAL LTD. – future environmental obligations to restore the area following the conclusion of operations of the Robinson mine, Podolsky mine and the Victoria project	315	272
letters of credit granted to secure the proper performance of agreements and financial liabilities of FNX MINING COMPANY INC. associated with the realisation of the Victoria project.	18	-
- a guarantee granted to secure the liabilities associated with the proper performance of future environmental obligations of the Company to restore the area, following the conclusion of operations of the Żelazny Most tailings storage facility	320	320
guarantee	64	320
promissory notes liabilities	256	-
- disputed issues, pending court proceedings	15	15
- liabilities due to implementation of projects and inventions	140	138
- real estate tax on mining facilities	86	70
- other	4	4
Other liabilities not recognised in the statement of financial position		
- liabilities towards local government entities due to expansion of the tailings storage facility	123	120
- liabilities due to operating leases	14	16

34. Subsequent events

Beginning of commercial production by the Sierra Gorda mine

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

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

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

34. Subsequent events (continued)

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

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

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

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

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

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

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

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

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

Loans granted to Quadra FNX Holdings Chile Limitada

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

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

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

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

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

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

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

Lubin, August 2015

Contents of the Management Board's Report on the Activities of the Company

1. Company's profile

KGHM Polska Miedź S.A. ("the Company") is the parent entity of a Group which is a world-class producer of copper and silver with over half a century of experience. As a major global copper producer the KGHM Polska Miedź S.A. Group is aiming to increase its annual production to over 1 million tonnes of copper equivalent from its own resources and enhance efficiencies, while at the same time respecting business ethics, environmental protection and social responsibility.

KGHM Polska Miedź S.A. owns one of the largest copper ore deposits in the world, guaranteeing continuity of production in Poland for the next 40 years. The Group develops projects in Poland, Canada, Chile and in Greenland. Thanks to the friendly takeover of the Canadian company Quadra FNX Ltd., today KGHM INTERNATIONAL LTD., the KGHM Polska Miedź S.A. Group has become a global company, which is recognised around the world.

1.1. Production profile

Mine production

In the first half of 2015 there was an increase in ore extraction (dry weight) versus the same period in 2014. At the same time, copper content in extracted ore decreased to 1.54% from 1.55%. As a result, the production of copper from mined ore decreased by 1.2 thousand tonnes or by 0.5%. Consequently, the production of copper in concentrate decreased by 1.1 thousand tonnes.

Table 1. Mine production

	Unit	6M'14	6M'15	Change 6M'14=100	1Q'15	2Q'15
Copper ore (dry weight)	mn t	15.73	15.74	100.1	7.92	7.83
Copper content in ore	%	1.55	1.54	99.4	1.54	1.54
Copper content in ore	kt	243.6	242.4	99.5	122.1	120.3
Silver content in ore	t	701	707	100.9	355	352
Copper concentrate (dry weight)	kt	935	939	100.4	468	471
Copper content in concentrate	kt	216.0	214.9	99.5	107.2	107.7
Silver content in concentrate	t	599	609	101.7	305	304

Metallurgical production

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

Table 2. Metallurgical production

	Unit	6M'14	6M'15	Change 6M'14=100	1Q'15	2Q'15
Electrolytic copper, of which:	kt	282.9	286.2	101.2	142.4	143.8
- from own concentrates	kt	209.8	209.7	100.0	105.5	104.2
- from purchased copper-bearing materials	kt	73.1	76.6	104.8	36.9	39.7
Wire rod, OFE and CuAg	kt	134.7	140.6	104.4	69.5	71.1
Round billets	kt	1.8	6.1	×3.4	3.6	2.5
Metallic silver	t	605	612	101.2	298	314
Metallic gold	kg	812	1 135	139.8	560	575
Refined lead	kt	12.7	15.3	120.5	7.8	7.5

1.2. Sales by product

In the first half of 2015, copper sales were higher by 3 thousand tonnes, or by 1.1%, compared to the same period in 2014, mainly due to an increase in demand for copper wire rod and to an increase in electrolytic copper production.

Silver sales amounted to 563 tonnes and were lower by 9 t (-1.5%) compared to the first half of 2014, as a result of matching deliveries to customer expectations.
Gold sales amounted to 999 kg and were higher by 198 kg (25%) compared to the same period in 2014. The substantial increase in gold sales was due to the higher production of this metal by 323 kg (40%) compared to the first half of 2014 as a result of the processing of purchased copper-bearing materials, mainly concentrates, which contained a high amount of gold.

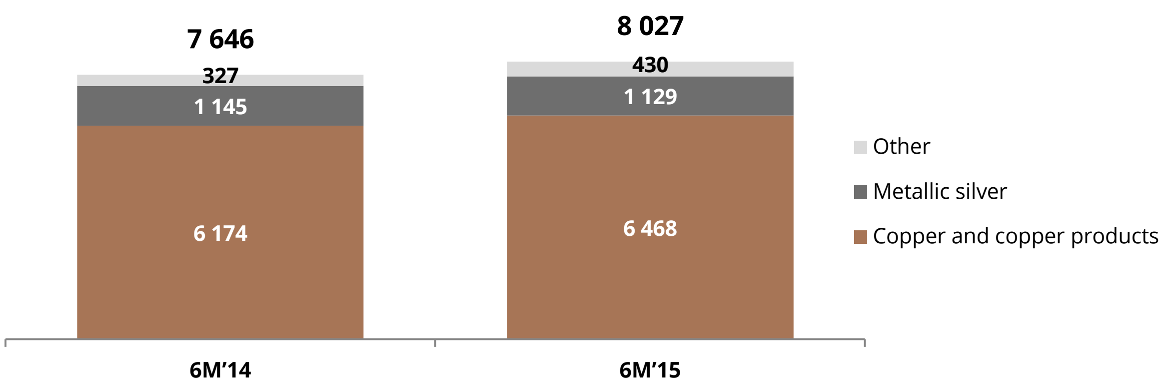
Table 3. Sales volume of main products

	Unit	6M'14	6M'15	Change 6M'14=100	1Q'15	2Q'15
Cathodes and cathode parts	kt	136.4	133.4	97.8	61.3	72.1
Copper wire rod and OFE rod	kt	132.2	138.1	104.5	67.7	70.4
Other copper products	kt	6.0	6.1	101.7	3.1	3.0
Total copper and copper products	**kt**	**274.6**	**277.6**	**101.1**	**132.1**	**145.5**
Metallic silver	t	572	563	98.4	245	317
Metallic gold	kg	801	999	124.7	612	388
Refined lead	kt	12.1	16.2	133.9	7.7	8.5

Table 4. Sales revenues breakdown by product (in PLN millions)

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

Chart 1. Sales revenue breakdown by product (in PLN millions)



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

Revenues from the sale of copper and copper products increased by nearly 5%. Revenues from silver sales were lower by approx. 1.5% as compared to the same period in 2014, due to lower sales volume as well as lower sales prices. Revenues from gold sales were higher by 43%, due to an increase in the price of this metal expressed in the Polish zloty, as well as an almost 25% (199 kg) increase in sales volume compared to the first half of 2014.

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

Geographical breakdown of sales

In the first half of 2015, the volume of sales of copper and copper products in Poland represented 25% of total copper sales, while 75% was exported outside Poland (including to European Union countries). During this period, the largest foreign customers for copper produced by KGHM Polska Miedź S.A. were Germany, China, the Czech Republic and France.

In the first half of 2015 sales of silver in Poland amounted to 1% of total silver sales, while 99% was exported outside Poland (including to European Union countries). The largest foreign customers for silver were the United Kingdom, the USA and Germany.

Main products

The main products of the Company are electrolytic copper cathodes with a minimum copper content of 99.99%. These cathodes meet the highest demands for quality and are registered as Grade „A" on the London Metal Exchange (LME) under three brands: HMG-S, HMG-B and HML and on the Futures Contracts Exchange in Shanghai. The main customers for the cathodes are producers of wire rod, other rods, flat bars, pipes, sheets and belts.

The most important product resulting from the processing of copper cathodes is 8 mm copper wire rod manufactured through the Contirod® continuous process of melting, casting and drawing. The charge materials for the production of wire rod are copper cathodes, mainly those produced by the Company. Depending on the needs of the customer, wire rod is produced in various classes of quality. The main customers for wire rod are the cable, electrical goods and electrotechnical industries.

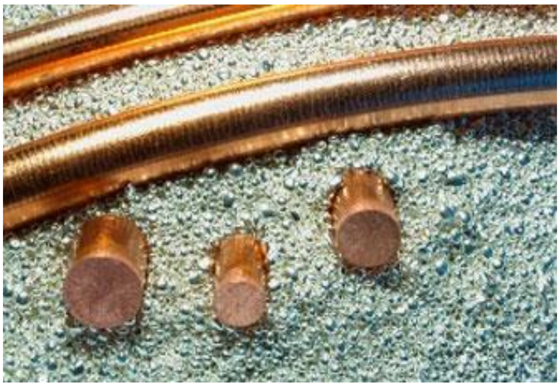
Copper cathodes

Copper wire rod

Other copper products are rod and round billets. Two types of rod are produced: Cu-OFE oxygen-free rod and CuAg(OF) oxygen-free, silver-bearing rod. Rod is produced using UPCAST® technology, in diameters from 8 mm to 25 mm (8 mm, 12.7 mm, 16 mm, 20 mm, 22 mm, 24 mm and 25 mm). Customers for this product are in the cable industry, with application in the form of thin wires, enameled wires and fire-resistant cables, as well as cables for transmitting audio and video signals. In addition, oxygen-free, silver-bearing rod is used in the manufacture of trolleys and commutators.

Round copper billets produced from copper cathodes cast in the classification Cu-ETP1 and Cu-ETP, and from oxygen-free phosphorus-containing copper in the classification Cu-HCP, Cu-PHC, Cu-DLP, Cu-DHP, are used in the construction industry (to manufacture pipes) and the electrotechnical industry (to manufacture belts, rods and profiles).

Oxygen-free, silver-bearing rod



Round copper billets

Electrolytic silver is produced in the form of cast metal (bars, billets) and grains containing 99.99% silver. Silver bars (weighing approx. 32 kg) hold certificates registered on NYMEX in New York as well as Good Delivery certificates issued by the London Bullion Market Association and by the Dubai Multi Commodities Centre. Granule silver is packed in bags weighing 25 kg or 500 kg. The main customers for silver are banks, investment funds, the jewelry industry, photographic industry, and the electronics and electrical industries as well as producers of coins and medallions.

Silver billets

Granule silver

Gold in the form of bars weighing 0.5 kg, 1 kg, 4 kg, 6 kg and 12 kg containing 99.99% gold are used in the jewelry industry, by banks and in the electrical industry.

Gold bars

1.3. Macroeconomic environment

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

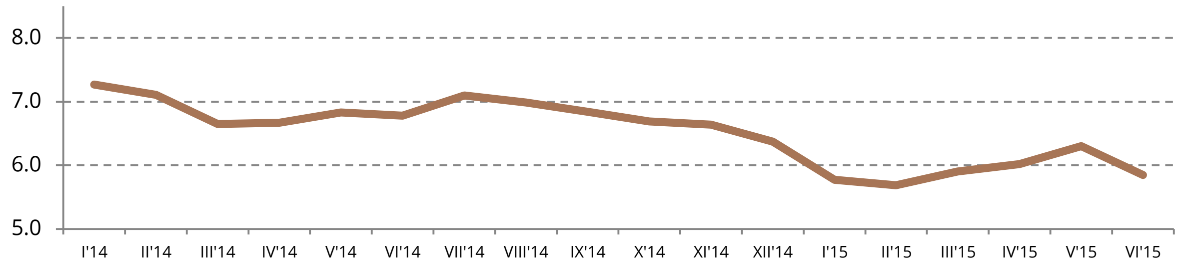
The rate of economic growth in developed countries is expected to accelerate for the following reasons: relatively easy access to financing, a departure from the restrictive fiscal policy in the eurozone, lower oil prices, greater consumer confidence and better conditions in the job market. Factors which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

Despite the fact that at the end of June the Bloomberg Commodity Index was only approx. 1 pp lower than at the start of 2015, there was heightened volatility on the commodities markets. These markets were affected by increased investor aversion to risk, fears about the durability of growth in China, the conflict between Ukraine and Russia, the heightened risk of Greece's exit from the eurozone and the rapid drop in China's main stock market index – the Shanghai Composite – at the end of the first half of 2015.
The cash settlement price of copper on the London Metal Exchange (LME) in the first half of 2015 ranged from approx. 5 390 to 6 450 USD/t. The start of 2015 saw a drop in the copper price, mainly due to negative investor sentiment towards the commodities markets. The main reason for this attitude by market participants was the substantial fall in the prices of oil and iron ore as compared to the previous periods of heightened activity by Chinese hedge funds involved in short selling, and to the continued strong increase in the value of the US dollar (for example a strengthening of approx. 18% compared to the euro). In subsequent months the price of copper came under pressure from lower-than-expected demand for the metal in China and from the slowdown in the USA in the first quarter.

Translation from the original Polish version.

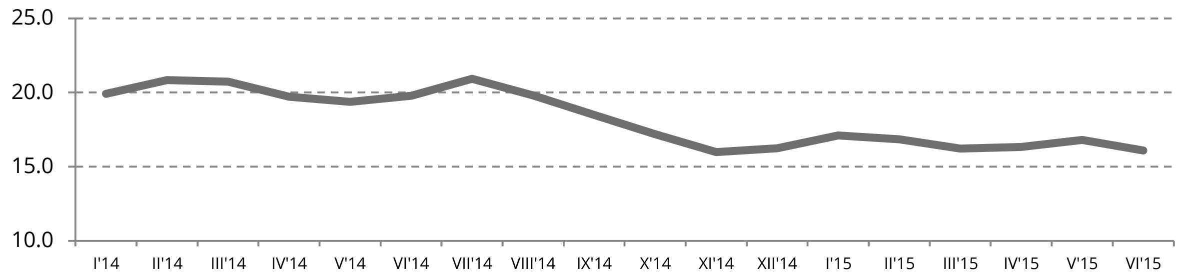
The average *cash settlement price* of copper in the first half of 2015 on the LME amounted to 5 929 USD/t and was 14% lower than in the first half of 2014, when it amounted on average to 6 916 USD/t.

Chart 2. Copper prices on the London Metal Exchange (thousand USD/t)



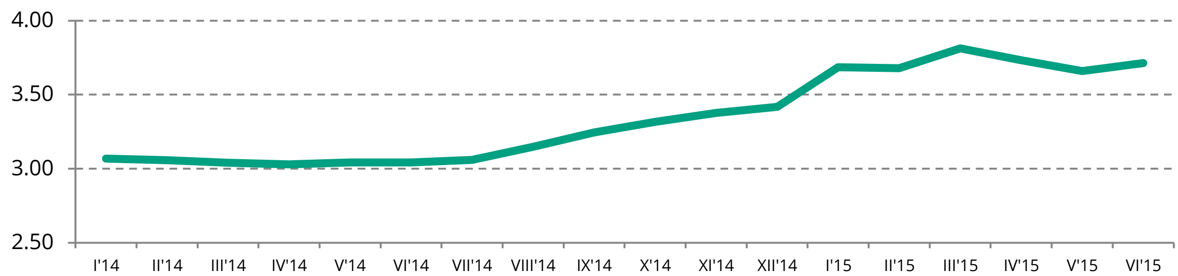
The average price of silver on the London Bullion Market (LBMA) in the first half of 2015 amounted to 16.55 USD/oz t (532 USD/kg), or a decrease of 17% compared to the price in the first half of 2014 – 20.05 USD/oz t. Greater uncertainty at the start of the year, due to the deferral of interest rate hikes in the USA and to the conflict in Ukraine, caused a short-term increase in the gold price, which led to an increase in the price of silver. However, the signing of an accord in Minsk later on reduced the probability of a further escalation of the conflict. Moreover, the continued appreciation of the American dollar together with the greater supply of silver as an associated element in new mining projects (mainly copper) were the main barriers holding back increases in the silver market.

Chart 3. Silver prices on the London Bullion Market (USD/oz t)



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

Chart 4. USD/PLN exchange rate per the National Bank of Poland



The most relevant metal prices and exchange rates for the Company's operations are presented in Table 5.

Table 5. Metal prices and relevant exchange rates

	Unit	6M'14	6M'15	Change 6M'14=100	1Q'15	2Q'15
Average copper price on the LME	USD/t	6 916	5 929	85.7	5 818	6 043
Average silver price on the LBM	USD/oz t	20.05	16.55	82.5	16.71	16.39
Average USD/PLN exchange rate per the NBP	PLN/USD	3.05	3.72	122.0	3.73	3.70

1.4. Significant contracts

In the first half of 2015, the Company entered into the following significant contracts:

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

Detailed information regarding the process of optimising Group cost of financing, which includes the aforementioned agreements from 25 May 2015 and 8 June 2015 may be found in Chapter 3.5 of this report.

In the first half of 2015, there was no instance of dependence on a single or multiple customers or suppliers. Similarly as in the comparable prior year period, the share of no customer exceeded 10% of the revenues from sales of the Company.

The only supplier whose share of supply exceeded 10% of the revenues from sales of KGHM Polska Miedź S.A. is the subsidiary Metraco S.A. in Legnica, whose sales to KGHM Polska Miedź S.A. amounted to PLN 1 140 million, representing 14% of the revenues from sales of KGHM Polska Miedź S.A.

The high level of supplies from this company is related to the operating model of the Group, based on which a business goal of Metraco S.A. is the comprehensive servicing of KGHM Polska Miedź S.A., with respect to the supply of specific raw materials and products ensuring continuity of the production line of KGHM Polska Miedź S.A., based on its own logistical and expediting operations.

1.5. Claims and disputes, fines and proceedings

As at 30 June 2015, the value of on-going disputed issues both by and against KGHM Polska Miedź S.A. was comprised of receivables of PLN 41 million and liabilities of PLN 101 million. The total value of the above disputes did not exceed 10% of the equity of the Company. The largest on-going proceedings are presented in the following table.

Table 6. Largest on-going proceedings involving the liabilities and receivables of KGHM Polska Miedź S.A.

Relating to liabilities due to:	
Administrative proceedings regarding the granting of a concession for exploration and evaluation of the Bytom Odrzański copper deposit - re-hearing	The Minister of the Environment on 29 July 2014 reversed the following decisions in entirety: - a decision dated 28 January 2014 declining to grant a concession to KGHM Polska Miedź S.A. for the exploration and evaluation of the Bytom Odrzański copper ore deposit, - Concession no. 3/2014/p dated 28 January 2014 issued to Leszno Copper Spółka z o.o. for the exploration and evaluation of the Bytom Odrzański copper and silver ore deposit. Leszno Copper Spółka z o.o. filed claims with the Regional Administrative Court against the decisions issued by the Ministry of the Environment. The Regional Administrative Court in Warsaw, at a hearing on 10 July 2015, reviewed the claims of Leszno Copper Spółka z o.o. against the decisions of the Minister of the Environment from 29 July 2014, overturned the decisions based on formal reasons and ordered the matter to be reviewed once more by the Ministry of the Environment. The Regional Administrative Court in Warsaw also adjudged that the decisions of the Minister of the Environment cannot be executed. This means that there are no legal ramifications until the judgment becomes legally binding. The judgment announced by the Regional Administrative Court is not legally binding until the deadline for filing a cassation appeal has passed, and if such an appeal is filed, until it is reviewed by the Supreme Administrative Court. The Company is awaiting a justification of the judgment, and once it is reviewed will undertake further legal decisions.
Royalties for use of invention project no. 1/97/KGHM	Value of amount under dispute: PLN 42 million. The claim was filed with the District Court in Legnica on 26 September 2007 by 14 co-authors of invention project no. 1/97/KGHM. KGHM Polska Miedź S.A. received the suit on 14 January 2008. Each of the plaintiffs in this suit is demanding royalties equivalent to the given plaintiff's share in the economic effects achieved for the 8th period of the project's application (calendar year 2006). In the Company's opinion the royalties being pursued through the Court are undue, as KGHM Polska Miedź S.A. covered the amounts due to the authors of the project resulting from use of an invention project. Proceedings are in progress.
Return of costs related to protection against mining damages	Value of amount under dispute: PLN 16 million. A claim was filed against KGHM Polska Miedź S.A. with the District Court in Legnica by the company Prestiż MGC Inwest Sp. z o. o. Sp. k. in August 2009 for payment of the amount of PLN 16 million due to the return of costs of protecting against mine damages incurred during construction of the Centrum Handlowo-Usługowe „CUPRUM ARENA" in Lubin. The District Court, by a judgment dated 26 February 2013, ordered KGHM Polska Miedź S.A. to pay the amount of PLN 307 thousand. Both parties filed appeals: the defendant in respect of the amount of PLN 305 thousand, and the plaintiff in respect of the amount of PLN 16 million. The Appeals Court appointed a court expert. In the Company's opinion the claim is unfounded and should be dismissed. However, due to the complex nature of the matter and the judgment made by the District Court, it is difficult to foresee the final resolution. Appeal proceedings are in progress.
Relating to receivables due to:	
Return of undue royalties for use of invention project no. 1/97/KGHM	In January 2008 the Company filed a counter claim against 14 project co-authors for payment of undue royalties paid in the amount of PLN 25 million for use of invention project no. 1/97/KGHM in the 6th and 7th periods (calendar years 2004 – 2005). The court has combined both these matters: the claims of 14 co-authors for the payment of royalties for use of invention project no. 1/97/KGHM in the amount of PLN 42 million, with the claims of the Company for the payment of undue royalties paid for use of invention project no. 1/97/KGHM in the amount of PLN 25 million, for joint hearing. Proceedings are in progress. In the Company's opinion the payment of royalties to the project's authors was unfounded.

1.6. Company's structure

In the first half of 2015, the multi-divisional organisational structure of the Company, acting under the name KGHM Polska Miedź S.A., comprised a Head Office and 10 Divisions.

Diagram 1. Organisational structure of the Company (as at 30 June 2015)

Divisions of KGHM Polska Miedź S.A.			
Mining		Metallurgy	Other
Lubin Mine Division	Concentrators Division	Głogów Smelter/refinery Division	Head Office
Polkowice-Sieroszowice Mine Division	Tailings Division	Legnica Smelter/refinery Division	Mine-Smelter Emergency Rescue Division
Rudna Mine Division		Cedynia Wire Rod Division	Data Center Division

Supervisory Board

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

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

along with the following employee-elected members:

- Bogusław Szarek — Secretary
- Józef Czyczerski
- Leszek Hajdacki

From 1 January to 30 June 2015 and until the date of signing of this report there were no changes in the composition of the Supervisory Board of KGHM Polska Miedź S.A.

Management Board

In accordance with the Statutes of KGHM Polska Miedź S.A. the Members of the Management Board are appointed and dismissed by the Supervisory Board. As at 1 January 2015, the composition of the 8th-term Management Board of KGHM Polska Miedź S.A. was as follows:

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

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

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

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

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

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

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

From 17 March to 30 June 2015 and until the date of signing of this report there were no changes in the composition of the Management Board of KGHM Polska Miedź S.A.

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

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

The First Vice President of the Management Board (Finance) is responsible for supervising**:**
- the shaping of Group financial policy,
- finances in all of the Group's operations and activities;
- the creation of Group tax policy;
- the Company's accounting services;
- the shaping of the Company's portfolio of products and services;
- the shaping of the Company's commercial policy; and
- reviewal of the Main Strategy's projects in terms of their financial feasibility.

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

The Vice President of the Management Board (Corporate Affairs) is responsible for supervising:
- the shaping of the portfolio of production and equity assets, as well as overall corporate supervision over the Group's subsidiaries;
- compliance with corporate governance standards;
- analytical support with respect to equity investments;
- the means used to shape relations with the Company's external business environment (with current and potential investors);
- compliance with formal reporting and publishing obligations within the scope required by law;
- the restructurisation and transformation of the Group;
- the integration of acquired entities with other entities in the Group;
- the development, updating and monitoring of the Group's equity investment plan.

The Vice President of the Management Board (Development) is responsible for supervising:
- the development and implementation of management standards related to carrying out the Main Strategy;
- the conduct of projects with respect to tangible investments;
- progress in projects other than R&D and tangible investments;
- management of the Company's property and real estate;
- work of the Central Procurement Office.

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

The Vice President of the Management Board (Production) is responsible for supervising:
- activities involving the optimisation of production processes, workplace safety and control of environmental risk;
- activities with respect to acquiring, building and maintaining in readiness the production and non-production assets and achievement of the main goals of the Energy Strategy;
- activities with respect to manufacturing the Company's products and services (primary mine and metallurgical production).

1.7. Employment and remuneration

Employment structure

The level of employment in the Company is related to the tasks performed and goals assigned, which are derived from the Company's strategic goals. The small decrease in employment in the first half of 2015 was solely due to natural movements in staff and is in line with Company expectations. Company employment in this period is shown in the following table.

Table 7. End-of-period employment

	31.12.2014	31.03.2015	30.06.2015	Change 31.12.2014=100
Mines	12 356	12 297	12 315	99.7
Metallurgical plants	3 559	3 559	3 564	100.1
Other divisions	2 253	2 237	2 246	99.7
Total	**18 168**	**18 093**	**18 125**	**99.8**

Remuneration in the Company

Average monthly remuneration in the Company in the first half of 2015 amounted to PLN 9 096, representing an increase of 1% resulting from the increase from 1 January 2015 of basic wage rates by PLN 50 and from individual raises, alongside a lower annual bonus from profit earned.

Table 8. Total average monthly remuneration (PLN/person)

	6M'14	6M'15	Change 6M'14=100
Mines	9 182	9 278	101.0
Metallurgical plants	8 167	8 108	99.3
Total	**9 009**	**9 096**	**101.0**

Relations with the trade unions

In February 2015, KGHM Polska Miedź S.A. and the trade unions signed the following agreements: An Agreement on remuneration and employee benefits in 2015 and Additional Protocol No. 16 to the Collective Labour Agreement for the Employees of KGHM Polska Miedź S.A.

As a result of these agreements, there was an increase in basic wage rates by PLN 50 and in the additional contribution to the social fund by 4.5%, while up to 10% of employees received raises.

On 9 July 2015, an appendix was signed to the agreement on the granting of one-category raises starting from 1 August 2015 to blue-collar underground mine employees from category 7 or category 8, which are also the lowest categories for a given position.

2. Company's Strategy

2.1. Company's Strategy

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

Table 9. Key achievements with respect to progress on strategic projects in individual areas of the Strategy in the first half of 2015.

Pillar I. Resource Base Development	
Regional exploration program of KGHM Polska Miedź S.A. regarding the exploration and documentation of copper deposits in the Lower Zechstein formation located in south-western Poland and Lusatia (Saxony in Germany).	
Advanced exploration projects, with defined copper mineralisation, for which geological exploration is underway throughout or in part of the given concession area:	
Gaworzyce-Radwanice	In June 2015 the Minister of the Environment approved the geological documentation. Work is underway on preparing the deposit mining plan.
Synklina Grodziecka	In April 2015 a decision was received on a change in the concession, among others with respect to extending its validity to July 2017, i.e. to match the period of validity of the concession for the Konrad deposit. This action will enable the development of joint geological documentation for both the Synklina Grodziecka and Konrad deposits. A contractor was selected to carry out surface-based geophysical surveys, preparations are underway to commence the surveys.
Konrad	A contractor was selected to carry out surface-based geophysical surveys and work began to prepare for their implementation.
Retków-Ścinawa and Głogów	Exploration of the deposit continued, with three drillholes made by the end of June 2015. Drilling is currently underway in five locations. The first stage of work on this project involves the sinking of 15 drillholes.
Projects at the early exploration stage, without defined copper mineralisation:	
Stojanów	Work performed involved the reinterpretation of archival geological and geophysical data for the currently explored part of the deposit. On 1 April 2015, an agreement was signed with the State Treasury – with the Minister of the Environment acting on its behalf – for the paid use of geological information in the form of geological data.
Weisswasser (Saxony in Germany)	Work continued on the second phase of the second stage of the project. Drilling was carried out including drillholes to take geophysical measurements in the area of the Weisswasser II concession. Based on the results of this drilling, which is expected to be completed at the end of August 2015, the strategy for subsequent work under the project will be determined.
Exploration projects in the preparatory phase:	
Bytom Odrzański Kulów–Luboszyce	Judicial administrative proceedings are underway with regard to the claims filed by the competing company Leszno Copper sp. z o.o. with the Regional Administrative Court against the decision of the Minister of the Environment to reverse in their entirety the decision issued on 28 January 2014 regarding the refusal to grant KGHM Polska Miedź S.A. a concession for the exploration and evaluation of the Bytom Odrzański copper ore deposit and for the part of the Kulów-Luboszyce area applied for. Detailed information on these proceedings may be found in part 1.5 of this report.
Other concessions:	
Zatoka Pucka	Work begun in the first quarter of 2015 continued on the reinterpretation of archival geological data, which will form the basis for performing surface-based geophysical surveys. In addition, a tender was initiated to select contractors to carry out these surveys.
Pillar II. Production Assets Development	
Key development projects in terms of the Core Business in Poland:	
Deep Głogów Program	Work continued on the sinking of the GG-1 ventilation (input) shaft using tubing construction. At the end of June 2015 the shaft had reached a depth of 563 meters using tubing construction (target depth is 1 340 meters with a diameter of 7.5 meters). In the first half of 2015, 7 574 meters of primary and development tunneling were excavated in the Rudna and Polkowice–Sieroszowice mines together with necessary technical infrastructure (water pipes, power cables, electrical switching stations, conveyor belts, retention reservoirs, climate control piping and equipment and communications equipment). With respect to construction of the Surface-based Ventilation Station at the R-XI shaft, the first stage of the investment was completed – based on a power supply of 15 MW cool air is being produced. Upgrade of the Surface-based Ventilation Station to 25 MW is expected in mid-2016.

Mechanical mining program	**Excavation of drift tunnels using a combine team** – Based on mining experience gathered to date, a periodic evaluation was made of the project's organisational and technical aspects, as well as of the technology for carrying out mine development work using a combine team. The excavation of drift tunnels using a combine team in the underground conditions prevailing in the Polkowice-Sieroszowice mine confirmed the technical possibility of using mechanised methods to extract ore from the copper deposit, as a technological alternative to the current method based on blasting technology. By using combine technology it was possible to achieve a substantial improvement in monthly drift hub development as compared to other mine areas under development. At the same time we are identifying potential sources of effects and benefits across the entire spectrum of mining activities deriving from the use of combine teams, for example the quality of areas excavated, the rate of excavation, following the path of the ore, selective extraction and the capabilities for continuous work. **Development of mechanised mining technology** – In cooperation with the company Caterpillar Global Mining Europe GmbH, work was performed on the implementation of required modifications, both in the body of the prototype machine as well as in its housing, which will enable completion of the final stage of mining trials using the ACT (Active Cutting Technology) mining complex in a pilot section of the Polkowice-Sieroszowice mine. At the same time intensive efforts are being made to prepare a new mining field to carry out trials in a pilot section. In cooperation with the company KOPEX Machinery SA design and research work is underway on the possibilities of developing a mechanised longwall complex for mining copper ore as an alternative technology to the ACT mining complex which is currently being tested. Research is focused on selecting the body of the mechanised longwall complex, a design for the longwall complex and the beam stage loader and also building a model of the mining machine.
Pyrometallurgy Modernisation Program at the Głogów smelter/refinery	Construction and assembly work continued on the main elements of the modernised flash furnace production line at the Głogów I smelter/refinery, including the Flash Furnace, Electrical Furnace, Recovery Boiler and elements of the Charge Preparation Section. All technical permits were received. The current state of permitting allows the work to be completed on time. Due to the specific nature of work in an operating plant, the process of obtaining building permits and substitute building permits will continue until completion of the investment. Further design work was carried out on the modernised flash furnace. About 98% of the design work has been completed. The remaining elements of the smelting intensification program at the Głogów II smelter/refinery were handed over for operation. To 30 June 2015 the expenditures incurred on the project were completed and settled. Detailed information on the scope of progress on the aforementioned projects may be found in point 2.3 of this report.
Development projects abroad:	
Victoria project (Sudbury basin, Canada) *KGHM INTERNATIONAL LTD.100%*	Preliminary work continued on gaining access to the deposit, as well as work involving the preparation of shaft infrastructure, including the preparation of foundations for the lift machinery and preparations for work directly related to sinking the shaft. Work continued on developing technical documentation, i.e. the Integrated Development Study, which will provide a detailed project schedule and show the required project capex. The deposit mining model was reviewed.
Development of the Sierra Gorda project (Chile)	**Phase 2** *(KGHM INTERNATIONAL LTD. 55%, Sumitomo Metal Mining and Sumitomo Corporation 45%)* – Work was performed on optimising project assumptions and on basic engineering for the second phase of the project, involving an increase in daily ore processing capacity from 110 thousand tonnes to at least 190 thousand tonnes. **Sierra Gorda Oxide** – Final work is underway to develop a feasibility study for the oxide ore processing project.
Ajax project (British Columbia, Canada) *KGHM Polska Miedź S.A. Group 80%, Abacus Mining and Exploration Corp. 20%*	Preparations continued aimed at submitting an application for environmental permits, which is expected to be done in the second half of 2015. To ensure the full transparency of the process of analysing the Ajax mine's impact on the environment, KGHM Polska Miedź S.A. is working closely both with First Nations representatives as well as with government officials. Work continues on basic engineering, which takes into account the change in the siting of certain elements of the mine's facilities and technological improvements to the plant, which will enable capex on the Project to be optimised. The drilling campaign continued, comprising among others the conclusion in March 2015 of drilling within the planned open pit. The drill cores obtained will be used in further metallurgical research.
Initiatives aimed at enhancing knowledge and innovation in KGHM Polska Miedź S.A.:	
CuBR Sector Program *(in cooperation with the National Centre for Research and Development)*	At the start of 2015 work commenced on projects selected during the first edition of the CuBR Program competition, for which PLN 40 million was allocated. These projects will be carried out in terms of R&D involving the development of new mining technology and metallurgical and processing processes, as well as of new products and their recycling, while at the same time reducing environmental costs. In the second quarter of 2015 work commenced on the implementation of most of the projects selected during the second edition of the CuBR Program competition, for which PLN 52 million was allocated. The goal of the projects is to discover innovative solutions for the core business of KGHM Polska Miedź S.A.,

	above all in terms of the Intelligent Mine concept with respect to developing remote controlling and automated equipment for breaking up rock, and a fully automated bolting process. In addition, work will be carried out aimed at acquiring highly efficient copper ore processing technology as well as on advanced applications of the metals produced by KGHM Polska Miedź S.A. The acceptance of applications for the third edition of the competition will be announced in the third quarter of 2015.
Pillar III. Production	
Sierra Gorda mine in Chile - Phase 1 *KGHM INTERNATIONAL LTD. 55%, Sumitomo Metal Mining and Sumitomo Corporation 45%*	Work continued to increase processing capacity under phase 1 of the Sierra Gorda project. The achievement of target phase 1 processing capacity, enabling the production of 120 thousand tonnes of copper annually (the processing of 110 thousand tonnes of ore per day), is planned in the second half of 2015. The production of copper in concentrate from the Sierra Gorda mine in the first half of 2015 amounted to around 38 thousand tonnes. The molybdenum installation began production on 14 April 2015. Sierra Gorda has commenced commercial production, as defined by the following criteria. – **Quantity & Quality** – Sierra Gorda is producing saleable product, available for placement in the market. The copper plant has been operating for over 60 days at 65% of its designed capacity. Simultaneously, the molybdenum plant has produced molybdenum concentrate with at least 40% molybdenum content. – **Expenditures** - all major expenditures have been incurred to bring the mine to the condition necessary for commercial production to commence. – **Handover and operation** - the plant was handed over to the operating personnel. Starting on 1 July 2015, due to the achievement of commercial production, Sierra Gorda will provide profit or loss statements.
Other significant initiatives with respect to actions to support the core business:	
Ensuring energy security for the KGHM Polska Miedź S.A. Group	**Development of small-scale photovoltaics** – In its search for new, innovative methods of generating electricity, "Energetyka" sp. z o.o. (a subsidiary of KGHM Polska Miedź S.A.) is developing projects related to the construction of pilot photovoltaic farms. In the first half of 2015 another pilot installation using thin-layer CIGS (Copper Indium Gallium Selenide) technology was opened. The photovoltaic farms in use to date in Legnica and Głogów use three different photovoltaic technology modules: CIGS, monocrystalline and polycrystalline. The goal of the project is to determine which of the three applied technologies is the most suitable for local atmospheric conditions. **Preparations to build and operate the first Polish nuclear power plant** – KGHM Polska Miedź S.A., PGE Polska Grupa Energetyczna S.A., TAURON Polska Energia S.A. and ENEA S.A. continued work on the project to prepare for the construction of a nuclear power plant in Poland. On 15 April 2015, these companies signed an agreement for the acquisition of shares in PGE EJ 1 sp. z o.o. („PGE EJ 1"), the special purpose company which is responsible for the preparation and execution of the investment to build and operate the first Polish nuclear power plant with a capacity of approx. 3 GWe (the Project). KGHM Polska Miedź S.A., TAURON Polska Energia S.A. and ENEA S.A. each acquired from PGE 10% of the shares in PGE EJ 1 sp. z o.o. (a total of 30% of the shares). KGHM Polska Miedź S.A. paid the amount of PLN 16 million for the acquired shares. The transaction was financed by internal funds. According to the Shareholders Agreement dated 3 September 2014, the parties will jointly, proportionally to their interest, fund activities of the initial phase of the Project. The objective of the initial phase of the Project is to determine such elements as potential partners, including the strategic partner, technology suppliers, EPC (Engineering, Procurement, Construction) contractors, nuclear fuel suppliers and acquiring funds for the Project, as well as preparing PGE EJ 1 organisationally and in terms of the skills required for its role as the nuclear power plant's future operator, responsible for its safe and efficient operation („Integrated Proceedings"). On 29 July 2015 the Shareholders Meeting of PGE EJ 1 adopted a resolution to increase the share capital of PGE EJ 1 by PLN 70 million. Pursuant to this resolution and to the shares held, KGHM Polska Miedź S.A. acquired shares worth PLN 7 million. The transaction was financed by internal funds. The Parties to the Shareholders Agreement expect that subsequent decisions concerning the Project, including a decision on the further participation of each Party in the next stage of the Project, will be made after the end of the initial phase and directly before the conclusion of the Integrated Proceedings.

2.2. Equity investments

As at the end of the first half of 2015, KGHM Polska Miedź S.A. directly owned shares of 23 companies (including in 20 subsidiaries) and certificates of 4 closed-end investment funds managed by the subsidiary KGHM TFI S.A. The entire KGHM Polska Miedź S.A. Group amounted to 74 subsidiaries.

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

Below is a simplified diagram of the KGHM Polska Miedź S.A. Group presenting groups of entities which are significant due to their share in achieving the Group strategy or in terms of the capital committed.

Diagram 2. Entities in which KGHM Polska Miedź S.A. has direct or indirect ownership or investment certificates as at 30 June 2015

KGHM Polska Miedź S.A.

DIRECT OWNERSHIP

Domestic companies supporting the core business

- „Energetyka" sp. z o.o. (100%)
- PeBeKa S.A. (100%)
- KGHM ZANAM S.A. (100%) [1]
- INOVA Spółka z o.o. (100%)
- POL-MIEDŹ TRANS Sp. z o.o. (100%)
- CBJ sp. z o.o. (100%)
- Metraco S.A. (100%) [2]
- BIPROMET S.A. (100%)
- KGHM CUPRUM sp. z o.o. – CBR (100%)

Closed-end investment funds

- KGHM I FIZAN (100%)
- KGHM III FIZAN (100%)
- KGHM IV FIZAN (34% *)
- KGHM V FIZAN (92% **)

Other company

- TAURON Polska Energia S.A. (10%)

INDIRECT OWNERSHIP

Non-domestic companies advancing the resource base development strategy

- KGHM INTERNATIONAL LTD. GROUP (100%)
  - Sierra Gorda S.C.M. (55%)
- KGHM AJAX MINING INC. (80%)

1/ - company transformed from a spółka z o.o. (limited liability company) to a spółka akcyjna (joint stock company)
2/ - name change (formerly KGHM Metraco S.A.)

** - direct stake held by KGHM Polska Miedź S.A. (total Group stake - 100%)*
*** - direct stake held by KGHM Polska Miedź S.A. (total Group stake - 100%)*

Amongst the main equity investments advancing the Company's main strategy are the KGHM INTERNATIONAL LTD. Group together with the mine project Sierra Gorda in Chile, in which an open-pit mine was built on one of the world's largest deposits of copper ore, molybdenum and gold. This mine, following a ramp-up phase which will be completed in 2015, will annually produce, in its first years of operation, 120 thousand tonnes of copper and 23 thousand tonnes of molybdenum. Sierra Gorda is a joint venture between KGHM INTERNATIONAL LTD. and companies of the Sumitomo Group. A description of the most important production assets and projects carried out under the KGHM INTERNATIONAL LTD. Group may be found later in this chapter.

KGHM AJAX MINING INC. is advancing the Ajax project in British Columbia, Canada, which assumes the construction of an open-pit copper and gold mine and ore processing plant with associated infrastructure.

In terms of assuring the uninterrupted operations of the core business of KGHM Polska Miedź S.A., of significance are investments in domestic companies acting on its behalf, such as:

- PeBeKa S.A. – mining work contractor,
- KGHM ZANAM S.A. – a supplier and service provider for mining machinery, and also provides production maintenance services in selected areas,
- Metraco S.A. – a supplier of copper scrap,
- „Energetyka" sp. z o.o. – this company secures part of the energy supply for KGHM Polska Miedź S.A.

In terms of the amount of capital committed, an important equity investment is the shares of TAURON Polska Energia S.A., a company listed on the Warsaw Stock Exchange.

Investments in closed-end investment funds are a tool used to diversify the investment risk for KGHM Polska Miedź S.A. In following the strategy of the Group, they fill a role in the management of selected non-core assets and are a tool in the advancement of projects aimed at increasing the Company's value. The funds concentrate on investments in the fields of health, real estate and new technology.

Other companies which are not shown in the diagram include entities serving the important role of corporate social responsibility, special purpose companies in the holding structure and other equity investments (including those designated to be restructured and disposed of).

KGHM INTERNATIONAL LTD. Group major production assets and projects

Robinson mine

Location	Nevada, USA
Ownership	100% Robinson Nevada Mining Company –100% owned by KGHM INTERNATIONAL LTD.
Type of mine	open pit
Main ore type	copper ore
Associated metals	gold
Type of orebody	Porphyry skarn
End product	copper concentrate
Production (1st half of 2015)	25.9 kt Cu; 24.1 koz TPM*
Employment (30 June 2015)	631

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

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

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

Morrison mine

Location	Sudbury Basin, Ontario, Canada
Ownership	100% FNX Mining Company –100% owned by KGHM INTERNATIONAL LTD.
Type of mine	underground
Main ore type	copper ore
Associated metals	nickel, platinum, palladium, gold
Type of orebody	footwall/contact Ni
End product	copper ore
Production (1st half of 2015)	5.8 kt Cu, 1 kt Ni, 15.9 koz TPM*
Employment (30 June 2015)	350

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

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

The ore is accessed and mined with the aid of leased infrastructure belonging to the Craig mine owned by Xstrata Nickel. Mineralisation in the Morrison deposit most commonly occurs in the form of ore veins. Mining is carried out at the 4030 level (approx. 1228 m) using mining techniques adapted to the deposit's geometry - mainly this is a mechanised method of selective extraction using undercutting of successive levels from bottom to top. Drilling is being carried out to define the lower portions of the orebody above the 4700 level (approx. 1433 m).

All of the ore extracted from the mine is processed by Vale's Clarabelle plant in Sudbury.

Franke mine

Location	Antofagasta region, Chile
Ownership	100% Sociedad Contractual Minera Franke –100% owned by KGHM INTERNATIONAL LTD.
Type of mine	open pit
Main ore type	copper ore
Associated metals	none
Type of orebody	IOCG (iron oxide copper gold)
End product	copper cathodes
Production (1st half of 2015)	8.9 kt Cu
Employment (30 June 2015)	530

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

This mine is located in a desert area of northern Chile, in the Altamira region, near the southern boundary of the Antofagasta region, near a public road connecting the mine with the Pan-American highway.
Mining is conducted by conventional open-pit methods from two orebodies: China (part of the larger Pelusa mine area) and Franke. Due to the nature of the ore, it is processed using the heap leach, solvent-extraction and electrowinning method. The end product is electrolytic copper in the form of cathodes.

DMC – mining services

Under the DMC Mining Services brand, the group of companies FNX Mining Company Inc., Raise Boring Mining Services S.A. de C.V. and DMC Mining Services Corporation provide services in shaft sinking, development work, above-ground and underground mine facilities, mine drilling, tunnel drilling for general construction purposes and engineering services.

Currently the most important assets of KGHM Polska Miedź S.A. at the development stage are the Sierra Gorda and Victoria projects.

Sierra Gorda project

Location	Region II, Chile
Ownership	55% KGHM INTERNATIONAL LTD, 45% Sumitomo group companies – Sumitomo Metal Mining Co., Ltd. (31.5%) and Sumitomo Corporation (13.5%)
Type of mine	open pit
Main ore type	copper ore
Associated metals	molybdenum, gold
Mine life	23 years for the current deposit, with the possibility to prolong to 42 years, taking into account new deposits
End product	copper concentrate, molybdenum concentrate
Forecasted production	approx. 220 kt Cu, 11 kt Mo, 2 tonnes Au per year
Start of production	2014

KGHM INTERNATIONAL LTD. acquired the project in 2008. Since September 2011 the Sierra Gorda project has been a joint venture (under the JV company Sierra Gorda S.C.M.) of KGHM INTERNATIONAL LTD. (55%) and companies of the Sumitomo Group. This is a key development project in the KGHM Polska Miedź S.A. Group due to its scale – construction of one of the world's largest mines of copper, molybdenum and gold, which will improve the Group's position on the cost curve.
The Sierra Gorda project is located in the Atacama desert, in the Sierra Gorda administrative area in the Antofagasta region, in northern Chile, approx. 60 km south-west of the city of Calama. The project is situated at an altitude of 1 700 m a.s.l. and 4 km from the town of Sierra Gorda, having a communications network with direct access to a highway and railway connections. Power for the project is supplied from a plant in Mejillones. The water supplied by pipeline to the Sierra Gorda project comes from the cooling systems of a power plant located in the coastal city of Mejillones. The copper and molybdenum concentrates produced are transported to the port of Antofagasta, and from there by sea to smelters around the world.
The Sierra Gorda orebody is one of the largest deposits of copper and molybdenum in the world, comprising both sulphide copper ore as well as oxide copper ore located above the sulphide level. The Sierra Gorda project assumes two investment stages. The first stage comprised the construction of a conventional open-pit mine (extraction using blasting materials and dump trucks, loading and ore transport to a processing plant), development of infrastructure (among others a tailings pond, power line, salt water pipeline) and a processing plant with an installation to separate the molybdenum concentrate (high-pressure crushers, ball mills and conventional flotation) with processing capacity of 110 thousand tonnes of ore per day. In the second stage, the capacity of the processing plant is planned to be increased to at least 190 thousand tonnes of ore per day. In addition, we expect the life of the mine to be prolonged as a result of mining of the mineralized areas Pampa Lina and Salvadora which are adjacent to the Sierra Gorda mine, based on the infrastructure of the investment's second stage.

Copper production commenced on 30 July 2014. On 25 October 2014, the first shipment to the Toyo Smelter and Refinery in Japan (with approx. 6 thousand tonnes of copper concentrate from the Sierra Gorda mine) left the Port of Antofagasta.

The molybdenum installation commenced production on 14 April 2015. Production of copper and molybdenum reached a stable and reliable level at the end of June 2015.
On 1 July 2015 Sierra Gorda commenced commercial production and will prepare profit or loss statements. Following a ramp-up phase which will be completed in 2015, the mine will annually produce 120 thousand tonnes of copper and 50 million pounds of molybdenum in its first years of operation.
The Sierra Gorda Oxide project is aimed at processing the oxide ore obtained during the pre-stripping phase in an installation for the recovery of metal using SX/EW technology. Oxide ore is stored separately for later heap leaching. Under this project, stacking tests are being conducted as well as semi-industrial tests, whose results will enable selection of an optimum means of utilising all of the oxide ore.

Victoria project

Location	Sudbury Basin, Ontario, Canada
Ownership	100% KGHM INTERNATIONAL LTD.
Type of mine	underground
Main ore type	copper-nickel ore
Associated metals	precious metals (gold) and platinum group metals (platinum, palladium)
Mine life	15 years
End product	copper concentrate, nickel concentrate
Forecasted production	16 kt Ni, 15 kt Cu
Start of production	start of mining in 2020, full production by 2022

This project is located in the Canadian province of Ontario, around 35 km west of the town of Sudbury. In 2002 rights were acquired to the Victoria mineral deposit and a campaign of exploration in this terrain commenced. Measured, indicated and inferred mineral resources are estimated at 13.6 million tonnes of ore, with average grade of 2.6% Cu, 2.7% Ni and 8.3 g/t of all associated metals.
The current development scenario for the project calls for the sinking of 2 shafts to access the deposit (a production shaft and a ventilation shaft). Preparatory work on sinking the shafts is underway, with sinking of the shafts to begin in the second half of 2016.

All of the ore extracted from the mine will be processed in the Clarabelle plant in Sudbury, owned by Vale.

Equity investments in the first half of 2015

Financing of development projects abroad

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

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

Changes in Group structure and other equity investments

In the first half of 2015, KGHM Polska Miedź S.A. incurred expenditures on equity investments in the total amount of PLN 56 million, as follows:

- 10% of the shares in the special purpose company **PGE EJ 1 sp. z o.o.** were purchased**,** which is responsible for the preparation and execution of the investment to build and operate the first Polish nuclear power plant (detailed information regarding this investment may be found in point 2.1 of this report),
- 34% of the shares of the subsidiary **BIPROMET S.A.** (including 25.23% as a result of a call-up of shares and 8.77% as a result of compulsory acquisition) were purchased, reaching the target of 100% of the share capital of this company,

- share capital was increased in two subsidiaries and also the investment certificates of **KGHM IV FIZAN** (a fund managed by KGHM TFI S.A.) were purchased, with the with the allocation of the funds for the realisation of planned investments,
- the share capital of the subsidiary **KGHM Kupfer AG** was increased, with the allocation of the funds for realisation of the II phase of research under stage II of the Weisswasseer project.

In addition, the process of dividing POL-MIEDŹ TRANS Sp. z o.o. was performed, aimed at separation of those areas of the company's activities unrelated to railway transport and their transfer to other companies in the Group (acquirees): MERCUS Logistyka sp. z o.o., KGHM ZANAM S.A., „Energetyka" sp. z o.o. as well as a newly-founded company which will operate under the name PMT Linie Kolejowe 2 Sp. z o.o. At the start of July 2015, resolutions in respect of this division were adopted by the General Partners Meeting/General Meeting of the aforementioned companies. As at 31 July 2015 r. court registration of the division of POL-MIEDŹ TRANS Sp. z o.o. took place, including an appropriate decrease in the share capital of POL-MIEDŹ TRANS Sp. z o.o., an increase in the share capital of the acquirees and founding of the company PMT Linie Kolejowe 2 Sp. z o.o.

In the first half of 2015, the subsidiary KGHM ZANAM Sp. z o.o. was transformed into a joint stock company (presently KGHM ZANAM S.A.) while the indirect subsidiary „BIOWIND" sp. z o.o. in liquidation was de-listed from the National Court Register (this company had not commenced operations).

During the analysed period, actions were continued to organise and simplify the Group's structure. Within the framework of these actions, we initiated the liquidation processes of two subsidiaries: in the domestic company Polska Grupa Uzdrowisk Spółka z ograniczoną odpowiedzialnością S.K.A. and in the non-domestic company International Molybdenum Ltd.

Future equity considerations

Equity investments are based on the main goals of the Strategy of KGHM Polska Miedź S.A. for the years 2015-2020 with an outlook to 2040 adopted in January 2015, which indicates resource base development as one of the three key pillars of Company development.

Investments related to resource base development are aimed at acquiring selected exploration projects to achieve the main strategic goal of producing over 1 million tonnes of copper equivalent. In this regard, the Group's actions will be focused on advancing the projects in its portfolio – above all Sierra Gorda (phase II of the project as well as the Sierra Gorda Oxide project, involving utilisation of the oxide ore), Victoria and Ajax.

With respect to domestic equity investments involved in resource base development, KGHM Polska Miedź S.A. intends to pursue exploration activities related to the exploration and evaluation of deposits of potassium-magnesium salt, phosphorous minerals, rock salt and non-ferrous metals in the Zatoka Pucka region. The partners in the project are companies in the Azoty Group.

KGHM Polska Miedź S.A., as one of the largest consumers of electricity in Poland, plans to take an active role in projects in the energy sector which will enable the company to secure its power needs, reduce its exposure to changes in fuel and electricity prices and reduce the impact of its climate-related obligations. KGHM Polska Miedź S.A. is participating in the project to prepare for the construction of Poland's first nuclear power plant. The Company's partners in the project are ENEA S.A., PGE Polska Grupa Energetyczna S.A. and TAURON Polska Energia S.A.

Information regarding progress on the above projects may be found in part 2.1 of this report.

In terms of its planned equity investments, KGHM Polska Miedź S.A. also intends to provide equity support to entities of the Group whose strategies and scopes of operation are closely connected with the core business of KGHM Polska Miedź S.A. This support will be aimed at realisation of projects related to maintaining production capacity and ensuring continuous operations by KGHM Polska Miedź S.A.
Equity investments will also include the purchase of certificates in closed-end investment funds managed by the company KGHM TFI S.A.
In addition, we will continue actions aimed at optimising the structure of the KGHM Polska Miedź S.A. Group, through the processes of restructuring and liquidation.

Related party transactions under other than arm's length conditions

In the first half of 2015, KGHM Polska Miedź S.A. and its subsidiaries did not enter into related party transactions under other than arm's length conditions.

2.3. Capital expenditures

In the first half of 2015, capital expenditures amounted to PLN 982 million and were lower by 4% as compared to the first half of 2014. The investments carried out represented 93% of those planned for this period. These expenditures, together with expenditures incurred on uncompleted development work, amounted to PLN 991 million.

Table 10. Structure of expenditures on property, plant and equipment and intangible assets - by division (in PLN million)

	6M'14	6M'15	Change 6M'14=100	1Q'15	2Q'15
Mining	758	**621**	81.9	286	335
Metallurgy	226	**338**	×1.5	125	213
Other activities	37	**23**	62.2	6	17
Development work - uncompleted	5	**9**	×1.8	3	6
Total	**1 026**	**991**	96.6	**420**	**571**

Table 11. Structure of expenditures on property, plant and equipment and intangible assets - by type (in PLN million)

	6M'14	6M'15	Change 6M'14=100	1Q'15	2Q'15
Replacements	276	**249**	90.2	112	137
Maintaining production	124	**133**	107.3	49	84
Development	621	**600**	96.6	256	344
Development work - uncompleted	5	**9**	×1.8	3	6
Total	**1 026**	**991**	96.6	**420**	**571**

During the reporting period actions were undertaken aimed at preparing an investment for execution, as a result of which appropriate documentation was prepared, building permits were received, tender procedures were followed to engage work contractors and equipment suppliers, and executory agreements were signed pursuant to the negotiated terms. Also during the reporting period construction and assembly work was performed and machinery and equipment was purchased.

Investment activities are aimed at advancing projects which are assigned to one of three categories:

- **Development projects** are aimed at increasing production volume and controlling production costs, and include projects aimed at adapting the Company's operations to changes in standards, laws and regulations, including those related to environmental protection, and represent 54% of total planned expenditures,
- **Replacement projects** are aimed at maintaining production-related assets in an unchanged condition to ensure that on-going production targets can be achieved, and represent 24% of total planned expenditures,
- **Projects related to maintaining mine production** are aimed at ensuring necessary infrastructure to match mining progress and to ensure on-going offtake of waste in order to maintain production at the level set forth in the mine production plan, and represent 22% of total planned expenditures.

Table 12. Main tasks and investments in the first half of 2015

Replacement (PLN 249 million):	
Mining machinery replacement	With respect to modernisation and replacement of the machine park in the mines, 109 pieces of mining machinery were purchased. Expenditures incurred in the first half of 2015: PLN 130 million.
Infrastructure replacement - other	Investments were made aimed at maintaining production infrastructure in an unchanged state in the Divisions. Expenditures incurred in the first half of 2015: PLN 119 million.
Maintaining production (PLN 133 million):	
Mine infrastructure development	Investments were made in the mines related to developing mining infrastructure, ventilation and air cooling equipment and developing conveyor belts and piping. Expenditures incurred in the first half of 2015: PLN 58 million.
Żelazny Most project to ensure the ability to store flotation tailings after 2016	The following was received: – legally-binding Municipal Area Management Plans within the municipality of Polkowice. – a decision excluding production in forested areas in order to build the Southern Quarter (relates to approx. 20 ha owned by KGHM Polska Miedź S.A.). – the positive opinion of RDOŚ (Regional Directorate for Environmental Protection) for the purpose of receiving an Environmental Decision for the expansion of the main facility to a crown height of 185 m a.s.l. within the borders of the Grębocice and Rudna municipalities. Geological and engineering documentation was developed based on geological work performed in 2014 (stage II) in order to construct the Southern Quarter. As at 30 June 2015 PLN 46 million had been incurred, including PLN 8 million in 2015.

Development: Mining (PLN 241 million):	
Construction of the SW-4 shaft	Preparations were completed on rebuilding the section of the shaft in the area of the salt layer, Work began on rebuilding this section of the shaft, and by 30 June 2015, 50 arch support sections had been installed, with another 158 sections remaining to be installed, A temporary inlet air warming station was built at the surface, Work continues on target facilities: hoist house, squares and roads, Work was completed related to installing bolting and concrete mesh for the ventilation fans chambers and rock removal amounting to approx. 26 849 m^3, As at 30 June 2015, capital expenditures amounted to PLN 810 million, including PLN 17 million in 2015.
Deep Głogów	Work continues on the sinking of the GG-1 ventilation (input) shaft as well as work related to shaft site infrastructure. As at the end of the second quarter of 2015, the shaft had reached a depth of 563 m using tubing construction. It is being built in stages and will be completed in 2019. This will be the deepest of the 31 shafts in the Copper Belt, with a target depth of 1340 meters and a diameter of 7.5 meters. In the years since 2006, 64 921 meters of mine tunnels were financed from investment funds and 15 146 meters of mine tunnels were financed from operating funds (altogether 80 067 meters) together with needed technical infrastructure (pipes, power cables, electrical switching stations, conveyor belts, retention dams, air cooling pipes and equipment, communications equipment); Construction was completed of the Surface-based Ventilation Station and modernisation of the GST at the R-XI shaft, as well as on the plumbing and gas piping infrastructure. Mining and construction work is underway to construct the three-chamber feeder no. 2 and high-pressure shaft piping along with the pressure regulator and ice water pump. Completion of operational testing and station handover is planned for the third quarter of 2015. As at 30 June 2015, capital expenditures amounted to PLN 1 496 million, including PLN 197 million in 2015.
Development of mining technology for using the ACT mining complex by KGHM Polska Miedź S.A.	Appendices nos. 8 and 9 were signed to the contract with Caterpillar Global Mining Europe GmbH. regarding the purchase of girders as well as redesign of the ACT mining complex and testing. An operational field was prepared to conduct further operational trials in a pilot section of the Polkowice-Sieroszowice mine. Completion of stage I is expected by the end of 2015 and stage II of the project by December 2016. As at 30 June 2015, capital expenditures amounted to PLN 55 million (PLN 3 million in 2015), including PLN 37 million on uncompleted development work (PLN 3 million in 2015)
Drilling of drifts using combines	In the Polkowice-Sieroszowice mine, work begun in 2013 continued on mine production trials using a team of three combines to perform preparatory drift work. Experience was also gained along with technical and economic assessments of the implemented technology, as well as work related to optimising the technical and organisational structure of the combine section. As at the end of June 2015, 9 485 meters of drifts were built using combine technology in the TW 357 hub of the Deep Głogów deposit, including 1 900 meters in 2015. To date, the average daily advance achieved amounts to 5.81 meters per combine, including 5.21 meters per combine in 2015. As at 30 June 2015, capital expenditures amounted to PLN 9.8 million, including PLN 1.6 million in 2015.
Flotation classification units	A tender was held and a contract signed for the updating of documentation for stage II of the project. As at 30 June 2015, capital expenditures amounted to PLN 27 million, including PLN 0 million in 2015.
Development: Metallurgy (PLN 316 million):	
Pyrometallurgy Modernisation Program (PMP)	Work continued on the main production elements of the flash furnace at the Głogów I smelter/refinery: – the Electrical Furnace (foundations of the de-duster and slag granulator, construction of halls, power unit). – Flash Furnace (foundations of the electrofilter, construction of halls). – Elements of the charge preparation section. – Assembly completed on the concentrate transport line. – Outfitting of the power building began. – Elements of the concentrate drier were delivered. – The power grid to the oxygen generating plant was set up. As at 30 June 2015, capital expenditures amounted to PLN 1 254 million, including PLN 298 million in 2015.
Metallurgy Development Program	The implementation of projects commenced at the Głogów and Legnica smelter/refineries: the Steam Drier and Concentrate Roasting Installation at the Głogów smelter/refinery and Modernisation of the Tank and Electrolite Decopperisation Hall at the Legnica smelter/refinery As at 30 June 2015, capital expenditures amounted to PLN 0.3 million.
Intensification of smelting at the Głogów II smelter/refinery	As at 30 June 2015 the PMP II program was completed. As at 30 June 2015, capital expenditures amounted to PLN 194 million, including PLN 0.5 million in 2015.

Development: Exploration (PLN 36 million):	
Exploration projects	**Synklina Grodziecka and Konrad** – in February 2015 an application was submitted to the concession-granting authority requesting a change in the Synklina Grodziecka concession, among others with respect to extending its validity. The concession-granting authority issued a decision to extend the Synklina Grodziecka concession to July 2017. **Stojanów** – work performed under the exploration concession for the Stojanów area involved the reinterpretation of archival geological and geophysical data. **Radwanice-Gaworzyce** – an exploration program was completed on the terrain covered by the Gaworzyce-Radwanice project, which lies along the western border of deposits already being mined by the Polkowice-Sieroszowice mine, and geological documentation of the Gaworzyce-Radwanice deposit was prepared, which in June 2015 was confirmed by the concession-granting authority. **Retków-Ścinawa and Głogów** – exploration and evaluation work continued in the Retków Ścinawa and Głogów areas. Drilling under these projects is currently underway at five sites. A total of 15 drillholes are planned under the project's initial stages. **Bytom Odrzański Kulów-Luboszyce** – in July 2015 a hearing was held at the Regional Administrative Court in Warsaw resulting from the claims of a competing company with respect to the reversal by the Minister of the Environment of his decision. Detailed information on this matter may be found in part 1.5 of this report. **Zatoka Pucka** – at the end of the first quarter work began on the reinterpretation of archival geological data, following which surface-based geophysical surveys will be performed. In addition, tender procedures were commenced to select contractors to perform the surface-based geophysical surveys. **Underground brown coal gasification program** – Stages III-IV of the project were conducted, comprised of preparing hydrogeological work on the concession. As at 30 June 2015, capital expenditures amounted to PLN 198 million, including PLN 36 million in 2015.
Development: Other (PLN 7 million):	
Modernisation of 6kV GSE switching station at the Głogów smelter/refinery GSE+	The physical scope of the project is on schedule. Work continues on constructing a new building for the 6kV GSE - R2 switching station, a trestle bridge for the 110 kV power lines leading from the GIS T4 transformer to the GST -1 switching station, modernisation of the power unit, the EC3 control and visualisation unit, and modernisation of the 6kV field in GST-2. As at 30 June 2015, capital expenditures amounted to PLN 33 million, including PLN 3 million in 2015.

2.4. Risk management

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

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

Under the Corporate Risk Management Policy and Procedure and the Rules of the Corporate Risk Committee approved in 2013, the process of corporate risk management in the KGHM Polska Miedź S.A. Group is consistently performed. Risks in various areas of the Group's operations are continuously identified, assessed and analysed in terms of their possible limitation.

Key risks undergo in-depth analysis in order to develop a Risk Response Plan and Corrective Actions. Other risks undergo constant monitoring by the Corporate Risk Management and Compliance Department, and in terms of financial risk by the Market and Credit Risk Management Department, the Treasury Department and the Financial Instruments Control and Reporting Unit.
Presented below is the organisational structure of risk management in the Company. The breakdown of rights and responsibilities applies best practice principles for Corporate Governance and the generally recognised model of three lines of defense.

Diagram 3. Organisational structure of risk management in KGHM Polska Miedź S.A.

Supervisory Board (Audit Committee)

Performs annual assessment of the effectiveness of the risk management process and monitors the level of key risks and ways to address them.

Management Board

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

1st line of defense

Management

Management staff is responsible for identifying, assessing and analysing risk and for the implementation, within their daily duties, of responses to risk. The task of the management staff is ongoing supervision of the application of appropriate responses to risk within the tasks realised, to ensure the expected level of risk is not exceeded.

2nd line of defense

Risk Committees

Support effective risk management and ongoing supervision of key risks.

Market Risk Committee	Credit Risk Committee	Corporate Risk Committee	
Manages risk of changes in metals prices (e.g.: copper and silver) as well as exchange and interest rates	Manages risk of failure of debtors to meet their obligations	Manages corporate risk and continuously monitors key risks	Management of liquidity risk, understood as the ability to pay financial liabilities on time and to gain resources to finance its activities
Market Risk Management Policy	*Credit Risk Management Policy*	*Corporate Risk Management Policy*	*Liquidity Management Policy*
Market and Credit Risk Management Department ***Reports to the First Vice President of the Management Board (Finance)***		Corporate Risk Management and Compliance Department ***Reports to the President of the Management Board***	Treasury Department ***Reports to the Executive Director, Finance***

3rd line of defense

Internal Audit

The Internal Audit Plan is based on assessing risk and subordinated business goals, assessed is the current level of individual risks and the degree of efficiency with which they are managed.

Internal Audit Rules

Internal Audit and Control Department

Reports to the President of the Management Board

Corporate risk – key risks and their mitigation

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

Market, credit and liquidity risk

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

Market risk management

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

The Management Board is responsible for market risk management in the Company and for adherence to policy in this regard. The main body involved in performing market risk management is the Market Risk Committee, which makes recommendations to the Management Board in this area. The primary technique for market risk management is the use of hedging strategies involving derivatives. Apart from this, natural hedging is also used.

Commodity risk, Currency risk

In the first half of 2015, the Company was mainly exposed to the risk of changes in the prices of metals it sells: copper and silver. In addition, of major significance for KGHM Polska Miedź S.A. was the risk of changes in currency rates, in particular the USD/PLN exchange rate.

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

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

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

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

Liabilities due to bank loans and an investment loan in the statement of financial position amount to PLN 5 539 million, being the amount of loans drawn in the amount of PLN 5 575 million, reduced by the cost associated with the conclusion of the syndicated credit facility agreement. These costs are included in the initial amount of the liability.

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

The total impact of derivatives on Company profit or loss in the first half of 2015 amounted to PLN 26 million, of which:

- PLN 221 million was recognised in sales revenue, and
- PLN 193 million decreased other operating activities (wherein: the loss from measurement of derivatives amounted to PLN 188 million, and the loss from realisation of derivatives amounted to PLN 5 million), and
- PLN 2 million decreased financing activities (being a loss from measurement of derivatives).

As at 30 June 2015, the fair value of open positions in derivatives (on the copper and currency markets) amounted to PLN 83 million, while PLN 108 million was recognised in the revaluation reserve from the measurement of cash flow hedging instruments.

Interest rate risk

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

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

- liabilities due to drawn instalments of the unsecured, revolving syndicated credit facility: PLN 2 639 million (or USD 701 million),
- liabilities due to drawn short-term loans: PLN 1 801 million (or USD 479 million),
- bank deposits: PLN 631 million, including deposits of the Social Fund and Mine Closure Fund,
- receivables due to participation in a Cash Pool service: PLN 207 million,
- liabilities due to participation in a Cash Pool service: PLN 36 million,
- loans granted to subsidiaries with a variable interest rate for the total amount of PLN 34 million.

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

- loans granted to Fermat 1 S.a r.l. and 0929260 B.C. U.L.C (subsidiaries) in the total amount of PLN 5 586 million (or USD 1 484 million),
- payables due to a loan drawn from the European Investment Bank: PLN 1 135 million (or USD 301 million).

Holding financial liabilities denominated in USD, based on LIBOR, exposes the Company to the risk of higher interest rates which would result in higher interest costs. As a result, taking into consideration the global

	exposure of the Company to interest rate risk, the Company decided to exercise its right to draw loans from the European Investment Bank based on a fixed interest rate. In addition, in the first quarter of 2015 transactions were entered into hedging the Company against an increase in the interest rate (LIBOR USD) by purchasing call options (interest rate cap) with a 2.50 % interest rate, for the period from January 2016 to December 2018 and an average quarterly notional amount of USD 717 million.
Price risk related to the purchase of shares of listed companies	Price risk related to the shares of listed companies held by the Company is understood as the change in their fair value due to changes in their quoted share prices. As at 30 June 2015, the carrying amount of shares of companies which were listed on the Warsaw Stock Exchange and on the TSX Ventures Exchange was PLN 800 million.

Credit risk management

Credit risk is defined as the risk that counterparties of the Company will not be able to meet their contractual obligations. The Management Board is responsible for credit risk management in the Company and for compliance with policy in this regard. The main body involved in realising credit risk management is the Credit Risk Committee.

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

Credit risk related to trade receivables	The Company limits its exposure to credit risk related to trade receivables by evaluating and monitoring the financial standing of its customers, setting credit limits and using debtor security. An inseparable element of the credit risk management process realised by the Company is the ongoing monitoring of receivables and the internal reporting system. Buyer's credit is only provided to proven, long-term customers, while sales of products to new customers are mostly based on prepayments or trade financing instruments which wholly transfer the credit risk to financial institutions. In the first half of 2015, the Company secured the majority of its receivables by promissory notes, frozen funds on bank accounts, registered pledges, bank guarantees, corporate guarantees, mortgages, documentary collection and letters of credit. Additionally, the majority of customers who hold buyer's credit on contracts have ownership rights confirmed by a date certain. To reduce the risk of insolvency by its customers, the Company has entered into a receivables insurance contract, which covers receivables from entities with buyer's credit which have not provided strong collateral or have provided collateral which does not cover the total amount of the receivables. Taking into account the collateral held and the credit limits received from the insurance company, as at 30 June 2015 the Company had secured 93% of its trade receivables (as at 31 December 2014: 95%). The concentration of credit risk in the Company is related to the terms of payment granted to key clients. Consequently, as at 30 June 2015 the balance of receivables from 7 of the Company's largest clients, in terms of trade receivables at the end of the reporting period, represented 74% of the trade receivables balance (as at 31 December 2014: 75%). Despite the concentration of this type of risk, the Company believes that due to the availability of historical data and the many years of experience cooperating with its clients, as well as above all due to the hedging used, the level of credit risk is low.
Credit risk related to cash and cash equivalents and bank deposits	The Company periodically allocates free cash in accordance with the requirements to maintain financial liquidity and limit risk and in order to protect capital and maximise interest income. Credit risk related to bank deposits is continuously monitored by the on-going review of the credit ratings of those financial institutions with which it cooperates, and by maintaining an appropriately low level of concentration in individual financial institutions.
Credit risk related to derivatives transactions	All of the entities with which the Company enters into derivative transactions operate in the financial sector. These are mainly financial institutions, with the highest and medium-high ratings. According to fair value as at 30 June 2015, the maximum share of a single entity with respect to credit risk arising from open derivative transactions entered into by the Company and from unsettled derivatives amounted to 54%. Due to diversification of risk in terms both of the nature of individual entities and of their geographical location, as well as taking into consideration the 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.
Credit risk related to loans granted	As at 30 June 2015, the balance of loans granted by KGHM Polska Miedź S.A. amounted to PLN 5 620 million, of which PLN 5 616 million were long-term loans, and PLN 4 million were short-term loans. The most important items are loans granted to companies of the KGHM Polska Miedź S.A. Group related to mining projects and to refinancing the debt of KGHM INTERNATIONAL LTD. Credit risk related to the loans granted depends on the risk related to the advancement of projects, and is estimated by the Company to be moderate. To limit risk due to loans granted, the Company continuously monitors the assets and financial results of its borrowers.

Translation from the original Polish version.

Financial liquidity risk and management of capital

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

Financial liquidity management	Financial liquidity is managed in accordance with the Management Board-approved „Financial Liquidity Management Policy”. This document describes in a comprehensive manner the process of managing financial liquidity in the Company, indicating best practice procedures and instruments. The basic principles resulting from this document are: – placement of surplus cash in safe financial instruments, – limits for individual financial investment categories, – limits for the concentration of resources for financial institutions, – required investment – level rating for banks in which financial surpluses are invested, and – the need to ensure stable and effective financing for the Company’s operations. Detailed information regarding available sources of financing and their utilisation in the first half of 2015 may be found in part 3.5 of this report.
Management of capital	In order to maintain the ability to operate, taking into consideration the execution of planned investments, the Company manages capital so as to be able to generate returns for shareholders and provide benefits for other stakeholders. The Company assumes that the equity ratio shall be maintained at a level of not less than 0.5, and the ratio of Net Debt/EBITDA at a level of up to 2.0.

3. Review of financial performance

The principles applied in preparing the Financial Statements are presented in Note 2 of this document.

3.1. Assets

As at 30 June 2015, total assets amounted to PLN 36 114 million, an increase by PLN 3 802 million (12%) as compared to the end of 2014.

Table 13. Current and non-current assets (in PLN million)

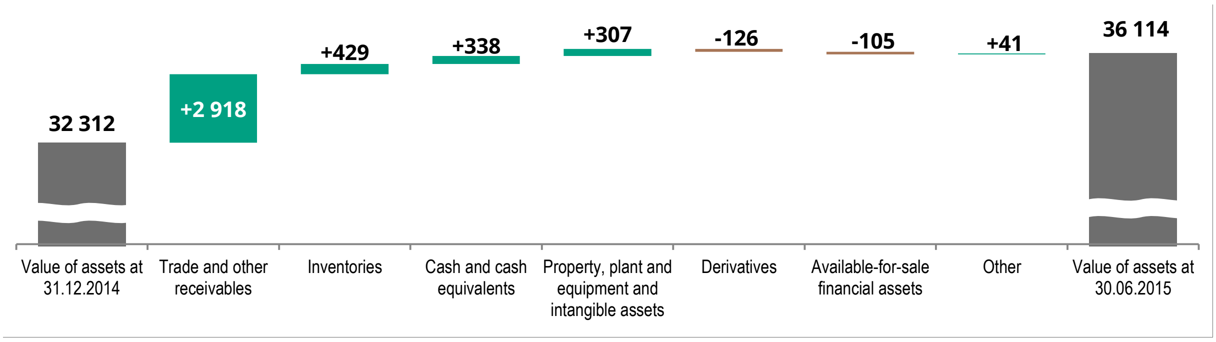
	31.12.2014	31.03.2015	30.06.2015	Change 31.12.14=100
Property, plant and equipment and intangible assets	12 073	12 369	12 380	102.5
Shares and investment certificates in subsidiaries and interest in joint ventures	11 778	11 808	11 792	100.1
Deferred tax asset	111	239	109	98.2
Available-for-sale financial assets	931	815	826	88.7
Financial assets for mine closure and restoration of tailing storage facilities	208	236	237	113.9
Derivatives	457	415	331	72.4
Trade and other receivables	4 292	5 224	7 210	×1.7
Inventories	2 377	2 623	2 806	118.0
Cash and cash equivalents	85	466	423	×5.0
Total assets	**32 312**	**34 195**	**36 114**	**111.8**

Following are the major changes in assets in the first half of 2015.

Table 14. Major changes in assets (in PLN million)

Item	Main reason for change
Receivables (+PLN 2 918 million)	The increase in receivables was mainly due to an increase of PLN 3 574 million in the amount loans granted to the subsidiaries Fermat 1 S.á r.l. and 0929260 B.C. ULC. The increase is due to loans granted in the first half of 2015 (respectively USD 381 million and USD 509 million) and depreciation of the PLN compared to the USD. Detailed information regarding the above transactions may be found in part 3.5. As at 30 June 2015, the value of loans granted amounted to PLN 5 620 million. On the other hand, trade receivables decreased by PLN 605 million, mainly due to a decrease in revenues from sales in June 2015 as compared to December 2014.
Inventories	The increase in inventories by PLN 429 million was with regard both to materials (+PLN 166 million) and finished products (+PLN 149 million) as well as half-finished products and work in progress (+PLN 137 million) and is related to a higher level of production.
Cash and cash equivalents	The increase in cash and cash equivalents by PLN 338 million was mainly due to the higher cash inflows from operating activities and loans received than cash outflows from investments.
Property, plant and equipment and intangible assets	The increase by PLN 307 million due to carrying out investments – expenditures on property, plant and equipment and intangible assets in the first half of 2015 amounted to PLN 991 million. Detailed information regarding investments may be found in part 2.3 of this report.
Derivatives	The decrease in assets due to derivatives by PLN 126 million was mainly due to the settlement of transactions hedging the USD/PLN exchange rate in the amount of USD 180 million which were closed in the first quarter of 2014, and to the increase in the USDPLN exchange rate, from 3.5072 as at 31 December 2014 to 3.7645 as at 30 June 2015.
Available-for-sale financial assets	The decrease in available-for-sale financial assets by PLN 105 million is due to the decrease in the value of shares of Tauron Polska Energia S.A., from PLN 5.05 at the end of 2014 to PLN 4.38 on 30 June 2015 (-PLN 122 million).

Chart 5. Changes in assets in the first half of 2015 (in PLN million)

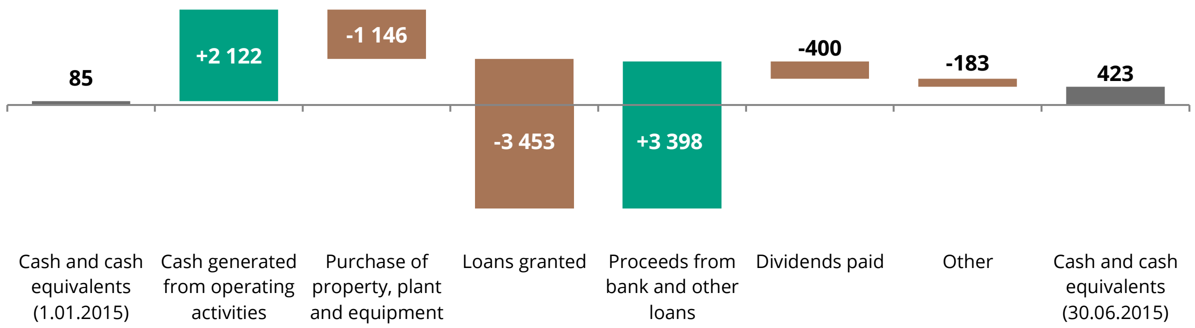


3.2. Cash flow

Table 15. Cash flow in the first half of 2015 (in PLN million)

	6M'14	6M'15	Change 6M'14=100	1Q'15	2Q'15
Profit for the period	**1 119**	**1 321**	**118.1**	**497**	**824**
Total adjustments to profit for the period:	1 498	1 232	82.2	885	347
- Income tax recognised in profit or loss	412	560	135.9	208	352
- Depreciation/amortisation	419	429	102.4	226	203
- Adjustments in respect of derivatives	357	88	24.6	169	(81)
- Other adjustments	(5)	(124)	×24.8	(69)	(55)
- Change in working capital	315	279	88.6	351	(72)
Income tax paid	(407)	(431)	105.9	(225)	(206)
Net cash generated from operating activities	**2 210**	**2 122**	**96.0**	**1 157**	**965**
Purchase of property, plant and equipment and intangible assets	(1 125)	(1 146)	101.9	(659)	(487)
Loans granted	(799)	(3 453)	×4.3	(1 155)	(2 298)
Other	(52)	(140)	×2.7	(70)	(70)
Net cash used in investing activities	**(1 976)**	**(4 739)**	**×2.4**	**(1 884)**	**(2 855)**
Proceeds from bank and other loans	205	3 398	×16.6	1 137	2 261
Repayments of bank and other loans	(250)	-	-	-	-
Interest paid	(4)	(28)	×7.0	(13)	(15)
Dividends paid	-	(400)	×	-	(400)
Net cash generated from/used in financing activities	**(49)**	**2 970**	**×**	**1 124**	**1 846**
Total net cash flow	**185**	**353**	**×1.9**	**397**	**(44)**
Exchange gains/losses on cash and cash equivalents	17	(15)	×	(16)	1
Movements in cash and cash equivalents	202	338	×1.7	381	(43)
Cash and cash equivalents at beginning of the period	123	85	69.1	85	466
Cash and cash equivalents at end of the period	**325**	**423**	**130.2**	**466**	**423**

Chart 6. Cash flow in the first half of 2015 (in PLN million)



Translation from the original Polish version.

3.3. Equity and liabilities

The table below presents the carrying amount as at 30 June 2015 of equity and current and non-current liabilities, while the following table presents in brief the changes with regard to the end of 2014.

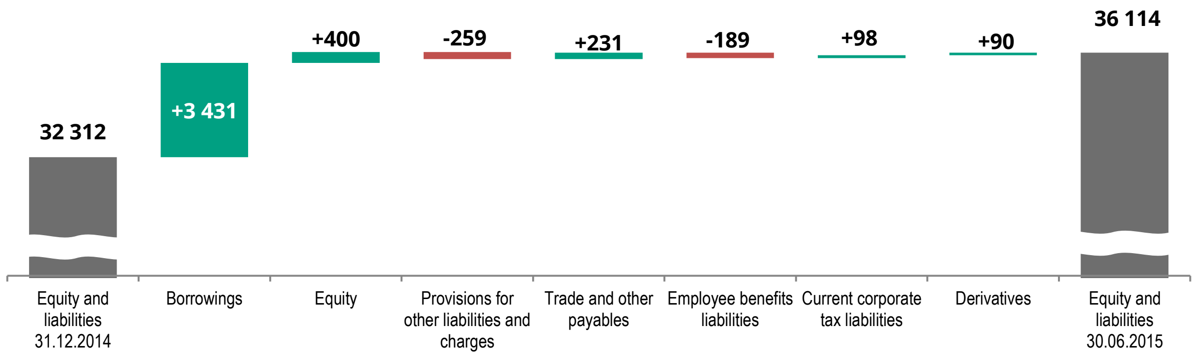
Table 16. Equity and liabilities (in PLN million)

	31.12.2014	31.03.2015	30.06.2015	Change 31.12.14=100
Equity	**24 277**	**24 480**	**24 677**	**101.6**
Share capital	2 000	2 000	2 000	100.0
Other capital	(35)	(329)	(156)	×4.5
Retained earnings	22 312	22 809	22 833	102.3
Current and non-current liabilities	**8 035**	**9 715**	**11 437**	**142.3**
Trade and other payables	2 722	2 704	2 953	108.5
Borrowings	2 108	3 363	5 539	×2.6
Derivatives	158	326	248	×1.6
Current corporate tax liabilities	56	98	154	×2.8
Employee benefits liabilities	1 956	2 077	1 767	90.3
Provisions for other liabilities and charges	1 035	1 147	776	75.0
Total equity and liabilities	**32 312**	**34 195**	**36 114**	**111.8**

Table 17. Major changes in equity and liabilities (in PLN million)

Item	Main reason for change
Borrowings	The increase in the level of borrowings by PLN 3 431 million was caused by the debt consolidation in the Group at the Parent Entity level, about which more information may be found in part 3.5 of this report.
Equity	The increase in equity by PLN 400 million was caused by the following: - profit for the first half of 2015 in the amount of +PLN 1 321 million - dividend on profit earned in 2014 in the amount of (PLN 800 million) - other comprehensive income (PLN 121 million)
Provisions for other liabilities and charges	The decrease in the value of these provisions by PLN 259 million was mainly due to a decrease in the carrying amount of the provision for future decommissioning costs of mines and other technological facilities by PLN 262 million as a result of the reassessment of estimates recognised in property, plant and equipment.
Trade and other payables	The increase in liabilities by PLN 231 million concerns liabilities for the planned payment of the second dividend instalment in October 2015 (PLN 400 million) alongside the decrease in tax and social insurance liabilities compared to December 2014.
Employee benefits liabilities	The decrease by PLN 189 million mainly concerns the coal equivalent liabilities and was mainly due to an increase in the discount rate. The main actuarial assumptions used to reassess liabilities due to future employee benefits are presented in note 27 of the Financial Statements for the first half of 2015.
Current corporate tax liabilities	The increase in current corporate tax liabilities by PLN 98 million represents the difference between the amount of current tax accounted for in the amount of PLN 530 million (including PLN 50 million due to the CFC (Controlled Foreign Corporations) tax) and the amount of paid tax shown in the statement of cash flow. A detailed calculation of income tax may be found in Note 11 of the Financial Statements.
Derivatives	The increase in liabilities due to derivative financial instruments by PLN 90 million was mainly due to entering into new transactions hedging the USDPLN exchange rate in the amount of USD 690 million in the period from July 2015 to December 2017, and to the increase in the USDPLN exchange rate, from 3.5072 as at 31 December 2014 to 3.7645 as at 30 June 2015.

Chart 7. Change in equity and liabilities in the first half of 2015 (in PLN million)



In the first half of 2015, equity remained the basic source of financing assets. However, it should be stressed that there was a percentage decrease in the share of equity in total equity and liabilities from 75% at the end of 2014 to 68% as at 30 June 2015.

3.4. Contingencies and commitments

As at 30 June 2015, contingent assets of the Company amounted to PLN 545 million and related mainly to promissory notes receivable of PLN 213 million and to guarantees received of PLN 197 million, to cover potential claims by the Company resulting from the non-execution or improper execution of agreements by contractors. Other contingent assets primarily involve overpayment of the real estate tax on mining facilities (PLN 87 million).
Contingent liabilities as at 30 June 2015 amounted to PLN 1 765 million, including PLN 1 264 million which concern guarantees granted. The most significant items are:

- a letter of credit in the amount of PLN 518 million granted to secure the liabilities associated with the performance of a long-term contract for the supply of electricity to Sierra Gorda S.C.M.;
- guarantees and a letter of credit in the total amount of PLN 347 million, granted to additionally secure the liabilities associated with the performance of leasing agreements entered into by Sierra Gorda S.C.M. and KGHM INTERNATIONAL LTD.;
- a guarantee in the amount of PLN 64 million and a promissory note with a promissory note declaration in the amount of PLN 256 million granted to secure the liabilities associated with the proper performance of future environmental obligations of the Company to restore the area, following the conclusion of operations of the Żelazny Most tailings storage facility;
- letters of credit in the amount of PLN 315 million, granted to secure the liabilities associated with the proper performance of future environmental obligations by KGHM INTERNATIONAL LTD. to restore the area following the conclusion of operations of the Robinson mine, Podolsky mine and the Victoria project; and
- letters of credit in the amount of PLN 18 million, granted to secure the proper performance of agreements and financial liabilities of FNX MINING COMPANY INC. related to the realisation of the Victoria project.

In addition, as at 30 June 2015, the Company held liabilities not recognised in the statement of financial position in the amount of PLN 137 million, including PLN 123 million towards local government units related to development of the Tailings Storage Facility.

3.5. Financial resources

KGHM Polska Miedź S.A. manages its financial resources in accordance with the „Financial Liquidity Management Policy".
Under this Policy, the Company utilises instruments which support the effectiveness of the liquidity management process. One of the primary instruments used by the Company is the cash pool service, managed both locally in PLN and internationally in USD. The Company plans to expand local services to include USD and EUR. The cash pool service is aimed at optimising the management of cash resources, the limiting of interest costs, the effective financing of current working capital needs and the support of financial liquidity in the Group.
In the first half of 2015, the Company continued the process of debt consolidation in the Group at the Parent Entity level by refinancing the USD 700 million debt of KGHM INTERNATIONAL LTD. (a bank loan of USD 200 million and USD 500 million in senior notes). The consolidation of debt is the basic tenet of the Group's financing strategy.

Translation from the original Polish version.

The Company's net debt structure (liabilities due to borrowings less cash and cash equivalents) is shown below:

Table 18. Company net debt structure (in PLN million)

	31.12.2014	31.03.2015	30.06.2015	Change 31.12.2014=100
Free cash and cash equivalents	85	450	417	×4.9
Liabilities due to bank loans	1 050	2 214	4 404	×4.2
Liabilities due to other loans	1 058	1 149	1 135	107.3
Net debt	**2 023**	**2 913**	**5 122**	**×2.5**

Borrowings

Borrowing by the Company is based on three pillars:

Unsecured, revolving syndicated credit facility in the amount of USD 2.5 billion with maturity of 10 July 2020 (with an option to extend for another year)	This financing agreement was signed with a relational banks group in 2014 in the amount of USD 2.5 billion with a five-year tenor with the option of extending for another 2 years. In the first half of 2015, the Company obtained permission of the relational banks group to extend the maturity of the credit facility by 1 year. The new maturity date is now 10 July 2020. The USD 700 million which was drawn was used to refinance the debt of KGHM INTERNATIONAL LTD. The remaining amount of available credit will be used to finance general corporate goals, including covering expenses related to the continuation of investment projects.
Investment loan from the European Investment Bank for PLN 2.0 billion with a financing period of 12 years	This financing agreement was signed with the European Investment Bank in 2014 for PLN 2 billion, with the possibility of drawing loan instalments in PLN, EUR and USD. The loan is available for a period of 22 months from the date of signing the agreement. The deadline for repaying the instalments drawn is 30 October 2026. The funds acquired through this loan are being used to finance the Company's investment projects related to modernisation of metallurgy and development of the Żelazny Most tailings storage facility.
Short-term bilateral bank loans in the amount of up to PLN 3.6 billion with availability up to 2 years	The Company has open lines of credit in the form of short-term bilateral agreements in the total amount of PLN 3.6 billion. These are working capital facilities and overdraft facilities with availability up to 2 years. The maturities of these agreement are successively extended for subsequent periods. The funds obtained under these agreements are used to finance working capital and are a tool in managing short-term financial liquidity.

These three sources of borrowing ensure the availability of PLN 14 982 million and fully cover the medium and long-term liquidity needs of the Company and Group. During the first half of 2015 the Company made use of borrowing which was available from all of the above pillars.

Debt position as at 30 June 2015

As at 30 June 2015, the Company held open lines of credit and an investment loan with total available borrowing capacity of PLN 14 982 million, out of which PLN 5 575 million had been drawn. The following table presents a breakdown of these sources of financing.

Table 19. Available financing and loans drawn as at 30 June 2015 (in PLN million)

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

** Amounts drawn include accrued interest unpaid as at the balance sheet date*

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

Loans granted

As at 30 June 2015, KGHM Polska Miedź S.A. had granted the following loans to Group companies:

Table 20. Loans granted to Group companies as at 30 June 2015 (in millions)

Company	Loan principal	Currency	Interest	Repayment
Energetyka Sp. z o.o.	22.6	PLN	variable	31.12.2019
Zagłębie Lubin S.A.	5.0	PLN	variable	31.12.2022
Zagłębie Lubin S.A.	7.5	PLN	variable	31.12.2026
Cuprum Nieruchomości Sp. z o.o.	0.1	PLN	variable	31.12.2016
Fermat 1 S.a r.l.	77.1*	USD	fixed	28.02.2018
Fermat 1 S.a r.l.	210	USD	fixed	31.12.2021
Fermat 1 S.a r.l.	591.7	USD	fixed	31.12.2024
0929260 B.C. U.L.C	200	USD	fixed	31.12.2019
0929260 B.C. U.L.C	309.4	USD	fixed	31.12.2021
0929260 B.C. U.L.C	66	USD	fixed	31.12.2024

** Together with interest capitalised at the end of 2014*

Interest on these loans is based on either fixed or variable WIBOR plus a margin.

Loans granted in the first half of 2015

In the first half of 2015, KGHM Polska Miedź S.A. granted the following loans:

- to Fermat 1 S.a r.l. in the total amount of USD 381 million (PLN 1 434 million, at the exchange rate from 30 June 2015),
- to 0929260 B.C. Unlimited Liability Company in the total amount of USD 509 million (PLN 1 917 million, at the exchange rate from 30 June 2015).

The loans granted in the amount of USD 719 million were used to refinance the debt of KGHM INTERNATIONAL LTD., while the amount of USD 171 million was used to finance development projects being advanced by the KGHM INTERNATIONAL LTD. Group and in the company KGHM AJAX MINING INC.

Evaluation of the likelihood of achieving investment goals given the resources held, including possible changes in the structure of financing these activities

The cash currently held by the Company along with the borrowing capabilities acquired guarantee that we will be able to achieve our investment goals, both in terms of equity investments as well as the purchase and construction of property, plant and equipment.

3.6. Financial performance

In the first half of 2015, the Company earned a profit in the amount of PLN 1 321 million. The increase as compared to the result achieved in the first half of 2014 amounted to PLN 202 million (18%) and was mainly due to market-related factors (metals prices and the exchange rate).

Table 21. Basic items in the statement of profit or loss (in PLN million)

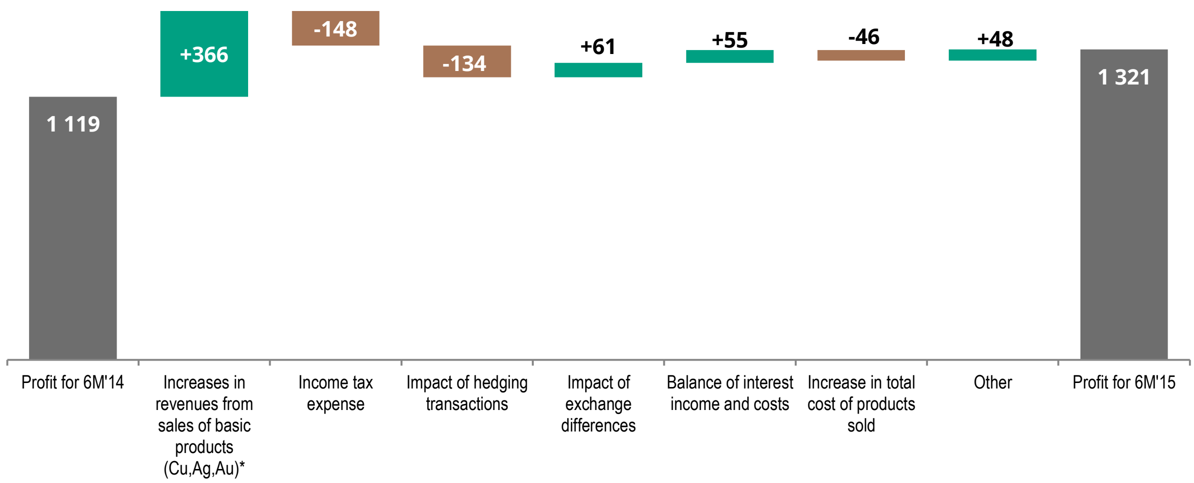
	6M'14	6M'15	Change 6M'14=100	1Q'15	2Q'15
Sales revenue	7 727	8 092	104.7	3 767	4 325
Total costs of products, merchandise and materials sold	(6 127)	(6 157)	100.5	(2 898)	(3 259)
Profit on sales (EBIT)	**1 600**	**1 935**	**120.9**	**869**	**1 066**
Result on other operating activities, including:	(54)	(12)	22.2	(79)	67
- Measurement and realisation of derivatives	(104)	(193)	×1.9	(252)	59
- Balance of interest income and costs	22	85	×3.9	36	49
- Exchange differences	(5)	52	×	148	(96)
- Dividends	45	27	60.0	-	27
- Change in provisions	(3)	9	×	(4)	13
- Other	(9)	8	134.6	(7)	15
Operating profit	**1 546**	**1 923**	**124.4**	**790**	**1 133**
Net finance costs, including:	(15)	(42)	×2.8	(85)	43
- Exchange gains (+) / losses (-)	8	12	150,0	(62)	+74
- Interest expense	(3)	(11)	×3.7	(3)	(8)
Profit before taxation	1 531	1 881	122.9	705	1 176
Profit for the period	**1 119**	**1 321**	**118.1**	**497**	**824**
EBITDA (EBIT + depreciation/amortisation)	**2 019**	**2 364**	**117.1**	**1 095**	**1 269**

The main reasons for the change in profit between the first half of 2015 and the first half of 2014 are presented below.

Table 22. Main factors impacting profit

Item	Impact on the change in profit (in PLN millions)	Description
Higher revenues from sales of basic products (Cu, Ag, Au) by PLN 366 million	**+1 586**	A change in the average USD/PLN exchange rate from 3.05 to 3.72 (depreciation of the PLN by 22%)
	-1 291	A lower copper price by 14%, silver by 17% and gold by 7%
	+71	An increase in the volume of copper sales by 3.0 kt and gold by 199 kg, along with a decrease in silver sales volume by 9 tonnes
Higher income tax	**-148**	Higher taxation due to an increase in the tax base
Impact of hedging transactions (-PLN 134 million)	**-91**	A change in the results on other operating activities (-PLN 89 million) and financing activities (-PLN 2 million) due to the measurement and realisation of derivatives
	-43	A change in adjustment to sales due to settlement of hedging transactions
Exchange differences (+PLN 61 million)	**+57**	A change in the result due to exchange differences in other operating activities
	+4	A change in the result due to net exchange differences on borrowing (presented in finance costs)
Changes in balance of interest income and costs (+PLN 55 million)	**63**	Higher income due to interest on loans granted
	-8	Higher interest costs due to loans drawn
Higher operating costs (manufacturing cost of products sold, selling costs and admin. expenses) **by PLN 46 million**	**-41**	Higher costs, excluding the minerals extraction tax shown below, was mainly due to the greater use of own concentrates inventories, whose value increased the cost of products sold.
	-5	A higher minerals extraction tax from PLN 770 million in the first half of 2014 to PLN 775 million in 2015, due to higher metals prices expressed in PLN.
Other	**+48**	Including an increase in revenues from sales of other products by PLN 59 million (including refined lead by PLN 36 million and sulphuric acid by PLN 14 million)

Chart 8. Change in profit (in PLN million)



** excluding adjustments due to hedging transactions*

3.7. Operating costs

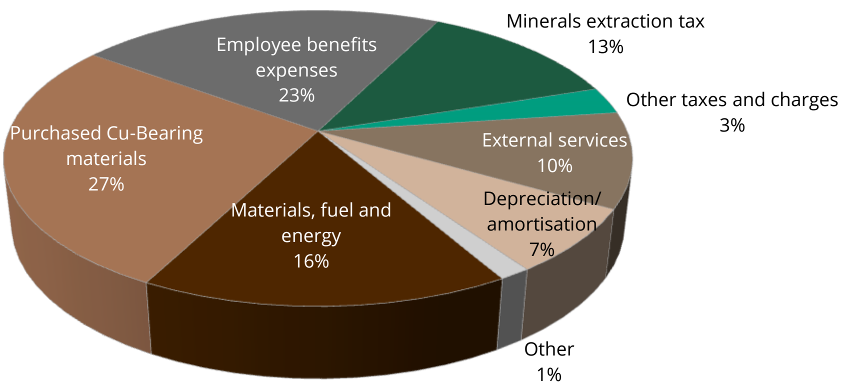
The Company's operating costs, or the total cost of products, merchandise and materials sold (comprising the manufacturing cost of products sold, the cost of merchandise and materials sold, selling costs and administrative expenses) in the first half of 2015 amounted to PLN 6 157 million and were at a similar level to the comparable period of 2014. Similarly, total expenses by nature are at a comparable level to that of the prior year (-PLN 11 million) with a similar structure.

Table 23. Expenses by nature (in PLN million)

	6M'14	6M'15	Change 6M'14=100	1Q'15	2Q'15
Depreciation/amortisation of property, plant and equipment and intangible assets	419	454	108.4	226	228
Employee benefits expenses	1 487	1 452	97.6	741	711
Materials and energy, of which:	2 909	2 808	96.5	1 320	1 488
- purchased copper-bearing materials	1 826	1 771	97.0	799	972
External services	688	672	97.7	320	352
Taxes and charges, of which:	935	1 000	107.0	493	507
- the minerals extraction tax	748	810	108.3	393	417
Other costs	48	89	×1.9	18	71
Total expenses by nature	**6 486**	**6 475**	**99.8**	**3 118**	**3 357**

The structure of expenses by nature in the first half of 2015 is shown below. As compared to the prior year, they were at a very similar level.

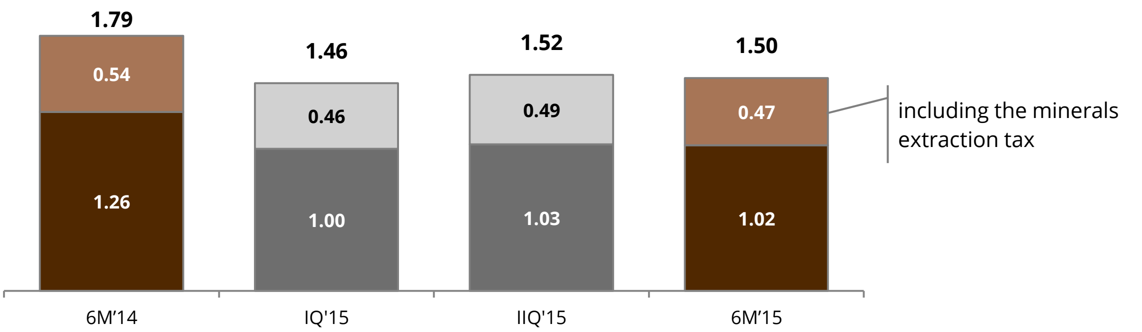
Chart 9. Structure of expenses by nature in the first half of 2015



The Company's operating costs are decisively impacted by the costs of electrolytic copper production (prior to decrease by the value of by-products), whose share is about 98%.

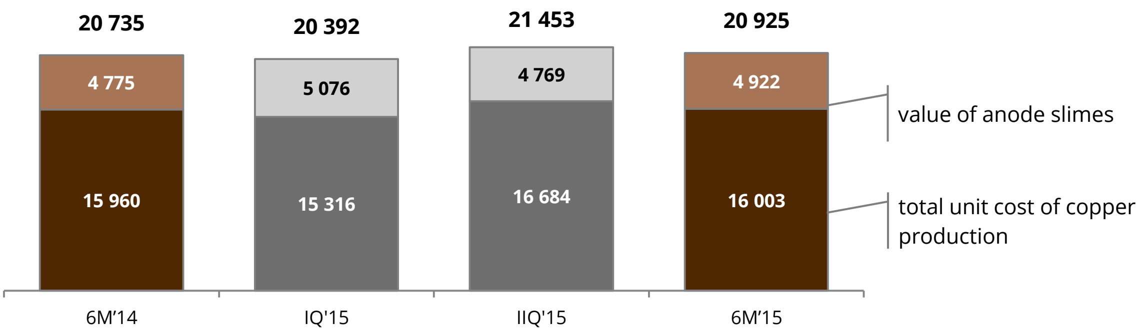
Translation from the original Polish version.

Chart 10. Cost of producing copper in concentrate – C1 (USD/lb)



Cost of producing copper in concentrate - C1 *(unit cash cost of producing payable copper, reflecting costs of ore extraction and processing, transport costs the minerals extraction tax, administrative costs during the mining stage, and smelter treatment and refining charges (TC/RC), less the value of by-products)* was as follows: in the first half of 2014: 1.79 USD/lb, and in the first half of 2015: 1.50 USD/lb. C1 cost was mainly impacted by a weakening in the PLN as compared to the USD. C1 cost achieved in the first half of 2015, using the USD/PLN rate and metals prices from the first half of 2014, would amount to 1.80 USD/lb, meaning it would be at a comparable level to that of the prior year.

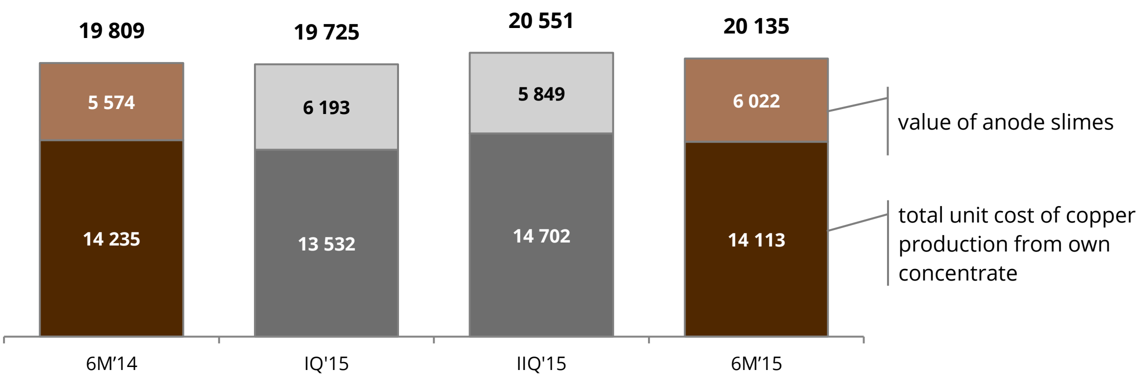
Chart 11. Pre-precious metals credit unit cost of electrolytic copper production – total (PLN/t)



The total pre-precious metals credit unit cost of copper production (unit cost prior to decrease by the value of anode slimes containing among others silver and gold) in the first half of 2015 as compared to the first half of 2014 was higher by 189 PLN/t, or 0.9%, mainly due to: an increase in the minerals extraction tax (+55 PLN/t) and a higher use of purchased copper-bearing materials by approx. 5.6 thousand tonnes of Cu (+309 PLN/t) and a higher overall production of electrolytic copper by 3.3 thousand tonnes.

Taking into account the value of anode slimes, the total unit cost of copper production as compared to the same period of the prior year amounted to 16 003 PLN/t and was higher by 0.3% (+43 PLN/t).

Chart 12. Pre-precious metals credit unit cost of electrolytic copper production – from own concentrate (PLN/t)



The pre-precious metals credit unit cost of copper production from own concentrate was higher than that achieved in the first half of 2014 by 326 PLN/t, or 1.6%, mainly due to the minerals extraction tax (+121 PLN/t) and to the slightly higher expenses by nature described above (excluding the value of purchased copper-bearing materials and the provision for future employee benefits) alongside production from own concentrate at a comparable level to the same period of the prior year.

3.8. 2015 targets versus achievements

KGHM Polska Miedź S.A. has not published a forecast of financial results for 2015. In its annual financial statements for 2014 the Company announced its assumptions for 2015. The progress made in achieving these assumptions in the first half of 2015 is shown below.

Table 24. Achievement of Company assumptions in the first half of 2015

	Unit	2015 target	Execution 6M'15	Progress (%)
Average annual copper price	USD/t	6 800	5 929	87.2
Average annual silver price	USD/oz t	18.00	16.55	91.9
Exchange rate	USD/PLN	3.30	3.72	112.7
Production of copper in concentrate	kt	421.4	214.9	51.0
Production of silver in concentrate	t	1 138	609	53.5
Electrolytic copper production	kt	567.5	286.2	50.4
- of which from purchased copper-bearing materials	kt	152.4	76.6	50.3
Metallic silver production	t	1 160	612	52.8
Sales volume of copper products	kt	564.7	277.6	49.2
Sales volume of silver products	t	1 158	563	48.6
Pre-precious metals credit unit cost of electrolytic copper production from own concentrate	PLN/t	21 077	20 135	95.5
Total unit cost of electrolytic copper production from own concentrate	PLN/t	15 940	14 113	88.5
C1 cash cost of producing copper in concentrate	USD/lb	1.86	1.50	80.6
Capital expenditures	mn PLN	2 550	982	38.5
Equity investments*	mn PLN	1 651	693	42.0

** Acquisition of shares and investment certificates of subsidiaries and loans granted*

The production results, as well as sales volumes, achieved in the first half of 2015 are at a similar level to the targets set for 2015 – the Company does not foresee a risk to achieving its plans for 2015 in this regard.

The lower-than-expected metals prices are offset by a more favourable exchange rate. The copper price expressed in PLN is only 2% lower than planned for the whole year.

A lower unit cost of production of electrolytic copper from own concentrates was achieved due to a higher-than-planned level of copper production.

The C1 cash cost of producing copper in concentrate was however substantially lower than planned, which is mainly due to the weakening of the PLN as compared to the USD, but also due to the higher content of silver in own concentrates.

4. The Company's shareholders and share prices

4.1. The Company on the Warsaw Stock Exchange (WSE)

Key data on the Company's shares on the WSE

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

Key data on the shares of KGHM Polska Miedź S.A. on the WSE are presented in the table below.

Table 25. Key data on the Company's shares on the WSE

Symbol: KGH, ISIN: PLKGHM000017	Unit	2014	6M'14	6M'15	1Q'15	2Q'15
Number of shares issued	mn	200	200	200	200	200
Closing price from the last day of trading in the period	PLN	108.85	124.45	106.55	120.00	106.55
Market capitalisation of the Company at the end of the period	bn PLN	21.8	24.9	21.3	24.0	21.3
Highest closing price in the period	PLN	138.00	125.90	131.00	122.70	131.00
Lowest closing price in the period	PLN	99.90	99.90	100.95	100.95	106.55
Average trading volume per session	thousand	883.4	966.1	824.1	893.4	753.6

Source: WSE Statistic Bulletin

Dividend payout

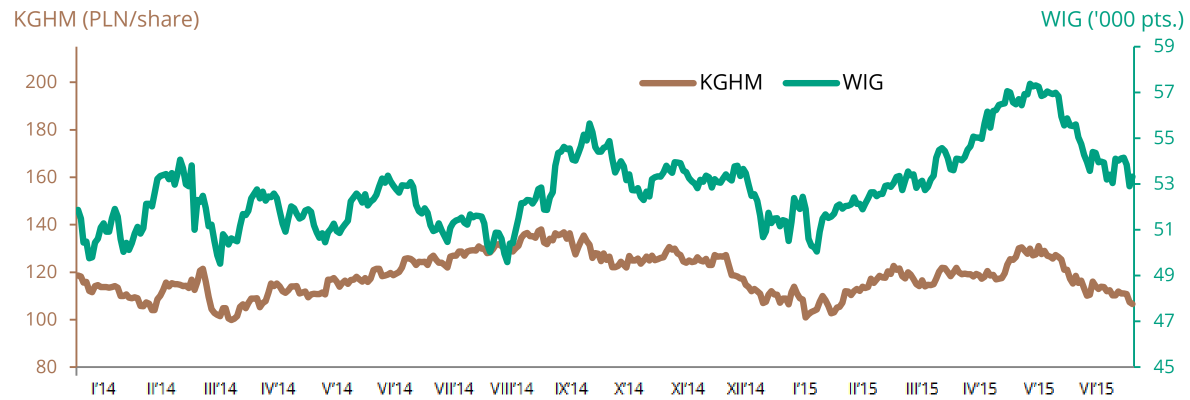
In accordance with Resolution No. 5/2015 of the Ordinary General Meeting of KGHM Polska Miedź S.A. dated 29 April 2015 regarding the appropriation of the Company's profit for financial year 2014, the amount of PLN 800 million was allocated as a shareholder dividend, amounting to PLN 4.00 per share. The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

The Company's share price in the first half of 2015

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

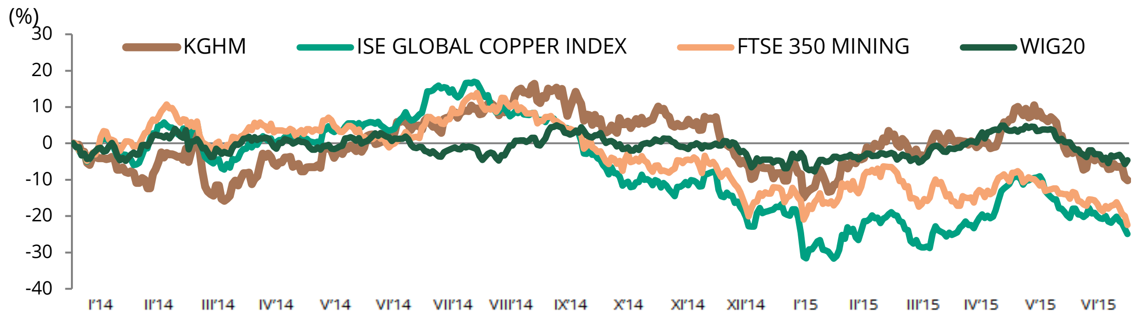
In the first half of 2015 the main indices on the WSE performed as follows: the WIG index rose by 4%, the WIG20 by 0.1% and the WIG30 by 2%.

Chart 13. KGHM Polska Miedź S.A.'s share price versus the WIG Index



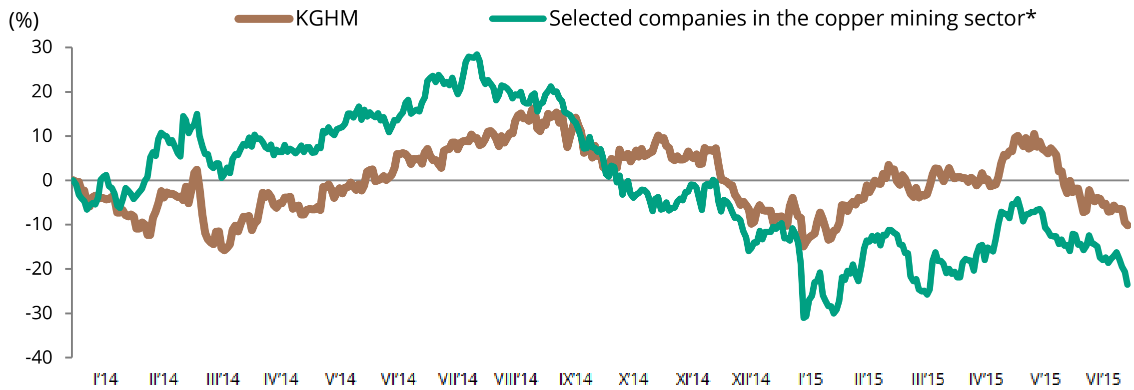
In the period from January 2014 to 30 June 2015, mining companies listed under the FTSE 350 MINING INDEX of the London Stock Exchange (LSE) fell by 22% (Chart 14). At the same time the ISE GLOBAL COPPER INDEX, an index of companies in the copper mining sector, fell by 25%.

Chart 14. Share price of KGHM Polska Miedź S.A. compared to selected market indices (percentage change)



In the period from January 2014 to 30 June 2015, as compared to the average percentage change in the share prices of selected companies in the mining sector, the Company's share price fell by 10%, while the average percentage change in the share prices of selected companies in the copper mining sector fell by 24% (Chart 15).

Chart 15. Share price of KGHM Polska Miedź S.A. compared to selected companies in the copper mining sector (percentage change)



**KAZAKHMYS, VEDANTA RESOURCES, ANGLO AMERICAN, FIRST QUANTUM, ANTOFAGASTA*

4.2. Ownership structure and Company's outstanding shares

As at 30 June 2015, the share capital of the Company, in accordance with the entry in the National Court Register, amounted to PLN 2 000 million and was divided into 200 million shares, series A, having a face value of PLN 10 each. All shares are bearer shares. Each share grants the right to one vote at the General Meeting. The Company has not issued preference shares. In the first half of 2015, there was no change in either registered share capital or in the number of outstanding shares issued.

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

Table 26. Shareholder structure

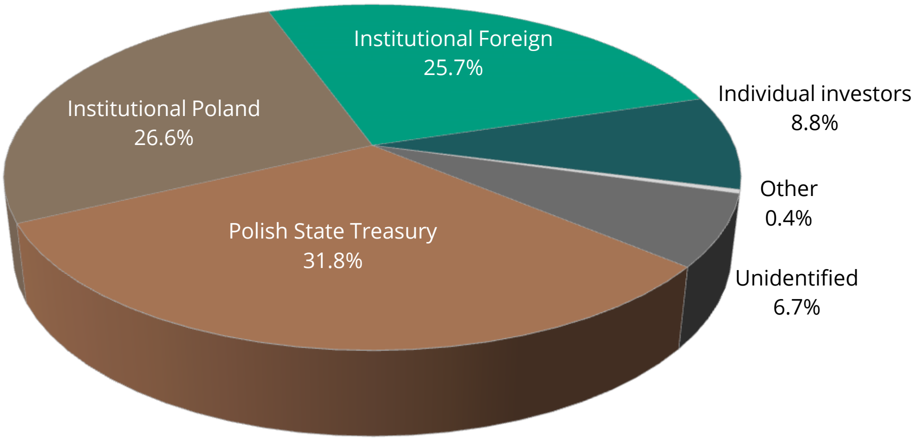
Shareholder	Number of shares/votes	% of share capital	% of total number of votes
State Treasury*	63 589 900	31.8%	31.8%
Other shareholders	136 410 100	68.2%	68.2%
Total	200 000 000	100.0%	100.0%

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

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

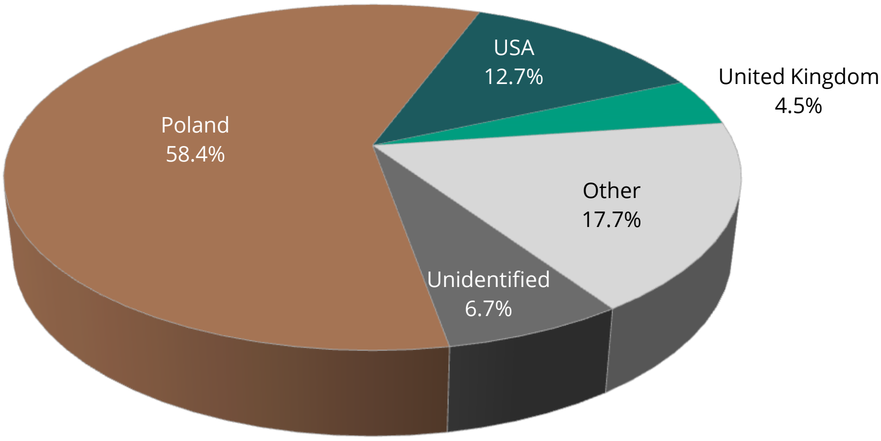
Following is a breakdown of the Company's shareholder structure, by type of investor and location. The data is based on research into the Company's shareholder structure performed in the second quarter of 2015 by the company IPREO.

Chart 16. Shareholder structure – type of investor (as at 30 April 2015)



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

Chart 17. Shareholder structure – geographic location (as at 30 April 2015)



In terms of geographic location, Polish investors held 58.4% shares, while shareholders from the United States and the United Kingdom held respectively 12.7% and 4.5% of the Company's shares.

Table 27. Financial institutions which prepare research reports on KGHM Polska Miedź S.A.

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

The Company does not hold any treasury shares. The Management Board of the Company is unaware of any agreements which could result in changes in the proportion of shares held by present shareholders in the future.

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

Table 28. KGHM Polska Miedź S.A. shares held by the Members of the Management Board of KGHM Polska Miedź S.A.

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

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

Table 29. KGHM Polska Miedź S.A. shares held by the Members of the Supervisory Board of KGHM Polska Miedź S.A.

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

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

Appendix A: Information on current reports published after the end of the reporting period – to the date of signing of the half-year report

Beginning of commercial production by the Sierra Gorda mine (1 July 2015)

The Company announced the beginning of commercial production by the Sierra Gorda mine in Chile. The declaration of commercial production was based on the following criteria:

Quantity & Quality – Sierra Gorda is producing saleable product, available for placement in the market. The copper plant has been operating for over 60 days at 65% of its designed capacity. Simultaneously, the molybdenum plant has produced molybdenum concentrate with at least 40% molybdenum content.

Expenditures – all major expenditures have been incurred to bring the mine to the condition necessary, and in the manner intended by management, for commercial production to commence.

Handover and operation - the plant was handed over to the operating personnel.

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

Starting on 1 July 2015, Sierra Gorda will provide profit or loss statements.

Based on current assumptions, annual average production by the mine, after completing Phase 2 of the project, will amount to approximately 220 thousand tonnes of copper, 11 thousand tonnes of molybdenum and 64 thousand ounces of gold.

The Sierra Gorda joint venture is owned by the following partners: KGHM INTERNATIONAL LTD. (55% – a subsidiary of KGHM Polska Miedź S.A.), Sumitomo Metal Mining (31.5%) and Sumitomo Corporation (13.5%).

Appendix B: List of tables, diagrams and charts

TABLES

CHARTS

DIAGRAMS

SIGNATURES OF ALL MEMBERS OF THE MANAGEMENT BOARD			
Date	First, Last name	Position/Function	Signature
12 August 2015	Herbert Wirth	President of the Management Board	
12 August 2015	Jarosław Romanowski	First Vice President of the Management Board	
12 August 2015	Marcin Chmielewski	Vice President of the Management Board	
12 August 2015	Jacek Kardela	Vice President of the Management Board	
12 August 2015	Mirosław Laskowski	Vice President of the Management Board	