

**POLISH FINANCIAL SUPERVISION AUTHORITY**

**Consolidated quarterly report QSr 3 / 2015**

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

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

For the third quarter of the financial year 2015 from **1 July 2015** to **30 September 2015**

Including the interim condensed consolidated financial statements prepared under International Accounting Standard 34 in PLN, and interim condensed financial statements prepared under IAS 34 in PLN.

date of publication: 12 November 2015

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(name of the issuer)

**KGHM Polska Miedź S.A.**

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**This report is a direct translation from the original Polish version.**

**In the event of differences resulting from the translation, reference should be made to the official Polish version.**

## SELECTED FINANCIAL DATA

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

	in mn PLN		in mn EUR	
	3 quarters of 2015 period from 1 January 2015 to 30 September 2015	3 quarters of 2014 period from 1 January 2014 to 30 September 2014	3 quarters of 2015 period from 1 January 2015 to 30 September 2015	3 quarters of 2014 period from 1 January 2014 to 30 September 2014
I. Sales revenue	14 860	14 716	3 573	3 520
II. Profit on sales	2 274	2 491	547	596
III. Profit before income tax	1 840	2 485	442	594
IV. Profit for the period	1 228	1 780	295	426
V. Profit for the period attributable to shareholders of the Parent Entity	1 225	1 778	294	426
VI. Profit for the period attributable to non-controlling interest	3	2	1	-
VII. Other comprehensive income	385	609	93	146
VIII. Total comprehensive income	1 613	2 389	388	572
IX. Total comprehensive income attributable to shareholders of the Parent Entity	1 618	2 385	389	571
X. Total comprehensive income attributable to non-controlling interest	( 5)	4	( 1)	1
XI. Number of shares issued	200 000 000	200 000 000	200 000 000	200 000 000
XII. Earnings per ordinary share (in PLN/EUR) attributable to the shareholders of the Parent Entity	6.13	8.89	1.47	2.13
XIII. Net cash generated from operating activities	3 393	3 459	816	827
XIV. Net cash used in investing activities	( 3 377)	( 3 999)	( 812)	( 957)
XV. Net cash generated from financing activities	597	504	144	121
XVI. Total net cash flow	613	( 36)	148	( 9)
	<b>At 30 September 2015</b>	<b>At 31 December 2014</b>	<b>At 30 September 2015</b>	<b>At 31 December 2014</b>
XVII. Non-current assets	36 115	33 569	8 521	7 876
XVIII. Current assets	6 840	6 805	1 613	1 597
XIX. Total assets	42 955	40 374	10 134	9 473
XX. Non-current liabilities	10 181	9 292	2 402	2 180
XXI. Current liabilities	6 421	5 552	1 515	1 303
XXII. Equity	26 353	25 530	6 217	5 990
XXIII. Equity attributable to shareholders of the Parent Entity	26 145	25 302	6 168	5 937
XXIV. Equity attributable to non-controlling interest	208	228	49	53

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

	in mn PLN		in mn EUR	
	3 quarters of 2015 period from 1 January 2015 to 30 September 2015	3 quarters of 2014 period from 1 January 2014 to 30 September 2014	3 quarters of 2015 period from 1 January 2015 to 30 September 2015	3 quarters of 2014 period from 1 January 2014 to 30 September 2014
I. Sales revenue	11 773	11 843	2 831	2 833
II. Profit on sales	2 597	2 502	625	599
III. Profit before income tax	2 402	2 403	578	575
IV. Profit for the period	1 675	1 748	403	418
V. Other comprehensive income	( 316)	( 238)	( 76)	( 57)
VI. Total comprehensive income	1 359	1 510	327	361
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)	8.38	8.74	2.02	2.09
IX. Net cash generated from operating activities	2 811	2 820	676	675
X. Net cash used in investing activities	( 5 676)	( 2 703)	( 1 365)	( 647)
XI. Net cash generated from financing activities	3 376	124	812	30
XII. Total net cash flow	511	241	123	58
	<b>At 30 September 2015</b>	<b>At 31 December 2014</b>	<b>At 30 September 2015</b>	<b>At 31 December 2014</b>
XIII. Non-current assets	31 976	27 439	7 544	6 438
XIV. Current assets	5 026	4 873	1 186	1 143
XV. Total assets	37 002	32 312	8 730	7 581
XVI. Non-current liabilities	6 830	4 195	1 611	984
XVII. Current liabilities	5 336	3 840	1 259	901
XVIII. Equity	24 836	24 277	5 860	5 696

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## A. Interim condensed consolidated financial statements

(Consolidated financial statements)

### Interim consolidated statement of profit or loss

	Note	Reporting period			
		for the 3 months ended 30 September 2015	for the 9 months ended 30 September 2015	for the 3 months ended 30 September 2014	for the 9 months ended 30 September 2014
Sales revenue	A.II.1	4 800	14 860	5 188	14 716
Cost of sales	A.II.2	(3 928)	(11 609)	(3 926)	(11 223)
<b>Gross profit</b>		<b>872</b>	<b>3 251</b>	<b>1 262</b>	<b>3 493</b>
Selling costs	A.II.2	(143)	(306)	(96)	(289)
Administrative expenses	A.II.2	(221)	(671)	(244)	(713)
<b>Profit on sales</b>		<b>508</b>	<b>2 274</b>	<b>922</b>	<b>2 491</b>
Other operating income	A.II.3	225	656	328	638
Other operating costs	A.II.4	(221)	(553)	(180)	(416)
<b>Operating profit</b>		<b>512</b>	<b>2 377</b>	<b>1 070</b>	<b>2 713</b>
Finance costs	A.II.5	(53)	(224)	(128)	(227)
Share in losses of investments accounted for using the equity method		(312)	(313)	(1)	(1)
<b>Profit before income tax</b>		<b>147</b>	<b>1 840</b>	<b>941</b>	<b>2 485</b>
Income tax expense		(113)	(612)	(262)	(705)
<b>Profit for the period</b>		<b>34</b>	<b>1 228</b>	<b>679</b>	<b>1 780</b>
Profit for the period attributable to:					
shareholders of the Parent Entity		33	1 225	678	1 778
non-controlling interest		1	3	1	2
<b>Earnings per share attributable to the shareholders of the Parent Entity for the reporting period</b> (in PLN per share)					
- basic		0.17	6.13	3.39	8.89
- diluted		0.17	6.13	3.39	8.89

**A. Interim condensed consolidated financial statements (continued)**
**Interim consolidated statement of comprehensive income**

	Reporting period			
	for the 3 months ended 30 September 2015	for the 9 months ended 30 September 2015	for the 3 months ended 30 September 2014	for the 9 months ended 30 September 2014
<b>Profit for the period</b>	<b>34</b>	<b>1 228</b>	<b>679</b>	<b>1 780</b>
<b>Other comprehensive income ("OCI"):</b>				
<b>OCI, which will be reclassified to profit or loss when specific conditions are met:</b>				
<b>OCI from the measurement of financial instruments</b>				
Available-for-sale financial assets	(14)	(119)	27	183
Income tax related to available-for-sale financial assets	4	27	(7)	(35)
Cash flow hedging instruments	(81)	(286)	(77)	(220)
Income tax related to cash flow hedging instruments	15	54	15	42
<b>Total OCI from the measurement of financial instruments</b>	<b>(76)</b>	<b>(324)</b>	<b>(42)</b>	<b>(30)</b>
Exchange differences from the translation of foreign operations statements	(47)	681	745	852
<b>Total OCI, which will be reclassified to profit or loss when specific conditions are met</b>	<b>(123)</b>	<b>357</b>	<b>703</b>	<b>822</b>
<b>OCI, which will not be reclassified to profit or loss:</b>				
Actuarial gains and losses on post-employment benefits	(146)	35	(106)	(263)
Income tax related to actuarial gains and losses	27	(7)	20	50
<b>Total OCI, which will not be reclassified to profit or loss</b>	<b>(119)</b>	<b>28</b>	<b>(86)</b>	<b>(213)</b>
<b>OCI for the financial period, net</b>	<b>(242)</b>	<b>385</b>	<b>617</b>	<b>609</b>
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>(208)</b>	<b>1 613</b>	<b>1 296</b>	<b>2 389</b>
Total comprehensive income attributable to:				
shareholders of the Parent Entity	(201)	1 618	1 292	2 385
non-controlling interest	(7)	(5)	4	4

**A. Interim condensed consolidated financial statements (continued)**
**Interim consolidated statement of financial position**

Note	At 30 September 2015	At 31 December 2014
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	18 454	17 621
Intangible assets	3 428	2 918
Investment property	60	60
Investments accounted for using the equity method	A.IV.1 4 884	4 363
Deferred tax assets	A.III.2 656	535
Available-for-sale financial assets	633	931
Financial assets for mine closure and restoration of tailings storage facilities	368	358
Derivatives	131	214
Trade and other receivables	7 501	6 569
	<b>36 115</b>	<b>33 569</b>
<b>Current assets</b>		
Inventories	3 767	3 362
Trade and other receivables	1 816	2 537
Current corporate tax receivables	90	87
Available-for-sale financial assets	76	57
Financial assets for mine closure	7	2
Derivatives	134	277
Cash and cash equivalents	941	475
Non-current assets held for sale	9	8
	<b>6 840</b>	<b>6 805</b>
<b>TOTAL ASSETS</b>	<b>42 955</b>	<b>40 374</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity attributable to shareholders of the Parent Entity</b>		
Share capital	2 000	2 000
Revaluation reserve from measurement of financial instruments	53	377
Actuarial gains/losses on post-employment benefits	( 402)	( 430)
Exchange differences from the translation of foreign operations statements	1 860	1 171
Retained earnings	22 634	22 184
	<b>26 145</b>	<b>25 302</b>
<b>Equity attributable to non-controlling interest</b>	<b>208</b>	<b>228</b>
<b>TOTAL EQUITY</b>	<b>26 353</b>	<b>25 530</b>
<b>LIABILITIES</b>		
<b>Non-current liabilities</b>		
Trade and other payables	1 027	1 002
Borrowings, debt securities and finance lease liabilities	A.II.7 3 915	2 997
Derivatives	141	123
Deferred tax liabilities	A.III.2 1 636	1 676
Employee benefits liabilities	1 993	2 011
Provisions for other liabilities and charges	1 469	1 483
	<b>10 181</b>	<b>9 292</b>
<b>Current liabilities</b>		
Trade and other payables	3 583	3 236
Borrowings, debt securities and finance lease liabilities	A.II.7 2 270	1 813
Current corporate tax liabilities	273	164
Derivatives	31	37
Employee benefits liabilities	135	135
Provisions for other liabilities and charges	129	167
	<b>6 421</b>	<b>5 552</b>
<b>TOTAL LIABILITIES</b>	<b>16 602</b>	<b>14 844</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>42 955</b>	<b>40 374</b>

## A. Interim condensed consolidated financial statements (continued)

### Interim consolidated statement of changes in equity

	Equity attributable to shareholders of the Parent Entity					Total	Equity attributable to non-controlling interest	Total equity
	Share capital	Revaluation reserve from measurement of financial instruments	Actuarial gains/losses on post-employment benefits	Exchange differences from the translation of foreign operations statements	Retained earnings			
<b>At 1 January 2015</b>	<b>2 000</b>	<b>377</b>	<b>( 430)</b>	<b>1 171</b>	<b>22 184</b>	<b>25 302</b>	<b>228</b>	<b>25 530</b>
Dividends from profit for 2014 paid	-	-	-	-	( 400)	( 400)	-	( 400)
Dividends from profit for 2014 resolved but unpaid	-	-	-	-	( 400)	( 400)	-	( 400)
<b>Total comprehensive income</b>	<b>-</b>	<b>( 324)</b>	<b>28</b>	<b>689</b>	<b>1 225</b>	<b>1 618</b>	<b>( 5)</b>	<b>1 613</b>
Profit for the period	-	-	-	-	1 225	1 225	3	1 228
Other comprehensive income	-	( 324)	28	689	-	393	( 8)	385
Changes in ownership shares in subsidiaries which do not result in a loss of control	-	-	-	-	25	25	( 15)	10
<b>At 30 September 2015</b>	<b>2 000</b>	<b>53</b>	<b>( 402)</b>	<b>1 860</b>	<b>22 634</b>	<b>26 145</b>	<b>208</b>	<b>26 353</b>
						-		
<b>At 1 January 2014</b>	<b>2 000</b>	<b>522</b>	<b>( 132)</b>	<b>( 267)</b>	<b>20 718</b>	<b>22 841</b>	<b>223</b>	<b>23 064</b>
Dividends from profit for 2013 paid	-	-	-	-	( 500)	( 500)	-	( 500)
Dividends from profit for 2013 resolved but unpaid	-	-	-	-	( 500)	( 500)	-	( 500)
Offsetting of profit from prior years with actuarial gains and losses	-	-	4	-	( 4)	-	-	-
<b>Total comprehensive income</b>	<b>-</b>	<b>( 30)</b>	<b>( 213)</b>	<b>850</b>	<b>1 778</b>	<b>2 385</b>	<b>4</b>	<b>2 389</b>
Profit for the period	-	-	-	-	1 778	1 778	2	1 780
Other comprehensive income	-	( 30)	( 213)	850	-	607	2	609
Changes in ownership shares in subsidiaries which do not result in a loss of control	-	-	-	-	19	19	( 8)	11
<b>At 30 September 2014</b>	<b>2 000</b>	<b>492</b>	<b>( 341)</b>	<b>583</b>	<b>21 511</b>	<b>24 245</b>	<b>219</b>	<b>24 464</b>

## A. Interim condensed consolidated financial statements (continued)

### Interim consolidated statement of cash flows

	Reporting period	
	for the 9 months ended 30 September 2015	for the 9 months ended 30 September 2014
<b>Cash flow from operating activities</b>		
Profit for the period	1 228	1 780
<b>Adjustments to profit for the period:</b>	<b>2 856</b>	<b>2 314</b>
Income tax recognised in profit or loss	612	705
Depreciation/amortisation recognised in profit for the period	1 474	1 196
Impairment loss on available-for-sale financial assets, property, plant and equipment, intangible assets and non-current assets held for sale	214	4
Share in losses of investments accounted for using the equity method	313	1
Dividends and interest	( 174)	( 114)
Foreign exchange gains	( 52)	( 7)
Change in assets/liabilities due to derivatives	350	620
Reclassification of other comprehensive income to profit or loss as a result of realisation of hedging derivatives	( 343)	( 384)
Other adjustments	13	125
Changes in working capital:	449	168
Inventories	( 293)	( 445)
Trade and other receivables	719	485
Trade and other payables	23	128
Income tax paid	( 691)	( 635)
<b>Net cash generated from operating activities</b>	<b>3 393</b>	<b>3 459</b>
<b>Cash flow from investing activities</b>		
Acquisition of newly-issued shares in the increased share capital of a joint venture	( 608)	( 478)
Purchase of property, plant and equipment and intangible assets	(2 721)	(2 398)
Advances granted for the purchase of property, plant and equipment and intangible assets	( 42)	( 28)
Proceeds from the sale of property, plant and equipment and intangible assets	15	12
Purchase of available-for-sale financial assets	( 23)	-
Purchase of financial assets from the mine closure fund and tailings storage facilities restoration fund	( 30)	( 28)
Proceeds from the sale of financial assets purchased from mine closure fund	23	17
Loans granted	( 15)	(1 130)
Dividends received	27	35
Other investment expenses	( 3)	( 1)
<b>Net cash used in investing activities</b>	<b>(3 377)</b>	<b>(3 999)</b>
<b>Cash flow from financing activities</b>		
Proceeds from payment to capital of a subsidiary from holders of non-controlling interest	25	13
Redemption of financial debt instruments	(1 873)	-
Acquisition of shares from holders of non-controlling interest	( 24)	( 15)
Proceeds from bank and other loans	4 081	1 441
Repayments of bank and other loans	(1 004)	( 294)
Payments of liabilities due to finance leases	( 13)	( 14)
Interest paid	( 208)	( 88)
Dividends paid to shareholders of the Parent Entity	( 400)	( 500)
Other financial proceeds/(expenses)	13	( 39)
<b>Net cash generated from financing activities</b>	<b>597</b>	<b>504</b>
<b>Total net cash flow</b>	<b>613</b>	<b>( 36)</b>
Exchange (losses)/gains on cash and cash equivalents and on translation of foreign operations statements	( 147)	51
<b>Movements in cash and cash equivalents</b>	<b>466</b>	<b>15</b>
<b>Cash and cash equivalents at beginning of the period</b>	<b>475</b>	<b>771</b>
<b>Cash and cash equivalents at end of the period</b>	<b>941</b>	<b>786</b>
including restricted cash and cash equivalents	29	18



**A. Interim condensed consolidated financial statements (continued)****Selected explanatory notes****I. Principles applied in preparing the financial statements****1. Introduction**

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

The principal activities of the Parent Entity comprise:

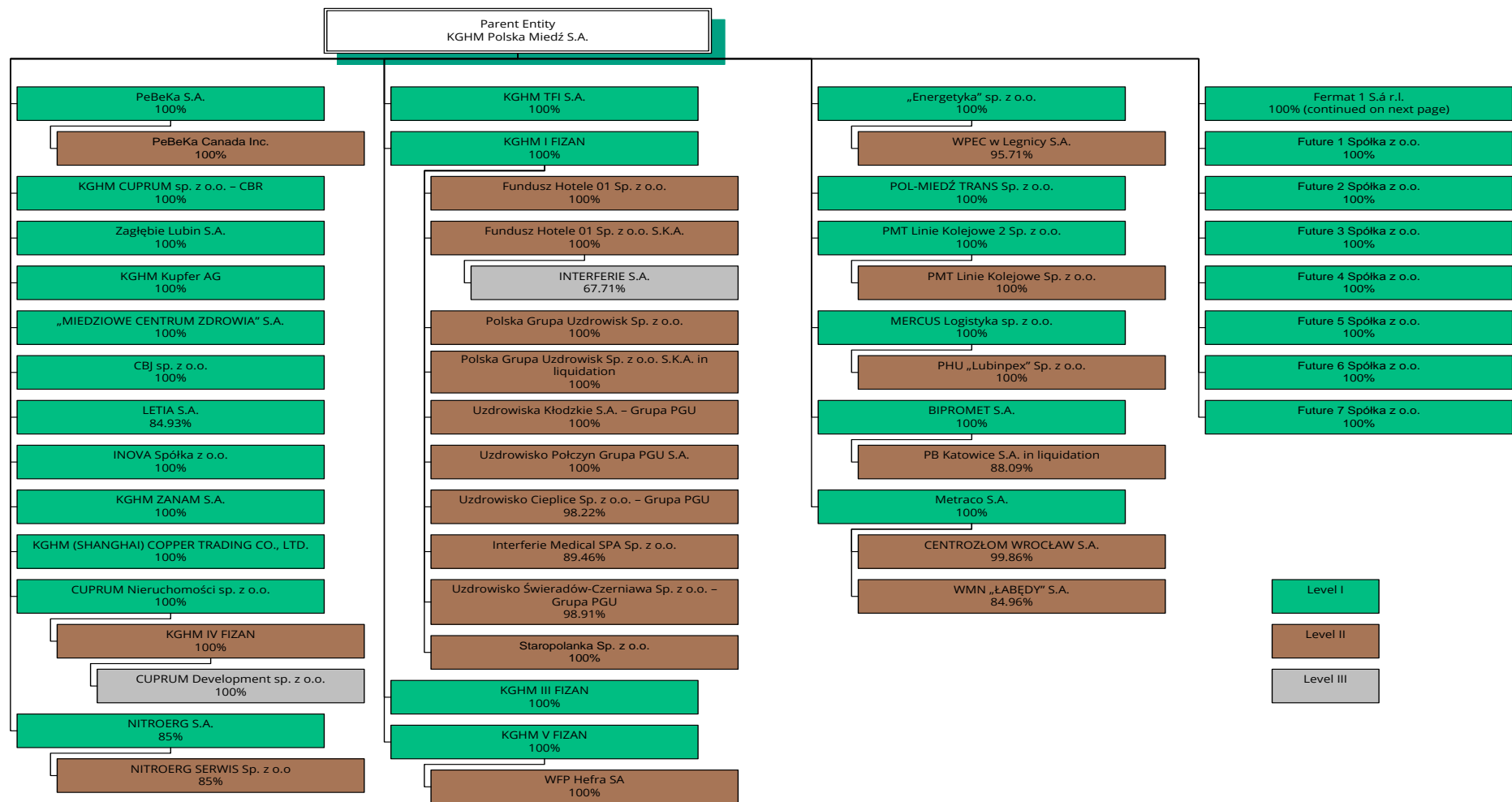
- the mining of copper and non-ferrous metals ore;
- the excavation of gravel and sand;
- the production of copper, precious and non-ferrous metals;
- the production of salt;
- the casting of light and non-ferrous metals;
- the forging, pressing, stamping and roll forming of metal - powder metallurgy;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

The business activities of the Group also include:

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

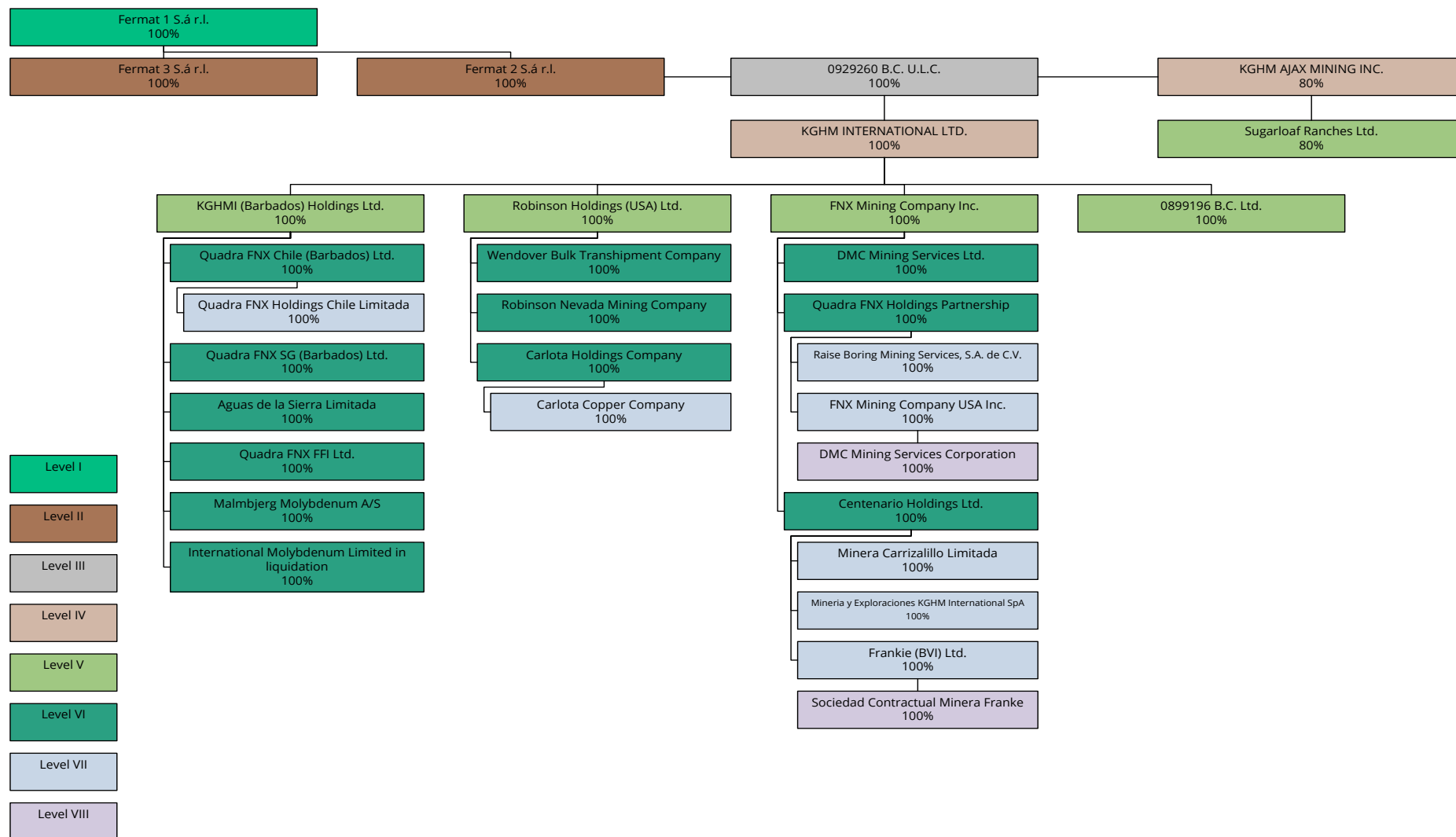
**A. Interim condensed consolidated financial statements (continued)**

**2. Structure of the KGHM Polska Miedź S.A. Group as at 30 September 2015**



The percentage share represents the total share of the Group.

**A. Interim condensed consolidated financial statements (continued)**



## A. Interim condensed consolidated financial statements (continued)

In the current quarter KGHM Polska Miedź S.A. consolidated 83 subsidiaries (the Group's subsidiaries are presented in part A.I.2), and three joint ventures were accounted for using the equity method (Sierra Gorda S.C.M., „Elektrownia Blachownia Nowa” sp. z o.o. and NANO CARBON Sp. z o.o.).

The following quarterly report includes:

1. the interim condensed consolidated financial statements of the KGHM Polska Miedź S.A. Group for the period from 1 January to 30 September 2015 and the comparable period from 1 January to 30 September 2014, together with selected explanatory notes (**Part A**);
2. other information to the consolidated quarterly report (**Part B**);
3. the quarterly financial information of KGHM Polska Miedź S.A. for the period from 1 January to 30 September 2015 and the comparable period from 1 January to 30 September 2014 (**Part C**).

Neither the interim consolidated financial statements at 30 September 2015 nor the interim separate financial statements at 30 September 2015 were audited by a certified auditor.

### 3. Exchange rates applied

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

- for the conversion of turnover, profit or loss and cash flow for the current period, the rate of **4.1585 PLNEUR\***;
- for the conversion of turnover, profit or loss and cash flow for the comparable period, the rate of **4.1803 PLNEUR\***;
- for the conversion of assets, equity and liabilities at 30 September 2015, applying the current average exchange rate announced by the National Bank of Poland (NBP) as at 30 September 2015, the rate of **4.2386 PLNEUR**;
- for the conversion of assets, equity and liabilities at 31 December 2014, applying the current average exchange rate announced by the NBP as at 31 December 2014, the rate of **4.2623 PLNEUR**.

*\*the rates represent the arithmetic average of current average exchange rates announced by the NBP on the last day of each month during the period from January to September respectively of 2015 and 2014.*

### 4. Accounting policies

The condensed consolidated financial report for the period from 1 July 2015 to 30 September 2015 was prepared in accordance with IAS 34 Interim Financial Reporting and for a full understanding of the financial position and operating results of KGHM Polska Miedź S.A. and the KGHM Polska Miedź S.A. Group, should be read jointly with the consolidated financial statements for the year ended 31 December 2014 and with the separate financial statements of KGHM Polska Miedź S.A. for the year ended 31 December 2014.

These financial statements were prepared using the same accounting policies for the current and comparable periods. However, a description of factors and events impacting KGHM Polska Miedź S.A.'s profit for the period, which in previous quarterly reports was presented in part C.III, was presented in this report in part A.VI.2 "The segment KGHM Polska Miedź S.A."

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

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

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

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

**A. Interim condensed consolidated financial statements (continued)**
**II. Selected additional explanatory notes**
**1. Sales revenue**

	Reporting period			
	for the 3 months ended 30 September 2015	for the 9 months ended 30 September 2015	for the 3 months ended 30 September 2014	for the 9 months ended 30 September 2014
Copper, nickel, precious metals, smelter by-products	4 215	13 145	4 610	12 980
Services	256	712	226	646
Energy	8	54	9	56
Merchandise – smelter products	72	228	92	237
Other merchandise	52	128	39	129
Scrap and materials	43	152	54	169
Other finished goods	154	441	158	499
<b>Total sales revenue</b>	<b>4 800</b>	<b>14 860</b>	<b>5 188</b>	<b>14 716</b>

**2. Expenses by nature**

	Reporting period			
	for the 3 months ended 30 September 2015	for the 9 months ended 30 September 2015	for the 3 months ended 30 September 2014	for the 9 months ended 30 September 2014
Depreciation of property, plant and equipment and amortisation of intangible assets	486	1 566	403	1 196
Employee benefit expenses	1 172	3 469	1 166	3 463
Materials and energy	1 673	5 377	1 995	5 739
External services	545	1 495	453	1 337
Taxes and charges	457	1 516	506	1 491
including the minerals extraction tax	325	1 135	383	1 131
Other costs	106	282	65	168
<b>Total expenses by nature</b>	<b>4 439</b>	<b>13 705</b>	<b>4 588</b>	<b>13 394</b>
Cost of merchandise and materials sold (+)	146	389	130	383
Change in inventories of finished goods and work in progress (+/-)	141	(304)	(59)	(493)
Cost of manufacturing products for internal use (-)	(434)	(1 204)	(393)	(1 059)
<b>Total cost of sales, selling costs and administrative expenses</b>	<b>4 292</b>	<b>12 586</b>	<b>4 266</b>	<b>12 225</b>

**3. Other operating income**

	Reporting period			
	for the 3 months ended 30 September 2015	for the 9 months ended 30 September 2015	for the 3 months ended 30 September 2014	for the 9 months ended 30 September 2014
Income and gains on financial instruments, including due to:	204	532	275	504
Measurement and realisation of derivatives	56	136	147	206
Interest	146	331	79	213
Foreign exchange gains	2	37	49	49
Dividends received	-	27	-	35
Release of unused provisions	2	24	21	24
Government grants and other donations received	2	10	2	6
Other operating income/gains	17	90	30	104
<b>Total other operating income</b>	<b>225</b>	<b>656</b>	<b>328</b>	<b>638</b>

**A. Interim condensed consolidated financial statements (continued)**
**4. Other operating costs**

	Reporting period			
	for the 3 months ended 30 September 2015	for the 9 months ended 30 September 2015	for the 3 months ended 30 September 2014	for the 9 months ended 30 September 2014
Costs and losses on financial instruments, including due to:	188	443	148	319
Measurement and realisation of derivatives	4	257	151	314
Impairment of financial assets	183	184	2	3
Donations granted	1	30	1	18
Provisions for liabilities	15	26	26	37
Other operating costs/losses	17	54	5	42
<b>Total other operating costs</b>	<b>221</b>	<b>553</b>	<b>180</b>	<b>416</b>

**5. Finance costs**

	Reporting period			
	for the 3 months ended 30 September 2015	for the 9 months ended 30 September 2015	for the 3 months ended 30 September 2014	for the 9 months ended 30 September 2014
Interest expense, including:	11	138	40	117
Interest on bonds	1	79	29	88
Interest on borrowings, leases and other financial liabilities	10	59	11	29
Charges and bank provisions on borrowings	31	52	-	1
Foreign exchange (gains)/losses on borrowings	(2)	(15)	70	62
Effect of unwinding the discount	13	39	7	31
Other finance costs	-	10	11	16
<b>Total finance costs</b>	<b>53</b>	<b>224</b>	<b>128</b>	<b>227</b>

**6. Information on property, plant and equipment and intangible assets**
**Purchase of property, plant and equipment and intangible assets**

	Reporting period	
	for the 9 months ended 30 September 2015	for the 9 months ended 30 September 2014
Purchase of property, plant and equipment	1 056	1 925
Purchase of intangible assets	391	405

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

	At 30 September 2015	At 31 December 2014
Payables due to the purchase of property, plant and equipment and intangible assets	386	575

## A. Interim condensed consolidated financial statements (continued)

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

	At 30 September 2015	At 31 December 2014
Purchase of property, plant and equipment	2 335	2 855
Purchase of intangible assets	12	34
<b>Total capital commitments:</b>	<b>2 347</b>	<b>2 889</b>

## 7. Borrowings, debt securities and finance lease liabilities

	At 30 September 2015	At 31 December 2014
<b>Non-current</b>	<b>3 915</b>	<b>2 997</b>
Bank loans*	2 754	143
Loans	1 138	1 057
Debt securities**	-	1 769
Finance lease liabilities	23	28
<b>Current</b>	<b>2 270</b>	<b>1 813</b>
Bank loans*	2 249	1 782
Loans	7	10
Debt securities	-	6
Finance lease liabilities	14	15
<b>Total</b>	<b>6 185</b>	<b>4 810</b>

\* The increase in bank loans in the current reporting period is the result of additional instalments drawn by KGHM Polska Miedź S.A. Detailed information may be found in part C.III.4 of this report.

\*\* In the current reporting period the senior notes of KGHM INTERNATIONAL LTD. were redeemed. Detailed information may be found in part A.VIII of this report.

## 8. Related party transactions

Operating income	Reporting period			
	for the 3 months ended 30 September 2015	for the 9 months ended 30 September 2015	for the 3 months ended 30 September 2014	for the 9 months ended 30 September 2014
From jointly controlled entities, including due to:	170	391	88	237
- interest on a loan granted to Sierra Gorda S.C.M.	142	319	75	201
- an agreement to render services to support the management process in Sierra Gorda S.C.M.	23	51	13	36
From other related parties	1	11	1	11
<b>Total operating income from related parties</b>	<b>171</b>	<b>402</b>	<b>89</b>	<b>248</b>

## A. Interim condensed consolidated financial statements (continued)

### Purchases

	Reporting period			
	for the 3 months ended 30 September 2015	for the 9 months ended 30 September 2015	for the 3 months ended 30 September 2014	for the 9 months ended 30 September 2014
From joint ventures	49	49	1	1
From other related parties	1	16	4	18
<b>Total purchases from related parties</b>	<b>50</b>	<b>65</b>	<b>5</b>	<b>19</b>

### Trade and other receivables

	At 30 September 2015	At 31 December 2014
From the jointly-controlled entity Sierra Gorda S.C.M.	7 383	6 238
- including due to a loan granted	7 119	6 231
From other related parties	6	2
<b>Total receivables from related parties</b>	<b>7 389</b>	<b>6 240</b>

### Trade and other payables

	At 30 September 2015	At 31 December 2014
Towards jointly-controlled entities	85	-
Towards other related parties	4	2
<b>Total payables towards related parties</b>	<b>89</b>	<b>2</b>

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

The remaining transactions, which were collectively significant, between the Group and the Polish Government and entities controlled or jointly controlled by the Government, or over which the Government has significant influence, were within the scope of normal, daily economic operations, and were 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 September 2015 amounted to PLN 480 million (for the period from 1 January 2014 to 30 September 2014: PLN 588 million), and the unsettled balance of liabilities from these transactions amounted to PLN 233 million as at 30 September 2015 (as at 31 December 2014: PLN 241 million);
- sales to State Treasury companies. Sales in the period from 1 January 2015 to 30 September 2015 amounted to PLN 91 million (for the period from 1 January 2014 to 30 September 2014: PLN 58 million) and the unsettled balance of receivables from these transactions amounted to PLN 7 million as at 30 September 2015 (as at 31 December 2014: PLN 7 million);
- dividends received from State Treasury companies in the period from 1 January 2015 to 30 September 2015 amounted to PLN 27 million (for the period from 1 January 2014 to 30 September 2014: PLN 35 million).

Remuneration of the Supervisory Board of the Parent Entity (in PLN thousands)	Reporting period	
	for the 9 months ended 30 September 2015	for the 9 months ended 30 September 2014
Remuneration due to service in the Supervisory Board, salaries and other current employee benefits	1 405	1 150



**A. Interim condensed consolidated financial statements (continued)**

	Reporting period	
	for the 9 months ended 30 September 2015	for the 9 months ended 30 September 2014
<b>Remuneration of the Management Board of the Parent Entity (in PLN thousands)</b>		
Salaries and other current employee benefits	8 537	8 306
Benefits due to termination of employment	249	721
<b>Total</b>	<b>8 786</b>	<b>9 027</b>

	Reporting period	
	for the 9 months ended 30 September 2015	for the 9 months ended 30 September 2014
<b>Remuneration of other key managers (in PLN thousands)</b>		
Salaries and other current employee benefits	4 853	4 295

**A. Interim condensed consolidated financial statements (continued)**
**9. 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.

	As at 30 September 2015	Increase/(decrease) since the end of the last financial year
<b>Contingent assets</b>		
Guarantees received	303	80
Promissory notes receivables	158	49
Inventions, implementation of projects	49	2
Real estate tax on mining facilities	87	-
Other	12	4
<b>Total contingent assets</b>	<b>609</b>	<b>135</b>
<b>Contingent liabilities</b>		
Guarantees, letters of credit and promissory notes, including:	1 524	95
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.	519	37
guarantees and letters of credit granted to additionally secure the performance of leasing agreements entered into by Sierra Gorda S.C.M. and KGHM INTERNATIONAL LTD.	343	2
guarantees granted to secure the proper performance of future environmental obligations of the Parent Entity to restore the area, following the conclusion of operations of the Żelazny Most tailings storage facility, divided into:	320	-
a securing guarantee	64	( 256)
promissory notes liabilities	256	256
letters of credit granted to secure the proper performance of agreements by KGHM INTERNATIONAL LTD. concerning its future environmental obligations to restore the area following the conclusion of operations of the Robinson mine, Podolsky mine and the Victoria project	315	43
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	16	16
Disputed issues, pending court proceedings	32	( 11)
Liabilities due to implementation of projects and inventions	108	( 46)
Real estate tax on mining facilities	93	23
Other	25	1
<b>Total contingent liabilities</b>	<b>1 782</b>	<b>62</b>
<b>Other liabilities not recognised in the statement of financial position</b>		
Liabilities towards local government entities due to expansion of the tailings storage facility	117	( 3)
Liabilities due to operating leases	114	( 10)
<b>Other liabilities not recognised in the statement of financial position, total</b>	<b>231</b>	<b>( 13)</b>

## A. Interim condensed consolidated financial statements (continued)

### III. Information on significant changes in estimates

#### 1. Provisions for future liabilities

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

1.1 future employee benefits liabilities due to one-off retirement or disability payments, jubilee awards, post-mortem benefits and the coal equivalent paid also after the period of employment. The result of this change in estimates, mainly as a result of changes in macroeconomic assumptions, is an increase in liabilities of PLN 176 million, which was settled as a decrease in OCI of PLN 146 million and a decrease in the financial result of PLN 30 million,

(after reflecting the deferred tax effects, a decrease in OCI of PLN 119 million and a decrease in the financial result of PLN 24 million),

(since the beginning of the financial year, a decrease in liabilities of PLN 18 million, which was settled as:

- an increase in OCI of PLN 35 million  
(after reflecting the deferred tax effects, an increase of PLN 28 million);
- a decrease in profit before income tax of PLN 17 million  
(after reflecting the deferred tax effects, a decrease of PLN 13 million),

1.2 provisions for future costs of decommissioning (restoration) of the Group's mines, comprising the estimated costs of dismantling and removing technological facilities (waste storage facilities, tailings storage facilities), for which the obligation for restoration upon the conclusion of activities is a result of separate law or standard practice. The result of this change in estimates is an increase in the provision of PLN 210 million, which was settled as a decrease in the financial result of PLN 12 million, an increase in property, plant and equipment of PLN 197 million and as a decrease in OCI of PLN 1 million due to exchange differences from the translation of provisions recognised in subsidiaries with a functional currency other than PLN, applying the exchange rate at the end of the reporting period,

(since the beginning of the financial year, a decrease in provisions of PLN 8 million, settled as a decrease in the financial result of PLN 22 million, as a decrease in property, plant and equipment of PLN 71 million and as a decrease in OCI of PLN 41 million due to exchange differences from the translation of provisions recognised in foreign subsidiaries with a functional currency other than PLN, applying the exchange rate at the end of the reporting period),

1.3 liabilities due to future employee remuneration expenses together with charges settled as a decrease in the financial result of PLN 190 million, paid (in accordance with the Collective Labour Agreement) on the occasion of mining or smelting holidays and after approval of the annual financial statements,

(As at 30 September 2015, liabilities amounted to PLN 518 million).

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

#### 2. Deferred tax

As a result of a difference between the carrying amount and the tax base of items of statement of financial position, there was a change in the estimated value of the deferred tax assets and the deferred tax liabilities.

Deferred tax assets increased in the current quarter by PLN 107 million. This increase was mainly settled as:

- an increase in profit PLN 77 million;
- an increase in OCI  
due to actuarial gains PLN 27 million;

(an increase in deferred tax assets since the beginning of the financial year of PLN 74 million, which was settled as:

- an increase in profit PLN 39 million;
- a decrease in OCI  
due to actuarial gains and losses PLN 7 million;
- an increase in OCI due to measurement  
of hedging financial instruments PLN 15 million;

## A. Interim condensed consolidated financial statements (continued)

- an increase in OCI due to exchange differences from the measurement of deferred tax assets of subsidiaries with a functional currency other than PLN (PLN 27 million).

Deferred tax liabilities decreased in the current quarter by PLN 25 million. This decrease was settled as:

- an increase in profit *PLN 22 million;*
- an increase in OCI due to measurement of hedging financial instruments and available-for-sale financial assets *PLN 19 million;*
- a decrease in OCI due to exchange differences from the measurement of deferred tax liabilities of subsidiaries with a functional currency other than PLN *PLN 16 million;*

(since the beginning of the financial year a decrease in deferred tax liabilities of PLN 87 million, which was settled as:

- an increase in profit *PLN 143 million;*
- an increase in OCI due to measurement of hedging financial instruments and available-for-sale financial assets *PLN 66 million;*
- a decrease in OCI due to exchange differences from the measurement of deferred tax liabilities of subsidiaries with a functional currency other than PLN *PLN 122 million).*

After offsetting the deferred tax assets and deferred tax liabilities, in the subsidiaries' statements of financial position as at 30 September 2015, the deferred tax assets were set at PLN 656 million and the deferred tax liabilities at PLN 1 636 million.

## IV. Measurement of significant items of the consolidated statement of financial position

### 1. In the current quarter, the most important changes concerned the following:

#### a) the investment in the Sierra Gorda S.C.M. joint venture accounted for using the equity method

- an increase in value of USD 63 million (PLN 239 million at the current average exchange rates announced by the NBP on each day a transaction was made) relates to the acquisition of newly issued shares in the increased share capital;
- an increase in value of PLN 13 million due to exchange differences from translation (a change in the exchange rates from 3.7645 USDPLN as at 30 June 2015 to 3.7754 USDPLN as at 30 September 2015);
- a decrease in value due to accounting for using the equity method, in the amount of USD 83 million (PLN 312 million at the arithmetic average of the current average exchange rates announced by the NBP at the end of each month in the first three quarters of 2015);

*/since the beginning of the year:*

- an increase in value of USD 162 million (PLN 608 million at the current average exchange rates announced by the NBP on each day a transaction was made) relates to the acquisition of newly issued shares in the increased share capital;
- an increase in value of PLN 334 million due to exchange differences from translation (a change in the exchange rates from 3.5072 USDPLN as at 31 December 2014 to 3.7754 USDPLN as at 30 September 2015);
- a decrease in value due to accounting for using the equity method in the amount of USD 83 million (PLN 312 million at the arithmetic average of the current average exchange rates announced by the NBP at the end of each month in the first three quarters of 2015);
- a decrease in value of USD 29 million (PLN 109 million at the arithmetic average of the current average exchange rates announced by the NBP at the end of each month in the first three quarters of 2015) due to elimination of unrealised profits on transactions between the Group and Sierra Gorda S.C.M. (55% - proportionally to the Group's share);

## A. Interim condensed consolidated financial statements (continued)

**b) in available-for-sale financial assets** – a decrease in the value of the asset due to a loss on measurement of PLN 14 million, recognised in OCI, and an impairment loss of PLN 183 million recognised in profit or loss;

*/since the beginning of the year – a decrease in the value of the asset due to a loss on measurement of PLN 119 million, recognised in OCI, and an impairment loss of PLN 184 million recognised in profit or loss/;*

**c) in derivatives (assets and liabilities)** – as a result of changes in macroeconomic factors, the settlement of transactions and entering into new derivatives' transactions and due to the passage of time to maturity of unsettled transactions, the fair value of open positions in derivatives has decreased. As a result of the measurement and settlement of derivatives, in the third quarter of 2015:

- sales revenue increased by PLN 122 million;
- the result on other operating activities increased by PLN 52 million;
- the result on financial activities decreased by PLN 11 million; and
- OCI decreased by PLN 77 million.

Detailed information on derivatives of the Parent Entity may be found in part C.III.3 of this report.

**d) measurement of the loan's instalment drawn, the repayment of which was designated as an instrument hedging the Parent Entity's future cash flows** – details may be found in part C.III.1 "A loan – hedging instrument" of this report.

## 2. The fair value hierarchy of financial instruments

Investments in listed companies (classified as available-for-sale financial assets) are classified under level 1 of the fair value hierarchy. All remaining financial instruments of the Group are classified under level 2 of the fair value hierarchy. The manner and technique for measuring financial instruments to fair value have not changed in comparison to the manner and technique for measurement as at 31 December 2014.

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

## A. Interim condensed consolidated financial statements (continued)

### V. Implementation of Strategy

In the third quarter of 2015 work was completed related to the development of the Plan for Implementation of the Strategy of KGHM Polska Miedź S.A. for the years 2015-2020 with an outlook to 2040, as adopted by the Supervisory Board of the Parent Entity on 26 January 2015. The Plan for Implementation of the Strategy is the operational embodiment of the strategic goals, containing a list of operational goals and their associated strategic initiatives in individual areas of the strategy. Parameters were defined to measure success for each of the operational goals as well a schedule of deadlines for strategic projects and actions along with the allocation of necessary resources. The Plan for Implementation of the Strategy will be monitored while progress on implemented tasks will be periodically measured.

Following are key achievements with respect to progress on strategic projects in individual areas of the Strategy in the third quarter 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

Radwanice – Gaworzyce	–	Work is underway on preparing the deposit mining plan. The first planned task is to mine the northern part of the Radwanice-Gaworzyce copper ore deposit.
Synklina Grodziecka and Konrad	–	So far, 18 drillholes have been completed in the Synklina Grodziecka area, and we have planned the scope of hydrogeological surveys. Work began on surface-based geophysical surveys in the area of Synklina Grodziecka and Konrad, which will provide more detailed knowledge of the deposit's geological structure.
Retków - Ścinawa and Głogów	–	Exploration of the deposit continued, with five drillholes made by the end of September 2015 in the Retków-Ścinawa area, while preparations and drilling commenced at the next three sites in the Głogów area. 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. Work was continued on reviewing and marking the path of seismic profiles of geophysical and geoelectrical measurements.
Weisswasser (Saxony in Germany)	–	Work continued on the second phase of the second stage of the project. In July 2015 a drillhole was completed in the Weisswasser II concession, and the core samples were sent for laboratory analysis. Based on the results of chemical analysis a final report will be prepared with recommendations as to further directions for project work.

##### Exploration projects in the preparatory phase

Bytom Odrzański Kulów-Luboszyce	–	Judicial administrative proceedings are underway with regard to granting a concession for the areas of Bytom Odrzański and Kulów-Luboszyce. On 10 July 2015, a hearing was conducted at the Regional Administrative Court with regard to the claims filed by the company Leszno Copper sp. z o.o. against the decision of the Minister of the Environment. The Regional Administrative Court in Warsaw overturned, based on formal reasons, the decision of the Minister of the Environment from 29 July 2014 regarding reversal of the decision dated 28 January 2014 and ordering the matter to be reviewed once more and adjudged that the aforementioned decisions cannot be executed. At the turn of October and November 2015, KGHM Polska Miedź SA filed cassation appeals with the Supreme Administrative Court against the judgments of the Regional Administrative Court in Warsaw dated 10 July 2015.
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##### Other concessions

Zatoka Pucka	–	In September 2015, work began in this area on surface-based geophysical surveys, thanks to which more precise examination of the geological structure of the concession area will be possible as well as verification of the siting of planned drilling.
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## A. Interim condensed consolidated financial statements (continued)

### 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 September 2015, the shaft had reached a depth of 641 meters using tubing construction (target depth is 1 340 meters with a diameter of 7.5 meters).
  - In the first three quarters of 2015, 10 877.3 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).
  - In the case of the Surface-based Cooling Station at the R-XI shaft, work is underway on stage II of the investment, related to the preparation of excavated areas for the installation of another three-chamber feeder and the construction of surface piping from the second drillhole to the Station, enabling an increase in the production of cooled air to underground areas below 1200 meters up to 25 MW. Completion of this work is planned for the second half of 2016.
- 
- Mechanical mining program
- Excavation of drift tunnels using a combine team - Project work carried out in the conditions of 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.  
While working on improvements to the researched technology, we identified elements with the potential to lead to an improvement in the operating parameters of this mechanised mining technology, with particular attention to the work underway under conditions in which mining faults occur. Further project work will be concentrated on increasing the rate of drilling under the given geological and mining conditions.
  - 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 realisation of the final stage of mining trials using the ACT (Active Cutting Technology) mining complex in a pilot section of the Polkowice-Sieroszowice mine. Work was completed on the preparation of a new mining field and assembly commenced of the improved ACT mining complex in the pilot section.
- 
- Pyrometallurgy Modernisation Program at the Głogów smelter/refinery
- Assembly continued of equipment and installations in the region of the Flash Furnace, Electrical Furnace, Recovery Boiler and elements of the Charge Preparation Section at the Głogów I smelter/refinery.
  - 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.

#### Development projects abroad

- Victoria Project (Sudbury Basin, Canada)**
- Work continued on gaining access to the deposit, including among others the preparation of preliminary shaft infrastructure and the foundations for the lift machinery. Construction began of the power substation aimed at ensuring the supply of energy needed during the process of shaft sinking and mine operations.
- KGHM INTERNATIONAL LTD. 100%
- Engineering work was carried out related to developing the mine's detailed technical and engineering documentation comprising among others the investment schedule and the project's required investment expenditures.
  - Following completion of the process of reviewing the deposit mining model, the decision was made to implement the two-shaft scenario.
  - A program of further drilling was commenced, aimed at documenting additional, potential mineralised zones.

## A. Interim condensed consolidated financial statements (continued)

<p><b>Development of the Sierra Gorda project (Chile)</b></p>	<ul style="list-style-type: none"> <li>- <b>Phase 2</b> (KGHM INTERNATIONAL LTD. 55%, Sumitomo Metal Mining and Sumitomo Corporation 45%) - Basic engineering work was performed for Phase II of the project, comprising an increase in processing capacity from 110 thousand tonnes to at least 190 thousand tonnes of ore per day. The process of optimising project technological assumptions was also carried out.</li> <li>- <b>Sierra Gorda Oxide</b> (project for processing of the oxide ore) – Work continued on developing the project's feasibility study. Basic and detailed engineering work was carried out on developing target infrastructure for the SX/EW processing plant.</li> </ul>
<p><b>Ajax Project (British Columbia, Canada)</b> KGHM Polska Miedź S.A. Group 80%, Abacus Mining and Exploration Corp. 20%</p>	<ul style="list-style-type: none"> <li>- On 10 September 2015, KGHM Ajax Mining Inc. submitted an application for an environmental permit for construction of the Ajax open pit copper and gold mine. This document is required in order to begin the investment. It analyses the mine's environmental impact and presents plans to minimise the mine's impact on its surroundings. The document also contains sections on the rights of First Nations, plans with respect to managing and monitoring the investment and procedures regarding waste and emergencies.</li> <li>- Basic engineering work and a detailed technical mine model were finalised in the third quarter. Work on the final report is currently underway.</li> </ul>

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

<p><b>CuBR Sector Program</b> (in cooperation with the National Centre for Research and Development)</p>	<ul style="list-style-type: none"> <li>- Implementation continued of the projects selected during the first and second editions of the CuBR Program competition. These projects are being implemented by interdisciplinary scientific and industrial consortiums in terms of R&amp;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.</li> <li>- Formal and organisational preparations are underway, and the substantive scope is being set for the selection of applications for the third edition of the competition. Announcement of the competition is planned to be made in the fourth quarter of 2015.</li> </ul>
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### Pillar III. Production

<p><b>Sierra Gorda mine in Chile – Phase 1</b></p>	<ul style="list-style-type: none"> <li>- Work continued on increasing processing capacity under Phase 1 of the Sierra Gorda project, aimed at achieving 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).</li> </ul>
<p>KGHM INTERNATIONAL LTD. 55%</p>	<ul style="list-style-type: none"> <li>- In the first three quarters of 2015 the production of copper in concentrate from the Sierra Gorda mine amounted to around 60 thousand tonnes and production of molybdenum in concentrate around 4 thousand tonnes.</li> </ul>
<p>Sumitomo Metal Mining and Sumitomo Corporation 45%</p>	<ul style="list-style-type: none"> <li>- Since May the Sierra Gorda mine has supplied molybdenum concentrate to the processing plants. In July 2015 the export of molybdenum commenced.</li> <li>- On 22 June 2015, the transport commenced of copper concentrate from the mine to the warehouse dedicated for the Sierra Gorda mine at the port of Antofagasta. In June, the Sierra Gorda mine began commercial production.</li> </ul>

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

#### Ensuring energy security for the KGHM Group

<p><b>Preparations to build and operate the first Polish nuclear power plant</b></p>	<ul style="list-style-type: none"> <li>- 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.</li> </ul>
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## A. Interim condensed consolidated financial statements (continued)

### VI. Operating segments

#### 1. Report on operating segments

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

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

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

Financial data of Group companies, which were not classified to any of the aforementioned segments, was included in the column "Consolidation adjustments". These companies do not conduct operating activities, which could impact the results achieved by individual segments. It concerns the following companies:

- Fermat 1 S. á r. l., Fermat 2 S. á r. l., Fermat 3 S. á r. l. and 0929260 B.C.U.L.C – they were founded within the holding structure created to acquire KGHM INTERNATIONAL LTD.
- Future 1 Sp. z o.o., Future 2 Sp. z o.o., Future 3 Sp. z o.o., Future 4 Sp. z o.o., Future 5 Sp. z o.o., Future 6 Sp. z o.o., Future 7 Sp. z o.o. – they were founded in the third quarter of 2015 due to the establishment of a Tax Capital Group.

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

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

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

**A. Interim condensed consolidated financial statements (continued)**

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

**KGHM Polska Miedź S.A.**
**KGHM INTERNATIONAL LTD. Group**

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

**Sierra Gorda**

Sierra Gorda S.C.M.

**Resource base development**

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

**Support of the core business**

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

**Other segments**

NITROERG S.A.  
 MERCUS Logistyka sp. z o.o.  
 CENTROZŁOM WROCŁAW S.A.  
 WMN "ŁABĘDY" S.A.  
 WFP Hefra SA  
 PHU "Lubinpex" Sp. z o.o.  
 PMT Linie Kolejowe Sp. z o.o.  
 PMT Linie Kolejowe 2 Sp. z o.o.  
 KGHM TFI S.A.  
 INTERFERIE S.A.  
 Interferie Medical SPA Sp. z o.o.  
 Uzdrowiska Kłodzkie S.A. – Grupa PGU  
 Uzdrowisko Połczyn Grupa PGU S.A.  
 Uzdrowisko Cieplice Sp. z o.o. – Grupa PGU  
 Uzdrowisko Świeradów - Czerniawa Sp. z o.o. – Grupa PGU  
 Fundusz Hotele 01 Sp. z o.o.  
 Fundusz Hotele 01 Sp. z o.o. S.K.A.  
 Polska Grupa Uzdrowisk Sp. z o.o. S.K.A. in liquidation  
 Polska Grupa Uzdrowisk Sp. z o.o.  
 KGHM I FIZAN  
 KGHM III FIZAN  
 KGHM IV FIZAN  
 KGHM V FIZAN  
 "MIEDZIOWE CENTRUM ZDROWIA" S.A.  
 Zagłębie Lubin S.A.  
 LETIA S.A.  
 KGHM (SHANGHAI) COPPER TRADING CO., LTD.  
 PB Katowice S.A. in liquidation  
 NITROERG SERWIS Sp. z o.o.  
 CUPRUM Nieruchomości sp. z o.o.  
 CUPRUM Development sp. z o.o.  
 PeBeKa Canada Inc.  
 Staropolanka Sp. z o.o.

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

## A. Interim condensed consolidated financial statements (continued)

	Reporting period for the 9 months ended 30 September 2015							Adjustments due to measurement in accordance with IFRS 3	Consolidation adjustments	Total
	KGHM Polska Miedz S.A.	KGHM INTERNATIONAL LTD. Group	Sierra Gorda ***	Resource base development	Support of the core business	Other segments				
Sales revenue	11 773	1 962	264	-	3 319	1 789	-	(4 247)	<b>14 860</b>	
Inter-segment sales revenue	198	-	26	-	3 011	772	-	(4 007)	-	
External sales revenue	11 575	1 962	238	-	308	1 017	-	(240)	<b>14 860</b>	
Total costs of products, merchandise and materials sold	(9 176)	(2 295)	(440)	(3)	(3 284)	(1 763)	(37)	4 412	<b>(12 586)</b>	
Profit/(loss) on sales	2 597	(333)	(176)	(3)	35	26	(37)	165	<b>2 274</b>	
Profit/(loss) on other operating activities	(107)	359	(11)	1	7	5	-	(151)	<b>103</b>	
- including interest	154	319	-	-	3	1	-	(146)	<b>331</b>	
Profit/(loss) on financing activities	(88)	(270)	(171)	-	(5)	(4)	51	263	<b>(224)</b>	
- including interest	(20)	(239)	(165)	-	(3)	(4)	51	242	<b>(138)</b>	
Share in profits/(losses) of investments accounted for using the equity method	-	(268)	-	-	-	-	(44)	(1)	<b>(313)</b>	
<b>Profit/(loss) before income tax</b>	<b>2 402</b>	<b>(512)</b>	<b>(358)</b>	<b>(2)</b>	<b>37</b>	<b>27</b>	<b>(57)</b>	<b>303</b>	<b>1 840</b>	
Income tax expense	(727)	85	88	(1)	(15)	(10)	(76)	44	<b>(612)</b>	
<b>Profit/(loss) for the period</b>	<b>1 675*</b>	<b>(427)*</b>	<b>(270)</b>	<b>(3)*</b>	<b>22*</b>	<b>17*</b>	<b>(133)</b>	<b>347</b>	<b>1 228</b>	
	<b>At 30 September 2015</b>									
<b>Segment assets, including:</b>	<b>37 002</b>	<b>17 057</b>	<b>13 705</b>	<b>731</b>	<b>2 908</b>	<b>2 339</b>	<b>2 830</b>	<b>(33 617)</b>	<b>42 955</b>	
Investments accounted for using the equity method	-	2 441**	-	-	-	-	2 414	29	<b>4 884</b>	
Property, plant and equipment + Inventories	15 249	3 990	13 335	65	1 495	1 096	261	(13 270)	<b>22 221</b>	
<b>Liabilities</b>	<b>12 166</b>	<b>5 908</b>	<b>10 837</b>	<b>65</b>	<b>1 129</b>	<b>608</b>	<b>810</b>	<b>(14 921)</b>	<b>16 602</b>	
<b>Additional information</b>	<b>Reporting period for the 9 months ended 30 September 2015</b>									
Expenditures on property, plant and equipment and intangible assets	1 605	718	1 760	124	135	55	-	(1 759)	<b>2 638</b>	
Depreciation/amortisation recognised in profit/(loss) for the period	(655)	(617)	(136)	-	(119)	(49)	(41)	143	<b>(1 474)</b>	

„Adjustments due to measurement in accordance with IFRS 3” – respecting adjustment to fair value due to final accounting for the acquisition of KGHM INTERNATIONAL LTD. at the consolidated level, including accumulated adjustments from the acquisition date to 30 September 2015 for items of the consolidated statement of financial position and from 1 January to 30 September 2015 for items of the consolidated statement of profit or loss.

\* result analysed in a given segment

\*\* Sierra Gorda S.C.M. investment

\*\*\* 55% share of the Group in Sierra Gorda S.C.M. since the beginning of commercial production on 1 July 2015, excluding the expenditures on property, plant and equipment and intangible assets (for the 9 months ended 30 September 2015) and the value of non-current assets (at 30 September 2015)

## A. Interim condensed consolidated financial statements (continued)

### Information on segments for the comparable period

Reporting period for the 9 months ended 30 September 2014

	KGHM Polska Miedź S.A.	KGHM INTERNATIONAL LTD. Group	Sierra Gorda ***	Resource base development	Support of the core business	Other segments	Adjustments due to measurement in accordance with IFRS 3	Consolidation adjustments	Total
Sales revenue	11 843	1 653	-	-	3 430	1 827	-	(4 037)	14 716
Inter-segment sales revenue	201	-	-	-	3 138	737	-	(4 076)	-
External sales revenue	11 642	1 653	-	-	292	1 090	-	39	14 716
Total costs of products, merchandise and materials sold	(9 341)	(1 726)	-	(2)	(3 367)	(1 804)	(66)	4 081	(12 225)
Profit/(loss) on sales	2 502	(73)	-	(2)	63	23	(66)	44	2 491
Profit/(loss) on other operating activities	(3)	255	-	1	4	166	-	(201)	222
- including interest	36	204	-	-	8	2	-	(38)	212
Profit/(loss) on financing activities	(96)	(135)	-	-	(8)	(5)	2	15	(227)
- including interest	(5)	(108)	-	-	(8)	(4)	2	6	(117)
Share in profits/(losses) of investments accounted for using the equity method	-	-	-	-	-	-	-	(1)	(1)
<b>Profit/(loss) before income tax</b>	<b>2 403</b>	<b>47</b>	-	<b>(1)</b>	<b>59</b>	<b>184</b>	<b>(64)</b>	<b>(143)</b>	<b>2 485</b>
Income tax expense	(655)	(5)	-	(1)	(19)	(9)	12	(28)	(705)
<b>Profit/(loss) for the period</b>	<b>1 748*</b>	<b>42*</b>	-	<b>(2)*</b>	<b>40*</b>	<b>175*</b>	<b>(52)</b>	<b>(171)</b>	<b>1 780</b>

At 31 December 2014

<b>Segment assets, including:</b>	<b>32 312</b>	<b>15 376</b>	<b>12 003</b>	<b>631</b>	<b>2 901</b>	<b>2 201</b>	<b>2 720</b>	<b>(27 770)</b>	<b>40 374</b>
Investments accounted for using the equity method	-	2 051**	-	-	-	-	2 282	30	4 363
Property, plant and equipment + Inventories	13 939	3 996	11 228	70	1 586	1 049	285	(11 170)	20 983
<b>Liabilities</b>	<b>8 035</b>	<b>5 193</b>	<b>9 655</b>	<b>56</b>	<b>1 116</b>	<b>584</b>	<b>865</b>	<b>(10 660)</b>	<b>14 844</b>

### Additional information

Reporting period for the 9 months ended 30 September 2014

Expenditures on property, plant and equipment and intangible assets	1 573	558	2 745	110	97	55	-	(2 753)	2 385
Depreciation/amortisation recognised in profit/(loss) for the period	(629)	(330)	-	(1)	(122)	(52)	(67)	5	(1 196)

„Adjustments due to measurement in accordance with IFRS 3” – respecting adjustment to fair value due to final accounting for the acquisition of KGHM INTERNATIONAL LTD. at the consolidated level, including accumulated adjustments from the acquisition date to 31 December 2014 for items of the consolidated statement of financial position and from 1 January to 30 September 2014 for items of the consolidated statement of profit or loss.

\* result analysed in a given segment

\*\* Sierra Gorda S.C.M. investment

\*\*\* 55% share of the Group in Sierra Gorda S.C.M.

## A. Interim condensed consolidated financial statements (continued)

	Reporting period for the 9 months ended 30 September 2015							Total
	KGHM Polska Miedź S.A.	KGHM INTERNATIONAL LTD. Group	Sierra Gorda****	Resource base development	Support of the core business	Other segments		
<b>Operating data</b>								
Payable copper (kt)	432.1	73.3	12.1	-	-	-	-	517.5
- including from purchased copper-bearing materials (kt)	111.3	-	-	-	-	-	-	111.3
Nickel (kt)	-	1.6	-	-	-	-	-	1.6
Molybdenum (kt)	-	0.4	1.3	-	-	-	-	1.7
Silver (t)	916	1.3	-	-	-	-	-	917.3
TPM (koz t)*	54.1	69.6	6.3	-	-	-	-	130
C1 cost (USD/lb)**	1.49	1.91	2.44	-	-	-	-	1.60
EBITDA***	3 252	284	(40)	(3)	154	75		3 722
% of sales to KGHM Polska Miedź S.A.					86%	33%		

	Reporting period for the 9 months ended 30 September 2014							Total
	KGHM Polska Miedź S.A.	KGHM INTERNATIONAL LTD. Group	Sierra Gorda****	Resource base development	Support of the core business	Other segments		
<b>Operating data</b>								
Payable copper (kt)	429.1	63.6	-	-	-	-	-	492.7
- including from purchased copper-bearing materials (kt)	117	-	-	-	-	-	-	117
Nickel (kt)	-	2.4	-	-	-	-	-	2.4
Molybdenum (kt)	-	0.3	-	-	-	-	-	0.3
Silver (t)	930.1	1.4	-	-	-	-	-	931.5
TPM (koz t)*	52.5	50.9	-	-	-	-	-	103.4
C1 cost (USD/lb)**	1.82	2.31	-	-	-	-	-	1.87
EBITDA***	3 131	293	-	(1)	185	75		3 683
% of sales to KGHM Polska Miedź S.A.					86%	32%		

\* TPM - total precious metals ( gold, platinum, palladium)

\*\* Unit cash cost of payable copper production, reflecting ore mining and processing costs, transport costs, the minerals extraction tax, administrative expenses during the mining phase and smelter treatment and refining charges (TC/RC) less by-product value

\*\*\* EBITDA = profit/(loss) on sales plus depreciation/amortisation recognised in profit/(loss) for the period

\*\*\*\* 55% share of the Group in Sierra Gorda S.C.M. since the beginning of commercial production on 1 July 2015

In order to ensure comparability of data presented in the statements for the third quarter of 2014, EBITDA of the KGHM INTERNATIONAL LTD. Group segment for this period was increased by PLN 36 million due to the management fee for the Sierra Gorda project (in the statements for the third quarter of 2014, this fee was presented in other operating income, and now it is recognised in sales revenue).

## A. Interim condensed consolidated financial statements (continued)

### Sales revenue of the Group - external clients with geographical breakdown

The geographical breakdown reflects the location of end clients.

	Reporting period	
	for the 9 months ended 30 September 2015	for the 9 months ended 30 September 2014
Poland	3 715	3 574
Germany	2 237	2 691
China	1 758	1 680
The USA	1 296	286
The Czech Republic	1 098	1 105
The United Kingdom	1 068	1 158
Italy	561	526
Hungary	516	477
Canada	492	568
France	489	522
Switzerland	330	302
Austria	210	182
Turkey	138	380
Belgium	128	139
Romania	88	110
Slovakia	80	85
South Korea	64	9
Netherlands	57	42
Chile	51	6
Japan	45	147
Sweden	43	14
Australia	37	363
Slovenia	30	23
Bosnia and Herzegovina	27	17
Ukraine	24	16
Finland	19	33
Norway	14	11
Russia	13	11
Bulgaria	11	49
Other countries (dispersed sale)	221	190
<b>Total</b>	<b>14 860</b>	<b>14 716</b>

### Main customers

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

70.45% of the Group's non-current assets (property, plant and equipment and intangible assets) are located in Poland. The remaining 29.55% of non-current assets are located in the following countries: Canada – 17.29%; the USA – 6.37%; Chile – 2.73%; other countries – 3.16%.

## A. Interim condensed consolidated financial statements (continued)

### 2. The segment KGHM Polska Miedź S.A.

#### Production results

	Unit	9 months 2015	9 months 2014	Change 9 months 2014=100	3Q 2015	3Q 2014	Change 3Q 2014=100
Ore extraction	mn t	23.9	23.5	101.7	8.1	7.8	103.8
Copper content in ore	%	1.53	1.54	99.4	1.51	1.51	100.0
Copper production in concentrate	kt	323.0	320.4	100.8	108.1	104.5	103.4
Silver production in concentrate	t	909.3	896.0	101.5	300.6	297.1	101.2
Production of copper equivalent *	kt	421.3	413.8	101.8	144.5	138.4	104.4
Production of electrolytic copper	kt	432.1	429.1	100.7	145.8	146.2	99.7
- including from own concentrate	kt	320.8	312.1	102.8	111.1	102.3	108.6
Production of metallic silver	t	916.0	930.1	98.5	303.9	324.6	93.6

\* from own concentrate

The higher volume of ore extraction, despite the decrease in prices and copper and silver content, lead to an increase in the production of copper equivalent. Production of electrolytic copper was maintained at a similar level as compared to the same period in 2014, alongside an increase in the volume of production from own concentrate by 8.7 thousand tonnes and a decrease in the volume of production from purchased copper-bearing materials by 5.7 thousand tonnes.

#### Sales revenue

	Unit	9 months 2015	9 months 2014	Change 9 months 2014=100	3Q 2015	3Q 2014	Change 3Q 2014=100
Sales revenue	mn PLN	11 773	11 843	99.4	3 681	4 116	89.4
Volume of copper sales	kt	415.4	413.1	100.6	137.8	138.4	99.6
Volume of silver sales	t	869.4	867.7	100.2	306.7	295.6	103.8
Copper price	USD/t	5 699	6 943	82.1	5 259	6 994	75.2
Silver price	USD/oz t	15.99	19.95	80.2	14.91	19.76	75.5
Exchange rate	USD/PLN	3.73	3.08	121.1	3.77	3.15	119.7

In the first 9 months of 2015, sales revenue amounted to PLN 11 773 million and was lower by PLN 70 million as compared to the same period in 2014. The decrease in revenues was due to:

- lower metal prices, including copper (by 18%), silver (by 20%) and gold (by 9%), which are KGHM Polska Miedź S.A.'s main products (PLN (2 469) million); and
- lower, by PLN 41 million, positive adjustment of revenues due to settlement of hedging instruments;

The decrease in revenues was limited thanks to:

- a more favourable (by 21%) USD/PLN exchange rate (PLN +2 334 million);
- an increase in main products sales volume: copper, silver and gold (PLN +61 million); and
- an increase in sales revenue of other finished goods and services by PLN 52 million.

#### Costs

	Unit	9 months 2015	9 months 2014	Change 9 months 2014=100	3Q 2015	3Q 2014	Change 3Q 2014=100
Total costs of products, merchandise and materials sold	mn PLN	9 176	9 341	98.2	3 019	3 214	93.9
Expenses by nature	mn PLN	9 492	9 814	96.7	3 017	3 328	90.7
Pre-precious metals credit unit cost of electrolytic copper production from own concentrate*	PLN/t	19 830	20 137	98.5	19 263	20 813	92.6
Total unit cost of electrolytic copper production from own concentrate	PLN/t	14 395	14 377	100.1	14 937	14 670	101.8
- including the mineral extraction tax	PLN/t	3 585	3 664	97.8	3 214	3 671	87.6
C1 Cost**	USD/lb	1.49	1.82	81.9	1.49	1.88	79.3

\* Unit cost prior to decrease by the value of anode slimes containing, among others, silver and gold.

\*\* Cash cost of concentrate production reflecting the minerals extraction tax, plus administrative expenses and smelter treatment and refining charges (TC/RC), less depreciation/amortisation cost and the value of by-product premiums, calculated for payable copper in concentrate.

## A. Interim condensed consolidated financial statements (continued)

The Parent Entity's operating costs, or the total costs 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 9 months of 2015 amounted to PLN 9 176 million and were lower by PLN 165 million as compared to the same period in 2014 due to 3% lower expenses by nature, alongside a slightly higher volume of copper and silver sales.

In the first 9 months of 2015, expenses by nature were lower by PLN 322 million as compared to the same period in 2014, mainly due to the lower costs of consumption of purchased copper-bearing materials by PLN 340 million, which is due to a lower volume of Cu consumed (by 11 thousand tonnes) and a lower purchase price (by 4%).

After excluding the value of purchased copper-bearing materials and the minerals extraction tax, expenses by nature were similar to those recorded in the comparable period of 2014 and were higher by 0.2%, or by PLN 14 million. Expenses by nature were impacted by:

- lower energy costs (by PLN 66 million), mainly due to lower electricity prices and the commencement of own energy production from Gas-Steam Blocks;
- lower labour costs (by PLN 26 million) – mainly due to the lower liabilities due to future employee benefits (by PLN 34 million) and a lower allowance for the annual bonus;
- higher depreciation and amortisation costs (by PLN 59 million) due to realised and settled investments; and
- higher costs due to revaluation of rhenium inventories due to a decrease in market prices (by PLN 43 million).

**C1 cost** amounted respectively to: 1.49 USD/lb for the first 9 months of 2015 and 1.82 USD/lb for the first 9 months of 2014. The decrease in C1 cost (by 0.33 USD/lb) was mainly caused by the weakening of the Polish zloty (by 21%) as compared to the US dollar. C1 cost for the first 9 months of 2015, calculated using the prices of associated metals and exchange rates for the first 9 months of 2014, amounted to 1.79 USD/lb and is on the same level as in the previous year.

**The pre-precious metals credit unit cost of electrolytic copper production from own concentrate** (unit cost prior to decrease by the value of anode slimes containing, among others, silver and gold) amounted to 19 830 PLN/t (in the comparable period of 2014: 20 137 PLN/t) and was lower by 1.5%, mainly due to an increase by 3% in production from own concentrate and a lower minerals extraction tax by 79 PLN/t. The total unit cost of electrolytic copper production from own concentrate amounted to 14 395 PLN/t (in the comparable period of 2014: 14 377 PLN/t).

## Financial results

(mn PLN)

	9 months 2015	9 months 2014	Change 9 months 2014=100	3Q 2015	3Q 2014	Change 3Q 2014=100
Sales revenue, including:	11 773	11 843	99.4	3 681	4 116	89.4
- sale adjustment due to hedging transactions	343	384	89.3	122	120	101.7
Total costs of products, merchandise and materials sold	(9 176)	(9 341)	98.2	(3 019)	(3 214)	93.9
<b>Profit on sales</b>	<b>2 597</b>	<b>2 502</b>	<b>103.8</b>	<b>662</b>	<b>902</b>	<b>73.4</b>
<b>Profit/loss on other operating activities, among others relating to:</b>	<b>(107)</b>	<b>(3)</b>	<b>x35.7</b>	<b>(95)</b>	<b>51</b>	<b>x</b>
- exchange rate differences	60	58	103.4	8	63	12.7
- interest income	155	37	x4.2	69	14	x4.9
- measurement and realisation of derivatives	(166)	(109)	152.3	27	(5)	x
- impairment losses	(194)	(1)	x	(194)	-	x
- other	38	12	x3.2	(5)	(21)	23.8
<b>Operating profit</b>	<b>2 490</b>	<b>2 499</b>	<b>99.6</b>	<b>567</b>	<b>953</b>	<b>59.5</b>
Finance costs	(88)	(96)	91.7	(46)	(81)	56.8
<b>Profit before income tax</b>	<b>2 402</b>	<b>2 403</b>	<b>100.0</b>	<b>521</b>	<b>872</b>	<b>59.7</b>
Income tax expense	(727)	(655)	111.0	(167)	(243)	68.7
<b>Profit for the period</b>	<b>1 675</b>	<b>1 748</b>	<b>95.8</b>	<b>354</b>	<b>629</b>	<b>56.3</b>
EBITDA*	3 252	3 131	103.9	888	1 112	79.9

\* EBITDA = Profit/loss on sales + depreciation/amortisation recognised in profit/(loss) for the period

After the first 9 months of 2015, the Parent Entity achieved a profit for the period in the amount of PLN 1 675 million, which was lower by PLN 73 million, or by 4%, as compared to the same period in 2014, among others due to:

- the higher value of impairment losses by PLN 193 million, mainly due to impairment of the shares of Tauron Polska Energia S.A. in the third quarter of 2015 in the amount of PLN 182 million;
- an increase by PLN 72 million in income taxation, mainly due to the tax on controlled foreign corporations (CFC) which was introduced in 2015;
- a decrease in sales revenue by PLN 70 million, for the aforementioned reasons;
- a change in the result on the measurement and realisation of derivatives (PLN (70) million),



## A. Interim condensed consolidated financial statements (continued)

- higher costs of interest, charges and provisions due to bank and other loans by PLN 54 million;
- The decrease in profit for the period was mitigated by:
- lower costs of products, merchandise and materials sold by PLN 165 million (described in more detail above);
  - foreign exchange effect (PLN +78 million); and
  - higher interest income by PLN 118 million.

## 3. The segment KGHM INTERNATIONAL LTD. Group

### Production

	Unit	9 months 2015	9 months 2014	Change 9 months 2014=100	3Q 2015	3Q 2014	Change 3Q 2014=100
<b>Payable copper</b> , including:	<b>kt</b>	<b>73.3</b>	<b>63.6</b>	115.3	<b>28.2</b>	<b>22.2</b>	127.0
<i>Robinson</i>	<i>kt</i>	43.6	28.8	151.4	17.7	9.9	178.8
<i>Morrison</i>	<i>kt</i>	9.2	11.4	80.7	3.4	3.9	87.2
<b>Payable nickel</b> , including:	<b>kt</b>	<b>1.6</b>	<b>2.4</b>	66.7	<b>0.5</b>	<b>0.7</b>	71.4
<i>Morrison</i>	<i>kt</i>	1.5	2.0	75.0	0.5	0.7	71.4
<b>Precious metals (TPM)*</b> , including:	<b>koz t</b>	<b>69.6</b>	<b>50.9</b>	136.7	<b>27.7</b>	<b>17.2</b>	161.0
<i>Robinson</i>	<i>koz t</i>	43.0	17.5	x 2.5	18.9	5.5	x 3.4
<i>Morrison</i>	<i>koz t</i>	23.5	30.4	77.3	7.7	10.6	72.6

\* TPM - precious metals: gold, platinum, palladium

In the period from January to September of 2015, payable copper production in the KGHM INTERNATIONAL LTD. Group amounted to 73.3 thousand tonnes, meaning a 9.7 thousand tonnes increase as compared to the same period of 2014.

The increase in production volume was due to higher production by the Robinson mine: production of copper and gold in the first nine months of 2015 increased respectively by 14.8 thousand tonnes (+51%) and 25.5 koz t (+146%) due to the higher quality of extracted ore from the Ruth East pit (in comparison to ore from the Kimbley pit, which was mined in the comparable period of 2014). The good production results enabled the accumulation of ore, ensuring the mine's production flexibility during the commencement of extraction from the next pit in 2016.

The decrease in copper production by 2.2 thousand tonnes and nickel by 0.5 thousand tonnes in the Morrison mine was mainly due to lower deposit thickness leading to a decrease in metals content in ore as well as to the occurrence of seismic events which prevented mining from areas with higher metals content.

### C1 cost

	Unit	9 months 2015	9 months 2014	Change 9 months 2014=100	3Q 2015	3Q 2014	Change 3Q 2014=100
C1*	USD/lb	1.91	2.31	82.7	1.74	2.25	77.3

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

In the first nine months of 2015, the unit cash cost of copper production calculated for all of KGHM INTERNATIONAL LTD. Group's operations amounted to 1.91 USD/lb. This means a 17% lower cost as compared to the amount recorded in the same period of 2014. The decrease in the C1 cost is due to higher production volume, and therefore higher sales in the Robinson mine and an increase in revenues from sales of precious metals, which decrease the C1 cost.

## A. Interim condensed consolidated financial statements (continued)

### Sales

	Unit	9 months 2015	9 months 2014	Change 9 months 2014=100	3Q 2015	3Q 2014	Change 3Q 2014=100
Copper	kt	75.0	59.9	125.2	30.9	24.8	124.6
Nickel	kt	1.6	2.4	66.7	0.5	0.7	71.4
Precious metals (TPM)	koz t	70.7	49.6	142.5	30.3	18.3	165.6

The increase in the volume of copper sales by 25% and precious metals sales by 43% in the first nine months of 2015 as compared to the same period of 2014 was due to increased production by the Robinson mine. The decrease in nickel sales volume was due to lower production by the Morrison mine.

The data presented below in USD were translated into PLN by applying the exchange rate of 3.7453 USD/PLN for the first 9 months of 2015 and the exchange rate of 3.1030 USD/PLN for the first 9 months of 2014, both set as the arithmetical average of the current average exchange rates announced by the NBP on the last day of each month in the first three quarters of 2015 and 2014, respectively. Data in PLN for the third quarter of 2015 and the third quarter of 2014 were set as the difference of the value in PLN between the results for the first 9 months and the results for the first 6 months.

### Sales revenue

	Unit	9 months 2015	9 months 2014	Change 9 months 2014=100	3Q 2015	3Q 2014	Change 3Q 2014=100
Copper	USD mn	397	406	97.8	149	170	87.6
Nickel	USD mn	19	43	44.2	5	12	41.7
Precious metals (TPM)	USD mn	78	52	150.0	32	18	177.8
Other*	USD mn	30	32	93.8	9	7	128.6
<b>Total</b>	<b>USD mn</b>	<b>524</b>	<b>533</b>	<b>98.3</b>	<b>195</b>	<b>207</b>	<b>94.2</b>

\* including revenues from sales of other metals, revenues from services provided by DMC, TC/RC (smelter treatment and refining charges) and, starting from 2015, income from a service fee for operator services rendered by KGHM INTERNATIONAL LTD. to Sierra Gorda S.C.M. for the first 9 months of 2015 and for the third quarter of 2015 in the amounts of USD 14 million and USD 6 million, respectively.

	Unit	9 months 2015	9 months 2014	Change 9 months 2014=100	3Q 2015	3Q 2014	Change 3Q 2014=100
Copper	PLN mn	1 487	1 260	118.0	564	540	104.4
Nickel	PLN mn	71	133	53.4	19	38	50.0
Precious metals (TPM)	PLN mn	292	161	181.4	121	56	x 2.2
Other*	PLN mn	112	99	113.1	34	23	147.8
<b>Total</b>	<b>PLN mn</b>	<b>1 962</b>	<b>1 653</b>	<b>118.7</b>	<b>738</b>	<b>657</b>	<b>112.3</b>

\* including revenues from sales of other metals, revenues from services provided by DMC, TC/RC (smelter treatment and refining charges) and starting from 2015 income from a service fee for operator services rendered by KGHM INTERNATIONAL LTD. to the Sierra Gorda S.C.M. for the period of 9 months of 2015 and for third quarter of 2015 in the amounts of PLN 51 million and PLN 24 million, respectively.

Despite the increase in the volume of copper and precious metals sales, the KGHM INTERNATIONAL LTD Group's sales revenue for the first nine months of 2015 decreased by USD 9 million, or by 2%, as compared to the same period of 2014 due to the lower realised sales prices of copper and nickel.

## A. Interim condensed consolidated financial statements (continued)

### Financial information\*

	Unit	9 months 2015	9 months 2014	Change 9 months 2014=100	3Q 2015	3Q 2014	Change 3Q 2014=100
Sales revenue**	USD mn	524	533	98.3	195	207	94.2
Total cost of products, merchandise and materials sold	USD mn	613	556	110.3	231	211	109.5
Profit/(loss) on sales	USD mn	(89)	(23)	x	(36)	(4)	x
Profit/(loss) for the period	USD mn	(114)	13	x	(70)	12	x
<i>including share in profits/(losses) of investments accounted for using the equity method</i>	USD mn	(71)	-	x	(71)	-	x
Depreciation/amortisation recognised in profit/(loss) for the period	USD mn	165	106	155.7	65	40	162.5
EBITDA***	USD mn	76	95	80.9	29	40	72.5

\* data does not reflect adjustments due to final accounting for the acquisition of KGHM INTERNATIONAL LTD.

\*\* starting from 2015, sales revenue includes income from a service fee for operator services rendered by KGHM INTERNATIONAL LTD. to the Sierra Gorda S.C.M.; in order to maintain comparability, this fee was recognised in EBITDA for the period of 9 months of 2014 and for the third quarter of 2014 in the amounts of USD 12 million and USD 4 million, respectively

\*\*\* EBITDA = Profit/(loss) on sales + depreciation/amortisation recognised in profit/(loss) for the period

	Unit	9 months 2015	9 months 2014	Change 9 months 2014=100	3Q 2015	3Q 2014	Change 3Q 2014=100
Sales revenue*	PLN mn	1 962	1 653	118.7	738	657	112.3
Total cost of products, merchandise and materials sold	PLN mn	2 295	1 726	133.0	873	671	130.1
Profit/(loss) on sales	PLN mn	(333)	(73)	x	(135)	(14)	x
Profit/(loss) for the period	PLN mn	(427)	42	x	(263)	37	x
<i>including share in profits/(losses) of investments accounted for using the equity method</i>	PLN mn	(268)	-	x	(268)	-	x
Depreciation/amortisation recognised in profit/(loss) for the period	PLN mn	617	330	187.0	245	128	191.4
EBITDA**	PLN mn	284	293	96.9	110	126	87.3

\* starting from 2015, sales revenue includes income from a service fee for operator services rendered by KGHM INTERNATIONAL LTD. to the Sierra Gorda S.C.M.; in order to maintain comparability, this fee was recognised in EBITDA for the period of 9 months of 2014 and for the third quarter of 2014 in the amounts of PLN 36 million and PLN 12 million, respectively

\*\* EBITDA = Profit/(loss) on sales + depreciation/amortisation recognised in profit/(loss) for the period

In the first 9 months of 2015, the total cost of products, merchandise and materials sold increased by 10%, or by USD 57 million as compared to the same period of 2014, mainly as a result of a higher sales volume and higher depreciation/amortisation.

The increase in depreciation/amortisation was due to higher ore extraction, which led to the settlement of a higher amount of expenditures incurred previously on pre-stripping in the Robinson Mine's Ruth pit. Excluding depreciation/amortisation, the total cost of products, merchandise and materials sold decreased, among others due to implemented savings initiatives and the weakening of the Canadian dollar and Chilean peso against the US dollar.

Despite the high metals sales volumes and continued cost discipline, in the first nine months of 2015 the KGHM INTERNATIONAL LTD. Group recorded an increased loss on sales of USD 89 million as a result of the decrease in metals prices and the increase in depreciation/amortisation.

The KGHM INTERNATIONAL LTD. Group incurred a loss for the first 9 months of 2015 in the amount of USD 114 million, which includes the share in losses of Sierra Gorda S.C.M., accounted for using the equity method, in the amount of USD 71 million. Moreover, the financial result was negatively impacted by a one-off payment of a premium in the amount of USD 19 million, related to the earlier redemption of senior notes, related to the implemented Financing Policy of the KGHM Polska Miedź S.A. Group.

## A. Interim condensed consolidated financial statements (continued)

The aforementioned factors in regard of the decrease in metals' prices and the increase in production and sales volume had an impact on the level of EBITDA, which after the first three quarters of 2015 amounted to USD 76 million (USD 95 million for the first nine months of 2014).

### Capital expenditures

	Unit	9 months 2015	9 months 2014	Change 9 months 2014=100	3Q 2015	3Q 2014	Change 3Q 2014=100
Victoria	USD mn	47	45	104.4	22	18	122.2
Oxide	USD mn	11	8	137.5	4	3	133.3
Pre-stripping and other	USD mn	134	127	105.5	46	51	90.2
<b>Total</b>	<b>USD mn</b>	<b>192</b>	<b>180</b>	<b>106.7</b>	<b>72</b>	<b>72</b>	<b>100.0</b>
<b>Financing for Sierra Gorda S.C.M.</b>	<b>USD mn</b>	<b>162</b>	<b>518</b>	<b>31.3</b>	<b>63</b>	<b>220</b>	<b>28.6</b>
	Unit	9 months 2015	9 months 2014	Change 9 months 2014=100	3Q 2015	3Q 2014	Change 3Q 2014=100
Victoria	PLN mn	176	140	125.7	83	58	143.1
Oxide	PLN mn	41	25	164.0	19	10	190.0
Pre-stripping and other	PLN mn	501	393	127.4	169	160	105.6
<b>Total</b>	<b>PLN mn</b>	<b>718</b>	<b>558</b>	<b>128.7</b>	<b>271</b>	<b>228</b>	<b>118.9</b>
<b>Financing for Sierra Gorda S.C.M.</b>	<b>PLN mn</b>	<b>607</b>	<b>1 607</b>	<b>37.8</b>	<b>238</b>	<b>704</b>	<b>33.8</b>

The largest expenditures in 2015 were incurred in the Robinson mine (USD 102 million) and related mainly to pre-stripping.

Capital expenditures on the Victoria project in Canada's Sudbury Basin and on the Sierra Gorda Oxide project in Chile amounted to USD 47 million and USD 11 million, respectively. Expenditures on the Victoria project were related to the development of a Basic Engineering Study and the commencement of infrastructure construction (an energy substation and a waste rock dump site), whereas expenditures on the Sierra Gorda Oxide project comprised work on the preparation of a Basic Engineering Study.

In the first nine months of 2015, the KGHM INTERNATIONAL LTD. Group continued financing of the Sierra Gorda mine in the amount of USD 162 million, which related to continuation of the ramp-up phase in order to achieve target production capacity.

## 4. The segment Sierra Gorda

Sierra Gorda is a joint venture of KGHM INTERNATIONAL LTD. (55%), Sumitomo Metal Mining (31.5%) and Sumitomo Corporation (13.5%).

The production and financial information presented below is, unless otherwise stated, shown in terms of a 100% share. Data in USD were translated into PLN applying the exchange rate of 3.7453 USD/PLN, set as the arithmetical average of the current average exchange rates announced by the NBP on the last day of each month in the first three quarters of 2014 and 2015, respectively.

### Production

The Sierra Gorda mine commenced copper production on 30 July 2014, while molybdenum production started on 14 April 2015. The commercial production level was achieved at the end of the second quarter of 2015, which was a prerequisite for the mine's transition to the operational phase. This being the case, the table below, together with further commentary, concerns the third quarter of 2015. Moreover, to ensure comparability in future reporting periods, production data for the period of January-September 2015 was included.

## A. Interim condensed consolidated financial statements (continued)

	Unit	9 months of 2015	3Q 2015
Copper production	kt	60	22
Molybdenum production	kt	4	2
C1 cost*	USD/lb	x	2.44

\* unit cash production cost of payable copper, reflecting ore mining and processing costs, transport costs, administrative expenses during the mining phase and smelter treatment and refining charges (TC/RC) less by-product value

The Sierra Gorda mine is steadily increasing copper production. In the third quarter it amounted to 22 thousand tonnes, which means a 29% increase as compared to the first quarter of 2015. This increase in production was possible thanks to the systematic improvements in technological parameters, including metals recovery. The Company foresees further improvements in production efficiency, which was heralded by the achievement in recent weeks, after the reporting period, of a record level of daily ore processed, exceeding 130 thousand tonnes.

The steady improvement in production parameters allowed us to announce the commencement of commercial production at the end of the second quarter, which is not tantamount to achieving full production capacity – the mine is still in the ramp-up phase. Despite the recognised increase as compared to the previous quarters, technological parameters such as daily ore processed, metals recovery or the degree of efficiency of machines and equipment usage was below the anticipated levels.

During the ramp-up phase aimed at reaching planned production capacity, the mine is exposed to unplanned downtimes caused by the necessity to deal with breakdowns or to improve the efficiency of particular elements of the mining and ore processing infrastructure. These delays mainly relate to the molybdenum plant, which requires additional modifications in order to ensure stable production and maximise metal recovery.

The continued ramp-up of the mine had an impact on the cash cost of copper production, which in the third quarter amounted to 2.44 USD/lb. The valuation of by-products also had a detrimental impact, especially with respect to molybdenum, the price of which decreased by 22% as compared to the previous quarter and by 49% as compared to the average price of 2014.

### Financial results

Sierra Gorda S.C.M. prepares operational income statements since the commencement of commercial production, that is from 1 July 2015.

	Sierra Gorda 100%	Sierra Gorda 100%	Sierra Gorda 55%
	USD mn 3rd quarter of 2015	PLN mn 3rd quarter of 2015	PLN mn 3rd quarter of 2015
Sales revenue	128	480	264
Total cost of products, merchandise and materials sold	214	800	440
<b>Profit/(loss) on sales</b>	<b>(86)</b>	<b>(320)</b>	<b>(176)</b>
<b>Profit/(loss) for the period</b>	<b>(131)</b>	<b>(491)</b>	<b>(270)</b>
Depreciation/amortisation recognised in profit/(loss) for the period	66	248	136
<b>EBITDA*</b>	<b>(20)</b>	<b>(72)</b>	<b>(40)</b>

\* EBITDA = Profit/(loss) on sales + depreciation/amortisation recognised in profit/(loss) for the period

In the first three months since the commencement of commercial production, Sierra Gorda S.C.M. achieved sales revenue of USD 128 million (PLN 480 million). The level of realised sales revenue was significantly impacted by metals prices, which in the third quarter of 2015 were on a significantly lower level than in 2014 – a decrease by 23% (Cu) and 49% (Mo), respectively. Almost 90% of revenues relate to copper, while the small share of molybdenum is due not only to the decrease in market prices but also to the low level of production due to the continued ramp-up of the molybdenum plant which produces molybdenum concentrate.

Total costs of products, merchandise and materials sold amounted to USD 214 million (PLN 800 million), of which the cost of sales amounted to USD 168 million. Among the most significant items in expenses by nature are:

- external services, including mainly contracts related to providing services for the mine and ore processing facility (machinery and equipment repairs, providing social services for the mine's employees, catering, transport, lease of auxiliary equipment) – 33%,
- depreciation/amortisation, including amortisation of expenditures on accessing the deposit – 31%,
- materials, energy and fuel – 31%.

## A. Interim condensed consolidated financial statements (continued)

EBITDA amounted to USD (20) million (PLN (72) million), whereas the financial result for the period amounted to USD (131) million (PLN (491) million). The negative financial result for the period as well as EBITDA is due to the decrease in metals prices and the continued ramp-up of the mine, as mentioned above. Moreover, the loss for the period was increased by the loss on other operating activities in the amount of USD 5 million, as well as finance costs in the amount of USD 83 million, mainly including costs associated with debt servicing under the financing of the mine's construction with a bank loan (USD 3 million) and with an intercompany loan (USD 71 million).

### Capital expenditures

In the period of January-September 2015 expenditures on property, plant and equipment and intangible assets amounted to USD 854 million (PLN 3 198 million), while cash flow from investing activities amounted to USD 432 million, of which USD 231 million related to gaining access to individual parts of the deposit and USD 116 million was incurred on the replacement of property, plant and equipment.

## VII. Seasonal or cyclical activities

The Group is not affected by seasonal or cyclical activities.

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

There was no issuance, redemption or repayment of debt and equity securities in the Group in the current reporting period. *(On 15 June 2015, senior notes issued by KGHM INTERNATIONAL LTD. were redeemed before the redemption date of 2019. The value of the transaction amounted to USD 500 million (nominal value of issued senior notes (PLN 1 845 million) plus a premium due to earlier redemption of USD 19 million (PLN 70 million). This transaction was financed with funds from the syndicated credit facility agreement signed by the Parent Entity.)*

## IX. Information related to paid (declared) dividend, total and per share

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

## X. Effects of changes in the economic structure of the KGHM Polska Miedź S.A. Group

There were no significant changes in the Group's structure in the third quarter of 2015.

## XI. Subsequent events

### Dividend payment

On 19 October 2015, the declared dividend's second instalment was paid from the Parent Entity's profit for 2014. Detailed information may be found in part A.IX.

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

On 20 October 2015 the Parent Entity extended by further 3 months the use of an unsecured, revolving syndicated credit facility instalment in the amount of USD 200 million. Interest on the credit facility is based on LIBOR plus a margin. Maturity for the repayment of the liability is on 20 January 2016. The agreement sets the period of availability of the credit facility as ending on 10 July 2020 with an option to extend it by 1 year.

## B. Other information to the consolidated quarterly report

### Position of the Management Board with respect to the possibility of achieving previously-published forecasts of results for 2015, in the light of results presented in this consolidated quarterly report relative to forecasted results

KGHM Polska Miedź S.A. has not published a forecast of financial results for 2015.

### Shareholders holding at least 5% of the total number of votes at the General Meeting of KGHM Polska Miedź S.A. as at the date of publication of this consolidated quarterly report, changes in the ownership structure of significant blocks of shares of KGHM Polska Miedź S.A. in the period since publication of the separate and consolidated reports for the first half of 2015

At the date of publication of the separate and consolidated reports for the first half of 2015, i.e. at 13 August 2015, based on the knowledge of the Parent Entity's Management Board, the only shareholder owning at least 5% of the total number of votes at the General Meeting of KGHM Polska Miedź S.A. was the State Treasury – which owned 63 589 900 shares of KGHM Polska Miedź S.A., representing 31.79% of the share capital and the same number of votes at the General Meeting of KGHM Polska Miedź S.A. (based on a notification dated 12 January 2010).

Following publication of the separate and consolidated reports for the first half of 2015, KGHM Polska Miedź S.A. was not notified by any shareholder of any change in the ownership structure of a significant block of shares.

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

### Ownership of KGHM Polska Miedź S.A.'s shares or of rights to them by members of the management and supervisory boards of KGHM Polska Miedź S.A., as at the date of publication of the consolidated quarterly report. Changes in ownership during the period following publication of the separate and consolidated reports for the first half of 2015

#### Members of the Parent Entity's Management Board

Based on the information held by KGHM Polska Miedź S.A., the number of KGHM Polska Miedź S.A.'s shares owned by the Members of the Management Board as at the date of preparation of this report was as follows:

function	name	number of shares as at the date of preparation of the report for the third quarter of 2015
President of the Management Board	Herbert Wirth	3639
First Vice President of the Management Board	Jarosław Romanowski	3650
Vice President of the Management Board	Marcin Chmielewski	3743
Vice President of the Management Board	Jacek Kardela	3664
Vice President of the Management Board	Mirosław Laskowski	1715

Based on the information held by the Parent Entity, the above ownership structure did not change since the date of publication of the separate and consolidated reports for the first half of 2015.

#### Members of the Parent Entity's Supervisory Board

Based on the information held by KGHM Polska Miedź S.A., the number of KGHM Polska Miedź S.A.'s shares owned by the Members of the Supervisory Board as at the date of preparation of this report was as follows:

function	name	number of shares as at the date of preparation of the report for the third quarter of 2015
Member of the Supervisory Board	Józef Czyczerski	10
Member of the Supervisory Board	Leszek Hajdacki	1

Based on the information held by the Parent Entity, the above ownership structure did not change since the date of publication of the separate and consolidated reports for the first half of 2015.



**B. Other information to the consolidated quarterly report (continued)****List of proceedings before courts, arbitration authorities or public administration authorities**

As at 30 September 2015, the total value of on-going proceedings before courts, arbitration authorities or public administration authorities respecting liabilities and debtors of KGHM Polska Miedź S.A. and its subsidiaries did not represent at least 10% of the equity value of KGHM Polska Miedź S.A.

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

During the period from 1 January 2015 to 30 September 2015, neither KGHM Polska Miedź S.A. nor its subsidiaries entered into significant transactions with related entities under other than arm's length conditions.

**Information on guarantees or collateral on bank and other loans granted by KGHM Polska Miedź S.A. or its subsidiaries – jointly to a single entity or subsidiary thereof, if the total amount of existing guarantees or collaterals amounts to at least 10% of the equity value of KGHM Polska Miedź S.A.**

During the period from 1 January 2015 to 30 September 2015, neither KGHM Polska Miedź S.A. nor its subsidiaries granted guarantees or collateral on bank and other loans to any single entity or subsidiary thereof with a total value representing at least 10% of the equity value of KGHM Polska Miedź S.A.

**Other information which in the opinion of KGHM Polska Miedź S.A. is significant for the assessment of its employment, assets, financial position and financial result and any changes thereto, and information which is significant for assessing the ability to pay its liabilities**

In the third quarter of 2015 there were no other significant events, apart from those mentioned in the commentary to the report, which could have a significant impact on the assessment of assets, financial position and financial result of the Group and any changes thereto, or any events significant for the assessment of the employment situation and the ability to pay its liabilities.

**Factors which will impact the results of the Group, over at least the next quarter**

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

As a result, through the Parent Entity, the most significant factors influencing the Group's operations over at least the next quarter are:

- copper, silver and molybdenum market prices;
- the USD/PLN exchange rate;
- electrolytic copper production costs, in particular due to the minerals extraction tax and the value of purchased copper-bearing materials used; and
- effects of the implemented hedging policy.

In addition, the Parent Entity is in the process of conducting analyses of copper and molybdenum market prices as well as other macroeconomic factors regarding the possible occurrence of indicators to perform impairment testing of mining assets.

The most significant factors which may affect the results of the KGHM Polska Miedź S.A. Group, through the KGHM INTERNATIONAL LTD. Group, particularly in the following quarter, are:

- metal prices;
- the CLP/USD, CAD/USD and USD/PLN exchange rates; and
- mined copper production costs.



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

### Interim statement of profit or loss

	Note	Reporting period			
		for the 3 months ended 30 September 2015	for the 9 months ended 30 September 2015	for the 3 months ended 30 September 2014	for the 9 months ended 30 September 2014
Sales revenue	C. II. 1	3 681	11 773	4 116	11 843
Cost of sales	C. II. 2	(2 820)	(8 602)	(3 014)	(8 741)
<b>Gross profit</b>		<b>861</b>	<b>3 171</b>	<b>1 102</b>	<b>3 102</b>
Selling costs	C. II. 2	( 27)	( 85)	( 27)	( 89)
Administrative expenses	C. II. 2	( 172)	( 489)	( 173)	( 511)
<b>Profit on sales</b>		<b>662</b>	<b>2 597</b>	<b>902</b>	<b>2 502</b>
Other operating income	C. II. 3	128	427	223	374
Other operating costs	C. II. 4	( 223)	( 534)	( 172)	( 377)
<b>Operating profit</b>		<b>567</b>	<b>2 490</b>	<b>953</b>	<b>2 499</b>
Finance costs	C. II. 5	( 46)	( 88)	( 81)	( 96)
<b>Profit before income tax</b>		<b>521</b>	<b>2 402</b>	<b>872</b>	<b>2 403</b>
Income tax expense		( 167)	( 727)	( 243)	( 655)
<b>Profit for the period</b>		<b>354</b>	<b>1 675</b>	<b>629</b>	<b>1 748</b>
<b>Earnings per share for the period</b> (in PLN per share)					
- basic		1.78	8.38	3.15	8.74
- diluted		1.78	8.38	3.15	8.74

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

### Interim statement of comprehensive income

	Reporting period			
	for the 3 months ended 30 September 2015	for the 9 months ended 30 September 2015	for the 3 months ended 30 September 2014	for the 9 months ended 30 September 2014
<b>Profit for the period</b>	<b>354</b>	<b>1 675</b>	<b>629</b>	<b>1 748</b>
<b>Other comprehensive income ("OCI"):</b>				
<b>OCI, which will be reclassified to profit or loss when specific conditions are met:</b>				
<b>OCI from the measurement of financial instruments:</b>				
Available-for-sale financial assets	( 18)	( 139)	36	182
Income tax related to available-for-sale financial assets	4	27	( 7)	( 35)
Cash flow hedging instruments	( 81)	( 286)	( 77)	( 220)
Income tax related to cash flow hedging instruments	15	54	15	42
<b>Total OCI, which will be reclassified to profit or loss when specific conditions are met</b>	<b>( 80)</b>	<b>( 344)</b>	<b>( 33)</b>	<b>( 31)</b>
<b>OCI, which will not be reclassified to profit or loss:</b>				
Actuarial gains and losses on post-employment benefits	( 143)	34	( 104)	( 256)
Income tax related to actuarial gains and losses	28	( 6)	20	49
<b>Total OCI, which will not be reclassified to profit or loss</b>	<b>( 115)</b>	<b>28</b>	<b>( 84)</b>	<b>( 207)</b>
<b>OCI for the financial period, net</b>	<b>( 195)</b>	<b>( 316)</b>	<b>( 117)</b>	<b>( 238)</b>
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>159</b>	<b>1 359</b>	<b>512</b>	<b>1 510</b>

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

### Interim statement of financial position

	At 30 September 2015	At 31 December 2014
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	12 372	11 562
Intangible assets	578	511
Shares and investment certificates of subsidiaries	11 763	11 760
Investments in joint ventures	18	18
Deferred tax assets	168	111
Available-for-sale financial assets	633	931
Financial assets for mine closure and restoration of tailings storage facilities	231	206
Derivatives	99	190
Trade and other receivables	6 114	2 150
	<b>31 976</b>	<b>27 439</b>
<b>Current assets</b>		
Inventories	2 877	2 377
Trade and other receivables	1 448	2 142
Financial assets for mine closure	7	2
Derivatives	116	267
Cash and cash equivalents	578	85
	<b>5 026</b>	<b>4 873</b>
<b>TOTAL ASSETS</b>	<b>37 002</b>	<b>32 312</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity</b>		
Share capital	2 000	2 000
Revaluation reserve from measurement of financial instruments	22	366
Actuarial gains/losses on post-employment benefits	( 373)	( 401)
Retained earnings	23 187	22 312
<b>TOTAL EQUITY</b>	<b>24 836</b>	<b>24 277</b>
<b>LIABILITIES</b>		
<b>Non-current liabilities</b>		
Trade and other payables	189	185
Borrowings	3 747	1 052
Derivatives	141	122
Employee benefits liabilities	1 824	1 842
Provisions for other liabilities and charges	929	994
	<b>6 830</b>	<b>4 195</b>
<b>Current liabilities</b>		
Trade and other payables	2 804	2 537
Borrowings	2 229	1 056
Current corporate tax liabilities	109	56
Derivatives	30	36
Employee benefits liabilities	113	114
Provisions for other liabilities and charges	51	41
	<b>5 336</b>	<b>3 840</b>
<b>TOTAL LIABILITIES</b>	<b>12 166</b>	<b>8 035</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>37 002</b>	<b>32 312</b>

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

#### Interim statement of changes in equity

	Share capital	Revaluation reserve from measurement of financial instruments	Actuarial gains/losses on post-employment benefits	Retained earnings	Total equity
<b>At 1 January 2015</b>	<b>2 000</b>	<b>366</b>	<b>( 401)</b>	<b>22 312</b>	<b>24 277</b>
Dividends from profit for 2014 resolved and paid	-	-	-	( 400)	( 400)
Dividends from profit for 2014 resolved but unpaid	-	-	-	( 400)	( 400)
Total comprehensive income	-	( 344)	28	1 675	<b>1 359</b>
Profit for the period	-	-	-	1 675	<b>1 675</b>
Other comprehensive income	-	( 344)	28	-	( 316)
<b>At 30 September 2015</b>	<b>2 000</b>	<b>22</b>	<b>( 373)</b>	<b>23 187</b>	<b>24 836</b>
<b>At 1 January 2014</b>	<b>2 000</b>	<b>512</b>	<b>( 112)</b>	<b>20 898</b>	<b>23 298</b>
Dividends from profit for 2013 resolved and paid	-	-	-	( 500)	( 500)
Dividends from profit for 2013 resolved but unpaid	-	-	-	( 500)	( 500)
Total comprehensive income	-	( 31)	( 207)	1 748	<b>1 510</b>
Profit for the period	-	-	-	1 748	<b>1 748</b>
Other comprehensive income	-	( 31)	( 207)	-	( 238)
<b>At 30 September 2014</b>	<b>2 000</b>	<b>481</b>	<b>( 319)</b>	<b>21 646</b>	<b>23 808</b>

**C. Quarterly financial information of KGHM Polska Miedź S.A. (continued)**
**Interim statement of cash flows**

	Reporting period	
	for the 9 months ended 30 September 2015	for the 9 months ended 30 September 2014
<b>Cash flow from operating activities</b>		
Profit for the period	1 675	1 748
<b>Adjustments to profit for the period:</b>	<b>1 792</b>	<b>1 702</b>
Income tax recognised in profit or loss	727	655
Depreciation/amortisation recognised in profit for the period	655	629
Dividends and interest	( 110)	( 60)
Foreign exchange gains	( 55)	( 9)
Change in provisions	24	74
Change in assets/liabilities due to derivatives	393	629
Reclassification of other comprehensive income to profit or loss as a result of realisation of hedging derivatives	( 343)	( 384)
Impairment loss on available-for-sale financial assets	182	1
Impairment loss on shares of a subsidiary	12	-
Other adjustments	9	5
Changes in working capital:	298	162
Inventories	( 476)	( 523)
Trade and other receivables	745	477
Trade and other payables	29	208
Income tax paid	( 656)	( 630)
<b>Net cash generated from operating activities</b>	<b>2 811</b>	<b>2 820</b>
<b>Cash flow from investing activities</b>		
Purchase of shares and investment certificates of subsidiaries	( 40)	( 7)
Purchase of available-for-sale financial assets	( 23)	-
Purchase of property, plant and equipment and intangible assets	(1 743)	(1 643)
Advances granted for the purchase of property, plant and equipment and intangible assets	( 97)	( 28)
Purchase of financial assets from the mine closure fund and tailings storage facilities restoration fund	( 30)	( 28)
Loans granted	(3 785)	(1 053)
Dividends received	32	45
Other investment expenses	10	11
<b>Net cash used in investing activities</b>	<b>(5 676)</b>	<b>(2 703)</b>
<b>Cash flow from financing activities</b>		
Proceeds from bank and other loans	4 046	909
Dividends paid	( 400)	( 500)
Repayments of bank loans	( 214)	( 232)
Interest paid	( 56)	( 7)
Other financial expenses	-	( 46)
<b>Net cash generated from financing activities</b>	<b>3 376</b>	<b>124</b>
<b>Total net cash flow</b>	<b>511</b>	<b>241</b>
Exchange (losses)/ gains on cash and cash equivalents	( 18)	16
<b>Movements in cash and cash equivalents</b>	<b>493</b>	<b>257</b>
<b>Cash and cash equivalents at beginning of the period</b>	<b>85</b>	<b>123</b>
<b>Cash and cash equivalents at end of the period</b>	<b>578</b>	<b>380</b>
including restricted cash and cash equivalents	3	-

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

### Selected explanatory notes

#### I. Accounting policies

These financial statements have been prepared using the same accounting policies for the current and comparable periods.

#### II. Additional notes

##### 1. Sales revenue

	Reporting period			
	for the 3 months ended 30 September 2015	for the 9 months ended 30 September 2015	for the 3 months ended 30 September 2014	for the 9 months ended 30 September 2014
Copper, precious metals, smelter by-products	3 609	11 562	4 053	11 629
Salt	4	23	12	33
Services	23	64	20	63
Merchandise	23	56	15	63
Scrap and production materials	16	48	15	47
Other finished goods	6	20	1	8
<b>Total</b>	<b>3 681</b>	<b>11 773</b>	<b>4 116</b>	<b>11 843</b>

##### 2. Expenses by nature

	Reporting period			
	for the 3 months ended 30 September 2015	for the 9 months ended 30 September 2015	for the 3 months ended 30 September 2014	for the 9 months ended 30 September 2014
Depreciation of property, plant and equipment and amortisation of intangible assets	234	688	210	629
Employee benefit expenses	760	2 212	752	2 239
Materials and energy	1 240	4 048	1 543	4 452
including purchased copper-bearing materials	713	2 484	998	2 824
External services	345	1 017	333	1 021
Taxes and charges	422	1 422	476	1 411
including the minerals extraction tax	325	1 135	383	1 131
Other costs	16	105	14	62
<b>Total expenses by nature</b>	<b>3 017</b>	<b>9 492</b>	<b>3 328</b>	<b>9 814</b>
Cost of merchandise and materials sold (+)	40	103	28	107
Change in inventories of finished goods and work in progress (+/-)	(9)	(337)	(106)	(470)
Cost of manufacturing products for internal use (-)	(29)	(82)	(36)	(110)
<b>Total cost of sales, selling costs and administrative expenses</b>	<b>3 019</b>	<b>9 176</b>	<b>3 214</b>	<b>9 341</b>

**C. Quarterly financial information of KGHM Polska Miedź S.A. (continued)**
**3. Other operating income**

	Reporting period			
	for the 3 months ended 30 September 2015	for the 9 months ended 30 September 2015	for the 3 months ended 30 September 2014	for the 9 months ended 30 September 2014
Income and gains on financial instruments classified under other operating activities, including due to:	107	331	216	328
Measurement and realisation of derivatives	30	89	143	197
Interest	69	155	14	37
Foreign exchange gains	8	60	58	58
Dividends received	-	27	-	35
Fees and charges on re-invoicing costs of bank guarantees securing liabilities	4	21	4	11
Dividends received from subsidiaries	4	4	-	10
Release of unused provisions	-	16	-	2
Other operating income/gains	13	55	3	23
<b>Total other operating income</b>	<b>128</b>	<b>427</b>	<b>223</b>	<b>374</b>

**4. Other operating costs**

	Reporting period			
	for the 3 months ended 30 September 2015	for the 9 months ended 30 September 2015	for the 3 months ended 30 September 2014	for the 9 months ended 30 September 2014
Costs and losses on financial instruments classified under other operating activities, including due to:	185	438	143	308
Measurement and realisation of derivatives	3	255	148	306
Foreign exchange losses	-	-	(5)	-
Impairment of available-for-sale financial assets	182	182	-	1
Impairment loss on shares of subsidiary	12	12	-	-
Donations granted	2	30	1	18
Provisions for liabilities	13	20	21	26
Other operating costs/losses	11	34	7	25
<b>Total other operating costs</b>	<b>223</b>	<b>534</b>	<b>172</b>	<b>377</b>

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

### 5. Finance costs

	Reporting period			
	for the 3 months ended 30 September 2015	for the 9 months ended 30 September 2015	for the 3 months ended 30 September 2014	for the 9 months ended 30 September 2014
Interest due to drawn bank and other loans	9	20	2	5
Foreign exchange (gains)/losses on borrowings	(3)	(15)	69	61
Losses on measurement of derivatives related to borrowings	11	13	-	-
Charges and bank provisions on borrowings	19	40	-	1
Effect of unwinding the discount	10	30	10	29
<b>Total finance costs</b>	<b>46</b>	<b>88</b>	<b>81</b>	<b>96</b>

### 6. Information on property, plant and equipment and intangible assets

#### Purchase of property, plant and equipment and intangible assets

	Reporting period	
	for the 9 months ended 30 September 2015	for the 9 months ended 30 September 2014
Purchase of property, plant and equipment	1 475	1 345
Purchase of intangible assets	64	194

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

	At 30 September 2015	At 31 December 2014
Payables due to the purchase of property, plant and equipment and intangible assets	556	745

#### Capital commitments not recognised in the interim statement of financial position

	At 30 September 2015	At 31 December 2014
Purchase of property, plant and equipment	2 780	4 821
Purchase of intangible assets	13	45
<b>Total capital commitments:</b>	<b>2 793</b>	<b>4 866</b>



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

### 7. Related party transactions

	Reporting period			
	for the 3 months ended 30 September 2015	for the 9 months ended 30 September 2015	for the 3 months ended 30 September 2014	for the 9 months ended 30 September 2014
Revenues from sales to related parties	129	381	142	247
Purchases from related parties	1 109	3 573	1 709	3 655

During the period from 1 July 2015 to 30 September 2015, KGHM Polska Miedź S.A. recognised the amount of PLN 4 million in other operating income due to dividends (since the beginning of the year: PLN 4 million).

During the period from 1 July 2014 to 30 September 2014, KGHM Polska Miedź S.A. did not receive dividends from related parties (since the beginning of the year: PLN 10 million).

	At 30 September 2015	At 31 December 2014
Receivables from related parties due to sales of products, services, merchandise, materials and non-current assets including loans granted	6 533	2 440
Payables towards related parties due to the purchase of products, services, merchandise, materials and non-current assets	6 034	2 046
	581	499

During the current quarter, 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 the Government has significant influence, which would be considered as significant in terms of unusual scope and amount.

The remaining transactions, which were collectively significant, between the Company and the Polish Government and entities controlled or jointly controlled by the Government, or over which the Government has significant influence, were within the scope of normal, daily economic operations, carried out at arm's length. These transactions 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 September 2015 amounted to PLN 459 million (for the period from 1 January 2014 to 30 September 2014: PLN 532 million), while the unsettled balance of liabilities from these transactions at 30 September 2015 amounted to PLN 230 million (at 31 December 2014: PLN 238 million);
- sales to State Treasury companies during the period from 1 January 2015 to 30 September 2015 amounted to PLN 86 million (for the period from 1 January 2014 to 30 September 2014: PLN 53 million), while the unsettled balance of receivables from these transactions at 30 September 2015 amounted to PLN 6 million (at 31 December 2014: PLN 6 million);
- dividends received from State Treasury companies during the period from 1 January 2015 to 30 September 2015 in the amount of PLN 27 million (from 1 January 2014 to 30 September 2014: PLN 35 million).

Remuneration of the Supervisory Board (in PLN thousands)	Reporting period	
	for the 9 months ended 30 September 2015	for the 9 months ended 30 September 2014
Remuneration due to service in the Supervisory Board, salaries and other current employee benefits	1 405	1 150

Remuneration of the Management Board (in PLN thousands)	Reporting period	
	for the 9 months ended 30 September 2015	for the 9 months ended 30 September 2014
Salaries and other current employee benefits	8 537	8 306
Benefits due to termination of employment relationship	249	721
<b>Total</b>	<b>8 786</b>	<b>9 027</b>

**C. Quarterly financial information of KGHM Polska Miedź S.A. (continued)**
**8. 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.

	As at 30 September 2015	Increase/(decrease) since the end of the last financial year
<b>Contingent assets</b>		
Promissory notes receivables	256	102
Guarantees received	240	62
Real estate tax on mining facilities	87	-
Inventions, implementation of projects	49	2
Other	3	2
<b>Total contingent assets</b>	<b>635</b>	<b>168</b>
<b>Contingent liabilities</b>		
Guarantees, letters of credit and promissory notes, including:	1 515	95
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.	519	37
guarantees and letters of credit granted to additionally secure the performance of leasing agreements entered into by Sierra Gorda S.C.M. and KGHM INTERNATIONAL LTD.	343	2
letters of credit granted to secure the proper performance of agreements by KGHM INTERNATIONAL LTD. concerning its future environmental obligations to restore the area following the conclusion of operations of the Robinson mine, Podolsky mine and the Victoria project	315	43
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	16	16
guarantees granted to secure 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, divided into:	320	-
securing guarantee	64	(256)
promissory notes liabilities	256	256
Liabilities due to implementation of projects and inventions	108	(30)
Real estate tax on mining facilities	93	23
Other	20	1
<b>Total contingent liabilities</b>	<b>1 736</b>	<b>89</b>
<b>Other liabilities not recognised in the statement of financial position</b>		
Liabilities towards local government entities due to expansion of the tailings storage facility	117	(3)
Liabilities due to operating leases	13	(3)

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

### III. Items affecting assets, liabilities, equity, profit or loss or cash flows

#### 1. Measurement of significant items of the statement of financial position

##### Financial assets/liabilities - derivatives

In the current quarter, due to the measurement and settlement of future cash flow hedging transactions, OCI was decreased by PLN 63 million, of which:

- PLN 122 million represents a reclassification adjustment made at the time of impact of the hedged position on profit or loss;
- PLN 45 million represents a gain resulting from changes in the fair value of hedging instruments, in the portion reflecting an effective hedge;
- PLN 14 million represents taxation on the above-mentioned items.

*(since the beginning of the financial year a decrease in OCI of PLN 166 million, of which:*

- *PLN 343 million represents a reclassification adjustment made at the time of impact of the hedged position on profit or loss;*
- *PLN 138 million represents a gain resulting from changes in fair value of hedging instruments, in the portion reflecting an effective hedge;*
- *PLN 39 million represents taxation on the above-mentioned items).*

As a result of the realisation and fair value measurement of derivatives, there was an increase in the financial result for the current quarter in the amount of PLN 138 million, of which:

- PLN 122 million represents an increase in sales revenue;
- PLN 27 million represents an increase in the result on other operating activities;
- PLN 11 million represents a decrease in the result on financing activities.

*(since the beginning of the financial year, an increase in the financial result of PLN 164 million, of which PLN 343 million as an increase in sales revenue, PLN 166 million as a decrease in profit on other operating activities and PLN 13 million as a decrease in profit on financing activities).*

Detailed information on derivatives is presented in part C point III 3, Commodity, currency and interest rate risk management in the Company.

##### A loan – hedging instrument

In the current quarter, due to the measurement of the loan instalment drawn, the repayment of which was designated as a future cash flow hedging instrument, OCI was decreased by PLN 3 million, of which:

- PLN 4 million represents a result on measurement of a hedging instrument;
- PLN 1 million represents taxation on the above-mentioned item.

*(since the beginning of the financial year, a decrease in OCI of PLN 66 million, of which:*

- *PLN 81 million represents the result on measurement of a hedging instrument;*
- *PLN 15 million represents taxation on the above-mentioned item).*

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

### Available-for-sale financial assets

In the current quarter, there was a decrease in the fair value of available-for-sale financial assets below their carrying amount, resulting in an impairment loss in the amount of PLN 182 million, which was recognised in profit or loss.

*(since the beginning of the financial year, a decrease in the fair value of available-for-sale financial assets below their carrying amount, resulting in an impairment loss in the amount of PLN 182 million, which was recognised in profit or loss).*

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

### Trade and other non-current receivables

In the current quarter, there was an increase in trade and other non-current receivables in the amount of PLN 423 million, mainly due to loans granted to foreign entities of the KGHM Polska Miedź S.A. Group in the amount of USD 88 million (PLN 332 million at the USD/PLN exchange rate of 3.7754 announced by the NBP as at 30 September 2015).

*(since the beginning of the financial year, an increase in trade and other non-current receivables in the amount of PLN 3 964 million, including loans granted to foreign entities of the KGHM Polska Miedź S.A. Group in the amount of USD 978 million (PLN 3 692 million at the USD/PLN exchange rate of 3.7754 announced by the NBP as at 30 September 2015).*

### Property, plant and equipment

As a result of the depreciation of property, plant and equipment and the amortisation of intangible assets, the amount of PLN 234 million increased the operating costs of the current quarter.

*(since the beginning of the financial year, an increase in costs by PLN 688 million).*

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

## 2. Nature and amount of changes in estimates

### Provisions for future liabilities

In the current quarter, the effects of revaluation or recognition of estimates of future liabilities (provisions) were accounted for, in particular:

2.1 future employee benefits liabilities due to one-off retirement or disability payments, jubilee awards, post-mortem benefits and the coal equivalent paid also after the period of employment. The result of this change in estimates, mainly as a result of changes in macroeconomic assumptions, is an increase in liabilities of PLN 170 million, which was settled as:

- a decrease in OCI of PLN 143 million (after reflecting the deferred tax effects, a decrease in OCI of PLN 115 million),
- a decrease in the financial result of PLN 27 million, (after reflecting the deferred tax effects, a decrease in the financial result of PLN 22 million),

*(since the beginning of the financial year, there was a decrease in liabilities by PLN 19 million, which was settled as:*

- *an increase in OCI of PLN 34 million (after reflecting the deferred tax effects, an increase in OCI of PLN 28 million),*
- *a decrease in the financial result of PLN 15 million (after reflecting the deferred tax effects, a decrease in the financial result of PLN 12 million)*

2.2 provisions for future costs of decommissioning (restoration) of mines, comprising the estimated costs of dismantling and removing technological facilities, for which the obligation for restoration upon the conclusion of activities is a result of separate law or standard practice. The result of this change in estimate is an increase in the provisions of PLN 199 million, which was settled as a decrease in the financial result of PLN 11 million and as an increase of property, plant and equipment of PLN 188 million. The increase in the provisions caused an increase in deferred tax assets in the amount of PLN 38 million;

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

*(since the beginning of the financial year, there was a decrease in the provisions by PLN 52 million, which was settled as a decrease in the financial result in the amount of PLN 13 million and as a decrease in property, plant and equipment of PLN 65 million, deferred tax effect – a decrease in deferred tax assets in the amount of PLN 14 million);*

2.3 liabilities due to future employee remuneration expenses together with charges, which were settled as a decrease in profit of PLN 163 million, paid (in accordance with the Collective Labour Agreement) on the occasion of mining or smelting holidays and after approval of the annual financial statements.

*(As at 30 September 2015, liabilities amounted to PLN 401 million).*

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

#### Deferred tax

As a result of differences between the carrying amount and the tax base of statement of financial position items, there was a change in the estimated value of the deferred tax assets and liabilities.

After offsetting the deferred tax assets and deferred tax liabilities, the deferred tax assets at the end of the reporting period were set at PLN 168 million.

*(As at 31 December 2014, after offsetting the deferred tax assets and deferred tax liabilities, the deferred tax assets were set at PLN 111 million)*

In the current quarter, there was an increase in the deferred tax assets of PLN 92 million, which was settled as:

- an increase in profit PLN 63 million;
- an increase in OCI due to measurement of hedging instruments PLN 1 million;
- an increase in OCI due to actuarial losses on post-employment benefits PLN 28 million;

*(since the beginning of the financial year, there was an increase in the deferred tax assets in the amount of PLN 6 million, which was settled as:*

- a decrease in profit PLN 3 million;
- an increase in OCI due to measurement of hedging instruments and measurement of post-employment benefits PLN 9 million).

In the current quarter, there was an increase in the deferred tax liabilities of PLN 32 million, which was settled as:

- a decrease in profit PLN 50 million;
- an increase in OCI due to measurement of hedging derivative instruments and available-for-sale financial assets PLN 18 million;

*(since the beginning of the financial year, there was a decrease in the deferred tax liabilities in the amount of PLN 52 million, which was settled as:*

- a decrease in profit PLN 14 million;
- an increase in OCI due to measurement of hedging derivative instruments, and available-for-sale financial assets PLN 66 million).

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

### 3. Commodity, currency and interest rate risk management in the Company

The management of market risk, and especially the management of the risk of changes in metals prices, exchange rates and interest rates, should be considered through the analysis of the hedging position together with the position being hedged (hedged position). A hedging position is understood as the Company's position in derivatives. A hedged position is comprised of highly probable, future cash flows (revenues from the physical sale of products).

The notional amount of copper price hedging strategies settled in the third quarter of 2015 represented approx. 8% of the total sales of this metal realised by the Company. In the case of currency transactions, approx. 39% of total revenues from metals sales realised by the Company during the period were hedged.

In the third quarter of 2015, the amount of PLN 122 million was recognised as sales revenue (this was the amount transferred from the revaluation reserve from the measurement of cash flow hedging instruments to profit or loss). The result on other operating activities was increased by PLN 27 million, of which PLN 6 million constituted a loss on the realisation of derivatives, PLN 33 million constituted gain on the measurement of derivatives, and PLN 11 million decreased financing activities (loss on the measurement of derivatives). The gain or loss on the measurement of derivative transactions results mainly from the changes in the time value of options which, in accordance with the hedge accounting policy, are recognised in profit or loss.

#### Impact of derivatives on the profit or loss of the current and comparable periods

	Reporting period			
	for 3 months ended 30 September 2015	for 9 months ended 30 September 2015	for 3 months ended 30 September 2014	for 9 months ended 30 September 2014
<b>Impact on sales revenue</b>	<b>122</b>	<b>343</b>	<b>120</b>	<b>384</b>
<b>Impact on other operating activities</b>	<b>27</b>	<b>(166)</b>	<b>(5)</b>	<b>(109)</b>
from realisation of derivatives	(6)	(11)	(19)	(31)
from measurement of derivatives	33	(155)	14	(78)
<b>Impact on financing activities</b>	<b>(11)</b>	<b>(13)</b>	-	-
from measurement of derivatives	(11)	(13)	-	-
<b>Total impact of derivatives on profit or loss for the period:</b>	<b>138</b>	<b>164</b>	<b>115</b>	<b>275</b>

#### Revaluation reserve from measurement of cash flow hedging instruments

	At 30 September 2015	At 30 June 2015	At 31 December 2014
<b>Commodity price risk hedging transactions</b>	<b>103</b>	<b>159</b>	<b>237</b>
derivatives on the copper market	103	159	237
<b>Currency risk hedging transactions</b>	<b>(76)</b>	<b>(51)</b>	<b>76</b>
derivatives on the currency market	21	43	93
bank and other loans in foreign currencies	(97)	(94)	(17)
<b>As at the end of the period (excluding the deferred tax effect)</b>	<b>27</b>	<b>108</b>	<b>313</b>

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

During the third quarter of 2015, there was a decrease in OCI (excluding the deferred tax effect) by PLN 81 million, comprised of:

- PLN 41 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 122 million - the amount decreasing the revaluation reserve from the measurement of cash flow hedging instruments, transferred to increase revenues from sales. This amount was the result of the settlement of hedging transactions in the portion reflecting an effective hedge.

In the third quarter of 2015, the Company did not implement any hedging transactions on the copper market, silver market, or currency market.

With respect to the management of currency risk, whose source is borrowing, the Company uses natural hedging by borrowing in currencies, in which it has revenues. As at 30 September 2015, the value of bank loans and an investment loan, drawn in USD, following their translation to PLN, amounted to PLN 6 011 million<sup>(1)</sup>.

As at 30 September 2015, the Company remains hedged for a portion of planned copper sales for the period from October to December 2015 (10.5 thousand tonnes). The Company does not hold any open hedging transactions on the silver market. With respect to revenues from sales (currency market), as at 30 September 2015, the Company holds a hedging position in derivatives for planned revenues from sales of metals in the amount of USD 2 145 million, including: USD 285 million for the period from October to December 2015, USD 960 million for 2016 and USD 900 million for 2017. In addition, the first instalment of the loan from the European Investment Bank (in the amount of USD 300 million) hedges revenues from sales against the risk of changes in foreign exchange rates during 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).

Presented below is condensed information on open hedging transactions, by type of hedged asset and instruments used as at 30 September 2015. In the case of the copper market and the currency market, the hedged notional/volume in the presented periods is allocated monthly, on a systematic basis.

#### 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 <sup>(2)</sup>			Participation limited to	Hedge limited to
4 <sup>th</sup> quarter of 2015	Seagull	3 000	10 200	7 700	4 500	-332	7 368	10 200	4 500
	Seagull	7 500	10 300	7 800	4 500	-368	7 432	10 300	4 500
	<b>Total</b>	<b>10 500</b>							
<b>TOTAL Oct-Dec 2015</b>		<b>10 500</b>							

<sup>(1)</sup> 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 5 976 million, which is the amount of bank loans and a loan drawn in the amount of PLN 6 011 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.

<sup>(2)</sup> 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".

### C. Quarterly financial information of KGHM Polska Miedź S.A. (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
4th quarter of of 2015	Sold call option	90	4.5000	-	-	+0.3125	-	4.5000	-
	Purchased put option	90	-	2.7000	-	-0.0352	2.6648	-	-
	Collar	60	4.0000	3.3000	-	-0.0694	3.2306	4.0000	-
	Collar	90	4.0000	3.2000	-	-0.0508	3.1492	4.0000	-
	Purchased put option	45	-	3.5500	-	-0.0775	3.4725	-	-
	<b>Total<sup>(3)</sup></b>	<b>285</b>	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 <i>Revaluation reserve from the measurement of financial instruments</i> in the amount of PLN 20 million, which will increase <i>Sales revenue</i> in the fourth quarter of 2015.						
<b>TOTAL Oct-Dec 2015</b>		<b>285</b>							
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	-
	<b>Total</b>	<b>480</b>							
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	-
	<b>Total</b>	<b>480</b>							
<b>TOTAL 2016</b>		<b>960</b>							
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	-
	<b>Total</b>	<b>450</b>							
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	-
	<b>Total</b>	<b>450</b>							
<b>TOTAL 2017</b>		<b>900</b>							

<sup>(3)</sup> Excluded from the amount is the notional amount of *sold call options* (USD 90 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.



## C. Quarterly financial information of KGHM Polska Miedź S.A. (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] <sup>(4)</sup>	[%]	[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%
<b>AVERAGE IN 2016</b>		<b>550</b>				
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%
<b>AVERAGE IN 2017</b>		<b>700</b>				
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%
<b>AVERAGE IN 2018</b>		<b>900</b>				

As at 30 September 2015, the net fair value of open positions in derivatives amounted to PLN 44 million, of which PLN 35 million related to the positive fair value of the hedging instruments, while PLN 9 million related to the positive fair value of trade instruments. The fair value of open positions in derivatives varies, depending on changes in market conditions, and the final result on these transactions may vary significantly from the measurement described above.

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

	As at 30 September 2015		As at 31 December 2014	
	Derivatives	Receivables due to unsettled derivatives <sup>(5)</sup>	Derivatives	Receivables due to unsettled derivatives <sup>(6)</sup>
Financial assets	215	34	457	34
Financial liabilities	(171)	-	(158)	-
<b>Fair value</b>	<b>44</b>	<b>34</b>	<b>299</b>	<b>34</b>

<sup>(4)</sup> In the financial statements for the first quarter of 2015 and the financial statements for the first half of 2015, premiums were presented without the minus sign. The purpose of introducing the minus sign is to standardise the means of presenting information on premiums received and paid for options. Premiums on interest rate cap options are recognised by the Company as a cost.

<sup>(5)</sup> Settlement date falls on 2 October 2015

<sup>(6)</sup> Settlement date falls on 5 January 2015

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

Detailed information on positions in derivatives as at 30 September 2015 is presented below in the tables "Trade instruments" and "Hedging instruments".

#### 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]	As at 30 September 2015			
			Financial assets		Financial liabilities	
			Current	Non-current	Current	Non-current
<b>Derivatives - Metals - Copper:</b>						
Options						
Sold put options	10 500	4 500	-	-	(1)	-
<b>TOTAL</b>			-	-	<b>(1)</b>	-
<b>Derivatives - Currency contracts:</b>						
USD options						
Sold put options	90 000	3.4000	-	-	-	-
<b>TOTAL</b>			-	-	-	-
<b>Derivatives - Interest rate:</b>						
Options						
Purchased interest rate cap options	717 000 <sup>(7)</sup>	2.50%	-	10	-	-
<b>TOTAL</b>			-	<b>10</b>	-	-
<b>TOTAL TRADE INSTRUMENTS</b>			-	<b>10</b>	<b>(1)</b>	-

#### 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		Period of impact on profit or loss		As at 30 September 2015			
							Financial assets		Financial liabilities	
			From	To	From	To	Current	Non-current	Current	Non-current
<b>Derivatives - Metals- Copper</b>										
Options										
Seagull	10 500	7 771 - 10 271	Oct 15-Dec 15		Nov 15-Jan 16	103	-	-	-	-
<b>TOTAL</b>						<b>103</b>	-	-	-	-
<b>Derivatives - Currency contracts</b>										
Options USD										
Purchased put options	135 000	2.9833	Oct 15-Dec 15		Oct 15-Dec 15	-	-	-	-	-
Collar	2 010 000	3.3657-4.1552	Oct 15-Dec 17		Oct 15-Dec 17	13	89	(29)	(141)	
<b>TOTAL</b>						<b>13</b>	<b>89</b>	<b>(29)</b>	<b>(141)</b>	
<b>TOTAL HEDGING INSTRUMENTS</b>						<b>116</b>	<b>89</b>	<b>(29)</b>	<b>(141)</b>	

<sup>(7)</sup> 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.

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

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

The following table presents the rating structure of financial institutions, with which the Company had derivative transactions that constitute an exposure to credit risk<sup>(8)</sup>.

Rating levels	As at 30 September 2015	As at 31 December 2014
Highest <sup>(9)</sup>	-	1%
Medium-high <sup>(10)</sup>	99%	93%
Medium <sup>(11)</sup>	1%	6%

Taking into consideration the fair value of open derivative transactions concluded by the Company and unsettled derivatives, as at 30 September 2015, the maximum single entity's share in the amount exposed to credit risk arising from these transactions equals to 56% (as at 31 December 2014: 44%).

In order to reduce cash flows as well as credit risk, the Company carries out net settlements (based on framework agreements concluded with its counterparties) to the level of the positive balance of fair value measurement of transactions in derivatives with a given counterparty. In addition, credit risk in this regard is monitored on an ongoing basis by analysing credit ratings and is limited by actions taken to achieve diversification in terms of individual entities when implementing hedging strategies.

Despite the concentration of credit risk associated with derivatives transactions, the Company has determined that, as it only cooperates with renowned financial institutions, as well as continuously monitors their ratings, it is not materially exposed to credit risk as a result of transactions concluded with them.

### 4. Management of liquidity risk and capital in the Company

Capital management in the Company is aimed at securing funds for development and ensuring adequate financial liquidity. The Company actively manages the liquidity risk to which it is exposed.

In the third quarter of 2015, in order to support financial liquidity, the Company made use of external sources of financing in the form of short-term bank loans, an unsecured, revolving syndicated credit facility and an investment loan.

As at 30 September 2015, the Company had open credit lines and an investment loan, in respect of which the amount of credit drawn was as follows:

Type of bank and other loans	Available currency	Amount available, in PLN	Amount drawn, in PLN
Working capital facility and overdraft facility	USD, EUR, PLN	3 369	2 225
Unsecured revolving syndicated credit facility	USD	9 439	2 647
Investment loan	USD, EUR, PLN	2 000	1 139
<b>Total</b>		<b>14 808</b>	<b>6 011</b>

<sup>(8)</sup> Weighted by positive fair value of open and unsettled derivatives.

<sup>(9)</sup> 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.

<sup>(10)</sup> 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.

<sup>(11)</sup> 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.

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

The funds available through the open lines of financing are available in PLN, USD and EUR, with interest based on either a fixed rate or on variable WIBOR, LIBOR and EURIBOR rates plus a margin.

As at 30 September 2015, all bank and other loans in the amount of PLN 6 011 million were drawn in USD. Interest on the bank loans is based on variable LIBOR plus a margin. The investment loan's interest is based on a fixed rate.

Lubin, 12 November 2015