

Review of financial position

Assets

As at 31 December 2012, total assets amounted to PLN 28 177 million, a decrease by PLN 1 075 million (4%) versus the end of 2011.

The most important changes in 2012 were in the following asset items:

Shares and investment certificates in subsidiaries and associates and interest in joint ventures – an increase by PLN 9 662 million, mainly due to the acquisition of the Canadian company Quadra FNX Mining Ltd. (currently KGHM INTERNATIONAL LTD.). In addition, in April 2012, KGHM Polska Miedź S.A. increased its engagement in KGHM AJAX MINING INC. from 51% to 80%. Subsequently, as part of the process of reorganising the structure of the KGHM Polska Miedź S.A. Group, all of the shares were acquired by the indirect subsidiary 0929260 B.C. Unlimited Liability Company in exchange for the newly-issued shares of this company acquired by KGHM Polska Miedź S.A. The remaining equity expenditures mainly involved subsidiaries, including Energetyka Sp. z o.o., whose share capital in 2012 was increased by PLN 67 million designated for the purchase and modernisation of property, plant and equipment. Investments in joint ventures in the amount of PLN 33 million involve the acquisition of shares in the special purpose company Elektrownia Blachownia Nowa Sp. z o.o. founded jointly with Tauron Wytwarzanie S.A.

Cash and cash equivalents – a decrease by PLN 12 129 million mainly due to expenditures incurred on the realisation of equity investments (mainly the acquisition of 100% of the shares of Quadra FNX Mining Ltd.) and payment of a shareholder dividend in the amount of PLN 5 668 million.

Inventories – an increase by PLN 636 million, mainly due to an increase in the volume of inventories due to the planned three month maintenance shutdown of the flash furnace of the Głogów II Smelter in the second half of 2013. Also of significance was the unit cost of copper production, representing the basis for inventory valuation. Introduction of the minerals extraction tax had the greatest impact on its increase, which in annual terms amounted to 29%.

Derivatives – a decrease by PLN 635 million, due to a change in the forward prices of metals and the settlement of derivatives.

Property, plant and equipment – an increase by 1 167 million, the result of investment activities. In 2012, expenditures in this regard amounted to PLN 1 766 million, of which development-related investments amounted to PLN 1 040 million (60%), while the remainder involved replacement-related investments.

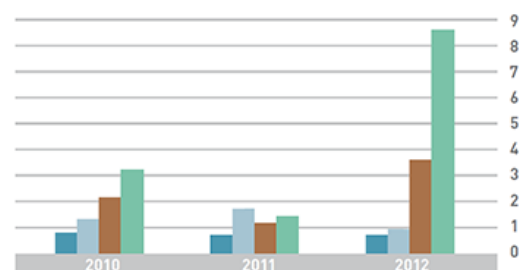
Receivables – an increase by PLN 185 million, mainly trade receivables, which were higher by PLN 98 million (higher sales) and non-financial receivables, higher by PLN 103 million, mainly in respect of receivables involving taxation, customs and insurance as well as non-financial prepayments.

Available-for-sale financial assets – a decrease by PLN 110 million, mainly due to valuation of the shares of Tauron Polska Energia S.A. at prices lower than at the end of 2011 (in yearly terms the value of these shares listed on the WSE decreased by 11%). In addition, according to the requirements of International Financial Reporting Standards, due to the fact that the decrease in the fair value of the shares of this company versus their cost has lasted over 12 months, an impairment loss was recorded. The amount of this impairment loss which decreased the financial result amounted to PLN 151 million.

Current and non-current assets (million PLN)

| | 31.12.2011* | 31.12.2012 |
|--|---------------|---------------|
| Property, plant and equipment | 7 277 | 8 445 |
| Shares and investment certificates in subsidiaries and associates and interest in joint ventures | 2 012 | 11 674 |
| Deferred tax assets | 169 | 266 |
| Available-for-sale financial assets | 992 | 882 |
| Derivatives | 1 758 | 1 123 |
| Trade and other receivables | 1 587 | 1 772 |
| Inventories | 2 356 | 2 992 |
| Cash and cash equivalents | 12 836 | 707 |
| Other assets | 265 | 316 |
| Total assets | 29 252 | 28 177 |

Assets effectiveness ratio



- ▲ Assets turnover ratio
- ▲ Non-current assets turnover ratio
- ▲ Current assets turnover ratio
- ▲ Liquid assets turnover ratio

Ratios calculated based on end-of-year balances.

Equity and liabilities (million PLN)

| | 31.12.2011* | 31.12.2012 |
|---|---------------|---------------|
| Equity | 23 135 | 21 923 |
| Share capital | 2 000 | 2 000 |
| Revaluation reserve from the measurement of available-for-sale financial assets | - 39 | - |
| Revaluation reserve from the measurement of cash flow hedging instruments | 574 | 286 |
| Retained earnings | 20 600 | 19 637 |
| Current and non-current liabilities | 6 117 | 6 254 |
| Trade and other payables | 1 840 | 2 263 |
| Borrowings and finance lease liabilities | - | 1 013 |
| Derivatives | 868 | 253 |
| Current corporate tax liabilities | 1 588 | 390 |
| Employee benefits liabilities | 1 323 | 1 581 |
| Provisions for other liabilities and charges | 498 | 754 |
| Total equity and liabilities | 29 252 | 28 177 |

* Data restated due to a change in accounting principles (Note 2.1.1 of the Financial Statements).