POLISH FINANCIAL SUPERVISION AUTHORITY

Consolidated quarterly report QSr 3 / 2016

(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 of 2014, point 133, with subsequent amendments)

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

For the third quarter of the financial year **2016** from **1 July 2016** to **30 September 2016** containing 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.

publication date: 9 November 2016

KGHM Polska Miedź Spółka Akcyjna
(name of the issuer)

KGHM Polska Miedź S.A.	**Basic materials**
(name of the issuer in brief)	(issuer branch title per the Warsaw Stock Exchange)
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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 PLN mn		in EUR mn	
		3 quarters of 2016	**3 quarters of 2015**	**3 quarters of 2016**	**3 quarters of 2015**
I.	Sales revenue	13 141	14 860	3 008	3 573
II.	Profit on sales	1 813	2 274	415	547
III.	Profit before income tax	1 214	1 840	278	442
IV.	Profit for the period	629	1 228	144	295
V.	Profit for the period attributable to shareholders of the Parent Entity	625	1 225	143	294
VI.	Profit for the period attributable to non-controlling interest	4	3	1	1
VII.	Other comprehensive net income	(4)	385	(1)	93
VIII.	Total comprehensive income	625	1 613	143	388
IX.	Total comprehensive income attributable to shareholders of the Parent Entity	615	1 618	141	389
X.	Total comprehensive income attributable to non-controlling interest	10	(5)	2	(1)
XI.	Number of shares issued (million)	200	200	200	200
XII.	Earnings per ordinary share attributable to shareholders of the Parent Entity	3.13	6.13	0.72	1.47
XIII.	Net cash generated from operating activities	2 280	3 393	522	816
XIV.	Net cash used in investing activities	(2 858)	(3 377)	(654)	(812)
XV.	Net cash generated from financing activities	836	597	191	144
XVI.	Total net cash flow	258	613	59	148
		3rd quarter of 2016	**2015**	**3rd quarter of 2016**	**2015**
XVII.	Non-current assets	31 296	30 448	7 258	7 145
XVIII.	Current assets	6 595	6 316	1 529	1 482
XIX.	Total assets	37 891	36 764	8 787	8 627
XX.	Non-current liabilities	11 749	10 153	2 724	2 382
XXI.	Current liabilities	5 398	6 197	1 252	1 454
XXII.	Equity	20 744	20 414	4 811	4 791
XXIII.	Equity attributable to shareholders of the Parent Entity	20 529	20 211	4 761	4 743
XXIV.	Equity attributable to non-controlling interest	215	203	50	48

Data concerning the quarterly financial information of KGHM Polska Miedź S.A.

		in PLN mn		in EUR mn	
		3 quarters of 2016	**3 quarters of 2015**	**3 quarters of 2016**	**3 quarters of 2015**
I.	Sales revenue	10 284	11 773	2 354	2 831
II.	Profit on sales	1 694	2 597	388	625
III.	Profit before income tax	1 832	2 402	419	578
IV.	Profit for the period	1 282	1 675	293	403
V.	Other comprehensive net income	34	(316)	8	(76)
VI.	Total comprehensive income	1 316	1 359	301	327
VII.	Number of shares issued (million)	200	200	200	200
VIII.	Earnings per ordinary share	6.41	8.38	1.47	2.02
IX.	Net cash generated from operating activities	1 863	2 811	426	676
X.	Net cash used in investing activities	(2 544)	(5 676)	(582)	(1 365)
XI.	Net cash generated from financing activities	876	3 376	201	812
XII.	Total net cash flow	195	511	45	123
		3rd quarter of 2016	**2015**	**3rd quarter of 2016**	**2015**
XIII.	Non-current assets	29 994	28 406	6 956	6 666
XIV.	Current assets	5 072	4 714	1 176	1 106
XV.	Total assets	35 066	33 120	8 132	7 772
XVI.	Non-current liabilities	9 291	7 756	2 155	1 821
XVII.	Current liabilities	4 480	5 085	1 039	1 193
XVIII.	Equity	21 295	20 279	4 938	4 758

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Part 1 – Interim condensed consolidated financial statements

INTERIM CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		3rd quarter of 2016	3 quarters of 2016	3rd quarter of 2015	3 quarters of 2015
Note 3.3	Sales revenue	4 685	13 141	4 800	14 860
Note 4.1	Cost of sales	(3 651)	(10 355)	(3 928)	(11 609)
	Gross profit	**1 034**	**2 786**	**872**	**3 251**
Note 4.1	Selling costs and administrative expenses	(339)	(973)	(364)	(977)
	Profit on sales	**695**	**1 813**	**508**	**2 274**
Note 3.2	Share of losses of joint ventures accounted for using the equity method	(351)	(827)	(312)	(313)
	Interest income on loans granted to joint ventures	159	465	142	319
	Profit or loss on involvement in joint ventures	(192)	(362)	(170)	6
Note 4.2	Other operating income/(costs)	(164)	(270)	(138)	(216)
Note 4.3	Finance income/(costs)	192	33	(53)	(224)
	Profit before income tax	**531**	**1 214**	**147**	**1 840**
	Income tax expense	(200)	(585)	(113)	(612)
	PROFIT FOR THE PERIOD	**331**	**629**	**34**	**1 228**
	Profit for the period attributable to:				
	Shareholders of the Parent Entity	329	625	33	1 225
	Non-controlling interest	2	4	1	3
	Weighted average number of ordinary shares (million)	**200**	**200**	**200**	**200**
	Basic/diluted earnings per share (in PLN)	**1.65**	**3.13**	**0.17**	**6.13**

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	3rd quarter of 2016	3 quarters of 2016	3rd quarter of 2015	3 quarters of 2015
Profit for the period	**331**	**629**	**34**	**1 228**
Measurement of hedging instruments net of the tax effect	30	11	(66)	(232)
Measurement of available-for-sale financial assets net of the tax effect	(41)	(22)	(10)	(92)
Exchange differences from translation of foreign operations statements	(135)	(1)	(47)	681
Other comprehensive income which will be reclassified to profit or loss	**(146)**	**(12)**	**(123)**	**357**
Actuarial gains/losses net of the tax effect	81	8	(119)	28
Other comprehensive income, which will not be reclassified to profit or loss	**81**	**8**	**(119)**	**28**
Total other comprehensive net income	**(65)**	**(4)**	**(242)**	**385**
TOTAL COMPREHENSIVE INCOME	**266**	**625**	**(208)**	**1 613**
Total comprehensive income attributable to:				
Shareholders of the Parent Entity	270	615	(201)	1 618
Non-controlling interest	(4)	10	(7)	(5)

amounts in PLN millions, unless otherwise stated

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

	3 quarters of 2016	3 quarters of 2015
Cash flow from operating activities		
Profit before income tax	1 214	1 840
Depreciation/amortisation recognised in profit or loss	1 241	1 474
Share of losses of joint ventures accounted for using the equity method	827	313
Interest on loans granted to joint ventures	(465)	(319)
Interest and other costs of borrowings	103	172
Impairment losses on non-current assets	71	214
Other adjustments to profit before income tax	(187)	(115)
Exclusions of income and costs, total	1 590	1 739
Income tax paid	(335)	(691)
Changes in working capital	(189)	505
Net cash generated from operating activities	**2 280**	**3 393**
Cash flow from investing activities		
Expenditures on mining and metallurgical assets	(2 320)	(2 501)
Expenditures on other property, plant and equipment and intangible assets	(163)	(220)
Acquisition of newly-issued shares of joint ventures	(335)	(608)
Other expenses	(74)	(113)
Total expenses	(2 892)	(3 442)
Proceeds	34	65
Net cash used in investing activities	**(2 858)**	**(3 377)**
Cash flow from financing activities		
Proceeds from borrowings	2 896	4 081
Other proceeds	18	38
Total proceeds	2 914	4 119
Repayments of borrowings	(1 821)	(2 890)
Dividends paid to shareholders of the Parent Entity	(150)	(400)
Interest paid	(98)	(208)
Other expenses	(9)	(24)
Total expenses	(2 078)	(3 522)
Net cash generated from financing activities	**836**	**597**
TOTAL NET CASH FLOW	**258**	**613**
Cash and cash equivalents at beginning of the period	**461**	**475**
Exchange gains/(losses) on cash and cash equivalents	12	(147)
Cash and cash equivalent at end of the period	**731**	**941**

amounts in PLN millions, unless otherwise stated

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		3rd quarter of 2016	2015
	ASSETS		
	Mining and metallurgical property, plant and equipment	15 098	14 273
	Mining and metallurgical intangible assets	3 298	3 130
	Mining and metallurgical property, plant and equipment and intangible assets	18 396	17 403
	Other property, plant and equipment	2 707	2 653
	Other intangible assets	197	241
	Other property, plant and equipment and intangible assets	2 904	2 894
	Joint ventures accounted for using the equity method	73	562
	Loans granted to joint ventures	7 874	7 504
Note 4.5	Total involvement in joint ventures	7 947	8 066
	Derivatives	58	117
	Other financial instruments measured at fair value	528	579
	Other financial assets	826	735
	Financial instruments, total	1 412	1 431
	Deferred tax assets	512	557
	Other assets	125	97
	Non-current assets	**31 296**	**30 448**
	Inventories	4 225	3 382
	Trade receivables	955	1 541
	Tax assets	288	542
	Derivatives	56	7
	Other assets	340	383
	Cash and cash equivalents	731	461
	Current assets	**6 595**	**6 316**
		37 891	**36 764**
	EQUITY AND LIABILITIES		
	Share capital	2 000	2 000
	Other reserves from measurement of financial instruments	(75)	(64)
	Accumulated other comprehensive income	1 869	1 868
	Retained earnings	16 735	16 407
	Equity attributable to shareholders of the Parent Entity	20 529	20 211
	Equity attributable to non-controlling interest	215	203
	Equity	**20 744**	**20 414**
Note 4.8	Borrowings	6 469	4 870
	Derivatives	125	159
	Employee benefits liabilities	2 012	1 979
	Provisions for decommissioning costs of mines and other facilities	1 554	1 466
	Deferred tax liabilities	679	714
	Other liabilities	910	965
	Non-current liabilities	11 749	10 153
Note 4.8	Borrowings	1 460	2 145
	Derivatives	59	48
	Trade payables	1 234	1 418
	Employee benefits liabilities	761	760
	Tax liabilities	719	762
	Other liabilities	1 165	1 064
	Current liabilities	5 398	6 197
	Non-current and current liabilities	**17 147**	**16 350**
		37 891	**36 764**

amounts in PLN millions, unless otherwise stated

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

		Equity attributable to shareholders of the Parent Entity						
		Share capital	Other reserves from measurement of financial instruments	Accumulated other comprehensive income	Retained earnings	Total	Equity attributable to non-controlling interest	Total equity
	As at 1 January 2015	**2 000**	**377**	**741**	**22 184**	**25 302**	**228**	**25 530**
Note 5.4	Dividend	-	-	-	(800)	**(800)**	-	**(800)**
	Transactions with non-controlling interest	-	-	-	25	**25**	(15)	**10**
	Transactions with owners	-	-	-	(775)	**(775)**	(15)	**(790)**
	Profit for the period	**-**	-	-	1 225	**1 225**	3	**1 228**
	Other comprehensive income	-	(324)	717	-	**393**	(8)	**385**
	Total comprehensive income	-	(324)	717	1 225	**1 618**	(5)	**1 613**
	As at 30 September 2015	**2 000**	**53**	**1 458**	**22 634**	**26 145**	**208**	**26 353**
	As at 1 January 2016	**2 000**	**(64)**	**1 868**	**16 407**	**20 211**	**203**	**20 414**
Note 5.4	Dividend	-	-	-	(300)	**(300)**	-	**(300)**
	Transactions with non-controlling interest	-	-		3	**3**	2	**5**
	Transactions with owners	-	-	-	(297)	**(297)**	2	**(295)**
	Profit for the period	-	-	-	625	**625**	4	**629**
	Other comprehensive income	-	(11)	1	-	**(10)**	6	**(4)**
	Total comprehensive income	**-**	**(11)**	**1**	**625**	**615**	**10**	**625**
	As at 30 September 2016	**2 000**	**(75)**	**1 869**	**16 735**	**20 529**	**215**	**20 744**

1 – General information

Note 1.1 Corporate information

KGHM Polska Miedź S.A. ("the Parent Entity") with its registered office in Lubin at 48 M.Skłodowskiej-Curie Street is a joint stock company registered at the Regional Court for Wrocław Fabryczna, Section IX (Economic) of the National Court Register, entry no. KRS 23302, on the territory of the Republic of Poland.

KGHM Polska Miedź S.A. has a multi-divisional organisational structure, comprised of a Head Office and 10 divisions: 3 mines (Lubin Mine Division, Polkowice-Sieroszowice Mine Division, Rudna Mine Division), 3 metallurgical plants (Głogów Smelter/Refinery, Legnica Smelter/Refinery, Cedynia Wire Rod Division), the Concentrator Division, the Tailings Division, the Mine-Smelter Emergency Rescue Division and the Data Center Division.

The shares of KGHM Polska Miedź S.A. are listed on the Warsaw Stock Exchange.

The Parent Entity's principal activities include:

- the mining of copper and non-ferrous metals ores; and
- the production of copper, precious and non-ferrous metals.

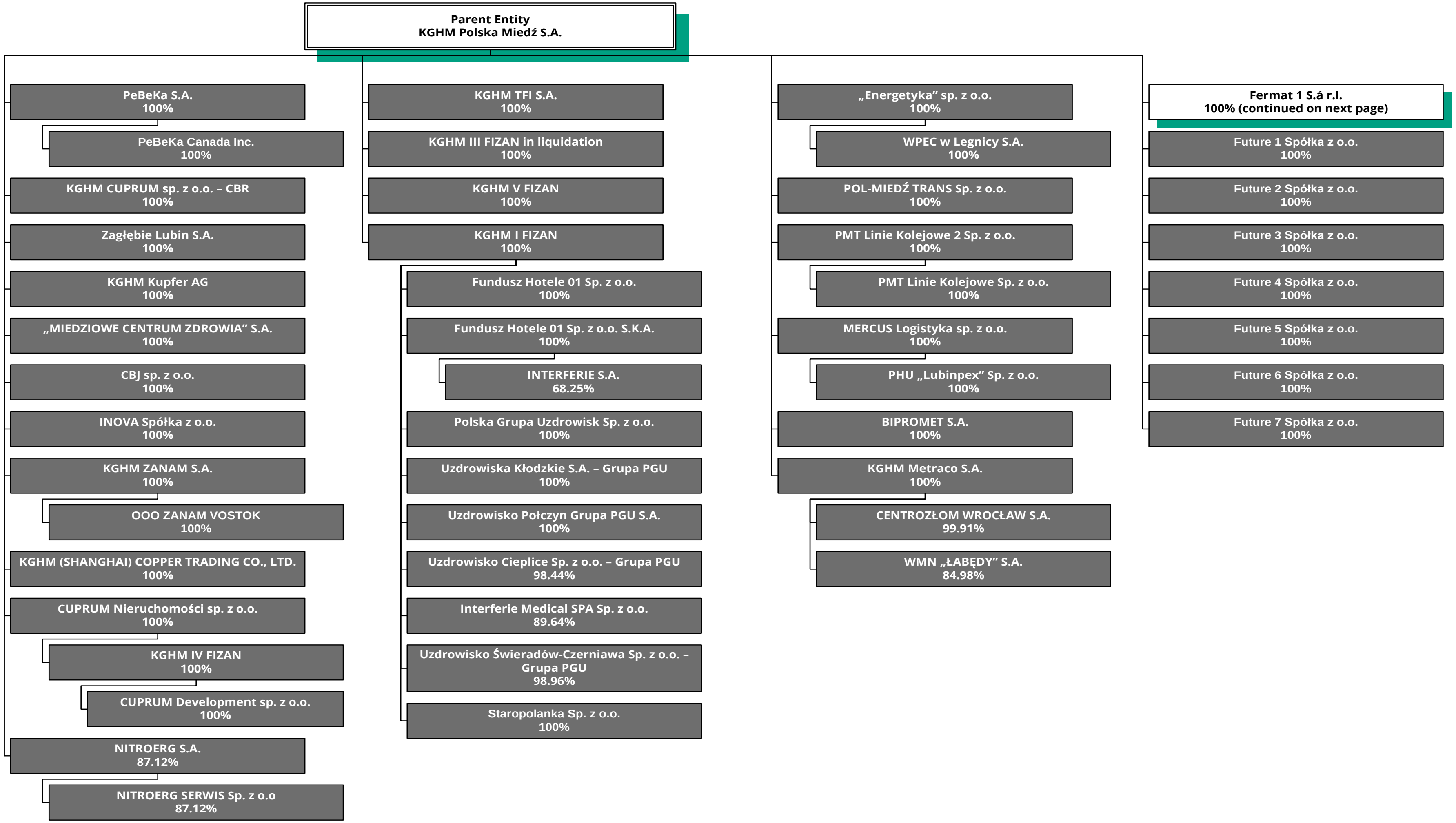
The business activities of the Group include:

- the mining of copper and non-ferrous metals ores;
- 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.

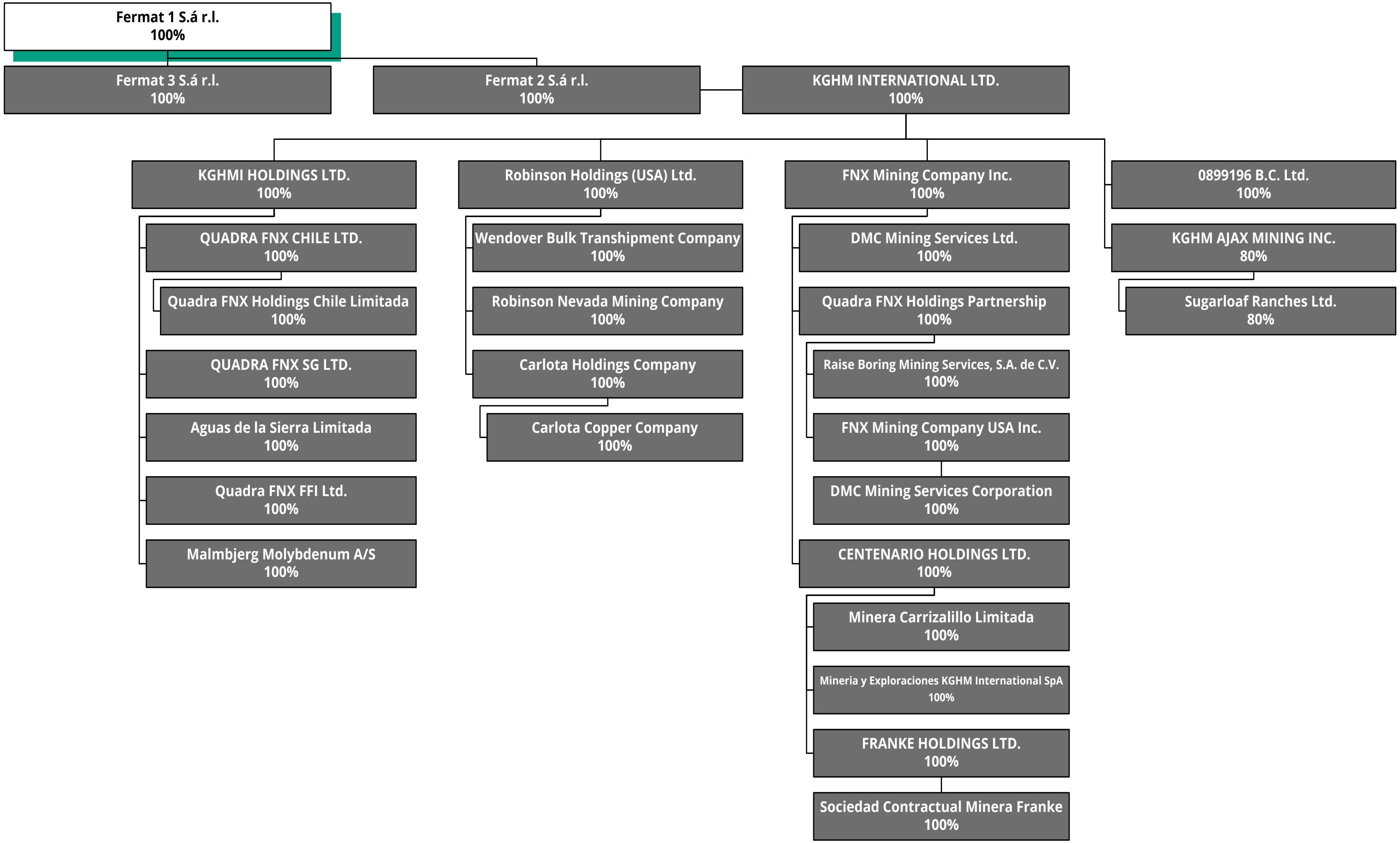
The KGHM Polska Miedź S.A. Group carries out exploration and mining of copper, nickel and precious metals based on concessions given for Polish deposits to KGHM Polska Miedź S.A., and also based on legal titles held by companies of the KGHM INTERNATIONAL LTD. Group for the exploration for and mining of these resources in the USA, Canada, and Chile.

Note 1.2 Structure of the KGHM Polska Miedź S.A. Group as at 30 September 2016

In the current quarter KGHM Polska Miedź S.A. consolidated 78 subsidiaries and used the equity method to account for the shares of three joint ventures (Sierra Gorda S.C.M., „Elektrownia Blachownia Nowa" sp. z o.o. and NANO CARBON Sp. z o.o.).



The percentage share represents the total share of the Group.


Fermat 1 S.á r.l. 100%
Fermat 3 S.á r.l. 100%
Fermat 2 S.á r.l. 100%
KGHM INTERNATIONAL LTD. 100%
KGHMI HOLDINGS LTD. 100%
QUADRA FNX CHILE LTD. 100%
Quadra FNX Holdings Chile Limitada 100%
QUADRA FNX SG LTD. 100%
Aguas de la Sierra Limitada 100%
Quadra FNX FFI Ltd. 100%
Malmbjerg Molybdenum A/S 100%
Robinson Holdings (USA) Ltd. 100%
Wendover Bulk Transhipment Company 100%
Robinson Nevada Mining Company 100%
Carlota Holdings Company 100%
Carlota Copper Company 100%
FNX Mining Company Inc. 100%
DMC Mining Services Ltd. 100%
Quadra FNX Holdings Partnership 100%
Raise Boring Mining Services, S.A. de C.V. 100%
FNX Mining Company USA Inc. 100%
DMC Mining Services Corporation 100%
CENTENARIO HOLDINGS LTD. 100%
Minera Carrizalillo Limitada 100%
Mineria y Exploraciones KGHM International SpA 100%
FRANKE HOLDINGS LTD. 100%
Sociedad Contractual Minera Franke 100%
0899196 B.C. Ltd. 100%
KGHM AJAX MINING INC. 80%
Sugarloaf Ranches Ltd. 80%

Note 1.3 Exchange rates applied

The following exchange 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 ***4.3688 EURPLN*,***
- for the conversion of turnover, profit or loss and cash flow for the comparable period, the rate of ***4.1585 EURPLN*,***
- for the conversion of assets, equity and liabilities at 30 September 2016, applying the current average exchange rate announced by the National Bank of Poland (NBP) as at 30 September 2016, the rate of ***4.3120 EURPLN,***
- for the conversion of assets, equity and liabilities at 31 December 2015, applying the current average exchange rate announced by the NBP as at 31 December 2015, the rate of ***4.2615 EURPLN.***

**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 2016 and 2015.*

Note 1.4 Accounting policies and the impact of new and amended standards and interpretations

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 2016 and the comparable period from 1 January to 30 September 2015, together with selected explanatory information **(Part 1)**,
2. the quarterly financial information of KGHM Polska Miedź S.A. for the period from 1 January to 30 September 2016 and the comparable period from 1 January to 30 September 2015 **(Part 2)**.

Neither the interim consolidated financial statements as at 30 September 2016 nor the interim separate financial statements as at 30 September 2016 were subject to audit by a certified auditor.

The condensed consolidated financial report for the period from 1 January 2016 to 30 September 2016 was prepared in accordance with IAS 34 *Interim Financial Reporting* as approved by the European Union 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 Annual Report R 2015 and the Consolidated annual report RS 2015.

This quarterly report's financial statements were prepared using the same accounting policies and valuation methods for the current and comparable periods and principles applied in annual financial statements (consolidated and separate), prepared as at 31 December 2015.

Impact of new and amended standards and interpretations

From 1 January 2016, the following amendments to standards are binding for the Group:

- Amendments to IAS 1 *Presentation of Financial Statements* – the Disclosure Initiative;
- Defined benefit plans: *Employee contributions* – amendments to IAS 19;
- Amendments to IFRS 11 with respect to acquisitions of interest in joint operations;
- Amendments to IAS 16 and IAS 38 with respect to amortisation/depreciation;
- Amendments to IAS 16 and IAS 41 with respect to bearer plants;
- Amendments to IAS 27 with respect to the equity method in separate financial statements;
- Amendments to IFRS 10, IFRS 12 and IAS 28 titled *Investment Entities*: *Applying the Consolidation Exception*;
- Annual improvements to IFRS, 2012-2014 Cycle;
- Annual improvements to IFRS, 2010-2012 Cycle.

In order to prepare the consolidated financial statements for the year ended 31 December 2015, the Group applied the following amendments before their effective date:

- IAS 1 *Presentation of Financial Statements* – the Disclosure Initiative;
- IFRS 8 *Operating segments* (Annual improvements to IFRS, 2010-2012 Cycle) - with respect to disclosing information on judgments made by management when combining the operating segments.

Application of other 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.

Up to the date of publication of these financial statements, the above changes to standards were adopted for use by the European Union.

Note 1.5 Selected significant events covered by the regulatory filings of the Parent Entity

Discontinuance of the Project to build a gas-steam block in “Elektrownia Blachownia Nowa” sp. z o.o.

On **28 July 2016**, KGHM Polska Miedź S.A., TAURON Polska Energia S.A. ("TAURON") and TAURON Wytwarzanie S.A. (a subsidiary of TAURON) signed an agreement, based on which they have agreed to discontinue the project to build a gas-steam block in “Elektrownia Blachownia Nowa” sp. z o.o. (“Project”) and to terminate the Shareholders Agreement between KGHM Polska Miedź S.A. and TAURON Wytwarzanie S.A., resulting in an extinguishment of all obligations stipulated in the Shareholders Agreement and termination of all work stipulated in it, in particular those stipulated in the provisional schedule for the realisation of the Project, as well as those in subsequent agreements and arrangements.
KGHM Polska Miedź S.A. and TAURON Wytwarzanie S.A. agreed to liquidate the company “Elektrownia Blachownia Nowa” sp. z o.o. The liquidation will be carried out in accordance with the stipulations of the company’s Articles of Association and laws in force.

Changes and delegations in the Parent Entity’s bodies

On **11 August 2016**, the Supervisory Board of KGHM Polska Miedź S.A. adopted resolutions on the delegation of two members of the Supervisory Board of the Parent Entity: Dominik Hunek and Michał Czarnik, to independently carry out supervisory activities regarding the Parent Entity with respect to the Parent Entity’s investments outside of the Republic of Poland. The main goal of the actions undertaken by the Supervisory Board of the Parent Entity is to support the Management Board of KGHM Polska Miedź S.A. in its present work and to enhance oversight of the key international assets. It was decided that the period of independent supervision will be carried out from 12 August 2016 to 30 October 2016.

On **2 September 2016**, Mirosław Biliński submitted his resignation from the function of Vice President (Development) and from membership in the Management Board of KGHM Polska Miedź S.A., effective as of 5 September 2016. According to the submitted resignation, the reason for his resignation is both the necessity and desire to concentrate solely on the supervision and the management of international assets of KGHM Polska Miedź S.A., i.e. KGHM INTERNATIONAL LTD. and Sierra Gorda S.C.M.

On **5 September 2016**, the Supervisory Board of the Parent Entity delegated Member of the Supervisory Board Dominik Hunek to temporarily carry out the duties of a member of the Management Board – the Vice President of the Management Board of the Parent Entity (Development), during the period from 6 September 2016 to 6 December 2016.

On **29 September 2016**, the Supervisory Board of the Parent Entity adopted a resolution on delegating Miłosz Stanisławski, a member of the Supervisory Board of the Parent Entity, from 30 September 2016 to 30 October 2016, to independently carry out supervisory activities regarding the Parent Entity with respect to the Parent Entity’s investments outside of the Republic of Poland.

amounts in PLN millions, unless otherwise stated

2 – Implementation of strategy

Implementation of the Parent Entity's strategy in the third quarter of 2016

In the third quarter of 2016, work continued on revising the strategy of the Parent Entity. The team appointed to this task is carrying out an in-depth diagnosis of the Group's macroenvironment, as well as reviewing the condition of the resources held. Progress in this work is reported on an on-going basis to the Strategy Committee, comprised of, among others, delegated members of the Supervisory Board of the Parent Entity. It is expected that the revised strategy will be published in the first quarter of 2017.

In terms of the strategy which is currently in force, the following projects in individual pillars were advanced:

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:

Advanced exploration projects, with defined copper mineralisation, for which geological exploration is underway throughout or in part of the given concession area:

Radwanice- Gaworzyce	- Exploration work was completed with the documentation of the Radwanice-Gaworzyce deposit. - Geological work is currently underway at the edge of the deposit under the concession to conduct underground exploration of the copper ore deposit within the Dankowice area. - In August 2016 the Company applied for a concession to extract copper ore from the Radwanice-Gaworzyce deposit in the area of Gaworzyce.
Synklina Grodziecka and Konrad	- In the third quarter of 2016, work continued related to surface-based geophysical measurements. - In addition the project's initial feasibility study was prepared, based on data acquired during exploratory work conducted between 2011 and 2016. - Additional analyses are being carried out to obtain a proper assessment of the deposit.
Retków-Ścinawa and Głogów	- In the third quarter of 2016, geological work continued under the first stage in the area Retków-Ścinawa. The drilling of further two holes was completed. The drill cores obtained are undergoing laboratory analysis. - Work began on developing a concept to extract the ore from this area. - Applications were submitted to the concession-granting authority regarding a change in the concession with respect to further exploratory work planned under the second stage of the exploration work.

Exploration projects in the preparatory phase:

Bytom Odrzański Kulów-Luboszyce	- Judicial and administrative proceedings are underway regarding concessions for the following areas: Bytom Odrzański, Kulów-Luboszyce (KGHM Polska Miedź S.A.) and Bytom Odrzański, Kotla and Niechlów (Leszno Copper). The Parent Entity is waiting for the Supreme Administrative Court to set a date for a hearing.

Other concessions

Puck Region	- At the end of the third quarter of 2016, exploratory drilling began within the Puck concession area.

Production Assets Development
Key development projects in terms of the Core Business in Poland

Program to access the Deep Głogów Deposit	- Work continued on the sinking of the GG-1 material-personnel transport and air input shaft using concrete lining. As at 30 September 2016 the shaft had reached a depth of 846.6 meters across its full diameter (the shaft's target depth is 1 340 meters with a diameter of 7.5 meters). The process of sealing up the shaft continued – the lining was sealed within the section from 710 to 547 m. Drain outlet no. 3 was built. Assembly began of shaft cabling as well as the outfitting of cable recesses as part of the drainage system. - Since 2006, 87.4 kilometers of primary tunnelling, which were financed by investment funds, have been excavated along with 36.2 kilometers of primary tunneling financed by operating funds (in total 123.7 kilometers) together with

amounts in PLN millions, unless otherwise stated

	necessary technical infrastructure (water pipes, power cables, electrical switching stations, conveyor belts, retention reservoirs, pipes and climate control equipment and communications equipment). - Work continued on the second stage of the Construction Project of the Surface-based Ventilation Station at the R-XI shaft with respect to the development of the underground centralised ventilation system, which will enable an increase in the production of cooled air to the mine to the level of 1200 meters to 25 MW. The planned date of completion of this work is the second half of 2016.
Construction of the SW-4 shaft	- The assembly of shaft sump equipment in the shaft was completed. A compressed air pipeline was assembled and work began on disassembly of the steel pipeline. The administration–social building is in the process of handover.
Pyrometallurgy Modernisation Program at the Głogów smelter/refinery	- Work continued on the start-up of the installation and equipment throughout the production line: the Flash Furnace, Electrical Furnace, Power Building and elements of the Charge Preparation Section at the Głogów I smelter/refinery. Programming of the main Control System continues. - In mid-July 2016 the 3-month shutdown related to the change in technology at the Głogów smelter/refinery began. At the same time the production of raw copper by the Głogów I smelter/refinery using the old technology came to an end. - In mid-August 2016 the process of starting up the new production line of the Głogów I smelter/refinery commenced. At the end of the current quarter the gas burners were lit and the heating of the Electrical Furnace and Flash Furnace commenced. - The project entered the phase of completion, during which it is planned to achieve the target parameters for the entire installation for the appropriate concentrate mixtures. The completion of planned work during this phase will occur in the second quarter of 2017.
Metallurgy Development Program (MDP)	- Work under the Metallurgy Development Program included work on the following projects: - construction of a steam drier at the Głogów II smelter/refinery, - construction of a concentrate roasting installation at the Głogów I smelter/refinery, - modernisation of the Tank and Electrolite Decopperisation Hall at the Legnica smelter/refinery, and - the adaptation of technical infrastructure to the change in smelting technology at the Głogów I smelter/refinery.
Development of the Żelazny Most tailings storage facility	- The permit to develop the Żelazny Most tailings storage facility to a crown height of 195 m a.s.l. and for the continued operation of the facility were granted. Development of the dam is carried out as part of the on-going operations of the Parent Entity. - Formal actions were also undertaken aimed at further future development of the Żelazny Most tailings storage facility.

Development of international assets

The current financial and economic situation of KGHM INTERNATIONAL LTD. remains stable. Analyses are underway which are crucial to making decisions regarding execution of the projects Victoria, Sierra Gorda Oxide and Ajax.

Victoria project (Sudbury Basin, Canada) *KGHM Polska Miedź S.A. Group 100%*	- In the third quarter of 2016, work continued on reviewing the project's technical and economic assumptions in cooperation with independent consultants. - Work was also completed on the detailed technical documentation of the water purification station and the drainage-storage system.
Development of Sierra Gorda (Chile) *KGHM INTERNATIONAL LTD. Group 55%, Sumitomo Metal Mining and Sumitomo Corporation 45%*	- The partners in Sierra Gorda, together with external specialists, continued work related to increasing production capacity in the production process, including increasing the recovery of molybdenum in concentrate, - Moreover, work continued on the process of reviewing the technical and economic assumptions related to mining the Sierra Gorda deposit – possible scenarios concerning the future operations of the company were prepared. - Sierra Gorda Oxide (project for processing of the oxide ore)* – analyses are underway of alternative scenarios for developing the project.
Ajax project (British Columbia, Canada) *KGHM Polska Miedź S.A. Group 80%, Abacus Mining and Exploration Corp. 20%*	- In the third quarter, the company continued work on reviewing the assumptions of the project's feasibility study in cooperation with independent consultants. - The KGHM AJAX MINING INC. team engaged in the process of community consultations.

** in the case of Sierra Gorda Oxide – the project is currently being advanced solely by the KGHM INTERNATIONAL LTD. Group; Sumitomo has an option to acquire a 45% interest in the project*

amounts in PLN millions, unless otherwise stated

Initiatives aimed at enhancing knowledge and innovation in KGHM POLSKA MIEDŹ S.A.

Main R&D initiatives	- The main R&D projects are concentrated on developing and implementing innovative technical and organisational solutions, enabling an improvement in efficiency and safety and ensuring production continuity. - Work was also carried out aimed at developing unified regulations and contract models which are to be in force for the entire Group. - Preparations were also begun to join acceleration programs, enabling the development of start-ups in KGHM Polska Miedź S.A.
CuBR Program	- Work continued on the advancement of 12 R&D projects which are joint ventures with sector partners, academic and R&D institutions under the first and second CuBR competitions. - During the third competition, a further 12 projects were assessed positively as part of the final substantive assessments. Procedures will shortly be initiated aimed at signing contracts for the advancement of these projects.

Production

Sierra Gorda mine in Chile – Phase 1 *KGHM INTERNATIONAL LTD. Group 55%, Sumitomo Metal Mining and Sumitomo Corporation 45%*	- Production of copper in concentrate in the first three quarters of 2016 amounted to approx. 69 thousand tonnes, while production of molybdenum in concentrate amounted to approx. 16.9 million pounds (on a 100% basis). - In September 2016, Chile's Environmental Enforcement Agency (SMA) finally approved the compliance plan presented by Sierra Gorda S.C.M. - Work was carried out on modernising the tailings storage facility, overseen by an international team of experts and professional engineering firms. - Work was continued on the implementation of savings initiatives, such as renegotiating contracts to reduce contracted prices, optimising resources. - In the third quarter of 2016, work continued on reviewing the mine's long-term operating plan.
Maintaining production from own concentrate	- Preparatory work continued on commencing mining in new areas of the deposits as part of the Ore Access Program (previously the GG-P Project) as well as actions related to gaining a concession to mine the copper ore from the Radwanice-Gaworzyce deposit in the Gaworzyce mining area.
Improving efficiency in the core business in Poland	- Work continued on carrying out initiatives aimed at improving resource management effectiveness in the mines and metallurgical facilities of KGHM Polska Miedź S.A., at the same time enabling limitation of cost increases by: - more efficient utilisation of resources (3D deposit modeling), - increasing the mining and production of copper in concentrate, - optimising management of underground machines, - implementation of an energy savings program, and - optimising employment levels. These initiatives are being carried out in compliance with approved assumptions.

3 – Information on operating segments and revenues

Note 3.1 Operating segments

The operating segments identified in the KGHM Polska Miedź S.A. Group reflect the structure of the Group, the manner in which the Group and its individual entities are managed and the regular reporting to the Parent Entity's Management Board.

As a result of the aggregation of operating segments and taking into account the criteria stipulated in IFRS 8, the following reporting segments are currently identified within the KGHM Polska Miedź S.A. Group:

Reporting segments	Operating segments aggregated in a given reporting segment	Indications of similarity of economic characteristics of segments, taken into account in aggregations
KGHM Polska Miedź S.A.	KGHM Polska Miedź S.A.	Not applicable (it is a single operating and reporting segment)
KGHM INTERNATIONAL LTD.	Companies of the KGHM INTERNATIONAL LTD. Group, in which the following mines, deposits or mining areas constitute operating segments: Sudbury Basin, Robinson, Carlota, Franke and Ajax.	Operating segments within the KGHM INTERNATIONAL LTD. Group are located in North and South America. The Management Board analyses the results of the following operating segments: Sudbury Basin, Robinson, Carlota, Franke, Ajax and other. Moreover, it receives and analyses reports of the whole KGHM INTERNATIONAL LTD. Group. Operating segments are engaged in the exploration and mining of copper, molybdenum, silver, gold and nickel. The operating segments were aggregated based on the similarity of long term margins achieved by individual segments, and the similarity of products, processes and production methods.
Sierra Gorda S.C.M.	Sierra Gorda S.C.M. (a joint venture)	Not applicable (it is a single operating and reporting segment)
Other segments	This item includes other Group companies (every individual company is a separate operating segment).	Aggregation was carried out as a result of not meeting the criteria necessitating the identification of a separate additional reporting segment.

The following companies were not included in any of the aforementioned segments:
- Fermat 1 S. á r. l., Fermat 2 S. á r. l. and Fermat 3 S. á r. l., which operate in the holding structure founded 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., which operate in the structure related to the establishment of a Tax Group.

These companies do not conduct operating activities which could impact the results achieved by individual segments, and as a result their inclusion could distort the data presented in this part of the consolidated financial statements due to significant settlements with other Group companies.

The segments KGHM Polska Miedź S.A., KGHM INTERNATIONAL LTD. and Sierra Gorda S.C.M. each have their own Management Boards, which report the results of their business activities directly to the President of the Management Board of the Parent Entity.

The segment KGHM Polska Miedź S.A. is composed only of the Parent Entity, and the segment Sierra Gorda S.C.M. is composed only of the joint venture Sierra Gorda. Other companies of the KGHM Polska Miedź S.A. Group are presented below by segment: KGHM INTERNATIONAL LTD. and Other segments.

THE SEGMENT KGHM INTERNATIONAL LTD.	
Location	**Company**
The United States of America	Carlota Copper Company
	Carlota Holdings Company
	DMC Mining Services Corporation
	FNX Mining Company USA Inc.
	Robinson Holdings (USA) Ltd.
	Robinson Nevada Mining Company
	Wendover Bulk Transhipment Company
Chile	Aguas de la Sierra Limitada
	Minera Carrizalillo Limitada
	Minera y Exploraciones KGHM International SpA
	Quadra FNX Holdings Chile Limitada
	Sociedad Contractual Minera Franke
Canada	KGHM INTERNATIONAL LTD.
	0899196 B.C. Ltd.
	Centenario Holdings Ltd.
	DMC Mining Services Ltd.
	FNX Mining Company Inc.
	Franke Holdings Ltd.
	KGHM AJAX MINING INC.
	KGHMI Holdings Ltd.
	Quadra FNX Chile Ltd.
	Quadra FNX Holdings Partnership
	Quadra FNX SG Ltd.
	Sugarloaf Ranches Ltd.
Greenland	Malmbjerg Molybdenum A/S
Mexico	Raise Boring Mining Services S.A. de C.V.
Barbados	Quadra FNX FFI Ltd.

OTHER SEGMENTS	
Location	**Company**
Support of the core business	BIPROMET S.A.
	CBJ sp. z o.o.
	Energetyka sp. z o.o.
	INOVA Spółka z o.o.
	KGHM CUPRUM sp. z o.o. – CBR
	KGHM ZANAM S.A.
	KGHM Metraco S.A.
	PeBeKa S.A.
	POL-MIEDŹ TRANS Sp. z o.o.
	WPEC w Legnicy S.A.
Sanatorium-healing and hotel services	Interferie Medical SPA Sp. z o.o.
	INTERFERIE S.A.
	Uzdrowiska Kłodzkie S.A. - Grupa PGU
	Uzdrowisko Cieplice Sp. z o.o. - Grupa PGU
	Uzdrowisko Połczyn Grupa PGU S.A.
	Uzdrowisko Świeradów - Czerniawa Sp. z o.o. – Grupa PGU
Investment funds, financing activities	Fundusz Hotele 01 Sp. z o.o.
	Fundusz Hotele 01 Sp. z o.o. S.K.A.
	KGHM TFI S.A.
	KGHM I FIZAN
	KGHM III FIZAN in liquidation
	KGHM IV FIZAN
	KGHM V FIZAN
	Polska Grupa Uzdrowisk Sp. z o.o.
Other activities	CENTROZŁOM WROCŁAW S.A.
	CUPRUM Development sp. z o.o.
	CUPRUM Nieruchomości sp. z o.o.
	KGHM (SHANGHAI) COPPER TRADING CO., LTD.
	KGHM Kupfer AG
	MERCUS Logistyka sp. z o.o.
	MIEDZIOWE CENTRUM ZDROWIA S.A.
	NITROERG S.A.
	NITROERG SERWIS Sp. z o.o.
	PeBeKa Canada Inc.
	PHU "Lubinpex" Sp. z o.o.
	PMT Linie Kolejowe Sp. z o.o.
	PMT Linie Kolejowe 2 Sp. z o.o.
	Staropolanka Sp. z o.o.
	WMN "ŁABĘDY" S.A.
	Zagłębie Lubin S.A.
	OOO ZANAM VOSTOK

The Parent Entity and the KGHM INTERNATIONAL LTD. Group (a subgroup) have a fundamental impact on the 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 profile of activities of the majority of the remaining subsidiaries of the KGHM Polska Miedź S.A. Group differs from the main profile of the Parent Entity's activities.

The Parent Entity's Management Board monitors the operating results of individual segments in order to make decisions on allocating the Group's resources and to assess the financial results achieved.

Financial data prepared for management reporting purposes is based on the same accounting policies as those applied when preparing the consolidated financial statements of the Group, while the financial data of individual reporting segments constitutes the amounts presented in appropriate financial statements prior to consolidation adjustments at the level of the KGHM Polska Miedź S.A. Group, i.e.:

- The segment KGHM Polska Miedź S.A. – comprises data from the separate financial statements of the Parent Entity prepared in accordance with IFRSs. In the separate financial statements, investments in subsidiaries (including the investment in KGHM INTERNATIONAL LTD.) are measured at cost.
- The segment KGHM INTERNATIONAL LTD. – comprises consolidated data of the KGHM INTERNATIONAL LTD. Group prepared in accordance with IFRSs and including fair value adjustments from accounting for the acquisition of this Group by KGHM Polska Miedź S.A. in 2012. The involvement in Sierra Gorda S.C.M. is accounted for using the equity method.
- The segment Sierra Gorda S.C.M. – comprises the 55% share of assets, liabilities, revenues and costs of this venture presented in the separate financial statements of Sierra Gorda S.C.M. after fair value adjustments of assets and liabilities of this venture, determined when accounting for the acquisition of the KGHM INTERNATIONAL LTD. Group in 2012.
- Other segments – comprises aggregated data of individual subsidiaries after excluding transactions and balances between them.

The Management Board of the Parent Entity assesses a segment's performance based on Adjusted EBITDA and the profit or loss for the period.
The Group defines adjusted EBITDA as profit/loss for the period pursuant to IFRS, excluding income tax (current and deferred), finance income /(costs), other operating income and costs, the share of losses of joint ventures accounted for using the equity method, impairment losses on interest in a joint venture, depreciation/amortisation, impairment losses on property, plant and equipment recognised in cost of sales, selling costs and administrative expenses. Adjusted EBITDA – as a financial indicator defined by IFRSs – is not a standardised measure and its calculation may vary between entities, and consequently the presentation and calculation of adjusted EBITDA applied by the Group may not be comparable to that applied by other market entities.

Assets and liabilities which have not been allocated are related to companies which have not been classified to any of the segments. Assets which have not been allocated to the segments comprise cash and trade receivables. Liabilities which have not been allocated to the segments comprise trade payables and current tax liabilities.

Note 3.2 Financial results of reporting segments

		KGHM Polska Miedź S.A.	KGHM INTERNATIONAL LTD.	Sierra Gorda S.C.M.*	Other segments	Reconciliation items to consolidated data: Elimination of data of the segment Sierra Gorda S.C.M	Reconciliation items to consolidated data: Consolidation adjustments	Consolidated financial statements
		3 quarters of 2016						
Note 3.3	**Sales revenue**	**10 284**	**1 764**	**970**	**4 724**	(970)	(3 631)	13 141
	Inter-segment sales revenue	191	-	29	3 458	(29)	(3 649)	-
	External sales revenue	10 093	1 764	941	1 266	(941)	18	13 141
	Segment result	**1 282**	**(885)**	**(834)**	**(7)**	**834**	**239**	**629**
	Additional information on significant revenue/costs items of the segment							
	Depreciation/amortisation recognised in profit or loss	(700)	(373)	(601)	(175)	601	7	(1 241)
	Share of losses of joint ventures accounted for using the equity method	-	(826)	-	-	-	(1)	(827)
		3rd quarter of 2016						
	Assets, including:	**35 066**	**13 965**	**12 910**	**5 341**	**(12 910)**	**(16 481)**	**37 891**
	Segment assets	35 066	13 920	12 910	5 341	(12 910)	(16 511)	37 816
	Joint ventures accounted for using the equity method	-	45	-	-	-	28	73
	Assets unallocated to segments							2
	Liabilities, including:	**13 771**	**15 265**	**11 840**	**1 817**	**(11 840)**	**(13 706)**	**17 147**
	Segment liabilities	13 771	15 265	11 840	1 817	(11 840)	(13 867)	16 986
	Liabilities unallocated to segments							161
	Other information	**3 quarters of 2016**						
	Cash expenditures on property, plant and equipment and intangible assets	2 007	370	457	152	(457)	(46)	2 483
	Production and cost data	**3 quarters of 2016**						
	Payable copper (kt)	400.6	68.9	37.8				
	Molybdenum (million pounds)	-	0.7	9.3				
	Silver (t)	888.5	1.3	10.4				
	TPM (koz t)	84.2	71.6	15.4				
	C1 cash cost of producing copper in concentrate (USD/lb)**	1.28	1.60	1.91				
	Adjusted EBITDA	**2 394**	**393**	**124**	**240**	**-**	**-**	**3 151**

* 55% of the Group's share in Sierra Gorda S.C.M.'s financial and production data.
** 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.

amounts in PLN millions, unless otherwise stated

Consolidation eliminations arise from consolidation adjustments, from the financial data of companies not assigned to any segment and from the financial data of the joint venture Sierra Gorda S.C.M., which is consolidated using the equity method, and as a result the assets, liabilities and results of the joint venture are not recognised in the statement of financial position or in the statement of profit or loss of the Group, except for the items "Joint ventures accounted for using the equity method" and "Profit or loss on involvement in joint ventures".

Reconciliation of adjusted EBITDA	3 quarters of 2016			
	KGHM Polska Miedź S.A.	KGHM INTERNATIONAL LTD.	Sierra Gorda S.C.M.	Other segments
Profit/(loss) for the period	**1 282**	**(885)**	**(834)**	**(7)**
[-] Share of losses of joint ventures accounted for using the equity method	**-**	**(826)**	**-**	**-**
[-] Current and deferred income tax	(550)	20	292	(30)
[-] Depreciation/amortisation recognised in profit or loss	(700)	(373)	(601)	(175)
[-] Finance income/(costs)	58	(474)	(591)	(9)
[-] Other operating income/(costs)	80	375	(58)	(33)
[=] EBITDA	2 394	393	124	240
[-] Recognition/reversal of impairment losses on non-current assets recognised in cost of sales, selling costs and administrative expenses	-	-	-	-
Adjusted EBITDA	**2 394**	**393**	**124**	**240**

	3 quarters of 2016			
Profit/(loss) on sales (EBIT)	**1 694**	**20**	**(477)**	**65**
[-] Depreciation/amortisation recognised in profit or loss	(700)	(373)	(601)	(175)
[=] EBITDA	2 394	393	124	240
[-] Recognition/reversal of impairment losses on non-current assets recognised in cost of sales, selling costs and administrative expenses	-	-	-	-
[=] Adjusted EBITDA	**2 394**	**393**	**124**	**240**

Financial results of reporting segments for the comparable period

		3 quarters of 2015						
						Reconciliation items to consolidated data		
		KGHM Polska Miedź S.A.	KGHM INTERNATIONAL LTD.	Sierra Gorda S.C.M.*	Other segments	Elimination of data of the segment Sierra Gorda S.C.M.	Consolidation adjustments	Consolidated financial statements
Note 3.3	**Sales revenue**	**11 773**	**1 962**	**264**	**4 893**	**(264)**	**(3 768)**	**14 860**
	Inter-segment sales revenue	198	-	26	3 568	(26)	(3 766)	-
	External sales revenue	11 575	1 962	238	1 325	(238)	(2)	14 860
	Segment result	**1 675**	**(685)**	**(270)**	**20**	**270**	**218**	**1 228**
	Additional information on significant revenue/costs items of the segment							
	Depreciation/amortisation recognised in profit or loss	(655)	(658)	(136)	(168)	136	7	(1 474)
	Impairment loss on non-current assets	-	(27)	-	-	-	-	(27)
	Share of losses of joint ventures accounted for using the equity method	-	(312)	-	-	-	(1)	(313)
	Deferred tax on impairment losses on non-current assets	-	9	-	-	-	-	9
		2015						
	Assets, including:	**33 120**	**14 071**	**12 568**	**5 327**	**(12 568)**	**(15 754)**	**36 764**
	Segment assets	33 120	13 537	12 568	5 327	(12 568)	(15 783)	36 201
	Joint ventures accounted for using the equity method	-	534	-	-	-	28	562
	Assets unallocated to segments							1
	Liabilities, including:	**12 841**	**14 937**	**11 253**	**1 825**	**(11 253)**	**(13 253)**	**16 350**
	Segment liabilities	12 841	14 937	11 253	1 825	(11 253)	(13 387)	16 216
	Liabilities unallocated to segments							134
	Other information	3 quarters of 2015						
	Cash expenditures on property, plant and equipment and intangible assets	1 743	803	889	213	(889)	(38)	2 721
	Production and cost data	3 quarters of 2015						
	Payable copper (kt)	432.1	73.3	12.1				
	Molybdenum (million pounds)	-	0.8	2.7				
	Silver (t)	916.0	1.3	4.0				
	TPM (koz t)	54.1	69.6	6.3				
	C1 cash cost of producing copper in concentrate (USD/lb)**	1.49	1.91	2.60				
	Adjusted EBITDA	**3 252**	**286**	**(40)**	**211**	**-**	**-**	**3 709**

* 55% of the Group's share in Sierra Gorda S.C.M.'s financial and production data, covering the period from the beginning of the commercial production, that is from July to September 2015.
** 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.

amounts in PLN millions, unless otherwise stated

Reconciliation of adjusted EBITDA	3 quarters of 2015			
	KGHM Polska Miedź S.A.	KGHM INTERNATIONAL LTD.	Sierra Gorda S.C.M.	Other segments
Profit/(loss) for the period	**1 675**	**(685)**	**(270)**	**20**
[-] Share of losses of joint ventures accounted for using the equity method	**-**	**(312)**	**-**	**-**
[-] Current and deferred income tax	(727)	149	88	(27)
[-] Depreciation/amortisation recognised in profit or loss	(655)	(658)	(136)	(168)
[-] Finance costs	(88)	(482)	(171)	(8)
[-] Other operating income/(costs)	(107)	359	(11)	12
[=] EBITDA	3 252	259	(40)	211
[-] Recognition/reversal of impairment losses on non-current assets recognised in cost of sales, selling costs and administrative expenses	-	(27)	-	-
Adjusted EBITDA	**3 252**	**286**	**(40)**	**211**

	3 quarters of 2015			
Profit/(loss) on sales (EBIT)	**2 597**	**(399)**	**(176)**	**43**
[-] Depreciation/amortisation recognised in profit or loss	(655)	(658)	(136)	(168)
[=] EBITDA	3 252	259	(40)	211
[-] Recognition/reversal of impairment losses on non-current assets recognised in cost of sales, selling costs and administrative expenses	-	(27)	-	-
[=] Adjusted EBITDA	**3 252**	**286**	**(40)**	**211**

amounts in PLN millions, unless otherwise stated

Note 3.3 External sales revenue of the Group – breakdown by products

3 quarters of 2016

	KGHM Polska Miedź S.A.	KGHM INTERNATIONAL LTD.	Sierra Gorda S.C.M.*	Other segments	Reconciliation items to consolidated data		Consolidated data
					Elimination of data of the segment Sierra Gorda S.C.M.	Consolidation adjustments	
Copper	7 382	1 222	708	5	(708)	(261)	**8 348**
Silver	1 825	11	24	-	(24)	-	**1 836**
Gold	419	197	80	-	(80)	-	**616**
Services	69	364	-	1 636	-	(1 273)	**796**
Other	589	176	257	3 083	(257)	(2 097)	**1 751**
TC/RC**	-	(206)	(99)	-	99	-	**(206)**
TOTAL	**10 284**	**1 764**	**970**	**4 724**	**(970)**	**(3 631)**	**13 141**

3 quarters of 2015

	KGHM Polska Miedź S.A.	KGHM INTERNATIONAL LTD.	Sierra Gorda S.C.M.*	Other segments	Reconciliation items to consolidated data		Consolidated data
					Elimination of data of the segment Sierra Gorda S.C.M.	Consolidation adjustments	
Copper	9 337	1 487	235	8	(235)	(70)	**10 762**
Silver	1 691	12	7	-	(7)	-	**1 703**
Gold	239	187	28	-	(28)	-	**426**
Services	64	316	-	1 447	-	(1 115)	**712**
Other	442	163	24	3 438	(24)	(2 583)	**1 460**
TC/RC**	-	(203)	(30)	-	30	-	**(203)**
TOTAL	**11 773**	**1 962**	**264**	**4 893**	**(264)**	**(3 768)**	**14 860**

* 55% of the Group's share in revenues of Sierra Gorda S.C.M.
** Smelter treatment and refining charges.

amounts in PLN millions, unless otherwise stated

Note 3.4 External sales revenue of the Group – geographical breakdown reflecting the location of end clients

		3 quarters of 2016	3 quarters of 2015
Europe			
	Poland	3 512	3 715
	Germany	1 745	2 237
	The United Kingdom	985	1 068
	Czechia	924	1 098
	France	456	489
	Switzerland	451	330
	Hungary	396	516
	Italy	360	561
	Austria	142	210
	Slovakia	63	80
	Romania	54	88
	Belgium	51	128
	Other countries (dispersed sale)	304	266
North and South America			
	The United States of America	991	1 296
	Canada	548	492
	Chile	75	51
	Other countries (dispersed sale)	2	7
Australia			
	Australia	128	37
Asia			
	China	1 369	1 758
	South Korea	174	64
	India	159	74
	Turkey	97	138
	Singapore	96	93
	Japan	46	45
	Other countries (dispersed sale)	8	17
Africa		5	2
TOTAL		**13 141**	**14 860**

Note 3.5 Main customers

In the period from 1 January 2016 to 30 September 2016 and in the comparable period the revenues from no single contractor exceeded 10% of the sales revenue of the Group.

Note 3.6 Non-current assets – geographical breakdown

	Property, plant and equipment, intangible assets and investment properties	
	3rd quarter of 2016	2015
Poland	17 173	16 154
Canada	3 090	3 210
The United States of America	672	557
Chile	456	437
TOTAL	**21 391**	**20 358**

The following were also recognised in non-current assets: joint ventures accounted for using the equity method, derivatives, other instruments measured at fair value, other financial and non-financial assets and deferred tax assets.

amounts in PLN millions, unless otherwise stated

Note 3.7 Segment results

3.7.1 The segment KGHM Polska Miedź S.A.

Production results

	Unit	3 quarters of 2016	3 quarters of 2015	Change 3 quarters 2015=100	3rd quarter of 2016	2nd quarter of 2016	1st quarter of 2016
Ore extraction (dry weight)	mn t	24.3	23.9	101.7	8.1	8.2	8.0
Copper content in ore	%	1.50	1.53	98.0	1.51	1.50	1.50
Copper production in concentrate	kt	322.5	323.0	99.8	109.7	108.1	104.8
Silver production in concentrate	t	956.4	909.3	105.2	326.4	322.9	307.1
Production of electrolytic copper	kt	400.6	432.1	92.7	137.7	134.9	128.1
- including from own concentrate	kt	280.9	320.8	87.6	97.3	94.4	89.1
Production of metallic silver	t	888.5	916.0	97.0	321.5	272.1	294.9
Production of gold	koz t	84.2	54.1	155.6	30.7	27.3	26.2
Production of copper equivalent*	kt	415.5	421.3	98.6	150.9	135.8	128.8

** Value of production volume of all metals calculated as a copper equivalent, based on market prices – from own concentrate*

In the first 9 months of 2016, there was an increase in ore extraction (dry weight) versus the comparable period of 2015. Copper content in ore decreased from 1.53% to 1.50%, due to the lower content and thickness of the mined deposit. Production of copper in concentrate is at a level similar to that of the first 9 months of 2015.
The production of electrolytic copper as compared to the corresponding period of 2015 was lower by 31.5 thousand tonnes (7%) due to the three-month shutdown of the Głogów I smelter/refinery. The lower production of metallic silver was the result of the lower electrolytic copper production.
The slight decrease in production of copper equivalent from own concentrate by 1%, as compared to the decrease in production of copper from own concentrate by 12% and silver by 3%, was due to the change in the relationship of silver to copper prices (an increase in silver prices alongside a decrease in copper prices), which increased the value of silver production calculated as a copper equivalent.
On 15 October 2016 production by the Głogów I smelter/refinery recommenced, using flash furnace technology.

Revenues

	Unit	3 quarters of 2016	3 quarters of 2015	Change 3 quarters 2015=100	3rd quarter of 2016	2nd quarter of 2016	1st quarter of 2016
Sales revenue, including:	**mn PLN**	**10 284**	**11 773**	**87.4**	**3 744**	**3 561**	**2 979**
- copper	mn PLN	7 382	9 337	79.1	2 517	2 585	2 280
- silver	mn PLN	1 825	1 691	107.9	739	676	410
Volume of copper sales	kt	385.3	415.4	92.8	130.1	135.6	119.6
Volume of silver sales	t	845.7	869.4	97.3	301.2	328.1	216.4
Copper price	USD/t	4 725	5 699	82.9	4 772	4 729	4 672
Silver price	USD/oz t	17.12	15.99	107.1	19.61	16.78	14.85
Exchange rate	USD/PLN	3.91	3.73	104.8	3.89	3.87	3.96

In the first 9 months of 2016, sales revenue amounted to PLN 10 284 million and was 13% lower compared to the corresponding period of 2015. The main reasons for the decrease in sales revenue were:

– the 17% lower price of copper on the LME,
– the lower volume of copper and silver sales (respectively by 7% and 3%) due to the setting aside of half-finished products as inventory due to the maintenance shutdown at the Głogów smelter/refinery, and
– the less favourable positive adjustment of revenues due to hedging transactions, from PLN 343 million to PLN 12 million,

alongside a more favourable by 5% USD/PLN exchange rate and a 7% higher silver price.

amounts in PLN millions, unless otherwise stated

Costs

	Unit	3 quarters of 2016	3 quarters of 2015	Change 3 quarters 2015=100	3rd quarter of 2016	2nd quarter of 2016	1st quarter of 2016
Cost of sales, selling costs and administrative expenses*	**mn PLN**	**8 590**	**9 176**	**93.6**	**3 062**	**3 008**	**2 520**
Expenses by nature	mn PLN	9 297	9 492	97.9	2 999	3 219	3 079
Pre-precious metals credit unit cost of electrolytic copper production from own concentrate**	PLN/t	19 776	19 830	99.7	20 153	19 489	19 671
Total unit cost of electrolytic copper production from own concentrate	PLN/t	12 830	14 395	89.1	11 748	13 231	13 590
- including the mineral extraction tax	PLN/t	2 953	3 585	82.4	2 973	2 968	2 916
C1 cost* **	**USD/lb**	**1.28**	**1.49**	**85.9**	**1.18**	**1.32**	**1.33**

** Cost of products, merchandise and materials sold, selling costs and administrative expenses*
*** 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.*

The Parent Entity's cost of sales, selling costs and administrative expenses in the first 9 months of 2016 amounted to PLN 8 590 million and were lower by PLN 586 million as compared to the same period in 2015 due to 2% lower expenses by nature and a lower volume of copper and silver sales. The lower sales, resulting from lower production, is the result of setting aside half-finished products as inventory due to the maintenance shutdown at the Głogów I smelter/refinery in the third quarter of 2016.
During the first 9 months of 2016, expenses by nature were lower by PLN 195 million as compared to the corresponding period of 2015, mainly due to a lower minerals extraction tax by PLN 193 million alongside slightly higher costs of consumption of purchased metal-bearing materials by PLN 9 million (due to the higher volume of consumption by 11 thousand tonnes of Cu alongside an 8.5% lower purchase price).
C1 cost was as follows: in the first 9 months of 2016, 1.28 USD/lb; in the first 9 months of 2015, 1.49 USD/lb. The decrease in C1 cost (by 0.21 USD/lb) was mainly caused by the weakening of the Polish zloty versus the US dollar by 5% and the increase in silver and gold prices. C1 cost for the first 9 months of 2016, calculated using the prices of associated metals and exchange rates for the first 9 months of 2015, amounts to 1.50 USD/lb and is at the same level as during the corresponding period of 2015.
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 19 776 PLN/t (in the comparable period of 2015: 19 830 PLN/t) and was lower by 0.3% mainly due to the lower minerals extraction tax by 632 PLN/t alongside lower production from own concentrate by 12%. The total unit cost of electrolytic copper production from own concentrate amounted to 12 830 PLN/t (for the first 9 months of 2015: 14 395 PLN/t).

Financial results

	3 quarters of 2016	3 quarters of 2015	Change 3 quarters 2015=100	3rd quarter of 2016	2nd quarter of 2016	1st quarter of 2016
Sales revenue including:	10 284	11 773	87.4	3 744	3 561	2 979
- adjustment of revenues due to hedging transactions	12	343	3.5	6	10	(4)
Cost of sales, selling costs and administrative expenses	(8 590)	(9 176)	93.6	(3 062)	(3 008)	(2 520)
- including the minerals extraction tax	(864)	(1 111)	77.8	(314)	(274)	(276)
Profit/(Loss) on sales (EBIT)	1 694	2 597	65.2	682	553	459
Profit/(Loss) on other operating activities, including:	80	(107)	x	(81)	323	(162)
- measurement and realisation of derivatives	26	(166)	x	82	(186)	130
- interest on loans granted	254	144	176.4	84	91	79
- exchange rate differences	(163)	60	x	(256)	399	(306)
- impairment loss on available-for-sale financial assets	(57)	(182)	31.3	-	-	(57)
- other	20	37	54.1	9	19	(8)
Finance income/(costs), including:	58	(88)	x	199	(376)	235
- foreign exchange gains/(losses)	178	15	x11.9	246	(344)	276
- interest costs on borrowings	(43)	(20)	x2.2	(16)	(15)	(12)
- measurement of derivatives	(11)	(13)	84.6	(1)	(2)	(8)
- other	(66)	(70)	94.3	(30)	(15)	(21)

amounts in PLN millions, unless otherwise stated

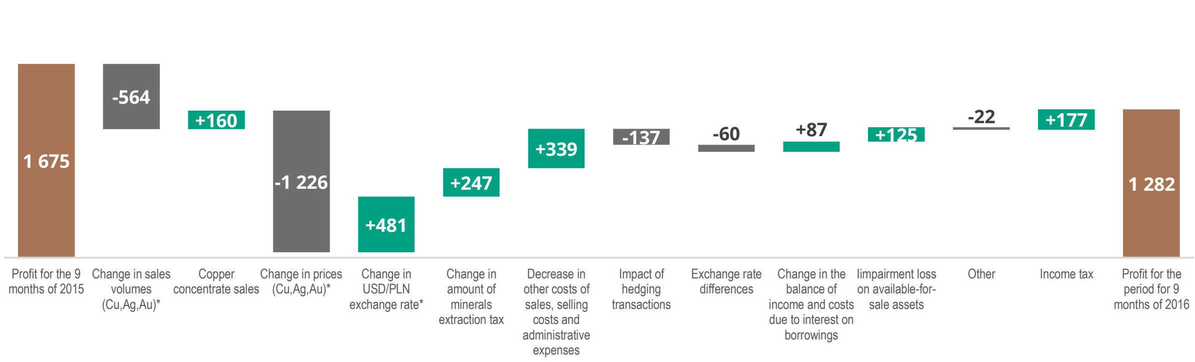
Profit/(Loss) before income tax	1 832	2 402	76.3	800	500	532
Income tax expense	(550)	(727)	75.7	(186)	(202)	(162)
Profit/(Loss) for the period	1 282	1 675	76.5	614	298	370
Depreciation/amortisation recognised in profit or loss	700	655	106.9	249	237	214
EBITDA*	2 394	3 252	73.6	931	790	673
Adjusted EBITDA**	2 394	3 252	73.6	931	790	673

** EBITDA = EBIT + depreciation/amortisation (recognised in profit or loss)*
***Adjusted EBITDA = EBIT + depreciation/amortisation (recognised in profit or loss) + impairment loss (-reversal of impairment losses) on non-current assets (recognised in cost of sales, selling costs and administrative expenses)*

Main reasons for the change in the financial result:

Item	Impact on change in result	Description
Decrease in sales revenue (excluding the impact of hedging transactions) by PLN 1 158 million	(1 226)	A decrease in revenues due to lower copper prices by 17% (-PLN 1 382 million) alongside a 7% higher price of both silver (+PLN 129 million) and gold (+PLN 27 million).
	(564)	A decrease in revenues due to a lower volume of copper sales by 7% (-PLN 654 million) and silver sales by 3% (-PLN 45 million) mainly due to the setting aside of half-finished products as inventory due to the maintenance shutdown at the Głogów smelter/refinery. There was also an increase in gold sales volumes by 57% (+PLN 135 million).
	+481	An increase in revenues from sales of basic products (Cu, Ag, Au) due to a more favourable average annual USD/PLN exchange rate (a change from 3.73 to 3.91 USD/PLN)
	+160	The sale of 36.6 thousand tonnes dry weight of copper concentrate
	(9)	A decrease in revenues from sales of merchandise, materials and other products and services, including of sulphuric acid (-PLN 16 million)
Decrease in cost of sales, selling costs and administrative expenses by PLN 586 million	+247	A decrease in the minerals extraction tax, from PLN 1 111 million after the first 9 months of 2015 to PLN 864 million after the first 9 months of 2016, due to lower copper prices expressed in PLN.
	+339	A decrease in other costs, mainly due to the increase in inventories of half-finished products due to the maintenance shutdown at the Głogów I smelter/refinery in the third quarter of 2016.
Impact of hedging transactions (-PLN 137 million)	(331)	A lower positive adjustment of revenues due to the settlement of hedging transactions from PLN 343 million to PLN 12 million
	+195	A change in the result due to the measurement of derivatives from -PLN 168 million to +PLN 27 million
	(1)	A change in the result due to the realisation of derivatives from -PLN 11 million to -PLN 12 million
Impact of exchange rate differences (-PLN 60 million)	(223)	A change in the result due to exchange rate differences presented in other operating activities
	+163	A change in the result due to exchange rate differences on borrowings (presented in finance costs)
Change in the balance of income and costs due to interest on borrowings (+PLN 87 million)	+110	An increase in interest income on loans granted
	(23)	Higher interest costs on borrowings
Impairment loss on available-for-sale financial assets	+125	Relates mainly to the shares of TAURON Polska Energia S.A. (-PLN 57 million in 2016 versus -PLN 182 million in 2015)
Income tax decrease	+177	Lower tax due to the decrease in the tax base

Chart 1 Change in profit for the period



** Impact on sales revenue*

amounts in PLN millions, unless otherwise stated

Cash expenditures on tangible and intangible fixed assets

In the first 9 months of 2016, cash expenditures on tangible and intangible fixed assets amounted to PLN 2 007 million and were higher than in the corresponding period of 2015 by 15%, while capital expenditures amounted to PLN 1 848 million and were higher than in the corresponding period of 2015 by 15%.
The higher level of cash expenditures incurred as compared to capital expenditures in the first 9 months of 2016 was due to the realisation of investment liabilities of the current period, pursuant to contractual payment dates.

Structure of capital expenditures - by Division

	3 quarters of 2016	3 quarters of 2015	Change 3 quarters 2015=100	3rd quarter of 2016	2nd quarter of 2016	1st quarter of 2016
Mining	811	941	86.1	291	285	235
Metallurgy	1 021	615	166.0	310	398	313
Other activities	12	41	29.2	6	4	2
Development work - uncompleted	4	12	33.3	1	3	0
Total	**1 848**	**1 609**	**114.8**	**608**	**690**	**550**

Structure of capital expenditures - by type

	3 quarters of 2016	3 quarters of 2015	Change 3 quarters 2015=100	3rd quarter of 2016	2nd quarter of 2016	1st quarter of 2016
Replacement	309	369	83,7	114	124	69
Maintaining mine production	249	243	102,4	72	77	99
Development	1 286	985	130,5	421	486	382
Development work - uncompleted	4	12	33,3	1	3	0
Total	**1 848**	**1 609**	**114,8**	**608**	**690**	**550**

During the reporting period actions were undertaken aimed at preparing investments for execution, and as a result of these actions documentation is properly prepared, building permits are received, tenders are held to select contractors for work and suppliers of equipment, and contracts for execution are signed pursuant to the negotiated terms. During the reporting period preparatory work was carried out and machinery and equipment was purchased.

Investment activities are aimed at carrying out projects which are classified under one of the following three categories:

- **Development projects,** aimed at increasing the production volume of the core business, maintaining production costs and adaptation projects aimed at adapting the company's operations to changes in standards, laws and regulations (including those related to environmental protection), represent 70% of total expenditures,
- **Projects related to the replacement of equipment,** aimed at maintaining production equipment in an unchanged condition which guarantees the achievement of on-going production tasks, represent 16% of total expenditures,
- **Projects related to maintaining mine production,** ensuring necessary infrastructure to match mine advancement and the continuous removal of waste to ensure mine production at the level set forth in the mine advancement plan, represent 14% of total expenditures.

Information on the advancement of key investment projects may be found in part 1 of this report (Implementation of Strategy).

amounts in PLN millions, unless otherwise stated

3.7.2 The segment KGHM INTERNATIONAL LTD.

The following information concerning the financial results of KGHM INTERNATIONAL LTD. for the first 9 months of 2015 was adjusted to the comparable period of 2016 and includes the effects of the combination of KGHM INTERNATIONAL LTD. with the company 0929260 B.C U.L.C. which took place on 31 December 2015. As a result of this combination, data for the first 9 months of 2015 includes the Ajax project, which has been in the segment KGHM INTERNATIONAL LTD. since the beginning of 2016.

Production results

	Unit	3 quarters of 2016	3 quarters of 2015	Change 3 quarters 2015=100	3rd quarter of 2016	2nd quarter of 2016	1st quarter of 2016
Payable copper, including:	kt	**68.9**	**73.3**	94.0	**22.1**	**23.1**	**23.7**
- Robinson mine (USA)	kt	*41.3*	*43.6*	94.7	12.6	*14.0*	*14.7*
- Sudbury Basin mines (CANADA) *	kt	*11.1*	*10.0*	111.0	4.1	*3.8*	*3.2*
Payable nickel	kt	**1.6**	**1.6**	100.0	**0.5**	**0.6**	**0.5**
Precious metals (TPM)**, including:	koz t	**71.6**	**69.6**	102.9	24.6	**24.5**	**22.4**
- Robinson mine (USA)	koz t	*36.3*	*43.0*	84.4	11.4	*12.1*	*12.8*
- Sudbury Basin mines (CANADA) *	koz t	*35.3*	*26.6*	132.7	13.3	*12.5*	*9.5*
Production of copper equivalent ***	kt	**88.6**	**90.9**	**97.5**	**29.3**	**29.8**	**29.4**

** Morrison mine in the Sudbury Basin and, up to the fourth quarter of 2015, McCreedy West mine in the Sudbury Basin*
*** TPM – precious metals (gold, platinum, palladium)*
**** Value of production volume of all metals calculated as a copper equivalent, based on market prices – from own concentrate*

In the first 9 months of 2016, copper production in the segment KGHM INTERNATIONAL LTD. amounted to 68.9 thousand tonnes and was lower by 4.4 thousand tonnes (-6%) as compared to the corresponding period of 2015.
The lower copper production by the Robinson mine by 2.3 thousand tonnes (-5%) in the first three quarters of 2016 as compared to the corresponding period of 2015 was due to the lower amount of ore processed caused by the extended maintenance shutdown of the floatation thickening unit. These factors were partially offset by the extraction of ore with a higher copper grade and by improved technological parameters. The lower amount of ore processed by this mine likewise led to a decrease in gold production, from 43.0 thousand troy ounces to 36.3 thousand troy ounces (-16%), which was partially offset by an increase in the content of this metal in ore.
In the mines of the Sudbury Basin in the first 9 months of 2016, there was an increase both in the production of copper by 1.1 thousand tonnes (+11%) due to the higher content of this metal in ore (7.30% as compared to 5.70% in the corresponding period of 2015) as well as increase in the production of TPMs by 8.6 thousand troy ounces (+32%).

Sales revenue

	Unit	3 quarters of 2016	3 quarters of 2015	Change 3 quarters 2015=100	3rd quarter of 2016	2nd quarter of 2016	1st quarter of 2016
Sales revenue, including:	**mn USD**	**450**	**524**	85.9	**146**	**155**	**149**
- copper	mn USD	311	397	78.3	100	104	107
- nickel	mn USD	15	19	78.9	5	6	4
- precious metals (TPM)*	mn USD	76	70	108.6	24	27	25
Copper sales volume	kt	65.7	75.0	87.6	21.1	22.0	22.6
Nickel sales volume	kt	1.6	1.6	100.0	0.5	0.6	0.5
Precious metals (TPM)* sales volume	koz t	69.4	70.7	98.2	21.7	24.7	23.0

** TPM – precious metals (gold, platinum, palladium)*

	Unit	3 quarters of 2016	3 quarters of 2015	Change 3 quarters 2015=100	3rd quarter of 2016	2nd quarter of 2016	1st quarter of 2016
Sales revenue, including:	**mn PLN**	**1 764**	**1 962**	89,9	**566**	**610**	**588**
- copper	mn PLN	1 222	1 487	82,2	393	409	420
- nickel	mn PLN	59	70	84,3	21	21	17
- precious metals (TPM)*	mn PLN	296	262	113,0	91	106	99

** TPM – precious metals (gold, platinum, palladium)*

amounts in PLN millions, unless otherwise stated

The sales revenue of the segment KGHM INTERNATIONAL LTD. in the first 9 months of 2016 amounted to USD 450 million, and were lower by USD 74 million (-14%) due to lower sales volumes of copper and precious metals as well as due to unfavourable macroeconomic conditions, reflected in the lower achieved sales prices of copper and nickel.
The lower revenue from sales of copper by USD 86 million (-22%) is the result of the lower sales volume of this metal by 9.3 thousand tonnes (-12%) as well as due to the lower achieved sales price of 4 740 USD/t in the first three quarters of 2016 as compared to 5 291 USD/t in the corresponding period of 2015 (-10%).
The increase in revenues from precious metals sales by USD 6 million (+9%) is the result of the higher achieved price of gold, from 1 207 USD/oz t to 1 370 USD/oz t (+14%).

Costs

	Unit	3 quarters of 2016	3 quarters of 2015	Change 3 quarters 2015=100	3rd quarter of 2016	2nd quarter of 2016	1st quarter of 2016
C1 unit cost*	USD/lb	1.60	1.91	83.8	1.73	1.59	1.48

** 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*

The unit cash cost of copper production for all operations in the segment KGHM INTERNATIONAL LTD. in the first 9 months of 2016 amounted to 1.60 USD/lb, and was lower by 16% as compared to the corresponding period of 2015. The decrease in C1 cost is due to a decrease in production costs as a result of savings initiatives undertaken, which was partially offset by the lower volume of copper sales.

Financial performance

in mn USD	3 quarters of 2016	3 quarters of 2015	Change 3 quarters 2015=100	3rd quarter of 2016	2nd quarter of 2016	1st quarter of 2016
Sales revenue	450	524	85.9	146	155	149
Cost of sales, selling costs and administrative expenses*	(445)	(630)	70.6	(147)	(152)	(146)
Profit/(loss) on sales (EBIT)	**5**	**(107)**	**x**	**(1)**	**3**	**3**
Profit/(loss) before taxation, including:	**(231)**	**(223)**	**103.6**	**(90)**	**(70)**	**(71)**
- share of losses of Sierra Gorda S.C.M. accounted for using the equity method	*(211)*	*(83)*	x 2.5	*(90)*	*(65)*	*(56)*
Income tax	5	40	12.5	1	4	0
Profit/(loss) for the period	**(226)**	**(183)**	**123.5**	**(89)**	**(67)**	**(70)**
Depreciation/amortisation recognised in profit or loss	(95)	(176)	54.0	(32)	(31)	(32)
EBITDA**	**100**	**69**	**144.9**	**31**	**34**	**35**
Adjusted EBITDA***	**100**	**76**	**131.6**	**31**	**34**	**35**

in mn PLN	3 quarters of 2016	3 quarters of 2015	Change 3 quarters 2015=100	3rd quarter of 2016	2nd quarter of 2016	1st quarter of 2016
Sales revenue	1 764	1 962	89.9	566	610	588
Cost of sales, selling costs and administrative expenses*	(1 744)	(2 361)	73.9	(570)	(597)	(577)
Profit/(loss) on sales (EBIT)	**20**	**(399)**	**x**	**(4)**	**13**	**11**
Profit/(loss) before taxation, including:	**(905)**	**(835)**	**108.4**	**(350)**	**(276)**	**(279)**
- share of losses of Sierra Gorda S.C.M. accounted for using the equity method	(826)	*(312)*	x 2.6	*(350)*	*(255)*	*(221)*
Income tax	20	149	13.4	(1)	19	2
Profit/(loss) for the period	**(885)**	**(685)**	**129.2**	**(352)**	**(256)**	**(277)**
Depreciation/amortisation recognised in profit or loss	(373)	(658)	56.7	(125)	(120)	(128)
EBITDA**	**393**	**259**	**151.7**	**121**	**133**	**139**
Adjusted EBITDA***	**393**	**286**	**137.4**	**121**	**133**	**139**

** Cost of products, merchandise and materials sold, selling costs and administrative expenses*
*** EBITDA = EBIT + depreciation/amortisation (recognised in profit or loss)*
**** Adjusted EBITDA = EBIT + depreciation/amortisation (recognised in profit or loss) + impairment loss (-reversal of impairment losses) on non-current assets (recognised in cost of sales, selling costs and administrative expenses)*

amounts in PLN millions, unless otherwise stated

Main reasons for the change in the financial result:

Item	Impact on change in result (mn USD)	Description
Decrease in sales revenue by USD 74 million, including:	(50)	A decrease in revenues due to lower volume of sales, mainly copper (-USD 44 million) and TPM (-USD 6 million).
	(35)	A decrease in revenues due to lower prices of basic products, mainly copper (-USD 41 million) and nickel (-USD 3 million), limited by the increase in prices of TPM (+USD 9 million)
Decrease in cost of sales, selling costs and administrative expenses by USD 186 million, including:	+94	A decrease in depreciation/amortisation due to impairment losses on assets recognised in the fourth quarter of 2015
	+51	A decrease in costs due to undertaken savings initiatives, including reduction in costs of materials and energy (+USD 21 million), external services (+USD 21 million), administrative expenses (+USD 7 million) and labour costs (+USD 2 million)
	+22	A change in inventories
	+4	A decrease in cost of sales due to lower sales volumes
Impact on other operating activities and finance activities (+USD 8 million), including:	+7	An increase in net income due to interest, mainly related to financing of Sierra Gorda S.C.M.
Share of losses of joint ventures accounted for using the equity method (-USD 128 million)	(128)	Share of losses of Sierra Gorda S.C.M.
Income tax	(35)	Mainly due to a decrease in deferred tax assets assumed in 2015

Cash expenditures on tangible and intangible fixed assets

mn USD	3 quarters of 2016	3 quarters of 2015	Change 3 quarters 2015=100	3rd quarter of 2016	2nd quarter of 2016	1st quarter of 2016
Victoria project	20	47	42.6	2	2	16
Sierra Gorda Oxide project	7	11	63.6	0	2	5
Pre-stripping and other	60	126	47.6	14	25	21
Ajax project	7	30	23.3	1	3	3
Total	**94**	**214**	43.9	**16**	**33**	**45**
Financing for Sierra Gorda S.C.M.	**85**	**162**	52.5	**24**	**17**	**44**

mn PLN	3 quarters of 2016	3 quarters of 2015	Change 3 quarters 2015=100	3rd quarter of 2016	2nd quarter of 2016	1st quarter of 2016
Victoria project	78	176	44.3	5	9	63
Sierra Gorda Oxide project	28	41	68.3	2	8	18
Pre-stripping and other	238	474	50.2	55	100	83
Ajax project	26	112	23.2	4	10	12
Total	**370**	**803**	46.1	**67**	**127**	**176**
Financing for Sierra Gorda S.C.M.	**335**	**608**	55.1	**97**	**65**	**173**

Cash expenditures on tangible and intangible fixed assets by the segment KGHM INTERNATIONAL LTD. in the first 9 months of 2016 amounted to USD 94 million and were lower by USD 120 million (-56%) as compared to the corresponding period of 2015.
Around 50% of the expenditures were incurred by the Robinson mine and were mainly due to pre-stripping work. Their decrease as compared to the first three quarters of 2015 was due to a decrease in the scope of work related to pre-stripping of areas currently under operation. At present, work is underway on optimisation of the long-term development scenario for this mine.
Expenditures related to the projects of the segment KGHM INTERNATIONAL LTD. in the first 9 months of 2016 amounted to USD 34 million, of which USD 20 million were on the Victoria project, USD 7 million were on the Ajax project and USD 7 million were incurred on the Sierra Gorda Oxide project. Analyses continue which are required to take a decision regarding advancement of these projects.

In the first three quarters of 2016, the KGHM Polska Miedź S.A. Group provided financing, through KGHM INTERNATIONAL LTD., to the Sierra Gorda mine in the amount of USD 85 million (as an increase in share capital) in order to maintain its liquidity given the continuation of unfavourable macroeconomic conditions.

amounts in PLN millions, unless otherwise stated

3.7.3 The segment Sierra Gorda S.C.M.

The segment Sierra Gorda S.C.M. is a joint venture (under the JV company Sierra Gorda S.C.M.) of KGHM INTERNATIONAL LTD. (55%) and Sumitomo Group companies (45%).
The following production and financial data are presented on a 100% basis for the joint venture and proportionally to the interest in the company Sierra Gorda S.C.M. (55%), pursuant to methodology of data presentation described in Note 3.2, Part 1.
In the first half of 2015 the Sierra Gorda S.C.M. mine was under construction, while production at the commercial level was achieved at the end of June 2015. The completion of construction was a necessary condition to cease capitalisation of expenditures and income, and at the same time to recognise the first financial result. Consequently, the financial data presented below with respect to the corresponding period of 2015 only comprise the third quarter of 2015. At the same time the economic situation of the company in the third quarter of 2016 is primarily presented in relation to the second quarter of 2016.
This does not apply however to production and investments, which in 2015 also comprise the period prior to the commencement of commercial production.

Production results

The following information presents production by Sierra Gorda S.C.M. in the period January-September 2016 and 2015.

	Unit	3 quarters of 2016	3 quarters of 2015	Change 3 quarters 2015=100	3rd quarter of 2016	2nd quarter of 2016	1st quarter of 2016
Copper production*	kt	68.8	60.3	114.1	20.5	22.0	26.3
Copper production – segment (55%)	kt	37.8	33.2	114.1	11.3	12.1	14.5
Molybdenum production*	mn lbs	16.9	8.3	x2.1	4.5	3.6	8.9
Molybdenum production – segment (55%)	mn lbs	9.3	4.5	x2.1	2.5	2.0	4.9
TPM production – gold	koz t	28.0	29.7	94.3	7.3	7.7	13
TPM production – gold – segment (55%)	koz t	15.4	16.3	94.3	4.0	4.2	7.1
Production of copper equivalent**	kt	100.7	76.5	131.5	30.1	29.8	40.8
Production of copper equivalent – segment (55%)	kt	55.4	42.1	131.5	16.5	16.4	22.4

** Payable metal in concentrate.*
*** Value of production volume of all metals calculated as a copper equivalent, based on market prices – from own concentrate*

In the third quarter of 2016, copper production amounted to 20.5 thousand tonnes, or a decrease compared to copper production in the second quarter by 7%, which was mainly related to the processing of material with lower Cu content. It should be pointed out that, at the same time, the amount of ore processed as well as the level of copper recovery in both quarters was at a similar level.
The increase in molybdenum content in processed ore had an impact on payable molybdenum production, which in the third quarter was higher by 25%.

Sales revenue

After the first three quarters of 2016, revenues from the sale of products less treatment and refining charges (TC/RC) amounted to USD 449 million (PLN 1 763 million).

	Unit	3 quarters of 2016	3rd quarter of 2015	Change 3 quarters 2015=100	3rd quarter of 2016	2nd quarter of 2016	1st quarter of 2016
Sales revenue, including:	**mn USD**	**449**	**128**	**x3.5**	**134**	**169**	**146**
– copper	mn USD	328	114	x2.9	117	98	113
– molybdenum	mn USD	119	12	x10.3	16	72	31
Copper sales volume	kt	68.4	24.8	x2.8	24.8	20.7	22.9
Molybdenum sales volume	mn lbs	18.0	2.0	x9.1	3.6	8.7	5.7

amounts in PLN millions, unless otherwise stated

	Unit	3 quarters of 2016	3rd quarter of 2015	Change 3 quarters 2015=100	3rd quarter of 2016	2nd quarter of 2016	1st quarter of 2016
Sales revenue, including:	**mn PLN**	**1 763**	**480**	**x3.7**	**522**	**666**	**575**
– copper	mn PLN	1 287	427	x3.0	456	385	445
– molybdenum	mn PLN	467	43	x10.8	62	283	122
Sales revenue – segment (55% share)	**mn PLN**	**970**	**264**	**x3.7**	**288**	**366**	**316**

In the third quarter of 2016, revenues from copper sales increased by 19%, due to the higher sales volume (in the second quarter of 2016 the schedule of deliveries was interrupted by storms affecting the port of Antofagasta).
The high iron content in molybdenum concentrate had a substantial negative impact on its quality, which resulted in a longer processing cycle and substantially reduced molybdenum sales volume. In addition, in the third quarter of 2016 there was a decrease in the effective price achieved from molybdenum sales. This decrease in sales price and volume led to lower revenues from molybdenum sales by USD 56 million (a decrease from USD 72 million in the second quarter to USD 16 million in the third quarter).

Costs

The cost of sales, selling costs and administrative expenses incurred in the first three quarters of 2016 amounted to USD 671 million (PLN 2 631 million), including cost of sales of USD 36 million (PLN 140 million) and administrative expenses of USD 57 million (PLN 225 million).

	Unit	3 quarters of 2016	3rd quarter of 2015	Change 3 quarters 2015=100	3rd quarter of 2016	2nd quarter of 2016	1st quarter of 2016
Cost of sales, selling costs and administrative expenses	mn USD	671	214	x3.1	253	233	185
Cost of sales, selling costs and administrative expenses	mn PLN	2 631	800	x3.3	985	916	730
Cost of sales, selling costs and administrative expenses – segment (55% share)	mn PLN	1 447	440	x3.3	541	504	402
C1 unit cost*	**USD/lb**	**1.91**	**2.60**	**73.5**	**2.19**	**1.77**	**1.73**

** 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.*

The cost of sales, selling costs and administrative expenses increased in the third quarter of 2016 by 9% compared to the second quarter. Apart from those factors which caused an increase in individual costs items, the increase was also due to an increase in the volume of copper sales.
The following expenses by nature were significant, and together account for 79% of total costs (prior to a deduction by capitalised costs of pre-stripping to gain access to further areas of the deposit and the change in inventories).

- External services costs – an increase by 4% (third quarter of 2016 versus second quarter of 2016) due to a higher number of hours and a change in tariffs,
- Depreciation/amortisation – an increase by 9%, mainly due to amortisation of deferred stripping,
- Cost of materials, energy and fuel – an increase by 12% mainly due to higher prices of blasting materials, floatation reagents and fuels, as well as to an increase in the costs of spare parts due to a higher number of downtime incidents,
- Remuneration costs – an increase by 5% due to severance payments and social expenditures.

These factors mainly impacted ore processing costs, which calculated per tonne of processed ore increased by 14%. The mine's operating cash costs were at a similar level to those recorded in the second quarter of 2016, with higher ore and waste rock extraction, and as a result the unit cost was lower by 4%.
In the three quarters of 2016, the unit cash cost of copper production (C1) amounted to 1.91 USD/lb. The increase of this cost in the third quarter of 2016 versus the second quarter was mainly due to the lower sales volume, and consequently lower revenues from molybdenum sales (revenues from by-product sales are deducted when calculating C1 cost).

amounts in PLN millions, unless otherwise stated

Financial performance

After the first three quarters of 2016, EBITDA amounted to USD 58 million, or PLN 226 million, of which PLN 124 million is attributable to the KGHM Group proportionally to its interest (55%).

The negative EBITDA recorded in the third quarter of 2016 was due to the decrease in revenues and higher costs discussed in previous subchapters. Moreover, interest costs associated with the financing of the mine construction from borrowings and owner loans impacted the amount of loss.

Results of Sierra Gorda S.C.M. in mn USD 100% share	Unit	3 quarters of 2016	3rd quarter of 2015	Change 3 quarters 2015=100	3rd quarter of 2016	2nd quarter of 2016	1st quarter of 2016
Sales revenue	mn USD	449	128	x3.5	134	169	146
Cost of sales, selling costs and administrative expenses	mn USD	(671)	(214)	x3.1	(253)	(233)	(185)
Profit/(loss) on sales (EBIT)	mn USD	(221)	(86)	x2.6	(118)	(64)	(39)
Profit/(loss) for the period	**mn USD**	**(387)**	**(131)**	**x3.0**	**(164)**	**(119)**	**(103)**
Depreciation/amortisation recognised in profit or loss	mn USD	(279)	(66)	x4.2	(105)	(96)	(78)
EBITDA*	**mn USD**	**58**	**(20)**	**x**	**(13)**	**32**	**39**
**Adjusted EBITDA ** **	**mn USD**	**58**	**(20)**	**x**	**(13)**	**32**	**39**

Results of Sierra Gorda S.C.M. in mn PLN 100% share	Unit	3 quarters of 2016	3rd quarter of 2015	Change 3 quarters 2015=100	3rd quarter of 2016	2nd quarter of 2016	1st quarter of 2016
Sales revenue	mn PLN	1 763	480	x3.7	522	666	575
Cost of sales, selling costs and administrative expenses	mn PLN	(2 631)	(800)	x3.3	(985)	(916)	(730)
Profit/(loss) on sales (EBIT)	mn PLN	(868)	(320)	x2.7	(463)	(251)	(154)
Profit/(loss) for the period	**mn PLN**	**(1 517)**	**(491)**	**x3.1**	**(642)**	**(468)**	**(407)**
Depreciation/amortisation recognised in profit or loss	mn PLN	(1 094)	(248)	x4.4	(410)	(377)	(307)
EBITDA*	**mn PLN**	**226**	**(72)**	**x**	**(53)**	**126**	**153**
**Adjusted EBITDA ** **	**mn PLN**	**226**	**(72)**	**x**	**(53)**	**126**	**153**

Results of the segment Sierra Gorda S.C.M. in mn PLN, proportionally to the 55% share	Unit	3 quarters of 2016	3rd quarter of 2015	Change 3 quarters 2015=100	3rd quarter of 2016	2nd quarter of 2016	1st quarter of 2016
Sales revenue	mn PLN	970	264	x3.7	287	367	316
Cost of sales, selling costs and administrative expenses	mn PLN	(1 447)	(440)	x3.3	(542)	(504)	(401)
Profit/(loss) on sales (EBIT)	mn PLN	(477)	(176)	x2.7	(256)	(137)	(85)
Profit/(loss) for the period	**mn PLN**	**(834)**	**(270)**	**x3.1**	**(353)**	**(257)**	**(224)**
Depreciation/amortisation recognised in profit or loss	mn PLN	(601)	(136)	x4.4	(225)	(207)	(169)
EBITDA*	**mn PLN**	**124**	**(40)**	**x**	**(30)**	**70**	**84**
**Adjusted EBITDA ** **	**mn PLN**	**124**	**(40)**	**x**	**(30)**	**70**	**84**

** EBITDA = EBIT + depreciation/amortisation (recognised in profit or loss)*
***Adjusted EBITDA = EBIT + depreciation/amortisation (recognised in profit or loss) + impairment loss (-reversal of impairment losses) on non-current assets (recognised in cost of sales, selling costs and administrative expenses)*

amounts in PLN millions, unless otherwise stated

Cash expenditures on tangible and intangible fixed assets

In the first three quarters of 2016, cash expenditures on tangible and intangible fixed assets amounted to USD 212 million (PLN 831 million), of which 63% were expenditures incurred on pre-stripping to gain access to further areas of the deposit. The significant decrease as compared to the corresponding period in 2015 results from the fact that in the first half of 2015 the mine was still under construction, while in the third quarter of 2016 there was no substantial difference in the amounts of expenditures incurred from those in the second quarter of 2016.

	Unit	3 quarters of 2016	3 quarters of 2015	Change 3 quarters 2015=100	3rd quarter of 2016	2nd quarter of 2016	1st quarter of 2016
Cash expenditures on tangible fixed assets	mn USD	212	432	52.4	49	49	113
Cash expenditures on tangible fixed assets	mn PLN	831	1 617	55.5	193	191	447
Cash expenditures on tangible fixed assets – segment (55% share)	mn PLN	457	889	55.5	106	105	246

The main source of financing investments were the short-term bank loan (USD 186 million) and increases in share capital in the amount of USD 155 million, of which USD 85 million was provided by the KGHM Polska Miedź S.A. Group. As at 30 September 2016, the carrying amount of the owner loan amounted to USD 3 705 million, while its increase by USD 215 million as compared to the level at the end of 2015 was mainly due to accrued interest (in the first three quarters of 2016 there was no owner loan financing).

amounts in PLN millions, unless otherwise stated

4 – Selected additional explanatory notes

Note 4.1 Expenses by nature

	3rd quarter of 2016	3 quarters of 2016	3rd quarter of 2015	3 quarters of 2015
Depreciation of property, plant and equipment and amortisation of intangible assets	435	1 264	486	1 566
Employee benefits expenses	1 152	3 458	1 172	3 469
Materials and energy	1 550	5 149	1 673	5 377
External services	524	1 553	545	1 495
Minerals extraction tax	336	942	325	1 135
Other taxes and charges	119	374	132	381
Other costs	95	202	106	282
Total expenses by nature	**4 211**	**12 942**	**4 439**	**13 705**
Cost of merchandise and materials sold (+)	105	317	146	389
Change in inventories of finished goods and work in progress (+/-)	18	(781)	141	(304)
Cost of manufacturing products for internal use of the Group (-)	(344)	(1 150)	(434)	(1 204)
Total cost of sales, selling costs and administrative expenses, including:	**3 990**	**11 328**	**4 292**	**12 586**
Cost of sales	3 651	10 355	3 928	11 609
Selling costs	104	296	143	306
Administrative expenses	235	677	221	671

Note 4.2 Other operating income/(costs)

	3rd quarter of 2016	3 quarters of 2016	3rd quarter of 2015	3 quarters of 2015
Measurement and realisation of derivatives	103	149	56	136
Foreign exchange losses/gains on assets and liabilities other than borrowings	(110)	-	1	37
Other	36	150	26	164
Total other income	**29**	**299**	**83**	**337**
Measurement and realisation of derivatives	(17)	(232)	(4)	(257)
Impairment loss on available-for-sale assets	-	(57)	(183)	(184)
Foreign exchange losses on assets and liabilities other than borrowings	(155)	(155)	-	-
Other	(21)	(125)	(34)	(112)
Total other costs	**(193)**	**(569)**	**(221)**	**(553)**
Other operating income/(costs)	**(164)**	**(270)**	**(138)**	**(216)**

amounts in PLN millions, unless otherwise stated

Note 4.3 Finance income/(costs)

	3rd quarter of 2016	3 quarters of 2016	3rd quarter of 2015	3 quarters of 2015
Foreign exchange gains on borrowings	177	177	2	15
Losses on the measurement of derivatives	-	-	(7)	-
Total income	**177**	**177**	**(5)**	**15**
Interest on borrowings	(18)	(49)	(11)	(138)
Foreign exchange gains on borrowings	70	-	-	-
Losses on the measurement of derivatives	(1)	(11)	(13)	(13)
Other	(36)	(84)	(24)	(88)
Total costs	**15**	**(144)**	**(48)**	**(239)**
Finance income/(costs)	**192**	**33**	**(53)**	**(224)**

Note 4.4 Information on property, plant and equipment and intangible assets

Purchase of property, plant and equipment and intangible assets

	3 quarters of 2016	3 quarters of 2015
Purchase of property, plant and equipment	2 118	2 228
Purchase of intangible assets	173	404

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

	3rd quarter of 2016	2015
Payables due to the purchase of property, plant and equipment and intangible assets	359	693

Capital commitments not recognised in the consolidated statement of financial position

	3rd quarter of 2016	2015
Purchase of property, plant and equipment	2 535	2 111
Purchase of intangible assets	37	29
Total capital commitments:	**2 572**	**2 140**

amounts in PLN millions, unless otherwise stated

Note 4.5 Involvement in joint ventures

Joint ventures accounted for using the equity method

	3rd quarter of 2016		2015	
	Sierra Gorda S.C.M.	Other	Sierra Gorda S.C.M.	Other
As at the beginning of the reporting period	**534**	**28**	**4 333**	**30**
Acquisition of shares	335	-	928	-
Share of losses of joint ventures accounted for using the equity method	(826)	(1)	(4 455)	(2)
Impairment loss on interest in a joint venture	-	-	(671)	-
Elimination of unrealised gains between the investor and the joint venture	-	-	(110)	-
Exchange differences from the translation of a foreign operation	3	-	509	-
As at the end of the reporting period	**46**	**27**	**534**	**28**

Loans granted to a joint venture Sierra Gorda S.C.M.

	3rd quarter of 2016	2015
As at beginning of the reporting period	**7 504**	**6 231**
Accrued interest	465	466
Exchange differences from the translation of a foreign operation	(95)	807
As at end of the reporting period	**7 874**	**7 504**

amounts in PLN millions, unless otherwise stated

Note 4.6 Financial instruments

Categories of financial assets in accordance with IAS 39	3rd quarter of 2016 Available-for-sale	At fair value through profit or loss	Loans and financial receivables	Hedging instruments	Total	2015 Available-for-sale	At fair value through profit or loss	Loans and financial receivables	Hedging instruments	Total
Non-current	528	1	8 700	57	**9 286**	579	11	8 239	106	**8 935**
Loans granted to joint ventures	-	-	7 874	-	7 874	-	-	7 504	-	**7 504**
Derivatives	-	1	-	57	**58**	-	11	-	106	**117**
Other financial instruments measured at fair value	528	-	-	-	**528**	579	-	-	-	**579**
Other financial assets	-	-	826	-	**826**	-	-	735	-	**735**
Current	57	-	1 806	56	**1 919**	84	1	2 203	6	**2 294**
Trade receivables	-	-	955	-	**955**	-	-	1 541	-	**1 541**
Derivatives	-	-	-	56	**56**	-	1	-	6	**7**
Cash and cash equivalents	-	-	731	-	**731**	-	-	461	-	**461**
Other financial assets	57	-	120	-	**177**	84	-	201	-	**285**
Total	**585**	**1**	**10 506**	**113**	**11 205**	**663**	**12**	**10 442**	**112**	**11 229**

amounts in PLN millions, unless otherwise stated

Categories of financial liabilities in accordance with IAS 39	3rd quarter of 2016				2015			
	At fair value through profit or loss	At amortised cost	Hedging instruments	Total	At fair value through profit or loss	At amortised cost	Hedging instruments	Total
Non-current	**89**	**5 109**	**1 578**	**6 776**	1	3 894	1 328	**5 223**
Borrowings	-	4 927	1 542	**6 469**	-	3 700	1 170	**4 870**
Derivatives	89	-	36	**125**	1	-	158	**159**
Other financial liabilities	-	182	-	**182**	-	194	-	**194**
Current	21	2 971	38	**3 030**	-	3 666	48	**3 714**
Borrowings	-	1 460	-	**1 460**	-	2 145	-	**2 145**
Derivatives	21	-	38	**59**	-	-	48	**48**
Trade payables	-	1 234	-	**1 234**	-	1 418	-	**1 418**
Other financial liabilities	-	277	-	**277**	-	103	-	**103**
Total	110	8 080	1 616	**9 806**	**1**	**7 560**	**1 376**	**8 937**

amounts in PLN millions, unless otherwise stated

The fair value of financial instruments

Classes of financial instruments	3rd quarter of 2016 level 1	3rd quarter of 2016 level 2	2015 level 1	2015 level 2
Listed shares	533	-	611	-
Other financial assets	-	55	-	95
Derivatives, including:	-	(70)	-	(83)
Assets	-	114	-	124
Liabilities	-	(184)	-	(207)

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 2015.
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.

amounts in PLN millions, unless otherwise stated

Note 4.7 Commodity, currency and interest rate risk management

In managing commodity, currency and interest rate risk, the scale and profile of activities of the Parent Entity and of the mining companies of the KGHM INTERNATIONAL LTD. Group is of the greatest significance for, and has the greatest impact on the results of the KGHM Polska Miedź S.A. Group.

The Parent Entity actively manages market risk by taking actions and making decisions in this regard within the context of the whole KGHM Polska Miedź S.A. Group's global exposure.

The primary technique used by the Group in market risk management is the use of hedging strategies involving derivatives. Natural hedging is also used. However, only the Parent Entity applies hedging transactions, as understood by hedge accounting.

The impact of derivatives on the items in the statement of profit or loss of the Group and on the items in the statement of comprehensive income is presented below:

	Impact of derivatives and hedging transactions	
Statement of profit or loss	**3 quarters of 2016**	**3 quarters of 2015**
Sales revenue	12	343
Other operating and finance income and costs:	(94)	(135)
On realisation of derivatives	(13)	(9)
On measurement of derivatives	(81)	(126)
Impact of derivatives on the financial result	**(82)**	**208**
Statement of comprehensive income in that part concerning other comprehensive income		
Impact of hedging transactions	**14**	**(303)**
Impact of measurement of hedging transactions (effective portion)	26	40
Reclassification to sales revenues due to realisation of a hedged item	(12)	(343)
TOTAL COMPREHENSIVE INCOME	**(68)**	**(95)**

The management of market risk in the Parent Entity, 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 Parent Entity'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 2016 represented approx. 8% of the total sales of this metal realised by the Parent Entity. Silver price hedging transactions represented approx. 6% of the total sales of this metal realised in the third quarter of 2016. However, in the case of currency transactions, approx. 38% of total revenues from metals sales realised by the Parent Entity during the period were hedged.

In the third quarter of 2016 the Parent Entity implemented copper price hedging transactions with a total notional amount of 52.5 thousand tonnes and a hedging horizon falling from October 2016 to June 2017. Put options were purchased (Asian options). In the third quarter of 2016, there were no hedging transactions implemented for the silver, currency and interest rate markets.

With respect to managing currency risk, which arises from borrowings, the Parent Entity uses natural hedging by borrowing in currencies in which it has revenues. As at 30 September 2016, following their translation to PLN, the bank loans and the investment loan which were drawn in USD amounted to PLN 7 758 million.

As a result, as at 30 September 2016, the Parent Entity held a hedging position in derivatives for 52.5 thousand tonnes of copper (for the period from October 2016 to June 2017), 3.38 million ounces of silver (for the period from October 2016 to December 2017) as well as for the planned revenues from sales of metals in the amount of USD 1 590 million, including: USD 330 million for the period from October to December 2016, USD 1 020 million for 2017 and USD 240 million for 2018. Moreover, the Parent Entity held open derivatives transactions on the interest rate market for the fourth quarter of 2016 (quarterly notional amount of USD 700 million), for 2017 (average quarterly notional amount of USD 700 million) and for 2018 (average quarterly notional amount of USD 900 million). In addition, natural hedging on the interest rates market included two instalments of the loan from the European Investment Bank (in the amounts of USD 300 million and USD 100 million) which were drawn based on a fixed interest rate. The first instalment of the loan granted by the European Investment Bank (in the amount of USD 300 million) was designated as a hedging of revenues from sales against the risk of changes in foreign exchange rates for the period from October 2017 to October 2026.

amounts in PLN millions, unless otherwise stated

Some of the Group's Polish companies managed the currency risk related to their core business by opening transactions in derivatives on the currency market. The table of open transactions as at 30 September 2016 is not presented, due to its immateriality for the Group.

The condensed tables of open transactions in derivatives held by the Parent Entity on the copper, silver, currency and interest rate markets are presented below:

COPPER MARKET

	Instrument	Notional [tonnes]	Option strike price Purchased put option [USD/t]	Average weighted premium [USD/t]	Effective hedge price [USD/t]	Participation limited to [USD/t]
4th quarter	Purchased put option	16 500	4 800	-198	4 602	
4th quarter	Purchased put option	4 500	4 700	-189	4 511	
	TOTAL X-XII 2016	**21 000**				
1st quarter	Purchased put option	16 500	4 800	-198	4 602	
1st quarter	Purchased put option	4 500	4 700	-189	4 511	
2nd quarter	Purchased put option	10 500	4 800	-198	4 602	
	TOTAL I-VI 2017	**31 500**				

SILVER MARKET

	Instrument	Notional [million oz t]	Option strike price Sold put option [USD/oz t]	Option strike price Purchased put option [USD/oz t]	Average weighted premium [USD/oz t]	Effective hedge price [USD/oz t]	Participation limited to [USD/oz t]
4th quarter	Purchased put option	0.68		18.00	-1.24	16.76	
	TOTAL X-XII 2016	**0.68**					
1st half	Put spread	1.35	14.00	18.00	-1.48	16.52	14.00
2nd half	Put spread	1.35	14.00	18.00	-1.48	16.52	14.00
	TOTAL 2017	**2.70**					

CURRENCY MARKET

	Instrument	Notional [million USD]	Option strike price Sold call option [USD/PLN]	Option strike price Purchased put option [USD/PLN]	Average weighted premium [PLN for USD 1]	Effective hedge price [USD/PLN]	Participation limited to [USD/PLN]
4th quarter	Collar	90	4.0000	3.2000	-0.0567	3.1433	4.0000
4th quarter	Collar	90	4.2000	3.3000	-0.0485	3.2515	4.2000
4th quarter	Collar	60	4.4000	3.5500	-0.0480	3.5020	4.4000
4th quarter	Purchased put option	90		3.8000	-0.0760	3.7240	
	TOTAL X-XII 2016	**330**					
1st half	Collar	270	4.0000	3.3500	-0.0523	3.2977	4.0000
1st half	Collar	180	4.4000	3.5500	-0.0477	3.5023	4.4000
1st half	Collar	60	4.5000	3.7500	-0.0300	3.7200	4.5000
2nd half	Collar	270	4.0000	3.3500	-0.0524	3.2976	4.0000
2nd half	Collar	180	4.4000	3.5500	-0.0487	3.5013	4.4000
2nd half	Collar	60	4.5000	3.7500	-0.0330	3.7170	4.5000
	TOTAL 2017	**1 020**					

amounts in PLN millions, unless otherwise stated

1st half	Collar	120	4.5000	3.7500	-0.0375	3.7125	4.5000
2nd half	Collar	120	4.5000	3.7500	-0.0342	3.7158	4.5000
	TOTAL 2018	**240**					

INTEREST RATE MARKET

Instrument	Notional [million USD]	Option strike price [LIBOR 3M]	Average weighted premium [USD for USD 1 million hedged]	[%]	Effective hedge price [LIBOR 3M]
Purchase of interest rate cap options, 4th quarter	700	2.50%	-734	0.29%	2.79%
4th quarter of 2016	**700**				
Purchase of interest rate cap options, 1st quarter	700	2.50%	-734	0.29%	2.79%
Purchase of interest rate cap options, 2nd quarter	700	2.50%	-734	0.29%	2.79%
Purchase of interest rate cap options, 3rd quarter	700	2.50%	-734	0.29%	2.79%
Purchase of interest rate cap options, 4th quarter	700	2.50%	-734	0.29%	2.79%
AVERAGE IN 2017	**700**				
Purchase of interest rate cap options, 1st quarter	900	2.50%	-734	0.29%	2.79%
Purchase of interest rate cap options, 2nd quarter	900	2.50%	-734	0.29%	2.79%
Purchase of interest rate cap options, 3rd quarter	900	2.50%	-734	0.29%	2.79%
Purchase of interest rate cap options, 4th quarter	900	2.50%	-734	0.29%	2.79%
AVERAGE IN 2018	**900**				

As at 30 September 2016, the net fair value of open positions in derivatives of the Group (hedging, trade and embedded transactions) was negative and amounted to PLN 70 million (it was negative as at 31 December 2015 and amounted to PLN 83 million).

Hedging derivatives – open and unsettled items as at the end of the reporting period

Type of derivative	3rd quarter of 2016 Financial assets Current	 Non-current	 Financial liabilities Current	 Non-current	 Net total
Derivatives – Commodity contracts - Copper					
Options					
Purchased put options	29				**29**
TOTAL	**29**	**-**	**-**	**-**	**29**
Derivatives – Commodity contracts - Silver					
Options					
Purchased put options	-				**-**
Purchased put options (put spread)	**6**	**5**			**11**
TOTAL	**6**	**5**	**-**	**-**	**11**
Derivatives – Currency contracts					
Options USD					
Purchased put options	3				**3**
Collars	18	52	(38)	(36)	**(4)**

TOTAL	21	52	(38)	(36)	(1)
TOTAL HEDGING INSTRUMENTS	56	57	(38)	(36)	39

Hedging derivatives	Notional Copper [t] Currencies [USD million]	Avg. weighted price/exchange rate [USD/PLN]	Maturity/ settlement period		Period of profit/loss impact	
			From	To	From	To
Copper – purchased put options	52 500	4 783	Oct 16	June 17	Nov 16	July 17
Silver – purchased put options	675	18	Oct 16	Dec 16	Nov 16	Jan 17
Silver – purchased put options (put spread)	2 700	18	Jan 17	Dec 17	Feb 17	Jan 18
Currency – purchased put options	90	3.8000	Oct 16	Dec 16	Oct 16	Dec 16
Currency - collars	1 500	3.4900-4.2440	Oct 16	Dec 18	Oct 16	Dec 18

All entities with which derivative transactions (excluding embedded derivatives) are entered into by the Group operate in the financial sector.

The following table presents the structure of ratings of the financial institutions with whom the Group had derivatives transactions, representing an exposure to credit risk* (as at the end of the reporting period):

Rating level		3rd quarter of 2016	2015
Highest	from AAA to AA- according to S&P and Fitch, and from Aaa to Aa3 according to Moody's	1%	-
Medium-high	from A+ to A- according to S&P and Fitch, and from A1 to A3 according to Moody's	98%	97%
Medium	from BBB+ to BBB- according to S&P and Fitch, and from Baa1 to Baa3 according to Moody's	1%	3%

** Weighed by positive fair value of open and unsettled derivatives.*

Taking into consideration the fair value of open derivatives' transactions entered into by the Group and the fair value of unsettled derivatives, as at 30 September 2016 the maximum single entity share of the amount exposed to credit risk arising from these transactions amounted to 29% (as at 31 December 2015: 58%).

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

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

Despite the concentration of credit risk associated with derivatives' transactions, the Parent Entity has determined that, due to its cooperation only with renowned financial institutions, as well as continuous monitoring of their ratings, it is not materially exposed to credit risk as a result of transactions concluded with them.

amounts in PLN millions, unless otherwise stated

Note 4.8 Liquidity risk and capital management

Liquidity and capital management policy

The Management Board of the Parent Entity is responsible for financial liquidity management in the Group and compliance with adopted policy. The Financial Liquidity Committee is an entity supporting the Management Board in this regard.

The management of financial liquidity in the Parent Entity is performed in accordance with the Financial Liquidity Management Policy approved by the Management Board. In KGHM INTERNATIONAL LTD. liquidity management principles are described in the Investment Policy.

Under the process of liquidity management, the Group utilises instruments which enhance its effectiveness. One of the primary instruments used by the Group is the cash pool management service, locally in PLN, USD and EUR and internationally in USD.

Capital management in the Group is aimed at securing funds for business development and maintaining the appropriate level of liquidity.

In order to maintain financial liquidity and the creditworthiness to acquire external financing at an optimum cost, the Group aims to maintain the equity ratio, in the long-term, at a level of not less than 0.5, and the ratio of Net Debt/EBITDA at a level of up to 2.0.

Ratio	Calculation	3rd quarter of 2016	2015
Net Debt/EBITDA *	Relation of net debt to EBITDA	1.8	1.4
Equity ratio	Relation of equity less intangible assets to total assets	0.5	0.5

*to calculate this ratio the adjusted EBITDA was assumed for the period of 12 months ending on the last day of the reporting period, excluding the EBITDA of the joint venture Sierra Gorda S.C.M.

Net debt

	3rd quarter of 2016	2015
Total debt - Borrowings and other financing sources	**7 929**	**7 015**
Free cash and cash equivalents	715	461
Net debt	**7 214**	**6 554**

Open credit lines and loans and liabilities of the Group drawn under these borrowings

	3rd quarter of 2016			2015
Type of bank and other loans	**Available currency**	**Amount available, in PLN**	**Amount drawn, in PLN**	**Amount drawn, in PLN**
Bilateral bank loans	USD, EUR, PLN	3 629	1 557	2 713
Unsecured revolving syndicated credit facility	USD	9 640	4 823	3 126
Investment loan	USD, EUR, PLN	2 000	1 549	1 176
Total		**15 269**	**7 929**	7 015

amounts in PLN millions, unless otherwise stated

Contingent liabilities due to guarantees granted

Guarantees and letters of credit are an essential financial liquidity management tool of the Group, thanks to which the companies of the Group and Sierra Gorda S.C.M. (joint venture) do not have to use their cash in order to secure their liabilities towards other entities.

As at 30 September 2016, the Group held contingent liabilities due to guarantees and letters of credit granted in the total amount of PLN 1 675 million and due to promissory notes liabilities in the amount of PLN 256 million.

The most significant items are contingent liabilities of the Parent Entity aimed at securing the agreements concluded by:

a) Sierra Gorda S.C.M. – security related to the performance of concluded agreements in the amount of PLN 1 213 million:

- a letter of credit of PLN 530 million, granted as security for the proper performance of a long-term contract for the supply of electricity;
- corporate guarantees of PLN 280 million, set as security on the payment of concluded lease agreements;
- corporate guarantees of PLN 403 million, securing the repayment of short-term working capital facilities of Sierra Gorda S.C.M., which were granted by Banco de Chile and Banco del Estado de Chile;

b) other entities of the Group:

- securing restoration costs of the Robinson mine, the Podolsky mine and the Victoria project and obligations related to the proper performance of contracts entered into in the amount of PLN 358 million by the Group,
- securing the proper execution of future environmental obligations of the Parent Entity related to the obligation to restore terrain around the Żelazny Most tailings storage facility following the conclusion of its operations in the total amount of PLN 320 million (a bank guarantee of PLN 96 million and an own promissory note of PLN 224 million).

Based on analysis and forecasts, at the end of the reporting period the Group assessed the probability of payments resulting from contingent liabilities related to:

- Sierra Gorda S.C.M. - as moderate,
- other entities of the Group – as low.

Note 4.9 Related party transactions

Operating income from related parties	3rd quarter of 2016	3 quarters of 2016	3rd quarter of 2015	3 quarters of 2015
Revenues from sales to the joint venture Sierra Gorda S.C.M.	37	95	28	72
Interest income on loans granted to the joint venture Sierra Gorda S.C.M.	159	465	142	319
Revenues from sales to other related parties	-	11	1	11
	196	**571**	**171**	**402**

Purchases from related parties	3rd quarter of 2016	3 quarters of 2016	3rd quarter of 2015	3 quarters of 2015
Purchases from the joint venture Sierra Gorda S.C.M.	(1)	53	48	48
Purchases from other related parties	2	17	2	17
	1	**70**	**50**	**65**

Trade and other receivables from related parties	3rd quarter of 2016	2015
From the joint venture Sierra Gorda S.C.M. - loans	7 874	7 504
From the joint venture Sierra Gorda S.C.M. - other	410	312
From other related parties	6	2
	8 290	**7 818**

Trade and other payables towards related parties	3rd quarter of 2016	2015
Towards joint ventures	50	75
Towards other related parties	4	1
	54	**76**

In the current quarter, no individual transactions were identified between the Group and the Polish Government and entities controlled or jointly controlled by the Polish Government, or over which the Polish 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 with entities controlled or jointly controlled by the Polish Government, or over which the Polish 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). In the period from 1 January 2016 to 30 September 2016, the turnover from these transactions amounted to PLN 450 million (from 1 January 2015 to 30 September 2015: PLN 480 million), and, as at 30 September 2016, the unsettled balance of liabilities from these transactions amounted to PLN 397 million (as at 31 December 2015: PLN 241 million).

Remuneration of the Supervisory Board of the Parent Entity (in PLN thousands)	3 quarters of 2016	3 quarters of 2015
Remuneration due to service in the Supervisory Board, salaries and other current employee benefits	1 221	1 405

Remuneration of the Management Board of the Parent Entity (in PLN thousands)	3 quarters of 2016	3 quarters of 2015
Salaries and other current employee benefits, of which:	11 664	8 537
Members of the Management Board serving in the function as at 30 September 2016	3 778	-
other Members of the Management Board*	7 886	8 537
Benefits due to termination of employment	223	249
Total	11 887	**8 786**

** amount for the 3 quarters of 2016 includes remuneration during the employment termination period*

Remuneration of other key managers (in PLN thousands)	3 quarters of 2016	3 quarters of 2015
Salaries and other current employee benefits	2 847	4 853

Based on the definition of key management personnel according to IAS 24 and based on an analysis of the rights and scope of responsibilities of managers of the Group arising from corporate documents and from management contracts, the members of the Board of Directors of KGHM INTERNATIONAL LTD. and the President of the Management Board of KGHM INTERNATIONAL LTD. were recognised as other key managers of the Group.

amounts in PLN millions, unless otherwise stated

Note 4.10 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.

	3 quarters of 2016	Increase/(decrease) since the end of the last financial year
Contingent assets		
Guarantees received	264	(46)
Promissory notes receivables	107	(61)
Property tax on underground mine facilities	88	-
Other	101	32
Total contingent assets	**560**	**(75)**
Contingent liabilities		
Guarantees, including:	1 675	394
a letter of credit granted to secure the proper performance of a long-term contract for the supply of electricity for the joint venture Sierra Gorda S.C.M.	530	(6)
guarantees granted to secure the proper performance of lease agreements entered into by the joint venture Sierra Gorda S.C.M.	280	(39)
corporate guarantees to secure repayment of short-term working capital facilities drawn by the joint venture Sierra Gorda S.C.M.	403	403
a letter of credit granted to secure the proper performance of future environmental obligations by KGHM INTERNATIONAL LTD. to restore the area following the conclusion of operations of the Robinson mine, Podolsky mine and the Victoria project and obligations related to the proper performance of agreements entered into	358	5
a guarantee 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	96	32
A promissory note liability securing 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	224	(32)
Liabilities due to implementation of projects and inventions	92	1
Property tax on underground mine facilities	125	24
Other	85	34
Total contingent liabilities	**2 201**	**421**
Other liabilities not recognised in the statement of financial position		
Liabilities towards local government entities due to expansion of the Żelazny Most tailings storage facility	120	2
Liabilities due to operating leases	50	(4)
Total other liabilities not recognised in the statement of financial position	**170**	**(2)**

5 – Additional information to the consolidated quarterly report

Note 5.1 Effects of changes in the organisational structure of the KGHM Polska Miedź S.A. Group

There were no significant changes in the Group's structure in the third quarter of 2016. However, the next stage of reorganising the international part of the KGHM Polska Miedź S.A. Group has begun, which is first and foremost aimed at simplifying the Group's structure and making it more transparent (one result of activities carried out in 2015 was, among others, the combining of the company KGHM INTERNATIONAL LTD. with the company 0929260 B.C U.L.C. by founding a new entity with the name of KGHM INTERNATIONAL LTD.). In September 2016, three cross-border mergers between companies within the KGHM Polska Miedź S.A. Group, i.e. Future 1 Sp. z o.o. (the acquiring company) and the companies Fermat 1 S.á r.l., Fermat 2 S.á r.l. and Fermat 3 S.á r.l. (acquired companies) were successively carried out.

As a result of the aforementioned mergers, KGHM INTERNATIONAL LTD. will become a subsidiary (100%) of Future 1 Sp. z o.o.

Note 5.2 Seasonal or cyclical activities

The Group is not affected by seasonal or cyclical activities.

Note 5.3 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 quarter.

Note 5.4 Information related to paid (declared) dividend, total and per share

In accordance with Resolution No. 6/2016 of the Ordinary General Meeting of KGHM Polska Miedź S.A. dated 28 June 2016 regarding the dividend payout from prior years' profits, setting the dividend date and the dividend payment date, the amount of PLN 300 million was allocated as a shareholder dividend, amounting to PLN 1.50 per share. The dividend date (the day on which the right to dividend is set) was set at 15 July 2016 with the dividend being paid in two instalments: 18 August 2016 – the amount of PLN 150 million (equal to PLN 0.75 per share) and 17 November 2016 – the amount of PLN 150 million (equal to PLN 0.75 per share).

All shares of the Parent Entity are ordinary shares.

Note 5.5 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 2016, 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 2016.

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 consolidated report for the first half of 2016

As at the date of publication of the consolidated report for the first half of 2016, i.e. at 17 August 2016, based on information held by 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 consolidated report for the first half of 2016, KGHM Polska Miedź S.A. received notification, dated 18 August 2016, from Nationale-Nederlanden Powszechne Towarzystwo Emerytalne S.A. that Nationale-Nederlanden Otwarty Fundusz Emerytalny exceeded 5% threshold in the total number of votes at the General Meeting of KGHM Polska Miedź S.A.

amounts in PLN millions, unless otherwise stated

As a result, as at the date of preparation of this report, according to information held by KGHM Polska Miedź S.A., the following shareholders were owning at least 5% of the total number of votes at the General Meeting of KGHM Polska Miedź S.A.:

- 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);
- Nationale-Nederlanden Otwarty Fundusz Emerytalny (managed by Nationale-Nederlanden Powszechne Towarzystwo Emerytalne S.A.), which owned 10 104 354 shares of KGHM Polska Miedź S.A., representing 5.05% 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 18 August 2016).

Ownership of KGHM Polska Miedź S.A.'s shares or of rights to them by members of the management and supervisory board 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 consolidated report for the first half of 2016

Members of the Parent Entity's Management Board

Based on information held by KGHM Polska Miedź S.A., as at the date of preparation of this report no Member of the Management Board of the Parent Entity held shares of KGHM Polska Miedź S.A. or rights to them.

As far as the Parent Entity is aware, as at the date of publication of the consolidated report for the first half of 2016, i.e. as at 17 August 2016, Krzysztof Skóra (a Member of the Management Board of the Company dismissed on 28 October 2016) held 5 shares of KGHM Polska Miedź S.A.

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 or rights to them owned by the Parent Entity's 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 2016
Member of the Supervisory Board	Józef Czyczerski	10
Member of the Supervisory Board	Leszek Hajdacki	1

Based on information held by KGHM Polska Miedź S.A., as at the date of preparation of this report other Members of the Supervisory Board of the Parent Entity did not hold shares of KGHM Polska Miedź S.A. or rights to them.

As far as the Parent Entity is aware, the above ownership structure did not change since the date of publication of the consolidated report for the first half of 2016.

List of proceedings before courts, arbitration authorities or public administration authorities

As at 30 September 2016, the total value of on-going proceedings before courts, arbitration authorities or public administration authorities respecting liabilities and debt 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 they were entered into under other than arm's length conditions

During the period from 1 January 2016 to 30 September 2016, neither KGHM Polska Miedź S.A. nor its subsidiaries entered into 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 2016 to 30 September 2016, 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 2016 there were no other significant events, apart from those mentioned in the commentaries 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 in the opinion of KGHM Polska Miedź S.A., will impact the results of the Group over at least the following quarter

The most significant factors influencing the KGHM Polska Miedź S.A. Group's results in particular over at least the following 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.

Moreover, the Parent Entity is in the process of analysing of copper and molybdenum market prices and reviewing mine projects in the Group regarding the possible occurrence of indicators to perform impairment testing of mining assets.

Note 5.6 Subsequent events after the reporting period

Liquidation of the company "Elektrownia Blachownia Nowa" sp. z o.o.

On 11 October 2016 the Extraordinary Meeting of Shareholders of "Elektrownia Blachownia Nowa" sp. z o.o. resolved to dissolve and liquidate "Elektrownia Blachownia Nowa" sp. z o.o. Piotr Zawiejski was appointed as the company's liquidator. Liquidation will be conducted under the name "Elektrownia Blachownia Nowa" Sp. z o.o. in liquidation.

The effects of liquidation of the company "Elektrownia Blachownia Nowa" sp. z o.o. in liquidation are immaterial for the consolidated financial statements of the KGHM Polska Miedź S.A. Group.

Resignation from the delegation of a Member of the Supervisory Board of the Parent Entity to temporarily carry out the duties of a member of the management board

On 28 October 2016, at 12.20 PM, Dominik Hunek submitted his resignation from the delegation to temporarily carry out the duties of a member of the management board – the Vice President of the Management Board of the Parent Entity (Development), and resumed his duties in the Supervisory Board as part of his functions as Chairman of the Supervisory Board of KGHM Polska Miedź S.A.

Change in the position of the President of the Management Board of the Parent Entity

The Supervisory Board of the Parent Entity, at its meeting on 28 October 2016, dismissed President of the Management Board Krzysztof Skóra. At the same meeting, it appointed Radosław Domagalski-Łabędzki as President of the Management Board of the Parent Entity.

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

On 7 November 2016, the Management Board of KGHM Polska Miedź S.A. announced the convening of an Extraordinary General Meeting of KGHM Polska Miedź S.A., which will take place on 7 December 2016, beginning at 11.00 AM at the head office of the Parent Entity in Lubin.

The aim of convening the Extraordinary General Meeting of KGHM Polska Miedź S.A. is to adopt resolutions on changes in the composition of the Supervisory Board of KGHM Polska Miedź S.A. and on determining the terms of setting the remuneration of members of the Management Board and Supervisory Board of the Parent Entity.

Part 2 – Quarterly financial information of KGHM Polska Miedź S.A.

INTERIM STATEMENT OF PROFIT OR LOSS

	3rd quarter of 2016	3 quarters of 2016	3rd quarter of 2015	3 quarters of 2015
Sales revenue	3 744	10 284	3 681	11 773
Cost of sales	(2 831)	(7 971)	(2 820)	(8 602)
Gross profit	**913**	**2 313**	**861**	**3 171**
Selling costs and administrative expenses	(231)	(619)	(199)	(574)
Profit on sales	**682**	**1 694**	**662**	**2 597**
Other operating income/(costs)	(81)	80	(95)	(107)
Finance income/(costs)	199	58	(46)	(88)
Profit before income tax	**800**	**1 832**	**521**	**2 402**
Income tax expense	(186)	(550)	(167)	(727)
PROFIT FOR THE PERIOD	**614**	**1 282**	**354**	**1 675**
Weighted average number of ordinary shares (million)	**200**	**200**	**200**	**200**
Basic/diluted earnings per share (in PLN)	**3.07**	**6.41**	**1.78**	**8.38**

INTERIM STATEMENT OF COMPREHENSIVE INCOME

	3rd quarter of 2016	3 quarters of 2016	3rd quarter of 2015	3 quarters of 2015
Profit for the period	**614**	**1 282**	**354**	**1 675**
Measurement of hedging instruments net of the tax effect	31	11	(66)	(232)
Measurement of available-for-sale financial assets net of the tax effect	(36)	4	(14)	(112)
Other comprehensive income which will be reclassified to profit or loss	**(5)**	**15**	**(80)**	**(344)**
Actuarial gains/(losses) net of the tax effect	86	19	(115)	28
Other comprehensive income, which will not be reclassified to profit or loss	**86**	**19**	**(115)**	**28**
Total other comprehensive net income	**81**	**34**	**(195)**	**(316)**
TOTAL COMPREHENSIVE INCOME	**695**	**1 316**	**159**	**1 359**

amounts in PLN millions, unless otherwise stated

INTERIM STATEMENT OF CASH FLOWS

	3 quarters of 2016	3 quarters of 2015
Cash flow from operating activities		
Profit before income tax	1 832	2 402
Depreciation/amortisation recognised in profit or loss	700	655
Interest and other costs of borrowings	85	63
Impairment loss on non-current assets	70	194
Other adjustments to profit before income tax	(431)	(273)
Exclusions of income and costs, total	424	639
Income tax paid	(351)	(656)
Changes in working capital	(42)	426
Net cash generated from operating activities	**1 863**	**2 811**
Cash flow from investing activities		
Expenditures on mining and metallurgical assets	(1 995)	(1 715)
Expenditures on other property, plant and equipment and intangible assets	(12)	(28)
Loans granted	(457)	(3 785)
Other expenses	(105)	(194)
Total expenses	(2 569)	(5 722)
Proceeds	25	46
Net cash used in investing activities	**(2 544)**	**(5 676)**
Cash flow from financing activities		
Proceeds from borrowings	2 829	4 046
Other proceeds	8	-
Total proceeds	2 837	4 046
Repayments of borrowings	(1 731)	(214)
Dividends paid	(150)	(400)
Interest paid	(80)	(56)
Total expenses	(1 961)	(670)
Net cash generated from financing activities	**876**	**3 376**
TOTAL NET CASH FLOW	**195**	**511**
Cash and cash equivalents at the beginning of the period	158	85
Exchange gains/(losses) on cash and cash equivalents	6	(18)
Cash and cash equivalents at the end of the period	**359**	**578**

amounts in PLN millions, unless otherwise stated

INTERIM STATEMENT OF FINANCIAL POSITION

	3rd quarter of 2016	2015
ASSETS		
Mining and metallurgical property, plant and equipment	13 893	12 845
Mining and metallurgical intangible assets	601	541
Mining and metallurgical property, plant and equipment and intangible assets	14 494	13 386
Other property, plant and equipment	226	233
Other intangible assets	20	24
Other property, plant and equipment and intangible assets	246	257
Investments in subsidiaries	6 858	6 858
Loans granted	7 362	6 750
Derivatives	57	117
Other financial instruments measured at fair value	527	579
Other financial assets	319	291
Financial instruments, total	8 265	7 737
Other non-financial assets	23	27
Deferred tax assets	108	141
Non-current assets	**29 994**	**28 406**
Inventories	3 408	2 601
Trade receivables	450	1 000
Tax assets	204	412
Derivatives	56	6
Other assets	595	537
Cash and cash equivalents	359	158
Current assets	**5 072**	**4 714**
	35 066	**33 120**
EQUITY AND LIABILITIES		
Share capital	2 000	2 000
Other reserves from measurement of financial instruments	(88)	(103)
Accumulated other comprehensive income	(323)	(342)
Retained earnings	19 706	18 724
Equity	**21 295**	**20 279**
Borrowings	6 339	4 724
Derivatives	37	158
Employee benefits liabilities	1 818	1 803
Provisions for decommissioning costs of mines and other technological facilities	889	873
Other liabilities	208	198
Non-current liabilities	9 291	7 756
Borrowings	1 419	2 098
Derivatives	39	48
Trade payables	1 271	1 318
Employee benefits liabilities	588	577
Tax liabilities	418	450
Other liabilities	745	594
Current liabilities	4 480	5 085
Non-current and current liabilities	**13 771**	**12 841**
	35 066	**33 120**

amounts in PLN millions, unless otherwise stated

INTERIM STATEMENT OF CHANGES IN EQUITY

	Share capital	Other reserves from measurement of financial instruments	Accumulated other comprehensive income	Retained earnings	Total equity
As at 1 January 2015	**2 000**	**366**	**(401)**	**22 312**	**24 277**
Dividend	-	-	-	(800)	**(800)**
Profit for the period	-	-	-	1 675	**1 675**
Other comprehensive income	-	(344)	28	-	**(316)**
Total comprehensive income	-	(344)	28	1 675	**1 359**
As at 30 September 2015	**2 000**	**22**	**(373)**	**23 187**	**24 836**
As at 1 January 2016	**2 000**	**(103)**	**(342)**	**18 724**	**20 279**
Dividend	-	-	-	(300)	**(300)**
Profit for the period	-	-	-	1 282	**1 282**
Other comprehensive income	-	15	19	-	**34**
Total comprehensive income	-	15	19	1 282	**1 316**
As at 30 September 2016	**2 000**	**(88)**	**(323)**	**19 706**	**21 295**

amounts in PLN millions, unless otherwise stated

Explanatory notes to the statement of profit or loss

Note 1 Expenses by nature

	3rd quarter of 2016	3 quarters of 2016	3rd quarter of 2015	3 quarters of 2015
Depreciation of property, plant and equipment and amortisation of intangible assets	246	736	234	688
Employee benefits expenses	760	2 218	760	2 212
Materials and energy, including:	1 179	3 995	1 240	4 048
Purchased metal-bearing materials	707	2 494	713	2 484
Electrical and other energy	172	559	183	535
External services, including:	324	1 002	345	1 017
Transport	57	160	56	166
Repairs, maintenance and servicing	98	271	382	565
Mine preparatory work	77	284	96	281
Minerals extraction tax	336	942	325	1 135
Other taxes and charges	92	297	97	287
Other costs	62	107	16	105
Total expenses by nature	**2 999**	**9 297**	**3 017**	**9 492**
Cost of merchandise and materials sold (+)	26	107	40	103
Change in inventories of finished goods and work in progress (+/-)	54	(720)	(9)	(337)
Cost of manufacturing products for internal use (-)	(17)	(94)	(29)	(82)
Cost of sales, selling costs and administrative expenses, including:	**3 062**	**8 590**	**3 019**	**9 176**
Cost of sales	2 831	7 971	2 820	8 602
Selling costs	34	85	27	85
Administrative expenses	197	534	172	489

Note 2 Other operating income/(costs)

	3rd quarter of 2016	3 quarters of 2016	3rd quarter of 2015	3 quarters of 2015
Measurement and realisation of derivatives	102	148	30	89
Interest on loans granted	84	254	65	144
Foreign exchange (losses)/gains on assets and liabilities other than borrowings	(93)	-	8	60
Fees and charges on re-invoicing costs of bank guarantees securing liabilities	6	25	4	21
Dividends received	-	2	4	31
Other	14	60	17	82
Total other income	**113**	**489**	**128**	**427**
Measurement and realisation of derivatives	(20)	(122)	(3)	(255)
Impairment loss on available-for-sale assets	-	(57)	(182)	(182)
Foreign exchange losses on assets and liabilities other than borrowings	(163)	(163)	-	-
Other	(11)	(67)	(38)	(97)
Total other costs	**(194)**	**(409)**	**(223)**	**(534)**
Other operating income/(costs)	**(81)**	**80**	**(95)**	**(107)**

amounts in PLN millions, unless otherwise stated

Note 3 Finance income/(costs)

	3rd quarter of 2016	3 quarters of 2016	3rd quarter of 2015	3 quarters of 2015
Foreign exchange gains on borrowings	178	178	3	15
Losses on the measurement of derivatives	-	-	(7)	-
Total income	**178**	**178**	**(4)**	**15**
Interest on borrowings	(16)	(43)	(9)	(20)
Bank fees and charges on borrowings	(20)	(37)	(19)	(40)
Foreign exchange gains on borrowings	68	-	-	-
Losses on the measurement of derivatives	(1)	(11)	(4)	(13)
Other	(10)	(29)	(10)	(30)
Total costs	**21**	**(120)**	**(42)**	**(103)**
Finance income/(costs)	**199**	**58**	**(46)**	**(88)**