POLISH FINANCIAL SUPERVISION AUTHORITY

Consolidated quarterly report QSr 3 / 2023

(in accordance with § 60 section 2 and § 62 section 1 of the Decree regarding current and periodic information)

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

For the third quarter of the financial year **2023** from **1 July 2023** to **30 September 2023** containing the condensed consolidated financial statements prepared under International Accounting Standard 34 in PLN, and condensed financial statements prepared under IAS 34 in PLN.

publication date: 15 November 2023

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(name of the issuer)

KGHM Polska Miedź S.A.
(name of the issuer in brief)

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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 condensed consolidated financial statements of the KGHM Polska Miedź S.A. Group

		in PLN mn		in EUR mn	
		from 1 January 2023 to 30 September 2023	**from 1 January 2022 to 30 September 2022**	**from 1 January 2023 to 30 September 2023**	**from 1 January 2022 to 30 September 2022**
I.	Revenues from contracts with customers	25 648	25 696	5 603	5 481
II.	Profit on sales	1 089	3 686	238	786
III.	Profit before income tax	1 692	6 865	370	1 464
IV.	Profit for the period	836	5 267	183	1 123
V.	Profit for the period attributable to shareholders of the Parent Entity	828	5 266	181	1 123
VI.	Profit for the period attributable to non-controlling interest	8	1	2	-
VII.	Other comprehensive income	324	496	70	106
VIII.	Total comprehensive income	1 160	5 763	253	1 229
IX.	Total comprehensive income attributable to shareholders of the Parent Entity	1 152	5 760	251	1 228
X.	Total comprehensive income attributable to non-controlling interest	8	3	2	1
XI.	Number of shares issued (million)	200	200	200	200
XII.	Earnings per ordinary share (PLN/EUR) attributable to shareholders of the Parent Entity	4.14	26.33	0.91	5.62
XIII.	Net cash generated from operating activities	3 642	2 158	796	460
XIV.	Net cash used in investing activities	(3 036)	(1 533)	(663)	(327)
XV.	Net cash used in financing activities	(386)	(326)	(84)	(70)
XVI.	Total net cash flow	220	299	49	63
		As at 30 September 2023	**As at 31 December 2022**	**As at 30 September 2023**	**As at 31 December 2022**
XVII.	Non-current assets	42 213	40 379	9 106	8 610
XVIII.	Current assets	13 284	13 065	2 866	2 786
XIX.	Total assets	55 497	53 444	11 972	11 396
XX.	Non-current liabilities	12 064	12 113	2 602	2 583
XXI.	Current liabilities	10 325	9 185	2 227	1 958
XXII.	Equity	33 108	32 146	7 143	6 854
XXIII.	Equity attributable to shareholders of the Parent Entity	33 041	32 089	7 129	6 842
XXIV.	Equity attributable to non-controlling interest	67	57	14	12

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

		in PLN mn		in EUR mn	
		from 1 January 2023 to 30 September 2023	**from 1 January 2022 to 30 September 2022**	**from 1 January 2023 to 30 September 2023**	**from 1 January 2022 to 30 September 2022**
I.	Revenues from contracts with customers	22 470	21 783	4 909	4 647
II.	Profit on sales	1 887	3 373	412	719
III.	Profit before income tax	2 640	4 857	577	1 036
IV.	Profit for the period	1 737	3 538	379	755
V.	Other comprehensive net income	339	348	75	74
VI.	Total comprehensive income	2 076	3 886	454	829
VII.	Number of shares issued (million)	200	200	200	200
VIII.	Earnings per ordinary share (PLN/EUR)	8.69	17.69	1.90	3.78
IX.	Net cash generated from operating activities	3 525	1 721	770	367
X.	Net cash used in investing activities	(3 043)	(953)	(665)	(203)
XI.	Net cash used in financing activities	(386)	(397)	(84)	(85)
XII.	Total net cash flow	96	371	21	79
		As at 30 September 2023	**As at 31 December 2022**	**As at 30 September 2023**	**As at 31 December 2022**
XIII.	Non-current assets	39 081	36 707	8 431	7 827
XIV.	Current assets	11 986	11 288	2 586	2 407
XV.	Total assets	51 067	47 995	11 017	10 234
XVI.	Non-current liabilities	10 383	10 311	2 240	2 199
XVII.	Current liabilities	9 133	8 009	1 970	1 708
XVIII.	Equity	31 551	29 675	6 807	6 327

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Part 1 – Condensed consolidated financial statements

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		from 1 July 2023 to 30 September 2023	**from 1 January 2023 to 30 September 2023**	from 1 July 2022 to 30 September 2022	**from 1 January 2022 to 30 September 2022**
Note 3.3	Revenues from contracts with customers	7 891	25 648	7 770	25 696
Note 4.1	Cost of sales	(7 225)	(23 154)	(6 611)	(20 643)
	Gross profit	**666**	**2 494**	**1 159**	**5 053**
Note 4.1	Selling costs and administrative expenses	(472)	(1 405)	(504)	(1 367)
	Profit on sales	**194**	**1 089**	**655**	**3 686**
Note 4.6	Gain due to the reversal of allowances for impairment of loans granted to a joint venture	11	493	-	783
Note 4.6	Interest income on loans granted to a joint venture calculated using the effective interest rate method	154	446	158	477
	Profit or loss on involvement in a joint venture	165	939	158	1 260
Note 4.2	Other operating income, including:	1 033	702	1 428	3 376
	other interest calculated using the effective interest rate method	21	44	15	41
	reversal of impairment losses on financial instruments	-	3	1	4
Note 4.2	Other operating costs, including:	(336)	(954)	(353)	(762)
	impairment losses on financial instruments	(1)	(6)	(2)	(5)
Note 4.3	Finance income	(32)	138	2	49
Note 4.3	Finance costs	(235)	(222)	(339)	(744)
	Profit before income tax	**789**	**1 692**	**1 551**	**6 865**
	Income tax expense	(354)	(856)	(464)	(1 598)
	PROFIT FOR THE PERIOD	**435**	**836**	**1 087**	**5 267**
	Profit for the period attributable to:				
	Shareholders of the Parent Entity	434	828	1 086	5 266
	Non-controlling interest	1	8	1	1
	Weighted average number of ordinary shares (million)	200	200	200	200
	Basic/diluted earnings per share (in PLN)	**2.17**	**4.14**	**5.43**	**26.33**

amounts in PLN millions, unless otherwise stated

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	from 1 July 2023 to 30 September 2023	**from 1 January 2023 to 30 September 2023**	from 1 July 2022 to 30 September 2022	**from 1 January 2022 to 30 September 2022**
Profit for the period	**435**	**836**	**1 087**	**5 267**
Measurement and settlement of hedging instruments net of the tax effect	(283)	232	(197)	714
Exchange differences from the translation of statements of operations with a functional currency other than PLN	94	6	120	118
Other comprehensive income which will be reclassified to profit or loss	**(189)**	**238**	**(77)**	**832**
Measurement of equity financial instruments at fair value through other comprehensive income, net of the tax effect	123	215	(218)	(94)
Actuarial gains/(losses) net of the tax effect	(51)	(129)	(172)	(242)
Other comprehensive income, which will not be reclassified to profit or loss	**72**	**86**	**(390)**	**(336)**
Total other comprehensive net income	**(117)**	**324**	**(467)**	**496**
TOTAL COMPREHENSIVE INCOME	**318**	**1 160**	**620**	**5 763**
Total comprehensive income attributable to:				
Shareholders of the Parent Entity	316	1 152	619	5 760
Non-controlling interest	2	8	1	3

amounts in PLN millions, unless otherwise stated

CONSOLIDATED STATEMENT OF CASH FLOWS

		from 1 January 2023 to 30 September 2023	from 1 January 2022 to 30 September 2022
	Cash flow from operating activities		
	Profit before income tax	1 692	6 865
	Depreciation/amortisation recognised in profit or loss	1 691	1 605
	Gain due to the reversal of allowances for impairment of loans granted to a joint venture	(493)	(783)
	Interest on loans granted to a joint venture	(446)	(477)
	Other interest	52	38
	Impairment losses on property, plant and equipment and intangible assets	10	53
	Other gains due to the reversal of impairment losses on non-current assets	(32)	(1)
	Losses/(Gains) on disposal of property, plant and equipment and intangible assets	11	(126)
	Gain on disposal of subsidiaries	(1)	(173)
	Exchange differences, of which:	38	(1 621)
	from investing activities and on cash	89	(2 234)
	from financing activities	(51)	613
	Change in provisions for decommissioning of mines, liabilities related to future employee benefits programs and other provisions	280	(39)
	Change in other receivables and liabilities other than working capital	(150)	(254)
	Change in assets and liabilities due to derivatives	728	(404)
	Reclassification of other comprehensive income to profit or loss due to the realisation of derivative hedging instruments	(167)	474
	Other adjustments	45	8
	Exclusions of income and costs, total	1 566	(1 700)
	Income tax paid	(1 324)	(1 491)
Note 4.12	Changes in working capital, including:	1 708	(1 516)
	change in trade payables transferred to factoring	1 949	(53)
	Net cash generated from operating activities	**3 642**	**2 158**
	Cash flow from investing activities		
	Expenditures on mining and metallurgical assets, including:	(2 653)	(2 622)
	paid capitalised interest on borrowings together with proceeds from the settlement of an instrument hedging interest rate of bonds	(172)	(132)
	Expenditures on other property, plant and equipment and intangible assets	(386)	(334)
	Expenditures on financial assets designated for decommissioning of mines and other technological facilities	(36)	-
	Advances granted on property, plant and equipment and intangible assets	(12)	(10)
	Advances granted for the purchase of financial instruments	(141)	-
	Proceeds from financial assets designated for decommissioning of mines and other technological facilities	2	31
	Proceeds from repayment of loans granted to a joint venture	28	358
	Proceeds from disposal of property, plant and equipment and intangible assets	33	376
	Proceeds from disposal of subsidiaries	1	243
	Interest received on loans granted to a joint venture	135	431
	Other	(7)	(6)
	Net cash used in investing activities	**(3 036)**	**(1 533)**
	Cash flow from financing activities		
Note 4.9	Proceeds from borrowings	1 660	674
	Proceeds from derivatives related to sources of external financing	35	42
Note 4.9	Repayment of borrowings	(1 731)	(312)
Note 4.9	Repayment of lease liabilities	(70)	(51)
	Expenditures due to derivatives related to sources of external financing	(41)	(45)
	Interest paid, including:	(43)	(45)
Note 4.9	borrowings	(27)	(43)
	Expenditures due to dividends paid to shareholders of the Parent Entity	(200)	(600)
	Other	4	11
	Net cash used in financing activities	**(386)**	**(326)**
	NET CASH FLOW	**220**	**299**
	Exchange gains/(losses)	(17)	(71)
	Cash and cash equivalents at beginning of the period	1 200	1 904
	Cash and cash equivalents at end of the period, including:	**1 403**	**2 132**
	restricted cash	27	17

amounts in PLN millions, unless otherwise stated

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 30 September 2023	As at 31 December 2022
	ASSETS		
	Mining and metallurgical property, plant and equipment	23 692	22 894
	Mining and metallurgical intangible assets	3 081	2 772
	Mining and metallurgical property, plant and equipment and intangible assets	26 773	25 666
	Other property, plant and equipment	2 812	2 746
	Other intangible assets	224	218
	Other property, plant and equipment and intangible assets	3 036	2 964
Note 4.6	Involvement in joint ventures – loans granted	10 349	9 603
	Derivatives	324	714
	Other financial instruments measured at fair value	875	606
	Other financial instruments measured at amortised cost	486	469
Note 4.7	Financial instruments, total	1 685	1 789
	Deferred tax assets	138	137
	Other non-financial assets	232	220
	Non-current assets	**42 213**	**40 379**
	Inventories	8 783	8 902
Note 4.7	Trade receivables, including:	1 513	1 177
	trade receivables measured at fair value through profit or loss	993	751
	Tax assets	324	367
Note 4.7	Derivatives	439	796
Note 4.7	Other financial assets	259	337
	Other non-financial assets	563	286
Note 4.7	Cash and cash equivalents	1 403	1 200
	Current assets	**13 284**	**13 065**
	TOTAL ASSETS	**55 497**	**53 444**
	EQUITY AND LIABILITIES		
	Share capital	2 000	2 000
	Other reserves from measurement of financial instruments	20	(427)
	Accumulated other comprehensive income, other than from measurement of financial instruments	1 689	1 812
	Retained earnings	29 332	28 704
	Equity attributable to shareholders of the Parent Entity	33 041	32 089
	Equity attributable to non-controlling interest	67	57
	Equity	**33 108**	**32 146**
Note 4.7	Borrowings, lease and debt securities	5 363	5 220
Note 4.7	Derivatives	384	719
	Employee benefits liabilities	2 896	2 621
	Provisions for decommissioning costs of mines and other technological facilities	1 672	1 859
	Deferred tax liabilities	1 281	1 151
Note 4.14	Other liabilities	468	543
	Non-current liabilities	**12 064**	**12 113**
Note 4.7	Borrowings, lease and debt securities	1 041	1 223
Note 4.7	Derivatives	296	434
Note 4.7	Trade and similar payables	5 033	3 094
	Employee benefits liabilities	1 669	1 699
	Tax liabilities	649	1 233
	Provisions for liabilities and other charges	179	173
Note 4.14	Other liabilities	1 458	1 329
	Current liabilities	**10 325**	**9 185**
	Non-current and current liabilities	**22 389**	**21 298**
	TOTAL EQUITY AND LIABILITIES	**55 497**	**53 444**

amounts in PLN millions, unless otherwise stated

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 2022	**2 000**	**(1 705)**	**2 219**	**24 532**	**27 046**	**92**	**27 138**
Transactions with owners - dividend	-	-	-	(600)	**(600)**	-	**(600)**
Profit for the period	**-**	-	-	5 266	**5 266**	1	**5 267**
Other comprehensive income	-	620	(126)	-	**494**	2	**496**
Total comprehensive income	**-**	**620**	**(126)**	**5 266**	**5 760**	**3**	**5 763**
Changes due to loss of control of subsidiaries	-	-	-	-	**-**	(37)	**(37)**
As at 30 September 2022	**2 000**	**(1 085)**	**2 093**	**29 198**	**32 206**	**58**	**32 264**
As at 1 January 2023	**2 000**	**(427)**	**1 812**	**28 704**	**32 089**	**57**	**32 146**
Transactions with non-controlling interest	-	-	-	-	**-**	2	**2**
Transactions with owners - dividend	-	-	-	(200)	**(200)**	-	**(200)**
Profit for the period	-	-	-	828	**828**	8	**836**
Other comprehensive income	-	447	(123)	-	**324**	-	**324**
Total comprehensive income	**-**	**447**	**(123)**	**828**	**1 152**	**8**	**1 160**
As at 30 September 2023	**2 000**	**20**	**1 689**	**29 332**	**33 041**	**67**	**33 108**

1 – General information

Note 1.1 Corporate information

KGHM Polska Miedź S.A. ("the Parent Entity", "the Company") 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 Centre 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, silver, 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 ("the Group") carries out exploration for and mining of copper, nickel and precious metals based on concessions for Polish deposits held by 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.

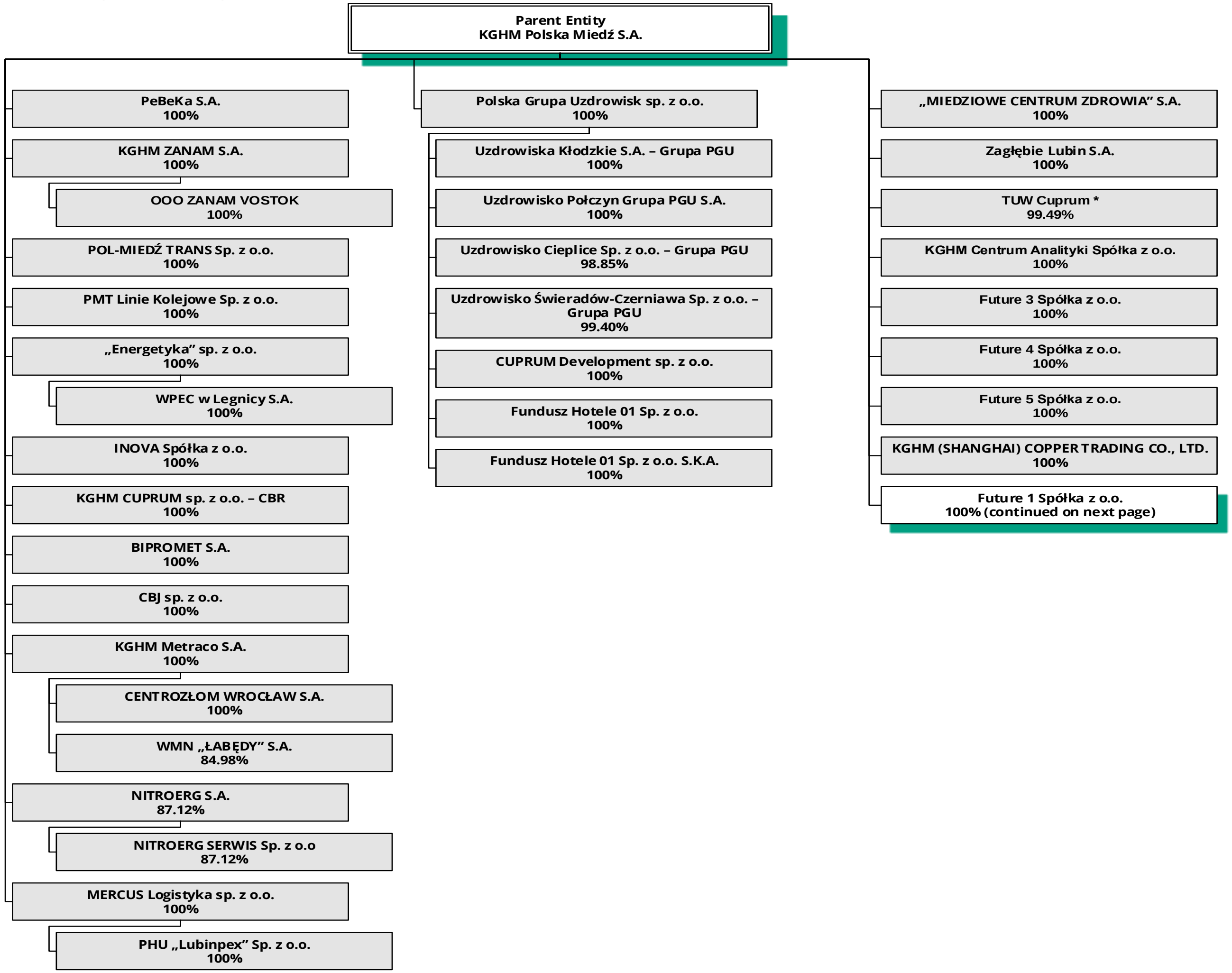
Impact of the threat of a COVID-19 pandemic on sales markets

Noticeable economic slowdown in the third quarter of 2023, following the shock caused by the Covid-19 pandemic, still affects the level of Chinese international commercial trade (decrease in export and import as compared to the corresponding period of 2022). Nonetheless, while observing the current situation, the Parent Entity is not experiencing a substantial threat to its on-going operations related to the situation on the Chinese market. The Parent Entity continuously monitors the global economic situation, including the Chinese market, to assess its potential negative impact on the KGHM Polska Miedź S.A. Group and to take pre-emptive actions to mitigate this impact.

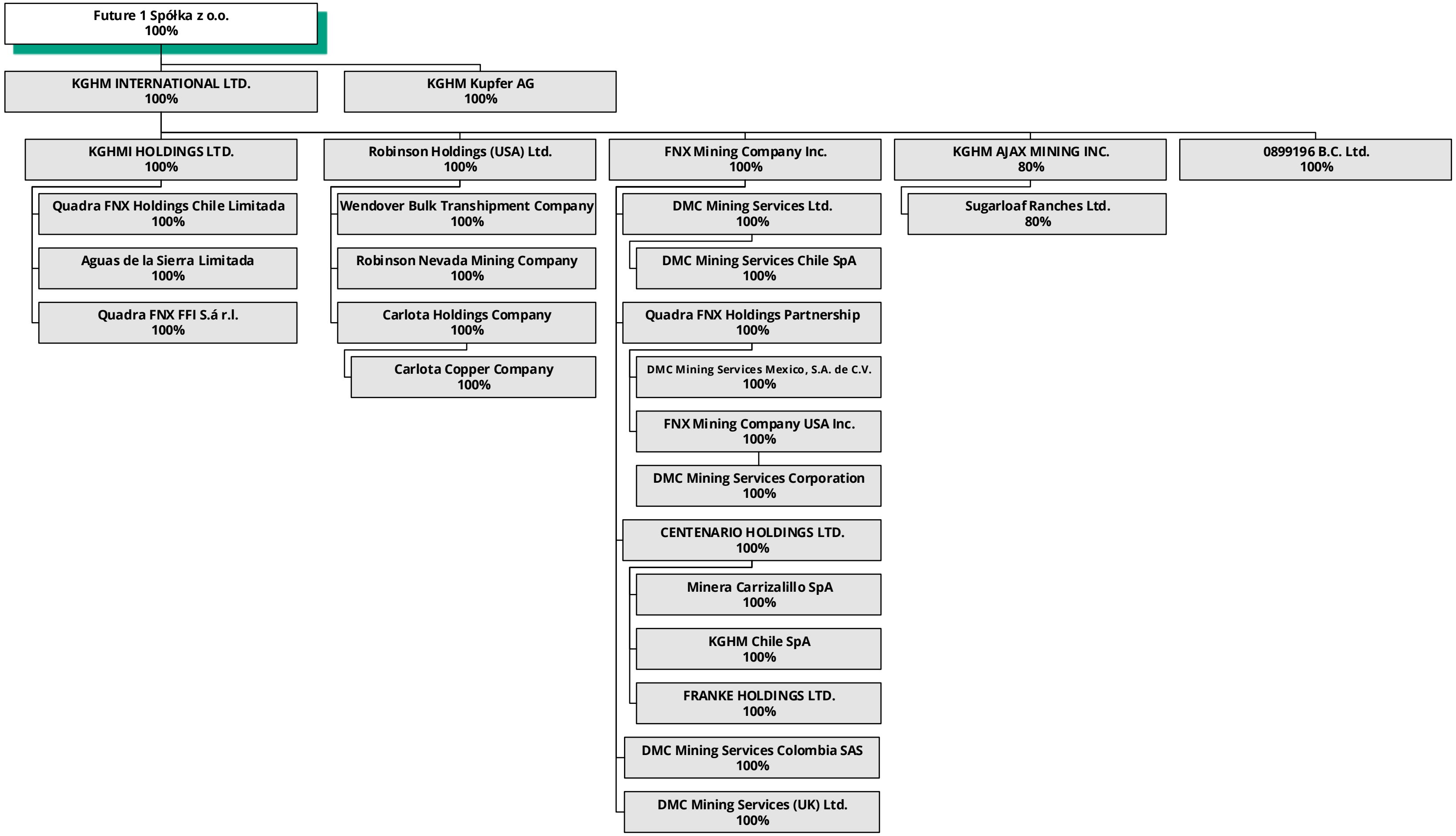
The impact of the war in Ukraine on individual aspects of the business and the lack of its impact as well as the going concern assumption are described in Note 5.7.

Note 1.2 Structure of the Group

As at 30 September 2023, KGHM Polska Miedź S.A. consolidated 61 subsidiaries and used the equity method to account for the shares of two joint ventures (Sierra Gorda S.C.M. and NANO CARBON Sp. z o.o. in liquidation).



** An entity excluded from consolidation due to immaterial impact on the consolidated financial statements*


Future 1 Spółka z o.o.
100%
KGHM INTERNATIONAL LTD.
100%
KGHM Kupfer AG
100%
KGHMI HOLDINGS LTD.
100%
Quadra FNX Holdings Chile Limitada
100%
Aguas de la Sierra Limitada
100%
Quadra FNX FFI S.á r.l.
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%
DMC Mining Services Chile SpA
100%
Quadra FNX Holdings Partnership
100%
DMC Mining Services Mexico, S.A. de C.V.
100%
FNX Mining Company USA Inc.
100%
DMC Mining Services Corporation
100%
CENTENARIO HOLDINGS LTD.
100%
Minera Carrizalillo SpA
100%
KGHM Chile SpA
100%
FRANKE HOLDINGS LTD.
100%
DMC Mining Services Colombia SAS
100%
DMC Mining Services (UK) Ltd.
100%
KGHM AJAX MINING INC.
80%
Sugarloaf Ranches Ltd.
80%
0899196 B.C. Ltd.
100%

Note 1.3 Exchange rates applied

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

- for the conversion of turnover, profit or loss and cash flow for the current period, the rate of ***4.5773 EURPLN*,***
- for the conversion of turnover, profit or loss and cash flow for the comparable period, the rate of ***4.6880 EURPLN*,***
- for the conversion of assets, equity and liabilities at 30 September 2023, the current average exchange rate announced by the National Bank of Poland (NBP) as at 29 September 2023, of ***4.6356 EURPLN,***
- for the conversion of assets, equity and liabilities at 31 December 2022, the current average exchange rate announced by the NBP as at 30 December 2022, of ***4.6899 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 2023 and 2022.*

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

The following quarterly report includes:

1. the condensed consolidated financial statements of the KGHM Polska Miedź S.A. Group for the period from 1 January to 30 September 2023 and the comparable period from 1 January to 30 September 2022, 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 2023 and the comparable period from 1 January to 30 September 2022 **(Part 2)**.

Neither the condensed consolidated financial statements for the period from 1 January to 30 September 2023 and as at 30 September 2023 nor the quarterly financial information of KGHM Polska Miedź S.A. for the period from 1 January to 30 September 2023 and as at 30 September 2023 were subject to audit by a certified auditor.

The consolidated quarterly report for the period from 1 January 2023 to 30 September 2023 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 RR 2022 and the Consolidated annual report SRR 2022.

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 2022.

Note 1.4.1 Impact of new and amended standards and interpretations

From 1 January 2023, the Group is bound by:

- **IFRS 17** Insurance contracts and amendments to IFRS 17 published in 2020 and 2021,
- **Amendments to IAS 1 and Practice Statement 2** on disclosures of accounting policies,
- **Amendments to IAS 8** on the introduction of a definition of accounting estimates,
- **Amendments to IAS 12** on deferred tax related to assets and liabilities arising from a single transaction,
- **Amendments to IAS 12** on temporary exception to the requirements regarding recognition of deferred tax related to the implementation of the reform of the international tax system (the so-called pillar two, BEPS 2.0 (Base Erosion and Profit Shifting 2.0)).

Up to the date of publication of these condensed consolidated financial statements, the aforementioned amendments to the standards were adopted for use by the European Union. The Group will implement these amendments within the date of their first mandatory application, however in the Group's opinion IFRS 17 will not have an impact on its consolidated financial statements, and the impact of other amendments will not be significant. In particular, the Group applied an approach in accordance with the amended guidelines with respect to amendments to IAS 12 on recognition of deferred tax related to assets and liabilities arising from a single transaction (e.g. lease agreements capitalised by lessee pursuant to IFRS 16 and environmental provisions recognised pursuant to IFRIC 1).

Impact of the international tax system reform

Pillar 2 of the BEPS 2.0 project introduces a general framework of the global minimum tax, adopted during the forum of the Organisation for Economic Cooperation and Development (OECD, hereafter: OECD Framework). In the case of member states of the European Union, the first stage of implementation of new rules will be the adoption of the Council Directive (EU) 2022/2523 of 14 December 2022 – Directive on ensuring a global minimum level of taxation for multinational enterprise groups and large-scale domestic groups in the European Union. The Directive obliges the individual member states to implement rules of the Directive to their domestic legal systems, in accordance with legislative rules in force in individual states.

In the case of Poland, appropriate domestic laws have not yet been adopted, nor has draft legislation, which will directly impose duties on the obliged entities, been released to the public. The analysis of the OECD Framework and the Directive leads to the conclusion that KGHM Polska Miedź S.A., as a so-called MNE (multinational enterprise), will be obliged to report a specific level of the tax rate of subsidiaries at the level of individual jurisdictions.

Nevertheless, implementation of an appropriate legal framework at the domestic level is necessary in this regard.
While the rules of the Directive should encompass the year 2024, the OECD Framework includes a transitional period, which postpones the obligations in this regard by 3 subsequent years. Based on analysis of the assumptions stipulated in these transitional rules, it is expected that the Group will be able to use them in the majority of jurisdictions.
Due to the above, since there is no legal framework in force on the reform of pillar 2 of the BEPS 2.0 project, these interim consolidated financial statements do not contain any amounts arising from the reform of the international tax system.
The Group will continuously monitor progress of the legislative work aimed at implementation of the rules of the reform of pillar 2 of the BEPS 2.0 project, in Poland as well as in other jurisdictions in which subsidiaries of the Group operate and will analyse their potential impact on the Group.

2 – Realisation of strategy

Note 2.1 Development directions of the Group

Policy regarding the development directions of the Group

During the reporting period being discussed, policy regarding the development directions of the KGHM Polska Miedź S.A. Group was continued. Further actions were also taken aimed at adapting the Group's organisational functioning model to the business model of KGHM Polska Miedź S.A. and the market environment. In terms of the domestic companies, development policy was also aimed at cooperation between the Group's entities.

Intentions regarding equity investments

In the case of the companies in Poland, the primary development goal was to ensure continuity and safe working conditions in the core business of KGHM Polska Miedź S.A. and at integrating the Group around the idea of sustainable development, including the implementation of development initiatives under the Circular Economy aimed at limiting the environmental footprint. As regards the international part of the Group, the Company was focused on maximising the value of the portfolio of assets owned.

Investment goals

Investment projects planned and approved for advancement in 2023 supported the achievement of strategic goals in all areas of the Strategy. Maintaining cost-effective domestic production was possible by continuing and bringing into operation key investments, such as:

- outfitting the mines along with the construction of conveyor belts,
- replacement of mining machinery,
- construction of mine de-watering systems,
- construction of air cooling systems,
- construction of the Tailings Segregation and Compacting Station at the Żelazny Most Tailings Storage Facility,
- modernisation and renovation during the maintenance shutdown of the Legnica Copper Smelter and Refinery.

Taking into consideration the development of KGHM Polska Miedź S.A. by enhancing the efficiency and flexibility of the Group in terms of its Polish assets, the following investments were advanced:

- the Deposit Access Program (Deep Głogów along with access and development tunnels),
- exploring for and evaluating deposits in areas under exploration concessions,
- development of the Żelazny Most Tailings Storage Facility above a crown height of 195 m a.s.l.,
- project documentation for the Hybrid Legnica Smelter and Refinery,
- work on the realisation of photovoltaic power plants.

Note 2.2 Key achievements in the implementation of the Strategy

In the third quarter of 2023, KGHM Polska Miedź S.A. continued actions aimed at maintaining stable production in its domestic and international assets, and a level of costs guaranteeing financial security while ensuring safe working conditions and minimising its impact on the environment and surroundings, pursuant to the idea of sustainable development. The Company advanced a variety of initiatives and strategic programs which are crucial to ensuring the continuity of its operations and development.

Flexibility

- Continuation of the Hybrid Legnica Smelter and Refinery Strategic Program (including advancement of the concept for the Legnica Smelter and Refinery Scrap Turnover Base).
- Continuation of actions to extend the value chain of the Company.
- Continuation of exploration projects in Poland with respect to exploring for and evaluating copper ore and other deposits.
- Continuation of development projects in the international assets.
- Focus on financial stability: basing the Group's financing structure on long-term instruments, shortening the cash conversion cycle, management of market and credit risk in the Group.

Efficiency

- Production of copper from the domestic assets (mined - 341 thousand tonnes; metallurgical – 443.5 thousand tonnes).
- Production of payable copper from the international assets (Sierra Gorda 59.7 thousand tonnes (55%); Robinson 17.3 thousand tonnes; Carlota 2.9 thousand tonnes; the Sudbury Basin 3.9 thousand tonnes). The Sierra Gorda mine continues to operate exclusively on power provided by RES.
- Continuation of the Deposit Access Program – in terms of construction of the GG-1 shaft, an environmental decision was received for the target facilities of the GG-1 shaft and development of the Surface-based Air Conditioning Station. By the end of the third quarter of 2023, 28.6 kilometres of tunnelling had been excavated in the Rudna and Polkowice-Sieroszowice mines. All of the work carried out under the Mine Projects Group enables the successive opening of new mining areas.
- Continued development of the Żelazny Most Tailings Storage Facility (development of the Southern Quarter and of the Tailings Segregation and Compacting Station continues to be advanced). Tailings are being deposited in the Southern Quarter along with the raising of the dams.
- Exploration projects in Poland (concessions involving exploring for and evaluating copper ore deposits) as well as other concessions involving exploration and evaluation, including the Puck project.
- R&D initiatives are underway to enhance the efficiency of the Company's core production business.
- Advancement of actions involving intellectual property of the Company.

Ecology, safety and sustainable development

- Completion on 31 August 2023, in accordance with the plan, of the Program to adapt the technological installations of the Company to the requirements of BAT conclusions for the nonferrous metals industry and to restrict emissions of arsenic (BATAs). The Program's goal was accomplished - achievement of a modern environmental protection infrastructure at the Głogów Copper Smelter and Refinery and the Legnica Copper Smelter and Refinery, adapted to BAT conclusions and with minimal environmental impact, as well as achievement of a substantial reduction in arsenic emissions.
- Advancement of work involving the Environmental Policy and pro-environmental activities, including: Scope 3 greenhouse gas emissions by the Group in 2022 were calculated.
- The Cedynia Wire Rod Plant was granted the prestigious certificate and the right to use The Copper Mark trademark.
- On 10 July 2023 (for another year in a row) the LBMA (London Bullion Market Association) certificate was granted for responsible silver production in 2022.
- The second edition of the Environmental Policy of KGHM Polska Miedź S.A. was published on 12 July 2023.
- Continuation of the Occupational Health and Safety Improvement Program (LTIFR: 4.79; TRIR: 0.37).

E- industry

- Continuation of projects to automate the production lines of the Mining Divisions of the Company (including, among others, initiatives connected with testing electric and battery-powered mining machinery).
- Continuation of digital transformation under the KGHM 4.0. Program.

Energy

- On 12 September 2023 a preliminary, contingent agreement was signed for the purchase of shares in special purpose companies, the owners of photovoltaic farm projects with a combined capacity of approx. 47 MW. On 10 October 2023, KGHM Polska Miedź S.A. became the owner of the Żuki PV farm with a capacity of 5.2 MW (details in Note 5.8 Subsequent events). Moreover, the Supervisory Board of the Company consented to the acquisition of 100% of the shares of a special purpose company which owns a photovoltaic power plants project with a capacity of approx. 20 MW.
- Continued cooperation with the supplier of SMR technology, the company NuScale Power, LCC, under a preliminary works agreement. On 12 July 2023 a foundational decision was issued by the Minister of Climate and the Environment to KGHM Polska Miedź S.A. for the project to build a small nuclear power plant utilizing the SMR technology. Additionally, work continued on a detailed analysis of sites for the SMR installation under stage II of the preparation of a preliminary site analysis report.
- Advancement of projects involving the construction of PV farms on own terrain, and commencement of the review of possibilities of advancing on-shore wind farms.
- 16.89% of the Company's need for electricity was met by its own internal sources, including RES, in the first three quarters of 2023.

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 segment	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 and mining enterprises constitute operating segments: Sudbury Basin, Robinson, Carlota, DMC, Victoria and Ajax projects.	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, Victoria and Ajax projects 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, nickel, platinum and palladium deposits. 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. (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:

- Future 1 Sp. z o.o., which acts as a holding company with respect to the KGHM INTERNATIONAL LTD. Group,
- Future 3 Sp. z o.o., Future 4 Sp. z o.o. and Future 5 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.

Each of the segments KGHM Polska Miedź S.A., KGHM INTERNATIONAL LTD. and Sierra Gorda S.C.M. have their own Management Boards, which report the results of their business activities to 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 S.C.M. 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 SpA, KGHM Chile SpA, Quadra FNX Holdings Chile Limitada, DMC Mining Services Chile SpA
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 Holdings Partnership, Sugarloaf Ranches Ltd.
Mexico	DMC Mining Services Mexico, S.A. de C.V.
Colombia	DMC Mining Services Colombia SAS
The United Kingdom	DMC Mining Services (UK) Ltd.
Luxembourg	Quadra FNX FFI S.à r.l.

OTHER SEGMENTS	
Type of activity	**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	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.*, Polska Grupa Uzdrowisk sp. z o.o.**
Other activities	CENTROZŁOM WROCŁAW S.A., CUPRUM Development sp. z o.o., CUPRUM Zdrowie 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., PHU "Lubinpex" Sp. z o.o., PMT Linie Kolejowe Sp. z o.o., WMN "ŁABĘDY" S.A., Zagłębie Lubin S.A., OOO ZANAM VOSTOK, KGHM Centrum Analityki Sp. z o.o.

** Entity sold on 3 August 2023 (Note 5.1).*
*** Entities merged on 1 August 2023 (Note 5.1).*

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 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, interest in subsidiaries (including indirect interest in KGHM INTERNATIONAL LTD.) are measured at cost, including the impairment losses,
- The segment KGHM INTERNATIONAL LTD. – comprises consolidated data of the KGHM INTERNATIONAL LTD. Group prepared in accordance with IFRSs. 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. prepared in accordance with IFRSs,
- Other segments – comprises aggregated data of individual subsidiaries after excluding transactions and balances between them.

The Management Board of the Parent Entity assesses performance of segments on the basis of 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 taxes (current and deferred income tax as well as the mining tax), finance income and costs, other operating income and costs, profit or loss on involvement in joint ventures, depreciation/amortisation and recognition/reversal of impairment losses on property, plant and equipment and intangible assets included in the cost of sales, selling costs and administrative expenses.
As at 30 September 2023, the Company redefined the adjusted EBITDA and included in its calculation methodology the depreciation/amortisation due to expenses by nature (so far, the depreciation/amortisation was recognised in profit or loss).
Therefore, the information presented below on segments was appropriately adjusted with respect to adjusted EBITDA and depreciation/amortisation in the first and second quarter of 2023 as well as the first 9 months of 2022.
Adjusted EBITDA – as a financial indicator not defined by IFRSs – is not a standardised measure and therefore its method of 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.

Revenues from transactions with external entities and inter-segment transactions are carried out at arm's length. Eliminations of mutual settlements, revenues and costs between segments were presented in the item "Consolidation adjustments".

Unallocated assets and liabilities concern companies which have not been allocated to any segment. Assets which have not been allocated to the segments comprise cash. Liabilities which have not been allocated to the segments comprise trade liabilities and deferred corporate 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
		from 1 January 2023 to 30 September 2023						
Note 3.3	**Revenues from contracts with customers, of which:**	**22 470**	**1 687**	**2 479**	**9 399**	**(2 479)**	**(7 908)**	**25 648**
	- inter-segment	527	-	-	7 381	-	(7 908)	-
	- external	21 943	1 687	2 479	2 018	(2 479)	-	25 648
	Segment result – profit/(loss) for the period	**1 737**	**(494)**	**53**	**9**	**(53)**	**(416)**	**836**
	Additional information on significant cost/revenue items of the segment							
	Depreciation/amortisation recognised in expenses by nature	(1 275)	(419)	(586)	(217)	586	26	(1 885)
	(Recognition)/reversal of impairment losses on non-current assets, including:	87	515	-	2	-	(89)	515
	(recognition)/reversal of allowances for impairment of loans granted	89	493	-	-	-	(89)	493
		As at 30 September 2023						
	Segment assets	**51 067**	**15 799**	**13 783**	**6 358**	**(13 783)**	**(17 727)**	**55 497**
	Liabilities, including:	**19 516**	**20 317**	**14 157**	**3 459**	**(14 157)**	**(20 903)**	**22 389**
	Segment liabilities	19 516	20 317	14 157	3 459	(14 157)	(20 992)	22 300
	Liabilities unallocated to segments	-	-	-	-	-	89	89
	Other information	**from 1 January 2023 to 30 September 2023**						
	Cash expenditures on property, plant and equipment and intangible assets – cash flows	2 177	560	821	371	(821)	(69)	3 039
	Production and cost data	**from 1 January 2023 to 30 September 2023**						
	Payable copper (kt)	443.5	24.1	59.7				
	Molybdenum (million pounds)	-	0.1	3.1				
	Silver (t)	1 080.1	2.2	16.6				
	TPM (koz t)	83.3	26.0	24.2				
	C1 cash cost of producing copper in concentrate (USD/lb PLN/lb)**	3.01 12.74	5.32 22.52	1.55 6.56				
	Segment result - adjusted EBITDA	**3 162**	**(465)**	**1 297**	**241**	**-**	**-**	**4 235**
	EBITDA margin* **	**14%**	**(28%)**	**52%**	**3%**	**-**	**-**	**15%**

** 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.*
C1 cost is in regard to payable copper in own concentrate in the case of the segment KGHM Polska Miedź S.A. and payable copper in end products of individual mines of the segment KGHM INTERNATIONAL LTD. and the segment Sierra Gorda S.C.M. C1 cost in PLN/lb was calculated using the average exchange rate by the NBP (arithmetical average of daily quotations per the NBP's tables).
**** Adjusted EBITDA to revenues from contracts with customers. For the purposes of calculating the Group's EBITDA margin (15%), the consolidated revenues from contracts with customers were increased by revenues from contracts with customers of the segment Sierra Gorda S.C.M. [4 235 / (25 648 + 2 479) * 100]*
***** Adjustments arise from consolidation eliminations and financial data of companies unallocated to any segment.*

Financial results of reporting segments for the comparable period

		from 1 January 2022 to 30 September 2022						
						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	**Revenues from contracts with customers, of which:**	**21 783**	**2 264**	**2 831**	**9 585**	**(2 831)**	**(7 936)**	**25 696**
	- inter-segment	402	-	-	7 534	-	(7 936)	-
	- external	21 381	2 264	2 831	2 051	(2 831)	-	25 696
	Segment result - profit/(loss) for the period	**3 538**	**1 020**	**122**	**-**	**(122)**	**709**	**5 267**
	Additional information on significant revenue/cost items of the segment							
	Depreciation/amortisation recognised in expenses by nature	(1 117)	(437)	(741)	(204)	741	23	(1 735)
	(Recognition)/reversal of impairment losses on non-current assets, including:	179	783	-	(1)	-	(230)	731
	reversal of allowances for impairment of loans granted	182	783	-	-	-	(182)	783
		As at 31 December 2022						
	Assets, including:	**47 995**	**15 228**	**13 563**	**6 071**	**(13 563)**	**(15 850)**	**53 444**
	Segment assets	47 995	15 228	13 563	6 071	(13 563)	(15 854)	53 440
	Assets unallocated to segments	-	-	-	-	-	4	4
	Liabilities, including:	**18 320**	**19 276**	**13 992**	**3 446**	**(13 992)**	**(19 744)**	**21 298**
	Segment liabilities	18 320	19 276	13 992	3 446	(13 992)	(19 804)	21 238
	Liabilities unallocated to segments	-	-	-	-	-	60	60
	Other information	from 1 January 2022 to 30 September 2022						
	Cash expenditures on property, plant and equipment and intangible assets – cash flows	1 996	753	735	290	(735)	(83)	2 956
	Production and cost data	from 1 January 2022 to 30 September 2022						
	Payable copper (kt)	442.5	47.3	67.7				
	Molybdenum (million pounds)	-	0.1	2.4				
	Silver (t)	999.8	1.4	20.7				
	TPM (koz t)	61.8	45.2	25.2				
	C1 cash cost of producing copper in concentrate (USD/lb PLN/lb)**	2.39 10.55	2.02 8.89	1.48 6.53				
	Segment result - adjusted EBITDA	**4 490**	**786**	**1 556**	**243**	**-**	**-**	**7 075**
	EBITDA margin* **	**21%**	**35%**	**55%**	**3%**	**-**	**-**	**25%**

** 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.*
C1 cost is in regard to payable copper in own concentrate in the case of the segment KGHM Polska Miedź S.A. and payable copper in end products of individual mines of the segment KGHM INTERNATIONAL LTD. and the segment Sierra Gorda S.C.M. C1 cost in PLN/lb was calculated using the average exchange rate by the NBP (arithmetical average of daily quotations per the NBP's tables).

**** Adjusted EBITDA to revenues from contracts with customers. For the purposes of calculating the Group's EBITDA margin (25%) the consolidated revenues from contracts with customers were increased by revenues from contracts with customers of the segment Sierra Gorda S.C.M. [7 075 / (25 696 + 2 831) * 100]*

***** Adjustments arise from consolidation eliminations and financial data of companies unallocated to any segment.*

amounts in PLN millions, unless otherwise stated

Reconciliation of adjusted EBITDA

	from 1 January 2023 to 30 September 2023						
	KGHM Polska Miedź S.A.	KGHM INTERNATIONAL LTD.	Other segments	Consolidation adjustments*	Consolidated financial statements	Sierra Gorda S.C.M. **	Adjusted EBITDA (segments, total)
	1	2	3	4	5 (1+2+3+4)	6	7 (5+6-4)
Profit/(Loss) for the period	**1 737**	**(494)**	**9**	**(416)**	**836**	**53**	
[-] Profit or loss on involvement in joint ventures	-	939	-	-	939	-	
[-] Current and deferred income tax, mining tax***	(903)	135	(35)	(53)	(856)	(84)	
[-] Depreciation/amortisation recognised in expenses by nature	(1 275)	(419)	(217)	26	(1 885)	(586)	
[-] Finance income and (costs)	(125)	(794)	(37)	872	(84)	(588)	
[-] Other operating income and (costs)	878	118	55	(1 303)	(252)	14	
[-] (Recognition)/reversal of impairment losses on non-current assets recognised in cost of sales, selling costs and administrative expenses	-	(8)	2	-	(6)	-	
Segment result - adjusted EBITDA	**3 162**	**(465)**	**241**	**42**	**2 980**	**1 297**	**4 235**

** Adjustments arise from consolidation eliminations and financial data of companies unallocated to any segment.*
***55% share of the Group in the financial data of Sierra Gorda S.C.M.*
**** Mining tax concerns only the segment Sierra Gorda S.C.M.*

Reconciliation of adjusted EBITDA

	from 1 January 2022 to 30 September 2022						
	KGHM Polska Miedź S.A.	KGHM INTERNATIONAL LTD.	Other segments	Consolidation adjustments*	Consolidated financial statements	Sierra Gorda S.C.M. **	Adjusted EBITDA (segments, total)
	1	2	3	4	5 (1+2+3+4)	6	7 (5+6-4)
Profit/(Loss) for the period	**3 538**	**1 020**	**-**	**709**	**5 267**	**122**	
[-] Profit or loss on involvement in joint ventures	-	1 260	-	-	1 260	-	
[-] Current and deferred income tax, mining tax***	(1 319)	(100)	(22)	(157)	(1 598)	(105)	
[-] Depreciation/amortisation recognised in expenses by nature	(1 117)	(437)	(204)	23	(1 735)	(741)	
[-] Finance income and (costs)	(716)	(765)	(31)	817	(695)	(613)	
[-] Other operating income and (costs)	2 200	276	15	123	2 614	25	
[-] (Recognition)/reversal of impairment losses on non-current assets recognised in cost of sales, selling costs and administrative expenses	-	-	(1)	(45)	(46)	-	
Segment result - adjusted EBITDA	**4 490**	**786**	**243**	**(52)**	**5 467**	**1 556**	**7 075**

** Adjustments arise from consolidation eliminations and financial data of companies unallocated to any segment.*
***55% share of the Group in the financial data of Sierra Gorda S.C.M.*
**** Mining tax concerns only the segment Sierra Gorda S.C.M.*

amounts in PLN millions, unless otherwise stated

Note 3.3 Revenues from contracts with customers of the Group – breakdown by products

	from 1 January 2023 to 30 September 2023						
					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 data
Products							
Copper	17 208	911	2 002	7	(2 002)	(35)	**18 091**
Silver	3 410	26	54	-	(54)	-	**3 436**
Gold	776	124	204	-	(204)	-	**900**
Services	142	518	-	1 967	-	(1 426)	**1 201**
Energy	74	-	-	348	-	(270)	**152**
Salt	41	-	-	-	-	19**	**60**
Blasting materials and explosives	-	-	-	239	-	(116)	**123**
Mining machinery, transport vehicles and other types of machinery and equipment	-	-	-	266	-	(230)	**36**
Fuel additives	-	-	-	75	-	-	**75**
Lead	196	-	-	-	-	-	**196**
Products from other non-ferrous metals	-	-	-	107	-	(5)	**102**
Other products	136	108	219	667	(219)	(430)	**481**
Merchandise and materials							
Steel	-	-	-	354	-	(71)	**283**
Petroleum and its derivatives	-	-	-	331	-	(274)	**57**
Salt	-	-	-	60	-	(60)**	**-**
Other merchandise and materials	487	-	-	4 978	-	(5 010)	**455**
TOTAL	**22 470**	**1 687**	**2 479**	**9 399**	**(2 479)**	**(7 908)**	**25 648**

** 55% of the Group's share in revenues of Sierra Gorda S.C.M.*
*** Including: PLN 60 million – reclassification from revenues from the sale of merchandise and materials to revenues from the sale of products.*

amounts in PLN millions, unless otherwise stated

	from 1 January 2022 to 30 September 2022						
					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 data
Products							
Copper	17 002	1 454	2 338	8	(2 338)	(40)	**18 424**
Silver	3 361	18	63	-	(63)	-	**3 379**
Gold	516	223	198	-	(198)	-	**739**
Services	129	423	-	1 614	-	(1 233)	**933**
Energy	22	-	-	235	-	(146)	**111**
Salt	21	-	-	-	-	19**	**40**
Blasting materials and explosives	-	-	-	208	-	(103)	**105**
Mining machinery, transport vehicles and other types of machinery and equipment	-	-	-	211	-	(174)	**37**
Fuel additives	-	-	-	123	-	-	**123**
Lead	219	-	-	-	-	-	**219**
Products from other non-ferrous metals	-	-	-	136	-	(3)	**133**
Other products	260	146	232	571	(232)	(340)	**637**
Merchandise and materials							
Steel	-	-	-	534	-	(134)	**400**
Petroleum and its derivatives	-	-	-	387	-	(318)	**69**
Salt	-	-	-	40	-	(40)**	**-**
Other merchandise and materials	253	-	-	5 518	-	(5 424)	**347**
TOTAL	**21 783**	**2 264**	**2 831**	**9 585**	**(2 831)**	**(7 936)**	**25 696**

** 55% of the Group's share in revenues of Sierra Gorda S.C.M.*

*** Including: PLN 40 million – reclassification from revenues from the sale of merchandise and materials to revenues from the sale of products.*

amounts in PLN millions, unless otherwise stated

Note 3.4 Revenues from contracts with customers of the Group – breakdown by type of contract

	from 1 January 2023 to 30 September 2023						
					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 data
Total revenues from contracts with customers	**22 470**	**1 687**	**2 479**	**9 399**	**(2 479)**	**(7 908)**	**25 648**
Revenues from sales contracts, for which the price is set after the date of recognition of the sales (M+ principle), of which:	16 160	1 170	2 507	3	(2 507)	(98)	**17 235**
settled	15 452	673	928	1	(928)	(96)	**16 030**
unsettled	708	497	1 579	2	(1 579)	(2)	**1 205**
Revenues from realisation of long-term contracts for mine construction	-	489	-	180	-	(152)	**517**
Revenues from other sales contracts	6 310	28	(28)	9 216	28	(7 658)	**7 896**
Total revenues from contracts with customers, of which:	**22 470**	**1 687**	**2 479**	**9 399**	**(2 479)**	**(7 908)**	**25 648**
in factoring	6 715	-	-	136	-	(136)	**6 715**
not in factoring	15 755	1 687	2 479	9 263	(2 479)	(7 772)	**18 933**

	from 1 January 2023 to 30 September 2023	from 1 January 2022 to 30 September 2022
Total revenues from contracts with customers, of which:	**25 648**	**25 696**
transferred at a certain moment	24 054	24 583
transferred over time	1 594	1 113

** 55% of the Group's share in revenues of Sierra Gorda S.C.M.*

amounts in PLN millions, unless otherwise stated

	from 1 January 2022 to 30 September 2022						
					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 data
Total revenues from contracts with customers	**21 783**	**2 264**	**2 831**	**9 585**	**(2 831)**	**(7 936)**	**25 696**
Revenues from sales contracts, for which the price is set after the date of recognition of the sales (M+ principle), of which:	16 853	1 840	3 113	104	(3 113)	(104)	**18 693**
settled	15 866	997	1 346	104	(1 346)	(104)	**16 863**
unsettled	987	843	1 767	-	(1 767)	-	**1 830**
Revenues from realisation of long-term contracts for mine construction	-	395	-	119	-	(111)	**403**
Revenues from other sales contracts	4 930	29	(282)	9 362	282	(7 721)	**6 600**
Total revenues from contracts with customers, of which:	**21 783**	**2 264**	**2 831**	**9 585**	**(2 831)**	**(7 936)**	**25 696**
in factoring	6 651	-	-	221	-	(154)	**6 718**
not in factoring	15 132	2 264	2 831	9 364	(2 831)	(7 782)	**18 978**

** 55% of the Group's share in revenues of Sierra Gorda S.C.M.*

amounts in PLN millions, unless otherwise stated

Note 3.5 Revenues from contracts with customers of the Group – geographical breakdown reflecting the location of end clients

	from 1 January 2023 to 30 September 2023							from 1 January 2022 to 30 September 2022
					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 data	KGHM Polska Miedź S.A. Group
Poland	5 385	-	27	9 144	(27)	(7 885)	**6 644**	6 855
Austria	309	-	-	16	-	-	**325**	417
Belgium	22	-	-	9	-	-	**31**	50
Bulgaria	244	-	-	12	-	-	**256**	39
Czechia	1 758	-	-	18	-	-	**1 776**	1 772
Estonia	19	-	-	2	-	-	**21**	12
France	697	-	-	3	-	-	**700**	635
The Netherlands	6	-	58	-	(58)	-	**6**	6
Germany	4 939	-	-	51	-	-	**4 990**	4 333
Romania	123	-	-	1	-	-	**124**	114
Slovakia	167	-	-	11	-	-	**178**	147
Slovenia	84	-	-	3	-	-	**87**	105
Sweden	2	-	-	21	-	-	**23**	23
Hungary	1 117	-	-	6	-	-	**1 123**	1 160
The United Kingdom	861	-	-	3	-	-	**864**	1 288
Italy	1 602	-	-	15	-	-	**1 617**	1 745
Australia	269	-	-	-	-	-	**269**	588
Bosnia and Herzegovina	9	-	-	2	-	-	**11**	21
Chile	2	199	816	-	(816)	-	**201**	251
China	2 264	734	1 013	-	(1 013)	-	**2 998**	2 721
India	-	-	12	-	(12)	-	**-**	-
Japan	-	-	470	-	(470)	-	**-**	63
Canada	25	637	-	-	-	(23)	**639**	520
South Korea	-	-	54	-	(54)	-	**-**	64
Norway	-	-	-	10	-	-	**10**	12
The United States of America	922	118	-	11	-	-	**1 051**	939
Switzerland	1 031	-	-	1	-	-	**1 032**	604
Türkiye	177	-	-	13	-	-	**190**	215
Taiwan	49	-	-	-	-	-	**49**	45
Morocco	-	-	-	-	-	-	**-**	37
Mexico	-	-	-	-	-	-	**-**	92
Algeria	65	-	-	-	-	-	**65**	16
Brazil	-	-	29	-	(29)	-	**-**	1
Thailand	245	-	-	-	-	-	**245**	362
Philippines	-	(1)	-	-	-	-	**(1)**	170
Malaysia	52	-	-	-	-	-	**52**	42
Vietnam	2	-	-	-	-	-	**2**	173
Other countries	23	-	-	47	-	-	**70**	59
TOTAL	**22 470**	**1 687**	**2 479**	**9 399**	**(2 479)**	**(7 908)**	**25 648**	**25 696**

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

amounts in PLN millions, unless otherwise stated

Note 3.6 Main customers

In the period from 1 January 2023 to 30 September 2023 and in the comparable period the revenues from no single contractor exceeded 10% of the revenues from contracts with customers of the Group.

Note 3.7 Non-current assets – geographical breakdown

	As at 30 September 2023	As at 31 December 2022
Poland	25 694	25 008
Canada	2 195	1 919
The United States of America	1 877	1 841
Chile	223	204
TOTAL*	**29 989**	**28 972**

** Non-current assets, excluding: derivatives, other financial instruments, other non-financial assets and deferred tax assets (IFRS 8.33b) in the total amount of PLN 12 224 million as at 30 September 2023 (PLN 11 407 million as at 31 December 2022).*

Note 3.8 Information on segments' results

3.8.1 The segment KGHM Polska Miedź S.A.

Production results

	Unit	First 9 months of 2023	First 9 months of 2022	Change (%)	3rd quarter of 2023	2nd quarter of 2023	1st quarter of 2023
Ore extraction (dry weight)	mn t	23.3	23.0	+1.3	7.7	7.7	7.9
Copper content in ore	%	1.47	1.46	+0.7	1.47	1.47	1.46
Copper production in concentrate	kt	303.2	295.3	+2.7	100.9	101.8	100.5
Silver production in concentrate	t	1 011.6	988.8	+2.3	334.2	338.8	338.6
Production of electrolytic copper	kt	443.5	442.5	+0.2	147.7	146.8	149.0
- including from own concentrate	kt	287.0	273.9	+4.8	92.2	95.6	99.2
Production of metallic silver	t	1 080.1	999.8	+8.0	381.0	324.2	374.9
Production of gold	koz t	83.3	61.8	+34.8	25.6	26.8	30.9

In the first nine months of 2023, there was an increase in ore extraction (dry weight) by 302.1 thousand tonnes as compared to the corresponding period of 2022. Copper content increased to 1.47% due to extraction from a rich deposit.

Copper production in concentrate amounted to 303.2 thousand tonnes and was higher by 7.9 thousand tonnes (+2.7%) as compared to the first 9 months of 2022. An Increase in production is a result of a higher extraction of a better quality ore by the mines and its processing by the Concentrators.

As compared to the corresponding period of 2022, there was an increase in electrolytic copper production by 1.0 thousand tonnes. The increase in cathode production is a result of meeting the targets set in the production plan for 2023.
Production of metallic silver amounted to 1 080 tonnes and was higher by 80.3 tonnes (+8.0%) as compared to the first 9 months of 2022. Higher production of metallic silver results from the availability of feed material at the Precious Metals Plant.
Production of metallic gold amounted to 83.3 thousand troy ounces and was higher by 21.5 thousand troy ounces (+34.8%) as compared to the first 9 months of 2022. Higher production of metallic gold is a result of higher processing of gold-bearing materials.

Sales

Revenues from contracts with customers

	Unit	First 9 months of 2023	First 9 months of 2022	Change (%)	3rd quarter of 2023	2nd quarter of 2023	1st quarter of 2023
Revenues from contracts with customers, including:	**PLN mn**	**22 470**	**21 783**	**+3.2**	**6 960**	**7 140**	**8 370**
- copper	PLN mn	17 208	17 002	+1.2	5 226	5 535	6 447
- silver	PLN mn	3 410	3 361	+1.5	1 154	1 035	1 221
Volume of copper sales	kt	444.5	429.8	+3.4	140.6	147.0	156.9
Volume of silver sales	t	1 040.7	1 037.4	+0.3	357.3	311.2	372.2

After the first 3 quarters of 2023, the revenues amounted to PLN 22 470 million and were higher by 3% than in the corresponding period of 2022. The main factors behind this increase in revenues were: higher sales volume of copper (+3%) and gold (+49%) as well as a change in the adjustment to revenues due to hedging transactions (+PLN 679 million).

Costs

	Unit	First 9 months of 2023	First 9 months of 2022	Change (%)	3rd quarter of 2023	2nd quarter of 2023	1st quarter of 2023
Cost of sales, selling costs and administrative expenses	**PLN mn**	**20 583**	**18 410**	**+11.8**	**6 514**	**6 696**	**7 373**
Expenses by nature	**PLN mn**	**20 491**	**19 105**	**+7.2**	**6 341**	**6 827**	**7 323**
Pre-precious metals credit unit cost of electrolytic copper production from own concentrate(1	PLN/t	44 728	38 202	+17.0	43 994	46 761	43 451
Total unit cost of electrolytic copper production from own concentrate	PLN/t	33 436	26 946	+24.1	32 933	35 431	31 980
C1 unit cost(2	**USD/lb**	**3.01**	**2.39**	**+25.9**	**2.97**	**2.98**	**3.08**

1) Unit cost prior to decrease by the value of anode slimes containing, among others, silver and gold
2) 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 sold payable copper in concentrate

The Parent Entity's cost of sales, selling costs and administrative expenses (total cost of products, merchandise and materials sold, selling costs and administrative expenses) for the first nine months of 2023 amounted to PLN 20 583 million and were higher by 12% as compared to the corresponding period of 2022, mainly due to realisation of a higher sales volume of copper from inventories and the higher minerals extraction tax, higher labour costs and costs of consumption of materials, fuels and energy carriers.

As compared to the first 9 months of 2022, total expenses by nature in the first 9 months of 2023 were higher by PLN 1 386 million alongside the higher by PLN 497 million minerals extraction tax (in the period from January to November 2022, the tax rate was 30% lower) and lower by PLN 904 million costs of consumption of purchased metal-bearing materials due to 12.7 thousand tonnes of copper lower volume of consumption with a 6% lower purchase price.

The increase in expenses by nature, excluding purchased metal-bearing materials and the minerals extraction tax, amounted to PLN 1 793 million and resulted mainly from the following increases:

- labour costs by PLN 577 million due to higher wage rates, coal equivalent and provision for future employee benefits,
- costs of materials, technological fuels, electrical and other energy by PLN 560 million – mainly due to higher purchase prices,
- costs of external services by PLN 330 million, mainly due to overhauls and maintenance as well as mine preparatory work.

C1 cost for the first nine months of 2023 amounted to 3.01 USD/lb and was higher by 26% than in the corresponding period of 2022. The increase in this cost was mainly caused by the higher mineral extraction tax and higher extraction and metallurgical processing costs due to the aforementioned factors.

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 44 728 PLN/t (in the comparable period of 2022: 38 202 PLN/t) and was higher by 17%, mainly due to aforementioned higher extraction and smelting costs alongside an increase in copper production from own concentrate by 5%.

The total unit cost of electrolytic copper production from own concentrate amounted to 33 436 PLN/t and was higher by 24% as compared to the first nine months of 2022.

Financial results

The Company recorded a profit for the first 9 months of 2023 in the amount of PLN 1 737 million, or PLN 1 801 million lower than for the corresponding period of 2022.

Basic items of statement of profit or loss (in PLN million)

	First 9 months of 2023	*First 9 months of 2022*	*Change (%)*	*3rd quarter of 2023*	*2nd quarter of 2023*	*1st quarter of 2023*
Revenues from contracts with customers, including:	**22 470**	**21 783**	**+3.2**	**6 960**	**7 140**	**8 370**
- adjustment of revenues due to hedging transactions	425	(254)	×	198	162	65
Cost of sales, selling costs and administrative expenses	**(20 583)**	**(18 410)**	**+11.8**	**(6 514)**	**(6 696)**	**(7 373)**
Profit/(loss) on sales	**1 887**	**3 373**	**(44.1)**	**446**	**444**	**997**
Other operating income and (costs)	878	2 200	(60.1)	689	373	(184)
Finance income and (costs)	(125)	(716)	(82.5)	(298)	117	56
Profit/(loss) before income tax	**2 640**	**4 857**	**(45.6)**	**837**	**934**	**869**
Income tax expense	(903)	(1 319)	(31.5)	(307)	(209)	(387)
Profit/(loss) for the period	**1 737**	**3 538**	**(50.9)**	**530**	**725**	**482**
Depreciation/amortisation recognised in expenses by nature	1 275	1 117	+14.1	427	435	413
Adjusted EBITDA[1]	**3 162**	**4 490**	**(29.6)**	**873**	**879**	**1 410**

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

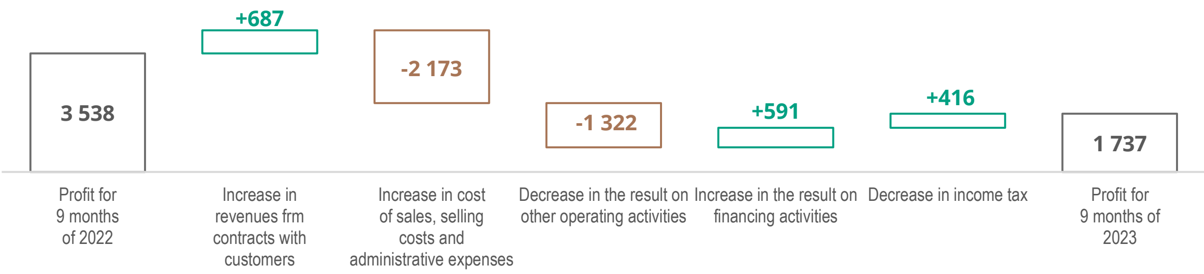
Main reasons for the change in profit or loss

Item	*Impact on change in profit or loss (in PLN million)*	*Description*
An increase in revenues from contracts with customers	+687	An increase in revenues due to: – a higher sales volume of copper by 14.7 kt, or by 3%, and gold by 976 kg, or by 49%, with basically the same volume of sales of silver (+PLN 857 million), – sales of basic products (copper, silver, gold) with a less favourable average USD/PLN exchange rate (-PLN 815 million), – a change in the adjustment of revenues due to hedging transactions by +PLN 679 million, – a change in metal prices, with copper price lower by 479 USD/t (-5%) alongside silver price higher by 1.48 USD/oz t (+7%) and gold price by 106 USD/oz t, or by +6% (-PLN 206 million), – an increase in other revenues from sales by PLN 172 million, including merchandise and materials (+PLN 234 million) with lower sales of sulphuric acid (-PLN 91 million).
An increase in cost of sales, selling costs and administrative expenses [1]	(2 173)	An increase in costs due to: – lower make-to-stock production than in the previous year (-PLN 693 million), – a lower volume of consumption of purchased metal-bearing materials by 12.7 thousand tonnes of copper at a purchase price lower by 6% (+PLN 904 million), – an increase in other costs by PLN 2 384 million, including mainly the following costs: employee benefits (by PLN 577 million), minerals extraction tax (by PLN 497 million), electrical and other energy (by PLN 353 million) and external services (by PLN 330 million).

A decrease in the result on other operating activities	(1 322)	The decrease in the result was mainly due to: – a decrease in the result due to exchange differences on assets and liabilities other than borrowings (-PLN 1 390 million), – a decrease in financial support granted to municipalities (+PLN 92 million), – a decrease in reversals of impairment losses on financial instruments measured at amortised cost (-PLN 88 million), including due to loans (-PLN 89 million), – an increase in fair value gains on financial instruments measured at fair value through profit or loss (+PLN 72 million), including due to loans (+PLN 99 million), – a decrease in recognised provisions (+PLN 85 million).
An increase in the result on financing activities	+591	The increase in the result on financing activities was mainly due to a change in the result on exchange gains/(losses) on borrowings (+PLN 667 million) with an increase in finance costs due to unwinding of the discount (-PLN 51 million).
A decrease in income tax	+416	The decrease in income tax was mainly due to a decrease in current income tax (+PLN 431 million).

[1)] *Cost of products, merchandise and materials sold, selling costs and administrative expenses*

Change in profit or loss for the period (PLN million)



Capital expenditures

In the first three quarters of 2023, capital expenditures on property, plant and equipment amounted to PLN 2 167 million.

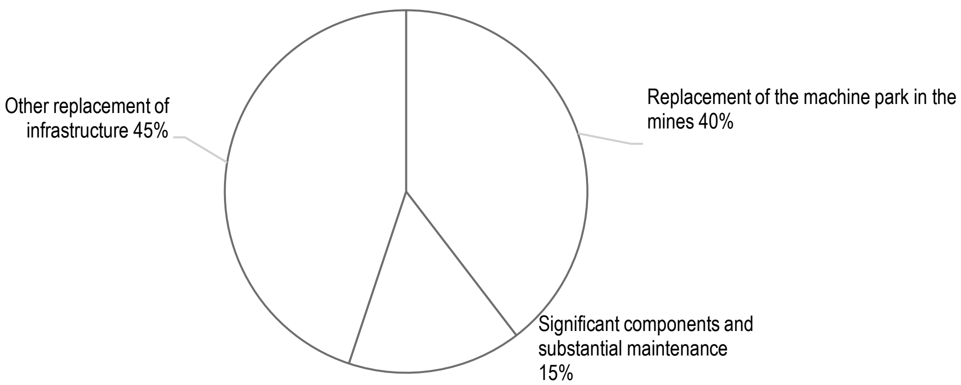
Structure of expenditures on property, plant and equipment and intangible assets (PLN million)

	First 9 months of 2023	*First 9 months of 2022*	*Change (%)*	*3rd quarter of 2023*	*2nd quarter of 2023*	*1st quarter of 2023*
Mining	1 750	1 315	+33.1	638	559	553
Metallurgy	311	403	(22.8)	138	114	59
Other activities	18	39	(53.8)	10	5	3
Development work - uncompleted	3	7	(57.1)		1	2
Leases per IFRS 16	85	64	+32.8	12	51	22
Total	**2 167**	**1 828**	**+18.5**	**798**	**730**	**639**
including borrowing costs	*152*	*123*	*+23.6*	*27*	*67*	*58*

Investment activities comprised projects related to replacement, maintenance and development in the following areas: mining, metallurgy and other activities.

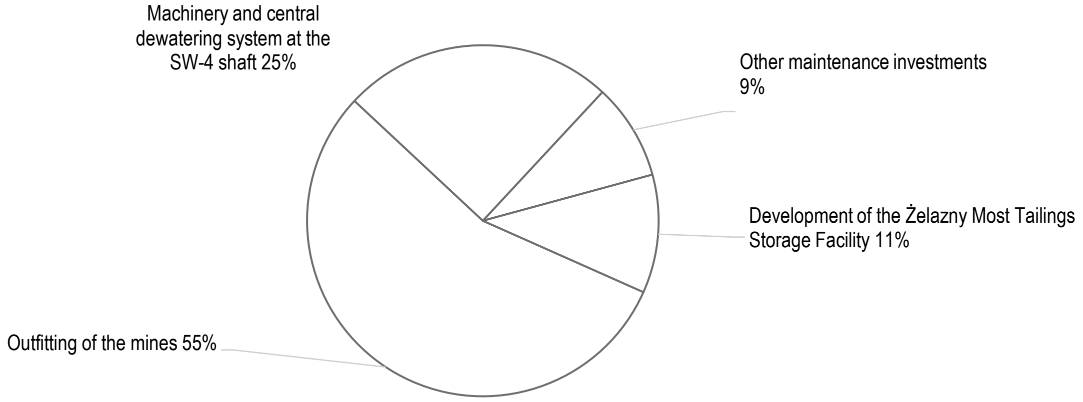
Projects related to replacement aimed at maintaining production equipment in an undeteriorated condition, represent 39% of expenditures incurred.

Structure of expenditures on replacement



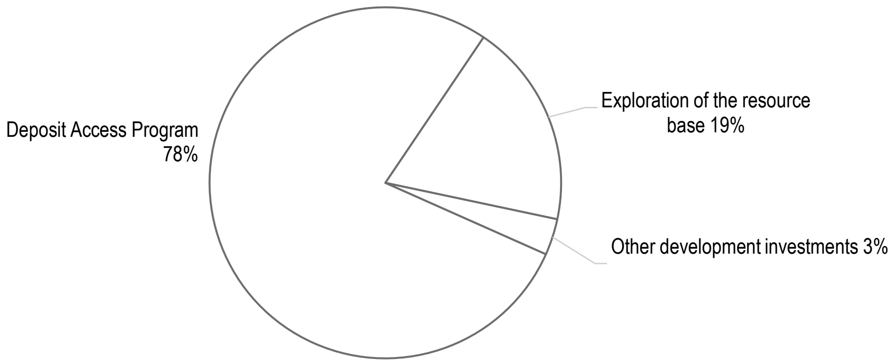
Projects related to maintenance aimed at maintaining mine production at the level set in the approved Production Plan (development of infrastructure to match mine advancement) represent 32% of total expenditures incurred.

Structure of expenditures on maintenance



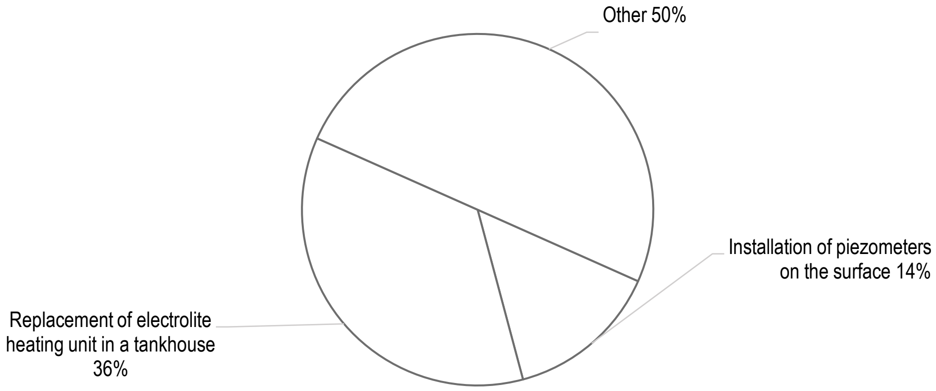
Development projects aimed at increasing the level of revenues from sales or maintaining them at the current level, at the implementation of technical and technological activities optimising the use of existing infrastructure, and at reducing operating costs, represent 28% of expenditures incurred.

Structure of expenditures on development



Adaptation projects aimed at adapting the company's operations to changes in laws, existing standards or other regulations, especially as regards occupational health and safety, securing property, cybersecurity, ethical and anti-corruption standards, environmental impact, quality standards and management systems, represent 1% of expenditures incurred.

Structure of expenditures on adaptation



Detailed information on the advancement of key projects may be found in Part 1 Note 2 of the Report regarding the realisation of Strategy in 2023.

3.8.2 The segment KGHM INTERNATIONAL LTD.

Production results

Production results of KGHM INTERNATIONAL LTD.

	Unit	First 9 months of 2023	First 9 months of 2022	Change (%)	3rd quarter of 2023	2nd quarter of 2023	1st quarter of 2023
Payable copper, including:	**kt**	**24.1**	**47.3**	**(49.0)**	**8.7**	**7.8**	**7.6**
- Robinson mine (USA)	kt	17.3	39.6	(56.3)	6.8	5.2	5.3
- Sudbury Basin mines (Canada) [1]	kt	3.9	1.5	x 2.6	0.8	1.5	1.6
Payable nickel	kt	0.3	0.3	-	0.0	0.2	0.1
Precious metals (TPM), including:	koz t	26.0	45.2	(42.5)	7.7	9.3	9.0
- Robinson mine (USA)	koz t	11.0	33.7	(67.4)	4.3	3.5	3.2
- Sudbury Basin mines (Canada) [1]	koz t	15.1	11.5	31.3	3.4	5.9	5.8

1) McCreedy West mine in the Sudbury Basin

The Robinson mine significantly increased the copper production in the third quarter of 2023 as compared to the previous quarter. After the first 9 months, the production volume of KGHM INTERNATIONAL LTD. is still significantly (-49%) below the level recorded in the corresponding period of 2022, which is a result of processing ore from the transition zone and inventories with relatively low quality, which led to the decrease in recovery and copper content in concentrate produced by the Robinson mine. In the fourth quarter of 2023, the Robinson aims to reach the proper part of the Ruth West deposit, which has significantly better ore parameters than the currently mined transition zone. Therefore, it is expected that production results of the Robinson mine will improve.

Revenues

Volume and revenues from sales of KGHM INTERNATIONAL LTD. (USD million)

	Unit	First 9 months of 2023	First 9 months of 2022	Change (%)	3rd quarter of 2023	2nd quarter of 2023	1st quarter of 2023
Revenues from contracts with customers[1], including:	**USD mn**	**399**	**510**	**(21.8)**	**114**	**122**	**163**
- copper	USD mn	215	327	(34.2)	58	59	98
- nickel	USD mn	7	9	(22.2)	1	3	3
- precious metals (TPM)	USD mn	46	72	(36.1)	12	15	19
Copper sales volume	kt	27.0	39.5	(31.6)	7.9	8.4	10.7
Nickel sales volume	kt	0.3	0.3	-	0.0	0.2	0.1
TPM sales volume	koz t	28.5	38.4	(25.8)	6.8	9.7	12.0

1) reflects processing premium

Revenues from sales of KGHM INTERNATIONAL LTD. (PLN million)

	Unit	First 9 months of 2023	First 9 months of 2022	Change (%)	3rd quarter of 2023	2nd quarter of 2023	1st quarter of 2023
Revenues from contracts with customers[1], including:	**PLN mn**	**1 687**	**2 264**	**(25.5)**	**470**	**506**	**711**
- copper	PLN mn	911	1 454	(37.3)	242	243	426
- nickel	PLN mn	31	38	(18.4)	5	14	12
- TPM - precious metals	PLN mn	195	321	(39.3)	49	62	84

1) reflects processing premium

The revenues of the segment KGHM INTERNATIONAL LTD. in the first 9 months of 2023 amounted to USD 399 million, which is a decrease by USD 111 million (-22%) as compared to the corresponding period of 2022. First and foremost, the decrease in revenues is an effect of the results of the Robinson mine, which are still below production targets. Moreover, revenues in 2023 do not include Franke (the mine was sold in April 2022 and from the start of 2022 up to the moment the asset was sold its revenues amounted to USD 31 million). It should be noted that the revenues from mining services provided by the DMC Mining Services companies increased by 30%.

The impact of individual factors on the change in revenues is presented in the subsection on the financial results of KGHM INTERNATIONAL LTD.

Costs

C1 payable copper production cost of KGHM INTERNATIONAL LTD.

	Unit	First 9 months of 2023	First 9 months of 2022	Change (%)	3rd quarter of 2023	2nd quarter of 2023	1st quarter of 2023
C1 payable copper production cost [1]	USD/lb	5.32	2.02	x2.6	5.40	5.66	5.00

1) 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 cash cost of copper production for all of the mines in the segment KGHM INTERNATIONAL LTD. in the first 9 months of 2023 amounted to 5.32 USD/lb of copper sold, or nearly three-times more than in the corresponding period of 2022. The increase in this cost is due to the aforementioned problems with production by the Robinson mine and the related drop in copper sales volume. Also of significance were write-downs and adjustments of inventories, whose impact on the level of costs is discussed in the subsection on the financial results.

Moreover, it should be stressed that in 2022 work was carried out to gain access to the Robinson mine's Ruth West deposit, as a result of which some of the stripping costs were capitalised and not recognised in the results. However, in the period from January to September 2023 extraction was carried out in a transitional zone and the scope of access work, and therefore capitalisation of stripping costs, was significantly lower than in the corresponding period of 2022.

Unfavourable impact on C1 also came from the lower deductions due to the sale of precious metals, mainly due to the decline in gold production and sales by the Robinson mine.

Financial results

Financial results of KGHM INTERNATIONAL LTD. (USD million)

	First 9 months of 2023	*First 9 months of 2022*	*Change (%)*	*3rd quarter of 2023*	*2nd quarter of 2023*	*1st quarter of 2023*
Revenues from contracts with customers	399	510	(21.8)	114	122	163
Cost of sales, selling costs and administrative expenses, including: [1]	(609)	(431)	+41.3	(181)	(199)	(229)
- reversal/(recognition) of impairment losses on non-current assets	(2)	-	x	-	-	(2)
Profit/(loss) on sales	**(210)**	**79**	**x**	**(67)**	**(77)**	**(66)**
Profit/(loss) before taxation	**(149)**	**252**	**x**	**(77)**	**18**	**(90)**
Income tax	32	(23)	x	(3)	21	14
Profit/(loss) for the period	**(117)**	**230**	**x**	**(80)**	**39**	**(76)**
Depreciation/amortisation recognised in expenses by nature	(99)	(98)	+1.0	(40)	(33)	(26)
Adjusted EBITDA [2]	**(109)**	**177**	**x**	**(27)**	**(44)**	**(38)**

Financial results of KGHM INTERNATIONAL LTD. (PLN million)

	First 9 months of 2023	*First 9 months of 2022*	*Change (%)*	*3rd quarter of 2023*	*2nd quarter of 2023*	*1st quarter of 2023*
Revenues from contracts with customers	1 687	2 264	(25.4)	470	506	711
Cost of sales, selling costs and administrative expenses, including: [1]	(2 579)	(1 915)	+34.7	(752)	(827)	(1 000)
- reversal/(recognition) of impairment losses on non-current assets	(8)	-	x	(0)	0	(8)
Profit/(loss) on sales	**(892)**	**349**	x	**(282)**	**(321)**	**(289)**
Profit/(loss) before taxation, including:	**(629)**	**1 120**	x	**(320)**	**85**	**(394)**
Income tax	135	(100)	x	(16)	88	63
Profit/(loss) for the period	**(494)**	**1 020**	**x**	**(336)**	**173**	**(331)**
Depreciation/amortisation recognised in expenses by nature	(419)	(437)	(4.1)	(169)	(138)	(112)
Adjusted EBITDA [2]	**(465)**	**786**	**x**	**(113)**	**(183)**	**(169)**

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

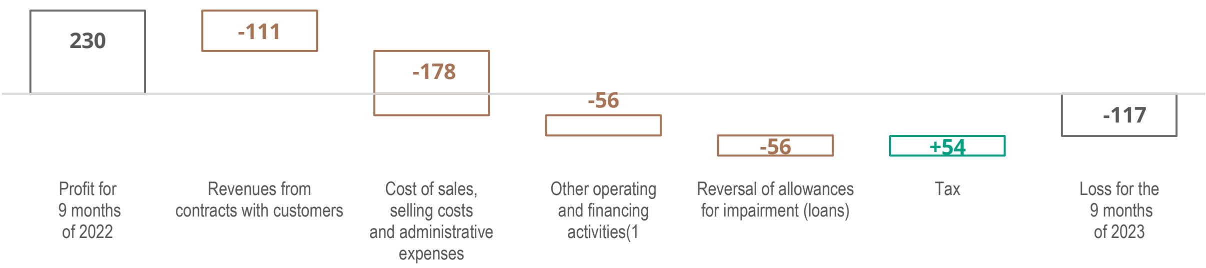
2) *Adjusted EBITDA = profit/(loss) on sales + depreciation/amortisation (recognised in expenses by nature) + impairment losses (-reversal of impairment losses) on non-current assets, recognised in cost of sales, selling costs and administrative expenses*

Main factors impacting the change in profit or loss of KGHM INTERNATIONAL LTD.

Item	Impact on change of profit or loss (in USD million)	Description
Lower revenues from contracts with customers (-USD 111 million)	(107)	Change in sales volumes, of which: – copper -USD 87 million – gold -USD 25 million – platinum and palladium +USD 3 million – other metals +USD 2 million
	(19)	Change in sales prices, of which: – copper -USD 17 million – gold +USD 4 million – platinum and palladium -USD 6 million – other metals -USD 0.2 million
	+27	Higher revenues due to mining services provided by DMC Mining Services
	(12)	Other factors, mainly less favourable processing and refining charges

Higher cost of sales, selling costs and administrative expenses (-USD 178 million)	(66)	Higher write-downs of ore and concentrate inventories as their value was higher than their net realisable sales price (write-down in the amount of USD 72 million in the first 9 months of 2023 versus USD 6 million in the corresponding period of 2022).
	(60)	Change in products and work in progress (+USD 15 million versus -USD 45 million in the first 9 months of 2022).
	(66)	Lower capitalised stripping costs due to the lower scope of access work by the Robinson mine
	+16	Lower costs, mainly of materials and energy
	(2)	Other factors
Impact of other operating and financing activities (-USD 112 million)	(56)	Reversal of an allowance for impairment of loans granted for the construction of the Sierra Gorda mine (+USD 120 million in the first 9 months of 2023 versus +USD 176 million in the corresponding period of 2022)
	(51)	Result on the sale of the Oxide project (to Sierra Gorda S.C.M.) and of the Franke mine in 2022 (in the period from January to September 2023 these type of transactions did not occur)
	(5)	Other factors, including lower interest on the loan granted to Sierra Gorda (-USD 2 million)
Income tax (+USD 54 million)	+54	Mainly due to the decrease in the Robinson mine's results.

Change in profit/loss for the period of KGHM INTERNATIONAL LTD. (USD million)



1) Excludes recognition/reversal of allowances for impairment of loans granted for the construction of the Sierra Gorda mine

Cash expenditures

Cash expenditures of KGHM INTERNATIONAL LTD. (USD million)

	First 9 months of 2023	*First 9 months of 2022*	*Change (%)*	*3rd quarter of 2023*	*2nd quarter of 2023*	*1st quarter of 2023*
Victoria project	50	37	+35.1	18	17	15
Stripping and other	82	133	(38.3)	35	16	31
Total	**132**	**170**	**(22.4)**	**53**	**33**	**46**

Cash expenditures of KGHM INTERNATIONAL LTD. (PLN million)

	First 9 months of 2023	*First 9 months of 2022*	*Change (%)*	*3rd quarter of 2023*	*2nd quarter of 2023*	*1st quarter of 2023*
Victoria project	212	164	+29.1	75	72	65
Stripping and other	348	589	(40.9)	147	63	138
Total	**560**	**753**	**(25.7)**	**222**	**135**	**203**

Cash expenditures by the segment KGHM INTERNATIONAL LTD. in the first 9 months of 2023 amounted to USD 132 million and were lower by USD 38 million (-22%) compared to the corresponding period of 2022, mainly in respect of the lower scope of stripping by the Robinson mine.

3.8.3 The segment Sierra Gorda S.C.M.

The segment Sierra Gorda S.C.M. is a joint venture of the KGHM Polska Miedź S.A. Group (55%) and the Australian mining group South32 (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 the methodology of presentation of data in note of the consolidated financial statements on operating segments.

Production results

Production of copper, molybdenum and precious metals by Sierra Gorda S.C.M.

	Unit	First 9 months of 2023	First 9 months of 2022	Change (%)	3rd quarter of 2023	2nd quarter of 2023	1st quarter of 2023
Copper production[1]	**kt**	**108.5**	**123.0**	**(11.8)**	**35.7**	**38.4**	**34.4**
Copper production – segment (55%)	kt	59.7	67.7	(11.8)	19.6	21.2	18.9
Molybdenum production[1]	mn lbs	5.6	4.4	+27.3	1.7	2.1	1.8
Molybdenum production – segment (55%)	mn lbs	3.1	2.4	+27.3	1.0	1.1	1.0
TPM production – gold[1]	koz t	44.0	45.8	(3.9)	13.9	16.4	13.7
TPM production – gold – segment (55%)	koz t	24.2	25.2	(3.9)	7.7	9.0	7.5

[1] *Payable metal in concentrate.*

In the first 9 months of 2023, Sierra Gorda S.C.M. increased its ore processing by 1% as compared to the corresponding period of 2022, however due to the quality parameters (lower copper content) and lower copper recovery, there was a decrease in payable copper production (-12%). Lower content and recovery were the main reason behind the decrease in production in the third quarter of 2023 as compared to the second quarter of 2023.

As to the molybdenum production, there was an increase in content of this metal, which in conjunction with the increase in processing volume contributed to the increase in payable molybdenum production by 27% as compared to the first 9 months of 2022.

Revenues

In the first 9 months of 2023, revenues amounted to USD 1 065 million (on a 100% basis), or PLN 2 479 million proportionally to the interest held (55%).

Volume and revenues from sales of Sierra Gorda S.C.M.

	Unit	First 9 months of 2023	First 9 months of 2022	Change (%)	3rd quarter of 2023	2nd quarter of 2023	1st quarter of 2023
Revenues from contracts with customers,[1] including from the sale of:	**USD mn**	**1 065**	**1 159**	**(8.1)**	**337**	**339**	**389**
- copper	USD mn	860	957	(10.1)	263	278	319
- molybdenum	USD mn	94	95	(1.1)	40	21	33
- TPM (gold)	USD mn	88	81	+8.6	27	33	28
Copper sales volume	kt	108.3	123.0	(12.0)	34	39.9	34.4
Molybdenum sales volume	mn lbs	4.0	5.4	(25.9)	1.7	1.1	1.2
TPM (gold) sales volume	koz t	44.5	44.4	+0.2	14	16.2	14.3
Revenues from contracts with customers[1] - segment (55% share)	**PLN mn**	**2 479**	**2 831**	**(12.4)**	**768**	**779**	**932**

[1] *reflects smelter treatment and refining charges and other*

The decrease in revenues compared to the corresponding period of 2022 amounted to USD 94 million and was mainly due to lower copper sales volume.

The detailed impact of individual factors on changes in revenues is presented in the subsection discussing the financial results of Sierra Gorda S.C.M.

Costs

The cost of sales, selling costs and administrative expenses incurred by the company Sierra Gorda S.C.M. amounted to USD 759 million, of which USD 664 million were costs of sales and USD 95 million were the total selling costs and administrative expenses. Proportionally to the interest held (55%) the costs of the segment Sierra Gorda amounted to PLN 1 768 million.

Costs and C1 payable copper production cost of Sierra Gorda S.C.M.

	Unit	First 9 months of 2023	First 9 months of 2022	Change (%)	3rd quarter of 2023	2nd quarter of 2023	1st quarter of 2023
Cost of sales, selling costs and administrative expenses	USD mn	759	826	(8.1)	263	254	242
Cost of sales, selling costs and administrative expenses – segment (55% share)	PLN mn	1 768	2 016	(12.3)	602	586	580
C1[1] payable copper production cost	**USD/lb**	**1.55**	**1.48**	**+4.7**	**1.69**	**1.50**	**1.48**

[1] *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*

As compared to the period from January to September 2022, the cost of sales, selling costs and administrative expenses expressed in USD million were lower by USD 67 million (-8%).

Main items of expenses by nature of Sierra Gorda S.C.M. (USD million)

	First 9 months of 2023	First 9 months of 2022	Change (%)	
External services	205	162	+26.5	An increase in costs due to: – higher contract rates, – higher scope of work during the planned maintenance shutdowns, – higher scope of tyre servicing due to increased wear and tear of tyres, – higher scope of work of the loader (lease), – unfavourable impact of the USD/CLP exchange rate.
Depreciation/amortisation	252	304	(17.1)	Lower costs mainly in respect of depreciation of investments related to stripping.
Materials and fuels	150	165	(9.1)	Mainly lower prices of fuels and explosives as well as more efficient use of explosives.
Spare parts	54	47	+14.9	Replacement of components during the maintenance shutdowns.
Energy	144	177	(18.6)	Result of utilisation of renewable energy sources and resale of energy.
Labour costs	100	72	+38.9	Higher costs due to increased employment, payment agreements and an unfavourable exchange rate.
Selling costs	54	67	(19.4)	Decrease in costs due to lower sales volume and lower shipment rates.
Other costs	45	40	+12.5	Mainly higher costs of insurance and travel.
Capitalised stripping costs	(228)	(114)	x 2.0	Higher scope of work and unit cost of extraction.
Change in inventories	(17)	(94)	(81.9)	
Cost of sales, selling costs and administrative expenses	**759**	**826**	**(8.1)**	

As compared to the period from January to September 2022, Sierra Gorda S.C.M. increased its ore throughput, and therefore the unit processing cost decreased by 3%. However, the mining cost increased, mainly due to an increase in cost of external services. Therefore, taking into account the change in inventories and lower volume of copper sales, the C1 cost increased by 5%.

Financial results

In the first 9 months of 2023, operating result (adjusted EBITDA) amounted to USD 558 million, of which proportionally to the interest held (55%) PLN 1 297 million is attributable to the KGHM Polska Miedź S.A. Group.

Results of Sierra Gorda S.C.M. in USD million (on a 100% basis)

	First 9 months of 2023	*First 9 months of 2022*	*Change (%)*	*3rd quarter of 2023*	*2nd quarter of 2023*	*1st quarter of 2023*
Revenues from contracts with customers	1 065	1 159	(8.1)	337	339	389
Cost of sales, selling costs and administrative expenses	(759)	(826)	(8.1)	(263)	(254)	(242)
Profit/loss on sales	**306**	**333**	**(8.3)**	**74**	**85**	**147**
Profit/(loss) for the period	**23**	**50**	**(54.0)**	**(11)**	**2**	**32**
Depreciation/amortisation recognised in expenses by nature	(252)	(304)	(17.2)	(84)	(85)	(83)
Adjusted EBITDA[1]	**558**	**637**	**(12.4)**	**158**	**171**	**229**

Results of the segment Sierra Gorda S.C.M. proportionally to the interest held (55%) in PLN million

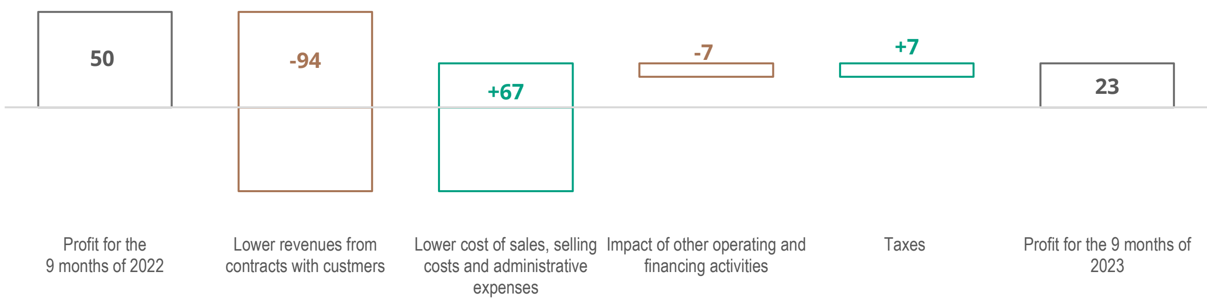
	First 9 months of 2023	*First 9 months of 2022*	*Change (%)*	*3rd quarter of 2023*	*2nd quarter of 2023*	*1st quarter of 2023*
Revenues from contracts with customers	2 479	2 831	(12.4)	768	779	932
Cost of sales, selling costs and administrative expenses	(1 768)	(2 016)	(12.3)	(602)	(586)	(580)
Profit/loss on sales	**711**	**815**	**(12.7)**	**166**	**193**	**352**
Profit/(loss) for the period	**53**	**122**	**(56.6)**	**(26)**	**1**	**78**
Depreciation/amortisation recognised in expenses by nature	(586)	(741)	(20.9)	(191)	(197)	(198)
Adjusted EBITDA[1]	**1 297**	**1 556**	**(16.6)**	**357**	**390**	**550**

[1)] Adjusted EBITDA = profit/(loss) on sales + depreciation/amortisation (recognised in expenses by nature) + impairment loss (-reversal of impairment losses) on non-current assets, recognised in cost of sales, selling costs and administrative expenses

Main factors impacting the change in profit or loss of the segment Sierra Gorda S.C.M.

Item	Impact on change of profit or loss (in USD million)	Description
Lower revenues from contracts with customers (-USD 94 million)	(87)	Decrease in revenues from copper sales by USD 87 million: – lower sales volume (-USD 124 million) – higher sales price (+USD 37 million)
	(1)	Decrease in revenues from molybdenum sales by USD 1 million – lower sales volume (-USD 37 million) – lower Mark to Market valuation (-USD 14 million) – higher sales prices (+USD 50 million)
	+4	Higher revenues from gold and silver sales
	(10)	Less favourable TC/RC
Lower cost of sales, selling costs and administrative expenses (+USD 67 million)	+113	The decrease in costs of sales, selling costs and administrative expenses by USD 67 million was due to: – lower costs of depreciation/amortisation, materials and fuels, energy and selling costs
	(78)	– higher costs of external services, spare parts and labour costs
	(5)	– higher other costs
	(77)	– change in inventories (-USD 17 million versus -USD 94 million in the first 9 months of 2022)
	+114	– higher capitalised stripping costs (USD 228 million versus USD 114 million in the first 9 months of 2022)
Impact of other operating and financing activities (-USD 7 million)	(7)	Mainly less favourable exchange differences and higher interest cost on borrowings
Impact of taxes (+USD 7 million)	+7	Lower income tax due to lower profit before taxation

Change in profit/(loss) for the period (USD million)



Cash expenditures

From January to September 2023, cash expenditures on property, plant and equipment and intangible assets, presented in Sierra Gorda S.C.M.'s statement of cash flows, amounted to USD 352 million, and the majority of it, that is USD 202 million, represented expenditures on stripping to gain access to further areas of the deposit. The increase in cash expenditures is related to the increased scope of access work and the increase in extraction cost.

Cash expenditures of Sierra Gorda S.C.M.

	Unit	*First 9 months of 2023*	*First 9 months of 2022*	*Change (%)*	*3rd quarter of 2023*	*2nd quarter of 2023*	*1st quarter of 2023*
Cash expenditures on property, plant and equipment	USD mn	352	301	+17.1	102	114	136
Cash expenditures on property, plant and equipment – segment (55% share)	PLN mn	821	735	+11.6	233	261	327

Net cash generated from operating activities (USD 535 million) fully covered cash expenditures on property, plant and equipment (USD 352 million), and the surplus was used, among others, to make a payment to Owners due to a loan granted for mine construction. The total principal amount and interest paid in the first 9 months of 2023 amounted to USD 70 million, of which USD 39 million is attributable to the KGHM Polska Miedź S.A. Group (respectively USD 350 million and USD 193 million in the corresponding period of 2022).

amounts in PLN millions, unless otherwise stated

4 – Selected additional explanatory notes

Note 4.1 Expenses by nature

	from 1 July 2023 to 30 September 2023	**from 1 January 2023 to 30 September 2023**	from 1 July 2022 to 30 September 2022	**from 1 January 2022 to 30 September 2022**
Depreciation of property, plant and equipment and amortisation of intangible assets	661	1 885	576	1 735
Employee benefits expenses	2 058	6 126	1 801	5 324
Materials and energy, including:	3 343	11 296	3 773	11 831
purchased metal-bearing materials	1 678	5 797	2 077	6 701
External services	741	2 148	660	1 804
Minerals extraction tax	824	2 797	647	2 300
Other taxes and charges	189	602	164	537
Write down of inventories*	124	324	(9)	-
Recognition/(reversal) of an impairment loss on property, plant and equipment and intangible assets	(1)	6	(1)	46
Other costs	56	182	63	170
Total expenses by nature	**7 995**	**25 366**	**7 674**	**23 747**
Cost of merchandise and materials sold (+)	173	541	213	656
Change in inventories of finished goods and work in progress (+/-)	(36)	(167)	(451)	(1 181)
Cost of manufacturing products for internal use of the Group (-)	(435)	(1 181)	(321)	(1 212)
Total costs of sales, selling costs and administrative expenses, of which:	**7 697**	**24 559**	**7 115**	**22 010**
Cost of sales	7 225	23 154	6 611	20 643
Selling costs	114	347	145	411
Administrative expenses	358	1 058	359	956

** Including in the first three quarters of 2023 the amount of PLN 306 million due to the recognition of an impairment loss in KGHM INTERNATIONAL LTD. since the cost was higher than the net realisable value.*

amounts in PLN millions, unless otherwise stated

Note 4.2 Other operating income and (costs)

	from 1 July 2023 to 30 September 2023	**from 1 January 2023 to 30 September 2023**	from 1 July 2022 to 30 September 2022	**from 1 January 2022 to 30 September 2022**
Gains on derivatives, of which:	198	398	76	282
measurement	164	329	7	170
realisation	34	69	69	112
Interest income calculated using the effective interest rate method	21	44	15	41
Exchange differences on financial assets and liabilities other than borrowings	715	-	1 220	2 468
Reversal of impairment losses on financial instruments	-	3	1	4
Provisions released	58	87	52	98
Gain on disposal of intangible assets	2	8	-	135
Gain on disposal of subsidiaries	1	1	-	173
Reversal of an impairment loss on property, plant and equipment	-	30	-	-
Government grants received	4	21	5	14
Income from servicing of letters of credit and guarantees	-	10	17	28
Compensation, fines and penalties received	25	33	9	63
Other	9	67	33	70
Total other operating income	**1 033**	**702**	**1 428**	**3 376**
Losses on derivatives, of which:	(285)	(534)	(178)	(377)
measurement	(171)	(228)	(71)	(106)
realisation	(114)	(306)	(107)	(271)
Fair value losses on financial assets	(15)	(95)	55	(69)
Impairment losses on financial instruments	(1)	(6)	(2)	(5)
Impairment loss on fixed assets under construction	-	(2)	1	(6)
Exchange differences on financial assets and liabilities other than borrowings	-	(140)	-	-
Provisions recognised	(1)	(6)	(80)	(96)
Financial support granted to municipalities	(7)	(7)	(94)	(99)
Losses on the sale of property, plant and equipment	(10)	(18)	(1)	(9)
Donations granted	(11)	(54)	(18)	(34)
Other	(6)	(92)	(36)	(67)
Total other operating costs	**(336)**	**(954)**	**(353)**	**(762)**
Other operating income and (costs)	**697**	**(252)**	**1 075**	**2 614**

amounts in PLN millions, unless otherwise stated

Note 4.3 Finance income and (costs)

	from 1 July 2023 to 30 September 2023	from 1 January 2023 to 30 September 2023	from 1 July 2022 to 30 September 2022	from 1 January 2022 to 30 September 2022
Exchange differences on liabilities other than borrowings	-	51	-	-
Gains on derivatives - realisation	-	87	-	47
Settlement of a transaction hedging against interest rate risk due to the issue of bonds with a variable interest rate	(32)	-	-	-
Other	-	-	2	2
Total finance income	**(32)**	**138**	**2**	**49**
Interest on borrowings, including:	(24)	(36)	(4)	(15)
leases	4	(1)	(2)	(7)
Unwinding of the discount on provisions effect	(18)	(57)	(6)	(15)
Exchange differences on measurement and realisation of borrowings	(183)	-	(314)	(617)
Losses on derivatives - realisation	-	(93)	-	(51)
Bank fees and charges on borrowings	(6)	(18)	(7)	(23)
Other	(4)	(18)	(8)	(23)
Total finance costs	**(235)**	**(222)**	**(339)**	**(744)**
Finance income and (costs)	**(267)**	**(84)**	**(337)**	**(695)**

Note 4.4 Reconciliation of effective tax rate

The table below presents differences between income tax from profit before income tax for the Group and the income tax which could be achieved if the Parent Entity's tax rate was applied:

	from 1 January 2023 to 30 September 2023	from 1 January 2022 to 30 September 2022
Profit before income tax	**1 692**	**6 865**
Tax calculated using the Parent Entity's rate (first three quarters of 2023: 19%, first three quarters of 2022: 19%)	321	1 304
Effect of applying other tax rates abroad	3	13
Tax effect of non-taxable income	(14)	(66)
Tax effect of expenses not deductible for tax purposes, including:	544	630
the minerals extraction tax, which is not deductible for corporate income tax purposes	532	437
Deductible temporary differences and tax losses and credits in respect of which tax assets were not recognised	105	53
Utilisation in the period of previously-unrecognised tax losses	(95)	(199)
Adjustments of current income tax for prior periods	18	31
Deferred tax on eliminated interest on intra-Group loans	(59)	(62)
Other	33	(106)
Income tax in profit or loss [the effective tax rate amounted to 50.6% of profit before income tax (in the first three quarters of 2022: 23.3% of profit before income tax)]	**856**	**1 598**

amounts in PLN millions, unless otherwise stated

Note 4.5 Information on property, plant and equipment and intangible assets

Purchase of property, plant and equipment and intangible assets

	from 1 January 2023 to 30 September 2023	from 1 January 2022 to 30 September 2022
Purchase of property, plant and equipment, including:	2 977	2 746
leased assets	107	91
Purchase of intangible assets	379	222

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

	As at 30 September 2023	As at 31 December 2022
Payables due to the purchase of property, plant and equipment and intangible assets	575	812

Capital commitments related to property, plant and equipment and intangible assets, not recognised in the consolidated statement of financial position

	As at 30 September 2023	As at 31 December 2022
Purchase of property, plant and equipment	1 730	1 390
Purchase of intangible assets	26	18
Total capital commitments	**1 756**	**1 408**

amounts in PLN millions, unless otherwise stated

Note 4.6 Involvement in joint ventures

During the comparable period, a change in partnership with the KGHM Polska Miedź S.A. Group in the joint venture Sierra Gorda S.C.M. was made. On 22 February 2022, the sale transaction of 45% share in Sierra Gorda S.C.M. by Sumitomo Metal Mining Co., Ltd. and Sumitomo Corporation to South32 Limited, an Australian mining group with its head office in Perth, was concluded. The transaction took place on the basis of sales agreements entered into on 14 October 2021.
The new partner of the Group is a globally diversified mining and metallurgical company with production plants in Australia, South Africa and South America. The company produces among others aluminium, metallurgical coal, manganese, nickel, silver, lead and zinc.
As at 30 September 2023, none of the agreements regulating the cooperation between the JV partners in the Sierra Gorda S.C.M. has been modified. Sierra Gorda S.C.M. had an off-take agreement signed with the companies Sumitomo Metal Mining Co., Ltd. and Sumitomo Corporation, pursuant to which they had the right to off-take 50% of the copper concentrate. The right to off-take 50% of the copper concentrate is not in force with respect to South32 Limited.

Joint venture Sierra Gorda S.C.M. accounted for using the equity method

	from 1 January 2023 to 30 September 2023	from 1 January 2022 to 30 September 2022
As at the beginning of the reporting period	**-**	**-**
Share of profit for the reporting period	53	122
Settlement of the Group's share of unsettled losses from prior years (accumulated comprehensive losses)	(55)	1*
Exchange differences from the translation of statements of operations with a functional currency other than PLN	2	(123)
As at the end of the reporting period	**-**	**-**

** Despite the share of the Group in profit of Sierra Gorda S.C.M. for the reporting period in the amount of PLN 122 million (USD 27 million), the Group settled PLN 1 million of unsettled losses of Sierra Gorda S.C.M. from prior years. The increase in the USD/PLN exchange rate as at 30 September 2022 (4.9533) compared to the USD/PLN exchange rate as at 31 December 2021 (4.06) resulted in an increase in negative net assets of Sierra Gorda S.C.M., and the resulting exchange differences exceeded the share of the Group in profit of Sierra Gorda S.C.M. for the reporting period.*

	from 1 January 2023 to 30 September 2023	from 1 January 2022 to 30 September 2022
Share of the Group (55%) in profit of Sierra Gorda S.C.M. for the reporting period, recognised in the valuation of the joint venture	**53**	**122**

Unrecognised share of the Group in the losses of Sierra Gorda S.C.M.

	from 1 January 2023 to 30 September 2023	from 1 January 2022 to 31 December 2022
As at the beginning of the reporting period	**(1 174)**	**(1 283)**
Settlement of the Group's share of unsettled losses from prior years (accumulated comprehensive losses)	55	183
Unrecognised adjustment due to unrealised gains on a transaction between the Group and the joint venture (sale of the Oxide project)	-	(74)
As at the end of the reporting period	**(1 119)**	**(1 174)**

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

	from 1 January 2023 to 30 September 2023	from 1 January 2022 to 31 December 2022
As at the beginning of the reporting period	**9 603**	**8 314**
Repayment of loans (principal and interest)	(163)	(789)
Accrued interest	446	582
Gain due to reversal of allowances for impairment of loans granted to the joint venture	493	873
Exchange differences from the translation of statements of operations with a functional currency other than PLN	(30)	623
As at the end of the reporting period	**10 349**	**9 603**

The Group classifies loans granted to Sierra Gorda S.C.M. as credit-impaired financial assets due to the high credit risk at the moment of initial recognition (POCI). POCI loans are measured at amortised cost using the effective interest rate, adjusted by the credit risk using scenario analysis and the available free cash of Sierra Gorda S.C.M.

Pursuant to the requirements of IFRS 9.5.5.17, the Group performed measurement of the loan. To estimate the expected credit losses, scenario analysis (IFRS 9.5.5.18) was used, comprising the Group's assumptions on the repayment of the loan granted. Scenario analysis was based on cash flows of Sierra Gorda S.C.M., which were subsequently discounted using the effective interest rate method adjusted by the credit risk, determined at the initial recognition of the loan pursuant to IFRS 9.B5.5.45 at the level of 6.42%.

As at 30 September 2023, the assumptions adopted to estimate cash flows on repayment of receivables due to loans granted to Sierra Gorda S.C.M. estimated by the Group used have not changed in relation to the assumptions as at 30 June 2023.

As at 30 September 2023, the Group estimated the expected cash flows on repayment of receivables due to loans granted to Sierra Gorda S.C.M., as a result of which, pursuant to the requirements of IFRS 9.5.5.14, a gain due to a reversal of allowances for impairment in the amount of PLN 493 million (USD 120 million) was recognised.

Basic macroeconomic assumptions adopted for cash flow estimation – metal prices

The following price paths levels were adopted:

Period	2024	2025	2026	2027	LT
Copper price [USD/t]	8 500	8 500	8 500	8 500	7 700
Gold price [USD/oz]	1 750	1 700	1 600	1 550	1 500

Other key assumptions used for cash flow estimation	
Mine life / forecast period	26
Level of copper production during mine life (kt)	3 722
Level of molybdenum production during mine life (million pounds)	236
Level of gold production during mine life (koz)	1 131
Average operating margin during mine life	43.45%
Applied discount rate after taxation (used to calculate the fair value for the disclosure purposes in Note 4.7.)	9.27%
Capital expenditures to be incurred during mine life (USD million)	1 553
Level of capitalised stripping costs during mine life (USD million)	3 802

amounts in PLN millions, unless otherwise stated

Note 4.7 Financial instruments

Financial assets	As at 30 September 2023					As at 31 December 2022				
	At fair value through other comprehensive income	At fair value through profit or loss	At amortised cost	Hedging instruments	Total	At fair value through other comprehensive income	At fair value through profit or loss	At amortised cost	Hedging instruments	Total
Non-current	786	89	10 916	243	**12 034**	521	90	10 072	709	**11 392**
Loans granted to a joint venture		-	10 349	-	**10 349**	-	-	9 603	-	**9 603**
Derivatives	-	81	-	243	**324**	-	5	-	709	**714**
Other financial instruments measured at fair value	786	89	-	-	**875**	521	85	-	-	**606**
Other financial instruments measured at amortised cost	-	-	486	-	**486**	-	-	469	-	**469**
Current	-	1 268	2 147	199	**3 614**	-	829	1 926	755	**3 510**
Trade receivables	-	993	520	-	**1 513**	-	751	426	-	**1 177**
Derivatives	-	240	-	199	**439**	-	41	-	755	**796**
Cash and cash equivalents	-	-	1 403	-	**1 403**	-	-	1 200	-	**1 200**
Other financial assets	-	35	224	-	**259**	-	37	300	-	**337**
Total	**786**	**1 357**	**13 063**	**442**	**15 648**	**521**	**919**	**11 998**	**1 464**	**14 902**

amounts in PLN millions, unless otherwise stated

Financial liabilities	As at 30 September 2023				As at 31 December 2022			
	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	81	5 600	303	**5 984**	19	5 460	700	**6 179**
Borrowings, lease and debt securities	-	5 363	-	**5 363**	-	5 220	-	**5 220**
Derivatives	81	-	303	**384**	19	-	700	**719**
Other financial liabilities	-	237	-	**237**	-	240	-	**240**
Current	223	6 207	77	**6 507**	188	4 440	280	**4 908**
Borrowings, lease and debt securities	-	1 041	-	**1 041**	-	1 223	-	**1 223**
Derivatives	219	-	77	**296**	154	-	280	**434**
Trade payables	-	2 978	-	**2 978**	-	3 076	-	**3 076**
Similar payables – reverse factoring	-	2 055	-	**2 055**	-	18	-	**18**
Other financial liabilities	4	133	-	**137**	34	123	-	**157**
Total	**304**	**11 807**	**380**	**12 491**	**207**	**9 900**	**980**	**11 087**

amounts in PLN millions, unless otherwise stated

The fair value hierarchy of financial instruments

Classes of financial instruments	As at 30 September 2023				As at 31 December 2022			
	fair value			carrying amount	fair value			carrying amount
	level 1	level 2	level 3		level 1	level 2	level 3	
Loans granted	-	23	8 988	10 372	-	20	7 787	9 623
Listed shares	678	-	-	678	422	-	-	422
Unquoted shares	-	108	-	108	-	99	-	99
Trade receivables	-	993	-	993	-	751	-	751
Derivatives, of which:	-	83	-	83	-	357	-	357
Assets	-	763	-	763	-	1 510	-	1 510
Liabilities	-	(680)	-	(680)	-	(1 153)	-	(1 153)
Received long-term bank and other loans	-	(3 081)	-	(3 081)	-	(2 560)	-	(2 560)
Long-term debt securities	(1 610)	-	-	(1 600)	(1 952)	-	-	(2 000)
Other financial assets	-	35	66	101	-	37	65	102
Other financial liabilities	-	(4)	-	(4)	-	(34)	-	(34)

The Group does not disclose the fair value of financial instruments measured at amortised cost in the statement of financial position (except for loans granted, long-term bank and other loans received and long-term debt securities), because it makes use of the exemption arising from IFRS 7.29 (Disclosure of information on the fair value is not required when the carrying amount is approximate to the fair value).

There was no transfer in the Group of financial instruments between individual levels of the fair value hierarchy in the reporting period.

Methods and measurement techniques used by the Group in determining fair values of each class of financial asset or financial liability.

Level 1

Listed shares

Shares are measured based on quotations from the Warsaw Stock Exchange and the TSX Venture Exchange in Toronto.

Long-term debt securities

Long-term debt securities are measured based on quotations from the Catalyst Market of the Warsaw Stock Exchange.

Level 2

Unquoted shares

Unquoted shares are measured using the adjusted net assets. Observable Input data other than the ones from the active market were used in the measurement (e.g. transaction prices of real estate similar to the one subjected to measurement, market interest rates of State Treasury bonds and term deposits in financial institutions, and the risk-free discount rate published by the European Insurance and Occupational Pensions Authority).

Trade receivables

Receivables arising from the realisation of sales under contracts which are finally settled using future prices were measured using forward prices, depending on the period/month of contractual quoting. Forward prices are from the Reuters system. For trade receivables transferred to non-recourse factoring, a fair value is assumed at the level of the amount of the trade receivables transferred to the factor (nominal value from the invoice) less interest, which is the factor's compensation. Due to the short term between the transfer of receivables to the factor and their payment, fair value is not adjusted by the credit risk of the factor and impact of time lapse.

Loans granted

This item comprises loans measured at fair value, the fair value of which was estimated on the basis of contractual cash flows (per the contract) using the model of discounted cash flows, including the borrower's credit risk.

Other financial assets/liabilities

Receivables/payables due to the settlement of derivatives, whose date of payment falls two working days after the end of the reporting period, were recognised in this item. These instruments were measured to fair value set per the reference price applied in the settlement of these transactions.

Currency and currency-interest derivatives

In the case of currency derivatives transactions on the currency market and currency-interest transactions (CIRS), the forward prices from the maturity dates of individual transactions were used to determine their fair value. The forward price for currency exchange rates was calculated on the basis of fixing and appropriate interest rates. Interest rates for currencies and the volatility ratios for exchange rates were taken from the Reuters system. The standard Garman-Kohlhagen model is used to measure European options on currency markets.

Metals derivatives

In the case of derivatives on the commodity market, forward prices from the maturity dates of individual transactions were used to determine their fair value. In the case of copper, official closing prices from the London Metal Exchange were used, and with respect to silver and gold - the fixing price set by the London Bullion Market Association. Volatility ratios and forward prices for measurement of derivatives at the end of the reporting period were obtained from the Reuters system. Levy approximation to the Black-Scholes model was used for Asian options pricing on metals markets.

Received long-term bank and other loans

The fair value of bank and other loans is estimated by discounting the cash flows associated with these liabilities in timeframes and under conditions arising from agreements, and by applying current rates.

Level 3

Loans granted

Loans granted measured at amortised cost in the statement of financial position are included in this category, because of the use of unobservable assumptions in the fair value measurement. With respect to estimating the fair value of these loans, a significant element of the estimation are the forecasted cash flows of Sierra Gorda S.C.M., which are unobservable input data, and pursuant to IFRS 13 the fair value of these assets is classified to level 3 of the hierarchy. The discount rate adopted to calculate the fair value of loans measured at amortised cost amounts to 9.27% (as at 31 December 2022, 9.75%).

The forecasted cash flows of Sierra Gorda S.C.M., which are the basis for estimating the fair value of loans measured at amortised cost, are the most sensitive to copper price volatility, which affects other assumptions, such as forecasted production and operating margin. Therefore the Group, pursuant to IFRS 13 p.93.f, performed a sensitivity analysis of the fair value of loans to copper price volatility. Price paths adopted for loans measurement as at 30 September 2023 have not changed compared to those adopted as at 31 December 2022.

Scenarios 30 September 2023 /31 December 2022	2024	2025	2026	2027	LT
Base	8 500	8 500	8 500	8 500	7 700
Base minus 0.1 USD/lb during mine life (220 USD/t)	8 280	8 280	8 280	8 280	7 480
Base plus 0.1 USD/lb during mine life (220 USD/t)	8 720	8 720	8 720	8 720	7 920

Classes of financial instruments	Fair value 30 September 2023	Sensitivity analysis of the fair value to changes in copper prices	
		Base plus 0.1 USD/lb during mine life	Base minus 0.1 USD/lb during mine life
Loans granted measured at amortised cost	**8 988**	9 142	8 736
Loans granted measured at amortised cost (USD million)	**2 057**	2 092	1 999

Classes of financial instruments	Carrying amount 30 September 2023	Sensitivity analysis of the carrying amount to changes in copper prices	
		Base plus 0,1 USD/lb during mine life	Base minus 0.1 USD/lb during mine life
Loans granted measured at amortised cost	**10 349**	10 427	10 179
Loans granted measured at amortised cost (USD million)	**2 368**	2 386	2 329

Other financial assets

This item includes receivables due to conditional payments associated with the agreement on the sale of a subsidiary S.C.M. Franke, which were estimated based on a probabilistic model stipulated in the binding offer and including the discount of payments for subsequent years.

amounts in PLN millions, unless otherwise stated

Note 4.8 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 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. The Parent Entity applies hedging transactions, as understood by hedge accounting.

The impact of derivatives and hedging transactions on the items in the statement of profit or loss of the Group, on the items in the statement of comprehensive income and the statement on financial position is presented below.

STATEMENT OF PROFIT OR LOSS	from 1 January 2023 to 30 September 2023	from 1 January 2022 to 30 September 2022
Revenues from contracts with customers	425	(254)
Other operating income / (costs):	(136)	(95)
on realisation of derivatives	(237)	(159)
on measurement of derivatives	101	64
Finance income / (costs):	(6)	(2)
on realisation of derivatives	(6)	(4)
interest on borrowings	-	2
Impact of derivatives and hedging instruments on profit or loss for the period (excluding the tax effect)	**283**	**(351)**
STATEMENT OF OTHER COMPREHENSIVE INCOME		
Impact of measurement of hedging transactions (effective portion)	506	409
Reclassification to the statement of profit and loss due to realisation of a hedged item	(219)	472
Impact of hedging transactions (excluding the tax effect)	**287**	**881**
TOTAL COMPREHENSIVE INCOME	**570**	**530**

STATEMENT ON FINANCIAL POSITION - NON-CURRENT ASSETS	As at 30 September 2023	As at 30 September 2022
Gain on settlement of an instrument hedging interest rate of bonds	(52)	-

The table below presents information on changes in other comprehensive income due to cash flow hedging (excluding the tax effect) in connection with the application of hedge accounting in the first three quarters of 2023 and in the first three quarters of 2022.

Other comprehensive income due to cash flow hedging (excluding the tax effect)	2023	2022
As at 1 January	**71**	**(1 600)**
Impact of measurement of hedging transactions (effective part)	506	409
Reclassification to revenues from contracts with customers due to realisation of a hedged item	(425)	254
Reclassification to finance costs due to realisation of a hedged item	(52)	(2)
Reclassification to other operating costs due to realisation of a hedged item (settlement of the hedging cost)	258	220
As at 30 September	**358**	**(719)**

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 an 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).

In the first three quarters of 2023, copper sales of the Parent Entity amounted to 444.5 thousand tonnes (net sales of 288 thousand tonnes)[1], while the notional amount of copper price hedging strategies settled in this period amounted to 141.8 thousand tonnes, which represented approx. 32% of the total sales of this metal realised by the Parent Entity and approx. 49% of net sales in this period (in the first three quarters of 2022, 24% and 40% respectively). The notional amount of settled silver price hedging transactions represented approx. 8% of sales of this metal by the Parent Entity (in the first three quarters of 2022, 20%). In the case of currency transactions, approx. 26% of revenues from copper and silver sales realised by the Parent Entity in the first three quarters of 2023 were hedged (11% in the first three quarters of 2022).

In the third quarter of 2023, pursuant to the Market Risk Management Policy, the Parent Entity monitored and analysed on an ongoing basis the macroeconomic environment and the situation on financial markets, and also identified and measured market risk related to changes in metals prices, exchange rates and interest rates. In the third quarter of 2023, no hedging transactions were entered into on the metals, currency and interest rates markets.

In terms of managing the net trading position[2] in the third quarter of 2023 so-called QP adjustment *swap* transactions were entered into on the copper and gold markets with maturity periods falling in December 2023.

As at 30 September 2023, the Parent Entity held an open derivatives position for:

- 56.25 thousand tonnes of copper (including: 47.25 thousand tonnes arose from the strategic management of market risk, while 9 thousand tonnes came from the management of a net trading position),
- 1.05 million troy ounces of silver, and
- USD 903.75 million of planned revenues from sales of metals.

Furthermore, as at 30 September 2023 the Parent Entity had loans with fixed interest rate and open Cross Currency Interest Rate Swap (CIRS) transactions in the notional amount of PLN 2 billion, hedging both the sales revenues in the currency, as well as the variable interest rate of issued bonds. Commodity risk was also related to derivatives embedded in the purchase contracts for metal-bearing materials.

With respect to managing currency risk, the Parent Entity uses natural hedging by borrowing in currencies in which it has revenues. As at 30 September 2023, the bank and investment loans which were drawn in USD, following their translation to PLN, amounted to PLN 3 253 million (as at 31 December 2022: PLN 2 980 million).

In the third quarter of 2023, none of the Group's mining subsidiaries had implemented any forward transactions on the commodity market or the currency market, and did not hold an open position on this market as at 30 September 2023. However, 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. A listing of the open transactions of Polish companies as at 30 September 2023 is not presented due to its immateriality for the Group.

Condensed tables of open transactions in derivatives held by the Parent Entity as at 30 September 2023, entered into as part of the strategic management of market risk, are presented below. The hedged notional amounts of transactions on the copper, silver and currency markets in the presented periods are allocated evenly on a monthly basis. The tables do not reflect opposite transactions (purchase versus sale) consistent with instrument, strike price, notional and maturity period, entered into as part of restructuration and restructured hedging strategies.

[1] Copper sales less copper in purchased metal-bearing materials.

[2] Applied for the purpose of reacting to changes in customers' contractual terms, the occurrence of non-standard pricing in metal sales and the purchase of copper-bearing materials.

Hedging against copper price risk – open derivatives as at 30 September 2023

	Instrument/ option structure	Notional	Average weighted option strike price – sold put option	Average weighted option strike price – purchased put option	Average weighted option strike price – sold call option	Average weighted premium	Effective hedge price
			hedge limited to	*copper price hedging*	*participation limited to*		
		[tonnes]	[USD/t]	[USD/t]	[USD/t]	[USD/t]	[USD/t]
4th quarter of 2023	seagull	9 000	5 200	6 900	8 300	(196)	6 704
	seagull	3 000	6 000	6 900	10 000	(296)	6 604
	seagull	7 500	6 000	9 000	11 400	(248)	8 752
	seagull	5 250	6 700	9 286	11 486	(227)	9 059
	seagull	22 500	6 000	8 100	9 600	(172)	7 928
	TOTAL X-XII 2023	**47 250**					

Hedging against silver price risk – open derivatives as at 30 September 2023

	Instrument/ option structure	Notional	Average weighted option strike price – sold put option	Average weighted option strike price – purchased put option	Average weighted option strike price – sold call option	Average weighted premium	Effective hedge price
			hedge limited to	*copper price hedging*	*participation limited to*		
		[mn ounce]	[USD/ ounce]	[USD/ ounce]	[USD/ ounce]	[USD/ounce]	[USD/ ounce]
4th quarter of 2023	seagull	1.05	16.00	26.00	42.00	(1.19)	24.81
	TOTAL X-XII 2023	**1.05**					

Hedging against USD/PLN currency risk – open derivatives as at 30 September 2023

	Instrument/ option structure	Notional	Average weighted option strike price – sold put option	Average weighted option strike price – purchased put option	Average weighted option strike price – sold call option	Average weighted premium	Effective hedge price
			hedge limited to	*exchange rate hedging*	*participation limited to*		
		[USD mn]	[USD/PLN]	[USD/PLN]	[USD/PLN]	[PLN per USD 1]	[USD/PLN]
4th quarter of 2023	seagull	33.75	3.30	4.00	4.60	(0.00)	4.00
	seagull	45.00	3.30	3.90	4.50	0.03	3.93
	collar	165.00	-	4.48	5.48	(0.02)	4.46
	TOTAL X-XII 2023	**243.75**					
1st half of 2024	put spread	330.00	3.60	4.48	-	(0.01)	4.47
2nd half of 2024	put spread	330.00	3.60	4.48	-	0.01	4.49
	TOTAL 2024	**660.00**					

Hedging against currency-interest rate risk connected with the issue of bonds with a variable interest rate in PLN – open derivatives as at 30 September 2023

	Instrument/ option structure	Notional	Average interest rate	Average exchange rate
		[PLN mn]	[fixed interest rate for USD]	[USD/PLN]
VI 2024	CIRS	400	3.23%	3.78
VI 2029	CIRS	1 600	3.94%	3.81
	TOTAL	**2 000**		

The table below presents detailed data on derivative transactions designated as hedging, held by the Parent Entity as at 30 September 2023.

Open derivative hedging instruments Type of derivative	Notional of the transaction copper [t] silver [mn ounces] currency [USD mn] CIRS [PLN mn]	Average weighted price /exchange rate/interest rate [USD/t] [USD/ounce] [USD/PLN] [USD/PLN, fixed interest rate for USD]	Maturity - settlement period from	Maturity - settlement period to	Period of profit/loss impact*** from	Period of profit/loss impact*** to
Copper – *seagulls**	47 250	8 070 - 9 873	Oct'23	- Dec'23	Oct'23	- Jan'24
Silver – *seagulls**	1.05	26.00 - 42.00	Oct'23	- Dec'23	Oct'23	- Jan'24
Currency – *collars*	165.00	4.48 - 5.48	Oct'23	- Dec'23	Oct'23	- Jan'24
Currency – *seagulls**	78.75	3.94 - 4.54	Oct'23	- Dec'23	Oct'23	- Jan'24
Currency – *put spread**	660.00	3.60 - 4.48	Jan'24	- Dec'24	Jan'24	- Jan'25
Currency – interest rate – CIRS**	400	3.78 and 3.23%		June'24		June'24
Currency - interest rate – CIRS**	1 600	3.81 and 3.94%		June'29	June'29	- July'29

** Collar structures, i.e. purchased put options and sold call options were designated as hedging under seagull options structures (CFH – Cash Flow Hedging).*
*** Settlements of interest payments are made periodically, on a half-year basis, until the moment of the realisation of the transaction.*
**** Reclassification of profit or losses on a cash flow hedging instrument from other comprehensive income to the statement of profit or loss takes place in the reporting period in which the hedged position impacts profit or loss (as an adjustment of a hedged position and to other operating income/costs for the settled hedging cost). However, the recognition of the profit or loss on the settlement of the transaction takes place at the date of its settlement.*

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

Taking into consideration the receivables due to open derivative transactions held by the Group (excluding embedded derivatives) as at 30 September 2023 and net receivables[3] due to settled derivatives, the maximum single entity share of the amount exposed to credit risk arising from these transactions amounted to 20%, or PLN 163 million (as at 31 December 2022: 17%, or PLN 260 million).

In order to reduce cash flows and at the same time to limit credit risk, the Parent Entity carries out net settlements (based on standard framework agreements entered into with its customers, regulating the trade of financial instruments, meaning ISDA or based on a formula of the Polish Bank Association). Moreover, the resulting credit risk is continuously monitored by reviewing the credit ratings and is limited by striving to diversify the portfolio while implementing hedging strategies.

The following table presents the structure of ratings of the financial institutions with which the Group entered into derivatives transactions, representing an exposure to credit risk.

Rating level		As at 30 September 2023	As at 31 December 2022
Medium-high	from A+ to A- according to S&P and Fitch, and from A1 to A3 according to Moody's	77%	84%
Medium	from BBB+ to BBB- according to S&P and Fitch, and from Baa1 to Baa3 according to Moody's	23%	16%

Despite the concentration of credit risk associated with derivatives' transactions, the Parent Entity has determined that, due to its cooperating solely 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.

The fair value of open derivatives of the KGHM Polska Miedź S.A. Group as at 30 September 2023, broken down into hedging transactions[4] and trade transactions (including embedded and adjustment derivatives) and instruments initially designated as hedging instruments excluded from hedge accounting, is presented in the tables below.

The fair value of open derivatives (assets and liabilities) as at 30 September 2023 has changed as compared to 31 December 2022 as a result of:

- the settlement of transactions in derivatives with maturities falling in the first three quarters of 2023, which were open as at the end of 2022,
- entering into new transactions on the forward market,
- the change in macroeconomic conditions (e.g. forward prices of copper, silver, gold, USD/PLN and EUR/PLN forward rates, interest rates and volatility implied as at the measurement date).

[3] The Parent Entity offsets receivables and liabilities due to settled derivatives (that is for which the future flows are known at the end of the reporting period) pursuant to the principles of net settlements of cash flows adopted in framework agreements with individual customers.
[4] Within the KGHM Polska Miedź S.A. Group, the Parent Entity applies cash flow hedge accounting (CFH).

amounts in PLN millions, unless otherwise stated

Derivatives - open positions as at the end of the reporting period

Type of derivative	As at 30 September 2023				
	Financial assets		Financial liabilities		Total
	Non-current	Current	Non-current	Current	
HEDGING INSTRUMENTS (CFH), including:	**243**	**199**	**(303)**	**(77)**	**62**
Derivatives – Metals (price of copper, silver)					
Options – *seagull** (copper)	-	63	-	(8)	**55**
Options – seagull* (silver)	-	17	-	-	**17**
Derivatives – Currency (USDPLN exchange rate)					
Options – *collar*	-	22	-	-	**22**
Options – *seagull**	-	-	-	(2)	**(2)**
Options – *put spread*	45	78	(1)	-	**122**
Derivatives – Currency-interest rate					
Cross Currency Interest Rate Swap CIRS	198	19	(302)	(67)	**(152)**
TRADE INSTRUMENTS, including:	**7**	**43**	**(74)**	**(213)**	**(237)**
Derivatives – Metals (price of copper, silver, gold)					
Sold put option (copper)	-	-	-	-	**-**
Purchased put option (copper)	-	-	-	-	**-**
Purchased call option (copper)	-	2	-	-	**2**
QP adjustment *swap* transactions (copper)	-	3	-	-	**3**
Sold put option (silver)	-	-	-	-	**-**
QP adjustment *swap* transactions (gold)	-	21	-	(16)	**5**
Derivatives – Currency					
Sold put option (USDPLN)	-	-	(74)	(197)	**(271)**
Purchased put option (USDPLN)	-	-	-	-	**-**
Purchased call option (USDPLN)	7	4	-	-	**11**
Collar and *forward/swap* (EURPLN, USDPLN)	-	-	-	-	**-**
Embedded derivatives (price of copper, gold)					
Purchase contracts for metal-bearing materials	-	13	-	-	**13**
INSTRUMENTS INITIALLY DESIGNATED AS HEDGING INSTRUMENTS EXCLUDED FROM HEDGE ACCOUNTING, including:	**74**	**197**	**(7)**	**(6)**	**258**
Derivatives – Metals (price of copper, silver)					
Options – *seagull (copper)*	-	-	-	(2)	**(2)**
Derivatives – Currency (USDPLN exchange rate)					
Options – *collar*	74	197	(7)	(4)	**260**
TOTAL OPEN DERIVATIVES	**324**	**439**	**(384)**	**(296)**	**83**

** Collar structures, i.e. purchased put options and sold call options, were designated as hedging under seagull options structures (CFH – Cash Flow Hedging).*

Note 4.9 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 the adopted policy. The Financial Liquidity Committee is a unit supporting the Management Board in this regard.

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

Due to the centralisation of the process of obtaining external financing for the entire KGHM Polska Miedź S.A. Group's needs at the Parent Entity's level, the realisation of intra-group liquidity transfers is made using debt and equity instruments. The main debt instrument used in intra-group liquidity transfers are owner loans, which support the process of investment activities.

Under the process of liquidity management, and with respect to supporting the current activities, the Group makes use of a supporting tool – local cash pooling in PLN, USD and EUR and internationally in USD. Cash pooling aims to optimise the management of cash held, limiting interest costs, efficient financing of current working capital needs and supporting short-term financial liquidity in the Group.

In the third quarter of 2023, the KGHM Polska Miedź S.A. Group showed a full capacity for meeting its obligations. The cash held and external financing obtained by the Group guarantee continued liquidity and enable the realisation of investment projects.

amounts in PLN millions, unless otherwise stated

In accordance with adopted market practice, the Group monitors the level of financial security, among others on the basis of the Net Debt/Adjusted EBITDA ratio presented in the table below:

Ratio	30 September 2023	31 December 2022
Net debt*/Adjusted EBITDA**	**1.2**	**0.8**

**Net debt does not include reverse factoring liabilities.*
***Adjusted EBITDA for the period of 12 months ended on the last day of the reporting period, excluding the adjusted EBITDA of the joint venture Sierra Gorda S.C.M.*

Net debt changes

Liabilities due to borrowing	As at 31 December 2022	Cash flows	Accrued interest	Exchange differences	Other changes	As at 30 September 2023
Bank loans	1 263	(347)	57	(18)	-	955
Loans	2 434	147	68	(32)	1	2 618
Debt securities	2 002	(87)	129	-	-	2 044
Leases	744	(104)	34	-	113*	787
Total debt	**6 443**	**(391)**	**288**	**(50)**	**114**	**6 404**
Free cash and cash equivalents	1 179	197	-	-	-	1 376
Net debt	**5 264**	**(588)**	**288**	**(50)**	**114**	**5 028**

** Modifications and signing of new lease agreements.*

Reconciliation of cash flows recognised in net debt change to the consolidated statement of cash flows	from 1 January 2023 to 30 September 2023
I. Financing activities	**(168)**
Proceeds from borrowings	1 660
Repayment of borrowings	(1 731)
Repayment of lease liabilities	(70)
Repayment of interest on borrowings and debt securities	(22)
Repayment of interest on leases	(5)
II. Investing activities	**(223)**
Paid capitalised interest on borrowings	(223)
III. Change in free cash and cash equivalents	**197**
TOTAL (I+II-III)	**(588)**

Structure of external financing sources

As at 30 September 2023, the Group had open credit lines, loans and debt securities with a total balance of available financing being the equivalent of PLN 15 734 million, out of which PLN 5 617 million had been drawn.

The structure of financing sources is presented below.

	As at 30 September 2023	As at 30 September 2023	As at 31 December 2022
Unsecured revolving syndicated credit facility	Amount granted	Amount of the liability	Amount of the liability
	6 555	219	528
Investment loans	Amount granted	Amount of the liability	Amount of the liability
	3 614	2 618	2 434
Other bank loans	Amount granted	Amount of the liability	Amount of the liability
	3 565	736	735

amounts in PLN millions, unless otherwise stated

Bonds	Nominal value of the issue	Amount of the liability	Amount of the liability
	2 000	2 044	2 002
Total bank and other loans, bonds	**15 734**	**5 617**	**5 699**

Liabilities due to guarantees granted

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

As at 30 September 2023, the Group held liabilities due to guarantees granted in the total amount of PLN 1 278 million and due to promissory note liabilities in the amount of PLN 222 million.

The most significant items of liabilities due to guarantees granted are liabilities of the Parent Entity aimed at securing the following obligations:

- Sierra Gorda S.C.M. – a corporate guarantee in the amount of PLN 962 million (USD 220 million) set as security on a bank loan drawn by Sierra Gorda S.C.M. The guarantee is valid until September 2024. The carrying amount of the liability due to a financial guarantee granted was recognised in the amount of PLN 31 million*,
- other entities, including the Parent Entity:

- PLN 142 million - securing the proper execution by the Parent Entity of future environmental obligations related to the obligation to restore terrain, following the conclusion of operations of the Żelazny Most tailings storage facility, the guarantee is valid for up to 1 year,
- PLN 100 million - securing the obligations of the Parent Entity arising from a surety agreement signed between KGHM Polska Miedź S.A., Dom Maklerski Banku Ochrony Środowiska S.A. and Izba Rozliczeniowa Giełd Towarowych S.A., the guarantee is valid up to 1 year,
- PLN 16 million - securing claims for the Group to cover costs related to collecting and processing waste, the guarantee is valid up to 5 years,
- PLN 39 million (PLN 8 million, USD 1 million, EUR 4 million and CAD 2 million) - securing the obligations related to proper execution of agreements concluded by the Group, the guarantee is valid up to 5 years,
- PLN 2 million - securing obligations related to tax and customs duties, the guarantee is valid indefinitely.

Based on the knowledge held, at the end of the reporting period the Group assessed the probability of payments resulting from liabilities due to guarantees granted as low.

** Financial guarantee was recognised pursuant to par. 4.2.1. point c of IFRS 9.*

Guarantee set under the Tailings Storage Facility Restoration Fund

Guarantee securing potential claims against the Parent Entity in connection with art. 137 section 2 of the Act of 14 December 2012 on waste, based on which the manager of a tailings storage facility is obliged to create a restoration fund comprised of cash to execute the obligations related to closure, restoration, and oversight, including monitoring of the tailings storage facility. The fund may be in the form of a separate bank account, provisions or a bank guarantee. In 2022, the Parent Entity changed the form of the Tailings Storage Facility Restoration Fund from a bank account to a bank guarantee. As at 30 September 2023, the guarantee amounted to PLN 120 million.

amounts in PLN millions, unless otherwise stated

Note 4.10 Related party transactions

Operating income from related entities	from 1 July 2023 to 30 September 2023	from 1 January 2023 to 30 September 2023	from 1 July 2022 to 30 September 2022	from 1 January 2022 to 30 September 2022
Revenues from sales of products, merchandise and materials to a joint venture	9	28	10	27
Interest income on loans granted to a joint venture	154	446	158	477
Revenues from other transactions with a joint venture	-	10	17	28
Revenues from other transactions with other related parties	6	23	1	10
Total	**169**	**507**	**186**	**542**

Purchases from related entities	from 1 July 2023 to 30 September 2023	from 1 January 2023 to 30 September 2023	from 1 July 2022 to 30 September 2022	from 1 January 2022 to 30 September 2022
Purchase of services, merchandise and materials	2	32	2	30
Other purchase transactions	-	3	1	3
Total	**2**	**35**	**3**	**33**

Trade and other receivables from related parties	As at 30 September 2023	As at 31 December 2022
From the joint venture Sierra Gorda S.C.M.- loans granted	10 349	9 603
From the joint venture Sierra Gorda S.C.M. – other receivables	42	69
From other related parties	11	5
Total	**10 402**	**9 677**

Trade and other payables towards related parties	As at 30 September 2023	As at 31 December 2022
Towards a joint venture	31	58
Towards other related parties	9	2
Total	**40**	**60**

The State Treasury is an entity controlling KGHM Polska Miedź S.A. at the highest level. The Company makes use of the exemption to disclose a detailed scope of information on transactions with the Polish Government and entities controlled or jointly controlled by the Polish Government, or over which the Polish Government has significant influence (IAS 24.25).

Pursuant to the scope of IAS 24.26, as at 30 September 2023 and in the period from 1 January to 30 September 2023, the Group carried out the following transactions with the Polish Government and entities controlled or jointly controlled by the Polish Government, unusual due to their nature or amount:

- due to an agreement on setting mining usufruct for the extraction of mineral resources and for exploration for and evaluation of mineral resources – balance of payables in the amount of PLN 218 million (as at 31 December 2022: PLN 229 million), including fees on setting mining usufruct for the extraction of mineral resources recognised in costs in the amount of PLN 24 million (as at 31 December 2022: PLN 31 million),
- due to a reverse factoring agreement with the company PEKAO FAKTORING SP. Z O.O. - payables in the amount of PLN 1 598 million, interest costs from 1 January to 30 September 2023 in the amount of PLN 22 million (as at 31 December 2022, payables in the amount of PLN 18 million and interest costs from 1 January to 30 September 2022 in the amount of PLN 2 million),
- other transactions and economic operations regarding the spot currency exchange, depositing cash, granting bank loans, guarantees and letters of credit (including documentary letters of credit), running bank accounts, servicing of business credit cards, servicing of documentary collection, and servicing of special purpose funds and entering into transactions on the currency forward market as part of the cooperation with banks related to the State Treasury.

State Treasury companies may purchase bonds issued by KGHM Polska Miedź S.A.

The remaining transactions between the Group and the Polish Government and with entities controlled or jointly controlled by the Polish Government, or over which the government has significant influence, were within the scope of normal, daily economic operations. These transactions concerned the following:

- the purchase of products (energy, fuels, services), merchandise and materials to meet the needs of current operating activities. In the period from 1 January to 30 September 2023, the turnover from these transactions amounted to PLN 2 679 million (from 1 January to 30 September 2022: PLN 2 701 million), and, as at 30 September 2023, the unsettled balance of liabilities from these transactions amounted to PLN 272 million (as at 31 December 2022: PLN 340 million),
- sales to Polish State Treasury Companies. In the period from 1 January to 30 September 2023, the turnover from these sales amounted to PLN 486 million (from 1 January to 30 September 2022: PLN 375 million), and, as at 30 September 2023, the unsettled balance of receivables from these transactions amounted to PLN 176 million (as at 31 December 2022: PLN 241 million).

Remuneration of the Supervisory Board of the Parent Entity (in PLN thousands)	from 1 January 2023 to 30 September 2023	from 1 January 2022 to 30 September 2022
Remuneration due to service in the Supervisory Board, salaries and other current employee benefits	1 882	1 538

Remuneration of the Management Board of the Parent Entity (in PLN thousands)	from 1 January 2023 to 30 September 2023	from 1 January 2022 to 30 September 2022
Salaries and other current employee benefits due to serving in the function	9 943	9 514
Benefits due to termination of employment	(163)*	90
Total	**9 780**	**9 604**

** Return of compensation paid in 2022 due to forbidding competition*

Remuneration of other key managers (in PLN thousands)	from 1 January 2023 to 30 September 2023	from 1 January 2022 to 30 September 2022
Salaries and other current employee benefits	2 533	2 482

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 KGHM Polska Miedź S.A. 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 4.11 Assets and liabilities not recognised in the statement of financial position

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

		As at 30 September 2023	Increase/(decrease) since the end of the last financial year
	Contingent assets	**349**	**(17)**
	Guarantees received	196	1
	Promissory notes receivables	125	(22)
	Other	28	4
	Contingent liabilities	**619**	**167**
Note 4.9	Guarantees	310	123
Note 4.9	Promissory notes liabilities	222	52
	Property tax on underground mine workings	23	(11)
	Other	64	3
	Other liabilities not recognised in the statement of financial position - liabilities towards local government entities due to expansion of the tailings storage facility	**27**	**(7)**

Note 4.12 Changes in working capital

	Inventories	Trade receivables	Trade payables	Similar payables	Working capital
As at 1 January 2023	(8 902)	(1 178)	3 262	18	**(6 800)**
As at 30 September 2023	(8 783)	(1 514)	3 159	2 055	**(5 083)**
Change in the statement of financial position	**119**	**(336)**	**(103)**	**2 037**	**1 717**
Exchange differences from the translation of statements of operations with a functional currency other than PLN	(18)	(6)	1	-	**(23)**
Depreciation/amortisation recognised in inventories	178	-	-	-	**178**
Change in payables due to the purchase of property, plant and equipment and intangible assets	-	-	(53)	(69)	**(122)**
Change in payables due to interests	-	-	-	(19)	**(19)**
Reclassification to property, plant and equipment	(23)	-	-	-	**(23)**
Adjustments	**137**	**(6)**	**(52)**	**(88)**	**(9)**
Change in the statement of cash flows	**256**	**(342)**	**(155)**	**1 949**	**1 708**

amounts in PLN millions, unless otherwise stated

	Inventories	Trade receivables	Trade payables	Similar payables	Working capital
As at 1 January 2022	(6 487)	(1 026)	3 106	95	**(4 312)**
As at 30 September 2022	(8 160)	(1 318)	3 223	42	**(6 213)**
Change in the statement of financial position	**(1 673)**	**(292)**	**117**	**(53)**	**(1 901)**
Exchange differences from the translation of statements of operations with a functional currency other than PLN	132	59	(39)	-	**152**
Depreciation/amortisation recognised in inventories	89	-	-	-	**89**
Change in payables due to the purchase of property, plant and equipment and intangible assets	-	-	209	-	**209**
Reclassification to property, plant and equipment	(29)	-	-	-	**(29)**
As at the date of loss of control	(94)	(20)	78	-	**(36)**
Adjustments	**98**	**39**	**248**	**-**	**385**
Change in the statement of cash flows	**(1 575)**	**(253)**	**365**	**(53)**	**(1 516)**

Note 4.13 Assets held for sale (disposal group) and liabilities associated with them

KGHM TOWARZYSTWO FUNDUSZY INWESTYCYJNYCH S.A.

On 13 March 2023, KGHM Polska Miedź S.A. concluded an Agreement for the sale of 100% of the shares of KGHM TOWARZYSTWO FUNDUSZY INWESTYCYJNYCH SPÓŁKA AKCYJNA ("Shares") with Agencja Rozwoju Przemysłu S.A. ("Buyer"). The sale of the Shares was contingent on meeting the conditions precedent, including among others no objections raised by the Polish Financial Supervision Authority. The ownership rights to the Shares are transferred to the Buyer at the moment an appropriate entry is made in the Share Register. The sale of the Shares is the last stage of the reorganisation under the Group's structure, which comprised the liquidation of closed-end, non-public investment funds.

At the turn of the half-year, the Polish Financial Supervision Authority issued a decision on a lack of objections to the acquisition of shares by the Buyer. On 27 July 2023 the transaction was concluded.

On 3 August 2023, the buyer of the shares, i.e. Agencja Rozwoju Przemysłu S.A. was entered into the Share Register as the owner of 100% of the shares of KGHM TFI S.A.

The sale price of shares amounted to PLN 4 million and was higher than the value of net assets of KGHM TFI S.A. by PLN 1 million. The result on the sale (profit) was recognised in the item „Other operating income".

Due to the insignificant value, the main groups of assets and liabilities of the company classified to a Disposal group were not presented in the note.

amounts in PLN millions, unless otherwise stated

Note 4.14 Other liabilities

	As at 30 September 2023	As at 31 December 2022
Deferred income, including:	195	238
Liabilities due to Franco Nevada streaming contract	88	137
Trade payables	181	186
Other financial liabilities	56	54
Other non-financial liabilities	36	65
Other liabilities – non-current	**468**	**543**
Deferred income, including:	245	134
Trade payables	106	87
Non-current assets received free of charge (including CO_2 emission allowances in 2023)	101	2
Accruals, including:	1 037	976
Provision for purchase of property rights related to consumed electricity	36	83
Charges for discharging gases and dusts to the air	354	391
Other accounted costs, proportional to achieved revenues, which are future liabilities estimated on the basis of concluded contracts	419	220
Liabilities due to settled derivatives	4	34
Other financial liabilities	133	123
Other non-financial liabilities	39	62
Other liabilities – current	**1 458**	**1 329**

5 – Additional information to the consolidated quarterly report

Note 5.1 Effect of changes in the organisational structure of the Group

Merger of Companies: CUPRUM Zdrowie sp. z o.o. (acquiring company) and Polska Grupa Uzdrowisk spółka z o.o. (acquired company)

On 4 May 2023, the following announcement was published in the Court and Commercial Gazette (Monitor Sądowy i Gospodarczy) – a Merger Plan agreed on 26 April 2023 between the Management Board of the acquiring company and the Management Board of the acquired company, acting under art. 491 and subsequent articles of the Act of 15 September 2020, the Commercial Partnerships and Companies Code.

The acquiring company holds 100% of the shares in the share capital of the acquired company, and the intention of the merging companies is to merge by transferring all of the assets of the acquired company to the acquiring company under the simplified mode of companies merger, following which the acquired company will be liquidated without engaging in liquidation proceedings, while its assets will be transferred to the acquiring company without increasing the share capital of the acquiring company.

The fundamental goal of the merger is to improve and simplify the structure of the group created by CUPRUM Zdrowie sp. z o.o., improve its management efficiency and increase the value of subsidiaries. CUPRUM Zdrowie sp. z o.o. operates as a holding company for subsidiaries, including the spa companies. The Acquiring Company has financial and controlling know-how as well as corporate oversight. Polska Grupa Uzdrowisk sp. z o.o. is a centre for joint services, provided to the spa subsidiaries of CUPRUM Zdrowie sp. z o.o., and has know-how in the area of management and optimisation of procurement processes, investment projects and the coordination of marketing and communication activities, as well as, to a limited degree, in the legal area.

On 28 June 2023, the Management Board of KGHM Polska Miedź S.A. adopted a resolution on the merger of the company CUPRUM Zdrowie sp. z o.o. with the company Polska Grupa Uzdrowisk sp. z o. o. and approval of the amendment to the Articles of Association of the company CUPRUM Zdrowie sp. z o.o. On 14 July 2023 the Shareholders Meetings of the merging companies expressed consent to the merger.

On 1 August 2023, the aforementioned merger was registered in the National Court Register.

Sale of KGHM TFI S.A.

On 3 August 2023, the purchase of 100% of the shares of KGHM TFI S.A. by Agencja Rozwoju Przemysłu S.A. (Industrial Development Agency JSC, ARP) was registered in the Share Register, on the basis of the agreement for the sale of shares concluded on 13 March 2023 between KGHM Polska Miedź S.A. and ARP, with regard to meeting the main condition precedent i.e. no objection raised by the Polish Financial Supervision Authority to the purchase of shares by ARP. Detailed information regarding this transaction is presented in Note 4.13.

Note 5.2 Seasonal or cyclical activities

The KGHM Polska Miedź S.A. 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 a paid (declared) dividend, total and per share

In accordance with Resolution No. 7/2023 of the Ordinary General Meeting of KGHM Polska Miedź S.A. dated 21 June 2023 regarding the appropriation of profit for the year ended 31 December 2022, the profit in the amount of PLN 3 533 million was appropriated as follows: as a shareholders dividend in the amount of PLN 200 million (PLN 1.00 per share) and PLN 3 333 million was transferred to the Company's reserve capital. The Ordinary General Meeting of KGHM Polska Miedź S.A. set the dividend date for 2022 at 27 July 2023 and the dividend payment date for 2022 at 10 August 2023.

In accordance with Resolution No. 6/2022 of the Ordinary General Meeting of KGHM Polska Miedź S.A. dated 21 June 2022 regarding the appropriation of profit for the year ended 31 December 2021, the profit in the amount of PLN 5 169 million was appropriated as follows: as a shareholders dividend in the amount of PLN 600 million (PLN 3.00 per share) and transfer of PLN 4 569 million to the Company's reserve capital. The Ordinary General Meeting of KGHM Polska Miedź S.A. set the dividend date for 2021 at 7 July 2022 and the dividend payment date for 2021 at 14 July 2022.

All shares of the Parent Entity are ordinary shares.

amounts in PLN millions, unless otherwise stated

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 2023, 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 the Company's and Group's financial results for 2023.

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 2023

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

shareholder	number of shares/votes	total nominal value of shares (PLN)	percentage held in share capital/total number of votes
State Treasury	63 589 900	635 899 000	31.79%
Allianz Polska Otwarty Fundusz Emerytalny	11 961 453	119 614 530	5.98%
Nationale-Nederlanden Otwarty Fundusz Emerytalny	10 104 354	101 043 540	5.05%
Other shareholders	114 344 293	1 143 442 930	57.18%
Total	**200 000 000**	**2 000 000 000**	**100.00%**

As far as the Company is aware, this state did not change since the publication of the consolidated report for the first half of 2023.

Ownership of KGHM Polska Miedź S.A.'s shares or of rights to them by members of the management and supervisory boards of KGHM Polska Miedź S.A., as at the date of publication of the consolidated quarterly report. Changes in ownership during the period following publication of the consolidated report for the first half of 2023

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 and the Supervisory Board of the Company held shares of KGHM Polska Miedź S.A. or rights to them. The aforementioned state did not change since the publication of the consolidated report for the first half of 2023.

List of material proceedings before courts, arbitration authorities or public administration authorities respecting the liabilities and debt of KGHM Polska Miedź S.A. and its subsidiaries

Proceedings regarding royalties for use of invention project no. 1/97/KGHM called "Method for increasing the production capacity of the electrorefining sections of the Metallurgical Plants"

In the claim dated on 26 September 2007, Plaintiffs (14 natural persons) filed a claim against KGHM Polska Miedź S.A. with the Regional Court in Legnica for the payment of royalties for the use by the Company of invention project no. 1/97/KGHM called „Sposób zwiększenia zdolności produkcyjnej wydziałów elektrorafinacji Huty Miedzi" (Method for increasing the production capacity of the electrorefining sections of the Metallurgical Plants) for the 8th calculation period, together with interest due. The amount of the claim (principal amount) was set by the Plaintiffs in the claim in the amount of approx. PLN 42 million (principal amount without interest and court costs) and interest as at 31 March 2019 amounted to approx. PLN 55 million. On 21 January 2008, in the response to the claim, KGHM Polska Miedź S.A. requested the dismissal of the claim in its entirety and filed a counter claim for the repayment of undue royalties paid for the 6th and 7th year of application of invention project no. 1/97/KGHM, together with interest due, also invoking the right of mutual set-off of claims. The amount of the claim (principal amount) in the counter claim was set by the Company in the amount of approx. PLN 25 million.
In a judgment dated 25 September 2018, the Regional Court in Legnica dismissed the counter claim and partially upheld the principal claim to the total amount of approx. PLN 24 million, and at the same time ordered the payment of interest in the amount of approx. PLN 30 million, totalling to amount of PLN 54 million. Both parties to the proceedings appealed against this judgment.

In a judgment dated 12 June 2019, the Court of Appeal in Wrocław dismissed the appeals of both sides, altering the judgment of the court of first instance solely in the matter of the resolution of court costs from the hearings at the court of first instance and charging them to KGHM Polska Miedź S.A. The judgment is binding and was executed by KGHM on 18-19 June 2019. KGHM Polska Miedź S.A. filed a cassation appeal against the judgment of the court of second instance, i.e. with respect to the partially upheld principal claim of the plaintiffs in the amount of approx. PLN 24 million as well as with respect to the dismissed counter-claim in the amount of approx. PLN 25 million. The plaintiffs did not file a cassation appeal. The cassation appeal was registered. In a judgment dated 24 November 2022 the Supreme Court overturned the disputed judgment and ordered the case to be reheard. The case is pending before the Court of Appeal in Wroclaw.
In accordance with the Company's position, the plaintiffs' claim should be dismissed in its entirety and the counter claim is justified. The Company paid royalties to the authors of the project for a longer period of application of the project than anticipated in the initial contract entered into by the parties on advancing the invention project, based on an annex to the contract, extending the period of payment of royalties, whose validity is questioned by the Company. Moreover, the Company is questioning the „rationalisation" nature of the solution, as well as whether the project was in fact used in its entirety, and also its completeness and suitability for use in the form supplied by the plaintiffs as well as the means of calculating the economic effects of this solution, which were the basis for paying the royalties. The argumentation of KGHM Polska Miedź S.A. is additionally supported by the wording of the judgment of the Supreme Court dated 24 November 2022, which indicates the lack of cause to enter into an appendix enabling the payment of additional royalties to the Plaintiffs.

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 2023 to 30 September 2023, neither KGHM Polska Miedź S.A. nor subsidiaries thereof entered into transactions with related entities under other than arm's length conditions.

Information on guarantees or sureties on bank and other loans granted by KGHM Polska Miedź S.A. or its subsidiaries – jointly to a single entity or a subsidiary thereof, if the total amount of existing guarantees or sureties is significant

In the third quarter of 2023, KGHM Polska Miedź S.A. and its subsidiaries did not grant sureties on bank and other loans and did not issue guarantees - jointly to a single entity or a subsidiary thereof - for which the total value of the existing sureties or guarantees is significant.

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

On 22 August 2023, the Management Board of KGHM Polska Miedź S.A. and trade unions being a party to the Collective Labour Agreement for the Employees of KGHM Polska Miedź S.A. (CLA) signed an agreement regarding: advance payment of an additional annual bonus for the first half of 2023 and an additional one-off bonus for this period. Pursuant to the above agreement, the parties agreed that:

1. Taking into account the macroeconomic conditions and the results achieved by the Company for the first 6 months of 2023, the amount of the advance payment for the additional annual bonus, referred to in point 10 - 12 of annex No. 11 to the CLA, for the first half of 2023 will amount to 3%.
2. The parties to the CLA, appreciating the significant contribution of employees to the realisation of production targets, agreed upon the payment of an additional bonus in the amount of 2% of the remuneration specified in annex No. 11 to the CLA, so that the total payment to the employee would amount to 5% of the remunerations for the first half of 2023.

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 affecting the results achieved by the KGHM Polska Miedź S.A. Group, through the Parent Entity, including in particular over the following quarter, may be:

a) the ongoing war in Ukraine and tightening of economic sanctions and their potential impact on interruptions in the supply chain and the availability of materials and components, fuels and energy on international markets,
b) escalation of the conflict in Israel and its potential impact on the destabilization of global economies, among other due to the increase in oil prices,
c) the political situation in Chile and the tax burden related to the introduced tax reform,
d) the possible recession of global economies as a result of the inflation and energy crisis, war in Ukraine as well as the conflict in Israel and observed economic slowdown,
e) volatility in copper and silver prices on the metals markets,
f) volatility in the USD/PLN exchange rate,

g) volatility in electrolytic copper production costs, including in particular due to the minerals extraction tax, changes in the value of consumed copper-bearing materials and volatility in prices of energy carriers and electricity,
h) the effects of the implemented hedging policy,
i) the general uncertainty on financial markets, and
j) inflation and related to this monetary policy of central banks and changes in interest rates.

The most significant factors affecting the results of the KGHM Polska Miedź S.A. Group, through the KGHM INTERNATIONAL LTD. Group, including in particular in the following quarter, may be:

a) similarly as in the case of the Parent Entity, the ongoing war in Ukraine and the escalation of the conflict in Israel and the potential impact of these factors on business continuity disruptions or business restrictions,
b) the possible recession of global economies as a result of the inflation and energy crisis, war in Ukraine as well as the conflict in Israel and observed economic slowdown,
c) volatility in the level of mining and the level of metal recovery,
d) volatility in copper, silver, gold and molybdenum prices,
e) volatility in the CLP/USD and USD/PLN exchange rates,
f) volatility in mined copper production costs, and
g) an increase in the prices of materials and services,
h) the general uncertainty on financial markets.

Taking into consideration the ongoing war in Ukraine, the outbreak of a new armed conflict in Israel and the observed economic slowdown, especially in the world's largest economies, as well as the inflation and energy crisis, there still remains uncertainty regarding the development directions of the economic and social situation in Europe and globally.
The above may affect the results of the Group in subsequent quarters. It is not possible however to provide quantitative estimates of the potential impact of current conditions on the results of the Group. To date there has not yet been recorded a substantial, negative impact of above-mentioned factors on the continuity of the Core Production Business, sales or the continuity of the materials and services supply chain.
The Parent Entity continuously monitors the global economic situation in order to assess its potential negative impact on the KGHM Polska Miedź S.A. Group and to take preventive actions to mitigate this impact.
On the other hand, there are expectations of an increase in long-term metal prices, which may potentially affect the future valuation of assets.

Note 5.6 Assessment of the risk of impairment of assets of the Group in the context of the market capitalisation of the Company

In the first three quarters of 2023, there was still uncertainty on the stock markets as to the development of the global macroeconomic situation in reaction to the ongoing armed conflict in Ukraine and its consequences, including, above all, continued high inflation readings in the majority of global economies. In this period the share price of KGHM Polska Miedź S.A. fell by 12% compared to the share price at the end of 2022, and as at 29 September 2023 it amounted to PLN 111.95. As a result, the Company's market capitalisation decreased from PLN 25 350 million to PLN 22 390 million, which means that as at 30 September 2023 it remained 29.04% below the level of the Company's net assets.

Due to the fact that, during the reporting period, the Company's market capitalisation was below the carrying amount of its net assets, in accordance with IAS 36 Impairment of assets, the Management Board of KGHM Polska Miedź S.A. conducted an analysis to determine whether any area of KGHM Polska Miedź S.A.'s activities could be impaired.

The analysis of the assets located in Poland indicated that not all of the factors which affect the market capitalisation of KGHM Polska Miedź S.A. are factors which are related to the conducted economic activities.

From the point of view of the Company's operations, the key factor influencing the level of market capitalisation is the copper price. In the first three quarters of 2023, the average price of copper amounted to 8 585 USD/t, which is at a lower level than prices recorded in 2022 (average of 8 797 USD/t). The share prices of companies involved in the mining and processing of copper are strongly correlated with the price of this metal.

In the case of the Polish assets, of significant importance are PLN-expressed metals prices, which are also affected by the USD/PLN exchange rate. In the first three quarters of 2023 the average USD/PLN exchange rate amounted to 4.2337, which is the level lower than the exchange rate recorded in 2022 (average of 4.4679). It should be noted that despite the decrease of the USD/PLN exchange rate, it remained at a higher level than in the previous years (prior to 2022), which is also a "base effect", that is a very abrupt and significant strengthening of the US dollar in 2022 due to investors' reaction to the armed conflict in Ukraine.

Despite the continued uncertainty in the economic environment, KGHM Polska Miedź S.A. maintains full operational capacity and consistently advances planned production and sales targets. The financial results achieved by the Company significantly exceed the budget targets, which is also a result of conducted optimisation initiatives and cost discipline applied in response to macroeconomic conditions.

The Company continued actions aimed at accessing the subsequent parts of the copper deposit and construction of the necessary mining infrastructure. Current, long-term production plans are up to 2055 and in the current period no indications were identified that could negatively impact the future availability of deposits. KGHM Polska Miedź S.A. continues exploration work within its concessions and concession proceedings aimed at ensuring the resource base appropriate for operating activities and prolonging mine life.

In the case of the international assets, in the current period there was a worsening of the operating and financial results of KGHM INTERNATIONAL LTD., mainly as a result of the decrease in production of the Robinson mine due to lower extraction, lower copper content in ore and lower recovery (lower-quality ore in a transition zone). However, the aforementioned events are of a temporary nature and will not determine the long-term financial results achieved by KGHM INTERNATIONAL LTD. and the KGHM Polska Miedź S.A. Group. It is planned that in the fourth quarter of 2023 the main part of Ruth West 5 deposit will be reached, and it has significantly better ore parameters than the currently-mined transition zone. Therefore, according to plans, the production results of the Robinson mine will improve.

As a result of the assessment, it was judged that there was no relation between the fall in the share price of KGHM Polska Miedź S.A. and the activities of KGHM Polska Miedź S.A. in Poland as well as abroad. Consequently, there were no indications identified suggesting the risk of impairment of the Polish and international production assets, therefore no tests for impairment were conducted for these assets as at 30 September 2023.

Due to the uncertainty and the significant volatility of basic economic parameters, including metals prices and currency exchange rates, the Group is continuously monitoring the global situation.

Note 5.7 Impact of the war in Ukraine on the operations of the Company and the Group

Taking into consideration the ongoing military conflict in Ukraine and the observed economic slowdown, especially in the world's largest economies, as well as the inflation and energy crisis, there still remains uncertainty regarding the directions of development of the economic and social situation in Europe and globally.

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

Key risk categories

The most significant risk factors related to the war in Ukraine and impacting the Company's and the Group's activities are:
- interruptions in the supply chain and the availability of materials and components, fuels and energy on international markets;
- the possible global economic recession as a result of the inflation and energy crisis and observed economic slowdown;
- volatility in copper and silver prices on the metals markets;
- volatility in molybdenum prices;
- volatility in the USD/PLN exchange rate;
- volatility in electrolytic copper production costs, including in particular due to the minerals extraction tax, changes in the value of purchased copper-bearing materials consumed and volatility in prices of energy carriers and electricity;
- the effects of the implemented hedging policy;
- the general uncertainty on financial markets, and
- further increase in prices of fuels and energy carriers.

Evaluation of the key categories of risk which are impacted by war in Ukraine, underwent detailed analysis by the on-going monitoring of selected information in the areas of production, sales, supply chains, personnel management and finance, in order to support the process of reviewing the current financial and operating situation of the KGHM Polska Miedź S.A. Group. As a result, the aforementioned threats did not have a significantly negative impact on the Group's operations and ultimately did not cause any deviations from the achievement of the budget targets for the third quarter of 2023. Details on the operating results of the segments are presented in Part 1 in Note 3.

Impact on the metals market and shares price

From the Company's point of view, an effect of the war in Ukraine, is its impact on market risk related to volatility in metals prices and market indices in the reporting period. The Company's share price at the end of the third quarter of 2023 decreased by 0.4% compared to the price at the end of the first half of 2023 and fell by 12% compared to the end of 2022 and at the close of trading on 29 September 2023 amounted to PLN 111.95. During the same periods the WIG index fell by 3% and increased by 14%, and WIG20 index fell by 7% and increased by 7%. As a result of changes in the share price, the Company's capitalisation decreased from PLN 22.48 billion at the end of the first half of 2023 to PLN 22.39 billion at the end of the third quarter of 2023.
The average price of copper for the period from the first to the third quarter of 2023 amounted to 8 584.75 USD/t, which was higher than assumed in the budget. The average price of copper for the period from the first to the third quarter of 2023 decreased by 1.4% compared to the average price of copper in the first half of 2023, and by 2.4% compared to the average price of copper in the entire year2022.

Impact on the fuels and energy carriers markets and on the availability of raw and other materials

Individual deviations have been observed in the availability of raw and other materials, however, at present, the KGHM Polska Miedź S.A. Group still does not experience a substantially negative impact of this volatility on its operations. Taking into consideration the continuity of supply of energy carriers (natural gas, coal, coke), the KGHM Polska Miedź S.A. Group is fully capable of maintaining the continuity of the Core Production Business and of all production processes.

Impact on the activities of the Parent Entity and other companies of the Group

The geopolitical situation associated with the direct aggression of Russia on Ukraine and the implemented system of sanctions does not currently limit the operations of KGHM Polska Miedź S.A. and other Group companies, while the risk of interruptions to the operational continuity of the Company and of the KGHM Polska Miedź S.A. Group in this regard continues to be considered as low.

Despite the high inflation observed in the global economy, resulting in the tightening of monetary policy, the demand for the Company's key products did not deteriorate significantly in the first quarter of 2023. However, in the second quarter of 2023, a decrease in demand for wire rod and wire was observed compared to the first quarter of 2023 due to the stagnation in the construction and energy sectors and the general slowdown of the European economy, which is reflected in a decrease in the number of orders from end customers. During the holiday months (July - August 2023), a seasonal decline in customer orders was observed, related to the holiday period and customer maintenance shutdowns. In September 2023, there was a rebound in demand for wire rod and wire, which translated into a higher sales volume of this group of copper products. Throughout the third quarter of 2023, demand for copper cathodes in Europe was significantly lower than in the first two quarters of the year.

In terms of the availability of capital and the level of debt, KGHM Polska Miedź S.A. holds no bank loans drawn from institutions threatened with sanctions.

Preventive actions in the Group

In KGHM Polska Miedź S.A. as well as in all international mines of the KGHM Polska Miedź S.A. Group and Sierra Gorda S.C.M., no production stoppages which would have been directly attributable to the war in Ukraine were recorded.

KGHM Polska Miedź S.A. has a developed policy related to the credit risk management and monitors receivables on a regular basis. The timeliness of payment of receivables by customers is subject to daily reporting, while any delays in payments are immediately explained with customers. There have been no significant changes in the payment morality of customers, and therefore the inflow of receivables to the Parent Entity takes place without any major disturbances.

The strategy of diversification of suppliers applied by the entire KGHM Polska Miedź S.A. Group and the use of alternative solutions effectively, at this point in time, mitigates the risk of interruptions in the supply chains of raw and other materials.

The Group is fully capable of meeting its financial obligations. The cash held by the Group and the obtained borrowings guarantee its continued financial liquidity. The Group's financing structure, at the level of the Parent Entity, is based on long-term and diversified sources of financing, provided the Company and the Group with long-term financial stability by maintaining a stable spread of debt maturities and optimising its cost.

Due to the centralisation of the process of obtaining external financing for the needs of the entire Group, in order to transfer liquidity within the Group, a debt instrument in the form of owners loans is used to support the investment process, and the Group uses local and international cash pooling to service its daily operations.

The Group continues to advance its investment projects in accordance with established schedules and therefore does not identify any increase in risk related to their continuation due to the war in Ukraine.

In the Company, the process is continued of implementing a comprehensive business continuity management system, which also enables a detailed breakdown of the scope of actions undertaken as regards managing corporate risk in terms of the risk of a catastrophic impact and the small probability of its occurrence.

With respect to stability and the continuity of energy carriers supply chains, the directions of energy-climate geopolitics will be of importance, including the effects of the policy of tightening the economic sanctions by the EU and its Member States. The European Union continues bilateral and multilateral cooperation with third countries in order to counteract the growing problem of circumvention of EU sanctions. The Parent Entity continuously monitors the global economic situation in order to assess its potential negative impact on the KGHM Polska Miedź S.A. Group and to take preventive actions to mitigate this impact.

Note 5.8 Subsequent events

Loan granted by the Company to KGHM INTERNATIONAL LTD.

On 10 October 2023, a loan agreement was entered into between KGHM Polska Miedź S.A. and KGHM INTERNATIONAL LTD. for the amount of USD 37.9 million (PLN 163 million, 4.2985 USD/PLN) to finance the Victoria project. The interest rate on the loan was set under arm's length conditions. The agreement is in force until 30 June 2034.

Acquisition of shares in the company INVEST PV7 sp. z o.o.

On 10 October 2023, KGHM Polska Miedź S.A. acquired shares in the company INVEST PV7 sp. z o.o. – the first of several photovoltaic farms with a capacity of 5.2 MW, this acquisition being the result of a preliminary contingent agreement signed on 12 September 2023 for the purchase of shares in special purpose companies being the owners of photovoltaic farms projects with a combined capacity of approx. 47 MW. The farms are located in the following voivodeships: Lower Silesia, Łódź, Pomerania and Greater Poland.

Conclusion of a guarantee agreement by Carlota Copper Company

On 20 October 2023, Carlota Copper Company concluded a guarantee agreement with HSBC BANK USA N.A. for the amount of USD 6.4 million (PLN 27 million, 4.2264 USD/PLN) in connection with the company's obligation to restore terrain.

Conclusion of an annex to an overdraft facility

On 23 October 2023, the Company concluded an annex with Bank Pekao S.A. to a Multi-currency overdraft facility agreement dated 13 July 2023, which increased the amount of available financing from PLN 100 million to PLN 250 million.

Contract for the sale of copper cathodes with China Minmetals

On 6 November 2023, a five–year framework contract for the sale of copper cathodes in the years 2024 - 2028 was signed with China Minmetals. This is a subsequent framework contract signed with this customer. Pursuant to the contract, the total between 250 thousand and 600 thousand tonnes of copper will be sold (between 50 thousand and 120 thousand tonnes yearly). The estimated value of the five–year contract, pursuant to LME copper prices prevailing on the day it was signed: from USD 2.034 billion (PLN 8.4 billion, 4.1512 USD/PLN) to USD 4.882 billion (PLN 20.3 billion, 4.1512 USD/PLN).

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

SEPARATE STATEMENT OF PROFIT OR LOSS

		from 1 July 2023 to 30 September 2023	from 1 January 2023 to 30 September 2023	from 1 July 2022 to 30 September 2022	from 1 January 2022 to 30 September 2022
Note 1	Revenues from contracts with customers	6 960	22 470	6 572	21 783
Note 2	Cost of sales	(6 182)	(19 595)	(5 626)	(17 529)
	Gross profit	**778**	**2 875**	**946**	**4 254**
Note 2	Selling costs and administrative expenses	(332)	(988)	(317)	(881)
	Profit on sales	**446**	**1 887**	**629**	**3 373**
Note 3	Other operating income, including:	947	1 768	1 158	2 973
	interest income calculated using the effective interest rate method	103	278	96	253
	fair value gains on financial assets measured at fair value through profit or loss	249	893	337	806
	gain due to reversal of impairment losses on financial instruments	6	94	(10)	182
Note 3	Other operating costs, including:	(258)	(890)	(351)	(773)
	impairment losses on financial instruments	(1)	(8)	(2)	(6)
Note 5	Finance income	(32)	138	-	47
Note 4	Finance costs	(266)	(263)	(355)	(763)
	Profit before income tax	**837**	**2 640**	**1 081**	**4 857**
	Income tax expense	(307)	(903)	(351)	(1 319)
	PROFIT FOR THE PERIOD	**530**	**1 737**	**730**	**3 538**

Weighted average number of ordinary shares (million)	200	200	200	200
Basic and diluted earnings per share (in PLN)	**2.65**	**8.69**	**3.65**	**17.69**

amounts in PLN millions, unless otherwise stated

SEPARATE STATEMENT OF COMPREHENSIVE INCOME

	from 1 July 2023 to 30 September 2023	from 1 January 2023 to 30 September 2023	from 1 July 2022 to 30 September 2022	from 1 January 2022 to 30 September 2022
Profit for the period	**530**	**1 737**	**730**	**3 538**
Measurement of hedging instruments net of the tax effect	(283)	232	(197)	714
Other comprehensive income, which will be reclassified to profit or loss	**(283)**	**232**	**(197)**	**714**
Measurement of equity financial instruments at fair value through other comprehensive income, net of the tax effect	124	226	(209)	(93)
Actuarial gains/(losses) net of the tax effect	(50)	(119)	(174)	(273)
Other comprehensive income, which will not be reclassified to profit or loss	**74**	**107**	**(383)**	**(366)**
Total other comprehensive net income	**(209)**	**339**	**(580)**	**348**
TOTAL COMPREHENSIVE INCOME	**321**	**2 076**	**150**	**3 886**

amounts in PLN millions, unless otherwise stated

SEPARATE STATEMENT OF CASH FLOWS

		from 1 January 2023 to 30 September 2023	from 1 January 2022 to 30 September 2022
	Cash flow from operating activities		
	Profit before income tax	2 640	4 857
	Depreciation/amortisation recognised in profit or loss	1 210	1 064
	Interest on investment activities	(218)	(196)
	Other interests	112	89
	Dividend income	-	(29)
	Fair value gains on financial assets measured at fair value through profit or loss	(892)	(789)
	Impairment losses on non-current assets	6	3
	Reversal of impairment losses on non-current assets	(93)	(182)
	Exchange differences, of which:	(9)	(469)
	from investing activities and cash	42	(1 085)
	from financing activities	(51)	616
	Change in provisions for decommissioning of mines, employee benefits liabilities and other provisions	336	52
	Change in other receivables and liabilities other than working capital	(337)	(295)
	Change in assets and liabilities due to derivatives	729	(404)
	Reclassification of other comprehensive income to profit or loss due to the realisation of hedging derivatives	(167)	474
	Other adjustments	131	81
	Exclusions of income and costs, total	808	(601)
	Income tax paid	(1 329)	(1 383)
Note 5	Changes in working capital, including:	1 406	(1 152)
	change in trade payables transferred to factoring	1 967	(55)
	Net cash generated from operating activities	**3 525**	**1 721**
	Cash flow from investing activities		
	Expenditures on mining and metallurgical assets, including:	(2 157)	(1 961)
	paid capitalised interest on borrowings together with proceeds from the settlement of an instrument hedging the bond interest rate	(118)	(89)
	Expenditures on other property, plant and equipment and intangible assets	(20)	(35)
	Advances grated for property, plant and equipment and intangible assets	(120)	(36)
	Expenditures due to loans granted	(472)	(21)
	Proceed from financial assets designated for decommissioning of mines and other technological facilities	-	31
	Expenditures on financial assets designated for decommissioning of mines and other technological facilities	(36)	-
	Dividends received	-	29
	Expenditures on purchase of shares and investment certificates	(206)	-
	Proceeds from repayment of loans granted	101	1 013
	Interests received on loans granted	6	22
	Other	(139)	5
	Net cash used in investing activities	**(3 043)**	**(953)**
	Cash flow from financing activities		
	Proceeds from borrowings	1 514	605
	Proceeds from cash pooling	90	-
	Expenditures on cash pooling	-	(32)
	Proceeds from derivatives related to sources of external financing	35	42
	Expenditures on derivatives related to sources of external financing	(41)	(45)
	Expenditures due to dividends paid to shareholders of the Company	(200)	(600)
	Repayments of borrowings	(1 642)	(253)
	Repayment of lease liabilities	(55)	(38)
	Payment of interest, including:	(87)	(76)
	borrowings	(72)	(76)
	Net cash used in financing activities	**(386)**	**(397)**
	NET CASH FLOW	**96**	**371**
	Cash and cash equivalents at the beginning of the period	985	1 332
	Cash and cash equivalents at the end of the period, including	**1 081**	**1 703**
	restricted cash	**16**	**11**

amounts in PLN millions, unless otherwise stated

SEPARATE STATEMENT OF FINANCIAL POSITION

ASSETS	As at 30 September 2023	As at 31 December 2022
Mining and metallurgical property, plant and equipment	21 695	21 091
Mining and metallurgical intangible assets	1 374	1 251
Mining and metallurgical property, plant and equipment and intangible assets	23 069	22 342
Other property, plant and equipment	97	104
Other intangible assets	56	51
Other property, plant and equipment and intangible assets	153	155
Investments in subsidiaries other than loans granted	3 917	3 701
Loans granted, of which:	10 283	8 763
measured at fair value through profit or loss	4 095	3 233
measured at amortised cost	6 188	5 530
Derivatives	324	714
Other financial instruments measured at fair value through other comprehensive income	760	483
Other financial instruments measured at amortised cost	452	432
Financial instruments, total	11 819	10 392
Other non-financial assets	123	117
Non-current assets	**39 081**	**36 707**
Inventories	7 769	7 523
Trade receivables, including:	1 099	620
trade receivables measured at fair value through profit or loss	843	455
Tax assets	274	312
Derivatives	439	796
Cash pooling receivables	639	588
Other financial assets	262	322
Other non-financial assets	423	142
Cash and cash equivalents	1 081	985
Current assets	**11 986**	**11 288**
TOTAL ASSETS	**51 067**	**47 995**
EQUITY AND LIABILITIES		
Share capital	2 000	2 000
Other reserves from measurement of financial instruments	63	(395)
Accumulated other comprehensive income	(821)	(702)
Retained earnings	30 309	28 772
Equity	**31 551**	**29 675**
Borrowings, lease and debt securities	5 074	5 000
Derivatives	384	719
Employee benefits liabilities	2 645	2 394
Provisions for decommissioning costs of mines and other technological facilities	1 132	1 233
Deferred tax liabilities	912	705
Other liabilities	236	260
Non-current liabilities	**10 383**	**10 311**
Borrowings, lease and debt securities	913	1 124
Cash pooling liabilities	411	321
Derivatives	296	434
Trade and similar payables	4 777	2 819
Employee benefits liabilities	1 274	1 365
Tax liabilities	485	1 061
Provisions for liabilities and other charges	115	110
Other liabilities	862	775
Current liabilities	**9 133**	**8 009**
Non-current and current liabilities	**19 516**	**18 320**
TOTAL EQUITY AND LIABILITIES	**51 067**	**47 995**

amounts in PLN millions, unless otherwise stated

SEPARATE 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 2022	**2 000**	**(1 670)**	**(329)**	**25 839**	**25 840**
Transactions with owners - dividend	-	-	-	(600)	**(600)**
Profit for the period	-	-	-	3 538	**3 538**
Other comprehensive income	-	621	(273)	-	**348**
Total comprehensive income	-	621	(273)	3 538	**3 886**
As at 30 September 2022	**2 000**	**(1 049)**	**(602)**	**28 777**	**29 126**
As at 1 January 2023	**2 000**	**(395)**	**(702)**	**28 772**	**29 675**
Transactions with owners - dividend	-	-	-	(200)	**(200)**
Profit for the period	-	-	-	1 737	**1 737**
Other comprehensive income	-	458	(119)	-	**339**
Total comprehensive income	-	458	(119)	1 737	**2 076**
As at 30 September 2023	**2 000**	**63**	**(821)**	**30 309**	**31 551**

amounts in PLN millions, unless otherwise stated

Explanatory notes

Note 1 Revenues from contracts with customers – geographical breakdown reflecting the location of end customers

	from 1 July 2023 to 30 September 2023	from 1 January 2023 to 30 September 2023	from 1 July 2022 to 30 September 2022	from 1 January 2022 to 30 September 2022
Europe				
Poland	1 736	5 385	1 562	5 486
Germany	1 271	4 939	1 295	4 256
Czechia	579	1 758	506	1 758
Italy	591	1 602	513	1 722
Hungary	360	1 117	338	1 151
Switzerland	341	1 031	266	598
The United Kingdom	330	861	328	1 282
France	249	697	251	632
Austria	79	309	108	396
Bulgaria	73	244	5	24
Slovakia	51	167	38	134
Romania	37	123	34	112
Slovenia	23	84	26	104
Belgium	8	22	10	37
Estonia	6	19	4	11
Bosnia and Herzegovina	3	9	11	19
Finland	3	9	4	4
The Netherlands	1	6	1	6
Spain	2	6	-	-
Lithuania	1	4	1	3
Denmark	3	3	-	2
Sweden	2	2	-	-
North and South America				
The United States of America	368	922	299	766
Canada	9	25	13	42
Chile	-	2	3	3
Australia	63	269	189	588
Asia				
China	609	2 264	465	1 640
Thailand	86	245	54	360
Türkiye	54	177	52	205
Malesia	1	52	42	42
Taiwan	-	49	22	45
Vietnam	-	2	52	173
Japan	-	-	1	63
South Korea	-	-	64	64
Africa	21	66	15	55
TOTAL	**6 960**	**22 470**	**6 572**	**21 783**

amounts in PLN millions, unless otherwise stated

Note 2 Expenses by nature

	from 1 July 2023 to 30 September 2023	from 1 January 2023 to 30 September 2023	from 1 July 2022 to 30 September 2022	from 1 January 2022 to 30 September 2022
Depreciation of property, plant and equipment and amortisation of intangible assets	427	1 275	376	1 117
Employee benefits expenses	1 340	4 065	1 168	3 488
Materials and energy, including:	2 906	9 897	3 291	10 241
metal-bearing materials	1 678	5 797	2 077	6 701
electrical and other energy	573	1 859	574	1 506
External services, including:	659	1 884	548	1 554
transport	84	260	84	241
repairs, maintenance and servicing	195	575	174	482
mine preparatory work	202	548	145	416
Minerals extraction tax	824	2 797	647	2 300
Other taxes and charges	157	453	112	347
Revaluation of inventories	2	21	(17)	(34)
Other costs	26	99	30	92
Total expenses by nature	**6 341**	**20 491**	**6 155**	**19 105**
Cost of merchandise and materials sold (+)	118	435	201	331
Change in inventories of finished goods and work in progress (+/-)	110	(182)	(356)	(875)
Cost of manufacturing products for internal use of entity (-)	(55)	(161)	(57)	(151)
Total costs of sales, selling costs and administrative expenses, of which:	**6 514**	**20 583**	**5 943**	**18 410**
Cost of sales	6 182	19 595	5 626	17 529
Selling costs	41	128	43	127
Administrative expenses	291	860	274	754

amounts in PLN millions, unless otherwise stated

Note 3 Other operating income and (costs)

	from 1 July 2023 to 30 September 2023	from 1 January 2023 to 30 September 2023	from 1 July 2022 to 30 September 2022	from 1 January 2022 to 30 September 2022
Gains on derivatives, of which:	199	398	74	280
measurement	165	329	6	170
realisation	34	69	68	110
Exchange differences on financial assets and liabilities other than borrowings	370	-	600	1 296
Interest on loans granted and other financial receivables	104	282	97	254
Fees and charges on re-invoicing of costs of bank guarantees securing payments of liabilities	1	12	18	30
Reversal of allowances for impairment of financial instruments measured at amortised cost, including:	6	94	(10)	182
gain due to reversal of allowances for impairment of loans granted	7	93	(10)	182
Fair value gains on financial assets measured at fair value through profit or loss, including:	249	893	337	806
loans	250	892	336	793
Release of provisions	2	9	1	10
Dividend income	-	-	29	29
Government grants received	1	14	2	9
Other	15	66	10	77
Total other operating income	**947**	**1 768**	**1 158**	**2 973**
Losses on derivatives, of which:	(285)	(534)	(176)	(375)
measurement	(171)	(228)	(70)	(105)
realisation	(114)	(306)	(106)	(270)
Impairment losses on financial instruments measured at amortised cost	(1)	(8)	(2)	(6)
Exchange differences on financial assets and liabilities other than borrowings	-	(94)	-	-
Fair value losses on financial assets measured at fair value through profit or loss, including:	57	(96)	55	(81)
loans	70	-	-	-
trade receivables	(13)	(96)	55	(81)
Financial support granted to municipalities	(4)	(7)	(94)	(99)
Provisions recognised	(1)	(5)	(80)	(90)
Donations granted	(10)	(53)	(19)	(33)
Compensations, fines and penalties paid and costs of litigation	-	(8)	(5)	(20)
Other	(14)	(85)	(30)	(69)
Total other operating costs	**(258)**	**(890)**	**(351)**	**(773)**
Other operating income and (costs)	**689**	**878**	**807**	**2 200**

amounts in PLN millions, unless otherwise stated

Note 4 Finance income and (costs)

	from 1 July 2023 to 30 September 2023	from 1 January 2023 to 30 September 2023	from 1 July 2022 to 30 September 2022	from 1 January 2022 to 30 September 2022
Gains on derivatives - realisation	-	87	-	47
Exchange differences on measurement of borrowings	-	51	-	-
Settlement of a transaction hedging against interest rate risk due to the issue of bonds with a variable interest rate	(32)	-	-	-
Total finance income	**(32)**	**138**	**-**	**47**
Interest on borrowings, including:	(57)	(92)	(30)	(65)
leases	(2)	(7)	(2)	(7)
Fees and charges due to external financing	(7)	(20)	(7)	(24)
Exchange differences on borrowings	(184)	-	(315)	(616)
Losses on derivatives - realisation	-	(93)	-	(51)
Unwinding of the discount effect	(18)	(58)	(3)	(7)
Total finance costs	**(266)**	**(263)**	**(355)**	**(763)**
Finance income and (costs)	**(298)**	**(125)**	**(355)**	**(716)**

Note 5 Changes in working capital

	Inventories	Trade receivables	Trade payables	Similar payables – reverse factoring	Working capital
As at 1 January 2023	(7 523)	(620)	3 004	-	**(5 139)**
As at 30 September 2023	(7 769)	(1 099)	2 903	2 055	**(3 910)**
Change in the statement of financial position	(246)	(479)	(101)	2 055	**1 229**
Depreciation/amortisation recognised in inventories	60	-	-	-	**60**
Liabilities due to purchase of property, plant and equipment and intangible assets	-	-	205	(68)	**137**
Liabilities due to interest on reverse factoring	-	-	-	(20)	**(20)**
Total adjustments	60	-	205	(88)	**177**
Change in the statement of cash flows	**(186)**	**(479)**	**104**	**1 967**	**1 406**

	Inventories	Trade receivables	Trade payables	Similar payables – reverse factoring	Working capital
As at 1 January 2022	(5 436)	(600)	2 745	55	**(3 236)**
As at 30 September 2022	(6 673)	(740)	2 687	-	**(4 726)**
Change in the statement of financial position	(1 237)	(140)	(58)	(55)	**(1 490)**
Depreciation/amortisation recognised in inventories	47	-	-	-	**47**
Liabilities due to purchase of property, plant and equipment and intangible assets	-	-	292	-	**292**
Reclassification to the property, plant and equipment	(1)	-	-	-	**(1)**
Total adjustments	46	-	292	-	**338**
Change in the statement of cash flows	**(1 191)**	**(140)**	**234**	**(55)**	**(1 152)**

amounts in PLN millions, unless otherwise stated

Note 6 Other adjustments in the statement of cash flows

	from 1 January 2023 to 30 September 2023	from 1 January 2022 to 30 September 2022
Proceeds from income tax from the tax group companies	95	62
Capitalised interest on funds from the Mine Closure Fund	18	-
Losses on disposal of property, plant and equipment and intangible assets	11	14
Losses due to measurement and realisation of derivatives related to sources of external financing	6	4
Other	1	1
Total	**131**	**81**

SIGNATURES OF MEMBERS OF THE MANAGEMENT BOARD

This report was authorised for issue on 15 November 2023

President
of the Management Board

Tomasz Zdzikot

Vice President
of the Management Board

Mateusz Wodejko

SIGNATURE OF PERSON RESPONSIBLE FOR ACCOUNTING

Executive Director
of the Accounting Services Centre
Chief Accountant

Agnieszka Sinior