

**POLISH FINANCIAL SUPERVISION AUTHORITY**

**Consolidated half-year report PSr 2022**

(in accordance with § 60 section 2 and § 62 section 3 of the Decree of the Minister of Finance dated 29 March 2018)

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

for the first half of financial year **2022** from **1 January 2022** to **30 June 2022**  
containing the condensed consolidated financial statements prepared under International Accounting Standard 34 in PLN  
and condensed financial statements under International Accounting Standard 34 in PLN.

publication date: 17 August 2022

<b>KGHM Polska Miedź Spółka Akcyjna</b> (name of the issuer)	
<b>KGHM Polska Miedź S.A.</b> (name of the issuer in brief)	<b>Mining</b> (issuer branch title per the Warsaw Stock Exchange)
<b>59 – 301</b> (postal code)	<b>LUBIN</b> (city)
<b>M. Skłodowskiej – Curie</b> (street)	<b>48</b> (number)
<b>(+48) 76 7478 200</b> (telephone)	<b>(+48) 76 7478 500</b> (fax)
<b>ir@kghm.com</b> (e-mail)	<b>www.kghm.com</b> (website address)
<b>6920000013</b> (NIP)	<b>390021764</b> (REGON)

PricewaterhouseCoopers Polska Spółka z ograniczoną odpowiedzialnością Audyt Sp.k.  
(auditing company)

**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 2022 to 30 June 2022	from 1 January 2021 to 30 June 2021	from 1 January 2022 to 30 June 2022	from 1 January 2021 to 30 June 2021
	As at 30 June 2022	As at 31 December 2021	As at 30 June 2022	As at 31 December 2021
I. Revenues from contracts with customers	17 926	14 506	3 861	3 190
II. Profit on sales	3 031	2 806	653	617
III. Profit before income tax	5 314	4 629	1 145	1 018
IV. Profit for the period	4 180	3 723	900	819
V. Profit for the period attributable to shareholders of the Parent Entity	4 180	3 725	900	819
VI. Profit for the period attributable to non-controlling interest	-	( 2)	-	-
VII. Other comprehensive income	963	( 619)	207	( 136)
VIII. Total comprehensive income	5 143	3 104	1 107	683
IX. Total comprehensive income attributable to the shareholders of the Parent Entity	5 141	3 106	1 107	684
X. Total comprehensive income attributable to non-controlling interest	2	( 2)	-	( 1)
XI. Number of shares issued (million)	200	200	200	200
XII. Earnings per ordinary share (in PLN/EUR) attributable to the shareholders of the Parent Entity	20.90	18.63	4.50	4.10
XIII. Net cash generated from operating activities	1 590	2 317	342	510
XIV. Net cash used in investing activities	( 610)	( 1 567)	( 131)	( 345)
XV. Net cash used in financing activities	( 217)	( 1 955)	( 47)	( 430)
XVI. Total net cash flow	763	( 1 205)	164	( 265)
XVII. Non-current assets	39 679	36 664	8 477	7 971
XVIII. Current assets	13 427	11 363	2 869	2 471
XIX. Total assets	53 106	48 027	11 346	10 442
XX. Non-current liabilities	11 272	11 351	2 408	2 468
XXI. Current liabilities	10 190	9 538	2 177	2 074
XXII. Equity	31 644	27 138	6 761	5 900
XXIII. Equity attributable to shareholders of the Parent Entity	31 587	27 046	6 749	5 880
XXIV. Equity attributable to non-controlling interest	57	92	12	20

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

	in PLN mn		in EUR mn	
	from 1 January 2022 to 30 June 2022	from 1 January 2021 to 30 June 2021	from 1 January 2022 to 30 June 2022	from 1 January 2021 to 30 June 2021
	As at 30 June 2022	As at 31 December 2021	As at 30 June 2022	As at 31 December 2021
I. Revenues from contracts with customers	15 211	12 144	3 276	2 671
II. Profit on sales	2 744	2 494	591	548
III. Profit before income tax	3 776	5 078	813	1 117
IV. Profit for the period	2 808	4 226	605	929
V. Other comprehensive income	928	( 598)	199	( 132)
VI. Total comprehensive income	3 736	3 628	804	797
VII. Number of shares issued (million)	200	200	200	200
VIII. Earnings per ordinary share (in PLN/EUR)	14.04	21.13	3.03	4.65
IX. Net cash generated from operating activities	1 415	1 680	305	369
X. Net cash used in investing activities	( 379)	( 1 178)	( 82)	( 259)
XI. Net cash used in financing activities	( 340)	( 1 870)	( 73)	( 411)
XII. Total net cash flow	696	( 1 368)	150	( 301)
XIII. Non-current assets	35 945	34 671	7 680	7 538
XIV. Current assets	11 261	8 787	2 406	1 910
XV. Total assets	47 206	43 458	10 086	9 448
XVI. Non-current liabilities	9 412	9 707	2 011	2 110
XVII. Current liabilities	8 818	7 911	1 884	1 720
XVIII. Equity	28 976	25 840	6 191	5 618

## Table of contents

<b>Condensed consolidated financial statements</b> .....	<b>4</b>
CONSOLIDATED STATEMENT OF PROFIT OR LOSS .....	4
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME .....	5
CONSOLIDATED STATEMENT OF CASH FLOWS .....	6
CONSOLIDATED STATEMENT OF FINANCIAL POSITION .....	7
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY .....	8
<b>Part 1 – General information</b> .....	<b>9</b>
Note 1.1 Corporate information .....	9
Note 1.2 Declaration by the Management Board of KGHM Polska Miedź S.A.....	9
Note 1.3 Structure of the KGHM Polska Miedź S.A. Group .....	10
Note 1.4 Exchange rates applied .....	12
Note 1.5 Accounting policies and the impact of new and amended standards and interpretations.....	12
Note 1.6. Impairment of assets .....	13
<b>Part 2 - Information on segments and revenues</b> .....	<b>16</b>
Note 2.1 Information on segments .....	16
Note 2.2 Financial results of reporting segments .....	19
Note 2.3 Revenues from contracts with customers of the Group – breakdown by products .....	22
Note 2.4 Revenues from contracts with customers of the Group – breakdown by type of contracts .....	24
Note 2.5 Revenues from contracts with customers of the Group – geographical breakdown reflecting the location of end customers...26	
Note 2.6 Main customers .....	27
Note 2.7 Non-current assets – geographical breakdown .....	27
<b>Part 3 – Explanatory notes to the consolidated statement of profit or loss</b> .....	<b>28</b>
Note 3.1 Expenses by nature .....	28
Note 3.2 Other operating income and (costs).....	29
Note 3.3 Finance income and (costs) .....	30
<b>Part 4 – Other explanatory notes</b> .....	<b>31</b>
Note 4.1 Information on property, plant and equipment and intangible assets .....	31
Note 4.2 Involvement in joint ventures .....	31
Note 4.3 Financial instruments .....	34
Note 4.4 Commodity, currency and interest rate risk management .....	39
Note 4.5 Liquidity risk and capital management.....	45
Note 4.6 Employee benefits liabilities .....	49
Note 4.7 Provisions for decommissioning costs of mines and other technological facilities.....	49
Note 4.8 Other liabilities .....	50
Note 4.9 Related party transactions.....	50
Note 4.10 Assets and liabilities not recognised in the statement of financial position.....	52
Note 4.11 Changes in working capital.....	53
Note 4.12 Assets held for sale (disposal group) and liabilities associated with them .....	54
<b>Part 5 – Additional information to the consolidated half-year report</b> .....	<b>59</b>
Note 5.1 Effects of changes in the organisational structure of the KGHM Polska Miedź S.A. Group .....	59
Note 5.2 Seasonal or cyclical activities.....	59
Note 5.3 Information on the issuance, redemption and repayment of debt and equity securities .....	59
Note 5.4 Information related to a paid (declared) dividend, total and per share .....	59
Note 5.5 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 .....	59
Note 5.6 Information on the impact of Covid-19 on the Company's and the Group's operations .....	59
Note 5.7 Impact of the war in Ukraine on the Company's and Group's operations .....	61
Note 5.8 Subsequent events .....	63
<b>Part 6 – Quarterly financial information of the Group</b> .....	<b>64</b>

CONSOLIDATED STATEMENT OF PROFIT OR LOSS .....	64
Note 6.1 Expenses by nature .....	65
Note 6.2 Other operating income and (costs).....	66
Note 6.3 Finance income and (costs) .....	67
<b>Condensed financial statements of KGHM Polska Miedź S.A. ....</b>	<b>68</b>
STATEMENT OF PROFIT OR LOSS.....	68
STATEMENT OF COMPREHENSIVE INCOME .....	68
STATEMENT OF CASH FLOWS .....	69
STATEMENT OF FINANCIAL POSITION .....	70
STATEMENT OF CHANGES IN EQUITY .....	71
<b>Part 1 – Impairment of assets.....</b>	<b>72</b>
<b>Part 2 – Explanatory notes to the statement of profit or loss .....</b>	<b>74</b>
Note 2.1 Revenues from contracts with customers – geographical breakdown reflecting the location of end customers .....	74
Note 2.2 Expenses by nature .....	75
Note 2.3 Other operating income and (costs).....	76
Note 2.4 Finance income and (costs) .....	77
<b>Part 3 – Other explanatory notes.....</b>	<b>78</b>
Note 3.1 Information on property, plant and equipment and intangible assets .....	78
Note 3.2 Financial instruments.....	79
Note 3.3 Receivables due to loans granted.....	82
Note 3.4 Net debt .....	86
Note 3.5 Employee benefits liabilities .....	86
Note 3.6 Provisions for decommissioning costs of mines and other technological facilities.....	87
Note 3.7 Other liabilities .....	87
Note 3.8 Related party transactions.....	87
Note 3.9 Assets and liabilities not recognised in the statement of financial position .....	89
Note 3.10 Changes in working capital.....	90
Note 3.11 Other adjustments in the statement of cash flows.....	90
<b>Part 4 – Quarterly financial information of KGHM Polska Miedź S.A. ....</b>	<b>91</b>
STATEMENT OF PROFIT OR LOSS.....	91
Note 4.1 Expenses by nature .....	92
Note 4.2 Other operating income and (costs).....	93
Note 4.3 Finance income and (costs) .....	94

## Condensed consolidated financial statements

### CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		from 1 January 2022 to 30 June 2022	from 1 January 2021 to 30 June 2021
Note 2.3	Revenues from contracts with customers	17 926	14 506
Note 3.1	Cost of sales	(14 032)	(11 024)
	<b>Gross profit</b>	<b>3 894</b>	<b>3 482</b>
Note 3.1	Selling costs and administrative expenses	( 863)	( 676)
	<b>Profit on sales</b>	<b>3 031</b>	<b>2 806</b>
Note 4.2	Gains due to the reversal of allowances for impairment of loans granted to a joint venture	783	1 655
Note 4.2	Interest income on loans granted to a joint venture calculated using the effective interest rate method	319	194
	Profit or loss on involvement in a joint venture	1 102	1 849
Note 3.2	Other operating income, including:	1 948	739
	other interest calculated using the effective interest rate method	26	1
	reversal of impairment losses on financial instruments	3	18
Note 3.2	Other operating costs, including:	( 409)	( 556)
	impairment losses on financial instruments	( 3)	( 3)
Note 3.3	Finance income	47	35
Note 3.3	Finance costs	( 405)	( 244)
	<b>Profit before income tax</b>	<b>5 314</b>	<b>4 629</b>
	Income tax expense	(1 134)	( 906)
	<b>PROFIT FOR THE PERIOD</b>	<b>4 180</b>	<b>3 723</b>
	Profit for the period attributable to:		
	Shareholders of the Parent Entity	4 180	3 725
	Non-controlling interest	-	(2)
	<b>Weighted average number of ordinary shares (million)</b>	<b>200</b>	<b>200</b>
	<b>Basic/diluted earnings per share (in PLN)</b>	<b>20.90</b>	<b>18.63</b>

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

	<b>from 1 January 2022 to 30 June 2022</b>	<b>from 1 January 2021 to 30 June 2021</b>
<b>Profit for the period</b>	<b>4 180</b>	<b>3 723</b>
Measurement of hedging instruments net of the tax effect	911	( 763)
Exchange differences from the translation of statements of operations with a functional currency other than PLN	( 2)	( 29)
<b>Other comprehensive income, which will be reclassified to profit or loss</b>	<b>909</b>	<b>( 792)</b>
Measurement of equity financial instruments at fair value through other comprehensive income, net of the tax effect	124	117
Actuarial gains/(losses) net of the tax effect	( 70)	56
<b>Other comprehensive income, which will not be reclassified to profit or loss</b>	<b>54</b>	<b>173</b>
<b>Total other comprehensive net income</b>	<b>963</b>	<b>( 619)</b>
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>5 143</b>	<b>3 104</b>
<b>Total comprehensive income attributable to:</b>		
Shareholders of the Parent Entity	5 141	3 106
Non-controlling interest	2	( 2)

**CONSOLIDATED STATEMENT OF CASH FLOWS**

	from 1 January 2022 to 30 June 2022	from 1 January 2021 to 30 June 2021
<b>Cash flow from operating activities</b>		
Profit before income tax	5 314	4 629
Depreciation/amortisation recognised in profit or loss	1 044	1 020
Interest on loans granted to a joint venture	(319)	(194)
Other interest	27	62
Impairment losses on non-current assets	54	32
Gain due to the reversal of allowances for impairment of loans granted to a joint venture	(783)	(1 655)
Other gains due to the reversal of impairment losses on non-current assets	-	(47)
(Gains)/losses on disposal of property, plant and equipment and intangible assets	(127)	(51)
Gain on disposal of subsidiaries	(173)	-
Exchange differences, of which:	(745)	41
from investing activities and on cash	(1 045)	(79)
from financing activities	300	120
Change in provisions for decommissioning of mines, employee benefits liabilities and other provisions	(114)	-
Change in other receivables and liabilities other than working capital	127	707
Change in assets and liabilities due to derivatives	(509)	(1 084)
Reclassification of other comprehensive income to profit or loss due to the realisation of hedging derivatives	508	954
Other adjustments	16	3
Exclusions of income and costs, total	(994)	(212)
Income tax paid	(1 299)	(390)
Note 4.11 Changes in working capital, including:	(1 431)	(1 710)
Note 4.11 change in trade payables transferred to factoring	(58)	(411)
<b>Net cash generated from operating activities</b>	<b>1 590</b>	<b>2 317</b>
<b>Cash flow from investing activities</b>		
Expenditures on mining and metallurgical assets, including:	(1 751)	(1 462)
paid capitalised interest on borrowings	(97)	(58)
Expenditures on other property, plant and equipment and intangible assets	(217)	(201)
Expenditures on financial assets designated for decommissioning of mines and other technological facilities	(30)	(24)
Proceeds from repayment of loans granted to a joint venture	358	-
Proceeds from disposal of property, plant and equipment and intangible assets	373	77
Proceeds from disposal of subsidiaries	243	-
Proceeds from disposal of equity instruments measured at fair value through other comprehensive income	-	53
Advances granted on property, plant and equipment and intangible assets	(9)	(7)
Interest received on loans granted to a joint venture	431	-
Other	(8)	(3)
<b>Net cash used in investing activities</b>	<b>(610)</b>	<b>(1 567)</b>
<b>Cash flow from financing activities</b>		
Proceeds from borrowings	50	55
Proceeds from derivatives related to sources of external financing	-	18
Repayment of borrowings	(191)	(1 581)
Repayment of lease liabilities	(42)	(49)
Expenditures due to derivatives related to sources of external financing	-	(38)
Interest paid, including:	(40)	(64)
borrowings	(38)	(58)
Expenditures due to dividends paid to shareholders of the Parent Entity	-	(300)
Other	6	4
<b>Net cash used in financing activities</b>	<b>(217)</b>	<b>(1 955)</b>
<b>NET CASH FLOW</b>	<b>763</b>	<b>(1 205)</b>
Exchange gains/(losses)	(32)	(49)
Cash and cash equivalents at beginning of the period	1 904	2 522
<b>Cash and cash equivalents at end of the period, including:</b>	<b>2 635</b>	<b>1 268</b>
recognised in assets held for sale (disposal group)	-	79
restricted cash	16	22

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

	<b>As at 30 June 2022</b>	<b>As at 31 December 2021</b>
<b>ASSETS</b>		
Mining and metallurgical property, plant and equipment	22 181	21 564
Mining and metallurgical intangible assets	2 647	2 316
Mining and metallurgical property, plant and equipment and intangible assets	24 828	23 880
Other property, plant and equipment	2 678	2 593
Other intangible assets	173	250
Other property, plant and equipment and intangible assets	2 851	2 843
Note 4.2 Involvement in joint ventures – loans granted	9 438	7 867
Derivatives	814	595
Other financial instruments measured at fair value	848	637
Other financial instruments measured at amortised cost	538	496
Note 4.3 Financial instruments, total	2 200	1 728
Deferred tax assets	205	185
Other non-financial assets	157	161
<b>Non-current assets</b>	<b>39 679</b>	<b>36 664</b>
Inventories	7 810	6 337
Note 4.3 Trade receivables, including:	1 524	1 009
trade receivables measured at fair value through profit or loss	1 095	614
Tax assets	290	364
Note 4.3 Derivatives	587	254
Involvement in joint ventures – loans granted	-	447
Other financial assets	245	172
Other non-financial assets	336	162
Note 4.3 Cash and cash equivalents	2 635	1 884
Note 4.12 Assets held for sale (disposal group)	-	734
<b>Current assets</b>	<b>13 427</b>	<b>11 363</b>
<b>TOTAL ASSETS</b>	<b>53 106</b>	<b>48 027</b>
<b>EQUITY AND LIABILITIES</b>		
Share capital	2 000	2 000
Other reserves from measurement of financial instruments	( 670)	(1 705)
Accumulated other comprehensive income other than from measurement of financial instruments	2 145	2 219
Retained earnings	28 112	24 532
Equity attributable to shareholders of the Parent Entity	31 587	27 046
Equity attributable to non-controlling interest	57	92
<b>Equity</b>	<b>31 644</b>	<b>27 138</b>
Note 4.3 Borrowings, leases and debt securities	4 786	5 409
Note 4.3 Derivatives	1 079	1 134
Note 4.6 Employee benefits liabilities	2 292	2 306
Note 4.7 Provisions for decommissioning costs of mines and other technological facilities	1 508	1 242
Deferred tax liabilities	978	643
Note 4.8 Other liabilities	629	617
Non-current liabilities	11 272	11 351
Note 4.3 Borrowings, leases and debt securities	1 250	455
Note 4.3 Derivatives	371	889
Note 4.3 Trade and similar payables	3 138	2 974
Note 4.6 Employee benefits liabilities	1 681	1 437
Tax liabilities	1 212	1 453
Provisions for liabilities and other charges	205	207
Note 4.8 Other liabilities	2 333	1 661
Note 4.12 Liabilities associated with disposal group	-	462
Current liabilities	10 190	9 538
<b>Non-current and current liabilities</b>	<b>21 462</b>	<b>20 889</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>53 106</b>	<b>48 027</b>

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Equity attributable to shareholders of the Parent Entity				Total	Equity attributable to non-controlling interest	Total equity
	Share capital	Other reserves from measurement of financial instruments	Accumulated other comprehensive income	Retained earnings			
<b>As at 1 January 2021</b>	<b>2 000</b>	<b>(1 430)</b>	<b>1 728</b>	<b>18 694</b>	<b>20 992</b>	<b>89</b>	<b>21 081</b>
Transactions with owners - dividend	-	-	-	( 300)	( 300)	-	( 300)
Profit for the period	-	-	-	3 725	3 725	( 2)	3 723
Other comprehensive income	-	(646)*	27	-	( 619)	-	( 619)
Total comprehensive income	-	( 646)	27	3 725	3 106	( 2)	3 104
Reclassification of the result of disposal of equity instruments measured at fair value through other comprehensive income	-	-	-	( 18)	( 18)	-	( 18)
<b>As at 30 June 2021</b>	<b>2 000</b>	<b>(2 076)</b>	<b>1 755</b>	<b>22 101</b>	<b>23 780</b>	<b>87</b>	<b>23 867</b>
<b>As at 1 January 2022</b>	<b>2 000</b>	<b>(1 705)</b>	<b>2 219</b>	<b>24 532</b>	<b>27 046</b>	<b>92</b>	<b>27 138</b>
Transactions with owners - dividend	-	-	-	( 600)	( 600)	-	( 600)
Profit for the period	-	-	-	4 180	4 180	-	4 180
Other comprehensive income	-	1 035	( 74)	-	961	2	963
Total comprehensive income	-	1 035	( 74)	3 580	5 141	2	5 143
Changes due to loss of control of subsidiaries	-	-	-	-	-	( 37)	( 37)
<b>As at 30 June 2022</b>	<b>2 000</b>	<b>( 670)</b>	<b>2 145</b>	<b>28 112</b>	<b>31 587</b>	<b>57</b>	<b>31 644</b>

\*PLN 18 million due to reclassification of the result of disposal of equity instruments measured at fair value through other comprehensive income was recognised in other comprehensive income.

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

The impact of the pandemic and the war in Ukraine on individual aspects of the business and the going concern assumption are described in notes 5.6 and 5.7.

The KGHM Polska Miedź S.A. Group (the Group) carries out exploration 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.

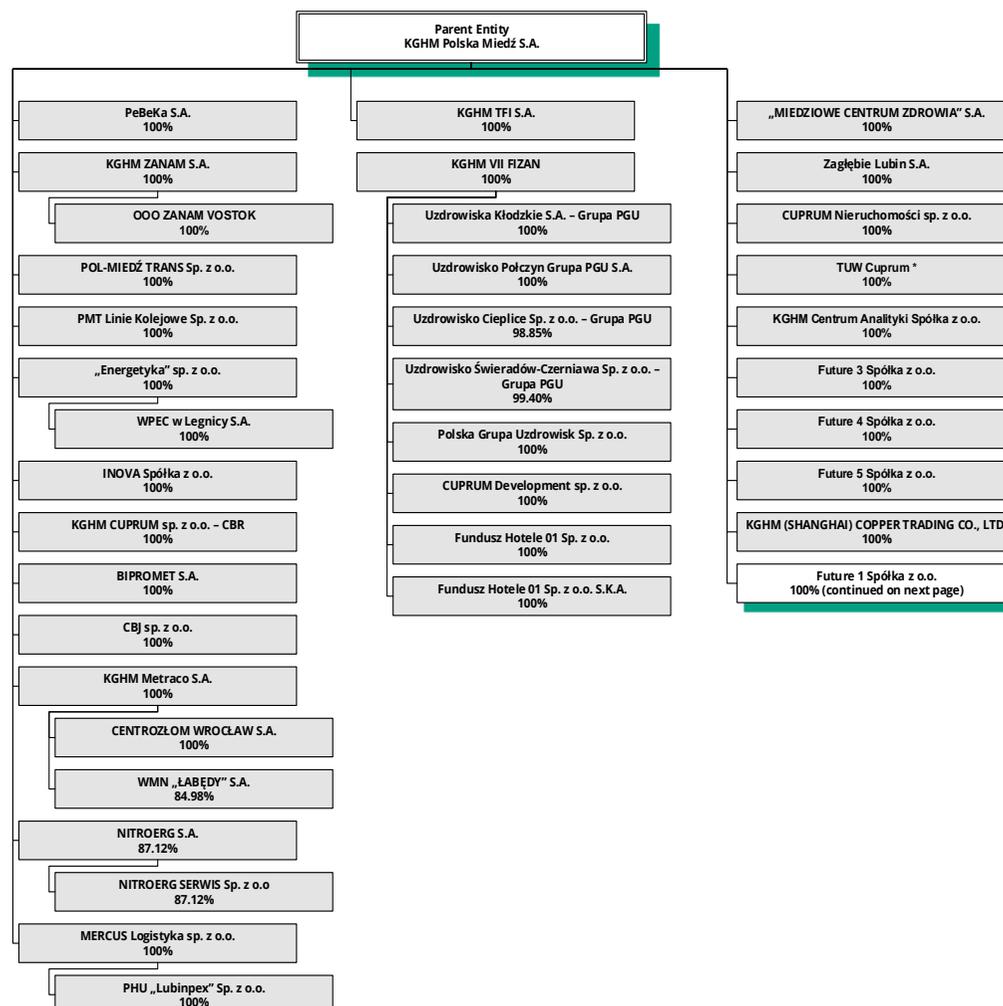
### Note 1.2 Declaration by the Management Board of KGHM Polska Miedź S.A.

The Management Board of KGHM Polska Miedź S.A. declares that according to its best judgement:

- the condensed consolidated financial statements for the first half of 2022 and comparative data have been prepared in accordance with accounting principles currently in force, and give a true, fair and clear view of the financial position of the KGHM Polska Miedź S.A. Group and the profit for the period of the Group,
- the condensed financial statements of KGHM Polska Miedź S.A. for the first half of 2022 and comparative data have been prepared in accordance with accounting principles currently in force, and give a true, fair and clear view of the financial position of KGHM Polska Miedź S.A. and the profit for the period of KGHM Polska Miedź S.A.,
- the Management Board’s report on the activities of the Group in the first half of 2022 presents a true picture of the development and achievements, as well as the condition, of the KGHM Polska Miedź S.A. Group, including a description of the basic exposures and risks.

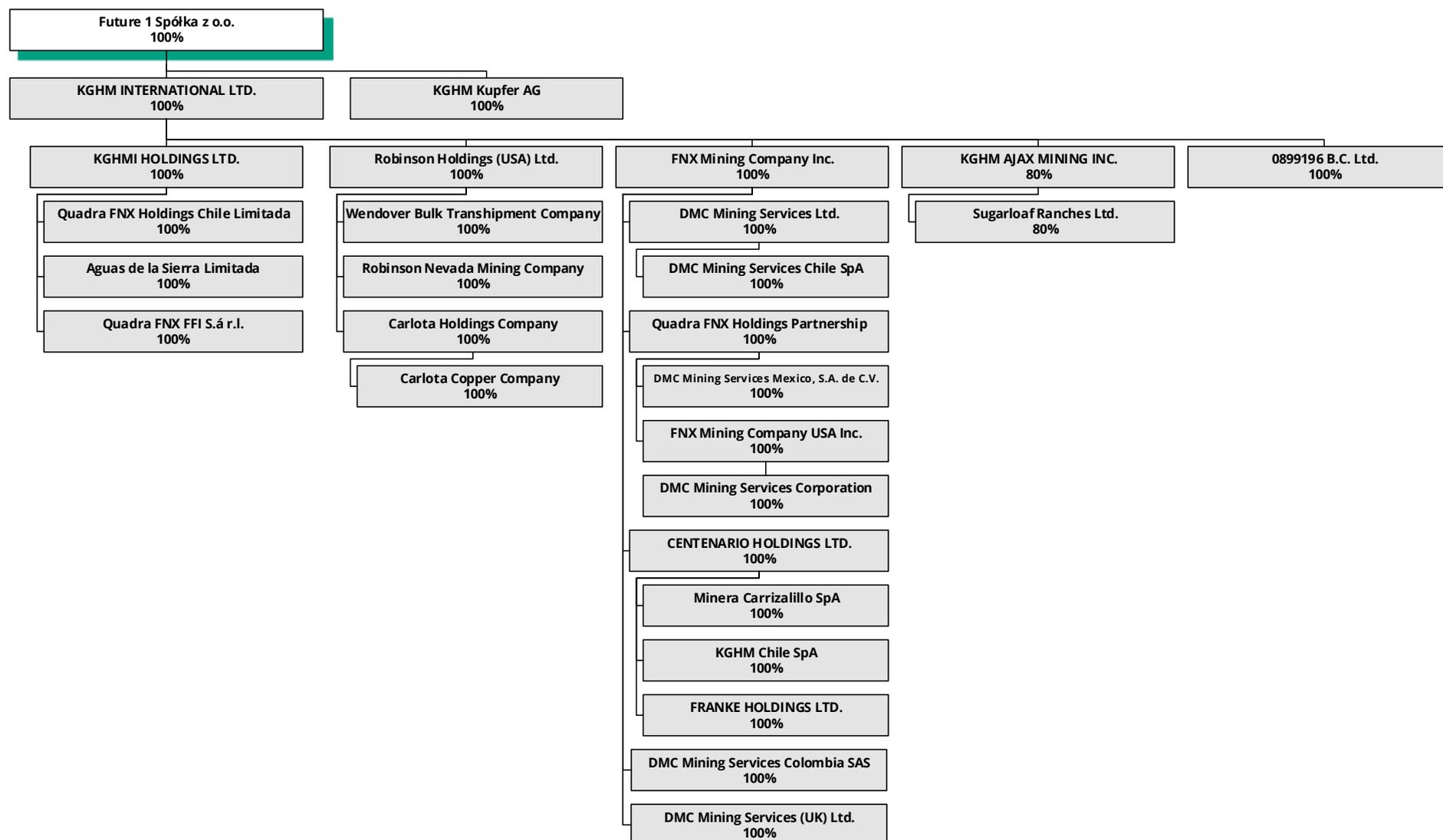
### Note 1.3 Structure of the KGHM Polska Miedź S.A. Group

As at 30 June 2022, KGHM Polska Miedź S.A. consolidated 64 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 the insignificant impact on the consolidated financial statements.

The percentage share represents the total share of the Group.



### Note 1.4 Exchange rates applied

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

- for the conversion of turnover, profit or loss and cash flow for the current period, the rate of **4.6427 EURPLN\***,
- for the conversion of turnover, profit or loss and cash flow for the comparable period, the rate of **4.5472 EURPLN\***,
- for the conversion of assets, equity and liabilities as at 30 June 2022, the current average exchange rate announced by the National Bank of Poland (NBP) as at 30 June 2022, of **4.6806 EURPLN**,
- for the conversion of assets, equity and liabilities as at 31 December 2021, the current average exchange rate announced by the NBP as at 31 December 2021, of **4.5994 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 June respectively of 2022 and 2021.

### Note 1.5 Accounting policies and the impact of new and amended standards and interpretations

The following half-year report includes:

1. the condensed consolidated financial statements of the KGHM Polska Miedź S.A. Group for the period from 1 January to 30 June 2022 and the comparable period from 1 January to 30 June 2021, together with selected explanatory information,
2. the condensed financial statements of KGHM Polska Miedź S.A. for the period from 1 January to 30 June 2022 and the comparable period from 1 January to 30 June 2021, together with selected explanatory information.

The condensed consolidated financial statements for the period from 1 January to 30 June 2022 and as at 30 June 2022 as well as the condensed separate financial statements for the period from 1 January to 30 June 2022 and as at 30 June 2022 were reviewed by a certified auditor.

The consolidated half-year report for the period from 1 January 2022 to 30 June 2022, in that part concerning the condensed consolidated financial statements of the KGHM Polska Miedź S.A. Group and in that part concerning the condensed financial statements of KGHM Polska Miedź S.A., was prepared in accordance with IAS 34 Interim Financial Reporting as adopted 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 2021 and the Consolidated annual report SRR 2021.

The financial statements contained in this half-year report were prepared using the same accounting policies and valuation methods for the current and comparable periods as well as the principles applied in the annual financial statements (consolidated and separate), prepared as at 31 December 2021.

#### Note 1.5.1 Impact of new and amended standards and interpretations

From 1 January 2022, the Group is bound by:

- **Amendments to IFRS 3** on references to the Conceptual Framework,
- **Amendments to IAS 16** on proceeds before intended use of an item of property, plant and equipment,
- **Amendments to IAS 37** on cost of fulfilling onerous contracts,
- **Annual amendments to IFRS 2018-2020** – amendments to IAS 41, IFRS 1, IFRS 9.

Up to the date of publication of these consolidated financial statements, the aforementioned amendments to the standards were adopted for use by the European Union. In the Group's opinion, amendments to standards will be applicable to the Group's activities in the scope of future economic operations, transactions or other events, towards which the amendments to standards will be applicable.

In particular, the application of **amendments to IAS 16** on proceeds before intended use of an item of property, plant and equipment will result in a change in the Group's accounting policy in this regard. In accordance with the current policy, the Group decreased expenditures by the amount of revenues achieved before an item of property, plant and equipment was brought into use, which incidentally took place during the shaft sinking. Pursuant to the amendments, revenues from sales of products manufactured while an asset is brought to the desired location and condition (e.g. test production), together with associated costs, should be recognised in profit or loss for the period. Transitional provisions on the implementation of these amendments are applied retrospectively to items of property, plant and equipment brought into use on or after the beginning of the earliest presented period. The Group applied amendments to IAS 16 from 1 January 2022. With respect to the application of transitional provisions, the Group did not identify significant items of property, plant and equipment that would be subject to adjustments on or after 1 January 2021.

**Note 1.6. Impairment of assets****TEST FOR THE IMPAIRMENT OF NON-CURRENT ASSETS OF SPA COMPANIES – Segment – Other segments**

In the first half of 2022, new risks to realisation of forecasted financial results of the Group companies providing spa services (CGUs) were indicated: Uzdrowiska Kłodzkie S.A. - Grupa PGU, Uzdrowisko Połczyn Grupa PGU S.A., Uzdrowisko Cieplice Sp. z o.o. - Grupa PGU, Uzdrowisko Świeradów - Czerniawa Sp. z o.o. – Grupa PGU. Apart from the increase in prices of electricity, energy carriers, food and other cost factors, resulting from inflationary pressure, there is also the risk of a lack of effective possibility to pass these price increases on end users and / or the impact of these increases on the demand for the services offered.

For the purpose of estimating the recoverable amount, in the conducted test the value in use of the cash generating units, comprised of property, plant and equipment and intangible assets of all of the aforementioned spa companies, was measured using the DCF method, i.e. the method of discounted cash flows.

The recoverable amount of CGUs which was estimated as described above was validated by the fair value which is the transaction price of disposal of tested assets between entities of the Group as part of the advanced reorganisation project within the Group (details on changes in the organisational structure of the Group may be found in Note 5.8 Subsequent events).

**Basic assumptions adopted for impairment testing**

Assumption	Uzdrowiska Kłodzkie S.A. - Grupa PGU	Uzdrowisko Połczyn Grupa PGU S.A	Uzdrowisko Cieplice Sp. z o.o. - Grupa PGU	Uzdrowisko Świeradów - Czerniawa Sp. z o.o. - Grupa PGU
Detailed forecast period*	2 <sup>nd</sup> half 2022 - 1 <sup>st</sup> half 2028	2 <sup>nd</sup> half 2022 - 1 <sup>st</sup> half 2028	2 <sup>nd</sup> half 2022 - 1 <sup>st</sup> half 2028	2 <sup>nd</sup> half 2022 - 1 <sup>st</sup> half 2028
Average EBITDA margin during the detailed forecast period	12%	13%	12%	13%
EBITDA margin during the residual period	15%	14%	14%	16%
Capital expenditures during the detailed forecast period	PLN 58 million	PLN 12 million	PLN 12 million	PLN 9 million
Average notional discount rate during the detailed forecast period**	11.4%	11.3%	11.4%	11.5%
Notional discount rate during the residual period**	11.4%	11.7%	11.5%	11.8%
Notional growth rate following the detailed forecast period	2.0%	2.0%	2.0%	2.0%

\* A 6-year detailed forecast period was adopted instead of a 5-year one, pursuant to the approach applied by KGHM VII FIZAN for the measurement of portfolio deposits, in order to maintain the comparability over time (the methodology applied in previous periods).

\*\* Data is presented after taxation, despite the measurement model of value in use. The application of data before taxation does not have a material impact on the recoverable amount.

The results of the conducted tests are presented in the following table:

CGU	Carrying amount	Recoverable amount	Impairment loss
Uzdrowiska Kłodzkie S.A. - Grupa PGU	114	102	12
Uzdrowisko Połczyn Grupa PGU S.A	81	55	26
Uzdrowisko Cieplice Sp. z o.o. - Grupa PGU	34	28	6
Uzdrowisko Świeradów - Czarniawa Sp. z o.o. - Grupa PGU	38	36	2

As a result of the tests conducted, an impairment loss on non-current assets was recognised in the total amount of PLN 46 million – by comparing the carrying amount with the recoverable amount.

The impairment loss was recognised in the items: “Cost of sales” in the amount of PLN 45 million and “Other operating costs” in the amount of PLN 1 million.

The recoverable amount of individual CGUs indicated a significant sensitivity to changes in the adopted discount rate, the average EBITDA margin, and the growth rate following the forecast period. Moreover, it should be noted that the sensitivity to changes in level of revenues is reflected in the sensitivity to changes in the EBITDA margin.

	Recoverable amount		
<b>Average EBITDA margin during the forecast period</b>	<b>decrease by 2 pp.</b>	<b>per test</b>	<b>increase by 2 pp.</b>
Uzdrowiska Kłodzkie S.A. - Grupa PGU	60	<b>102</b>	144
Uzdrowisko Połczyn Grupa PGU S.A.	43	<b>55</b>	69
Uzdrowisko Cieplice Sp. z o.o. - Grupa PGU	20	<b>28</b>	35
Uzdrowisko Świeradów - Czarniawa Sp. z o.o. - Grupa PGU	27	<b>36</b>	45
<b>Average discount rate during the forecast period</b>	<b>decrease by 1 pp.</b>	<b>per test</b>	<b>increase by 1 pp.</b>
Uzdrowiska Kłodzkie S.A. - Grupa PGU	119	<b>102</b>	88
Uzdrowisko Połczyn Grupa PGU S.A.	63	<b>55</b>	50
Uzdrowisko Cieplice Sp. z o.o. - Grupa PGU	32	<b>28</b>	24
Uzdrowisko Świeradów - Czarniawa Sp. z o.o. - Grupa PGU	41	<b>36</b>	32
<b>Growth rate following the forecast period</b>	<b>decrease by 1 pp.</b>	<b>per test</b>	<b>increase by 1 pp.</b>
Uzdrowiska Kłodzkie S.A. - Grupa PGU	92	<b>102</b>	113
Uzdrowisko Połczyn Grupa PGU S.A.	52	<b>55</b>	60
Uzdrowisko Cieplice Sp. z o.o. - Grupa PGU	25	<b>28</b>	30
Uzdrowisko Świeradów - Czarniawa Sp. z o.o. - Grupa PGU	33	<b>36</b>	39

In order to monitor the risk of further impairment of operating assets in subsequent reporting periods as well as to monitor the possibility of reversing the impairment loss, it was determined that the recoverable amount would be equal to the carrying amount of individual companies if the notional discount rate were to be as presented below:

Uzdrowiska Kłodzkie S.A. - Grupa PGU	10.54%
Uzdrowisko Połczyn Grupa PGU S.A.	8.50%
Uzdrowisko Cieplice Sp. z o.o. - Grupa PGU	10.00%
Uzdrowisko Świeradów - Czarniawa Sp. z o.o. - Grupa PGU	10.75%

The results of the impairment testing of assets of the Group as at 31 December 2021 were presented in the part 3 of the Consolidated annual report SRR 2021.

## Part 2 - Information on segments and revenues

### Note 2.1 Information on 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
<b>KGHM Polska Miedź S.A.</b>	KGHM Polska Miedź S.A.	Not applicable (it is a single operating and reporting segment)
<b>KGHM INTERNATIONAL LTD.</b>	Companies of the KGHM INTERNATIONAL LTD. Group, in which the following mines, deposits or mining areas and mining enterprises constitute operating segments: Victoria, Sudbury Basin, Robinson, Carlota, Franke*, DMC and Ajax.	Operating segments within the KGHM INTERNATIONAL LTD. Group are located in North and South America. The Management Board analyses the results of the following operating segments: Victoria, Sudbury Basin, Robinson, Carlota, Franke*, Ajax and other. Moreover, it receives and analyses reports of the whole KGHM INTERNATIONAL LTD. Group. Operating segments are engaged in the exploration and mining of copper, molybdenum, silver, gold and nickel 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.
<b>Sierra Gorda S.C.M.</b>	Sierra Gorda S.C.M. (joint venture)	Not applicable (it is a single operating and reporting segment)
<b>Other segments</b>	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.

\* Entity sold on 26 April 2022 (Note 4.12).

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., 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 entities.

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 Transshipment Company
Chile	Aguas de la Sierra Limitada, Minera Carrizalillo SpA, KGHM Chile SpA, Quadra FNX Holdings Chile Limitada, Sociedad Contractual Minera Franke*, 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	Raise Boring Mining Services 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	Interferie Medical SPA Sp. z o.o.**, INTERFERIE S.A.***, Uzdrowiska Kłodzkie S.A. - Grupa PGU, Uzdrowisko Cieplice Sp. z o.o. - Grupa PGU, Uzdrowisko Połczyn Grupa PGU S.A., Uzdrowisko Świeradów - Czarniawa Sp. z o.o. - Grupa PGU
Investment funds, financing activities	Fundusz Hotele 01 Sp. z o.o., Fundusz Hotele 01 Sp. z o.o. S.K.A., KGHM TFI S.A., KGHM VII FIZAN, Polska Grupa Uzdrowisk Sp. z o.o.
Other activities	CENTROZŁOM WROCŁAW S.A., CUPRUM Development sp. z o.o., CUPRUM Nieruchomości sp. z o.o., KGHM (SHANGHAI) COPPER TRADING CO., LTD., KGHM Kupfer AG, MERCUS Logistyka sp. z o.o., MIEDZIOWE CENTRUM ZDROWIA S.A., NITROERG S.A., NITROERG SERWIS Sp. z o.o., PHU "Lubinpex" Sp. z o.o., PMT Linie Kolejowe Sp. z o.o., WMN "ŁABĘDY" S.A., Zagłębie Lubin S.A., OOO ZANAM VOSTOK

\* Entity sold on 26 April 2022 (Note 4.12).

\*\* Entity sold on 21 February 2022 (Note 4.12).

\*\*\* Entity sold on 28 February 2022 (Note 4.12).

The Parent Entity and the KGHM INTERNATIONAL LTD. Group (a subgroup) have a fundamental impact on the structure of 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 interest in KGHM INTERNATIONAL LTD.) are measured at cost less any 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 a segment's performance based on adjusted EBITDA and the profit or loss for the period.

The Group defines adjusted EBITDA as profit/loss for the period pursuant to IFRS, excluding 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. 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 classified to any segment. Assets which have not been allocated to the segments comprise cash, trade receivables and deferred tax assets. Liabilities which have not been allocated to the segments comprise trade payables and current tax liabilities.

## Note 2.2 Financial results of reporting segments

		from 1 January 2022 to 30 June 2022						
		KGHM Polska Miedź S.A.	KGHM INTERNATIONAL LTD.	Sierra Gorda S.C.M.*	Other segments	Reconciliation items to consolidated data		Consolidated financial statements
						Elimination of data of the segment Sierra Gorda S.C.M	Adjustments *****	
Note 2.3	<b>Total revenues from contracts with customers, of which:</b>	<b>15 211</b>	<b>1 616</b>	<b>1 938</b>	<b>6 524</b>	(1 938)	(5 425)	<b>17 926</b>
	- inter-segment	288	-	8	5 137	(8)	(5 425)	-
	- external	14 923	1 616	1 930	1 387	(1 930)	-	<b>17 926</b>
	<b>Segment result – profit/(loss) for the period</b>	<b>2 808</b>	<b>1 071</b>	<b>179</b>	<b>( 28)</b>	<b>( 179)</b>	<b>329</b>	<b>4 180</b>
	<b>Additional information on significant cost/revenue items of the segment</b>							
	Depreciation/amortisation recognised in profit or loss	( 695)	( 228)	( 484)	( 136)	484	15	<b>(1 044)</b>
	(Recognition)/reversal of impairment losses on non-current assets, including:	189	783	-	( 1)	-	( 242)	<b>729</b>
	reversal of allowances for impairment of loans granted	192	783	-	-	-	( 192)	<b>783</b>
	<b>Assets, including:</b>	<b>47 206</b>	<b>15 151</b>	<b>13 346</b>	<b>5 977</b>	<b>(13 346)</b>	<b>(15 228)</b>	<b>53 106</b>
	Segment assets:	47 206	15 151	13 346	5 977	(13 346)	(15 232)	<b>53 102</b>
	Assets unallocated to segments	-	-	-	-	-	4	<b>4</b>
	<b>Liabilities, including:</b>	<b>18 230</b>	<b>19 023</b>	<b>13 835</b>	<b>3 348</b>	<b>(13 835)</b>	<b>(19 139)</b>	<b>21 462</b>
	Segment liabilities	18 230	19 023	13 835	3 348	(13 835)	(19 182)	<b>21 419</b>
	Liabilities unallocated to segments	-	-	-	-	-	43	<b>43</b>
	<b>Other information</b>							
	Cash expenditures on property, plant and equipment and intangible assets – cash flow	1 349	494	524	196	( 524)	( 71)	<b>1 968</b>
	<b>Production and cost data</b>							
	Payable copper (kt)	296.3	36.9	44.5				
	Molybdenum (million pounds)	-	0.1	1.9				
	Silver (t)	668.5	0.8	13.9				
	TPM (koz t)**	40.9	34.7	15.6				
	C1 cash cost of producing copper in concentrate (USD/lb PLN/lb)***	2.40	10.20	2.00	8.47	1.38	5.85	
	<b>Segment result - Adjusted EBITDA</b>	<b>3 439</b>	<b>574</b>	<b>1 154</b>	<b>142</b>	-	-	<b>5 309</b>
	<b>EBITDA margin****</b>	<b>23%</b>	<b>36%</b>	<b>60%</b>	<b>2%</b>	-	-	<b>27%</b>

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

\*\* TPM (Total Precious Metals) – precious metals (gold, platinum, palladium).

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

\*\*\*\* Adjusted EBITDA to revenues from contracts with customers. For the purposes of calculating the Group's EBITDA margin (27%), the consolidated revenues from contracts with customers were increased by revenues from contracts with customers of the segment Sierra Gorda S.C.M. [5 309 / (17 926 + 1 938) \* 100%]

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



## Reconciliation of adjusted EBITDA

from 1 January 2022 to 30 June 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)
<b>Profit/(loss) for the period</b>	<b>2 808</b>	<b>1 071</b>	<b>( 28)</b>	<b>329</b>	<b>4 180</b>	<b>179</b>	
[ - ] Profit or loss on involvement in joint ventures	-	1 102	-	-	1 102	-	
[ - ] Taxes	( 968)	( 93)	( 11)	( 62)	(1 134)	( 110)	
[ - ] Depreciation/amortisation recognised in profit or loss	( 695)	( 228)	( 136)	15	(1 044)	( 484)	
[ - ] Finance income/(costs)	( 361)	( 484)	( 20)	507	( 358)	( 393)	
[ - ] Other operating income/(costs)	1 393	200	( 2)	( 52)	1 539	12	
[ - ] (Recognition)/reversal of impairment losses on non-current assets recognised in cost of sales, selling costs and administrative expenses	-	-	( 1)	( 46)	( 47)	-	
<b>Segment result - adjusted EBITDA</b>	<b>3 439</b>	<b>574</b>	<b>142</b>	<b>( 33)</b>	<b>4 122</b>	<b>1 154</b>	<b>5 309</b>

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

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

## Reconciliation of adjusted EBITDA

from 1 January 2021 to 30 June 2021

	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)
<b>Profit/(loss) for the period</b>	<b>4 226</b>	<b>1 673</b>	<b>65</b>	<b>(2 241)</b>	<b>3 723</b>	<b>476</b>	
[ - ] Profit or loss on involvement in joint ventures	-	1 849	-	-	1 849	-	
[ - ] Taxes	( 852)	( 15)	( 31)	( 8)	( 906)	( 236)	
[ - ] Depreciation/amortisation recognised in profit or loss	( 656)	( 242)	( 126)	4	(1 020)	( 370)	
[ - ] Finance income/(costs)	( 209)	( 495)	( 8)	503	( 209)	( 392)	
[ - ] Other operating income/(costs)	2 793	13	85	(2 708)	183	( 4)	
[ - ] (Recognition)/reversal of impairment losses on non-current assets recognised in cost of sales, selling costs and administrative expenses	( 7)	30	-	2	25	-	
<b>Adjusted EBITDA</b>	<b>3 157</b>	<b>533</b>	<b>145</b>	<b>( 34)</b>	<b>3 801</b>	<b>1 478</b>	<b>5 313</b>

\* 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.

## Note 2.3 Revenues from contracts with customers of the Group – breakdown by products

from 1 January 2022 to 30 June 2022

	KGHM Polska Miedź S.A.	KGHM INTERNATIONAL LTD.	Sierra Gorda S.C.M.*	Other segments	Reconciliation items to consolidated data		Consolidated data
					Elimination of data of the segment Sierra Gorda S.C.M	Consolidation adjustments	
Copper	11 913	1 075	1 603	6	(1 603)	( 28)	<b>12 966</b>
Silver	2 332	12	45	-	( 45)	-	<b>2 344</b>
Gold	332	160	122	-	( 122)	-	<b>492</b>
Services	85	274	-	1 062	-	( 836)	<b>585</b>
Energy	17	-	-	181	-	( 106)	<b>92</b>
Salt	14	-	-	-	-	6	<b>20</b>
Blasting materials and explosives	-	-	-	126	-	( 60)	<b>66</b>
Mining machinery, transport vehicles and other types of machinery and equipment	-	-	-	115	-	( 89)	<b>26</b>
Fuel additives	-	-	-	82	-	-	<b>82</b>
Lead	153	-	-	-	-	-	<b>153</b>
Products from other non-ferrous metals	-	-	-	91	-	( 1)	<b>90</b>
Steel	-	-	-	404	-	( 123)	<b>281</b>
Petroleum and its derivatives	-	-	-	244	-	( 198)	<b>46</b>
Other merchandise and materials	171	-	-	3 834	-	(3 769)	<b>236</b>
Other products	194	95	168	379	( 168)	( 221)	<b>447</b>
<b>TOTAL</b>	<b>15 211</b>	<b>1 616</b>	<b>1 938</b>	<b>6 524</b>	<b>(1 938)</b>	<b>(5 425)</b>	<b>17 926</b>

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

from 1 January 2021 to 30 June 2021

				Other segments	Reconciliation items to consolidated data		Consolidated data
	KGHM Polska Miedź S.A.	KGHM INTERNATIONAL LTD.	Sierra Gorda S.C.M.*		Elimination of data of the segment Sierra Gorda S.C.M	Consolidation adjustments	
Copper	9 408	1 028	1 766	5	(1 766)	(14)	10 427
Silver	1 996	2	49	-	(49)	-	1 998
Gold	262	110	94	-	(94)	-	372
Services	70	206	-	1 011	-	(807)	480
Energy	28	-	-	174	-	(125)	77
Salt	15	-	-	-	-	20	35
Blasting materials and explosives	-	-	-	107	-	(41)	66
Mining machinery, transport vehicles and other types of machinery and equipment	-	-	-	102	-	(78)	24
Fuel additives	-	-	-	46	-	-	46
Lead	135	-	-	-	-	-	135
Products from other non-ferrous metals	-	-	-	53	-	(2)	51
Steel	-	-	-	314	-	(36)	278
Petroleum and its derivatives	-	-	-	144	-	(123)	21
Other merchandise and materials	124	-	-	2 812	-	(2 724)	212
Other products	106	61	235	216	(235)	(99)	284
<b>TOTAL</b>	<b>12 144</b>	<b>1 407</b>	<b>2 144</b>	<b>4 984</b>	<b>(2 144)</b>	<b>(4 029)</b>	<b>14 506</b>

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

## Note 2.4 Revenues from contracts with customers of the Group – breakdown by type of contracts

	from 1 January 2022 to 30 June 2022						
	KGHM Polska Miedź S.A.	KGHM INTERNATIONAL LTD.	Sierra Gorda S.C.M.*	Other segments	Reconciliation items to consolidated data		Consolidated data
					Elimination of data of the segment Sierra Gorda S.C.M	Consolidation adjustments	
<b>Total revenues from contracts with customers</b>	<b>15 211</b>	<b>1 616</b>	<b>1 938</b>	<b>6 524</b>	<b>(1 938)</b>	<b>(5 425)</b>	<b>17 926</b>
Revenues from sales contracts, for which the price is set after the date of recognition of the sales (M+ principle), of which:	12 092	1 342	2 113	62	(2 113)	( 77)	<b>13 419</b>
settled	11 155	1 138	340	62	( 340)	( 76)	<b>12 279</b>
unsettled	937	204	1 773	-	(1 773)	( 1)	<b>1 140</b>
Revenues from realisation of long-term contracts	-	256	-	43	-	( 40)	<b>259</b>
Revenues from other sales contracts	3 119	18	( 175)	6 419	175	(5 308)	<b>4 248</b>
<b>Total revenues from contracts with customers, of which:</b>	<b>15 211</b>	<b>1 616</b>	<b>1 938</b>	<b>6 524</b>	<b>(1 938)</b>	<b>(5 425)</b>	<b>17 926</b>
in factoring	4 658	-	-	174	-	( 130)	<b>4 702</b>
not in factoring	10 553	1 616	1 938	6 350	(1 938)	(5 295)	<b>13 224</b>

	from 1 January 2022 to 30 June 2022	from 1 January 2021 to 30 June 2021
<b>Total revenues from contracts with customers, of which:</b>	<b>17 926</b>	<b>14 506</b>
transferred at a certain moment	17 206	13 949
transferred over time	720	557

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

	from 1 January 2021 to 30 June 2021						
	KGHM Polska Miedź S.A.	KGHM INTERNATIONAL LTD.	Sierra Gorda S.C.M.*	Other segments	Reconciliation items to consolidated data		Consolidated data
					Elimination of data of the segment Sierra Gorda S.C.M	Consolidation adjustments	
<b>Total revenues from contracts with customers</b>	<b>12 144</b>	<b>1 407</b>	<b>2 144</b>	<b>4 984</b>	<b>(2 144)</b>	<b>(4 029)</b>	<b>14 506</b>
Revenues from sales contracts, for which the price is set after the date of recognition of the sales (M+ principle), of which:	9 697	1 200	1 990	20	(1 990)	(39)	<b>10 878</b>
settled	8 931	1 048	117	20	(117)	(39)	<b>9 960</b>
unsettled	766	152	1 873	-	(1 873)	-	<b>918</b>
Revenues from realisation of long-term contracts	-	196	-	130	-	(123)	<b>203</b>
Revenues from other sales contracts	2 447	11	154	4 834	(154)	(3 867)	<b>3 425</b>
<b>Total revenues from contracts with customers, of which:</b>	<b>12 144</b>	<b>1 407</b>	<b>2 144</b>	<b>4 984</b>	<b>(2 144)</b>	<b>(4 029)</b>	<b>14 506</b>
in factoring	4 770	-	-	44	-	(3)	<b>4 811</b>
not in factoring	7 374	1 407	2 144	4 940	(2 144)	(4 026)	<b>9 695</b>

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

**Note 2.5 Revenues from contracts with customers of the Group – geographical breakdown reflecting the location of end customers**

	from 1 January 2022 to 30 June 2022							from 1 January 2021 to 30 June 2021	
	KGHM Polska Miedź S.A.	KGHM INTERNATIONAL LTD.	Sierra Gorda S.C.M.*	Other segments	Reconciliation items to consolidated data		Consolidated data	KGHM Polska Miedź S.A. Group	
					Elimination of data of the segment Sierra Gorda S.C.M.	Consolidation adjustments			
Poland	3 924	-	8	6 315	(8)	(5 403)	4 836	3 477	
Austria	288	-	-	14	-	-	302	222	
Belgium	27	-	-	10	-	-	37	12	
Bulgaria	19	-	-	7	-	-	26	25	
Czechia	1 252	-	-	9	-	-	1 261	1 008	
Denmark	2	-	-	-	-	-	2	17	
France	381	-	-	1	-	-	382	599	
Spain	-	-	1	1	(1)	-	1	1	
The Netherlands	5	-	71	6	(71)	-	11	2	
Lithuania	2	-	-	12	-	-	14	-	
Germany	2 961	-	-	55	-	-	3 016	1 900	
Romania	78	-	-	1	-	-	79	158	
Slovakia	96	-	-	9	-	-	105	69	
Slovenia	78	-	-	1	-	-	79	82	
Sweden	-	-	-	15	-	-	15	39	
Hungary	813	-	-	7	-	-	820	591	
The United Kingdom	954	-	-	3	-	-	957	584	
Italy	1 209	-	-	16	-	-	1 225	949	
Australia	399	-	-	-	-	-	399	515	
Chile	-	200	464	-	(464)	-	200	57	
China	1 175	796	960	-	(960)	-	1 971	1 552	
India	-	-	3	-	(3)	-	-	-	
Japan	62	-	359	-	(359)	-	62	134	
Canada	29	321	-	-	-	(22)	328	268	
South Korea	-	-	52	-	(52)	-	-	33	
The United States of America	467	119	3	8	(3)	-	594	1 416	
Switzerland	332	-	-	-	-	-	332	268	
Turkey	153	-	-	6	-	-	159	60	
Taiwan	23	-	-	-	-	-	23	-	
Brazil	-	-	17	-	(17)	-	-	-	
Thailand	306	-	-	-	-	-	306	246	
Philippines	-	92	-	-	-	-	92	4	
Malesia	-	-	-	-	-	-	-	15	
Vietnam	121	-	-	-	-	-	121	147	
Other countries	55	88	-	28	-	-	171	56	
<b>TOTAL</b>	<b>15 211</b>	<b>1 616</b>	<b>1 938</b>	<b>6 524</b>	<b>(1 938)</b>	<b>(5 425)</b>	<b>17 926</b>	<b>14 506</b>	

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

**Note 2.6 Main customers**

In the period from 1 January 2022 to 30 June 2022 and in the comparable period, the revenues from no single contractor exceeded 10% of the sales revenue of the Group.

**Note 2.7 Non-current assets – geographical breakdown**

	As at 30 June 2022	As at 31 December 2021
Poland	23 734	23 545
Canada	1 879	1 577
The United States of America	2 023	1 765
Chile	132	229
Other countries	40	94
<b>TOTAL*</b>	<b>27 808</b>	<b>27 210</b>

\*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 11 871 million as at 30 June 2022 (PLN 9 813 million as at 31 December 2021).

## Part 3 – Explanatory notes to the consolidated statement of profit or loss

### Note 3.1 Expenses by nature

	from 1 January 2022 to 30 June 2022	from 1 January 2021 to 30 June 2021
Depreciation of property, plant and equipment and amortisation of intangible assets	1 159	1 196
Employee benefits expenses	3 523	3 127
Materials and energy, including:	8 058	5 832
purchased metal-bearing materials	4 624	3 656
External services	1 144	985
Minerals extraction tax	1 653	1 635
Other taxes and charges	373	437
Revaluation of inventories	9	18
Impairment losses on property, plant and equipment and intangible assets*	47	21
Reversal of an impairment loss on property, plant and equipment and intangible assets	-	( 45)
Other costs	107	90
<b>Total expenses by nature</b>	<b>16 073</b>	<b>13 296</b>
Cost of merchandise and materials sold (+)	443	357
Change in inventories of finished goods and work in progress (+/-)	( 730)	(1 201)
Cost of manufacturing products for internal use of the Group (-)	( 891)	( 752)
<b>Total costs of sales, selling costs and administrative expenses, of which:</b>	<b>14 895</b>	<b>11 700</b>
Cost of sales	14 032	11 024
Selling costs	266	215
Administrative expenses	597	461

\* Concerns spa companies of the Group, details may be found in Note 1.6.

**Note 3.2 Other operating income and (costs)**

	from 1 January 2022 to 30 June 2022	from 1 January 2021 to 30 June 2021
Gains on derivatives, of which:	206	283
measurement of derivatives	163	249
realisation of derivatives	43	34
Interest income calculated using the effective interest rate method	26	1
Exchange differences on assets and liabilities other than borrowings	1 248	227
Reversal of impairment losses on financial instruments	3	18
Provisions released	46	21
Note 4.12 Gain on disposal of intangible assets	135	-
Gain on disposal of property, plant and equipment	-	51
Note 4.12 Gain on disposal of subsidiaries	173	-
Government grants received	9	7
Income from servicing of letters of credit and guarantees	11	65
Other	91	66
<b>Total other operating income</b>	<b>1 948</b>	<b>739</b>
Losses on derivatives, of which:	( 199)	( 415)
measurement of derivatives	( 35)	( 103)
realisation of derivatives	( 164)	( 312)
Fair value losses on financial assets	( 124)	( 64)
Impairment losses on financial instruments	( 3)	( 3)
Impairment loss on fixed assets under construction	( 7)	( 11)
Provisions recognised	( 16)	( 25)
Loss on disposal of property, plant and equipment	( 8)	-
Donations given	( 16)	( 8)
Other	( 36)	( 30)
<b>Total other operating costs</b>	<b>( 409)</b>	<b>( 556)</b>
<b>Other operating income and (costs)</b>	<b>1 539</b>	<b>183</b>

**Note 3.3 Finance income and (costs)**

	<b>from 1 January 2022 to 30 June 2022</b>	<b>from 1 January 2021 to 30 June 2021</b>
Gains on derivatives - realisation of derivatives	47	35
<b>Total finance income</b>	<b>47</b>	<b>35</b>
Interest on borrowings, including:		
leases	( 11)	( 48)
Bank fees and charges on borrowings	( 5)	( 7)
Exchange differences on measurement and realisation of borrowings	( 16)	( 13)
Losses on derivatives, of which:	( 303)	( 120)
measurement of derivatives	( 51)	( 39)
realisation of derivatives	-	( 1)
Unwinding of the discount effect on provisions	( 51)	( 38)
Other	( 9)	( 7)
<b>Total finance costs</b>	<b>( 15)</b>	<b>( 17)</b>
<b>Finance income and (costs)</b>	<b>( 405)</b>	<b>( 244)</b>
	<b>( 358)</b>	<b>( 209)</b>

## Part 4 – Other explanatory notes

### Note 4.1 Information on property, plant and equipment and intangible assets

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

	from 1 January 2022 to 30 June 2022	from 1 January 2021 to 30 June 2021
Purchase of property, plant and equipment, including:	1 777	1 504
leased assets	83	36
Purchase of intangible assets	90	122

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

	As at 30 June 2022	As at 31 December 2021
Payables due to the purchase of property, plant and equipment and intangible assets	545	835

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

	As at 30 June 2022	As at 31 December 2021
Purchase of property, plant and equipment	1 111	1 056
Purchase of intangible assets	24	26
<b>Total capital commitments</b>	<b>1 135</b>	<b>1 082</b>

### Note 4.2 Involvement in joint ventures

As at 30 June 2022, KGHM Polska Miedź S.A. 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).

During the reporting 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 purchase price includes the amount of USD 1 400 million, payable on the transaction date and USD 500 million, depending on the copper prices in the years 2022 - 2025. 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 June 2022, none of the agreements regulating the cooperation between the JV partners in the Sierra Gorda S.C.M. has been modified. In the case of an off-take agreement, the right to off-take 50% of the copper concentrate by the previous partner was not transferred to the new partner.

**Joint ventures accounted for using the equity method**

	from 1 January 2022 to 30 June 2022	from 1 January 2021 to 30 June 2021
<b>As at the beginning of the reporting period</b>	-	-
Share of profit for the reporting period	179	476
Settlement of the Group's share of unsettled losses from prior years (accumulated comprehensive losses)	( 123)	( 436)
Exchange differences from the translation of statements of operations with a functional currency other than PLN	( 56)	( 40)
<b>As at the end of the reporting period</b>	-	-
	from 1 January 2022 to 30 June 2022	from 1 January 2021 to 30 June 2021
<b>Share of the Group (55%) in profit of Sierra Gorda S.C.M. for the reporting period, of which:</b>	<b>179</b>	<b>476</b>
recognised in the measurement of joint ventures	179	476

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

	from 1 January 2022 to 30 June 2022	from 1 January 2021 to 31 December 2021
<b>As at the beginning of the reporting period</b>	<b>(1 283)</b>	<b>(4 203)</b>
Settlement of the Group's share of unsettled losses from prior years (accumulated comprehensive losses)	123	2 920
Unrecognised adjustment due to unrealised gains on a transaction between the Group and the joint venture (sale of the SG Oxide project)	( 74)	-
<b>As at the end of the reporting period</b>	<b>(1 234)</b>	<b>(1 283)</b>

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

	from 1 January 2022 to 30 June 2022	from 1 January 2021 to 31 December 2021
<b>As at the beginning of the reporting period</b>	<b>8 314</b>	<b>6 069</b>
Repayment of loans	( 789)	(1 259)
Accrued interest	319	494
Gain due to reversal of an impairment allowance	783	2 380
Exchange differences from the translation of statements of operations with a functional currency other than PLN	811	630
<b>As at the end of the reporting period</b>	<b>9 438</b>	<b>8 314</b>

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 the scenario analysis and 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. estimated based on current forecasts of pricing paths of commodities, adopted on the basis of a decision of the Market Risk Committee of KGHM Polska Miedź S.A., which took into account current market forecasts, 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 June 2022, 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 there was a reversal of an allowance for impairment in the amount of PLN 783 million (USD 176 million).

**Basic macroeconomic assumptions adopted for cash flow estimation – metal prices**

Price paths were adopted on the basis of a decision of the Market Risk Committee of KGHM Polska Miedź S.A., which took into account current market forecasts:

Period	II H 2022	2023	2024	2025	LT
<b>Copper price [USD/t]</b>	8 500	8 500	8 500	8 500	7 700
<b>Gold price [USD/oz]</b>	1 800	1 800	1 750	1 700	1 500

**Other key assumptions used for cash flow estimation**

Assumption	Sierra Gorda S.C.M.
Mine life / forecast period	22
Level of copper production during mine life (kt)	3 379
Level of molybdenum production during mine life (million pounds)	209
Level of gold production during mine life (koz)	934
Average operating margin during mine life	41.9%
Applied discount rate after taxation for assets in the operational phase (used to calculate the fair value for the disclosure purposes in Note 4.3.)	9.00%
Capital expenditures to be incurred during mine life [USD million]	1 390

**Note 4.3 Financial instruments**

Financial assets	As at 30 June 2022					As at 31 December 2021				
	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
<b>Non-current</b>	766	91	9 976	805	<b>11 638</b>	615	32	8 366	585	<b>9 598</b>
Loans granted to a joint venture	-	-	9 438	-	<b>9 438</b>	-	-	7 867	-	<b>7 867</b>
Derivatives	-	9	-	805	<b>814</b>	-	10	-	585	<b>595</b>
Other financial instruments measured at fair value	766	82	-	-	<b>848</b>	615	22	-	-	<b>637</b>
Other financial instruments measured at amortised cost**	-	-	538	-	<b>538</b>	-	-	499	-	<b>499</b>
<b>Current</b>	-	1 238	3 264	489	<b>4 991</b>	-	632	2 920	249	<b>3 801</b>
Loans granted to a joint venture	-	-	-	-	-	-	-	447	-	<b>447</b>
Trade receivables*/**	-	1 095	429	-	<b>1 524</b>	-	627	397	-	<b>1 024</b>
Derivatives	-	98	-	489	<b>587</b>	-	5	-	249	<b>254</b>
Cash and cash equivalents**	-	-	2 635	-	<b>2 635</b>	-	-	1 904	-	<b>1 904</b>
Other financial assets	-	45	200	-	<b>245</b>	-	-	172	-	<b>172</b>
<b>Total</b>	<b>766</b>	<b>1 329</b>	<b>13 240</b>	<b>1 294</b>	<b>16 629</b>	<b>615</b>	<b>664</b>	<b>11 286</b>	<b>834</b>	<b>13 399</b>

\* The significant increase in the balance of trade receivables measured at fair value through profit or loss as at 30 June 2022 as compared to the balance as at 31 December 2021 results mainly from an increase in the volume of sales in June 2022 as compared to the volume of sales in December 2021.

\*\* Including balances of assets and liabilities held for sale regarding 2021, presented in the table below.

Financial liabilities	As at 30 June 2022				As at 31 December 2021			
	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
<b>Non-current</b>	69	4 993	1 010	<b>6 072</b>	78	5 696	1 056	<b>6 830</b>
Borrowings, lease and debt securities*	-	4 786	-	<b>4 786</b>	-	5 475	-	<b>5 475</b>
Derivatives	69	-	1 010	<b>1 079</b>	78	-	1 056	<b>1 134</b>
Other financial liabilities	-	207	-	<b>207</b>	-	221	-	<b>221</b>
<b>Current</b>	79	5 123	335	<b>5 537</b>	200	3 587	848	<b>4 635</b>
Borrowings, lease and debt securities*	-	1 250	-	<b>1 250</b>	-	474	-	<b>474</b>
Derivatives	36	-	335	<b>371</b>	41	-	848	<b>889</b>
Trade payables*	-	3 101	-	<b>3 101</b>	-	2 919	-	<b>2 919</b>
Similar payables - reverse factoring	-	37	-	<b>37</b>	-	95	-	<b>95</b>
Other financial liabilities*	43	735	-	<b>778</b>	159	99	-	<b>258</b>
<b>Total</b>	<b>148</b>	<b>10 116</b>	<b>1 345</b>	<b>11 609</b>	<b>278</b>	<b>9 283</b>	<b>1 904</b>	<b>11 465</b>

\* including balances of assets and liabilities held for sale regarding 2021, presented in the table below.

Financial assets - held for sale (disposal group)	As at 31 December 2021		Total
	At fair value through profit or loss	At amortised cost	
<b>Non-current</b>	-	3	3
Other financial instruments measured at amortised cost	-	3	3
<b>Current</b>	13	22	35
Trade receivables	13	2	15
Cash and cash equivalents	-	20	20
<b>Total</b>	<b>13</b>	<b>25</b>	<b>38</b>

Financial liabilities associated with disposal group	As at 31 December 2021
	At amortised cost
<b>Non-current</b>	66
Borrowings, lease and debt securities	66
<b>Current</b>	66
Borrowings, lease and debt securities	19
Trade payables	40
Other financial liabilities	7
<b>Total</b>	<b>132</b>

Financial assets - excluding assets held for sale (disposal group)	As at 31 December 2021				Total
	At fair value through other comprehensive income	At fair value through profit or loss	At amortised cost	Hedging instruments	
<b>Non-current</b>	615	32	8 363	585	<b>9 595</b>
Loans granted to a joint venture	-	-	7 867	-	<b>7 867</b>
Derivatives	-	10	-	585	<b>595</b>
Other financial instruments measured at fair value	615	22	-	-	<b>637</b>
Other financial instruments measured at amortised cost	-	-	496	-	<b>496</b>
<b>Current</b>	-	619	2 898	249	<b>3 766</b>
Loans granted to a joint venture	-	-	447	-	<b>447</b>
Trade receivables	-	614	395	-	<b>1 009</b>
Derivatives	-	5	-	249	<b>254</b>
Cash and cash equivalents	-	-	1 884	-	<b>1 884</b>
Other financial assets	-	-	172	-	<b>172</b>
<b>Total</b>	<b>615</b>	<b>651</b>	<b>11 261</b>	<b>834</b>	<b>13 361</b>

Financial liabilities – excluding liabilities related to disposal group	As at 31 December 2021			Total
	At fair value through profit or loss	At amortised cost	Hedging instruments	
<b>Non-current</b>	78	5 630	1 056	<b>6 764</b>
Borrowings, lease and debt securities	-	5 409	-	<b>5 409</b>
Derivatives	78	-	1 056	<b>1 134</b>
Other financial liabilities	-	221	-	<b>221</b>
<b>Current</b>	200	3 521	848	<b>4 569</b>
Borrowings, lease and debt securities	-	455	-	<b>455</b>
Derivatives	41	-	848	<b>889</b>
Trade payables	-	2 879	-	<b>2 879</b>
Similar payables – reverse factoring	-	95	-	<b>95</b>
Other financial liabilities	159	92	-	<b>251</b>
<b>Total</b>	<b>278</b>	<b>9 151</b>	<b>1 904</b>	<b>11 333</b>

### The fair value hierarchy of financial instruments

Classes of financial instruments	As at 30 June 2022				As at 31 December 2021			
	fair value			carrying amount	fair value			carrying amount
	level 1	level 2	level 3		level 1	level 2	level 3	
Loans granted	-	23	8 566	9 461	-	22	8 193	8 336
Listed shares	667	-	-	667	516	-	-	516
Unquoted shares	-	99	-	99	-	99	-	99
Trade receivables	-	1 095	-	1 095	-	627	-	627
Other financial assets	-	45	59	104	-	-	-	-
Derivatives, of which:	-	( 49)	-	( 49)	-	(1 174)	-	(1 174)
assets	-	1 401	-	1 401	-	849	-	849
liabilities	-	(1 450)	-	(1 450)	-	(2 023)	-	(2 023)
Received long-term bank and other loans	-	(2 233)	-	(2 244)	-	(2 913)	-	(2 901)
Long-term debt securities	(1 984)	-	-	(2 000)	(2 034)	-	-	(2 000)
Other financial liabilities	-	( 43)	-	( 43)	-	( 159)	-	( 159)

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 assets or financial liabilities.

#### 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 are 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 derivatives 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 Reuters. 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's 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. Fair value differs from the carrying amount by the amount of the premium paid to acquire the financing.

**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 estimate the fair value of loans measured at amortised cost was adopted at 9.0% (an increase by 1 percentage point as compared to 31 December 2021).

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.

Scenarios	2022	2023	2024	2025	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	Carrying amount 30 June 2022	Fair value	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	9 438	8 566	8 840	8 294
Loans granted measured at amortised cost (USD million)	2 105	1 911	1 972	1 850

On 22 February 2022, the transaction was concluded for sale of the 45% share in the company Sierra Gorda S.C.M. by Sumitomo Metal Mining Co., Ltd. and Sumitomo Corporation to South32 Limited, the Australian mining group with its registered head office in Perth. The transaction was closed on the basis of sales agreements concluded on 14 October 2021.

Taking into account above-mentioned transaction and the lack of knowledge about the details of the negotiation process and the valuation assumptions made by the parties involved in the transaction as well as the fact that shares of Sierra Gorda S.C.M. are not publicly listed, it is not justifiable to measure the carrying amount of a loan by directly referring to the transaction price from the sale transaction of the 45% interest in Sierra Gorda S.C.M. (i.e. participation in equity and loan receivables).

Nevertheless, the Group made a comparison of the carrying amount of involvement in the joint venture Sierra Gorda S.C.M. (i.e. receivable due to a loan and the investment in equity instruments) in order to verify whether the total carrying amount of the involvement does not differ substantially from the value that would result from the transaction price, taking into account: (i) limitations as to the Group's ability to obtain full knowledge of the process of reaching the transaction price, and (ii) differences in the applied discount rates for future expected cash flows obtainable from the JV (i.e. the effective interest rate for loan measurement pursuant to IFRS 9 versus the rate of return expected by the investor in the valuation of the transaction price).

In the opinion of the Management Board, the value of loans estimated by the Group does not differ significantly from the value that would be determined by reference to the transaction price. As a result, the estimated approximate fair value of total future cash flows available to Sierra Gorda S.C.M. reflects the best possible estimate of the value of loans received from the owners as well as of interest held.

#### 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.

#### Note 4.4 Commodity, currency and interest rate risk management

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

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

The primary technique used by the Group in market risk management are 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 and on the items in the statement of comprehensive income is presented below.

<b>STATEMENT OF PROFIT OR LOSS</b>	<b>from 1 January 2022 to 30 June 2022</b>	<b>from 1 January 2021 to 30 June 2021</b>
Revenues from contracts with customers	(377)	(742)
Other operating income / (costs):	7	(132)
on realisation of derivatives	(121)	(278)
on measurement of derivatives	128	146
Finance income / (costs):	(2)	(21)
on realisation of derivatives	(4)	(3)
on measurement of derivatives	-	(1)
interest on borrowings	2	(17)
<b>Impact of derivatives and hedging instruments on profit or loss for the period (excluding the tax effect)</b>	<b>(372)</b>	<b>(895)</b>
<b>STATEMENT OF OTHER COMPREHENSIVE INCOME</b>		
Measurement of hedging transactions (effective portion)	619	(1 914)
Reclassification to revenues from contracts with customers due to realisation of a hedged item	377	742
Reclassification to finance costs due to realisation of a hedged item	(2)	17
Reclassification to other operating costs due to realisation of a hedged item (settlement of the hedging cost)	131	212
<b>Impact of hedging transactions (excluding the tax effect)</b>	<b>1 125</b>	<b>(943)</b>
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>753</b>	<b>(1 838)</b>

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 half of 2022, copper sales of the Parent Entity amounted to 293 thousand tonnes (net sales of 178 thousand tonnes)<sup>1</sup>, while the notional amount of copper price hedging strategies settled in this period amounted to 64.5 thousand tonnes, which represented approx. 22% of the total sales of this metal realised by the Parent Entity and approx. 36% of net sales in this period (in the first half of 2021, 56% and 86% respectively). However, the notional amount of settled silver price hedging transactions represented approx. 22% of sales of this metal by the Parent Entity (in the first half of 2021, 26%). In the case of currency transactions, approx. 7% of revenues from copper and silver sales realised by the Parent Entity in the first half of 2022 were hedged (25% - in the first half of 2021).

As part of the realisation of the strategic plan to hedge the Parent Entity against market risk, in the first half of 2022 transactions on the forward currency market were implemented. Put options were purchased for USD 135 million (USD 15 million monthly) of planned sales revenues with maturity periods from April 2022 to December 2022 and for USD 70 million (USD 10 million monthly) of planned sales revenues in the period from June 2022 to December 2022. Moreover, in the first half of 2022 *collar* option structures were entered into on the currency market for a total amount of USD 960 million (USD 40 million monthly) of planned sales revenues in the period from January 2023 to December 2024.

In the first half of 2022, the Parent Entity did not enter into any derivatives transactions on the forward copper, silver and interest rate markets.

In the first half of 2022, QP adjustment swap transactions were entered into on the copper and gold markets with maturities to December 2022, as part of the management of a net trading position<sup>2</sup>.

As at 30 June 2022, the Parent Entity held an open derivatives position for:

- 185.28 thousand tonnes of copper (including: 178.5 thousand tonnes arose from the strategic management of market risk, while 6.78 thousand tonnes came from the management of a net trading position),
- 9.3 million troy ounces of silver, and
- USD 1 822.5 million of planned revenues from sales of metals.

Furthermore, as at 30 June 2022, the Parent Entity had bank and other 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

<sup>1</sup> Copper sales less copper in purchased metal-bearing materials.

<sup>2</sup> Applied in order to react to changes in contractual arrangements with customers, non-standard pricing terms as regards metals sales and the purchase of copper-bearing materials.

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 generates revenues. As at 30 June 2022, the bank and investment loans which were drawn in USD, following their translation to PLN, amounted to PLN 3 131 million (as at 31 December 2021: PLN 2 980 million).

In the first half of 2022, 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 June 2022. Moreover, 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 June 2022 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 June 2022, 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 condensed 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.

### Hedging against copper price risk – open derivatives as at 30 June 2022

Instrument/ option structure	Notional [tonnes]	Option strike price			Average weighted premium [USD/t]	Effective hedge price [USD/t]	
		sold put option	purchased put option	sold call option			
		<i>hedge limited to</i> [USD/t]	<i>copper price hedging</i> [USD/t]	<i>participation limited to</i> [USD/t]			
2nd half of 2022	seagull	30 000	4 600	6 300	7 500	(160)	6 140
	seagull	24 000	5 200	6 900	8 300	(196)	6 704
	seagull	15 000	6 000	9 000	11 400	(248)	8 752
	seagull	6 000	6 700	9 200	11 400	(210)	8 990
	seagull	4 500	6 700	9 400	11 600	(250)	9 150
<b>TOTAL VII-XII 2022</b>	<b>79 500</b>						
2023	seagull	48 000	5 200	6 900	8 300	(196)	6 704
	seagull	30 000	6 000	9 000	11 400	(248)	8 752
	seagull	12 000	6 700	9 200	11 400	(210)	8 990
	seagull	9 000	6 700	9 400	11 600	(250)	9 150
<b>TOTAL 2023</b>	<b>99 000</b>						

### Hedging against silver price risk – open derivatives as at 30 June 2022

Instrument/ option structure	Notional [mn ounces]	Option strike price			Average weighted premium [USD/oz]	Effective hedge price [USD/oz]	
		sold put option	purchased put option	sold call option			
		<i>hedge limited to</i> [USD/oz]	<i>silver price hedging</i> [USD/oz]	<i>participation limited to</i> [USD/oz]			
2nd half of 2022	seagull	1.80	16.00	26.00	42.00	(0.88)	25.12
	collar	1.20	-	27.00	55.00*	(2.08)	24.92
	collar	2.10	-	26.00	55.00*	(1.89)	24.11
<b>TOTAL VII-XII 2022</b>	<b>5.10</b>						
2023	seagull	4.20	16.00	26.00	42.00	(1.19)	24.81
<b>TOTAL 2023</b>	<b>4.20</b>						

\* As part of restructuration in 2021 the strike price of sold call options was increased from 42 and 43 USD/ounce to 55 USD/ounce.

**Hedging against USD/PLN currency risk - open derivatives as at 30 June 2022**

	Instrument/ option structure	Notional [USD mn]	Option strike price			Average weighted premium [PLN per USD 1]	Effective hedge price [USD/PLN]
			sold put option	purchased put option	sold call option		
			<i>hedge limited to</i> [USD/PLN]	<i>exchange rate hedging</i> [USD/PLN]	<i>participation limited to</i> [USD/PLN]		
2nd half of 2022	seagull	67.50	3.30	4.00	4.60	(0.01)	3.99
	seagull	90.00	3.30	3.90	4.50	0.03	3.93
	collar	240.00	-	3.85	4.60	(0.04)	3.81
	purchased put option	90.00	-	4.00	-	(0.05)	3.95
	purchased put option	60.00	-	4.28	-	(0.05)	4.23
	<b>TOTAL VII-XII 2022</b>	<b>547.50</b>					
2023	seagull	135.00	3.30	4.00	4.60	(0.00)	4.00
	seagull	180.00	3.30	3.90	4.50	0.03	3.93
	collar	240.0	-	4.45	5.45	(0.04)	4.41
	collar	120.0	-	4.47	5.47	(0.02)	4.45
	collar	120.0	-	4.49	5.49	(0.06)	4.43
	<b>TOTAL 2023</b>	<b>795.0</b>					
2024	collar	240.0	-	4.45	5.45	-	4.45
	collar	120.0	-	4.47	5.47	(0.02)	4.45
	collar	120.0	-	4.49	5.49	0.03	4.52
	<b>TOTAL 2024</b>	<b>480.0</b>					

**Hedging against currency-interest rate risk connected with the issue of bonds with a variable interest rate in PLN - open derivatives as at 30 June 2022**

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

The table below presents detailed data on derivative transactions designated as hedging, held by the Parent Entity as at 30 June 2022.

Open hedging derivatives	Notional of the transaction	Average weighted price /exchange rate/interest rate	Maturity - settlement period		Period of profit/loss impact***	
			[USD/t]		[USD/ounce]	
			[USD/PLN]		[USD/PLN]	
Type of derivative	copper [t] silver [mn ounces] currency [USD mn] CIRS [PLN mn]	[USD/PLN, interest rate for USD]	from	to	from	to
Copper – seagulls*	178 500	7 750-9 509	July'22	- Dec'23	July'22	- Jan'24
Silver – collars	3.30	26.36-55.00	July'22	- Dec'22	July'22	- Jan'23
Silver – seagulls*	6.00	26.00-42.00	July'22	- Dec'23	July'22	- Jan'24
Currency – purchased put option	150	4.11	July'22	- Dec'22	July'22	- Jan'23
Currency – collars	1 200	4.34-5.29	July'22	- Dec'24	July'22	Jan'25
Currency – seagulls*	472.50	3.94-4.54	July'22	- Dec'23	July'22	- Jan'24
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	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 June 2022 and net receivables<sup>3</sup> due to settled derivatives, the maximum single entity share of the amount exposed to credit risk arising from these transactions amounted to 25%, or PLN 350 million (as at 31 December 2021: 26%, or PLN 227 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 June 2022	As at 31 December 2021
Medium-high	from A+ to A- according to S&P and Fitch, and from A1 to A3 according to Moody's	97%	98%
Medium	from BBB+ to BBB- according to S&P and Fitch, and from Baa1 to Baa3 according to Moody's	3%	2%

Despite the concentration of credit risk associated with derivatives' transactions, the Parent Entity has determined that, due to its cooperation 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 June 2022 broken down into hedging transactions<sup>4</sup> and trade transactions (including: embedded and adjustment derivatives) and instruments initially designated as hedging instruments excluded from hedge accounting, is presented in detail in the tables below.

The fair value of open derivatives (assets and liabilities) as at 30 June 2022 has changed as compared to 31 December 2021 because of:

- the settlement of transactions in derivatives with maturities in the first half of 2022, which were open at the end of 2021,
- entering into new transactions on the forward currency 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 at the measurement date).

<sup>3</sup> 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.

<sup>4</sup> Within the KGHM Polska Miedź S.A. Group, the Parent Entity applies cash flow hedge accounting (CFH).

## Hedging derivatives – open position as at the end of the reporting period

Type of derivative	As at 30 June 2022					As at 31 December 2021				
	Financial assets		Financial liabilities		Net total	Financial assets		Financial liabilities		Net total
	Non-current	Current	Non-current	Current		Non-current	Current	Non-current	Current	
<b>Hedging instruments (CFH), including:</b>	<b>805</b>	<b>489</b>	<b>(1 010)</b>	<b>(335)</b>	<b>(51)</b>	<b>585</b>	<b>249</b>	<b>(1 056)</b>	<b>(848)</b>	<b>(1 070)</b>
<b>Derivatives – Metals (price of copper, silver)</b>										
Options – <i>seagull</i> * (copper)	250	278	(147)	(248)	133	299	89	(578)	(837)	(1 027)
Options – <i>collar</i> (silver)	-	90	-	-	90	11	97	-	-	108
Options – <i>seagull</i> * (silver)	67	93	(5)	(1)	154	92	49	(14)	-	127
<b>Derivatives – Currency (USDPLN exchange rate)</b>										
Options – <i>collar</i>	102	24	(107)	(36)	(17)	1	5	(2)	(6)	(2)
Options – <i>seagull</i> *	3	2	(64)	(50)	(109)	20	9	(31)	(5)	(7)
Purchased put option	-	2	-	-	2	-	-	-	-	-
<b>Derivatives – Currency-interest rate</b>										
Cross Currency Interest Rate Swap CIRS	383	-	(687)	-	(304)	162	-	(431)	-	(269)
<b>Trade instruments, including:</b>	<b>8</b>	<b>98</b>	<b>(60)</b>	<b>(30)</b>	<b>16</b>	<b>6</b>	<b>3</b>	<b>(73)</b>	<b>(40)</b>	<b>(104)</b>
<b>Derivatives – Metals (price of copper, silver, gold)</b>										
Sold put option (copper)	-	-	(50)	(22)	(72)	-	-	(57)	(6)	(63)
QP adjustment swap transactions (copper)	-	29	-	-	29	-	-	-	(5)	(5)
Sold put option (silver)	-	-	(9)	(6)	(15)	-	-	(10)	(3)	(13)
Purchased put option (silver)	-	1	-	-	1	-	2	-	-	2
Purchased call option (silver)	-	-	-	-	-	1	-	-	-	1
QP adjustment swap transactions (gold)	-	5	-	-	5	-	-	-	(2)	(2)
<b>Derivatives – Currency</b>										
Sold put option (USDPLN)	-	-	(1)	-	(1)	-	-	(5)	(2)	(7)
Purchased put option (USDPLN)	-	-	-	-	-	1	1	-	-	2
Purchased call option (USDPLN)	8	7	-	-	15	4	-	-	-	4
Collar and forward/swap (EURPLN)	-	-	-	(2)	(2)	-	-	(1)	(1)	(2)
<b>Embedded derivatives (price of copper, silver, gold)</b>										
Purchase contracts for metal-bearing materials	-	56	-	-	56	-	-	-	(21)	(21)
<b>Instruments initially designated as hedging instruments excluded from hedge accounting, including:</b>	<b>1</b>	<b>-</b>	<b>(9)</b>	<b>(6)</b>	<b>(14)</b>	<b>4</b>	<b>2</b>	<b>(5)</b>	<b>(1)</b>	<b>-</b>
<b>Derivatives – Currency (USDPLN exchange rate)</b>										
Options – <i>seagull</i>	1	-	(9)	(6)	(14)	4	2	(4)	(1)	1
<b>Derivatives – Metals (price of silver)</b>										
Options – <i>seagull</i>	-	-	-	-	-	-	-	(1)	-	(1)
<b>TOTAL OPEN DERIVATIVES</b>	<b>814</b>	<b>587</b>	<b>(1 079)</b>	<b>(371)</b>	<b>(49)</b>	<b>595</b>	<b>254</b>	<b>(1 134)</b>	<b>(889)</b>	<b>(1 174)</b>

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

## Note 4.5 Liquidity risk and capital management

### Capital management policy

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

In order to maintain financial liquidity and the creditworthiness to acquire external financing at an optimum cost, over the long term the Group's goal for the ratio of Net Debt/EBITDA is not more than 2.0. The level of the ratio as at the balance sheet dates is presented below:

Ratios	Calculations	30 June 2022	31 December 2021
<b>Net Debt/EBITDA</b>	relation of net debt to EBITDA	<b>0.5</b>	<b>0.6</b>
Net Debt	borrowings, debt securities and lease liabilities less free cash and cash equivalents	3 417	4 069
Adjusted EBITDA*	profit on sales plus depreciation/amortisation recognised in profit or loss and impairment losses on non-current assets	7 480	7 160

\*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.

In the management of liquidity, the Group also pays attention to adjusted operating profit, which is the basis for calculating the financial covenant and which is comprised of the following items:

	from 1 January 2022 to 30 June 2022	from 1 January 2021 to 31 December 2021
Profit on sales	3 031	4 710
Interest income on loans granted to joint ventures	319	494
Other operating income and (costs)	1 539	711
<b>Adjusted profit from operating activities*</b>	<b>4 889</b>	<b>5 915</b>

\*Presented amount does not include reversal of an allowance for impairment of loans granted to a joint venture.

As at the end of the reporting period, during the first half of 2022 and after the end of the reporting period, up to the date of publication of this Consolidated half-year report, the value of the financial covenant subject to the obligation to report met the conditions stipulated in the credit agreements.

### Liquidity management policy

The management of financial liquidity in the Group is performed based on the "Financial Liquidity Management Policy in the Group". The basic principles resulting from the Policy are:

- assuring the stable and effective financing of the Group's activities,
- continuous monitoring of the debt level of the Group,
- effective management of working capital, and
- co-ordinating by the Parent Entity of financial liquidity management processes in Group companies.

In the first half of 2022, the Group continued actions aimed at optimising the financial liquidity management process by concentrating on the effective management of working and debt capital. In the first half of 2022, the Parent Entity entered into an overdraft facility agreement for the amount of PLN 100 million and a maturity period of 12 months from the date of signing the agreement.

Under the liquidity management process, the Group utilises instruments which enhance its effectiveness. One of the primary instruments used by the Group to deal with current operating activities is cash pooling – local in PLN, USD and EUR and international - in USD and CAD.

**Net debt changes**

Liabilities due to borrowing	As at 31 December 2021	Cash flows	Accrued interest	Exchange differences	Other changes	As at 30 June 2022
Bank loans	735	(35)	31	63	(58)	736
Loans	2 568	(173)	38	239	3	2 675
Debt securities	2 001	(42)	42	-	-	2 001
Leases	645	(68)	26	-	21	624
<b>Total debt</b>	<b>5 949</b>	<b>(318)</b>	<b>137</b>	<b>302</b>	<b>(34)</b>	<b>6 036</b>
Free cash and cash equivalents	1 880	739	-	-	-	2 619
<b>Net debt</b>	<b>4 069</b>	<b>(1 057)</b>	<b>137</b>	<b>302</b>	<b>(34)</b>	<b>3 417</b>

**Reconciliation of cash flows recognised in net debt change**

from 1 January 2022 to 30 June 2022

<b>I. Financing activities</b>	<b>( 221)</b>
Proceeds from borrowings	50
Repayment of borrowings	( 191)
Repayment of lease liabilities	( 42)
Repayment of interest on borrowings and debt securities	( 24)
Repayment of interest on leases	( 14)
<b>II. Investing activities</b>	<b>( 97)</b>
Paid capitalised interest on borrowings	( 97)
<b>III. Change in free cash and cash equivalents</b>	<b>739</b>
<b>TOTAL (I+II+III)</b>	<b>(1 057)</b>

**Details on external financing sources**

As at 30 June 2022, the Group had open credit lines, loans and debt securities with a total balance of available financing being the equivalent of PLN 15 468 million, out of which PLN 5 412 million had been drawn.

The structure of external financing sources is presented below.

<b>Unsecured, revolving syndicated credit facility</b>			
A credit facility in the amount of USD 1 500 million, obtained on the basis of a financing agreement concluded by the Parent Entity with a syndicate of banks in 2019 with a maturity of 20 December 2024, with an option to extend it by a further 2 years (5+1+1). The Parent Entity received consent from Syndicate Members twice to extend the term of the agreement. The agreement expires on 20 December 2026, and the amount of available financing during the extension period will amount to USD 1 438 million.			
The funds acquired through this credit facility are used to finance general corporate purposes. Interest is based on LIBOR plus a margin, depending on the net debt/EBITDA financial ratio. The credit facility agreement obliges the Group to comply with the financial covenant and non-financial covenants. In accordance with contractual terms, the Parent Entity is obliged to report the level of the financial covenant for the reporting periods, i.e. as at 30 June and as at 31 December. The Parent Entity continuously monitors the risk of exceeding the level of the financial covenant stipulated in the credit facility agreement. As at the reporting date, during the first half of 2022, and after the reporting date, up to the signing of these Consolidated financial statements, the value of the financial covenant complied with the provisions of the agreement. As at 30 June 2022 and as at 31 December 2021, the balance of liabilities due to the utilisation of the credit facility amounts to PLN 0 million.			
	<b>As at 30 June 2022</b>	<b>As at 30 June 2022</b>	<b>As at 31 December 2021</b>
	<b>Amount granted</b>	<b>Amount of the liability</b>	<b>Amount of the liability</b>
	6 724	(12)*	(14)*

\* Paid service charge which decreases financial liabilities due to received bank loans settled in time.

**Investment loans**

Loans, including loans granted to the Parent Entity by the European Investment Bank in the total amount of PLN 3 340 million:

1. Investment loan in the amount of PLN 2 000 million, with three instalments drawn and the payback periods expiring on 30 October 2026, 30 August 2028 and 23 May 2029 and utilised to the maximum available amount. The funds obtained through this loan were used to finance the Company's investment projects related to modernisation of metallurgy and development of the Żelazny Most tailings storage facility. The loan's instalments have a fixed interest rate.
2. Investment loan in the amount of PLN 1 340 million granted in December 2017 by the European Investment Bank with a financing period of 12 years. So far, the Parent Entity has drawn three instalments under this loan with the payback periods expiring on 28 June 2030, 23 April 2031 and 11 September 2031. The unutilised part of the loan in the amount of PLN 440 million is available until April 2023. The funds acquired through this loan are used to finance the Parent Entity's projects related to development and replacement at various stages of the production process. The loan's drawn instalments have a fixed interest rate.

The loan agreements with the European Investment Bank oblige the Parent Entity to comply with the financial covenant and non-financial covenants commonly stipulated in such types of agreements. In accordance with contractual terms, the Parent Entity is obliged to report the level of the financial covenant for the reporting periods, i.e. as at 30 June and as at 31 December. The Parent Entity continuously monitors the risk of exceeding the level of the financial covenant stipulated in the loans agreements. As at the reporting date, during the first half of 2022, and after the reporting date, up to the signing of these Consolidated financial statements, the value of the financial covenant complied with the provisions of the loan agreements.

	As at 30 June 2022	As at 30 June 2022	As at 31 December 2021
	Amount granted	Amount of the liability	Amount of the liability
	3 537	2 675	2 568

**Other bank loans**

Bilateral bank loans in the total amount up to PLN 3 207 million are used to finance working capital and are a supporting tool in the management of financial liquidity and support financing of advanced investment undertakings. The Group holds lines of credit in the form of short-term and long-term credit agreements. The funds are available under open lines of credit in PLN, USD and EUR, with interest based on a fixed interest rate or variable WIBOR, LIBOR and EURIBOR plus a margin.

	As at 30 June 2022	As at 30 June 2022	As at 31 December 2021
	Amount granted	Amount of the liability	Amount of the liability
	3 207	748	749

<b>Debt securities</b>			
A bond issue program of the Parent Entity was established on the Polish market by an issue agreement on 27 May 2019. The issue with a nominal value of PLN 2 000 million took place on 27 June 2019, under which bonds were issued with a maturity of 5 years in the amount of PLN 400 million and a redemption date of 27 June 2024 as well as bonds with a maturity of 10 years in the amount of PLN 1 600 million and a redemption date of 27 June 2029.			
The nominal value of one bond is PLN 1 000, and the issue price is equal to the nominal value. The bonds' interest rates are based on variable WIBOR plus a margin.			
The funds from the issue of the bonds are used to finance general corporate purposes.			
	<b>As at 30 June 2022</b>	<b>As at 30 June 2022</b>	<b>As at 31 December 2021</b>
	<b>Nominal value of the issue</b>	<b>Amount of the liability</b>	<b>Amount of the liability</b>
	2 000	2 001	2 001
<b>Total bank and other loans, debt securities</b>	<b>15 468</b>	<b>5 412</b>	<b>5 304</b>

The aforementioned sources fully cover the current, medium and long-term liquidity needs of the Group.

The syndicated credit facility in the amount of USD 1 500 million, the investment loans in the amount of PLN 3 340 million, and bilateral bank loans granted to the Parent Entity in the amount of PLN 3 148 million, are unsecured. Repayment of a part of the liabilities of other Group companies due to bilateral bank loans and other loans are secured and the carrying amount of assets which are the guarantees of repayment of external financing as at 30 June 2022 amounted to PLN 244 million, including property, plant and equipment in the amount of PLN 118 million.

<b>Cash and cash equivalents</b>	<b>As at 30 June 2022</b>	<b>As at 31 December 2021</b>
Cash in bank accounts	1 022	1 151
Other financial assets with a maturity of up to 3 months from the date of acquisition - deposits	1 591	744
Other cash	22	9
<b>Total cash and cash equivalents, of which:</b>	<b>2 635</b>	<b>1 904</b>
presented in assets held for sale (disposal group)	-	20
presented as "cash and cash equivalents"	2 635	1 884

#### **Liabilities due to guarantees granted**

Guarantees and letters of credit are an essential financial liquidity management tool 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 June 2022, the Group held liabilities due to guarantees and letters of credit granted in the total amount of PLN 1 174 million and due to promissory note liabilities in the amount of PLN 144 million.

The most significant items 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 986 million (USD 220 million) set as security on the repayment of tranches of a bank loan drawn by Sierra Gorda S.C.M. The carrying amount of the liability due to a financial guarantee granted was recognised in the amount of PLN 72 million\*, the guarantee is valid for up to 2 years,

#### **other entities, including the Parent Entity:**

- PLN 117 million to secure 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 52 million (PLN 47 million, CAD 2 million and EUR 1 million) securing the obligations related to proper execution of agreements concluded, the guarantee is valid for up to 3 years,
- PLN 2 million to secure obligations related to tax and customs duties on imported merchandise, 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 and letters of credit granted as low.

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

**Note 4.6 Employee benefits liabilities**

	As at 30 June 2022	As at 31 December 2021
Non-current	2 292	2 307
Current	183	161
<b>Liabilities due to future employee benefits programs, of which:</b>	<b>2 475</b>	<b>2 468</b>
presented in liabilities associated with disposal group	-	1
presented as "employee benefits liabilities"	2 475	2 467
Remuneration liabilities	205	297
Social insurance liabilities	392	272
Accruals (unused annual leave, bonuses, other)	901	719
<b>Other current employee benefits liabilities, of which:</b>	<b>1 498</b>	<b>1 288</b>
presented in liabilities associated with disposal group	-	12
presented as "employee benefits liabilities"	1 498	1 276
<b>Total employee benefits liabilities</b>	<b>3 973</b>	<b>3 756</b>

Discount rate adopted for the measurement of liabilities due to future employee benefits programs in the Parent Entity:

as at 30 June 2022	2022	2023	2024	2025	2026 and beyond
- discount rate	7.00%*	7.00%	7.00%	7.00%	7.00%

\*Increase in the discount rate, period to period, results from the increase in risk-free rate.

as at 31 December 2021	2022	2023	2024	2025	2026 and beyond
- discount rate	3.60%	3.60%	3.60%	3.60%	3.60%

**Note 4.7 Provisions for decommissioning costs of mines and other technological facilities**

	from 1 January 2022 to 30 June 2022	from 1 January 2021 to 31 December 2021
<b>Provisions at the beginning of the reporting period</b>	<b>1 552</b>	<b>1 884</b>
Changes in estimates recognised in fixed assets	36	( 356)
Changes due to loss of control of subsidiaries	( 89)	-
Other	31	24
<b>Provisions at the end of the reporting period, of which:</b>	<b>1 530</b>	<b>1 552</b>
- non-current provisions, of which:	<b>1 508</b>	<b>1 531</b>
presented in liabilities associated with disposal group	-	289
presented as "provisions for decommissioning costs of mines and other technological facilities"	1 508	1 242
- current provisions, of which:	<b>22</b>	<b>21</b>
presented in liabilities associated with disposal group	-	1
presented as "provisions for liabilities and other charges"	22	20

**Note 4.8 Other liabilities**

	As at 30 June 2022	As at 31 December 2021
Deferred income, including:	375	355
liabilities due to Franco Nevada streaming contract	228	210
Trade payables	182	187
Other liabilities	72	78
<b>Other liabilities – non-current, of which:</b>	<b>629</b>	<b>620</b>
recognised in liabilities associated with disposal group	-	3
recognised as “other liabilities”	629	617
Special funds	430	412
Deferred income, including:	332	147
trade payables	98	106
grants related to assets	5	7
non-current assets received free of charge	172	5
Accruals, including:	731	830
provision for purchase of property rights related to consumed electricity	142	98
charges for discharging gases and dusts to the air	185	260
other accounted costs, proportional to achieved revenues, which are future liabilities estimated on the basis of contracts entered into	203	196
Other financial liabilities, including:	778	258
liabilities due to dividends	600	-
Other non-financial liabilities	62	43
<b>Other liabilities – current, of which:</b>	<b>2 333</b>	<b>1 690</b>
recognised in liabilities associated with disposal group	-	29
recognised as “other liabilities”	2 333	1 661
<b>Total – non-current and current liabilities</b>	<b>2 962</b>	<b>2 310</b>

**Note 4.9 Related party transactions**

<b>Operating income from related entities</b>	from 1 January 2022 to 30 June 2022	from 1 January 2021 to 30 June 2021
Revenues from sales of products, merchandise and materials to a joint venture	17	12
Interest income on loans granted to a joint venture	319	194
Revenues from other transactions with a joint venture	11	65
Revenues from other transactions with other related parties	9	8
<b>Total</b>	<b>356</b>	<b>279</b>

<b>Purchases from related entities</b>	<b>from 1 January 2022 to 30 June 2022</b>	<b>from 1 January 2021 to 30 June 2021</b>
Purchase of services, merchandise and materials	28	26
Other purchase transactions	2	2
<b>Total</b>	<b>30</b>	<b>28</b>

<b>Trade and other receivables from related parties</b>	<b>As at 30 June 2022</b>	<b>As at 31 December 2021</b>
From the joint venture Sierra Gorda S.C.M. (loans)	9 438	8 314
From the joint venture Sierra Gorda S.C.M. (other)	80	66
From other related parties	16	3
<b>Total</b>	<b>9 534</b>	<b>8 383</b>

<b>Trade and other payables towards related parties</b>	<b>As at 30 June 2022</b>	<b>As at 31 December 2021</b>
Towards a joint venture	72	58
Towards other related parties	15	1
<b>Total</b>	<b>87</b>	<b>59</b>

The State Treasury is an entity controlling KGHM Polska Miedź S.A. at the highest level. The Company makes use of the exemption on the disclosure of detailed 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 June 2022 and in the period from 1 January to 30 June 2022, the Group concluded 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 207 million (as at 31 December 2021: PLN 228 million), including fees on setting mining usufruct for the extraction of mineral resources recognised in costs in the amount of PLN 16 million (as at 31 December 2021: PLN 30 million),
- due to a reverse factoring agreement with the company PEKAO FAKTORING SP. Z O.O. - payables in the amount of PLN 37 million, interest costs in the amount of PLN 1 million (as at 31 December 2021, payables in the amount of PLN 68 million and interest costs from 1 January to 30 June 2021 in the amount of PLN 5 million),
- other transactions and economic operations: spot currency exchange, depositing cash, granting bank loans, guarantees, and letters of credit (including documentary letters of credit), running bank accounts, the servicing of special purpose funds, entering into transactions on the forward currency market with banks related to the State Treasury,
- due to disposal towards Polski Holding Hotelowy sp. z o.o. of all shares in the company INTERFERIE S.A. and Interferie Medical SPA sp. z o.o., revenues in the amount of PLN 167 million, details were presented in Note 4.12.

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 goods (energy, fuels, services) to meet the needs of current operating activities. In the period from 1 January to 30 June 2022, the turnover from these transactions amounted to PLN 1 719 million (from 1 January to 30 June 2021: PLN 938 million), and, as at 30 June 2022, the unsettled balance of liabilities from these transactions amounted to PLN 848 million (as at 31 December 2021: PLN 224 million),
- sales to Polish State Treasury Companies. In the period from 1 January to 30 June 2022, the turnover from these sales amounted to PLN 80 million (from 1 January to 30 June 2021: PLN 134 million), and, as at 30 June 2022, the unsettled balance of receivables from these transactions amounted to PLN 51 million (as at 31 December 2021: PLN 24 million).

<b>Remuneration of the Supervisory Board of the Parent Entity (in PLN thousands)</b>	<b>from 1 January 2022 to 30 June 2022</b>	<b>from 1 January 2021 to 30 June 2021</b>
Remuneration due to service in the Supervisory Board, salaries and other current employee benefits	1 061	874
<b>Remuneration of the Management Board of the Parent Entity (in PLN thousands)</b>	<b>from 1 January 2022 to 30 June 2022</b>	<b>from 1 January 2021 to 30 June 2021</b>
Remuneration during the term of a member of the Management Board's mandate	3 215	7 001*
Benefits due to termination of employment	-	377
<b>Total</b>	<b>3 215</b>	<b>7 378</b>

\* The amount includes the variable part of remuneration for 2020, which was settled in the second quarter of 2021.

<b>Remuneration of other key managers (in PLN thousands)</b>	<b>from 1 January 2022 to 30 June 2022</b>	<b>from 1 January 2021 to 30 June 2021</b>
Salaries and other current employee benefits	1 766	1 746

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

#### Note 4.10 Assets and liabilities not recognised in the statement of financial position

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

	<b>As at 30 June 2022</b>	<b>As at 31 December 2021</b>
<b>Contingent assets</b>	<b>397</b>	<b>509</b>
Guarantees received	207	325
Promissory notes receivables	142	134
Other	48	50
<b>Contingent liabilities</b>	<b>436</b>	<b>466</b>
Note 4.5 Guarantees and letters of credit	188	179
Note 4.5 Promissory note liability	144	173
Property tax on underground mine workings	34	47
Other	70	67
<b>Other liabilities not recognised in the statement of financial position</b>	<b>110</b>	<b>99</b>
Liabilities towards local government entities due to expansion of the tailings storage facility	110	99

**Note 4.11 Changes in working capital**

	Inventories	Trade receivables	Trade payables	Similar payables – reverse factoring	Working capital
As at 1 January 2022	(6 487)	(1 026)	3 106	95	<b>(4 312)</b>
As at 30 June 2022	(7 810)	(1 584)	3 283	37	<b>(6 074)</b>
<b>Change in the statement of financial position</b>	<b>(1 323)</b>	<b>( 558)</b>	<b>177</b>	<b>( 58)</b>	<b>(1 762)</b>
Exchange differences from the translation of statements of operations with a functional currency other than PLN	59	28	( 20)	-	<b>67</b>
Depreciation/amortisation recognised in inventories	88	-	-	-	<b>88</b>
Payables due to the purchase of property, plant and equipment and intangible assets	-	-	238	-	<b>238</b>
Reclassification to property, plant and equipment	( 29)	-	-	-	<b>( 29)</b>
As at the date of loss of control	( 90)	( 19)	76	-	<b>( 33)</b>
<b>Adjustments</b>	<b>28</b>	<b>9</b>	<b>294</b>	<b>-</b>	<b>331</b>
<b>Change in the statement of cash flows</b>	<b>(1 295)</b>	<b>( 549)</b>	<b>471</b>	<b>( 58)</b>	<b>(1 431)</b>

	Inventories	Trade receivables	Trade payables	Similar payables – reverse factoring	Working capital
As at 1 January 2021	(4 459)	( 869)	2 498	1 264	(1 566)
As at 30 June 2021	(5 913)	( 897)	2 403	839	(3 568)
<b>Change in the statement of financial position</b>	<b>(1 454)</b>	<b>( 28)</b>	<b>( 95)</b>	<b>( 425)</b>	<b>(2 002)</b>
Exchange differences from the translation of statements of operations with a functional currency other than PLN	6	3	( 2)	-	7
Depreciation/amortisation recognised in inventories	156	-	-	-	156
Payables due to the purchase of property, plant and equipment and intangible assets	-	-	130	14	144
Reclassification to property, plant and equipment	( 15)	-	-	-	( 15)
<b>Adjustments</b>	<b>147</b>	<b>3</b>	<b>128</b>	<b>14</b>	<b>292</b>
<b>Change in the statement of cash flows, including:</b>	<b>(1 307)</b>	<b>( 25)</b>	<b>33</b>	<b>( 411)</b>	<b>(1 710)</b>
assets held for sale (disposal group) and liabilities associated with disposal group	<b>35</b>	<b>( 10)</b>	<b>( 12)</b>	<b>-</b>	<b>13</b>

**Note 4.12 Assets held for sale (disposal group) and liabilities associated with them**

In the current period a sale transaction of assets held for sale (disposal group) and liabilities associated with them of companies S.C.M. Franke, Interferie S.A. and Interferie Medical SPA sp. z o.o. and a reclassification of assets held for sale (disposal group) and liabilities associated with them of Carlota Copper Company to continued operations were realised. Details are described below.

**Note 4.12.1. S.C.M. Franke and Carlota Copper Company**

On 26 April 2022 subsidiaries of KGHM International Ltd., i.e. Franke Holdings Ltd. and Centenario Holdings Ltd., signed an agreement for the sale of 100% of the shares of the company Sociedad Contractual Minera Franke, being the owner of the Franke mine in Chile, to the company Minera Las Cenizas S.A. for the negotiated initial purchase price of USD 25 million.

In accordance with the sale agreement, the negotiated initial purchase price was adjusted by, among others, the change in net working capital, cash and borrowings between 31 March 2022 and the transaction date. The initial adjusted purchase price for 100% of the shares of S.C.M. Franke amounted to USD 23 million (payable in cash). The carrying amount of assets and liabilities that were subject to the sales transaction as at the transaction date amounted to USD 19 million.

Apart from the initial payment (initial purchase price), the pricing mechanism reflects contingent payments in the maximum amount of USD 45 million. Taking into account the probability of receiving these payments and period of their realisation, they were measured in the discounted amount of USD 13 million and recognised in gain on disposal. Gains on disposal of S.C.M. Franke was recognised in "Other operating income".

**Settlement of the transaction for the sale of S.C.M. Franke**

Initial purchase price (USD million)	25
Change in net working capital, cash and borrowings between 31 March 2022 and 26 April 2022 (USD million)	(2)
<b>Initial adjusted purchase price (USD million)</b>	<b>23</b>
Carrying amount of assets and liabilities that were subject to the sales transaction (USD million)	19
Measurement of contingent payments (USD million)	13
<b>Gain on disposal (USD million)</b>	<b>17</b>
<b>Gain on disposal (PLN million)</b>	<b>72</b>
Exchange differences reclassified from other comprehensive income to gains on disposal (PLN million)	64
<b>Gain on disposal in the consolidated statement of profit or loss (PLN million)</b>	<b>136</b>

As at 30 June 2022 the criteria set forth in IFRS 5 under which Carlota Copper Company was classified as an asset held for sale were reassessed. As a result of the analysis conducted, the Management Board of the Parent Entity as at 30 June 2022 reclassified the assets and liabilities of the company back to continued activities, because currently the sale is not highly probable. The process of selling the mining assets of Carlota Copper Company was not completed.

In accordance with IFRS 5.27, the recoverable amount of the assets of Carlota Copper Company was determined immediately following the reclassification. There were no substantial differences compared to the carrying amount as at 30 June 2022.

The activities of the companies S.C.M. Franke and Carlota Copper Company were presented as part of the segment Other segments.

The financial data of the above-mentioned companies were presented together with continued operations in the consolidated statement of profit or loss, in the consolidated statement of cash flows and explanatory notes to these statements because they do not represent a major line of business and they are not a part of a larger plan to dispose of a major line of business (IFRS 5.32 a and b).

Financial data of S.C.M. Franke and Carlota Copper Company are presented in the tables below:

Main groups of assets and liabilities classified to disposal Group

	As at 26 April 2022 (sale date – date of loss of control)	As at 31 December 2021 (presentation under assets and liabilities classified to disposal Group)	
	S.C.M. Franke	S.C.M. Franke	Carlota Copper Company
<b>ASSETS</b>			
Mining and metallurgical intangible assets	125	116	3
Other financial instruments measured at amortised cost	2	3	-
<b>Non-current assets</b>	<b>127</b>	<b>119</b>	<b>3</b>
Inventories	91	87	62
Trade receivables, including:	14	13	-
trade receivables measured at fair value through profit or loss	14	13	-
Tax assets	5	3	-
Other non-financial assets	15	3	-
Cash and cash equivalents	8	5	-
<b>Current assets</b>	<b>133</b>	<b>111</b>	<b>62</b>
<b>TOTAL ASSETS IN DISPOSAL GROUP</b>	<b>260</b>	<b>230</b>	<b>65</b>
<b>LIABILITIES</b>			
Borrowings, leases and debt securities	-	-	1
Provisions for decommissioning costs of mines and other technological facilities	91	75	214
<b>Non-current liabilities</b>	<b>91</b>	<b>75</b>	<b>215</b>
Borrowings, leases and debt securities	1	2	1
Trade payables	58	26	7
Employee benefits liabilities	6	5	3
Tax liabilities	1	1	-
Provisions for liabilities and other charges	-	-	1
Other liabilities	18	21	4
<b>Current liabilities</b>	<b>84</b>	<b>55</b>	<b>16</b>
<b>TOTAL LIABILITIES IN DISPOSAL GROUP</b>	<b>175</b>	<b>130</b>	<b>231</b>

Statement of profit or loss of operations held for sale

	from 1 January 2022 to 26 April 2022	from 1 January 2021 to 30 June 2021	
	S.C.M. Franke	S.C.M. Franke	Carlota Copper Company
Revenues	132	216	96
Costs	( 197)	( 204)	( 84)
<b>Profit/(loss) on operating activities</b>	<b>( 65)</b>	<b>12</b>	<b>12</b>
Finance costs	( 1)	( 1)	( 2)
<b>Profit/(loss) before income tax</b>	<b>( 66)</b>	<b>11</b>	<b>10</b>
Income tax expense	-	-	-
<b>PROFIT/(LOSS) FOR THE PERIOD</b>	<b>( 66)</b>	<b>11</b>	<b>10</b>

**Cash flow of operations held for sale**

	from 1 January 2022 to 26 April 2022	from 1 January 2021 to 30 June 2021	
	S.C.M. Franke	S.C.M. Franke	Carlota Copper Company
Net cash generated from/(used in) operating activities, including:	( 40)	6	39
<i>change in provision for decommissioning of mines</i>	10	( 11)	( 4)
Net cash used in investing activities	-	( 4)	-
Net cash generated from/(used in) financing activities	42	( 2)	( 1)
<b>TOTAL NET CASH FLOW</b>	<b>2</b>	<b>-</b>	<b>38</b>

**Note 4.12.2. INTERFERIE S.A. and Interferie Medical SPA Sp. z o.o.**

On 21 February 2022, KGHM Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych (hereafter: the Fund), with 100% of its Investment Certificates held by KGHM Polska Miedź S.A., sold all of its directly held shares in the company Interferie Medical SPA Sp. z o.o. with its head office in Legnica, that is 41 309 shares representing 67.37% of the share capital and the same percent of votes at the shareholders' meeting, to Polski Holding Hotelowy sp. z o.o. The Fund's indirect subsidiary – INTERFERIE S.A. – held the remaining 32.63% of the share capital of the company Interferie Medical SPA Sp. z o.o.

On 28 February 2022, as a result of the settlement of the call for the sale of shares of INTERFERIE S.A. (hereafter "the company"), announced by Polski Holding Hotelowy sp. z o.o., the portfolio companies of the Fund: Fundusz Hotele 01 Sp. z o.o. S.K.A. and Fundusz Hotele 01 Sp. z o.o. sold all of their shares in the company, that is in total 10 152 625 shares, representing 69.71% of the share capital and the same percent of votes at the general meeting.

Due to the above, neither the Parent Entity nor any entities of the Group has any shares in the companies: INTERFERIE S.A. and Interferie Medical SPA Sp. z o.o.

The total sale price for the shares of both companies (payable in cash) amounted to PLN 167 million and exceeded the value of net assets attributable to the Group by PLN 37 million. The result on the sale (profit) was recognised in the item „Other operating income”.

Activities of the companies Interferie S.A. and Interferie Medical SPA Spółka z o.o. were presented in the segment - Other segments.

The financial data of the above-mentioned companies were presented together with continued operations in the consolidated statement of profit or loss, the consolidated statement of cash flows and explanatory notes to these statements because they do not represent a major line of business and they are not a part of a larger plan to dispose of a major line of business (IFRS 5.32 a and b).

Financial data of INTERFERIE S.A. and Interferie Medical SPA Sp. z o.o. are presented in the tables below:

Main groups of assets and liabilities classified held for sale  
(The following data includes share of non-controlling shareholders in net assets)

	As at 28 February 2022	As at 31 December 2021
<b>ASSETS</b>		
Other property, plant and equipment	244	244
Other property, plant and equipment and intangible assets	244	244
<b>Non-current assets</b>	<b>244</b>	<b>244</b>
Inventories	1	1
Trade receivables	2	2
Tax assets	1	1
Other non-financial assets	3	-
Cash and cash equivalents	15	15
<b>Current assets</b>	<b>22</b>	<b>19</b>
<b>TOTAL ASSETS IN DISPOSAL GROUP</b>	<b>266</b>	<b>263</b>
<b>LIABILITIES</b>		
Borrowings, leases and debt securities	65	65
Employee benefits liabilities	1	1
Other liabilities	6	3
<b>Non-current liabilities</b>	<b>72</b>	<b>69</b>
Borrowings, leases and debt securities	12	16
Trade payables	6	7
Employee benefits liabilities	1	4
Tax liabilities	4	1
Other liabilities	5	4
<b>Current liabilities</b>	<b>28</b>	<b>32</b>
<b>TOTAL LIABILITIES IN DISPOSAL GROUP</b>	<b>100</b>	<b>101</b>

Statement of profit or loss of operations held for sale

	from 1 January 2022 to 28 February 2022	from 1 January 2021 to 30 June 2021
Revenues	14	-
Costs	( 15)	-
<b>Profit/(loss) on operating activities</b>	<b>( 1)</b>	<b>-</b>
Finance costs	-	-
<b>Profit/(loss) before income tax</b>	<b>( 1)</b>	<b>-</b>
Income tax expense	-	-
<b>PROFIT/(LOSS) FOR THE PERIOD</b>	<b>( 1)</b>	<b>-</b>

Cash flow of operations held for sale

	from 1 January 2022 to 28 February 2022	from 1 January 2021 to 30 June 2021
Net cash generated from operating activities	1	-
Net cash used in investing activities	( 1)	-
Net cash generated from/(used in) financing activities	-	-
<b>TOTAL NET CASH FLOW</b>	<b>-</b>	<b>-</b>

---

**Note 4.12.3 The SG Oxide project in the KGHM INTERNATIONAL LTD. Group**

In the fourth quarter of 2021, the agreement on sale of the SG Oxide project, which was held by a subsidiary KGHM Chile SpA, to Sierra Gorda S.C.M. was concluded between KGHM Polska Miedź S.A. and the other partner in the joint venture Sierra Gorda S.C.M. – Sumitomo (Sumitomo Metal Mining Co., Ltd. and Sumitomo Corporation). On 15 December 2021 the sales agreement was signed, with the sale date set at 1 January 2022.

As at 31 December 2021 the SG Oxide project was reclassified from intangible assets not yet available for use (assets related to exploration and evaluation of mineral resources) to non-current assets held for sale.

The cash inflow from the sale transaction took place on 4 March 2022. The profit on the sale in the amount of PLN 135 million was recognised in the item "Other operating income".

Pursuant to the accounting policy adopted by the Group, the Group's share in unrealised profit on the transaction between the Group and the entity accounted for using the equity method decreased the profit due to this transaction in correspondence with the carrying amount of the Group's interest in this entity. Since as at 30 June 2022 the carrying amount of the Group's interest in the joint venture Sierra Gorda S.C.M. amounts to PLN 0, elimination of the unrealised profit proportionally to the Group's interest (55%) will be recognised when the carrying amount of the Group's interest in Sierra Gorda S.C.M. is above the level of PLN 0.

## Part 5 – Additional information to the consolidated half-year report

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

In the first half of 2022, sales transactions of the following subsidiaries took place: Interferie S.A. and Interferie Medical SPA Sp. z o.o. as well as a subsidiary of the KGHM INTERNATIONAL LTD. Group – Sociedad Contractual Minera Franke. Detailed information on these transactions is presented in Note 4.12. Assets held for sale (disposal group) and liabilities associated with them.

### 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

In the first half of 2022, there was no redemption or repayment of debt and equity securities in the Group.

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

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.

In accordance with Resolution No. 7/2021 of the Ordinary General Meeting of KGHM Polska Miedź S.A. dated 7 June 2021 regarding the appropriation of profit for the year ended 31 December 2020, the profit in the amount of PLN 1 779 million was appropriated as follows: as a shareholders dividend in the amount of PLN 300 million (PLN 1.50 per share) and transfer of PLN 1 479 million to the Company's reserve capital. The Ordinary General Meeting of KGHM Polska Miedź S.A. set the dividend date for 2020 at 21 June 2021 and the dividend payment date for 2020 at 29 June 2021.

All shares of the Parent Entity are ordinary shares.

### Note 5.5 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

A proceeding regarding the payment of royalties for the use of invention project no. 1/97/KGHM called „Method for increasing the production capacity of the electrorefining sections of the Metallurgical Plants” (details are presented in section 10.6 Litigation and claims of The Management Board's Report on the activities of the Group in the first half of 2022).

### Note 5.6 Information on the impact of Covid-19 on the Company's and the Group's operations

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 COVID-19 pandemic and impacting the Company's and the Group's activities are:

- increased absenteeism amongst employees of the core production line as a result of subsequent waves of the SARS CoV-2 virus,
- interruptions in the materials and services supply chain as well as logistical restrictions, especially as regards international transport,
- restrictions in certain sales markets, a drop in demand and optimisation of inventories of raw materials and finished products amongst customers,
- possible global economic slowdown and recession,
- potential exceptional legal changes,
- 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 increase in prices of materials and services due to the observed high inflation,
- the effects of the implemented hedging policy, and
- the general uncertainty on financial markets and the impact of the economic crisis connected with the COVID-19 pandemic.

Evaluation of the key categories of risk which are impacted by the coronavirus pandemic 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, only some of the aforementioned threats had a negative impact on the Group's operations and ultimately resulted in deviations from the achievement of the budget targets on the cost side of the KGHM Polska Miedź S.A. Group for the first half of 2022.

#### **Impact on the metals market and shares price**

From the Company's point of view, an effect of the COVID-19 pandemic and the effect of the war in Ukraine described in note 5.7, is their impact on market risk related to volatility in metals prices and market indices in the first half of 2022. The Company's share price at the end of the first half of 2022 was 31% lower compared to the price at the end of the first quarter of 2022 and 15% lower compared to the end of 2021 and at the close of trading on 30 June 2022 amounted to PLN 118.90. During the same periods the WIG index fell by 17% and 23%, and WIG20 index by 20% and 25%. As a result of changes in the share price, the Company's capitalisation decreased from PLN 27.88 billion at the end of 2021 to PLN 23.78 billion at the end of the first half of 2022.

After a stable first quarter of 2022, the situation on the metals markets showed a downward trend. The average price of copper in the second quarter of 2022 decreased by 4.8% compared to the average price of copper in the first quarter of 2022. The average price of copper in the first half of 2022 was 9 760.74 USD/t, which was higher than assumed in the budget.

#### **Impact on the spa activities of the Group**

In the first half of 2022 there were no heightened restrictions and limitations recorded as regards the ability to freely conduct business operations as a result of governmental decisions. The companies conducted their business without major interruptions, though the new year's wave of illnesses caused by the Omicron strain, despite its milder symptoms and health effects, was reflected in a decline in occupancy rates in the spas (resignation from trips and stays in fear of or due to having the virus). As a result of the above, in the first quarter of 2022 the spa companies recorded a 13% lower-than-planned person days ratio, though in comparison to the first quarter of 2021, the number of person days sold rose by 655%. In the second quarter, the impact of the pandemic on spa activities was almost unnoticeable. The wave of significant number of infections from the beginning of the year for the Omicron strain has passed. In the second quarter, the companies executed 99.1% of the plan for the sale of person days. The pandemic situation ceased to influence the sales potential of the spas. Financial liabilities to creditors and lessors in the first half of 2022 were paid on an ongoing basis. However, as at 30 June 2022 the covenants were not fulfilled. However, as at 30 June 2022, the covenants under an investment loan agreement with bank Pekao S.A. had not been met. This was due to an increase in interest charges as a result of higher interest rates and increased costs of water production. Currently, activities are focused on reducing operating costs. Due to the holiday season, companies record a very high interest in their services, which translates into an increase in prices and occupancy. In addition, the companies expect higher contract rates due to the entry into force of the act regulating the remuneration of medical and medical-related workers. All of these factors will positively influence the improvement of indicators monitoring operating activity and it is expected that the covenants for the third quarter will be met. The balance of debt resulting from the above-mentioned agreement amounts to PLN 45 million (long-term part PLN 33 million, short-term part PLN 12 million). In the consolidated financial statements, due to the breach of covenants, long-term debt was reclassified to current liabilities.

Post-covid visits continue to attract great interest, as the treatments – which are both intensive and matched to the patient's ailments – enable a more rapid return to health and reductions of complications after the Covid-19 infection.

In the first quarter of 2022, the review of applications to receive a preferential loan from the 2.0 Shield under the Financial Shield of the Polish Development Fund (PDF) for large enterprises was completed (the applications covered the losses incurred during the so-called second lockdown, i.e. from November 2020 to March 2021). At the end of March, agreements were signed for the total amount of PLN 3.2 million for Uzdrowisko Połczyn Grupa PGU S.A. and Uzdrowiska Kłodzkie S.A. – Grupa PGU. The remaining spa companies received financing from the PDF from the Financial Shield 2.0 for the SME sector in 2021.

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

The pandemic situation caused by COVID-19 did not have a significant impact on operations of the Company and other companies of the Group, and at the date of publication of this report the Management Board of the Parent Entity estimates the risk of loss of going concern caused by COVID-19 to still be low. Individual, small deviations from the continuity of the supply chain for materials and services have been observed, caused by restrictions in the supply of certain materials and raw materials. Regular contact with suppliers enables prompt reaction to delays by utilisation of the strategy of supplier diversification applied in the Group as well as the use of alternative solutions.

#### **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., thanks to the implementation of a variety of preventative measures, such as: enforcing a sanitary regime and health monitoring, there were no production stoppages, which would have been directly attributable to the pandemic. As a result, the Group's copper production in the first half of 2022 was in line with the target set at the beginning of the year.

In terms of sales, at present most customers are free of any highly negative impact of the previous waves of pandemic on their operations, thanks to which payables towards the Parent Entity are regulated on time and the delivery of shipments to customers proceeds without any interruptions.

The Group is fully capable of meeting its financial obligations. The financial resources held by the Group and available borrowings guarantee the Group's continued financial liquidity. Financing structure of the Group on the level of the Parent Entity, based on the long-term and diversified sources of financing, provided the Company and the Group with long-term financial stability through extending the weighted average maturity of KGHM Polska Miedź S.A.'s debt.

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.

At present the Parent Entity is not aware of any significant risk of a breach in the financial covenants contained in external financing agreements related to the COVID-19 pandemic.

The Group continues to advance its investment projects on time and is not aware of any increase in risk related to their continuation as a result of the coronavirus pandemic.

During the reporting period there were likewise no interruptions in the continuity of the Group's operations caused by infections of this virus amongst the employees. There was a lack of any substantial heightened level of absenteeism amongst employees of the Parent Entity's core business or domestic and international production assets related to the pandemic.

Taking into consideration the risk of appearance of new mutations of the SARS-CoV-2 there is still temperate uncertainty as to the development of a subsequent wave of the COVID-19 pandemic and as a consequence of its impact on the economic and social situation in Poland and globally. The effectiveness of the adopted vaccines in relation to possible new mutations of the virus will be important for the domestic and global economies. The expected economic recovery in Poland and globally, as the pandemic situation improves, was slowed down by armed conflict in Ukraine, of which the impact on food security and high prices of energy as well as problems with access to synthetic fertilizers, may not only completely halt the recovery of the global economy after the pandemic, but even trigger a global recession. The Parent Entity continuously monitors the international 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 5.7 Impact of the war in Ukraine on the Company's and Group's operations

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 operations are:

- the increase in prices of fuels and energy carriers,
- interruptions in the supply chain and in the availability of materials (e.g. steel), fuels and energy on international markets,
- logistical interruptions and restrictions in international transport,
- possible global economic slowdown and recession,
- potential exceptional legal changes,
- volatility in copper prices on the metals markets,
- volatility in the USD/PLN exchange rate,
- the increase in prices of materials and services due to the observed high inflation,
- the general uncertainty on financial markets and the impact of the economic crisis connected with the ongoing conflict.

The key risk factors which are impacted by the war in Ukraine were analysed in depth by the ongoing monitoring of selected information as regards production, sales, the supply chain and the management of personnel and finances, in order to support the process of verifying the current financial and operational condition of the KGHM Polska Miedź S.A. Group. As a result, only some of the aforementioned threats had a negative impact on the Group's operations and ultimately resulted in deviations from the achievement of the budget targets on the cost side of the KGHM Polska Miedź S.A. Group for the first half of 2022.

##### Impact on the metals market and shares price

From the Company's point of view, an effect of the war in Ukraine and the effect of the COVID-19 pandemic described in note 5.6, is an impact on market risk related to volatility in metals prices and market indices in the first half of 2022. The Company's share price at the end of the first half of 2022 was 31% lower compared to the price at the end of the first quarter of 2022 and 15% lower compared to the end of 2021 and at the close of trading on 30 June 2022 amounted to PLN 118.90. During the same periods the WIG index fell by 17% and 23%, and WIG20 index by 20% and 25%. As a result of changes in the share price, the Company's capitalisation decreased from PLN 27.88 billion at the end of 2021 to PLN 23.78 billion at the end of the first half of 2022.

After a stable first quarter of 2022, the situation on the metals markets showed a downward trend. The average price of copper in the second quarter of 2022 decreased by 4.8% compared to the average price of copper in the first quarter of 2022. The average price of copper in the first half of 2022 was 9 760.74 USD/t, which was higher than assumed in the budget.

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

The expected increase in the near term of prices of fuels and energy carriers may still be the main factor generating a further increase in cost of sales, selling costs and administrative expenses.

While individual deviations have been observed in the availability of raw and other materials, at present the KGHM Polska Miedź S.A. Group is not experiencing a substantial negative impact of this volatility on its operations. It cannot however be ruled out that a prolonged continuation of this armed conflict as well as the system of economic sanctions could have a substantially greater negative impact on suppliers and customers and lead to unfavourable deviations in the continuity of materials and services supply chains in the KGHM Polska Miedź S.A. Group as well as in the receipt of products, caused among others by logistical restrictions and availability of materials (e.g. steel), fuels and energy on international markets. Taking into consideration the continuity of supply of energy carriers (natural gas, coal, coke), at present the KGHM Polska Miedź S.A. Group does not experience a negative impact from the suspension of Russian natural gas, coal and coke deliveries, and 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 Group companies**

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.

KGHM Polska Miedź S.A. does not have direct substantial transactions with entities from Russia, Belarus or Ukraine, but such contacts are held by some of the Company's customers, mainly traders of wire rod, which could indirectly impact the level of purchases made by such clients.

In the second quarter of 2022, the limited availability of Russian cathodes on European markets, alongside the sustained high consumption of copper by the markets, was one of the factors positively influencing the prices of individual copper products. However, the high dynamics of inflation in the economy and the tightening of the monetary policy raise concerns about the pace of economic development and the dynamics of metal prices in the second half of 2022. At present, it is not possible to estimate the impact of the described potential events on the possible profit for the period and the situation is continuously monitored and simultaneously all possible mitigation measures are used.

KGHM Polska Miedź S.A. has no receivables from entities with their registered head offices in Russia or Ukraine, as Russian and Ukrainian entities are not direct recipients of the basic products sold by the Company.

In terms of the availability of capital and the level of debt, the Parent Entity holds no bank loans drawn from institutions threatened with sanctions.

With respect to exchange differences (the currency conversion of balance sheet items), a weakening of the PLN may mean positive (unrealised) exchange differences due to the fact that the amount of the loans granted by the Company in USD is higher than the amount of borrowings in USD.

In terms of the other companies of the KGHM Polska Miedź S.A. Group, the situation in Ukraine in the first half of 2022 did not have a substantial impact on the operating results generated by these entities.

### **Preventive actions in the Group**

In KGHM Polska Miedź S.A. as well as in all of the international mines of the KGHM Polska Miedź S.A. Group and Sierra Gorda S.C.M., thanks to the implementation of a variety of preventative measures there were no production stoppages which would have been directly attributable to the war in Ukraine. As a result, the Group's copper production in the first half of 2022 was in line with the target set at the beginning of the year.

KGHM Polska Miedź S.A. for years has applied procedures related to the monitoring of receivables. The timeliness of payments by customers is subject to daily reporting, while any potential recorded interruptions in cash flows from customers are immediately explained.

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

In the Company, the process 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 their occurrence is continued.

Taking into account the armed nature of the conflict in Ukraine, the end of the war will be of significant importance to domestic and global economy, and it could have a positive impact on the stability of prices of fuels and energy carriers on international markets. The war in Ukraine and its impact on food security and high energy prices, as well as problems with access to synthetic fertilizers, may cause a global recession, the scale of which and its effects are currently impossible to estimate. With respect to stability in the continuity of energy carriers supply chains, the directions of energy-climate geopolitics will be of importance, especially in the context of the independence of European countries from Russian deliveries of natural gas and coal and the effects of the winter natural gas consumption reduction plan adopted by the EU Member States.

### Note 5.8 Subsequent events

#### Signing of a guarantee line

On 18 July 2022 an Agreement was signed for a guarantee line between KGHM Polska Miedź S.A. and BNP Paribas Bank Polska S.A. with a renewable limit of PLN 150 million, available until 31 December 2023.

Under the aforementioned Agreement, on 25 July 2022, in respect of facilities classified as Tailings Storage Facilities, the form of the Tailings Storage Facilities Restoration Fund of KGHM Polska Miedź S.A. was altered, from that of a separate bank account into bank guarantees issued at the request of KGHM Polska Miedź S.A. On 25 July 2022 the amount of PLN 64 million was transferred from the bank account of the Tailings Storage Facilities Restoration Fund to the Company's account.

The amount of PLN 1.5 million remained on the Fund's separate bank account to secure the costs of actions related to the closure, restoration and oversight, including monitoring of tailings storage facilities for a facility classified as a Waste Dump.

#### Changes in the organisational structure of the KGHM Polska Miedź S.A. Group

Due to the reorganisation process of the Group which was advanced in the second quarter of 2022, the following subsequent events took place within the portfolio companies of the KGHM VII FIZAN Fund:

- on 20 July 2022, the Extraordinary Shareholders' Meeting of a direct subsidiary CUPRUM Nieruchomości sp. z o.o. increased the share capital of this entity by the amount of PLN 368 million. All of the shares in the increased share capital were acquired by KGHM Polska Miedź S.A. Moreover, the name of the company was changed from CUPRUM Nieruchomości sp. z o.o. to CUPRUM Zdrowie sp. z o.o.;
- from 27 July to 1 August 2022, a sales transactions by KGHM VII FIZAN to the company CUPRUM Nieruchomości sp. z o.o. of shares in all portfolio companies of the Fund, including four spa companies: Uzdrowiska Kłodzkie S.A. - Grupa PGU, Uzdrowisko Połczyn Grupa PGU S.A., Uzdrowisko Cieplice Sp. z o.o. - Grupa PGU, Uzdrowisko Świeradów - Czerniawa Sp. z o.o. - Grupa PGU;
- on 2 August 2022, KGHM VII FIZAN acquired from KGHM Polska Miedź S.A., at the Parent Entity's request, 99,8% of Investment Certificates of the Fund for the amount of PLN 366 million.

#### Resignations of Members of the Management Board of the Parent Entity

On 9 August 2022, Paweł Gruza submitted his resignation from the function of a Member of the Management Board of KGHM Polska Miedź S.A., effective on the same day.

Due to the above, the Supervisory Board of KGHM Polska Miedź S.A. assigned the duties of Vice President of the Management Board (International Assets) of KGHM Polska Miedź S.A. to Marek Świder, Vice President of the Management Board (Production), until the conclusion of the qualification proceedings for the 11<sup>th</sup> term Members of the Management Board of KGHM Polska Miedź S.A.

On 11 August 2022, Adam Bugajczuk submitted his resignation from the function of a Member of the Management Board of KGHM Polska Miedź S.A., as of 31 August 2022.

#### Qualification proceedings for Members of the Management Board of the Company

On 11 August 2022, the Supervisory Board of KGHM Polska Miedź S.A. commenced by a resolution the qualification proceedings whose aim is to review and assess the qualifications of candidates and to select the best candidates for Members of the 11<sup>th</sup> term Management Board of KGHM Polska Miedź S.A.

## Part 6 – Quarterly financial information of the Group

### CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	from 1 April 2022 to 30 June 2022*	from 1 April 2021 to 30 June 2021*	from 1 January 2022 to 30 June 2022	from 1 January 2021 to 30 June 2021
	8 933	7 761	17 926	14 506
Note 6.1	(7 201)	(6 054)	(14 032)	(11 024)
	<b>1 732</b>	<b>1 707</b>	<b>3 894</b>	<b>3 482</b>
Note 6.1	(502)	(343)	(863)	(676)
	<b>1 230</b>	<b>1 364</b>	<b>3 031</b>	<b>2 806</b>
	719	1 655	783	1 655
	136	97	319	194
	855	1 752	1 102	1 849
Note 6.2	1 186	240	1 948	739
	22	-	26	1
	2	6	3	18
Note 6.2	(214)	(682)	(409)	(556)
	(2)	(2)	(3)	(3)
Note 6.3	47	175	47	35
Note 6.3	(298)	(82)	(405)	(244)
	<b>2 806</b>	<b>2 767</b>	<b>5 314</b>	<b>4 629</b>
	(525)	(409)	(1 134)	(906)
	<b>2 281</b>	<b>2 358</b>	<b>4 180</b>	<b>3 723</b>
	2 280	2 359	4 180	3 725
	1	(1)	-	(2)
	<b>200</b>	<b>200</b>	<b>200</b>	<b>200</b>
	<b>11.40</b>	<b>11.80</b>	<b>20.90</b>	<b>18.63</b>

\* Data not subject to review and audit.

## Explanatory notes to the condensed consolidated statement of profit or loss

### Note 6.1 Expenses by nature

	from 1 April 2022 to 30 June 2022*	from 1 April 2021 to 30 June 2021*	from 1 January 2022 to 30 June 2022	from 1 January 2021 to 30 June 2021
Depreciation of property, plant and equipment and amortisation of intangible assets	581	573	1 159	1 196
Employee benefits expenses	1 945	1 641	3 523	3 127
Materials and energy, including:	4 172	3 092	8 058	5 832
purchased metal-bearing materials	2 420	1 989	4 624	3 656
External services	616	516	1 144	985
Minerals extraction tax	809	917	1 653	1 635
Other taxes and charges	53	217	373	437
Revaluation of inventories	13	28	9	18
Impairment losses on property, plant and equipment and intangible assets	47	18	47	21
Reversal of impairment losses on property, plant and equipment and intangible assets	-	(41)	-	(45)
Other costs	66	50	107	90
<b>Total expenses by nature</b>	<b>8 302</b>	<b>7 011</b>	<b>16 073</b>	<b>13 296</b>
Cost of merchandise and materials sold (+)	200	193	443	357
Change in inventories of finished goods and work in progress (+/-)	(318)	(402)	(730)	(1 201)
Cost of manufacturing products for internal use of the Group (-)	(481)	(405)	(891)	(752)
<b>Total costs of sales, selling costs and administrative expenses, of which:</b>	<b>7 703</b>	<b>6 397</b>	<b>14 895</b>	<b>11 700</b>
Cost of sales	7 201	6 054	14 032	11 024
Selling costs	143	106	266	215
Administrative expenses	359	237	597	461

\* Data not subject to review and audit.

**Note 6.2 Other operating income and (costs)**

	from 1 April 2022 to 30 June 2022*	from 1 April 2021 to 30 June 2021*	from 1 January 2022 to 30 June 2022	from 1 January 2021 to 30 June 2021
Gains on derivatives, of which:	111	178	206	283
measurement of derivatives	74	145	163	249
realisation of derivatives	37	33	43	34
Exchange differences on assets and liabilities other than borrowings	859	-	1 248	227
Interest income calculated using the effective interest rate method	22	-	26	1
Reversal of impairment losses on financial instruments	2	6	3	18
Release of provisions	32	13	46	21
Gain on disposal of intangible assets	-	-	135	-
Gain on disposal of property, plant and equipment	-	-	-	51
Gain on disposal of subsidiaries	135	-	173	-
Government grants received	8	5	9	7
Income from servicing of letters of credit and guarantees	-	14	11	65
Other	17	24	91	66
<b>Total other operating income</b>	<b>1 186</b>	<b>240</b>	<b>1 948</b>	<b>739</b>
Losses on derivatives, of which:	(48)	(125)	(199)	(415)
measurement of derivatives	47	73	(35)	(103)
realisation of derivatives	(95)	(198)	(164)	(312)
Fair value losses on financial assets	(117)	(43)	(124)	(64)
Impairment losses on financial instruments	(2)	(2)	(3)	(3)
Impairment loss on fixed assets under construction	(4)	(11)	(7)	(11)
Exchange differences on assets and liabilities other than borrowings	-	(482)	-	-
Provisions recognised	(9)	-	(16)	(25)
Loss on disposal of property, plant and equipment	(6)	-	(8)	-
Donations given	(10)	(5)	(16)	(8)
Other	(18)	(14)	(36)	(30)
<b>Total other operating costs</b>	<b>(214)</b>	<b>(682)</b>	<b>(409)</b>	<b>(556)</b>
<b>Other operating income and (costs)</b>	<b>972</b>	<b>(442)</b>	<b>1 539</b>	<b>183</b>

\* Data not subject to review and audit.

**Note 6.3 Finance income and (costs)**

	from 1 April 2022 to 30 June 2022*	from 1 April 2021 to 30 June 2021*	from 1 January 2022 to 30 June 2022	from 1 January 2021 to 30 June 2021
Exchange differences on measurement of borrowings	-	140	-	-
Gains on derivatives - realisation of derivatives	47	35	47	35
<b>Total finance income</b>	<b>47</b>	<b>175</b>	<b>47</b>	<b>35</b>
Interest on borrowings, including:				
leases	5	(27)	(11)	(48)
Bank fees and charges on borrowings	(1)	(3)	(5)	(7)
Exchange differences on measurement and realisation of borrowings	(8)	(4)	(16)	(13)
Losses on derivatives, of which:	(239)	-	(303)	(120)
measurement of derivatives	(51)	(38)	(51)	(39)
realisation of derivatives	-	-	-	(1)
Unwinding of the discount effect on provisions	(51)	(38)	(51)	(38)
Other	(5)	(3)	(9)	(7)
<b>Total finance costs</b>	<b>(298)</b>	<b>(82)</b>	<b>(405)</b>	<b>(244)</b>
<b>Finance income and (costs)</b>	<b>(251)</b>	<b>93</b>	<b>(358)</b>	<b>(209)</b>

\* Data not subject to review and audit.

## Condensed financial statements of KGHM Polska Miedź S.A.

### STATEMENT OF PROFIT OR LOSS

		from 1 January 2022 to 30 June 2022	from 1 January 2021 to 30 June 2021
Note 2.1	Revenues from contracts with customers	15 211	12 144
Note 2.2	Cost of sales	(11 903)	(9 205)
	<b>Gross profit</b>	<b>3 308</b>	<b>2 939</b>
Note 2.2	Selling costs and administrative expenses	( 564)	( 445)
	<b>Profit on sales</b>	<b>2 744</b>	<b>2 494</b>
Note 2.3	Other operating income, including:	1 815	3 346
	interest income calculated using the effective interest rate method	157	121
	reversal of impairment losses on financial instruments	192	508
Note 2.3	Other operating costs, including:	( 422)	( 553)
	impairment losses on financial instruments	( 4)	( 8)
Note 2.4	Finance income	47	35
Note 2.4	Finance costs	( 408)	( 244)
	<b>Profit before income tax</b>	<b>3 776</b>	<b>5 078</b>
	Income tax expense	( 968)	( 852)
	<b>PROFIT FOR THE PERIOD</b>	<b>2 808</b>	<b>4 226</b>
	<b>Weighted average number of ordinary shares (million)</b>	<b>200</b>	<b>200</b>
	<b>Basic and diluted earnings per share (in PLN)</b>	<b>14.04</b>	<b>21.13</b>

### STATEMENT OF COMPREHENSIVE INCOME

	from 1 January 2022 to 30 June 2022	from 1 January 2021 to 30 June 2021
<b>Profit for the period</b>	<b>2 808</b>	<b>4 226</b>
Measurement of hedging instruments net of the tax effect	911	( 764)
<b>Other comprehensive income, which will be reclassified to profit or loss</b>	<b>911</b>	<b>( 764)</b>
Measurement of equity financial instruments at fair value through other comprehensive income, net of the tax effect	116	113
Actuarial gains/(losses) net of the tax effect	( 99)	53
<b>Other comprehensive income, which will not be reclassified to profit or loss</b>	<b>17</b>	<b>166</b>
<b>Total other comprehensive net income</b>	<b>928</b>	<b>( 598)</b>
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>3 736</b>	<b>3 628</b>

## STATEMENT OF CASH FLOWS

	from 1 January 2022 to 30 June 2022	from 1 January 2021 to 30 June 2021
<b>Cash flow from operating activities</b>		
Profit before income tax	3 776	5 078
Depreciation/amortisation recognised in profit or loss	695	656
Interest on investment activities	( 121)	( 123)
Other interest	52	63
Dividends income	-	( 37)
Fair value gains on financial assets measured at fair value through profit or loss	( 454)	(1 123)
Impairment losses on non-current assets	3	20
Reversal of impairment losses on non-current assets	( 192)	(1 466)
Exchange differences, of which:	( 219)	136
from investing activities and on cash	( 520)	103
from financing activities	301	33
Change in provisions for decommissioning of mines, employee benefits liabilities and other provisions	( 96)	( 26)
Change in other receivables and liabilities other than working capital	174	689
Change in assets and liabilities due to derivatives	( 509)	(1 082)
Reclassification of other comprehensive income to profit or loss due to the realisation of hedging derivatives	508	954
Note 3.11 Other adjustments	74	22
Exclusions of income and costs, total	( 85)	(1 317)
Note 3.10 Income tax paid	(1 189)	( 368)
Note 3.10 Changes in working capital, including:	(1 087)	(1 713)
Note 3.10 change in trade payables transferred to factoring	( 55)	( 436)
<b>Net cash generated from operating activities</b>	<b>1 415</b>	<b>1 680</b>
<b>Cash flow from investing activities</b>		
Expenditures on mining and metallurgical assets, including:	(1 328)	(1 204)
paid capitalised interest on borrowings	( 71)	( 58)
Expenditures on other property, plant and equipment and intangible assets	( 21)	( 3)
Advances granted for property, plant and equipment and intangible assets	( 35)	( 6)
Proceeds from disposal of financial assets measured at fair value through other comprehensive income	-	53
Proceeds from repayment of loans granted	1 003	1
Expenditures on financial assets designated for decommissioning of mines and other technological facilities	( 30)	( 23)
Interests received on loans granted	20	1
Other	12	3
<b>Net cash used in investing activities</b>	<b>( 379)</b>	<b>(1 178)</b>
<b>Cash flow from financing activities</b>		
Expenditures due to derivatives related to sources of external financing	( 45)	( 38)
Proceeds from derivatives related to sources of external financing	42	18
Cash pooling expenses	( 93)	-
Proceeds from cash pooling	-	88
Repayment of borrowings	( 153)	(1 543)
Repayment of lease liabilities	( 33)	( 41)
Interest paid, including:	( 58)	( 54)
borrowings	( 58)	( 48)
Expenditures due to dividends paid to shareholders of the Company	-	( 300)
<b>Net cash used in financing activities</b>	<b>( 340)</b>	<b>(1 870)</b>
<b>NET CASH FLOW</b>	<b>696</b>	<b>(1 368)</b>
Exchange gains/(losses) on cash and cash equivalents	1	( 56)
Cash and cash equivalents at the beginning of the period	1 332	2 135
<b>Cash and cash equivalents at the end of the period, including:</b>	<b>2 029</b>	<b>711</b>
restricted cash	<b>10</b>	<b>15</b>

**STATEMENT OF FINANCIAL POSITION**

	<b>As at 30 June 2022</b>	<b>As at 31 December 2021</b>
<b>ASSETS</b>		
Mining and metallurgical property, plant and equipment	20 175	19 744
Mining and metallurgical intangible assets	1 182	1 093
Mining and metallurgical property, plant and equipment and intangible assets	21 357	20 837
Other property, plant and equipment	100	98
Other intangible assets	54	60
Other property, plant and equipment and intangible assets	154	158
Investments in subsidiaries	3 698	3 691
Note 3.3 Loans granted, including:	8 605	8 249
measured at fair value through profit or loss	3 124	2 959
measured at amortised cost	5 481	5 290
Note 3.2 Derivatives	814	595
Other financial instruments measured at fair value through other comprehensive income	724	581
Other financial instruments measured at amortised cost	541	506
Note 3.2 Financial instruments, total	10 684	9 931
Other non-financial assets	52	54
<b>Non-current assets</b>	<b>35 945</b>	<b>34 671</b>
Inventories	6 534	5 436
Note 3.2 Trade receivables, including:	1 018	600
trade receivables measured at fair value through profit or loss	873	467
Tax assets	249	301
Note 3.2 Derivatives	587	254
Cash pooling receivables	351	498
Other financial assets	248	289
Other non-financial assets	245	77
Note 3.2 Cash and cash equivalents	2 029	1 332
<b>Current assets</b>	<b>11 261</b>	<b>8 787</b>
<b>TOTAL ASSETS</b>	<b>47 206</b>	<b>43 458</b>
<b>EQUITY AND LIABILITIES</b>		
Share capital	2 000	2 000
Other reserves from measurement of financial instruments	(643)	(1 670)
Accumulated other comprehensive income	(428)	(329)
Retained earnings	28 047	25 839
<b>Equity</b>	<b>28 976</b>	<b>25 840</b>
Note 3.2 Borrowings, lease and debt securities	4 590	5 180
Note 3.2 Derivatives	1 078	1 133
Note 3.5 Employee benefits liabilities	2 062	2 040
Note 3.6 Provisions for decommissioning costs of mines and other technological facilities	888	811
Deferred tax liabilities	544	290
Note 3.7 Other liabilities	250	253
Non-current liabilities	9 412	9 707
Note 3.2 Borrowings, lease and debt securities	1 122	382
Note 3.2 Cash pooling liabilities	267	360
Note 3.2 Derivatives	369	888
Note 3.2 Trade and similar payables	2 732	2 613
Note 3.5 Employee benefits liabilities	1 329	1 130
Tax liabilities	1 072	1 291
Provisions for liabilities and other charges	94	98
Note 3.7 Other liabilities	1 833	1 149
Current liabilities	8 818	7 911
<b>Non-current and current liabilities</b>	<b>18 230</b>	<b>17 618</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>47 206</b>	<b>43 458</b>

## STATEMENT OF CHANGES IN EQUITY

	Share capital	Other reserves from measurement of financial instruments	Accumulated other comprehensive income	Retained earnings	Total equity
<b>As at 1 January 2021</b>	<b>2 000</b>	<b>(1 390)</b>	<b>( 872)</b>	<b>20 988</b>	<b>20 726</b>
Transactions with owners - dividend	-	-	-	( 300)	<b>( 300)</b>
Profit for the period	-	-	-	4 226	<b>4 226</b>
Other comprehensive income	-	( 651)*	53	-	<b>( 598)</b>
Total comprehensive income	-	( 651)	53	4 226	<b>3 628</b>
Reclassification of the result of disposal of equity instruments measured at fair value through other comprehensive income	-	-	-	( 18)	<b>( 18)</b>
<b>As at 30 June 2021</b>	<b>2 000</b>	<b>(2 041)</b>	<b>( 819)</b>	<b>24 896</b>	<b>24 036</b>
<b>As at 1 January 2022</b>	<b>2 000</b>	<b>(1 670)</b>	<b>( 329)</b>	<b>25 839</b>	<b>25 840</b>
Transactions with owners - dividend	-	-	-	( 600)	<b>( 600)</b>
Profit for the period	-	-	-	2 808	<b>2 808</b>
Other comprehensive income	-	1 027	( 99)	-	<b>928</b>
Total comprehensive income	-	1 027	( 99)	2 808	<b>3 736</b>
<b>As at 30 June 2022</b>	<b>2 000</b>	<b>( 643)</b>	<b>( 428)</b>	<b>28 047</b>	<b>28 976</b>

\*PLN 18 million due to reclassification of the result of disposal of equity instruments measured at fair value through other comprehensive income was recognised in other comprehensive income.

## Part 1 – Impairment of assets

### Impairment of assets as at 30 June 2022

#### TEST FOR THE IMPAIRMENT OF INVESTMENT CERTIFICATES OF KGHM FIZAN VII

KGHM Polska Miedź S.A. is the sole participant in the KGHM VII FIZAN Fund, whose portfolio includes among others companies operating in the spa industry: Uzdrowiska Kłodzkie S.A. - Grupa PGU, Uzdrowisko Połczyn Grupa PGU S.A., Uzdrowisko Cieplice Sp. z o.o. - Grupa PGU, Uzdrowisko Świeradów - Czerniawa Sp. z o.o. – Grupa PGU.

As at 30 June 2022 new risk areas were identified, which have a significant impact on operations of companies providing spa services. Apart from the increase in prices of electricity, energy carriers, food and other cost factors, resulting from inflationary pressure, there is also the risk of a lack of effective possibility to pass these price increases on end users and / or the impact of these increases on the demand for the services offered.

#### The results of the tests conducted in the accounts of KGHM Polska Miedź S.A. for KGHM VII FIZAN

As a result of the test conducted, the recoverable amount of the investment was recognised at the level of PLN 368 million, that was higher than the investment's carrying amount of PLN 365 million, which did not provide a basis to recognise an impairment.

Basic assumptions adopted for impairment testing				
Assumptions	Level adopted in testing			
	Uzdrowiska Kłodzkie S.A. - Grupa PGU	Uzdrowisko Połczyn Grupa PGU S.A	Uzdrowisko Cieplice Sp. z o.o. - Grupa PGU	Uzdrowisko Świeradów - Czerniawa Sp. z o.o. - Grupa PGU
Forecast period*	2 <sup>nd</sup> half 2022 - 1 <sup>st</sup> half 2028	2 <sup>nd</sup> half 2022 - 1 <sup>st</sup> half 2028	2 <sup>nd</sup> half 2022 - 1 <sup>st</sup> half 2028	2 <sup>nd</sup> half 2022 - 1 <sup>st</sup> half 2028
Average EBITDA margin:				
- during the detailed forecast period,	12%	13%	12%	13%
- during residual period	15%	14%	14%	16%
Capital expenditures during the detailed forecast period	PLN 58 million	PLN 12 million	PLN 12 million	PLN 9 million
Average notional discount rate during the forecast period**	11.4%	11.3%	11.4%	11.5%
Notional discount rate during the residual period**	11.4%	11.7%	11.5%	11.8%
Notional growth rate following the detailed forecast period	2.0%	2.0%	2.0%	2.0%

\* a 6-year detailed forecast period was adopted instead of a 5-year one, pursuant to the approach applied by KGHM VII FIZAN for the measurement of portfolio deposits, in order to maintain the comparability over time (the methodology applied in previous periods).

\*\* data is presented after taxation, despite the measurement model of value in use. The application of data before taxation has no impact on the recoverable amount.

The recoverable amount of Investment Certificates of KGHM VII FIZAN indicated significant sensitivity to changes in the adopted level of the average discount rate, average EBITDA margin and the growth rate following the forecast period for all operating companies.

For the remaining parameters, sensitivity is not material.

The following table presents the impact of changes to these parameters on the recoverable amount of Investment Certificates of KGHM VII FIZAN.

Recoverable amount			
<b>Average EBITDA margin during the forecast period</b>	<b>decrease by 2 pp.</b>	<b>per test</b>	<b>increase by 2 pp.</b>
Certificates of KGHM VII FIZAN	313	368	450
<b>Average discount rate during the forecast period</b>	<b>decrease by 1 pp.</b>	<b>per test</b>	<b>increase by 1 pp.</b>
Certificates of KGHM VII FIZAN	397	368	345
<b>Growth rate following the forecast period</b>	<b>decrease by 1 pp.</b>	<b>per test</b>	<b>increase by 1 pp.</b>
Certificates of KGHM VII FIZAN	352	368	388

As a result of transactions after the reporting period between KGHM VII FIZAN and a subsidiary CUPRUM Nieruchomości Sp. z o.o. (detailed information in Note 5.8 Subsequent events), a decision was made to liquidate the Fund.

Due to the above, in subsequent reporting periods an analysis of indications of potential impairment of shares in CUPRUM Nieruchomości Sp. z o.o. will be made.

As at 31 December 2021, the results of impairment testing of the Company's assets were presented in part 3 of the annual report RR 2021.

## Part 2 – Explanatory notes to the statement of profit or loss

### Note 2.1 Revenues from contracts with customers – geographical breakdown reflecting the location of end customers

	from 1 January 2022 to 30 June 2022	from 1 January 2021 to 30 June 2021
<b>Europe</b>		
Poland	3 924	2 687
Germany	2 961	1 859
Czechia	1 252	996
Italy	1 209	937
The United Kingdom	954	582
Hungary	813	589
France	381	597
Switzerland	332	268
Austria	288	212
Slovakia	96	60
Romania	78	157
Slovenia	78	81
Belgium	27	6
Bulgaria	19	22
Bosnia and Herzegovina	8	-
Estonia	7	9
The Netherlands	5	2
Denmark	2	16
Sweden	-	18
Other countries (dispersed sales)	2	1
<b>North and South America</b>		
The United States of America	467	833
Canada	29	10
<b>Australia</b>		
Australia	399	515
<b>Asia</b>		
China	1 175	1 182
Thailand	306	246
Turkey	153	59
Vietnam	121	147
Japan	62	-
Taiwan	23	-
South Korea	-	29
Malesia	-	15
Other countries (dispersed sales)	-	4
<b>Africa</b>	40	5
<b>TOTAL</b>	<b>15 211</b>	<b>12 144</b>

**Note 2.2 Expenses by nature**

	from 1 January 2022 to 30 June 2022	from 1 January 2021 to 30 June 2021
Depreciation of property, plant and equipment and amortisation of intangible assets	741	716
Employee benefits expenses	2 320	2 069
Materials and energy, including:	6 950	5 020
purchased metal-bearing materials	4 624	3 656
electrical and other energy	932	595
External services, including:	1 006	882
transport	157	139
repairs, maintenance and servicing	308	254
mine preparatory work	271	251
Minerals extraction tax	1 653	1 635
Other taxes and charges	235	283
Revaluation of inventories	( 17)	18
Other costs	62	55
<b>Total expenses by nature</b>	<b>12 950</b>	<b>10 678</b>
Cost of merchandise and materials sold (+)	130	131
Change in inventories of finished goods and work in progress (+/-)	( 519)	(1 080)
Cost of manufacturing products for internal use (-)	( 94)	( 79)
<b>Total costs of sales, selling costs and administrative expenses, of which:</b>	<b>12 467</b>	<b>9 650</b>
Cost of sales	11 903	9 205
Selling costs	84	78
administrative expenses	480	367

**Note 2.3 Other operating income and (costs)**

	from 1 January 2022 to 30 June 2022	from 1 January 2021 to 30 June 2021
Gains on derivatives, of which:	206	281
measurement	164	248
realisation	42	33
Exchange differences on assets and liabilities other than borrowings	696	147
Interest on loans granted and other financial receivables	157	131
Fees and charges on re-invoicing of costs of bank guarantees securing payments of liabilities	12	61
Reversal of impairment losses on financial instruments measured at amortised cost, including:	192	508
loans	159	456
Fair value gains on financial assets measured at fair value through profit or loss, including:	469	1 138
loans	457	1 135
Reversal of impairment losses on shares in subsidiaries	-	1 010
Release of provisions	9	10
Government grants received	7	1
Dividends income	-	37
Other	67	22
<b>Total other operating income</b>	<b>1 815</b>	<b>3 346</b>
Losses on derivatives, of which:	( 199)	( 414)
measurement	( 35)	( 102)
realisation	( 164)	( 312)
Impairment losses on financial instruments measured at amortised cost	( 4)	( 8)
Fair value losses on financial assets measured at fair value through profit or loss, including:	( 136)	( 79)
loans	-	( 12)
Loss on disposal of property, plant and equipment and fixed assets under construction (including costs associated with disposal of fixed assets)	( 12)	( 3)
Provisions recognised	( 10)	( 14)
Donations given	( 14)	( 7)
Compensations, fines and penalties paid and costs of litigation	( 15)	-
Other	( 32)	( 28)
<b>Total other operating costs</b>	<b>( 422)</b>	<b>( 553)</b>
<b>Other operating income and (costs)</b>	<b>1 393</b>	<b>2 793</b>

**Note 2.4 Finance income and (costs)**

	from 1 January 2022 to 30 June 2022	from 1 January 2021 to 30 June 2021
Gains on derivatives - realisation	47	35
<b>Total finance income</b>	<b>47</b>	<b>35</b>
Interest on borrowings, including:		
leases	( 5)	( 4)
Bank fees and charges on borrowings	( 17)	( 15)
Exchange differences on measurement and realisation of borrowings	( 301)	( 138)
Losses on derivatives, of which:	( 51)	( 39)
measurement	-	( 1)
realisation	( 51)	( 38)
Unwinding of the discount effect	( 4)	( 4)
<b>Total finance costs</b>	<b>( 408)</b>	<b>( 244)</b>
<b>Finance income and (costs)</b>	<b>( 361)</b>	<b>( 209)</b>

## Part 3 – Other explanatory notes

### Note 3.1 Information on property, plant and equipment and intangible assets

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

	from 1 January 2022 to 30 June 2022	from 1 January 2021 to 30 June 2021
Purchase of property, plant and equipment, including:	1 148	953
leases	84	33
Purchase of intangible assets	21	56

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

	As at 30 June 2022	As at 31 December 2021
Payables due to the purchase of property, plant and equipment and intangible assets	744	1 096

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

	As at 30 June 2022	As at 31 December 2021
Purchase of property, plant and equipment	2 454	2 025
Purchase of intangible assets	17	28
<b>Total capital commitments</b>	<b>2 471</b>	<b>2 053</b>

## Note 3.2 Financial instruments

Financial assets:	As at 30 June 2022					As at 31 December 2021				
	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
<b>Non-current</b>	724	3 133	6 022	805	<b>10 684</b>	581	2 969	5 796	585	<b>9 931</b>
Note 3.3 Loans granted		3 124	5 481		<b>8 605</b>	-	2 959	5 290	-	<b>8 249</b>
Derivatives	-	9	-	805	<b>814</b>	-	10	-	585	<b>595</b>
Other financial instruments measured at fair value	724	-	-	-	<b>724</b>	581	-	-	-	<b>581</b>
Other financial instruments measured at amortised cost	-	-	541	-	<b>541</b>	-	-	506	-	<b>506</b>
<b>Current</b>	-	971	2 773	489	<b>4 233</b>	-	472	2 252	249	<b>2 973</b>
Trade receivables*	-	873	145	-	<b>1 018</b>	-	467	133	-	<b>600</b>
Derivatives	-	98	-	489	<b>587</b>	-	5	-	249	<b>254</b>
Cash and cash equivalents	-	-	2 029	-	<b>2 029</b>	-	-	1 332	-	<b>1 332</b>
Cash pooling receivables**	-	-	351	-	<b>351</b>	-	-	498	-	<b>498</b>
Other financial assets	-	-	248	-	<b>248</b>	-	-	289	-	<b>289</b>
<b>Total</b>	<b>724</b>	<b>4 104</b>	<b>8 795</b>	<b>1 294</b>	<b>14 917</b>	<b>581</b>	<b>3 441</b>	<b>8 048</b>	<b>834</b>	<b>12 904</b>

\* The significant increase in the balance of trade receivables measured at fair value through profit or loss as at 30 June 2022 as compared to the balance as at 31 December 2021 results mainly from an increase in the volume of sales in June 2022 as compared to the volume of sales in December 2021.

\*\* Receivables from subsidiaries of the Group which indebted themselves under the Group's cash pooling system, in which KGHM Polska Miedź S.A., as a participant in the system is also a coordinator of the system, and treats this activity solely as aimed at supporting Group companies in managing their current shortages and surpluses.

	As at 30 June 2022				As at 31 December 2021			
	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
<b>Financial liabilities:</b>								
<b>Non-current</b>	68	4 787	1 010	<b>5 865</b>	77	5 386	1 056	<b>6 519</b>
Note 3.4 Borrowings, lease and debt securities	-	4 590	-	<b>4 590</b>	-	5 180	-	<b>5 180</b>
Derivatives	68	-	1 010	<b>1 078</b>	77	-	1 056	<b>1 133</b>
Other financial liabilities	-	197	-	<b>197</b>	-	206	-	<b>206</b>
<b>Current</b>	78	4 854	334	<b>5 266</b>	199	3 466	848	<b>4 513</b>
Note 3.4 Borrowings, lease and debt securities	-	1 122	-	<b>1 122</b>	-	382	-	<b>382</b>
Note 3.4 Cash pooling liabilities*	-	267	-	<b>267</b>	-	360	-	<b>360</b>
Other liabilities due to settlement under cash pooling contracts **	-	22	-	<b>22</b>	-	25	-	<b>25</b>
Derivatives	35	-	334	<b>369</b>	40	-	848	<b>888</b>
Trade payables	-	2 732	-	<b>2 732</b>	-	2 558	-	<b>2 558</b>
Similar payables – reverse factoring	-	-	-	-	-	55	-	<b>55</b>
Other financial liabilities	43	711	-	<b>754</b>	159	86	-	<b>245</b>
<b>Total</b>	<b>146</b>	<b>9 641</b>	<b>1 344</b>	<b>11 131</b>	<b>276</b>	<b>8 852</b>	<b>1 904</b>	<b>11 032</b>

\* Liabilities of KGHM Polska Miedź S.A. towards Group companies within the credit limit of the group of accounts participating in the cash pooling system.

\*\* Other current liabilities of KGHM Polska Miedź S.A. towards participants in the cash pooling system to return, after the end of the reporting period, of cash transferred by them which were not used by KGHM Polska Miedź S.A. for its own needs.

## The fair value hierarchy of financial instruments

Classes of financial instruments	As at 30 June 2022				As at 31 December 2021			
	level 1	level 2	level 3	carrying amount	level 1	level 2	level 3	carrying amount
Loans granted measured at fair value	-	-	3 124	3 124	-	-	2 959	2 959
Loans granted measured at amortised cost	-	149	5 189	5 506	-	224	5 340	5 407
Listed shares	627	-	-	627	484	-	-	484
Unquoted shares	-	97	-	97	-	97	-	97
Trade receivables	-	873	-	873	-	467	-	467
Other financial assets	-	45	-	45	-	10	-	10
Derivatives, of which:	-	( 46)	-	( 46)	-	(1 172)	-	(1 172)
- assets	-	1 401	-	1 401	-	849	-	849
- liabilities	-	(1 447)	-	(1 447)	-	(2 021)	-	(2 021)
Long-term bank and other loans received	-	(2 083)	-	(2 072)	-	(2 669)	-	(2 656)
Long-term debt securities	-	(1 984)	-	(2 000)	-	(2 034)	-	(2 000)
Other financial liabilities	-	( 43)	-	( 43)	-	( 159)	-	( 159)

### Loans granted measured at amortised cost

Discount rate adopted for estimation of fair value of loans granted measured at amortised cost.

Loans per impairment model	discount rate		carrying amount	Loans per impairment model	discount rate		carrying amount
	level 2	level 3			level 2	level 3	
1 <sup>st</sup> and 2 <sup>nd</sup> degree (fixed interest rate)	6.54%	x	77	1 <sup>st</sup> and 2 <sup>nd</sup> degree (fixed interest rate)	6.10%	x	151
1 <sup>st</sup> degree (variable interest rate)	5.89% (Wibor 1M)	x	80	1 <sup>st</sup> degree (variable interest rate)	1.70% (Wibor 1M)	x	80
2 <sup>nd</sup> degree (fixed interest rate)	x	3.64%	3 541	2 <sup>nd</sup> degree (fixed interest rate)	x	2.29%	3 547
POCI (fixed interest rate)	x	9.00%	1 808	POCI (fixed interest rate)	x	8.00%	1 629
		<b>Total</b>	<b>5 506</b>			<b>Total</b>	<b>5 407</b>

Methods and measurement techniques used by the Company in determining the fair values of each class of financial asset or financial liability are presented in part 4, note 4.3 of the consolidated financial statements, with the exception of methods and measurement techniques used to determine the fair value of long-term loans granted measured at fair value and at amortised cost, described below.

#### Level 2

Fair value of loans measured at amortised cost, for which the fair value 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 were classified to level 2 of the fair value hierarchy. The current IBOR market rate from the Reuters system was used in the discounting process.

#### Level 3

Fair value of loans measured at fair value and loans measured at amortised cost, for which the fair value was estimated on the basis of forecasted cash flows of international assets, among others Sierra Gorda S.C.M., which pursuant to IFRS 13 are unobservable input data, that is input data at the level 3 of the fair value hierarchy, were classified to level 3 of the fair value hierarchy.

There was no transfer of financial instruments between individual levels of the fair value hierarchy within the Company in the reporting period, nor was there any change in the classification of instruments as a result of a change in the purpose or method of use of these instruments.

### Note 3.3 Receivables due to loans granted

	as at 30 June 2022	as at 31 December 2021
Loans measured at amortised cost – gross amount	5 578	5 505
Allowance for impairment	( 72)	( 98)
Loans measured at amortised cost – carrying amount	5 506	5 407
Loans measured at fair value – carrying amount	3 124	2 959
<b>Total, of which:</b>	<b>8 630</b>	<b>8 366</b>
- long-term loans	8 605	8 249
- short-term loans	25	117

The following table presents changes in the carrying amount of loans granted measured at fair value during the period.

	from 1 January 2022 to 30 June 2022	from 1 January 2021 to 31 December 2021
<b>At the beginning of the reporting period</b>	2 959	2 477
Repayment of a loan	( 289)	( 547)
Fair value gains	457	1 056
Fair value losses	-	( 9)
Loss on realisation of an instrument	( 3)	( 18)
<b>At the end of the reporting period</b>	<b>3 124</b>	<b>2 959</b>

The following tables present the change in the gross amount of loans granted measured at amortised cost.

	Total	Stage 1 Medium rating	Stage 2 Medium rating	POCI Medium rating
<b>Gross amount as at 1 January 2022</b>	<b>5 505</b>	<b>213</b>	<b>3 664</b>	<b>1 628</b>
increase in the amount of a loan (granting a loan)	1	1	-	-
repayment	( 708)	( 96)	( 425)	( 187)
exchange differences	496	4	338	154
interest accrued using the effective interest rate	125	15	57	53
reversal of a loss allowance	159	-	-	159
<b>Gross amount as at 30 June 2022</b>	<b>5 578</b>	<b>137</b>	<b>3 634</b>	<b>1 807</b>

	Total	Stage 1 Medium rating	Stage 2 Medium rating	POCI Medium rating
<b>Gross amount as at 1 January 2021</b>	<b>5 352</b>	<b>601</b>	<b>3 254</b>	<b>1 497</b>
increase in the amount of a loan (granting a loan)	20	20	-	-
repayment	(1 178)	( 448)	-	( 730)
modification of terms to the agreement	2	2	-	-
exchange differences	357	9	260	88
interest accrued using the effective interest rate	295	29	150	116
reversal of a loss allowance	657	-	-	657
<b>Gross amount as at 31 December 2021</b>	<b>5 505</b>	<b>213</b>	<b>3 664</b>	<b>1 628</b>

The following tables present the change in the amount of loss allowance for expected credit losses on loans measured at amortised cost.

	Total	Stage 1	Stage 2	POCI
<b>Loss allowance for expected credit losses as at 1 January 2022</b>	<b>98</b>	<b>2</b>	<b>96</b>	<b>0</b>
changes in risk parameters	( 33)	( 1)	( 32)	-
exchange differences	6	-	6	-
<b>Loss allowance for expected credit losses as at 30 June 2022</b>	<b>71</b>	<b>1</b>	<b>70</b>	<b>0</b>

	Total	Stage 1	Stage 2	POCI
<b>Loss allowance for expected credit losses as at 1 January 2021</b>	<b>179</b>	<b>5</b>	<b>98</b>	<b>76</b>
changes in risk parameters	( 94)	( 3)	( 10)	( 81)
exchange differences	13	-	8	5
<b>Loss allowance for expected credit losses as at 31 December 2021</b>	<b>98</b>	<b>2</b>	<b>96</b>	<b>0</b>

The Company classifies loans granted to one of the three following categories:

1. Measured at amortised cost, which were determined to be credit-impaired at the moment of initial recognition (POCI),
2. Measured at amortised cost, which were not determined to be credit-impaired at the moment of initial recognition,
3. Measured at fair value through profit or loss.

Loans that at the last stage of cash flows between companies in the Future 1 holding structure or KGHM INTERNATIONAL LTD. were transferred as a loan to a joint venture Sierra Gorda S.C.M., advanced by the KGHM INTERNATIONAL LTD. Group, were classified as POCI loans (identified allowance for impairment due to a high credit risk at the moment of granting).

These loans, pursuant to contractual terms, are paid on demand, but not later than 15 December 2024.

The Company presents, in the category of loans classified as measured at fair value through profit or loss, loans that at the last stage of cash flows between companies in the Future 1 Sp. z o.o. holding structure or KGHM INTERNATIONAL LTD. were transferred mainly as increases in share capital of Sierra Gorda S.C.M.

In order to calculate expected credit losses (ECL), the Company uses, among others, the following parameters:

- the borrower's rating - is granted using internal methodology of the Company based on the Moody's methodology. The Company granted loans mainly to subsidiaries, of which over 99% of borrowers were assigned ratings between A2 – Baa2 (in the comparable period, Baa1 – Baa3),
- the curve of accumulated parameters of PD (parameter of probability of default, used to calculate the expected credit losses) for a given borrower is set on the basis of market sector quotations of Credit Default Swap contracts from the Reuters system, which quantify the market expectations as for the potential probability of default in a given sector and in a given rating. As at 30 June 2022, PD parameters for the adopted ratings were as follows:

#### A2 to Baa2 ratings according to Moody's (30-06-2022)

Up to one year	0.64% - 1.48%
1-3 years	2.59% - 6.84%
More than 3 years (at the date of loans' maturity)	x* - 16.21%

\*Lack of loans with A2 rating and a maturity of more than 3 years

#### Baa1 to Baa3 ratings according to Moody's (31-12-2021)

Up to one year	0.76% - 1.15%
1-3 years	3.52% - 5.35%
More than 3 years (at the date of loans' maturity)	3.52% - 15.57%

- the level of the LGD parameter (loss given default, expressed as the percentage of the amount outstanding) for the purposes of estimating expected credit losses for loans classified to the stage 1 and 2 is adopted at the level of 75% (based on estimations from Moody's Annual Default Study: Corporate Default and Recovery Rates, 1920 – 2016).

The Company performed a measurement of loans classified to level 3 of the fair value hierarchy (measured at fair value as well as at amortised cost) designated mainly for financing the joint venture Sierra Gorda S.C.M. The basis of measuring the level of recoverability of loans at the level of the separate financial statements of KGHM Polska Miedź S.A. is the estimation of cash flows generated by Sierra Gorda S.C.M and other significant international production assets, which are subsequently allocated by the Company in individual loans at various levels of the current financing structure. The estimate of cash flows generated by Sierra Gorda S.C.M. and other mines was determined on the basis of current forecasts of pricing paths of commodities and current mining plans.

The expected repayments of loans were 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 3.69% - 6.64% - for loans measured at amortised cost
- the market interest rate at the level of 3.64%-9% - for loans measured at fair value.

In the period from 1 January to 30 June 2022 the following was recognised:

- gains on reversal of an allowance for impairment of loans granted classified as POCI in the amount of PLN 159 million (USD 36 million calculated using exchange rates from the date of recognition of the reversal of loss);

Date of recognition	USD million	exchange rate
11.02.2022	2.3	3.9665
13.06.2022	17.2	4.4209
30.06.2022	16.5	4.4825

- for loans measured at fair value – an estimated increase in fair value by the amount of PLN 457 million.

The increase in the fair value of loans results mainly from an increase in expected future cash flows of Sierra Gorda S.C.M. estimated on the basis of current price paths of commodities.

**Sensitivity analysis of the fair value of loans due to the change in forecasted cash flows of Sierra Gorda S.C.M.**

As at 30 June 2022 and in the comparable period, the Company classified the measurement at fair value of loans granted to level 3 of the fair value hierarchy because of the utilisation in the measurement of a significant unmeasurable parameter, that is the forecasted cash flows of Sierra Gorda S.C.M. The cash flows are the most sensitive to changes in copper prices, which implies other assumptions such as forecasted production and operating margin.

Considering the above, pursuant to IFRS 13 para. 93.f, the Company performed a sensitivity analysis of the fair value (level 3) of loans to volatility in copper prices.

**Copper prices [USD/t]**

<b>Scenarios 30.06.2022</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>	<b>LT</b>
Base	8 500	8 500	8 500	8 500	7 700
Base minus 0.1 [USD/lbs]	8 280	8 280	8 280	8 280	7 480
Base plus 0.1 [USD/lbs]	8 720	8 720	8 720	8 720	7 920

<b>Scenarios 31.12.2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>	<b>LT</b>
Base	8 500	8 000	7 500	7 500	7 000
Base minus 0.1 [USD/lbs]	8 280	7 780	7 280	7 280	6 780
Base plus 0.1 [USD/lbs]	8 720	8 220	7 720	7 720	7 220

<b>Classes of financial instruments</b>	<b>Fair value</b>	<b>Carrying amount</b>	<b>Fair value</b>		<b>Fair value</b>	<b>Carrying amount</b>	<b>Fair value</b>	
			Base plus 0.1 [USD/lbs]	Base minus 0.1 [USD/lbs]			Base plus 0.1 [USD/lbs]	Base minus 0.1 [USD/lbs]
Loans granted measured at fair value	<b>3 124</b>	<b>3 124</b>	3 546	2 891	<b>2 959</b>	<b>2 959</b>	3 239	2 753
Loans granted measured at amortised cost	<b>5 189</b>	<b>5 349</b>	5 341	5 141	<b>5 340</b>	<b>5 176</b>	5 375	5 290

**Note 3.4 Net debt**

	As at 30 June 2022	As at 31 December 2021
Bank loans*	( 11)	596
Loans	2 083	2 060
Debt securities - bonds	2 000	2 000
Leases	518	524
<b>Total non-current liabilities due to borrowings</b>	<b>4 590</b>	<b>5 180</b>
Bank loans**	669	( 3)
Loans	390	327
Cash pooling liabilities***	267	360
Debt securities	1	1
Leases	62	57
<b>Total current liabilities due to borrowings</b>	<b>1 389</b>	<b>742</b>
<b>Total borrowings</b>	<b>5 979</b>	<b>5 922</b>
Free cash and cash equivalents	2 019	1 318
<b>Net debt</b>	<b>3 960</b>	<b>4 604</b>

\* Presented amounts include the preparation fee paid in the amount of PLN 11 million, which decreases financial liabilities due to received bank loans;

\*\* Presented amounts include the preparation fee paid in the amount of PLN 3 million, which decreases financial liabilities due to received bank loans;

\*\*\* Liabilities of KGHM Polska Miedź S.A. towards Group companies within the credit limit in the group of accounts participating in the cash pooling system.

**Note 3.5 Employee benefits liabilities**

	As at 30 June 2022	As at 31 December 2021
Jubilee bonuses	371	418
Retirement and disability benefits	315	369
Coal equivalent	1 502	1 354
Other benefits	24	29
<b>Total liabilities due to future employee benefits programs</b>	<b>2 212</b>	<b>2 170</b>
Remuneration and social insurance liabilities	453	422
Accruals due to employee benefits	726	578
<b>Employee benefits</b>	<b>1 179</b>	<b>1 000</b>
<b>Total employee benefits liabilities, of which:</b>	<b>3 391</b>	<b>3 170</b>
- non-current liabilities	2 062	2 040
- current liabilities	1 329	1 130

**Discount rate adopted for the measurement of liabilities due to future employee benefits programs as at 30 June 2022**

	2022	2023	2024	2025	2026 and beyond
- discount rate	7.00%*	7.00%	7.00%	7.00%	7.00%

\*Increase in the discount rate, period to period, results from the increase in risk-free rate.

**Discount rate adopted for the measurement of liabilities due to future employee benefits programs as at 31 December 2021**

	2022	2023	2024	2025	2026 and beyond
- discount rate	3.60%	3.60%	3.60%	3.60%	3.60%

**Note 3.6 Provisions for decommissioning costs of mines and other technological facilities**

	from 1 January 2022 to 30 June 2022	from 1 January 2021 to 31 December 2021
<b>Provisions as at the beginning of the reporting period</b>	824	1 192
Changes in estimates recognised in fixed assets	91	( 333)
Other	( 15)	( 35)
<b>Provisions as at the end of the reporting period, of which:</b>	<b>900</b>	<b>824</b>
- non-current provisions	888	811
- current provisions	12	13

**Note 3.7 Other liabilities**

	As at 30 June 2022	As at 31 December 2021
Trade payables	182	187
Other	68	66
<b>Other liabilities – non-current</b>	<b>250</b>	<b>253</b>
Special funds	429	410
Accruals, including:	369	397
provision for purchase of property rights related to consumed electricity	142	98
charge for discharging gases and dusts to the air	185	260
Liabilities due to the settlement of the Tax Group	8	13
Deferred income	204	29
Other liabilities due to settlements under cash pooling contracts	22	25
Liabilities due to the dividend payout	600	-
Other	201	275
<b>Other liabilities – current</b>	<b>1 833</b>	<b>1 149</b>

**Note 3.8 Related party transactions**

	from 1 January 2022 to 30 June 2022	from 1 January 2021 to 30 June 2021
<b>Operating income from related parties</b>		
From subsidiaries	452	339
From other related parties	11	55
<b>Total</b>	<b>463</b>	<b>394</b>

In the period from 1 January 2022 to 30 June 2022, the Company did not receive dividends from subsidiaries (from 1 January to 30 June 2021: PLN 37 million).

	from 1 January 2022 to 30 June 2022	from 1 January 2021 to 30 June 2021
<b>Purchase of merchandise and materials and other purchases from subsidiaries</b>	5 051	3 773

	As at 30 June 2022	As at 31 December 2021
<b>Trade and other receivables from related parties</b>	<b>9 328</b>	<b>9 150</b>
From subsidiaries, including:	9 256	9 092
loans granted	8 630	8 366
From other related parties	72	58

	<b>As at 30 June 2022</b>	<b>As at 31 December 2021</b>
<b>Payables towards related parties</b>	<b>1 581</b>	<b>1 571</b>
Towards subsidiaries	1 509	1 513
Towards other related parties	72	58

Remuneration of the key managers of KGHM Polska Miedź S.A., i.e. members of the Management Board and members of the Supervisory Board of KGHM Polska Miedź S.A., is presented in part 4, note 4.8 of the consolidated financial statements.

The State Treasury is an entity controlling KGHM Polska Miedź S.A. at the highest level. Pursuant to IAS 24.25, 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.

Pursuant to the scope of IAS 24.26, in the period from 1 January to 30 June 2022 the Company concluded 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 207 million (as at 31 December 2021: PLN 228 million); including fees on setting mining usufruct for the extraction of mineral resources recognised in costs in the amount of PLN 16 million (as at 31 December 2021: PLN 30 million),
- due to a reverse factoring agreement with the company PEKAO FAKTORING SP. Z O.O. – as at 30 June 2022 the Company did not recognise payables (as at 31 December 2021 payables in the amount of PLN 28 million and interest costs from 1 January to 30 June 2021 in the amount of PLN 5 million),
- banks related to the State Treasury executed the following transactions and economic operations on the Company's behalf: spot currency exchange, depositing cash, cash pooling, granting bank loans, guarantees and letters of credit (including documentary letters of credit), processing of a documentary collection, running bank accounts, servicing of special purpose funds and entering into transactions on the forward currency market.

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

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

- the purchase of goods to meet the needs of current operating activities. In the period from 1 January to 30 June 2022, the turnover from these transactions amounted to PLN 1 351 million (from 1 January to 30 June 2021: PLN 727 million), and, as at 30 June 2022, the unsettled balance of liabilities from these transactions amounted to PLN 754 million (as at 31 December 2021: PLN 161 million),
- sales to Polish State Treasury Companies. In the period from 1 January to 30 June 2022, the turnover from these sales amounted to PLN 77 million (from 1 January to 30 June 2021: PLN 111 million), and, as at 30 June 2022, the unsettled balance of receivables from these transactions amounted to PLN 16 million (as at 31 December 2021: PLN 9 million).

**Note 3.9 Assets and liabilities not recognised in the statement of financial position**

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

	As at 30 June 2022	As at 31 December 2021
<b>Contingent assets</b>	<b>423</b>	<b>485</b>
Guarantees received	135	250
Promissory notes receivables	259	207
Receivables due to property tax on underground mine workings	28	-
Other	1	28
<b>Contingent liabilities</b>	<b>681</b>	<b>644</b>
Guarantees*	614	566
Property tax on underground mine workings	34	47
Other	33	31
<b>Other liabilities not recognised in the statement of financial position</b>	<b>110</b>	<b>99</b>
Liabilities towards local government entities due to expansion of the tailings storage facility	110	99

\*a security for the proper execution by the Company of future environmental obligations related to the obligation to restore terrain, following the conclusion of operations of the Żelazny Most tailings storage facility, in the amount of PLN 117 million (as at 31 December 2021 in the amount of PLN 124 million), a security for the restoration costs of the Robinson mine, Podolsky mine and the Victoria project, in the amount of PLN 443 million (USD 90 million, CAD 12 million) (as at 31 December 2021 in the amount of PLN 402 million, i.e. USD 90 million, CAD 12 million), a security of obligations for the proper execution of agreements entered into by KGHM Polska Miedź S.A. and Group companies in the amount of PLN 24 million (PLN 18 million, CAD 2 million) (as at 31 December 2021 in the amount of PLN 10 million, i.e. PLN 3 million and CAD 2 million) and a security of liabilities drawn by Brokerage House due to the settlement of transactions on markets managed by Towarowa Gielda Energii S.A., entered into by the Brokerage House on behalf of KGHM Polska Miedź S.A. (as at 31 December 2021 in the amount of PLN 30 million).

### Note 3.10 Changes in working capital

	Inventories	Trade receivables	Trade payables	Similar payables - reverse factoring	Working capital
<b>As at 1 January 2022</b>	(5 436)	( 600)	2 745	55	<b>(3 236)</b>
<b>As at 30 June 2022</b>	(6 534)	(1 018)	2 914	-	<b>(4 638)</b>
<b>Change in the statement of financial position</b>	<b>(1 098)</b>	<b>( 418)</b>	<b>169</b>	<b>( 55)</b>	<b>(1 402)</b>
Depreciation/amortisation recognised in inventories	41	-	-	-	<b>41</b>
Payables due to the purchase of property, plant and equipment and intangible assets	-	-	274	-	<b>274</b>
<b>Adjustments</b>	<b>41</b>	<b>-</b>	<b>274</b>	<b>-</b>	<b>315</b>
<b>Change in the statement of cash flows</b>	<b>(1 057)</b>	<b>( 418)</b>	<b>443</b>	<b>( 55)</b>	<b>(1 087)</b>

	Inventories	Trade receivables	Trade payables	Similar payables - reverse factoring	Working capital
<b>As at 1 January 2021</b>	(3 555)	( 351)	2 232	1 264	<b>( 410)</b>
<b>As at 30 June 2021</b>	(4 883)	( 490)	2 122	814	<b>(2 437)</b>
<b>Change in the statement of financial position</b>	<b>(1 328)</b>	<b>( 139)</b>	<b>( 110)</b>	<b>( 450)</b>	<b>(2 027)</b>
Depreciation/amortisation recognised in inventories	50	-	-	-	<b>50</b>
Payables due to the purchase of property, plant and equipment and intangible assets	-	-	250	14	<b>264</b>
<b>Adjustments</b>	<b>50</b>	<b>-</b>	<b>250</b>	<b>14</b>	<b>314</b>
<b>Change in the statement of cash flows</b>	<b>(1 278)</b>	<b>( 139)</b>	<b>140</b>	<b>( 436)</b>	<b>(1 713)</b>

### Note 3.11 Other adjustments in the statement of cash flows

	from 1 January 2022 to 30 June 2022	from 1 January 2021 to 30 June 2021
Loss on disposal of property, plant and equipment and intangible assets	11	3
Proceeds from income tax from the tax group companies	55	13
Profits or losses due to measurement and realisation of derivatives related to sources of external financing	5	4
Other	3	2
<b>Total</b>	<b>74</b>	<b>22</b>

## Part 4 – Quarterly financial information of KGHM Polska Miedź S.A.

### STATEMENT OF PROFIT OR LOSS

	from 1 April 2022 to 30 June 2022*	from 1 April 2021 to 30 June 2021*	from 1 January 2022 to 30 June 2022	from 1 January 2021 to 30 June 2021
Revenues from contracts with customers	7 656	6 575	15 211	12 144
Note 4.1 Cost of sales	(6 171)	(5 208)	(11 903)	(9 205)
<b>Gross profit</b>	<b>1 485</b>	<b>1 367</b>	<b>3 308</b>	<b>2 939</b>
Note 4.1 Selling costs and administrative expenses	(343)	(232)	(564)	(445)
<b>Profit on sales</b>	<b>1 142</b>	<b>1 135</b>	<b>2 744</b>	<b>2 494</b>
Note 4.2 Other operating income, including:	1 242	2 829	1 815	3 346
interest income calculated using the effective interest rate method	95	63	157	129
reversal of impairment losses on financial instruments	139	494	192	508
Note 4.2 Other operating costs, including:	(190)	(404)	(422)	(553)
impairment losses on financial instruments	36	(7)	(4)	(8)
Note 4.3 Finance income	47	170	47	35
Note 4.3 Finance costs	(303)	(77)	(408)	(244)
<b>Profit before income tax</b>	<b>1 938</b>	<b>3 653</b>	<b>3 776</b>	<b>5 078</b>
Income tax expense	(455)	(402)	(968)	(852)
<b>PROFIT FOR THE PERIOD</b>	<b>1 483</b>	<b>3 251</b>	<b>2 808</b>	<b>4 226</b>
<b>Weighted average number of ordinary shares (million)</b>	<b>200</b>	<b>200</b>	<b>200</b>	<b>200</b>
<b>Basic and diluted earnings per share (in PLN)</b>	<b>7.42</b>	<b>16.26</b>	<b>14.04</b>	<b>21.13</b>

\*Data not subject to review and audit

## Explanatory notes to the condensed statement of profit or loss

### Note 4.1 Expenses by nature

	from 1 April 2022 to 30 June 2022*	from 1 April 2021 to 30 June 2021*	from 1 January 2022 to 30 June 2022	from 1 January 2021 to 30 June 2021
Depreciation of property, plant and equipment and amortisation of intangible assets	377	360	741	716
Employee benefits expenses	1 332	1 114	2 320	2 069
Materials and energy, including:	3 640	2 673	6 950	5 020
Purchased metal-bearing materials	2 420	1 989	4 624	3 656
Electrical and other energy	450	299	932	595
External services, including:	530	457	1 006	882
Transport	81	71	157	139
Repairs, maintenance and servicing	170	133	308	254
Mine preparatory work	140	123	271	251
Minerals extraction tax	809	917	1 653	1 635
Other taxes and charges	22	143	235	283
Revaluation of inventories	(9)	28	(17)	18
Other costs	42	32	62	55
<b>Total expenses by nature</b>	<b>6 743</b>	<b>5 724</b>	<b>12 950</b>	<b>10 678</b>
Cost of merchandise and materials sold (+)	11	64	130	131
Change in inventories of finished goods and work in progress (+/-)	(195)	(310)	(519)	(1 080)
Costs of manufacturing products for internal use (-)	(45)	(38)	(94)	(79)
<b>Total costs of sales, selling costs and administrative expenses, of which:</b>	<b>6 514</b>	<b>5 440</b>	<b>12 467</b>	<b>9 650</b>
Cost of sales	6 171	5 208	11 903	9 205
Selling costs	45	39	84	78
Administrative expenses	298	193	480	367

\*Data not subject to review and audit

**Note 4.2 Other operating income and (costs)**

	from 1 April 2022 to 30 June 2022*	from 1 April 2021 to 30 June 2021*	from 1 January 2022 to 30 June 2022	from 1 January 2021 to 30 June 2021
Gains on derivatives, of which:	112	176	206	281
measurement	75	144	164	248
realisation	37	32	42	33
Exchange differences on assets and liabilities other than borrowings	477	-	696	147
Interests on loans granted and other financial receivables	103	64	157	131
Fees and charges on re-invoicing of costs of bank guarantees securing payments of liabilities	-	13	12	61
Reversal of impairment losses on financial instruments measured at amortised cost, including:	139	494	192	508
loans	106	452	159	456
Fair value gains on financial assets measured at fair value through profit or loss, including:	409	1 025	469	1 138
loans	414	1 033	457	1 135
Reversal of impairment losses on shares in subsidiaries	-	1 010	-	1 010
Release of provisions	1	4	9	10
Government grants received	7	1	7	1
Dividends income	-	37	-	37
Other	3	5	67	22
<b>Total other operating income</b>	<b>1 251</b>	<b>2 829</b>	<b>1 815</b>	<b>3 346</b>
Losses on derivatives, of which:	(48)	(129)	(199)	(414)
measurement	47	69	(35)	(102)
realisation	(95)	(198)	(164)	(312)
Impairment losses on financial instruments measured at amortised cost	(4)	(7)	(4)	(8)
Fair value losses on financial assets measured at fair value through profit or loss, including:	(96)	(36)	(136)	(79)
loans	17	(1)	-	(12)
Loss on disposal of property, plant and equipment and fixed assets under construction (including costs associated with disposal of fixed assets)	(10)	-	(12)	(3)
Provisions recognised	(9)	(1)	(10)	(14)
Donations granted	(9)	(4)	(14)	(7)
Compensations, fines and penalties paid and costs of litigation	(6)	-	(15)	-
Exchange differences on assets and liabilities other than borrowings	-	(211)	-	-
Other	(17)	(16)	(32)	(28)
<b>Total other operating costs</b>	<b>(199)</b>	<b>(404)</b>	<b>(422)</b>	<b>(553)</b>
<b>Other operating income and (costs)</b>	<b>1 052</b>	<b>2 425</b>	<b>1 393</b>	<b>2 793</b>

\*Data not subject to review and audit

**Note 4.3 Finance income and (costs)**

	from 1 April 2022 to 30 June 2022*	from 1 April 2021 to 30 June 2021*	from 1 January 2022 to 30 June 2022	from 1 January 2021 to 30 June 2021
Exchange differences on borrowings	-	135	-	-
Gains on derivatives - realisation	47	35	47	35
<b>Total finance income</b>	<b>47</b>	<b>170</b>	<b>47</b>	<b>35</b>
Interest on borrowings, including:				
leases	(20)	(30)	(35)	(48)
Bank fees and charges on external financing	(7)	(6)	(17)	(15)
Exchange differences on measurement and realisation of borrowings	(223)	-	(301)	(138)
Losses on derivatives, of which:				
measurement	-	-	-	(1)
realisation	(51)	(38)	(51)	(38)
Unwinding of the discount effect	(2)	(3)	(4)	(4)
<b>Total finance costs</b>	<b>(303)</b>	<b>(77)</b>	<b>(408)</b>	<b>(244)</b>
<b>Finance income and (costs)</b>	<b>(256)</b>	<b>93</b>	<b>(361)</b>	<b>(209)</b>

\*Data not subject to review and audit

## **SIGNATURES OF ALL MEMBERS OF THE MANAGEMENT BOARD**

These financial statements were authorised for issue on 16 August 2022.

President  
of the Management Board

---

Marcin Chludziński

Vice President  
of the Management Board

---

Adam Bugajczuk

Vice President  
of the Management Board

---

Andrzej Kensbok

Vice President  
of the Management Board

---

Marek Pietrzak

Vice President  
of the Management Board

---

Marek Świder

## **SIGNATURE OF PERSON RESPONSIBLE FOR ACCOUNTING**

Executive Director  
of Accounting Services Centre  
Chief Accountant

---

Agnieszka Senior