POLISH FINANCIAL SUPERVISION AUTHORITY

Consolidated half-year report PSr 2023

(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 **2023** from **1 January 2023** to **30 June 2023**
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 2023

KGHM Polska Miedź Spółka Akcyjna
(name of the issuer)

KGHM Polska Miedź S.A. (name of the issuer in brief)	**Mining** (issuer branch title per the Warsaw Stock Exchange)
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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 2023 to 30 June 2023	from 1 January 2022 to 30 June 2022	from 1 January 2023 to 30 June 2023	from 1 January 2022 to 30 June 2022
I.	Revenues from contracts with customers	17 757	17 926	3 849	3 861
II.	Profit on sales	895	3 031	194	653
III.	Profit before income tax	903	5 314	196	1 145
IV.	Profit for the period	401	4 180	87	900
V.	Profit for the period attributable to shareholders of the Parent Entity	394	4 180	85	900
VI.	Profit for the period attributable to non-controlling interest	7	-	2	-
VII.	Other comprehensive income	441	963	96	207
VIII.	Total comprehensive income	842	5 143	183	1 107
IX.	Total comprehensive income attributable to the shareholders of the Parent Entity	836	5 141	182	1 107
X.	Total comprehensive income attributable to non-controlling interest	6	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	1.97	20.90	0.43	4.50
XIII.	Net cash generated from operating activities	2 930	1 590	635	342
XIV.	Net cash used in investing activities	(1 987)	(610)	(431)	(131)
XV.	Net cash used in financing activities	(281)	(217)	(61)	(47)
XVI.	Total net cash flow	662	763	143	164
		As at 30 June 2023	As at 31 December 2022	As at 30 June 2023	As at 31 December 2022
XVII.	Non-current assets	40 627	40 379	9 129	8 610
XVIII.	Current assets	13 574	13 065	3 050	2 786
XIX.	Total assets	54 201	53 444	12 179	11 396
XX.	Non-current liabilities	11 633	12 113	2 614	2 583
XXI.	Current liabilities	9 777	9 185	2 197	1 958
XXII.	Equity	32 791	32 146	7 368	6 854
XXIII.	Equity attributable to shareholders of the Parent Entity	32 725	32 089	7 353	6 842
XXIV.	Equity attributable to non-controlling interest	66	57	15	12

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

		in PLN mn		in EUR mn	
		from 1 January 2023 to 30 June 2023	from 1 January 2022 to 30 June 2022	from 1 January 2023 to 30 June 2023	from 1 January 2022 to 30 June 2022
I.	Revenues from contracts with customers	15 510	15 211	3 362	3 276
II.	Profit on sales	1 441	2 744	312	591
III.	Profit before income tax	1 803	3 776	391	813
IV.	Profit for the period	1 207	2 808	262	605
V.	Other comprehensive income	548	928	118	199
VI.	Total comprehensive income	1 755	3 736	380	804
VII.	Number of shares issued (million)	200	200	200	200
VIII.	Earnings per ordinary share (in PLN/EUR)	6.04	14.04	1.31	3.03
IX.	Net cash generated from operating activities	3 098	1 415	672	305
X.	Net cash used in investing activities	(2 210)	(379)	(479)	(82)
XI.	Net cash used in financing activities	(307)	(340)	(67)	(73)
XII.	Total net cash flow	581	696	126	150
		As at 30 June 2023	As at 31 December 2022	As at 30 June 2023	As at 31 December 2022
XIII.	Non-current assets	37 989	36 707	8 536	7 827
XIV.	Current assets	11 976	11 288	2 691	2 407
XV.	Total assets	49 965	47 995	11 227	10 234
XVI.	Non-current liabilities	9 990	10 311	2 245	2 199
XVII.	Current liabilities	8 745	8 009	1 964	1 708
XVIII.	Equity	31 230	29 675	7 018	6 327

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Condensed consolidated financial statements

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		from 1 January 2023 to 30 June 2023	from 1 January 2022 to 30 June 2022
Note 2.3	Revenues from contracts with customers	17 757	17 926
Note 3.1	Cost of sales	(15 929)	(14 032)
	Gross profit	**1 828**	**3 894**
Note 3.1	Selling costs and administrative expenses	(933)	(863)
	Profit on sales	**895**	**3 031**
Note 4.2	Gain due to the reversal of allowances for impairment of loans granted to a joint venture	482	783
Note 4.2	Interest income on loans granted to a joint venture calculated using the effective interest rate method	292	319
	Profit or loss on involvement in a joint venture	774	1 102
Note 3.2	Other operating income, including:	384	1 948
	other interest calculated using the effective interest rate method	23	26
	reversal of impairment losses on financial instruments	3	3
Note 3.2	Other operating costs, including:	(1 333)	(409)
	impairment losses on financial instruments	(5)	(3)
Note 3.3	Finance income	353	47
Note 3.3	Finance costs	(170)	(405)
	Profit before income tax	**903**	**5 314**
	Income tax expense	(502)	(1 134)
	PROFIT FOR THE PERIOD	**401**	**4 180**
	Profit for the period attributable to:		
	Shareholders of the Parent Entity	394	4 180
	Non-controlling interest	7	-
	Weighted average number of ordinary shares (million)	**200**	**200**
	Basic/diluted earnings per share (in PLN)	**1.97**	**20.90**

amounts in PLN millions, unless otherwise stated

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	from 1 January 2023 to 30 June 2023	from 1 January 2022 to 30 June 2022
Profit for the period	**401**	**4 180**
Measurement and settlement of hedging instruments net of the tax effect	515	911
Exchange differences from the translation of statements of operations with a functional currency other than PLN	(88)	(2)
Other comprehensive income, which will be reclassified to profit or loss	**427**	**909**
Measurement of equity financial instruments at fair value through other comprehensive income, net of the tax effect	92	124
Actuarial losses net of the tax effect	(78)	(70)
Other comprehensive income, which will not be reclassified to profit or loss	**14**	**54**
Total other comprehensive net income	**441**	**963**
TOTAL COMPREHENSIVE INCOME	**842**	**5 143**
Total comprehensive income attributable to:		
Shareholders of the Parent Entity	836	5 141
Non-controlling interest	6	2

amounts in PLN millions, unless otherwise stated

CONSOLIDATED STATEMENT OF CASH FLOWS

		from 1 January 2023 to 30 June 2023	from 1 January 2022 to 30 June 2022
	Cash flow from operating activities		
	Profit before income tax	903	5 314
	Depreciation/amortisation recognised in profit or loss	1 311	1 044
	Interest on loans granted to a joint venture	(292)	(319)
	Other interest	(8)	27
	Impairment losses on property, plant and equipment and intangible assets	10	54
	Gain due to the reversal of allowances for impairment of loans granted to a joint venture	(482)	(783)
	Other gains due to the reversal of impairment losses on non-current assets	(31)	-
	Losses/(Gains) on disposal of property, plant and equipment and intangible assets	2	(127)
	Gain on disposal of subsidiaries	-	(173)
	Exchange differences, of which:	559	(745)
	from investing activities and on cash	793	(1 045)
	from financing activities	(234)	300
	Change in provisions for decommissioning of mines, liabilities related to future employee benefits programs and other provisions	228	(114)
	Change in other receivables and liabilities other than working capital	5	127
	Change in assets and liabilities due to derivatives	630	(509)
	Reclassification of other comprehensive income to profit or loss due to the realisation of hedging derivatives	(64)	508
	Other adjustments	13	16
	Exclusions of income and costs, total	1 881	(994)
	Income tax paid	(1 082)	(1 299)
Note 4.11	Changes in working capital, including:	1 228	(1 431)
Note 4.11	change in trade payables transferred to factoring	753	(58)
	Net cash generated from operating activities	**2 930**	**1 590**
	Cash flow from investing activities		
	Expenditures on mining and metallurgical assets, including:	(1 784)	(1 751)
Note 4.5	paid capitalised interest on borrowings	(153)	(97)
	Expenditures on other property, plant and equipment and intangible assets	(261)	(217)
	Expenditures on financial assets designated for decommissioning of mines and other technological facilities	(30)	(30)
	Proceeds from repayment of loans granted to a joint venture	-	358
	Proceeds from disposal of property, plant and equipment and intangible assets	28	373
	Proceeds from disposal of subsidiaries	-	243
	Interest received on loans granted to a joint venture	68	431
	Advances granted on property, plant and equipment and intangible assets	(11)	(9)
	Other	3	(8)
	Net cash used in investing activities	**(1 987)**	**(610)**
	Cash flow from financing activities		
Note 4.5	Proceeds from borrowings	1 385	50
	Proceeds from derivatives related to sources of external financing	87	-
Note 4.5	Repayment of borrowings	(1 605)	(191)
Note 4.5	Repayment of lease liabilities	(57)	(42)
	Expenditures due to derivatives related to sources of external financing	(41)	-
	Interest paid, including:	(52)	(40)
Note 4.5	borrowings	(51)	(38)
	Other	2	6
	Net cash used in financing activities	**(281)**	**(217)**
	NET CASH FLOW	**662**	**763**
	Exchange gains/(losses)	17	(32)
	Cash and cash equivalents at beginning of the period	1 200	1 904
	Cash and cash equivalents at end of the period, including:	**1 879**	**2 635**
	restricted cash	27	16

amounts in PLN millions, unless otherwise stated

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 30 June 2023	As at 31 December 2022
	ASSETS		
	Mining and metallurgical property, plant and equipment	23 069	22 894
	Mining and metallurgical intangible assets	2 891	2 772
	Mining and metallurgical property, plant and equipment and intangible assets	25 960	25 666
	Other property, plant and equipment	2 731	2 746
	Other intangible assets	193	218
	Other property, plant and equipment and intangible assets	2 924	2 964
Note 4.2	Involvement in a joint venture – loans granted	9 635	9 603
	Derivatives	544	714
	Other financial instruments measured at fair value	719	606
	Other financial instruments measured at amortised cost	473	469
Note 4.3	Financial instruments, total	1 736	1 789
	Deferred tax assets	139	137
	Other non-financial assets	233	220
	Non-current assets	**40 627**	**40 379**
	Inventories	8 888	8 902
Note 4.3	Trade receivables, including:	765	1 177
	trade receivables measured at fair value through profit or loss	282	751
	Tax assets	372	367
Note 4.3	Derivatives	766	796
Note 4.3	Other financial assets	426	337
	Other non-financial assets	478	286
Note 4.3	Cash and cash equivalents	1 879	1 200
	Current assets	**13 574**	**13 065**
	TOTAL ASSETS	**54 201**	**53 444**
	EQUITY AND LIABILITIES		
	Share capital	2 000	2 000
	Other reserves from measurement of financial instruments	180	(427)
	Accumulated other comprehensive income other than from measurement of financial instruments	1 647	1 812
	Retained earnings	28 898	28 704
	Equity attributable to shareholders of the Parent Entity	32 725	32 089
	Equity attributable to non-controlling interest	66	57
	Equity	**32 791**	**32 146**
Note 4.3	Borrowings, leases and debt securities	5 046	5 220
Note 4.3	Derivatives	453	719
Note 4.6	Employee benefits liabilities	2 778	2 621
Note 4.7	Provisions for decommissioning costs of mines and other technological facilities	1 705	1 859
	Deferred tax liabilities	1 175	1 151
Note 4.8	Other liabilities	476	543
	Non-current liabilities	**11 633**	**12 113**
Note 4.3	Borrowings, leases and debt securities	966	1 223
Note 4.3	Derivatives	429	434
Note 4.3	Trade and similar payables	3 881	3 094
Note 4.6	Employee benefits liabilities	2 067	1 699
	Tax liabilities	707	1 233
	Provisions for liabilities and other charges	172	173
Note 4.8	Other liabilities	1 555	1 329
	Current liabilities	**9 777**	**9 185**
	Non-current and current liabilities	**21 410**	**21 298**
	TOTAL EQUITY AND LIABILITIES	**54 201**	**53 444**

amounts in PLN millions, unless otherwise stated

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Equity attributable to shareholders of the Parent Entity						
	Share capital	Other reserves from measurement of financial instruments	Accumulated other comprehensive income	Retained earnings	Total	Equity attributable to non-controlling interest	Total equity
As at 1 January 2022	**2 000**	**(1 705)**	**2 219**	**24 532**	**27 046**	**92**	**27 138**
Transactions with owners - dividend	-	-	-	(600)	**(600)**	-	**(600)**
Profit for the period	**-**	-	-	4 180	**4 180**	-	**4 180**
Other comprehensive income	-	1 035	(74)	-	**961**	2	**963**
Total comprehensive income	**-**	**1 035**	**(74)**	**4 180**	**5 141**	**2**	**5 143**
Changes due to loss of control of subsidiaries	-	-	-	-	**-**	(37)	**(37)**
As at 30 June 2022	**2 000**	**(670)**	**2 145**	**28 112**	**31 587**	**57**	**31 644**
As at 1 January 2023	**2 000**	**(427)**	**1 812**	**28 704**	**32 089**	**57**	**32 146**
Transactions with non-controlling interest	-	-	-	-	**-**	3	**3**
Transactions with owners - dividend	-	-	-	(200)	**(200)**	-	**(200)**
Profit for the period	-	-	-	394	**394**	7	**401**
Other comprehensive income	-	607	(165)	-	**442**	(1)	**441**
Total comprehensive income	**-**	**607**	**(165)**	**394**	**836**	**6**	**842**
As at 30 June 2023	**2 000**	**180**	**1 647**	**28 898**	**32 725**	**66**	**32 791**

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.

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

Since the start of the COVID-19 pandemic, China has maintained a restrictive „zero covid" policy, such that in the fourth quarter of 2022 it decided to remove most of the restrictions and to open its borders from 8 January 2023. The perceptible deterioration in economic recovery observed in the first half of 2023 affected the level of Chinese international commercial trade. Nonetheless, while observing the current situation, the Parent Entity is not experiencing a substantial threat to its on-going operations related to the situation on the Chinese market. The Parent Entity continuously monitors the global economic situation, including the Chinese market, to assess its potential negative impact on the KGHM Polska Miedź S.A. Group and to take pre-emptive actions to mitigate this impact.

The impact of the war in Ukraine on individual aspects of the business and the lack of its impact as well as the going concern assumption are described in note 5.6.

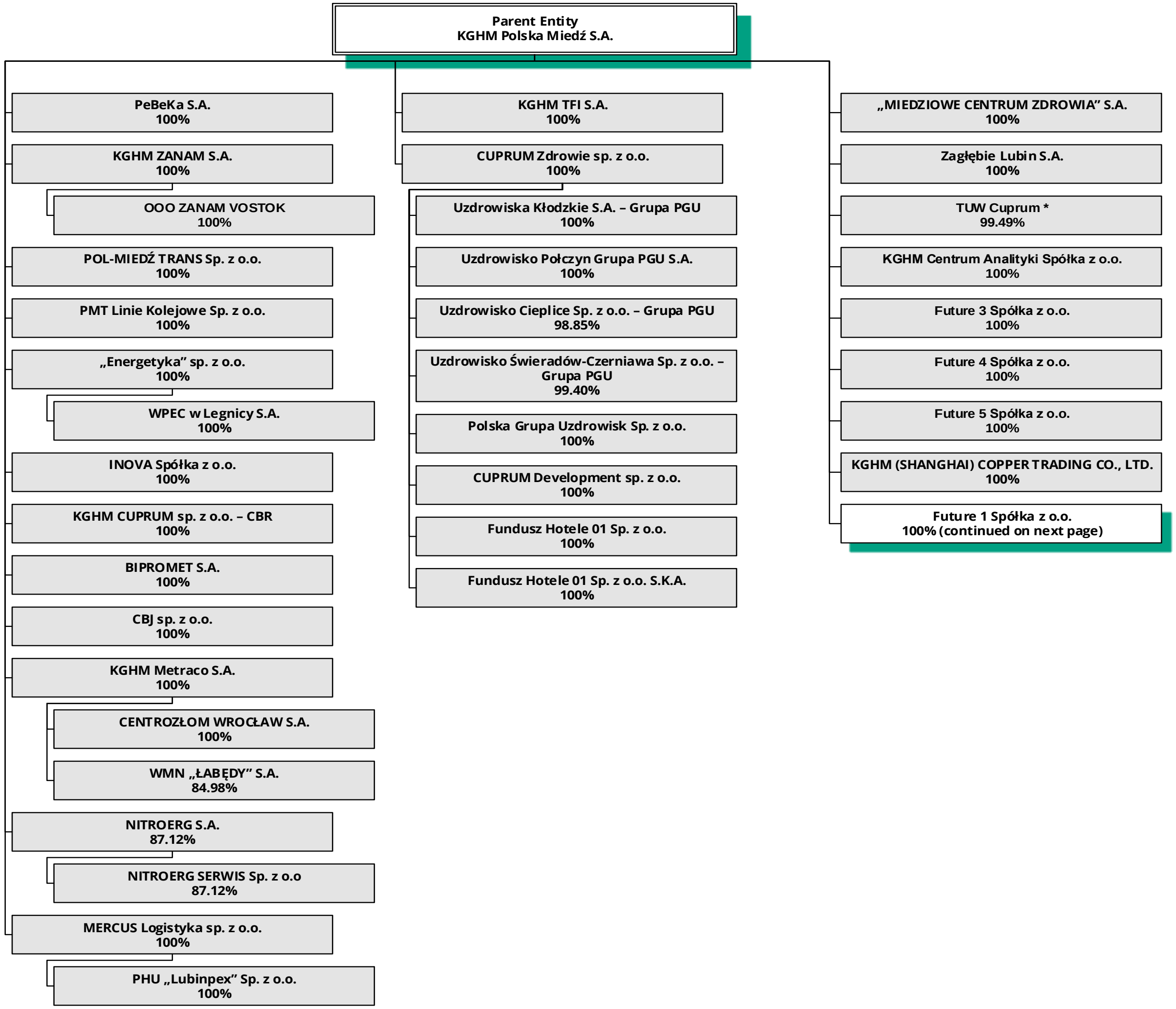
The KGHM Polska Miedź S.A. Group (the Group) carries out exploration and mining of copper, nickel and precious metals based on concessions for Polish deposits held by KGHM Polska Miedź S.A., and also based on legal titles held by companies of the KGHM INTERNATIONAL LTD. Group for the exploration for 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.

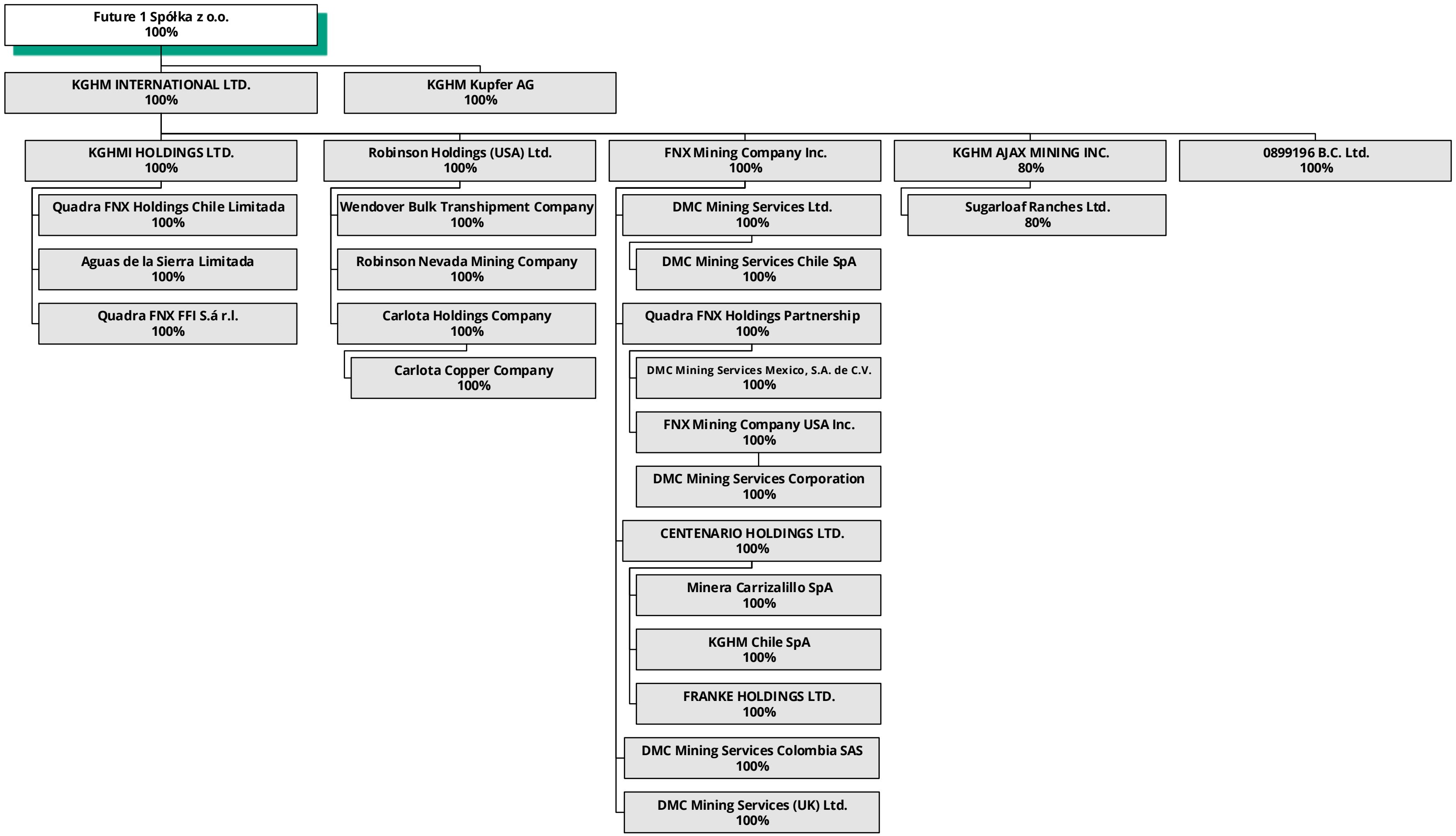
The Management Board of KGHM Polska Miedź S.A. declares that according to its best judgement:
- the condensed consolidated financial statements for the first half of 2023 and comparative data have been prepared in accordance with accounting principles currently in force, and give a true, fair and clear view of the financial position of the KGHM Polska Miedź S.A. Group and the profit for the period of the Group,
- the condensed separate financial statements of KGHM Polska Miedź S.A. for the first half of 2023 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 2023 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 2023, KGHM Polska Miedź S.A. consolidated 63 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.*


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

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 ***4.6130 EURPLN****,
- for the conversion of turnover, profit or loss and cash flow for the comparable period, the rate of ***4.6427 EURPLN****,
- for the conversion of assets, equity and liabilities as at 30 June 2023, the current average exchange rate announced by the National Bank of Poland (NBP) as at 30 June 2023, of ***4.4503 EURPLN,***
- for the conversion of assets, equity and liabilities as at 31 December 2022, the current average exchange rate announced by the NBP as at 31 December 2022, of ***4.6899 EURPLN.***

** The rates represent the arithmetic average of current average exchange rates announced by the NBP on the last day of each month during the period from January to June respectively of 2023 and 2022.*

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 2023 and the comparable period from 1 January to 30 June 2022, together with selected explanatory information,
2. the condensed separate financial statements of KGHM Polska Miedź S.A. for the period from 1 January to 30 June 2023 and the comparable period from 1 January to 30 June 2022, together with selected explanatory information.

The condensed consolidated financial statements for the period from 1 January to 30 June 2023 and as at 30 June 2023 as well as the condensed separate financial statements for the period from 1 January to 30 June 2023 and as at 30 June 2023 were reviewed by a certified auditor.

The consolidated half-year report for the period from 1 January 2023 to 30 June 2023, in that part concerning the condensed consolidated financial statements of the KGHM Polska Miedź S.A. Group and in that part concerning the condensed separate 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 2022 and the Consolidated annual report SRR 2022.

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 2022.

Note 1.5.1 Impact of new and amended standards and interpretations

From 1 January 2023, the Group is bound by:

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

Up to the date of publication of these condensed consolidated financial statements, with the exception of amendments to IAS 12 on the BEPS 2.0 reform, the aforementioned amendments to the standards were adopted for use by the European Union. The Group will implement these amendments within the date of their first mandatory application, however in the Group's opinion IFRS 17 will not have an impact on its consolidated financial statements, and the impact of other amendments will not be significant. In particular, the Group applied an approach in accordance with the amended guidelines with respect to amendments to IAS 12 on recognition of deferred tax related to assets and liabilities arising from a single transaction (e.g. lease agreements capitalised by lessee pursuant to IFRS 16 and environmental provisions recognised pursuant to IFRIC 1).

Impact of the international tax system reform

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

In the case of Poland, appropriate domestic laws have not yet been adopted, nor has draft legislation, which will directly impose duties on the obliged entities, been released to the public.

The analysis of the OECD Framework and the Directive leads to the conclusion that KGHM Polska Miedź S.A., as a so-called MNE (multinational enterprise), will be obliged to report a specific level of the tax rate of subsidiaries at the level of individual jurisdictions. Nevertheless, implementation of an appropriate legal framework at the domestic level is necessary in this regard.

While the rules of the Directive should encompass the year 2024, the OECD Framework includes a transitional period, which postpones the obligations in this regard by 3 subsequent years. Based on analysis of the assumptions stipulated in these transitional rules, it is expected that the Group will be able to use them in the majority of jurisdictions.

Due to the above, since there is no legal framework in force on the reform of pillar 2 of the BEPS 2.0 project, these half-year consolidated financial statements do not contain any amounts arising from the reform of the international tax system.

The Group will continuously monitor progress of the legislative work aimed at implementation of the rules of the reform of pillar 2 of the BEPS 2.0 project, in Poland as well as in other jurisdictions in which subsidiaries of the Group operate and will analyse their potential impact on the Group.

Note 1.6. Impairment of assets

Pursuant to IAS 36, as at 30 June 2023 the Group assessed the occurrence of indications of impairment of its assets. Key non-current assets of the Group were subjected to the analysis. As a result of the performed evaluation, no indications of impairment of these assets were identified. Because the Parent Entity's market capitalisation was below the level of its net assets in the first half of 2023, this area was subjected to a further analysis.

Assessment of the risk of impairment of assets in the context of the market capitalisation of KGHM Polska Miedź S.A.

In the first half of 2023, there was still uncertainty on the stock markets as to the development of the global macroeconomic situation in reaction to the ongoing armed conflict in Ukraine and its consequences, including, above all, continued high inflation in the majority of global economies. In the first six months of 2023, the share price of KGHM Polska Miedź S.A. fell by 11% compared to the share price at the end of 2022, and as at 30 June 2023 it amounted to PLN 112.40. As a result, the Company's market capitalisation decreased from PLN 25 350 million to PLN 22 480 million, which means that as at 30 June 2023 it remained 28% below the level of the Company's net assets.

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

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

From the point of view of the Company's operations, the key factor influencing the level of market capitalisation is the copper price. In the first half of 2023, the average price of copper amounted to 8 703 USD/t, which is at the level similar to prices recorded in 2022 (average of 8 797 USD/t). The share prices of companies involved in the mining and processing of copper are strongly correlated with the price of this metal.

In the case of the Polish assets, of significant importance are PLN-expressed metals prices, which are also affected by the USD/PLN exchange rate. The average USD/PLN exchange rate in the first half of 2023 amounted to 4.28, which is at a lower level than the exchange rate recorded in 2022 (average of 4.46). It should be noted that despite the decrease of the USD/PLN exchange rate, it remained at a higher level than in the previous years (prior to 2022), which is also a "base effect", that is a very abrupt and significant strengthening of the US dollar in 2022 due to investors' reaction to the armed conflict in Ukraine.

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

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

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

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

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

A summary of analyses undertaken to assess the risk of impairment of assets of the Group as at 31 December 2022 was presented in part 3 of the Consolidated annual report SRR 2022.

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

The following companies were not included in any of the aforementioned segments:

- Future 1 Sp. z o.o., which acts as a holding company with respect to the KGHM INTERNATIONAL LTD. Group,
- Future 3 Sp. z o.o., Future 4 Sp. z o.o., 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 Transhipment Company
Chile	Aguas de la Sierra Limitada, Minera Carrizalillo SpA, KGHM Chile SpA, Quadra FNX Holdings Chile Limitada, DMC Mining Services Chile SpA
Canada	KGHM INTERNATIONAL LTD., 0899196 B.C. Ltd., Centenario Holdings Ltd., DMC Mining Services Ltd., FNX Mining Company Inc., FRANKE HOLDINGS LTD., KGHM AJAX MINING INC., KGHMI HOLDINGS LTD., Quadra FNX Holdings Partnership, Sugarloaf Ranches Ltd.
Mexico	DMC Mining Services Mexico, S.A. de C.V.
Colombia	DMC Mining Services Colombia SAS
The United Kingdom	DMC Mining Services (UK) Ltd.
Luxembourg	Quadra FNX FFI S.à r.l.

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

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. Liabilities which have not been allocated to the segments comprise trade payables and deferred tax liabilities.

Note 2.2 Financial results of reporting segments

		KGHM Polska Miedź S.A.	KGHM INTERNATIONAL LTD.	Sierra Gorda S.C.M.*	Other segments	Reconciliation items to consolidated data: Elimination of data of the segment Sierra Gorda S.C.M.	Reconciliation items to consolidated data: Adjustments *****	Consolidated financial statements
		from 1 January 2023 to 30 June 2023						
Note 2.3	**Total revenues from contracts with customers, of which:**	**15 510**	**1 217**	**1 711**	**6 439**	**(1 711)**	**(5 409)**	**17 757**
	- inter-segment	357	-	-	5 052	-	(5 409)	**-**
	- external	15 153	1 217	1 711	1 387	(1 711)	-	**17 757**
	Segment result – profit/(loss) for the period	**1 207**	**(158)**	**79**	**35**	**(79)**	**(683)**	**401**
	Additional information on significant cost/revenue items of the segment							
	Depreciation/amortisation recognised in profit or loss	(784)	(401)	(395)	(143)	395	17	**(1 311)**
	(Recognition)/reversal of impairment losses on non-current assets, including:	80	505	-	1	-	(83)	**503**
	Gain due to the reversal of allowances for impairment of loans granted	86	482	-	-	-	(86)	**482**
		As at 30 June 2023						
	Segment assets	**49 965**	**14 676**	**12 903**	**6 239**	**(12 903)**	**(16 679)**	**54 201**
	Liabilities, including:	**18 735**	**18 606**	**13 228**	**3 429**	**(13 228)**	**(19 360)**	**21 410**
	Segment liabilities	18 735	18 606	13 228	3 429	(13 228)	(19 449)	**21 321**
	Liabilities unallocated to segments	-	-	-	-	-	89	**89**
	Other information	from 1 January 2023 to 30 June 2023						
	Cash expenditures on property, plant and equipment and intangible assets – cash flow	1 567	338	588	255	(588)	(115)	**2 045**
	Production and cost data	from 1 January 2023 to 30 June 2023						
	Payable copper (kt)	295.8	15.4	40.1				
	Molybdenum (million pounds)	-	-	2.1				
	Silver (t)	699.2	1.5	11.1				
	TPM (koz t)**	57.7	18.3	16.5				
	C1 cash cost of producing copper in concentrate (USD/lb PLN/lb)***	3.03 12.96	5.29 22.66	1.49 6.38				
	Segment result - Adjusted EBITDA	**2 225**	**(201)**	**940**	**184**	**-**	**-**	**3 148**
	EBITDA margin******	**14%**	**-17%**	**55%**	**3%**	**-**	**-**	**16%**

** 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 (16%), the consolidated revenues from contracts with customers were increased by revenues from contracts with customers of the segment Sierra Gorda S.C.M. [3 148 / (17 757 + 1 711) * 100%]*
****** Adjustments include consolidation eliminations and financial data of companies unallocated to any segment.*

Financial results of reporting segments for the comparable period

		KGHM Polska Miedź S.A.	KGHM INTERNATIONAL LTD.	Sierra Gorda S.C.M.*	Other segments	Reconciliation items to consolidated data: Elimination of data of the segment Sierra Gorda S.C.M	Reconciliation items to consolidated data: Adjustments*****	Consolidated financial statements
		from 1 January 2022 to 30 June 2022						
Note 2.3	**Revenues from contracts with customers, of which:**	**15 211**	**1 616**	**1 938**	**6 524**	**(1 938)**	**(5 425)**	**17 926**
	- inter-segment	288	-	8	5 137	(8)	(5 425)	**-**
	- external	14 923	1 616	1 930	1 387	(1 930)	-	**17 926**
	Segment result – profit/(loss) for the period	**2 808**	**1 071**	**179**	**(28)**	**(179)**	**329**	**4 180**
	Additional information on significant cost/revenue items of the segment							
	Depreciation/amortisation recognised in profit or loss	(695)	(228)	(484)	(136)	484	15	**(1 044)**
	(Recognition)/reversal of impairment losses on non-current assets, including:	189	783	-	(1)	-	(242)	**729**
	reversal of allowances for impairment of loans granted	192	783	-	-	-	(192)	**783**
		As at 31 December 2022						
	Assets, including:	**47 995**	**15 228**	**13 563**	**6 071**	**(13 563)**	**(15 850)**	**53 444**
	Segment assets	47 995	15 228	13 563	6 071	(13 563)	(15 854)	**53 440**
	Assets unallocated to segments	-	-	-	-	-	4	**4**
	Liabilities, of which:	**18 320**	**19 276**	**13 992**	**3 446**	**(13 992)**	**(19 744)**	**21 298**
	Segment liabilities	18 320	19 276	13 992	3 446	(13 992)	(19 804)	**21 238**
	Liabilities unallocated to segments	-	-	-	-	-	60	**60**
	Other information	**from 1 January 2022 to 30 June 2022**						
	Cash expenditures on property, plant and equipment and intangible assets – cash flow	1 349	494	524	196	(524)	(71)	**1 968**
	Production and cost data	**from 1 January 2022 to 30 June 2022**						
	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				
	Segment result - Adjusted EBITDA	**3 439**	**574**	**1 154**	**142**	**-**	**-**	**5 309**
	EBITDA margin******	**23%**	**36%**	**60%**	**2%**	**-**	**-**	**27%**

** 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.*

amounts in PLN millions, unless otherwise stated

Reconciliation of adjusted EBITDA	from 1 January 2023 to 30 June 2023						
	KGHM Polska Miedź S.A.	KGHM INTERNATIONAL LTD.	Other segments	Consolidation adjustments*	Consolidated financial statements	Sierra Gorda S.C.M. **	Adjusted EBITDA (segments, total)
	1	2	3	4	5 (1+2+3+4)	6	7 (5+6-4)
Profit/(loss) for the period	**1 207**	**(158)**	**35**	**(683)**	**401**	**79**	
[-] Profit or loss on involvement in joint ventures	-	774	-	-	774	-	
[-] Taxes	(596)	151	(31)	(26)	(502)	(62)	
[-] Depreciation/amortisation recognised in profit or loss	(784)	(401)	(143)	17	(1 311)	(395)	
[-] Finance income/(costs)	173	(527)	(23)	560	183	(394)	
[-] Other operating income/(costs)	189	54	47	(1 239)	(949)	(10)	
[-] (Recognition)/reversal of impairment losses on non-current assets recognised in cost of sales, selling costs and administrative expenses	-	(8)	1	-	(7)	-	
Segment result - adjusted EBITDA	**2 225**	**(201)**	**184**	**5**	**2 213**	**940**	**3 148**

** Adjustments include 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 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)
Profit/(loss) for the period	**2 808**	**1 071**	**(28)**	**329**	**4 180**	**179**	
[-] 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)	-	
Adjusted EBITDA	**3 439**	**574**	**142**	**(33)**	**4 122**	**1 154**	**5 309**

** 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.*

amounts in PLN millions, unless otherwise stated

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

	from 1 January 2023 to 30 June 2023						
					Reconciliation items to consolidated data		
	KGHM Polska Miedź S.A.	KGHM INTERNATIONAL LTD.	Sierra Gorda S.C.M.*	Other segments	Elimination of data of the segment Sierra Gorda S.C.M.	Consolidation adjustments	Consolidated data
Copper	11 982	669	1 403	6	(1 403)	(27)	**12 630**
Silver	2 256	18	38	-	(38)	-	**2 274**
Gold	546	94	144	-	(144)	-	**640**
Services	93	351	-	1 324	-	(963)	**805**
Energy	45	-	-	281	-	(198)	**128**
Salt	26	-	-	-	-	10	**36**
Blasting materials and explosives	-	-	-	165	-	(138)	**27**
Mining machinery, transport vehicles and other types of machinery and equipment	-	-	-	151	-	(66)	**85**
Fuel additives	-	-	-	54	-	-	**54**
Lead	143	-	-	-	-	-	**143**
Products from other non-ferrous metals	-	-	-	77	-	(3)	**74**
Steel	-	-	-	218	-	(29)	**189**
Petroleum and its derivatives	-	-	-	221	-	(194)	**27**
Other merchandise and materials	327	-	-	3 505	-	(3 523)	**309**
Other products	92	85	126	437	(126)	(278)	**336**
TOTAL	**15 510**	**1 217**	**1 711**	**6 439**	**(1 711)**	**(5 409)**	**17 757**

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

amounts in PLN millions, unless otherwise stated

	from 1 January 2022 to 30 June 2022						
					Reconciliation items to consolidated data		
	KGHM Polska Miedź S.A.	KGHM INTERNATIONAL LTD.	Sierra Gorda S.C.M.*	Other segments	Elimination of data of the segment Sierra Gorda S.C.M.	Consolidation adjustments	Consolidated data
Copper	11 913	1 075	1 603	6	(1 603)	(28)	**12 966**
Silver	2 332	12	45	-	(45)	-	**2 344**
Gold	332	160	122	-	(122)	-	**492**
Services	85	274	-	1 062	-	(836)	**585**
Energy	17	-	-	181	-	(106)	**92**
Salt	14	-	-	-	-	6	**20**
Blasting materials and explosives	-	-	-	126	-	(60)	**66**
Mining machinery, transport vehicles and other types of machinery and equipment	-	-	-	115	-	(89)	**26**
Fuel additives	-	-	-	82	-	-	**82**
Lead	153	-	-	-	-	-	**153**
Products from other non-ferrous metals	-	-	-	91	-	(1)	**90**
Steel	-	-	-	404	-	(123)	**281**
Petroleum and its derivatives	-	-	-	244	-	(198)	**46**
Other merchandise and materials	171	-	-	3 834	-	(3 769)	**236**
Other products	194	95	168	379	(168)	(221)	**447**
TOTAL	**15 211**	**1 616**	**1 938**	**6 524**	**(1 938)**	**(5 425)**	**17 926**

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

amounts in PLN millions, unless otherwise stated

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

	from 1 January 2023 to 30 June 2023						
					Reconciliation items to consolidated data		
	KGHM Polska Miedź S.A.	KGHM INTERNATIONAL LTD.	Sierra Gorda S.C.M.*	Other segments	Elimination of data of the segment Sierra Gorda S.C.M	Consolidation adjustments	Consolidated data
Total revenues from contracts with customers	**15 510**	**1 217**	**1 711**	**6 439**	**(1 711)**	**(5 409)**	**17 757**
Revenues from sales contracts, for which the price is set after the date of recognition of the sales (M+ principle), of which:	11 165	865	1 727	1	(1 727)	(68)	**11 963**
settled	10 407	101	175	1	(175)	(67)	**10 442**
unsettled	758	764	1 552	-	(1 552)	(1)	**1 521**
Revenues from realisation of long-term contracts	-	332	-	114	-	(97)	**349**
Revenues from other sales contracts	4 345	20	(16)	6 324	16	(5 244)	**5 445**
Total revenues from contracts with customers, of which:	**15 510**	**1 217**	**1 711**	**6 439**	**(1 711)**	**(5 409)**	**17 757**
in factoring	4 688	-	-	97	-	(96)	**4 689**
not in factoring	10 822	1 217	1 711	6 342	(1 711)	(5 313)	**13 068**

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

	from 1 January 2023 to 30 June 2023	from 1 January 2022 to 30 June 2022
Total revenues from contracts with customers, of which:	**17 757**	**17 926**
transferred at a certain moment	16 660	17 206
transferred over time	1 097	720

amounts in PLN millions, unless otherwise stated

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

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

amounts in PLN millions, unless otherwise stated

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

	from 1 January 2023 to 30 June 2023				Reconciliation items to consolidated data			from 1 January 2022 to 30 June 2022
	KGHM Polska Miedź S.A.	KGHM INTERNATIONAL LTD.	Sierra Gorda S.C.M.*	Other segments	Elimination of data of the segment Sierra Gorda S.C.M.	Consolidation adjustments	Consolidated data	KGHM Polska Miedź S.A. Group
Poland	3 650	-	17	6 260	(17)	(5 393)	**4 517**	4 836
Austria	230	-	-	10	-	-	**240**	302
Belgium	14	-	-	7	-	-	**21**	37
Bulgaria	171	-	-	10	-	-	**181**	26
Czechia	1 179	-	-	12	-	-	**1 191**	1 261
Estonia	13	-	-	1	-	-	**14**	-
France	448	-	-	2	-	-	**450**	382
The Netherlands	5	-	44	-	(44)	-	**5**	11
Lithuania	2	-	-	4	-	-	**6**	14
Germany	3 668	-	-	36	-	-	**3 704**	3 016
Romania	86	-	-	-	-	-	**86**	79
Slovakia	116	-	-	7	-	-	**123**	105
Slovenia	61	-	-	1	-	-	**62**	79
Sweden	-	-	-	16	-	-	**16**	15
Hungary	757	-	-	5	-	-	**762**	820
The United Kingdom	531	-	-	3	-	-	**534**	957
Italy	1 011	-	-	8	-	-	**1 019**	1 225
Australia	206	-	-	-	-	-	**206**	399
Chile	2	130	599	-	(599)	-	**132**	200
China	1 655	536	582	-	(582)	-	**2 191**	1 971
Japan	-	-	418	-	(418)	-	**-**	62
Canada	16	471	-	-	-	(16)	**471**	328
South Korea	-	-	28	-	(28)	-	**-**	-
The United States of America	554	80	-	8	-	-	**642**	594
Switzerland	690	-	-	1	-	-	**691**	332
Türkiye	123	-	-	11	-	-	**134**	159
Taiwan	49	-	-	-	-	-	**49**	23
Algeria	44	-	-	-	-	-	**44**	4
Thailand	159	-	-	-	-	-	**159**	306
Philippines	-	-	-	-	-	-	**-**	92
Brazil	-	-	20	-	(20)	-	**-**	-
Malesia	51	-	-	-	-	-	**51**	-
Vietnam	2	-	-	-	-	-	**2**	121
Other countries	17	-	3	37	(3)	-	**54**	170
TOTAL	**15 510**	**1 217**	**1 711**	**6 439**	**(1 711)**	**(5 409)**	**17 757**	**17 926**

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

amounts in PLN millions, unless otherwise stated

Note 2.6 Main customers

In the period from 1 January 2023 to 30 June 2023 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 2023	As at 31 December 2022
Poland	25 225	25 008
Canada	1 979	1 919
The United States of America	1 654	1 841
Chile	206	204
TOTAL*	**29 064**	**28 972**

** Non-current assets, excluding: derivatives, other financial instruments, other non-financial assets and deferred tax assets (IFRS 8.33b) in the total amount of PLN 11 563 million as at 30 June 2023 (PLN 11 407 million as at 31 December 2022).*

amounts in PLN millions, unless otherwise stated

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

Note 3.1 Expenses by nature

	from 1 January 2023 to 30 June 2023	from 1 January 2022 to 30 June 2022
Depreciation of property, plant and equipment and amortisation of intangible assets	1 224	1 159
Employee benefits expenses	4 068	3 523
Materials and energy, including:	7 953	8 058
purchased metal-bearing materials	4 119	4 624
External services	1 407	1 144
Minerals extraction tax	1 973	1 653
Other taxes and charges	413	373
Revaluation of inventories*	200	9
Impairment losses on property, plant and equipment and intangible assets	8	47
Reversal of an impairment loss on property, plant and equipment	(1)	-
Other costs	126	107
Total expenses by nature	**17 371**	**16 073**
Cost of merchandise and materials sold (+)	368	443
Change in inventories of finished goods and work in progress (+/-)	(131)	(730)
Cost of manufacturing products for internal use of the Group (-)	(746)	(891)
Total costs of sales, selling costs and administrative expenses, of which:	**16 862**	**14 895**
Cost of sales	15 929	14 032
Selling costs	233	266
Administrative expenses	700	597

** Including PLN 182 million due to a write-down recognised in KGHM INTERNATIONAL LTD. in the first half of 2023 since the cost was higher than the net realisable value.*

amounts in PLN millions, unless otherwise stated

Note 3.2 Other operating income and (costs)

	from 1 January 2023 to 30 June 2023	from 1 January 2022 to 30 June 2022
Gains on derivatives, of which:	200	206
measurement	165	163
realisation	35	43
Interest income calculated using the effective interest rate method	23	26
Exchange differences on financial assets and liabilities other than borrowings	-	1 248
Reversal of impairment losses on financial instruments	3	3
Provisions released	29	46
Gain on disposal of intangible assets	6	135
Gain on disposal of subsidiaries	-	173
Reversal of an impairment loss on property, plant and equipment	30	-
Government grants received	17	9
Income from servicing of letters of credit and guarantees	10	11
Compensation, fines and penalties received	8	-
Other	58	91
Total other operating income	**384**	**1 948**
Losses on derivatives, of which:	(249)	(199)
measurement	(57)	(35)
realisation	(192)	(164)
Fair value losses on financial instruments	(80)	(124)
Impairment losses on financial instruments	(5)	(3)
Impairment loss on fixed assets under construction	(2)	(7)
Exchange differences on financial assets and liabilities other than borrowings	(855)	-
Provisions recognised	(5)	(16)
Loss on disposal of property, plant and equipment	(8)	(8)
Donations given	(43)	(16)
Other	(86)	(36)
Total other operating costs	**(1 333)**	**(409)**
Other operating income and (costs)	**(949)**	**1 539**

amounts in PLN millions, unless otherwise stated

Note 3.3 Finance income and (costs)

	from 1 January 2023 to 30 June 2023	from 1 January 2022 to 30 June 2022
Exchange differences on liabilities other than borrowings	234	-
Gains on derivatives - realisation	87	47
Settlement of a transaction hedging against interest rate risk due to the issue of bonds with a variable interest rate	32	-
Total finance income	**353**	**47**
Interest on borrowings, including:	(12)	(11)
leases	(5)	(5)
Bank fees and charges on borrowings	(12)	(16)
Exchange differences on measurement and realisation of borrowings	-	(303)
Losses on derivatives - realisation	(93)	(51)
Unwinding of the discount effect on provisions	(39)	(9)
Other	(14)	(15)
Total finance costs	**(170)**	**(405)**
Finance income and (costs)	**183**	**(358)**

Note 3.4 Reconciliation of effective tax rate

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

	from 1 January 2023 to 30 June 2023	from 1 January 2022 to 30 June 2022
Profit before income tax	**903**	**5 314**
Tax calculated using the Parent Entity's rate (first half of 2023: 19%, first half of 2022: 19%)	172	1 010
Effect of applying other tax rates abroad	(27)	26
Tax effect of non-taxable income	(30)	(62)
Tax effect of expenses not deductible for tax purposes, including:	385	415
the minerals extraction tax, which is not deductible for corporate income tax purposes	375	314
Deductible temporary differences and tax losses and credits in respect of which tax assets were not recognised	60	25
Utilisation in the period of previously-unrecognised tax losses	(88)	(215)
Adjustments of current income tax for prior periods	18	29
Deferred tax on eliminated interest on intra-Group loans	(42)	(39)
Other	54	(55)
Income tax in profit or loss [the effective tax rate amounted to 55.6% of profit before income tax (in the first half of 2022: 21.3% of profit before income tax)]	**502**	**1 134**

amounts in PLN millions, unless otherwise stated

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 2023 to 30 June 2023	from 1 January 2022 to 30 June 2022
Purchase of property, plant and equipment, including:	1 702	1 777
leased assets	88	83
Purchase of intangible assets	285	90

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

	As at 30 June 2023	As at 31 December 2022
Payables due to the purchase of property, plant and equipment and intangible assets	502	812

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

	As at 30 June 2023	As at 31 December 2022
Purchase of property, plant and equipment	1 711	1 390
Purchase of intangible assets	19	18
Total capital commitments	**1 730**	**1 408**

Note 4.2 Involvement in joint ventures

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 of a 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 was carried out on the basis of sales agreements entered into on 14 October 2021.
The new partner of the Group is a globally diversified mining and metallurgical company with production plants in Australia, South Africa and South America. The company produces among others aluminium, metallurgical coal, manganese, nickel, silver, lead and zinc.
As at 30 June 2023, none of the agreements regulating the cooperation between the JV partners in the venture Sierra Gorda S.C.M. have been modified. Sierra Gorda S.C.M. had an off-take agreement signed with the companies Sumitomo Metal Mining Co., Ltd. and Sumitomo Corporation, pursuant to which they had the right to off-take 50% of the copper concentrate. The right to off-take 50% of the copper concentrate is not in force with respect to South32 Limited.

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

	from 1 January 2023 to 30 June 2023	from 1 January 2022 to 30 June 2022
As at the beginning of the reporting period	-	-
Share of profit for the reporting period	81	179
Settlement of the Group's share of unsettled losses from prior years (accumulated comprehensive losses)	(104)	(123)
Exchange differences from the translation of statements of operations with a functional currency other than PLN	23	(56)
As at the end of the reporting period	-	-

	from 1 January 2023 to 30 June 2023	from 1 January 2022 to 30 June 2022
The Group's share (55%) of profit for the reporting period of Sierra Gorda S.C.M., recognised in the valuation of the joint venture	**81**	**179**

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

	from 1 January 2023 to 30 June 2023	from 1 January 2022 to 31 December 2022
As at the beginning of the reporting period	**(1 174)**	**(1 283)**
Settlement of the Group's share of unsettled losses from prior years (accumulated comprehensive losses)	104	183
Unrecognised adjustment due to unrealised gains on a transaction between the Group and the joint venture (sale of the Oxide project)	-	(74)
As at the end of the reporting period	**(1 070)**	**(1 174)**

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

	from 1 January 2023 to 30 June 2023	from 1 January 2022 to 31 December 2022
As at the beginning of the reporting period	**9 603**	**8 314**
Repayment of loans (principal and interest)	(68)	(789)
Accrued interest	292	582
Gain due to reversal of allowances for impairment of loans granted to the joint venture	482	873
Exchange differences from the translation of statements of operations with a functional currency other than PLN	(674)	623
As at the end of the reporting period	**9 635**	**9 603**

The Group classifies loans granted to Sierra Gorda S.C.M. as credit-impaired financial assets due to the high credit risk at the moment of initial recognition (POCI). POCI loans are measured at amortised cost using the effective interest rate, adjusted by the credit risk using 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., 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 2023, the Group estimated the expected cash flows on repayment of receivables due to loans granted to Sierra Gorda S.C.M., as a result of which pursuant to the requirements of IFRS 9.5.5.14 a gain due to a reversal of allowances for impairment in the amount of PLN 482 million (USD 113 million).

Basic macroeconomic assumptions adopted for cash flow estimation – metal prices

The following price paths were adopted:

Period	II H 2023	2024	2025	2026	2027	LT
Copper price [USD/t]	8 092	8 500	8 500	8 500	8 500	7 700
Gold price [USD/oz]	1 992	1 750	1 700	1 600	1 550	1 500

Other key assumptions used for cash flow estimation

Mine life / forecast period	26
Level of copper production during mine life (kt)	3 722
Level of molybdenum production during mine life (million pounds)	236
Level of gold production during mine life (koz)	1 131
Average operating margin during mine life	43.45%
Applied discount rate after taxation (used to calculate the fair value for the disclosure purposes in Note 4.3.)	9.27%
Capital expenditures to be incurred during mine life (USD million)	1 553
Level of capitalised stripping costs during mine life (USD million)	3 802

amounts in PLN millions, unless otherwise stated

Note 4.3 Financial instruments

Financial assets	As at 30 June 2023					As at 31 December 2022				
	At fair value through other comprehensive income	At fair value through profit or loss	At amortised cost	Hedging instruments	Total	At fair value through other comprehensive income	At fair value through profit or loss	At amortised cost	Hedging instruments	Total
Non-current	634	287	10 108	342	**11 371**	521	90	10 072	709	**11 392**
Loans granted to a joint venture	-	-	9 635	-	**9 635**	-	-	9 603	-	**9 603**
Derivatives	-	202	-	342	**544**	-	5	-	709	**714**
Other financial instruments measured at fair value	634	85	-	-	**719**	521	85	-	-	**606**
Other financial instruments measured at amortised cost	-	-	473	-	**473**	-	-	469	-	**469**
Current	-	707	2 720	409	**3 836**	-	829	1 926	755	**3 510**
Trade receivables	-	282	483	-	**765**	-	751	426	-	**1 177**
Derivatives	-	357	-	409	**766**	-	41	-	755	**796**
Cash and cash equivalents	-	-	1 879	-	**1 879**	-	-	1 200	-	**1 200**
Other financial assets	-	68	358	-	**426**	-	37	300	-	**337**
Total	**634**	**994**	**12 828**	**751**	**15 207**	**521**	**919**	**11 998**	**1 464**	**14 902**

amounts in PLN millions, unless otherwise stated

Financial liabilities	As at 30 June 2023				As at 31 December 2022			
	At fair value through profit or loss	At amortised cost	Hedging instruments	Total	At fair value through profit or loss	At amortised cost	Hedging instruments	Total
Non-current	202	5 279	251	**5 732**	19	5 460	700	**6 179**
Borrowings, lease and debt securities	-	5 046	-	**5 046**	-	5 220	-	**5 220**
Derivatives	202	-	251	**453**	19	-	700	**719**
Other financial liabilities	-	233	-	**233**	-	240	-	**240**
Current	343	5 238	87	**5 668**	188	4 440	280	**4 908**
Borrowings, lease and debt securities	-	966	-	**966**	-	1 223	-	**1 223**
Derivatives	342	-	87	**429**	154	-	280	**434**
Trade payables	-	3 052	-	**3 052**	-	3 076	-	**3 076**
Similar payables – reverse factoring	-	829	-	**829**	-	18	-	**18**
Other financial liabilities	1	391	-	**392**	34	123	-	**157**
Total	**545**	**10 517**	**338**	**11 400**	**207**	**9 900**	**980**	**11 087**

amounts in PLN millions, unless otherwise stated

The fair value hierarchy of financial instruments

Classes of financial instruments	As at 30 June 2023 fair value level 1	level 2	level 3	carrying amount	As at 31 December 2022 fair value level 1	level 2	level 3	carrying amount
Loans granted	-	23	8 319	9 658	-	20	7 787	9 623
Listed shares	526	-	-	526	422	-	-	422
Unquoted shares	-	108	-	108	-	99	-	99
Trade receivables	-	282	-	282	-	751	-	751
Derivatives, of which:	-	428	-	428	-	357	-	357
Assets	-	1 310	-	1 310	-	1 510	-	1 510
Liabilities	-	(882)	-	(882)	-	(1 153)	-	(1 153)
Received long-term bank and other loans	-	(2 769)	-	(2 769)	-	(2 560)	-	(2 560)
Long-term debt securities	(1 603)	-	-	(1 600)	(1 952)	-	-	(2 000)
Other financial assets	-	68	62	130	-	37	65	102
Other financial liabilities	-	(1)	-	(1)	-	(34)	-	(34)

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

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

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

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 9.27% (as at 31 December 2022, 9.75%).

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

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

		Sensitivity analysis of the fair value to changes in copper prices	
Classes of financial instruments	**Fair value 30 June 2023**	Base plus 0.1 USD/lb during mine life	Base minus 0.1 USD/lb during mine life
Loans granted measured at amortised cost	**8 319**	8 407	8 100
Loans granted measured at amortised cost (USD million)	**2 026**	2 047	1 973

		Sensitivity analysis of the carrying amount to changes in copper prices	
Classes of financial instruments	**Carrying amount 30 June 2023**	Base plus 0,1 USD/lb during mine life	Base minus 0.1 USD/lb during mine life
Loans granted measured at amortised cost	**9 635**	9 700	9 505
Loans granted measured at amortised cost (USD million)	**2 346**	2 362	2 315

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.

amounts in PLN millions, unless otherwise stated

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.

STATEMENT OF PROFIT OR LOSS	**from 1 January 2023 to 30 June 2023**	**from 1 January 2022 to 30 June 2022**
Revenues from contracts with customers	227	(377)
Other operating income / (costs):	(49)	7
on realisation of derivatives	(157)	(121)
on measurement of derivatives	108	128
Finance income / (costs):	46	(2)
on realisation of derivatives	(6)	(4)
interest on borrowings	52	2
Impact of derivatives and hedging instruments on profit or loss for the period (excluding the tax effect)	**224**	**(372)**
STATEMENT OF OTHER COMPREHENSIVE INCOME		
Impact of measurement of hedging transactions (effective portion)	752	619
Reclassification to the statement of profit and loss due to realisation of a hedged item	(116)	506
Impact of hedging transactions (excluding the tax effect)	**636**	**1 125**
TOTAL COMPREHENSIVE INCOME	**860**	**753**

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

Other comprehensive income due to cash flow hedging (excluding the tax effect)	**2023**	**2022**
As at 1 January	**71**	**(1 600)**
Impact of measurement of hedging transactions (effective part)	752	619
Reclassification to revenues from contracts with customers due to realisation of a hedged item	(227)	377
Reclassification to finance costs due to realisation of a hedged item	(52)	(2)
Reclassification to other operating costs due to realisation of a hedged item (settlement of the hedging cost)	163	131
As at 30 June	**707**	**(475)**

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 2023, copper sales of the Parent Entity amounted to 304 thousand tonnes (net sales of 199 thousand tonnes)[1], while the notional amount of copper price hedging strategies settled in this period amounted to 94.5 thousand tonnes, which represented approx. 31% of the total sales of this metal realised by the Parent Entity and approx. 47% of net sales in this period (in the first half of 2022, 22% and 36% respectively). However, the notional amount of settled silver price hedging transactions represented approx. 10% of sales of this metal by the Parent Entity (in the first half of 2022, 22%). In the case of currency transactions, approx. 25% of revenues from copper and silver sales realised by the Parent Entity in the first half of 2023 were hedged (7% in the first half of 2022).

In the first half of 2023, as part of the active management of an open hedging position, a position on the currency market was restructured. Part of the *collar* options structures hedging revenues from sales in the period from July 2023 to December 2024, in the total notional amount of USD 990 million (USD 55 million on a monthly basis), was closed, which led to cash inflow due to option premiums of approx. PLN 533 million in the first half of 2023. The positive hedge result accumulated in equity in the total amount of PLN 516 million will systematically be reflected in the operating result for the entire period from July 2023 to December 2024. Moreover, collar options structures hedging revenues from sales in 2024 in the notional amount of USD 660 million (USD 55 million on a monthly basis) were restructured by transforming them

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

amounts in PLN millions, unless otherwise stated

into put spread[2] structures, which enables full participation in potential increases in the USDPLN exchange rate and enhances flexibility in shaping hedging positions in subsequent periods.

In the first half of 2023, the Parent Entity did not enter into any hedging transactions on the forward copper, silver and interest rate markets.

In the first half of 2023, QP adjustment *swap* transactions were entered into on the copper and gold markets with maturities to December 2023, as part of the management of a net trading position[3].

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

- 104.78 thousand tonnes of copper (of which 94.5 thousand tonnes arose from the strategic management of market risk, while 10.28 thousand tonnes came from the management of a net trading position),
- 2.1 million troy ounces of silver, and
- USD 1 147.5 million of planned revenues from sales of metals.

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

With respect to managing currency risk, the Parent Entity uses natural hedging by borrowing in currencies in which it generates revenues. As at 30 June 2023, the bank and investment loans which were drawn in USD, following their translation to PLN, amounted to PLN 2 939 million (as at 31 December 2022: PLN 2 980 million).

In the first half of 2023, none of the Group's mining subsidiaries had implemented any forward transactions on the commodity market or the currency market, and did not hold an open position on this market as at 30 June 2023. 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 2023 is not presented due to its immateriality for the Group.

Condensed tables of open transactions in derivatives held by the Parent Entity as at 30 June 2023, entered into as part of the strategic management of market risk, are presented below.

The hedged notional amounts of transactions on the copper, silver and currency markets in the presented periods are allocated evenly on a monthly basis. The 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 2023

			Average weighted option strike price			Average weighted premium	Effective hedge price
			sold put option	purchased put option	sold call option		
	Instrument/ option structure	Notional	*hedge limited to*	*copper price hedging*	*participation limited to*		
		[tonnes]	[USD/t]	[USD/t]	[USD/t]	[USD/t]	[USD/t]
2nd half of 2023	seagull	18 000	5 200	6 900	8 300	(196)	6 704
	seagull	6 000	6 000	6 900	10 000	(296)	6 604
	seagull	15 000	6 000	9 000	11 400	(248)	8 752
	seagull	10 500	6 700	9 286	11 486	(227)	9 059
	seagull	45 000	6 000	8 100	9 600	(172)	7 928
	TOTAL VII-XII 2023	**94 500**					

[2] *Put spread option structures were designated as hedging sales revenues.*

[3] *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.*

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

	Instrument/ option structure	Notional	Average weighted option strike price: sold put option	purchased put option	sold call option	Average weighted premium	Effective hedge price
			hedge limited to	*silver price hedging*	*participation limited to*		
		[mn ounces]	[USD/ounce]	[USD/ounce]	[USD/ounce]	[USD/ounce]	[USD/ounce]
2nd half of 2023	seagull	2.10	16.00	26.00	42.00	(1.19)	24.81
	TOTAL VII-XII 2023	**2.10**					

Hedging against USD/PLN currency risk - open derivatives as at 30 June 2023

	Instrument/ option structure	Notional	Average weighted option strike price: sold put option	purchased put option	sold call option	Average weighted premium	Effective hedge price
			hedge limited to	*exchange rate hedging*	*participation limited to*		
		[USD mn]	[USD/PLN]	[USD/PLN]	[USD/PLN]	[PLN per USD 1]	[USD/PLN]
2nd half of 2023	seagull	67.50	3.30	4.00	4.60	(0.00)	4.00
	seagull	90.00	3.30	3.90	4.50	0.03	3.93
	collar	330.00	-	4.48	5.48	(0.03)	4.45
	TOTAL VII-XII 2023	**487.50**					
1st half of 2024	put spread	330.00	3.60	4.48	-	(0.01)	4.47
2nd half of 2024	put spread	330.00	3.60	4.48	-	0.01	4.49
	TOTAL 2024	**660.00**					

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

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

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

Open hedging derivatives	Notional of the transaction	Average weighted price /exchange rate/interest rate	Maturity - settlement period		Period of profit/loss impact***	
Type of derivative	copper [t] silver [mn ounces] currency [USD mn] CIRS [PLN mn]	[USD/t] [USD/ounce] [USD/PLN] [USD/PLN, fixed interest rate for USD]	from	to	from	to
Copper – *seagulls**	94 500	8 070 - 9 873	July'23	- Dec23	July'23	- Jan'24
Silver – *seagulls**	2.10	26.00 - 42.00	July'23	- Dec'23	July'23	- Jan'24
Currency – *collars*	330.00	4.48 - 5.48	July'23	- Dec'24	July'23	- Jan'25
Currency – *seagulls**	157.50	3.94 - 4.54	July'23	- Dec'23	July'23	- Jan'24
Currency – *put spread**	660.00	3.60 - 4.48	Jan'24	- Dec'24	Jan'24	- Jan'25
Currency – interest rate – CIRS**	400	3.78 and 3.23%		June '24		June '24
Currency - interest rate – CIRS**	1 600	3.81 and 3.94%		June '29	June '29	- July '29

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

amounts in PLN millions, unless otherwise stated

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 2023 and net receivables[4] due to settled derivatives, the maximum single entity share of the amount exposed to credit risk arising from these transactions amounted to 20%, or PLN 272 million (as at 31 December 2022: 17% or PLN 260 million).

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

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

Rating level		**As at 30 June 2023**	**As at 31 December 2022**
Medium-high	from A+ to A- according to S&P and Fitch, and from A1 to A3 according to Moody's	75%	84%
Medium	from BBB+ to BBB- according to S&P and Fitch, and from Baa1 to Baa3 according to Moody's	25%	16%

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 2023 broken down into hedging transactions[5] 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 2023 has changed as compared to 31 December 2022 because of:

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

[4] 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.
[5] Within the KGHM Polska Miedź S.A. Group, the Parent Entity applies cash flow hedge accounting (CFH).

amounts in PLN millions, unless otherwise stated

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

Type of derivative	As at 30 June 2023					As at 31 December 2022				
	Financial assets		Financial liabilities			Financial assets		Financial liabilities		
	Non-current	Current	Non-current	Current	**Total**	Non-current	Current	Non-current	Current	**Total**
Hedging instruments (CFH), including:	**342**	**409**	**(251)**	**(87)**	**413**	**709**	**755**	**(700)**	**(280)**	**484**
Derivatives – Metals (price of copper, silver)										
Options – *seagull** (copper)	-	149	-	(42)	**107**	60	440	(36)	(232)	**232**
Options – *seagull** (silver)	-	28	-	-	**28**	5	50	(1)	(3)	**51**
Derivatives – Currency (USDPLN exchange rate)										
Options – *collar*	-	116	-	-	**116**	328	262	(88)	(11)	**491**
Options – *seagull**	-	3	-	(2)	**1**	1	3	(6)	(34)	**(36)**
Options – *put spread*	135	94	(6)	(1)	**222**	-	-	-	-	**-**
Derivatives – Currency-interest rate										
Cross Currency Interest Rate Swap CIRS	207	19	(245)	(42)	**(61)**	315	-	(569)	-	**(254)**
Trade instruments, including:	**5**	**32**	**(197)**	**(332)**	**(492)**	**5**	**41**	**(14)**	**(118)**	**(86)**
Derivatives – Metals (price of copper, silver, gold)										
Sold put option (copper)	-	-	-	(2)	**(2)**	-	-	(13)	(49)	**(62)**
Purchased put option (copper)	-	-	-	-	**-**	-	1	-	-	**1**
Purchased call option (copper)	-	9	-	-	**9**	4	32	-	-	**36**
QP adjustment swap transactions (copper)	-	2	-	-	**2**	-	-	-	(10)	**(10)**
Sold put option (silver)	-	-	-	-	**-**	-	-	(1)	(1)	**(2)**
QP adjustment swap transactions (gold)	-	3	-	(4)	**(1)**	-	4	-	(14)	**(10)**
Derivatives – Currency										
Sold put option (USDPLN)	-	-	(197)	(326)	**(523)**	-	-	-	(1)	**(1)**
Purchased put option (USDPLN)	-	-	-	-	**-**	-	-	-	-	**-**
Purchased call option (USDPLN)	5	1	-	-	**6**	1	4	-	-	**5**
Collar and *forward/swap* (EURPLN)	-	1	-	-	**1**	-	-	-	-	**-**
Embedded derivatives (price of copper, gold)										
Purchase contracts for metal-bearing materials	-	16	-	-	**16**	-	-	-	(43)	**(43)**
Instruments initially designated as hedging, excluded from hedge accounting, including:	**197**	**325**	**(5)**	**(10)**	**507**	**-**	**-**	**(5)**	**(36)**	**(41)**
Derivatives – Metals (price of copper, silver)										
Options – *seagull* (copper)	-	-	-	(9)	**(9)**	-	-	(4)	(32)	**(36)**
Derivatives – Currency (USDPLN exchange rate)										
Options – *collar*	197	325	(5)	(1)	**516**	-	-	(1)	(4)	**(5)**
TOTAL OPEN DERIVATIVES	**544**	**766**	**(453)**	**(429)**	**428**	**714**	**796**	**(719)**	**(434)**	**357**

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

amounts in PLN millions, unless otherwise stated

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

Ratios	Calculations	30 June 2023	31 December 2022
Net Debt/adjusted EBITDA	relation of net debt to adjusted EBITDA	**0.9**	**0.8**
Net Debt*	borrowings, debt securities and lease liabilities less free cash and cash equivalents	4 160	5 264
Adjusted EBITDA**	profit on sales plus depreciation/amortisation recognised in profit or loss and impairment losses on non-current assets	4 728	6 675

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

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 2023 to 30 June 2023	from 1 January 2022 to 31 December 2022
Profit on sales	895	4 344
Interest income on loans granted to a joint venture	292	582
Other operating income and (costs)	(949)	962
Adjusted profit from operating activities*	**238**	**5 888**

** Presented amount does not include the gain due to 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 2023 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 as at 31 December 2022 and 30 June 2023 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 2023, the Group continued actions aimed at optimising the financial liquidity management process by concentrating on the effective management of working and debt capital. In accordance with the strategy being advanced of basing the financial structure on diversified and long term financing instruments, in the first half of 2023, the Parent Entity entered into a multipurpose credit facility agreement with PKO Bank Polski S.A. for the amount of USD 250 million and a maturity period of 5 years and the option to prolong it by 2 more years.

In the first half of 2023, the Group conducted actions aimed at optimising working capital by increasing the use of reverse factoring to the level of PLN 829 million as at 30 June 2023.

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.

amounts in PLN millions, unless otherwise stated

Net debt changes

Liabilities due to borrowing	As at 31 December 2022	Cash flows	Accrued interest	Exchange differences	Other changes	As at 30 June 2023
Bank loans	1 263	(554)	39	(60)	(2)	686
Loans	2 434	246	43	(174)	(7)	2 542
Debt securities	2 002	(87)	86	-	-	2 001
Leases	744	(86)	29	(1)	97*	783
Total debt	**6 443**	**(481)**	**197**	**(235)**	**88**	**6 012**
Free cash and cash equivalents	1 179	673	-	-	-	1 852
Net debt	**5 264**	**(1 154)**	**197**	**(235)**	**88**	**4 160**

** Including PLN 99 million due to modifications and signing of new lease agreements.*

Reconciliation of cash flows recognised in net debt change

	from 1 January 2023 to 30 June 2023
I. Financing activities	**(328)**
Proceeds from borrowings	1 385
Repayment of borrowings	(1 605)
Repayment of lease liabilities	(57)
Repayment of interest on borrowings and debt securities	(38)
Repayment of interest on leases	(13)
II. Investing activities	**(153)**
Paid capitalised interest on borrowings	(153)
III. Change in free cash and cash equivalents	**673**
TOTAL (I+II-III)	**(1 154)**

Details on external financing sources

As at 30 June 2023, the Group had open credit lines, loans and debt securities with a total balance of available financing being the equivalent of PLN 14 975 million, out of which PLN 5 229 million had been drawn.

The structure of external financing sources is presented below.

Unsecured, revolving syndicated credit facility

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 SOFR 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 2023, 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 2023	As at 30 June 2023	As at 31 December 2022
Amount granted	Amount of the liability	Amount of the liability
6 160	-	528

amounts in PLN millions, unless otherwise stated

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 utilised in four instalments to the maximum available amount. The Parent Entity has drawn three instalments with a fixed interest rate under this loan with maturities on 28 June 2030, 23 April 2031 and 11 September 2031 and one instalment with a variable interest rate based on SOFR with maturity on 6 March 2035. 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 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 loan agreements. As at the reporting date, during the first half of 2023, 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 2023	As at 30 June 2023	As at 31 December 2022
	Amount granted	Amount of the liability	Amount of the liability
	3 554	2 542	2 434

Other bank loans

Bilateral bank loans in the total amount up to PLN 3 261 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 interest rate based on WIBOR, SOFR or EURIBOR plus a margin.

	As at 30 June 2023	As at 30 June 2023	As at 31 December 2022
	Amount granted	Amount of the liability	Amount of the liability
	3 261	686	735

Debt securities

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.

	As at 30 June 2023	As at 30 June 2023	As at 31 December 2022
	Nominal value of the issue	Amount of the liability	Amount of the liability
	2 000	2 001	2 002
Total bank and other loans, debt securities	**14 975**	**5 229**	**5 699**

amounts in PLN millions, unless otherwise stated

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 3 203 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 2023 amounted to PLN 211 million, including property, plant and equipment in the amount of PLN 95 million.

Due to the cessation as of 30 June 2023 of publication of the LIBOR reference indicator, the Group updated the clauses of external financing agreements in USD, replacing the LIBOR rate with the SOFR rate. The setting of a new reference rate of the bank loan agreement entered into by the Parent Entity with Bank Gospodarstwa Krajowego is still being negotiated.

Cash and cash equivalents	**As at 30 June 2023**	**As at 31 December 2022**
Cash in bank accounts	849	619
Other financial assets with a maturity of up to 3 months from the date of acquisition - deposits	1 023	573
Other cash	7	8
Total cash and cash equivalents	**1 879**	**1 200**

Liabilities due to guarantees granted

Guarantees 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 2023, the Group held liabilities due to guarantees granted in the total amount of PLN 1 187 million and due to promissory note liabilities in the amount of PLN 222 million.

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

– **Sierra Gorda S.C.M.** – a corporate guarantee in the amount of PLN 904 million (USD 220 million) set as security on a bank loan drawn by Sierra Gorda S.C.M. The guarantee is valid until September 2024. The carrying amount of the liability due to a financial guarantee granted was recognised in the amount of PLN 28 million*,

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

- PLN 126 million - securing the proper execution by the Parent Entity of future environmental obligations related to the obligation to restore terrain, following the conclusion of operations of the Żelazny Most tailings storage facility, the guarantee is valid up to 1 year,
- PLN 100 million - securing the obligations of the Parent Entity arising from a surety agreement signed between KGHM Polska Miedź S.A., Dom Maklerski Banku Ochrony Środowiska S.A. and Izba Rozliczeniowa Giełd Towarowych S.A., the guarantee is valid up to 1 year,
- PLN 16 million - securing claims on behalf of the Marshal of the Voivodeship of Lower Silesia for the Group to cover costs related to collecting and processing waste, the guarantee is valid up to 1 year,
- PLN 31 million (PLN 2 million, USD 1 million, EUR 4 million and CAD 2 million) - securing the obligations related to proper execution of agreements concluded by the Group, the guarantee is valid up to 5 years,
- PLN 2 million - securing obligations related to tax and customs duties, the guarantee is valid indefinitely.

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

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

amounts in PLN millions, unless otherwise stated

Note 4.6 Employee benefits liabilities

	As at 30 June 2023	As at 31 December 2022
Non-current	2 778	2 621
Current	254	272
Liabilities due to future employee benefits programs	**3 032**	**2 893**
Remuneration liabilities	226	358
Social insurance liabilities	257	296
Accruals (unused annual leave, bonuses, other)	1 330	773
Other current employee benefits liabilities	**1 813**	**1 427**
Total employee benefits liabilities	**4 845**	**4 320**

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

as at 30 June 2023	2023	2024	2025	2026	2027 and beyond
- discount rate	5.80%	5.80%	5.80%	5.80%	5.80%

as at 31 December 2022	2023	2024	2025	2026	2027 and beyond
- discount rate	6.75%	6.75%	6.75%	6.75%	6.75%

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

	from 1 January 2023 to 30 June 2023	from 1 January 2022 to 31 December 2022
Provisions at the beginning of the reporting period	**1 893**	**1 552**
Changes in estimates recognised in fixed assets	(132)	(42)
Reclassification of the balance of the Mine Closure Fund and Tailings Storage Facility Restoration Fund	-	496*
Changes due to loss of control of subsidiaries	-	(91)
Other	(8)	(22)
Provisions at the end of the reporting period, of which:	**1 753**	**1 893**
- non-current provisions	1 705	1 859
- current provisions	48	34

**Change in a presentation to the presentation together with the long-term part of provision for decommissioning costs of mines and other facilities resulted from a change in judgments in 2022 regarding the period of expected cash outflows from the fund.*

amounts in PLN millions, unless otherwise stated

Note 4.8 Other liabilities

	As at 30 June 2023	As at 31 December 2022
Deferred income, including:	197	238
Liabilities due to Franco Nevada streaming contract	98	137
Trade payables	180	186
Other liabilities	99	119
Other liabilities – non-current	**476**	**543**
Deferred income, including:	341	134
Trade payables	90	87
Non-current assets received free of charge (including CO_2 emission allowances in 2023)	204	2
Accruals, including:	777	976
Provision for purchase of property rights related to consumed electricity	111	83
Charges for discharging gases and dusts to the air	224	391
Other accounted costs, proportional to achieved revenues, which are future liabilities estimated on the basis of contracts entered into	233	220
Liabilities due to settled derivatives	1	34
Other financial liabilities, including:	391	123
Liabilities due to dividends	200	-
Other non-financial liabilities	46	62
Other liabilities – current	**1 555**	**1 329**
Total – non-current and current liabilities	**2 031**	**1 872**

Note 4.9 Related party transactions

Operating income from related entities	from 1 January 2023 to 30 June 2023	from 1 January 2022 to 30 June 2022
Revenues from sales of products, merchandise and materials to a joint venture	19	17
Interest income on loans granted to a joint venture	292	319
Revenues from other transactions with a joint venture	10	11
Revenues from other transactions with other related parties	17	9
Total	**338**	**356**

Purchases from related entities	from 1 January 2023 to 30 June 2023	from 1 January 2022 to 30 June 2022
Purchase of services, merchandise and materials	30	28
Other purchase transactions	3	2
Total	**33**	**30**

amounts in PLN millions, unless otherwise stated

Trade and other receivables from related parties	As at 30 June 2023	As at 31 December 2022
From the joint venture Sierra Gorda S.C.M. - loans granted	9 635	9 603
From the joint venture Sierra Gorda S.C.M. - other receivables	35	69
From other related parties	20	5
Total	**9 690**	**9 677**

Trade and other payables towards related parties	As at 30 June 2023	As at 31 December 2022
Towards a joint venture	29	58
Towards other related parties	16	2
Total	**45**	**60**

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 2023 and in the period from 1 January to 30 June 2023, 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 208 million (as at 31 December 2022: PLN 229 million), including fees on setting mining usufruct for the extraction of mineral resources recognised in costs in the amount of PLN 16 million (as at 31 December 2022: PLN 31 million),
- due to a reverse factoring agreement with the company PEKAO FAKTORING SP. Z O.O. - payables in the amount of PLN 334 million, interest costs in the amount of PLN 1 million (as at 31 December 2022, payables in the amount of PLN 18 million and interest costs from 1 January to 30 June 2022 in the amount of PLN 1 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, servicing of business credit cards, servicing of documentary collection and servicing of special purpose funds with banks related to the State Treasury.

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

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

- the purchase of products (energy, fuels, services), merchandise and materials to meet the needs of current operating activities. In the period from 1 January to 30 June 2023, the turnover from these transactions amounted to PLN 1 798 million (from 1 January to 30 June 2022: PLN 1 719 million), and, as at 30 June 2023, the unsettled balance of liabilities from these transactions amounted to PLN 502 million (as at 31 December 2022: PLN 340 million),
- sales to Polish State Treasury Companies. In the period from 1 January to 30 June 2023, the turnover from these sales amounted to PLN 302 million (from 1 January to 30 June 2022: PLN 80 million), and, as at 30 June 2023, the unsettled balance of receivables from these transactions amounted to PLN 176 million (as at 31 December 2022: PLN 241 million).

Remuneration of the Supervisory Board of the Parent Entity (in PLN thousands)	from 1 January 2023 to 30 June 2023	from 1 January 2022 to 30 June 2022
Remuneration due to service in the Supervisory Board, salaries and other current employee benefits	1 138	1 061

Remuneration of the Management Board of the Parent Entity (in PLN thousands)	from 1 January 2023 to 30 June 2023	from 1 January 2022 to 30 June 2022
Remuneration during the term of a member of the Management Board's mandate	3 017	3 215

Remuneration of other key managers (in PLN thousands)	from 1 January 2023 to 30 June 2023	from 1 January 2022 to 30 June 2022
Salaries and other current employee benefits	1 718	1 766

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.

		As at 30 June 2023	As at 31 December 2022
	Contingent assets	**357**	**366**
	Guarantees received	199	195
	Promissory notes receivables	131	147
	Other	27	24
	Contingent liabilities	**600**	**452**
Note 4.5	Guarantees	276	187
Note 4.5	Promissory note liability	222	170
	Property tax on underground mine workings	41	34
	Other	61	61
	Other liabilities not recognised in the statement of financial position	**29**	**34**
	Liabilities towards local government entities due to expansion of the tailings storage facility	29	34

amounts in PLN millions, unless otherwise stated

Note 4.11 Changes in working capital

	Inventories	Trade receivables	Trade payables	Similar payables	Working capital
As at 1 January 2023	(8 902)	(1 178)	3 262	18	**(6 800)**
As at 30 June 2023	(8 888)	(766)	3 233	829	**(5 592)**
Change in the statement of financial position	**14**	**412**	**(29)**	**811**	**1 208**
Exchange differences from the translation of statements of operations with a functional currency other than PLN	(36)	(17)	12	-	**(41)**
Depreciation/amortisation recognised in inventories	(95)	-	-	-	**(95)**
Change in payables due to the purchase of property, plant and equipment and intangible assets	-	-	239	(53)	**186**
Change in liabilities due to interest	-	-	-	(5)	**(5)**
Reclassification to property, plant and equipment	(25)	-	-	-	**(25)**
Adjustments	**(156)**	**(17)**	**251**	**(58)**	**20**
Change in the statement of cash flows	**(142)**	**395**	**222**	**753**	**1 228**

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

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

KGHM TOWARZYSTWO FUNDUSZY INWESTYCYJNYCH S.A.

On 13 March 2023, KGHM Polska Miedź S.A. concluded an Agreement for the sale of 100% of the shares of KGHM TOWARZYSTWO FUNDUSZY INWESTYCYJNYCH SPÓŁKA AKCYJNA (“Shares”) with Agencja Rozwoju Przemysłu S.A. (“Buyer”). The sale of the Shares was contingent on meeting the conditions precedent, among others no objections raised by the Polish Financial Supervision Authority. The ownership rights to the Shares are transferred to the Buyer at the moment an appropriate entry is made in the Share Register. The sale of the Shares is the last stage of the reorganisation under the Group’s structure, which comprised the liquidation of closed-end, non-public investment funds. As at 30 June 2023, the conditions precedent to the concluded agreement had not been met.

Due to the insignificant value, the assets and liabilities of KGHM TOWARZYSTWO FUNDUSZY INWESTYCYJNYCH S.A. were not recognised in the statement of financial position in the separate items "Assets held for sale (disposal group)" and "Liabilities associated with a disposal group".

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

On 3 August 2023, the buyer of the shares, i.e. Agencja Rozwoju Przemysłu S.A. was entered into the Share Register as the owner of 100% of the shares of KGHM TFI S.A. (detailed information in Note 5.7. Subsequent events).

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

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

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

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

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

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

As at 30 June 2023, the merger of companies had not been registered in the National Court Register.

On 1 August 2023, the aforementioned merger was registered in the National Court Register (details in Note 5.7. Subsequent events).

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 2023, 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. 7/2023 of the Ordinary General Meeting of KGHM Polska Miedź S.A. dated 21 June 2023 regarding the appropriation of profit for the year ended 31 December 2022, the profit in the amount of PLN 3 533 million was appropriated as follows: as a shareholders dividend in the amount of PLN 200 million (PLN 1.00 per share) and PLN 3 333 million was transferred to the Company's reserve capital. The Ordinary General Meeting of KGHM Polska Miedź S.A. set the dividend date for 2022 at 27 July 2023 and the dividend payment date for 2022 at 10 August 2023.

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

All shares of the Parent Entity are ordinary shares.

Note 5.5 List of material proceedings before courts, arbitration authorities or public administration authorities respecting the liabilities and receivables 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 8.6. Litigation and claims of The Management Board's Report on the activities of the Group in the first half of 2023.

Note 5.6 Impact of the war in Ukraine on the Company's and Group's operations

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

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

Key risk categories

The most significant risk factors related to the war in Ukraine, impacting the Company's and the Group's operations are:

- further increase in the prices of fuels and energy carriers;
- interruptions in the supply chain and the availability of materials (e.g. steel), fuels and energy on international markets;
- a possible global economic recession as a result of the inflation and energy crisis, as well as the observed economic slowdown;
- 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 effects of the implemented hedging policy;
- the general uncertainty on financial markets; and
- an increase in the prices of materials and services.

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, the aforementioned threats did not have a significantly negative impact on the Group's operations and ultimately did not cause deviations from the achievement of the budget targets for the first half of 2023.
Details on the operating results of the segments can be found in Part 2 of the consolidated financial statements.

Impact on the metals market and shares price

From the Company's point of view, an effect of the war in Ukraine is an impact on market risk related to volatility in metals prices and market indices in the reporting period. The Company's share price at the end of the first half of 2023 was 8% lower compared to the price at the end of the first quarter of 2023 and 11% lower compared to the end of 2022 and at the close of trading on 30 June 2023 amounted to PLN 112.40. During the same periods the WIG index increased respectively by 15% and 17%, and the WIG20 index increased by 17% and 15%. As a result of changes in the share price, the Company's capitalisation decreased from PLN 25 350 million at the end of 2022 to PLN 22 480 million at the end of the first half of 2023.
The average price of copper in the first half of 2023 was 8 702 USD/t, which was higher than assumed in the budget.
The average price of copper in the second quarter of 2023 decreased by 5.2% compared to the average price of copper in the first quarter of 2023 and by 1.1% compared to the average price of copper in the entire year 2022.

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

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

Impact on the activities of the Parent Entity and other 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.
Despite the high inflation observed in the global economy, resulting in the tightening of monetary policy, the demand for the Company's key products did not deteriorate significantly in the first quarter of 2023.

However, in the second quarter of 2023, a decrease in demand for wire rod and wire was observed compared to the first quarter of 2023 due to the stagnation in the construction and energy sectors and the general slowdown of the European economy, which is reflected in a decrease in the number of orders from final customers.

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

With respect to exchange gains/losses (the currency conversion of balance sheet items), the strengthening of the PLN in the first half of 2023 was due to the recognition of exchange losses, due to the fact that loans granted by KGHM Polska Miedź S.A. in USD are higher than borrowings in USD.

In terms of other companies of the KGHM Polska Miedź S.A. Group, the situation in Ukraine in the first half of 2023 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 international mines of the KGHM Polska Miedź S.A. Group and Sierra Gorda S.C.M., no production stoppages which would have been directly attributable to the war in Ukraine were recorded.

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

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

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

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

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

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

With respect to stability and the continuity of energy carriers supply chains, the directions of energy-climate geopolitics will be of importance, including the effects of the economic sanctions imposed by the EU and its Member States. With regard to Poland, one of the factors affecting the supply of petrol and diesel fuel to Polish customers is the termination of oil supplies from Russia via the northern branch of the Druzhba oil pipeline. At the same time, the European Union decided to further strengthen bilateral and multilateral cooperation with third countries in order to counteract the growing problem of circumvention of EU sanctions. Russia's aggression against Ukraine also has an impact on food security, high prices of energy and the Producer Price Index, as well as significant volatility on the fertilizers market. 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 anticipative actions to mitigate this impact.

Note 5.7 Subsequent events

Annex to the reverse factoring agreement

On 7 July 2023, KGHM Polska Miedź S.A. signed an annex to the agreement for providing reverse factoring services by Pekao Faktoring Sp. z o.o., based on which the factoring limit was increased from the amount of PLN 1 billion to the amount of PLN 1.45 billion.

Overdraft facility agreement

On 13 July 2023, KGHM Polska Miedź S.A. concluded a multi-currency overdraft facility agreement with Bank Pekao S.A. for the amount of PLN 100 million, with availability to 30 June 2024.

Agreement between KGHM Polska Miedź S.A. and Samsung C&T Corporation on SMR

On 14 July 2023, KGHM Polska Miedź S.A. signed an agreement (Memorandum of Understanding) with Samsung C&T Corporation on cooperation in implementation of low and zero-emission technologies. The companies announced joint operations in the areas of RES, small modular nuclear reactors (SMR), production and utilisation of hydrogen and carbon capture, utilisation and storage technology (CCSU), which could be used in metallurgical processes.

Cooperation agreement between KGHM Polska Miedź S.A. and the Polska Grupa Zbrojeniowa (PGZ) Group

On 31 July 2023, Companies of the KGHM Polska Miedź S.A. Group signed an agreement on strategic cooperation with companies of the PGZ Group. The agreement defines possible areas of future undertakings, among others in realisation of R&D projects, production and commerce. The area of ammunition and missiles was indicated to be a priority.

Registration of the merger of CUPRUM Zdrowie sp. z o.o. with Polska Grupa Uzdrowisk Sp. z o. o.

On 1 August 2023, the merger of CUPRUM Zdrowie sp. z o.o. (the Acquiring Company) with Polska Grupa Uzdrowisk Sp. z o. o. (the Acquired company) was registered in the National Court Register, by transferring all assets of the Acquired Company to the Acquiring Company (the merger of Companies by acquisition). Due to the fact that the Acquiring Company held 100% of the shares in the Acquired Company, the merger was carried out without increasing the share capital.

In connection with the merger of the Companies, the content of the Acquiring Company's articles of association was changed, including the change of the company name to the name of the company previously held by the Acquired Company, i.e. Polska Grupa Uzdrowisk Spółka z ograniczoną odpowiedzialnością. The registration of the change of the company's name took place simultaneously to the registration of the Merger.

As of 1 August 2023, the name of CUPRUM Zdrowie sp. z o.o. has changed to Polska Grupa Uzdrowisk Sp. z o. o. On this day, the Acquired Company was liquidated by law.

Fuel supply contracts in the KGHM INTERNATIONAL LTD. Group

On 1 and 3 August 2023, fuel supply contracts were signed in the KGHM INTERNATIONAL LTD. Group for Robinson Nevada Mining Company ("Robinson") and Carlota Copper Company ("Carlota"). The contracts were signed with the current fuel supplier, Parkland USA Corporation, for subsequent 3 years. In the case of Robinson, the estimated value of the contract is USD 103 million (PLN 423 million; per the exchange rate from 30 June 2023 of 4.1066 USDPLN) and in the case of Carlota it is USD 5 million (PLN 21 million; per the exchange rate from 30 June 2023 of 4.1066 USDPLN)

Sale of 100% of shares in KGHM TFI S.A.

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

Contract with the NKT Group for the sale of copper wire rod

On 7 August 2023, KGHM Polska Miedź S.A. signed a contract with the NKT Group for the sale of copper wire rod in the years 2023–2027. The value of the transaction will range from PLN 9.6 billion to PLN 14.2 billion, depending on options regarding the volume and the duration of the contract. The contract provides an option to extend it to 2028, which requires the consent of both parties.

Part 6 – Quarterly financial information of the Group

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		from 1 April 2023 to 30 June 2023*	from 1 April 2022 to 30 June 2022*	from 1 January 2023 to 30 June 2023	from 1 January 2022 to 30 June 2022
	Revenues from contracts with customers	8 172	8 933	17 757	17 926
Note 6.1	Cost of sales	(7 427)	(7 201)	(15 929)	(14 032)
	Gross profit	**745**	**1 732**	**1 828**	**3 894**
Note 6.1	Selling costs and administrative expenses	(512)	(502)	(933)	(863)
	Profit on sales	**233**	**1 230**	**895**	**3 031**
	Gain due to the reversal of allowances for impairment of loans granted to a joint venture	482	719	482	783
	Interest income on loans granted to a joint venture calculated using the effective interest rate method	145	136	292	319
	Profit or loss on involvement in a joint venture	627	855	774	1 102
Note 6.2	Other operating income, including:	179	1 186	384	1 948
	other interest calculated using the effective interest rate method	13	22	23	26
	reversal of impairment losses on financial instruments	2	2	3	3
Note 6.2	Other operating costs, including:	(758)	(214)	(1 333)	(409)
	impairment losses on financial instruments	(3)	(2)	(5)	(3)
Note 6.3	Finance income	259	47	353	47
Note 6.3	Finance costs	(150)	(298)	(170)	(405)
	Profit before income tax	**390**	**2 806**	**903**	**5 314**
	Income tax expense	(153)	(525)	(502)	(1 134)
	PROFIT FOR THE PERIOD	**237**	**2 281**	**401**	**4 180**
	Profit for the period attributable to:				
	Shareholders of the Parent Entity	231	2 280	394	4 180
	Non-controlling interest	6	1	7	-
	Weighted average number of ordinary shares (million)	**200**	**200**	**200**	**200**
	Basic and diluted earnings per share (in PLN)	**1.16**	**11.40**	**1.97**	**20.90**

** Data not subject to review and audit.*

amounts in PLN millions, unless otherwise stated

Explanatory notes to the condensed consolidated statement of profit or loss

Note 6.1 Expenses by nature

	from 1 April 2023 to 30 June 2023*	from 1 April 2022 to 30 June 2022*	from 1 January 2023 to 30 June 2023	from 1 January 2022 to 30 June 2022
Depreciation of property, plant and equipment and amortisation of intangible assets	639	581	1 224	1 159
Employee benefits expenses	2 143	1 945	4 068	3 523
Materials and energy, including:	3 714	4 172	7 953	8 058
purchased metal-bearing materials	1 908	2 420	4 119	4 624
External services	713	616	1 407	1 144
Minerals extraction tax	905	809	1 973	1 653
Other taxes and charges	58	53	413	373
Revaluation of inventories**	9	13	200	9
Impairment losses on property, plant and equipment and intangible assets	-	47	8	47
Reversal of impairment losses on property, plant and equipment	(1)	-	(1)	-
Other costs	72	66	126	107
Total expenses by nature	**8 252**	**8 302**	**17 371**	**16 073**
Cost of merchandise and materials sold (+)	163	200	368	443
Change in inventories of finished goods and work in progress (+/-)	(108)	(318)	(131)	(730)
Cost of manufacturing products for internal use of the Group (-)	(368)	(481)	(746)	(891)
Total costs of sales, selling costs and administrative expenses, of which:	**7 939**	**7 703**	**16 862**	**14 895**
Cost of sales	7 427	7 201	15 929	14 032
Selling costs	109	143	233	266
Administrative expenses	403	359	700	597

** Data not subject to review and audit.*

*** Including PLN 182 million due to a write-down recognised in KGHM INTERNATIONAL LTD. in the first half of 2023 since the cost was higher than the net realisable value.*

amounts in PLN millions, unless otherwise stated

Note 6.2 Other operating income and (costs)

	from 1 April 2023 to 30 June 2023*	from 1 April 2022 to 30 June 2022*	from 1 January 2023 to 30 June 2023	from 1 January 2022 to 30 June 2022
Gains on derivatives, of which:	70	111	200	206
measurement	36	74	165	163
realisation	34	37	35	43
Exchange differences on financial assets and liabilities other than borrowings	-	859	-	1 248
Interest income calculated using the effective interest rate method	13	22	23	26
Reversal of impairment losses on financial instruments	2	2	3	3
Release of provisions	23	32	29	46
Gain on disposal of intangible assets	6	-	6	135
Gain on disposal of subsidiaries	-	135	-	173
Reversal of an impairment loss on property, plant and equipment	30	-	30	-
Government grants received	17	8	17	9
Income from servicing of letters of credit and guarantees	-	-	10	11
Compensation, fines and penalties received	8	-	8	-
Other	10	17	58	91
Total other operating income	**179**	**1 186**	**384**	**1 948**
Losses on derivatives, of which:	(106)	(48)	(249)	(199)
measurement	(7)	47	(57)	(35)
realisation	(99)	(95)	(192)	(164)
Fair value losses on financial instruments	(39)	(117)	(80)	(124)
Impairment losses on financial instruments	(3)	(2)	(5)	(3)
Impairment loss on fixed assets under construction	(2)	(4)	(2)	(7)
Exchange differences on financial assets and liabilities other than borrowings	(550)	-	(855)	-
Provisions recognised	-	(9)	(5)	(16)
Loss on disposal of property, plant and equipment	(8)	(6)	(8)	(8)
Donations given	(3)	(10)	(43)	(16)
Other	(47)	(18)	(86)	(36)
Total other operating costs	**(758)**	**(214)**	**(1 333)**	**(409)**
Other operating income and (costs)	**(579)**	**972**	**(949)**	**1 539**

** Data not subject to review and audit.*

amounts in PLN millions, unless otherwise stated

Note 6.3 Finance income and (costs)

	from 1 April 2023 to 30 June 2023*	from 1 April 2022 to 30 June 2022*	from 1 January 2023 to 30 June 2023	from 1 January 2022 to 30 June 2022
Exchange differences on measurement and realisation of borrowings	140	-	234	-
Gains on derivatives - realisation	87	47	87	47
Settlement of a transaction hedging against interest rate risk due to the issue of bonds with a variable interest rate	32	-	32	-
Total finance income	**259**	**47**	**353**	**47**
Interest on borrowings, including:	(8)	5	(12)	(11)
leases	(3)	(1)	(5)	(5)
Bank fees and charges on borrowings	(5)	(8)	(12)	(16)
Exchange differences on measurement and realisation of borrowings	-	(239)	-	(303)
Losses on derivatives - realisation	(93)	(51)	(93)	(51)
Unwinding of the discount effect on provisions	(36)	(5)	(39)	(9)
Other	(8)	-	(14)	(15)
Total finance costs	**(150)**	**(298)**	**(170)**	**(405)**
Finance income and (costs)	**109**	**(251)**	**183**	**(358)**

** Data not subject to review and audit.*

Condensed financial statements of KGHM Polska Miedź S.A.

SEPARATE STATEMENT OF PROFIT OR LOSS

		from 1 January 2023 to 30 June 2023	from 1 January 2022 to 30 June 2022
Note 2.1	Revenues from contracts with customers	15 510	15 211
Note 2.2	Cost of sales	(13 413)	(11 903)
	Gross profit	**2 097**	**3 308**
Note 2.2	Selling costs and administrative expenses	(656)	(564)
	Profit on sales	**1 441**	**2 744**
Note 2.3	Other operating income, including:	1 191	1 815
	interest income calculated using the effective interest rate method	175	157
	fair value gains on financial assets measured at fair value through profit or loss	644	469
	gain due to reversal of impairment losses on financial instruments	88	192
Note 2.3	Other operating costs, including:	(1 002)	(422)
	impairment losses on financial instruments	(7)	(4)
Note 2.4	Finance income	354	47
Note 2.4	Finance costs	(181)	(408)
	Profit before income tax	**1 803**	**3 776**
	Income tax expense	(596)	(968)
	PROFIT FOR THE PERIOD	**1 207**	**2 808**
	Weighted average number of ordinary shares (million)	**200**	**200**
	Basic and diluted earnings per share (in PLN)	**6.04**	**14.04**

SEPARATE STATEMENT OF COMPREHENSIVE INCOME

	from 1 January 2023 to 30 June 2023	from 1 January 2022 to 30 June 2022
Profit for the period	**1 207**	**2 808**
Measurement of hedging instruments net of the tax effect	515	911
Other comprehensive income, which will be reclassified to profit or loss	**515**	**911**
Measurement of equity financial instruments at fair value through other comprehensive income, net of the tax effect	102	116
Actuarial losses net of the tax effect	(69)	(99)
Other comprehensive income, which will not be reclassified to profit or loss	**33**	**17**
Total other comprehensive net income	**548**	**928**
TOTAL COMPREHENSIVE INCOME	**1 755**	**3 736**

amounts in PLN millions, unless otherwise stated

SEPARATE STATEMENT OF CASH FLOWS

	Cash flow from operating activities	from 1 January 2023 to 30 June 2023	from 1 January 2022 to 30 June 2022
	Profit before income tax	1 803	3 776
	Depreciation/amortisation recognised in profit or loss	784	695
	Interest on investment activities	(139)	(121)
	Other interest	15	52
	Fair value (gains)/losses on financial assets measured at fair value through profit or loss	(572)	(454)
	Impairment losses on non-current assets	6	3
	Reversal of impairment losses on non-current assets	(86)	(192)
	Exchange differences, of which:	161	(219)
	from investing activities and on cash	396	(520)
	from financing activities	(235)	301
	Change in provisions for decommissioning of mines, employee benefits liabilities and other provisions	217	(96)
	Change in other receivables and liabilities other than working capital	303	174
	Change in assets and liabilities due to derivatives	631	(509)
	Reclassification of other comprehensive income to profit or loss due to the realisation of hedging derivatives	(64)	508
Note 3.11	Other adjustments	96	74
	Exclusions of income and costs, total	1 352	(85)
	Income tax paid	(1 059)	(1 189)
Note 3.10	Changes in working capital, including:	1 002	(1 087)
Note 3.10	change in trade payables transferred to factoring	770	(55)
	Net cash generated from operating activities	**3 098**	**1 415**
	Cash flow from investing activities		
	Expenditures on mining and metallurgical assets, including:	(1 550)	(1 328)
	paid capitalised interest on borrowings	(125)	(71)
	Expenditures on other property, plant and equipment and intangible assets	(17)	(21)
	Advances grated for property, plant and equipment and intangible assets	(69)	(35)
	Expenditures due to acquisition of shares	(117)	-
	Proceeds from repayment of loans granted	35	1 003
	Expenditures due to loans granted	(472)	-
	Expenditures on financial assets designated for decommissioning of mines and other technological facilities	(30)	(30)
	Interests received on loans granted	4	20
	Other	6	12
	Net cash used in investing activities	**(2 210)**	**(379)**
	Cash flow from financing activities		
	Proceeds from borrowings	1 299	-
	Expenditures due to derivatives related to sources of external financing	(41)	(45)
	Proceeds from derivatives related to sources of external financing	87	42
	Cash pooling expenses	-	(93)
	Proceeds from cash pooling	20	-
	Repayment of borrowings	(1 554)	(153)
	Repayment of lease liabilities	(49)	(33)
	Interest paid due to borrowings	(69)	(58)
	Net cash used in financing activities	**(307)**	**(340)**
	NET CASH FLOW	**581**	**696**
	Exchange gains/(losses) on cash and cash equivalents	9	1
	Cash and cash equivalents at the beginning of the period	985	1 332
	Cash and cash equivalents at the end of the period, including:	**1 575**	**2 029**
	restricted cash	**18**	**10**

amounts in PLN millions, unless otherwise stated

SEPARATE STATEMENT OF FINANCIAL POSITION

	ASSETS	As at 30 June 2023	As at 31 December 2022
	Mining and metallurgical property, plant and equipment	21 369	21 091
	Mining and metallurgical intangible assets	1 356	1 251
	Mining and metallurgical property, plant and equipment and intangible assets	22 725	22 342
	Other property, plant and equipment	96	104
	Other intangible assets	51	51
	Other property, plant and equipment and intangible assets	147	155
	Investments in subsidiaries, other than loans granted	3 817	3 701
Note 3.3	Loans granted, including:	9 580	8 763
	measured at fair value through profit or loss	3 795	3 233
	measured at amortised cost	5 785	5 530
Note 3.2	Derivatives	544	714
	Other financial instruments measured at fair value through other comprehensive income	607	483
	Other financial instruments measured at amortised cost	444	432
Note 3.2	Financial instruments, total	11 175	10 392
	Other non-financial assets	125	117
	Non-current assets	**37 989**	**36 707**
	Inventories	7 876	7 523
Note 3.2	Trade receivables, including:	436	620
	trade receivables measured at fair value through profit or loss	210	455
	Tax assets	296	312
Note 3.2	Derivatives	766	796
	Cash pooling receivables	413	588
	Other financial assets	298	322
	Other non-financial assets	316	142
Note 3.2	Cash and cash equivalents	1 575	985
	Current assets	**11 976**	**11 288**
	TOTAL ASSETS	**49 965**	**47 995**
	EQUITY AND LIABILITIES		
	Share capital	2 000	2 000
	Other reserves from measurement of financial instruments	222	(395)
	Accumulated other comprehensive income	(771)	(702)
	Retained earnings	29 779	28 772
	Equity	**31 230**	**29 675**
Note 3.2	Borrowings, lease and debt securities	4 784	5 000
Note 3.2	Derivatives	453	719
Note 3.5	Employee benefits liabilities	2 532	2 394
Note 3.6	Provisions for decommissioning costs of mines and other technological facilities	1 133	1 233
	Deferred tax liabilities	856	705
Note 3.7	Other liabilities	232	260
	Non-current liabilities	**9 990**	**10 311**
Note 3.2	Borrowings, lease and debt securities	844	1 124
Note 3.2	Cash pooling liabilities	341	321
Note 3.2	Derivatives	429	434
Note 3.2	Trade and similar payables	3 664	2 819
Note 3.5	Employee benefits liabilities	1 722	1 365
	Tax liabilities	525	1 061
	Provisions for liabilities and other charges	116	110
Note 3.7	Other liabilities	1 104	775
	Current liabilities	**8 745**	**8 009**
	Non-current and current liabilities	**18 735**	**18 320**
	TOTAL EQUITY AND LIABILITIES	**49 965**	**47 995**

amounts in PLN millions, unless otherwise stated

SEPARATE STATEMENT OF CHANGES IN EQUITY

	Share capital	Other reserves from measurement of financial instruments	Accumulated other comprehensive income	Retained earnings	Total equity
As at 1 January 2022	**2 000**	**(1 670)**	**(329)**	**25 839**	**25 840**
Transactions with owners - dividend	-	-	-	(600)	**(600)**
Profit for the period	-	-	-	2 808	**2 808**
Other comprehensive income	-	1 027	(99)	-	**928**
Total comprehensive income	-	1 027	(99)	2 808	**3 736**
As at 30 June 2022	**2 000**	**(643)**	**(428)**	**28 047**	**28 976**
As at 1 January 2023	**2 000**	**(395)**	**(702)**	**28 772**	**29 675**
Transactions with owners - dividend	-	-	-	(200)	**(200)**
Profit for the period	-	-	-	1 207	**1 207**
Other comprehensive income	-	617	(69)	-	**548**
Total comprehensive income	-	617	(69)	1 207	**1 755**
As at 30 June 2023	**2 000**	**222**	**(771)**	**29 779**	**31 230**

Part 1 – Impairment of assets

Because the Company's market capitalisation was below the level of its net assets in the first half of 2023, this area was subjected to a further analysis.

Assessment of the risk of impairment of assets in the context of the market capitalisation of KGHM Polska Miedź S.A.
In the first half of 2023, there was still uncertainty on the stock markets as to the development of the global macroeconomic situation in reaction to the ongoing armed conflict in Ukraine and its consequences, including, above all, continued high inflation in the majority of global economies. In the first six months of 2023, the share price of KGHM Polska Miedź S.A. fell by 11% compared to the share price at the end of 2022, and as at 30 June 2023 it amounted to PLN 112.40. As a result, the Company's market capitalisation decreased from PLN 25 350 million to PLN 22 480 million, which means that as at 30 June 2023 it remained 28% below the level of the Company's net assets. Due to the fact that, during the reporting period, the Company's market capitalisation was below the carrying amount of its net assets, in accordance with IAS 36 Impairment of assets, the Management Board of KGHM Polska Miedź S.A. conducted an analysis to determine whether any area of KGHM Polska Miedź S.A.'s activities could be impaired. The analysis of the assets located in Poland indicated that not all of the factors which affect the market capitalisation of KGHM Polska Miedź S.A. are factors which are related to the conducted economic activities. From the point of view of the Company's operations, the key factor influencing the level of market capitalisation is the copper price. In the first half of 2023, the average price of copper amounted to 8 703 USD/t, which is at a level similar to prices recorded in 2022 (average of 8 797 USD/t). The share prices of companies involved in the mining and processing of copper are strongly correlated with the price of this metal. In the case of the Polish assets, of significant importance are PLN-expressed metals prices, which are also affected by the USD/PLN exchange rate. The average USD/PLN exchange rate in the first half of 2023 amounted to 4.28, which is at a lower level than the exchange rate recorded in 2022 (average of 4.46). It should be noted that despite the decrease of the USD/PLN exchange rate, it remained at a higher level than in the previous years (prior to 2022), which is also a "base effect", that is a very abrupt and significant strengthening of the US dollar in 2022 due to investors' reaction to the armed conflict in Ukraine. Despite the continued uncertainty in the economic environment, KGHM Polska Miedź S.A. maintains full operational capacity and consistently advances planned production and sales targets. The financial results achieved by the Company significantly exceed the budget targets, which is also a result of conducted optimisation initiatives and cost discipline applied in response to macroeconomic conditions. The Company continued actions aimed at making the subsequent parts of the copper deposit available and construction of the necessary mining infrastructure. Current, long-term production plans are up to 2055 and in the current period no indications were identified that could negatively impact the future availability of deposits. KGHM Polska Miedź S.A. continues exploration work within its concessions and concession proceedings aimed at ensuring the resource base appropriate for operating activities and prolonging mine life. In the case of the international assets, in the current period there was a worsening of the operating and financial results of KGHM INTERNATIONAL LTD., mainly as a result of the decrease in production of the Robinson mine due to lower extraction, lower copper content in ore and lower recovery (lower quality ore in the transition zone). However, the aforementioned events are of a temporary nature and will not determine the long-term financial results achieved by KGHM INTERNATIONAL LTD. and the Company. It is planned that in the fourth quarter of 2023 the main part of the Ruth West 5 deposit will be reached, and it has significantly better ore parameters than the currently mined transition zone. Therefore, according to plans, the production results of the Robinson mine will improve. As a result of the assessment, it was judged that there was no relation between the fall in the share price of KGHM Polska Miedź S.A. and the activities of KGHM Polska Miedź S.A. in Poland as well as abroad. Consequently, there were no indications identified suggesting the risk of impairment of the Polish and international production assets, therefore there were no tests for impairment conducted for these assets as at 30 June 2023. Due to the uncertainty and the significant volatility of basic economic parameters, including metals prices and currency exchange rates, the Company is continuously monitoring the global situation.

The summary of analyses undertaken to assess the risk of impairment of assets of the Company as at 31 December 2022 was presented in the part 3 of the Annual report RR 2022.

amounts in PLN millions, unless otherwise stated

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

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

		from 1 January 2023 to 30 June 2023	from 1 January 2022 to 30 June 2022
Europe			
	Germany	3 668	2 961
	Poland	3 649	3 924
	Czechia	1 179	1 252
	Italy	1 011	1 209
	Hungary	757	813
	Switzerland	690	332
	The United Kingdom	531	954
	France	448	381
	Austria	230	288
	Bulgaria	171	19
	Slovakia	116	96
	Romania	86	78
	Slovenia	61	78
	Belgium	14	27
	Estonia	13	7
	Bosnia and Herzegovina	6	8
	Finland	6	-
	The Netherlands	5	5
	Spain	4	-
	Denmark	-	2
	Other countries (dispersed sales)	3	2
North and South America			
	The United States of America	554	467
	Canada	16	29
	Chile	2	-
Australia			
	Australia	206	399
Asia			
	China	1 655	1 175
	Thailand	159	306
	Türkiye	123	153
	Malesia	51	-
	Taiwan	49	23
	Vietnam	2	121
	Japan	-	62
Africa		45	40
TOTAL		**15 510**	**15 211**

amounts in PLN millions, unless otherwise stated

Note 2.2 Expenses by nature

	from 1 January 2023 to 30 June 2023	from 1 January 2022 to 30 June 2022
Depreciation of property, plant and equipment and amortisation of intangible assets	848	741
Employee benefits expenses	2 725	2 320
Materials and energy, including:	6 991	6 950
purchased metal-bearing materials	4 119	4 624
electrical and other energy	1 286	932
External services, including:	1 225	1 006
transport	176	157
repairs, maintenance and servicing	380	308
mine preparatory work	346	271
Minerals extraction tax	1 973	1 653
Other taxes and charges	296	235
Revaluation of inventories	19	(17)
Other costs	73	62
Total expenses by nature	**14 150**	**12 950**
Cost of merchandise and materials sold (+)	317	130
Change in inventories of finished goods and work in progress (+/-)	(292)	(519)
Cost of manufacturing products for internal use (-)	(106)	(94)
Total costs of sales, selling costs and administrative expenses, of which:	**14 069**	**12 467**
Cost of sales	13 413	11 903
Selling costs	87	84
administrative expenses	569	480

amounts in PLN millions, unless otherwise stated

Note 2.3 Other operating income and (costs)

	from 1 January 2023 to 30 June 2023	from 1 January 2022 to 30 June 2022
Gains on derivatives, of which:	199	206
measurement	164	164
realisation	35	42
Exchange differences on assets and liabilities other than borrowings	-	696
Interest on loans granted and other financial receivables	178	157
Fees and charges on re-invoicing of costs of bank guarantees securing payments of liabilities	11	12
Reversal of impairment losses on financial instruments measured at amortised cost, including:	88	192
gain due to the reversal of allowances for impairment of loans granted	86	159
Fair value gains on financial assets measured at fair value through profit or loss, including:	644	469
loans	642	457
Release of provisions	7	9
Government grants received	13	7
Other	51	67
Total other operating income	**1 191**	**1 815**
Losses on derivatives, of which:	(249)	(199)
measurement	(57)	(35)
realisation	(192)	(164)
Impairment losses on financial instruments measured at amortised cost	(7)	(4)
Exchange differences on assets and liabilities other than borrowings	(464)	-
Fair value losses on financial assets measured at fair value through profit or loss, including:	(153)	(136)
loans	(70)	-
Loss on disposal of property, plant and equipment and fixed assets under construction (including costs associated with disposal of fixed assets)	(8)	(12)
Provisions recognised	(4)	(10)
Donations given	(43)	(14)
Compensations, fines and penalties paid and costs of litigation	(8)	(15)
Other	(66)	(32)
Total other operating costs	**(1 002)**	**(422)**
Other operating income and (costs)	**189**	**1 393**

amounts in PLN millions, unless otherwise stated

Note 2.4 Finance income and (costs)

	from 1 January 2023 to 30 June 2023	from 1 January 2022 to 30 June 2022
Gains on derivatives - realisation	87	47
Exchange gains/(losses) on borrowings	235	-
Settlement of a transaction hedging against interest rate risk due to the issue of bonds with a variable interest rate	32	-
Total finance income	**354**	**47**
Interest on borrowings, including:	(35)	(35)
leases	(5)	(5)
Bank fees and charges on borrowings	(13)	(17)
Exchange differences on measurement and realisation of borrowings	-	(301)
Losses on derivatives – realisation	(93)	(51)
Unwinding of the discount effect	(40)	(4)
Total finance costs	**(181)**	**(408)**
Finance income and (costs)	**173**	**(361)**

amounts in PLN millions, unless otherwise stated

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 2023 to 30 June 2023	from 1 January 2022 to 30 June 2022
Purchase of property, plant and equipment, including:	1 247	1 148
leases	50	84
Purchase of intangible assets	99	21

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

	As at 30 June 2023	As at 31 December 2022
Payables due to the purchase of property, plant and equipment and intangible assets	740	1 160

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

	As at 30 June 2023	As at 31 December 2022
Purchase of property, plant and equipment	3 262	2 676
Purchase of intangible assets	59	126
Total capital commitments	**3 321**	**2 802**

amounts in PLN millions, unless otherwise stated

Note 3.2 Financial instruments

	Financial assets:	As at 30 June 2023					As at 31 December 2022				
		At fair value through other comprehensive income	At fair value through profit or loss	At amortised cost	Hedging instruments	Total	At fair value through other comprehensive income	At fair value through profit or loss	At amortised cost	Hedging instruments	Total
	Non-current	607	4 137	6 229	202	**11 175**	483	3 238	5 962	709	**10 392**
Note 3.3	Loans granted	-	3 795	5 785	-	**9 580**	-	3 233	5 530	-	**8 763**
	Derivatives	-	342	-	202	**544**	-	5	-	709	**714**
	Other financial instruments measured at fair value	607	-	-	-	**607**	483	-	-	-	**483**
	Other financial instruments measured at amortised cost	-	-	444	-	**444**	-	-	432		**432**
	Current	-	619	2 512	357	**3 488**	-	496	2 060	755	**3 311**
	Trade receivables	-	210	226		**436**	-	455	165	-	**620**
	Derivatives	-	409	-	357	**766**	-	41	-	755	**796**
	Cash and cash equivalents	-	-	1 575	-	**1 575**	-	-	985	-	**985**
	Cash pooling receivables*	-	-	413	-	**413**	-	-	588	-	**588**
	Other financial assets	-	-	298	-	**298**	-	-	322	-	**322**
	Total	**607**	**4 756**	**8 741**	**559**	**14 663**	**483**	**3 734**	**8 022**	**1 464**	**13 703**

** Receivables from subsidiaries of the KGHM Polska Miedź S.A. Group which indebted themselves under the cash pooling system.*

amounts in PLN millions, unless otherwise stated

	Financial liabilities:	As at 30 June 2023				As at 31 December 2022			
		At fair value through profit or loss	At amortised cost	Hedging instruments	Total	At fair value through profit or loss	At amortised cost	Hedging instruments	Total
	Non-current	250	5 000	203	**5 453**	19	5 223	700	**5 942**
Note 3.4	Borrowings, lease and debt securities	-	4 784	-	**4 784**	-	5 000	-	**5 000**
	Derivatives	250	-	203	**453**	19	-	700	**719**
	Other financial liabilities	-	216	-	**216**	-	223	-	**223**
	Current	88	5 286	342	**5 716**	188	4 401	280	**4 869**
Note 3.4	Borrowings, lease and debt securities	-	844	-	**844**	-	1 124	-	**1 124**
Note 3.4	Cash pooling liabilities*	-	341	-	**341**	-	321	-	**321**
	Other liabilities due to settlement under cash pooling contracts **	-	58	-	**58**	-	29	-	**29**
	Derivatives	87	-	342	**429**	154	-	280	**434**
	Trade payables	-	2 835	-	**2 835**	-	2 819	-	**2 819**
	Similar payables – reverse factoring	-	829	-	**829**	-	-	-	**-**
	Other financial liabilities	1	379	-	**380**	34	108	-	**142**
	Total	**338**	**10 286**	**545**	**11 169**	**207**	**9 624**	**980**	**10 811**

** 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.*

amounts in PLN millions, unless otherwise stated

The fair value hierarchy of financial instruments

Classes of financial instruments	As at 30 June 2023 fair value level 1	level 2	level 3	carrying amount	As at 31 December 2022 fair value level 1	level 2	level 3	carrying amount
Loans granted measured at fair value	-	-	3 795	3 795	-	-	3 233	3 233
Loans granted measured at amortised cost	-	538	5 020	5 813	-	143	5 409	5 552
Listed shares	501	-	-	501	386	-	-	386
Unquoted shares	-	106	-	106	-	97	-	97
Trade receivables	-	210	-	210	-	455	-	455
Other financial assets	-	68	-	68	-	37	-	37
Derivatives, of which:	-	427	-	427	-	357	-	357
- assets	-	1 309	-	1 309	-	1 510	-	1 510
- liabilities	-	(882)	-	(882)	-	(1 153)	-	(1 153)
Long-term bank and other loans received	-	(2 581)	-	(2 581)	-	(2 387)	-	(2 387)
Long-term debt securities	(1 603)	-	-	(1 603)	(1 952)	-	-	(2 000)
Other financial liabilities	-	(1)	-	(1)	-	(34)	-	(34)

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	As at 30 June 2023 discount rate level 2	level 3	carrying amount	As at 31 December 2022 discount rate level 2	level 3	carrying amount
1st and 2nd degree (fixed interest rate)	7.37%	x	492	6.92%	x	55
1st degree (variable interest rate)	6.83% (Wibor 1M)	x	79	6.94% (Wibor 1M)	x	88
2nd degree (fixed interest rate)	x	6.01%	3 416	x	5.87%	3 572
POCI (fixed interest rate)	x	9.27%	1 826	x	9.75%	1 837
		Total	**5 813**		**Total**	**5 552**

Methods and measurement techniques used by the Company 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

Loans granted
The fair value of loans measured at amortised cost 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. IBOR current market interest rate acquired from the Reuters system is used in the discounting process.

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.

Other financial assets/liabilities
The fair value of receivables/payables due to the settlement of derivatives, whose date of payment falls two working days after the end of the reporting period was set per the reference price applied in the settlement of these transactions.

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

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

Received long-term bank and other loans
The fair value of bank and other loans is estimated by discounting the cash flows associated with these liabilities in timeframes and under conditions arising from agreements, and by applying current rates. Fair value differs from the carrying amount by the amount of the premium paid to acquire the financing.

Level 3

Long-term loans granted
The fair value of loans was estimated using the forecasted cash flows of international assets (Sierra Gorda S.C.M.), which pursuant to IFRS 13 are unobservable input data, and the fair value of assets determined using such data is classified to level 3 of the fair value hierarchy.

The Company does not disclose the fair value of financial instruments measured at amortised cost (except for long-term loans granted, long-term bank and other loans received and long-term debt securities) in the statement of financial position, because it makes use of the exemption arising from IFRS 7.29.

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

amounts in PLN millions, unless otherwise stated

Note 3.3 Receivables due to loans granted

	as at 30 June 2023	as at 31 December 2022
Loans measured at amortised cost – gross amount	5 852	5 604
Allowance for impairment	(39)	(52)
Loans measured at amortised cost – carrying amount	5 813	5 552
Loans measured at fair value – carrying amount	3 795	3 233
Total, of which:	**9 608**	**8 785**
- long-term loans	9 580	8 763
- short-term loans	28	22

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

	from 1 January 2023 to 30 June 2023	from 1 January 2022 to 31 December 2022
At the beginning of the reporting period	**3 233**	**2 959**
Repayment of a loan	(10)	(324)
Fair value gains	642	601
Fair value losses	(70)	-
Loss on realisation of an instrument	-	(2)
Other changes	-	(1)
At the end of the reporting period	**3 795**	**3 233**

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

	Total	Degree 1 Medium rating	Degree 2 Medium rating	POCI Medium rating
Gross amount as at 1 January 2023	**5 604**	**145**	**3 622**	**1 837**
increase in the amount of a loan (granting a loan)	472	472	-	-
repayment*	(29)	(13)	-	(16)
exchange differences	(410)	(42)	(244)	(124)
interest accrued using the effective interest rate	143	14	73	56
reversal of a loss allowance	72	-	-	72
Gross amount as at 30 June 2023	**5 852**	**576**	**3 451**	**1 825**

**of which: PLN 25 million concerns the repayment of principal amount and PLN 4 million concerns the repayment of interest.*

	Total	Degree 1 Medium rating	Degree 2 Medium rating	POCI Medium rating
Gross amount as at 1 January 2022	**5 505**	**213**	**3 664**	**1 628**
increase in the amount of a loan (granting a loan)	22	22	-	-
repayment*	(776)	(121)	(466)	(189)
modification of terms to the agreement	(21)	-	(21)	-
exchange differences	417	12	284	121
interest accrued using the effective interest rate	297	20	162	115
reversal of a loss allowance	162	-	-	162
other changes	(2)	(1)	(1)	-
Gross amount as at 31 December 2022	**5 604**	**145**	**3 622**	**1 837**

**of which: PLN 742 million concerns the repayment of principal amount and PLN 34 million concerns the repayment of interest.*

amounts in PLN millions, unless otherwise stated

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

	Total	Degree 1	Degree 2	POCI
Loss allowance for expected credit losses as at 1 January 2023	**52**	**2**	**50**	**-**
changes in risk parameters	(10)	3	(13)	-
exchange differences	(3)	-	(3)	-
Loss allowance for expected credit losses as at 30 June 2023	**39**	**5**	**34**	**-**

	Total	Degree 1	Degree 2	POCI
Loss allowance for expected credit losses as at 1 January 2022	**98**	**2**	**96**	**-**
changes in risk parameters	(50)	-	(50)	-
exchange differences	4	-	4	-
Loss allowance for expected credit losses as at 31 December 2022	**52**	**2**	**50**	**-**

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 - granted using internal methodology of the Company based on Moody's methodology. The Company granted loans mainly to subsidiaries, of which over 99% of borrowers were assigned ratings between A3 – Baa3 (in the comparable period, A2 – Baa2),
- the curve of accumulated parameters of PD (parameter of probability of default, used to calculate the expected credit losses) for a given borrower, which 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 2023, PD parameters for the adopted ratings were as follows:

amounts in PLN millions, unless otherwise stated

A3 to Baa3 ratings according to Moody's (30 June 2023)

Up to one year	0.75% - 1.16%
1-3 years	1.29% - 6.34%
More than 3 years (at the date of loans' maturity)	1.29% - 33.50%

A2 to Baa2 ratings according to Moody's (31 December2022)

Up to one year	0.69% - 1.39%
1-3 years	1.84% - 3.22%
More than 3 years (at the date of loans' maturity)	1.84% - 9.92%

- the level of the LGD parameter (loss given default, expressed as a percentage of the amount outstanding) for the purposes of estimating expected credit losses for loans classified to the degree 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 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 6.01% - 9.27% - for loans measured at fair value.

In the period from 1 January to 30 June 2023 the following was recognised:

- gains on reversal of an allowance for impairment of loans granted classified as POCI in the amount of PLN 72 million (USD 17 million calculated using an exchange rate of 4.1066 as at 30 June 2023, that is from the date of recognition of the reversal of loss),
- for loans measured at fair value – an estimated increase in fair value by the amount of PLN 572 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.

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 2023 and in the comparable period, the Company classified the fair value measurement 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. 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]

Scenarios 30 June 2023	2024	2025	2026	2027	LT
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

amounts in PLN millions, unless otherwise stated

Scenarios 31 December 2022	2023	2024	2025	2026	2027	LT
Base	8 200	8 500	8 500	8 500	8 500	7 700
Base minus 0.1 [USD/lbs]	7 980	8 280	8 280	8 280	8 280	7 480
Base plus 0.1 [USD/lbs]	8 420	8 720	8 720	8 720	8 720	7 920

Classes of financial instruments	Fair value	Carrying amount 30 June 2023	Fair value		Fair value	Carrying amount 31 December 2022	Fair value	
			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	**3 795**	**3 795**	4 025	3 498	**3 233**	**3 233**	3 475	2 912
Loans granted measured at amortised cost	**5 020**	**5 242**	5 027	4 985	**5 090**	**5 408**	5 140	5 030

Note 3.4 Net debt

	As at 30 June 2023	As at 31 December 2022
Bank loans	616	528
Loans	1 965	1 859
Debt securities - bonds	1 600	2 000
Leases	603	613
Total non-current liabilities due to borrowings	**4 784**	**5 000**
Bank loans	-	666
Loans	358	382
Cash pooling liabilities*	341	321
Debt securities	401	2
Leases	84	74
Total current liabilities due to borrowings	**1 184**	**1 445**
Total borrowings	**5 968**	**6 445**
Free cash and cash equivalents	1 557	971
Net debt	**4 411**	**5 474**

** 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.*

amounts in PLN millions, unless otherwise stated

Note 3.5 Employee benefits liabilities

	As at 30 June 2023	As at 31 December 2022
Jubilee bonuses	489	406
Retirement and disability benefits	424	361
Coal equivalent	1 800	1 836
Other benefits	36	28
Total liabilities due to future employee benefits programs	**2 749**	**2 631**
Remuneration and social insurance liabilities	339	494
Accruals due to employee benefits	1 166	634
Employee benefits	**1 505**	**1 128**
Total employee benefits liabilities, of which:	**4 254**	**3 759**
- non-current liabilities	2 532	2 394
- current liabilities	1 722	1 365

Discount rate adopted for the measurement of liabilities due to future employee benefits programs as at 30 June 2023

	2023	2024	2025	2026	2027 and beyond
- discount rate	5.80%	5.80%	5.80%	5.80%	5.80%

Discount rate adopted for the measurement of liabilities due to future employee benefits programs as at 31 December 2022

	2023	2024	2025	2026	2027 and beyond
- discount rate	6.75%	6.75%	6.75%	6.75%	6.75%

amounts in PLN millions, unless otherwise stated

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

	from 1 January 2023 to 30 June 2023	from 1 January 2022 to 31 December 2022
Provisions as at the beginning of the reporting period	**1 261**	**824**
Changes in estimates recognised in fixed assets	(135)	16
Mine Closure Fund and Tailings Storage Facility Restoration Fund - reclassification	-	428*
Utilisation	(1)	(5)
Other	41	(2)
Provisions as at the end of the reporting period, of which:	**1 166**	**1 261**
- non-current provisions	1 133	1 233
- current provisions	33	28

**Change in a presentation to the presentation together with the long-term part of provision for decommissioning costs of mines and other facilities resulted from a change in judgments in 2022 regarding the period of expected cash outflows from the fund.*

Note 3.7 Other liabilities

	As at 30 June 2023	As at 31 December 2022
Trade payables	180	186
Other	52	74
Other liabilities – non-current	**232**	**260**
Accruals, including:	399	517
provision for purchase of property rights related to consumed electricity	111	83
charge for discharging gases and dusts to the air	224	391
Liabilities due to the settlement of the Tax Group	50	12
Deferred income (including CO_2 emission allowances in 2023)	238	41
Other liabilities due to settlements under cash pooling contracts	58	29
Liabilities due to the dividend payout	200	-
Other	159	176
Other liabilities – current	**1 104**	**775**

Note 3.8 Related party transactions

Operating income from related parties	from 1 January 2023 to 30 June 2023	from 1 January 2022 to 30 June 2022
From subsidiaries	530	452
From other related parties	10	11
Total	**540**	**463**

In the period from 1 January 2023 to 30 June 2023 and in the comparable period, the Company did not receive dividends from subsidiaries.

	from 1 January 2023 to 30 June 2023	from 1 January 2022 to 30 June 2022
Purchase of merchandise and materials and other purchases from subsidiaries	5 003	5 051

amounts in PLN millions, unless otherwise stated

Trade and other receivables from related parties	As at 30 June 2023	As at 31 December 2022
	10 316	**9 724**
From subsidiaries, including:	10 288	9 667
loans granted	9 608	8 784
From other related parties	28	57

Payables towards related parties	As at 30 June 2023	As at 31 December 2022
	1 618	**1 662**
Towards subsidiaries	1 590	1 605
Towards other related parties	28	57

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 4.9 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 2023 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 208 million (as at 31 December 2022: PLN 229 million); including fees on setting mining usufruct for the extraction of mineral resources recognised in costs in the amount of PLN 16 million (as at 31 December 2022: PLN 35 million),
- due to a reverse factoring agreement with the company PEKAO FAKTORING SP. Z O.O. – as at 30 June 2023 the Company recognised payables in the amount of PLN 334 million (as at 31 December 2022, the Company did not recognise payables due to factoring),
- 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 materials, merchandise and services to meet the needs of current operating activities. In the period from 1 January to 30 June 2023, the turnover from these transactions amounted to PLN 1 490 million (from 1 January to 30 June 2022: PLN 1 351 million), and, as at 30 June 2023, the unsettled balance of liabilities from these transactions amounted to PLN 439 million (as at 31 December 2022: PLN 254 million),
- sales to Polish State Treasury Companies. In the period from 1 January to 30 June 2023, the turnover from these sales amounted to PLN 79 million (from 1 January to 30 June 2022: PLN 77 million), and, as at 30 June 2023, the unsettled balance of receivables from these transactions amounted to PLN 135 million (as at 31 December 2022: PLN 193 million).

amounts in PLN millions, unless otherwise stated

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 2023	As at 31 December 2022
Contingent assets	**410**	**373**
Guarantees received	118	115
Promissory notes receivables	289	253
Other	3	5
Contingent liabilities	**753**	**701**
Guarantees	690	641
Property tax on underground mine workings	34	34
Other	29	26
Other liabilities not recognised in the statement of financial position	**29**	**34**
Liabilities towards local government entities due to expansion of the tailings storage facility	29	34

amounts in PLN millions, unless otherwise stated

Note 3.10 Changes in working capital

	Inventories	Trade receivables	Trade payables	Similar payables – reverse factoring	Working capital
As at 1 January 2023	(7 523)	(620)	3 004	-	**(5 139)**
As at 30 June 2023	(7 876)	(436)	3 015	829	**(4 468)**
Change in the statement of financial position	**(353)**	**184**	**11**	**829**	**671**
Depreciation/amortisation recognised in inventories	61	-	-	-	**61**
Payables due to the purchase of property, plant and equipment and intangible assets	-	-	329	(54)	**275**
Change in liabilities due to interest	-	-	-	(5)	**(5)**
Adjustments	**61**	**-**	**329**	**(59)**	**331**
Change in the statement of cash flows	**(292)**	**184**	**340**	**770**	**1 002**

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

Note 3.11 Other adjustments in the statement of cash flows

	from 1 January 2023 to 30 June 2023	from 1 January 2022 to 30 June 2022
Loss on disposal of property, plant and equipment and intangible assets	8	11
Proceeds from income tax from the tax group companies	82	55
Gains or losses due to measurement and realisation of derivatives related to sources of external financing	6	5
Other	-	3
Total	**96**	**74**

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

SEPARATE STATEMENT OF PROFIT OR LOSS

		from 1 April 2023 to 30 June 2023*	from 1 April 2022 to 30 June 2022*	from 1 January 2023 to 30 June 2023	from 1 January 2022 to 30 June 2022
	Revenues from contracts with customers	7 140	7 656	15 510	15 211
Note 4.1	Cost of sales	(6 305)	(6 171)	(13 413)	(11 903)
	Gross profit	**835**	**1 485**	**2 097**	**3 308**
Note 4.1	Selling costs and administrative expenses	(391)	(343)	(656)	(564)
	Profit on sales	**444**	**1 142**	**1 441**	**2 744**
Note 4.2	Other operating income, including:	908	1 242	1 191	1 815
	interest income calculated using the effective interest rate method	87	95	175	157
	fair value gains on financial assets measured at fair value through profit or loss	639	409	644	469
	gain due to reversal of impairment losses on financial instruments	84	139	88	192
Note 4.2	Other operating costs, including:	(535)	(190)	(1 002)	(422)
	impairment losses on financial instruments	1	(36)	(7)	(4)
Note 4.3	Finance income	260	47	354	47
Note 4.3	Finance costs	(143)	(303)	(181)	(408)
	Profit before income tax	**934**	**1 938**	**1 803**	**3 776**
	Income tax expense	(209)	(455)	(596)	(968)
	PROFIT FOR THE PERIOD	**725**	**1 483**	**1 207**	**2 808**
	Weighted average number of ordinary shares (million)	**200**	**200**	**200**	**200**
	Basic and diluted earnings per share (in PLN)	**3.63**	**7.42**	**6.04**	**14.04**

**Data not subject to review and audit*

amounts in PLN millions, unless otherwise stated

Explanatory notes to the condensed separate statement of profit or loss

Note 4.1 Expenses by nature

	from 1 April 2023 to 30 June 2023*	from 1 April 2022 to 30 June 2022*	from 1 January 2023 to 30 June 2023	from 1 January 2022 to 30 June 2022
Depreciation of property, plant and equipment and amortisation of intangible assets	435	377	848	741
Employee benefits expenses	1 458	1 332	2 725	2 320
Materials and energy, including:	3 270	3 640	6 991	6 950
purchased metal-bearing materials	1 908	2 420	4 119	4 624
electrical and other energy	602	450	1 286	932
External services, including:	645	530	1 225	1 006
transport	87	81	176	157
repairs, maintenance and servicing	209	170	380	308
mine preparatory work	173	140	346	271
Minerals extraction tax	905	809	1 973	1 653
Other taxes and charges	55	22	296	235
Revaluation of inventories	13	(9)	19	(17)
Other costs	46	42	73	62
Total expenses by nature	**6 827**	**6 743**	**14 150**	**12 950**
Cost of merchandise and materials sold (+)	115	11	317	130
Change in inventories of finished goods and work in progress (+/-)	(196)	(195)	(292)	(519)
Costs of manufacturing products for internal use (-)	(50)	(45)	(106)	(94)
Total costs of sales, selling costs and administrative expenses, of which:	**6 696**	**6 514**	**14 069**	**12 467**
Cost of sales	6 305	6 171	13 413	11 903
Selling costs	43	45	87	84
Administrative expenses	348	298	569	480

**Data not subject to review and audit*

amounts in PLN millions, unless otherwise stated

Note 4.2 Other operating income and (costs)

	from 1 April 2023 to 30 June 2023*	from 1 April 2022 to 30 June 2022*	from 1 January 2023 to 30 June 2023	from 1 January 2022 to 30 June 2022
Gains on derivatives, of which:	69	112	199	206
measurement	35	75	164	164
realisation	34	37	35	42
Exchange differences on assets and liabilities other than borrowings	-	477	-	696
Interests on loans granted and other financial receivables	90	103	178	157
Fees and charges on re-invoicing of costs of bank guarantees securing payments of liabilities	-	-	11	12
Reversal of impairment losses on financial instruments measured at amortised cost, including:	84	139	88	192
gain due to the reversal of allowances for impairment of loans granted	86	106	86	159
Fair value gains on financial assets measured at fair value through profit or loss, including:	639	409	644	469
loans	642	414	642	457
Release of provisions	1	1	7	9
Government grants received	13	7	13	7
Other	12	3	51	67
Total other operating income	**908**	**1 251**	**1 191**	**1 815**
Losses on derivatives, of which:	(106)	(48)	(249)	(199)
measurement	(7)	47	(57)	(35)
realisation	(99)	(95)	(192)	(164)
Impairment losses on financial instruments measured at amortised cost	1	(4)	(7)	(4)
Fair value losses on financial assets measured at fair value through profit or loss, including:	(95)	(96)	(153)	(136)
loans	(58)	17	(70)	-
Loss on disposal of property, plant and equipment and fixed assets under construction (including costs associated with disposal of fixed assets)	(8)	(10)	(8)	(12)
Provisions recognised	(2)	(9)	(4)	(10)
Donations granted	(3)	(9)	(43)	(14)
Exchange differences on assets and liabilities other than borrowings	(291)	-	(464)	-
Compensations, fines and penalties paid and costs of litigation	-	(6)	(8)	(15)
Other	(31)	(17)	(66)	(32)
Total other operating costs	**(535)**	**(199)**	**(1 002)**	**(422)**
Other operating income and (costs)	**373**	**1 052**	**189**	**1 393**

**Data not subject to review and audit*

amounts in PLN millions, unless otherwise stated

Note 4.3 Finance income and (costs)

	from 1 April 2023 to 30 June 2023*	from 1 April 2022 to 30 June 2022*	from 1 January 2023 to 30 June 2023	from 1 January 2022 to 30 June 2022
Exchange differences on borrowings	141	-	235	-
Gains on derivatives - realisation	87	47	87	47
Settlement of a transaction hedging against interest rate risk due to the issue of bonds with a variable interest rate	32	-	32	-
Total finance income	**260**	**47**	**354**	**47**
Interest on borrowings, including:	(7)	(20)	(35)	(35)
leases	(3)	(3)	(5)	(5)
Bank fees and charges on external financing	(6)	(7)	(13)	(17)
Exchange differences on borrowings	-	(223)	-	(301)
Losses on derivatives, of which:	(93)	(51)	(93)	(51)
measurement	-	-	-	-
realisation	(93)	(51)	(93)	(51)
Unwinding of the discount effect	(37)	(2)	(40)	(4)
Total finance costs	**(143)**	**(303)**	**(181)**	**(408)**
Finance income and (costs)	**117**	**(256)**	**173**	**(361)**

**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 2023.

President
of the Management Board

Tomasz Zdzikot

Vice President
of the Management Board

Mirosław Kidoń

Vice President
of the Management Board

Marek Pietrzak

Vice President
of the Management Board

Mateusz Wodejko

Vice President
of the Management Board

Marek Świder

SIGNATURE OF PERSON RESPONSIBLE FOR ACCOUNTING

Executive Director
of Accounting Services Centre
Chief Accountant

Agnieszka Sinior