KGHM

POLSKA MIEDŹ

THE MANAGEMENT BOARD'S REPORT ON THE ACTIVITIES OF THE GROUP IN THE FIRST HALF OF 2024

Lubin, August 2024

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SIGNIFICANT EVENTS IN THE FIRST HALF OF 2024 AND TO THE DATE OF PREPARATION OF THIS REPORT

Date	*Event*
Change in macroeconomic conditions	
1st half of 2024	An increase, compared to the first half of 2023, in average periodic copper prices by +4% and silver by 12%
1st half of 2024	Changes, compared to the first half of 2023, in average periodic exchange rates: USD/PLN by -7%, USD/CAD by +1% and USD/CLP by +16%
KGHM Polska Miedź S.A. on the Warsaw Stock Exchange	
1st half of 2024	An increase in the share price of KGHM Polska Miedź S.A. by 23%, from PLN 122.70 at the end of 2023 to PLN 150.35
Payout of a dividend in 2024	
8 May 2024	Recommendation of the Management Board regarding coverage of the loss for 2023 and the payout of a dividend in 2024 in the amount of PLN 300 million (1.50 PLN/share)
7 June 2024	Resolution of the Ordinary General Meeting of KGHM Polska Miedź S.A. regarding coverage of the loss for 2023 and the payout of a dividend in 2024 in accordance with the Management Board's recommendation
16 July 2024	Payout of the dividend in the amount of PLN 300 million (1.50 PLN/share)
Impairment of assets	
10 January 2024	Information on the occurrence of indications of possible impairment or indications that the impairment loss recognised in prior periods was reduced for the Polish and international assets of the KGHM Polska Miedź S.A. Group
22 March 2024	Information on the results of the conducted tests for impairment
Organisational changes in the Group	
29 February 2024	Acquisition of 100% of shares in the following companies: INVEST PV 40 Sp. z o.o., INVEST PV 58 Sp. z o.o. and INVEST PV 59 Sp. z o.o.,
Changes in the composition of bodies of KGHM Polska Miedź S.A.	
9 January 2024	Information on the resignation of Marek Świder from serving in the function of Vice President of the Management Board (Production) of the Company
12 February 2024	Information on the announcement by a shareholder of candidates to the Supervisory Board of the Company
13 February 2024	Information on changes in the composition of the Supervisory Board and Management Board of the Company
6 March 2024	Information on the resignation of Zbigniew Bryja from serving on the Supervisory Board and on changes in the composition of the Management Board of KGHM Polska Miedź S.A.
29 March 2024	Information on the resignation of Mirosław Kidoń from serving on the Management Board of KGHM Polska Miedź S.A.
6 August 2024	Information on the appointment as of 1 September 2024 of Iga Dorota Lis to the Management Board of KGHM Polska Miedź S.A. as Vice President of the Management Board (International Assets)
Bond issuance program	
29 May 2024	Consent of the Management Board to establish a bond issuance program
14 June 2024	Decision of the Management Board of the Company on the issuance of bonds and detailed terms of the issuance
Other	
7 February 2024	Consent of the Management Board to sign an unsecured, revolving credit agreement with Bank Gospodarstwa Krajowego in the amount of USD 450 million

1. STRATEGY OF THE KGHM POLSKA MIEDŹ S.A. GROUP

In the first half of 2024, the Company advanced the "Strategy of the KGHM Polska Miedź S.A. Group to the year 2030 with an outlook to 2040" approved on 14 January 2022 by the Company's Supervisory Board, based on the development directions: Elasticity/flexibility, Efficiency, Ecology, E-industry and Energy.

Work began on updating the Company's Strategy, adapting it to the changing conditions in the sector as well as to current challenges and the organisation's operating situation. Completion of this work is planned for the second half of 2024.

1.1. Advancement of the Strategy in the first half of 2024 – key achievements

The key achievements in individual strategic directions of development in the first half of 2024 are presented below:

Table 1. Key achievements of the KGHM Polska Miedź S.A. Group in advancing the activities in individual strategic directions of development in the first half of 2024

Efficiency	– Payable copper production in the Group amounted to 357.6 thousand tonnes, that is in line with budget targets for the first half of 2024 and 2% higher than the amount achieved in the corresponding period of 2023. Details on copper production may be found in further parts of the Report, in sections devoted to results of individual operating segments. – Copper production in the international assets was higher compared to the adopted budget targets. Payable copper production: Sierra Gorda 35.7 kt (55%); Robinson 26.4 kt; Carlota 1.7 kt; the Sudbury Basin 1.3 kt. – Production of silver amounted to 678.4 tonnes for the Group. First place was maintained in the World Silver Survey 2024 ranking of the "largest silver mines in the world". In the category „largest silver producers", second place was once again earned in the global ranking. – Continuation of the Deposit Access Program – 21 kilometres of tunnelling were excavated in the Rudna and Polkowice-Sieroszowice mines. All of the work carried out under the Mine Projects Group enables the successive opening of new mining areas. – Development of the Żelazny Most Tailings Storage Facility continued, in particular of the Southern Quarter and of the Tailings Segregation and Compacting Station. – R&D activities were carried out, aimed at searching for innovative solutions primarily for the Core Production Business of KGHM. – Work was carried out involving actions to restrict the level of the water hazard – a project called "Anti-filtration barrier" was begun as well as projects related to creating a water clarifier in one of the sections of the Lubin mine, along with infrastructure. – Use of external sources to finance R&D&I projects continued.
Elasticity /flexibility	– The Hybrid Legnica Smelter and Refinery Strategic Program was continued, aimed at ensuring metallurgical flexibility, through the possibility of utilising larger amounts of scrap. – Modernisation work was carried out at the Legnica Copper Smelter and Refinery in terms of electrorefining. – Actions continued on extending the value chain of the Company, including involving the construction of an Upcast II production line together with a Conform installation at the Cedynia Wire Rod Plant to enhance the flexibility of KGHM's product line. – Exploration projects continued with respect to exploring for and evaluating copper ore deposits in Poland (Retków-Ścinawa, Głogów, Synklina Grodziecka, Radwanice, Kulów-Luboszyce) as well as other concessions (non-copper) for the exploration and evaluation), including the hydrocarbon concession Nowe Miasteczko and the concession to explore a deposit of potassium and magnesium salts in the vicinity of Puck. – Development projects in the international assets were continued, including the sinking of an exploration shaft under the Advanced Exploration stage of the Victoria project in Canada, whose goal is to provide a detailed level of knowledge of the mineral resources. The Sierra Gorda mine continued to operate based solely on electricity generated by renewable energy sources. – A variety of actions were undertaken aimed at ensuring financial stability by continuing work involving among others the management of market and credit risk in the KGHM Group, related to shortening the cash conversion cycle and basing the financing structure of the KGHM Group on long-term instruments. In June 2024, bonds were issued in the total amount of PLN 1 billion.
Ecology, safety and sustainable development	– Scope 1 and 2 greenhouse gas emissions by the KGHM Group in 2023 were calculated, and Scope 1 and 2 greenhouse gas emissions in 2022 were verified. – Annual reports on CO_2 emissions for 2023 were prepared to meet the needs of the system for the trading of greenhouse gas emissions allowances. – Applications were submitted for the allocation of emission allowances under the system for the trading of greenhouse gas emissions allowances. – Stage I of the Decarbonisation Program of KGHM Polska Miedź S.A. was prepared – to the year 2030 with an outlook to 2050. – Decisions were received from the State Water Holding Polish Waters for special use of water, comprising the discharge of unpolluted water from the drainage of the Lubin mine to the Zimnica river, and for water services including the discharge of mine-technological waters into the Odra River. – Actions were continued related to managing water and reducing the salt content of water discharged to the Odra river, aimed at increasing care for the environment, including among others the commencement of the preparatory phase of construction of an Evaporated Salt Production Plant (development of a feasibility study). – The Occupational Health and Safety Improvement Program was continued (accident frequency ratios for the first half of 2024 were as follows: LTIFR: 6.39, TRIR: 0.27).

E-industry	– The advancement of projects to automate the production lines of the Mining Divisions of the Company continued (including, among others, the implementation of initiatives connected with testing electric and battery-powered mining machinery). – The system for locating and identifying machinery and people in the underground mines was integrated and expanded. – Functionality tests were begun on a specialised robot able to work in high temperatures at the Głogów Copper Smelter and Refinery. – An annual Energy Review was conducted, with a positive result, in compliance with the Energy Management System (EMS) in KGHM. – Activities were continued in the area of digital transformation, ICT security and cybersecurity.
Energy	– Projects aimed at increasing production of energy from renewable energy sources (RES) were advanced, utilising among others photovoltaic farms (PV) and wind farms (WF): RES projects on own land: – Realisation stage: for the project PV HMG I-III power plant (7.5 MW) the process of preparing tender proceedings to select a General Contractor and Oversight Inspector is underway for each of the designed PV installations. – Preparation stage: for the projects PV Obora Sandpit (50 MW), PV „Wartowice I" (88 MW) and PV „Kalinówka" (2 MW) the technical conditions for grid connection were obtained (TWP) based on the initially-assumed power levels. In terms of the projects PV „Tarnówek", PV „Kalinówka" and PV „Polkowice" (in total approx. 10 MW*)* an application was submitted for environmental decisions. For the project PV „HM Cedynia" (1.5 MW) a decision was received for the Construction Conditions. With respect to the project PV „Kopalnia Lubin Zachodni" (5 MW*)* the Rural Municipality of Lubin commenced work on changes to the municipal area management plan (MPZP) for the area of „Szklary Górne". For the project PV „Wartowice I" preparatory work commenced on the development of an area management concept. Realisation is planned of the project FW Radwanice-Żukowice (20 MW) located partially on land belonging to KGHM, near the Głogów Copper Smelter and Refinery. – Work continued on utilising the potential of own land for RES projects. RES projects - acquisitions: On 29 February 2024 shares were acquired in three special purpose companies which owned photovoltaic farm projects with a total capacity of 42 MW as part of the closing of the Asgard transaction. Consequently, the Group owns 8 photovoltaic farms with a total capacity of 47 MW, located in the following voivodeships: Lower Silesia, Łódź, Pomerania and Greater Poland. – Work is underway on an analysis of the preliminary feasibility study for the construction of a nuclear power plant using SMR technology in order to define the scope of involvement of KGHM Polska Miedź S.A. in this project. – In the first half of 2024, 21.29% (341 GWh) of the total need of KGHM's Divisions for electricity was supplied by its own sources.

1.2. Development directions of the KGHM Polska Miedź S.A. Group

In the short-term perspective, the existing policy aimed at adapting the functioning of the organisation to the business model and the market environment, as well as at cooperation between the Group's entities, will be continued. Nevertheless, an important task will be the advancement of investments with a view to ensuring cost effectiveness and development scenarios for the individual international assets in the Company's portfolio.

The KGHM Group will continue its exploratory work, the goal of which is to develop the resource base and, as a consequence, to maintain optimum production levels and maximise the value of KGHM's assets in the long term.

As part of the implementation of the climate policy and the energy transition, an increase is expected in the scope of investments in renewable energy sources, projects related to improving energy efficiency and projects aimed at protecting the environment and adapting to increasing regulatory requirements in this regard.

The aforementioned intentions will be carried out by continuing projects already commenced or bringing into operation new investments, including key investments, such as:

- outfitting the mines along with the construction of conveyor belts,
- replacement of mining machinery,
- construction of mine de-watering systems,
- construction of air cooling systems,
- construction of the Tailings Segregation and Compacting Station at the Żelazny Most Tailings Storage Facility,
- the Hybrid Legnica Smelter and Refinery,
- modernisation of electrorefining at the Legnica Copper Smelter and Refinery by converting to permanent starter sheet technology,
- intensification of the production of oxygen-free copper at the Cedynia Wire Rod Plant by building new production lines,
- the Deposit Access Program (Deep Głogów along with access and development tunnels),
- searching for and exploring deposits in areas under exploration concessions,
- development of the Żelazny Most Tailings Storage Facility above the dam's crown height of 195 m a.s.l.,
- construction of an installation and acquisitions in terms of photovoltaic energy.

Moreover, work will continue on new intelligent technology and production management systems, based on online communication between elements of the production process and advanced data analysis.

2. MACROECONOMIC SALES CONDITIONS

For economic conditions in the global economy in the first half of 2024, a significant factor was the macroeconomic background, which formed since the time of the pandemic and later with Russia's aggression against Ukraine. The past year was a period of high uncertainty in the global economy, being an effect of the long-term consequences of the pandemic, the energy crisis provoked by Russia's aggression, record inflation and rapid interest rate hikes. Inflation, which reached its highest levels in decades, forced central banks to take decisive action and tighten monetary policy, which had a substantial impact on the costs of financing economic activities. The increased risk of recession and the consequences of global climate changes brought additional challenges.

In response to the crisis on the energy market, the European Union took actions to make itself independent of supplies from Russia, building up its LNG infrastructure and acquiring contracts for liquid gas. Warm winter weather at the turn of 2023/2024 helped to get through the period of seasonally heightened demand for natural gas without excess depletion of stored supplies. High energy prices were reflected in industrial production, which fell in the eurozone (year-to-year) from the last quarter of 2022. Industrial manager sentiment reflected in the PMIs have remained in an area indicating regression since mid-2022. The conflict between Hamas and Israel which broke out in October 2023, and the potential results of its spreading throughout the Middle East for oil produces and transport through the Red Sea (attacks by Houthi rebels), raised geopolitical risk.

At the end of 2023, announcements by Fed members and by other central banks, brought a long-awaited dovish tone and declarations of the end of the cycle of monetary tightening. Discussions regarding the possibility of lowering interest rates in 2024 led to the continuation of the trend of appreciation of the USD versus the basket of the main global currencies which began in mid-2023, the consequence of which was an increase in the prices of precious and base metals. In the first half of 2024, the value of the USD was strongly tied to continued volatility in expectations as to the date of the first reductions in interest rates by the Fed. Data appearing in subsequent months attesting to the slower-than-expected drop in inflation and the continued strength of the labour market, led to further revisions in market expectations as to the path of rate cuts and volatility in the value of the USD.

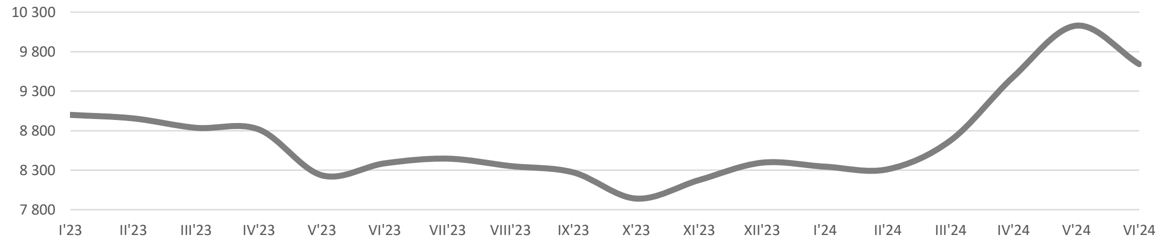
Amongst the fundamental factors impacting the copper market, apart from restrictions in supply, factors supporting the price of this metal were the continued, positive rate of growth of demand for copper in China, which compensated for the drop in demand from more traditional applications of the red metal. The structure of demand for copper in China underwent a gradual transformation. Alongside the drop in demand for copper by a property market dealing with structural problems, as well as limited consumer demand cooled by a lack of economic recovery, the red metal saw an increase in utilisation in selected economic sectors, related to modern technologies and energy transformation, actively supported by the Chinese government.

While the conflict in Ukraine is no longer raising the same level of unease amongst investors as in the first year of the war, nonetheless it may continue to have an impact on the volatility of energy commodities. The approaching presidential elections in the USA and the series of elections in Europe: to the European Parliament, accelerated elections in France and in the UK, September elections in three German lands, will alter the political balance of power, which could affect the rate of change of the energy transformation. It also brings with it a risk to the rate of change in the increase of demand for copper in subsequent years. Problems in the Chinese economy, especially the property sector, appear to be of a structural nature, while the rate of increase of demand for the red metal in this country will depend on whether, how and when they will be resolved.

The *cash settlement* price of **copper** on the London Metal Exchange (LME) in the first half of 2024 ranged between 8 085 – 10 857 USD/t. The price of the red metal remained in a sideways trend from the start of 2024 to the turn of the first and second quarters, with little movement from the level of 8 500 USD/t. In April, due to the weakening of the USD and to information on the prolongation of limitations in expected supply (among others uncertainty as to the possibility of the re-opening of the Cobre Panama mine) investor hopes for higher copper prices reawakened, reflected in leaving the sideways trend and exceeded the level of 9 600 USD/t. In May 2024, increased interest from financial investors and the related, enormous inflow of speculative capital, led to rapid increases and the achievement of a new historic price record, which briefly surpassed the 11 000 USD/t barrier. On 20 May a record was also set on the daily LME *fixing*, at the level of 10 857 USD/t. Behind this substantial albeit brief rise in the copper price was the structure adopted by investors of positions on the American exchange COMEX. Following a rapid price increase, there came a forced closure of short positions, which necessitates the purchase of copper, and as a result prices were driven up even further. The weak rate of economic activity, above all in China, cooled investor hopes for a continuation of the rapid price increases, which following their May record returned to below 10 000 USD/t, closing the first half at 9 476 USD/t.

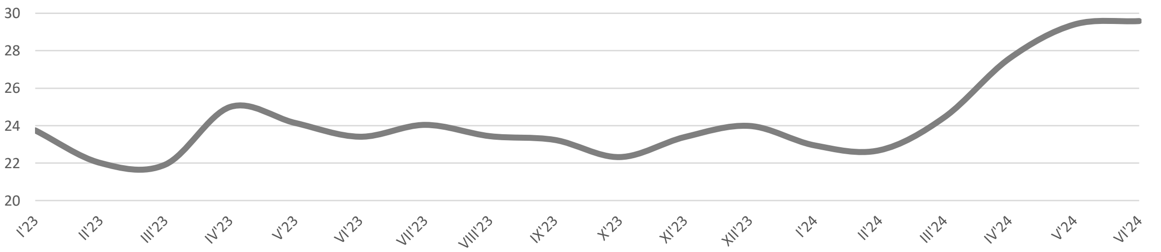
The average *cash settlement* **price of copper** in the first half of 2024 on the LME amounted to 9 090 USD/t and was 4.5% higher than in the comparable period of 2023, when it amounted on average to 8 703 USD/t.

Chart 1. Average monthly copper price on the London Metal Exchange (USD/t)



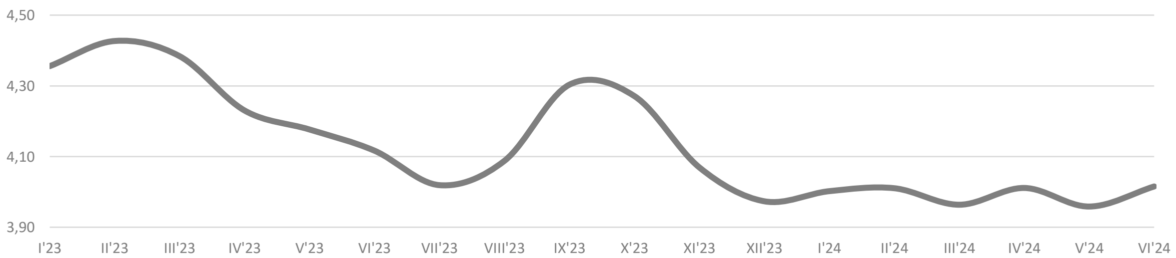
The average **price of silver** according to the London Bullion Market Association (LBMA) in the first half of 2024 reached the level of 26.07 USD/oz t, and was nearly 12% higher than the price of silver in the first half of 2023 (23.31 USD/oz t). The precious metals market in the first half 2024 was mainly impacted by changes in expectations as to the start of the cycle of interest rate cuts together with changes in the value of the USD (expressed in the DXY index), given the positive premium for geopolitical risk. In the first two months of the year the price of silver ranged in a sideways trend, not exceeding 24 USD/oz t, then in March it exceeded 25 USD/oz t, starting an increase towards 30 USD/oz t in April and above 31 USD/oz t in May and June. In investor discussions on the subject of the silver market there appeared fears of a metal deficit in the coming years alongside rising consumption by producers of solar panels and heightened investor interest, both individual and institutional. The price of gold during this period rose from February to May above 2 300 USD/oz t, setting an all-time record on 20 May on the morning *fixing* (AM) at the level of 2 444 USD/oz t. The gold-to-silver ratio fluctuated in the first half of the year near the recent years average (around 80). Central banks continue to buy gold and are a real support against a substantial adjustment in the price of gold. China's central bank has been purchasing gold for its reserves in the last 18 months, counting back from June.

Chart 2. Average monthly silver price per the London Bullion Market (USD/oz t)



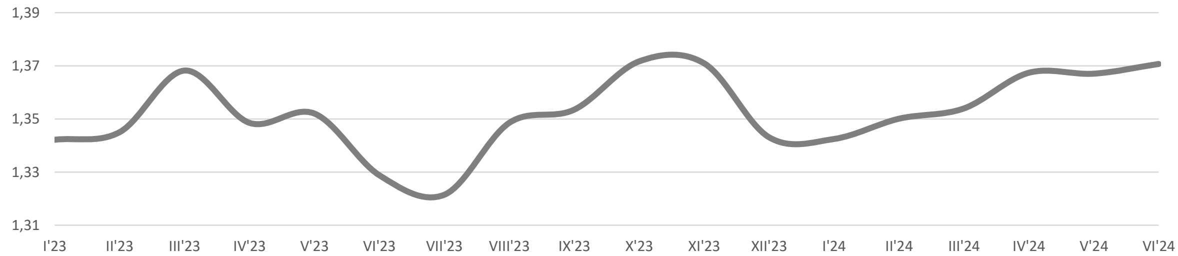
The average **USD/PLN exchange rate** (NBP) in the first half of 2024 amounted to 3.99 and was lower compared to the corresponding period of 2023 by nearly 7% (in the first half of 2023 the average USD/PLN exchange rate amounted to 4.28). The Monetary Policy Council reduced interest rates in two large moves by 100 bp, in the last quarter of 2023, following which it maintained interest rates at an unchanged level to the end of the first half of 2024, despite continuously falling inflation. The Polish central bank remained in June 2024 the most hawkish bank in the region, pointing to forecasts that foresee achievement of the inflation goal in 2026. The perception of lower geopolitical tensions and threats arising from the war in Ukraine and the release of funds from the EU aided in the strengthening of the PLN. The USD/PLN exchange rate did not long exceed in the discussed period the level of 4.1, with a lower resistance level of 3.90. Despite a momentary depreciation due to surprise generated by the results of elections to the European Parliament, the Polish currency at the end of June returned to below 4 for 1 USD. The PLN strengthened not only in relation to the USD, but also to the euro and regional currencies.

Chart 3. Average monthly USD/PLN exchange rate per the National Bank of Poland



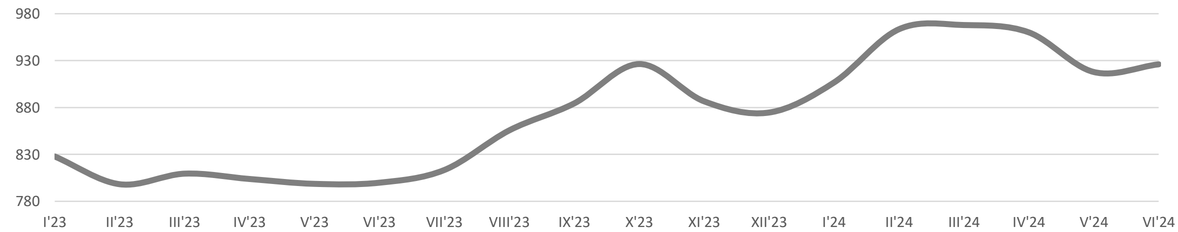
The average **USD/CAD exchange rate** (per the Bank of Canada) in the first half of 2024 amounted to 1.36 and was nearly 1% higher than the level recorded in the corresponding period of 2023 (1.35). The Canadian dollar weakened compared to the USD during the period in question. The value of the Canadian currency changed versus the USD together with the global trend of strengthening of the USD. In June the Bank of Canada reduced interest rates by 25 bp. in response to falling inflation, thus anticipating the decisions of the US Federal Reserve.

Chart 4. Average monthly USD/CAD exchange rate per the Bank of Canada



The average **USD/CLP exchange rate** (per the Bank of Chile) in the first half of 2024 amounted to 940 and was more than 16% higher than the level recorded in the first half of 2023 (807). The weakening of the Chilean peso was connected with a series of decisions on cutting interest rates. The central bank of Chile, commencing reductions in July 2023 from a level of 11.25% gradually reduced rates, likewise in the first half of 2024 concluded reductions in June from 6% to 5.75%, thereby approaching the level of interest rates in the USA. At the same time the Fed refrained from reducing rates. The change in interest rates weakened the Chilean currency, to the advantage of the USD.

Chart 5. Average monthly USD/CLP exchange rate per the Bank of Chile



The macroeconomic factors of the greatest significance for the operations of the Group are presented in the following table.

Table 2. Market factors significant for the operations of the KGHM Polska Miedź S.A. Group – average prices[1]

	Unit	*1st half 2024*	*1st half 2023*	*Change (%)*	*2Q 2024*	*1Q 2024*
Copper price on the LME	USD/t	9 090	8 703	+4.4	9 753	8 438
Copper price on the LME	PLN/t	36 304	37 299	(2.7)	38 966	33 683
Silver price per the LBMA	USD/oz t	26.07	23.31	+11.8	28.84	23.34
USD/PLN exchange rate per the NBP		3.99	4.28	(6.8)	4.00	3.99
USD/CAD exchange rate per the Bank of Canada		1.36	1.35	+0.7	1.37	1.35
USD/CLP exchange rate per the Bank of Chile		940	807	+16.5	935	946

[1] Mathematical average of daily quotes

3. CONSOLIDATED FINANCIAL RESULTS OF THE KGHM POLSKA MIEDŹ S.A. GROUP

3.1. Financial results

Table 3. Financial results of the Group (in PLN million)

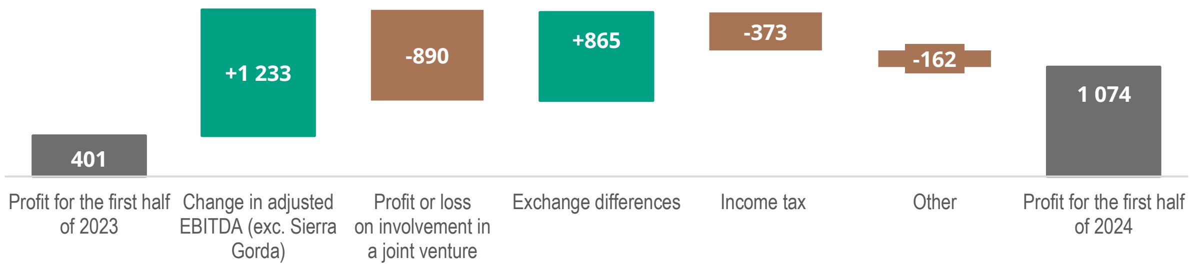
	1st half 2024	*1st half 2023*	*Change (%)*	*2Q 2024*	*1Q 2024*
Revenues from contracts with customers	17 480	17 757	(1.6)	9 165	8 315
Cost of sales, selling costs and administrative expenses	(15 370)	(16 862)	(8.8)	(7 641)	(7 729)
Profit on sales	**2 110**	**895**	**×2.4**	**1 524**	**586**
Profit or loss on involvement in a joint venture	(116)	774	×	(260)	144
Other operating income / (costs)	168	(949)	×	88	80
Finance income / (costs)	(213)	183	×	(106)	(107)
Profit before income tax	**1 949**	**903**	**×2.2**	**1 246**	**703**
Income tax expense	(875)	(502)	+74.3	(596)	(279)
Profit for the period	**1 074**	**401**	**×2.7**	**650**	**424**
Adjusted EBITDA	**4 208**	**3 108**	**+35.4**	**2 657**	**1 551**

Adjusted EBITDA, defined as profit or loss on sales increased by depreciation/amortisation recognised in expenses by nature and adjusted by recognition/reversal of impairment losses on property, plant and equipment recognised in the core business, is one of the basic parameters considered by the Management Board of the Parent Entity when evaluating the results of individual operating segments. A detailed definition of this indicator and its reconciliation to profit or loss for the period of the Group may be found in Part 2 (Information on segments and revenues) of the condensed consolidated financial statements.

Table 4. Main factors impacting the change in profit or loss of the Group

Item	*Impact on change of profit or loss (in PLN million)*	*Description*
Adjusted EBITDA (excluding Sierra Gorda)	+1 233	An increase in EBITDA of operating segments (excluding Sierra Gorda), comprised of: – higher EBITDA of the segment KGHM Polska Miedź S.A. by PLN 183 million, – higher EBITDA of the segment KGHM INTERNATIONAL LTD. by PLN 1 021 million, – higher EBITDA of other segments by PLN 29 million. The results of the aforementioned segments are described respectively in sections 4, 5 and 7 of the Management Board's Report.
Profit or loss on involvement in a joint venture	(890)	A decrease in the result on involvement in a joint venture, mainly due to a change in the valuation of loans granted to a joint venture.
Exchange differences	+865	An increase in the result on exchange differences due to: – a higher by PLN 1 158 million result on exchange differences presented in other operating income and costs (mainly due to loans within the Group), – a lower by PLN 293 million result on exchange differences from the measurement and realisation of borrowings presented in financial income and costs (mainly exchange differences on borrowings of KGHM Polska Miedź S.A.)
Income tax	(373)	An increase in income tax
Other	(162)	Other adjustments of the result, mainly: – interest costs on trade payables within the reverse factoring mechanism -PLN 73 million, – a change in the result due to the recognition and release of provisions -PLN 62 million, – recognition/reversal of impairment losses on property, plant and equipment in other operating income and costs -PLN 60 million.

Chart 6. Change in profit or loss of the Group in the first half of 2024 (in PLN million)



3.2. Cash flow

Table 5. Cash flow of the Group (in PLN million)

	1st half 2024	*1st half 2023*	*Change (%)*	*2Q 2024*	*1Q 2024*
Net cash generated from/(used in) financing activities	**3 028**	**2 930**	**+3.3**	**2 942**	**86**
Change in working capital	180	1 619	(88.9)	975	(795)
Net cash generated from/(used in) investing activities	**(2 576)**	**(1 987)**	**+29.6**	**(1 158)**	**(1 418)**
Net cash generated from/(used in) financing activities	**268**	**(281)**	**×**	**(164)**	**432**
Net cash flow	**720**	**662**	**8.8**	**1 620**	**(900)**
Exchange differences	(8)	17	×	(5)	(3)
Cash and cash equivalents at beginning of the period	1 729	1 200	+44.1	826	1 729
Cash and cash equivalents at the end of the period	**2 441**	**1 879**	**+29.9**	**2 441**	**826**

In the first half of 2024, the Group generated PLN 452 million in surplus operating cash flow over investments.

Net cash used in investing activities in the first half of 2024 amounted to -PLN 2 576 million and mainly comprised the following:

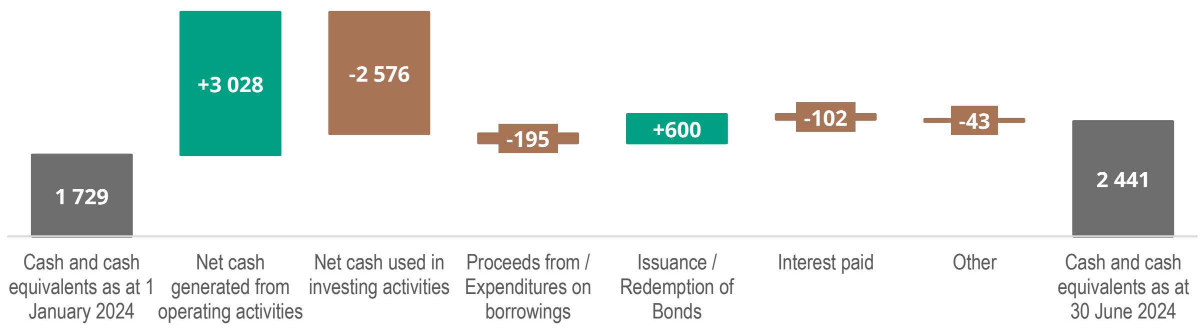
- expenditures on property, plant and equipment and intangible assets of the segment KGHM Polska Miedź S.A. in the amount of PLN 1 666 million,
- expenditures on property, plant and equipment and intangible assets of the segment KGHM International LTD, PLN 692 million,
- expenditures on property, plant and equipment and intangible assets of the segment other segments, PLN 176 million,
- interest received on loans granted to a joint venture, PLN 44 million.

The expenditures on mining and metallurgical assets include PLN 159 million due to interest paid on borrowings and PLN 39 million in proceeds from the settlement of an instrument hedging the interest rate on bonds.

Net cash generated from financing activities in the first half of 2024 amounted to +PLN 268 million and mainly comprised the issuance of 7-year bonds series C with a value of PLN 1 000 million, and the redemption of 5-year bonds series A, PLN 400 million. The balance of proceeds and repayments of borrowings amounted to -PLN 195 million. The repayment of interest amounted to PLN 102 million, including PLN 74 million due to trade payables within the reverse factoring mechanism.

After reflecting exchange differences on cash and cash equivalents, the balance of cash and cash equivalents increased by PLN 712 million and at the end of the first half of 2024 amounted to PLN 2 441 million.

Chart 7. Cash flow of the Group in the first half of 2024 (in PLN million)



3.3. Assets

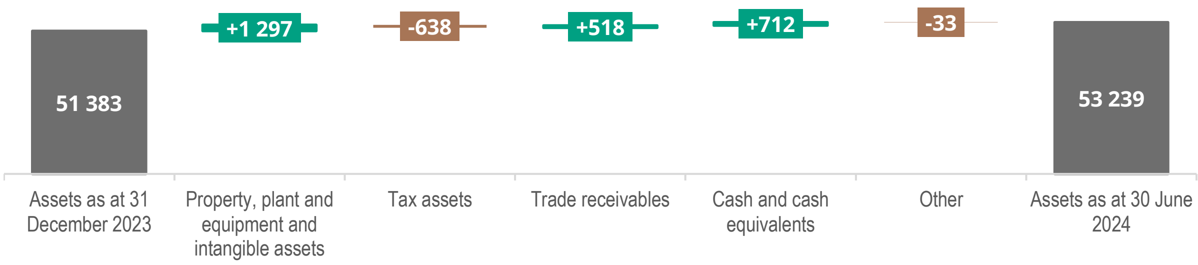
Table 6. Consolidated assets (in PLN million)

	30.06.2024	31.12.2023	Change (%)	31.03.2024
Property, plant and equipment and intangible assets	28 046	26 749	+4.8	27 452
Joint ventures – loans granted	9 162	9 096	+0.7	9 364
Financial instruments	1 683	1 613	+4.3	1 490
Deferred tax assets	135	137	(1.5)	143
Other non-financial assets	280	386	(27.5)	247
Non-current assets	**39 306**	**37 981**	**+3.5**	**38 696**
Inventories	8 452	8 425	+0.3	7 959
Trade receivables	1 450	932	+55.6	1 616
Tax assets	347	985	(64.8)	630
Derivatives	406	760	(46.6)	591
Other financial assets	261	296	(11.8)	307
Other non-financial assets	576	275	×2.1	444
Cash and cash equivalents	2 441	1 729	+41.2	826
Current assets	**13 933**	**13 402**	**+4.0**	**12 373**
Total assets	**53 239**	**51 383**	**+3.6**	**51 069**

At the end of the first half of 2024, total assets in the consolidated statements amounted to PLN 53 239 million and were higher by PLN 1 856 million as compared to 31 December 2023. The main changes comprised:

- an increase in property, plant and equipment and intangible assets by PLN 1 297 million, mainly due to expenditures on property, plant and equipment and intangible assets at the level of PLN 2 497 million, with depreciation/amortisation of PLN 1 240 million. The share of individual segments in cash expenditures and depreciation/amortisation is presented in note 2.2 of the condensed consolidated financial statements,
- a decrease in tax receivables by PLN 638 million, mainly due to the refund in June 2024 of an excess of prepaid income tax,
- an increase in trade receivables by PLN 518 million, mainly due to an increase in revenues from sales in June 2024 compared to December 2023,
- an increase in cash and cash equivalents by PLN 712 million related mainly to the issuance in June 2024 of 7-year bonds series C with a value of PLN 1 000 million with the simultaneous redemption of PLN 400 million 5-year bonds series A.

Chart 8. Change in assets of the Group in the first half of 2024 (in PLN million)



3.4. Equity and liabilities

Table 7. Consolidated equity and liabilities (in PLN million)

	30.06.2024	31.12.2023	Change (%)	31.03.2024
Equity	**29 383**	**28 630**	**+2.6**	**28 900**
Borrowings, leases and debt securities	4 987	4 761	+4.7	5 313
Derivatives	228	202	+12.9	173
Employee benefits liabilities	2 814	3 117	(9.7)	2 934
Provisions for decommissioning costs of mines and other facilities	1 915	1 923	(0.4)	1 932
Deferred tax liabilities	844	646	+30.7	630
Other liabilities	485	487	(0.4)	483
Non-current liabilities	**11 273**	**11 136**	**+1.2**	**11 465**
Borrowings, leases and debt securities	1 206	964	+25.1	1 015
Derivatives	266	499	(46.7)	419
Trade and other payables	6 350	6 188	+2.6	5 088
Employee benefits liabilities	1 776	1 709	+3.9	1 781
Tax liabilities	1 095	611	+79.2	598
Provisions for liabilities and other charges	247	194	+27.3	223
Other liabilities	1 643	1 452	+13.2	1 580
Current liabilities	**12 583**	**11 617**	+8.3	**10 704**
Non-current and current liabilities	**23 856**	**22 753**	**+4.8**	**22 169**
Total equity and liabilities	**53 239**	**51 383**	**+3.6**	**51 069**

Equity and liabilities at the end of the first half of 2024 were higher by PLN 1 856 million, mainly due to:

- an increase in equity by PLN 753 million, mainly due to profit for the period in the amount of PLN 1 074 million adjusted by the approved dividend for 2023 in the amount of PLN 300 million,
- an increase in liabilities due to borrowings, leases and debt securities by PLN 468 million, mainly due to the issuance of 7-year bonds series C with a value of PLN 1 000 million and the redemption of 5-year bonds series A, PLN 400 million,
- an increase in tax liabilities by PLN 484 million, mainly due to income tax liabilities in KGHM Polska Miedź S.A. In 2024 the Company, similarly as in the prior year, makes prepayments on income tax under a simplified formula, which leads to a difference between the amount of tax due and the amount of prepayments paid,
- an increase in trade and other payables by PLN 162 million (Note 4.3 Financial instruments),
- a decrease in employee benefits liabilities by PLN 236 million, changes in discount rates (Note 4.6 Employee benefits).

Chart 9. Change in equity and liabilities of the Group in the first half of 2024 (in PLN million)

Contingent assets and liabilities due to guarantees granted

As at 30 June 2024, contingent assets amounted to PLN 473 million and mainly comprised guarantees received by the Company in the amount of PLN 331 million and promissory notes receivables in the amount of PLN 123 million.

As at 30 June 2024, the Group held liabilities due to guarantees granted in the total amount of PLN 1 144 million, and due to promissory notes liabilities in the amount of PLN 221 million.

Detailed information regarding contingent assets and liabilities, including due to guarantees granted, may be found in notes 4.5 and 4.10 of the condensed consolidated financial statements.

Based on the knowledge held, at the end of the reporting period the Company defined the probability of payment of the amounts resulting from the contingent liabilities as low.

3.5. Financing of Group activities

The Group manages its financial resources based on the approved Financial Liquidity Management Policy in the KGHM Group. Its primary goal is to ensure continuous operations by securing the availability of funds required to achieve the Group's business goals, while optimising incurred costs. Moreover, the Policy regulates the Group's borrowing principles, the principles of managing debt and for monitoring the level of the Group's debt, and provides for the centralisation of borrowing at the level of the Parent Entity. Financial liquidity management involves securing an appropriate amount of cash and available debt financing in the short, medium and long term.

Net debt in the Group

Borrowings of the Group as at 30 June 2024 amounted to PLN 6 193 million, of which 92% represented debt of the Parent Entity. The amount of free cash and cash equivalents held by the Group increased by PLN 715 million as compared to the end of 2023, and as at 30 June 2024 amounted to PLN 2 417 million. Free cash and cash equivalents are of a short term nature.

Table 8. Net debt in the Group (in PLN million)

	30.06.2024	*31.12.2023*	*Change (%)*
Liabilities due to:	**6 193**	**5 725**	**+8.2**
Bank loans	673	667	+0.9
Other loans	2 138	2 272	(5.9)
Debt securities	2 602	2 002	+30.0
Leases	780	784	(0.5)
Free cash and cash equivalents	**2 417**	**1 702**	**+42.0**
Derivatives related to external sources of financing	**191**	**175**	**+9.1**
Net debt	**3 585**	**3 848**	**(6.8)**

Sources of financing in the Group

As at 30 June 2024, the Group held open lines of credit, loans and bonds with a total available equivalent amount of PLN 16 414 million, out of which PLN 2 811 million had been drawn in the form of bank and other loans, while liabilities due to bonds issued by the Parent Entity amounted to PLN 2 602 million.

Table 9. Sources of financing in the Group

Unsecured, revolving syndicated credit facility in the amount of USD 1.5 billion	Financing agreement entered into by the Parent Entity with a syndicate banks group in 2019 in the amount of USD 1 500 million, with maturity falling on 20 December 2024 and the option of extending for a further 2 years (5+1+1). The Parent Entity twice obtained the consent of the Participants of the Syndicate to extend the maturity date 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 being used to finance general corporate goals.
Investment loans, including from the European Investment Bank in the total amount of PLN 3.5 billion with financing periods of up to 12 years	Financing agreement signed by the Parent Entity with the European Investment Bank: – in August 2014 in the amount of PLN 2 000 million, which was drawn in the form of three instalments with maturities falling on 30 October 2026, 30 August 2028 and 23 May 2029 and used to the full available amount. The funds acquired through this loan were used to finance the Parent Entity's investment projects related to modernisation of metallurgy and development of the Żelazny Most tailings storage facility, – in December 2017 in the amount of PLN 1 340 million, which was utilised to the maximum available amount. The Parent Entity drew four instalments with maturities falling on 28 June 2030, 23 April 2031, 11 September 2031 and 6 March 2035. The funds acquired through this loan are being used to finance the Parent Entity's development and replacement projects at various stages of the production line.
Bilateral bank loans in the amount of up to PLN 4.2 billion	The Group holds lines of credit in the form of bilateral agreements in the total amount of PLN 4 230 million. These are overdraft facilities with availability of up to 2 years, the maturities of which are successively extended for subsequent periods, as well as long-term revolving and investment bank loans. The funds obtained under the aforementioned bank loan agreements are a tool supporting the management of current financial liquidity and support the financing of investments advanced by the Group's companies.
Debt securities in the amount of PLN 2.6 billion	The Parent Entity carried out two issuances of bonds on the domestic market, as follows: – an issue agreement dated 27 May 2019 – on 27 June 2019, 5-year bonds were issued in the amount of PLN 400 million, which were redeemed by the Parent Entity on 27 June 2024, as well as 10-year bonds in the amount of PLN 1 600 million with maturity falling on 27 June 2029, – an issue agreement dated 29 May 2024, which established an issuance program up to the amount of PLN 4 000 million for a 10-year period – on 26 June 2024, 7-year bonds were issued in the nominal value of PLN 1 000 million with maturity falling on 26 June 2031. The funds obtained from the bond issuance were used to finance general corporate goals.

Another source supporting the Group's liquidity is reverse factoring, the main goal of which is to support the effective management of working capital and diversification of financing sources and the timely execution of trade payables towards the suppliers of the Group.

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

External financing as at 30 June 2024

The following table presents the Group's external financing structure and the extent to which it was utilised.

Table 10. Amount available and drawn by the Group (in PLN million)

	Amount drawn as at 30.06.2024	*Amount drawn as at 31.12.23*	*Change (%)*	*Amount available as at 30.06.2024*	Amount drawn (%) as at 30.06.2024
Unsecured, revolving syndicated credit facility	-	-	×	6 048	0.0
Loans	2 138	2 272	(5.9)	3 536	60.5
Bilateral bank loans	673	667	+0.9	4 230	15.9
Debt securities	2 602	2 002	+30.0	2 600	100.1
Total	**5 413**	**4 941**	+9.6	**16 414**	**33.0**

Cash pooling in the Group

In managing its liquidity, the Group utilises tools which support its efficiency. One of the basic instruments used by the Group is the cash pooling management system - locally in PLN, USD and EUR and internationally in USD. The cash pooling system is aimed at optimising cash management, limiting interest costs, the effective financing of current needs in terms of financing working capital and supporting short term financial liquidity in the Group.

Loans granted

As at 30 June 2024, the balance of loans granted by the Group amounted to PLN 9 183 million. This item mainly comprises long-term loans with interest based on a fixed interest rate, granted by the KGHM INTERNATIONAL LTD. Group to finance mining assets in Chile and Canada.

Liabilities due to guarantees granted

As at 30 June 2024, the Group held liabilities due to guarantees and letters of credit granted in the total amount of PLN 1 144 million and due to promissory notes liabilities in the amount of PLN 221 million.

Detailed information on the amount and nature of liabilities due to guarantees granted may be found in part 4.5 of the condensed consolidated half-year financial statements – Liquidity risk and capital management.

Evaluation of Group liquidity

In the first half of 2024, the KGHM Polska Miedź S.A. Group was fully capable of repaying its liabilities. The cash and cash equivalents held by the Group along with the external financing obtained ensure that liquidity will be maintained and enables the achievement of investment goals.

4. RESULTS OF THE SEGMENT KGHM POLSKA MIEDŹ S.A.

4.1. Production

Table 11. Production results of KGHM Polska Miedź S.A.

	Unit	1st half 2024	1st half 2023	Change (%)	2Q 2024	1Q 2024
Mined ore (dry weight)	mn t	15.63	15.57	+0.4	7.75	7.88
Copper content in ore	%	1.485	1.465	+1.4	1.487	1.482
Production of copper in concentrate	kt	205.5	202.3	+1.6	103.1	102.5
Production of silver in concentrate	t	679.7	677.4	+0.3	336.6	343.2
Production of electrolytic copper	kt	292.5	295.8	(1.1)	146.3	146.2
- including from own concentrate	kt	193.3	194.8	(0.8)	98.2	95.1
Production of metallic silver	t	665.8	699.2	(4.8)	356.0	309.8
Production of gold	koz t	44.8	57.7	(22.4)	24.7	20.1

Compared to the corresponding period of 2023, in the first half of 2024 extraction of ore was higher (dry weight). Copper content in ore increased to 1.485%.

Production of copper in concentrate was higher by 3.3 thousand tonnes as compared to the first 6 months of 2023. The increase in production was due to higher extraction of ore, of better quality, by the mines and its processing by the Concentrators.

Compared to the corresponding period of 2023, electrolytic copper production decreased by 3.3 thousand tonnes. The lower production was due to the lower availability of production lines.

Production of metallic silver amounted to 665.8 tonnes and was lower by 33.4 tonnes (-4.8%) compared to the first half of 2023. The decrease in production of metallic silver was due to the availability of charge materials in the Precious Metals Plant.

Production of metallic gold amounted to 44.8 thousand troy ounces and was lower by 12.8 thousand troy ounces (-22.3%) compared to the first half of 2023. The lower production of metallic gold was due to the lower processing of gold-bearing materials.

4.2. Revenues

Table 12. Revenues from contracts with customers of KGHM Polska Miedź S.A.

	Unit	1st half 2024	1st half 2023	Change (%)	2Q 2024	1Q 2024
Revenues from contracts with customers, including:	**PLN mn**	**15 076**	**15 510**	**(2.8)**	**7 797**	**7 279**
- copper	PLN mn	11 647	11 982	(2.8)	5 933	5 714
- silver	PLN mn	2 284	2 256	+1.2	1 266	1 018
- gold	PLN mn	466	546	(14.7)	258	208
Sales volumes:						
- copper	kt	302.6	303.9	(0.4)	143.8	158.8
- silver	t	679.0	683.4	(0.6)	342.8	336.2
- gold	koz t	52.6	66.6	(20.9)	27.5	25.2

The decrease in revenues from contracts with customers by PLN 434 million compared to the prior year was mainly due to:

- a decrease by PLN 971 million in revenues from sales of basic products (copper, silver and gold) due to a less favourable average annual USD/PLN exchange rate,
- an increase by PLN 705 million in revenues due to higher prices of copper and gold, with lower silver prices,
- a decrease by PLN 178 million in revenues due to lower sales volume of basic products,
- an increase by PLN 57 million in adjustments to revenues due to hedging transactions, from +PLN 227 million to +PLN 284 million,
- a decrease by PLN 47 million in other revenues from sales, including mainly revenues from the sale of merchandise and materials.

4.3. Costs

Table 13. Costs of KGHM Polska Miedź S.A.

	Unit	1st half 2024	1st half 2023	Change (%)	2Q 2024	1Q 2024
Cost of sales, selling costs and administrative expenses	**PLN mn**	**13 405**	**14 069**	**(4.7)**	**6 627**	**6 778**
Expenses by nature	**PLN mn**	**13 277**	**14 150**	**(6.2)**	**6 824**	**6 453**
Pre-precious metals credit unit cost of electrolytic copper production from own concentrate[2]	PLN/t	43 446	45 075	(3.6)	44 122	42 748
Total unit cost of electrolytic copper production from own concentrate	PLN/t	31 064	33 674	(7.8)	30 218	31 937
C1 unit cost[3]	**USD/lb**	**3.00**	**3.03**	**(1.0)**	**3.00**	**3.01**

The Parent Entity's cost of sales, selling costs and administrative expenses (total cost of products, merchandise and materials sold, selling costs and administrative expenses) in the first half of 2024 amounted to PLN 13 405 million and was lower by 4.7% as compared to the corresponding period of 2023, mainly due to lower costs of consumption of materials, fuels and energy factors.

In the first half of 2024, total expenses by nature compared to the first half of 2023 were lower by PLN 873 million, with lower costs of consumption of purchased metal-bearing materials by PLN 258 million (due to a lower volume of consumption by 0.9 thousand tonnes of copper and a lower purchase price by 5%) and a lower by PLN 18 million minerals extraction tax charge due to the strengthening of the Polish currency versus the USD, with higher production of own concentrates.

The decrease in expenses by nature, after excluding purchased metal-bearing materials and the minerals extraction tax, amounted to PLN 597 million and was mainly due to a decrease in costs of consumption of materials and technological fuels by PLN 370 million (mainly due to lower purchase prices), costs of electrical energy and energy carriers by PLN 368 million (mainly due to a decrease in the price of electricity) and lower depreciation/amortisation by PLN 47 million due to impairment losses on production assets at the end of 2023.

The increase in expenses by nature was impacted by higher labour costs by PLN 43 million (higher remuneration due to an increase in basic wage rates and with a decrease in the coal equivalent payment and in the provisions for future employee benefits) and higher costs of external services by PLN 85 million, mainly as respects maintenance and conservation work and mine development work. The Company also recorded increases in taxation and environmental fees by PLN 80 million (excluding the minerals extraction tax charge) mainly due to higher fees for CO_2 emission allowances.

C1 cost in the first half of 2024 amounted to 3.00 USD/lb and was lower than in the corresponding period of 2023 by 1%. The decrease in cost was mainly due to lower costs of extraction and metallurgical processing (for reasons described above). This lower cost was achieved despite a weakening of the USD versus the PLN by 7%.

The pre-precious metals credit unit cost of electrolytic copper production from own concentrate (unit cost prior to decrease by the value of anode slimes containing, among others, silver and gold) amounted to 43 446 PLN/t (in the corresponding period of 2023: 45 075 PLN/t) and was lower by 3.6%, mainly due to the lower costs of extraction and metallurgical processing described above, with lower production of copper from own concentrates by 1%.

The total unit cost of electrolytic copper production from own concentrate amounted to 31 064 PLN/t and was lower than in the first half of 2023 by 8% due to a higher valuation of anode slimes (higher silver and gold prices).

[2] Unit cost prior to decrease by the value of anode slimes containing, among others, silver and gold

[3] Cash cost of producing concentrate, reflecting the minerals extraction tax, administrative expenses and smelter treatment and refining charges (TC/RC), less depreciation/amortisation and the by-product premium, calculated as sold payable copper in concentrate

4.4. Financial results

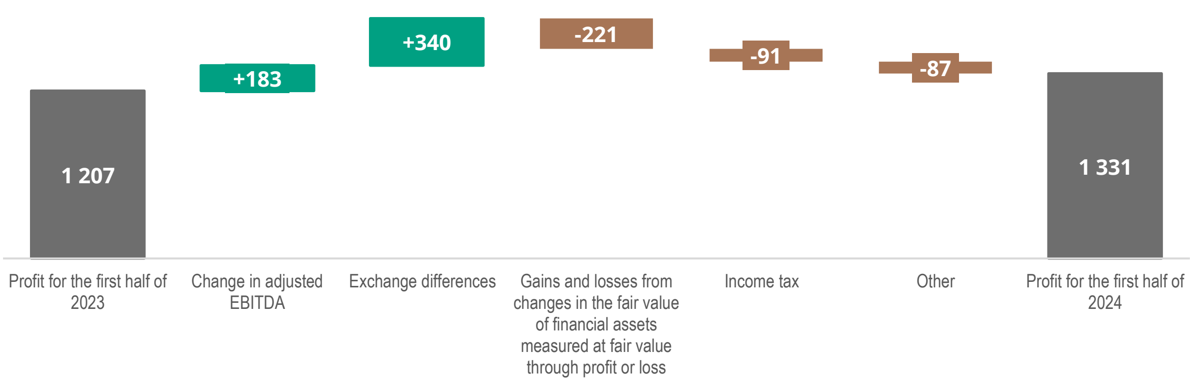
Table 14. Basic items of the statement of profit or loss of KGHM Polska Miedź S.A. (in PLN million)

	1st half 2024	*1st half 2023*	*Change (%)*	*2Q 2024*	*1Q 2024*
Revenues from contracts with customers, including:	**15 076**	**15 510**	**(2.8)**	**7 797**	**7 279**
- adjustment to revenues due to hedging transactions	284	227	+25.1	124	160
Cost of sales, selling costs and administrative expenses	**(13 405)**	**(14 069)**	**(4.7)**	**(6 627)**	**(6 778)**
Profit or loss on sales	**1 671**	**1 441**	**+16.0**	**1 170**	**501**
Other operating income and (costs)	**578**	**189**	**×3.1**	**347**	**231**
Finance income and (costs)	**(231)**	**173**	**×**	**(109)**	**(122)**
Profit or loss before income tax	**2 018**	**1 803**	**+11.9**	**1 408**	**610**
Income tax expense	(687)	(596)	+15.3	(464)	(223)
Profit or loss for the period	**1 331**	**1 207**	**+10.3**	**944**	**387**
Adjusted EBITDA	**2 472**	**2 289**	**+8.0**	**1 576**	**896**

Table 15. Main factors impacting the change in profit or loss of KGHM Polska Miedź S.A.

Item	*Impact on change of profit or loss (in PLN million)*	*Description*
Adjusted EBITDA	+183	An increase in the operating result due to: – a decrease in revenues from contracts with customers by PLN 434 million, described in more detail in section 4.2, – a decrease in the level of expenses by nature (excluding depreciation/amortisation) by PLN 826 million, described in section 4.3, – an increase in change in products and work in progress by PLN 349 million (+PLN 57 million in 2024, -PLN 292 million in 2023).
Exchange differences	+340	An increase in exchange differences due to: – a higher by PLN 635 million result on exchange differences presented in other operating income and costs, – a lower by PLN 295 million result on exchange differences on the measurement and realisation of borrowings, presented in financial income and costs
Gains and losses from changes in the fair value of financial assets measured at fair value through profit or loss	(221)	A decrease in in the result on changes in the fair value of financial assets measured at fair value through profit or loss from PLN 491 million to PLN 270 million, mostly with respect to loans granted (-PLN 235 million)
Income tax expense	(91)	An increase in income tax
Other	(87)	Other changes in the result, mainly in respect of: – interest costs on trade payables within the reverse factoring mechanism , -PLN 74 million, – reversal of allowances for impairment of loans granted measured at amortised cost, -PLN 67 million, – a change in the result due to the recognition and release of provisions, -PLN 62 million

Chart 10. Change in profit for the period of KGHM Polska Miedź S.A. (in PLN million)



4.5. Capital expenditures

In the first half of 2024, capital expenditures on property, plant and equipment and intangible assets amounted to PLN 1 570 million.

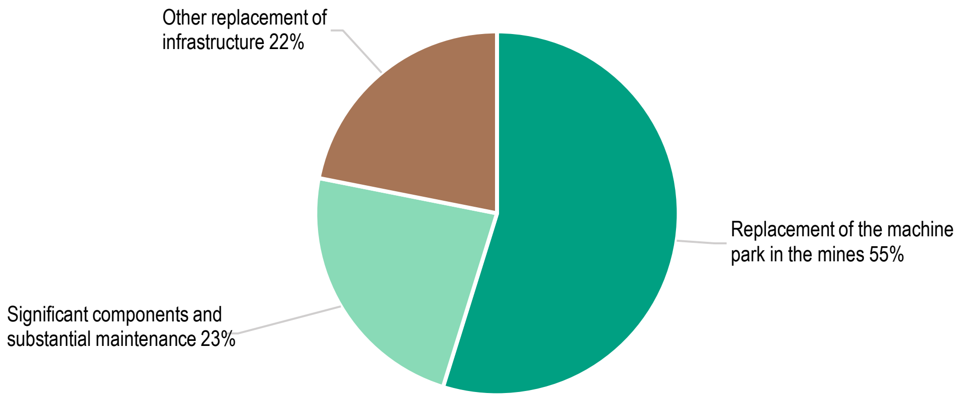
Table 16. Structure of expenditures on property, plant and equipment and intangible assets by Division (in PLN million)

	1st half 2024	*1st half 2023*	*Change (%)*	*2Q 2024*	*1Q 2024*
Mining	1 281	1 112	+15.2	745	536
Metallurgy	201	173	+16.2	114	87
Other activities	11	8	+37.5	6	5
Development work - uncompleted	1	3	(66.7)	1	-
Leases per IFRS 16	76	73	+4.1	52	24
Total	**1 570**	**1 369**	**+14.7**	**918**	**652**
including borrowing costs	94	125	(24.8)	35	59

Investment activities comprised projects related to replacement, maintenance, development and adaptation in mining, metallurgy and other activities.

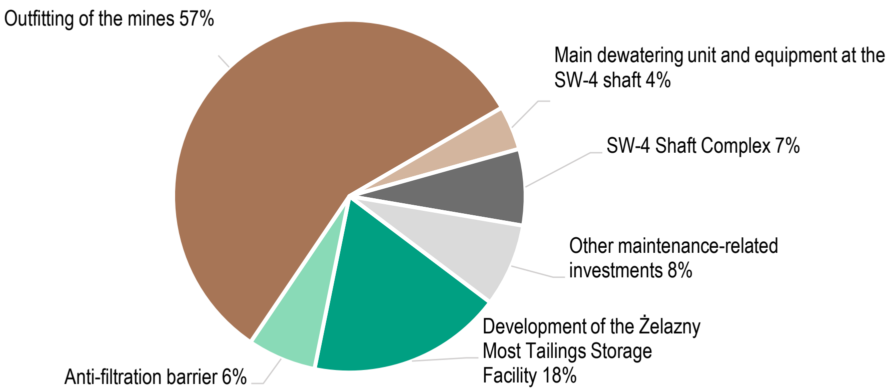
Projects related to replacement aimed at maintaining production equipment in an undeteriorated condition, represent 33% of expenditures incurred.

Chart 11. Structure of expenditures on replacement



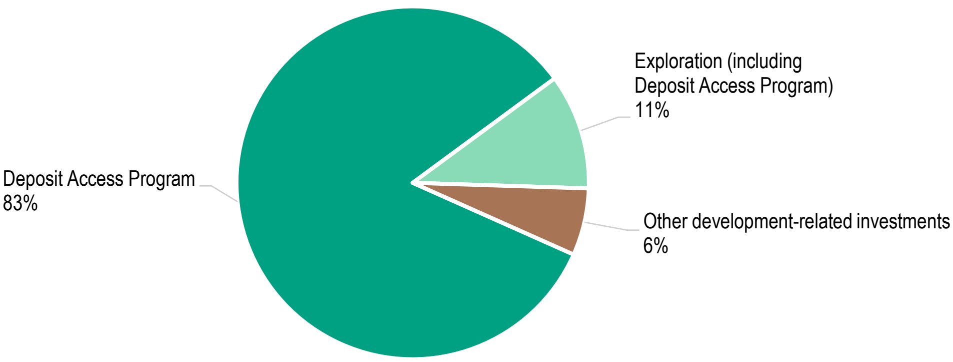
Projects related to maintenance aimed at maintaining mine production on the level set in approved Production Plan (development of infrastructure to match mine advancement) represent 38% of total expenditures incurred.

Chart 12. Structure of expenditures on maintenance



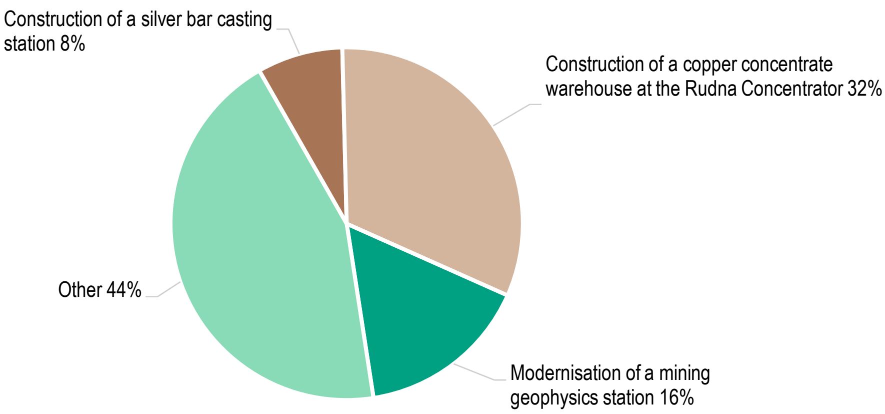
Development projects aimed at increasing the level of revenues from sales or maintaining them at the current level, at the implementation of technical and technological activities optimising the use of existing infrastructure, and at reducing operating costs, represent 28% of expenditures incurred.

Chart 13. Structure of expenditures on development



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

Chart 14. Structure of expenditures on adaptation



Detailed information on the advancement of key projects may be found in part 1 of this report on advancement of the Strategy in 2024.

5. RESULTS OF THE SEGMENT KGHM INTERNATIONAL LTD.

5.1. Production

Table 17. Production results of KGHM INTERNATIONAL LTD.

	Unit	1st half 2024	1st half 2023	Change (%)	2Q 2024	1Q 2024
Payable copper, including:	**kt**	**29.4**	**15.4**	**+90.9**	**13.4**	**16.0**
- Robinson mine (USA)	kt	26.4	10.5	x 2.5	12.1	14.3
Payable nickel	**kt**	**0.3**	**0.3**	**-**	**0.2**	**0.1**
Precious metals (TPM), including:	**koz t**	**25.6**	**18.3**	**+39.9**	**11.4**	**14.2**
- Robinson mine (USA)	koz t	18.5	6.7	x 2.8	8.3	10.2
- Sudbury Basin mines (Canada)[4]	koz t	7.1	11.7	(39.3)	3.1	4.0

[4] McCreedy West mine in the Sudbury Basin

In the first half of 2024, the Robinson mine mined from areas with a substantially higher copper content than in the corresponding period of 2023. Copper recovery also rose substantially. Moreover, in 2023 the mine operated under much more difficult weather conditions, while extraction was associated with problems with mine flotation machinery.

The improvement in the Robinson mine's results led to an increase in copper production by KGHM INTERNATIONAL LTD. by 14 thousand tonnes compared to the first half of 2023. The increase in precious metals production was also related to the improvement in production efficiency by the Robinson mine and to the increase in gold production by this mine.

5.2. Revenues

Table 18. Volumes and sales revenues of KGHM INTERNATIONAL LTD. (in USD million)

	Unit	1st half 2024	1st half 2023	Change (%)	2Q 2024	1Q 2024
Revenues from contracts with customers[5], including:	**USD mn**	**340**	**285**	**+19.3**	**208**	**132**
- copper	USD mn	203	157	+29.3	133	70
- nickel	USD mn	5	6	(16.7)	3	2
- TPM – precious metals	USD mn	37	34	+8.8	23	14
Copper sales volume	kt	22.5	19.1	+17.8	13.8	8.7
Nickel sales volume	kt	0.3	0.3	-	0.2	0.1
TPM sales volume	koz t	20.4	21.7	(6.0)	11.5	8.9

Table 19. Sales revenues of KGHM INTERNATIONAL LTD. (in PLN million)

	Unit	1st half 2024	1st half 2023	Change (%)	2Q 2024	1Q 2024
Revenues from contracts with customers[6], including:	**PLN mn**	**1 361**	**1 217**	**+11.8**	**836**	**525**
- copper	PLN mn	810	669	+21.0	532	278
- nickel	PLN mn	21	26	(19.2)	13	8
- TPM – precious metals	PLN mn	148	146	+1.4	92	56

In the first months of 2024, the volume of sales of copper from the Robinson mine was relatively low due to the limited availability of specialised railway cars for transporting concentrate. In the second quarter this situation improved substantially, and the volume of sales of copper by KGHM INTERNATIONAL LTD. for the first half of 2024 amounted to 22.5 thousand tonnes of payable copper, or 18% above the amounts achieved in the corresponding first half of 2023. The increase in the copper sales volume was one of the main factors behind the increase in revenues (the impact of individual factors on the change in revenues from contracts with customers is presented in the subsection on the financial results of KGHM INTERNATIONAL LTD.)

5.3. Costs

The cost of sales, selling costs and administrative expenses amounted to USD 267 million, i.e. 38% below the amounts recorded in the first half of 2023.

Table 20. C1 payable copper production cost of KGHM INTERNATIONAL LTD.

	Unit	1st half 2024	1st half 2023	Change (%)	2Q 2024	1Q 2024
Cost of sales, selling costs and administrative expenses	USD mn	(267)	(428)	(37.6)	(149)	(118)
Cost of sales, selling costs and administrative expenses	PLN mn	(1 067)	(1 827)	(41.6)	(597)	(470)
C1 payable copper production cost [7]	**USD/lb**	**1.87**	**5.29**	**(64.7)**	**1.68**	**2.17**

In the first half of 2023, due to the weather and to problems with mining machinery, the Robinson mine carried out a marginal amount of stripping work and, as a result, the level of capitalised stripping costs was substantially lower than in the first half of 2024. Moreover, costs increased as a result of write-downs of inventories in the amount of USD 43 million, while the amount of the write-down in the first half of 2024 amounted to USD 12 million.

[5] Includes processing premium

[6] Includes processing premium

[7] C1 unit production cost of copper - cash cost of payable copper production, reflecting costs of ore extraction and processing, the minerals extraction tax, transport costs, administrative expenses during the mining phase and smelter treatment and refining charges (TC/RC) less by-product value

The aforementioned factors had a decisive impact on the decrease in costs compared to the first half of 2023. In addition, in the case of C1 unit cost, an important factor was the improvement in production efficiency, with a corresponding rise in the amount of copper sold by the Robinson mine.

5.4. Financial results

Table 21. Financial results of KGHM INTERNATIONAL LTD. (in USD million)

	1st half 2024	*1st half 2023*	*Change (%)*	*2Q 2024*	*1Q 2024*
Revenues from contracts with customers	340	285	+19.3	208	132
Cost of sales, selling costs and administrative expenses, including: [8]	(267)	(428)	(37.6)	(149)	(118)
(recognition)/reversal of impairment losses on non-current assets	(4)	(2)	x2.0	(4)	-
Profit/(loss) on sales	**73**	**(143)**	**x**	**59**	**14**
Profit/(loss) before taxation, including:	(101)	(73)	38.4	(83)	(18)
Income tax	(26)	35	x	(21)	(5)
Profit/loss for the period	**(127)**	**(37)**	**x 3.4**	**(105)**	**(22)**
Depreciation/amortisation	(90)	(59)	+52.5	(42)	(48)
Adjusted EBITDA	**167**	**(82)**	**x**	**105**	**62**

Table 22. Financial results of KGHM INTERNATIONAL LTD. (in PLN million)

	1st half 2024	*1st half 2023*	*Change (%)*	*2Q 2024*	*1Q 2024*
Revenues from contracts with customers	1 361	1 217	+11.8	836	525
Cost of sales, selling costs and administrative expenses, including: [9]	(1 067)	(1 827)	(41.6)	(597)	(470)
- recognition/reversal of impairment losses on non-current assets	(15)	(8)	+85.5	(15)	0
Profit/(loss) on sales	**294**	**(610)**	**x**	**239**	**55**
Profit/(loss) before taxation, including:	**(403)**	**(309)**	**+30.4**	**(333)**	**(70)**
Income tax	(103)	151	x	(84)	(19)
Profit/loss for the period	**(506)**	**(158)**	**x 3.2**	**(417)**	**(89)**
Depreciation/amortisation	(360)	(250)	+44.0	(168)	(192)
Adjusted EBITDA	**669**	**(352)**	**x**	**422**	**247**

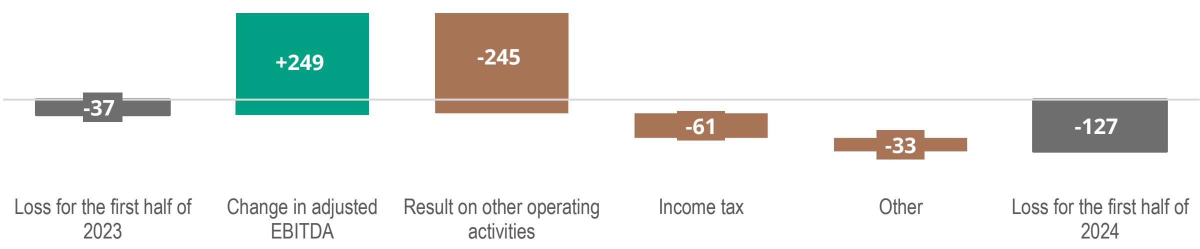
Table 23. Main factors impacting the change in profit or loss of KGHM INTERNATIONAL LTD.

Item	*Impact on change of profit or loss*	*Description*
Adjusted EBITDA	**+USD 249 million**	**+USD 55 million –** an increase in revenues, including mainly due to an increase in the volumes of sales of copper (+USD 32 million) and gold (+USD 6 million), higher metals prices (+USD 4 million), more favourable refining/processing premiums (+USD 5 million) and higher revenues from mining services carried out by DMC (+USD 11 million)
		+USD 194 million – lower costs reducing EBITDA, including mainly due to lower write-downs of inventories (+USD 31 million), higher capitalised stripping costs (+USD 73 million) and to the difference in the change in inventories (+PLN 106 million)
Result on other operating and financing activities	**-USD 245 million**	**-USD 214 million** – recognition/reversal of impairment losses on financial instruments (a loan granted to Sierra Gorda S.C.M. to build the mine) - reversal in the amount of USD 113 million in the first half of 2023 compared to an impairment loss in the amount of USD 101 million recognised in the first half of 2024
		-USD 31 million – other, including higher financing costs (-USD 30 million)
Income tax	**-USD 61 million**	**-USD 10 million** – change in current tax
		-USD 51 million – change in deferred tax
Other	**-USD 33 million**	**-USD 31 million** – higher depreciation/amortisation
		-USD 2 million – impairment loss recognised on property, plant and equipment: -USD 4 million versus -USD 2 million in the first half of 2023

[8] Cost of products, merchandise and materials sold, selling costs and administrative expenses

[9] Cost of products, merchandise and materials sold, selling costs and administrative expenses

Chart 15. Change in profit or loss for the period of KGHM INTERNATIONAL LTD. (in USD million)[10]



5.5. Cash expenditures

Table 24. Cash expenditures of KGHM INTERNATIONAL LTD. (in USD million)

	1st half 2024	*1st half 2023*	*Change (%)*	*2Q 2024*	*1Q 2024*
Victoria project	38	32	+18.8	18	20
Stripping and other	135	47	x2.9	73	62
Total	**173**	**79**	**x2.2**	**91**	**82**

Table 25. Cash expenditures of KGHM INTERNATIONAL LTD. (in PLN million)

	1st half 2024	*1st half 2023*	*Change (%)*	*2Q 2024*	*1Q 2024*
Victoria project	152	137	+10.9	72	80
Stripping and other	540	201	x2.7	291	249
Total	**692**	**338**	**x2.0**	**363**	**329**

The more-than-doubled increase in cash expenditures by KGHM INTERNATIONAL LTD. compared to the first half of 2023 was mainly due to a higher scope of stripping work at the Robinson mine.

6. RESULTS OF THE SEGMENT SIERRA GORDA S.C.M.

The segment Sierra Gorda S.C.M. is a joint venture, whose owners are the KGHM Polska Miedź S.A. Group (55%) and the Australian mining group South32 (45%).

The following production and financial data are presented on a 100% basis for the joint venture and proportionally to the interest in the company Sierra Gorda S.C.M. (55%), pursuant to the methodology of presentation of data in part 2 of the condensed consolidated financial statements for the first half of 2024 concerning operating segments.

6.1. Production

Table 26. Production of copper, molybdenum and precious metals by Sierra Gorda S.C.M.[11]

	Unit	*1st half 2024*	*1st half 2023*	*Change (%)*	*2Q 2024*	*1Q 2024*
Copper production	kt	64.9	72.8	(10.9)	34.0	30.9
Copper production – segment (55%)	kt	35.7	40.1	(10.9)	18.7	17.0
Molybdenum production	mn lbs	1.7	3.9	(56.4)	0.8	0.9
Molybdenum production – segment (55%)	mn lbs	0.9	2.1	(56.4)	0.4	0.5
TPM production – gold	koz t	24.9	30.1	(17.3)	13.0	11.9
TPM production – gold – segment (55%)	koz t	13.7	16.5	(17.3)	7.2	6.5

[10] Cost of sales, selling costs and administrative expenses excluding recognition/reversal of impairment losses on property, plant and equipment and costs of other operating activities excluding recognition/reversal of allowances for impairment of loans granted to build the Sierra Gorda mine, fixed assets under construction and intangible assets.
[11] Payable metal in concentrate

Due to geological conditions, the ore processed was characterised by lower copper content. Recovery of copper was also lower. As a result, despite a five percent increase in processing, the amount of payable copper produced in the first half of 2024 was lower than the amount achieved in the corresponding period of 2023 by 11%.
Analogously, the decrease in molybdenum production was likewise the consequence of processing ore with lower molybdenum content and lower recovery due to high content of swelling clays.

6.2. Revenues

Revenues from sales in the first half of 2024 amounted to USD 723 million (on a 100% basis), or PLN 1 590 million respectively to the 55% interest held by KGHM Polska Miedź S.A.

Table 27. Volume and sales revenues of Sierra Gorda S.C.M.

	Unit	*1st half 2024*	*1st half 2023*	*Change (%)*	*2Q 2024*	*1Q 2024*
Revenues from contracts with customers[12], including from the sale of:	**USD mn**	**723**	**728**	**(0.7)**	**414**	**309**
- copper	USD mn	585	597	(2.0)	342	243
- molybdenum	USD mn	61	54	+13.0	26	35
- TPM (gold)	USD mn	58	61	(4.9)	34	24
Copper sales volume	kt	63.3	74.3	(14.8)	34.1	29.2
Molybdenum sales volume	mn lbs	3.1	2.3	+34.8	1.3	1.8
TPM sales volume (gold)	koz t	24.6	30.5	(19.3)	13.1	11.5
Revenues from contracts with customers[13] - segment (55%)	**PLN mn**	**1 590**	**1 711**	**(7.1)**	**911**	**679**

Revenues denominated in the functional currency (USD) recorded in the first half of 2024 were achieved at a level similar to that of the corresponding first half of 2023, despite lower sales volumes of copper and gold. The decisive factor in this case was the higher prices of these metals.

Revenues from the sale of molybdenum exceeded the level recorded in the first half of 2023 due both to higher prices as well as due to a higher sales volume.

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

6.3. Costs

The cost of sales, selling costs and administrative expenses amounted to USD 525 million, while proportionally to the interest held (55%) the costs of the segment amounted to PLN 1 154 million.

Table 28. Cost of sales, selling costs and administrative expenses and (C1) payable copper production cost of Sierra Gorda S.C.M.

	Unit	*1st half 2024*	*1st half 2023*	*Change (%)*	*2Q 2024*	*1Q 2024*
Cost of sales, selling costs and administrative expenses	USD mn	(525)	(496)	+5.8	(285)	(240)
Cost of sales, selling costs and administrative expenses – segment (55%)	PLN mn	(1 154)	(1 166)	(1.0)	(627)	(527)
C1 payable copper production cost [14]	USD/lb	**1.89**	**1.49**	**+26.8**	**1.88**	**1.90**

Compared to the first half of 2023, costs were higher (in USD) by USD 29 million (+6%), of which:

- spare parts – an increase in costs by USD 7 million (+20%) – higher consumption due to the greater scope of the planned maintenance shutdown of the ore processing plant and unplanned shutdowns of mining machinery and equipment,
- fuels – an increase in costs by USD 5 million (+11%) – higher consumption due to higher amount of transported ore,
- other costs – an increase by USD 2 million – mainly as regards energy consumption due to higher processing and external services alongside lower labour costs, selling costs and other.

[12] Reflecting treatment/refining and other charges

[13] Reflecting treatment/refining and other charges

[14] C1 unit production cost of copper - cash cost of payable copper production, reflecting costs of ore extraction and processing, the minerals extraction tax, transport costs, administrative expenses during the mining phase and smelter treatment and refining charges (TC/RC) less by-product value

The change in inventories and in work in progress led to higher costs by USD 26 million (+USD 24 million versus -USD 2 million in the first half of 2023), while positive impact came from an increase in the scope of development work carried out and, as a result, a higher by USD 11 million level of costs subject to capitalisation (USD 167 million versus USD 156 million in the first half of 2023).

The increase in production costs, alongside the drop in the copper sales volume, was the main reason for the deterioration in C1, i.e. the unit cost of copper production, which rose by 27%.

6.4. Financial results

In the first half, adjusted EBITDA amounted to USD 367 million, of which proportionally to the interest held (55%) PLN 807 million is attributable to the KGHM Group.

Table 29. Results of Sierra Gorda S.C.M. in USD million (on a 100% basis)

	1st half 2024	*1st half 2023*	*Change (%)*	*2Q 2024*	*1Q 2024*
Revenues from contracts with customers	723	728	(0.7)	414	309
Cost of sales, selling costs and administrative expenses	(525)	(496)	+5.8	(285)	(240)
Profit or loss on sales	**198**	**232**	**(14.7)**	**129**	**69**
Profit/loss for the period	**19**	**34**	**(44.1)**	**27**	**(8)**
Depreciation/amortisation recognised in profit or loss for the period	(169)	(168)	+0.6	(87)	(82)
Adjusted EBITDA	**367**	**400**	**(8.2)**	**216**	**151**

Table 30. Results of the segment Sierra Gorda S.C.M. proportionally to the interest held (55%) in PLN million

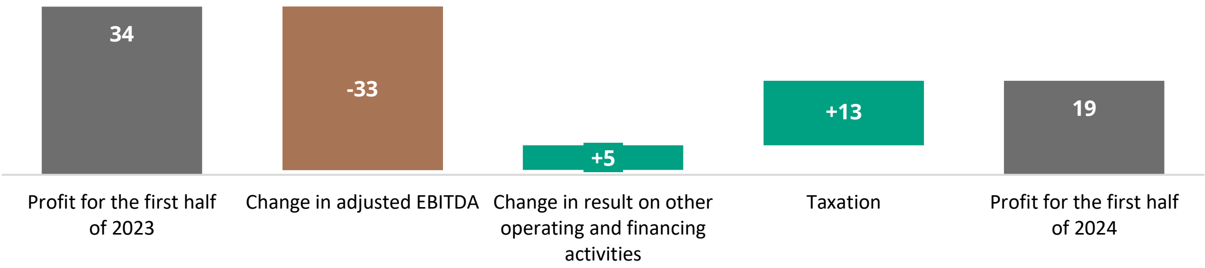
	1st half 2024	*1st half 2023*	*Change (%)*	*2Q 2024*	*1Q 2024*
Revenues from contracts with customers	1 590	1 711	(7.0)	911	679
Cost of sales, selling costs and administrative expenses	(1 154)	(1 166)	(1.0)	(627)	(527)
Profit or loss on sales	**436**	**545**	**(20.0)**	**284**	**152**
Profit/loss for the period	**41**	**79**	**(48.1)**	**58**	**(17)**
Depreciation/amortisation recognised in profit or loss for the period	(371)	(395)	(6.1)	(191)	(180)
Adjusted EBITDA	**807**	**940**	**(14.1)**	**475**	**332**

Adjusted EBITDA is lower respectively by 8% (in the functional currency - USD) and 14% (following translation into PLN) from the amounts achieved in the corresponding period of 2023.

Table 31. Main factors impacting the change in profit or loss of the segment Sierra Gorda S.C.M.

Item	*Impact on change of profit or loss*	*Description*
Adjusted EBITDA	**- USD 33 million**	**-USD 5 million – lower revenues** due to a lower copper sales volume (-USD 90 million), which was partially offset by higher metals prices (+USD 70 million together with Mark to Market valuation) and a more favourable refining premium (+USD 15 million)
		-USD 28 million – higher costs prior to depreciation/amortisation, including costs of spare parts, fuels and external services
Result on other operating and financing activities	**+ USD 5 million**	**+USD 13 million** – a more favourable result on exchange differences
		-USD 4 million – mainly higher interest costs on bank and other loans and lease transactions
		-USD 3 million – change in other revenues/costs
Taxation	**+ USD 13 million**	**+USD 9 million** – change in income tax
		+USD 4 million – lower mining tax

Chart 16. Change in profit/loss for the period (in USD million)



6.5. Cash expenditures

In the first half of 2024, expenditures on property, plant and equipment and intangible assets, reflected in the statement of cash flows of Sierra Gorda S.C.M., amounted to USD 260 million, of which the majority, i.e. USD 145 million (56%) were cash expenditures incurred on stripping to gain access to further areas of the deposit, while the remainder were in respect of development work and the replacement of property, plant and equipment.

Table 32. Cash expenditures of Sierra Gorda S.C.M.

	Unit	1st half 2024	1st half 2023	Change (%)	2Q 2024	1Q 2024
Cash expenditures on property, plant and equipment	USD mn	260	250	+4.0	115	145
Cash expenditures on property, plant and equipment – segment (55% share)	PLN mn	572	588	(2.7)	253	319

Cash expenditures in the functional currency (USD) were not substantially different compared to the level recorded in the first half of 2023, and after translation into PLN were lower by 3% due to a decrease in the USD/PLN exchange rate.

The positive cash flow generated by operating activities (USD 312 million) completely covered cash expenditures on property, plant and equipment, while the surplus was utilised among others to make payments towards the Owners due to a loan granted to build the mine. The total amount of interest on this loan which was paid in the first half of 2024 amounted to USD 20 million, of which USD 11 million was attributable to the KGHM Polska Miedź S.A. Group (respectively USD 30 million and USD 17 million in the corresponding period of 2023).

7. RESULTS OF THE REPORTING SEGMENT "OTHER SEGMENTS"

Companies recognised in the reporting segment "Other segments" are very diversified in their operations. They include companies supporting the core business and others of a non-operating nature or playing an important role in fulfilling the policy of corporate social responsibility.

7.1. Revenues

Table 33. Revenues from contracts with customers of companies within the KGHM Group – excluding intra-segment revenues (in PLN million)

	1st half 2024	1st half 2023	Change %	2Q 2024	1Q 2024
Metraco S.A.	2 832	2 871	-1.4	1 570	1 262
Mercus Logistyka Sp. z o.o.	637	599	6.3	347	290
PeBeKa S.A.	511	582	-12.2	284	227
Energetyka Sp. z o.o.	418	478	-12.6	224	194
KGHM ZANAM S.A.	414	392	5.6	197	217
Centrozłom Wrocław S.A.	349	339	2.9	181	168
NITROERG S.A.	249	258	-3.5	125	124
WPEC w Legnicy S.A.	192	173	11.0	50	142
Miedziowe Centrum Zdrowia S.A.	171	133	28.6	98	73
POL - MIEDŹ TRANS Sp. z o.o.	132	127	3.9	67	65
Other	498	486	2.5	273	225
TOTAL	**6 403**	**6 439**	**-0.6**	**3 416**	**2 987**

7.2. Financial results

Table 34. Financial results of Other segments – prior to consolidation adjustments (in PLN million)

	1st half 2024	*1st half 2023*	*Change (%)*	*2Q 2024*	*1Q 2024*
Sales revenue	6 403	6 439	-0.6	3 416	2 987
- including from external clients	1 394	1 387	0.5	695	699
Profit or loss on sales	101	87	16.1	105	-4
Profit/loss for the period	**74**	**81**	**-8.6**	**84**	**-10**
Depreciation/amortisation in expenses by nature	-159	-144	10.4	-79	-80
Adjusted EBITDA	**260**	**231**	**12.6**	**184**	**76**

In the first half of 2024, Other segments recorded a profit for the period, prior to recognition of consolidation adjustments, in the amount of PLN 74 million, or slightly worse compared to the first half of 2023 by PLN 7 million (profit for the first half of 2023 amounted to PLN 81 million). The profit/loss for the period is comprised of profits/losses of individual companies (that is, operating segments) of the KGHM Group after eliminating turnover between companies within the segment.

The highest profit or loss for the period (before the elimination of turnover between companies within the same segment) was achieved by the following companies: WPEC w Legnicy S.A. (PLN 21 million), Energetyka Sp. z o.o. (PLN 20 million), KGHM ZANAM S.A. (PLN 18 million), KGHM Metraco S.A. (PLN 17 million) and NITROERG S.A. (PLN 16 million).

8. RISK MANAGEMENT IN THE GROUP

8.1. Comprehensive risk management system in the KGHM Polska Miedź S.A. Group

The KGHM Polska Miedź S.A. Group defines risk as uncertainty, being an integral part of the activities conducted and having the potential to result in both opportunities and threats to achievement of the business goals.

The **current and future, actual and potential impact of risk** on the KGHM Polska Miedź S.A. Group's activities is assessed. On the basis of the conducted assessment, management practices are reviewed and adjusted in terms of responses to risk.

- Under the **Corporate Risk Management Policy and Procedure** and the **Rules of the Corporate Risk and Compliance Committee**, the process of corporate risk management in the KGHM Polska Miedź S.A. Group is consistently performed.
- KGHM Polska Miedź S.A. oversees the process of managing corporate risk in the KGHM Polska Miedź S.A. Group, while in the companies of the KGHM Polska Miedź S.A. Group, documents regulating this area are consistent with those of the Parent Entity.
- The introduction of the aforementioned Policy and Procedure and approval of their updates is made at the level of the Management Board of KGHM Polska Miedź S.A. following recommendations by the Corporate Risk and Compliance Committee.
- Each year, the process of managing corporate risk is subjected to an efficiency audit compliant with the guidelines of "Best Practice for GPW Listed Companies 2021".
- Risk factors in various areas of the KGHM Polska Miedź S.A. Group's operations are continuously identified, assessed and analysed in terms of their possible limitation.
- Key risk factors in the KGHM Polska Miedź S.A. Group undergo **in-depth analysis in order to develop a Risk Response Plan and Corrective Actions.** Other risk factors undergo monitoring by the Department of Corporate Risk Management and Compliance, and in terms of financial risk by the division of the Executive Director for Financial Management.
- The reporting of key types of corporate risk of the KGHM Polska Miedź S.A. Group is performed cyclically to the Management Board of KGHM Polska Miedź S.A. and to the Audit Committee of the Supervisory Board of KGHM Polska Miedź S.A.

The Company publishes key documents concerning risk and risk management on its website in the section Risk management, while those of only an internal nature are published through internal IT systems available to employees. Publicly-available documents on the subject of corporate risk management may also be addressed to various external stakeholder groups in terms of establishing business relationships. Operational documents developed at individual stages of the risk management process are addressed to those persons who are directly engaged in carrying out this process within the KGHM Polska Miedź S.A. Group.

In order to unify the approach to the systematic identification, evaluation and analysis of the risk of a loss of compliance, defined as adherence to the requirements arising from existing regulations (external and internal) or from voluntarily-assumed legal obligations and standards (including ethical standards), a **Compliance Management Policy for the KGHM Polska Miedź S.A. Group together with a Procedure and Methodology for managing compliance in KGHM Polska Miedź S.A.** as adopted by the Management Board of KGHM Polska Miedź S.A. is in force in the Company. The process of managing compliance, which is connected with the process of managing corporate risk within the KGHM Group, is an important business tool for the prevention of events which could lead to the imposition of sanctions.

The Company keeps registers containing the applicable requirements resulting from identified external regulations determining the Company's regulatory situation within various aspects of its business, as well as ongoing monitoring of draft requirements located at various levels of the legislative process in areas of key importance for the Company. The identified external regulations are accompanied by a register of related internal regulations governing the Company's internal relations. The Company's approach enables systematic identification, assessment and analysis of the risk of loss of compliance or possible non-compliance with generally applicable law, internal corporate regulations and voluntarily adopted legal obligations and standards, including ethical norms, to ensure that the process produces a design and an implementation of measures ensuring compliance.

The foregoing is to ensure that the Company has current information on non-compliance, risk of non-compliance and their impact on the organisation, which ensures the creation and protection of shareholder value by establishing a consistent approach to ensuring compliance and avoiding non-compliance or non-compliance risk, as well as supports the achievement of business objectives by implementing tools to mitigate the risk of sanctions.

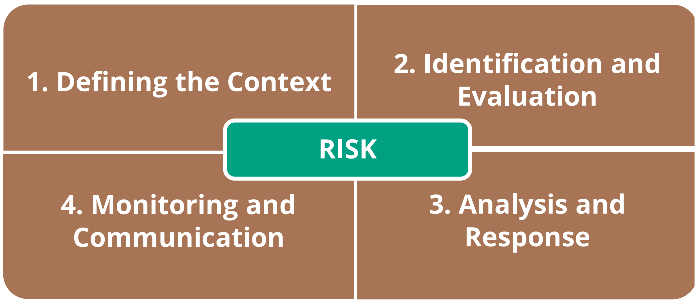
The compliance management process is also a valuable tool within the Company's broader management activities carried out **in the area of sustainable development**. The identification of external requirements creating obligations for the Company to maintain a sound approach to sustainability issues, including those relating to sustainability reporting standards, allows for understanding and adapting the Company's operations to the dynamic regulatory environment in this area.

The identification of the requirements related to the individual areas that make up the concept of ESG, i.e. environment, social responsibility and corporate governance, as well as the proper management of data acquired during various stages of the compliance management process, such as information on incidents, risk of non-compliance or discrepancies, are part of the Company's due diligence approach in conducting its business in accordance with the principles of sustainable development.

In the first half of 2024, the process of implementing a comprehensive business continuity management system was finalised, 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. This is expressed in the **Operational continuity management policy of KGHM Polska Miedź S.A. along with the Procedure and Methodology of managing compliance in KGHM Polska Miedź S.A.** The prepared documentation of the comprehensive business continuity management system sets forth the principles and requirements to build the robustness of KGHM as regards catastrophic events by sorting out and unifying the existing approach to management of the risk of loss of operational continuity of the core production business and preparing for unforeseen events.

The corporate risk management process adopted in the KGHM Polska Miedź S.A. Group is inspired by the solutions adopted by the ISO 31000:2018 standard, best practice in risk management and the specific nature of the KGHM Polska Miedź S.A. Group, and is comprised of the following steps:

Diagram 1. Corporate risk management process



STEP 1 **Defining the Context**	The first step in the process is comprised of three actions: defining the external context, the internal context and the risk management context. The external context is the environment in which the KGHM Polska Miedź S.A. Group advances its Strategy. Here the definition needs to update the understanding of the social, political, legal, regulatory, financial, economic and technological aspects of the environment which affect the activities. During this step also assessed, based on the results of scenario analysis, are the most important factors for transitioning to a low-emission economy and the paths of climate change and weather models, which are processed in subsequent steps of the process. During the process of defining the internal context, goals are analysed (strategic/business), changes in the organisational structure, new areas of activities, projects, etc. are planned and performed. The last part of this step is to define the risk management context, which comprises the setting or updating of goals, the scope, responsibilities and procedures and methodologies applied in the risk management process.

STEP 2 **Identification and Evaluation**	In this step of the process risks which could impact the achievement of goals at the level of the KGHM Polska Miedź S.A. Group are identified and evaluated. The main task in this step is to prepare a complete list of threats which could facilitate, impede, accelerate or delay the achievement of goals. Each identified risk is assigned to a category and a sub-category in the form of a Risk Model, which provides the KGHM Polska Miedź S.A. Group with a consistent risk taxonomy. The following input parameters, data sources and assumptions are used as part of the identification and evaluation: – results of the Context analysis, – Risk Model - a key tool in the context of ensuring that the list of risk types is completed, – the results of audits and other control tasks identifying potential new risk types in operational activities; – incidents that occurred in the past in connection with the identified risks, non-standard events that caused the risk to materialise and had an actual (loss or gain) or potentially positive or negative impact on the achievement of targets, – events that may result from the materialisation of risks and their potential consequences, – ESG Risk Factors to be taken as a starting point for quantifying risks and opportunities associated with sustainable development, – the approach of the most likely loss or gain rather than the greatest possible loss or gain when assessing risk. When identified, each corporate risk is subjected to assessment using the Risk Assessment Matrix, which provides scaled assessment ranges for the scale of impact, vulnerability and probability. A risk may have various effects, and therefore in order to ensure the broadest recognition of potential impact and the limitation of subjective evaluation, the following impact evaluation measures have been defined: – **finance** – impact of the effects of a given risk in its financial aspect by applying value ranges, – **strategy** – evaluation of the risk's impact on the ability to achieve strategic goals, – **reputation and stakeholders** – impact of the risk on the Company's reputation, trust in the brand, investor relations, relations with stakeholders, also including the context of the effectiveness of actions related to building a responsible business and sustainable development, – **health and safety** – direct impact on health and safety and human life, – **natural environment** – impact of the materialisation of risk on the natural environment, the functioning of the ecosystem and the time required to restore the disturbed balance, – **regulations and laws** – evaluation of the compliance of events with existing laws, with the need to participate in proceedings before bodies of public administration of a supervisory and regulatory nature as well as potential sanctions as a result of such proceedings, – **operational continuity** – evaluation of the impact of risk on interruptions to activities resulting in significant/irreversible effects and loss of access to information significant from the point of view of conducted activities. The results of the identification and evaluation of risk are presented in a graphic form, i.e. Risk Maps. These provide a profile of the given risk and support the process of identifying the key risk.
STEP 3 **Analysis and Response**	The goal of this step is to deepen knowledge and to understand the specific nature of the types of key risks identified in the previous step. Cause and effect analyses and a more substantive description of the means of dealing with risk are aimed at facilitating decision making on whether to maintain or eventually change current approach. The following input parameters, data sources and assumptions are used as part of this step for the purpose of determining the risk management methods: – results of the previous stages of the process, including the identified ESG Risk Factors, – a comprehensive approach that takes into account points of contact with other areas, outside the Risk Owner's area of competence, where the effects of risk materialisation may still be significant or even greater than in the Risk Owner's area, – an overview of the current approach to risk, – an analysis to identify potential gaps in the way risks are managed in order to determine the necessary Adaptation Measures. A directional decision is called a Response to risk. A change of the method requires specification of Corrective Actions, i.e. organisational, process, systemic and other changes aimed at reducing the level of key risks. During this step the applicable KRIs – *Key Risk Indicators* – are also defined, i.e. a set of business process parameters or environmental parameters which reflect changes to a given risk profile.
STEP 4 **Monitoring and Communication**	The goal of this step is to ensure that the adopted Risk Response Plan is effective (ad hoc and periodic reports), new risk categories are identified (updating of the Risk Registry), changes in the internal and external environments and their impact on activities are identified, and appropriate actions are taken in response to incidents (updating of information on Incidents). Effective, well-planned and properly executed risk monitoring enables flexible and quick reactions to the changes occurring in the external and internal environments (e.g. risk escalation, changes in the measures related to risk response, or risk assessment parameters, etc.). Realisation of this step guarantees that risk management in the KGHM Polska Miedź S.A. Group fulfils the expectations of the Management Board of KGHM Polska Miedź S.A., the Audit Committee of the Supervisory Board of KGHM Polska Miedź S.A. and other stakeholders by supplying reliable information about risk, continuous improvement and adaptation of the quality and effectiveness of Risk Response to the demands of the external and internal context.

Diagram 2. Organisational structure of risk management in KGHM Polska Miedź S.A

Supervisory Board (Audit Committee)					
Performs annual assessment of the effectiveness of the risk management process and monitors the level of risk and ways to address it.					
Management Board					
Has ultimate responsibility for the risk management system and supervision of its individual elements.					
1st line of defence	**2nd line of defence**				**3rd line of defence**
Management	**Risk Committees**				**Audit**
Managers are responsible for identifying, assessing and analysing risk and for the implementation, within their daily duties, of responses to risk. Managers are tasked with ongoing supervision over the application of appropriate responses to risk within the realised tasks, to ensure the expected level of risk is not exceeded.	Support the effectiveness of the risk management process.				The Internal Audit Plan is based on assessing risk and subordinated to business goals, the current level of risk and the degree of efficiency of its management is assessed.
	Corporate Risk and Compliance Committee	**Market Risk Committee**	**Credit Risk Committee**	**Financial Liquidity Committee**	
	Manages corporate risk and continuously monitors key risk	Manages risk of changes in metals prices (e.g.: copper and silver) as well as exchange and interest rates	Manages risk of failure of customers to meet their obligations	Manages risk of loss of liquidity, understood as the ability to pay liabilities on time as well as the ability to obtain financing for operations	
	Corporate Risk Management Policy *Compliance Management Policy* *Operational Continuity Management Policy*	*Market Risk Management Policy*	*Credit Risk Management Policy*	*Financial Liquidity Management Policy*	*Internal Audit Rules*
	Director of the Corporate Risk and Compliance Management Department	Executive Director for Financial Management			Executive Director for Audit
	Reports to the Management Board	***Reports to the Vice President of the Management Board (Finance)***			***Reports to the President of the Management Board***

8.2. Corporate risk – key risk factors and risk mitigation

A comprehensive approach to risk management is consistent across the KGHM Polska Miedź S.A. Group and it was designed in such a way as to support the building of a resistant corporate structure. Our comprehensive approach in this area is also reflected in the actions taken by KGHM in the reporting period in relation to **the ESG risks**, i.e. environmental, social and corporate governance issues.

The approach to ESG risk management is further described in The Management Board's Report on the activities of KGHM Polska Miedź S.A. and the KGHM Polska Miedź S.A. Group in 2023 in section 2.2.9 Approach to ESG risk management.

KGHM Polska Miedź S.A., as part of its risk management, **takes into account issues related to climate change** in accordance with best recognised practices and standards and distinguishes a category of climate risk, the significance of which is equivalent for the Company to the other categories of risk.

In The Management Board's Report on the activities of KGHM Polska Miedź S.A. and the KGHM Polska Miedź S.A. Group in 2023, in section 4.2 Climate impact management we describe in more detail our climate risk management strategy, which is one element of the Company's commitment to operational excellence and its mission to act in accordance with sustainable business principles.

The **Risk Model** is a tool used to identify risk in the KGHM Polska Miedź S.A. Group. Its structure is based on the sources of the risks and is divided into the following six categories: Technological, Value Chain, Market, External, Internal and Climate**.** Several dozen sub-categories have been identified and defined for each of these categories, covering particular areas of the operations or management. The KGHM Polska Miedź S.A. Group applies due diligence when undertaking actions aimed at minimising exposure to risk by lowering vulnerability to individual risk factors and reducing the probability of the materialisation of events which such factors could induce.

The KGHM Polska Miedź S.A. Group, as part of the improvement of the corporate risk management process, applies a **two-track approach** consisting not only of limitation of the risk and minimisation of its negative effects, but also in optimisation of the ability to take on risk and the effectiveness of the tools used and their profitability. The two-track approach is also **reflected in the assessment of dual materiality performed as part of the ESG risk analysis**, where both the materiality of KGHM's impact on people and the environment and financial materiality, understood as the impact of climate change and sustainable development issues on KGHM, are assessed.

Diagram 3. Risk categories in the Risk Model of KGHM Polska Miedź S.A. and their definitions

Technology

This category is associated with changes in competitiveness resulting from the application of industrial technology, IT, innovation management, protecting and/or managing intellectual property as well as the impact of investment projects involving productivity and technology quality, or change in the quality and efficiency of IT infrastructure affecting business units, support functions and infrastructure.

Value chain

This category is associated with changes in the operational efficiency of logistics and warehousing in the production process and in providing services, in managing sales, in managing waste and restoration as well as being correlated with the process of managing the supply chain, the availability of utilities and materials in the production process, changes in the evaluation and management of mineral deposit resources, or the advancement of research and exploration projects.

Market

This category is associated with changes in the value of assets, the level of liabilities or profit and loss resulting in a change in the sensitivity to interest rates, currencies, liquidity, inflation rates, customer insolvency, commodities prices, energy and property rights. This category also involves changes in the impact of demand and supply on the products of the KGHM Polska Miedź S.A. Group, the selection of appropriate tools to advance the marketing strategy, changes in expected rates of return on equity investments or the efficiency of transferring risk to the insurer.

External

This category is associated with the conditions involved in conducting activities resulting from changes in economic conditions, changes in laws and regulations (*compliance*), political decisions, changes in the natural environment as well as catastrophic natural events and force majeure. This category also comprises changes in market share or margins due to changes in the competitive environment or substitutes, the risk of the result of decisions in the courts or arbitration proceedings, the risk of unfavourable administrative decisions, changes in obligations, the designation of tax liabilities or their payment deadlines.

Internal

This category is associated with changes in an entity's activities affected by changes in its structure, organisation, procedures, processes or business model, as well as the risk of changes in corporate image of a company, its products or services, the effectiveness of principles of proceedings related with ethics and anti-corruption, company's interests, or safeguards against loss of confidentiality, integrity, availability and authenticity of informational assets.

Climate

This category is associated with climate-related risk (climate risk) and its impact on the KGHM Polska Miedź S.A. Group's business activities, comprising physical risk (violent and chronic) and risk associated with transitioning to a low-emission economy (regulatory, reputational, market and technological).

A detailed description of key risks of the KGHM Polska Miedź S.A. Group, risk mitigation actions and an identification of the specific risk for the Parent Entity and the KGHM INTERNATIONAL LTD. Group, was presented in the Management Board's Report on the activities of KGHM Polska Miedź S.A. and the KGHM Polska Miedź S.A. Group in 2023 in section 2.3 Risk management.

Information on the impact of the war in Ukraine on the functioning of the Group

The situation as regards the war in Ukraine did not have a substantial, direct impact on the activities of the Company and Group in the first half of 2024. Detailed information on its impact and the related risks was presented in note 5.6 of the condensed consolidated financial statements of the KGHM Polska Miedź S.A. Group for the first half of 2024 „Impact of the war in Ukraine on the Company's and Group's operations".

Market risk management

In terms of market risk management (in particular the risk of changes in metals prices and exchange rates) of greatest significance and impact on the results of the Group are the scale and nature of the activities of the Parent Entity and the mining companies of KGHM INTERNATIONAL LTD. The Parent Entity actively manages market risk, undertaking actions and decisions in this regard within the context of the global exposure throughout the KGHM Polska Miedź S.A. Group.

Commodity risk, currency risk	In the first half of 2024, the Group was mainly exposed to the risk of the changes in the prices of metals it sells: copper and silver. Of major significance for the Parent Entity was the risk of changes in exchange rates, in particular the USD/PLN exchange rate. The Group's companies are additionally exposed to the risk of volatility in the prices of other metals. Market risk related to changes in metals prices arises from the formula for setting prices in physical metals sales contracts, which are usually based on the average monthly market prices for the relevant future month. In accordance with the Market Risk Management Policy, in the first half of 2024 the Parent Entity continuously identified and measured market risk related to changes in metals prices, exchange rates and interest rates (analysis of the impact of market risk factors on the Parent Entity's activities – profit or loss, balance sheet, statement of cash flows), and also analysed the metals, currencies and interest rates markets. These analyses, along with assessment of the internal situation of the Parent Entity and the Group, represented the basis for taking decisions on the application of hedging strategies on the metals, currency and interest rates markets. Disclosures regarding the management of the risk of changes in metal prices and exchange rates in the first half of 2024 in the Parent Entity and in the Group are presented in note 4.4 of the condensed consolidated financial statements.
Interest rate risk	As at 30 June 2024, the balance of items exposed to interest rate risk by impacting the amount of interest income and costs was as follows: – cash and cash equivalents: PLN 2 432 million, – borrowings: PLN 3 683 million. As at 30 June 2024, the balance of items exposed to interest rate risk due to changes in the fair value of instruments with fixed interest rates was as follows: – receivables due to loans granted by the Group: PLN 21 million, – borrowings (i.e. bank and other loans drawn with fixed interest rates): PLN 1 730 million. In the first half of 2024, the Parent Entity did not implement any transactions hedging against the risk of changes in interest rates. As at 30 June 2024, it held open CIRS (*Cross Currency Interest Rate Swap*) transactions for the notional amount of PLN 1.6 billion, hedging both revenues from sales in terms of currency as well as in terms of the variable interest rate of the issued bonds.
Result on derivatives and hedging transactions	The total impact of derivatives and hedging instruments (transactions on the copper, silver, currency and interest rate markets as well as embedded derivatives and a loan in USD designated as a hedge against a change in the exchange rate) on the Group's profit or loss for the first half of 2024 amounted to PLN 251 million, of which: – PLN 284 million increased revenues from contracts with customers, – PLN 27 million decreased the result on other operating activities, – PLN 6 million decreased the result on financing activities. Moreover, in the first half of 2024, PLN 39 million of gains from the settlement of the bond interest rate hedging instrument (CIRS) was recognised in the statement of financial position – non-current assets. Meanwhile, other comprehensive income was decreased by PLN 327 million (impact of hedging instruments; decrease from PLN 628 million to PLN 301 million). As at 30 June 2024, the fair value of open transactions in derivatives of the Group (on the metals, currency and interest rate markets and in embedded derivatives) amounted to PLN 146 million.
Risk of changes in prices of energy and energy carriers	In terms of management of market risk arising from changes in energy and energy carriers, the scale and profile of operations of the Parent Entity have the greatest significance and impact on the results of the KGHM Polska Miedź S.A. Group. It represents a commodity risk for the Parent Entity, which is measured based on its impact on cash flows. Commodity price risk management for planned purchases of electricity and gaseous fuel involves managing the exposure to the risk of changes in the price of electricity and gaseous fuel over a time horizon of up to 36 consecutive months resulting from energy and gas purchase plans, less previously-concluded purchase contracts with delivery in future periods. Detailed disclosures regarding the risk of changes in energy and energy carrier prices in the first half of 2024 in the Parent Entity are presented in note 4.4 of the condensed consolidated financial statements.
Price risk related to changes in the share prices of listed companies	Price risk related to the shares of listed companies held by the Group is understood as the change in their fair value due to changes in their quoted share prices. As at 30 June 2024, the carrying amount of shares of companies listed on the Warsaw Stock Exchange and on the TSX Venture Exchange amounted to PLN 742 million.

Credit risk management

Credit risk is defined as the risk that counterparties will not be able to meet their contractual liabilities.

The Management Board is responsible for credit risk management in the Parent Entity and for compliance with policy in this regard. The main body involved in actions in this area is the Credit Risk Committee.

In the first half of 2024, the KGHM Polska Miedź S.A. Group was exposed to credit risk mainly in four areas.

Credit risk related to trade receivables	To reduce the risk of insolvency by its customers, the Parent Entity has a receivables insurance contract which covers receivables from entities with buyer's credit which have not provided strong collateral or have provided collateral which does not cover the total amount of the receivables. Taking into account the collaterals held and the credit limits granted by the insurance company, as at 30 June 2024 the Parent Entity had secured 81% of its trade receivables (as at 31 December 2023, 56%).
Credit risk related to cash and cash equivalents and bank deposits	The Group allocates periodically free cash in accordance with the requirements to maintain financial liquidity and limit risk and in order to protect capital and maximise interest income. Credit risk related to deposit transactions is continuously monitored by the review of the credit ratings of financial institutions with which the Group cooperates, and by limitation of the level of concentration in individual institutions. As at 30 June 2024, the maximum share of a single entity in terms of credit risk arising from funds of the Group deposited in financial institutions amounted to 35% (as at 31 December 2023, 35%).
Credit risk related to derivatives transactions	All of the entities with which the Group enters into derivatives transactions (with the exception of embedded derivatives) operate in the financial sector. These are mainly financial institutions with a medium-high rating. According to fair value as at 30 June 2024, the maximum share of a single entity with respect to credit risk arising from open derivative transactions entered into by the Group and from net receivables due to settled derivatives amounted to 22% (as at 31 December 2023, 24%). Due to diversification of risk in terms both of the nature and of their geographical location of risk, as well as taking into consideration the ongoing monitoring of the rating of financial institutions with which it cooperates, the Group is not materially exposed to credit risk as a result of the derivative transactions entered into.
Credit risk related to loans granted	As at 30 June 2024, the balance of loans granted by the Parent Entity amounted to PLN 10 676 million. The most important positions are long-term loans in the total amount of PLN 10 338 million granted to the company Future 1 sp. z o.o. and to the KGHM INTERNATIONAL LTD. Group. As at 30 June 2024, the balance of loans granted by the Group amounted to PLN 9 183 million. The most important of these are short-term and long-term loans in the total amount of PLN 9 162 million, i.e. USD 2 272 million, granted by the KGHM INTERNATIONAL LTD. Group for the financing of a mining joint venture in Chile. The loans granted in connection with the financing of a mining joint venture in Chile are subordinated to liabilities due to a loan in the amount of up to USD 700 million received by Sierra Gorda S.C.M. from Bank Gospodarstwa Krajowego. In order to guarantee the subordinating of owner loans to the debt granted by the Bank, a Subordination Agreement was entered into. Under this Agreement, there exists the possibility to repay the owner loans by the joint venture Sierra Gorda S.C.M., which is contingent on the acceptance of the Bank following the fulfilment of strictly-defined parameters in the Subordination Agreement. Credit risk related to the loans granted to the joint venture Sierra Gorda S.C.M. is dependent on the risk related to mine project advancement and is assessed by the Management Board of the Parent Entity as moderate.

Financial liquidity risk and capital management

Important information regarding financial liquidity risk and capital management is presented in part 4 of the condensed consolidated financial statements.

9. OTHER INFORMATION

9.1. Factors which, in the issuer's opinion, will impact its results over at least the following quarter

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

- the ongoing war in Ukraine and the system of economic sanctions and their potential impact on interruptions in the supply chain and the availability of materials and components, fuels and energy on international markets,
- escalation of the conflict in the Middle East and its potential impact on destabilisation of global economies, among others due to increases in prices, decreases in supply or interruptions in oil supplies,
- volatility in crude oil prices related with supply volatility arising from prolongation of the period of restrictions imposed on crude oil extraction by some of the member countries of OPEC, with a simultaneous increase in extraction by non-OPEC countries,
- continuation of the slow rate of growth of global economies,
- volatility in copper and silver prices on the metals markets,
- 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 consumed purchased copper-bearing materials and volatility in prices of energy carriers and electricity,
- the effects of the implemented hedging policy,

- the speed and impact of the phase-out of anti-inflation shields, leading to volatility in prices of materials and services, wage pressures,
- changes in the monetary policies of central banks and changes in interest rates, and
- the general uncertainty on financial markets, among others due to the presidential elections in the USA planned for 5 November 2024.

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

- similarly as in the case of the Parent Entity, the ongoing war in Ukraine and escalation of the conflict in the Middle East and its potential impact on business continuity disruptions or restrictions of activities,
- volatility in crude oil prices related with supply volatility arising from prolongation of the period of restrictions imposed on crude oil extraction by some of the member countries of OPEC, with a simultaneous increase in extraction by non-OPEC countries,
- continuation of the slow rate of growth of global economies,
- volatility in the level of extraction and metal recovery,
- volatility in copper, silver and gold prices,
- volatility in the CLP/USD and USD/PLN exchange rates,
- volatility in the cost of mined copper production,
- an increase in the prices of materials and services, wage pressures, and
- the general uncertainty on financial markets, among others due to the presidential elections in the USA planned for 5 November 2024.

The above may affect the results of the Group in subsequent quarters. However, it is not possible to present quantitative estimates of the potential impact of current conditions on the results of the Group. To date, there has not yet been recorded a substantial negative impact of the aforementioned factors on the continuity of production of the Core Business, on sales or on the continuity of the supply chain for materials and services.

The Parent Entity continues to monitor the global economic situation, in order to assess its potentially negative impact on the KGHM Polska Miedź S.A. Group and to undertake pre-emptive actions to mitigate this impact.

On the other hand, expectations are evident in terms of the rise in long-term metals prices, which could potentially have an impact on the future valuation of the assets.

9.2. Position of the Management Board with respect to the possibility of achieving previously published forecasts of results

KGHM Polska Miedź S.A. does not publish forecasts of financial results.

9.3. Significant contracts for the Group [15]

In the first half of 2024, and up to the date of preparation of this report, the following contracts significant for the activities of the Parent Entity and the Group were entered into:

Unsecured revolving credit agreement with Bank Gospodarstwa Krajowego	On 23 February 2024 an Agreement was entered into with Bank Gospodarstwa Krajowego for an unsecured revolving credit in the amount of USD 450 million for a financing period of up to 60 months, with an option to extend it by a subsequent 24 months. Pursuant to the terms of the Agreement, the credit may be drawn in USD. The financial resources acquired from the credit will be used to finance general corporate purposes. Interest on the credit was set based on SOFR plus a margin, depending on the level of the financial ratio of net debt/EBITDA. Other credit terms are standard terms for these types of transactions. The aforementioned Agreement replaces the credit agreement with Bank Gospodarstwa Krajowego from 2019, which was announced by the Company in a regulatory filing dated 25 February 2019.

[15] Value of contracts based on metals prices and exchange rates estimated as at the date of signing of a given contract

Bond issuance agreement	On 29 May 2024 a bond issuance agreement was entered into, on the basis of which a bond issuance program up to the amount of PLN 4 billion was established. The parties to the Agreement are KGHM Polska Miedź S.A. as Issuer, and Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna, Bank Polska Kasa Opieki Spółka Akcyjna and Santander Bank Polska Spółka Akcyjna as Organisers and Dealers. Based on the aforementioned Agreement and on the results of the book-building process concluded on 14 June 2024, the Management Board adopted a resolution on the issuance of series C bonds on the Polish market under the bonds issuance Program, up to the maximum amount of PLN 4 billion under the following terms: – total nominal value of the issued bonds: PLN 1 billion, – nominal value of one bond: PLN 1 000, – issuance price of one bond: equal to the nominal value of a bond, – issuance date: 26 June 2024, – Bond redemption date: 26 June 2031, – Bonds interest rate: WIBOR 6M + a Margin of 125 b.p. per annum, – the bonds are unsecured ordinary bearer bonds, – the bonds were registered in the securities depository operated by KDPW (Krajowy Depozyt Papierów Wartościowych S.A., or the National Depository for Securities), – the purpose of the issuance, within the meaning of art. 32 sec. 1 of the Act on bonds of 15 January 2015, was not defined.
Sales contract with the Prysmian S.p.A. Group	On 11 January 2024, a long-term sales contract was signed with one of the largest customers of copper wire rod – the Prysmian S.p.A. Group. The minimum value of the contract is estimated at USD 1.73 billion (PLN 6.88 billion), while the maximum value at USD 2.46 billion (PLN 9.77 billion). The contract is a continuation of a long-standing cooperation with the Prysmian Group.

9.4. Information on transactions entered into between related parties, under other than arm's length conditions

The KGHM Polska Miedź S.A. Group has implemented a variety of internal rules and regulations regulating the principles under which contracts between the Group's entities may be entered into, including:

- The Organisational Regulation of the Vice President of the Management Board (Finance) of KGHM Polska Miedź S.A. regarding the introduction in the organisational units of KGHM Polska Miedź S.A. of rules for setting transaction prices and procedures for preparing taxation documentation, and setting rules for the cooperation of KGHM Polska Miedź S.A. with the companies of the Group,
- The Principles of Financial Management and Economic System of KGHM Polska Miedź S.A., and
- The Procurement Policy of the KGHM Polska Miedź S.A. Group.

Acting in compliance with the aforementioned rules and regulations, during the first half of 2024 neither the Parent Entity nor its subsidiaries entered into significant transactions with related parties under other than arm's length conditions.

9.5. Human resources in the Company and Group

KGHM Polska Miedź S.A.

Employment in KGHM Polska Miedź S.A. in the first half of 2024 was at the level of the first half of the prior year.

Employment as at 30 June 2024 amounted to 18 836 people, and was 0.2% lower than the level of employment at the end of the corresponding period of the prior year.

Average employment in the first half of 2024 amounted to 18 842 and was slightly higher than the level of employment in the first half of the prior year i.e. by 8 persons.

Table 35. Average employment in KGHM Polska Miedź S.A.

	1st half 2024	*1st half 2023*	*Change (%)*
Mines	12 629	12 632	(0.0)
Metallurgical plants	3 623	3 615	+0.2
Other divisions	2 590	2 587	+0.1
KGHM Polska Miedź S.A.	**18 842**	**18 834**	**+0.0**

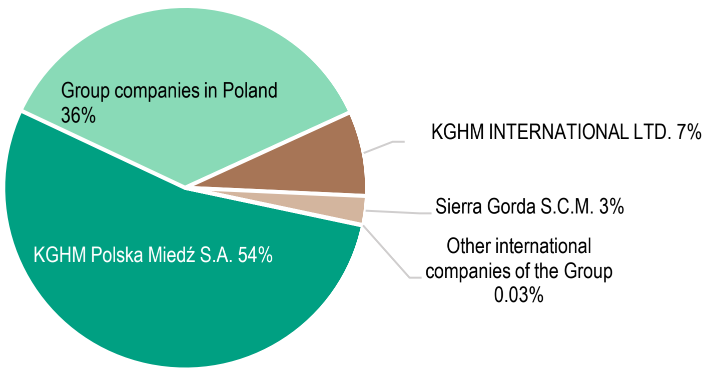
Group

In the first half of 2024, 35 108 people were employed in the Group, or an increase as compared to the first half of 2023 by 2%. The employment structure is shown below:

Table 36. Average employment in the Group

	1st half 2024	*1st half 2023*	*Change (%)*
KGHM Polska Miedź S.A.	18 842	18 834	+0.0
Companies of the KGHM Group in Poland	12 695	12 502	+1.5
KGHM INTERNATIONAL LTD.	2 655	2 273	+16.8
Sierra Gorda S.C.M.[16]	906	853	+6.2
Other international companies of the KGHM Group	10	9	+11.1
Total	**35 108**	**34 471**	**+1.8**

Chart 17. Employment structure in the Group in the first half of 2024[17]



Companies in Poland

In the first half of 2024, as compared to the first half of 2023, average employment in the companies of the KGHM Polska Miedź S.A. Group in Poland increased by 193 positions (i.e. by 2%). This increase was mainly in blue collar positions.

Companies abroad

In the reporting period, average employment in the companies of the KGHM INTERNATIONAL LTD. Group increased as compared to the first half of 2023 by 382 positions (i.e. by 17%). Changes in employment in the international companies were mainly related with the execution of contracts by entities acting under the DMC Mining Services brand, which employs additional staff as needed to advance a given contract. In other companies of the KGHM INTERNATIONAL LTD. Group there was a slight increase in employment, i.e. on average by 25 positions.

In the first half of 2024, as compared to the first half of 2023, average employment in Sierra Gorda S.C.M. increased by 53 positions (i.e. by 6%). Changes in the level of employment in both blue-collar and white-collar positions was due to the realisation of new development and optimisation programs, as well as the need to maintain an appropriate level of employment for the current operations.

[16] Sierra Gorda S.C.M. – employment proportional to share in the company (55%)

[17] Sierra Gorda S.C.M. – employment proportional to share in the company (55%)

9.6. Litigation and claims

List of significant proceedings before courts, arbitration authorities or public administration authorities respecting the payables and receivables of KGHM Polska Miedź S.A. and its subsidiaries

Proceedings regarding royalties for use of invention project no. 1/97/KGHM called "Method for increasing the production capacity of the electrorefining sections of the Metallurgical Plants"	In the claim dated 26 September 2007, Plaintiffs (14 natural persons) filed a claim against KGHM Polska Miedź S.A. with the Regional Court in Legnica for the payment of royalties for the use by the Company of invention project no. 1/97/KGHM called „Sposób zwiększenia zdolności produkcyjnej wydziałów elektrorafinacji Huty Miedzi" (Method for increasing the production capacity of the electrorefining sections of the Metallurgical Plants) for the 8th calculation period, together with interest due. The amount of the claim (principal amount) was set by the Plaintiffs in the claim in the amount of approx. PLN 42 million (principal amount without interest and court costs), interest as of 31 March 2019 amounted to approx. PLN 55 million. On 21 January 2008, in the response to the claim, KGHM Polska Miedź S.A. requested the dismissal of the claim in its entirety and filed a counter claim for the repayment of undue royalties paid for the 6th and 7th year of application of invention project no. 1/97/KGHM, together with interest due, also invoking the right of mutual set-off of claims. The amount of the claim (principal amount) in the counter claim was set by the Company in the amount of approx. PLN 25 million. In a judgement dated 25 September 2018, the Regional Court in Legnica dismissed the counter claim and partially upheld the principal claim to the total amount of approx. PLN 24 million, and at the same time ordered the payment of interest in the amount of approx. PLN 30 million, totalling to PLN 54 million. Both parties to the proceedings appealed against this judgement. In a judgement dated 12 June 2019, the Court of Appeal in Wrocław dismissed the appeals of both sides, altering the judgement of the court of first instance solely in the matter of the resolution of court costs from the hearings at the court of first instance and charging them to KGHM Polska Miedź S.A. The judgement is binding and was executed by KGHM on 18-19 June 2019. KGHM Polska Miedź S.A. filed a cassation appeal against the judgement of the court of second instance, i.e. with respect to the partially upheld principal claim in the amount of approx. PLN 24 million as well as with respect to the dismissed counter-claim in the amount of approx. PLN 25 million. The plaintiffs did not file a cassation appeal. The cassation appeal of KGHM was accepted for examination. In a judgement dated 24 November 2022 the Supreme Court overturned the disputed judgement and ordered the case to be reheard. The case is pending before the Court of Appeal in Wrocław. The case files were forwarded to the Court of Appeal in Wrocław and registered under the new reference number I ACa 52/23. In view of the fulfilment of the obligation - no basis for creating a provision exist. By letters dated 28 April and 4 May 2023 and additionally by a letter dated 25 May 2023, the Plaintiffs submitted a response to the restitution request contained in the preparatory letter of KGHM Polska Miedź S.A. dated 4 May 2023, to which the declarations of the Plaintiffs on the disposal of cash obtained from the payment of receivables adjudicated by court judgements of the first and second instance were attached. By letter dated 13 June 2023. KGHM Polska Miedź S.A. requested the return of the reply to the application for restitution filed without the required order of the presiding judge or to be allowed to file a preparatory pleading as a reply to the application, which in turn was opposed by the Plaintiffs by a pleading dated 30 June 2023. By a ruling dated 27 October 2023, the Court of Appeal in Wrocław decided to request the Supreme Court to interpret the judgement dated 24 November 2022 (file ref. III PSKP 10/22) regarding the scope of the revocation of the judgement of the Court of Appeal dated 12 June 2019 (file ref. I ACa 547/18) by indicating whether the revocation includes in paragraph II of the Court of Appeal's judgement only the ruling to the extent of dismissing the defendant's (counterclaimant's) appeal. On 17 November 2023, the lead Plaintiffs' application to reassess this order was dismissed. On 4 January 2024 the case files were forwarded to the Supreme Court and were returned on 23 February 2024. By a judgement dated 6 February 2024 the Supreme Court explained that the judgement dated 24 November 2022 of the Supreme Court in the case of III PSKP 10/22 should be interpreted as meaning that the judgement dated 12 June 2019 of the Court of Appeal in Wrocław with file ref. I ACa 205/19 was revoked in that part contested by the defendant, and to that extent the case was ordered to be reheard. By a ruling dated 19 March 2024, the Court of Appeal set a date for the appeal hearing at 8 May 2024, which in the hearing on this date adjourned without setting a new date due to the failure to previously inform of a change in the composition of the court hearing the case and the need for the parties to take current stances, including in particular as regards the Company's application for restitution, in preparatory letters (subsequently submitted, respectively, in May and June 2024). In accordance with the Company's position, the Plaintiffs' claim should be dismissed in its entirety and the counter claim is justified. The Company in this regard paid the authors of the project royalties for a longer period of application of the project than anticipated in the initial contract entered into by the parties on advancing the invention project, based on an annex to the contract, extending the period of payment of royalties, whose validity is questioned by the Company. Moreover, the Company is questioning the rationalisation nature of the solutions, as well as whether they were in fact used in their entirety, and also their completeness and suitability for use in the form supplied by the Plaintiffs as well as the means of calculating the economic effects of this solution, which were the basis for paying the royalties. The argumentation of KGHM Polska Miedź S.A. is additionally supported by the wording of the judgement of the Supreme Court dated 24 November 2022, which indicates the lack of cause to enter into an annex enabling the payment of additional remuneration to the Plaintiffs.

9.7. Shareholders and the capital market

Shareholder structure of KGHM Polska Miedź S.A.

As at 30 June 2024, the share capital of the Company, in accordance with the entry in the National Court Register, amounted to PLN 2 000 million and was divided into 200 million shares, series A, having a face value of PLN 10 each. All shares are bearer shares. Each share grants the right to one vote at the general meeting. The Company has not issued preference shares.

In the first half of 2024, there was no change in either registered share capital or in the number of outstanding shares issued. During this same period there was no change in the ownership structure of significant blocks of shares of KGHM Polska Miedź S.A.

The Company's shareholder structure as at 30 June 2024 and at the date this report was prepared, established on the basis of notifications received by the Company pursuant to art. 69 of the Act on public offerings and conditions governing the introduction of financial instruments to organised trading, and on public companies, was as follows:

Table 37. Shareholder structure of the Company as at the date this report was prepared

Shareholder	*number of shares/votes*	*total nominal value of shares (PLN)*	*percentage held in share capital/total number of votes*
State Treasury [18]	63 589 900	635 899 000	31.79%
Allianz Polska Otwarty Fundusz Emerytalny[19]	11 961 453	119 614 530	5.98%
Nationale-Nederlanden Otwarty Fundusz Emerytalny[20]	10 104 354	101 043 540	5.05%
Other shareholders	114 344 293	1 143 442 930	57.18%
Total	**200 000 000**	**2 000 000 000**	**100.00%**

As far as the Company is aware, the shareholder structure of KGHM Polska Miedź S.A. did not change since the publication of the consolidated report for the first quarter of 2024.

Other shareholders, whose combined interest in the share capital and in the total number of votes amounts to 57.18%, are mainly institutional investors, both international and domestic.

According to information held by KGHM Polska Miedź S.A., as at the date of preparation of this report none of the members of the Company's Management Board or Supervisory Board held shares of KGHM Polska Miedź S.A. or rights to them. There was no change in this situation since the date of publication of the consolidated report for the first quarter of 2024.

The Company does not hold any treasury shares. The Management Board of the Company is unaware of any agreements which could result in changes in the proportion of shares held by present shareholders in the future.

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

KGHM Polska Miedź S.A. debuted on the Warsaw Stock Exchange (WSE) in July 1997. The Company's shares are traded on the primary market of the WSE in the continuous trading system and are a component of the WIG, WIG20 and WIG30 main indices as well as the WIG–ESG index, comprising listed companies which adhere to the principles of corporate social responsibility. The Company is also a component of the WIG-MINING index. Moreover, KGHM Polska Miedź S.A. is a component company of the FTSE4Good Index Series. The FTSE4Good Index Series is part of the group of ethical investment indicators, reflecting criteria of corporate social responsibility and ESG risk management.

The Company's shares in the first half of 2024

In the first half of 2024, the share price of KGHM Polska Miedź S.A. rose by 22.5% and at the close of trading on 28 June 2024 amounted to PLN 150.35. During the same period the price of copper – the Company's main product – increased by 11.8%, alongside an increase in the average USD/PLN exchange rate by 2.5%. At the same time the following WSE indices recorded growth: the WIG index by 12.9%, the WIG20 index by 9.3%, and the WIG30 index by 10.0%. Meanwhile, the FTSE 350 mining index – comprised of companies from the mining sector listed on the London Stock Exchange – rose by 4.8%.

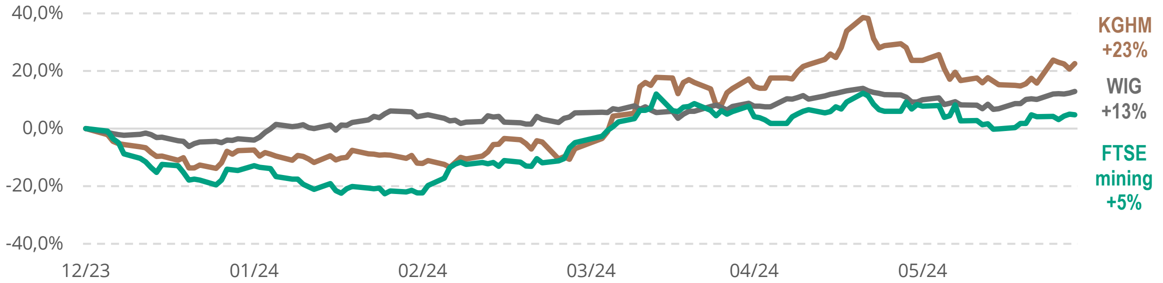
[18] based on a notification received by the Company dated 12 January 2010

[19] based on a notification received by the Company dated 16 May 2023

[20] based on a notification received by the Company dated 18 August 2016

The Company's shares reached their maximum half-year closing price of PLN 170.00 on 20 May 2024. The minimum closing price of PLN 105.75 was recorded on 22 January 2024.

Chart 18. Share price of KGHM Polska Miedź S.A. versus the WIG index and FTSE 350 mining index (percentage change)



Source: Own work, Bloomberg

Key share price data of KGHM Polska Miedź S.A. on the Warsaw Stock Exchange are presented in the following table.

Table 38. Key share price data of the Company on the Warsaw Stock Exchange

Symbol: KGH, ISIN: PLKGHM000017	*Unit*	*1st half 2024*	*1st half 2023*	*2023*
Number of shares issued	million	200	200	200
Market capitalisation of the Company at period's end	PLN bn	30.1	22.5	24.5
Average trading volume per session	shares	751 125	643 630	591 229
Change in share price in the period	%	22.5	-11.3	-3.2
Highest closing price in the period	PLN	170.0	153.80	153.8
Lowest closing price in the period	PLN	105.75	104.60	104.6
Closing price from the last day of trading in the period	PLN	150.35	112.40	122.70

Source: KGHM Polska Miedź S.A., statistical bulletin of the WSE for 2023 and the first half 2024, Bloomberg

Payout of a dividend in 2024

In accordance with Resolution No. 7/2024 of the Ordinary General Meeting of KGHM Polska Miedź S.A. dated 7 June 2024 regarding the payout of a dividend from prior years' profit as well as the setting of the dividend date and the dividend payment date, it was decided to pay out a dividend to shareholders for the year 2023 in the amount of PLN 300 million (1.50 PLN/share) from prior years' profit of the Company.

The Ordinary General Meeting of KGHM Polska Miedź S.A. set the dividend date at 28 June 2024, and the dividend payment date at 16 July 2024.

9.8. Organisational changes in the Group

Companies in Poland

In the first half of 2024, the group of companies in Poland increased by 3 special purpose companies, which are operators of solar power farms, i.e.: INVEST PV40 Sp. z o.o., INVEST PV58 Sp. z o.o., INVEST PV59 Sp. z o.o. Together with the company INVEST PV7 Sp. z o.o. acquired in 2023, these four new entities are advancing the strategy of energy transformation in KGHM Polska Miedź S.A.

Other equity investments in the group of companies in Poland, carried out in the first half of 2024, concerned the acquisition of shares in the increased share capital of several direct and indirect subsidiaries. Detailed information is provided below.

Table 39. Equity investments of KGHM Polska Miedź S.A.

Acquisition of 100% of the shares of companies: **INVEST PV40 Sp. z o.o.** **INVEST PV58 Sp. z o.o.** **INVEST PV59 Sp. z o.o.**	On 29 February 2024, KGHM Polska Miedź S.A. acquired 100% of the shares of three companies, i.e. INVEST PV 40 Sp. z o.o., INVEST PV 58 Sp. z o.o. and INVEST PV 59 Sp. z o.o., which are operators of photovoltaic farms, respectively - PV Głogów 1, PV Głogów 2 with a total power of 10 MW, located in the Głogów municipality, Lower Silesia Voivodeship; PV Gniewino 1 and PV Gniewino 2 with a total capacity of 14 MW, located in the Gniewino municipality, Pomerania Voivodeship; and PV Koryta I, PV Koryta II and PV Koryta III with a total capacity of 17.9 MW, located in the Daszyna municipality, Łódź Voivodeship. The value of the transactions amounted to PLN 215 million (PLN 141 million paid in 2023, PLN 74 million paid in the current reporting period), of which PLN 41 million was a payment for the acquisition of shares, while PLN 174 million concerned subrogation of liabilities (owner loans). Following the end of the reporting period, the final acquisition price of shares was determined to amount to PLN 31 million. The transaction's value included the working capital of companies in the amount of PLN 19 million. The total value of shares (enterprise value) for the three aforementioned companies amounted to PLN 186 million. The transaction price for the shares in the aforementioned three companies amounted to PLN 185.7 million (debt free, cash free). The above transactions represented a continuation of the preliminary contingent agreement entered into on 12 September 2023 between KGHM Polska Miedź S.A. and Projekt Solartechnik Fund Fundusz Inwestycyjny Zamknięty for the purchase of shares in four special purpose companies owning photovoltaic farms with a total capacity of approximately 47 MW, located in the Lower Silesia, Łódź, Pomerania and Greater Poland voivodeships. On 10 October 2023, KGHM Polska Miedź S.A. acquired 100% of the shares in

	the first company, INVEST PV7 sp. z o.o., which is the operator of the 5.2 MW PV Żuki photovoltaic farm located in the Turek municipality in the Greater Poland voivodeship. The aforementioned transactions represent the first step on the road to advancing the energy transformation strategy. It is a step towards diversification of sources and the gaining of independence by the Parent Entity from the market volatility of energy prices.
Acquisition of shares of PMT Linie Kolejowe Sp. z o.o.	On 19 January 2024, the Extraordinary Shareholders Meeting of the company adopted a resolution on an increase in the company's share capital by PLN 70.2 million. All of the newly-issued shares in the increased share capital were acquired by KGHM Polska Miedź S.A. and were paid for entirely in cash on 31 January 2024. The company's share capital following the increase amounts to PLN 104.7 million. The increase was registered by the National Court Register on 12 April 2024. The funds acquired from the increase in share capital will be used to advance the investment objective called "Modernisation of Railway Infrastructure". This is the second of four instalments planned to be transferred by KGHM Polska Miedź S.A. to the company as an increase in share capital, to be used for the acquisition of property, plant and equipment to achieve the aforementioned investment objective. The first instalment in the amount of PLN 17.2 million was transferred in July 2023. KGHM Polska Miedź S.A. owns 100% of the company's shares.

In terms of indirect subsidiaries in Poland, Polska Grupa Uzdrowisk sp. z o.o. (hereafter: PGU), in which KGHM Polska Miedź S.A. holds 100% of the shares, acquired shares in the increased share capital of subsidiaries – companies in the spa sector, with the funds to be used to advance investments. The source of financing of the increases in capital were funds transferred by KGHM Polska Miedź S.A. to the share capital of PGU in 2022.

Table 40. Equity investments in an indirect subsidiary - Polska Grupa Uzdrowisk sp. z o.o.

Acquisition of newly-issued shares of Uzdrowisko Świeradów - Czerniawa Sp. z o.o. – Grupa PGU	On 25 January and 22 March 2024, PGU acquired a total of 303 newly-issued shares in the increased share capital of the company for a total amount of PLN 0,6 million. The increases in share capital was made in December 2023, by the issuance of 307 new shares with a total nominal value of PLN 0.2 million. The increase in share capital was registered by the National Court Register on 18 April 2024. Following the increase, the company's share capital amounts to PLN 7.8 million. As a result of the above, the share of PGU in the company fell from 99.48% to 99.46%. The small decrease in the interest held results from the acquisition of shares by minority shareholders, who are former and current employees of the company.
Acquisition of newly-issued shares of Uzdrowisko Cieplice Sp. z o.o. – Grupa PGU	On 25 January and 4 March 2024, PGU acquired a total of 53 758 newly-issued shares in the increased share capital of the company for a total amount of PLN 8.9 million. The increase in share capital was made in December 2023, by the issuance of 53 799 new shares with a total nominal value of PLN 2.7 million. The increase in capital was registered by the National Court Register on 17 April 2024. Following the increase, the company's share capital amounts to PLN 10.6 million. As a result of the above, the share of PGU in the company rose from 98.85% to 99.12%.
Acquisition of newly-issued shares of Uzdrowisko Połczyn Grupa PGU S.A.	On 16 February 2024, the company's Extraordinary General Meeting adopted a resolution on an increase in the company's share capital by PLN 6.9 million. All of the newly-issued shares in the increased share capital were acquired by Polska Grupa Uzdrowisk sp. z o.o., which paid for them on 8 March 2024 by a cash contribution at the issue value equivalent to PLN 12 million. Following the increase, the company's share capital amounts to PLN 25.7 million. The increase was registered by the court on 26 March 2024. Polska Grupa Uzdrowisk sp. z o.o. is the sole shareholder of the company.
Acquisition of newly-issued shares of Uzdrowiska Kłodzkie S.A. – Grupa PGU	On 16 February 2024 the company's Extraordinary General Meeting adopted a resolution on an increase in the company's share capital by PLN 8.2 million. All of the newly-issued shares in the increased share capital were acquired by PGU, which paid for them on 28 February 2024 by a cash contribution at the issue value equivalent to PLN 17.6 million. Following the increase, the company's share capital amounts to PLN 55.9 million. The increase was registered by the National Court Register on 20 March 2024. Polska Grupa Uzdrowisk sp. z o.o. is the sole shareholder of the company.

Other changes

By a court ruling dated 20 May 2024, the bankruptcy of the company NANO CARBON Sp. z o.o. in liquidation (a jointly-controlled entity, in which the subsidiary Polska Grupa Uzdrowisk sp. z o.o. directly holds 49% of the share capital) was announced.

International companies

Table 41. Equity investments in the international assets

Acquisition of newly-issued shares of KGHM Ajax Mining Inc. with its registered head office in Canada	On 13 February 2024 KGHM INTERNATIONAL LTD. and Abacus Mining & Exploration Corporation (the partner in the joint venture), increased the share capital of the company KGHM Ajax Mining Inc. by CAD 1 400 000, proportionally to their share in the share capital of the company (i.e. KGHM INTERNATIONAL LTD. 80%; Abacus Mining & Exploration Corporation 20%), acquiring in exchange 112 shares - KGHM INTERNATIONAL LTD. and 28 shares - Abacus Mining & Exploration Corporation, i.e. altogether 140 newly-issued shares in the share capital of KGHM Ajax Mining Inc.). KGHM Ajax Mining Inc. is engaged in the construction of an open-pit copper and gold mine project in Canada (Ajax project). Currently the project is in care & maintenance status. Pursuant to the agreement between the partners regarding financing of the Ajax project, the amount of the share of Abacus Mining & Exploration Corporation in increasing the share capital was financed by KGHM INTERNATIONAL LTD. in the form of a loan granted to Abacus Mining & Exploration Corporation.

Table 42. Loans granted to the international companies

Loans granted to the subsidiary KGHM INTERNATIONAL LTD.	On 12 February 2024 KGHM Polska Miedź S.A. granted a loan to the subsidiary KGHM INTERNATIONAL LTD. in the amount of USD 30.6 million (PLN 122.9 million, per the exchange rate from 15 February 2024: 4.0189 USD/PLN), to be used to repay loans to the company Robinson Holdings (USA) Ltd. and the further distribution of funds in the form of loans repaid to Robinson Nevada Mining Company to finance the purchase of mining machinery in the first half of 2024. Interest on the loan was set under market conditions. The agreement was entered into with maturity to 31 August 2029. On 22 May 2024 KGHM Polska Miedź S.A. granted a loan to the subsidiary KGHM INTERNATIONAL LTD. in the amount of USD 17.5 million (PLN 68.7 million, per the exchange rate from 22 May 2024: 3.9243 USD/PLN), to be used to repay loans to Robinson Holdings (USA) Ltd. and the further distribution of funds in the form of loans repaid to Robinson Nevada Mining Company to finance the purchase of machinery in order to independently conduct work at the TSF of the Robinson mine. Interest on the loan was set under market conditions. The agreement was entered into with maturity to 30 September 2029.

Other changes

In the first half of 2024, in the group of international companies, the process commenced of the liquidation of one entity. Since 1 May 2024 the process of the liquidation of KGHM Kupfer AG. has proceeded, the current name of which is KGHM Kupfer AG i.L.

Entities subject to consolidation

As at 30 June 2024, the Group was composed of the Parent Entity – KGHM Polska Miedź S.A. – and 40 direct and indirect subsidiaries consolidated using the simultaneous method, as well as the KGHM INTERNATIONAL LTD. Group consolidated by including its consolidated financial statements in the financial statements at the highest level of Group consolidation. Altogether, 67 entities (including KGHM Polska Miedź S.A.) are consolidated.

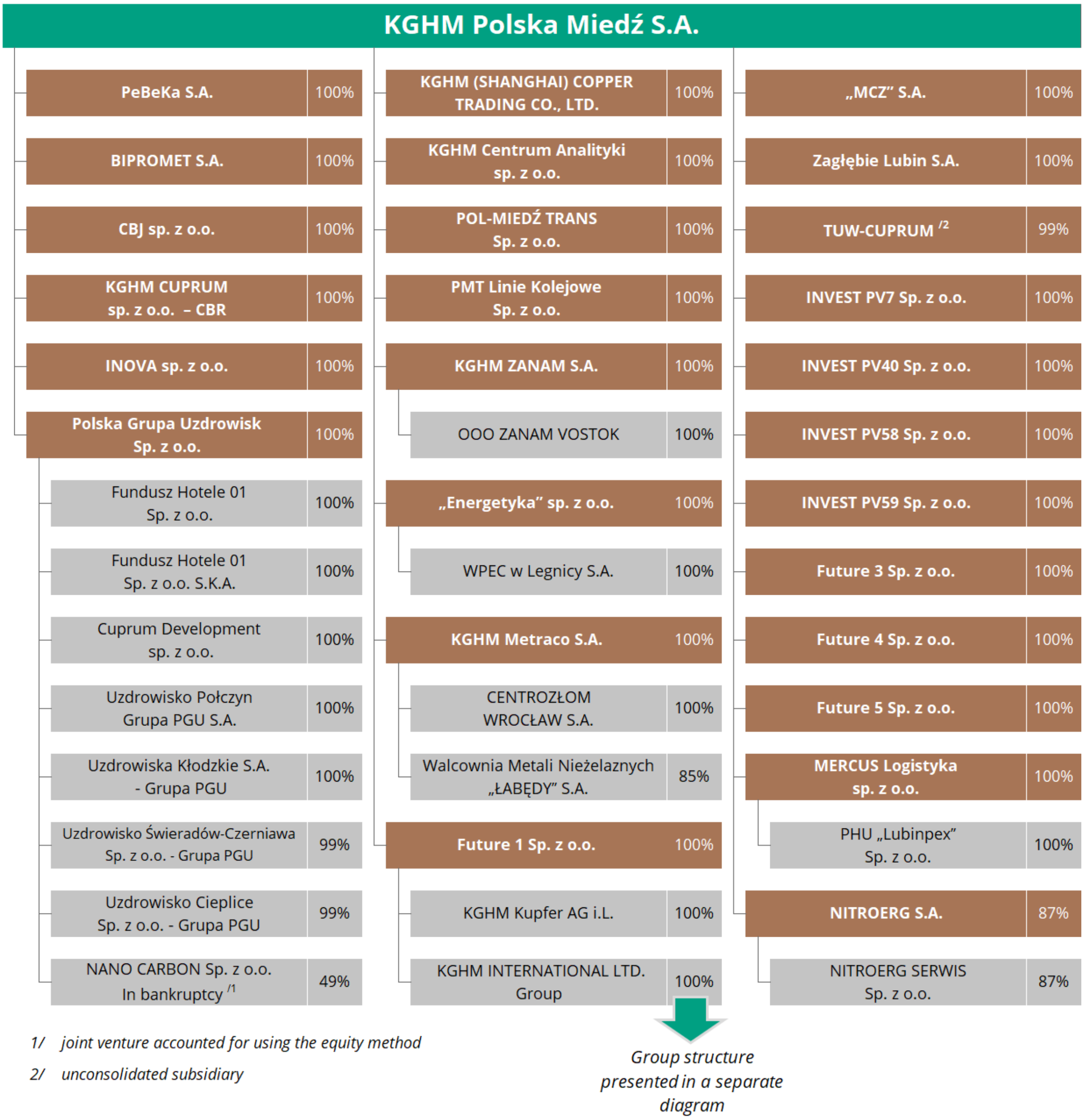
At the end of the first half of 2024, two jointly-controlled entities were accounted for using the equity method in the consolidated financial statements: Sierra Gorda S.C.M. and NANO CARBON Sp. z o.o. in bankruptcy.

Excluded from consolidation was Towarzystwo Ubezpieczeń Wzajemnych „CUPRUM", whose assets, revenues and financial results do not have a significant impact on the consolidated statement of financial position and the consolidated statement of comprehensive income.

The diagram of the KGHM INTERNATIONAL LTD. Group changed compared to 31 December 2023. On 18 March 2024 a new company was established, "Project Nikolas Company Inc."

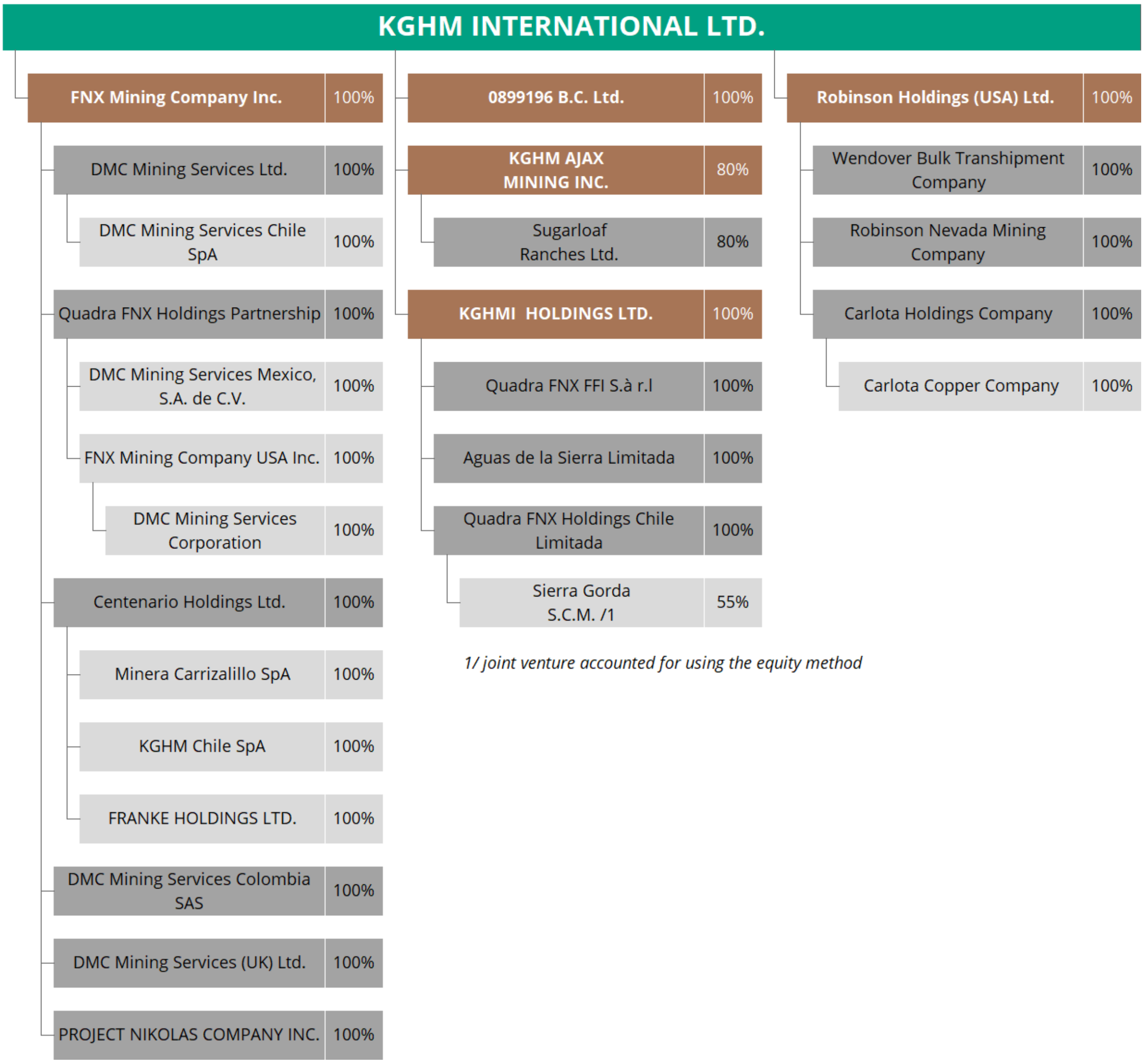
The detailed structures of the KGHM Polska Miedź S.A. Group as well as the KGHM INTERNATIONAL LTD. Group as at 30 June 2024 is provided below:

Diagram 4. Structure of the KGHM Polska Miedź S.A. Group as at 30 June 2024[21]



[21] The percentages shown represent the total share of the Group

Diagram 5. Structure of the KGHM INTERNATIONAL LTD. Group as at 30 June 2024[22]



9.9. Subsequent events

Information concerning events which occurred after the end of the reporting period may be found in note 5.7 of the condensed consolidated financial statements for the first half of 2024.

[22] The percentages shown represent the total share of the Group

10. USEFUL TERMS AND ABBREVIATIONS

Adjusted EBITDA *(Earnings Before Interest, Taxes, Depreciation and Amortisation)*	Profit on sales plus depreciation/amortisation recognised in profit or loss and recognition/reversal of impairment losses on non-current assets
Barren rock	Rock which accompanies the extraction of mineral ore and is not considered as useful
BAT *(Best Available Technique)*	Best Available Technique, as defined in Directive 96/61/EC, means the most effective and advanced stage in the development of activities and their methods of operation which indicate the practical suitability of particular techniques for providing in principle the basis for emission limit values designed to prevent and, where that is not practicable, generally to reduce emissions and the impact on the environment as a whole
BREF	"BAT REFerence document", the reference document of best available techniques (BAT)
Bearer shares	In accordance with the Polish legal system the term: "bearer shares" has a different meaning than "bearer shares" (anonymous and unregistered shares facilitating illicit actions) eliminated from the market by certain countries, e.g. in the UK. The obligatory dematerialisation of shares carried out in Poland in 2021 abolished the anonymity of all shareholders of joint-stock companies. The necessity to register bearer shares makes it possible to identify each shareholder entitled to hold shares. The division into registered and bearer shares has been upheld largely due to the legal tradition in Poland
COMEX	The Commodity Exchange, Inc. – a global commodity exchange with its head office in New York, which focuses on trade in derivatives (forward contracts and options) on metals such as gold and silver, as well as copper, aluminium, steel, molybdenum, zinc, lead and iron ore.
Cost of producing payable copper (C1)	Unit cash cost of producing payable copper, reflecting ore mining and processing costs, transport costs, the minerals extraction tax, administrative expenses during the mining phase and smelter treatment and refining charges (TC/RC) less by-product value. C1 cost is in regard to payable copper in own concentrate in the case of the segment KGHM Polska Miedź S.A. and payable copper in end products of individual mines of the segment KGHM INTERNATIONAL LTD. and the segment Sierra Gorda S.C.M.
COPI	the Central Information Processing Center – KGHM Polska Miedź S.A.'s Division
Copper cathodes	The basic form of electrolytically-refined copper; the product of electrolytic copper refining
Copper concentrate	The product of enriching low-grade copper ore
Copper wire rod	Drawn copper rod, usually with a diameter of 6-12 mm, universally used as a starting material in the cable industry
CSRD	Directive 2022/2464 of the European Parliament and of the Council on sustainability reporting (CSRD - Corporate Sustainability Reporting Directive) published in the Official Journal of the EU on 16 December 2022.
CRU	CRU Group, an analytical company with its head office in London, involved in, among others, business analytics and advisory services, mainly on the mining, metals and fertiliser markets
Deposit/Orebody	Natural collection of minerals in the earth, arising as a result of various geological processes
EE TGE YA	Price of electricity on the Warsaw Commodity Exchange (Towarowa Giełda Energii, TGE) to be supplied in the next calendar year (YA – Year Ahead)
Electrolytic copper	The product of electrolytic copper refining
Electrolytic copper refining technology	A process involving the electrolytic refining of metal, in this case copper. The periodic removal of portions of the electrolite is required to maintain the level of contaminates at an acceptable level, which is the one of decisive factors determining the quality of electrolytically-refined copper. The contaminated electrolyte and slimes are used as the raw materials in the recovery of some of the metals accompanying the copper, such as silver, gold, selenium and nickel
Electrorefining	The process of electrolising dissoluble anodes which are produced from refinable alloys. During this process refined metal is collected on starter sheets under controlled conditions, while contaminants remain in the electrolyte as solids or liquid
ESRS **(European Sustainability**	European Sustainability Reporting Standards issued in the form of Commission Delegated Regulation (EU) 2023/2772. The regulation entered into force and is applicable from 1 January 2024.

Reporting Standards)	
Fed	The Federal Reserve System, often shortened to the Federal Reserve or abbreviated as Fed is the central bank of the United States of America
Flotation (ore enrichment)	A stage in the process of breaking down ore into fragments of varying composition of useful elements which exploits differences in the degree of wettability of individual mineral grains. Well-wetted minerals fall to the bottom of the flotation tank, while the poorly-wetted grains (those whose wettability additionally decreases due to the action of so-called collecting agents, e.g. xanthates) collect at the surface of the froth created from froth-inducing agents
Flotation tailings	Waste remaining after the ore enrichment process
FOMC (The Federal Open Market Committee**)**	The Federal Open Market Committee, a body within the Federal Reserve System that determines the direction of monetary policy, supervision over open market operations in the United States of America, as well as the availability and cost of money
Green transformation	Actions to increase the use of renewable sources for energy production
INE	Shanghai International Energy Exchange, a subsidiary of Shanghai Futures Exchange, enabling the trade of future contracts and options for crude oil, copper, fuel oil with low sulphur content as well as rubber
Innovation Rules and Regulations	An internal document of the Company, which sets the rules and procedures for reviewing and rewarding the submitted projects, acquisition by KGHM of rights to use the projects and acquisition of rights to obtain Exclusive Rights.
ISO	International Organization for Standardization
LBMA	London Bullion Market Association – a precious metals association responsible for setting main standards on the silver and gold markets.
LME	London Metal Exchange – the largest non-ferrous metal exchange in the world, which enables the trade in forward contracts and options on various commodities. It is a global benchmark for prices of metals and plays a key role in international trade.
$LTIFR_{KGHM}$ *(Lost Time Injury Frequency Rate)*	Indicator of the number of accidents at work (as defined in Poland) in the Company KGHM Polska Miedź S.A., standardised to 1 million worked hours
Management staff	Managers of individual units or departments, including senior management and middle management
Mine excavation	Open area left after the mining work
Mobility policy	The International Mobility Policy of the KGHM Polska Miedź S.A. Group, which sets the principles governing the transfer of employees delegated from one of the entities of the KGHM Polska Miedź S.A. Group to another entity of the KGHM Polska Miedź S.A. Group with a head office in a different country.
Muck	Rock removed from a mine face. Contains both ore and barren rock
NBP	National Bank of Poland
Net debt	Borrowings, debt securities and lease liabilities less cash and cash equivalents, taking into account the impact of derivatives related to external sources of financing. This category excludes liabilities resulting from the utilisation of financial instruments within the reverse factoring mechanism
OFE rod	Oxygen-free copper wire rod produced at the Cedynia Wire Rod Plant using UPCAST technology
OPEC+	A broader agreement that includes OPEC members (Organization of the Petroleum Exporting Countries) and additional countries producing petroleum that agreed to cooperate with OPEC in order to regulate the supply of petroleum on international markets.
Ore	Rock which contains one or more useful elements. Ore can be monometallic (containing a single metal) or polymetallic (containing more than one metal)
Payable metal	Volume of metal produced less the loss incurred in further processing to pure metal
Pillar (mining)	An unremoved mass of rock in an underground mine used to support the ceiling against collapse
Pre-precious metals credit unit cost of electrolytic copper production from own concentrate	The sum of costs of mining, flotation, smelter processing per cathode and support functions (the Data Center Division, the Mine-Smelter Emergency Rescue Division and the Head Office), together with cathode selling costs, adjusted by the value of inventories of half-finished products and work in progress divided by the volume of electrolytic copper production from own concentrate. Indicator used solely in the Parent Entity

REACH	Registration, Evaluation, Authorisation and Restriction of Chemicals - regulation issued by the European Parliament and of the Council (EU) on the safe use of chemicals through their registration and evaluation, and in certain cases through the issuance of permits and restrictions in the sale and use of certain chemicals
Sell-side	A term used in the finance services sector that covers the provision of securities sales services by entities such as investment banks, brokerage houses or market makers
Senior management	The highest level in the unit's organisation (Management Board, Supervisory Board)
SHFE	Shanghai Futures Exchange, one of the main futures exchanges in China, involved in the trade of financial instruments based on metals (for example copper, aluminium, zinc), including precious metals, energy carriers and rubber.
Silver smelting and electrolytic refining technology	Comprised of: batch preparation (the mixture of batch elements followed by drying); the smelting of Doré metal and the casting of anodes (melting of the batch in a Kaldo furnace to remove slag or gasify impurities followed by casting of the product [99% silver] into anodes); silver electrorefining (forming into cathodes containing a min. 99.99% silver); melting in an electric induction furnace and the casting of refined silver into commercial form (billets or granules)
SMR (Small Modular Reactor)	Small modular nuclear reactor technology
SX-EW (solvent extraction and electrowinning)	Copper cathode production technology applied in some plants of KGHM INTERNATIONAL LTD. based on solvent extraction (the process of leaching useful minerals using a solvent) of the copper ore heap, with the aid of diluted sulphuric acid, under the atmospheric conditions
Time frame	A perspective and a deadline set for the completion of a given task. They are defines as follows: - a short-term perspective – a period of up to 2 years - a medium-term perspective – a period of between 2 to 5 years - a long-term perspective – a period of over 5 years
Total unit cost of producing copper from own concentrate	The sum of costs of mining, flotation, smelter processing per cathode and support functions (the Data Center Division, the Mine-Smelter Emergency Rescue Division and the Head Office), together with cathode selling costs, adjusted by the value of inventories of half-finished products and work in progress and less the value of anode slimes, divided by the volume of electrolytic copper production from own concentrate
The Group	The KGHM Polska Miedź S.A. Group
TSF	Tailings Storage Facility
TPM *(Total Precious Metals)*	Precious metals (gold, platinum, palladium)
TRIR *(Total Recordable Incident Rate)*	Indicator of the number of accidents at work meeting the conditions of registration as defined in the ICMM (International Council on Mining & Metals) standard, standardised to 200 000 worked hours
Troy ounce (oz t)	A unit of measure mainly used in English-speaking countries. The troy ounce (abbreviated as oz t) is universally used in jewellery and precious metals commerce. 1 troy ounce equals 31.1035 grams
WTI Crude Oil	WTI Crude Oil (West Texas Intermediate) – a brand of oil from USA. It serves as one of the main international price benchmarks for petroleum (aside from Brent and Urals).
YoY	year on year, i.e. comparison between one year and the next year

SIGNATURES OF ALL MEMBERS OF THE MANAGEMENT BOARD

This report was authorised for issue on 12 August 2024.

President
of the Management Board

Andrzej Szydło

Vice President
of the Management Board

Zbigniew Bryja

Vice President
of the Management Board

Piotr Krzyżewski

Vice President
of the Management Board

Mirosław Laskowski

Vice President
of the Management Board

Piotr Stryczek