



**THE MANAGEMENT BOARD'S REPORT
ON THE ACTIVITIES OF THE GROUP IN
THE FIRST HALF OF 2023**

Lubin, August 2023

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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
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.
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
Deposit/Orebody	Natural collection of minerals in the earth, arising as a result of various geological processes
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 electrolyte is required to maintain the level of contaminants 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 electrolysing 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
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
ISO	International Organization for Standardization
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
Mine excavation	Open area left after the mining work
Muck	Rock removed from a mine face. Contains both ore and barren rock
NBP	National Bank of Poland
Net debt	Borrowings and debt securities less cash and cash equivalents. This category includes lease liabilities and excludes reverse factoring liabilities
OFE rod	Oxygen-free copper wire rod produced at the Cedynia Wire Rod Plant using UPCAST technology
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	The sum of costs of mining, flotation, smelter processing per cathode and support functions (the Date 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

production from own concentrate	
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
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 Kaldor 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
Total unit cost of producing copper from own concentrate	The sum of costs of mining, flotation, smelter processing per cathode and support functions (the Date 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
YoY	year on year, i.e. comparison between one year and the next year

SIGNIFICANT EVENTS IN THE FIRST HALF OF 2023 AND TO THE DATE OF PREPARATION OF THIS REPORT

Date	Event
Change in macroeconomic conditions	
1st half of 2023	A change, compared to the first half of 2022, in average periodic copper prices by -11%, with silver prices remaining at the same level
1st half of 2023	A change, compared to the first half of 2022, in average periodic exchange rates: USD/PLN by +1%, USD/CAD by +6% and USD/CLP by +2%
KGHM Polska Miedź S.A. on the Warsaw Stock Exchange	
1st half of 2023	A decrease in the share price of KGHM Polska Miedź S.A. by 11%, from PLN 126.75 to PLN 112.40
Appropriation of profit for 2022	
11 May 2023	Recommendation of the Management Board regarding appropriation of profit for financial year 2022 by the payout of a dividend in the amount of PLN 200 million (1.00 PLN/share)
21 June 2023	Resolution of the Ordinary General Meeting of KGHM Polska Miedź S.A. on the appropriation of profit in accordance with the Management Board's recommendation
10 August 2023	Payout of the dividend in the amount of PLN 200 million (1.00 PLN/share)
Other	
6 January 2023	Notification on 5 January 2023 of an increase in interest in the share capital of KGHM Polska Miedź S.A. by Allianz OFE, Allianz DFE and Drugi Allianz OFE to over 5%
8 March 2023	Update of the „Climate Policy of KGHM Polska Miedź S.A.”
16 May 2023	Notification on 15 May 2023 of a change in the interest held in the share capital of KGHM Polska Miedź S.A. by Allianz OFE
19 June 2023	Adoption of a decision by the Management Board of KGHM Polska Miedź S.A. regarding the development of a feasibility study on an evaporated salt plant

1. STRATEGY OF KGHM POLSKA MIEDŹ S.A.

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

Policy regarding the development directions of the KGHM Group

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

Intentions regarding equity investments

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

Investment goals

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



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




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

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

1.2. Key achievements in the implementation of the Strategy in the first half of 2023

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

 <p>Flexibility</p>	<ul style="list-style-type: none"> - Continuation of the Hybrid Legnica Smelter and Refinery Strategic Program (including advancement of the concept for the Legnica Smelter and Refinery Scrap Turnover Base). - Continuation of actions to extend the value chain of the Company. - Continuation of exploration projects in Poland with respect to exploring for and evaluating copper ore and other deposits. - Continuation of development projects in the international assets. - Focus on financial stability: basing the Group's financing structure on long-term instruments, shortening the cash conversion cycle, management of market and credit risk in the Group.
 <p>Efficiency</p>	<ul style="list-style-type: none"> - Production of copper from the domestic assets (mined – 228.2 thousand tonnes; metallurgical – 295.8 thousand tonnes). - Production of payable copper from the international assets (Sierra Gorda 40.1 thousand tonnes (55%); Robinson 10.5 thousand tonnes; Carlota 1.9 thousand tonnes; the Sudbury Basin 3.1 thousand tonnes). The Sierra Gorda mine is operating exclusively on power provided by RES. - Continuation of the Deposit Access Program – in June 2023 underground workings from the Rudna mine broke through to the GG-1 shaft at the depth of 1348 meters. The GG-1 shaft enables access to new areas in the copper deposit and prolongation of the life of the Polkowice-Sierszowice and Rudna mines. In the first half of 2023, 19.1 kilometres of tunnelling were excavated in the Rudna and Polkowice-Sierszowice mines. All of the work carried out under the Mine Projects Group enables the successive opening of new mining areas. - Continued development of the Źelazny Most Tailings Storage Facility (development of the Southern Quarter and of the Tailings Segregation and Compacting Station continues to be advanced). Tailings are being deposited in the Southern Quarter along with the raising of the dams. - Exploration projects in Poland (concessions involving exploring for and evaluating copper ore deposits) as well as other concessions involving exploration and evaluation, including the Puck project.

	<ul style="list-style-type: none"> - R&D initiatives are underway to enhance the efficiency of the Company's core production business. - Advancement of actions involving intellectual property of the Company.
 <p>Ecology, safety and sustainable development</p>	<ul style="list-style-type: none"> - Under the Program to adapt the technological installations of the Company to the requirements of BAT conclusions for the nonferrous metals industry and to restrict emissions of arsenic (BATAs), 3 projects were advanced in the Głogów Copper Smelter and Refinery and the Legnica Copper Smelter and Refinery, including start-up of an installation to remove particulates containing mercury and arsenic from gases emitted by the SOLINOX installation (Legnica Copper Smelter and Refinery). - Advancement of work involving the Environmental Policy and pro-environmental activities, including: analyses made of the environmental and carbon footprints for products of KGHM Polska Miedź S.A., Scope 1 and 2 greenhouse gas emissions by the KGHM Group in 2022 were calculated. - Continuation of the Occupational Health and Safety Improvement Program (LTIFR: 4.28; TRIR: 0.43%).
 <p>E-industry</p>	<ul style="list-style-type: none"> - Continuation of projects to automate the production lines of the Mining Divisions of the Company (including, among others, initiatives connected with testing electric and battery-powered mining machinery). - Continuation of digital transformation under the KGHM 4.0. Program.
 <p>Energy</p>	<ul style="list-style-type: none"> - Development of energy generation from RES and continuation of the SMR project to increase electricity generation from own sources. - Submission of an application to issue technical connection conditions for a RES project being advanced on owned terrain – requested power of 88 MW. - Submission by KGHM to the Ministry of Climate and the Environment (April 2023) of an application to issue a substantive decision for the project to build a small modular reactor power plant (SMR) in Poland. - 17.39% of KGHM's need for electricity was met by its own internal sources, including RES.

2. MACROECONOMIC SALES CONDITIONS

Initially, in accordance with market forecasts, although the first half of 2023 was not filled with optimism, the world's largest economies succeeded in avoiding a deep recession, recording at most a technical recession (i.e. two consecutive quarters of falling GDP). During the past six months a so-called soft landing scenario was observed, though it cannot yet be said that the spectre of recession in Europe, the United States or China has been finally dismissed. Leading economic indicators remain in a falling trend, while the global economy continues to deal with the impact of the energy crisis, whose effects are particularly severe for the European economy due to its strong dependence on Russian hydrocarbons. Russia's invasion of Ukraine, high energy prices and high consumer demand with strained supply chains were some of the main factors stimulating inflation. Rising prices, alongside a continued strong situation on the labour market, led in many countries to higher wage pressures and the threat of persistence of inflationary processes for a longer period of time, i.e. the second-round effect. In turn, companies exploited high demand for goods, increasing their margins, which additionally pushed up prices (under the so-called greedflation effect). Responding to rising prices and the risk of inflation getting out of control, central banks increasingly tightened monetary policy, slowing down the potential pace of economic development.

Recent months have seen a substantial drop in the prices of energy commodities. While lower energy prices and high interest rates effectively reduce inflation, the decreases are slower than initially expected. Decreases in prices, mainly energy and foodstuffs, meant that in many economies we are dealing with a phenomenon in which base inflation is higher than CPI consumer inflation.

Doubts about the further development of the situation have not diminished, while the events beyond the European Union's eastern border do not make assessment of the market situation easier. Especially in the context of energy carriers, as well as of agricultural products market, of which Russia and Ukraine are substantial producers and exporters. In 2022 high energy prices led to the closure of some industrial plants, whose profitability was significantly undermined by higher costs. Production by the EU's industrial sector has not yet returned to the levels recorded prior to the outbreak of the war. Lower activity by the industrial sector and a top-down request from the European Commission to restrict natural gas consumption along with one of the world's warmest winters in decades, especially in Europe, enabled a systematic decrease in natural gas prices on the European market, although the price of this commodity remains at levels which are many-times higher than prior to 2020. In Europe, shielding programs in individual economies helped to reduce the social impacts of the energy crisis, which has not yet disappeared and represents a risk in terms of ensuring natural gas supplies for the coming winter. Another challenge for the European economy are the prices for European CO₂ emission allowances, which continue to be higher than in prior years.

Despite the decrease in copper prices on the LME in the first six months (-15%), the fundamental situation on the copper market is stable and did not change in the first half of 2023. Prices continue to be held back by the slowdown in the Chinese economy, while hopes for a quick recovery in the first months of the year did not materialise. In the medium term, new mine production from projects currently coming on-line as well as a potential economic slowdown may move the market balance towards a surplus and generate negative pressure on prices. In the long term, however, supply remains substantially constrained by the small number of new investments in future mining projects, by plans to raise taxes on

mine production in countries with the highest production potential, as well as the general tendency towards more restrictive environmental requirements related to sustainable development policies (ESG). The aforementioned restrictions in supply, together with the strong trend towards electro-mobility and the green revolution spurring the pace of growth in demand for copper, will support copper prices in the long term.

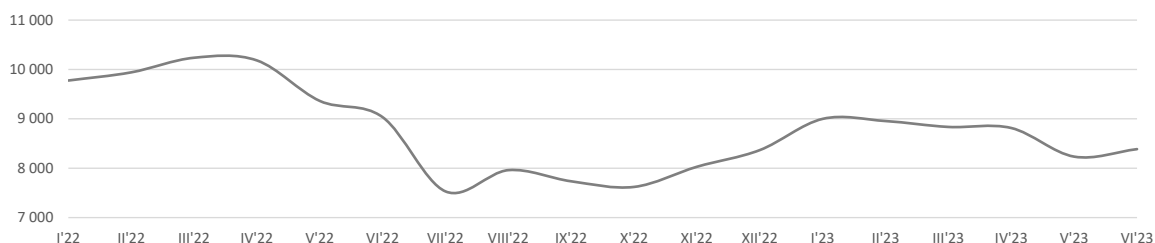
In terms of market forecasts, it is worth noting the large range. In the last dozen or so months, the most optimistic on the market have been American investment banks which, based on record-low inventories, the expected rapid rise in demand in subsequent years and the relatively small number of new mining projects, have foreseen a structural deficit lasting for years as well as a period of record high commodities prices. There is nonetheless no lack of analytical institutions which place more weight on traditional market fundamentals and less significance on investment demand, which in consequence leads to more cautious price forecasts over the next several years.

The condition of the American economy (a faster rate of adaptation of monetary policy, a strong labour market and much less noticeable problems in terms of energy commodities prices) is decidedly better than Europe's, which is dealing with an energy crisis as well as direct proximity to the armed conflict on its eastern border. This could lead to relatively quicker easing of monetary policy by the Fed than the ECB and result in a weakening of the USD.

The cash settlement price of **copper** on the London Metal Exchange (LME) in the first half of 2023 ranged between 7 910 – 9 436 USD/t. Attesting to the extent to which the copper market in the first half of 2023 differed from that of the comparable prior-year period is the fact that the highest price recorded in 2023 is lower than the lowest price recorded in the first six months of 2022. At the turn of 2022-2023, the price of the red metal was positively impacted by investor expectations of the quick return of China to rapid growth following the end of the zero-covid policy. The Chinese economy did not have possibilities for growth through most of 2022 due to a series of lockdowns. The removal of these restrictions brought hope for an increase in consumption which was previously impeded by the difficult pandemic situation, and in turn for greater industrial production, the unblocking of exports and higher demand for copper. This led to a substantial rise in prices at the start of the year to nearly 9 500 USD/t. Yet despite expectations, macroeconomic data from the Chinese economy in subsequent months of 2023 were disappointing, which given the slowdown in developed economies led to a systematic fall in copper prices, even below 8 000 USD/t. After achieving a local minimum in May, copper prices returned to the vicinity of 8 300 USD/t, where they stabilised until the end of the first-half. The price of copper remained nearly rangebound between 8 200 – 8 500 USD/t in the final month of the first-half of 2023 despite historically very low copper inventories in London and Shanghai. In the second quarter of 2023 the price of the red metal was strongly impacted by initially dynamic appreciation of the USD on the global market (DXY) and the subsequent correction of the US currency's value in June.

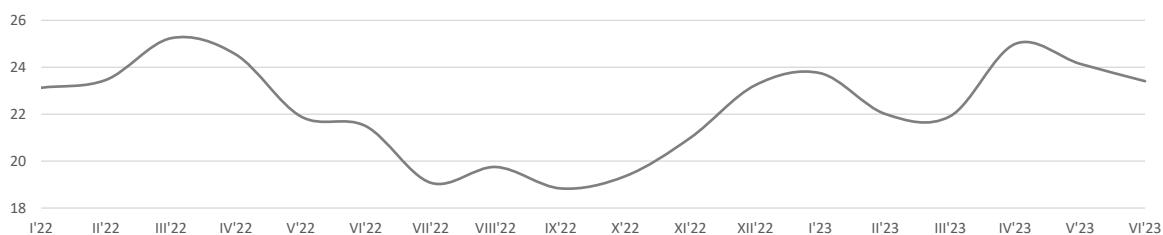
The average cash settlement **price of copper** in the first half of 2023 on the LME amounted to 8 703 USD/t and was nearly 11% lower than in the comparable period of 2022, when it amounted on average to 9 761 USD/t.

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



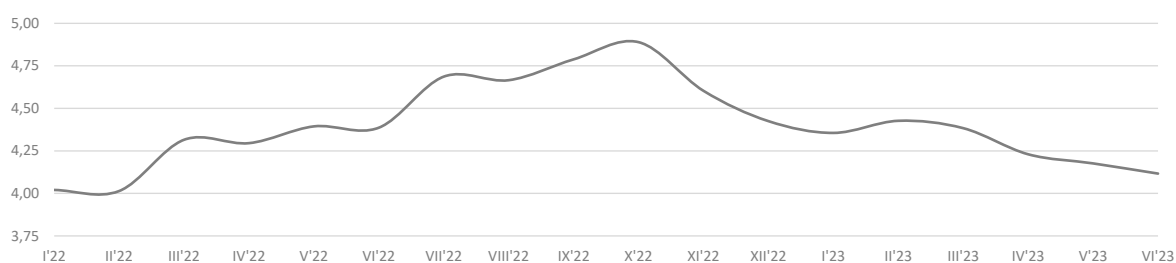
The average **price of silver** according to the London Bullion Market Association (LBMA) in the first half of 2023 reached the level of 23.31 USD/oz, and was similar to the price of silver in the first half of 2022 (23.32 USD/oz). The first half of 2023 on the precious metals market was impacted on the one hand by the tense geopolitical situation, including Russia's aggression against Ukraine, and on the other hand by expectations for the end of the cycle of interest rate hikes by the world's most important central banks, in particular that of the US Fed, which have been building up since the end of 2022. These expectations weakened under the impact of more hawkish Fed rhetoric in the first months of the year. The price of silver fell in March to around 20 USD/oz and after that rose up to 26 USD/oz, driven by investor fears about the stability of the banking system in the USA and Europe following the bankruptcies of several medium-sized banks and of the Swiss giant Credit Suisse. Ultimately, after the situation calmed down in the banking sector, the price of silver ended the first half of the year below USD 23/oz. In the first half of the year, the level of ETF assets based on silver and gold remained stable. The price of gold during the period in question initially rose to around 2 050 USD/oz, and subsequently stabilised at a level of approx. 1 930 USD/oz. At the end of the period the gold-to-silver ratio approached its average of the last several decades. Central banks continue to buy gold and are a real support for its prices ahead of a significant correction in the prices of the yellow metal.

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



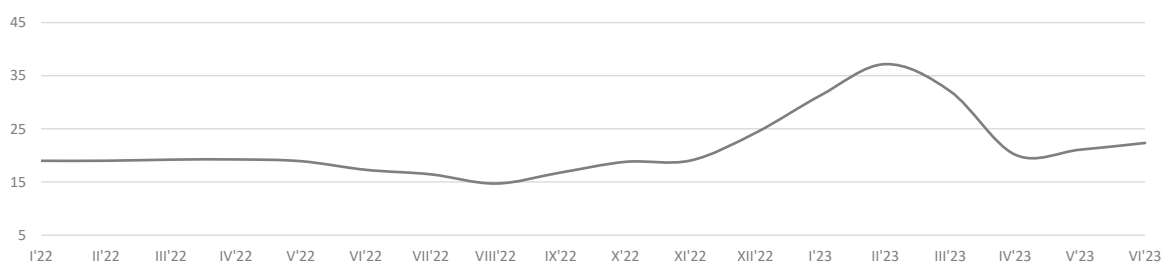
The average **USD/PLN exchange rate** (NBP) in the first half of 2023 amounted to 4.28 and was higher compared to the corresponding period of 2022 by 1% (4.24). The Monetary Policy Council ceased the cycle of interest rates hikes in September 2022 at the level of 6.75%, though it did not officially announce the cessation of the hikes until the end of the first half of 2023. In the first months inflation remained high, with the peak in February 2023 (18.4%) being the effect of hikes in VAT rates on certain products. The Polish zloty exchange rate to the USD reached 4.50 – the high for the period discussed. It subsequently strengthened significantly for the next four months, reaching 4.02 in June. The Polish currency strengthened not only in relation to the USD, but also to the euro and regional currencies. This trend of appreciation of the PLN was supported by a return of investor interest in the Polish zloty, following a flight in the prior year caused by fears of the safety of Poland in light of Russia's aggression against Ukraine. The strengthening of the zloty was also due to substantial currency transactions by the Polish government as well as very good macroeconomic readings involving a higher GDP and balance of payments.

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



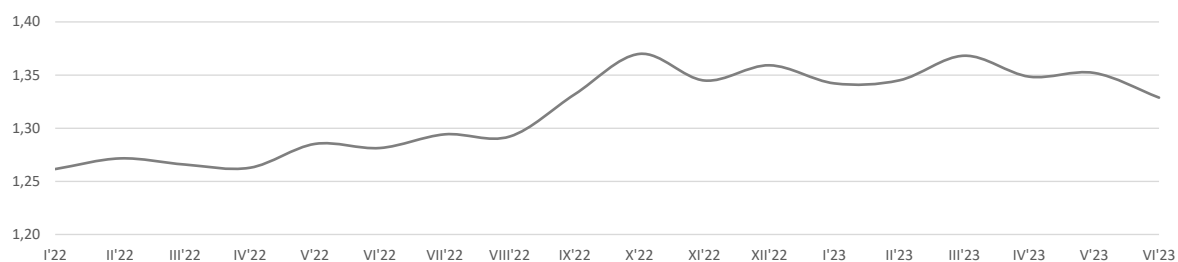
The average **price of molybdenum** in the first half of 2023 amounted to 27.53 USD/lb, meaning an increase by nearly 47% compared to the corresponding period of 2022 (18.78 USD/lb) and was characterised by high volatility. The molybdenum price found support in restricted supply as well as the lack of new projects against the backdrop of aging mines in South America. In the first quarter of 2023 the price of molybdenum rose to over 30 USD/lb in reaction to a political crisis in Peru and problems with production in this country. Responding to these high prices, investors reduced their purchases and utilised inventories, as a result of which the price fell and in April it was below 20 USD/lb. Nonetheless, the price of this metal is above the long-term trend. The maximum price of molybdenum in the first half of 2023 amounted to 38.28 USD/lb, with the minimum being 17.86 USD/lb.

Chart 4. Average monthly molybdenum price per Platts (USD/lb)



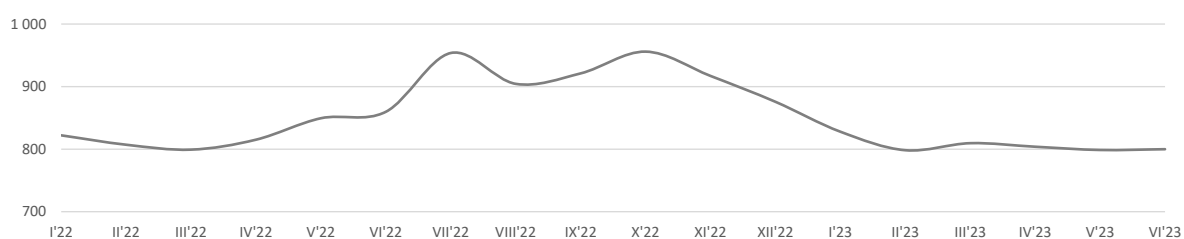
The average **USD/CAD exchange rate** (per the Bank of Canada) in the first half of 2023 amounted to 1.35 and was 6% higher than recorded in the first half of 2022 (1.27). The Canadian dollar retained its value versus the USD in the first quarter of 2023, and subsequently in the following quarter strengthened only slightly. The value of the Canadian currency was upheld by high commodities prices and expectations of the conclusion of the cycle of monetary tightening by the Fed. The Bank of Canada suspended interest rate hikes in January, though in June it rather unexpectedly decided to again raise rates as a result of its fight against inflation.

Chart 5. 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 2023 amounted to 807 and was more than 2% lower than recorded in the first half of 2022 (825). Following substantial weakening in the prior year, caused by a weakening in the currencies of developing countries following the start of the war in Ukraine and the energy crisis in developed countries, the peso exchange rate in the first half of 2023 returned to around 800. Interest rates in Chile reached 11.25% in November 2022 and remained unchanged in the first half of 2023. Market consensus says that in the coming meetings the monetary policy will start to be eased and that the Bank of Chile will commence a cycle of interest rate cuts.

Chart 6. 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 1. Market factors significant for the operations of the KGHM Polska Miedź S.A. Group – average prices ¹⁾

	Unit	1st half 2023	1st half 2022	Change (%)	2Q 2023	1Q 2023
Copper price on the LME	USD/t	8 703	9 761	(10.8)	8 464	8 927
Copper price on the LME	PLN/t	37 299	41 376	(9.9)	35 306	39 167
Silver price per the LBMA	USD/oz	23.31	23.32	-	24.13	22.55
Molybdenum price per the CRU	USD/lb	27.53	18.78	+46.6	21.26	33.41
USD/PLN exchange rate per the NBP		4.28	4.24	+0.9	4.17	4.39
USD/CAD exchange rate per the Bank of Canada		1.35	1.27	+6.3	1.34	1.35
USD/CLP exchange rate per the Bank of Chile		807	825	(2.2)	801	812

¹⁾ arithmetic average of daily quotations

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

3.1. Production

Table 2. Production results of KGHM Polska Miedź S.A.

	Unit	1st half 2023	1st half 2022	Change (%)	2Q 2023	1Q 2023
Mined ore (dry weight)	mn t	15.6	15.3	+2.0	7.7	7.9
Copper content in ore	%	1.465	1.472	(0.5)	1.473	1.457
Production of copper in concentrate	kt	202.3	198.9	+1.7	101.8	100.5
Production of silver in concentrate	t	677.4	662.2	+2.3	338.8	338.6
Production of electrolytic copper	kt	295.8	296.3	(0.2)	146.8	149.0
- including from own concentrate	kt	194.8	177.7	+9.6	95.6	99.2
Production of metallic silver	t	699.2	668.5	+4.6	324.2	374.9
Production of gold	koz t	57.7	40.9	+41.1	26.8	30.9

Compared to the corresponding period of 2022, in the first half of 2023 extraction of ore was higher (dry weight). Copper content in ore decreased to 1.465%.

Production of copper in concentrate was higher by 3.4 thousand tonnes as compared to the first 6 months of 2022. The increase in production was due to higher extraction by the mines and its processing by the Concentrators.

Compared to the corresponding period of 2022, electrolytic copper production decreased slightly by 0.5 thousand tonnes. The lower production of cathodes was due to the realisation of investments related to the modernisation of electrolyte heat exchangers for individual circulation circuits in the tankhouse of the Głogów I Copper Smelter and Refinery.

Production of metallic silver amounted to 699.2 tonnes and was higher by 30.8 tonnes (+4.6%) compared to the first half of 2022. The higher production of metallic silver was due to the availability of feed material in the Precious Metals Plant.

Production of metallic gold amounted to 57.7 thousand troy ounces and was higher by 16.8 thousand troy ounces (+41.1%) compared to the first half of 2022. The higher production of metallic gold was due to the higher processing of gold-bearing materials.

3.2. Revenues

Table 3. Revenues from contracts with customers of KGHM Polska Miedź S.A.

	Unit	1st half 2023	1st half 2022	Change (%)	2Q 2023	1Q 2023
Revenues from contracts with customers, including:	PLN mn	15 510	15 211	+2.0	7 140	8 370
- copper	PLN mn	11 982	11 913	+0.6	5 535	6 447
- silver	PLN mn	2 256	2 332	(3.3)	1 035	1 221
Copper sales volume	kt	303.9	292.6	+3.9	147.0	156.9
Silver sales volume	t	683.4	713.6	(4.2)	311.2	372.2

Revenues in the first half of 2023 amounted to PLN 15 510 million and were higher than in the corresponding period of 2022 by 2%. The main reasons for the increase in revenues were an increase in the sales volume of copper and gold, a more favourable adjustment of revenues due to hedging transactions as well as a higher USD/PLN exchange rate (+1%) alongside lower realised prices for copper and copper products. The main factors responsible for the change in revenues compared to the first half of 2022 are presented in detail in table 6 (section 3.4 Financial results).

3.3. Costs

Table 4. Costs of KGHM Polska Miedź S.A.

	Unit	1st half 2023	1st half 2022	Change (%)	2Q 2023	1Q 2023
Cost of sales, selling costs and administrative expenses	PLN mn	14 069	12 467	12.8	6 696	7 373
Expenses by nature	PLN mn	14 150	12 950	9.3	6 827	7 323
Pre-precious metals credit unit cost of electrolytic copper production from own concentrate ⁽¹⁾	PLN/t	45 075	37 296	20.9	46 761	43 451
Total unit cost of electrolytic copper production from own concentrate	PLN/t	33 674	24 895	35.3	35 431	31 980
C1 unit cost ⁽²⁾	USD/lb	3.03	2.40	26.3	2.98	3.08

¹⁾ Unit cost prior to decrease by the value of anode slimes containing, among others, silver and gold

²⁾ Cash cost of concentrate production reflecting the minerals extraction tax, plus administrative expenses and smelter treatment and refining charges (TC/RC), less depreciation/amortisation and the value of by-product premiums, calculated for the sold payable copper in concentrate

The Parent Entity's cost of sales, selling costs and administrative expenses (total cost of products, merchandise and materials sold, selling costs and administrative expenses) in the first half of 2023 amounted to PLN 14 069 million and was higher by 12.8% as compared to the corresponding period of 2022, mainly due to a higher volume of copper sales from inventory and higher minerals extraction tax charge, higher costs of materials, fuels and energy factors and labour costs.

In the first half of 2023, total expenses by nature were higher by PLN 1 200 million as compared to the first half of 2022, with a PLN 320 million higher minerals extraction tax charge due to this tax not being reduced as was the case for the Company in the prior year, as well as lower costs of consumption of purchased metal-bearing materials by PLN 505 million (due to a lower volume of consumption by 5.4 thousand tonnes of copper and a lower purchase price by 6%).

The increase in expenses by nature, after excluding purchased metal-bearing materials and the minerals extraction tax, amounted to PLN 1 385 million and was mainly due to an increase in costs of consumption of materials and technological fuels by PLN 192 million (mainly due to higher purchase prices), costs of electrical and other energy by PLN 354 million (mainly due to higher electricity prices), labour costs by PLN 405 million (higher wages due to higher rates and a higher coal equivalent as well as an increase in the provision for future employee benefits) and higher external services costs, mainly due to maintenance and conservation and mine development work.

C1 cost in the first half of 2023 amounted to 3.03 USD/lb and was higher than in the corresponding period of 2022 by 26%. The increase in cost was mainly due to a higher minerals extraction tax charge and higher costs of extraction and metallurgical processing due to the aforementioned factors.

The pre-precious metals credit unit cost of electrolytic copper production from own concentrate (unit cost prior to decrease by the value of anode slimes containing, among others, silver and gold) amounted to 45 075 PLN/t (in the corresponding period of 2022: 37 296 PLN/t) and was higher by 21% mainly due to the higher extraction and processing costs described above, with higher copper production from own concentrate by 10%.

The total unit cost of electrolytic copper production from own concentrate amounted to 33 674 PLN/t and was higher than in the first half of 2022 by 35%.

3.4. Financial results

Table 5. Basic items of the statement of profit or loss of KGHM Polska Miedź S.A. (in PLN million)

	1st half 2023	1st half 2022	Change (%)	2Q 2023	1Q 2023
Revenues from contracts with customers, including:	15 510	15 211	+2.0	7 140	8 370
- adjustment to revenues due to hedging transactions	227	(377)	x	162	65
Cost of sales, selling costs and administrative expenses	(14 069)	(12 467)	+12.8	(6 696)	(7 373)
Profit on sales	1 441	2 744	(47.5)	444	997
Other operating income and (costs)	189	1 393	(86.4)	373	(184)
Finance income and (costs)	173	(361)	x	117	56
Profit before income tax	1 803	3 776	(52.3)	934	869
Income tax expense	(596)	(968)	(38.4)	(209)	(387)
Profit for the period	1 207	2 808	(57.0)	725	482
Depreciation/amortisation recognised in profit or loss	784	695	+12.8	421	363
Adjusted EBITDA¹⁾	2 225	3 439	(35.3)	865	1 360

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

Table 6. 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
An increase in revenues from contracts with customers	+299	An increase in revenues due to: <ul style="list-style-type: none"> - a change in metals prices, with copper lower by 1 058 USD/t, or by 11%, alongside higher gold prices by 57 USD/oz t, or by 3% (-PLN 1 134 million), - a change in the adjustment of revenues due to hedging transactions by +PLN 604 million, - a higher sales volume of copper by 11.3 kt, or by 4%, and gold by 770 kg, or by 59%, with a lower volume of sales of silver by 30 t, or by 4% (+PLN 576 million), - sales of basic products (copper, silver, gold) with a more favourable average USD/PLN exchange rate – a change from 4.24 to 4.28 USD/PLN (+PLN 161 million), - an increase in other revenues from sales by PLN 92 million, including merchandise and materials (+PLN 156 million) with lower sales of sulphuric acid (-PLN 70 million)
An increase in cost of sales, selling costs and administrative expenses¹⁾	(1 602)	An increase in costs due to: <ul style="list-style-type: none"> - lower make-to-stock production than in the previous year (-PLN 227 million), - a lower volume of consumption of purchased metal-bearing materials by 5.4 thousand tonnes of copper at a purchase price lower by 6% (+PLN 505 million), - an increase in other costs by PLN 1 880 million, including mainly: employee benefits (by PLN 405 million), electricity and other energy (by PLN 354 million) and the minerals extraction tax charge (by PLN 320 million).
A decrease in the result on other operating activities	(1 204)	The decrease in the result was mainly due to: <ul style="list-style-type: none"> - a decrease in the result due to exchange differences on assets and liabilities other than borrowings (-PLN 1 160 million), - an increase in fair value gains on financial assets measured at fair value through profit or loss (+PLN 175 million), including due to loans (+PLN 185 million), - a decrease in reversals of impairment losses on financial instruments measured at amortised cost (-PLN 104 million), including due to loans (-PLN 73 million) - impact of derivatives and hedging transactions (-PLN 57 million)
An increase in the result on financing activities	+534	The increase in the result on financing activities was mainly due to a change in the result on exchange gains/(losses) on borrowings (+PLN 536 million) with an increase in finance costs due to unwinding of the discount (-PLN 36 million)
A decrease in income tax	+372	The decrease in income tax was mainly due to a decrease in current income tax (+PLN 348 million)

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

Chart 7. Change in profit for the period of KGHM Polska Miedź S.A. (in PLN million)



3.5. Capital expenditures

In the first half of 2023, capital expenditures on property, plant and equipment amounted to PLN 1 369 million.

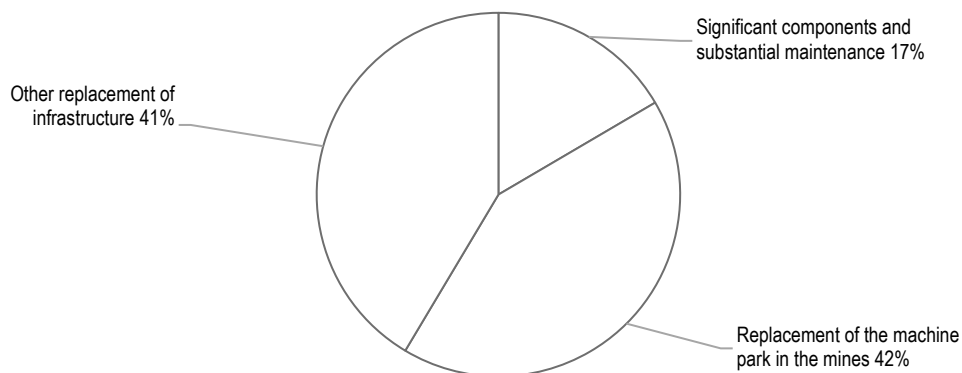
Table 7. Structure of expenditures on property, plant and equipment and intangible assets by Division (in PLN million)

	1st half 2023	1st half 2022	Change (%)	2Q 2023	1Q 2023
Mining	1 112	804	+38.3	559	553
Metallurgy	173	261	(33.7)	114	59
Other activities	8	16	(50.0)	5	3
Development work - uncompleted	3	5	(40.0)	1	2
Leases per IFRS 16	73	43	+69.8	51	22
Total	1 369	1 129	+21.3	730	639
including borrowing costs	125	71	+76.1	67	58

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

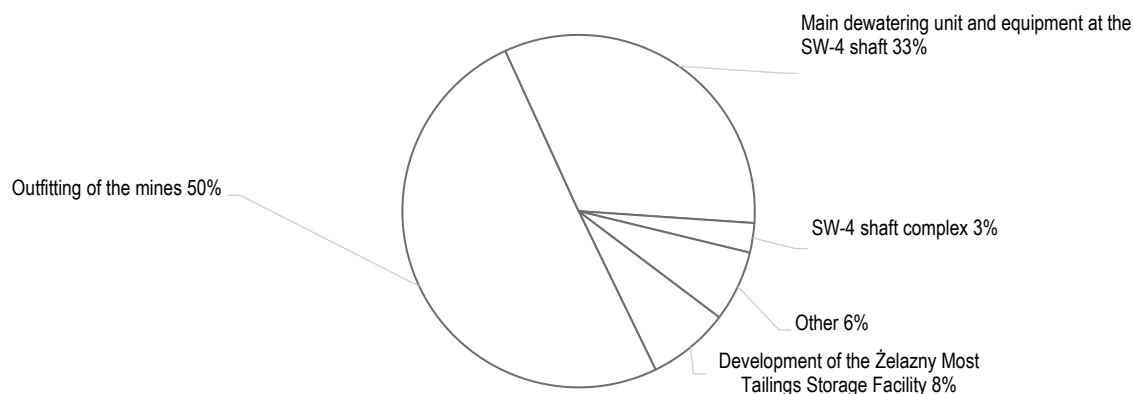
Projects related to replacement aimed at maintaining production equipment in an undeteriorated condition, represent 36% of expenditures incurred.

Chart 8. Structure of expenditures on replacement



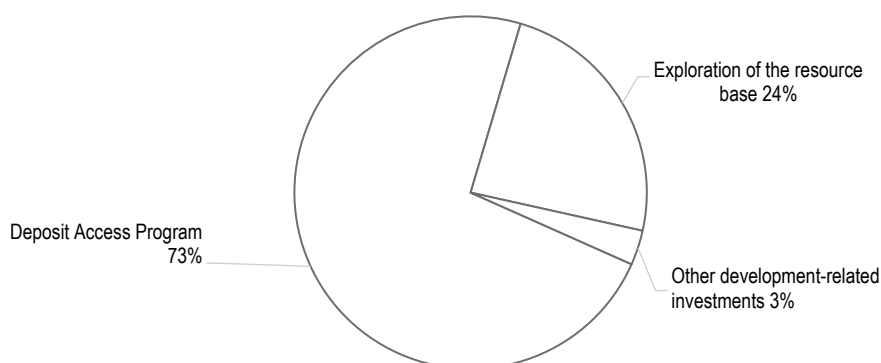
Projects related to maintenance aimed at maintaining mine production on the level set in approved Production Plan (development of infrastructure to match mine advancement) represent 34% of total expenditures incurred.

Chart 9. Structure of expenditures on maintenance



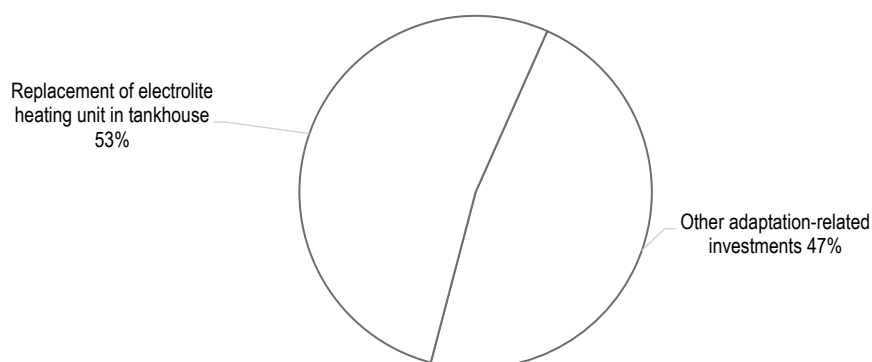
Development projects aimed at increasing the level of revenues from sales or maintaining them at the current level, at the implementation of technical and technological activities optimising the use of existing infrastructure, and at reducing operating costs, represent 29% of expenditures incurred.

Chart 10. 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 11. 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 2023.

4. RESULTS OF THE SEGMENT KGHM INTERNATIONAL LTD.

4.1. Production

Table 8. Production results of KGHM INTERNATIONAL LTD.

	Unit	1st half 2023	1st half 2022	Change (%)	2Q 2023	1Q 2023
Payable copper, including:	kt	15.4	36.9	(58.3)	7.8	7.6
- Robinson mine (USA)	kt	10.5	30.8	(65.9)	5.2	5.3
- Sudbury Basin mines (Canada) ⁽¹⁾	kt	3.1	0.9	x 3.4	1.5	1.6
Payable nickel	kt	0.3	0.2	+50.0	0.2	0.1
Precious metals (TPM), including:	koz t	18.3	34.7	(47.3)	9.3	9.0
- Robinson mine (USA)	koz t	6.7	27.0	(75.2)	3.5	3.2
- Sudbury Basin mines (Canada) ⁽¹⁾	koz t	11.7	7.7	+51.9	5.9	5.8

¹⁾ *McCreedy West mine in the Sudbury Basin*

In the second quarter of 2023 the Robinson mine continued the processing of ore from a transition zone as well as inventories of relatively low-quality, leading to a drop in recovery and in copper content in concentrate. As a result, copper production by KGHM INTERNATIONAL LTD. in the second quarter was at a similar level to that recorded in the first three months of 2023, and in the first half of the year amounted to 15.4 thousand tonnes, or a decrease of nearly 60 percent compared to the corresponding period of 2022.

It should be noted that in the case of the other assets there was a significant increase in copper production due to an increase in ore extraction, of higher copper content, in Sudbury.

A comparable situation occurred in the case of precious metals – lower gold production by Robinson and higher TPM production by Sudbury.

4.2. Revenues

Table 9. Volumes and sales revenues of KGHM INTERNATIONAL LTD. (in USD million)

	Unit	1st half 2023	1st half 2022	Change (%)	2Q 2023	1Q 2023
Revenues from contracts with customers,⁽¹⁾ including:	USD mn	285	378	(24.7)	122	163
- copper	USD mn	157	252	(37.9)	59	98
- nickel	USD mn	6	6	+1.7	3	3
- TPM – precious metals	USD mn	34	51	(32.7)	15	19
Copper sales volume	kt	19.1	28.2	(32.3)	8.4	10.7
Nickel sales volume	kt	0.3	0.2	+50.0	0.2	0.1
TPM sales volume	koz t	21.7	26.9	(19.3)	9.7	12.0

¹⁾ *reflects processing premium*

Table 10. Sales revenue of KGHM INTERNATIONAL LTD. (in PLN million)

	Unit	1st half 2023	1st half 2022	Change (%)	2Q 2023	1Q 2023
Revenues from contracts with customers⁽¹⁾, including:	PLN mn	1 217	1 616	(24.7)	506	711
- copper	PLN mn	669	1 075	(37.8)	243	426
- nickel	PLN mn	26	27	(3.7)	14	12
- TPM – precious metals	PLN mn	146	218	(33.0)	62	84

¹⁾ *reflects processing premium*

The sales revenue of the segment KGHM INTERNATIONAL LTD. in the first half of 2023 amounted to USD 285 million, or a decrease by USD 93 million (-25%) compared to the corresponding period of 2022. This decrease in revenues was mainly due to the weak production results of the Robinson mine and lower copper prices. The impact of individual factors on the change in revenues is presented in the subsection on the financial results of KGHM INTERNATIONAL LTD.

4.3. Costs

Table 11. C1 payable copper production cost of KGHM INTERNATIONAL LTD.

	Unit	1st half 2023	1st half 2022	Change (%)	2Q 2023	1Q 2023
C1 payable copper production cost ⁽¹⁾	USD/lb	5.29	2.00	x 2.6	5.66	5.00

¹⁾ *C1 unit production cost of copper - cash cost of payable copper production, reflecting costs of ore extraction and processing, the minerals extraction tax, transport costs, administrative expenses during the mining phase and smelter treatment and refining charges (TC/RC) less by-product value*

The cash cost of copper production for all of the mines in the segment KGHM INTERNATIONAL LTD. in the first half of 2023 amounted to 5.29 USD/lb of copper sold, or nearly three-times more than in the first half of 2022. The increase in this cost

is due among others to the aforementioned problems with production by the Robinson mine and the related drop in copper sales volume. Also of significance were write-downs and adjustments of inventories, whose impact on the level of costs is discussed in the subsection on the financial results.

Moreover, in the first half of 2022 work was carried out to gain access to the Ruth West deposit, as a result of which some of the stripping costs were capitalised and not recognised in the results. However, in the first half of 2023 extraction was carried out in a transitional zone and the lower capitalisation of stripping costs led to a decrease in the result by USD 55 million compared to the corresponding period of 2022.

Unfavourable impact on C1 also came from the lower deductions due to the sale of precious metals, mainly due to the drop in gold sales by the Robinson mine as well as lower platinum and palladium prices.

4.4. Financial results

Table 12. Financial results of KGHM INTERNATIONAL LTD. (in USD million)

	1st half 2023	1st half 2022	Change (%)	2Q 2023	1Q 2023
Revenues from contracts with customers	285	378	(24.7)	122	163
Cost of sales, selling costs and administrative expenses, including: ¹⁾	(428)	(297)	+44.0	(199)	(229)
- reversal/(recognition) of impairment losses on non-current assets	(2)	0	x	0	(2)
Profit/(loss) on sales	(143)	81	x	(77)	(66)
Profit/(loss) before taxation, including:	(73)	273	x	18	(90)
Income tax	35	(22)	x	21	14
Profit/loss for the period	(37)	251	x	39	(76)
Depreciation/amortisation recognised in profit or loss	(94)	(53)	+77.2	(38)	(56)
Adjusted EBITDA²⁾	(47)	134	x	(39)	(8)

Table 13. Financial results of KGHM INTERNATIONAL LTD. (in PLN million)

	1st half 2023	1st half 2022	Change (%)	2Q 2023	1Q 2023
Revenues from contracts with customers	1 217	1 616	(24.7)	506	711
Cost of sales, selling costs and administrative expenses, including: ¹⁾	(1 827)	(1 270)	+43.9	(827)	(1 000)
- reversal/(recognition) of impairment losses on non-current assets	(8)	0	x	0	(8)
Profit/(loss) on sales	(610)	346	x	(321)	(289)
Profit/(loss) before taxation, including:	(309)	1 164	x	85	(394)
Income tax	151	(93)	x	88	63
Profit/loss for the period	(158)	1 071	x	173	(331)
Depreciation/amortisation recognised in profit or loss	(401)	(228)	+75.9	(157)	(244)
Adjusted EBITDA²⁾	(201)	574	x	(164)	(37)

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

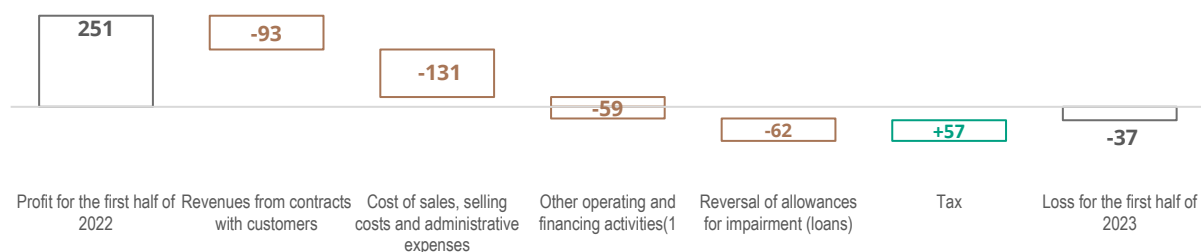
2) Adjusted EBITDA = profit on sales + depreciation/amortisation (recognised in profit or loss) + impairment losses (-reversal of impairment losses) on non-current assets, recognised in cost of sales, selling costs and administrative expenses

Table 14. Main factors impacting the change in profit or loss of KGHM INTERNATIONAL LTD.

Item	Impact on change of profit or loss (in USD million)	Description
Lower revenues from contracts with customers (-USD 93 million)	-70	Change in sales volumes, of which: - copper -USD 50 million - gold -USD 17 million - platinum and palladium +USD 4 million - other metals +USD 7 million
	-34	Change in sales prices, of which: - copper -USD 31 million - gold +USD 2 million - platinum and palladium -USD 2 million - other metals +USD 0.2 million
	+18	Higher revenues due to mining services realised by DMC Mining Services
	-7	Other factors
Higher cost of sales, selling costs and administrative expenses (-USD 131 million)	(38)	Higher write-downs of ore and concentrate inventories as their value was higher than their net realizable sales price.
	(75)	Change in products and work in progress (+USD 46 million versus -USD 29 million in the first half of 2022).
	(55)	Lower capitalised stripping costs due to the lower scope of access work by the Robinson mine
	(4)	Higher costs of external services, mainly in the company DMC Mining Services

	+33	Lower costs of materials and energy
	+10	Lower depreciation/amortisation costs
	(2)	Other factors
Impact of other operating and financing activities (-USD 121 million)	(62)	Reversal of an allowance for impairment of loans granted for the construction of the Sierra Gorda mine (+USD 113 million in the first half of 2023 versus +USD 175 million in the first half of 2022)
	(51)	Result on the sale of the Oxide project (to Sierra Gorda S.C.M.) and of the Franke mine in the first half of 2022 (in the first half of 2023 these type of transactions did not occur)
	(8)	Other factors, including lower interest on the loan to Sierra Gorda (-USD 6 million)
Income tax (+USD 57 million)	+57	Mainly due to the decrease in the Robinson mine's results.

Chart 12. Change in profit or loss of KGHM INTERNATIONAL LTD. (in USD million)



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

4.5. Cash expenditures

Table 15. Cash expenditures of KGHM INTERNATIONAL LTD. (in USD million)

	1st half 2023	1st half 2022	Change (%)	2Q 2023	1Q 2023
Victoria project	32	25	+28.0	17	15
Stripping and other	47	91	(48.4)	16	31
Total	79	116	(31.9)	33	46

Table 16. Cash expenditures of KGHM INTERNATIONAL LTD. (in PLN million)

	1st half 2023	1st half 2022	Change (%)	2Q 2023	1Q 2023
Victoria project	137	107	+27.8	72	65
Stripping and other	201	387	(48.1)	63	138
Total	338	494	(31.6)	135	203

Cash expenditures by the segment KGHM INTERNATIONAL LTD. in the first half of 2023 amounted to USD 79 million and were lower by USD 37 million (-32%) compared to the corresponding period of 2022, mainly in respect of the lower scope of stripping by the Robinson mine.

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

The segment Sierra Gorda S.C.M. is a joint venture (under the JV company Sierra Gorda S.C.M.), whose owners are KGHM INTERNATIONAL LTD. (55%) and the Australian mining group South32 (45%).

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

5.1. Production

In the second quarter of 2023, Sierra Gorda S.C.M. increased production of all metals compared to the level of production recorded in the first three months of 2023.

Table 17. Production of copper, molybdenum and precious metals by Sierra Gorda S.C.M.

	Unit	1st half 2023	1st half 2022	Change (%)	2Q 2023	1Q 2023
Copper production ⁽¹⁾	kt	72.8	80.9	(10.0)	38.4	34.4
Copper production – segment (55%)	kt	40.1	44.5	(10.0)	21.2	18.9
Molybdenum production ⁽¹⁾	mn lbs	3.9	3.5	+11.4	2.1	1.8
Molybdenum production – segment (55%)	mn lbs	2.1	1.9	+11.4	1.1	1.0
TPM production – gold ⁽¹⁾	koz t	30.1	28.4	+6.0	16.4	13.7
TPM production – gold – segment (55%)	koz t	16.5	15.6	+6.0	9.0	7.5

¹⁾ Payable metal in concentrate.

Production of payable copper amounted to 72.8 thousand tonnes in the first half of 2023, or 10% lower than production recorded in the corresponding half-year of 2022. The main reason for this decrease was the processing of feed material containing less copper than in the first half of 2022 and the lower level of copper recovery (the decrease in grade and recovery were respectively: -9% and -1%). It should be noted that although a higher daily ore throughput was achieved, its positive effect did not completely offset the impact of lower copper content in the feed material.

The increase in processing volume and the extraction of ore with higher molybdenum content led to higher production of payable molybdenum by more than 11% compared to the first half of 2022. Higher production was also recorded in respect of gold.

5.2. Sales

Revenues in the first half of 2023 amounted to USD 728 million (on a 100% basis), or PLN 1 711 million respectively to the 55% interest held.

Table 18. Volumes and sales revenues of Sierra Gorda S.C.M.

	Unit	1st half 2023	1st half 2022	Change (%)	2Q 2023	1Q 2023
Revenues from contracts with customers,⁽¹⁾ including from the sale of:	USD mn	728	824	(11.7)	339	389
- copper	USD mn	597	682	(12.5)	278	319
- molybdenum	USD mn	54	72	(25.0)	21	33
- TPM (gold)	USD mn	61	52	+17.3	33	28
Copper sales volume	kt	74.3	80.4	(7.6)	39.9	34.4
Molybdenum sales volume	mn lbs	2.3	3.9	(41.0)	1.1	1.2
TPM sales volume (gold)	koz t	30.5	27.2	+12.1	16.2	14.3
Revenues from contracts with customers⁽¹⁾ - segment (55%)	PLN mn	1 711	1 938	(11.7)	779	932

¹⁾ reflecting treatment/refining and other charges

The decrease in revenues compared to the corresponding half-year of 2022 amounted to USD 96 million and was mainly due to lower sales of copper and molybdenum.

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.

5.3. Costs

The cost of sales, selling costs and administrative expenses incurred by the company Sierra Gorda S.C.M. amounted to USD 496 million, of which USD 434 million were costs of sales and USD 63 million were the total selling costs and administrative expenses. Proportionally to the interest held (55%) the costs of the segment Sierra Gorda amounted to PLN 1 166 million.

Table 19. Costs and C1 payable copper production cost of Sierra Gorda S.C.M.

	Unit	1st half 2023	1st half 2022	Change (%)	2Q 2023	1Q 2023
Cost of sales, selling costs and administrative expenses	USD mn	496	540	(8.1)	254	242
Cost of sales, selling costs and administrative expenses – segment (55%)	PLN mn	1 166	1 268	(8.0)	586	580
C1 payable copper production cost⁽¹⁾	USD/lb	1.49	1.38	+8.0	1.50	1.48

¹⁾ C1 unit production cost of copper - cash cost of payable copper production, reflecting costs of ore extraction and processing, the minerals extraction tax, transport costs, administrative expenses during the mining phase and smelter treatment and refining charges (TC/RC) less by-product value

Compared to the first half of 2022, the cost of sales, selling costs and administrative expenses expressed in USD million was lower by USD 44 million (-8%).

Table 20. Main items of cost of sales, selling costs and administrative expenses of Sierra Gorda S.C.M. (in USD million)

	1st half 2023	1st half 2022	Change (%)	
External services	136	108	+25.9	higher contract rates and scope of services
Depreciation/amortisation	168	206	(18.4)	lower costs mainly in respect of depreciation of investments related to stripping
Materials and fuels	98	109	(10.1)	lower prices of explosives and their more efficient use. Lower diesel prices.
Spare parts	33	30	+10.0	higher scope of maintenance
Energy	96	114	(15.8)	lower energy costs thanks to switching to renewable energy sources
Labour costs	58	48	+20.8	higher employment and an unfavourable CLP/USD exchange rate
Selling costs	37	45	(17.8)	lower sales volume
Other costs	28	26	+7.7	includes higher costs of insurance, travel
Capitalised stripping costs	(156)	(68)	x2.3	a higher scope of work and unit cost of extraction
Change in inventories	2	(78)	x	
Cost of sales, selling costs and administrative expenses	496	540	(8.1)	

In the first half of 2023 Sierra Gorda S.C.M. increased its daily ore throughput, while the unit cost per processed tonne decreased by nearly 2%. The C1 cash cost of production sold was however higher, mainly due to a lower volume of copper sales and lower molybdenum sales (revenues in this regard along with other associated metals are deducted in the calculation of C1).

5.4. Financial results

In the first half of 2023, adjusted EBITDA amounted to USD 400 million, of which proportionally to the interest held (55%) PLN 940 million is attributable to the KGHM Group.

Table 21. Results of Sierra Gorda S.C.M. in USD million (on a 100% basis)

	1st half 2023	1st half 2022	Change (%)	2Q 2023	1Q 2023
Revenues from contracts with customers	728	824	(11.7)	339	389
Cost of sales, selling costs and administrative expenses	(496)	(540)	(8.1)	(254)	(242)
Profit/(loss) on sales	232	284	(18.5)	85	147
Profit/loss for the period	34	76	(55.5)	2	32
Depreciation/amortisation recognised in profit or loss	(168)	(206)	(18.4)	(85)	(83)
Adjusted EBITDA⁽¹⁾	400	491	(18.6)	171	229

Table 22. Results of the segment Sierra Gorda S.C.M. proportionally to the interest held (55%) in PLN million

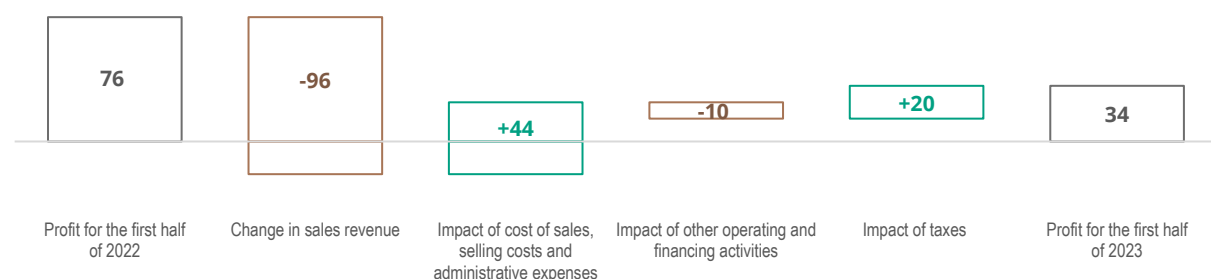
	1st half 2023	1st half 2022	Change (%)	2Q 2023	1Q 2023
Revenues from contracts with customers	1 711	1 938	(11.7)	779	932
Cost of sales, selling costs and administrative expenses	(1 166)	(1 268)	(8.0)	(586)	(580)
Profit/(loss) on sales	545	670	(18.7)	193	352
Profit/loss for the period	79	179	(55.9)	1	78
Depreciation/amortisation recognised in profit or loss	(395)	(484)	(18.4)	(197)	(198)
Adjusted EBITDA⁽¹⁾	940	1 154	(18.5)	390	550

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

Table 23. Main factors impacting the change in profit or loss of the segment Sierra Gorda S.C.M.

Item	Impact on change of profit or loss (in USD million)	Description
Lower sales revenue (-USD 96 million)	(75)	Decrease in revenues from copper sales by USD 75 million:
		- lower sales prices (-USD 54 million)
		- lower sales volume (-USD 53 million)
		- higher Mark to Market valuation (+USD 32 million)
Lower cost of sales, selling costs and administrative expenses (+USD 44 million)	+6	Decrease in revenues from molybdenum sales by USD 17 million
		- lower sales volume (-USD 44 million)
		- lower Mark to Market valuation (-USD 10 million)
		- higher sales prices (+USD 36 million)
Impact of other operating and financing activities (-USD 10 million)	(10)	Higher revenues from gold and silver sales
		Less favourable TC/RC
		The decrease in costs of sales, selling costs and administrative expenses by USD 44 million was mainly due to:
		- higher costs of external services, spare parts and labour costs
Impact of taxes (+USD 20 million)	+75	- lower costs of depreciation/amortisation, materials and fuels, energy, selling costs
		- higher other costs
		- Change in inventories (+USD 2 million versus -USD 78 million in the first half of 2022)
Impact of taxes (+USD 20 million)	+88	- Higher capitalised stripping costs (USD 156 million versus USD 68 million in the first half of 2022)
		Mainly foreign exchange losses (-USD 6 million) versus foreign exchange gains in the first half of 2022 (+USD 9 million)
Impact of taxes (+USD 20 million)	+20	Lower income tax due to lower profit before taxation

Chart 13. Change in profit/loss for the period (in USD million)



In the first half of 2023 Sierra Gorda S.C.M. did not incur new liabilities due to bank and other loans. There was however a partial repayment of the loan granted by the Owners for the construction of the mine, in the amount of USD 30 million (interest) compared to USD 350 million in the corresponding period of 2022 (interest and principal).

5.5. Cash expenditures

In the period January-June 2023, cash 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 250 million, of which USD 138 million were cash expenditures incurred on stripping to gain access to further areas of the deposit.

Table 24. Cash expenditures of Sierra Gorda S.C.M.

	Unit	1st half 2023	1st half 2022	Change (%)	2Q 2023	1Q 2023
Cash expenditures on property, plant and equipment	USD mn	250	223	+12.1	114	136
Cash expenditures on property, plant and equipment – segment (55% share)	PLN mn	588	524	+12.2	261	327

Cash expenditures were higher than in the corresponding period of 2022 by 12%. The increase was mainly due to capitalised stripping costs due to a higher scope of work. Other expenditures were lower (in the first half of 2022 investments were substantially higher than average due to the acquisition of the Oxide project from KGHM INTERNATIONAL LTD.)

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

6.1. Financial results

Statement of profit or loss

Table 25. Financial results of the Group (in PLN million)

	1st half 2023	1st half 2022	Change (%)	2Q 2023	1Q 2023
Revenues from contracts with customers	17 757	17 926	(0.9)	8 172	9 585
Cost of sales, selling costs and administrative expenses	(16 862)	(14 895)	+13.2	(7 939)	(8 923)
Profit on sales	895	3 031	(70.5)	233	662
Profit or loss on involvement in a joint venture	774	1 102	(29.8)	627	147
Other operating income / (costs)	(949)	1 539	×	(579)	(370)
Finance income / (costs)	183	(358)	×	109	74
Profit before income tax	903	5 314	(83.0)	390	513
Income tax expense	(502)	(1 134)	(55.7)	(153)	(349)
Profit for the period	401	4 180	(90.4)	237	164
Adjusted EBITDA⁽¹⁾	3 148	5 309	(40.7)	1 266	1 882

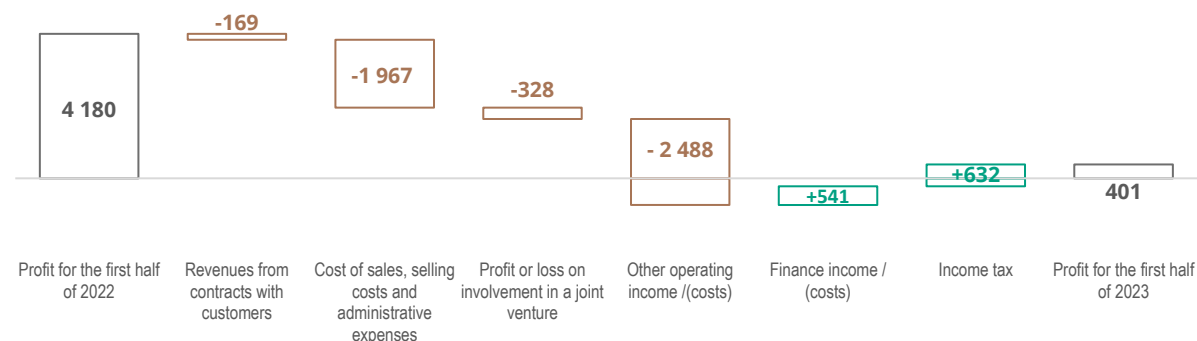
¹⁾ Adjusted EBITDA = profit on sales + depreciation/amortisation (recognised in profit or loss) + impairment loss (-reversal of impairment losses) on non-current assets recognised in cost of sales, selling costs and administrative expenses) according to data in part 2 of the consolidated financial statements – together with Sierra Gorda S.C.M.

Table 26. Main factors impacting the change in profit or loss of the Group

Item	Impact on change of profit or loss (in PLN million)	Description
Revenues from contracts with customers	(169)	A decrease in revenues mainly due to lower revenues from sales of copper by PLN 336 million and silver by PLN 70 million, alongside an increase in revenues from sales of gold by PLN 148 million and services by PLN 220 million. Detailed reasons for the change in revenues in the segments KGHM Polska Miedź S.A. and KGHM INTERNATIONAL LTD. are described in sections 3 and 4 of this report.
Cost of sales, selling costs and administrative expenses	(1 967)	The increase in costs of sales, selling costs and administrative expenses was mainly due to higher expenses by nature by PLN 1 298 million as well as changes in inventories by +PLN 599 million and costs of manufacturing products for own needs by +PLN 145 million. The increase in expenses by nature was mainly due to an increase in employee benefits expenses by +PLN 545 million, external services +PLN 263 million, the minerals extraction tax by +PLN 320 million and revaluation of inventories by +PLN 191 million. Detailed description of changes in costs in the segments KGHM Polska Miedź S.A. and KGHM INTERNATIONAL LTD. are described in sections 3 and 4 of this report.
Profit or loss on involvement in a joint venture	(328)	The decrease in the result on involvement in a joint venture from PLN 1 102 million to PLN 774 million was mainly due to: <ul style="list-style-type: none"> - a lower level of reversal of allowances for impairment of loans granted to a joint venture than in the corresponding period by PLN 301 million, - a decrease in interest income on loans granted by PLN 27 million.
Other operating income/ (costs)	(2 488)	The decrease in the result on other operating activities from PLN 1 539 million to -PLN 949 million was mainly due to: <ul style="list-style-type: none"> - a decrease by PLN 2 103 million in the result on exchange differences on assets and liabilities other than borrowings, - a decrease by PLN 56 million in the result from the measurement and realisation of derivatives, - a decrease in the gain from the disposal of subsidiaries by PLN 173 million (in the first half of 2023 this item did not occur), - a decrease in the gain from the disposal of intangible assets by PLN 129 million.

Finance income/(costs)	+541	An increase in finance income and costs from -PLN 358 million to PLN 183 million, mainly due to exchange differences from the measurement and realisation of borrowings, +PLN 537 million.
Income tax	+632	A decrease in income tax due to a decrease in profit before taxation.

Chart 14. Change in profit/loss for the first half of 2023 (in PLN million)



Cash flow

Table 27. Cash flow of the Group (in PLN million)

	1st half 2023	1st half 2022	Change (%)	2Q 2023	1Q 2023
Profit before income tax	903	5 314	(83.0)	390	513
Exclusions of income and costs, total	1 881	(994)	x	945	936
Income tax paid	(1 082)	(1 299)	(16.7)	(834)	(248)
Change in working capital	1 228	(1 431)	x	949	279
Net cash generated from operating activities	2 930	1 590	+84.3	1 450	1 480
Expenditures on property, plant and equipment and intangible assets	(2 045)	(1 968)	+3.9	(900)	(1 145)
Repayment of loans granted to a joint venture, together with interest	68	789	(91.4)	68	-
Proceeds from disposal of property, plant and equipment and intangible assets	28	373	(92.5)	19	9
Proceeds from disposal of subsidiaries	-	243	x	-	-
Other cash flow from investing activities	(38)	(47)	(19.1)	(11)	(27)
Net cash used in investing activities	(1 987)	(610)	+3.3	(824)	(1 163)
Proceeds from / expenditures on borrowings	(220)	(141)	+56.0	(321)	101
Interest paid	(52)	(40)	+30.0	(25)	(27)
Repayment of lease liabilities	(57)	(42)	+35.7	(46)	(11)
Other cash flow from financing activities	48	6	+8.0	45	3
Net cash used in financing activities	(281)	(217)	+29.5	(347)	66
NET CASH FLOW	662	763	(13.2)	279	383
Exchange differences	17	(32)	x	26	(9)
Cash and cash equivalents at beginning of the period	1 200	1 904	(37.0)	1 574	1 200
Cash and cash equivalents at end of the period	1 879	2 635	(28.7)	1 879	1 574

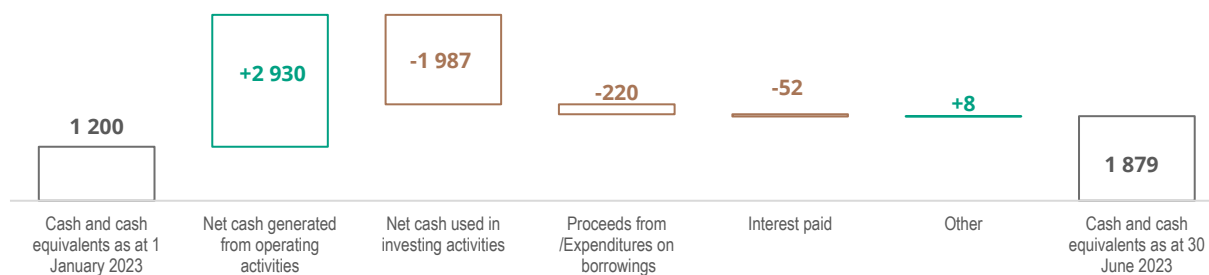
Net cash generated from operating activities in the first half of 2023 amounted to +PLN 2 930 million and was comprised of profit before income tax of +PLN 903 million, increased by exclusions of income and costs by +PLN 1 881 million and the change in working capital by +PLN 1 228 million, less income tax paid of -PLN 1 082 million.

Net cash used in investing activities in the first half of 2023 amounted to -PLN 1 987 million and mainly comprised expenditures on property, plant and equipment and intangible assets in the amount of -PLN 2 045 million.

Net cash used in financing activities in the first half of 2023 amounted to -PLN 281 million and mainly comprised the balance of proceeds and repayments of borrowings of -PLN 220 million, interest paid in the amount of -PLN 52 million and repayment of lease liabilities of -PLN 57 million.

After the inclusion of exchange differences on cash and cash equivalents, cash and cash equivalents presented in the statement of cash flows increased in the first half of 2023 by PLN 679 million and at 30 June 2023 amounted to PLN 1 879 million.

Chart 15. Cash flows in the first half of 2023 (in PLN million)



Assets

Table 28. Consolidated assets (in PLN million)

	30.06.2023	31.12.2022	Change (%)	31.03.2023
Property, plant and equipment and intangible assets	28 884	28 630	+0.9	28 820
Joint ventures – loans granted	9 635	9 603	+0.3	9 511
Financial instruments	1 736	1 789	(3.0)	1 659
Deferred tax assets	139	137	+1.5	143
Other non-financial assets	233	220	+5.9	220
Non-current assets	40 627	40 379	+0.6	40 353
Inventories	8 888	8 902	(0.2)	8 538
Trade receivables	765	1 177	(35.0)	1 131
Tax assets	372	367	+1.4	367
Derivatives	766	796	(3.8)	611
Joint ventures – loans granted	-	-	x	-
Other financial assets	426	337	+26.4	373
Other non-financial assets	478	286	+67.1	388
Cash and cash equivalents	1 879	1 200	+56.6	1 574
Current assets	13 574	13 065	+3.9	12 982
Total assets	54 201	53 444	+1.4	53 335

At the end of the first half of 2023, total assets in the consolidated statement of financial position amounted to PLN 54 201 million and were higher by PLN 757 million as compared to 31 December 2022.

Non-current assets as at 30 June 2023 amounted to PLN 40 627 million and compared to the end of 2022 were higher by PLN 248 million. The increase in non-current assets was mainly with respect to increase in property, plant and equipment and intangible assets by PLN 254 million.

Current assets increased by PLN 509 million, mainly due to cash and cash equivalents by PLN 679 million and other financial assets by PLN 192 million, alongside a decrease in the value of trade receivables by PLN 412 million.

Chart 16. Change in assets in the first half of 2023 (in PLN million)



Equity and liabilities

Table 29. Consolidated equity and liabilities (in PLN million)

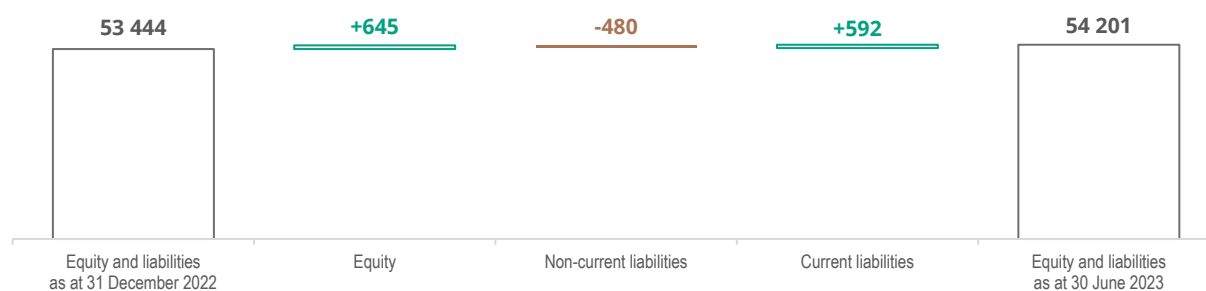
	30.06.2023	31.12.2022	Change (%)	31.03.2023
Share capital	2 000	2 000	-	2 000
Other reserves from measurement of financial instruments	180	(427)	x	(469)
Accumulated other comprehensive income	1 647	1 812	(9.1)	1 716
Retained earnings	28 898	28 704	+0.7	28 867
Equity attributable to shareholders of the Parent Entity	32 725	32 089	+2.0	32 114
Equity attributable to non-controlling interest	66	57	+15.8	58
Equity	32 791	32 146	+2.0	32 172
Borrowings, leases and debt securities	5 046	5 220	(3.3)	5 899
Derivatives	453	719	(37.0)	540
Employee benefits liabilities	2 778	2 621	+6.0	2 692
Provisions for decommissioning costs of mines and other facilities	1 705	1 859	(8.3)	1 751
Deferred tax liabilities	1 175	1 151	+2.1	1 081
Other liabilities	476	543	(12.3)	506
Non-current liabilities	11 633	12 113	(4.0)	12 469
Borrowings, leases and debt securities	966	1 223	(21.0)	618
Derivatives	429	434	(1.2)	343
Trade and similar payables	3 881	3 094	+25.4	2 819
Employee benefits liabilities	2 067	1 699	+21.7	1 819
Tax liabilities	707	1 233	(42.7)	1 366
Provisions for liabilities and other charges	172	173	(0.6)	182
Other liabilities	1 555	1 329	+17.0	1 547
Current liabilities	9 777	9 185	+6.4	8 694
Non-current and current liabilities	21 410	21 298	+0.5	21 163
Total equity and liabilities	54 201	53 444	+1.4	53 335

Equity as at 30 June 2023 amounted to PLN 32 791 million and was higher by PLN 645 million than at the end of 2022.

Non-current liabilities of the KGHM Polska Miedź S.A. Group as at 30 June 2023 amounted to PLN 11 633 million and were lower by PLN 480 million compared to the end of 2022, mainly due to a decrease in liabilities due to borrowings and leases by PLN 174 million, derivatives by PLN 266 million and provisions for decommissioning costs of mines by PLN 154 million, alongside an increase in employee benefits liabilities by PLN 157 million.

Current liabilities of the KGHM Polska Miedź S.A. Group as at 30 June 2023 amounted to PLN 9 777 million and were higher by PLN 592 million compared to the end of 2022, mainly due to an increase in trade and similar payables by PLN 787 million, employee benefits liabilities by PLN 368 million and other liabilities by PLN 226 million, alongside a decrease in borrowings by PLN 257 million and tax liabilities by PLN 526 million.

Chart 17. Change in equity and liabilities (in PLN million)



Contingent assets and liabilities due to guarantees granted

As at 30 June 2023, the Group held contingent assets in the amount of PLN 357 million, which mainly related to the securities received for the proper execution of agreements in the amount of PLN 199 million and promissory notes receivables in the amount of PLN 131 million.

As at 30 June 2023, the Group held liabilities due to guarantees and letters of credit granted in the amount of PLN 1 187 million and promissory notes payables in the amount of PLN 222 million.

The most important items are liabilities of the Parent Entity aimed at securing liabilities:

- Sierra Gorda S.C.M. – a corporate guarantee in the amount of PLN 904 million securing the repayment of a long-term bank loan,
- other entities, including the Parent Entity:
 - a guarantee in the amount of PLN 126 million securing the proper execution of future environmental obligations of the Parent Entity to restore terrain, following the conclusion of operations of the Żelazny Most tailings storage facility,
 - a guarantee in the amount of PLN 100 million securing the obligations of the Parent Entity arising from a surety agreement entered into between KGHM Polska Miedź SA, Dom Maklerski Banku Ochrony Środowiska S.A. and Izba Rozliczeniowa Giełd Towarowych S.A.,
 - guarantees and letters of credit in the total amount of PLN 49 million securing the proper execution of agreements entered into by the Parent Entity and companies in the Group.

6.2. 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 lines of credit in the short, medium and long term.

Net debt in the Group

Borrowings of the Group as at 30 June 2023 amounted to PLN 6 012 million, of which 94% represented debt of the Parent Entity. The amount of free cash and cash equivalents held by the Group increased by PLN 673 million compared to the end of 2022 and as at 30 June 2023 amounted to PLN 1 852 million. The Group's free cash and cash equivalents are of a short term nature.

Table 30. Net debt in the Group (in PLN million)

	30.06.2023	31.12.2022	Change (%)
Liabilities due to:	6 012	6 443	(6.7)
Bank loans	686	1 263	(45.7)
Other loans	2 542	2 434	+4.4
Debt securities	2 001	2 002	-
Leases	783	744	+5.2
Free cash and cash equivalents	1 852	1 179	+57.1
Net debt	4 160	5 264	(21.0)

Sources of financing in the Group

As at 30 June 2023, the Group held open lines of credit, loans and bonds with a total available equivalent amount of PLN 14 975 million, out of which PLN 3 228 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 2 001 million.

Table 31. Sources of financing in the Group

Unsecured, revolving syndicated credit facility in the amount of USD 1.5 billion	<p>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.</p> <p>The funds acquired through this credit facility are being used to finance general corporate goals.</p>
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	<p>Financing agreement signed by the Parent Entity with the European Investment Bank:</p> <ul style="list-style-type: none"> – 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 900 million which was increased up to PLN 1 340 million in June 2021. Under this loan, 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 3.3 billion

The Group holds lines of credit in the form of bilateral agreements in the total amount of PLN 3 261 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 2.0 billion

An issue agreement dated 27 May 2019 established the bond issue program on the Polish market. The first issue of bonds with a nominal value of PLN 2 000 million took place on 27 June 2019, under which 5-year bonds were issued in the amount of PLN 400 million with maturity falling on 27 June 2024 and 10-year bonds in the amount of PLN 1 600 million with maturity falling on 27 June 2029. The funds obtained from the bond issue were used to finance general corporate goals.

Another source supporting the Group's liquidity is reverse factoring. The main goal of implementation of the reverse factoring program was to guarantee the effective management of working capital while ensuring the timely execution of trade payables of the Group. In the first half of 2023, the Group made use of the reverse factoring program, increasing the scale of its use to PLN 829 million as at 30 June 2023.

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

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

External financing as at 30 June 2023

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

Table 32. Amount available and drawn by the Group (in PLN million)

	Amount drawn as at 30.06.2023	Amount drawn as at 31.12.22	Change (%)	Amount available as at 30.06.2023	Amount drawn (%) as at 30.06.2023
Unsecured, revolving syndicated credit facility	-	528	x	6 160	0.0
Loans	2 542	2 434	+4.4	3 554	71.5
Bilateral bank loans	686	735	(6.7)	3 261	21.0
Debt securities	2 001	2 002	-	2 000	100.0
Total	5 229	5 699	(8.2)	14 975	34.9

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 abroad 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 2023, the balance of loans granted by the Group amounted to PLN 9 657 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 2023, the Group held liabilities due to guarantees and letters of credit granted in the total amount of PLN 1 187 million and due to promissory notes liabilities in the amount of PLN 222 million.

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

Evaluation of Group liquidity

In the first half of 2023, 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.

7. RISK MANAGEMENT IN THE GROUP

7.1. 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 implemented corporate risk Management Policy and Procedure and the current 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 implementation of the aforementioned Policy and Procedure as well as approval of their updates is carried out at the level of the Management Board of KGHM Polska Miedź S.A. following the issuance of a recommendation by the Corporate Risk and Compliance Committee. Key documents involving risk and its management are published by the Company on its website <https://kghm.com/en/investors/corporate-governance/risk-management>, while those of only an internal nature are published in the internal IT systems available to employees.

Publicly-available documents in the area of corporate risk management may be addressed to various external stakeholder groups, including in terms of engaging in business relationships. The operating documents developed for individual steps of the risk management process are provided to persons directly involved in this process within the KGHM Polska Miedź S.A. Group.

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. All of the 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.

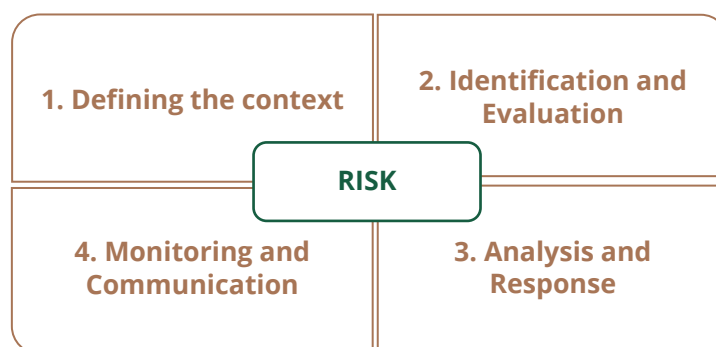
The reporting of key types of corporate risk in the KGHM Polska Miedź S.A. Group is performed cyclically to the Management Board of KGHM Polska Miedź S.A. and to the Audit Committee of the Supervisory Board of KGHM Polska Miedź S.A.

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 laws (external and internal) or from voluntarily-assumed legal obligations and standards (including ethical standards), since 2020 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. has been in force. 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.

In the first half of 2023, the process continued of implementing a comprehensive business continuity management system, which also enables a detailed breakdown of the scope of actions undertaken as regards managing corporate risk in terms of the risk of a catastrophic impact and the small probability of its occurrence. 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 up 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 its 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 are planned and performed, new areas of activities, projects, etc.

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 methods 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.

Following its identification, each corporate risk is evaluated using a Risk Evaluation Matrix, containing a scaled breakdown of assessments by impact, vulnerability and probability. A risk may have various effects, and therefore in order to ensure as broad as possible 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 on 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 climate and natural environment, the functioning of the ecosystem as well as the time required to restore the disturbed balance.
- **Regulations and Laws** – evaluation of the compliance of events with existing laws, 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 important from the point of view of conducted activities.

The results of the identification and evaluation of risk is 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 actions.

A directional decision is called a Response to risk. A change in the way an action is taken requires the determination of Corrective Actions, meaning organisational, process, systemic and other changes which are aimed at reducing the level of the key risk.

During this step KRIs – Key Risk Indicators – are also defined, being a set of business process parameters or environmental parameters which reflect changes to a given risk profile.

STEP 4

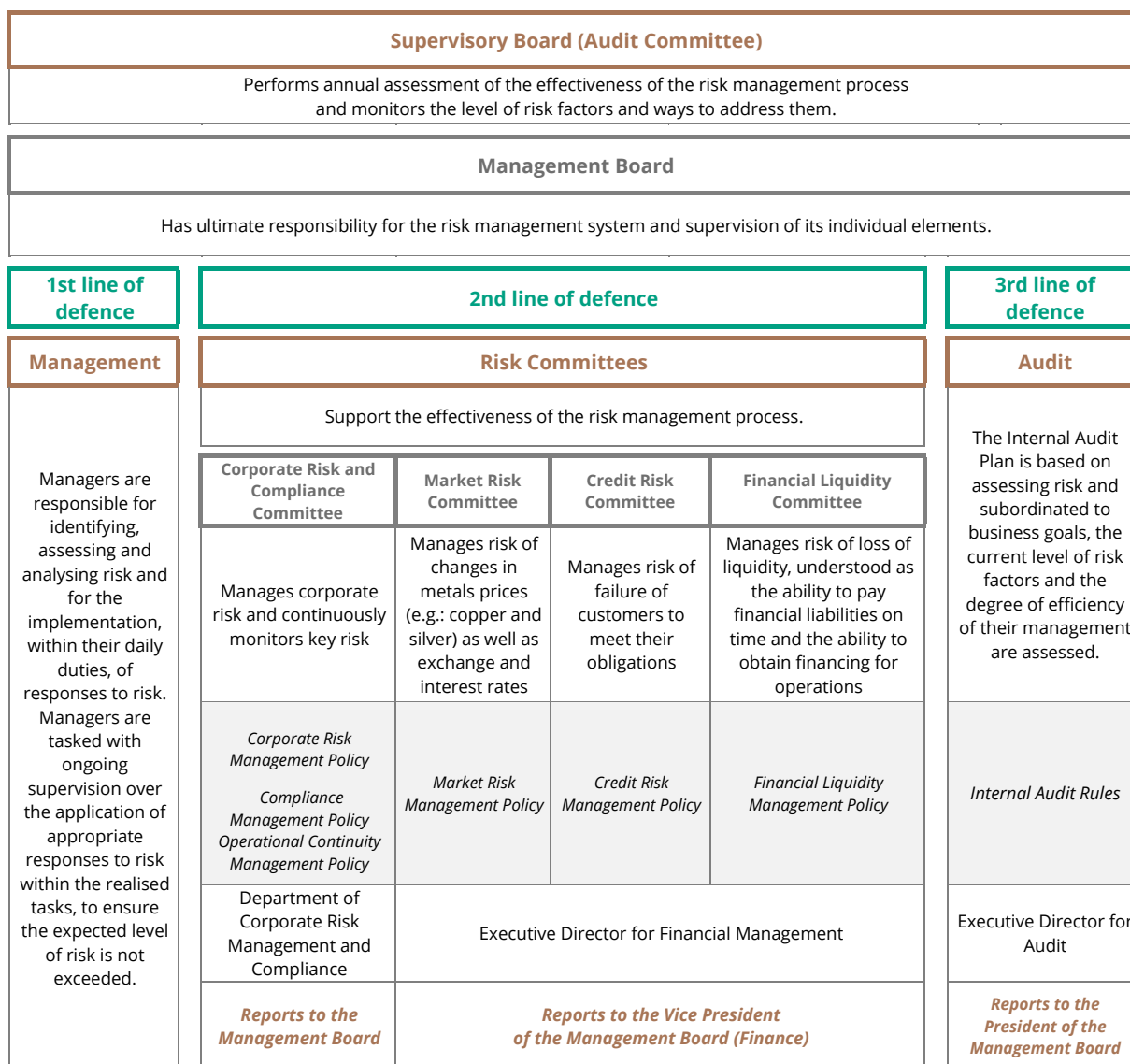
Monitoring and Communication

The goal of this step is to ensure that the adopted Risk Response Plan is effective (ad hoc and periodic reports), new risks 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 appropriately performed monitoring of risk enables flexible and prompt reaction to changes occurring in the external and internal environments (e.g. risk escalation, changes in actions related to risk response, or risk evaluation parameters, etc.).

Achievement of this step provides the assurance 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 Polska Miedź S.A



7.2. Corporate risk – key risk factors and their 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 robust corporate structure. KGHM Polska Miedź S.A. also took steps to include issues related to climate change in the risk taxonomy in accordance with the Recommendations of TCFD (Task Force on Climate-Related Financial Disclosures). In subsection 3.3 of the Management Board's Report on the activities of the KGHM Polska Miedź S.A. and the KGHM Polska Miedź S.A. Group in 2022 we describe our climate risk management strategy in more detail and indicate that our activities and such an approach in this area is the result of, among others, the Company's pursuit of operational excellence and the mission of acting in regard to the principles of sustainable business. As a result of the aforementioned actions, KGHM distinguishes a category of climate risk, the importance of which for the Company is equivalent to the other risk categories. A tool used in identifying risk in the KGHM Polska Miedź S.A. Group is the Risk Model. The Risk, whose structure is based on sources of threats, is divided into the following six categories: **Technological, Value chain, Market, External risk, Internal risk 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 its negative effects, but also in optimisation of the ability to take on risk and the effectiveness of the tools used and their profitability.

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

	<p>Technology</p> <p>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 changes in the quality and efficiency of IT infrastructure affecting business units, support functions and infrastructure.</p>
	<p>Value chain</p> <p>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.</p>
	<p>Market</p> <p>This category is associated with changes in the value of assets, the level of liabilities or profit or 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.</p>
	<p>External</p> <p>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.</p>
	<p>Internal</p> <p>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, its products or services, the effectiveness of principles of proceedings related with ethics and anti-corruption, a company's interests, or efforts to ensure against loss of confidential information, and the integrity, availability and authenticity of informational assets.</p>
	<p>Climate</p> <p>This category is associated with climate-related risk (climate risks) and its impact on the KGHM Polska Miedź S.A. Group's business activities, comprising physical risk (violent and chronic) and related to the transition to a low-emission economy (regulatory, reputational, market and technological).</p>

A detailed description of the key risk of the KGHM Polska Miedź S.A. Group, along with mitigating actions and indication a specific risk of the Parent Entity and the KGHM INTERNATIONAL LTD. Group, is 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 2022, section 2.6 „Risk Management in the Group”, available on the Company's website at [www.kghm.com \(https://kghm.com/en/investors/results-center/financial-reports\)](https://kghm.com/en/investors/results-center/financial-reports).

Risks and opportunities related to climate change

Managing climate risk and adapting to climate change is crucial for KGHM Polska Miedź S.A. as an informed and responsible participant in the green transition. Preventing and minimizing the environmental and climate impact and rational management of natural resources is of fundamental importance for KGHM Polska Miedź S.A. in respect to sustainable development, the satisfaction of stakeholder expectations and accountability to future generations.

The goals of Corporate Risk Management in the KGHM Polska Miedź S.A. Group are consistent with the adopted Strategy of the KGHM Polska Miedź S.A. Group and are shaped by global megatrends and determine the environmental challenges faced by the KGHM Polska Miedź S.A. Group. The impact of climate changes on the KGHM Polska Miedź S.A. Group along with its detailed description and mitigating actions are presented in the Management Board's Report on the activities of the KGHM Polska Miedź S.A. and the KGHM Polska Miedź S.A. Group in 2022, section 3.3 „Approach to climate risk management”, available on the Company's website at [www.kghm.com \(https://kghm.com/en/investors/results-center/financial-reports\)](https://kghm.com/en/investors/results-center/financial-reports).

Impact of the war in Ukraine on risk assessment

The key risk factors which are impacted by the war in Ukraine were analysed in depth by the ongoing monitoring of selected information as regards production, sales, the supply chain and the management of personnel and finances, in order to support the process of verifying the current financial and operational condition of the KGHM Polska Miedź S.A. Group.

From the Company's point of view, the impact of the war in Ukraine is its impact on market risk related to the volatility of metals prices and market indices in the reported period. The Company's share price at the end of the first half of 2023 fell by 8% compared to the price at the end of the first quarter of 2023 and by 11% compared to the price at the end of 2022 and at the close of trading on 30 June 2023 amounted to PLN 112.40. During these same periods the WIG index rose respectively by 15% and 17%, while the WIG20 index rose by 17% and 15%. As a result of these changes in share prices, the Company's capitalisation decreased from PLN 25.35 billion at the end of 2022 to PLN 22.48 billion at the end of the first half of 2023.

The average price of copper in the first half of 2023 amounted to 8 702 USD/t, which was higher than that in the budget. The average price of copper in the second quarter of 2023 decreased as compared to the average price of copper in the first quarter of 2023 by 5.2% as well as compared to the average price of copper for the year 2022 by 1.1%.

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

The geopolitical situation associated with the direct aggression of Russia against Ukraine and the implemented system of sanctions at the present time is not restricting the operations of KGHM Polska Miedź S.A. or the other companies of the Group, while the risk of interruptions to the operational continuity of the Company and the KGHM Polska Miedź S.A. Group in this regard continues to be considered as low.

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

Despite the high inflation observed in the global economy, resulting in the tightening of monetary policy, the demand for the Company's key products did not deteriorate significantly in the first quarter of 2023. In the second quarter of 2023, however, a decrease in demand was observed for copper rod and wire as compared to the first quarter of 2023 due to stagnation in construction and energy sectors as well as the general slowdown in the European economy, which is reflected in a decrease in orders from end users.

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

In terms of the availability of capital and the level of debt, KGHM does not hold bank loans drawn from institutions threatened with sanctions.

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

In terms of other companies of the KGHM Polska Miedź S.A. Group, the situation in Ukraine in the first half of 2023 did not have a substantial impact on the operating results generated by these entities.

As a result of the impact of the armed conflict in Ukraine, the Parent Entity continuously monitors the global economic situation to assess its potential, negative impact on the KGHM Polska Miedź S.A. Group and to take anticipative actions to mitigate this impact. Questions connected with this war and its impact on the activities of the KGHM Polska Miedź S.A. Group are described in note 5.6. of the Condensed consolidated financial statements of the KGHM Polska Miedź S.A. Group for the first half of 2023.

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

Since the start of the COVID-19 pandemic, China has maintained a restrictive „zero covid“ policy, such that in the fourth quarter of 2022 it decided to remove most of the restrictions and to open its borders from 8 January 2023. The perceptible deterioration in economic recovery observed in the first half of 2023 affected the level of Chinese international commercial trade. Nonetheless, the observed situation does not have a substantially negative impact due to factors related to COVID-19 pandemic, and uncertainty related to their impact in subsequent periods is assessed to be low.

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 2023, as part of the active management of an open hedging position, a position on the currency market was restructured. Part of the collar options structures hedging revenues from sales in the period from July 2023 to December 2024, in the total notional amount of USD 990 million, was closed, which led to cash inflow due to option premiums of approx. PLN 533 million in the first half of 2023. The positive hedge result accumulated in equity will systematically be reflected in the operating result for the entire period from July 2023 to December 2024. Moreover, collar options structures hedging revenues from sales in 2024 in the notional amount of USD 660 million were restructured by transforming them into put spread structures, which enables full participation in potential increases in the USD/PLN exchange rate and enhances flexibility in shaping hedging positions in subsequent periods.

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

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

As at 30 June 2023, the Parent Entity had open Cross Currency Interest Rate Swap (CIRS) transactions in the notional amount of PLN 2 billion, hedging both the sales revenues in the currency, as well as the variable interest rate of issued bonds.

In the first half of 2023, none of the Group's mining subsidiaries implemented forward transactions on the metals and currency markets, and did not hold open positions as at 30 June 2023. There did exist risk related to metals prices involving derivatives embedded in long-term contracts for the supply of sulphuric acid and water.

Some of the Group's Polish companies managed the currency risk related to their core businesses by opening derivative transactions on the currency market.

Interest rate risk

As at 30 June 2023, 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 and funds accumulated in the special purpose Mine Closure Fund: PLN 2 306 million,
- borrowings: PLN 3 096 million.

As at 30 June 2023, 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 22 million,
- borrowings (i.e. bank and other loans drawn with fixed interest rates): PLN 2 133 million.

In the first half of 2023, the Parent Entity did not implement any transactions hedging against the risk of changes in interest rates. As at 30 June 2023, it held open CIRS (Cross Currency Interest Rate Swap) transactions for the notional amount of PLN 2 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 2023 amounted to PLN 224 million, of which:

- PLN 227 million increased revenues from contracts with customers,
- PLN 49 million decreased the result on other operating activities,
- PLN 46 million increased the result on financing activities.

In addition, in the first half of 2023 other comprehensive income increased by PLN 636 million (impact of hedging instruments, excluding the tax effect).

As at 30 June 2023, the fair value of open positions in derivatives of the Group (on the metals, currency and interest rate markets and in embedded derivatives) amounted to +PLN 428 million.

Risk related to the change in 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 2023, the carrying amount of shares of companies which were listed on the Warsaw Stock Exchange and on the TSX Venture Exchange amounted to PLN 526 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.

Credit risk related to trade receivables	To reduce the risk of insolvency by its customers, the Parent Entity has entered into a receivables insurance contract, which covers receivables from entities with open 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 collateral held and the credit limits received from the insurance company, as at 30 June 2023 the Parent Entity had secured 56% of its trade receivables (as at 31 December 2022: 76%).
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 on-going review of the credit ratings of those financial institutions with which the Group cooperates, and by limitation of the level of concentration of funds in individual institutions. As at 30 June 2023, the maximum share of a single entity in terms of credit risk arising from financial institutions in which the Group has deposited funds amounted to 22% (as at 31 December 2022: 30%).
Credit risk related to derivatives transactions	All of the entities with which the Group enters into derivative transactions (with the exception of embedded derivatives) operate in the financial sector. These are mainly financial institutions, with a medium-high rating. Taking into account the receivables due to open derivative transactions held by the Group (excluding embedded derivatives) as at 30 June 2023, as well as net receivables due to settled derivatives, the maximum share of a single entity in the amount exposed to credit risk arising from these transactions amounted to 20%, i.e. PLN 272 million (as at 31 December 2022: 17%, or PLN 260 million). Despite the concentration of credit risk related to derivatives transactions, the Parent Entity believes that due to its cooperation solely with renowned financial institutions, as well as ongoing monitoring of their ratings, it is not materially exposed to credit risk as a result of transactions entered into with them.
Credit risk related to loans granted	As at 30 June 2023, the balance of loans granted by the Parent Entity amounted to PLN 9 608 million. The most important of these are long-term loans in the total amount of PLN 9 529 million granted to the Company Future 1 Sp. z .o. o. and to the KGHM INTERNATIONAL LTD. Group. As at 30 June 2023, the balance of loans granted by the Group amounted to PLN 9 658 million. The most important of these are long-term loans in the total amount of PLN 9 635 million, i.e. USD 2 346 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 bank 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 borrowings 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.

8. OTHER INFORMATION

8.1. 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:
 - higher prices of fuels and energy carriers,
 - interruptions in the supply chain and the availability of materials (e.g. steel), fuels and energy on international markets,
- the political situation in Chile and the tax burden resulting from the introduced tax reform,
- a possible recession in global economies as a result of the inflation and energy crisis and the war in Ukraine, as well as the observed economic slowdown,
- exceptional legal changes due to the ongoing war in Ukraine,
- 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 general uncertainty on financial markets, and
- an increase in the prices of materials and services.

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 its potential impact on business continuity disruptions or business restrictions,
- a possible recession in global economies as a result of the inflation and energy crisis and the war in Ukraine, as well as the observed economic slowdown,
- volatility in the levels of extraction and recovery of metals,
- volatility in metals prices: copper, silver, gold and molybdenum,
- volatility in exchange rates: CLP/USD and USD/PLN,
- volatility in the cost of copper mining production, and
- an increase in the prices of materials and services.

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

The 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 KGHM 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 rise in the long-term metals prices, which could potentially have an impact on the future valuation of the assets.

8.2. 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.

8.3. Significant contracts for the Group

In the first half of 2023, and to the date of preparation of this report, no new contracts significant for the activities of the Parent Entity and the Group were entered into.

8.4. 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 2023 neither the Parent Entity nor its subsidiaries entered into significant transactions with related parties under other than arm's length conditions.

8.5. Human resources in the Company and Group

KGHM Polska Miedź S.A.

Employment in KGHM Polska Miedź S.A. as at 30 June 2023 amounted to 18 865 people, and was 1.1% higher than at the end of the corresponding period of the prior year. Average annual employment in KGHM Polska Miedź S.A. in the first half of 2023 amounted to 18 834 people and was higher than the level of employment in the first half of 2022 by 239 persons.

The increase in employment was mainly due to the following reasons:

- development of the mining infrastructure,
- higher employment in the IT services, in particular in the area of cybersecurity, and
- an increased demand for qualified workers to continue the development of the Żelazny Most tailings storage facility.

Table 33. Average employment in KGHM Polska Miedź S.A.

	1st half 2023	1st half 2022	Change (%)
Mines	12 632	12 466	+1.3
Metallurgical plants	3 615	3 615	-
Other divisions	2 587	2 514	+2.9
KGHM Polska Miedź S.A.	18 834	18 595	+1.3

Group

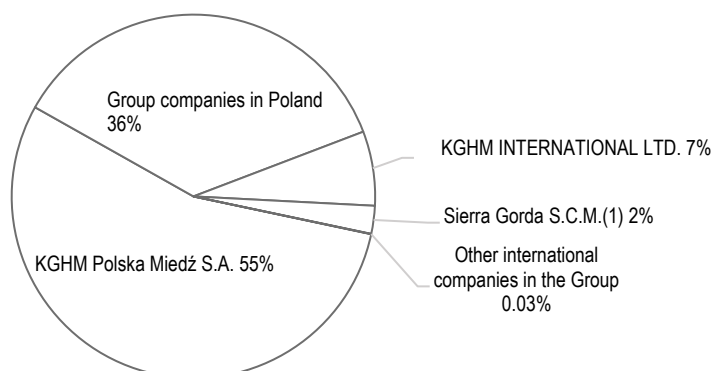
In the first half of 2023, 34 352 people were employed in the Group, or a slight increase as compared to the first half of 2022. The employment structure is shown in the following table and chart:

Table 34. Average employment in the Group

	1st half 2023	1st half 2022	Change (%)
KGHM Polska Miedź S.A.	18 834	18 595	+1.3
Companies of the KGHM Group in Poland	12 384	12 659	(2.2)
KGHM INTERNATIONAL LTD.	2 273	2 253	+0.9
Sierra Gorda S.C.M. ¹⁾	853	814	+4.8
Other international companies of the KGHM Group	9	9	-
Total	34 352	34 330	+0.1

¹⁾ Sierra Gorda S.C.M. – employment proportional to share in the company (55%)

Chart 18. Employment structure in the Group in the first half of 2023



¹⁾ Sierra Gorda S.C.M. – employment proportional to share in the company (55%)

Companies in Poland

In the first half of 2023, compared to the first half of 2022, average employment in the companies of the KGHM Polska Miedź S.A. Group in Poland decreased by 275 positions (i.e. by 2.2%). These changes were mainly due to a change in the composition of the Group due to the disposal of two companies in the hotel sector.

Companies abroad

In the reporting period, average employment in the companies of the KGHM INTERNATIONAL LTD. Group increased slightly compared to the first half of 2022 by 20 positions (i.e. by 0.9 %). During the first six months these changes in employment in the international companies were mainly due to the advancement of contracts by entities acting under the DMC Mining Services brand.

In the first half of 2023, compared to the first half of 2022, average employment in Sierra Gorda S.C.M. increased by 39 positions (i.e. by 4.8%). Changes in the level of employment in both blue-collar and white-collar positions was due to the realisation of optimisation and development programs, as well as the need to maintain an appropriate level of employment for the current operations.

8.6. Litigation and claims

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

<p>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"</p>	<p>In the claim dated on 26 September 2007, Plaintiffs (14 natural persons) filed a claim against KGHM Polska Miedź S.A. with the Regional Court in Legnica for the payment of royalties for the use by the Company of invention project no. 1/97/KGHM called „Sposób zwiększenia zdolności produkcyjnej wydziałów elektrorefinacji Huty Miedzi” (Method for increasing the production capacity of the electrorefining sections of the Metallurgical Plants) for the 8th calculation period, together with interest due. The amount of the claim (principal amount) was set by the Plaintiffs in the claim in the amount of approx. PLN 42 million (principal amount without interest and court costs) and interest as at 31 March 2019 amounted to approx. PLN 55 million. On 21 January 2008, in the response to the claim, KGHM Polska Miedź S.A. requested the dismissal of the claim in its entirety and filed a counter claim for the repayment of undue royalties paid for the 6th and 7th year of application of invention project no. 1/97/KGHM, together with interest due, also invoking the right of mutual set-off of claims. The amount of the claim (principal amount) in the counter claim was set by the Company in the amount of approx. PLN 25 million.</p> <p>In a judgment dated 25 September 2018, the Regional Court in Legnica dismissed the counter claim and partially upheld the principal claim to the total amount of approx. PLN 24 million, and at the same time ordered the payment of interest in the amount of approx. PLN 30 million, totalling to amount of PLN 54 million. Both parties to the proceedings appealed against this judgment.</p> <p>In a judgment dated 12 June 2019, the Court of Appeal in Wrocław dismissed the appeals of both sides, altering the judgment of the court of first instance solely in the matter of the resolution of court costs from the hearings at the court of first instance and charging them to KGHM Polska Miedź S.A. The judgment is binding and was executed by KGHM on 18-19 June 2019. KGHM Polska Miedź S.A. filed a cassation appeal against the judgment of the court of second instance, i.e. with respect to the partially upheld principal claim of the plaintiffs in the amount of approx. PLN 24 million as well as with respect to the dismissed counter-claim in the amount of approx. PLN 25 million. The plaintiffs did not file a cassation appeal. The cassation appeal was registered. In a judgment dated 24 November 2022 the Supreme Court overturned the disputed judgment and ordered the case to be reheard. The case is pending before the Court of Appeal in Wrocław.</p> <p>In accordance with the Company's position, the plaintiffs' claim should be dismissed in its entirety and the counter claim is justified. The Company paid royalties to the authors of the project for a longer period of application of the project than anticipated in the initial contract entered into by the parties on advancing the invention project, based on an annex to the contract, extending the period of payment of royalties, whose validity is questioned by the Company. Moreover, the Company is questioning the „rationalisation” nature of the solution, as well as whether the project was in fact used in its entirety, and also its completeness and suitability for use in the form supplied by the plaintiffs as well as the means of calculating the economic effects of this solution, which were the basis for paying the royalties. The argumentation of KGHM Polska Miedź S.A. is additionally supported by the wording of the judgment of the Supreme Court dated 24 November 2022, which indicates the lack of cause to enter into an appendix enabling the payment of additional remuneration to the Plaintiffs.</p>
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8.7. Shareholders and the capital market

Shareholder structure of KGHM Polska Miedź S.A.

As at 30 June 2023, 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 2023, there was no change in either registered share capital or in the number of outstanding shares issued. In the analysed period there was a change in the ownership structure of significant blocks of shares of KGHM Polska Miedź S.A.:

- On 5 January 2023 the Company was informed of the merger of the companies Powszechne Towarzystwo Emerytalne Allianz Polska Spółka Akcyjna (PTE Allianz Polska S.A.) and Aviva Powszechne Towarzystwo Emerytalne Aviva Santander

Spółka Akcyjna. As a result of the merger, the total number of shares of KGHM Polska Miedź S.A. held on the accounts of funds managed by PTE Allianz Polska S.A.: Allianz Otwarty Fundusz Emerytalny, Allianz Polska Dobrowolny Fundusz Emerytalny and Drugi Allianz Polska Otwarty Fundusz Emerytalny (Drugi Allianz OFE) amounted to 12 241 453 shares, representing 6.12% of the share capital of the Company.

- On 16 May 2023, the Company was informed by PTE Allianz Polska S.A. that as a result of the liquidation of Drugi Allianz OFE by transferring its assets to Allianz Polska Otwarty Fundusz Emerytalny (Allianz OFE), the share held in the total number of votes in KGHM Polska Miedź S.A. on the accounts of Allianz OFE amounted to more than 5%, that is on the accounts of Allianz OFE were 11 961 453 shares representing 5.98% of the share capital of the Company.

As a result of the above, the Company's shareholder structure as at 30 June 2023 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 35. 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 ¹⁾	63 589 900	635 899 000	31.79%
Allianz Polska Otwarty Fundusz Emerytalny ²⁾	11 961 453	119 614 530	5.98%
Nationale-Nederlanden Otwarty Fundusz Emerytalny ³⁾	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%

¹⁾ based on a notification received by the Company dated 12 January 2010

²⁾ based on a notification received by the Company dated 16 May 2023

³⁾ based on a notification received by the Company dated 18 August 2016

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 2023.

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 2023.

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

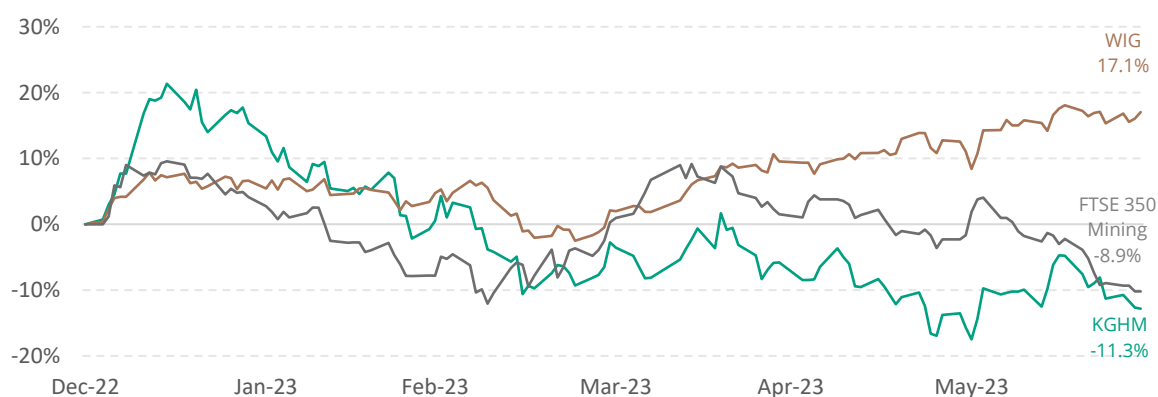
KGHM Polska Miedź S.A. debuted on the Warsaw Stock Exchange (WSE) in July 1997. The Company's shares are traded on the primary market of the WSE in the continuous trading system and are a component of the WIG, WIG20 and WIG30 main indices as well as the WIG-ESG index, comprising listed companies which 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 2023

In the first half of 2023 the share price of KGHM Polska Miedź S.A. decreased by 11.3% and at the close of trading on 30 June 2023 amounted to PLN 112.40. During the same period the price of copper – the Company's main product – fell by 2.1%, alongside a decrease in the average USD/PLN exchange rate by 6.7%. At the same time the following WSE indices recorded growth: the WIG index by 17.1%, the WIG20 index by 15.0%, and the WIG30 index by 15.9%. Meanwhile, the FTSE 350 mining index – comprised of companies from the mining sector listed on the London Stock Exchange – fell by 8.9%.

The Company's shares reached their maximum half-year closing price of PLN 153.80 on 13 January 2023. The minimum closing price of PLN 104.60 was recorded on 31 May 2023.

Chart 19. 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 36. Key share price data of the Company on the Warsaw Stock Exchange

Symbol: KGH, ISIN: PLKGHM000017	Unit	I-VI 2023	I-VI 2022	2022
Number of shares issued	million	200	200	200
Market capitalisation of the Company at period's end	PLN billion	22.5	23.8	25.4
Average trading volume per session	shares	643 630	759 056	727 127
Change in share price during the period	%	-11.3	-14.7	-9.1
Highest closing price during the period	PLN	153.80	182.20	182.20
Lowest closing price during the period	PLN	104.60	114.30	84.22
Closing price from the last day of trading in the period	PLN	112.40	118.90	126.75

Source: own work, WSE Statistic Bulletins for 2022 and for the first half of 2023, Bloomberg

Appropriation of profit

In accordance with Resolution No. 7/2023 of the Ordinary General Meeting of KGHM Polska Miedź S.A. dated 21 June 2023 regarding the appropriation of the Company's profit for 2022 as well as the setting of the dividend date and its payment date, the profit was appropriated in the following manner: as a shareholders dividend in the amount of PLN 200 million (PLN 1.00 per share) while PLN 3 333 million was transferred to the Company's reserve capital.

The Ordinary General Meeting of KGHM Polska Miedź S.A. set the dividend date for 2022 at 27 July 2023 and the dividend payment date for 2022 at 10 August 2023.

8.8. Organisational changes in the Group

In the first half of 2023, as a result of actions leading to a change in the structure of Group companies, the following process aimed at disposing of the shares of KGHM TFI S.A. and at merging the companies CUPRUM Zdrowie sp. z o.o. and Polska Grupa Uzdrowisk Sp. z o.o. was carried out.

Conclusion of an Agreement for the sale of 100% of the shares of KGHM TFI S.A.

On 13 March 2023, KGHM Polska Miedź S.A. concluded an Agreement for the sale of 100% of the shares of KGHM TOWARZYSTWO FUNDUSZY INWESTYCYJNYCH SPÓŁKA AKCYJNA with Agencja Rozwoju Przemysłu S.A. The sale of the shares was contingent on meeting the conditions precedent, including among others no objections raised by the Polish Financial Supervision Authority (PFSA).

In order for the company to maintain the regulatory level of share capital required to conduct business as an investment fund association, in May 2023 the company's share capital was increased by PLN 1.6 million, i.e. to PLN 4.4 million. All of the new shares in the increased share capital were acquired by KGHM Polska Miedź S.A. and were covered by cash. Maintenance of the regulatory level of share capital was a requisite condition to carry out the share sales Agreement.

At the turn of the first half of the year, the PFSA issued a decision on a lack of objections to the acquisition of shares by the buyer. On 27 July 2023 the transaction was concluded, and on 3 August 2023 the buyer was entered into the share register.

The sale of these shares was the final step in the reorganisation of the Group's structure, comprising the liquidation of closed-end, non-public investment funds. KGHM TFI S.A. has not managed any funds since 20 December 2022, that is from the date of deregistration of the KGHM VII FIZAN fund.

KGHM Polska Miedź S.A. owned 100% of the shares of KGHM TFI S.A.

Merger of companies: CUPRUM Zdrowie sp. z o.o. and PGU Sp. z o.o. In the first half of 2023 work was performed on a project to merge the companies CUPRUM Zdrowie sp. z o.o. and Polska Grupa Uzdrawisk Sp. z o.o. On 14 July 2023 the Shareholder Meetings of both companies expressed consent to the merger of the company CUPRUM Zdrowie sp. z o.o. (Acquiring Company) with the company Polska Grupa Uzdrawisk Sp. z o.o. (Acquired Company), by transferring all of the assets of the Acquired Company to the Acquiring Company (merger of Companies by acquisition). Due to the fact that the Acquiring Company held 100% of the shares of the Acquired Company, the merger was carried out without an increase in share capital.

As at 1 August 2023 the merger was registered in the National Court Register and the legal existence of the Acquired Company was ended. Under the merger the name of the Acquiring Company was changed into the name of the Acquired Company, i.e. from CUPRUM Zdrowie sp. z o.o. into Polska Grupa Uzdrawisk sp. z o.o.

In terms of actions involving the group of other companies (share below 20%), in March 2023 KGHM Polska Miedź S.A. accepted an offer from GPW Logistics S.A. to acquire this company's shares, representing 5% of the share capital. The shares were acquired on 24 March 2023 and paid for in cash in the amount of PLN 10.5 thousand on 31 March 2023. The company's main shareholder is the Warsaw Stock Exchange which holds 95% of the share capital. The company GPW Logistics S.A. is a logistics operator.

In terms of actions not leading to a change in the structure, but increasing the capital commitment of KGHM Polska Miedź S.A. in respect of subsidiaries, shares in the increased share capital were acquired and loans were granted to:

Acquisition of newly-issued shares of „Energetyka” sp. z o.o. On 12 January 2023 the Extraordinary General Shareholders Meeting of „Energetyka” spółka z o.o. adopted a resolution to increase the share capital of the company by PLN 115 million. All of the newly-issued shares in the increased share capital were acquired by KGHM Polska Miedź S.A. and paid for in cash in the amount of PLN 115 million. The share capital following the increase amounts to PLN 585 million. The increase was registered by the court in February 2023.

KGHM Polska Miedź S.A. owns 100% of the company's shares.

The funds from the increase were designated to be used to increase the share capital of the subsidiary WPEC w Legnicy S.A. On 2 February 2023 the Extraordinary General Meeting of WPEC w Legnicy S.A. adopted a resolution to increase the share capital of the company by PLN 115 million. All of the newly-issued shares in the increased share capital were acquired by „Energetyka” sp. z o.o. and paid for in cash in the amount of PLN 115 million. Following the increase, the share capital amounts to PLN 233 million. The increase was registered by the court on 26 April 2023.

„Energetyka” sp. z o.o. owns 100% of the shares of WPEC w Legnicy S.A.

Granting of a loan to a subsidiary On 23 February 2023, KGHM Polska Miedź S.A. granted a loan to the subsidiary KGHM INTERNATIONAL LTD. in the amount of USD 105.5 million (PLN 473 million, per the exchange rate from 23 February 2023: 4.4873 USD/PLN), of which USD 61.1 million was used to refinance expenditures incurred in 2022 by KGHM INTERNATIONAL LTD. to advance the Victoria project, and USD 44.4 million was designated to be used to advance the Victoria project in the first half of 2023. Interest on the loan was set under market conditions. The agreement is in force until 31 December 2033.

Acquisition of shares of non-operating companies On 7 March 2023, the Extraordinary Shareholder Meetings of three non-operating companies: Future 3 Spółka z o.o., Future 4 Spółka z o.o. and Future 5 Spółka z o.o., adopted resolutions regarding an increase in the share capital of these entities in the total amount of PLN 242 thousand, to ensure financing of the current operations of these companies. All of the newly-issued shares in the increased share capital were acquired by the sole shareholder - KGHM Polska Miedź S.A.

Acquisition of newly-issued shares of KGHM Ajax Mining Inc. with its registered head office in Canada On 17 May 2023, 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 3 640 000.00, proportionally to their share in the share capital of the company (i.e. KGHM INTERNATIONAL LTD. 80%; Abacus Mining & Exploration Corporation 20%), in exchange for which they acquired newly-issued shares: 291 by KGHM INTERNATIONAL LTD. and 73 by Abacus Mining & Exploration Corporation, or in total 364 newly-issued shares in the share capital of KGHM Ajax Mining Inc.

KGHM Ajax Mining Inc. is engaged in 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.

Acquisition of newly-issued shares of Zagłębie Lubin S.A. On 11 July 2023, the Extraordinary General Meeting of Zagłębie Lubin S.A. adopted a resolution to increase the share capital of the company by PLN 30 million. Following the increase the share capital amounts to PLN 191.7 million. All of the newly-issued shares in the increased share capital were acquired by KGHM Polska Miedź S.A. and paid for in cash in the amount of PLN 30 million in two instalments of PLN 15 million each (to 20 July 2023 and 31 March 2024).

KGHM Polska Miedź S.A. owns 100% of this company's shares.

Apart from the aforementioned actions, in terms of changes in the share capital of subsidiaries, the following decrease in share capital was made:

Decrease in the share capital of WMN „ŁABĘDY” S.A.

On 16 January 2023, a decrease in the share capital of WMN „ŁABĘDY” S.A. was registered in the National Court Register. The share capital was decreased by PLN 11 million, or from PLN 24 million to PLN 13 million, through a decrease in the notional value of the shares. The decrease in the share capital was the result of covering losses presented in the company's financial statements for prior years.

Entities subject to consolidation

As at 30 June 2023, the Group was composed of the Parent Entity – KGHM Polska Miedź S.A. – and 38 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, 64 entities (including KGHM Polska Miedź S.A.) were consolidated.

At the end of the first half of 2023, 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 liquidation.

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 detailed structure of the KGHM Polska Miedź S.A. Group as well as the KGHM INTERNATIONAL LTD. Group as at 30 June 2023 may be found in Appendices 1 and 2.

8.9. Subsequent events**Annex to the reverse factoring agreement**

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

Overdraft facility agreement

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

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

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

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

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

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

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

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

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

Fuel supply contracts in the KGHM INTERNATIONAL LTD. Group

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

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

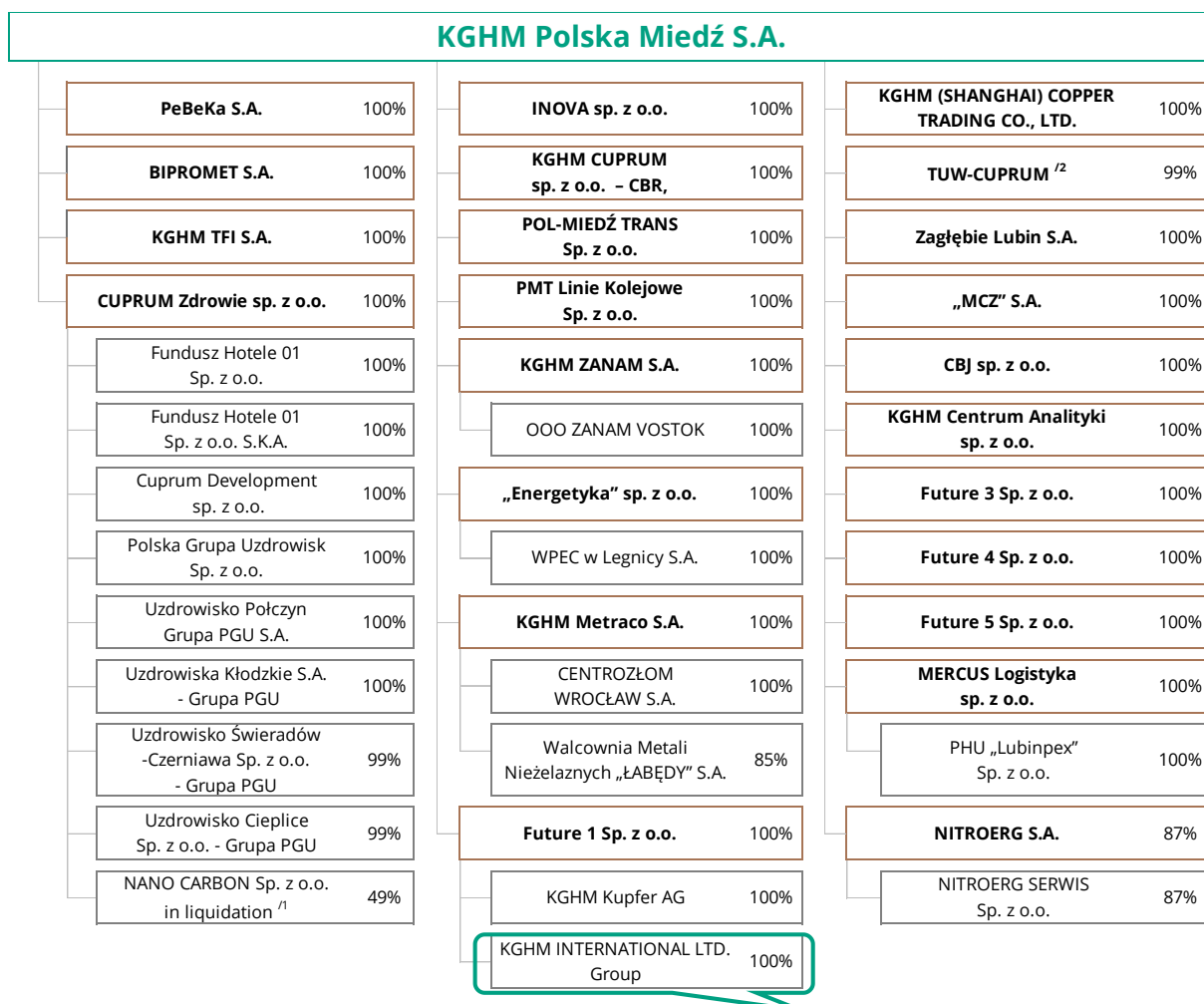
On 3 August 2023, the purchase of 100% of the shares of KGHM TFI S.A. by Agencja Rozwoju Przemysłu S.A. (Industrial Development Agency JSC, ARP) was registered in the Share Register, on the basis of the agreement for the sale of shares concluded on 13 March 2023 between KGHM Polska Miedź S.A. and ARP,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

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

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

APPENDIX 1 KGHM POLSKA MIEDŹ S.A. GROUP STRUCTURE

The percentages shown represent the total share of the Group.



Group structure presented in Appendix 2

1/ joint venture accounted for using the equity method

2/ unconsolidated subsidiary

APPENDIX 2 KGHM INTERNATIONAL LTD. GROUP STRUCTURE

The percentages shown represent the total share of the Group.



1) joint venture accounted for using the equity method

SIGNATURES OF ALL MEMBERS OF THE MANAGEMENT BOARD

This report was authorised for issue on 16 August 2023.

President
of the Management Board

Tomasz Zdzikot

Vice President
of the Management Board

Mirosław Kidoń

Vice President
of the Management Board

Marek Pietrzak

Vice President
of the Management Board

Mateusz Wodejko

Vice President
of the Management Board

Marek Świder