POLISH FINANCIAL SUPERVISION AUTHORITY

Consolidated quarterly report QSr 3 / 2020

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

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

For the third quarter of the financial year **2020** from **1 July 2020** to **30 September 2020** containing the condensed consolidated financial statements prepared under International Accounting Standard 34 in PLN, and condensed financial statements prepared under IAS 34 in PLN.

publication date: 18 November 2020

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(name of the issuer)

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

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This report is a direct translation from the original Polish version.
In the event of differences resulting from the translation, reference should be made to the official Polish version.

SELECTED FINANCIAL DATA

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

		in PLN mn		in EUR mn	
		from 1 January 2020 to 30 September 2020	from 1 January 2019 to 30 September 2019	from 1 January 2020 to 30 September 2020	from 1 January 2019 to 30 September 2019
I.	Revenues from contracts with customers	16 580	16 869	3 733	3 915
II.	Profit on sales	2 106	2 228	474	517
III.	Profit before income tax	1 879	2 424	423	563
IV.	Profit for the period	1 172	1 666	264	387
V.	Profit for the period attributable to shareholders of the Parent Entity	1 174	1 664	264	387
VI.	Profit for the period attributable to non-controlling interest	(2)	2	-	-
VII.	Other comprehensive income	(345)	(581)	(78)	(135)
VIII.	Total comprehensive income	827	1 085	186	252
IX.	Total comprehensive income attributable to shareholders of the Parent Entity	829	1 082	186	251
X.	Total comprehensive income attributable to non-controlling interest	(2)	3	-	1
XI.	Number of shares issued (million)	200	200	200	200
XII.	Earnings per ordinary share (PLN/EUR) attributable to shareholders of the Parent Entity	5.87	8.32	1.32	1.94
XIII.	Net cash generated from operating activities	3 254	2 496	733	579
XIV.	Net cash used in investing activities	(2 675)	(2 518)	(602)	(584)
XV.	Net cash used in financing activities	(482)	(144)	(109)	(33)
XVI.	Total net cash flow	97	(166)	22	(38)
		As at 30 September 2020	As at 31 December 2019	As at 30 September 2020	As at 31 December 2019
XVII.	Non-current assets	33 726	31 669	7 450	7 436
XVIII.	Current assets	7 990	7 740	1 765	1 818
XIX.	Total assets	41 716	39 409	9 215	9 254
XX.	Non-current liabilities	13 921	13 171	3 075	3 093
XXI.	Current liabilities	6 766	6 036	1 495	1 417
XXII.	Equity	21 029	20 202	4 645	4 744
XXIII.	Equity attributable to shareholders of the Parent Entity	20 939	20 110	4 625	4 722
XXIV.	Equity attributable to non-controlling interest	90	92	20	22

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

		in PLN mn		in EUR mn	
		from 1 January 2020 to 30 September 2020	from 1 January 2019 to 30 September 2019	from 1 January 2020 to 30 September 2020	from 1 January 2019 to 30 September 2019
I.	Revenues from contracts with customers	13 360	13 050	3 008	3 029
II.	Profit on sales	2 156	1 975	485	458
III.	Profit before income tax	1 827	2 370	411	550
IV.	Profit for the period	1 156	1 663	260	386
V.	Other comprehensive net income	(310)	(446)	(70)	(104)
VI.	Total comprehensive income	846	1 217	190	282
VII.	Number of shares issued (million)	200	200	200	200
VIII.	Earnings per ordinary share (PLN/EUR)	5.78	8.32	1.30	1.93
IX.	Net cash generated from operating activities	2 860	1 845	644	428
X.	Net cash used in investing activities	(2 160)	(1 979)	(486)	(459)
XI.	Net cash used in financing activities	(452)	(125)	(102)	(29)
XII.	Total net cash flow	248	(259)	56	(60)
		As at 30 September 2020	As at 31 December 2019	As at 30 September 2020	As at 31 December 2019
XIII.	Non-current assets	32 104	30 111	7 092	7 071
XIV.	Current assets	6 171	5 878	1 363	1 380
XV.	Total assets	38 275	35 989	8 455	8 451
XVI.	Non-current liabilities	11 739	11 105	2 593	2 608
XVII.	Current liabilities	5 801	4 995	1 281	1 173
XVIII.	Equity	20 735	19 889	4 581	4 670

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Part 1 – Condensed consolidated financial statements

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		from 1 July 2020 to 30 September 2020	from 1 January 2020 to 30 September 2020	from 1 July 2019 to 30 September 2019	from 1 January 2019 to 30 September 2019
Note 3.3	Revenues from contracts with customers	5 632	16 580	5 641	16 869
Note 4.1	Cost of sales	(4 296)	(13 430)	(4 431)	(13 577)
	Gross profit	**1 336**	**3 150**	**1 210**	**3 292**
Note 4.1	Selling costs and administrative expenses	(370)	(1 044)	(387)	(1 064)
	Profit on sales	**966**	**2 106**	**823**	**2 228**
Note 4.5	Share of losses of joint ventures accounted for using the equity method	4	(206)	(106)	(169)
Note 4.5	Interest income on loans granted to joint ventures calculated using the effective interest rate method	91	284	89	255
Note 4.5	Profit or loss on involvement in joint ventures	95	78	(17)	86
Note 4.2	Other operating income	167	494	826	1 084
Note 4.2	Other operating costs	(556)	(723)	(106)	(334)
Note 4.3	Finance income	117	115	-	3
Note 4.3	Finance costs	(17)	(191)	(554)	(643)
	Profit before income tax	**772**	**1 879**	**972**	**2 424**
	Income tax expense	(299)	(707)	(276)	(758)
	PROFIT FOR THE PERIOD	**473**	**1 172**	**696**	**1 666**
	Profit for the period attributable to:				
	Shareholders of the Parent Entity	472	1 174	695	1 664
	Non-controlling interest	1	(2)	1	2
	Weighted average number of ordinary shares (million)	200	200	200	200
	Basic/diluted earnings per share (in PLN)	**2.36**	**5.87**	**3.48**	**8.32**

amounts in PLN millions, unless otherwise stated

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	from 1 July 2020 to 30 September 2020	**from 1 January 2020 to 30 September 2020**	from 1 July 2019 to 30 September 2019	**from 1 January 2019 to 30 September 2019**
Profit for the period	**473**	**1 172**	**696**	**1 666**
Measurement of hedging instruments net of the tax effect	140	(128)	(268)	(328)
Exchange differences from the translation of statements of operations with a functional currency other than PLN	75	(36)	(149)	(132)
Other comprehensive income which will be reclassified to profit or loss	**215**	**(164)**	**(417)**	**(460)**
Measurement of equity financial instruments at fair value through other comprehensive income, net of the tax effect	(29)	80	(31)	(94)
Actuarial (losses)/gains net of the tax effect	(34)	(261)	98	(27)
Other comprehensive income, which will not be reclassified to profit or loss	**(63)**	**(181)**	**67**	**(121)**
Total other comprehensive income	**152**	**(345)**	**(350)**	**(581)**
TOTAL COMPREHENSIVE INCOME	**625**	**827**	**346**	**1 085**
Total comprehensive income attributable to:				
Shareholders of the Parent Entity	624	829	344	1 082
Non-controlling interest	1	(2)	2	3

amounts in PLN millions, unless otherwise stated

CONSOLIDATED STATEMENT OF CASH FLOWS

		from 1 January 2020 to 30 September 2020	from 1 January 2019 to 30 September 2019
	Cash flow from operating activities		
	Profit before income tax	1 879	2 424
	Depreciation/amortisation recognised in profit or loss	1 391	1 358
	Share of losses of joint ventures accounted for using the equity method	206	169
	Interest on loans granted to joint ventures	(284)	(255)
	Interest on borrowings	120	106
	Impairment losses on property, plant and equipment	94	-
	Exchange differences, of which:	(255)	(110)
	from investment activities and cash	(175)	(584)
	from financing activities	(80)	474
	Change in provisions and employee benefits liabilities	29	(23)
	Change in other receivables and liabilities other than working capital	59	(347)
	Change in assets and liabilities due to derivatives	48	2
	Reclassification of other comprehensive income to profit or loss due to the realisation of hedging derivatives	(122)	(61)
Note 4.12	Other adjustments	14	6
	Exclusions of income and costs, total	1 300	845
	Income tax paid	(444)	(334)
Note 4.11	Changes in working capital, including:	519	(439)
	change in trade payables transferred to factoring	460	5
	Net cash generated from operating activities	**3 254**	**2 496**
	Cash flow from investing activities		
	Expenditures on mining and metallurgical assets, including:	(2 199)	(2 065)
	paid capitalised interest on borrowings	(96)	(133)
	Expenditures on other property, plant and equipment and intangible assets	(288)	(249)
	Expenditures on financial assets designated for decommissioning of mines and other technological facilities	(22)	(292)
	Acquisition of newly-issued shares of joint ventures	(207)	(172)
	Proceeds from financial assets designated for decommissioning of mines and other technological facilities	3	268
	Other	38	(8)
	Net cash used in investing activities	**(2 675)**	**(2 518)**
	Cash flow from financing activities		
	Proceeds from borrowings	4 181	4 397
	Proceeds from the issue of debt financial instruments	-	2 000
	Proceeds from derivatives related to sources of external financing	34	-
	Repayment of borrowings	(4 429)	(6 382)
	Repayment of lease liabilities	(85)	(43)
	Expenditures due to derivatives related to sources of external financing	(40)	-
	Payment of interest on borrowings	(149)	(117)
	Other	6	1
	Net cash used in financing activities	**(482)**	**(144)**
	NET CASH FLOW	**97**	**(166)**
	Exchange gains/(losses)	6	(43)
	Cash and cash equivalents at beginning of the period	1 016	957
	Cash and cash equivalents at end of the period, including:	**1 119**	**748**
	restricted cash	35	14

amounts in PLN millions, unless otherwise stated

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 30 September 2020	As at 31 December 2019
	ASSETS		
	Mining and metallurgical property, plant and equipment	20 291	19 498
	Mining and metallurgical intangible assets	2 048	1 966
	Mining and metallurgical property, plant and equipment and intangible assets	22 339	21 464
	Other property, plant and equipment	2 795	2 829
	Other intangible assets	133	155
	Other property, plant and equipment and intangible assets	2 928	2 984
Note 4.5	Involvement in joint ventures – loans granted	6 075	5 694
	Derivatives	864	124
	Other financial instruments measured at fair value	532	448
	Other financial instruments measured at amortised cost	699	656
Note 4.6	Financial instruments, total	2 095	1 228
	Deferred tax assets	150	157
	Other non-financial assets	139	142
	Non-current assets	**33 726**	**31 669**
	Inventories	4 854	4 741
Note 4.6	Trade receivables, including:	745	688
	Trade receivables measured at fair value through profit or loss	222	300
	Tax assets	426	571
Note 4.6	Derivatives	269	293
	Other financial assets	298	280
	Other non-financial assets	248	151
Note 4.6	Cash and cash equivalents	1 119	1 016
Note 4.13	Non-current assets held for sale	31	-
	Current assets	**7 990**	**7 740**
	TOTAL ASSETS	**41 716**	**39 409**
	EQUITY AND LIABILITIES		
	Share capital	2 000	2 000
	Other reserves from measurement of financial instruments, including:	(786)	(738)
	Accumulated costs associated with non-current assets held for sale	(14)	-
	Accumulated other comprehensive income, other than from measurement of financial instruments	1 657	1 954
	Retained earnings	18 068	16 894
	Equity attributable to shareholders of the Parent Entity	20 939	20 110
	Equity attributable to non-controlling interest	90	92
	Equity	**21 029**	**20 202**
Note 4.6	Borrowings, lease and debt securities	7 093	7 525
Note 4.6	Derivatives	825	183
	Employee benefits liabilities	2 986	2 613
	Provisions for decommissioning costs of mines and other technological facilities	1 862	1 774
	Deferred tax liabilities	544	445
	Other liabilities	611	631
	Non-current liabilities	13 921	13 171
Note 4.6	Borrowings, lease and debt securities	404	348
Note 4.6	Derivatives	252	91
Note 4.6	Trade and similar payables	3 146	2 766
	Employee benefits liabilities	1 189	1 150
	Tax liabilities	545	433
	Provisions for liabilities and other charges	178	222
	Other liabilities	1 048	1 026
Note 4.13	Liabilities associated with non-current assets held for sale	4	-
	Current liabilities	6 766	**6 036**
	Non-current and current liabilities	**20 687**	**19 207**
	TOTAL EQUITY AND LIABILITIES	**41 716**	**39 409**

amounts in PLN millions, unless otherwise stated

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Equity attributable to shareholders of the Parent Entity						
	Share capital	Other reserves from measurement of financial instruments	Accumulated other comprehensive income	Retained earnings	Total	Equity attributable to non-controlling interest	Total equity
As at 1 January 2019	**2 000**	**(444)**	**2 005**	**15 572**	**19 133**	**92**	**19 225**
Profit for the period	**-**	-	-	1 664	**1 664**	2	**1 666**
Other comprehensive income	-	(422)	(160)	-	**(582)**	1	**(581)**
Total comprehensive income	-	(422)	(160)	1 664	**1 082**	3	**1 085**
Reclassification of the result of measurement of equity instruments measured at fair value through other comprehensive income	-	99	-	(99)	**-**	-	**-**
As at 30 September 2019	**2 000**	**(767)**	**1 845**	**17 137**	**20 215**	**95**	**20 310**
As at 1 January 2020	**2 000**	**(738)**	**1 954**	**16 894**	**20 110**	**92**	**20 202**
Profit for the period	-	-	-	1 174	**1 174**	(2)	**1 172**
Other comprehensive income	-	(48)	(297)	-	**(345)**	-	**(345)**
Total comprehensive income	-	(48)	(297)	1 174	**829**	**(2)**	**827**
As at 30 September 2020, including:	**2 000**	**(786)**	**1 657**	**18 068**	**20 939**	**90**	**21 029**
Accumulated costs associated with non-current assets held for sale	**-**	**(14)**	**-**	**-**	**(14)**	**-**	**(14)**

1 – General information

Note 1.1 Corporate information

KGHM Polska Miedź S.A. ("the Parent Entity", "the Company") with its registered office in Lubin at 48 M.Skłodowskiej-Curie Street is a joint stock company registered at the Regional Court for Wrocław Fabryczna, Section IX (Economic) of the National Court Register, entry no. KRS 23302, on the territory of the Republic of Poland.

KGHM Polska Miedź S.A. has a multi-divisional organisational structure, comprised of a Head Office and 10 divisions: 3 mines (Lubin Mine Division, Polkowice-Sieroszowice Mine Division, Rudna Mine Division), 3 metallurgical plants (Głogów Smelter/Refinery, Legnica Smelter/Refinery, Cedynia Wire Rod Division), the Concentrator Division, the Tailings Division, the Mine-Smelter Emergency Rescue Division and the Data Center Division.

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

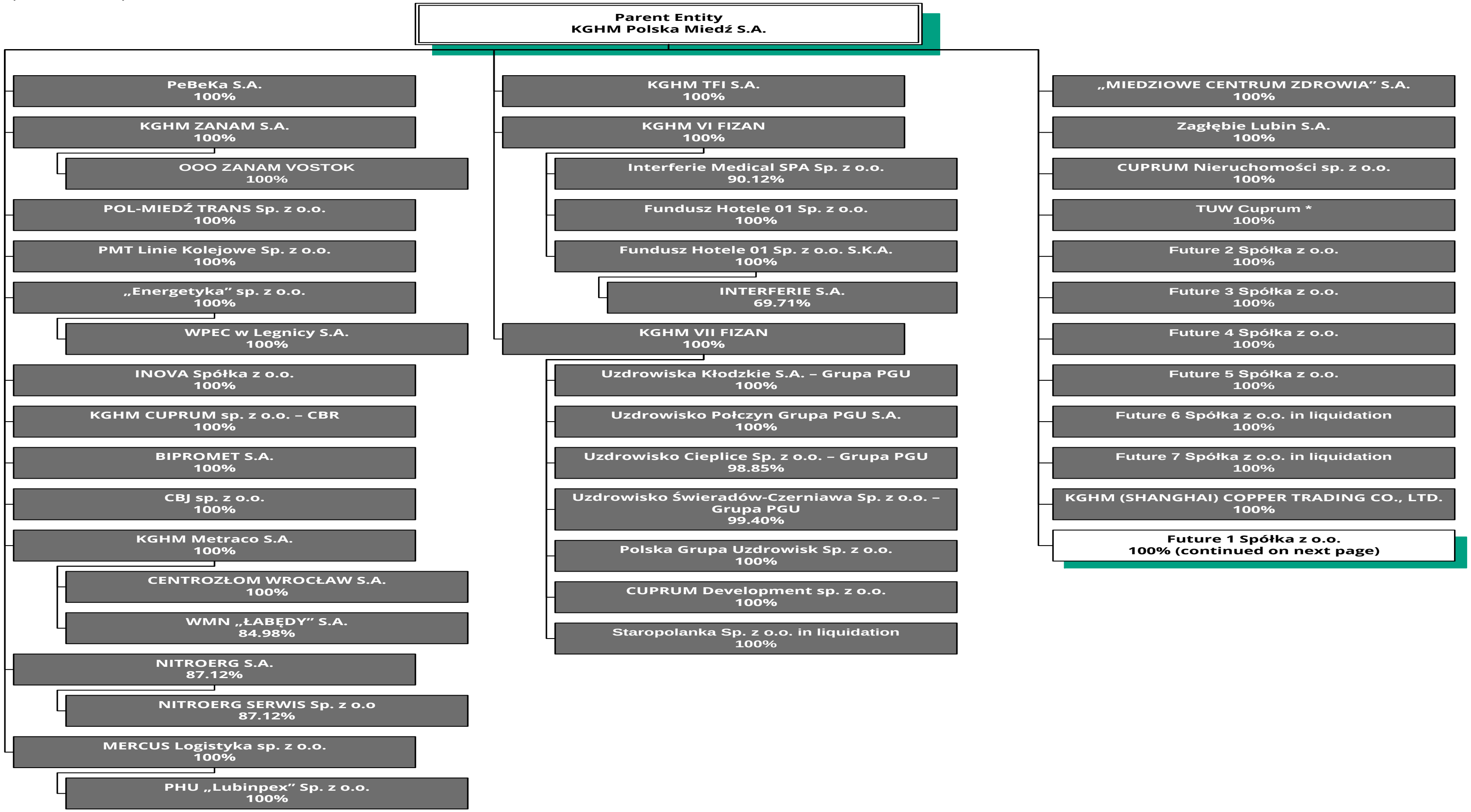
The Parent Entity's principal activities include:
- the mining of copper and non-ferrous metals ores; and
- the production of copper, precious and non-ferrous metals.

The business activities of the Group include:
- the mining of copper and non-ferrous metals ores;
- the mined production of metals, including copper, nickel, silver, gold, platinum, palladium;
- the production of goods from copper and precious metals;
- underground construction services;
- the production of machinery and mining equipment;
- transport services;
- services in the areas of research, analysis and design;
- the production of road-building materials; and
- the recovery of associated metals from copper ore.

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

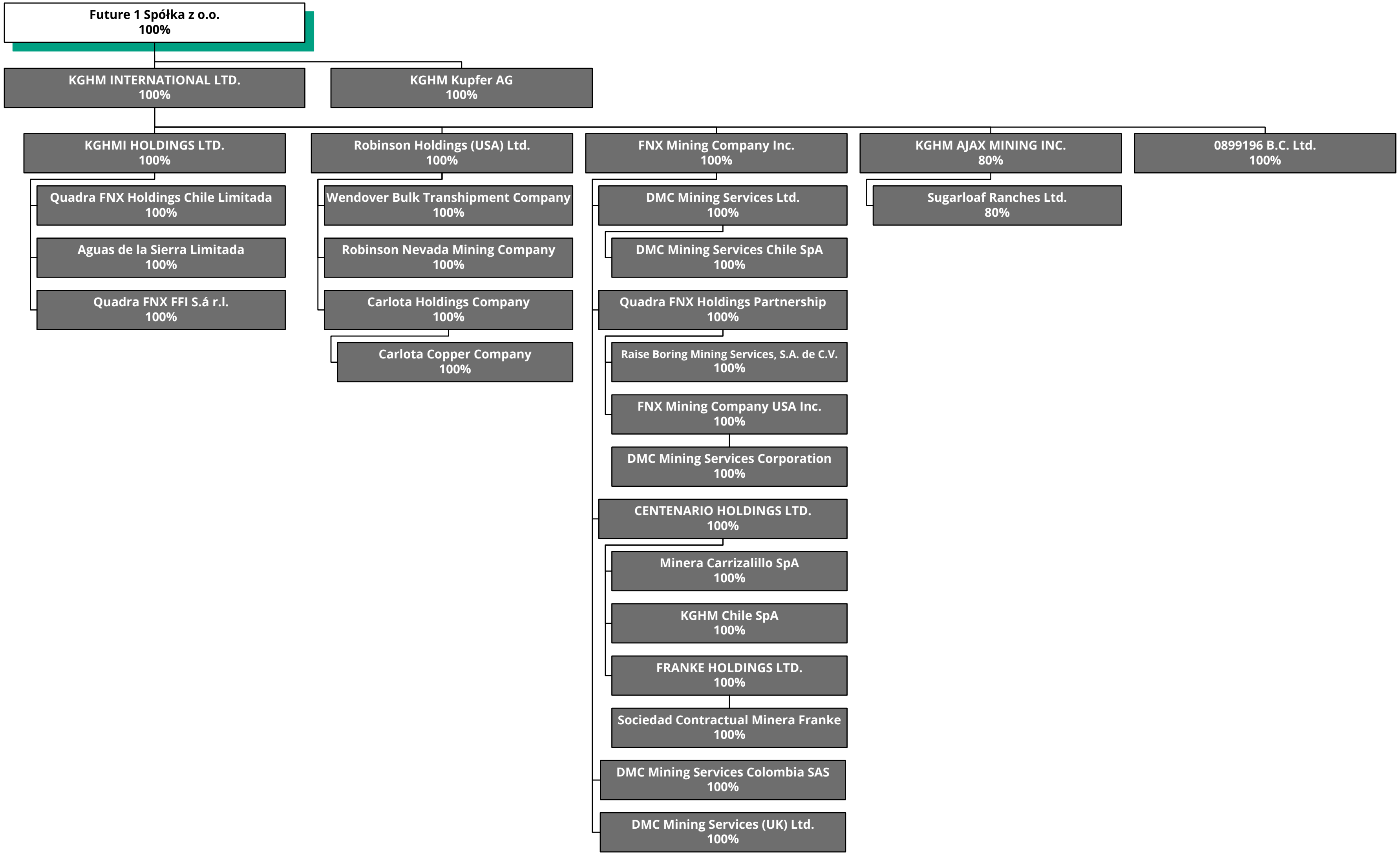
Note 1.2 Structure of the KGHM Polska Miedź S.A. Group as at 30 September 2020

In the current quarter KGHM Polska Miedź S.A. consolidated 71 subsidiaries and used the equity method to account for the shares of two joint ventures (Sierra Gorda S.C.M. and NANO CARBON Sp. z o.o. in liquidation).



The percentage share represents the total share of the Group.

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


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

Note 1.3 Exchange rates applied

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

- for the conversion of turnover, profit or loss and cash flow for the current period, the rate of ***4.4420 EURPLN*,***
- for the conversion of turnover, profit or loss and cash flow for the comparable period, the rate of ***4.3086 EURPLN*,***
- for the conversion of assets, equity and liabilities at 30 September 2020, the current average exchange rate announced by the National Bank of Poland (NBP) as at 30 September 2020, of ***4.5268 EURPLN,***
- for the conversion of assets, equity and liabilities at 31 December 2019, the current average exchange rate announced by the NBP as at 31 December 2019, of ***4.2585 EURPLN.***

**the rates represent the arithmetic average of current average exchange rates announced by the NBP on the last day of each month during the period from January to September respectively of 2020 and 2019.*

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

The following quarterly report includes:

1. the condensed consolidated financial statements of the KGHM Polska Miedź S.A. Group for the period from 1 January to 30 September 2020 and the comparable period from 1 January to 30 September 2019, together with selected explanatory information **(Part 1)**,
2. the quarterly financial information of KGHM Polska Miedź S.A. for the period from 1 January to 30 September 2020 and the comparable period from 1 January to 30 September 2019 **(Part 2)**.

Neither the condensed consolidated financial statements for the period from 1 January to 30 September 2020 and as at 30 September 2020 nor the condensed separate financial statements for the period from 1 January to 30 September 2020 and as at 30 September 2020 were subject to audit by a certified auditor.

The consolidated quarterly report for the period from 1 January 2020 to 30 September 2020 was prepared in accordance with IAS 34 *Interim Financial Reporting* as approved by the European Union and for a full understanding of the financial position and operating results of KGHM Polska Miedź S.A. and the KGHM Polska Miedź S.A. Group, should be read jointly with the Annual Report R 2019 and the Consolidated annual report RS 2019.

This quarterly report's financial statements were prepared using the same accounting policies and valuation methods for the current and comparable periods and principles applied in annual financial statements (consolidated and separate), prepared as at 31 December 2019.

Note 1.4.1 Impact of new and amended standards and interpretations

The Group is bound by the following amendments to standards from 1 January 2020:

- Amendments to IAS 1 and IAS 8 on the definition of "material",
- Amendments to IFRS 9, IAS 39 and IFRS 7 on the interest rate benchmark reform,
- Amendments to IFRS 3 on the definition of a business,
- Amendments to IFRS 16 on Covid-19-Related Rent Concessions,
- Amendments to References to the Conceptual Framework in IFRS.

Up to the date of publication of these consolidated financial statements, the aforementioned amendments to the standards were adopted for use by the European Union. In the Group's opinion, these standards will be applicable to the Group's activities in the scope of future economic operations, transactions or other events, towards which these amendments to standards are applicable. However, in the Group's opinion, this impact will not be significant, taking into account adopted amendments to IFRS 9, IAS 39 and IFRS 7 on the interest rate benchmark reform with respect to hedge accounting.

Note 1.5 Impairment of assets

Assessment of the risk of impairment of assets of the Group in the context of market capitalisation of KGHM Polska Miedź S.A.
In the first three quarters of 2020, the COVID-19 (coronavirus) epidemic was still spreading across the world, and its impact was noticeable in many areas. Among others, due to the coronavirus market indices drastically fell. The share price of KGHM Polska Miedź S.A. in the first nine months of 2020 initially fell to PLN 49.40 (share price on 12 March 2020) or a decrease by 48% as compared to the share price from the end of 2019 and then rose to PLN 118.00 as at 30 September 2020. During the same period the WIG and WIG20 indices fell by 36% and 39% as compared to 31 December 2019 and by 15% and 20% as compared to 30 September 2020, respectively. As a result, the Company's market capitalisation increased from PLN 19 116 million to PLN 23 600 million, and therefore as at 30 September 2020 it was 12.23% above the value of the net assets of the Group. After the end of the reporting period, according to the closing price as at 17 November 2020, the share price of KGHM Polska Miedź S.A. amounted to PLN 142.60 and the Company's market capitalisation was still higher than the value of the net assets of the Group. The drop in share prices caused by the COVID-19 epidemic affected share prices of companies in the majority of sectors, in many economic sectors, and reflected investor uncertainty as to the future. This was confirmed by the increase in the value of typically conservative instruments such as gold and the exchange rates of certain currencies. From the point of view of the Company's operations, the key factor is first and foremost the copper price. At the start of the epidemic, this metal was substantially undervalued. As at 31 December 2019, the price of copper amounted to 6 156 USD/t. During the reporting period, as at 23 March 2020 the copper price had fallen to 4 617 USD/t, but nonetheless, as time passed, with the inflow of more hopeful information as respects demand for this commodity, prices returned to their level at the start of 2020 and on 30 September 2020 the copper price reached the level of 6 610 USD/t. The share prices of companies involved in the mining and processing of copper are strongly correlated with the price of this metal. The decrease in the market capitalisation of companies in this sector, including KGHM Polska Miedź S.A., was therefore of a temporary nature, and reflected the initial panic of investors related with the coronavirus pandemic and the associated drop in the prices of the major metals. Once it became evident that the pandemic would not have a significant impact, on either the production or sales of these entities, share prices returned to their former levels. It is also worth mentioning that in the case of the Polish assets, of significance are PLN-expressed metals prices, which are also affected by the USD/PLN exchange rate. Fluctuations in the price of copper related to the volatility on the financial markets, whose origins may often be found not only in macroeconomics but also in geopolitics, are usually to a large extent offset by changes in the USD/PLN exchange rate. Since the outbreak of the pandemic at the turn of February and March 2020, KGHM Polska Miedź S.A. has maintained full operational capability and is advancing its production and sales plans. With respect to the international mining assets, the epidemic had an impact on the operating results, mainly due to the decrease in copper and molybdenum prices in the first and second quarters of 2020. It should be noted that only KGHM INTERNATIONAL LTD. experienced a decrease in EBITDA, but in this case the situation on the copper market was not the main reason behind the decrease in revenues. The epidemic situation in Chile had an impact on the realisation of the sale schedule of copper produced by Sierra Gorda S.C.M. Due to slowdowns in the port of Antofagasta, shipments of some of parties of copper were rescheduled from the first to the second quarter of 2020, which in addition to lower prices contributed to the achievement of relatively weak results in the first quarter of 2020. Nevertheless it should be noted that in the second quarter of 2020 the situation had significantly improved, meaning that the EBITDA achieved by Sierra Gorda S.C.M. in the first half of 2020 was (in PLN) 23% higher than in the corresponding period of 2019 and close to budget targets. In the third quarter of 2020, market conditions have significantly improved despite the on-going epidemic threat. Metal prices increased, which resulted in improved financial results by the international mining assets. There were no production slowdowns recorded in KGHM Polska Miedź S.A. or in any of the international mines of the KGHM Polska Miedź S.A. Group or Sierra Gorda S.C.M. which could be directly attributable to the pandemic. As a result of the assessment, there were no indications identified suggesting the risk of impairment of assets related to activities of KGHM Polska Miedź S.A. in Poland and abroad. Due to the uncertainty and the significant volatility of basic economic parameters, including metals prices and currency exchange rates, and dynamic development of the epidemiological situation in Poland and globally, and its impact on the economic situation, the Company is continuously monitoring the global situation in order to assess its potential impact on the Group.

amounts in PLN millions, unless otherwise stated

TEST FOR THE IMPAIRMENT OF THE NON-CURRENT ASSETS OF SPA COMPANIES – Segment – Other segments

The outbreak of the COVID-19 epidemic had a substantial impact on the Group's secondary activities with respect to the providing of spa services by the following companies (CGUs): Uzdrowiska Kłodzkie S.A. - Grupa PGU, Uzdrowisko Połczyn Grupa PGU S.A., Uzdrowisko Cieplice Sp. z o.o. - Grupa PGU, Uzdrowisko Świeradów - Czerniawa Sp. z o.o. – Grupa PGU and as at 30 June 2020, the Group performed impairment testing of assets of spa companies and recognised an impairment loss in the amount of PLN 71 million. Assumptions adopted for impairment testing of assets of companies of the Group which provide spa services and results of the tests as at 30 June 2020 were presented in the Consolidated half-year report PSr 2020.

As at 30 September 2020, the analysis to determine the risk of an impairment of these assets which included the verification of discount rates, sale volumes, margins and forecasted cash flows comprised of, among others, expected capital expenditures and working capital, confirmed that assumptions used by the KGHM Polska Miedź S.A. Group to assess the non-current assets of spa companies as at 30 June 2020 are up to date.

As at 30 September 2020, the analysis conducted by the Group did not provide a basis to recognise an additional impairment loss to the ones recognised as at 30 June 2020.

TEST FOR IMPAIRMENT OF PROPERTY, PLANT AND EQUIPMENT OF POL-MIEDŹ TRANS Sp. z o.o. – Segment – Other segments

As at 30 June 2020, due to indications of the possibility of changes in the recoverable amount of the property, plant and equipment of the company POL-MIEDŹ TRANS Sp. z o.o., the Management Board of the Parent Entity performed impairment testing of these assets. The key indication to perform a test was a loss for the first half of 2020, deviating from the financial results assumed for that period.

The carrying amount of the property, plant and equipment of POL-MIEDŹ TRANS Sp. z o.o. as at 30 June 2020 amounted to PLN 246 million. For the purpose of estimating the recoverable amount, in the conducted test the value in use of property, plant and equipment was measured using the DCF method, i.e. the method of discounted cash flows.

Basic assumptions adopted for impairment testing

Assumption	Level adopted in testing
Detailed forecast period	07.2020-12.2024
Operating margin	0.3% during the forecast period, 1.9% in the residual value
Capital expenditures during the forecast period	PLN 237 million
Discount rate	4.64% (nominal rate after taxation)
Growth rate following the forecast period	0%

As a result of the impairment testing of the property, plant and equipment of POL-MIEDŹ TRANS Sp. z o.o., the recoverable amount of the tested assets was determined to be at the level of PLN 225 million, which was lower than the carrying amount of these assets, which gave a basis to recognise an impairment loss in the amount of PLN 21 million.

The measurement of the property, plant and equipment of POL-MIEDŹ TRANS Sp. z o.o. indicates a significant sensitivity to the adopted discount rates and operating margin. The following table presents the impact of changes to these parameters on the measurement of the assets.

Sensitivity analysis of the recoverable amount of property, plant and equipment of POL-MIEDŹ TRANS Sp. z o.o.

	The recoverable amount for a given discount rate		
	lower by 1 pp.	per test	higher by 1 pp.
Discount rate 4.64% (test)	396	**225**	162
	The recoverable amount for a given operating margin		
	lower by 1 pp.	**per test**	**higher by 1 pp.**
Operating margin 0.3%, 1.9% in residual value (test)	120	**225**	329

In order to monitor the risk of impairment of property, plant and equipment in subsequent reporting periods, it was determined that the recoverable amount would be equal to the carrying amount of property, plant and equipment if the discount rate were to decrease to 4.44% or if the operating margin were to increase by 0.2 pp.

amounts in PLN millions, unless otherwise stated

As at 30 September 2020, realisation of the financial results of POL-MIEDŹ TRANS Sp. z o.o. was analysed once more, and as a result it was determined there is an indication of a possible change in the recoverable amount of the property, plant and equipment of the company. The loss for the first 9 months of 2020 deviated from the financial results assumed for that period and provided a basis to conduct a test for impairment of these assets.

The carrying amount of the property, plant and equipment of POL-MIEDŹ TRANS Sp. z o.o. as at 30 September 2020 amounted to PLN 232 million. For the purpose of estimating the recoverable amount, in the conducted test the value in use of property, plant and equipment was measured using the DCF method, i.e. the method of discounted cash flows.

Basic assumptions adopted for impairment testing	
Assumption	**Level adopted in testing**
Detailed forecast period	10.2020-12.2024
Operating margin	0.9% during the forecast period, 1.9% in the residual value
Capital expenditures during the forecast period	PLN 224 million
Discount rate	4.64% (nominal rate after taxation)
Growth rate following the forecast period	0%

As a result of the impairment testing of the property, plant and equipment of POL-MIEDŹ TRANS Sp. z o.o., the recoverable amount of the tested assets was determined to be at the level of the carrying amount of these assets, which did not give a basis to recognise an additional impairment loss.

The measurement of the property, plant and equipment of POL-MIEDŹ TRANS Sp. z o.o. indicates a significant sensitivity to the adopted discount rates and operating margin. The following table presents the impact of changes to these parameters on the measurement of the assets.

Sensitivity analysis of the recoverable amount of property, plant and equipment of POL-MIEDŹ TRANS Sp. z o.o.			
	The recoverable amount for a given discount rate		
	lower by 1 pp.	**per test**	**higher by 1 pp.**
Discount rate 4.64% (test)	403	**233**	170
	The recoverable amount for a given operating margin		
	lower by 1 pp.	**per test**	**higher by 1 pp.**
Operating margin 0.9%, 1.9% in residual value (test)	128	**233**	337

In order to monitor the risk of impairment of property, plant and equipment in subsequent reporting periods, it was determined that the recoverable amount would be equal to the carrying amount of property, plant and equipment if the discount rate were to increase to 4.65% or if the operating margin were to decrease by 0.01 pp.

EVALUATION OF RISK OF THE IMPAIRMENT OF ASSETS OF THE COMPANY INTERFERIE S.A. IN THE CONTEXT OF MARKET CAPITALISATION – Segment – Other segments

The market capitalisation of the subsidiary INTERFERIE S.A. in the first nine months of 2020 was below the carrying amount of the company's net assets, which in accordance with the adopted accounting policy was recognised by the company to be an indication to perform impairment testing of the company's assets (the carrying amount of the tested assets was PLN 139 million).

Due to the emergence at the end of 2019 in China of the SARS-CoV-2 virus and its subsequent global spread, the management board of the company INTERFERIE S.A. is continuously monitoring the global economic situation and the potential negative impact on the INTERFERIE Group. Restrictions related to the impossibility of providing hotel services were laid down in the Decree of the Council of Ministers dated 31 March 2020 establishing specified restrictions, orders and bans. Due to the spread of the SARS-CoV-2 virus, in the first quarter of 2020 a decision was made to temporarily suspend activities in the company's facilities. The subsequent impact of this situation on its activities, i.e. a possible decrease in the sale of services, and therefore worsening of liquidity and the financial result, was announced by the unit via regulatory filings.

On 16 March 2020, activities of two of the facilities of this company, i.e. in Świeradów Zdrój and Kołobrzeg, were temporarily suspended. The management board of INTERFERIE S.A., following a detailed analysis of the situation, determined that in these two facilities it was not possible to reorganise the services provided to clients to be compliant with the Decree of the Minister of Health dated 13 March 2020. Following the hotel checkout on 21 March 2020, the activities of INTERFERIE in Ustronie Morskie Leisure and Sanatorium CECHSZTYN were temporarily suspended until further notice.

The next facility suspended from operations was Hotel BORNIT in Szklarska Poręba, in which, until further notice, activities were temporarily suspended on 23 March 2020. Suspension of this company's facilities resulted in a decrease in the number of sold person/days ratio from 296.1 thousand in the first nine months of 2019 to 136.3 thousand in the first nine months of 2020, or by 54%. Revenues from sales for the first nine months of 2020 amounted to PLN 19 460 thousand and decreased, as compared to the first nine months of 2019, by 48%. Total comprehensive income for the first nine months of 2020 amounted to PLN (6 769) thousand as compared to PLN 4 280 thousand for the first nine months of 2019.

Restrictions to the company's activities, which resulted in the decrease in revenues, also impacted the following sectors of the company's activities: MICE (Meetings, Incentives, Conferences and Exhibitions), the large conferences sector, camps, green schools, swimming pool services, night club services and discoteque services.

In order to assess the impairment, the Company identified the following CGUs: INTERFERIE in Ustronie Morskie – Leisure and Sanatorium Cechsztyn, INTERFERIE in Kołobrzeg Leisure and Sanatorium Chalkozyn, INTERFERIE in Dąbki Sanatorium Argentyt, INTERFERIE in Świeradów Zdrój – Hotel Malachit, INTERFERIE Hotel in Głogów and INTERFERIE Hotel Bornit in Szklarska Poręba. In order to assess the impairment, the fair value of the assets was estimated on the basis of the sum of future cash flows of individual CGUs discounted by the rate estimated on the basis of ratios used by the hotel industry, with the exception of CGU INTERFERIE Hotel in Głogów, CGU INTERFERIE Hotel Bornit in Szklarska Poręba and INTERFERIE in Świeradów Zdrój – Hotel Malachit, for which the fair value was determined on the basis of valuation reports.

The fair value was classified to level 3 of the fair value hierarchy.

The Company conducted impairment testing with the following assumptions:

a) the company will continue as a going concern in a significantly unaltered scope and using current operating units,
b) cash flows adopted on the basis of reliable estimates of the Management Board of INTERFERIE S.A., including the impact of COVID-19 on the current condition of the company,
c) a forecast period of 10 years for facilities with planned significant investments and 5 years for other facilities,
d) a discount rate calculated at the net level of 7.5% assuming the current macroeconomic and sector parameters for the company, while a prudent discount rate at the level of 8.5% was adopted for facilities with planned significant investments,
e) average EBITDA margin in the forecast period at the level of 21%,
f) level of capital expenditures in the forecast period at the level of PLN 95 million,
g) costs to sale in the total amount of 3% (including: legal services, real estate agencies and other charges related to sale transactions),
h) a growth rate following the forecast period at the level of 2%.

As a result of the impairment testing conducted on the company's assets, the estimated recoverable amount of the assets was determined to be higher than their carrying amount, which did not provide a basis to recognise an impairment loss.

CGU	Carrying amount /PLN mn/	Recoverable amount /PLN mn/
INTERFERIE in Ustronie Morskie - Leisure and Sanatorium Cechsztyn	10	15
INTERFERIE in Kołobrzeg Leisure and Sanatorium Chalkozyn	19	46
INTERFERIE in Dąbki Sanatorium Argentyt	62	79
INTERFERIE in Świeradów Zdrój – Hotel Malachit	22	25
INTERFERIE Hotel Bornit in Szklarska Poręba	24	25
INTERFERIE Hotel in Głogów	2	2

The company's share price results from, among others, their low liquidity (which is related to stable share ownership), and the on-going process of rebuilding the company's value.

The measurement indicated a significant sensitivity of fair value to the adopted discount rates, the volatility of operating profit during the forecast period and the growth rate following the forecast period of the following CGUs:

Sensitivity analysis of fair value							
CGU	Fair value /PLN mn/	Discount rate		Operating profit		Growth rate following the forecast period	
		+6%	-6%	+6%	-6%	+ 1pp.	- 1 pp.
INTERFERIE in Ustronie Morskie - Leisure and Sanatorium Cechsztyn	15	13	16	16	14	18	13
INTERFERIE in Kołobrzeg Leisure and Sanatorium Chalkozyn	46	39	55	51	41	57	40
INTERFERIE in Dąbki Sanatorium Argentyt	79	72	87	84	74	88	73

The discount rate and change in the amount of operating profit, beyond which the value of assets would be lower than the carrying amount:

Level of change in assumptions implicating an impairment loss		
CGU	Increase in discount rate	Decrease in operating profit
INTERFERIE in Ustronie Morskie - Leisure and Sanatorium Cechsztyn	2.4 pp.	32%
INTERFERIE in Kołobrzeg Leisure and Sanatorium Chalkozyn	2.8 pp.	34%
INTERFERIE in Dąbki Sanatorium Argentyt	1.5 pp.	21%

The results of the impairment testing of assets of the Group as at 31 December 2019 were presented in the part 3 of the Consolidated annual report RS 2019.

amounts in PLN millions, unless otherwise stated

2 – Realisation of strategy

Basic elements of the Strategy of KGHM Polska Miedź S.A.

The Company advanced the „Strategy of KGHM Polska Miedź S.A. for the years 2019-2023" which was approved on 19 December 2018. The Strategy is based on four development directions (elasticity/flexibility, efficiency, ecology and e-industry) arising from global market trends. The aforementioned directions are reflected in six identified strategic areas, with individualised and measurable main goals:

Strategic area	Main goal
PRODUCTION	Maintain cost-effective Polish and international production
DEVELOPMENT	Increase the KGHM Group's efficiency and flexibility in terms of its Polish and international assets
INNOVATION	Increase the KGHM Group's efficiency through innovation
FINANCIAL STABILITY	Ensure long-term financial stability and the development of mechanisms supporting further development
EFFICIENT ORGANISATION	Implement systemic solutions aimed at increasing the KGHM Group's value
PEOPLE AND THE ENVIRONMENT	Growth based on the idea of sustainable development and safety as well as enhancing the KGHM Group's image of social responsibility

Advancement of the Strategy in the third quarter of 2020

In advancing the Strategy, the Company endeavoured to maintain 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.

Following are the key achievements in the third quarter of 2020 with respect to strategic programs and projects being advanced under individual areas of the Strategy:

Strategic area/ Programs and projects	Degree of advancement
PRODUCTION	
Selected actions aimed at improving the efficiency of the core production line in Poland	The advancement of projects aimed at automatisation of production in the Mining Divisions of KGHM, under the KGHM 4.0 program in the area INDUSTRY, was continued: – „The placement and identification of machinery and persons in underground mines" – the system was launched as a pilot version and was built and handed over for operation. The process of gathering user opinions is underway in order to develop a report, based on which further decisions will be taken. – „Broad-band data transmission in underground mines". This project is being advanced in the mining divisions, where a total of 78 Wi-Fi access points have been constructed. In September 2020 completion of the process of starting up the equipment was completed. – „Monitoring of utilities – power, ventilation, water". Work continued on advancing the project – the process of procurement was carried out along with negotiations with bidders. – „Robotisation of production and auxiliary processes" - construction of a CuXRF robot for scanning for copper content at the working faces. The process is underway of signing an agreement with the National Centre for Nuclear Research for the modernisation of the x-ray head, a prototype made specially for use on the robot. Tender procedures are underway to create an electric, battery-powered mobile platform for the CuXRF robot. Following its completion a tender will be launched to build the robotic arm and to integrate all of the robotic elements. – „Center of Advanced Data Analysis (Centrum Zaawansowanych Danych Analitycznych - CZAD)". The algorithms involving analysis of the loads borne by the conveyor belts in the mines, developed by KGHM Cuprum, were positively verified by the users. In the second and third quarters of 2020 the functioning of the algorithms on actual data on the servers of KGHM CUPRUM was tested. Work is underway on implementing these analytics in the divisions of KGHM. For identified projects deemed to have substantial potential to receive energy efficiency certificates, two energy efficiency audits were performed, with another three being near completion. Changes were made in the PN-EN ISO50001:2012-compliant Energy Management System (EMS) to ensure its compliance with the new PN-EN ISO 50001:2018-09 standard. The effectiveness of the actions taken was confirmed by a certificate issued by an authorised body (UDT Cert) during the process of re-certifying KGHM's EMS.

amounts in PLN millions, unless otherwise stated

	As part of the development of KGHM's Integrated Management System, which includes the EMS (compliant with ISO 50001:2018) and the Occupational Health and Safety Management System (compliant with ISO 45001:2015), actions were initiated aimed at improving EMS procedures, including their integration with the OHS Management System procedures.
Sierra Gorda mine in Chile – Phase 1 (KGHM INTERNATIONAL Ltd. Group - 55%, Sumitomo Metal Mining and Sumitomo Corporation - 45%)	In the first three quarters of 2020, production of payable copper amounted to 59.9 thousand tonnes, and production of molybdenum amounted to 6.9 million pounds (based on the 55% interest held by KGHM Polska Miedź S.A. in the Sierra Gorda mine). Sierra Gorda focused on implementing the optimisation program oriented on improving the work of the mine, processing plant, infrastructure and the tailings storage facility. The goal of these actions is to enhance the operational efficiency of the infrastructure and its processing capacity.
Metallurgy Development Program	The process of concluding the Metallurgy Development Program continues.
Increasing cathode production at the Legnica Copper Smelter and Refinery to 160 kt/year	**Revolving-Casting-Refining (RCR) Furnace** As of 6 July 2020 the RCR furnace was handed over for use. One of four units to measure gas pressure at 15 kPa was installed. A „spark arrester" was supplied (an element of the furnace's gas extraction installation), which will be installed during the next maintenance shutdown. **Permanent starter sheet technology** The decision to advance this part of the project has been deferred until January 2021. Work is underway on preparing a recommendation by the Division as respects further actions in this regard.
Construction of a 5 MW photovoltaic power plant on the grounds of the „Obora" Sandpit	This project is being advanced under the Strategic Program „Development of Power-Generation Capacity". In the third quarter an agreement was signed with the project contractor. Stage I of the agreement commenced, involving a preparation of the spatial plan. A technical plan was prepared for restoring the post-industrial terrain of the Obora Sandpit. An application was filed with the County Head Office (Starostwo Powiatowe) in Lubin to change the direction of the terrain's restoration.
Construction of the photovoltaic power plant complex HMG I-III	Under the Strategic Program „Development of Power-Generation Capacity", a project was created to build a photovoltaic power plant complex on the grounds of the Głogów Copper Smelter and Refinery. An agreement was signed with the entity responsible for preparing the project and gaining administrative decisions to enable its construction. Work commenced on stage I of the agreement, i.e. preparing a spatial plan.
DEVELOPMENT	
Deposit Access Program	**Construction of the GG-1 shaft** Shaft sinking reached a depth of 1204.2 m. The following was completed: sinking within the main dolomite layer within the final lining. The following is underway: advancement of the subsequent stage, including sinking within the rock salt interval. **Construction of the GG-2 „Odra" shaft** Procedures are underway related to the amendment of planning documentation with a planned publication date of 15 February 2021. Work on the geological project for construction of the GG-2 shaft was advanced. Due to the lack of a legal title to the land for construction purposes, actions are underway aimed at dealing with the risk of a lack of agreement with the owner of the property. **Construction of the Gaworzyce shaft** Stage I of the Spatial Plan for the Gaworzyce shaft (KPP – Koncepcja Programowo - Przestrzenna) was handed over. Work is underway on selecting a site for the Shaft and on the handover of work expanding the scope of the KPP by additional sites. **Access and development tunnels** In the first three quarters of 2020, 30.1 km of tunneling were excavated (plan – 30.9 km) along with infrastructure in the Rudna and Polkowice-Sieroszowice mines. Progress on the excavation of tunnels in the main direction towards the GG-1 shaft reached 36% of the target for the year. The delay is the result of challenging geological and mining conditions (the Jakubów tectonic fault), gas-geodynamic hazards (ceiling rock falls, gas caverns), and additionally of challenges related to air conditioning and ventilation. **Surface-based Central Air Conditioning System (SCA)** Construction continued on the SCA at the GG-1 shaft. Work continues on construction of the power building and completion work. **Ice Water Transportation System (IWTS)** Assembly of the tri-unit feeder continues. Work continues on the laying of surface-based piping.

amounts in PLN millions, unless otherwise stated

Development of the Żelazny Most Tailings Storage Facility	**Construction of the Southern Quarter** – Based on the current building permits, work continued on construction of the Southern Quarter. Commencement of the consecutive storage of tailings is planned for March 2021, and completion of construction by June 2022. – Hydrotechnical construction work is underway. – Work is underway on water management and electrical power infrastructure. – Work is underway on tailings management infrastructure for the Southern Quarter. **Construction of the Tailings Segregation and Thickening Station (TSTS)** – The TSTS project was advanced in that part related to hydrocyclone technology, and work related with thickening technology is at an advanced stage of realisation. – Work is underway involving architecture and internal water-sewage installations, as well as ventilation for the hall and the power building. – Work is underway on assembly of the technological part of the TSTS. – Work is underway on internal power installations. – Work is underway on the construction of infrastructure in the vicinity of the station.
Construction of an Upcast 2 production line	The goal of the Upcast 2 project is to increase the production capacity of the Cedynia Wire Rod Plant's CuOFE rod line (oxygen-free rod) to 30 thousand tonnes/year with the possibility of expanding the product assortment to include CuMg and CuSn wire alloys. The plan calls for a second Upcast line to be built alongside the existing line as well as the requisite technical and logistical infrastructure. In the third quarter of 2020, design work was performed. In November 2020 the handover of installation design documentation is planned.
Exploration projects in Poland (concessions to explore for and evaluate copper ore deposits)	**Retków–Ścinawa and Głogów** A drillhole was completed on the Głogów concession. **Synklina Grodziecka and Konrad** Geological research continued, the process of amending both concessions was advanced. **Bytom-Odrzański, Kulów-Luboszyce** Concession-related proceedings continued before the Minister of Climate. The Company expects a re-assessment of both concessions and the issuance of decisions.
Other concessions	**Puck region** Preparatory work was carried out aimed at commencing the sinking of another drillhole, the completion of which is planned to the end of 2020. **Nowe Miasteczko** Geophysical and geological work was performed.
Projects involving development of the international assets	**Victoria project** Exploratory work continued, aimed at increasing knowledge of the project's mineral resources and actions aimed at maintaining good relations with key stakeholders in the project. **Ajax project** As a result of the decision to not grant an Environmental Assessment Certificate for the Ajax project in 2019, the work carried out was mainly related to monitoring and securing of the project terrain in accordance with law in force. **Sierra Gorda Oxide** Work continued aimed at preparing the project for realisation.
INNOVATION	
CuBR Program	Under the CuBR venture, co-financed by the National Centre for Research and Development (NCRD), R&D projects having a total value of over PLN 180 million are being advanced. In total, 25 projects have been advanced in the four editions of the competition. – Currently, 15 Projects are being advanced. – 8 projects have been completed, while realisation of further two was suspended due to the inability to implement the results of the research. – Among others, 4 new projects were commenced under the 4th competition of the CuBR Venture, which involve subjects related to the Circular Economy (CE), the completion of which is expected in the fourth quarter of 2020.
Selected R&D initiatives	In the third quarter of 2020, work continued on advancing the Implementation Doctorates Program for employees of KGHM, in which at the end of the third quarter of 2020, 40 Doctoral students from the two editions participated.

amounts in PLN millions, unless otherwise stated

	The first three tasks in the process of digitisation and modern archivisation of knowledge resources at the head office of KGHM were completed. Actions were continued with respect to „Building and implementing a workflow system for R&D processes”. Work continues on building a prototype self-propelled battery-powered transport vehicle. Work continues on building a prototype self-propelled bolting rig equipped with an automatic bolting turret. Initiatives continue involving the testing of electric, battery-powered self-propelled mining machinery aimed at gaining knowledge and data necessary for the utilisation of electric, battery-powered machinery under the conditions existing in the mines of KGHM Polska Miedź S.A. **Projects subsidised under KIC Raw Materials** (Knowledge and Innovation Community)**:** – Work continued on subsidised research projects. **Projects subsidised under the Horizon 2020 Program:** – Work continued on advancing the project „Development of technological assumptions to improve the recovery of useful metals contained in particulates in mineral resources processing”, in which methods for improving particulate flotation in the Concentrators division are undergoing analysis. – Work commenced on the project „Development of constructed facilities monitoring systems”, under which it is planned to pre-test machine learning and Artificial Intelligence in systems monitoring the condition of the Żelazny Most TSF. – Two applications were submitted for subsidization of the projects „Ore flow control system” and „Intelligent steering of mine production 2”.
Intellectual property	– Proceedings are underway to obtain a protection right for the word trademark „KGHM”, announced in an international procedure, in the following countries: China and Turkey. – Protection was received for the word trademark „KGHM” on the territories of the USA, Switzerland, Ukraine, Japan and India. – A patent application was submitted for the invention „A unit and method for the measurement of horizontal mine roofs” (P.435393). – Proceedings are underway at the Patent Office of the Republic of Poland for the granting of patents for the following inventions: „Cables for above-ground suspended power lines” (P.397200), „Means for positioning equipment and/or mobile elements of equipment, especially at the working face of a mine” (P.423699), „Control and registrational equipment for instrumented mining bolts, especially cemented bolts, a unit to monitor changes in concentrations, application of a unit to monitor concentrations and a means for the continuous monitoring of changes in concentrations of instrumented mining bolts” (P.427282), „Sensor for concentrations for non-instrumented mining bolts, especially for expansion bolts, a unit to monitor concentrations, application of a unit to monitor concentrations and a means for the continuous monitoring of changes in the load on non-instrumented mining bolts” (P.427284), „Means and equipment to assess the state of seating of bolts, especially bonding bolts” (P.427285).
FINANCIAL STABILITY	
Basing the KGHM Group’s financing structure on long-term instruments	Centralisation of external financing at the level of the Parent Entity resulted in extending the average weighted maturity of the entire KGHM Polska Miedź S.A. Group’s external debt. The financial needs of companies in the KGHM Group are met through the use of intra-Group cash transfers. These processes are based mainly on management of the current liquidity of the KGHM Group, based on the cash pooling tool, which substantially increases the effectiveness of financial management for the KGHM Group, as well as on long-term owner loans, and on bonds with a long maturity period.
Shortening of the cash conversion cycle	The Company remains engaged in actions aimed at shortening the receivables recovery period and extending the payables payment period. At the end of the third quarter of 2020, the balance of trade payables transferred to reverse factoring amounted to PLN 1 056 million, and the level of factoring amounted to PLN 1 994 million. In advancing the assumptions of the Financial Stability strategy, the Company is in the process of organising a Factoring Syndicate, whose aim is to ensure permanent and safe access to factoring for the KGHM Group.
Effective market and credit risk management in the KGHM Group	As part of the advancement of the Company’s strategic plan to secure against market risk, in the third quarter of 2020 strategies were implemented hedging revenues from the sale of copper in the period 2021-2022 for a total notional amount of 138 thousand tonnes, as well as hedging strategies on the silver market for a total notional amount of 24.6 million ounces with maturity in the years 2021-2023. In addition, the Company restructured an open hedge position on the copper and currency markets.
EFFICIENT ORGANISATION	
KGHM 4.0 Program	**With respect to ICT projects** (Information and Communication Technology):

	– The configured CRM (Customer Relationship Management) system was handed over for operation. **With respect to Industry projects** (industrial production): – The project involving broadband data transmission in the underground mines was advanced in line with its assumptions. The topology of network nodal connections ensures redundancy, which in the conditions prevailing in the mines, where there is a high risk of damage from moving mining machinery or rock-mass movements, is of fundamental importance.
PEOPLE AND THE ENVIRONMENT	
Program to adapt the technological installations of KGHM to the requirements of BAT Conclusions for the nonferrous metals industry and to restrict emissions of arsenic (BATAs)	In the first three quarters of 2020, under the BATAs Program, 14 projects were advanced – these were at the Copper Smelters and Refineries at Głogów and Legnica. Work was completed on the construction of an installation for the transport of lead slag within the Głogów Copper Smelter and Refinery, and the process of obtaining an operating permit is underway. Work was completed on the construction of an installation for the desulphurisation of gases from the Kaldo furnace of the Precious Metals Plant at the Głogów Copper Smelter and Refinery. In relation to the other projects, construction and assembly work was carried out at the Głogów and Legnica Copper Smelters and Refineries.
Program to Improve Occupational Health and Safety in KGHM Polska Miedź S.A.	In the third quarter of 2020, tasks were advanced under the Program to Improve Occupational Health and Safety in the area „attitude". Main achievements: – A new OHS Policy for KGHM Polska Miedź S.A. was adopted, uniformly for all Divisions, – A new OHS standard ISO 45001:2018 is being consistently implemented in the Concentrators Division, and preparations are underway to implement it the Mining Divisions, the Data Processing Center and the Head Office, – Joint risk assessment cards were implemented to support on-going analysis of OHS risk resulting from an external factor in the form of the SarsCov-2 pandemic, – Instructional films, iconography and OHS-themed articles were prepared, aimed at raising the consciousness of employees and enhancing their safety, – Cooperation was carried out with international institutions, for example Euromines, with respect to planned changes to legal acts as regards harmful substances in workplaces located in the Company's plants, – A variety of actions were taken related with mitigating the threat of the SarsCov – 2 pandemic.

3 –Information on operating segments and revenues

Note 3.1 Operating segments

The operating segments identified in the KGHM Polska Miedź S.A. Group reflect the structure of the Group, the manner in which the Group and its individual entities are managed and the regular reporting to the Parent Entity's Management Board.

As a result of the aggregation of operating segments and taking into account the criteria stipulated in IFRS 8, the following reporting segments are currently identified within the KGHM Polska Miedź S.A. Group:

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

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

- Future 1 Sp. z o.o., which acts as a holding company with respect to the KGHM INTERNATIONAL LTD. Group,
- Future 2 Sp. z o.o., Future 3 Sp. z o.o., Future 4 Sp. z o.o., Future 5 Sp. z o.o., Future 6 Sp. z o.o. in liquidation and Future 7 Sp. z o.o. in liquidation, which operate in the structure related to the establishment of a Tax Group.

These companies do not conduct operating activities which could impact the results achieved by individual segments, and as a result their inclusion could distort the data presented in this part of the consolidated financial statements due to significant settlements with other Group companies.

Each of the segments KGHM Polska Miedź S.A., KGHM INTERNATIONAL LTD. and Sierra Gorda S.C.M. have their own Management Boards, which report the results of their business activities to the President of the Management Board of the Parent Entity.

The segment KGHM Polska Miedź S.A. is composed only of the Parent Entity, and the segment Sierra Gorda S.C.M. is composed only of the joint venture Sierra Gorda. Other companies of the KGHM Polska Miedź S.A. Group are presented below by segment: KGHM INTERNATIONAL LTD. and Other segments.

THE SEGMENT KGHM INTERNATIONAL LTD.	
Location	**Company**
The United States of America	Carlota Copper Company, Carlota Holdings Company, DMC Mining Services Corporation, FNX Mining Company USA Inc., Robinson Holdings (USA) Ltd., Robinson Nevada Mining Company, Wendover Bulk Transhipment Company
Chile	Aguas de la Sierra Limitada, Minera Carrizalillo SpA, KGHM Chile SpA, Quadra FNX Holdings Chile Limitada, Sociedad Contractual Minera Franke, DMC Mining Services Chile SpA
Canada	KGHM INTERNATIONAL LTD., 0899196 B.C. Ltd., Centenario Holdings Ltd., DMC Mining Services Ltd., FNX Mining Company Inc., Franke Holdings Ltd., KGHM AJAX MINING INC., KGHMI HOLDINGS LTD., Quadra FNX Holdings Partnership, Sugarloaf Ranches Ltd.
Mexico	Raise Boring Mining Services S.A. de C.V.
Colombia	DMC Mining Services Colombia SAS
The United Kingdom	DMC Mining Services (UK) Ltd.
Luxembourg	Quadra FNX FFI S.à r.l.

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

The Parent Entity and the KGHM INTERNATIONAL LTD. Group (a subgroup) have a fundamental impact on the assets and the generation of revenues in the KGHM Polska Miedź S.A. Group. The activities of KGHM Polska Miedź S.A. are concentrated on the mining industry in Poland, while those of the KGHM INTERNATIONAL LTD. Group are concentrated on the mining industry in the countries of North and South America. The profile of activities of the majority of the remaining subsidiaries of the KGHM Polska Miedź S.A. Group differs from the main profile of the Parent Entity's activities.

The Parent Entity's Management Board monitors the operating results of individual segments in order to make decisions on allocating the Group's resources and assess the financial results achieved.

Financial data prepared for management reporting purposes is based on the same accounting policies as those applied when preparing the consolidated financial statements of the Group, while the financial data of individual reporting segments constitutes the amounts presented in appropriate financial statements prior to consolidation adjustments at the level of the KGHM Polska Miedź S.A. Group, i.e.:

- The segment KGHM Polska Miedź S.A. – comprises data from the separate financial statements of the Parent Entity prepared in accordance with IFRSs. In the separate financial statements, investments in subsidiaries (including investment in KGHM INTERNATIONAL LTD.) are measured at cost, including the impairment losses.
- The segment KGHM INTERNATIONAL LTD. – comprises consolidated data of the KGHM INTERNATIONAL LTD. Group prepared in accordance with IFRSs. The involvement in Sierra Gorda S.C.M. is accounted for using the equity method.

- The segment Sierra Gorda S.C.M – comprises the 55% share of assets, liabilities, revenues and costs of this venture presented in the separate financial statements of Sierra Gorda S.C.M. prepared in accordance with IFRSs.
- Other segments – comprises aggregated data of individual subsidiaries after excluding transactions and balances between them.

The Management Board of the Parent Entity assesses a segment's performance based on adjusted EBITDA and the profit or loss for the period.
The Group defines adjusted EBITDA as profit/loss for the period pursuant to IFRS, excluding income tax (current and deferred), finance income and costs, other operating income and costs, the share of losses of joint ventures accounted for using the equity method, impairment losses on interest in a joint venture, depreciation/amortisation and impairment losses on property, plant and equipment included in the cost of sales, selling costs and administrative expenses. Adjusted EBITDA – as a financial indicator not defined by IFRSs – is not a standardised measure and therefore its method of calculation may vary between entities, and consequently the presentation and calculation of adjusted EBITDA applied by the Group may not be comparable to that applied by other market entities.

Unallocated assets and liabilities concern companies which have not been allocated to any segment. Assets which have not been allocated to the segments comprise cash, trade receivables and deferred tax assets. Liabilities which have not been allocated to the segments comprise trade liabilities and current corporate tax liabilities.

Note 3.2 Financial results of reporting segments

from 1 January 2020 to 30 September 2020

		KGHM Polska Miedź S.A.	KGHM INTERNATIONAL LTD.	Sierra Gorda S.C.M.*	Other segments	Reconciliation items to consolidated data: Elimination of data of the segment Sierra Gorda S.C.M	Reconciliation items to consolidated data: Consolidation adjustments****	Consolidated financial statements
Note 3.3	**Revenues from contracts with customers, of which:**	**13 360**	**2 026**	**1 674**	**5 629**	(1 674)	(4 435)	16 580
	- inter-segment	228	16	4	4 162	(4)	(4 406)	-
	- external	13 132	2 010	1 670	1 467	(1 670)	(29)	16 580
	Segment result - profit/(loss) for the period	**1 156**	**(670)**	**(329)**	**(87)**	**329**	**773**	**1 172**
	Additional information on significant revenue/cost items of the segment							
	Depreciation/amortisation recognised in profit or loss	(896)	(333)	(575)	(179)	575	17	(1 391)
	Impairment losses on non-current assets, including:	(187)	-	-	(92)	-	187	(92)
	impairment losses on investments in subsidiaries	(131)	-	-	-	-	131	-
	Share of losses of joint ventures accounted for using the equity method	-	(206)	-	-	-	-	(206)
		As at 30 September 2020						
	Assets, including:	**38 275**	**10 996**	**9 897**	**5 478**	**(9 897)**	**(13 033)**	**41 716**
	Segment assets	38 275	10 996	9 897	5 478	(9 897)	(13 041)	41 708
	Assets unallocated to segments	-	-	-	-	-	8	8
	Liabilities, including:	**17 540**	**17 926**	**13 728**	**2 613**	**(13 728)**	**(17 392)**	**20 687**
	Segment liabilities	17 540	17 926	13 728	2 613	(13 728)	(17 413)	20 666
	Liabilities unallocated to segments	-	-	-	-	-	21	21
	Other information	**from 1 January 2020 to 30 September 2020**						
	Cash expenditures on property, plant and equipment and intangible assets	1 841	431	376	243	(376)	(28)	2 487
	Production and cost data	**from 1 January 2020 to 30 September 2020**						
	Payable copper (kt)	411.9	49.2	59.9				
	Molybdenum (million pounds)	-	0.4	6.9				
	Silver (t)	975.4	1.2	20.0				
	TPM (koz t)	67.1	54.4	23.8				
	C1 cash cost of producing copper in concentrate (USD/lb PLN/lb)**	1.60 6.29	1.87 7.38	1.24 4.90				
	Segment result - adjusted EBITDA	**3 052**	**395**	**779**	**192**	**-**	**-**	**4 418**
	EBITDA margin***	**23%**	**19%**	**47%**	**3%**	**-**	**-**	**24%**

** 55% of the Group's share in Sierra Gorda S.C.M.'s financial and production data.*
*** Unit cash cost of payable copper production, reflecting ore mining and processing costs, transport costs, the minerals extraction tax, administrative expenses during the mining phase and smelter treatment and refining charges (TC/RC) less by-product value.*
**** Adjusted EBITDA to revenues from sales. For the purposes of calculating the Group's EBITDA margin (24%), the consolidated revenues from sales were increased by revenues from sales of the segment Sierra Gorda S.C.M.*
*[4 418 / (16 580 + 1 674) * 100]*
***** Adjustments arise from consolidation eliminations and financial data of companies unallocated to any segment.*

Financial results of reporting segments for the comparable period

	KGHM Polska Miedź S.A.	KGHM INTERNATIONAL LTD.	Sierra Gorda S.C.M.*	Other segments	Reconciliation items to consolidated data: Elimination of data of the segment Sierra Gorda S.C.M	Reconciliation items to consolidated data: Consolidation adjustments****	Consolidated financial statements
	from 1 January 2019 to 30 September 2019						
Note 3.3 **Revenues from contracts with customers, of which:**	**13 050**	**2 311**	**1 522**	**5 475**	**(1 522)**	**(3 967)**	**16 869**
- inter-segment	234	15	-	3 714	-	(3 963)	-
- external	12 816	2 296	1 522	1 761	(1 522)	(4)	16 869
Segment result - profit/(loss) for the period	**1 663**	**(441)**	**(390)**	**12**	**390**	**432**	**1 666**
Additional information on significant revenue/cost items of the segment							
Depreciation/amortisation recognised in profit or loss	(893)	(292)	(381)	(178)	381	5	(1 358)
Share of losses of joint ventures accounted for using the equity method	-	(169)	-	-	-	-	(169)
	As at 31 December 2019						
Assets, including:	**35 989**	**10 689**	**9 156**	**5 386**	**(9 156)**	**(12 655)**	**39 409**
Segment assets	35 989	10 689	9 156	5 386	(9 156)	(12 664)	39 400
Joint ventures accounted for using the equity method	-	-	-	-	-	4	4
Assets unallocated to segments	-	-	-	-	-	5	5
Liabilities, including:	**16 100**	**16 849**	**12 801**	**2 552**	**(12 801)**	**(16 294)**	**19 207**
Segments liabilities	16 100	16 849	12 801	2 552	(12 801)	(16 314)	19 187
Liabilities unallocated to segments	-	-	-	-	-	20	20
Other information	from 1 January 2019 to 30 September 2019						
Cash expenditures on property, plant and equipment and intangible assets	1 774	478	463	187	(463)	(125)	2 314
Production and cost data	from 1 January 2019 to 30 September 2019						
Payable copper (kt)	427.6	57.5	44.4				
Molybdenum (million pounds)	-	0.6	8.2				
Silver (t)	1 017.9	1.7	10.9				
TPM (koz t)	71.4	62.9	22.8				
C1 cash cost of producing copper in concentrate (USD/lb PLN/lb)**	1.71 6.57	1.79 6.86	1.39 5.33				
Segment result - adjusted EBITDA	**2 868**	**515**	**522**	**207**	**-**	**-**	**4 112**
EBITDA margin* **	**22%**	**22%**	**34%**	**4%**	**-**	**-**	**22%**

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

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

**** Adjusted EBITDA to revenues from sales. For the purposes of calculating the Group's EBITDA margin (22%), the consolidated revenues from sales were increased by revenues from sales of the segment Sierra Gorda S.C.M.*
*[4 112 / (16 869 + 1 522) * 100]*

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

amounts in PLN millions, unless otherwise stated

Reconciliation of adjusted EBITDA

	from 1 January 2020 to 30 September 2020						
	KGHM Polska Miedź S.A.	KGHM INTERNATIONAL LTD.	Other segments	Consolidation adjustments*	Consolidated financial statements	Sierra Gorda S.C.M. **	Adjusted EBITDA (segments, total)
	1	2	3	4	5 (1+2+3+4)	6	7 (5+6-4)
Profit/(Loss) for the period	**1 156**	**(670)**	**(87)**	**773**	**1 172**	**(329)**	
[-] Profit or loss on involvement in joint ventures	**-**	**78**	**-**	**-**	**78**	**-**	
[-] Current and deferred income tax	(671)	(17)	(31)	12	(707)	108	
[-] Depreciation/amortisation recognised in profit or loss	(896)	(333)	(179)	17	(1 391)	(575)	
[-] Finance income and (costs)	(62)	(788)	(16)	790	(76)	(637)	
[-] Other operating income and (costs)	(267)	(5)	39	4	(229)	(4)	
[-] (Recognition)/reversal of impairment losses on non-current assets recognised in cost of sales, selling costs and administrative expenses	-	-	(92)	-	(92)	-	
Segment result - adjusted EBITDA	**3 052**	**395**	**192**	**(50)**	**3 589**	**779**	**4 418**

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

Reconciliation of adjusted EBITDA

	from 1 January 2019 to 30 September2019						
	KGHM Polska Miedź S.A.	KGHM INTERNATIONAL LTD.	Other segments	Consolidation adjustments*	Consolidated financial statements	Sierra Gorda S.C.M. **	Adjusted EBITDA (segments, total)
	1	2	3	4	5 (1+2+3+4)	6	7 (5+6-4)
Profit/(Loss) for the period	**1 663**	**(441)**	**12**	**432**	**1 666**	**(390)**	
[-] Profit or loss on involvement in joint ventures	**-**	**86**	**-**	**-**	**86**	**-**	
[-] Current and deferred income tax	(707)	(39)	(25)	13	(758)	105	
[-] Depreciation/amortisation recognised in profit or loss	(893)	(292)	(178)	5	(1 358)	(381)	
[-] Finance income and (costs)	(621)	(969)	(14)	964	(640)	(629)	
[-] Other operating income and (costs)	1 016	258	22	(801)	495	(7)	
[-] (Recognition)/reversal of impairment losses on non-current assets recognised in cost of sales, selling costs and administrative expenses	-	-	-	-	-	-	
Segment result - adjusted EBITDA	**2 868**	**515**	**207**	**251**	**3 841**	**522**	**4 112**

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

amounts in PLN millions, unless otherwise stated

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

	from 1 January 2020 to 30 September 2020						
					Reconciliation items to consolidated data		
	KGHM Polska Miedź S.A.	KGHM INTERNATIONAL LTD.	Sierra Gorda S.C.M.*	Other segments	Elimination of data of the segment Sierra Gorda S.C.M	Consolidation adjustments	Consolidated data
Copper	9 897	1 152	1 248	5	(1 248)	(11)	**11 043**
Silver	2 326	17	48	-	(48)	-	**2 343**
Gold	457	243	162	-	(162)	(1)	**699**
Services	86	444	-	1 695	-	(1 390)	**835**
Energy	34	-	-	131	-	(98)	**67**
Salt	19	-	-	-	-	(4)	**15**
Blasting materials and explosives	-	-	-	167	-	(61)	**106**
Mining machinery, transport vehicles and other types of machinery and equipment	-	-	-	142	-	(113)	**29**
Fuel additives	-	-	-	64	-	-	**64**
Lead	162	-	-	-	-	-	**162**
Products from other non-ferrous metals	-	-	-	55	-	(3)	**52**
Steel	-	-	-	304	-	(24)	**280**
Petroleum and its derivatives	-	-	-	187	-	(167)	**20**
Merchandise and materials	275	-	-	2 796	-	(2 640)	**431**
Other products	104	170	216	83	(216)	77	**434**
TOTAL	**13 360**	**2 026**	**1 674**	**5 629**	**(1 674)**	**(4 435)**	**16 580**

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

amounts in PLN millions, unless otherwise stated

	from 1 January 2019 to 30 September 2019						
					Reconciliation items to consolidated data		
	KGHM Polska Miedź S.A.	KGHM INTERNATIONAL LTD.	Sierra Gorda S.C.M.*	Other segments	Elimination of data of the segment Sierra Gorda S.C.M	Consolidation adjustments	Consolidated data
Copper	10 046	1 126	966	5	(966)	(16)	**11 161**
Silver	2 004	5	22	-	(22)	-	**2 009**
Gold	357	164	127	-	(127)	-	**521**
Services	67	822	-	1 634	-	(1 149)	**1 374**
Energy	29	-	-	118	-	(84)	**63**
Salt	27	-	-	23	-	-	**50**
Blasting materials and explosives	-	-	-	160	-	(60)	**100**
Mining machinery, transport vehicles and other types of machinery and equipment	-	-	-	125	-	(94)	**31**
Fuel additives	-	-	-	71	-	-	**71**
Lead	176	-	-	-	-	-	**176**
Products from other non-ferrous metals	-	-	-	63	-	(3)	**60**
Steel	-	-	-	367	-	(34)	**333**
Petroleum and its derivatives	-	-	-	219	-	(183)	**36**
Merchandise and materials	195	-	-	2 639	-	(2 466)	**368**
Other products	149	194	407	51	(407)	122	**516**
TOTAL	**13 050**	**2 311**	**1 522**	**5 475**	**(1 522)**	**(3 967)**	**16 869**

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

amounts in PLN millions, unless otherwise stated

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

from 1 January 2020 to 30 September 2020

	KGHM Polska Miedź S.A.	KGHM INTERNATIONAL LTD.	Sierra Gorda S.C.M.*	Other segments	Reconciliation items to consolidated data: Elimination of data of the segment Sierra Gorda S.C.M	Reconciliation items to consolidated data: Consolidation adjustments	Consolidated data
Total revenues from contracts with customers	**13 360**	**2 026**	**1 674**	**5 629**	**(1 674)**	**(4 435)**	**16 580**
Revenues from sales contracts, for which the price is set after the date of recognition of the sales (M+ principle), of which:	9 870	1 582	1 634	-	(1 634)	(48)	**11 404**
settled	9 419	1 106	575	-	(575)	(47)	**10 478**
unsettled	451	476	1 059	-	(1 059)	(1)	**926**
Revenues from realisation of long-term contracts	-	429	-	152	-	(139)	**442**
Revenues from other sales contracts	3 490	15	40	5 477	(40)	(4 248)	**4 734**
Total revenues from contracts with customers, of which:	**13 360**	**2 026**	**1 674**	**5 629**	**(1 674)**	**(4 435)**	**16 580**
in factoring	5 085	16	-	-	-	-	**5 101**
not in factoring	8 275	2 010	1 674	5 629	(1 674)	(4 435)	**11 479**

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

from 1 January 2019 to 30 September 2019

	KGHM Polska Miedź S.A.	KGHM INTERNATIONAL LTD.	Sierra Gorda S.C.M.*	Other segments	Reconciliation items to consolidated data: Elimination of data of the segment Sierra Gorda S.C.M	Reconciliation items to consolidated data: Consolidation adjustments	Consolidated data
Total revenues from contracts with customers	**13 050**	**2 311**	**1 522**	**5 475**	**(1 522)**	**(3 967)**	**16 869**
Revenues from sales contracts, for which the price is set after the date of recognition of the sales (M+ principle), of which:	10 863	1 487	1 549	-	(1 549)	(58)	**12 292**
settled	10 409	804	652	-	(652)	(58)	**11 155**
unsettled	454	683	897	-	(897)	-	**1 137**
Revenues from realisation of long-term contracts	-	807	-	132	-	(117)	**822**
Revenues from other sales contracts	2 187	17	(27)	5 343	27	(3 792)	**3 755**
Total revenues from contracts with customers, of which:	**13 050**	**2 311**	**1 522**	**5 475**	**(1 522)**	**(3 967)**	**16 869**
in factoring	5 056	68	-	-	-	-	**5 124**
not in factoring	7 994	2 243	1 522	5 475	(1 522)	(3 967)	**11 745**

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

amounts in PLN millions, unless otherwise stated

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

	from 1 January 2020 to 30 September 2020							from 1 January 2019 to 30 September 2019
					Reconciliation items to consolidated data			
	KGHM Polska Miedź S.A.	KGHM INTERNATIONAL LTD.	Sierra Gorda S.C.M.*	Other segments	Elimination of data of the segment Sierra Gorda S.C.M	Consolidation adjustments	Consolidated data	KGHM Polska Miedź S.A. Group
Poland	3 087	-	4	5 410	(4)	(4 430)	**4 067**	4 525
Austria	120	-	-	16	-	-	**136**	163
Belgium	51	-	-	8	-	-	**59**	164
Bulgaria	9	(1)	-	6	-	-	**14**	15
Czechia	1 069	-	-	10	-	-	**1 079**	1 030
Denmark	10	-	-	1	-	-	**11**	43
Estonia	13	-	-	1	-	-	**14**	10
Finland	-	-	-	4	-	-	**4**	68
France	387	-	-	3	-	-	**390**	550
Spain	-	241	-	2	-	-	**243**	201
Netherlands	2	-	44	-	(44)	-	**2**	5
Germany	2 195	-	-	42	-	-	**2 237**	2 041
Romania	127	-	-	2	-	-	**129**	147
Slovakia	62	-	-	6	-	-	**68**	78
Slovenia	42	-	-	2	-	-	**44**	55
Sweden	15	-	-	25	-	-	**40**	35
Hungary	522	-	-	2	-	-	**524**	532
The United Kingdom	1 306	239	-	7	-	(1)	**1 551**	2 183
Italy	772	-	-	6	-	-	**778**	696
Australia	607	-	-	-	-	-	**607**	79
Bosnia and Hercegovina	-	-	-	2	-	-	**2**	29
Chile	-	24	203	-	(203)	-	**24**	16
China	1 597	458	877	-	(877)	-	**2 055**	1 761
India	-	-	17	1	(17)	-	**1**	1
Japan	1	61	465	-	(465)	-	**62**	152
Canada	1	366	-	1	-	(1)	**367**	445
South Korea	-	151	40	-	(40)	-	**151**	59
Russia	-	-	-	26	-	(3)	**23**	36
The United States of America	376	340	(1)	3	1	-	**719**	730
Switzerland	459	-	-	-	-	-	**459**	477
Turkey	63	-	-	3	-	-	**66**	163
Taiwan	222	-	-	-	-	-	**222**	49
Brazil	-	4	25	-	(25)	-	**4**	51
Thailand	129	-	-	2	-	-	**131**	57
Philippines	9	143	-	-	-	-	**152**	168
Malaysia	32	-	-	-	-	-	**32**	-
Vietnam	68	-	-	-	-	-	**68**	-
Other countries	7	-	-	38	-	-	**45**	55
TOTAL	**13 360**	**2 026**	**1 674**	**5 629**	**(1 674)**	**(4 435)**	**16 580**	16 869

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

amounts in PLN millions, unless otherwise stated

Note 3.6 Main customers

In the period from 1 January 2020 to 30 September 2020 and in the comparable period the revenues from no single contractor exceeded 10% of the revenues from contracts with customers of the Group.

Note 3.7 Non-current assets – geographical breakdown

	As at 30 September 2020	As at 31 December 2019
Poland	22 009	21 349
Canada	1 459	1 368
The United States of America	1 470	1 418
Chile	408	388
Other countries	23	16
TOTAL*	**25 369**	**24 539**

** non-current assets, excluding: derivatives, other financial instruments, other non-financial assets and deferred tax assets (IFRS 8.33b) in the total amount of PLN 8 357 million as at 30 September 2020 (PLN 7 130 million as at 31 December 2019).*

Note 3.8 Information on segments' results

3.8.1 The segment KGHM Polska Miedź S.A.

Production results

Table 1. Production results of KGHM Polska Miedź S.A.

	Unit	first three quarters of 2020	first three quarters of 2019	Change (%)	3rd quarter of 2020	2nd quarter of 2020	1st quarter of 2020
Ore extraction (dry weight)	mn t	22.4	22.8	(1.9)	7.6	7.5	7.4
Copper content in ore	%	1.50	1.51	(0.7)	1.48	1.50	1.52
Copper production in concentrate	kt	296.8	304.9	(2.6)	98.0	99.7	99.1
Silver production in concentrate	t	916.9	952.1	(3.7)	299.9	305.0	312.0
Production of electrolytic copper	kt	411.9	427.6	(3.7)	131.1	139.8	141.0
- including from own concentrate	kt	287.1	313.1	(8.3)	81.3	102.8	103.0
Production of metallic silver	t	975.4	1 017.9	(4.2)	280.4	365.9	329.2
Production of gold	mn oz t	67.1	71.4	(6.0)	21.5	20.4	25.2

In the first 9 months of 2020, there was a decrease in ore extraction (dry weight) as compared to the corresponding period of 2019. Copper content in ore decreased to 1.50% due to lower content and thickness of the mined deposit. Copper production in concentrate decreased by approx. 8.1 thousand tonnes as compared to the first nine months of 2019 as a result of processing a lower amount of lower quality feed.
As compared to the corresponding period of 2019, there was a decrease in electrolytic copper production by 15.7 thousand tonnes. Cathode production decreased due to a limited supply of copper scrap in the first half and accumulating anode inventories, which was necessary to ensure the continuity of production during the maintenance shutdown at the Głogów I Copper Smelter and Refinery.
Production of metallic silver was lower because of a decrease in cathode production.

Revenues

Table 2. Revenues from contracts with customers of KGHM Polska Miedź S.A.

	Unit	first three quarters of 2020	first three quarters of 2019	Change (%)	3rd quarter of 2020	2nd quarter of 2020	1st quarter of 2020
Revenues from contracts with customers, including:	**PLN mn**	**13 360**	**13 050**	**+2.4**	**4 463**	**4 672**	**4 225**
- copper	PLN mn	9 897	10 046	(1.5)	3 354	3 460	3 083
- silver	PLN mn	2 326	2 004	+16.1	802	776	748
Volume of copper sales	kt	404.9	414.7	(2.4)	127.9	144.8	132.1
Volume of silver sales	t	990.1	1 029.1	(3.8)	280.7	364.1	345.3

Revenues after the first three quarters of 2020 amounted to PLN 13 360 million and were higher than in the corresponding period of 2019 by 2%. The main factors behind this increase in revenues were: a PLN 160 million higher adjustment to revenues due to hedging transactions, a more favourable USD/PLN exchange rate (+3%) and higher silver (+22%) and gold (+27%) prices.

Costs

Table 3. Costs of KGHM Polska Miedź S.A.

	Unit	first three quarters of 2020	first three quarters of 2019	Change (%)	3rd quarter of 2020	2nd quarter of 2020	1st quarter of 2020
Cost of sales, selling costs and administrative expenses	**PLN mn**	**11 204**	**11 075**	**+1.2**	**3 643**	**3 952**	**3 609**
Expenses by nature	**PLN mn**	11 090	11 125	(0.3)	3 941	3 513	3 636
Pre-precious metals credit unit cost of electrolytic copper production from own concentrate(1	PLN/t	25 618	24 895	+2.9	26 945	25 312	24 880
Total unit cost of electrolytic copper production from own concentrate	PLN/t	17 201	18 159	(5.3)	16 085	18 533	16 755
C1 unit cost(2	**USD/lb**	**1.60**	**1.71**	**(6.4)**	**1.61**	**1.59**	**1.58**

1) Unit cost prior to decrease by the value of anode slimes containing, among others, silver and gold
2) Cash cost of concentrate production reflecting the minerals extraction tax, plus administrative expenses and smelter treatment and refining charges (TC/RC), less depreciation/amortisation cost and the value of by-product premiums, calculated for sold payable copper in concentrate.

The Parent Entity's cost of sales, selling costs and administrative expenses (cost of products, merchandise and materials sold, selling costs and administrative expenses) for the first nine months of 2020 amounted to PLN 11 204 million and were higher by 1.2% as compared to the corresponding period of 2019 due to the utilisation of inventories from prior periods, which enabled the sale of a higher volume of products. Moreover, the cost of sales was higher due to the purchase of medical supplies.
In the first 9 months of 2020, total expenses by nature were lower by PLN 35 million as compared to the first nine months of 2019, alongside a minerals extraction tax lower by PLN 72 million due to a change in the methodology of calculating the

tax from 1 July 2019 and lower costs of consumption of purchased metal-bearing materials by PLN 14 million (due to a 0.8 thousand tonnes of copper lower volume of consumption alongside a 0.8% higher purchase price).

The increase in expenses by nature, excluding the purchased metal-bearing materials and the minerals extraction tax, amounted to PLN 51 million and resulted mainly from the increase in labour costs by PLN 116 million (increase in remuneration) and higher costs of energy and energy carriers by PLN 44 million (in 2019 energy costs were decreased by the compensation for energy price rises).

C1 cost for the first 9 months of 2020 amounted to 1.60 USD/lb and was lower than in the corresponding period of 2019 by 6.4%. The decrease in the cost was mainly caused by the strengthening of the US dollar versus the Polish zloty (+2.8%), a lower minerals extraction tax charge (first 9 months of 2019: 0.49 USD/lb; first 9 months of 2020: 0.43 USD/lb) and the higher value of by-products due to an increase in the prices of precious metals.

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 25 618 PLN/t (in the comparable period of 2019: 24 895 PLN/t) and was higher by 2.9% alongside lower production from own concentrate by 8.3%. The pre-precious metals credit unit cost of electrolytic copper production from own concentrate, excluding the minerals extraction tax, amounted to 21 954 PLN/t (in the corresponding period of 2019: 20 893 PLN/t).

The total unit cost of electrolytic copper production from own concentrate amounted to 17 201 PLN/t and was lower by 5.3% as compared to the first nine months of 2019 due to the higher value of associated metals (higher prices of silver and gold).

Financial results

Table 4. Basic items of the statement of profit or loss of KGHM Polska Miedź S.A. (in PLN million)

	first three quarters of 2020	first three quarters of 2019	Change (%)	3rd quarter of 2020	2nd quarter of 2020	1st quarter of 2020
Revenues from contracts with customers, including:	**13 360**	**13 050**	**+2.4**	**4 463**	**4 672**	**4 225**
- adjustment of revenues due to hedging transactions	330	170	+94.1	38	169	123
Cost of sales, selling costs and administrative expenses [1]	**(11 204)**	**(11 075)**	**+1.2**	**(3 643)**	**(3 952)**	**(3 609)**
- including the minerals extraction tax	(1 118)	(1 213)	(7.8)	(380)	(363)	(375)
Profit on sales	**2 156**	**1 975**	**+9.2**	**820**	**720**	**616**
Other operating income and (costs), including:	**(267)**	**1 016**	**×**	**(223)**	**(532)**	**488**
Interest on loans granted and other financial receivables	205	212	(3.3)	64	68	73
Realisation of derivatives	(209)	(101)	×2.1	(102)	(49)	(58)
Measurement of derivatives	1	44	(97.7)	28	4	(31)
Exchange gains/(losses) on assets and liabilities other than borrowings	(119)	508	×	(145)	(420)	446
Impairment losses on investment certificates and shares	(131)	-	×	-	(89)	(42)
Reversal of allowances for impairment of loans measured at amortised cost	-	128	×	-	-	-
Impairment gains/(losses) on financial instruments measured at amortised cost	(63)	(30)	×2.1	25	88	(176)
Fees and charges on re-invoicing of costs of bank guarantees securing payments of liabilities	50	50	-	23	7	20
Fair value gains/(losses) on financial assets measured at fair value through profit or loss	13	137	(90.5)	(99)	(175)	287
Release/(recognition) of provisions	(6)	39	×	-	(3)	(3)
Other	(8)	29	×	(17)	37	(28)
Finance income and (costs), including:	**(62)**	**(621)**	**(90.0)**	**89**	**345**	**(496)**
Exchange gains/(losses) on borrowings	81	(474)	×	117	401	(437)
Interest on borrowings	(111)	(75)	+48.0	(22)	(48)	(41)
Measurement of derivatives	-	(14)	×	1	2	(3)
Realisation of derivatives	(5)	(4)	+25.0	-	(5)	-
Other	(27)	(54)	(50.0)	(7)	(5)	(15)
Profit before income tax	**1 827**	**2 370**	**(22.9)**	**686**	**533**	**608**
Income tax expense	(671)	(707)	(5.1)	(277)	(185)	(209)
Profit for the period	**1 156**	**1 663**	**(30.5)**	**409**	**348**	**399**
Depreciation/amortisation recognised in profit or loss	896	893	+0.3	301	311	284
Adjusted EBITDA [2]	**3 052**	**2 868**	**+6.4**	**1 121**	**1 031**	**900**

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

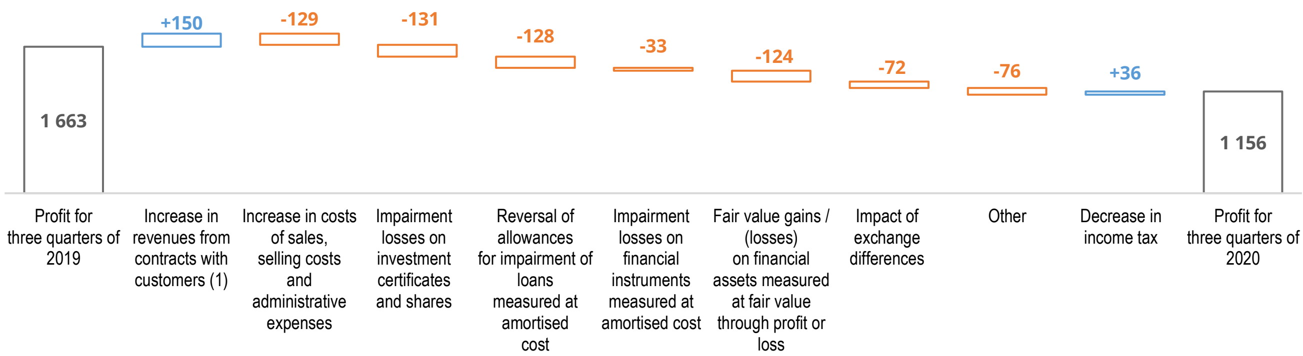
2) Adjusted EBITDA = profit on sales + depreciation/amortisation (recognised in profit or loss) + impairment loss (-reversal of impairment losses) on non-current assets, recognised in cost of sales, selling costs and administrative expenses

Table 5. Main reasons for the change in financial result of KGHM Polska Miedź S.A.

Item	Impact on change in result (PLN million)	Description
Increase in revenues from contracts with customers excluding the impact of hedging transactions (+PLN 150 million)	+344	An increase in revenues from sales of basic products (Cu, Ag, Au) due to a more favourable average annual USD/PLN exchange rate (a change from 3.83 to 3.94 USD/PLN)
	(317)	A decrease in revenues due to a lower volume of sales of copper (-2%), silver (-4%) and gold (-2%)
	+87	An increase in revenues due to higher prices of silver and gold (respectively by 22% and 27%) alongside lower copper price (-3%)
	+36	A change in other revenues from contracts with customers, including an increase in revenues from the sale of merchandise and materials by PLN 80 million alongside a decrease in revenues from the sale of sulphuric acid (-PLN 13 million), rock salt (-PLN 8 million) and refined lead (- PLN 14 million)
Increase in cost of sales, selling costs and administrative expenses [1] (-PLN 129 million)	(76)	A change in inventories of finished goods, half-finished products and work in progress, mainly due to a decrease in inventories due to the utilisation of own concentrate inventories and inventories of finished goods
	+14	Lower consumption of purchased metal-bearing materials by 0.8 thousand tonnes of copper (-0.7%) alongside a 0.8% higher purchase price
	(67)	An increase in other costs, including an increase in the value of sold merchandise and materials by PLN 98 million and of other expenses by nature – mainly employee benefits by PLN 116 million and of energy and energy-related factors by PLN 44 million alongside a decrease in the minerals extraction tax in expenses by nature by PLN 72 million
Impairment losses on investment certificates and shares (-PLN 131 million)	(131)	Impairment losses on investment certificates and shares in the amount of –PLN 131 million in 2020 versus no impairment losses on this item in the corresponding period of 2019
Reversal of allowances for impairment of loans measured at amortised cost (-PLN 128 million)	(128)	After the first 9 months of 2019 the amount was PLN 128 million, while in the current year this item did not occur
Impairment losses on financial instruments measured at amortised cost (-PLN 33 million)	(33)	An increase in impairment loss from –PLN 30 million to –PLN 63 million
Fair value gains/(losses) on financial assets measured at fair value through profit or loss (-PLN 124 million)	(124)	A change in the amount of fair value gains/losses on financial assets measured at fair value through profit or loss from PLN 137 million to PLN 13 million
Impact of exchange differences (-PLN 72 million)	(627)	A change in the result due to exchange differences in other operating activities
	+555	A change in the result due to exchange differences on sources of financing (presented in finance income and costs)
(Recognition)/release of provisions (-PLN 45 million)	(45)	Lower balance of recognised and released provisions – after the first 9 months of 2020 at the level of –PLN 6 million while in the corresponding period of 2019 it was +PLN 39 million
Impact of hedging transactions (+PLN 22 million)	+160	An increase in positive adjustments to revenue due to the settlement of hedging transactions, from PLN 170 million to PLN 330 million
	(29)	A change in the result due to the measurement of derivatives, from PLN 30 million to PLN 1 million
	(109)	A change in the result due to the realisation of derivatives, from –PLN 105 million to –PLN 214 million
Decrease in income tax (+PLN 36 million)	+36	The lower tax results from the lower tax base

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

Chart 1. Change in profit/(loss) for the period of KGHM Polska Miedź S.A. (PLN million)



1)excluding impact of hedging transactions

Capital expenditures

After the first three quarters of 2020, expenditures on property, plant and equipment and intangible assets amounted to PLN 1 663 million.

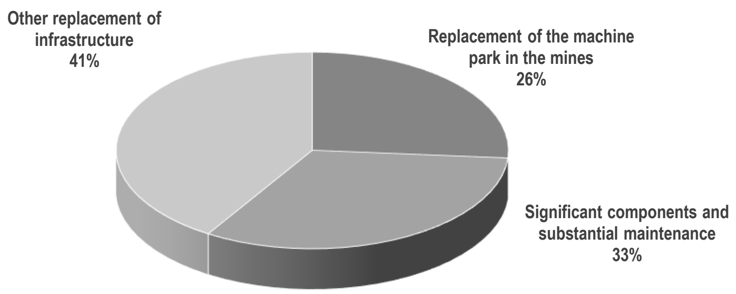
Table 6. Structure of expenditures on property, plant and equipment and intangible assets (PLN million)

	first three quarters of 2020	first three quarters of 2019	Change (%)	3rd quarter of 2020	2nd quarter of 2020	1st quarter of 2020
Mining	1 099	1 203	(8.6)	412	380	307
Metallurgy	493	332	+48.5	218	191	84
Other activities	14	21	(33.3)	1	10	3
Development work - uncompleted	1	4	(75.0)	-	1	-
Leases per IFRS 16	56	51	+9.8	7	42	7
Total	**1 663**	**1 611**	**+3.2**	**637**	**624**	**401**
including borrowing costs	100	183	(45.4)	32	31	37

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

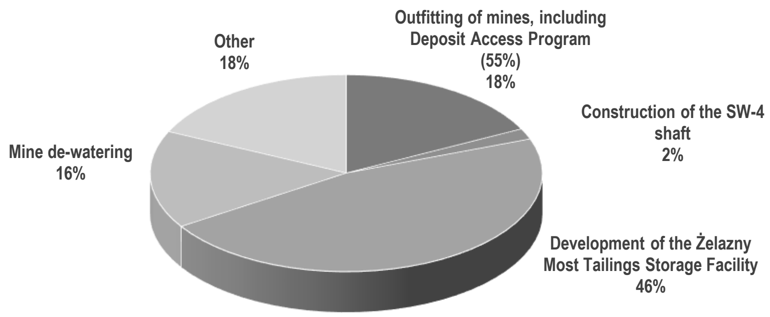
Projects related to replacement aimed at maintaining production equipment in an undeteriorated condition, represent 33% of expenditures incurred.

Chart 2. Structure of expenditures on replacement



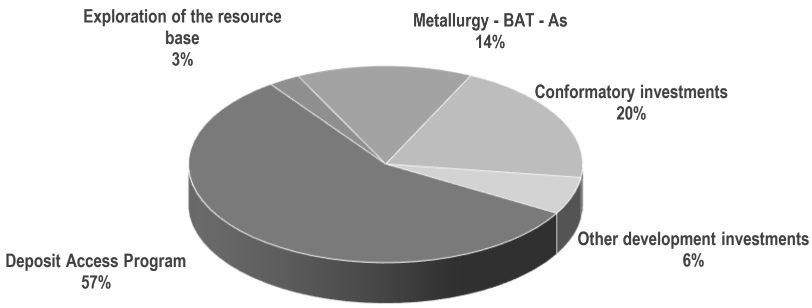
Projects related to maintenance aimed at maintaining mine production at the level set in the approved Production Plan (development of infrastructure to match mine advancement) represent 34% of total expenditures incurred.

Chart 3. Structure of expenditures on maintenance



Development projects aimed at increasing the production volume of the core business, implementation of technical and technological activities optimising the use of existing infrastructure, optimising production costs and adaptation of the company's operations to changes in standards, laws and regulations (conformatory projects and those related to environmental protection) represent 33% of expenditures incurred.

Chart 4. Structure of expenditures on development



Detailed information on the advancement of key projects may be found in Part 1, Note 2 of this Report on the realisation of Strategy in 2020.

3.8.2 The segment KGHM INTERNATIONAL LTD.

Production results

Table 7. Production results of KGHM INTERNATIONAL LTD.

	Unit	first three quarters of 2020	first three quarters of 2019	Change (%)	3rd quarter of 2020	2nd quarter of 2020	1st quarter of 2020
Payable copper, including:	kt	49.2	57.5	(14.4)	18.5	16.6	14.1
- Robinson mine (USA)	kt	34.8	36.7	(5.2)	13.3	12.3	9.2
- Sudbury Basin mines[1] (CANADA)	kt	1.6	3.4	(52.9)	0.5	0.4	0.7
Payable nickel	kt	0.3	0.5	(40.0)	0.1	0.1	0.1
Precious metals (TPM), including:	koz t	54.4	62.9	(13.5)	16.2	20.4	17.8
- Robinson mine (USA)	koz t	28.5	36.7	(22.3)	10.5	10.7	7.3
- Sudbury Basin mines[1] (CANADA)	koz t	25.9	26.2	(1.1)	5.7	9.7	10.5

[1] Morrison and McCreedy West mines in the Sudbury Basin

Copper production in the segment KGHM INTERNATIONAL LTD. in the first nine months of 2020 amounted to 49.2 thousand tonnes, or a decrease by 8.3 thousand tonnes (-14%) compared to the corresponding period of 2019, as a result of a decrease in production by the Franke, Robinson and Sudbury Basin mines.

The decrease in copper production in the Franke mine from 14.3 thousand tonnes in the first three quarters of 2019 to 9.2 thousand tonnes in the first three quarters of 2020 was due to the extraction of lower quality ore and lower recovery as well as to a strike in this mine in May 2020.

The decrease in copper production by the Robinson mine by 1.9 thousand tonnes (-5%) and gold by 8.2 thousand troy ounces (-22%) was due to extraction of ore with lower metal content as well as due to lower recovery (both of copper and gold). The impact of these factors on the level of production was partially offset by an increase in the volume of ore processed.

The decrease in copper production in the Sudbury Basin mines by 1.8 thousand tonnes (-53%) was the result of a decrease in the volume of ore extraction due to the suspension of extraction from the Morrison deposit after the first quarter of 2019 as well as to a decrease in the copper content in ore. Production of precious metals was at a level similar to that recorded in the first 9 months of 2019.

Revenues

Table 8. Revenues from contracts with customers of KGHM INTERNATIONAL LTD. (USD)

	Unit	first three quarters of 2020	first three quarters of 2019	Change (%)	3rd quarter of 2020	2nd quarter of 2020	1st quarter of 2020
Revenues from contracts with customers[1], including:	USD mn	515	601	(14.3)	199	157	159
- copper	USD mn	293	292	+0.3	123	82	88
- nickel	USD mn	5	8	(37.5)	2	1	2
- precious metals (TPM)	USD mn	97	78	+24.4	33	29	35
Copper sales volume	kt	54.2	53.4	+1.5	19.2	17.0	18.0
Nickel sales volume	kt	0.3	0.5	(40.0)	0.1	0.1	0.1
Precious metals (TPM) sales volume	koz t	58.6	53.5	+9.5	17.5	19.9	21.2

[1] reflects processing premium

Table 9. Revenues from contracts with customers of KGHM INTERNATIONAL LTD. (PLN)

	Unit	first three quarters of 2020	first three quarters of 2019	Change (%)	3rd quarter of 2020	2nd quarter of 2020	1st quarter of 2020
Revenues from contracts with customers[1], including:	PLN mn	2 026	2 311	(12.3)	757	637	632
- copper	PLN mn	1 152	1 126	+2.3	465	336	351
- nickel	PLN mn	20	31	(35.5)	8	4	8
- precious metals (TPM)	PLN mn	382	300	+27.3	125	117	140

[1)] reflects processing premium

The revenues of the segment KGHM INTERNATIONAL LTD. after the first three quarters of 2020 amounted to USD 515 million, or a decrease by USD 86 million (-14%), mainly because of a decrease in revenues from sales of services by companies acting under the DMC Mining Services ("DMC") brand by USD 101 million. This factor was partially offset by an increase in revenues from sales of precious metals.
The revenues from copper sales in the first 9 months of 2020 amounted to USD 293 million, and therefore remained at a level similar to the one recorded in the corresponding period of 2019. The sales of this metal increased by 0.8 thousand tonnes (+2%), but its impact on revenues was limited by the 2% lower effective sales price (5 871 USD/t in the first three quarters of 2020 as compared to 5 982 USD/t in the first three quarters of 2019).

The increase in revenues from precious metals sales by USD 19 million was due to an increase in the volume of sales by 5.1 thousand troy ounces (+10%) and to higher prices of gold and palladium.

The decrease in revenues from sales of services by DMC from USD 210 million in the first 9 months of 2019 to USD 109 million in the first 9 months of 2020 was due to a conclusion on 28 August 2020 of a contract related to a project advanced in the United Kingdom.

Costs

Table 10. Costs of KGHM INTERNATIONAL LTD.

	Unit	first three quarters of 2020	first three quarters of 2019	Change (%)	3rd quarter of 2020	2nd quarter of 2020	1st quarter of 2020
C1[1] unit cost	**USD/lb**	**1.87**	**1.79**	**+4.5**	**1.62**	**1.83**	**2.19**

[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 average weighted unit cash cost of copper production for all mines in the segment KGHM INTERNATIONAL LTD. in the first three quarters of 2020 amounted to 1.87 USD/lb, and therefore increased by 5% as compared to the corresponding period of 2019. The C1 cost increased because of higher cost of sales, selling costs and administrative expenses of mines. This factor was partially offset by an increased volume of copper sales and the higher revenues from sales of associated metals (+22%), which decrease this cost.

Financial performance

Table 11. Financial results of KGHM INTERNATIONAL LTD. (USD million)

	first three quarters of 2020	first three quarters of 2019	Change (%)	3rd quarter of 2020	2nd quarter of 2020	1st quarter of 2020
Revenues from contracts with customers	515	601	(14.3)	199	157	159
Cost of sales, selling costs and administrative expenses [1]	(499)	(543)	(8.1)	(162)	(155)	(182)
Profit/(loss) on sales	**16**	**58**	**(72.4)**	**38**	**1**	**(23)**
Profit/(loss) before taxation, including:	**(166)**	**(105)**	**+58.1**	**(3)**	**(100)**	**(63)**
- share of losses of Sierra Gorda S.C.M. accounted for using the equity method	(52)	(44)	+18.2	-	(52)	-
Income tax	(5)	(10)	(50.0)	(3)	1	(3)
Profit/(loss) for the period	(170)	(115)	+47.8	(5)	(99)	(66)
Depreciation/amortisation recognised in profit or loss	(85)	(76)	+11.8	(23)	(26)	(36)
Adjusted EBITDA [2]	101	134	(24.6)	61	27	13

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

	first three quarters of 2020	first three quarters of 2019	Change (%)	3rd quarter of 2020	2nd quarter of 2020	1st quarter of 2020
Revenues from contracts with customers	2 026	2 311	(12.3)	757	637	632
Cost of sales, selling costs and administrative expenses [1]	(1 964)	(2 088)	(5.9)	(608)	(631)	(725)
Profit/(loss) on sales	**62**	**223**	**(72.2)**	**149**	**6**	**(93)**
Profit/(loss) before taxation, including:	**(652)**	**(402)**	**+62.2**	**2**	**(403)**	**(251)**
- share of losses of Sierra Gorda S.C.M. accounted for using the equity method	(206)	(169)	+21.9	4	(210)	-
Income tax	(17)	(39)	(56.4)	(8)	3	(12)
Profit/(loss) for the period	(670)	(441)	+51.9	(7)	(400)	(263)
Depreciation/amortisation recognised in profit or loss	(333)	(292)	+14.0	(84)	(104)	(145)
Adjusted EBITDA [2]	395	515	(23.3)	233	110	52

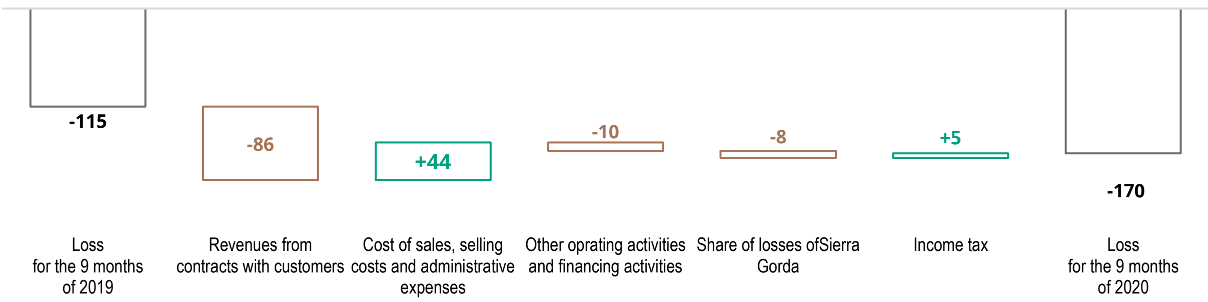
[1] Cost of products, merchandise and materials sold, selling costs and administrative expenses

[2] Adjusted EBITDA = EBIT + 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 13. 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 (- USD 86 million), including:	(101)	Lower revenues realised by companies acting under the DMC brand
	+16	Higher revenues due to a higher sales volume, mainly TPM and copper
	+5	Higher revenues due to an increase in prices of basic products (of which + USD 16 million concerned an increase in TPM price, which was partially offset by a decrease in the copper price by –USD 8 million)
	(6)	Other factors
Lower cost of sales, selling costs and administrative expenses (+ USD 44 million), including:	+85	Lower costs of external services, mainly companies acting under the DMC brand
	(22)	Higher costs of materials and energy by USD 12 million, depreciation/amortisation by USD 5 million and labour costs by USD 5 million
	(17)	Change in inventories
	(2)	Other factors
Impact of other operating activities and financing activities (- USD 10 million), including:	(15)	An increase in finance costs, mainly the interest on a loan granted by KGHM Polska Miedź S.A., related to the Sierra Gorda mine
	+5	Other factors
Share of losses of entities accounted for using the equity method (- USD 8 million)	(8)	Recognition in the first three quarters of 2020 of the share of losses of Sierra Gorda S.C.M. up to the amount of the increase in the share capital, i.e. in the amount of USD 52 million (in the corresponding period of 2019 the share of losses of Sierra Gorda S.C.M. was also recognised up to the amount of the increase in share capital, i.e. in the amount of USD 44 million).
Income tax	+5	Changes refer to current and deferred income tax

Chart 5. Change in profit or loss (USD million)



Cash expenditures

Table 14. Cash expenditures of KGHM INTERNATIONAL LTD. (USD million)

	first three quarters of 2020	first three quarters of 2019	Change (%)	3rd quarter of 2020	2nd quarter of 2020	1st quarter of 2020
Victoria project	4	3	+33.3	1	2	1
Sierra Gorda Oxide project	-	1	(100.0)	-	-	-
Stripping and other	106	120	(11.7)	35	24	47
Total	110	124	(11.3)	36	26	48
Financing for Sierra Gorda S.C.M. – increase in share capital	52	44	+18.2	-	52	-

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

	first three quarters of 2020	first three quarters of 2019	Change (%)	3rd quarter of 2020	2nd quarter of 2020	1st quarter of 2020
Victoria project	16	12	+33.3	4	8	4
Sierra Gorda Oxide project	-	4	(100.0)	-	-	-
Stripping and other	415	462	(10.2)	131	96	188
Total	431	478	(9.8)	135	104	192
Financing for Sierra Gorda S.C.M. – increase in share capital	206	169	+21.9	(4)	210	-

Cash expenditures by the segment KGHM INTERNATIONAL LTD. in the first three quarters of 2020 amounted to USD 110 million, or a decrease by USD 14 million (-11%) compared to the corresponding period of 2019.

Around 70% of cash expenditures were related to the Robinson mine and concerned, among others, stripping in the Ruth pit.

Expenditures on the Victoria project amounted to USD 4 million, and included among others exploratory work aimed at increasing knowledge of the deposit.
In the first three quarters of 2020, Sierra Gorda required financial support (in the form of increases in the share capital) at the level of USD 52 million (proportionally to the 55% interest held by the KGHM Group).

3.8.3 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.) of KGHM INTERNATIONAL LTD. (55%) and Sumitomo Metal Mining and Sumitomo Corporation (45%).
The following production and financial data are presented on the basis of full ownership of the joint venture (100%) and proportionally to the interest in the company Sierra Gorda S.C.M. (55%), pursuant to the methodology of presentation of data in Note 3.2.

Production results

In the third quarter of 2020 Sierra Gorda recorded an increase in copper production compared to the preceding quarters of 2020. There was also significant improvement compared to 2019.

Table 16. Production of copper, molybdenum and precious metals by Sierra Gorda S.C.M.

	Unit	*first three quarters of 2020*	*first three quarters of 2019*	*Change (%)*	*3rd quarter of 2020*	*2nd quarter of 2020*	*1st quarter of 2020*
Copper production[1]	kt	109.0	80.6	35.2	37.7	36.8	34.5
Copper production – segment (55%)	kt	59.9	44.4	35.2	20.7	20.2	19.0
Molybdenum production[1]	mn lbs	12.5	15.0	(16.7)	3.4	6.1	3.0
Molybdenum production – segment (55%)	mn lbs	6.9	8.2	(16.7)	1.9	3.4	1.6
TPM production – gold[1]	koz t	43.2	41.4	4.3	13.7	14.0	15.5
TPM production – gold – segment (55%)	koz t	23.8	22.8	4.3	7.6	7.7	8.5

1) Payable metal in concentrate.

As compared to the first three quarters of 2019, copper production increased by 28.4 thousand tonnes (+35%) thanks to:

- 26% higher copper content in processed ore,
- a 7% increase in the volume of processed ore,
- 1% higher recovery.

In the case of molybdenum, production was lower by 2.5 million pounds (-17%) compared to the first three quarters of 2019, mainly the result of lower metal content in ore and lower recovery.
As compared to the first three quarters of 2019, there was an increase in the efficiency ratio of utilisation of production assets, which is a result of preventative actions undertaken in order to minimise the amount of breakdowns, and therefore unplanned maintenance shutdowns.

Revenues

In the first three quarters of 2020, revenues from sales amounted to USD 774 million (on a 100% basis), or PLN 1 674 million respectively to the 55% interest held by KGHM Polska Miedź S.A.

Table 17. Sales volume and revenues of Sierra Gorda S.C.M.

	Unit	first three quarters of 2020	first three quarters of 2019	Change (%)	3rd quarter of 2020	2nd quarter of 2020	1st quarter of 2020
Revenues from contracts with customers,[1] including from the sale of:	**USD mn**	**774**	**720**	**7.5**	**300**	**310**	**164**
- copper	USD mn	577	457	26.3	232	249	96
- molybdenum	USD mn	100	193	(48.2)	30	27	43
- TPM (gold)	USD mn	75	60	25.0	25	29	21
Copper sales volume	kt	103.0	84.0	22.6	33.9	42.1	27.0
Molybdenum sales volume	mn lbs	12.3	16.3	(24.5)	4.0	3.6	4.7
TPM (gold)	koz t	41.7	43.1	(3.2)	12.6	15.9	13.2
Revenues from contracts with customers[1] - segment (55% share)	**PLN mn**	**1 674**	**1 522**	**10.0**	**625**	**689**	**360**

1) reflects processing premium and other

In the first nine months of 2020, revenues amounted to USD 774 million and were higher than the ones achieved in the corresponding period of 2019 by 8%. It should be stressed however, that the strike of the Antofagasta port's employees, which took place in September 2020, caused delays in shipping concentrate and therefore the sale volume of copper (103 thousand tonnes) was lower than the amount produced (109 thousand tonnes).
Molybdenum sales recorded a decrease in revenues by 48%, which was mainly caused by lower production and lower molybdenum prices.
The above table includes the final and adjusted – as compared to the amounts presented in the Management Board's Report on the activities of the Group in the first half of 2020 – data on revenues from sales of copper and molybdenum for the second quarter of 2020. The total amount of revenues did not change.
The detailed impact of individual factors on changes in revenues is described in the subsection discussing the financial results of Sierra Gorda S.C.M.

Costs

The cost of sales, selling costs and administrative expenses incurred by the company Sierra Gorda S.C.M. amounted to USD 680 million, including selling costs of USD 49 million and administrative expenses of USD 28 million. The costs of the segment Sierra Gorda, proportionally to the interest held (55%) amounted to PLN 1 470 million.

Table 18. Costs (prior to the impairment loss on non-current assets) and unit production cost of copper (C1) of Sierra Gorda S.C.M.

	Unit	first three quarters of 2020	first three quarters of 2019	Change (%)	3rd quarter of 2020	2nd quarter of 2020	1st quarter of 2020
Cost of sales, selling costs and administrative expenses	mn USD	680	653	4.1	212	249	219
Cost of sales, selling costs and administrative expenses – segment (55% share)	mn PLN	1 470	1 381	6.4	434	556	480
C1[1] unit cost [1]	**USD/lb**	**1.24**	**1.39**	**-10.8**	**1.21**	**1.34**	**1.15**

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 cost of sales, selling costs and administrative expenses expressed in USD million was higher by USD 27 million (+4%) than that recorded in the first nine months of 2019. At the same time, the volume of copper sales (+23%) was higher.

Apart from the increase in production and sales, amongst the factors most responsible for the higher costs were depreciation/amortisation (+47%), including mainly with respect to capitalised stripping (removal of overburden) due to the start of amortisation of a new zone and to a change in mining assumptions (a shortening of the extraction timetable for one of the mine zones compared to the plan).

Cost were decreased in the following main categories:

– external services (-12%), mainly due to renegotiation of certain agreements, a change in suppliers, scaling down or withdrawal from certain services of lesser importance for the production line due to the epidemic situation,
– materials (-7%), mainly flotation agents due to processing higher quality ore. Consumption of materials was lower also thanks to the improving efficiency of utilisation of production assets (less maintenance),
– labour (-17%) – mainly due to a more favourable USD/CLP exchange rate and to the conclusion in 2019 of wage negotiations, resulting in the payout of a bonus,

- energy (-3%) – due to a lower price (-10%). The results of this were partially offset by higher consumption due to a greater amount of ore processed.
- fuel (-24%) – due to a decrease in diesel fuel prices (-32%), alongside higher consumption due to the extension of ore transport roadways.

Other costs were not substantially different from the amounts recorded in the corresponding period of 2019.
The unit cash cost of copper production (C1) amounted to 1.24 USD/lb, or a decrease by 11% compared to the first three quarters of 2019, despite lower revenues from the sale of associated metals, which reduce this cost.

Financial results

Alongside an increase in copper prices in the third quarter of 2020, there was a further improvement of operating results of Sierra Gorda S.C.M. As the result, the adjusted EBITDA for the first 9 months of 2020 amounted to USD 360 million, of which proportionally to the interest held (55%) PLN 779 million relates to the KGHM Group.

Table 19. Results of Sierra Gorda S.C.M. in USD million (on a 100% basis)

	first three quarters of 2020	*first three quarters of 2019*	*Change (%)*	*3rd quarter of 2020*	*2nd quarter of 2020*	*1st quarter of 2020*
Revenues from contracts with customers	774	720	7.5	300	310	164
Cost of sales, selling costs and administrative expenses	(680)	(653)	4.1	(212)	(249)	(219)
Profit/(loss) on sales	**94**	**67**	**40.3**	**88**	**61**	**(55)**
Profit/(loss) for the period	**(152)**	**(185)**	**(17.8)**	**(13)**	**(36)**	(103)
Depreciation/amortisation recognised in profit or loss	(266)	(180)	47.8	(78)	(86)	(102)
Adjusted EBITDA[1]	**360**	**247**	**45.7**	**166**	**147**	**47**

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

	first three quarters of 2020	*first three quarters of 2019*	*Change (%)*	*3rd quarter of 2020*	*2nd quarter of 2020*	*1st quarter of 2020*
Revenues from contracts with customers	1 674	1 522	10.0	625	689	360
Cost of sales, selling costs and administrative expenses	(1 470)	(1 381)	6.4	(434)	(556)	(480)
Profit/(loss) on sales	**204**	**141**	**44.7**	**191**	**133**	**(120)**
Profit/(loss) for the period	**(329)**	**(390)**	**(15.6)**	**(21)**	**(82)**	**(226)**
Depreciation/amortisation recognised in profit or loss	(575)	(381)	50.9	(160)	(191)	(224)
Adjusted EBITDA[1]	**779**	**522**	**49.2**	**351**	**324**	**104**

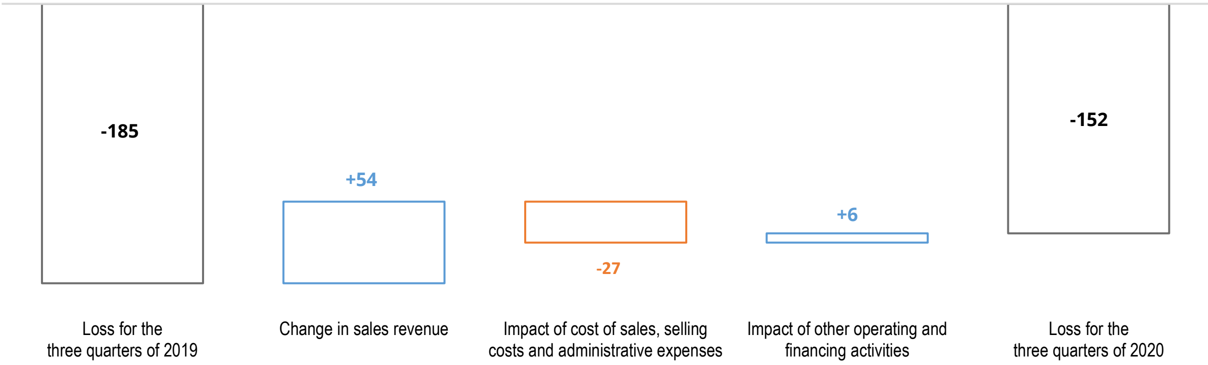
[1] Adjusted EBITDA = profit on sales + depreciation/amortisation (recognised in profit or loss) + impairment loss (-reversal of impairment losses) on non-current assets, recognised in cost of sales, selling costs and administrative expenses

The increase in the volume of copper sales, and realised copper prices and the improvement in cost efficiency (lower unit cost of mining, recovery and C1) offset the negative impact of extracting ore with a lower molybdenum content as well as the lower prices of this metal. As a result, EBITDA was higher by 46% compared to the amount recorded in the first three quarters of 2019.
A summary of the major factors affecting revenues and costs, and therefore EBITDA and profit or loss, is presented in the following table.

Table 21. Main factors impacting the change in the financial result of the segment Sierra Gorda S.C.M.

Item	*Impact on change of profit or loss (in USD million)*	*Description*
Higher sales revenue by USD 54 million	+114	A higher copper sales volume by 19 thousand tonnes
	(55)	Lower revenues due to lower molybdenum prices (-USD 74 million), partially offset by an increase in copper prices (+USD 4 million) and due to a Mark to Market adjustment (+USD 15 million)
	(32)	Lower molybdenum sales by 4 million pounds
	+27	Impact of other factors, mainly higher revenues from the sale of gold and silver
Higher costs of sales, selling costs and administrative expenses by USD 27 million	(92)	Higher costs, mainly depreciation/amortisation (USD 85 million)
	+58	Lower costs, mainly external services (+USD 14 million), labour costs (+USD 14 million), energy (+USD 4 million), fuel (+USD 10 million), materials (+USD 5 million) and other (+USD 5 million)
	+57	Change in inventories
	(50)	Lower capitalised stripping costs
Impact of other operating activities – an increase in the result by USD 2 million	+2	Mainly a more favourable result on exchange rate differences
An increase in the result on financing activities by USD 4 million	+4	Among others a lower level of interest on a loan drawn to build the mine due to the continued repayment of borrowings in this regard.
Income tax		No significant changes as compared to the corresponding period of 2019

Chart 6. Change in profit/(loss) (USD million)



Cash expenditures

In the first three quarters of 2020, cash expenditures on property, plant and equipment and intangible assets, presented in Sierra Gorda S.C.M.'s statement of cash flow, amounted to USD 174 million, of which the majority, or USD 116 million (67%), represented expenditures on stripping to gain access to further areas of the deposit, with the rest related to development work and the replacement of property, plant and equipment.

Table 22. Cash expenditures of Sierra Gorda S.C.M.

	Unit	*first three quarters of 2020*	*first three quarters of 2019*	*Change (%)*	*3rd quarter of 2020*	*2nd quarter of 2020*	*1st quarter of 2020*
Cash expenditures on property, plant and equipment	mn USD	174	219	(20.5)	58	48	68
Cash expenditures on property, plant and equipment – segment (55% share)	mn PLN	376	463	(18.8)	120	106	150

The decrease in cash expenditures (expressed in USD) by USD 45 million, or 21%, was due to capitalised stripping costs (-USD 46 million) due to the smaller scope of work carried out, lower unit cost and, to a lesser extent, expenditures on replacements (-USD 14 million), mainly due to deferral of the investment schedule. Development expenditures were higher than those incurred in the corresponding period of 2019 by USD 15 million.
The main source of financing investments was the inflow from operating activities and bank loans, including a bank loan granted by Bank Gospodarstwa Krajowego (USD 200 million). Due to the uncertainty on the copper market in the initial months of 2020, Sierra Gorda S.C.M. also required Owner financing, which amounted to USD 95 million (USD 80 million in the corresponding period of 2019).

amounts in PLN millions, unless otherwise stated

4 – Selected additional explanatory notes

Note 4.1 Expenses by nature

	from 1 July 2020 to 30 September 2020	**from 1 January 2020 to 30 September 2020**	from 1 July 2019 to 30 September 2019	**from 1 January 2019 to 30 September 2019**
Depreciation of property, plant and equipment and amortisation of intangible assets	456	1 444	481	1 442
Employee benefits expenses	1 466	4 264	1 443	4 150
Materials and energy	2 084	5 782	1 936	5 961
External services	549	1 561	811	1 935
Minerals extraction tax	442	1 120	326	1 192
Other taxes and charges	115	381	128	388
Write down of inventories	-	82	(16)	(20)
Impairment losses on property, plant and equipment and intangible assets*	-	92	-	-
Other costs	46	136	43	152
Total expenses by nature	**5 158**	**14 862**	**5 152**	**15 200**
Cost of merchandise and materials sold (+)	152	551	173	555
Change in inventories of finished goods and work in progress (+/-)	(296)	(73)	(151)	(139)
Cost of manufacturing products for internal use of the Group (-)	(348)	(866)	(356)	(975)
Total costs of sales, selling costs and administrative expenses, of which:	**4 666**	**14 474**	**4 818**	**14 641**
Cost of sales	4 296	13 430	4 431	13 577
Selling costs	114	326	109	311
Administrative expenses	256	718	278	753

**relates to companies of the Group, details are presented in note 1.5*

amounts in PLN millions, unless otherwise stated

Note 4.2 Other operating income and (costs)

	from 1 July 2020 to 30 September 2020	**from 1 January 2020 to 30 September 2020**	from 1 July 2019 to 30 September 2019	**from 1 January 2019 to 30 September 2019**
Measurement of derivatives	90	192	1	71
Realisation of derivatives	18	95	38	78
Interest income calculated using the effective interest rate method	-	4	2	7
Exchange differences on assets and liabilities other than borrowings	-	-	724	718
Provisions released	-	2	7	59
Gains on the sale of intangible assets	24	31	3	7
Government grants received	2	14	7	33
Income from servicing of letters of credit and guarantees	23	45	18	36
Compensation, fines and penalties received	6	15	6	24
Other	4	96	20	51
Total other operating income	**167**	**494**	**826**	**1 084**
Measurement of derivatives	(57)	(167)	7	(6)
Realisation of derivatives	(121)	(306)	(69)	(179)
Impairment losses on financial instruments	1	(5)	-	(3)
Exchange differences on assets and liabilities other than borrowings	(318)	(54)	-	-
Provisions recognised	(6)	(43)	(9)	(27)
Losses on the sale of property, plant and equipment	2	(34)	(2)	(8)
Donations given	(16)	(39)	(2)	(26)
Other	(41)	(75)	(31)	(85)
Total other operating costs	**(556)**	**(723)**	**(106)**	**(334)**
Other operating income and (costs)	**(389)**	**(229)**	**720**	**750**

amounts in PLN millions, unless otherwise stated

Note 4.3 Finance income and (costs)

	from 1 July 2020 to 30 September 2020	**from 1 January 2020 to 30 September 2020**	from 1 July 2019 to 30 September 2019	**from 1 January 2019 to 30 September 2019**
Exchange differences on borrowings	117	80	-	-
Realisation of derivatives	-	35	-	2
Other	-	-	-	1
Total finance income	**117**	**115**	**-**	**3**
Interest on borrowings, including:	(6)	(102)	3	(82)
leases	(1)	(11)	(9)	(26)
Exchange differences on borrowings	-	-	(532)	(474)
Measurement of derivatives	1	-	2	(14)
Realisation of derivatives	-	(40)	(3)	(6)
Bank fees and charges on borrowings	(1)	(18)	(10)	(24)
Other	(11)	(31)	(14)	(43)
Total finance costs	**(17)**	**(191)**	**(554)**	**(643)**
Finance income and (costs)	**100**	**(76)**	**(554)**	**(640)**

Note 4.4 Information on property, plant and equipment and intangible assets

Purchase of property, plant and equipment and intangible assets

	from 1 January 2020 to 30 September 2020	**from 1 January 2019 to 30 September 2019**
Purchase of property, plant and equipment	2 263	2 196
including: leases	74	67
Purchase of intangible assets	76	74

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

	As at 30 September 2020	**As at 31 December 2019**
Payables due to the purchase of property, plant and equipment and intangible assets	515	812

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

	As at 30 September 2020	**As at 31 December 2019**
Purchase of property, plant and equipment	1 116	1 290
Purchase of intangible assets	316	347
Total capital commitments	**1 432**	**1 637**

amounts in PLN millions, unless otherwise stated

Note 4.5 Involvement in joint ventures

Joint ventures accounted for using the equity method

	from 1 January 2020 to 30 September 2020		from 1 January 2019 to 31 December 2019	
	Sierra Gorda S.C.M.	Other	Sierra Gorda S.C.M.	Other
As at the beginning of the reporting period	**-**	**-**	**-**	**4**
Acquisition of newly-issued shares	207	-	439	-
Share of losses of joint ventures accounted for using the equity method	(206)	-	(434)	(4)
Exchange differences from the translation of statements of operations with a functional currency other than PLN	(1)	-	(5)	-
As at the end of the reporting period	**-**	**-**	**-**	**-**

	from 1 January 2020 to 30 September 2020	from 1 January 2019 to 30 September 2019
Share of the Group (55%) in losses of Sierra Gorda S.C.M. for the reporting period, of which:	**(329)**	**(390)**
recognised in share of losses of joint ventures	(206)	(169)
not recognised in share of losses of joint ventures	(123)	(221)

The Group's unrecognised share of losses of Sierra Gorda S.C.M.

	from 1 January 2020 to 30 September 2020	from 1 January 2019 to 31 December 2019
As at the beginning of the reporting period	**(5 098)**	**(4 976)**
Unrecognised share of losses of joint ventures for the reporting period	(123)	(122)
As at the end of the reporting period	**(5 221)**	**(5 098)**

Loans granted to the joint ventures (Sierra Gorda S.C.M.)

	from 1 January 2020 to 30 September 2020	from 1 January 2019 to 31 December 2019
As at the beginning of the reporting period	**5 694**	**5 199**
Accrued interest	284	341
Gains due to the reversal of allowances for impairment	-	106
Exchange differences from the translation of statements of operations with a functional currency other than PLN	97	48
As at the end of the reporting period	**6 075**	**5 694**

amounts in PLN millions, unless otherwise stated

Note 4.6 Financial instruments

Financial assets	As at 30 September 2020 At fair value through other comprehensive income	As at 30 September 2020 At fair value through profit or loss	As at 30 September 2020 At amortised cost	As at 30 September 2020 Hedging instruments	As at 30 September 2020 Total	As at 31 December 2019 At fair value through other comprehensive income	As at 31 December 2019 At fair value through profit or loss	As at 31 December 2019 At amortised cost	As at 31 December 2019 Hedging instruments	As at 31 December 2019 Total
Non-current	515	65	6 774	816	**8 170**	431	18	6 350	123	**6 922**
Loans granted to joint ventures	-	-	6 075	-	**6 075**	-	-	5 694	-	**5 694**
Derivatives	-	48	-	816	**864**	-	1	-	123	**124**
Other financial instruments measured at fair value	515*	17	-	-	**532**	431*	17	-	-	**448**
Other financial instruments measured at amortised costs	-	-	699	-	**699**	-	-	656	-	**656**
Current	-	255	1 940	236	**2 431**	-	328	1 660	289	**2 277**
Trade receivables	-	222	523	-	**745**	-	300	388	-	**688**
Derivatives	-	33	-	236	**269**	-	4	-	289	**293**
Cash and cash equivalents	-	-	1 119	-	**1 119**	-	-	1 016	-	**1 016**
Other financial assets	-	-	298	-	**298**	-	24	256	-	**280**
Total	**515**	**320**	**8 714**	**1 052**	**10 601**	**431**	**346**	**8 010**	**412**	**9 199**

**Shares*

amounts in PLN millions, unless otherwise stated

Financial liabilities	As at 30 September 2020				As at 31 December 2019			
	At fair value through profit or loss	At amortised cost	Hedging instruments	Total	At fair value through profit or loss	At amortised cost	Hedging instruments	Total
Non-current	228	7 294	597	**8 119**	65	7 736	118	**7 919**
Borrowings, leases and debt securities	-	7 093	-	**7 093**	-	7 525	-	**7 525**
Derivatives	228	-	597	**825**	65	-	118	**183**
Other financial liabilities	-	201	-	**201**	-	211	-	**211**
Current	98	3 651	164	**3 913**	53	3 221	38	**3 312**
Borrowings, leases and debt securities	-	404	-	**404**	-	348	-	**348**
Derivatives	88	-	164	**252**	53	-	38	**91**
Trade payables	-	2 090	-	**2 090**	-	2 170	-	**2 170**
Similar payables – reverse factoring	-	1 056	-	**1 056**	-	596	-	**596**
Other financial liabilities	10	101	-	**111**	-	107	-	**107**
Total	**326**	**10 945**	**761**	**12 032**	**118**	**10 957**	**156**	**11 231**

amounts in PLN millions, unless otherwise stated

The fair value hierarchy of financial instruments

Classes of financial instruments	As at 30 September 2020 level 1	As at 30 September 2020 level 2	As at 31 December 2019 level 1	As at 31 December 2019 level 2
Loans granted	-	17	-	17
Listed shares	425	-	326	-
Unquoted shares	-	90	-	105
Trade receivables	-	222	-	300
Other financial assets	-	-	-	24
Other financial liabilities	-	10	-	-
Derivatives, of which:	-	56	-	143
Assets	-	1 133	-	417
Liabilities	-	(1 077)	-	(274)

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

Level 1

Listed shares

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

Level 2

Unquoted shares

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

Trade receivables

Receivables arising from the realisation of sales under contracts which are finally settled using future prices were measured using forward prices, depending on the period/month of contractual quoting. Forward prices are from the Reuters system.

The fair value of trade receivables transferred to factoring, due to the short term between the transfer of receivables to the factor and their payment and to the low credit risk of the counterparty (factor), includes an adjustment by the amount of transaction costs, which are the factor's compensation, and therefore corresponds to the amount of trade receivables transferred to the factor (nominal value from the invoice) less interest.

Other financial assets/liabilities

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

Currency and currency-interest derivatives

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

Metals derivatives

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

Level 3

No financial instruments were measured at fair value which were classified to level 3 in either the reporting or the comparable period in the Group.

amounts in PLN millions, unless otherwise stated

There was no transfer in the Group of financial instruments between individual levels of the fair value hierarchy, in either the reporting or the comparable periods.

The Group does not disclose the fair value of financial instruments measured at amortised cost in the statement of financial position, because it makes use of the exemption arising from IFRS 7, paragraph 29.

Note 4.7 Commodity, currency and interest rate risk management in the KGHM Polska Miedź S.A. Group

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

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

The primary technique used by the Group in market risk management is the use of hedging strategies involving derivatives. Natural hedging is also used. The Parent Entity applies hedging transactions, as understood by hedge accounting.

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

Statement of profit or loss	from 1 January 2020 to 30 September 2020	from 1 January 2019 to 30 September 2019
Revenues from contracts with customers	330	170
Other operating and finance income / (costs):	(192)	(54)
on realisation of derivatives	(216)	(104)
on measurement of derivatives	25	50
interest on borrowings	(1)	-
Impact of derivatives and hedging instruments on profit or loss for the period (excluding the tax effect)	**138**	**116**
Statement of other comprehensive income		
Impact of measurement of hedging transactions (effective portion)	(37)	(344)
Reclassification to revenues from contracts with customers due to realisation of a hedged item	(330)	(170)
Reclassification to finance costs due to realisation of a hedged item	1	-
Reclassification to other operating costs due to realisation of a hedged item (settlement of the hedging cost)	208	109
Impact of hedging transactions (excluding the tax effect)	**(158)**	**(405)**
TOTAL COMPREHENSIVE INCOME	**(20)**	**(289)**

The management of market risk in the Parent Entity, and especially the management of the risk of changes in metals prices, exchange rates and interest rates, should be considered through an analysis of the hedging position together with the position being hedged (hedged position). A hedging position is understood as the Parent Entity's position in derivatives. A hedged position is comprised of highly probable, future cash flows (revenues from the physical sale of products).

In the first three quarters of 2020, copper sales of the Parent Entity amounted to 405 thousand tonnes (net sales of 284 thousand tonnes)[1], however, the notional amount of copper price hedging strategies settled in this period amounted to 139.5 thousand tonnes, which represented approx. 34% of the total sales of this metal realised by the Parent Entity and approx. 49% of net sales in this period (in the first three quarters of 2019, 21% and 29% respectively). The notional amount of settled silver price hedging transactions represented 8% of revenues from sales of this metal by the Parent Entity. In the case of currency hedging transactions, approx. 29% of revenues from copper and silver sales realised by the Parent Entity in the first three quarters of 2020 (20% - in the first three quarters of 2019) were hedged.

As part of the realisation of the strategic plan to hedge the Company against market risk, in the third quarter of 2020 *seagull* hedging strategies were implemented on the copper market for a total notional amount of 138 thousand tonnes and with maturities falling from January 2021 to December 2022. In addition, an open hedge position on the

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

amounts in PLN millions, unless otherwise stated

copper market was restructured. Sold put options were bought back with a strike price of 4 000 USD/t for a total notional amount of 84 thousand tonnes entered into in prior periods under a *seagull* strategy hedging revenues from the sale of copper in 2021. Therefore, a portion of the *seagull* options structures open on the copper market were transformed into *collar*-type structures. In the third quarter of 2020 the Company also hedged revenues from the sale of silver for a total notional amount of 24.6 million ounces. *Seagull* hedging strategies were implemented with maturities falling from January 2021 to December 2023. In terms of managing currency risk, the Company restructured an open hedge position. *Seagull* options structures were closed for a notional amount of USD 90 million with maturities falling from January 2022 to December 2023. At the same time sold call options were bought back with prices of USDPLN 4.30 and 4.40 for a total notional amount of USD 780 million and with maturities falling from January 2021 to December 2021, entered into previously under *seagull* options structures. Therefore time these structures were transformed into *put spread*-type structures.

In the third quarter of 2020, the Parent Entity did not enter into any hedging transactions on the forward interest rate market.

As at 30 September 2020, the Parent Entity held an open derivatives position for 297.8 thousand tonnes of copper (of which 289.5 thousand tonnes arose from the strategic management of market risk, while 8.3 thousand tonnes came from the management of a net trading position), 25.5 million troy ounces of silver, 12.5 thousand ounces of gold (adjustment transactions) and USD 1 650 million of planned revenues from sales of metals. Furthermore, as at 30 September 2020 the Parent Entity had open Cross Currency Interest Rate Swap (CIRS) transactions in the notional amount of PLN 2 billion, hedging against market risk connected with the issuance of bonds in PLN with a variable interest rate[2], and bank and other loans with fixed interest rates. Commodity risk was also related to derivatives embedded in the purchase contracts for metal-bearing materials.

With respect to managing currency risk, the Parent Entity uses natural hedging by borrowing in currencies in which it has revenues. As at 30 September 2020, the bank and investment loans which were drawn in USD, following their translation to PLN, amounted to PLN 4 504 million (as at 31 December 2019: PLN 4 980 million).

In the third quarter of 2020, none of the Group's mining subsidiaries had implemented any forward transactions on the commodity market or the interest rate market, and did not hold an open position on this market as at 30 September 2020. The risk of changes in metals prices was related to 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 business by opening transactions in derivatives on the currency market. A listing of the open transactions of Polish companies as at 30 September 2020 is not presented due to its immateriality for the Group.

Condensed tables of open transactions in derivatives held by the Parent Entity as at 30 September 2020, entered into as part of the strategic management of market risk, are presented below. The hedged notional amounts of transactions on the copper, silver and currency markets in the presented periods are allocated evenly on a monthly basis.

Hedging against copper price risk

			Option strike price						
	Instrument	Notional	Sold put option	Purchased put option	Sold call option	Average weighted premium	Effective hedge price	Hedge limited to	Participation limited to
		[tonnes]	[USD/t]			[USD/t]	[USD/t]	[USD/t]	[USD/t]
4th quarter	Seagull	1 230	5 000	6 900	8 800	-250	6 650	5 000	8 800
	Seagull	6 270	5 000	6 800	8 700	-220	6 580	5 000	8 700
	Collar	36 000	-	6 000	7 000	-232	5 768	-	7 000
	TOTAL 4th quarter of 2020	**43 500**							
2021	Collar	84 000	-	5 200	6 600	-204	4 996	-	6 600
	Seagull	42 000	4 200	5 700	7 000	-130	5 570	4 200	7 000
	Seagull	60 000	4 600	6 300	7 500	-193	6 107	4 600	7 500
	TOTAL 2021	**186 000**							

[2] The debt due to bond issue in PLN generates a currency risk because most of the sales revenues of the Parent Entity are USD-denominated.

amounts in PLN millions, unless otherwise stated

2022	Seagull	60 000	4 600	6 300	7 500	-160	6 140	4 600	7 500
	TOTAL 2022	60 000							

Hedging against silver price risk

	Instrument	Notional	Option strike price			Average weighted premium	Effective hedge price	Hedge limited to	Participation limited to
			Sold put option	Purchased put option	Sold call option				
		[mn ounces]		[USD/oz t]		[USD/oz t]	[USD/oz t]	[USD/oz t]	[USD/oz t]
4th quarter	Purchased put option	0.90	-	17.00	-	-0.67	16.33	-	-
	TOTAL 4th quarter of 2020	0.90							
2021	Seagull	2.40	16.00	27.00	43.00	-1.42	25.58	16.00	43.00
	Seagull	7.80	16.00	26.00	42.00	-1.04	24.96	16.00	42.00
	TOTAL 2021	10.20							
2022	Seagull	2.40	16.00	27.00	43.00	-1.42	25.58	16.00	43.00
	Seagull	7.80	16.00	26.00	42.00	-1.04	24.96	16.00	42.00
	TOTAL 2022	10.20							
2023	Seagull	4.20	16.00	26.00	42.00	-1.19	24.81	16.00	42.00
	TOTAL 2023	4.20							

Hedging against USD/PLN currency risk

	Instrument	Notional	Option strike price			Average weighted premium	Effective hedge price	Hedge limited to	Participation limited to
			Sold put option	Purchased put option	Sold call option				
		[mn USD]		[USD/PLN]		[PLN for USD 1]	[USD/PLN]	[USD/PLN]	[USD/PLN]
4^{th} quarter	Purchased put option	90	-	3.50	-	-0.12	3.38	-	-
	Collar	90	-	3.75	4.40	-0.08	3.67	-	4.40
	Collar	60	-	3.80	4.40	-0.05	3.75	-	4.40
	TOTAL 4th quarter of 2020	240							
2021	Put spread	540	3.20	3.70	-	-0.09	3.61	3.20	-
	Purchased put option	240	-	3.80	-	-0.07	3.73	-	-
	TOTAL 2021	780							
2022	Seagull	135	3.30	4.00	4.60	-0.01	3.99	3.30	4.60
	Seagull	180	3.50	3.90	4.50	0.04	3.94	3.50	4.50
	TOTAL 2022	315							
2023	Seagull	135	3.30	4.00	4.60	0.00	4.00	3.30	4.60
	Seagull	180	3.50	3.90	4.50	0.04	3.94	3.50	4.50
	TOTAL 2023	315							

Hedging against currency-interest rate risk connected with the issue of bonds with a variable interest rate in PLN

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

The table below presents detailed data on derivative transactions designated as hedging[3], held by the Parent Entity as at 30 September 2020.

Open hedging derivatives Type of derivative	Notional copper [t] silver [mn ounces] currency [USD mn] CIRS [PLN mn]	Average weighted price /exchange rate/ interest rate % [USD/t] [USD/oz t] [USD/PLN] [USD/PLN, LIBOR]	Maturity - settlement period from	 to	Period of profit/loss impact from	 to
Copper – *seagulls*	169 500	6 174-7 430	Oct '20	- Dec '22	Nov '20	- Jan '23
Copper – *collars*	120 000	5 440-6 720	Oct '20	- Dec '21	Nov '20	- Jan '22
Silver – purchased put option	0.90	17.00	Oct '20	- Dec '20	Nov '20	- Jan '21
Silver – *seagulls*	24.60	26.20-42.20	Jan '21	- Dec '23	Feb '21	- Jan '24
Currency - *seagulls*	630	3.94-4.54	Jan '22	- Dec '23	Feb '22	- Jan '24
Currency – *collars*	150	3.77-4.40	Oct '20	- Dec '20	Oct '20	- Dec '20
Currency – purchased put option	330	3.72	Oct '20	- Dec '21	Oct '20	- Dec '21
Currency – *put spread*	540	3.70	Jan '21	- Dec '21	Jan '21	- Dec '21
Currency – interest rate – CIRS	400	3.78 and 3.23%		June '24		June '24
Currency - interest rate – CIRS	1 600	3.81 and 3.94%		June '29	June '29	- July '29

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

Taking into consideration the fair value of open derivative transactions entered into by the Group and of unsettled derivatives, as at 30 September 2020 the maximum single entity share of the amount exposed to credit risk arising from these transactions amounted to 42%, or PLN 240 million (as at 31 December 2019: 15%, or PLN 49 million)[4].

In order to reduce cash flows and at the same time to limit credit risk, the Parent Entity carries out net settlements (based on framework agreements entered into with its customers) to the level of the positive balance of measurement of transactions in derivatives with a given counterparty. Moreover, the resulting credit risk is continuously monitored by the review of the credit ratings and is limited by striving to diversify the portfolio while implementing hedging strategies.

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

Rating level		As at 30 September 2020	As at 31 December 2019
Highest	from AAA to AA- according to S&P and Fitch, and from Aaa to Aa3 according to Moody's	-	2%
Medium-high	from A+ to A- according to S&P and Fitch, and from A1 to A3 according to Moody's	98%	90%
Medium	from BBB+ to BBB- according to S&P and Fitch, and from Baa1 to Baa3 according to Moody's	2%	8%

[3] Collar structures, i.e. purchased put options and sold call option were designated as hedging under *seagull* option structures (CFH), while only purchased put options were designated as hedging under *put spread* structures.

[4] To calculate the exposure to credit risk, the net positive fair value (financial receivables – financial liabilities) of open derivatives as at 30 September 2020 is taken into account, including a breakdown by hedged market risk factors.

amounts in PLN millions, unless otherwise stated

Despite the concentration of credit risk associated with derivatives' transactions, the Parent Entity has determined that, due to its cooperation solely with renowned financial institutions, as well as continuous monitoring of their ratings, it is not materially exposed to credit risk as a result of transactions concluded with them.

The fair value of open derivatives of the KGHM Polska Miedź S.A. Group broken down into hedging transactions[5] and trade transactions (including embedded and adjustment derivatives) and instruments initially designated as hedging instruments excluded from hedge accounting, is presented in the tables below.

The fair value of open derivatives (assets and liabilities) as at 30 September 2020 has changed as compared to 31 December 2019 because of:
- the settlement of transactions in derivatives with maturities in the first three quarters of 2020, which were open at the end of 2019,
- entering into new transactions on copper, silver and currency markets,
- the change in macroeconomic conditions (e.g. forward prices of copper, silver, USD/PLN forward rates, interest rates and volatility implied at the measurement date).

Fair value of open derivatives as at the end of the reporting period

Type of derivative	As at 30 September 2020				
	Financial assets		Financial liabilities		Net total
	Non-current	Current	Non-current	Current	
HEDGING INSTRUMENTS[6] (CFH) TOTAL, including:	**816**	**236**	**(597)**	**(164)**	**291**
Derivatives – Commodity contracts – Copper					
Options – collar	12	13	(63)	(106)	(144)
Options – seagull (collar)	167	59	(144)	(56)	26
Derivatives – Commodity contracts – Silver					
Options – seagull (collar)	448	120	(64)	(2)	502
Purchased put option	-	-	-	-	-
Derivatives – Currency					
Options – collar USD	-	4	-	-	4
Options – seagull (collar) USD	169	-	(43)	-	126
Options – put spread (purchased put option) USD	12	23	-	-	35
Purchased put option	8	17	-	-	25
Derivatives – Currency-interest rate					
Cross Currency Interest Rate Swap CIRS	-	-	(283)	-	(283)
TRADE INSTRUMENTS TOTAL, including:	**21**	**25**	**(212)**	**(72)**	**(238)**
Derivatives – Commodity contracts - Copper					
Options – sold put option	-	-	(25)	(9)	(34)
Options – purchased put option	1	-	-	-	1
Options – purchased call option	-	-	-	-	-
QP adjustment swap transactions	-	-	-	(2)	(2)
Derivatives – Commodity contracts – Silver					
Options – sold put option	-	-	(84)	(6)	(90)
Derivatives – Commodity contracts – Gold					
QP adjustment swap transactions	-	9	-	(14)	(5)
Derivatives – Currency					
Options – sold put option USD	-	-	(67)	(1)	(68)
Options – purchased put option USD	3	-	-	-	3
Options – purchased call option USD	16	16	-	-	32
Collar EUR and forward/swap EUR	1	-	(1)	(2)	(2)
Embedded derivatives					
Acid and water supply contracts	-	-	(35)	(24)	(59)
Purchase contracts for metal-bearing materials	-	-	-	(14)	(14)

[5] Within the KGHM Polska Miedź S.A. Group, the Parent Entity applies cash flow hedge accounting (CFH).
[6] Collar structures, i.e. purchased put options and sold call option were designated as hedging under *seagull* option structures (CFH), while only purchased put options were designated as hedging under *put spread* structures.

amounts in PLN millions, unless otherwise stated

INSTRUMENTS INITIALLY DESIGNATED AS HEDGING INSTRUMENTS EXCLUDED FROM HEDGE ACCOUNTING, including:	**27**	**8**	**(16)**	**(16)**	**3**
Derivatives – Commodity contracts – Copper					
Options – seagull (collar)	-	8	-	-	8
Derivatives – Currency					
Options – collar (sold call options USD)	-	-	(3)	(4)	(7)
Options – seagull (collar USD)	27	-	(13)	(12)	2
TOTAL OPEN DERIVATIVES	**864**	**269**	**(825)**	**(252)**	**56**

Note 4.8 Liquidity risk and capital management in the KGHM Polska Miedź S.A. Group

Liquidity and capital management policy

The Management Board of the Parent Entity is responsible for financial liquidity management in the Group and compliance with the adopted policy. The Financial Liquidity Committee is a unit supporting the Management Board in this regard.

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

Due to the centralisation of the process of obtaining external financing for the entire KGHM Group's needs at the Parent Entity's level, it is necessary to ensure the possibility of realisation of intra-group liquidity transfers using debt and equity instruments. The main debt instrument used in intra-group liquidity transfers are owner loans, which support the process of investment activities. Moreover, under the process of liquidity management, and in particular with respect to supporting the current activities, the Group makes use of a supporting tool – local cash pooling in PLN, USD and EUR and internationally in USD, and in the KGHM INTERNATIONAL LTD. Group also in CAD. Cash pooling aims to optimise the management of cash held, limiting interest costs, efficient financing of current working capital needs and supporting short-term financial liquidity in the Group.

In the third quarter of 2020, the Group continued actions aimed at optimising the financial liquidity management process by concentrating mainly on the effective management of working capital through intensive use of the reverse factoring and factoring. Thanks to factoring transactions, KGHM continues to strive to shorten the receivables turnover cycle and to extend the turnover cycle of liabilities. The Company is organising a Factoring Syndicate, whose aim is to ensure permanent and safe access to factoring for the KGHM Group.

During the first three quarters of 2020, the KGHM Polska Miedź S.A. Group showed a full capacity for meeting its obligations. The cash held and the external financing obtained by the Group guarantee continued liquidity and enable the realisation of investment projects.

In order to maintain financial liquidity and the creditworthiness to acquire external financing at an optimum cost, over the long term the Group's goal is for the equity ratio to be not less than 0.5, and the ratio of Net Debt/Adjusted EBITDA not more than 2.0.

Ratio	Calculation	3rd quarter of 2020	2019
Net Debt/Adjusted EBITDA*	Relation of net debt to Adjusted EBITDA	1.4	1.5
Equity ratio	Relation of equity less intangible assets to total assets	0.5	0.5

** Adjusted EBITDA for the period of 12 months ending on the last day of the reporting period, excluding the EBITDA of the joint venture Sierra Gorda S.C.M.*

amounts in PLN millions, unless otherwise stated

Net debt changes

Liabilities due to borrowing	As at 31 December 2019	Cash flows*	Accrued interest	Exchange differences	Other changes	As at 30 September 2020
Bank loans	2 386	(318)	93	(127)	(18)	2 016
Loans	2 794	(105)	65	53	(1)	2 806
Debt securities - bonds	2 001	(33)	42	-	-	2 010
Leases	692	(113)	30	1	55	665
Total debt	**7 873**	**(569)**	**230**	**(73)**	**36**	**7 497**
Free cash and cash equivalents	982	102	-	-	-	1 084
Net debt	**6 891**					**6 413**

** The amounts include cash flows due to capital instalments and interest paid.*

Structure of external financing sources

As at 30 September 2020, the Group had open credit lines, loans and debt securities with a total balance of available financing being the equivalent of PLN 13 431 million, out of which PLN 6 832 million had been drawn.

The structure of financing sources is presented below.

	As at 30 September 2020	As at 30 September 2020	As at 31 December 2019
Unsecured revolving syndicated credit facility	Amount granted	Amount of the liability	Amount of the liability
	5 799	(17)*	18
Investment loans	Amount granted	Amount of the liability	Amount of the liability
	3 115	2 806	2 794
Bilateral bank loans	Amount granted	Amount of the liability	Amount of the liability
	2 517	2 033	2 368
Bonds	Nominal value of the issue	Amount of the liability	Amount of the liability
	2 000	2 010	2 001
Total bank and other loans, bonds	**13 431**	**6 832**	**7 181**

**Unsettled but paid service charge which decreases financial liabilities due to received bank loans.*

Liabilities due to guarantees granted

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

As at 30 September 2020, the Group held liabilities due to guarantees and letters of credit granted in the total amount of PLN 2 610 million and due to promissory note liabilities in the amount of PLN 160 million.

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

Sierra Gorda S.C.M. – securing the performance of concluded agreements in the amount of PLN 2 208 million:

- PLN 532 million (USD 137.5 million) – a letter of credit granted as security for the proper performance of a long-term contract for the supply of electricity,
- PLN 37 million (USD 10 million) – corporate (financial) guarantees set as security on the payment of concluded agreements,

amounts in PLN millions, unless otherwise stated

- PLN 1 231 million (USD 319 million) – corporate (financial) guarantees securing repayment of short-term working capital facilities,
- PLN 372 million (USD 96 million) – a corporate guarantee securing repayment of a specified part of payment due to a guarantee set by Sumitomo Metal Mining Co., Ltd. and Sumitomo Corporation, securing repayment of a corporate loan drawn by the joint venture Sierra Gorda S.C.M.,
- PLN 36 million (USD 9 million) – a corporate guarantee securing claims arising from the obligation to restore post-mining terrain, following the conclusion of mining operations,

other entities, including the Parent Entity:

- PLN 193 million (USD 50 million) securing the proper execution by DMC Mining Services (UK) Ltd. and DMC Mining Services Ltd. of a contract for shaft sinking under a project advanced in the United Kingdom (a bank guarantee of USD 49.2 million and a corporate guarantee of USD 0.8 million),
- PLN 176 million securing the proper execution of future environmental obligations of the Parent Entity related to the obligation to restore terrain, following the conclusion of operations of the Żelazny Most tailings storage facility,
- PLN 19 million (PLN 3 million, USD 3 million, and CAD 2 million) securing obligations related to the proper execution of concluded agreements.

Note 4.9 Related party transactions

Operating income from related entities	from 1 July 2020 to 30 September 2020	**from 1 January 2020 to 30 September 2020**	from 1 July 2019 to 30 September 2019	**from 1 January 2019 to 30 September 2019**
Revenues from sales of products, merchandise and materials to a joint venture	6	16	4	15
Interest income on loans granted to joint ventures	91	284	89	255
Revenues from other transactions with joint ventures	19	48	16	35
Revenues from other transactions with other related parties	2	8	3	21
Total	**118**	**356**	**112**	**326**

Purchases from related entities	from 1 July 2020 to 30 September 2020	**from 1 January 2020 to 30 September 2020**	from 1 July 2019 to 30 September 2019	**from 1 January 2019 to 30 September 2019**
Purchase of services, merchandise and materials from other related parties	-	25	1	25
Other purchase transactions from other related parties	-	2	-	1
Total	**-**	**27**	**1**	**26**

Trade and other receivables from related parties	**As at 30 September 2020**	**As at 31 December 2019**
From the joint venture Sierra Gorda S.C.M. (loans)	6 075	5 694
From the joint venture Sierra Gorda S.C.M. (other)	457	397
From other related parties	9	3
Total	**6 541**	**6 094**

Trade and other payables towards related parties	**As at 30 September 2020**	**As at 31 December 2019**
Towards joint ventures	25	19
Towards other related parties	9	3
Total	**34**	**22**

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

Pursuant to the scope of IAS 24.26, as at 30 September 2020, the Group concluded the following transactions with the Polish Government and entities controlled or jointly controlled by the Polish Government, unusual due to their nature or amount:

- due to an agreement on setting mining usufruct for the extraction of mineral resources: fixed fees and setting mining usufruct for the exploration for and assessment of mineral resources – total payables amounted to PLN 169 million (as at 31 December 2019: PLN 174 million); variable fee (recognised in costs) on setting mining usufruct for the extraction of mineral resources - payables in the amount of PLN 23 million (as at 31 December 2019: PLN 29 million),
- due to a reverse factoring agreement with the company PEKAO FAKTORING SP. Z O.O. - payables in the amount of PLN 983 million, interest costs paid in the reporting period in the amount of PLN 9 million (as at 31 December 2019, payables in the amount of PLN 596 million and paid interest costs for 2019 in the amount of PLN 1 million),
- banks related to the State Treasury executed the following transactions and economic operations on the Group's behalf: spot currency exchange, depositing cash, granting bank loans, guarantees, and letters of credit (including documentary letters of credit), running bank accounts, the servicing of special purpose funds, entering into transactions on the forward currency market.

Apart from the aforementioned transactions entered into by the Group with the Polish Government and with entities controlled or jointly controlled by the Polish Government, or over which the government has significant influence, which were significant due to their nature and the amount, there also occurred transactions arising from extraordinary administrative orders based on art. 11 of the act dated 2 March 2020 on particular solutions related to preventing and counteracting COVID-19, other infectious diseases and the crisis-related situations caused thereby (Journal of laws from 2020, item 374 with subsequent amendments), involving the sale of personal protective equipment in the amount of PLN 142 million. The unsettled balance of receivables due to these transactions as at 30 September 2020 amounted to PLN 136 million.

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

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

- the purchase of goods (energy, fuels, services) to meet the needs of current operating activities. In the period from 1 January to 30 September 2020, the turnover from these transactions amounted to PLN 811 million (from 1 January to 30 September 2019: PLN 689 million), and, as at 30 September 2020, the unsettled balance of liabilities from these transactions amounted to PLN 172 million (as at 31 December 2019: PLN 187 million),
- sales to Polish State Treasury Companies. In the period from 1 January to 30 September 2020, the turnover from these sales amounted to PLN 66 million (from 1 January to 30 September 2019: PLN 49 million), and, as at 30 September 2020, the unsettled balance of receivables from these transactions amounted to PLN 11 million (as at 31 December 2019: PLN 12 million).

Remuneration of the Supervisory Board of the Parent Entity (in PLN thousands)	**from 1 January 2020 to 30 September 2020**	**from 1 January 2019 to 30 September 2019**
Remuneration due to service in the Supervisory Board, salaries and other current employee benefits	1 259	1 378

Remuneration of the Management Board of the Parent Entity (in PLN thousands)	**from 1 January 2020 to 30 September 2020**	**from 1 January 2019 to 30 September 2019**
Salaries and other current employee benefits due to serving in the function	7 320	2 872
Benefits due to termination of employment	-	12
Total	**7 320**	**2 884**

Remuneration of other key managers (in PLN thousands)	**from 1 January 2020 to 30 September 2020**	**from 1 January 2019 to 30 September 2019**
Salaries and other current employee benefits	1 865	2 701

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

amounts in PLN millions, unless otherwise stated

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

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

		As at 30 September 2020	Increase/(decrease) since the end of the last financial year
	Contingent assets	**558**	**(72)**
	Guarantees received	325	(31)
	Promissory notes receivables	121	1
	Other	112	(42)
	Contingent liabilities	**1 605**	**(277)**
Note 4.8	Guarantees and letters of credit	1 342	(265)
Note 4.8	Promissory note liabilities	160	16
	Other	103	(28)
	Other liabilities not recognised in the statement of financial position	**102**	**(5)**
	Liabilities towards local government entities due to expansion of the tailings storage facility	102	(5)

Note 4.11 Changes in working capital

	Inventories	Trade receivables	Trade payables	Similar payables – reverse factoring	Working capital
As at 1 January 2020	(4 741)	(795)	2 344	596	**(2 596)**
As at 30 September 2020	(4 854)	(858)	2 260	1 056	**(2 396)**
Change in the statement of financial position	**(113)**	**(63)**	**(84)**	**460**	**200**
Exchange differences from the translation of statements of operations with a functional currency other than PLN	11	8	(2)	-	**17**
Depreciation recognised in inventories	26	-	-	-	**26**
Payables due to the purchase of property, plant and equipment and intangible assets	-	-	276	-	**276**
Adjustments	**37**	**8**	**274**	**-**	**319**
Change in the statement of cash flows	**(76)**	**(55)**	**190**	**460**	**519**

amounts in PLN millions, unless otherwise stated

	Inventories	Trade receivables	Trade payables	Similar payables – reverse factoring	Working capital
As at 1 January 2019	(4 983)	(961)	2 224	-	**(3 720)**
As at 30 September 2019	(5 338)	(934)	1 821	5	**(4 446)**
Change in the statement of financial position	**(355)**	**27**	**(403)**	**5**	**(726)**
Exchange differences from the translation of statements of operations with a functional currency other than PLN	34	28	(10)	-	**52**
Depreciation recognised in inventories	60	-	-	-	**60**
Payables due to the purchase of property, plant and equipment and intangible assets	-	-	175	-	**175**
Adjustments	**94**	**28**	**165**	**-**	**287**
Change in the statement of cash flows	**(261)**	**55**	**(238)**	**5**	**(439)**

Note 4.12 Other adjustments in the statement of cash flows

	from 1 January 2020 to 30 September 2020	from 1 January 2019 to 30 September 2019
Losses on the sales of property, plant and equipment and intangible assets	3	1
Profit or loss due to measurement and realisation of derivatives related to sources of external financing	5	-
Other	6	5
Total	**14**	**6**

Note 4.13 Non-current assets held for sale and liabilities associated with them

Shares in the company PGE EJ 1 Sp. z o.o.

Based on a letter of intent signed on 1 October 2020 by KGHM Polska Miedź S.A. with the State Treasury regarding the acquisition by the State Treasury of shares in the company PGE EJ 1 Sp. z o.o. (detailed information on the signed letter of intent is presented in Part 1 Note 5.6 Subsequent events), the Management Board of the Parent Entity determined that, in accordance with IFRS 5, conditions were met for mandatory reclassification of the shares in the company PGE EJ 1 from non-current financial assets measured at fair value through other comprehensive income to non-current assets held for sale. Immediately prior to this reclassification, the carrying amount of the shares held in PGE EJ 1 Sp. z o.o. amounted to PLN 15 million and in this amount they were recognised in non-current assets held for sale. Accrued cost due to losses from the fair value measurement which were recognised directly in other comprehensive income amounted to PLN 14 million.

Land in the subsidiary Cuprum Development Sp. z o.o.

On 30 September 2020 an analysis was made of the process of selling land by Cuprum Development Sp. z o.o. located in the centre of Wrocław, based on which it was evaluated that criteria set forth in IFRS 5 were met which require a change in the presentation of the land, from non-current assets to non-current assets held for sale. The carrying amount of the land prior to its reclassification amounted to PLN 16 million and, in that amount, was recognised in non-current assets held for sale. Liabilities directly associated with these assets amounted to PLN 4 million.

amounts in PLN millions, unless otherwise stated

5 – Additional information to the consolidated quarterly report

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

There were no changes in the KGHM Polska Miedź S.A. Group's structure in the third quarter of 2020.

Note 5.2 Seasonal or cyclical activities

The KGHM Polska Miedź S.A. Group is not affected by seasonal or cyclical activities.

Note 5.3 Information on the issuance, redemption and repayment of debt and equity securities

There was no issuance, redemption or repayment of debt and equity securities in the Group in the current quarter.

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

In accordance with Resolution No. 7/2020 of the Ordinary General Meeting of KGHM Polska Miedź S.A. dated 19 June 2020 regarding the appropriation of profit for the year ended 31 December 2019, the entire amount of the profit of PLN 1 264 million was transferred to the Company's reserve capital, including PLN 7 million to the reserve capital created in accordance with art. 396 § 1 of the Commercial Partnerships and Companies Code.

In accordance with Resolution No. 7/2019 of the Ordinary General Meeting of KGHM Polska Miedź S.A. dated 7 June 2019 regarding the appropriation of profit for financial year 2018, it was decided to transfer the entirety of the profit to the Parent Entity's reserve capital.

All shares of the Parent Entity are ordinary shares.

Note 5.5 Other information to the consolidated quarterly report

Position of the Management Board with respect to the possibility of achieving previously-published forecasts of results for 2020, in the light of results presented in this consolidated quarterly report relative to forecasted results

KGHM Polska Miedź S.A. has not published a forecast of the Company's and Group's financial results for 2020.

Shareholders holding at least 5% of the total number of votes at the General Meeting of KGHM Polska Miedź S.A. as at the date of publication of this consolidated quarterly report, changes in the ownership structure of significant blocks of shares of KGHM Polska Miedź S.A. in the period since publication of the consolidated report for the first half of 2020

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

shareholder	number of shares/votes	% of share capital /total number of votes
State Treasury	63 589 900	31.79%
Nationale-Nederlanden Otwarty Fundusz Emerytalny	10 104 354	5.05%
Aviva Otwarty Fundusz Emerytalny Aviva Santander	10 039 684	5.02%

As far as the Company is aware, this state did not change since the publication of the consolidated report for the first half of 2020.

Ownership of KGHM Polska Miedź S.A.'s shares or of rights to them by members of the management and supervisory boards of KGHM Polska Miedź S.A., as at the date of publication of the consolidated quarterly report. Changes in ownership during the period following publication of the consolidated report for the first half of 2020

Members of the Company's Management Board

Based on information held by KGHM Polska Miedź S.A., as at the date of preparation of this report no Member of the Company's Management Board held shares of KGHM Polska Miedź S.A. or rights to them. The aforementioned state did not change since the publication of the consolidated report for the first half of 2020.

Members of the Company's Supervisory Board

Based on information held by KGHM Polska Miedź S.A., amongst the Members of the Company's Supervisory Board, as at the date of preparation of this report only Józef Czyczerski held 10 shares of KGHM Polska Miedź S.A. The remaining Members of the Supervisory Board did not hold shares of the Company or rights to them. The aforementioned state did not change since the publication of the consolidated report for the first half of 2020.

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

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

In a judgment dated 25 September 2018, the Regional Court in Legnica dismissed the counter claim and partially upheld the principal claim to the total amount of approx. PLN 24 million, and at the same time ordered the payment of interest in the amount of approx. PLN 30 million, totalling to PLN 54 million. Both parties to the proceedings appealed against this judgment.

In a judgment dated 12 June 2019, the Court of Appeal in Wrocław dismissed the appeals of both sides, altering the judgment of the court of first instance solely in the matter of the resolution of court costs from the hearings at the court of first instance and charging them to KGHM Polska Miedź S.A. The judgment is binding and was executed by KGHM on 18-19 June 2019. KGHM Polska Miedź S.A. filed a cassation appeal against the judgment of the court of second instance, i.e. with respect to the partially upheld principal claim 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 date of the hearing regarding the receipt of the cassation appeal for investigation has not yet been indicated.

In accordance with the Company's position, the plaintiffs' claim should be dismissed in its entirety and the counter claim is justified. The Company in this regard paid the authors of the project royalties for a longer period of application of the project than anticipated in the initial contract entered into by the parties on advancing the invention project, based on an annex to the contract, extending the period of payment of royalties, whose validity is questioned by the Company. Moreover, the Company is questioning the „rationalisation" nature of the solutions, as well as whether they were in fact used in their entirety, and also their completeness and suitability for use in the form supplied by the plaintiffs as well as the means of calculating the economic effects of this solution, which were the basis for paying the royalties.

Information on single or multiple transactions entered into with related entities by KGHM Polska Miedź S.A. or a subsidiary thereof, if they were entered into under other than arm's length conditions

During the period from 1 January 2020 to 30 September 2020, neither KGHM Polska Miedź S.A. nor subsidiaries thereof entered into transactions with related entities under other than arm's length conditions.

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

As at 30 September 2020, KGHM Polska Miedź S.A. had guaranteed repayments of bank loans drawn by the joint venture Sierra Gorda S.C.M. in respect of the following entities:

- Banco del Estado de Chile in the amount of PLN 378 million (USD 98 million),
- Banco Santander Chile S.A. in the amount of PLN 428 million (USD 111 million),
- Bank Gospodarstwa Krajowego in the amount of PLN 425 million (USD 110 million),
- Sumitomo Metal Mining Co. Ltd. and Sumitomo Corporation in the amount of PLN 372 million (USD 96 million).

The repayment deadlines for the bank loan guarantees granted are in 2021.

The guarantees were granted under arm's length conditions.

Other information which in the opinion of KGHM Polska Miedź S.A. is significant for the assessment of its employment, assets, financial position and financial result and any changes thereto, and information which is significant for assessing the ability to pay its liabilities

In the third quarter of 2020 there were no other significant events, apart from those mentioned in the commentary to the report, which could have a significant impact on the assessment of assets, financial position and financial result of the Group, and any changes thereto, or any events significant for the assessment of the employment situation and the ability to pay its liabilities.

Factors, which in the opinion of KGHM Polska Miedź S.A., will impact the results of the Group over at least the following quarter

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

a) the COVID-19 pandemic and its potential for interruptions to the continuity of operations or restrictions in activities:
   i) due to infections by the SARS-CoV-2 virus and increased absenteeism amongst employees,
   ii) due to interruptions in the materials and services supply chain and to logistical restrictions, especially as regards international transport,
   iii) due to the closure of certain sales markets, a drop in demand and optimisation of inventories of raw materials and finished products amongst customers,
   iv) due to extraordinary changes in legal acts (e.g. special act),
b) metal prices, including mostly of copper, silver and molybdenum,
c) the USD/PLN, CLP/USD, CAD/USD exchange rates,
d) mine production and electrolytic copper production costs, in particular costs due to the minerals extraction tax and the value of purchased copper-bearing materials used, which are dependent in significant scope on macroeconomic conditions,
e) the effects of the implemented hedging policy, and
f) the general uncertainty on financial markets and a forecast of recession on global markets.

In consideration of the ongoing COVID-19 pandemic, there still remains uncertainty regarding the further development of the epidemic-related situation in Poland and globally. This is in particular with reference to restrictions in production and consumption due to the economic slowdown observed. Since the end of the third quarter of 2020, a systematic increase has been seen in new SARS-CoV-2 coronavirus cases globally, as a consequence of which individual countries are introducing new limitations and restrictions.

Although the above may affect the results of the Group in subsequent quarters, due to the on-going development of the situation it is not possible to present quantitative estimates of the potential impact of current conditions on the results of the KGHM Group. To date, while there has not been recorded a substantial negative impact on the continuity of production of the Core Business, on sales or on the continuity of the supply chain for materials and services, it is not possible to anticipate the future impact of the COVID-19 pandemic in these areas over subsequent quarters. The Parent Entity is continuously monitoring the global economic situation in order to assess its potential negative impact on the KGHM Polska Miedź S.A. Group and to take preventative actions mitigating this impact.

Impact of the COVID-19 (coronavirus) epidemic on the activities of the KGHM Polska Miedź S.A. Group in the period January-September 2020

In the first three quarters of 2020 the epidemic caused by the COVID-19 did not have a substantial impact on the operations or financial results, nor on the achievement of the budget by the segment KGHM Polska Miedź S.A. The effects of the decrease in metals prices in the first three months of 2020 to a substantial degree were limited as a result of the weakening of the PLN. Since the start of the second quarter of 2020 there has been observed a systematic increase in prices and, as a result, for the first three quarters of 2020 the price of copper amounted to 22 931 PLN/t, or a level which was not substantially different from the level recorded in the corresponding period of 2019 (23 115 PLN/t) and to the level planned for this period. Silver and gold prices were also favourable, which as a result of the uncertain economic situation increased in value compared to the prior year respectively by 24% and 31% (in PLN). This growth trend has also continued into the fourth quarter - on 17 November 2020 the price of copper amounted to 7 050 USD/t, and silver 25 USD/oz t.

The impact of these macroeconomic factors on the results achieved may be found in the descriptions of individual operating segments (Part 1 Note 3.8)

The Company's share price during the first 9 months of 2020 increased by 23% compared to the price at the end of 2019, and at the end of trading on 30 September 2020 amounted to PLN 118.00. During this same period the WIG and WIG20 indices fell respectively by 15% and 20%. As a result the Company's market capitalisation increased from PLN 19 116 million to PLN 23 600 million, or 13.82% higher than the net assets of the Company and 12.23% higher than the net assets of the Group. At the start of the fourth quarter the share price of KGHM continued to rise, and on 17 November 2020 reached PLN 142.60.

One of the factors arising from the pandemic was reduced access to copper scrap in the first half of the year, although currently (after the first nine months of 2020) production from purchased metal-bearing materials is 9% higher than in the corresponding period of 2019.

The revenues achieved by KGHM Polska Miedź S.A. in the first three quarters of 2020 amounted to PLN 13 360 million, or two percent higher compared to the period prior to the epidemic (the first three quarters of 2019). In terms of EBITDA, this also increased from PLN 2 868 million to PLN 3 052 million after the first nine months of 2020. It should also be noted that both the level of revenues achieved and of EBITDA planned for in the budget for this period were achieved at levels which exceeded the planned amounts.

There were no production stoppages either in KGHM Polska Miedź S.A., in any of the international mines of the KGHM Polska Miedź S.A. Group or in Sierra Gorda S.C.M., which would have been directly attributable to the pandemic. As a result, copper production by the Group after the 9 months of 2020 amounted to 521 thousand tonnes, which means a level comparable to the one achieved a year earlier and similar to the budget target for the first three quarters of 2020.

In the Company's opinion, the improvement in operating results indicates that the epidemic did not have a substantial impact on the operating results achieved to date by KGHM Polska Miedź S.A. However, in the case of the international mining assets, the epidemic initially impacted operating results, mainly through the fall in the copper price in the first half of 2020. As a result, KGHM INTERNATIONAL LTD. („KGHMI") recorded a decrease in EBITDA during this period. However, in the third quarter, in tandem with the improvement in prices and in the operating performance of companies in the KGHMI Group, there was an improvement both in EBITDA and in cash flow. At present both of these ratios are above the levels planned for in the budget of the KGHMI Group. With respect to Sierra Gorda S.C.M., the level of EBITDA also exceeded the target expected in the budget, thanks to the stable work of the mine and processing plant, despite the COVID-19 pandemic, and to the more favourable metals prices.

The greatest impact of the COVID-19 epidemic was on the Group's secondary activities involving the hotel and spa services of the companies Uzdrowiska Kłodzkie S.A. - Grupa PGU, Uzdrowisko Połczyn Grupa PGU S.A., Uzdrowisko Cieplice Sp. z o.o. - Grupa PGU, Uzdrowisko Świeradów - Czerniawa Sp. z o.o. – Grupa PGU, INTERFERIE S.A. and Interferie Medical SPA Sp. z o.o. In the second quarter of 2020 there occurred substantial interruptions to the daily operations of these companies, caused by the forced lockdown and the restrictions imposed on their activities by Decrees of the Minister of Health.
The restrictions related to COVID-19 lead to a substantial drop in revenues, mainly from March to June 2020, when most of the facilities ceased to provide services due to the imposed lockdown, which represented an indication to conduct impairment testing of the value of the assets of these companies and to recognise impairment losses on these assets at the end of June 2020 (detailed information on the limitations in activities and the results of the conducted impairment tests are presented in Part 1 Note 1.5).
In the third quarter of 2020 the situation improved – the spa and hotel companies recommenced their activities and, under an enhanced sanitary regime, returned to providing overnight and spa treatment services for their guests and patients. Decisive improvement was recorded in particular by the hotel companies, which took advantage of an influx in domestic tourists, especially to facilities located at the seaside. Despite the unfreezing of activities prior to the holiday season, the companies were nonetheless unable to make up the losses incurred during the lockdown. The curative and hotel activities engaged in by the companies of the KGHM Polska Miedź S.A. Group recorded a 40% drop in revenues for the first 9 months of 2020 (compared to the prior year), and a drop in sales of water by 10%.

Due to the improved economic situation in the third quarter of 2020 (a return to generation of sales, improved results) there were no identified indications of the need to again conduct impairment testing (with the exception of the company Interferie S.A., where an additional indication is the market value of the company's shares listed on the WSE – due to the public nature of this company, Interferie S.A. publishes its tests for impairment in its periodic reports).

In terms of covenants breached at the end of June 2020, including the DSCR (debt-service coverage ratio) at a level of not less than 1.2, it should be pointed out that the spa and hotel companies were unable during the third quarter to offset the negative economic impact of the pandemic. Nonetheless, the financial institutions refrained from application of the foreseen contractual restrictions, as announced previously in the half-year report.
The spa and hotel companies also continued to work to obtain financing from the Polish Development Fund under the Anti-Crisis Shield for large enterprises.

On 23 October 2020, a decree of the Council of Ministers was published in the journal of laws altering a decree on establishing specified restrictions, orders and bans due to the outbreak of the epidemic, pursuant to which, until further notice, temporary restrictions were imposed on the performance of curative activities comprising the cessation of services in the area of spa curation and providing healthcare services in terms of curative rehabilitation. These restrictions came into force on 24 October 2020.
In light of the above, similarly as was the case in the second quarter of 2020, the spa companies, following the completion of existing stays, which were in progress in the spas as at the date these restrictions came into force, will make decisions regarding the temporary closure of individual facilities.

On 6 November 2020, a further update of the decree was published, on establishing specified restrictions, orders and bans due to the epidemic. In accordance with adopted regulations, until 29 November 2020 restrictions were imposed on the providing of hotel services, restricting them solely to services involving worker hotels or hotels for seasonal workers, as well as for guests who: a) are utilizing these services under business trips b) are professionals utilizing these services during meetings and sporting competitions, c) are persons practicing the medical profession, and d) are patients and their caregivers.

The hotel companies are maintaining constant monitoring of the introduced restrictions, reviewing the possibility of providing supplementary services and of taking decisions on the temporary closure of individual facilities.

As at the date of publication of this report it is difficult to estimate the timeframe of the aforementioned restrictions, and therefore there is also substantial uncertainty associated with financial projections for the subsequent months of 2020 and for the year 2021.

With respect to the remaining companies of the KGHM Polska Miedź S.A. Group located in Poland, the epidemic during the first 9 months of 2020 did not have a substantial impact on the operating results generated by these entities.

Taking into consideration the aforementioned factors and the development of the pandemic observed in October 2020, the Company believes that there still remains substantial risk of a negative impact on the economic activities of the Parent Entity and on the companies of the Group over subsequent months. The Company is continuously monitoring the situation in order to assess its impact on the KGHM Polska Miedź S.A. Group and to take preventative actions. Nonetheless, due to the specific nature of the threat, the estimation of anticipated financial impact is difficult to achieve.

Note 5.6 Subsequent events

Signing of a letter of intent on the sale of shares in the company PGE EJ 1 sp. z o.o.

On 1 October 2020 the Management Board of KGHM Polska Miedź S.A. signed a letter of intent with the State Treasury represented by the President of the Council of Ministers and acting via the Government Plenipotentiary for Strategic Energy Infrastructure on the acquisition of 100% of the shares by the State Treasury in the company PGE EJ 1 sp. z o.o.

The letter of intent was signed by all shareholders of the company PGE EJ 1 sp. z o.o., which is responsible for the preparation and realisation of the investment involving the construction and operation of the first Polish nuclear power plant. The Company has 10% of the shares in PGE EJ 1 sp. z o.o.

Signatories to the letter of intent are committed to take, in good faith, all the necessary steps to prepare and conclude a transaction aimed at acquisition by the State Treasury of shares in the company PGE EJ 1 sp. z o.o. ("Transaction"). The intent expressed in the Letter of intent is that the State Treasury shall acquire shares in the company PGE EJ 1 sp. z o.o. up to 31 December 2020, whereas the Parties did not specify the period of validity of the Letter of intent. The Letter of intent does not entail any obligations for the Parties to conclude the Transaction. The decision to conclude the Transaction will be conditional on the results of the negotiations, including the scope and fulfilment of other conditions specified in law in force or corporate documents.

Receipt of information on the commencement by Sumitomo of preparations for the disposal of its interest in the joint venture company Sierra Gorda S.C.M.

On 7 October 2020 the Management Board of KGHM Polska Miedź S.A. was informed by Sumitomo Metal Mining Co., Ltd., Sumitomo Corporation and SMM Sierra Gorda Inversiones Limitada („Sumitomo") of the planned commencement of the process of sale of Sumitomo's 45% interest in the joint venture company Sierra Gorda S.C.M. and of preparations preceding the formal commencement of the sale, including the planned commencement of marketing activities aimed at potential investors.

The current Strategy of KGHM Polska Miedź S.A. for the years 2019-2023 does not assume any changes in the scale of involvement of KGHM Polska Miedź S.A. in Sierra Gorda S.C.M. All of the efforts towards optimisation carried out to date, aimed at enhancing the value of Sierra Gorda S.C.M., will be continued. They are yielding the expected results, which is reflected in the surpassed production budget targets for 2020.

Consent to extend the term of a syndicated credit facility agreement

On 27 October 2020 the Management Board of KGHM Polska Miedź S.A. informed about its consent to extend the term of an unsecured revolving syndicated credit facility agreement in the amount of USD 1 500 million, which was announced by the Parent Entity via a regulatory filing no. 38/2019 on 19 December 2019, by 1 year, that is to 19 December 2025, by submitting a request to the financing banks.

The unsecured revolving syndicated credit facility agreement in the amount of USD 1 500 million was entered into on 20 December 2019 for a five-year tenor and has two one-year extension options exercisable at the request of KGHM Polska Miedź S.A. (decision to agree for the extension is at the discretion of each syndicate member, proportionally to the interest held).

The extension of the term of the agreement realises the Strategy of KGHM Polska Miedź S.A. with respect to ensuring long-term financial stability by, among others, basing KGHM's financing structure on long-term instruments.

Convening of an Extraordinary General Meeting of KGHM Polska Miedź S.A.

On 30 October 2020 the Management Board of KGHM Polska Miedź S.A. announced the convening of an Extraordinary General Meeting of KGHM Polska Miedź S.A., which will take place on 26 November 2020, beginning at 11:00 a.m. at the head office of the Company in Lubin, at the address ul. Marii Skłodowskiej-Curie 48 (in Jan Wyżykowski Hall).

The aim of convening of the Extraordinary General Meeting of KGHM Polska Miedź S.A. is an appointment to the 10th term of a Member of the Supervisory Board of KGHM Polska Miedź S.A. elected in supplementary elections by the Employees of the KGHM Polska Miedź S.A. Group.

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

STATEMENT OF PROFIT OR LOSS

		from 1 July 2020 to 30 September 2020	from 1 January 2020 to 30 September 2020	from 1 July 2019 to 30 September 2019	from 1 January 2019 to 30 September 2019
Note 2	Revenues from contracts with customers	4 463	13 360	4 219	13 050
Note 3	Cost of sales	(3 396)	(10 517)	(3 315)	(10 371)
	Gross profit	**1 067**	**2 843**	**904**	**2 679**
Note 3	Selling costs and administrative expenses	(247)	(687)	(262)	(704)
	Profit on sales	**820**	**2 156**	**642**	**1 975**
Note 4	Other operating income, including:	122	765	714	1 383
	interest income calculated using the effective interest rate method	64	204	80	211
	reversal of impairment losses on financial instruments	3	3	17	129
Note 4	Other operating costs, including:	(345)	(1 032)	(150)	(367)
	impairment losses on financial instruments	25	(63)	(20)	(30)
Note 5	Finance income	118	117	-	2
Note 5	Finance costs	(29)	(179)	(548)	(623)
	Profit before income tax	**686**	**1 827**	**658**	**2 370**
	Income tax expense	(277)	(671)	(222)	(707)
	PROFIT FOR THE PERIOD	**409**	**1 156**	**436**	**1 663**
	Weighted average number of ordinary shares (million)	200	200	200	200
	Basic and diluted earnings per share (in PLN)	**2.05**	**5.78**	**2.18**	**8.32**

.

STATEMENT OF COMPREHENSIVE INCOME

	from 1 July 2020 to 30 September 2020	from 1 January 2020 to 30 September 2020	from 1 July 2019 to 30 September 2019	from 1 January 2019 to 30 September 2019
Profit for the period	**409**	**1 156**	**436**	**1 663**
Measurement of hedging instruments net of the tax effect	141	(128)	(268)	(328)
Other comprehensive income, which will be reclassified to profit or loss	**141**	**(128)**	**(268)**	**(328)**
Measurement of equity financial instruments at fair value through other comprehensive income, net of the tax effect	(24)	83	(25)	(95)
Actuarial (losses)/gains net of the tax effect	(32)	(265)	97	(23)
Other comprehensive income, which will not be reclassified to profit or loss	**(56)**	**(182)**	**72**	**(118)**
Total other comprehensive net income	**85**	**(310)**	**(196)**	**(446)**
TOTAL COMPREHENSIVE INCOME	**494**	**846**	**240**	**1 217**

amounts in PLN millions, unless otherwise stated

STATEMENT OF CASH FLOWS

		from 1 January 2020 to 30 September 2020	from 1 January 2019 to 30 September 2019
	Cash flow from operating activities		
	Profit before income tax	1 827	2 370
	Depreciation/amortisation recognised in profit or loss	896	893
	Interest on investment activities	(188)	(187)
	Interest on borrowings	133	97
	Dividend income	(15)	(37)
	Fair value gains on financial assets measured at fair value through profit or loss	(42)	(138)
	Impairment losses on non-current assets	188	29
	Reversal of impairment losses on non-current assets	-	(128)
	Exchange differences, of which:	(179)	111
	from investing activities and cash	(98)	(363)
	from financing activities	(81)	474
	Change in provisions and employee benefits liabilities	(27)	(27)
	Change in other receivables and liabilities other than working capital	317	(413)
	Change in assets and liabilities due to derivatives	70	23
	Reclassification of other comprehensive income to profit or loss due to the realisation of hedging derivatives	(122)	(61)
Note 7	Other adjustments	74	23
	Exclusions of income and costs, total	1 105	185
	Income tax paid	(435)	(395)
Note 6	Changes in working capital, including:	363	(315)
	change in trade payables transferred to factoring	460	5
	Net cash generated from operating activities	**2 860**	**1 845**
	Cash flow from investing activities		
	Expenditures on mining and metallurgical assets, including:	(1 797)	(1 710)
	paid capitalised interest on borrowings	(88)	(133)
	Expenditures on other property, plant and equipment and intangible assets	(44)	(64)
	Expenditures due to acquisition of shares and investment certificates	(29)	(428)
	Expenditures on granted	(285)	(172)
	Proceeds from redemption of investment certificates	-	404
	Dividends received	15	37
	Advances granted on property, plant and equipment and intangible assets	(32)	(27)
	Other	12	(19)
	Net cash used in investing activities	**(2 160)**	**(1 979)**
	Cash flow from financing activities		
	Proceeds from borrowings	4 052	4 376
	Proceeds from the issue of debt financial instruments	-	2 000
	Proceeds from cash pooling	100	-
	Proceeds from derivatives related to sources of external financing	34	-
	Repayments of borrowings	(4 417)	(6 368)
	Repayment of lease liabilities	(33)	(26)
	Payment of interest on borrowings	(148)	(107)
	Expenditures on derivatives related to sources of external financing	(40)	-
	Net cash used in financing activities	**(452)**	**(125)**
	NET CASH FLOW	**248**	**(259)**
	Exchange gains/(losses) on cash and cash equivalents	17	(31)
	Cash and cash equivalents at the beginning of the period	516	627
	Cash and cash equivalents at the end of the period, including	**781**	**337**
	restricted cash	**20**	**1**

amounts in PLN millions, unless otherwise stated

STATEMENT OF FINANCIAL POSITION

ASSETS	As at 30 September 2020	As at 31 December 2019
Mining and metallurgical property, plant and equipment	18 791	18 092
Mining and metallurgical intangible assets	671	651
Mining and metallurgical property, plant and equipment and intangible assets	19 462	18 743
Other property, plant and equipment	96	103
Other intangible assets	57	61
Other property, plant and equipment and intangible assets	153	164
Investments in subsidiaries	2 844	2 946
Loans granted, including:	7 750	7 217
measured at fair value through profit or loss	2 529	2 271
measured at amortised cost	5 221	4 946
Derivatives	863	123
Other financial instruments measured at fair value through other comprehensive income	489	403
Other financial instruments measured at amortised cost	479	457
Financial instruments, total	9 581	8 200
Other non-financial assets	64	58
Non-current assets	**32 104**	**30 111**
Inventories	3 910	3 783
Trade receivables, including:	406	243
Trade receivables measured at fair value through profit or loss	144	139
Tax assets	282	435
Derivatives	269	291
Cash pooling receivables	131	335
Other financial assets	262	221
Other non-financial assets	115	54
Cash and cash equivalents	781	516
Part 1 Note 4.13 — Non-current assets held for sale	15	-
Current assets	**6 171**	**5 878**
TOTAL ASSETS	**38 275**	**35 989**
EQUITY AND LIABILITIES		
Share capital	2 000	2 000
Other reserves from measurement of financial instruments, including	(743)	(698)
Accumulated costs associated with non-current assets held for sale	(14)	-
Accumulated other comprehensive income	(887)	(622)
Retained earnings	20 365	19 209
Equity	**20 735**	**19 889**
Borrowings, lease and debt securities	6 711	7 215
Derivatives	789	131
Employee benefits liabilities	2 732	2 363
Provisions for decommissioning costs of mines and other technological facilities	1 154	1 119
Deferred tax liabilities	141	60
Other liabilities	212	217
Non-current liabilities	11 739	11 105
Borrowings, lease and debt securities	317	275
Cash pooling liabilities	230	130
Derivatives	226	60
Trade and similar payables	2 811	2 460
Employee benefits liabilities	917	890
Tax liabilities	378	258
Provisions for liabilities and other charges	111	158
Other liabilities	811	764
Current liabilities	5 801	4 995
Non-current and current liabilities	**17 540**	**16 100**
TOTAL EQUITY AND LIABILITIES	**38 275**	**35 989**

amounts in PLN millions, unless otherwise stated

STATEMENT OF CHANGES IN EQUITY

	Share capital	Other reserves from measurement of financial instruments	Accumulated other comprehensive income	Retained earnings	Total equity
As at 1 January 2019	**2 000**	**(307)**	**(593)**	**17 945**	**19 045**
Profit for the period	-	-	-	1 663	**1 663**
Other comprehensive income	-	(423)	(23)	-	**(446)**
Total comprehensive income	-	(423)	(23)	1 663	**1 217**
As at 30 September 2019	**2 000**	**(730)**	**(616)**	**19 608**	**20 262**
As at 1 January 2020	2 000	(698)	(622)	19 209	**19 889**
Profit for the period	-	-	-	1 156	**1 156**
Other comprehensive income	-	(45)	(265)	-	**(310)**
Total comprehensive income	-	(45)	(265)	1 156	**846**
As at 30 September 2020, including:	**2 000**	**(743)**	**(887)**	**20 365**	**20 735**
accumulated costs associated with non-current assets held for sale	-	*(14)*	-	-	*(14)*

Explanatory notes

Note 1 Impairment of assets

Note 1.1 Assessment of the risk of impairment of assets of the Company in the context of the market capitalisation of KGHM Polska Miedź S.A.

The details are presented in Part 1, note 1.5 Impairment of assets.

Note 1.2 Test for the impairment of investment certificates

TEST FOR THE IMPAIRMENT OF INVESTMENT CERTIFICATES OF KGHM VI FIZAN AND KGHM VII FIZAN
KGHM Polska Miedź S.A. is the sole participant in the KGHM VI FIZAN Fund, in whose portfolio are companies operating in the hotel sector, i.e. INTERFERIE S.A. and Interferie Medical SPA Sp. z o.o., as well as the KGHM VII FIZAN Fund, whose portfolio contains among others companies operating in the spa sector: Uzdrowiska Kłodzkie S.A. - Grupa PGU, Uzdrowisko Połczyn Grupa PGU S.A., Uzdrowisko Cieplice Sp. z o.o. - Grupa PGU and Uzdrowisko Świeradów - Czerniawa Sp. z o.o. – Grupa PGU. The outbreak of the COVID-19 epidemic had a substantial impact on the Company's activities with respect to the providing of spa services. As at 30 June 2020, the Company performed impairment testing and as a result of the tests conducted, it was determined that it is necessary to increase the impairment loss recognised as at 31 March 2020 on the investment of KGHM Polska Miedź S.A. in the Investment Certificates of KGHM VII FIZAN by the amount of PLN 4 million, i.e. to the total amount of PLN 34 million – by comparing the acquisition price of the Investment Certificates of KGHM VII FIZAN of PLN 331 million with the recoverable amount of PLN 297 million. Assumptions adopted for impairment testing of investment certificates of KGHM VI FIZAN and KGHM VII FIZAN and results of the tests as at 30 June 2020 were presented in the Consolidated half-year report PSr 2020 – condensed financial statements of KGHM Polska Miedź S.A., Part 1. As at 30 September 2020, the analysis to determine the risk of an impairment of investment certificates of KGHM VI FIZAN and KGHM VII FIZAN which included the verification of discount rates, sale volumes, margins and forecasted cash flows comprised of, among others, expected capital expenditures and working capital, confirmed that assumptions used by the Company to assess the investment certificates as at 30 June 2020 are up to date. As at 30 September 2020, the analysis conducted by the Company did not provide a basis to recognise an additional impairment loss to the ones recognised as at 30 June 2020. Following the reporting date, due to the developments related to the Covid-19 epidemic, new restrictions were imposed on spa and hotel entities. On 23 October 2020 the Council of Ministers published a Decree, introducing from 24 October 2020 until further notice, temporary restrictions to the operation of spa-related activities, involving cessation of the performance of spa-related services and to providing health-related services in terms of therapeutic rehabilitation. Consequently, spa companies, following the completion of existing stays, which were in progress in the spas as at the date these restrictions came into force, will make decisions regarding the temporary closure of individual facilities. On 6 November 2020 a Decree of the Council of Ministers was published, which introduced restrictions until 29 November 2020 on the provision of hotel services exclusively to services involving worker hotels or hotels for seasonal workers, as well as for guests who: a) are utilizing these services under business trips b) are professionals utilizing these services during meetings and sporting competitions c) are persons practicing the medical profession, and d) are patients and their caregivers. The hotel companies are maintaining constant monitoring of the introduced restrictions, reviewing the possibility of providing supplementary services and of taking decisions on the temporary closure of individual facilities. The economic impact of the aforementioned restrictions will be analysed in terms of the potential impairment as at 31 December 2020.

Note 1.3 Test for the impairment of shares

TEST FOR IMPAIRMENT OF SHARES OF POL-MIEDŹ TRANS Sp. z o.o.
As at 30 September 2020, due to indications of the possibility of changes in the recoverable amount, the Company performed impairment testing of the equity involvement in the shares of the company POL-MIEDŹ TRANS Sp. z o.o. The key indication to perform a test in the current reporting period was a loss for the period in the first nine months of 2020, deviating from the financial results assumed for that period. The carrying amount of the shares of POL-MIEDŹ TRANS Sp. z o.o. as at 30 September 2020 amounted to PLN 63 million. For the purpose of estimating the recoverable amount, in the conducted test the value in use of shares was measured using the DCF method i.e. the method of discounted cash flows.

amounts in PLN millions, unless otherwise stated

Basic assumptions adopted for impairment testing	
Assumption	**Level adopted in testing**
Forecast period	10.2020-12.2024
Operating margin	0.9% during the forecast period 1.9% in the residual value
Capital expenditures during the forecast period	PLN 224 million
Discount rate	4.64% (nominal rate after taxation)
Growth rate following the forecast period	0%

As a result of the impairment testing conducted on the shares of POL–MIEDŹ TRANS Sp. z o.o., the recoverable amount of the tested shares was determined to be higher than the carrying amount of this asset, which did not provide a basis for the recognition of an impairment loss.
The measurement of the shares of POL–MIEDŹ TRANS Sp. z o.o. indicated a significant sensitivity to the adopted discount rates and the operating margin. The following table presents the impact of changes to these parameters on the measurement of the shares.

Sensitivity analysis of the recoverable amount of shares of POL-MIEDŹ TRANS Sp. z o.o.			
	The recoverable amount for a given discount rate		
	lower by 1 pp.	**per test**	**higher by 1 pp.**
Discount rate 4.64% (test)	353	**182**	120
	The recoverable amount for a given operating margin		
	lower by 1 pp.	**per test**	**higher by 1 pp.**
Operating margin 0.9%, 1.9% in RV (test)	77	**182**	287

In order to monitor the risk of impairment of assets in subsequent reporting periods, it was determined that the recoverable amount would be equal to the carrying amount of shares if the discount rate were to increase to 7.84% or if the operating margin were to decrease by 1.1 pp.
The results of the impairment testing of assets of the Company as at 31 December 2019 were presented in the part 3 of the Annual report R 2019.

amounts in PLN millions, unless otherwise stated

Note 2 Revenues from contracts with customers – geographical breakdown reflecting the location of end clients

	from 1 July 2020 to 30 September 2020	**from 1 January 2020 to 30 September 2020**	from 1 July 2019 to 30 September 2019	**from 1 January 2019 to 30 September 2019**
Europe				
Poland	1 063	3 087	1 093	3 244
Germany	605	2 195	663	2 051
The United Kingdom	405	1 306	552	1 594
Czechia	388	1 069	319	1 014
Italy	278	772	213	689
Switzerland	108	459	147	475
Hungary	163	522	174	528
France	167	387	103	548
Belgium	-	51	-	-
Austria	38	120	49	148
Romania	43	127	52	145
Slovakia	19	62	23	72
Slovenia	16	42	18	53
Denmark	2	10	15	42
Sweden	15	15	-	16
Bosnia and Herzegovina	-	-	8	28
Finland	-	-	-	11
Other countries (dispersed sales)	7	24	7	22
North and South America				
The United States of America	160	376	86	296
Other countries (dispersed sales)	1	1	1	1
Australia				
Australia	223	607	41	78
Asia				
China	643	1 597	560	1 703
Taiwan	2	222	-	49
Thailand	31	129	56	56
Turkey	22	63	33	161
Vietnam	39	68	-	-
Singapore	-	7	-	9
Other countries (dispersed sales)	25	42	5	10
Africa	-	-	1	7
TOTAL	**4 463**	**13 360**	**4 219**	**13 050**

amounts in PLN millions, unless otherwise stated

Note 3 Expenses by nature

	from 1 July 2020 to 30 September 2020	**from 1 January 2020 to 30 September 2020**	from 1 July 2019 to 30 September 2019	**from 1 January 2019 to 30 September 2019**
Depreciation of property, plant and equipment and amortisation of intangible assets	309	956	330	963
Employee benefits expenses	952	2 774	948	2 658
Materials and energy, including:	1 719	4 620	1 515	4 656
Purchased metal-bearing materials	1 145	2 874	900	2 888
Electrical and other energy	235	728	255	684
External services, including:	416	1 259	458	1 281
Transport	53	168	59	180
Repairs, maintenance and servicing	142	387	132	371
Mine preparatory work	107	361	149	396
Minerals extraction tax	442	1 120	326	1 192
Other taxes and charges	83	289	101	301
Other costs	20	72	14	74
Total expenses by nature	**3 941**	**11 090**	**3 692**	**11 125**
Cost of merchandise and materials sold (+)	52	266	50	168
Change in inventories of finished goods and work in progress (+/-)	(311)	(30)	(124)	(106)
Cost of manufacturing products for internal use (-)	(39)	(122)	(41)	(112)
Total costs of sales, selling costs and administrative expenses, including:	**3 643**	**11 204**	**3 577**	**11 075**
Cost of sales	3 396	10 517	3 315	10 371
Selling costs	30	96	29	92
Administrative expenses	217	591	233	612

amounts in PLN millions, unless otherwise stated

Note 4 Other operating income and (costs)

	from 1 July 2020 to 30 September 2020	**from 1 January 2020 to 30 September 2020**	from 1 July 2019 to 30 September 2019	**from 1 January 2019 to 30 September 2019**
Measurement of derivatives	84	166	(5)	50
Realisation of derivatives	18	95	39	78
Exchange differences on assets and liabilities other than borrowings	-	-	492	508
Interest on loans granted and other financial receivables	64	205	80	212
Fees and charges on re-invoicing of costs of bank guarantees securing payments of liabilities	23	50	22	50
Reversal of allowances for impairment of loans measured at amortised cost	-	-	16	128
Fair value gains on financial assets measured at fair value through profit or loss, including:	(77)	157	38	201
loans	(47)	151	37	200
Release of provisions	-	-	6	51
Dividend income	-	15	-	37
Other	10	77	26	68
Total other operating income	**122**	**765**	**714**	**1 383**
Measurement of derivatives	(56)	(165)	6	(6)
Realisation of derivatives	(120)	(304)	(69)	(179)
Impairment losses on financial instruments measured at amortised cost*	25	(63)	(19)	(30)
Provisions recognised	-	(6)	(5)	(12)
Donations given	(15)	(38)	(5)	(26)
Fair value losses on financial assets measured at fair value through profit or loss, including:	(22)	(144)	(43)	(64)
loans	(17)	(109)	(83)	(62)
Exchange gains/(losses) on assets and liabilities other than borrowings	(145)	(119)	-	-
Impairment losses on investment certificates and shares**	-	(131)	-	-
Loss on the disposal of property, plant and equipment and fixed assets under construction	-	(33)	(2)	(9)
Other	(12)	(29)	(13)	(41)
Total other operating costs	**(345)**	**(1 032)**	**(150)**	**(367)**
Other operating income and (costs)	**(223)**	**(267)**	**564**	**1 016**

** including losses due to the expected credit losses on loans in the amount of PLN 56 million, caused by an increase in the PD (probability of default) parameter and verification of estimates presented below.*

*** The Company analyses the recoverable amount of the shares in Future 1 Sp. z o.o. and of the loans granted to Future 1 Sp. z o.o. and KGHM INTERNATIONAL LTD. from the perspective of the combined commitment in Future 1 Sp. z o.o. Were there to occur any change in the level of commitment in Future 1 Sp. z o.o. by, for example, an increase in the share capital of Future 1 Sp. z o.o. or the granting of loans to Future 1 Sp. z o.o. or KGHM INTERNATIONAL LTD., the Company would review the appropriateness of the applied estimates as regards the recoverable amount of the engagement in Future 1 Sp. z o.o. by including current cash flows. Due to a change in the engagement in Future 1 Sp. z o.o. in the first half of 2020 resulting from the granting of a loan in the amount of USD 52 million (PLN 208 million), as at 30 June 2020 the Company reviewed the applied estimates and recognised an allowance for impairment of loans in the amount of PLN 124 million (loans measured at amortised cost in the amount of PLN 32 million, loans measured at fair value in the amount of PLN 92 million) and on the shares in Future 1 Sp. z o.o. in the amount of PLN 84 million.*

amounts in PLN millions, unless otherwise stated

Note 5 Finance income and (costs)

	from 1 July 2020 to 30 September 2020	from 1 January 2020 to 30 September 2020	from 1 July 2019 to 30 September 2019	from 1 January 2019 to 30 September 2019
Exchange differences on borrowings	117	81	-	-
Realisation of derivatives	1	36	-	2
Total finance income	**118**	**117**	**-**	**2**
Interest on borrowings, including:	(22)	(111)	5	(75)
due to leases	(2)	(7)	(6)	(20)
Fees and charges due to external financing	(5)	(21)	(10)	(23)
Exchange differences on borrowings	-	-	(532)	(474)
Measurement of derivatives	1	-	2	(14)
Realisation of derivatives	(1)	(41)	(3)	(6)
Unwinding of the discount effect	(2)	(6)	(10)	(31)
Total finance costs	**(29)**	**(179)**	**(548)**	**(623)**
Finance income and (costs)	**89**	**(62)**	**(548)**	**(621)**

Note 6 Changes in working capital

	Inventories	Trade receivables	Trade payables	Similar payables – reverse factoring	Working capital
As at 1 January 2020	(3 783)	(243)	2 029	596	**(1 401)**
As at 30 September 2020	(3 910)	(406)	1 915	1 056	**(1 345)**
Change in the statement of financial position	(127)	(163)	(114)	460	**56**
Depreciation recognised in inventories	39	-	-	-	**39**
Payables due to the purchase of property, plant and equipment and intangible assets	-	-	268	-	**268**
Adjustments	39	-	268	-	**307**
Change in the statement of cash flows	**(88)**	**(163)**	**154**	**460**	**363**

	Inventories	Trade receivables	Trade payables	Similar payables – reverse factoring	Working capital
As at 1 January 2019	(4 102)	(310)	2 082	-	**(2 330)**
As at 30 September 2019	(4 329)	(242)	1 592	5	**(2 974)**
Change in the statement of financial position	(227)	68	(490)	5	**(644)**
Depreciation recognised in inventories	52	-	-	-	**52**
Payables due to the purchase of property, plant and equipment and intangible assets	-	-	277	-	**277**
Adjustments	52	-	277	-	**329**
Change in the statement of cash flows	**(175)**	**68**	**(213)**	**5**	**(315)**

amounts in PLN millions, unless otherwise stated

Note 7 Other adjustments in the statement of cash flows

	from 1 January 2020 to 30 September 2020	from 1 January 2019 to 30 September 2019
Losses on the disposal of property, plant and equipment and intangible assets	33	8
Proceeds from income tax from the tax group companies	35	19
Profit or loss due to measurement and realisation of derivatives related to sources of external financing	5	-
Other	1	(4)
Total	**74**	**23**

SIGNATURES OF ALL MEMBERS OF THE MANAGEMENT BOARD

This report was authorised for issue on 18 November 2020

President
of the Management Board

Marcin Chludziński

Vice President
of the Management Board

Adam Bugajczuk

Vice President
of the Management Board

Paweł Gruza

Vice President
of the Management Board

Katarzyna Kreczmańska-Gigol

Vice President
of the Management Board

Radosław Stach

SIGNATURE OF PERSON RESPONSIBLE FOR ACCOUNTING

Executive Director
of Accounting Services Center
Chief Accountant

Agnieszka Sinior