

**POLISH FINANCIAL SUPERVISION AUTHORITY**

**Consolidated quarterly report QSr 1 / 2023**

(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 first quarter of the financial year **2023** from **1 January 2023** to **31 March 2023** containing the condensed consolidated financial statements prepared under IAS (International Accounting Standard) 34 in PLN, and condensed financial statements prepared under IAS 34 in PLN.

publication date: 17 May 2023

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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 2023 to 31 March 2023	from 1 January 2022 to 31 March 2022	from 1 January 2023 to 31 March 2023	from 1 January 2022 to 31 March 2022
I. Revenues from contracts with customers	9 585	8 993	2 039	1 935
II. Profit on sales	662	1 801	141	388
III. Profit before income tax	513	2 508	109	540
IV. Profit for the period	164	1 899	35	409
V. Profit for the period attributable to shareholders of the Parent Entity	163	1 900	35	409
VI. Profit for the period attributable to non-controlling interest	1	( 1)	-	-
VII. Other comprehensive income	( 138)	( 339)	( 29)	( 73)
VIII. Total comprehensive income	26	1 560	6	336
IX. Total comprehensive income attributable to shareholders of the Parent Entity	25	1 560	6	336
X. Total comprehensive income attributable to non-controlling interest	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	0.82	9.50	0.18	2.05
XIII. Net cash generated from operating activities	1 480	1 725	315	371
XIV. Net cash used in investing activities	( 1 163)	( 195)	( 247)	( 42)
XV. Net cash generated from/(used in) financing activities	66	( 76)	14	( 16)
XVI. Total net cash flow	383	1 454	82	313
	<b>As at 31 March 2023</b>	<b>As at 31 December 2022</b>	<b>As at 31 March 2023</b>	<b>As at 31 December 2022</b>
XVII. Non-current assets	40 353	40 379	8 631	8 610
XVIII. Current assets	12 982	13 065	2 776	2 786
XIX. Total assets	53 335	53 444	11 407	11 396
XX. Non-current liabilities	12 469	12 113	2 667	2 584
XXI. Current liabilities	8 694	9 185	1 859	1 958
XXII. Equity	32 172	32 146	6 881	6 854
XXIII. Equity attributable to shareholders of the Parent Entity	32 114	32 089	6 869	6 842
XXIV. Equity attributable to non-controlling interest	58	57	12	12

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

	in PLN mn		in EUR mn	
	from 1 January 2023 to 31 March 2023	from 1 January 2022 to 31 March 2022	from 1 January 2023 to 31 March 2023	from 1 January 2022 to 31 March 2022
I. Revenues from contracts with customers	8 370	7 555	1 781	1 626
II. Profit on sales	997	1 602	212	345
III. Profit before income tax	869	1 838	185	396
IV. Profit for the period	482	1 325	103	285
V. Other comprehensive net income	( 87)	( 362)	( 19)	( 78)
VI. Total comprehensive income	395	963	84	207
VII. Number of shares issued (million)	200	200	200	200
VIII. Earnings per ordinary share (PLN/EUR)	2.41	6.63	0.52	1.43
IX. Net cash generated from operating activities	1 762	1 839	375	396
X. Net cash used in investing activities	( 1 559)	( 381)	( 332)	( 82)
XI. Net cash generated from/(used in) financing activities	86	( 122)	18	( 26)
XII. Total net cash flow	289	1 336	61	287
	<b>As at 31 March 2023</b>	<b>As at 31 December 2022</b>	<b>As at 31 March 2023</b>	<b>As at 31 December 2022</b>
XIII. Non-current assets	37 174	36 707	7 951	7 827
XIV. Current assets	11 016	11 288	2 356	2 407
XV. Total assets	48 190	47 995	10 307	10 234
XVI. Non-current liabilities	10 695	10 311	2 287	2 199
XVII. Current liabilities	7 425	8 009	1 588	1 708
XVIII. Equity	30 070	29 675	6 432	6 327

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## Part 1 – Condensed consolidated financial statements

### CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	from 1 January 2023 to 31 March 2023	from 1 January 2022 to 31 March 2022
Note 3.3 Revenues from contracts with customers	9 585	8 993
Note 4.1 Cost of sales	(8 502)	(6 831)
<b>Gross profit on sales</b>	<b>1 083</b>	<b>2 162</b>
Note 4.1 Selling costs and administrative expenses	( 421)	( 361)
<b>Profit on sales</b>	<b>662</b>	<b>1 801</b>
Note 4.5 Gain due to the reversal of allowances for impairment of loans granted to a joint venture	-	64
Note 4.5 Interest income on loans granted to a joint venture calculated using the effective interest rate method	147	183
Profit or loss on involvement in a joint venture	147	247
Note 4.2 Other operating income, including:	205	762
other interest calculated using the effective interest rate method	10	4
reversal of impairment losses on financial instruments	1	1
Note 4.2 Other operating costs, including:	( 575)	( 195)
impairment losses on financial instruments	( 2)	( 1)
Note 4.3 Finance income	94	-
Note 4.3 Finance costs	( 20)	( 107)
<b>Profit before income tax</b>	<b>513</b>	<b>2 508</b>
Income tax expense	( 349)	( 609)
<b>PROFIT FOR THE PERIOD</b>	<b>164</b>	<b>1 899</b>
Profit for the period attributable to:		
Shareholders of the Parent Entity	163	1 900
Non-controlling interest	1	( 1)
<b>Weighted average number of ordinary shares (million)</b>	<b>200</b>	<b>200</b>
<b>Basic/diluted earnings per share (in PLN)</b>	<b>0.82</b>	<b>9.50</b>

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

	from 1 January 2023 to 31 March 2023	from 1 January 2022 to 31 March 2022
<b>Profit for the period</b>	<b>164</b>	<b>1 899</b>
Measurement of hedging instruments net of the tax effect	( 22)	( 285)
Exchange differences from the translation of statements of operations with a functional currency other than PLN	( 43)	-
<b>Other comprehensive income which will be reclassified to profit or loss</b>	<b>( 65)</b>	<b>( 285)</b>
Measurement of equity financial instruments at fair value through other comprehensive income, net of the tax effect	( 20)	41
Actuarial losses net of the tax effect	( 53)	( 95)
<b>Other comprehensive income, which will not be reclassified to profit or loss</b>	<b>( 73)</b>	<b>( 54)</b>
<b>Total other comprehensive net income</b>	<b>( 138)</b>	<b>( 339)</b>
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>26</b>	<b>1 560</b>
<b>Total comprehensive income attributable to:</b>		
Shareholders of the Parent Entity	25	1 560
Non-controlling interest	1	-

**CONSOLIDATED STATEMENT OF CASH FLOWS**

	<b>from 1 January 2023 to 31 March 2023</b>	<b>from 1 January 2022 to 31 March 2022</b>
<b>Cash flow from operating activities</b>		
Profit before income tax	513	2 508
Depreciation/amortisation recognised in profit or loss	666	493
Gain due to the reversal of allowances for impairment of loans granted to a joint venture	-	( 64)
Interest on loans granted to a joint venture	( 147)	( 183)
Other interest	10	24
Impairment losses on property, plant and equipment and intangible assets	8	-
Gains on disposal of property, plant and equipment and intangible assets	-	( 133)
Gain on disposal of subsidiaries	-	( 38)
Exchange differences, of which:	195	( 241)
from investment activities and cash	289	( 305)
from financing activities	( 94)	64
Change in provisions for decommissioning of mines, liabilities related to future employee benefits programs and other provisions	141	( 63)
Change in other receivables and liabilities other than working capital	62	188
Change in assets and liabilities due to derivatives	( 17)	( 221)
Reclassification of other comprehensive income to profit or loss due to the realisation of hedging derivatives	16	279
Other adjustments	2	4
Exclusions of income and costs, total	936	45
Income tax paid	( 248)	( 181)
Note 4.11 Changes in working capital, including:	279	( 647)
change in trade payables transferred to factoring	( 14)	( 10)
<b>Net cash generated from operating activities</b>	<b>1 480</b>	<b>1 725</b>
<b>Cash flow from investing activities</b>		
Note 4.8 Expenditures on mining and metallurgical assets, including:	( 988)	( 936)
paid capitalised interest on borrowings	( 41)	( 24)
Expenditures on other property, plant and equipment and intangible assets	( 157)	( 148)
Expenditures on financial assets designated for decommissioning mines and other technological facilities	( 24)	( 29)
Proceeds from disposal of property, plant and equipment and intangible assets	9	330
Proceeds from disposal of subsidiaries	-	151
Interest received on loans granted to a joint venture	-	431
Other	( 3)	6
<b>Net cash used in investing activities</b>	<b>( 1 163)</b>	<b>( 195)</b>
<b>Cash flow from financing activities</b>		
Note 4.8 Proceeds from borrowings	1 385	44
Note 4.8 Repayments of borrowings	( 1 284)	( 87)
Note 4.8 Repayment of lease liabilities	( 11)	( 9)
Payment of interest, including:	( 27)	( 31)
Note 4.8     borrowings	( 26)	( 30)
Other	3	7
<b>Net cash generated from/(used in) financing activities</b>	<b>66</b>	<b>( 76)</b>
<b>NET CASH FLOW</b>		
	<b>383</b>	<b>1 454</b>
Exchange gains/(losses)	( 9)	( 3)
Cash and cash equivalents at beginning of the period	1 200	1 904
<b>Cash and cash equivalents at end of the period, including:</b>	<b>1 574</b>	<b>3 355</b>
recognised in assets held for sale (disposal group)	-	18
restricted cash	31	26

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at 31 March 2023	As at 31 December 2022
<b>ASSETS</b>		
Mining and metallurgical property, plant and equipment	22 957	22 894
Mining and metallurgical intangible assets	2 858	2 772
Mining and metallurgical property, plant and equipment and intangible assets	25 815	25 666
Other property, plant and equipment	2 713	2 746
Other intangible assets	292	218
Other property, plant and equipment and intangible assets	3 005	2 964
Note 4.5 Involvement in joint ventures – loans granted	9 511	9 603
Derivatives	602	714
Other financial instruments measured at fair value	577	606
Other financial instruments measured at amortised cost	480	469
Note 4.6 Financial instruments, total	1 659	1 789
Deferred tax assets	143	137
Other non-financial assets	220	220
<b>Non-current assets</b>	<b>40 353</b>	<b>40 379</b>
Inventories	8 538	8 902
Note 4.6 Trade receivables, including:	1 131	1 177
trade receivables measured at fair value through profit or loss	624	751
Tax assets	367	367
Note 4.6 Derivatives	611	796
Other financial assets	373	337
Other non-financial assets	388	286
Note 4.6 Cash and cash equivalents	1 574	1 200
<b>Current assets</b>	<b>12 982</b>	<b>13 065</b>
<b>TOTAL ASSETS</b>	<b>53 335</b>	<b>53 444</b>
<b>EQUITY AND LIABILITIES</b>		
Share capital	2 000	2 000
Other reserves from measurement of financial instruments	( 469)	( 427)
Accumulated other comprehensive income, other than from measurement of financial instruments	1 716	1 812
Retained earnings	28 867	28 704
Equity attributable to shareholders of the Parent Entity	32 114	32 089
Equity attributable to non-controlling interest	58	57
<b>Equity</b>	<b>32 172</b>	<b>32 146</b>
Note 4.6 Borrowings, lease and debt securities	5 899	5 220
Note 4.6 Derivatives	540	719
Employee benefits liabilities	2 692	2 621
Provisions for decommissioning costs of mines and other technological facilities	1 751	1 859
Deferred tax liabilities	1 081	1 151
Other liabilities	506	543
<b>Non-current liabilities</b>	<b>12 469</b>	<b>12 113</b>
Note 4.6 Borrowings, lease and debt securities	618	1 223
Note 4.6 Derivatives	343	434
Note 4.6 Trade and similar payables	2 819	3 094
Employee benefits liabilities	1 819	1 699
Tax liabilities	1 366	1 233
Provisions for liabilities and other charges	182	173
Other liabilities	1 547	1 329
<b>Current liabilities</b>	<b>8 694</b>	<b>9 185</b>
<b>Non-current and current liabilities</b>	<b>21 163</b>	<b>21 298</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>53 335</b>	<b>53 444</b>

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Equity attributable to shareholders of the Parent Entity				Total	Equity attributable to non-controlling interest	Total equity
	Share capital	Other reserves from measurement of financial instruments	Accumulated other comprehensive income	Retained earnings			
<b>As at 1 January 2022</b>	<b>2 000</b>	<b>(1 705)</b>	<b>2 219</b>	<b>24 532</b>	<b>27 046</b>	<b>92</b>	<b>27 138</b>
Profit for the period	-	-	-	1 900	<b>1 900</b>	(1)	<b>1 899</b>
Other comprehensive income	-	(244)	(96)	-	<b>(340)</b>	1	<b>(339)</b>
Total comprehensive income	-	(244)	(96)	1 900	<b>1 560</b>	-	<b>1 560</b>
Changes due to loss of control of subsidiaries	-	-	-	-	-	(37)	<b>(37)</b>
<b>As at 31 March 2022</b>	<b>2 000</b>	<b>(1 949)</b>	<b>2 123</b>	<b>26 432</b>	<b>28 606</b>	<b>55</b>	<b>28 661</b>
<b>As at 1 January 2023</b>	<b>2 000</b>	<b>(427)</b>	<b>1 812</b>	<b>28 704</b>	<b>32 089</b>	<b>57</b>	<b>32 146</b>
Profit for the period	-	-	-	163	<b>163</b>	1	<b>164</b>
Other comprehensive income	-	(42)	(96)	-	<b>(138)</b>	-	<b>(138)</b>
Total comprehensive income	-	(42)	(96)	163	<b>25</b>	1	<b>26</b>
<b>As at 31 March 2023</b>	<b>2 000</b>	<b>(469)</b>	<b>1 716</b>	<b>28 867</b>	<b>32 114</b>	<b>58</b>	<b>32 172</b>



## 1 – General information

### Note 1.1 Corporate information

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

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

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

The Parent Entity’s principal activities include:

- the mining of copper and non-ferrous metals ores; and
- the production of copper, precious and non-ferrous metals.

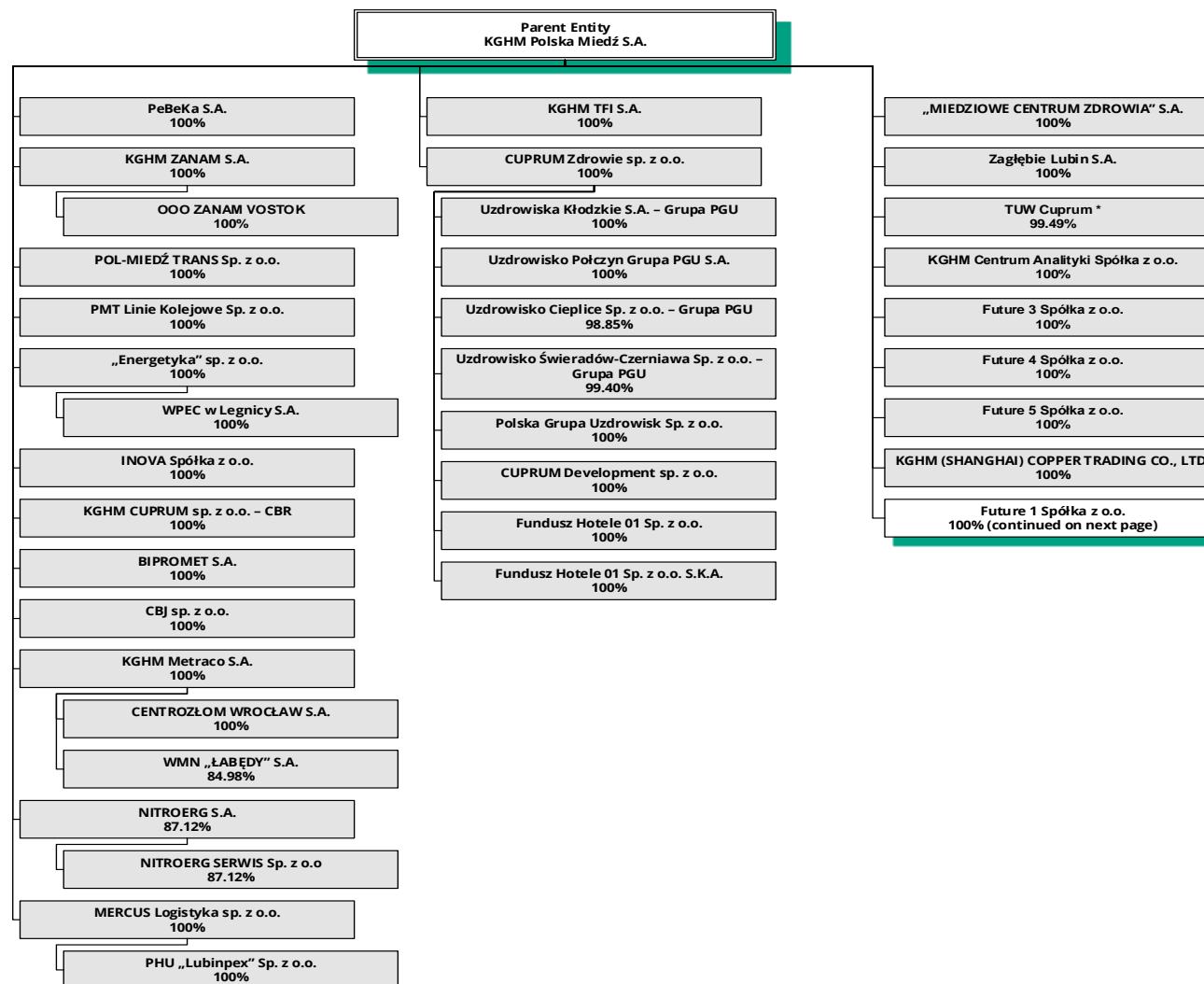
The business activities of the Group include:

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

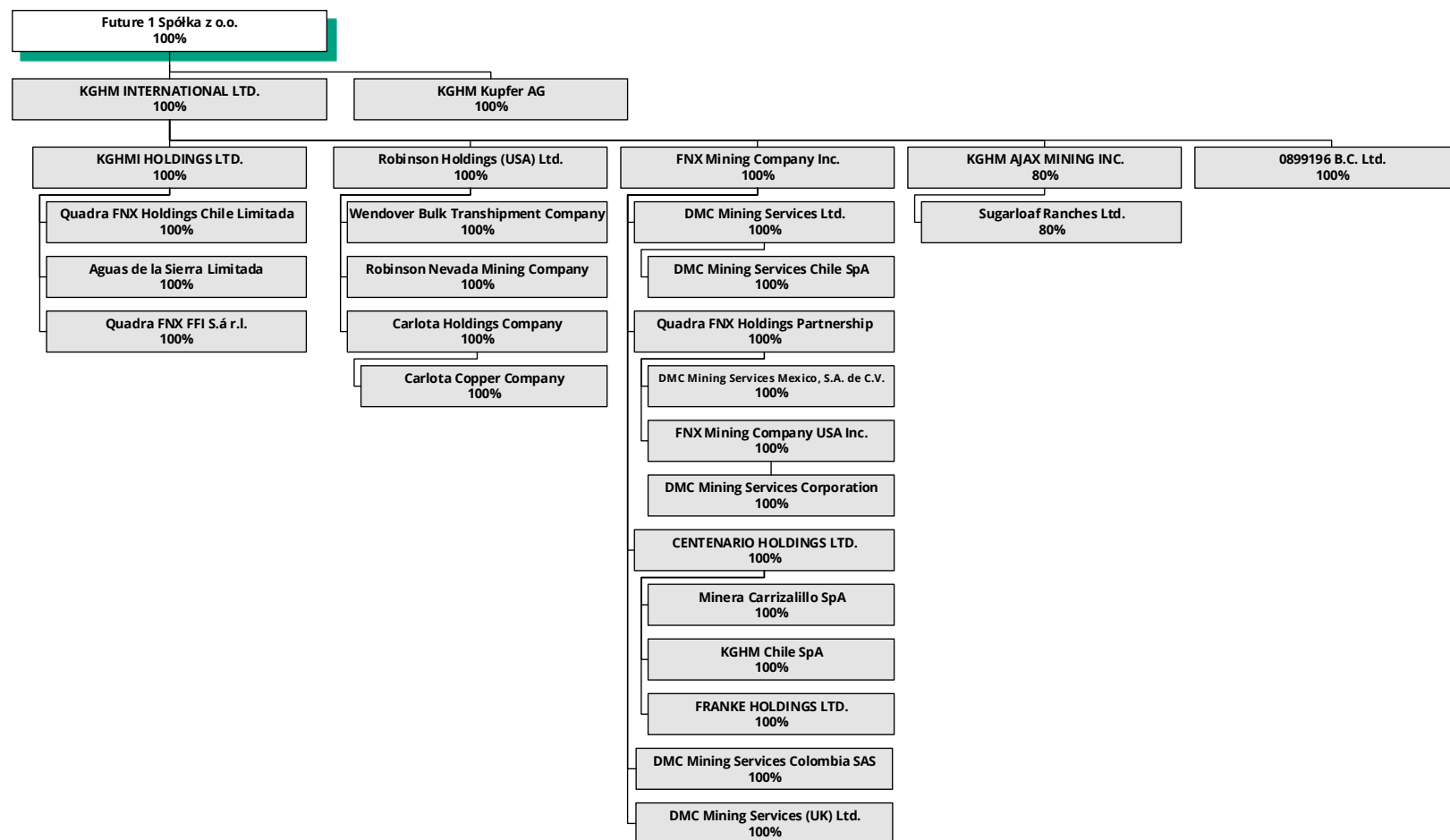
The KGHM Polska Miedź S.A. Group (the Group) carries out exploration for and mining of copper, nickel and precious metals based on concessions for Polish deposits held by KGHM Polska Miedź S.A., and also based on legal titles held by companies of the KGHM INTERNATIONAL LTD. Group for the exploration 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 31 March 2023, KGHM Polska Miedź S.A. consolidated 63 subsidiaries and used the equity method to account for the shares of two joint ventures (Sierra Gorda S.C.M. and NANO CARBON Sp. z o.o. in liquidation).



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



### 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 **4.7005 EURPLN\***,
- for the conversion of turnover, profit or loss and cash flow for the comparable period, the rate of **4.6472 EURPLN\***,
- for the conversion of assets, equity and liabilities at 31 March 2023, the current average exchange rate announced by the National Bank of Poland (NBP) as at 31 March 2023, of **4.6755 EURPLN**,
- for the conversion of assets, equity and liabilities at 31 December 2022, the current average exchange rate announced by the NBP as at 31 December 2022, of **4.6899 EURPLN**.

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

### 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 31 March 2023 and the comparable period from 1 January to 31 March 2022, 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 31 March 2023 and the comparable period from 1 January to 31 March 2022 (**Part 2**).

Neither the condensed consolidated financial statements for the period from 1 January to 31 March 2023 and as at 31 March 2023 nor the quarterly financial information of KGHM Polska Miedź S.A. for the period from 1 January to 31 March 2023 and as at 31 March 2023 were subject to audit by a certified auditor.

The consolidated quarterly report for the period from 1 January 2023 to 31 March 2023 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 RR 2022 and the Consolidated annual report SRR 2022.

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 2022.

#### Note 1.4.1 Impact of new and amended standards and interpretations

From 1 January 2023, the following amendments to standards came into force:






- **IFRS 17** Insurance contracts and amendments to IFRS 17 published in 2020 and 2021,
- **Amendments to IAS 1 and Practice Statement 2** on disclosures of accounting policies,
- **Amendments to IAS 8** on the introduction of a definition of accounting estimates,
- **Amendments to IAS 12** on deferred tax related to assets and liabilities arising from a single transaction.

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

## 2 – Realisation of strategy

### Strategy description – Basic elements of the Strategy of KGHM Polska Miedź S.A.

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

 <p><b>Flexibility</b></p>	<ul style="list-style-type: none"> <li>▪ Continuation of the Hybrid Legnica Smelter and Refinery Strategic Program.</li> <li>▪ Continuation of actions to extend the value chain of the Company.</li> <li>▪ Continuation of exploration projects in Poland with respect to exploring for and evaluating copper ore and other deposits.</li> <li>▪ Continuation of development projects in the international assets.</li> <li>▪ Focus on financial stability: basing the Group's financing structure on long-term instruments, shortening the cash conversion cycle, management of market and credit risk in the Group.</li> </ul>
 <p><b>Efficiency</b></p>	<ul style="list-style-type: none"> <li>▪ Stable production of copper from the domestic assets (mined 114.6 thousand tonnes: metallurgical 149 thousand tonnes).</li> <li>▪ Production of payable copper from the international assets (Sierra Gorda 18.9 thousand tonnes (55%); Robinson 5.3 thousand tonnes; Carlota 0.7 thousand tonnes; Sudbury Basin 1.6 thousand tonnes). The Sierra Gorda mine is operating exclusively on power provided by Renewable Energy Sources.</li> <li>▪ Continuation of the Deposit Access Program (sinking of the GG-1 shaft concluded upon reaching a depth of 1 348 meters, an agreement was signed with a contractor to build the GG-2 shaft).</li> <li>▪ Continued development of the Żelazny Most Tailings Storage Facility (95% of the physical scope of work for the Southern Quarter and 93% of the physical scope of work on the Tailings Segregation and Compacting Station were completed. Tailings are being deposited in the Southern Quarter).</li> <li>▪ R&amp;D initiatives are underway to enhance the efficiency of the Company's core production business.</li> <li>▪ Continued advancement of projects under the Horizon Europe and KIC Raw Materials Programs, and submission of applications for the subsidizing of new initiatives.</li> <li>▪ Advancement of actions involving intellectual property of the Company.</li> </ul>
 <p><b>Ecology, safety and sustainable development</b></p>	<ul style="list-style-type: none"> <li>▪ Continuation of the Program to adapt the technological installations of the Company to the requirements of BAT conclusions for the nonferrous metals industry and to restrict emissions of arsenic (BATAs).</li> <li>▪ Advancement of work involving Environmental Policy and pro-environmental activities.</li> <li>▪ Continuation of the Occupational Health and Safety Improvement Program (LTIFR: 4.99; TRIR: 0.12).</li> <li>▪ As the sole Polish company, the Company was ranked 150<sup>th</sup> in the prestigious ranking Carbon Clean 200<sup>TM</sup> for 2022 - companies acting on behalf of the climate.</li> </ul>
 <p><b>E-industry</b></p>	<ul style="list-style-type: none"> <li>▪ Continuation of projects to automate the production lines of the Mining Divisions of the Company (including, among others, initiatives connected with testing electric battery-powered mining machinery).</li> <li>▪ Continuation of digital transformation under the KGHM 4.0. Program.</li> </ul>
 <p><b>Energy</b></p>	<ul style="list-style-type: none"> <li>▪ Long-term investments in the area of energy: development of solar energy; wind energy (including offshore); nuclear energy (SMR) and hydrogen technology to increase power generation from own sources, PPAs.</li> <li>▪ Submission by the Company to the Ministry of Climate and the Environment (April 2023) of an application to issue a fundamental decision for the project to build a small modular reactor power plant (SMR) in Poland.</li> <li>▪ Commencement by KGHM Polska Miedź S.A. and TAURON Polska Energia S.A. of work on defining the joint scope of development of the Pre-feasibility Study for the SMR project.</li> <li>▪ 15.69% of the Company's need for electricity was met by its own internal sources.</li> </ul>

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

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

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

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

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

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

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

The Parent Entity and the KGHM INTERNATIONAL LTD. Group (a subgroup) have a fundamental impact on the 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 indirect 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 taxes (current and deferred income tax as well as the mining tax), finance income and costs, other operating income and costs, profit or loss on involvement in joint ventures, depreciation/amortisation and recognition/reversal of impairment losses on property, plant and equipment and intangible assets included in the cost of sales, selling costs and administrative expenses. Adjusted EBITDA – as a financial indicator not defined by IFRSs – is not a standardised measure and therefore its method of calculation may vary between entities, and consequently the presentation and calculation of adjusted EBITDA applied by the Group may not be comparable to that applied by other market entities.

Revenues from transactions with external entities and inter-segment transactions are carried out at arm's length. Eliminations of mutual settlements, revenues and costs between segments were presented in the item "Consolidation adjustments".

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



## Note 3.2 Financial results of reporting segments

		from 1 January 2023 to 31 March 2023					Reconciliation items to consolidated data		Consolidated financial statements
		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****		
Note 3.3	<b>Revenues from contracts with customers, of which:</b>	<b>8 370</b>	<b>711</b>	<b>932</b>	<b>3 236</b>	<b>( 932)</b>	<b>( 2 732)</b>	<b>9 585</b>	
	- inter-segment	201	-	-	2 531	-	(2 732)	-	
	- external	8 169	711	932	705	( 932)	-	9 585	
	<b>Segment result - profit/(loss) for the period</b>	<b>482</b>	<b>( 331)</b>	<b>78</b>	<b>( 68)</b>	<b>( 78)</b>	<b>81</b>	<b>164</b>	
<b>Additional information on significant revenue/cost items of the segment</b>									
	Depreciation/amortisation recognised in profit or loss	( 363)	( 244)	( 198)	( 69)	198	10	( 666)	
	Impairment losses on non-current assets	-	( 8)	-	-	-	-	( 8)	
		<b>As at 31 March 2023</b>							
	<b>Assets, including:</b>	<b>48 190</b>	<b>14 763</b>	<b>13 368</b>	<b>6 246</b>	<b>(13 368)</b>	<b>(15 864)</b>	<b>53 335</b>	
	Segment assets	48 190	14 763	13 368	6 246	(13 368)	(15 869)	53 330	
	Assets unallocated to segments	-	-	-	-	-	5	5	
	<b>Liabilities, including:</b>	<b>18 120</b>	<b>19 052</b>	<b>13 710</b>	<b>3 553</b>	<b>(13 710)</b>	<b>(19 562)</b>	<b>21 163</b>	
	Segment liabilities	18 120	19 052	13 710	3 553	(13 710)	(19 642)	21 083	
	Liabilities unallocated to segments	-	-	-	-	-	80	80	
<b>Other information</b>									
		<b>from 1 January 2023 to 31 March 2023</b>							
	Cash expenditures on property, plant and equipment and intangible assets – cash flows	883	203	327	162	( 327)	( 103)	1 145	
<b>Production and cost data</b>									
		<b>from 1 January 2023 to 31 March 2023</b>							
	Payable copper (kt)	149.0	7.6	18.9					
	Molybdenum (million pounds)	-	-	1.0					
	Silver (t)	374.9	0.7	5.3					
	TPM (koz t)	30.9	9.0	7.5					
	C1 cash cost of producing copper in concentrate (USD/lb PLN/lb)**	3.08 13.51	5.00 21.94	1.48 6.49					
	<b>Segment result - adjusted EBITDA</b>	<b>1 360</b>	<b>( 37)</b>	<b>550</b>	<b>9</b>	<b>-</b>	<b>-</b>	<b>1 882</b>	
	<b>EBITDA margin***</b>	<b>16%</b>	<b>(5%)</b>	<b>59%</b>	<b>0%</b>	<b>-</b>	<b>-</b>	<b>18%</b>	

\* 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. C1 cost is in regard to payable copper in own concentrate in the case of the segment KGHM Polska Miedź S.A. and payable copper in end products of individual mines of the segment KGHM INTERNATIONAL LTD. and the segment Sierra Gorda S.C.M. C1 cost in PLN/lb was calculated using the average exchange rate by the NBP (arithmetical average of daily quotations per the NBP's tables).

\*\*\* Adjusted EBITDA to revenues from contracts with customers. For the purposes of calculating the Group's EBITDA margin (18%), the consolidated revenues from contracts with customers were increased by revenues from contracts with customers of the segment Sierra Gorda S.C.M. [1 882 / (9 585 + 932) \* 100]

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

## Financial results of reporting segments for the comparable period

		from 1 January 2022 to 31 March 2022					Reconciliation items to consolidated data		Consolidated financial statements
		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****		
Note 3.3	<b>Revenues from contracts with customers, of which:</b>	<b>7 555</b>	<b>876</b>	<b>1 194</b>	<b>3 055</b>	<b>(1 194)</b>	<b>(2 493)</b>	<b>8 993</b>	
	- inter-segment	153	-	-	2 340	-	(2 493)	-	
	- external	7 402	876	1 194	715	(1 194)	-	8 993	
	<b>Segment result - profit/(loss) for the period</b>	<b>1 325</b>	<b>390</b>	<b>239</b>	<b>(53)</b>	<b>(239)</b>	<b>237</b>	<b>1 899</b>	
<b>Additional information on significant revenue/cost items of the segment</b>									
	Depreciation/amortisation recognised in profit or loss	(322)	(110)	(253)	(68)	253	7	(493)	
	Reversal of impairment losses on non-current assets (loans granted)	53	64	-	-	-	(53)	64	
<b>As at 31 December 2022</b>									
	<b>Assets, including:</b>	<b>47 995</b>	<b>15 228</b>	<b>13 563</b>	<b>6 071</b>	<b>(13 563)</b>	<b>(15 850)</b>	<b>53 444</b>	
	Segment assets	47 995	15 228	13 563	6 071	(13 563)	(15 854)	53 440	
	Assets unallocated to segments	-	-	-	-	-	4	4	
	<b>Liabilities, including:</b>	<b>18 320</b>	<b>19 276</b>	<b>13 992</b>	<b>3 446</b>	<b>(13 992)</b>	<b>(19 744)</b>	<b>21 298</b>	
	Segment liabilities	18 320	19 276	13 992	3 446	(13 992)	(19 804)	21 238	
	Liabilities unallocated to segments	-	-	-	-	-	60	60	
<b>Other information</b>		<b>from 1 January 2022 to 31 March 2022</b>							
	Cash expenditures on property, plant and equipment and intangible assets – cash flows	781	263	342	139	(342)	(99)	1 084	
<b>Production and cost data</b>		<b>from 1 January 2022 to 31 March 2022</b>							
	Payable copper (kt)	151.1	18.2	23.9					
	Molybdenum (million pounds)	-	0.1	1.2					
	Silver (t)	339.8	0.3	7.5					
	TPM (koz t)	21.1	15.1	6.6					
	C1 cash cost of producing copper in concentrate (USD/lb PLN/lb)**	2.40 9.88	2.23 9.19	1.35 5.57					
	<b>Segment result - adjusted EBITDA</b>	<b>1 924</b>	<b>361</b>	<b>821</b>	<b>27</b>	<b>-</b>	<b>-</b>	<b>3 133</b>	
	<b>EBITDA margin***</b>	<b>25%</b>	<b>41%</b>	<b>69%</b>	<b>1%</b>	<b>-</b>	<b>-</b>	<b>31%</b>	

\* 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. C1 cost is in regard to payable copper in own concentrate in the case of the segment KGHM Polska Miedź S.A. and payable copper in end products of individual mines of the segment KGHM INTERNATIONAL LTD. and the segment Sierra Gorda S.C.M. C1 cost in PLN/lb was calculated using the average exchange rate by the NBP (arithmetical average of daily quotations per the NBP's tables).

\*\*\* Adjusted EBITDA to revenues from contracts with customers. For the purposes of calculating the Group's EBITDA margin (31%), the consolidated revenues from contracts with customers were increased by revenues from contracts with customers of the segment Sierra Gorda S.C.M. [ $3\,133 / (8\,993 + 1\,194) * 100$ ]

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

Reconciliation of adjusted EBITDA	from 1 January 2023 to 31 March 2023						
	KGHM Polska Miedź S.A.	KGHM INTERNATIONAL LTD.	Other segments	Consolidation adjustments*	Consolidated financial statements	Sierra Gorda S.C.M. **	Adjusted EBITDA (segments, total)
	1	2	3	4	5 (1+2+3+4)	6	7 (5+6-4)
<b>Profit/(Loss) for the period</b>	<b>482</b>	<b>( 331)</b>	<b>( 68)</b>	<b>81</b>	<b>164</b>	<b>78</b>	
[ - ] Profit or loss on involvement in joint ventures	-	147	-	-	147	-	
[ - ] Current and deferred income tax, mining tax***	( 387)	63	( 13)	( 12)	( 349)	( 50)	
[ - ] Depreciation/amortisation recognised in profit or loss	( 363)	( 244)	( 69)	10	( 666)	( 198)	
[ - ] Finance income and (costs)	56	( 266)	( 12)	296	74	( 202)	
[ - ] Other operating income and (costs)	( 184)	14	17	( 217)	( 370)	( 22)	
[ - ] Impairment losses on non-current assets recognised in cost of sales, selling costs and administrative expenses	-	( 8)	-	-	( 8)	-	
<b>Segment result - adjusted EBITDA</b>	<b>1 360</b>	<b>( 37)</b>	<b>9</b>	<b>4</b>	<b>1 336</b>	<b>550</b>	<b>1 882</b>

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

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

\*\*\*Mining tax concerns only the segment Sierra Gorda S.C.M.

Reconciliation of adjusted EBITDA	from 1 January 2022 to 31 March 2022						
	KGHM Polska Miedź S.A.	KGHM INTERNATIONAL LTD.	Other segments	Consolidation adjustments*	Consolidated financial statements	Sierra Gorda S.C.M. **	Adjusted EBITDA (segments, total)
	1	2	3	4	5 (1+2+3+4)	6	7 (5+6-4)
<b>Profit/(Loss) for the period</b>	<b>1 325</b>	<b>390</b>	<b>( 53)</b>	<b>237</b>	<b>1 899</b>	<b>239</b>	
[ - ] Profit or loss on involvement in joint ventures	-	247	-	-	247	-	
[ - ] Current and deferred income tax, mining tax***	( 513)	( 50)	( 10)	( 36)	( 609)	( 120)	
[ - ] Depreciation/amortisation recognised in profit or loss	( 322)	( 110)	( 68)	7	( 493)	( 253)	
[ - ] Finance income and (costs)	( 105)	( 216)	( 8)	222	( 107)	( 192)	
[ - ] Other operating income and (costs)	341	158	6	62	567	( 17)	
[ - ] (Recognition)/reversal of impairment losses on non-current assets recognised in cost of sales, selling costs and administrative expenses	-	-	-	-	-	-	
<b>Segment result - adjusted EBITDA</b>	<b>1 924</b>	<b>361</b>	<b>27</b>	<b>( 18)</b>	<b>2 294</b>	<b>821</b>	<b>3 133</b>

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

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

\*\*\*Mining tax concerns only the segment Sierra Gorda S.C.M.

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

from 1 January 2023 to 31 March 2023

				Reconciliation items to consolidated data			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	
Copper	6 447	426	767	3	( 767)	( 19)	<b>6 857</b>
Silver	1 221	9	18	-	( 18)	-	<b>1 230</b>
Gold	331	58	68	-	( 68)	-	<b>389</b>
Services	45	175	-	610	-	( 449)	<b>381</b>
Energy	16	-	-	152	-	( 84)	<b>84</b>
Salt	17	-	-	-	-	( 3)	<b>14</b>
Blasting materials and explosives	-	-	-	86	-	( 67)	<b>19</b>
Mining machinery, transport vehicles and other types of machinery and equipment	-	-	-	68	-	( 57)	<b>11</b>
Fuel additives	-	-	-	32	-	-	<b>32</b>
Lead	73	-	-	-	-	-	<b>73</b>
Products from other non-ferrous metals	-	-	-	41	-	( 2)	<b>39</b>
Steel	-	-	-	118	-	( 17)	<b>101</b>
Petroleum and its derivatives	-	-	-	122	-	( 106)	<b>16</b>
Other merchandise and materials	173	-	-	1 793	-	(1 813)	<b>153</b>
Other products	47	43	79	211	( 79)	( 115)	<b>186</b>
<b>TOTAL</b>	<b>8 370</b>	<b>711</b>	<b>932</b>	<b>3 236</b>	<b>( 932)</b>	<b>(2 732)</b>	<b>9 585</b>

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

from 1 January 2022 to 31 March 2022

				Other segments	Reconciliation items to consolidated data		Consolidated data
	KGHM Polska Miedź S.A.	KGHM INTERNATIONAL LTD.	Sierra Gorda S.C.M.*		Elimination of data of the segment Sierra Gorda S.C.M	Consolidation adjustments	
Copper	5 824	605	1 050	3	(1 050)	(14)	<b>6 418</b>
Silver	1 214	4	24	-	(24)	-	<b>1 218</b>
Gold	190	75	52	-	(52)	-	<b>265</b>
Services	42	140	-	496	-	(381)	<b>297</b>
Energy	9	-	-	108	-	(55)	<b>62</b>
Salt	7	-	-	-	-	1	<b>8</b>
Blasting materials and explosives	-	-	-	56	-	(27)	<b>29</b>
Mining machinery, transport vehicles and other types of machinery and equipment	-	-	-	49	-	(32)	<b>17</b>
Fuel additives	-	-	-	44	-	-	<b>44</b>
Lead	70	-	-	-	-	-	<b>70</b>
Products from other non-ferrous metals	-	-	-	40	-	-	<b>40</b>
Steel	-	-	-	194	-	(24)	<b>170</b>
Petroleum and its derivatives	-	-	-	111	-	(89)	<b>22</b>
Other merchandise and materials	92	-	-	1 775	-	(1 766)	<b>101</b>
Other products	107	52	68	179	(68)	(106)	<b>232</b>
<b>TOTAL</b>	<b>7 555</b>	<b>876</b>	<b>1 194</b>	<b>3 055</b>	<b>(1 194)</b>	<b>(2 493)</b>	<b>8 993</b>

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

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

from 1 January 2023 to 31 March 2023

	KGHM Polska Miedź S.A.	KGHM INTERNATIONAL LTD.	Sierra Gorda S.C.M.*	Other segments	Reconciliation items to consolidated data		Consolidated data
					Elimination of data of the segment Sierra Gorda S.C.M	Consolidation adjustments	
<b>Total revenues from contracts with customers</b>	<b>8 370</b>	<b>711</b>	<b>932</b>	<b>3 236</b>	<b>( 932)</b>	<b>(2 732)</b>	<b>9 585</b>
Revenues from sales contracts, for which the price is set after the date of recognition of the sales (M+ principle), of which:	5 838	537	851	-	( 851)	( 47)	<b>6 328</b>
settled	5 235	85	29	-	( 29)	( 47)	<b>5 273</b>
unsettled	603	452	822	-	( 822)	-	<b>1 055</b>
Revenues from realisation of long-term contracts for mine construction	-	165	-	44	-	( 37)	<b>172</b>
Revenues from other sales contracts	2 532	9	81	3 192	( 81)	(2 648)	<b>3 085</b>
<b>Total revenues from contracts with customers, of which:</b>	<b>8 370</b>	<b>711</b>	<b>932</b>	<b>3 236</b>	<b>( 932)</b>	<b>(2 732)</b>	<b>9 585</b>
in factoring	2 161	-	-	116	-	( 48)	<b>2 229</b>
not in factoring	6 209	711	932	3 120	( 932)	(2 684)	<b>7 356</b>

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

	from 1 January 2023 to 31 March 2023	from 1 January 2022 to 31 March 2022
<b>Total revenues from contracts with customers, of which:</b>	<b>9 585</b>	<b>8 993</b>
transferred at a certain moment	9 047	8 634
transferred over time	538	359

	from 1 January 2022 to 31 March 2022						
	KGHM Polska Miedź S.A.	KGHM INTERNATIONAL LTD.	Sierra Gorda S.C.M.*	Other segments	Reconciliation items to consolidated data		Consolidated data
					Elimination of data of the segment Sierra Gorda S.C.M	Consolidation adjustments	
<b>Total revenues from contracts with customers</b>	<b>7 555</b>	<b>876</b>	<b>1 194</b>	<b>3 055</b>	<b>(1 194)</b>	<b>(2 493)</b>	<b>8 993</b>
Revenues from sales contracts, for which the price is set after the date of recognition of the sales (M+ principle), of which:	5 935	736	1 093	-	(1 093)	(39)	<b>6 632</b>
settled	4 856	521	16	-	(16)	(39)	<b>5 338</b>
unsettled	1 079	215	1 077	-	(1 077)	-	<b>1 294</b>
Revenues from realisation of long-term contracts for mine construction	-	132	-	43	-	(40)	<b>135</b>
Revenues from other sales contracts	1 620	8	101	3 012	(101)	(2 414)	<b>2 226</b>
<b>Total revenues from contracts with customers, of which:</b>	<b>7 555</b>	<b>876</b>	<b>1 194</b>	<b>3 055</b>	<b>(1 194)</b>	<b>(2 493)</b>	<b>8 993</b>
in factoring	2 238	-	-	1 555	-	(1 486)	<b>2 307</b>
not in factoring	5 317	876	1 194	1 500	(1 194)	(1 007)	<b>6 686</b>

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

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

from 1 January 2023 to 31 March 2023

from 1 January 2022  
to 31 March 2022

	KGHM Polska Miedź S.A.	KGHM INTERNATIONAL LTD.	Sierra Gorda S.C.M.*	Other segments	Reconciliation items to consolidated data		Consolidated data	KGHM Polska Miedź S.A. Group
					Elimination of data of the segment Sierra Gorda S.C.M	Consolidation adjustments		
Poland	1 902	-	9	3 144	(9)	(2 723)	2 323	2 409
Austria	125	-	-	6	-	-	131	194
Belgium	3	-	-	3	-	-	6	22
Bulgaria	166	-	-	6	-	-	172	17
Czechia	620	-	-	7	-	-	627	603
France	164	-	-	1	-	-	165	104
The Netherlands	3	-	32	-	(32)	-	3	2
Germany	2 108	-	-	17	-	-	2 125	1 408
Romania	45	-	-	-	-	-	45	45
Slovakia	66	-	-	4	-	-	70	54
Slovenia	33	-	-	-	-	-	33	42
Sweden	-	-	-	8	-	-	8	8
Hungary	384	-	-	4	-	-	388	399
The United Kingdom	268	-	-	2	-	-	270	518
Italy	455	-	-	5	-	-	460	557
Australia	67	-	-	-	-	-	67	195
Chile	2	65	328	-	(328)	-	67	29
China	1 007	375	342	-	(342)	-	1 382	975
Japan	-	-	190	-	(190)	-	-	60
Canada	9	238	-	-	-	(9)	238	182
South Korea	-	-	19	-	(19)	-	-	-
The United States of America	246	34	-	2	-	-	282	353
Switzerland	416	-	-	-	-	-	416	206
Turkey	67	-	-	4	-	-	71	79
Taiwan	49	-	-	-	-	-	49	11
Algeria	23	-	-	-	-	-	23	17
Mexico	-	-	-	-	-	-	-	91
Brazil	-	-	12	-	(12)	-	-	-
Thailand	74	-	-	-	-	-	74	219
Philippines	-	(1)	-	-	-	-	(1)	100
Malaysia	51	-	-	-	-	-	51	-
Vietnam	2	-	-	-	-	-	2	62
Other countries	15	-	-	23	-	-	38	32
<b>TOTAL</b>	<b>8 370</b>	<b>711</b>	<b>932</b>	<b>3 236</b>	<b>(932)</b>	<b>(2 732)</b>	<b>9 585</b>	<b>8 993</b>

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



**Note 3.6 Main customers**

In the period from 1 January 2023 to 31 March 2023 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 31 March 2023	As at 31 December 2022
Poland	25 043	25 008
Canada	1 945	1 919
The United States of America	1 942	1 841
Chile	199	204
<b>TOTAL*</b>	<b>29 129</b>	<b>28 972</b>

\*Non-current assets, excluding: derivatives, other financial instruments, other non-financial assets and deferred tax assets (IFRS 8.33b) in the total amount of PLN 11 224 million as at 31 March 2023 (PLN 11 448 million as at 31 December 2022).

### Note 3.8 Information on segments' results

#### 3.8.1 The segment KGHM Polska Miedź S.A.

##### Production results

	Unit	1 <sup>st</sup> quarter of 2023	1 <sup>st</sup> quarter of 2022	Change (%)
Ore extraction (dry weight)	mn t	7.866	7.737	+1.7
Copper content in ore	%	1.46	1.48	(1.4)
Copper production in concentrate	kt	100.5	100.0	+0.5
Silver production in concentrate	t	338.6	330.3	+2.5
Production of electrolytic copper	kt	149.0	151.1	(1.4)
- including from own concentrate	kt	99.2	96.6	+2.7
Production of metallic silver	t	374.9	339.8	+10.3
Production of gold	koz t	30.9	21.1	+46.4

In the first 3 months of 2023, there was an increase in ore extraction by 128.6 thousand tonnes (dry weight) as compared to the corresponding period of 2022. Copper content in ore decreased slightly to the level of 1.46% as a result of lower content of the mined deposit.

Copper production in concentrate amounted to 100.5 thousand tonnes and was higher by 0.5 thousand tonnes (+0.5%) as compared to the first 3 months of 2022. The increase in production was a result of higher extraction and processing of ore. As compared to the corresponding period of 2022, there was a decrease in electrolytic copper production by 2.1 thousand tonnes. The decrease in cathode production was a result of execution of an investment task related to the modernisation of electrolyte heat exchangers of individual circulation systems in the tank hall of the Głogów I Copper Smelter and Refinery.

Metallic silver production amounted to 375 tonnes and was higher by 35.1 tonnes (+10%) as compared to the first quarter of 2022. The increase in metallic silver production was a result of availability of feed in the Precious Metals Plant.

Metallic gold production amounted to 30.9 thousand troy ounces and was higher by 9.8 thousand troy ounces (+46%) as compared to the first quarter of 2022. The higher metallic gold production was a result of the higher amount of gold-bearing materials processed.

##### Sales

##### Revenues from contracts with customers

	Unit	1 <sup>st</sup> quarter of 2023	1 <sup>st</sup> quarter of 2022	Change (%)
<b>Revenues from contracts with customers, including:</b>	<b>PLN mn</b>	<b>8 370</b>	<b>7 555</b>	<b>+10.8</b>
- copper	PLN mn	6 447	5 824	+10.7
- silver	PLN mn	1 221	1 214	+0.6
Volume of copper sales	kt	156.9	143.2	+9.6
Volume of silver sales	t	372.2	380.5	(2.2)

Revenues in the first quarter of 2023 amounted to PLN 8 370 million and were higher than in the corresponding prior year period by 11%. The main factors for the increase in revenues were higher volume of sales of copper (+10%) and gold (+64%), a more favourable USD/PLN exchange rate (+6%) as well as a change in the adjustment to revenues from sales due to hedging transactions (+PLN 281 million).

##### Costs

	Unit	1 <sup>st</sup> quarter of 2023	1 <sup>st</sup> quarter of 2022	Change (%)
<b>Cost of sales, selling costs and administrative expenses</b>	<b>PLN mn</b>	<b>7 373</b>	<b>5 953</b>	<b>+23.9</b>
<b>Expenses by nature</b>	<b>PLN mn</b>	<b>7 323</b>	<b>6 207</b>	<b>+18.0</b>
Pre-precious metals credit unit cost of electrolytic copper production from own concentrate <sup>1)</sup>	PLN/t	43 451	33 492	+29.7
Total unit cost of electrolytic copper production from own concentrate	PLN/t	31 980	21 977	+45.5
<b>C1 unit cost<sup>2)</sup></b>	<b>USD/lb</b>	<b>3.08</b>	<b>2.40</b>	<b>+28.3</b>

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 (total cost of products, merchandise and materials sold, selling costs and administrative expenses) for the first quarter of 2023 amounted to PLN 7 373 million and were higher by 24% as compared to the corresponding period of 2022, mainly due to higher volume of sales of copper products and higher costs, mainly due to higher purchase prices of materials, fuels and energy as well as labour costs.

In the first three months of 2023, total expenses by nature as compared to the corresponding period of 2022 were higher by PLN 1 116 million, alongside a mineral extraction tax higher by PLN 224 million, mainly due to 30% lower rates in force in the period from 1 January to the end of November 2022. The cost of consumption of purchased metal-bearing materials was at the level similar to the one recorded in the corresponding period of 2022 alongside a higher consumption by 1 thousand tonnes of copper (+2%) and 2% lower purchase price.

The increase in expenses by nature, excluding purchased metal-bearing materials and the minerals extraction tax, amounted to PLN 885 million and resulted mainly from an increase in costs of technological materials, fuel and energy and energy carriers (due to an increase in prices), as well as labour costs (due to an increase in wage rates).

**C1 cost** for the first three months of 2023 amounted to 3.08 USD/lb and was higher than in the corresponding period of 2022 by 28%. The increase in this cost was mainly due to higher costs of materials, fuels and energy, lower valuation of by-products due to the lower prices of silver and higher minerals extraction tax.

**The pre-precious metals credit unit cost of electrolytic copper production from own concentrate** (unit cost prior to decrease by the value of anode slimes containing, among others, silver and gold) amounted to 43 451 PLN/t (in the corresponding period of 2022: 33 492 PLN/t) and was higher by 30% mainly due to higher costs of materials, fuels and energy, higher minerals extraction tax alongside higher production from own concentrate by 3%. The pre-precious metals credit unit cost of electrolytic copper production from own concentrate, excluding the minerals extraction tax, amounted to 34 530 PLN/t (in the corresponding period of 2022: 26 000 PLN/t).

**The total unit cost of electrolytic copper production from own concentrate** amounted to 31 980 PLN/t and was higher than for the first quarter of 2022 by 45%, and after excluding the minerals extraction tax, this cost was at the level of 23 059 PLN/t (in the corresponding period of 2022: 14 485 PLN/t).

## Financial results

In the first quarter of 2023, the Company recorded a profit for the period of PLN 482 million, or PLN 843 million lower than in the corresponding prior-year period.

### Basic items of the statement of profit or loss (PLN million)

	1 <sup>st</sup> quarter of 2023	1 <sup>st</sup> quarter of 2022	Change (%)
<b>Revenues from contracts with customers, including:</b>	<b>8 370</b>	<b>7 555</b>	<b>+10.8</b>
- adjustment of revenues due to hedging transactions	65	(216)	x
<b>Cost of sales, selling costs and administrative expenses</b>	<b>(7 373)</b>	<b>(5 953)</b>	<b>+23.9</b>
<b>Profit on sales (EBIT)</b>	<b>997</b>	<b>1 602</b>	<b>(37.8)</b>
<b>Other operating income and (costs), including:</b>	<b>(184)</b>	<b>341</b>	<b>x</b>
Interest on loans granted and other financial receivables	88	63	+39.7
Realisation of derivatives	(92)	(64)	+43.8
Measurement of derivatives	79	7	×11.3
Exchange gains/(losses) on assets and liabilities other than borrowings	(173)	219	x
Reversal of impairment losses on financial instruments measured at amortised cost	4	53	(92.5)
including due to loans	-	53	x
Fees and charges on re-invoicing of costs of bank guarantees securing the payment of liabilities	11	12	(8.3)
Fair value gains/(losses) on financial assets measured at fair value through profit or loss	(53)	20	x
including due to loans	(12)	26	x
Donations granted	(40)	(5)	×8.0
Other	(8)	36	x
<b>Finance income and (costs), including:</b>	<b>56</b>	<b>(105)</b>	<b>x</b>
Exchange gains/(losses) on borrowings	94	(78)	x
Interest on borrowings	(28)	(15)	+86.7
Other	(10)	(12)	(16.7)
<b>Profit before income tax</b>	<b>869</b>	<b>1 838</b>	<b>(52.7)</b>
Income tax expense	(387)	(513)	(24.6)
<b>Profit for the period</b>	<b>482</b>	<b>1 325</b>	<b>(63.6)</b>
<b>Adjusted EBITDA<sup>(1)</sup></b>	<b>1 360</b>	<b>1 924</b>	<b>(29.3)</b>

<sup>1)</sup> 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

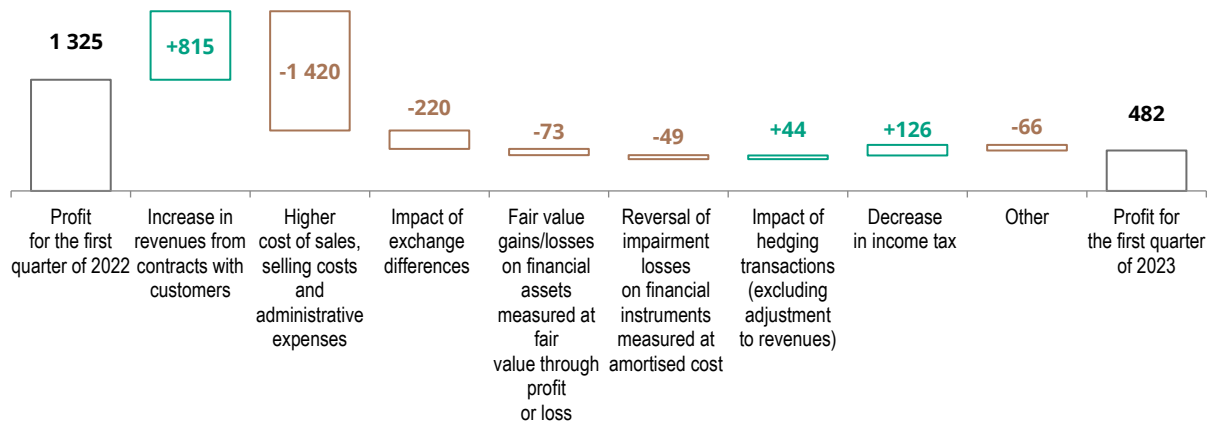
## The main factors affecting the change in the financial result

Item	Impact on change in result (PLN million)	Description
	(726)	A decrease in revenues due to lower achieved prices of copper, silver and gold
	+677	An increase in revenues due to higher volume of sales of copper (+13.7 kt, +10%) and gold (+15.6 koz t, +64%) alongside a decrease in sales of silver (-8 t, -2%)
<b>Increase in revenues from contracts with customers (+PLN 815 million)</b>	+537	An increase in revenues from sales of basic products (copper, silver, gold) due to a more favourable average USD/PLN exchange rate (a change from 4.12 to 4.39 USD/PLN)
	+281	A change in the adjustment of revenues due to hedging transactions from -PLN 216 million to +PLN 65 million
	+46	An increase in other revenues from sales, including from the merchandise and materials (+PLN 81 million) alongside a decrease in sales of sulphuric acid (-PLN 33 million) and rhenium (-PLN 17 million)
<b>Increase in cost of sales, selling costs and administrative expenses<sup>1</sup> (-PLN 1 420 million)</b>	(228)	A decrease in change in products and work in progress from -PLN 324 million in the first quarter of 2022 to -PLN 96 million in the first quarter of 2023
	(1 192)	An increase in other operating costs by PLN 1 192 million, including expenses by nature by PLN 1 116 million, mainly due to increases of the following costs: employee benefits (by PLN 279 million), minerals extraction tax (by PLN 224 million) consumption of materials (by PLN 209 million), energy and energy carriers (by PLN 202 million) and external services (by PLN 104 million)
<b>Impact of exchange differences (-PLN 220 million)</b>	(392)	Change in foreign exchange gains/losses on measurement of assets and liabilities other than borrowings – in other operating activities
	+172	Change in foreign exchange gains/losses on measurement of liabilities due to borrowings (presented in financing activities)
<b>Fair value gains/(losses) on financial assets measured at fair value through profit or loss (-PLN 73 million)</b>	(73)	Decrease in fair value gains/(losses) on financial assets measured at fair value through profit or loss from +PLN 20 million to -PLN 53 million, including due to loans from +PLN 26 million to -PLN 12 million
<b>Reversal of impairment losses on financial instruments measured at amortised cost (-PLN 49 million)</b>	(49)	Decrease in this item from +PLN 53 million to +PLN 4 million, including due to loans by PLN 53 million
<b>Impact of derivatives and hedging transactions<sup>2</sup> (+PLN 44 million)</b>	+44	Change in gains/losses on measurement and realisation of derivatives in other operating activities from -PLN 57 million to -PLN 13 million
<b>Decrease in income tax (+PLN 126 million)</b>	+126	Decrease in income tax resulted from a decrease in current income tax by PLN 158 million

<sup>1</sup> Cost of products, merchandise and materials sold plus selling costs and administrative expenses

<sup>2</sup> Excluding adjustment to revenues due to hedging transactions

## Change in profit for the period (PLN million)



### Capital expenditures

In the first quarter of 2023, expenditures on property, plant and equipment amounted to PLN 639 million and were higher by 31% than in the corresponding prior-year period.

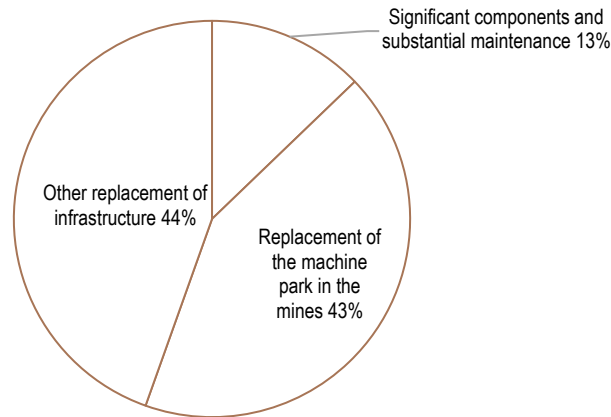
Structure of expenditures on property, plant and equipment and intangible assets (in PLN million)

	1 <sup>st</sup> quarter of 2023	1 <sup>st</sup> quarter of 2022	Change (%)
Mining	553	384	44
Metallurgy	59	84	(30)
Other activities	3	5	(46)
Development work - uncompleted	2	4	(62)
Leases per IFRS 16	22	9	x2.4
<b>Total</b>	<b>639</b>	<b>486</b>	<b>31</b>
<i>including borrowing costs</i>	58	46	27

Investment activities comprised projects related to the replacement, maintenance, development and adaptation:

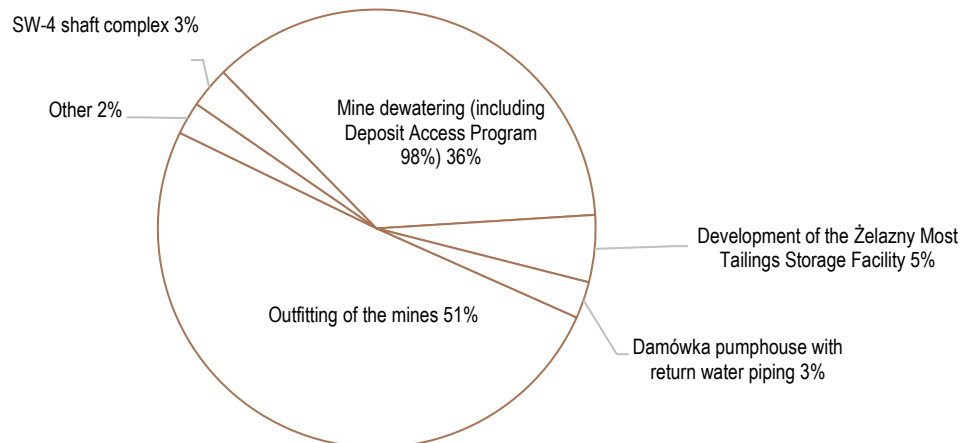
**Projects related to replacement** aimed at maintaining production equipment in an undeteriorated condition, represent 32% of total expenditures incurred.

#### Structure of expenditures on replacement:



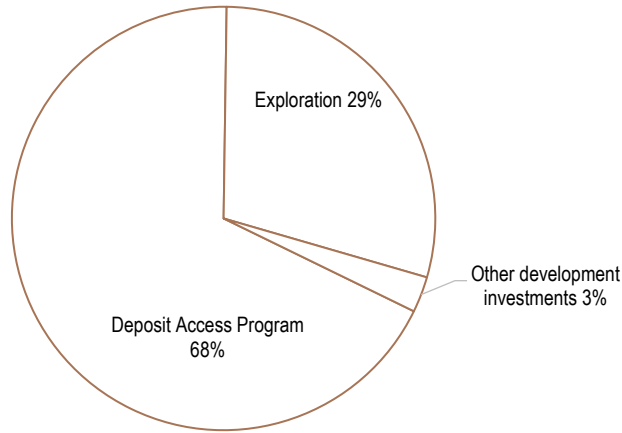
**Projects related to maintenance** aimed at maintaining mine production at the level set in the approved Production Plan (development of infrastructure to match mine advancement) represent 33% of total expenditures incurred.

#### Structure of expenditures on maintenance:



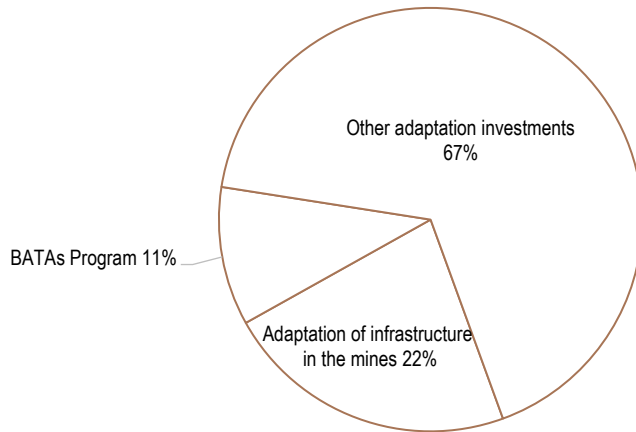
**Development projects** aimed at increasing the production volume of the core business, implementation of technical and technological activities optimising the use of existing infrastructure, maintaining production costs and adaptation of the company's operations to changes in standards, laws and regulations (adaptation projects and those related to environmental protection) represent 34% of total expenditures incurred.

**Structure of expenditures on development:**



**Adaptation projects** aimed at adjusting the company's activities to obligations under the law, applicable standards or other regulations, in particular in the area of occupational health and safety, property protection, cybersecurity, ethical and anticorruption standards, environmental protection, quality standards and management systems by the construction of new or reinforcement of current infrastructure by new technical, technological and IT solutions, represent 1% of total expenditures incurred.

**Structure of adaptation expenditures:**



Detailed information on the advancement of key projects may be found in Part 1, Note 2 on the realisation of the Strategy in 2023 of the consolidated financial statements.

### 3.8.2 The segment KGHM INTERNATIONAL LTD.

#### Production results

	Unit	1 <sup>st</sup> quarter of 2023	1 <sup>st</sup> quarter of 2022	Change (%)
Payable copper, including:	kt	7.6	18.2	(58.2)
- Robinson mine (USA)	kt	5.3	14.3	(62.9)
- Sudbury Basin mines (CANADA) <sup>(1)</sup>	kt	1.6	0.4	x 4.2
Payable nickel	kt	0.1	0.1	-
Precious metals (TPM), including:	koz t	9.0	15.1	(40.4)
- Robinson mine (USA)	koz t	3.2	12.3	(74.0)
- Sudbury Basin mines (CANADA) <sup>(1)</sup>	koz t	5.8	2.8	x 2.0

<sup>1)</sup> *McCreeedy West mine in the Sudbury Basin*

Copper production in the segment KGHM INTERNATIONAL LTD. in the first quarter of 2023 amounted to 7.6 thousand tonnes and was significantly lower than the level achieved in the first quarter of 2022. This decrease concerns the Robinson mine and is mainly related to the change in mining sequence. In the first quarter of 2023, the ore was mined from the transitional zone of the deposit, with lower copper content and quality parameters than the ore mined in 2022.

The quality of processed ore had a significant impact on the achieved processing parameters (mainly recovery and copper content in concentrate) and as a result on the volume of payable copper production, which was lower by 58% than the amount achieved in the previous year. Moreover, extreme weather conditions contributed to the significant decrease in efficiency of utilisation of mining machinery, which lead to a decrease in extraction volume. In the Company's opinion, the production targets of the segment KGHM International Ltd. for 2023 (54 thousand tonnes of payable copper) will not be met, while the production in subsequent years is not threatened and will return to the amounts assumed in the long-term mining production plans.

The increase in extraction and metals content were decisive factors in the significant increase in copper and precious metals production in the Sudbury Basin.

#### Revenues

##### Volume and sales revenue (USD million)

	Unit	1 <sup>st</sup> quarter of 2023	1 <sup>st</sup> quarter of 2022	Change (%)
<b>Revenues from contracts with customers<sup>(1)</sup>, including:</b>	<b>USD mn</b>	<b>163</b>	<b>210</b>	<b>(22.4)</b>
- copper	USD mn	98	145	(32.4)
- nickel	USD mn	3	4	(25.0)
- TPM – precious metals	USD mn	19	26	(26.9)
Copper sales volume	kt	10.7	14.0	(23.6)
Nickel sales volume	kt	0.1	0.1	-
TPM sales volume – precious metals	koz t	12.0	11.0	9.1

<sup>1)</sup> *reflects processing premium*

##### Sales revenue (PLN million)

	Unit	1 <sup>st</sup> quarter of 2023	1 <sup>st</sup> quarter of 2022	Change (%)
<b>Revenues from contracts with customers<sup>(1)</sup>, including:</b>	<b>PLN mn</b>	<b>711</b>	<b>876</b>	<b>(18.8)</b>
- copper	PLN mn	426	605	(29.6)
- nickel	PLN mn	12	15	(20.0)
- TPM – precious metals	PLN mn	84	108	(22.2)

<sup>1)</sup> *Reflects processing premium*

A significant part of the volume of sales of KGHM International Ltd. was realised from inventories for 2022, which to a certain degree lessened the negative effects of lower production in Robinson. As a result, the revenues of the segment KGHM INTERNATIONAL LTD. in the first quarter of 2023 amounted to USD 163 million, or a decrease by USD 47 million as compared to the corresponding period of 2022, of which USD 9 million was due to a lower volume of sales, and USD 33 million was due to lower copper prices.

**Costs****C1 payable copper production cost**

	Unit	1 <sup>st</sup> quarter of 2023	1 <sup>st</sup> quarter of 2022	Change (%)
C1 payable copper production cost <sup>1)</sup>	USD/lb	5.00	2.23	x 2.2

<sup>1)</sup> 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

Cash cost of copper production for all mines in the segment KGHM INTERNATIONAL LTD. in the first quarter of 2023 amounted to 5.00 USD/lb of sold copper and was two times higher than in the first quarter of 2022. The increase in this cost is, among others, a consequence of the aforementioned production difficulties of the Robinson mine and the resulting decrease in copper sales volume.

Moreover, in the first quarter of 2022 the access work was conducted on the Ruth West deposit, and therefore a part of stripping costs was capitalised and was not recognised in the profit or loss. Moreover, in the first quarter of 2023 the extraction was conducted on the proper deposit and a lack of capitalisation of costs resulted in a decrease in the profit or loss by USD 33 million as compared to the first quarter of 2022.

Write-down of inventories of ore and concentrate as well as quantity corrections of inventories had a significant impact on the results of the segment KGHM INTERNATIONAL LTD. Total amount of impairment losses recognised in expenses by nature for the first quarter of 2023 is USD 43 million.

As compared to the situation in the corresponding period of 2022, smelter treatment and refining charges increased. Lower deductions due to sale of precious metals, mainly due to lower sales of gold by Robinson and lower prices of platinum and palladium, also had an unfavourable impact on the C1.

**Financial results (USD million)**

	1 <sup>st</sup> quarter of 2023	1 <sup>st</sup> quarter of 2022	Change (%)
Revenues from contracts with customers	163	210	(22.4)
Cost of sales, selling costs and administrative expenses, including: <sup>1)</sup>	(229)	(150)	52.7
- (recognition)/reversal of impairment losses on non-current assets	(2)	-	x
<b>Profit/(loss) on sales</b>	<b>(66)</b>	<b>60</b>	<b>x</b>
<b>Profit/(loss) before taxation</b>	<b>(90)</b>	<b>106</b>	<b>x</b>
Income tax	14	(12)	x
<b>Profit/(loss) for the period</b>	<b>(76)</b>	<b>94</b>	<b>x</b>
Depreciation/amortisation recognised in profit or loss	(56)	(26)	x 2.2
<b>Adjusted EBITDA<sup>2)</sup></b>	<b>(8)</b>	<b>87</b>	<b>x</b>

**Financial results (PLN million)**

	1 <sup>st</sup> quarter of 2023	1 <sup>st</sup> quarter of 2022	Change (%)
Revenues from contracts with customers	711	876	(18.8)
Cost of sales, selling costs and administrative expenses, including: <sup>1)</sup>	(1 000)	(625)	60.0
- (recognition)/reversal of impairment losses on non-current assets	(8)	-	x
<b>Profit/(loss) on sales</b>	<b>(289)</b>	<b>251</b>	<b>x</b>
<b>Profit/(loss) before taxation</b>	<b>(394)</b>	<b>440</b>	<b>x</b>
Income tax	63	(50)	x
<b>Profit/(loss) for the period</b>	<b>(331)</b>	<b>390</b>	<b>x</b>
Depreciation/amortisation recognised in profit or loss	(244)	(110)	x
<b>Adjusted EBITDA<sup>2)</sup></b>	<b>(37)</b>	<b>361</b>	<b>x</b>

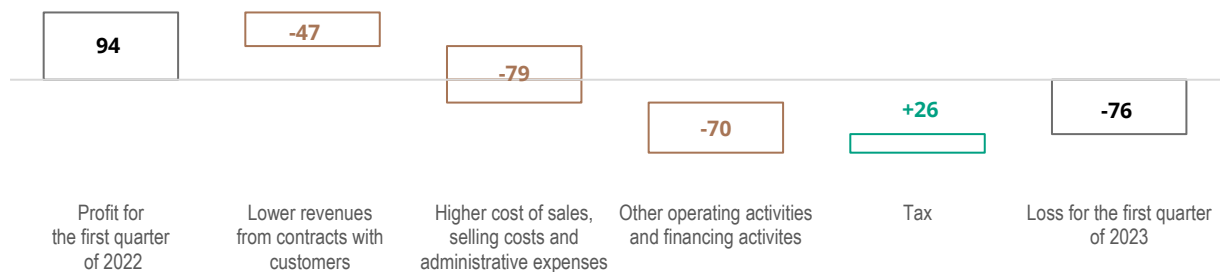
<sup>1)</sup> Cost of products, merchandise and materials sold, selling costs and administrative expenses

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



**Main factors impacting the change in profit or loss:**

Item	Impact on change of profit or loss (in USD million)	Description
<b>Lower revenues from contracts with customers (-USD 47 million)</b>	(36)	Change in metal prices, including lower copper prices USD (33) million
	(9)	Change in metals sales volume, including lower copper sales USD (9) million
	+6	Higher revenues from mining services realised by DMC companies
	(5)	Higher deductions due to refining premiums
	(3)	Other factors
<b>Higher cost of sales, selling costs and administrative expenses (-USD 79 million)</b>	(43)	Write-down of inventories of ore and concentrate in Robinson
	+11	Lower depreciation/amortisation costs, mainly in Robinson
	+27	Lower costs of materials and energy due to lower production
	(39)	Change in inventories of finished goods and work in progress (USD 26 million versus -USD 13 million in the first quarter of 2022)
	(33)	Lower capitalised stripping costs
<b>Impact of other operating activities and financing activities (-USD 70 million)</b>	(15)	A lack of a reversal of an allowance for impairment of loans granted for the construction of the Sierra Gorda mine (+USD 15 million in the first quarter of 2022)
	(10)	Lower interest on a loan granted to Sierra Gorda S.C.M.
	(35)	Oxide project – results for the first quarter of 2022 include the effects of disposal of the Oxide project to Sierra Gorda S.C.M. (there were no such transactions in the first quarter of 2023)
	(10)	Other factors, mostly higher interest on loans received
<b>Income tax (+USD 26 million)</b>	+26	Lower tax, mainly as a result of a decrease in operating results of Robinson.

**Change in profit or loss (USD million)****Cash expenditures**

Cash expenditures (USD million)

	1 <sup>st</sup> quarter of 2023	1 <sup>st</sup> quarter of 2022	Change (%)
Victoria project	15	10	50.0
Stripping and other	31	53	(41.5)
<b>Total</b>	<b>46</b>	<b>63</b>	<b>(27.0)</b>

Cash expenditures (PLN million)

	1 <sup>st</sup> quarter of 2023	1 <sup>st</sup> quarter of 2022	Change (%)
Victoria project	65	44	47.7
Stripping and other	138	219	(37.0)
<b>Total</b>	<b>203</b>	<b>263</b>	<b>(22.8)</b>

Cash expenditures by the segment KGHM INTERNATIONAL LTD. in the first quarter of 2023 amounted to USD 46 million, or a decrease by USD 17 million (-27%) as compared to the corresponding period of 2022. This decrease concerned mainly expenditures on accessing the deposit for future extraction by Robinson, moreover there was an increase in expenditures on the Victoria project.

### 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.) and the Australian mining group South 32.

The following production and financial data are for the 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 of the consolidated financial statements.

#### Production results

Ore processing by Sierra Gorda S.C.M. decreased by 2% as compared to the first quarter of 2022, mainly due to the lower efficiency of utilisation of production assets (increase in unplanned shutdowns due to breakdowns).

#### Production of copper, molybdenum and precious metals

	Unit	1 <sup>st</sup> quarter of 2023	1 <sup>st</sup> quarter of 2022	Change (%)
Copper production <sup>(1)</sup>	kt	34.4	43.4	(20.7)
Copper production – segment (55%)	kt	18.9	23.9	(20.7)
Molybdenum production <sup>(1)</sup>	mn lbs	1.8	2.1	(14.3)
Molybdenum production – segment (55%)	mn lbs	1.0	1.2	(14.3)
TPM production – gold <sup>(1)</sup>	koz t	13.7	12.1	13.2
TPM production – gold -segment (55%)	koz t	7.5	6.6	13.6

<sup>1)</sup> Payable metal in concentrate

Payable copper production amounted to 34.4 thousand tonnes, or an annual decrease by 21% due to the aforementioned lower processing, as well as lower copper content in ore and copper recovery. Lower processing and recovery were the main factors behind the decrease in molybdenum production.

#### Sales

Revenues from sales in the first quarter of 2023 amounted to USD 389 million (on a 100% basis), or PLN 932 million proportionally to the interest held in the company Sierra Gorda S.C.M. (55%).

#### Sales volume and revenues

	Unit	1 <sup>st</sup> quarter of 2023	1 <sup>st</sup> quarter of 2022	Change (%)
<b>Revenues from contracts with customers,<sup>(1)</sup> including from the sale of:</b>	<b>USD mn</b>	<b>389</b>	<b>521</b>	<b>(25.3)</b>
- copper	USD mn	319	459	(30.3)
- molybdenum	USD mn	33	30	10.0
- TPM (gold)	USD mn	28	23	23.0
Copper sales volume	kt	34.4	43.4	(21.7)
Molybdenum sales volume	mn lbs	1.2	1.6	(25.0)
TPM (gold) sales volume	koz t	14.3	12.0	19.2
<b>Revenues from contracts with customers<sup>(1)</sup> - segment (55% share)</b>	<b>PLN mn</b>	<b>932</b>	<b>1 194</b>	<b>(21.9)</b>

<sup>1)</sup> reflects metallurgical and refining processing premium and other

The decrease in revenues by USD 132 million as compared to the level achieved in the corresponding period of 2022, is mostly a result of lower sales volume (lower production).

The detailed impact of individual factors on changes in revenues was presented in the part 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 242 million, including cost of sales of USD 211 million and total selling costs and administrative expenses of USD 31 million. The costs of the segment, proportionally to the interest held (55%), amounted to PLN 580 million.

**Costs and payable copper production cost (C1)**

	Unit	1 <sup>st</sup> quarter of 2023	1 <sup>st</sup> quarter of 2022	Change (%)
Cost of sales, selling costs and administrative expenses	USD mn	242	273	(11.4)
Cost of sales, selling costs and administrative expenses – segment (55% share)	PLN mn	580	626	(7.3)
<b>C1 payable copper production cost<sup>1)</sup></b>	<b>USD/lb</b>	<b>1.48</b>	<b>1.35</b>	<b>9.6</b>

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

Compared to the period from January to March 2022, the cost of sales, selling costs and administrative expenses expressed in USD million was lower by USD 31 million (-11%). The decrease was a result of lower volume of production and sales of metals. The increase in costs mainly concerned the following items of expenses by nature before their reclassification and capitalisation of costs associated with accessing the deposit for future extraction:

- external services – an increase by USD 10 million (+17%) due to higher rates and scope of contracted work, maintenance and repairs,
- wages – an increase by USD 4 million (+14%) – higher employment and inflation, negative impact of USD/CLP exchange rate,
- fuels and oils – an increase by USD 2 million (+9%) – mainly due to an increase in diesel prices.

Change in inventories and work in progress amounted to -USD 5 million versus -USD 50 million in the first quarter of 2022. However, the capitalised stripping costs to prepare the deposit for future extraction amounted to USD 78 million (USD 24 million in the first quarter of 2022).

Apart from the aforementioned factors, the decrease in the volume of copper sales contributed to the increase in cash cost of copper production (C1) by 10%.

**Financial results****Profit or loss**

In the first quarter of 2023, adjusted EBITDA amounted to USD 229 million, of which proportionally to the interest held (55%) PLN 550 million is attributable to the KGHM Polska Miedź S.A. Group.

**Results in USD million (on a 100% basis)**

	1 <sup>st</sup> quarter of 2023	1 <sup>st</sup> quarter of 2022	Change (%)
Revenues from contracts with customers	389	521	(25.3)
Cost of sales, selling costs and administrative expenses	(242)	(273)	(11.4)
<b>Profit/(loss) on sales</b>	<b>147</b>	<b>248</b>	<b>(40.7)</b>
<b>Profit/(loss) for the period</b>	<b>32</b>	<b>104</b>	<b>(69.2)</b>
Depreciation/amortisation recognised in profit or loss	(83)	(110)	(24.5)
<b>Adjusted EBITDA<sup>1)</sup></b>	<b>229</b>	<b>358</b>	<b>(36.0)</b>

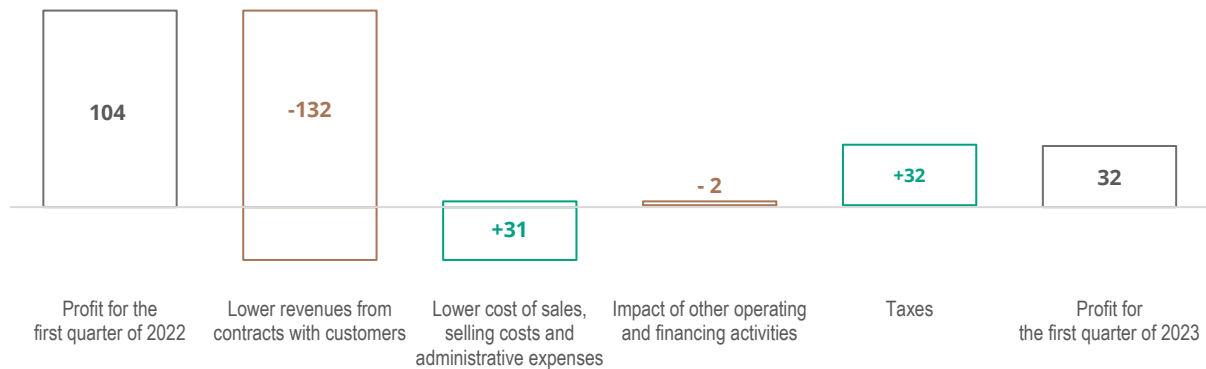
**Results proportionally to the interest held (55%) in PLN million**

	1 <sup>st</sup> quarter of 2023	1 <sup>st</sup> quarter of 2022	Change (%)
Revenues from contracts with customers	932	1 194	(21.9)
Cost of sales, selling costs and administrative expenses	(580)	(626)	(7.3)
<b>Profit/(loss) on sales</b>	<b>352</b>	<b>568</b>	<b>(38.0)</b>
<b>Profit/(loss) for the period</b>	<b>78</b>	<b>239</b>	<b>(67.4)</b>
Depreciation/amortisation recognised in profit or loss	(198)	(253)	(21.7)
<b>Adjusted EBITDA<sup>1)</sup></b>	<b>550</b>	<b>821</b>	<b>(33.0)</b>

<sup>1)</sup> 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

**Main factors impacting the change in profit or loss**

<i>Item (impact on the profit or loss)</i>	<i>Impact on change of profit or loss (in USD million)</i>	<i>Description</i>
<b>Lower revenues from contracts with customers (-USD 132 million)</b>	(137)	Copper (before the inclusion of smelter treatment and refining charges) – lower revenues due to lower sales prices (-USD 56 million, including the Mark to Market adjustment), lower sales volume (-USD 81 million)
	+4	Molybdenum – higher revenues due to higher prices (+USD 17 million, including the Mark to Market adjustment), limited by lower sales volume (-USD 13 million)
	+1	Other factors, including the negative impact of higher treatment and refining charges alongside higher revenues from gold and silver sales
<b>Lower cost of sales, selling costs and administrative expenses (+USD 31 million)</b>	(10)	Higher costs of external services
	(2)	Higher costs of fuels
	(4)	Higher costs of wages
	+38	Change in other expenses by nature, including lower depreciation/amortisation (+USD 28 million)
	+54	Higher capitalised stripping costs
	(45)	Impact of change in inventories and work in progress
<b>Impact of other operating and financing activities (-USD 2 million)</b>	(2)	Lower result mainly due to higher interest on borrowings and negative exchange differences
<b>Impact of taxes (+USD 32 million)</b>	+32	Lower tax due to lower profit before income tax, mainly as a result of lower prices and copper sales volume

**Change in profit/loss for the period (in USD million)****Cash expenditures**

In the period from January to March 2023, cash expenditures on property, plant and equipment and intangible assets, presented in Sierra Gorda S.C.M.'s statement of cash flows, amounted to USD 136 million, of which USD 70 million (51%), represented expenditures on stripping to gain access to further areas of the deposit.

**Cash expenditures**

	<i>Unit</i>	<i>1<sup>st</sup> quarter of 2023</i>	<i>1<sup>st</sup> quarter of 2022</i>	<i>Change (%)</i>
Cash expenditures on property, plant and equipment	USD mn	136	149	(8.5)
Cash expenditures on property, plant and equipment – segment (55% share)	PLN mn	327	342	(4.3)

The level of cash expenditures was lower by USD 13 million than the one realised in the corresponding period of 2022 due to the acquisition of the Oxide project from KGHM International Ltd., which was recognised in cash flows from investing activities for the first quarter of 2022 (in the first quarter of 2023 there were no such transactions). Moreover, there was an increase in expenditures with respect to capitalised stripping.

In the first quarter of 2023, the Company did not make use of financing in the form of increases in the share capital and did not make payments to repay the principal amount or interest on a loan granted by the owners for the mine construction (in the first quarter of 2022 the repayment amounted to USD 200 million, of which USD 110 million is attributable to the KGHM Polska Miedź S.A. Group).

## 4 – Selected additional explanatory notes

### Note 4.1 Expenses by nature

	from 1 January 2023 to 31 March 2023	from 1 January 2022 to 31 March 2022
Depreciation of property, plant and equipment and amortisation of intangible assets	585	578
Employee benefits expenses	1 925	1 578
Materials and energy, including:	4 239	3 886
purchased materials	2 211	2 204
External services	694	528
Minerals extraction tax	1 068	844
Other taxes and charges	355	320
Note 3.8.2 Revaluation of inventories	191	(4)
Impairment losses on property, plant and equipment and intangible assets	8	-
Other costs	54	41
<b>Total expenses by nature</b>	<b>9 119</b>	<b>7 771</b>
Cost of merchandise and materials sold (+)	205	243
Change in inventories of finished goods and work in progress (+/-)	(23)	(412)
Cost of manufacturing products for internal use of the Group (-)	(378)	(410)
<b>Total costs of sales, selling costs and administrative expenses, of which:</b>	<b>8 923</b>	<b>7 192</b>
Cost of sales	8 502	6 831
Selling costs	124	123
Administrative expenses	297	238

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

	from 1 January 2023 to 31 March 2023	from 1 January 2022 to 31 March 2022
Gains on derivatives, of which:	130	95
measurement	129	89
realisation	1	6
Interest income calculated using the effective interest rate method	10	4
Exchange differences on assets and financial liabilities other than borrowings	-	389
Reversal of impairment losses on financial instruments	1	1
Provisions released	6	14
Gains on disposal of intangible assets	-	135
Gains on disposal of subsidiaries	-	38
Income from servicing of letters of credit and guarantees	10	11
Other	48	75
<b>Total other operating income</b>	<b>205</b>	<b>762</b>
Losses on derivatives, of which:	( 143)	( 151)
measurement	( 50)	( 82)
realisation	( 93)	( 69)
Fair value losses on financial assets	( 41)	( 7)
Impairment losses on financial instruments	( 2)	( 1)
Exchange differences on assets and financial liabilities other than borrowings	( 305)	-
Provisions recognised	( 5)	( 7)
Losses on disposal of property, plant and equipment	-	( 2)
Donations granted	( 40)	( 6)
Other	( 39)	( 21)
<b>Total other operating costs</b>	<b>( 575)</b>	<b>( 195)</b>
<b>Other operating income and (costs)</b>	<b>( 370)</b>	<b>567</b>

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

	from 1 January 2023 to 31 March 2023	from 1 January 2022 to 31 March 2022
<b>Finance income</b> - Exchange gains/(losses) on measurement and realisation of borrowings	<b>94</b>	<b>-</b>
Interest on borrowings, including:	( 4)	( 16)
leases	( 2)	( 4)
Unwinding of the discount effect on provisions	( 3)	( 4)
Exchange gains/(losses) on measurement and realisation of borrowings	-	( 64)
Bank fees and charges on borrowings	( 7)	( 8)
Other	( 6)	( 15)
<b>Total finance costs</b>	<b>( 20)</b>	<b>( 107)</b>
<b>Finance income and (costs)</b>	<b>74</b>	<b>( 107)</b>

**Note 4.4 Information on property, plant and equipment and intangible assets****Purchase of property, plant and equipment and intangible assets**

	from 1 January 2023 to 31 March 2023	from 1 January 2022 to 31 March 2022
Purchase of property, plant and equipment, including:	811	827
leased assets	37	75
Purchase of intangible assets	172	56

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

	As at 31 March 2023	As at 31 December 2022
Payables due to the purchase of property, plant and equipment and intangible assets	481	812

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

	As at 31 March 2023	As at 31 December 2022
Purchase of property, plant and equipment	1 667	1 390
Purchase of intangible assets	16	18
<b>Total capital commitments</b>	<b>1 683</b>	<b>1 408</b>

**Note 4.5 Involvement in joint ventures****Joint venture Sierra Gorda S.C.M. accounted for using the equity method**

	from 1 January 2023 to 31 March 2023	from 1 January 2022 to 31 March 2022
<b>As at the beginning of the reporting period</b>	-	-
Share of profit for the reporting period	78	239
Settlement of the Group's share of unsettled losses from prior years (accumulated comprehensive losses)	( 87)	( 221)
Exchange differences from the translation of statements of operations with a functional currency other than PLN	9	( 18)
<b>As at the end of the reporting period</b>	-	-

	from 1 January 2023 to 31 March 2023	from 1 January 2022 to 31 March 2022
<b>The Group's share (55%) of profit for the reporting period of Sierra Gorda S.C.M., recognised in the valuation of the joint venture</b>	<b>78</b>	<b>239</b>

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

	from 1 January 2023 to 31 March 2023	from 1 January 2022 to 31 December 2022
<b>As at the beginning of the reporting period</b>	<b>(1 174)</b>	<b>(1 283)</b>
Settlement of the Group's share of unsettled losses from prior years (accumulated comprehensive losses)	87	183
Unrecognised adjustment due to unrealised gains on a transaction between the Group and the joint venture (sale of the SG Oxide project)	-	( 74)
<b>As at the end of the reporting period</b>	<b>(1 087)</b>	<b>(1 174)</b>

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

	<b>from 1 January 2023 to 31 March 2023</b>	<b>from 1 January 2022 to 31 December 2022</b>
<b>As at the beginning of the reporting period</b>	<b>9 603</b>	<b>8 314</b>
Repayment of loans (principal and interest)	-	( 789)
Accrued interest	147	582
Gain due to the reversal of allowances for impairment	-	873
Exchange differences from the translation of statements of operations with a functional currency other than PLN	( 239)	623
<b>As at the end of the reporting period</b>	<b>9 511</b>	<b>9 603</b>



**Note 4.6 Financial instruments**

Financial assets	As at 31 March 2023					As at 31 December 2022				
	At fair value through other comprehensive income	At fair value through profit or loss	At amortised cost	Hedging instruments	Total	At fair value through other comprehensive income	At fair value through profit or loss	At amortised cost	Hedging instruments	Total
<b>Non-current</b>	494	83	9 991	602	<b>11 170</b>	521	90	10 072	709	<b>11 392</b>
Loans granted to a joint venture	-	-	9 511	-	<b>9 511</b>	-	-	9 603	-	<b>9 603</b>
Derivatives	-	-	-	602	<b>602</b>	-	5	-	709	<b>714</b>
Other financial instruments measured at fair value	494	83	-	-	<b>577</b>	521	85	-	-	<b>606</b>
Other financial instruments measured at amortised cost	-	-	480	-	<b>480</b>	-	-	469	-	<b>469</b>
<b>Current</b>	-	718	2 416	555	<b>3 689</b>	-	829	1 926	755	<b>3 510</b>
Trade receivables	-	624	507	-	<b>1 131</b>	-	751	426	-	<b>1 177</b>
Derivatives	-	56	-	555	<b>611</b>	-	41	-	755	<b>796</b>
Cash and cash equivalents	-	-	1 574	-	<b>1 574</b>	-	-	1 200	-	<b>1 200</b>
Other financial assets	-	38	335	-	<b>373</b>	-	37	300	-	<b>337</b>
<b>Total</b>	<b>494</b>	<b>801</b>	<b>12 407</b>	<b>1 157</b>	<b>14 859</b>	<b>521</b>	<b>919</b>	<b>11 998</b>	<b>1 464</b>	<b>14 902</b>

Financial liabilities	As at 31 March 2023				As at 31 December 2022			
	At fair value through profit or loss	At amortised cost	Hedging instruments	Total	At fair value through profit or loss	At amortised cost	Hedging instruments	Total
<b>Non-current</b>	-	6 130	540	<b>6 670</b>	19	5 460	700	<b>6 179</b>
Borrowings, leases and debt securities	-	5 899	-	<b>5 899</b>	-	5 220	-	<b>5 220</b>
Derivatives	-	-	540	<b>540</b>	19	-	700	<b>719</b>
Other financial liabilities	-	231	-	<b>231</b>	-	240	-	<b>240</b>
<b>Current</b>	106	3 583	244	<b>3 933</b>	188	4 440	280	<b>4 908</b>
Borrowings, leases and debt securities	-	618	-	<b>618</b>	-	1 223	-	<b>1 223</b>
Derivatives	99	-	244	<b>343</b>	154	-	280	<b>434</b>
Trade payables	-	2 815	-	<b>2 815</b>	-	3 076	-	<b>3 076</b>
Similar payables – reverse factoring	-	4	-	<b>4</b>	-	18	-	<b>18</b>
Other financial liabilities	7	146	-	<b>153</b>	34	123	-	<b>157</b>
<b>Total</b>	<b>106</b>	<b>9 713</b>	<b>784</b>	<b>10 603</b>	<b>207</b>	<b>9 900</b>	<b>980</b>	<b>11 087</b>

## The fair value hierarchy of financial instruments

Classes of financial instruments	As at 31 March 2023				As at 31 December 2022			
	fair value			carrying amount	fair value			carrying amount
	level 1	level 2	level 3		level 1	level 2	level 3	
Loans granted	-	20	7 773	9 531	-	20	7 787	9 623
Listed shares	386	-	-	386	422	-	-	422
Unquoted shares	-	108	-	108	-	99	-	99
Trade receivables	-	624	-	624	-	751	-	751
Derivatives, of which:	-	330	-	330	-	357	-	357
Assets	-	1 213	-	1 213	-	1 510	-	1 510
Liabilities	-	( 883)	-	( 883)	-	(1 153)	-	(1 153)
Received long-term bank and other loans	-	(3 213)	-	(3 213)	-	(2 560)	-	(2 560)
Long-term debt securities	(1 994)	-	-	(2 000)	(1 952)	-	-	(2 000)
Other financial assets	-	38	63	101	-	37	65	102
Other financial liabilities	-	( 7)	-	-	-	( 34)	-	( 34)

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

In the current reporting period, there was no transfer in the Group of financial instruments between individual levels of the fair value hierarchy,

### **Methods and measurement techniques used by the Group in determining fair values of each class of financial assets or financial liabilities.**

#### **Level 1**

##### Listed shares

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

##### Long-term debt securities

Long-term debt securities are measured based on quotations from the Catalyst Market of the Warsaw Stock Exchange.

#### **Level 2**

##### Unquoted shares

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

##### Trade receivables

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

For trade receivables transferred to non-recourse factoring, a fair value is assumed at the level of the amount of the trade receivables transferred to the factor (nominal value from the invoice) less interest, which are the factor's compensation. Due to the short term between the transfer of receivables to the factor and their payment, fair value is not adjusted by the credit risk of the factor and impact of time lapse.

##### Loans granted

This item comprises loans measured at fair value, the fair value of which was estimated on the basis of contractual cash flows (per the contract) using the model of discounted cash flows, including the borrower's credit risk.

##### Other financial assets/liabilities

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

##### Currency and currency-interest derivatives

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

##### Metals derivatives

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

##### Received long-term bank and other loans

The fair value of bank and other loans is estimated by discounting the cash flows associated with these liabilities in timeframes and under conditions arising from agreements, and by applying current rates.

**Level 3****Loans granted**

Loans granted measured at amortised cost in the statement of financial position are included in this category, because of the use of unobservable assumptions in the fair value measurement. With respect to estimating the fair value of these loans, a significant element of the estimation are the forecasted cash flows of Sierra Gorda S.C.M., which are unobservable input data, and pursuant to IFRS 13 the fair value of these assets is classified to level 3 of the hierarchy. The discount rate adopted to calculate the fair value of loans measured at amortised cost is 9.75% (as at 31 December 2022, 9.75%).

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

Scenarios 31 March 2023/ 31 December 2022	Copper prices [USD/t]					LT
	2023	2024	2025	2026	2027	
Base	8 200	8 500	8 500	8 500	8 500	7 700
Base minus 0.1 USD/lb during mine life (220 USD/tonne)	7 980	8 280	8 280	8 280	8 280	7 480
Base plus 0.1 USD/lb during mine life (220 USD/tonne)	8 420	8 720	8 720	8 720	8 720	7 920

Classes of financial instruments	Fair value	Sensitivity analysis of the fair value to changes in copper price	
		Base plus 0.1 USD/lb during mine life	Base minus 0.1 USD/lb during mine life
Loans granted measured at amortised cost	<b>7 773</b>	8 047	7 449
Loans granted measured at amortised cost (USD million)	<b>1 811</b>	1 874	1 735

Classes of financial instruments	Carrying amount	Sensitivity analysis of the carrying amount to changes in copper price	
		Base plus 0.1 USD/lb during mine life	Base minus 0.1 USD/lb during mine life
Loans granted measured at amortised cost	<b>9 511</b>	9 673	9 291
Loans granted measured at amortised cost (USD million)	<b>2 215</b>	2 253	2 164

**Other financial assets**

This item includes receivables due to conditional payments associated with the agreement on the sale of a subsidiary S.C.M. Franke, which were estimated based on a probabilistic model stipulated in the binding offer and including the discount of payments for subsequent years.

**Note 4.7 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 whole 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 and on the statement of comprehensive income is presented below:

<b>STATEMENT OF PROFIT OR LOSS</b>	<b>from 1 January 2023 to 31 March 2023</b>	<b>from 1 January 2022 to 31 March 2022</b>
Revenues from contracts with customers (reclassification adjustment)	65	(216)
Other operating income / (costs) (including reclassification adjustment):		
on realisation of derivatives	(92)	(63)
on measurement of derivatives	79	7
<b>Impact of derivatives and hedging instruments on profit or loss for the period (excluding the tax effect)</b>	<b>52</b>	<b>(272)</b>
<b>STATEMENT OF OTHER COMPREHENSIVE INCOME</b>		
Measurement of hedging transactions (effective portion)	(43)	(631)
Reclassification to revenues from contracts with customers due to realisation of a hedged item	(65)	216
Reclassification to other operating costs due to realisation of a hedged item (settlement of the hedging cost)	81	63
<b>Impact of hedging transactions (excluding the tax effect)</b>	<b>(27)</b>	<b>(352)</b>
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>25</b>	<b>(624)</b>

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

In the first quarter of 2023, copper sales of the Parent Entity amounted to 157 thousand tonnes (net sales of 104 thousand tonnes)<sup>1</sup>, while the notional amount of copper price hedging strategies settled in this period amounted to 47.25 thousand tonnes, which represented approx. 30% of the total sales of this metal realised by the Parent Entity and approx. 45% of net sales in this period (in the first quarter of 2022, 23% and 35% respectively). The notional amount of settled silver price hedging transactions (1.05 million ounces) represented approx. 9% of sales of this metal by the Parent Entity (in the first quarter of 2022, 21%). In the case of currency transactions, approx. 24% of revenues from copper and silver sales realised by the Parent Entity in the period from 1 January to 31 March 2023 were hedged (in the first quarter of 2022, 5%).

In the first quarter of 2023, pursuant to the Market Risk Management Policy, the Parent Entity monitored and analysed on an ongoing basis the macroeconomic environment and the situation on financial markets, and also identified and measured market risk related to changes in metals prices, exchange rates and interest rates. In the first quarter of 2023, no hedging transactions were entered into on the metals, currency and interest rates markets.

In the first quarter of 2023, QP adjustment swap transactions were entered into on the copper and gold markets with maturities to June 2023, as part of the management of a net trading position<sup>2</sup>.

As at 31 March 2023, the Parent Entity held an open derivatives position for:

- 148.75 thousand tonnes of copper (of which 141.75 thousand tonnes arose from the strategic management of market risk, while 7 thousand tonnes came from the management of a net trading position),
- 3.15 million troy ounces of silver, and
- USD 2 546 million of planned revenues from sales of metals.

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

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

Furthermore, as at 31 March 2023 the Parent Entity had loans with fixed interest rates and open Cross Currency Interest Rate Swap (CIRS) transactions in the notional amount of PLN 2 billion, hedging both the sales revenues in the currency, as well as the variable interest rate of issued bonds. Commodity risk was also related to derivatives embedded in the purchase contracts for metal-bearing materials.

With respect to managing currency risk, the Parent Entity uses natural hedging by borrowing in currencies in which it has revenues. As at 31 March 2023, the bank and investment loans which were drawn in USD, following their translation to PLN, amounted to PLN 3 379 million (as at 31 December 2022: PLN 3 435 million).

In the first quarter of 2023, none of the Group's mining subsidiaries had implemented any forward transactions on the commodity market or the currency market, and did not hold an open position on this market as at 31 March 2023. However, 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 31 March 2023 is not presented due to its immateriality for the Group.

Condensed tables of open transactions in derivatives held by the Parent Entity as at 31 March 2023, entered into as part of the strategic management of market risk, are presented below. The hedged notional amounts of transactions on the copper, silver and currency markets in the presented periods are allocated evenly on a monthly basis. The condensed tables do not reflect restructured and opposite positions (purchased versus sold) of transactions entered into as part of restructuration consistent with instrument, strike price, notional and maturity period.

### Hedging against copper price risk – open derivatives as at 31 March 2023

Instrument/ option structure	Notional [tonnes]	Average weighted option strike price			Average weighted premium [USD/t]	Effective hedge price [USD/t]	
		sold put option	purchased put option	sold call option			
		<i>hedge limited to</i> [USD/t]	<i>copper price hedging</i> [USD/t]	<i>participation limited to</i> [USD/t]			
2nd quarter of 2023	seagull	9 000	5 200	6 900	8 300	(196)	6 704
	seagull	3 000	6 000	6 900	10 000	(296)	6 604
	seagull	7 500	6 000	9 000	11 400	(248)	8 752
	seagull	5 250	6 700	9 286	11 486	(227)	9 059
	seagull	22 500	6 000	8 120	9 120	(143)	7 977
2nd half of 2023	seagull	18 000	5 200	6 900	8 300	(196)	6 704
	seagull	6 000	6 000	6 900	10 000	(296)	6 604
	seagull	15 000	6 000	9 000	11 400	(248)	8 752
	seagull	10 500	6 700	9 286	11 486	(227)	9 059
	seagull	45 000	6 000	8 100	9 600	(172)	7 928
<b>TOTAL IV-XII 2023</b>	<b>141 750</b>						

### Hedging against silver price risk – open derivatives as at 31 March 2023

Instrument/ option structure	Notional [mn ounces]	Average weighted option strike price			Average weighted premium [USD/ounce]	Effective hedge price [USD/ounce]	
		sold put option	purchased put option	sold call option			
		<i>hedge limited to</i> [USD/ounce]	<i>silver price hedging</i> [USD/ounce]	<i>participation limited to</i> [USD/ounce]			
2nd quarter of 2023	seagull	1.05	16.00	26.00	42.00	(1.19)	24.81
2nd half of 2023	seagull	2.10	16.00	26.00	42.00	(1.19)	24.81
<b>TOTAL IV-XII 2023</b>	<b>3.15</b>						

**Hedging against USD/PLN currency risk- open derivatives as at 31 March 2023**

	Instrument/ option structure	Notional [USD mn]	Average weighted option strike price			Average weighted premium [PLN za 1 USD]	Effective hedge price [USD/PLN]
			sold put option	purchased put option	sold call option		
			hedge limited to [USD/PLN]	exchange rate hedging [USD/PLN]	participation limited to [USD/PLN]		
2nd quarter of 2023	seagull	33.75	3.30	4.00	4.60	(0.00)	4.00
	seagull	45.00	3.30	3.90	4.50	0.03	3.93
	collar	165.00	-	4.48	5.48	(0.04)	4.44
	collar	165.00	-	4.69	6.09	(0.05)	4.64
2nd half of 2023	seagull	67.50	3.30	4.00	4.60	(0.00)	4.00
	seagull	90.00	3.30	3.90	4.50	0.03	3.93
	collar	330.00	-	4.48	5.48	(0.03)	4.45
	collar	330.00	-	4.69	6.09	(0.04)	4.65
<b>TOTAL IV-XII 2023</b>		<b>1 226.25</b>					
1st half of 2024	collar	330.00	-	4.48	5.48	(0.01)	4.47
	collar	330.00	-	4.69	6.09	(0.02)	4.67
2nd half of 2024	collar	330.00	-	4.48	5.48	0.01	4.49
	collar	330.00	-	4.69	6.09	0.00	4.70
<b>TOTAL 2024</b>		<b>1 320.00</b>					

**Hedging against currency-interest rate risk connected with the issue of bonds with a variable interest rate in PLN - open derivatives as at 31 March 2023**

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

The table below presents detailed data on derivative transactions designated as hedging, held by the Parent Entity as at 31 March 2023.

Open hedging derivatives	Notional of the transaction	Average weighted price /exchange rate/interest rate	Maturity Period of profit/loss - settlement period	
			from	to
Type of derivative			from	to
Copper – seagulls*	141 750	8 073 - 9 797 [USD/t]	April'23	- Dec'23
Silver – seagulls*	3.15	26.00 - 42.00 [USD/ounce]	April'23	- Dec'23
Currency – collars	2 310.00	4.58 - 5.78 [USD/PLN]	April'23	- Dec'24
Currency – seagulls*	236.25	3.94 - 4.54 [USD/PLN, fixed interest rate for USD]	April'23	- Dec'23
Currency – interest rate – CIRS**	400	3.78 and 3.23%	June '24	June '24
Currency – interest rate – CIRS**	1 600	3.81 and 3.94%	June '29	June '29 - July '29

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

\*\* Settlements of interest payments are made periodically, on a half-year basis, until the moment of the realisation of the transaction.

\*\*\* Reclassification of profits or losses on a cash flow hedging instrument from other comprehensive income to the statement of profit or loss takes place in the reporting period in which the hedged position impacts profit or loss (as an adjustment of a hedged position and to other operating income/costs for the settled hedging cost). However, the recognition of the result on the settlement of the transaction takes place on the date of its settlement.



All entities with which derivative transactions (excluding embedded derivatives) were entered into by the Group operated in the financial sector. Taking into consideration the receivables due to open derivative transactions held by the Group (excluding embedded derivatives) as at 31 March 2023 and net receivables<sup>3</sup> due to settled derivatives, the maximum single entity share of the amount exposed to credit risk arising from these transactions amounted to 19%, or PLN 238 million (as at 31 December 2022: 17%, or PLN 260 million).

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

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

Rating level		As at 31 March 2023	As at 31 December 2022
Medium-high	from A+ to A- according to S&P and Fitch, and from A1 to A3 according to Moody's	77%	84%
Medium	from BBB+ to BBB- according to S&P and Fitch, and from Baa1 to Baa3 according to Moody's	23%	16%

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

The fair value of open derivatives of the KGHM Polska Miedź S.A. Group as at 31 March 2023 broken down into hedging transactions<sup>4</sup> and trade transactions (including embedded and adjustment derivatives) and instruments initially designated as hedging instruments excluded from hedge accounting, is presented in the tables below.

The fair value of open derivatives (assets and liabilities) as at 31 March 2023 has changed as compared to 31 December 2022 because of:

- the settlement of transactions in derivatives with maturities in the period from 1 January 2023 to 31 March 2023, which were open at the end of 2022,
- entering into new adjustment transactions (commodity swap) on the forward metals market,
- 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).

<sup>3</sup> The Parent Entity offsets receivables and liabilities due to settled derivatives (that is for which the future flows are known at the end of the reporting period) pursuant to the principles of net settlements of cash flows adopted in framework agreements with individual customers.

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

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

Type of derivative	As at 31 March 2023				Total
	Financial assets		Financial liabilities		
	Non-current	Current	Non-current	Current	
<b>Hedging instruments (CFH), including:</b>	<b>602</b>	<b>555</b>	<b>(540)</b>	<b>(244)</b>	<b>373</b>
<b>Derivatives – Metals (price of copper, silver)</b>					
Options – <i>seagull</i> * (copper)	-	161	-	(225)	<b>(64)</b>
Options – <i>seagull</i> * (silver)	-	35	-	(1)	<b>34</b>
<b>Derivatives – Currency (USD/PLN exchange rate)</b>					
Options – <i>collar</i>	306	357	(36)	(5)	<b>622</b>
Options – <i>seagull</i> *	-	2	-	(13)	<b>(11)</b>
<b>Derivatives – Currency-interest rate</b>					
Cross Currency Interest Rate Swap CIRS	296	-	(504)	-	<b>(208)</b>
<b>Trade instruments, including:</b>	<b>-</b>	<b>55</b>	<b>-</b>	<b>(61)</b>	<b>(6)</b>
<b>Derivatives – Metals (price of copper, silver, gold)</b>					
Sold put option (copper)	-	-	-	(6)	(6)
Purchased put option (copper)	-	-	-	-	-
Purchased call option (copper)	-	36	-	-	<b>36</b>
QP adjustment swap transactions (copper)	-	-	-	-	-
Sold put option (silver)	-	-	-	-	-
QP adjustment swap transactions (gold)	-	18	-	(38)	<b>(20)</b>
<b>Derivatives – Currency (USD/PLN, EUR/PLN)</b>					
Sold put option (USD/PLN)	-	-	-	(1)	(1)
Purchased put option (USD/PLN)	-	-	-	-	-
Purchased call option (USD/PLN)	-	1	-	-	1
Collar and <i>forward/swap</i> (EUR/PLN)	-	-	-	-	-
<b>Embedded derivatives (price of copper, silver, gold)</b>					
Purchase contracts for metal-bearing materials	-	-	-	(16)	<b>(16)</b>
<b>Instruments initially designated as hedging instruments excluded from hedge accounting, including:</b>	<b>-</b>	<b>1</b>	<b>-</b>	<b>(38)</b>	<b>(37)</b>
<b>Derivatives – Currency (USD/PLN exchange rate)</b>					
Options – <i>seagull</i>	-	1	-	(2)	<b>(1)</b>
<b>Derivatives – Metals (price of copper)</b>					
Options – <i>seagull</i>	-	-	-	(36)	<b>(36)</b>
<b>TOTAL OPEN DERIVATIVES</b>	<b>602</b>	<b>611</b>	<b>(540)</b>	<b>(343)</b>	<b>330</b>

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

## Note 4.8 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 Polska Miedź S.A. Group's needs at the Parent Entity's level, intra-group liquidity transfers are realised 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.

Under the process of liquidity management, and 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 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 first quarter of 2023, the KGHM Polska Miedź S.A. Group showed a full capacity for meeting its obligations. The cash held and obtained external financing 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 ratio of Net Debt/EBITDA to be no more than 2.0. The ratio level as at the balance sheet dates is as follows:

Ratio	31 March 2023	31 December 2022
<b>Net debt/Adjusted EBITDA*</b>	<b>0.9</b>	<b>0.8</b>

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

### Net debt changes

Liabilities due to borrowing	As at 31 December 2022	Cash flows	Accrued interest	Exchange differences	Other changes	As at 31 March 2023
Bank loans	1 263	(321)	23	(28)	(1)	936
Loans	2 434	375	20	(67)	(2)	2 760
Debt securities	2 002	-	43	-	-	2 045
Leases	744	(31)	22	-	41*	776
<b>Total debt</b>	<b>6 443</b>	<b>23</b>	<b>108</b>	<b>(95)</b>	<b>38</b>	<b>6 517</b>
Free cash and cash equivalents	1 179	364	-	-	-	1 543
<b>Net debt</b>	<b>5 264</b>	<b>(341)</b>	<b>108</b>	<b>(95)</b>	<b>38</b>	<b>4 974</b>

\*Modifications and conclusion of lease agreements.

### Reconciliation of cash flows recognised in net debt change to the consolidated statement of cash flows

	from 1 January 2023 to 31 March 2023
<b>I. Financing activities</b>	<b>64</b>
Proceeds from borrowings	1 385
Repayment of borrowings	(1 284)
Repayment of lease liabilities	(11)
Repayment of interest on borrowings and debt securities	(11)
Repayment of interest on leases	(15)
<b>II. Investing activities</b>	<b>(41)</b>
Paid capitalised interest on borrowings	(41)
<b>III. Changes in free cash and cash equivalents</b>	<b>364</b>
<b>TOTAL (I+II+III)</b>	<b>(341)</b>

### Structure of external financing sources

As at 31 March 2023, the Group had open credit lines, loans and debt securities with a total balance of available financing being the equivalent of PLN 15 624 million, out of which PLN 5 741 million had been drawn.

The structure of financing sources is presented below.

	As at 31 March 2023	As at 31 March 2023	As at 31 December 2022
Unsecured revolving syndicated credit facility	Amount granted	Amount of the liability	Amount of the liability
	6 440	215	528
Investment loans	Amount granted	Amount of the liability	Amount of the liability
	3 575	2 760	2 434
Other bank loans	Amount granted	Amount of the liability	Amount of the liability
	3 609	721	735
Bonds	Nominal value of the issue	Amount of the liability	Amount of the liability
	2 000	2 045	2 002
<b>Total bank and other loans, bonds</b>	<b>15 624</b>	<b>5 741</b>	<b>5 699</b>

### 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 31 March 2023, the Group held liabilities due to guarantees and letters of credit granted in the total amount of PLN 1 331 million and due to promissory note liabilities in the amount of PLN 208 million.

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

**Sierra Gorda S.C.M.** – a corporate guarantee in the amount of PLN 945 million (USD 220 million) set as security on a bank loan drawn by Sierra Gorda S.C.M. The guarantee is valid to September 2024. The carrying amount of the liability due to a financial guarantee granted was recognised in the amount of PLN 40 million\*,

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

- PLN 205 million - securing the obligations of the Parent Entity arising from a surety agreement signed between KGHM Polska Miedź S.A., Dom Maklerski Banku Ochrony Środowiska S.A. and Izba Rozliczeniowa Giełd Towarowych S.A., the guarantee is valid for up to 1 year,
- PLN 142 million - securing the proper execution by the Parent Entity of future environmental obligations related to the obligation to restore terrain, following the conclusion of operations of the Żelazny Most tailings storage facility, the guarantee is valid for up to 1 year,
- PLN 16 million - securing claims on behalf of Marshal of the Voivodeship of Lower Silesia to cover costs related to collecting and processing waste, the guarantee is valid up to 1 year,
- PLN 7 million (PLN 1 million and CAD 2 million) - securing the obligations related to proper execution of agreements concluded by the Group, the guarantee is valid for up to 3 years,
- PLN 2 million - securing obligations related to tax and customs duties, the guarantee is valid indefinitely,

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

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

**Note 4.9 Related party transactions**

<b>Operating income from related entities</b>	<b>from 1 January 2023 to 31 March 2023</b>	<b>from 1 January 2022 to 31 March 2022</b>
Revenues from sales of products, merchandise and materials to a joint venture	10	8
Interest income on loans granted to a joint venture	147	183
Revenues from other transactions with a joint venture	10	11
Revenues from other transactions with other related parties	13	9
<b>Total</b>	<b>180</b>	<b>211</b>
<b>Purchases from related entities</b>	<b>from 1 January 2023 to 31 March 2023</b>	<b>from 1 January 2022 to 31 March 2022</b>
Purchase of services, merchandise and materials	24	23
Other purchase transactions	3	2
<b>Total</b>	<b>27</b>	<b>25</b>
<b>Trade and other receivables from related parties</b>	<b>As at 31 March 2023</b>	<b>As at 31 December 2022</b>
From the joint venture Sierra Gorda S.C.M. (loans)	9 511	9 603
From the joint venture Sierra Gorda S.C.M. (other)	59	69
From other related parties	37	5
<b>Total</b>	<b>9 607</b>	<b>9 677</b>
<b>Trade and other payables towards related parties</b>	<b>As at 31 March 2023</b>	<b>As at 31 December 2022</b>
Towards a joint venture	39	58
Towards other related parties	25	2
<b>Total</b>	<b>64</b>	<b>60</b>

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 31 March 2023 and in the period from 1 January to 31 March 2023, the Group concluded the following transactions with the Polish Government and entities controlled or jointly controlled by the Polish Government, unusual due to their nature or amount:

- due to an agreement on setting mining usufruct for the extraction of mineral resources and for the exploration for and assessment of mineral resources – the balance of payables amounted to PLN 199 million (as at 31 December 2022: PLN 229 million), including payments on setting mining usufruct for the extraction of mineral resources recognised in costs in the amount of PLN 8 million (as at 31 December 2022: PLN 31 million),
- due to a reverse factoring agreement with the company PEKAO FAKTORING SP. Z O.O. - payables in the amount of PLN 4 million, interest costs from 1 January to 31 March 2023 in the amount of PLN 0 million (as at 31 December 2022, payables in the amount of PLN 18 million and interest costs from 1 January to 31 March 2022 in the amount of PLN 1 million),
- other transactions and economic operations: spot currency exchange, depositing cash, granting bank loans, guarantees and letters of credit (including documentary letters of credit), running bank accounts, servicing of business credit cards, servicing of documentary collection, and servicing of special purpose funds as part of the cooperation with banks related to the State Treasury.

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

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

- the purchase of products (energy, fuels, services), merchandise and materials to meet the needs of current operating activities. In the period from 1 January to 31 March 2023, the turnover from these transactions amounted to PLN 1 084 million (from 1 January to 31 March 2022: PLN 864 million), and, as at 31 March 2023, the unsettled balance of liabilities from these transactions amounted to PLN 265 million (as at 31 December 2022: PLN 340 million),

- sales to Polish State Treasury Companies. In the period from 1 January to 31 March 2023, the turnover from these sales amounted to PLN 157 million (from 1 January to 31 March 2022: PLN 51 million), and, as at 31 March 2023, the unsettled balance of receivables from these transactions amounted to PLN 175 million (as at 31 December 2022: PLN 241 million).

<b>Remuneration of the Supervisory Board of the Parent Entity (in PLN thousands)</b>	<b>from 1 January 2023 to 31 March 2023</b>	<b>from 1 January 2022 to 31 March 2022</b>
Remuneration due to service in the Supervisory Board, salaries and other current employee benefits	572	474
<b>Remuneration of the Management Board of the Parent Entity (in PLN thousands)</b>	<b>from 1 January 2023 to 31 March 2023</b>	<b>from 1 January 2022 to 31 March 2022</b>
Salaries and other current employee benefits due to serving in the function	1 506	1 582
<b>Remuneration of other key managers (in PLN thousands)</b>	<b>from 1 January 2023 to 31 March 2023</b>	<b>from 1 January 2022 to 31 March 2022</b>
Salaries and other current employee benefits	1 047	581

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 KGHM Polska Miedź S.A. Group arising from corporate documents and from management contracts, the members of the Board of Directors of KGHM INTERNATIONAL LTD. and the President of the Management Board of KGHM INTERNATIONAL LTD. were recognised as other key managers of the Group.

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

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

	<b>As at 31 March 2023</b>	<b>Increase/(decrease) since the end of the last financial year</b>
<b>Contingent assets</b>	<b>367</b>	<b>1</b>
Guarantees received	202	7
Promissory notes receivables	141	(6)
Other	24	-
<b>Contingent liabilities</b>	<b>694</b>	<b>242</b>
Note 4.8 Guarantees and letters of credit	386	199
Note 4.8 Promissory notes liabilities	208	38
Property tax on underground mine workings	40	6
Other	60	(1)
<b>Other liabilities not recognised in the statement of financial position - liabilities towards local government entities due to expansion of the tailings storage facility</b>	<b>31</b>	<b>(3)</b>

**Note 4.11 Changes in working capital**

	Inventories	Trade receivables	Trade payables	Similar payables	Working capital
As at 1 January 2023	(8 902)	(1 178)	3 262	18	<b>(6 800)</b>
As at 31 March 2023	(8 538)	(1 132)	2 995	4	<b>(6 671)</b>
<b>Change in the statement of financial position</b>	<b>364</b>	<b>46</b>	<b>( 267)</b>	<b>( 14)</b>	<b>129</b>
Exchange differences from the translation of statements of operations with a functional currency other than PLN	( 14)	( 7)	4	-	<b>( 17)</b>
Depreciation recognised in inventories	( 85)	-	-	-	<b>( 85)</b>
Change in the balance of payables due to the purchase of property, plant and equipment and intangible assets	-	-	253	-	<b>253</b>
Other	( 1)	-	-	-	<b>( 1)</b>
<b>Adjustments, total</b>	<b>( 100)</b>	<b>( 7)</b>	<b>257</b>	<b>-</b>	<b>150</b>
<b>Change in the statement of cash flows</b>	<b>264</b>	<b>39</b>	<b>( 10)</b>	<b>( 14)</b>	<b>279</b>

	Inventories	Trade receivables	Trade payables	Similar payables	Working capital
As at 1 January 2022	(6 487)	(1 026)	3 106	95	<b>(4 312)</b>
As at 31 March 2022	(7 049)	(1 415)	3 002	85	<b>(5 377)</b>
<b>Change in the statement of financial position</b>	<b>( 562)</b>	<b>( 389)</b>	<b>( 104)</b>	<b>( 10)</b>	<b>(1 065)</b>
Exchange differences from the translation of statements of operations with a functional currency other than PLN	16	6	( 5)	-	<b>17</b>
Depreciation recognised in inventories	71	-	-	-	<b>71</b>
Change in the balance of payables due to the purchase of property, plant and equipment and intangible assets	-	-	331	-	<b>331</b>
Other	( 1)	-	-	-	<b>( 1)</b>
<b>Adjustments, total</b>	<b>86</b>	<b>6</b>	<b>326</b>	<b>-</b>	<b>418</b>
<b>Change in the statement of cash flows, of which:</b>	<b>( 476)</b>	<b>( 383)</b>	<b>222</b>	<b>( 10)</b>	<b>( 647)</b>
due to assets held for sale (disposal group) and liabilities associated with disposal group	( 4)	6	13	-	<b>15</b>

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

**KGHM TOWARZYSTWO FUNDUSZY INWESTYCYJNYCH S.A.**

On 13 March 2023, KGHM Polska Miedź S.A. concluded an Agreement for the sale of 100% of the shares of KGHM TOWARZYSTWO FUNDUSZY INWESTYCYJNYCH SPÓŁKA AKCYJNA ("Shares") with Agencja Rozwoju Przemysłu S.A. ("Buyer"). The sale of the Shares was contingent on meeting the conditions precedent, among others no objections raised by the Polish Financial Supervision Authority. The ownership rights to the Shares will be transferred to the Buyer at the moment an appropriate entry is made in the Share Register. The sale of the Shares is the last stage of the reorganisation under the Group's structure, which comprised the liquidation of closed-end, non-public investment funds. As at 31 March 2023, the conditions precedent to the concluded agreement have not been met.

Due to the insignificant value, these assets and liabilities were not separated in the statement of financial position to separate items "Assets held for sale (disposal group)" and "Liabilities associated with disposal group".



## 5 – Additional information to the consolidated quarterly report

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

In the first quarter of 2023, there were no changes in the organisational structure of the KGHM Polska Miedź S.A. Group.

### 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

On 11 May 2023, the Management Board of KGHM Polska Miedź S.A. adopted a resolution in respect of which it submits a proposal to the Ordinary General Meeting of KGHM Polska Miedź S.A. to adopt a resolution on the appropriation of profit for 2022, in the amount of PLN 3 533 million, by:

- paying out a dividend in the amount of PLN 200 million (PLN 1.00 per share),
- transferring the amount of PLN 3 333 million to the Company's reserve capital.

Details may be found in Note 5.8.

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

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 2023, 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 2023.

#### 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 2022

In the period from publication of the consolidated report for 2022 until the publication date of the consolidated report for the first quarter of 2023, there were changes in the ownership structure of significant blocks of shares of KGHM Polska Miedź S.A.

The Company's shareholder structure as at the date of publication of the consolidated report for 2022, established on the basis of notifications received by the Company pursuant to art. 69 of the Act on public offerings and conditions governing the introduction of financial instruments to organised trading, and on public companies, is shown in the following table:

shareholder	number of shares/votes	total nominal value of shares (PLN)	percentage held in share capital/total number of votes
State Treasury	63 589 900	635 899 000	31.79%
Powszechnie Towarzystwo Emerytalne Allianz Polska Spółka Akcyjna*	12 241 453	122 414 530	6.12%
Nationale-Nederlanden Otwarty Fundusz Emerytalny	10 104 354	101 043 540	5.05%
Other shareholders	114 064 293	1 140 642 930	57.04%
<b>Total</b>	<b>200 000 000</b>	<b>2 000 000 000</b>	<b>100.00%</b>

\*Total number of shares recorded on the accounts of funds managed by Powszechnie Towarzystwo Emerytalne Allianz Polska Spółka Akcyjna: Allianz Otwarty Fundusz Emerytalny, Allianz Polska Dobrowolny Fundusz Emerytalny and Drugi Allianz Polska Otwarty Fundusz Emerytalny

On 16 May 2023, the Company was informed by Powszechnie Towarzystwo Emerytalne Allianz Polska Spółka Akcyjna that as a result of the liquidation of the pension fund Drugi Allianz Polska Otwarty Fundusz Emerytalny by transferring its assets to Allianz Polska Otwarty Fundusz Emerytalny ("Allianz OFE"), the share held in the total number of votes in the Company KGHM Polska Miedź S.A. on the accounts of Allianz OFE amounted to more than 5%, that is on the accounts of Allianz OFE were 11 961 453 shares representing 5.98% of the share capital of the Company and 5.98% share of the total number of votes at the Company's General Meeting.

As a result of the above, at the publication date of this report, pursuant to the information held by KGHM Polska Miedź S.A., the following shareholders held at least 5% in the total number of votes at the General Meeting of KGHM Polska Miedź S.A.:

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

#### **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 2022**

##### Members of the Company's Management Board and Supervisory Board

Based on information held by KGHM Polska Miedź S.A., as at the date of preparation of this report no Member of the Management Board and the Supervisory Board of the Company held shares of KGHM Polska Miedź S.A. or rights to them. This state did not change since the publication of the consolidated report for 2022.

#### **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. 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 elektorafinacji Huty Miedzi” (Method for increasing the production capacity of the electrorefining sections of the Metallurgical Plants) for the 8th calculation period, together with interest due. The amount of the claim (principal amount) was set by the Plaintiffs in the claim in the amount of approx. PLN 42 million (principal amount without interest and court costs), interest as of 31 March 2019 amounted to approx. PLN 55 million. On 21 January 2008, in the response to the claim, KGHM Polska Miedź S.A. requested the dismissal of the claim in its entirety and filed a counter claim for the repayment of undue royalties paid for the 6th and 7th year of application of invention project no. 1/97/KGHM, together with interest due, also invoking the right of mutual set-off of claims. The amount of the claim (principal amount) in the counter claim was set by the Company in the amount of approx. PLN 25 million.

In a 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 plaintiffs did not file a cassation appeal. The cassation appeal was registered. In a judgment dated 24 November 2022 the Supreme Court overturned the disputed judgment and ordered the case to be reheard. The case files were transferred to the Court of Appeal in Wrocław and registered under the new reference number I ACa 52/23. The court obliged the parties to submit preparatory letters containing the current stance on the case.

In accordance with the Company's stance, the plaintiffs' claim should be dismissed in its entirety and the counter claim is justified. The Company in this regard paid the authors of the project royalties for a longer period of application of the project than anticipated in the initial contract entered into by the parties on advancing the invention project, based on an

annex to the contract, extending the period of payment of royalties, whose validity is questioned by the Company. Moreover, the Company is questioning the „rationalisation“ nature of the solutions, as well as whether they were in fact used in their entirety, and also their completeness and suitability for use in the form supplied by the plaintiffs as well as the means of calculating the economic effects of this solution, which were the basis for paying the royalties. The argumentation of KGHM Polska Miedź S.A. is additionally supported by the wording of the judgment of the Supreme Court dated 24 November 2022, which indicates the lack of cause to enter into an appendix enabling the payment of additional remuneration to the Plaintiffs.

**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 2023 to 31 March 2023, neither KGHM Polska Miedź S.A. nor subsidiaries thereof entered into transactions with related entities under other than arm's length conditions.

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

In the first quarter of 2023, KGHM Polska Miedź S.A. and its subsidiaries did not grant sureties on bank and other loans and did not issue guarantees - jointly to a single entity or a subsidiary thereof - for which the total amount of existing sureties or guarantees is significant.

**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**

The Management Board of KGHM Polska Miedź S.A. and trade unions being a party to the Collective Labour Agreement for the Employees of KGHM Polska Miedź S.A., during the wage negotiations which were held from 24 to 26 January 2023, reached an agreement on wage and employee benefits, introducing the following wage shaping elements in the current year:

1. an increase in the monthly basic wage rate by 13.2%,
2. upward employee categorisation covering 20% of employees,
3. payment of a one-off gratification in the pre-tax amount of PLN 2 thousand per 1 employee, contingent on:
  - achievement of planned production in the first half-year,
  - continuation of the average copper price at a level not lower than planned in the budget.

**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, through the Parent Entity, including in particular over the following quarter, may be:

- a) the ongoing war in Ukraine and the system of economic sanctions and their potential impact on:
  - i) higher prices of fuels and energy carriers,
  - ii) interruptions in the supply chain and the availability of materials (e.g. steel), fuels and energy on international markets,
- b) the dynamic political situation in Chile and its potential impact on the tax burden related to the activities conducted there,
- c) the possible global economic recession as a result of the inflation and energy crisis, the war in Ukraine, as well as the observed economic slowdown,
- d) exceptional legal changes as a result of the ongoing war in Ukraine,
- e) volatility in copper and silver prices on the metals markets,
- f) volatility in the USD/PLN exchange rate,
- g) volatility in electrolytic copper production costs, including in particular due to the minerals extraction tax, changes in the value of consumed purchased copper-bearing materials, volatility in prices of energy carriers and electricity,
- h) the effects of the implemented hedging policy,
- i) the general uncertainty on financial markets, and
- j) an increase in the prices of materials and services.

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

- a) similarly as in the case of the Parent Entity, the ongoing war in Ukraine and its potential impact on business continuity disruptions or business restrictions,
- b) the possible global economic recession as a result of the inflation and energy crisis and the war in Ukraine, as well as the observed economic slowdown,

- c) volatility in copper, silver, gold and molybdenum prices,
- d) the CLP/USD and USD/PLN exchange rates volatility,
- e) volatility in the cost of copper mining production,
- f) an increase in the prices of materials and services.

In the reporting period, the Group did not record a negative impact of factors related to the COVID-19 pandemic, and the uncertainty related to their impact in subsequent periods is considered as low. However, taking into consideration the ongoing military conflict in Ukraine and observed economic slowdown, especially of the largest global economies as well as the inflation and energy crisis, there still remains uncertainty regarding the directions of development of the economic and social situation in Europe and globally.

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

The situation in Ukraine, in particular the end of the conflict, will be important for the domestic and global economy and it could have a positive impact on the stability of the international fuel and energy market and the stability of the supply chain. The Parent Entity continues to monitor the global economic situation, in order to assess its potential negative impact on the KGHM Polska Miedź S.A. Group and to take anticipative actions to mitigate this impact.

**Note 5.6 Assessment of the risk of impairment of assets of the KGHM Polska Miedź S.A. Group in the context of the market capitalisation of KGHM Polska Miedź S.A.**

In the first quarter of 2023, there was still uncertainty on the stock markets as to the development of the global macroeconomic situation in reaction to the ongoing armed conflict in Ukraine and its consequences, including, above all, continued high inflation in the majority of global economies. As a result, stock market indices, which suffered greatly since the beginning of the conflict, did not record significant signs of improvement. In the first three months of 2023, the share price of KGHM Polska Miedź S.A. fell by 4% compared to the share price at the end of 2022, and as at 31 March 2023 it amounted to PLN 122.25. During the same period the WIG 20 index fell by 2% and WIG index increased by 2%. As a result, the Company's market capitalisation decreased from PLN 25 350 million to PLN 24 450 million, which means that as at 31 March 2023 it remained 19% below the level of the Company's net assets.

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

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

The persistently low share prices concerned companies in the majority of sectors, in different economies, and reflected investor uncertainty as to the future. In particular, the armed conflict in Ukraine caused withdrawal of foreign investors from areas bordering the war zone, which can be seen not only in the situation on the Warsaw Stock Exchange, but also on exchanges in the region, such as in Czechia, Slovakia and Hungary.

From the point of view of the Group's operations, the key factor influencing the level of market capitalisation is the copper price. In December 2022, the average price of copper amounted to 8 367 USD/t, and in March 2023 it increased to 8 836 USD/t. The share prices of companies involved in the mining and processing of copper are strongly correlated with the price of this metal.

It should be pointed out that in the case of the Polish assets, of importance are PLN-expressed metals prices, which are also affected by the USD/PLN exchange rate. Fluctuations in the price of copper related to the turbulence on the financial markets, whose origins may often be found not only in macroeconomics but also in broadly understood geopolitics, are usually offset by changes in the USD/PLN exchange rate to a large extent.

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

As a result of the assessment, it was judged that there was no relation between the fall in the share price of KGHM Polska Miedź S.A. and the activities of KGHM Polska Miedź S.A. in Poland as well as abroad. The Company carries out the production and sales targets in Poland as well as abroad. Consequently, there were no indications identified suggesting the risk of impairment of the Polish and international production assets, therefore there were no tests for impairment conducted for these assets as at 31 March 2023.

Due to the uncertainty and the significant volatility of basic economic parameters, including metals prices and currency exchange rates, and dynamic development of the domestic and global pandemic situation, and its impact on the economic situation, the Company is continuously monitoring the global situation.

### Note 5.7 Information on the impact of Covid-19 and the war in Ukraine on the Company's and the Group's operations

In the reporting period, the Group did not record a negative impact of factors related to the COVID-19 pandemic, and the uncertainty related to their impact in subsequent periods is assessed as low. However, taking into consideration the ongoing military conflict in Ukraine and observed economic slowdown, especially of the global largest economies, as well as the inflation and energy crisis, there still remains uncertainty regarding the directions of development of the economic and social situation in Europe and globally.

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

#### Key risk categories

The most significant risk factors related to the war in Ukraine, could have an impact on the Company's and the Group's activities are:

- further increase in the prices of fuels and energy carriers;
- interruptions in the supply chain and the availability of materials (e.g. steel), fuels and energy on international markets;
- the possible global economic recession as a result of the inflation and energy crisis, as well as the observed economic slowdown;
- potential exceptional legal changes;
- volatility in copper and silver prices on the metals markets;
- volatility in molybdenum prices;
- volatility in the USD/PLN exchange rate;
- volatility in electrolytic copper production costs, including in particular due to the minerals extraction tax, changes in the value of purchased copper-bearing materials consumed and volatility in prices of energy carriers and electricity;
- the effects of the implemented hedging policy;
- the general uncertainty on financial markets; and
- an increase in the prices of materials and services.

Evaluation of the key categories of risk which are impacted by the war in Ukraine underwent detailed analysis by the ongoing monitoring of selected information in the areas of production, sales, supply chains, personnel management and finance, in order to support the process of reviewing the current financial and operating situation of the KGHM Polska Miedź S.A. Group. As a result, the aforementioned threats did not have substantially negative impact on the Group's operations and finally did not cause deviation in the achievement of the budget assumptions for the first quarter of 2023.

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

From the Company's point of view, an effect of the war in Ukraine is its impact on market risk related to volatility in metals prices and market indices in the reporting period. The Company's share price at the end of the first quarter of 2023 decreased by 4% compared to the price at the end of 2022 and at the close of trading on 31 March 2023 amounted to PLN 122.25. During the same period the WIG index increased by 2% and WIG20 index fell by 2%. As a result of changes in the share price, the Company's capitalisation decreased from PLN 25 350 million at the end of 2022 to PLN 24 450 million at the end of the first quarter of 2023.

The average price of copper in the first quarter of 2023 amounted to 8 927 USD/t, which was higher than assumed in the budget. The average price of copper in the first quarter of 2023 increased by 11.6% compared to the average price of copper in the fourth quarter of 2022 and by 1.5% compared to the average price of copper in 2022.

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

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

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

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

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

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

With respect to exchange differences (the currency conversion of balance sheet items), a weakening of the PLN may result in foreign exchange gains (unrealised) due to the fact that the amount of the loans granted by KGHM Polska Miedź S.A. in USD is higher than the amount of borrowings in USD.

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

## Preventive actions in the Group

In KGHM Polska Miedź S.A. as well as in all international mines of the KGHM Polska Miedź S.A. Group and Sierra Gorda S.C.M., no production stoppages which would have been directly attributable to the war in Ukraine were recorded. KGHM Polska Miedź S.A. has developed procedures related to the credit risk management and monitors receivables on a regular basis. The timeliness of payment of receivables by customers is subject to daily reporting, while any delays in payments are immediately explained with customers. There have been no significant changes in the payment morality of costumers, and therefore the inflow of receivables in the Parent Entity takes place without major disturbances. Currently, the strategy of diversification of suppliers applied by the entire KGHM Polska Miedź S.A. Group and the use of alternative solutions effectively mitigates the risk of interruptions in the supply chains of raw and other materials. The Group is fully capable of meeting its financial obligations. The financial resources held by the Group and the obtained borrowings guarantee its continued financial liquidity. The Group's financing structure, at the level of the Parent Entity, is based on long-term and diversified sources of financing, provided the Company and the Group with long-term financial stability by maintaining a stable spread of debt maturities and optimising its cost. Due to the centralisation of the process of obtaining external financing for the needs of the entire Group, in order to transfer liquidity within the Group, a debt instrument in the form of owners loans is used to support the investment process, and the Group uses local and international cash pooling to service its daily operations. The Group continues to advance its investment projects in accordance with established schedules and therefore does not identify any increase in risk related to their continuation due to the war in Ukraine. In the Company, the process continued of implementing a comprehensive business continuity management system, which also enables a detailed breakdown of the scope of actions undertaken as regards managing corporate risk in terms of the risk of a catastrophic impact and the small probability of their occurrence. With respect to stability and the continuity of energy carriers supply chains, the directions of energy-climate geopolitics will be of importance, especially in the context of gaining independence by European countries from Russian deliveries of natural gas and coal and the effects of the economic sanctions imposed by the EU and its Member States on Russia, Belarus and Iran. Russia's aggression against Ukraine also has an impact on food security, high prices of energy and the Producer Price Index, as well as problems with access to synthetic fertilizers. The Parent Entity continuously monitors the international economic situation in order to assess its potential negative impact on the KGHM Polska Miedź S.A. Group and to take anticipative actions to mitigate this impact.

## Note 5.8 Subsequent events

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

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

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

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

### Management Board proposal regarding the appropriation of profit for 2022

On 11 May 2023, the Management Board of KGHM Polska Miedź S.A. adopted a resolution in respect of which it submits a proposal to the Ordinary General Meeting of KGHM Polska Miedź S.A. to adopt a resolution on the appropriation of profit for 2022, in the amount of PLN 3 533 million, by:

- paying out a dividend in the amount of PLN 200 million (PLN 1.00 per share),
- transferring the amount of PLN 3 333 million to the Company's reserve capital.

Moreover, the Management Board of KGHM Polska Miedź S.A. proposes that the Ordinary General Meeting of KGHM Polska Miedź S.A. set the dividend date at 27 July 2023 and the dividend payment date at 10 August 2023.

The amount of recommended dividend is a result of the assessment of capital needs associated with the realisation of the Strategy, including planned expenditures on Resource Base Development projects and energy transformation while simultaneously maintaining the safe level of debt of the KGHM Polska Miedź S.A. Group.

The above proposal of the Management Board was positively reviewed by the Supervisory Board of KGHM Polska Miedź S.A.

The final decision regarding the appropriation of KGHM Polska Miedź S.A.'s profit for 2022 will be made by the Ordinary General Meeting of KGHM Polska Miedź S.A.

#### **Notification of a change in the interest held in the total number of votes of the Company**

On 16 May 2023, the Company received a notification from Powszechne Towarzystwo Emerytalne Allianz Polska S.A. dated 15 May 2023, according to which, Powszechne Towarzystwo Emerytalne Allianz Polska S.A., which manages Allianz Polska Otwarty Fundusz Emerytalny („Allianz OFE”), announced that, on 12 May 2023, as a result of the liquidation of the pension fund Drugi Allianz Polska Otwarty Fundusz Emerytalny („Drugi Allianz OFE”) by transferring its assets to Allianz OFE, the share held in the total number of votes in the company KGHM Polska Miedź S.A. on the accounts of Allianz OFE amounted to more than 5%.

Prior to the liquidation of Drugi Allianz OFE, in total on the accounts of Allianz OFE and Drugi Allianz OFE there were 11 961 453 shares of the Company, representing in total 5.98% of the share capital of the Company and granting the right to 11 961 453 votes, representing 5.98% of the total number of votes at the Company's General Meeting.

Following the liquidation of Drugi Allianz OFE, in total on the accounts of Allianz OFE there were 11 961 453 shares, representing 5.98% of the share capital of the Company and granting the right to 11 961 453 votes, representing 5.98% of the total number of votes at the Company's General Meeting.

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

### SEPARATE STATEMENT OF PROFIT OR LOSS

	from 1 January 2023 to 31 March 2023	from 1 January 2022 to 31 March 2022
Note 1 Revenues from contracts with customers	8 370	7 555
Note 2 Cost of sales	(7 108)	(5 732)
<b>Gross profit on sales</b>	<b>1 262</b>	<b>1 823</b>
Note 2 Selling costs and administrative expenses	(265)	(221)
<b>Profit on sales</b>	<b>997</b>	<b>1 602</b>
Note 3 Other operating income, including:	283	573
interest income calculated using the effective interest rate method	86	62
reversal of impairment losses on financial instruments	4	53
Note 3 Other operating costs, including:	(467)	(232)
impairment losses on financial instruments	(8)	(5)
Note 4 Finance income	94	-
Note 4 Finance costs	(38)	(105)
<b>Profit before income tax</b>	<b>869</b>	<b>1 838</b>
Income tax expense	(387)	(513)
<b>PROFIT FOR THE PERIOD</b>	<b>482</b>	<b>1 325</b>
<b>Weighted average number of ordinary shares (million)</b>	<b>200</b>	<b>200</b>
<b>Basic and diluted earnings per share (in PLN)</b>	<b>2.41</b>	<b>6.63</b>

### SEPARATE STATEMENT OF COMPREHENSIVE INCOME

	from 1 January 2023 to 31 March 2023	from 1 January 2022 to 31 March 2022
<b>Profit for the period</b>	<b>482</b>	<b>1 325</b>
Measurement of hedging instruments net of the tax effect	(22)	(285)
<b>Other comprehensive income, which will be reclassified to profit or loss</b>	<b>(22)</b>	<b>(285)</b>
Measurement of equity financial instruments at fair value through other comprehensive income, net of the tax effect	(18)	34
Actuarial losses net of the tax effect	(47)	(111)
<b>Other comprehensive income, which will not be reclassified to profit or loss</b>	<b>(65)</b>	<b>(77)</b>
<b>Total other comprehensive net income</b>	<b>(87)</b>	<b>(362)</b>
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>395</b>	<b>963</b>



## SEPARATE STATEMENT OF CASH FLOWS

	from 1 January 2023 to 31 March 2023	from 1 January 2022 to 31 March 2022
<b>Cash flow from operating activities</b>		
Profit before income tax	869	1 838
Depreciation/amortisation recognised in profit or loss	363	322
Interest on investment activities	( 68)	( 54)
Other interest	35	25
Fair value losses/ (gains) on financial assets measured at fair value through profit or loss	12	( 24)
Impairment losses on financial instruments and non-current assets	6	-
Impairment losses on non-current assets	-	1
Reversal of impairment losses on non-current assets	-	( 53)
Exchange differences, of which:	62	( 49)
from investing activities and cash	156	( 127)
from financing activities	( 94)	78
Change in provisions for decommissioning of mines, employee benefits liabilities and other provisions	124	( 71)
Change in other receivables and liabilities other than working capital	472	560
Change in assets and liabilities due to derivatives	( 17)	( 221)
Reclassification of other comprehensive income to profit or loss due to the realisation of hedging derivatives	16	279
Other adjustments	17	50
Exclusions of income and costs, total	1 022	765
Income tax paid	( 244)	( 169)
Note 5 Changes in working capital, including:	115	( 595)
change in trade payables transferred to factoring	-	( 1)
<b>Net cash generated from operating activities</b>	<b>1 762</b>	<b>1 839</b>
<b>Cash flow from investing activities</b>		
Expenditures on mining and metallurgical assets, including:	( 869)	( 766)
paid capitalised interest on borrowings	( 31)	( 20)
Expenditures on other property, plant and equipment and intangible assets	( 14)	( 15)
Advances granted for property, plant and equipment and intangible assets	( 77)	( 8)
Expenditures due to the purchase of shares and investment certificates	( 115)	-
Expenditures due to loans granted	( 472)	-
Proceeds from repayment of loans granted (principal)	5	426
Other	( 17)	( 18)
<b>Net cash used in investing activities</b>	<b>( 1 559)</b>	<b>( 381)</b>
<b>Cash flow from financing activities</b>		
Proceeds from borrowings	1 299	-
Cash pooling proceeds	80	-
Cash pooling expenses	-	( 20)
Repayments of borrowings received	( 1 256)	( 70)
Repayment of lease liabilities	( 7)	( 6)
Payment of interest, including:	( 30)	( 26)
borrowings	( 30)	( 26)
<b>Net cash generated from /(used in) financing activities</b>	<b>86</b>	<b>( 122)</b>
<b>TOTAL NET CASH FLOW</b>	<b>289</b>	<b>1 336</b>
Exchange differences on measurement of cash and cash equivalents	( 3)	( 14)
Cash and cash equivalents at the beginning of the period	985	1 332
<b>Cash and cash equivalents at the end of the period, including</b>	<b>1 271</b>	<b>2 654</b>
restricted cash	<b>20</b>	<b>21</b>

**SEPARATE STATEMENT OF FINANCIAL POSITION**

	As at 31 March 2023	As at 31 December 2022
<b>ASSETS</b>		
Mining and metallurgical property, plant and equipment	21 159	21 091
Mining and metallurgical intangible assets	1 308	1 251
Mining and metallurgical property, plant and equipment and intangible assets	22 467	22 342
Other property, plant and equipment	100	104
Other intangible assets	53	51
Other property, plant and equipment and intangible assets	153	155
Investments in subsidiaries other than loans granted	3 816	3 701
Loans granted, of which:	9 124	8 763
measured at fair value through profit or loss	3 220	3 233
measured at amortised cost	5 904	5 530
Derivatives	602	714
Other financial instruments measured at fair value through other comprehensive income	458	483
Other financial instruments measured at amortised cost	444	432
Financial instruments, total	10 628	10 392
Other non-financial assets	110	117
<b>Non-current assets</b>	<b>37 174</b>	<b>36 707</b>
Inventories	7 340	7 523
Trade receivables, including:	691	620
trade receivables measured at fair value through profit or loss	495	455
Tax assets	319	312
Derivatives	611	796
Cash pooling receivables	167	588
Other financial assets	342	322
Other non-financial assets	275	142
Cash and cash equivalents	1 271	985
<b>Current assets</b>	<b>11 016</b>	<b>11 288</b>
<b>TOTAL ASSETS</b>	<b>48 190</b>	<b>47 995</b>
<b>EQUITY AND LIABILITIES</b>		
Share capital	2 000	2 000
Other reserves from measurement of financial instruments	(435)	(395)
Accumulated other comprehensive income	(749)	(702)
Retained earnings	29 254	28 772
<b>Equity</b>	<b>30 070</b>	<b>29 675</b>
Borrowings, lease and debt securities	5 633	5 000
Derivatives	540	719
Employee benefits liabilities	2 453	2 394
Provisions for decommissioning costs of mines and other technological facilities	1 123	1 233
Deferred tax liabilities	703	705
Other liabilities	243	260
<b>Non-current liabilities</b>	<b>10 695</b>	<b>10 311</b>
Borrowings, lease and debt securities	498	1 124
Cash pooling liabilities	401	321
Derivatives	342	434
Trade and similar payables	2 486	2 819
Employee benefits liabilities	1 481	1 365
Tax liabilities	1 209	1 061
Provisions for liabilities and other charges	116	110
Other liabilities	892	775
<b>Current liabilities</b>	<b>7 425</b>	<b>8 009</b>
<b>Non-current and current liabilities</b>	<b>18 120</b>	<b>18 320</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>48 190</b>	<b>47 995</b>

**SEPARATE STATEMENT OF CHANGES IN EQUITY**

	Share capital	Other reserves from measurement of financial instruments	Accumulated other comprehensive income	Retained earnings	Total equity
<b>As at 1 January 2022</b>	<b>2 000</b>	<b>(1 670)</b>	<b>( 329)</b>	<b>25 839</b>	<b>25 840</b>
Profit for the period	-	-	-	1 325	<b>1 325</b>
Other comprehensive income	-	( 251)	( 111)	-	<b>( 362)</b>
Total comprehensive income	-	( 251)	( 111)	1 325	<b>963</b>
<b>As at 31 March 2022</b>	<b>2 000</b>	<b>(1 921)</b>	<b>( 440)</b>	<b>27 164</b>	<b>26 803</b>
<b>As at 1 January 2023</b>	<b>2 000</b>	<b>( 395)</b>	<b>( 702)</b>	<b>28 772</b>	<b>29 675</b>
Profit for the period	-	-	-	482	<b>482</b>
Other comprehensive income	-	( 40)	( 47)	-	<b>( 87)</b>
Total comprehensive income	-	( 40)	( 47)	482	<b>395</b>
<b>As at 31 March 2023</b>	<b>2 000</b>	<b>( 435)</b>	<b>( 749)</b>	<b>29 254</b>	<b>30 070</b>

## Explanatory notes

### Note 1 Revenues from contracts with customers - geographical breakdown reflecting the location of end customers

	from 1 January 2023 to 31 March 2023	from 1 January 2022 to 31 March 2022
<b>Europe</b>		
Poland	1 902	1 938
Germany	2 108	1 380
The United Kingdom	268	516
Czechia	620	600
Italy	455	549
Switzerland	416	206
Hungary	384	396
France	164	104
Belgium	3	17
Austria	125	186
Romania	45	45
Slovakia	66	50
Slovenia	33	42
Denmark	-	2
Estonia	7	4
Bulgaria	166	14
Bosnia and Herzegovina	2	2
Finland	2	-
The Netherlands	3	2
Other countries (dispersed sales)	3	1
<b>North and South America</b>		
The United States of America	246	183
Chile	2	-
Canada	9	14
<b>Australia</b>	67	195
<b>Asia</b>		
China	1 007	663
Japan	-	60
Taiwan	49	11
Thailand	74	219
Turkey	67	77
Vietnam	2	62
Malaysia	51	-
<b>Africa</b>	24	17
<b>TOTAL</b>	<b>8 370</b>	<b>7 555</b>

**Note 2 Expenses by nature**

	from 1 January 2023 to 31 March 2023	from 1 January 2022 to 31 March 2022
Depreciation of property, plant and equipment and amortisation of intangible assets	413	364
Employee benefits expenses	1 267	988
Materials and energy, including:	3 721	3 310
purchased metal-bearing materials	2 211	2 204
electrical and other energy	684	482
External services, including:	580	476
transport	89	76
repairs, maintenance and servicing	171	138
mine preparatory work	173	131
Minerals extraction tax	1 068	844
Other taxes and charges	241	213
Write-down of inventories	6	(8)
Other costs	27	20
<b>Total expenses by nature</b>	<b>7 323</b>	<b>6 207</b>
Cost of merchandise and materials sold (+)	202	119
Change in inventories of finished goods and work in progress (+/-)	(96)	(324)
Cost of manufacturing products for internal use (-)	(56)	(49)
<b>Total costs of sales, selling costs and administrative expenses, including:</b>	<b>7 373</b>	<b>5 953</b>
Cost of sales	7 108	5 732
Selling costs	44	39
Administrative expenses	221	182

**Note 3 Other operating income and (costs)**

	from 1 January 2023 to 31 March 2023	from 1 January 2022 to 31 March 2022
Gains on derivatives, of which:	130	94
measurement	129	89
realisation	1	5
Exchange differences on assets and financial liabilities other than borrowings	-	219
Interest on loans granted and other financial receivables	88	63
Fees and charges on re-invoicing of costs of bank guarantees securing payments of liabilities	11	12
Reversal of impairment losses on financial instruments measured at amortised cost, including:	4	53
loans	-	53
Fair value gains on financial assets measured at fair value through profit or loss, including:	5	60
loans	-	43
Release of provisions	6	8
Other	39	64
<b>Total other operating income</b>	<b>283</b>	<b>573</b>
Losses on derivatives, of which:	( 143)	( 151)
measurement	( 50)	( 82)
realisation	( 93)	( 69)
Impairment losses on financial instruments measured at amortised cost	( 8)	-
Exchange differences on assets and liabilities other than borrowings	( 173)	-
Fair value losses on financial assets measured at fair value through profit or loss, including:	( 58)	( 40)
loans	( 12)	( 17)
Provisions recognised	( 2)	( 1)
Donations granted	( 40)	( 5)
Losses due to modification of terms of the contract	-	( 9)
Compensations, fines and penalties paid and costs of litigation	( 8)	( 9)
Other	( 35)	( 17)
<b>Total other operating costs</b>	<b>( 467)</b>	<b>( 232)</b>
<b>Other operating income and (costs)</b>	<b>( 184)</b>	<b>341</b>

**Note 4 Finance income and (costs)**

	from 1 January 2023 to 31 March 2023	from 1 January 2022 to 31 March 2022
<b>Finance income</b> - exchange differences on measurement and realisation of borrowings	<b>94</b>	-
Interest on borrowings, including:	( 28)	( 15)
leases	( 2)	( 2)
Fees and charges on external financing	( 7)	( 10)
Exchange differences on borrowings	-	( 78)
Unwinding of the discount effect	( 3)	( 2)
<b>Total finance costs</b>	<b>( 38)</b>	<b>( 105)</b>
<b>Finance income and (costs)</b>	<b>56</b>	<b>(105)</b>

**Note 5 Changes in working capital**

	Inventories	Trade receivables	Trade payables	Similar payables	Working capital
As at 1 January 2023	(7 523)	( 620)	3 005	-	<b>(5 138)</b>
As at 31 March 2023	(7 340)	( 691)	2 666	-	<b>(5 365)</b>
<b>Change in the statement of financial position</b>	183	( 71)	( 339)	-	<b>( 227)</b>
Depreciation recognised in inventories	48	-	-	-	<b>48</b>
Change in liabilities due to purchase of property, plant and equipment and intangible assets	-	-	294	-	<b>294</b>
<b>Adjustments, total</b>	48	-	294	-	<b>342</b>
<b>Change in the statement of cash flows</b>	<b>231</b>	<b>( 71)</b>	<b>( 45)</b>	-	<b>115</b>

	Inventories	Trade receivables	Trade payables	Similar payables	Working capital
As at 1 January 2022	(5 436)	( 600)	2 745	55	<b>(3 236)</b>
As at 31 March 2022	(5 838)	( 995)	2 565	54	<b>(4 214)</b>
<b>Change in the statement of financial position</b>	( 402)	( 395)	( 180)	( 1)	<b>( 978)</b>
Depreciation recognised in inventories	40	-	-	-	<b>40</b>
Change in liabilities due to purchase of property, plant and equipment and intangible assets	-	-	344	-	<b>344</b>
Reclassification to property, plant and equipment	( 1)	-	-	-	<b>( 1)</b>
<b>Adjustments, total</b>	39	-	344	-	<b>383</b>
<b>Change in the statement of cash flows</b>	<b>( 363)</b>	<b>( 395)</b>	<b>164</b>	<b>( 1)</b>	<b>( 595)</b>

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

This report was authorised for issue on 17 May 2023

Vice President  
of the Management Board

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Mateusz Wodejko

Vice President  
of the Management Board

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Marek Świder

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

Executive Director  
of Accounting Services Centre  
Chief Accountant

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Agnieszka Sinior