POLISH FINANCIAL SUPERVISION AUTHORITY

Consolidated quarterly report QSr 3 / 2021

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

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

For the third quarter of the financial year **2021** from **1 July 2021** to **30 September 2021** containing the condensed consolidated financial statements prepared under International Accounting Standard 34 in PLN, and condensed financial statements prepared under IAS 34 in PLN.

publication date: 16 November 2021

KGHM Polska Miedź Spółka Akcyjna
(name of the issuer)

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

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

SELECTED FINANCIAL DATA

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

		in PLN mn		in EUR mn	
		from 1 January 2021 to 30 September 2021	from 1 January 2020 to 30 September 2020	from 1 January 2021 to 30 September 2021	from 1 January 2020 to 30 September 2020
I.	Revenues from contracts with customers	21 735	16 580	4 768	3 733
II.	Profit on sales	3 871	2 106	849	474
III.	Profit before income tax	6 105	1 879	1 339	423
IV.	Profit for the period	4 762	1 172	1 045	264
V.	Profit for the period attributable to shareholders of the Parent Entity	4 762	1 174	1 045	264
VI.	Profit for the period attributable to non-controlling interest	-	(2)	-	-
VII.	Other comprehensive income	68	(345)	15	(78)
VIII.	Total comprehensive income	4 830	827	1 060	186
IX.	Total comprehensive income attributable to shareholders of the Parent Entity	4 829	829	1 060	186
X.	Total comprehensive income attributable to non-controlling interest	1	(2)	-	-
XI.	Number of shares issued (million)	200	200	200	200
XII.	Earnings per ordinary share (PLN/EUR) attributable to shareholders of the Parent Entity	23.81	5.87	5.23	1.32
XIII.	Net cash generated from operating activities	2 666	3 254	585	733
XIV.	Net cash used in investing activities	(2 506)	(2 675)	(550)	(602)
XV.	Net cash used in financing activities	(2 046)	(482)	(449)	(109)
XVI.	Total net cash flow	(1 886)	97	(414)	22
		As at 30 September 2021	As at 31 December 2020	As at 30 September 2021	As at 31 December 2020
XVII.	Non-current assets	37 063	34 047	8 000	7 378
XVIII.	Current assets	9 083	8 733	1 961	1 892
XIX.	Total assets	46 146	42 780	9 961	9 270
XX.	Non-current liabilities	12 244	13 792	2 643	2 989
XXI.	Current liabilities	8 309	7 907	1 794	1 713
XXII.	Equity	25 593	21 081	5 524	4 568
XXIII.	Equity attributable to shareholders of the Parent Entity	25 503	20 992	5 505	4 549
XXIV.	Equity attributable to non-controlling interest	90	89	19	19

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

		in PLN mn		in EUR mn	
		from 1 January 2021 to 30 September 2021	from 1 January 2020 to 30 September 2020	from 1 January 2021 to 30 September 2021	from 1 January 2020 to 30 September 2020
I.	Revenues from contracts with customers	17 970	13 360	3 942	3 008
II.	Profit on sales	3 250	2 156	713	485
III.	Profit before income tax	6 070	1 827	1 332	411
IV.	Profit for the period	4 852	1 156	1 064	260
V.	Other comprehensive net income	133	(310)	29	(70)
VI.	Total comprehensive income	4 985	846	1 093	190
VII.	Number of shares issued (million)	200	200	200	200
VIII.	Earnings per ordinary share (PLN/EUR)	24.26	5.78	5.32	1.30
IX.	Net cash generated from operating activities	1 401	2 860	307	644
X.	Net cash used in investing activities	(1 159)	(2 160)	(254)	(486)
XI.	Net cash used in financing activities	(1 920)	(452)	(421)	(102)
XII.	Total net cash flow	(1 678)	248	(368)	56
		As at 30 September 2021	As at 31 December 2020	As at 30 September 2021	As at 31 December 2020
XIII.	Non-current assets	35 452	32 367	7 652	7 014
XIV.	Current assets	7 150	6 975	1 543	1 511
XV.	Total assets	42 602	39 342	9 195	8 525
XVI.	Non-current liabilities	10 310	11 687	2 225	2 533
XVII.	Current liabilities	6 899	6 929	1 489	1 501
XVIII.	Equity	25 393	20 726	5 481	4 491

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Part 1 – Condensed consolidated financial statements

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		from 1 July 2021 to 30 September 2021	**from 1 January 2021 to 30 September 2021**	from 1 July 2020 to 30 September 2020	**from 1 January 2020 to 30 September 2020**
Note 3.3	Revenues from contracts with customers	7 229	21 735	5 632	16 580
Note 4.1	Cost of sales	(5 760)	(16 784)	(4 296)	(13 430)
	Gross profit	**1 469**	**4 951**	**1 336**	**3 150**
Note 4.1	Selling costs and administrative expenses	(404)	(1 080)	(370)	(1 044)
	Profit on sales	**1 065**	**3 871**	**966**	**2 106**
Note 4.5	Share of losses of a joint venture accounted for using the equity method	-	-	4	(206)
	Gains due to the reversal of allowances for impairment of loans granted to a joint venture	-	1 655	-	-
Note 4.5	Interest income on loans granted to a joint venture calculated using the effective interest rate method	128	322	91	284
Note 4.5	Profit or loss on involvement in a joint venture	128	1 977	95	78
Note 4.2	Other operating income, including:	670	1 409	167	494
	other interest calculated using the effective interest rate method	-	1	-	4
	reversal of impairment losses on financial instruments	-	18	5	9
Note 4.2	Other operating costs, including:	(222)	(778)	(556)	(723)
	impairment losses on financial instruments	-	(3)	1	(5)
Note 4.3	Finance income	-	35	117	115
Note 4.3	Finance costs	(165)	(409)	(17)	(191)
	Profit before income tax	**1 476**	**6 105**	**772**	**1 879**
	Income tax expense	(437)	(1 343)	(299)	(707)
	PROFIT FOR THE PERIOD	**1 039**	**4 762**	**473**	**1 172**
	Profit for the period attributable to:				
	Shareholders of the Parent Entity	1 037	4 762	472	1 174
	Non-controlling interest	2	-	1	(2)
	Weighted average number of ordinary shares (million)	200	200	200	200
	Basic/diluted earnings per share (in PLN)	**5.19**	**23.81**	**2.36**	**5.87**

amounts in PLN millions, unless otherwise stated

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	from 1 July 2021 to 30 September 2021	**from 1 January 2021 to 30 September 2021**	from 1 July 2020 to 30 September 2020	**from 1 January 2020 to 30 September 2020**
Profit for the period	**1 039**	**4 762**	**473**	**1 172**
Measurement of hedging instruments net of the tax effect	629	(134)	140	(128)
Exchange differences from the translation of statements of operations with a functional currency other than PLN	(36)	(65)	75	(36)
Other comprehensive income which will be reclassified to profit or loss	**593**	**(199)**	**215**	**(164)**
Measurement of equity financial instruments at fair value through other comprehensive income, net of the tax effect	(5)	112	(29)	80
Actuarial gains/(losses) net of the tax effect	99	155	(34)	(261)
Other comprehensive income, which will not be reclassified to profit or loss	**94**	**267**	**(63)**	**(181)**
Total other comprehensive net income	**687**	**68**	**152**	**(345)**
TOTAL COMPREHENSIVE INCOME	**1 726**	**4 830**	**625**	**827**
Total comprehensive income attributable to:				
Shareholders of the Parent Entity	1 723	4 829	624	829
Non-controlling interest	3	1	1	(2)

amounts in PLN millions, unless otherwise stated

CONSOLIDATED STATEMENT OF CASH FLOWS

		from 1 January 2021 to 30 September 2021	from 1 January 2020 to 30 September 2020
	Cash flow from operating activities		
	Profit before income tax	6 105	1 879
	Depreciation/amortisation recognised in profit or loss	1 598	1 391
	Share of losses of a joint venture accounted for using the equity method	-	206
	Interest on loans granted to a joint venture	(322)	(284)
	Other interest	85	120
	Impairment losses on non-current assets	32	95
	Gains due to the reversal of allowances for impairment of loans granted to a joint venture	(1 655)	-
	Other gains due to the reversal of impairment losses on non-current assets	(47)	(1)
	(Gains)/losses on the sale of property, plant and equipment and intangible assets	(50)	3
	Exchange differences, of which:	(363)	(255)
	from investing activities and on cash	(617)	(175)
	from financing activities	254	(80)
	Change in provisions for decommissioning of mines, employee benefits liabilities and other provisions	65	29
	Change in other receivables and liabilities other than working capital	622	59
	Change in assets and liabilities due to derivatives	(1 418)	48
	Reclassification of other comprehensive income to profit or loss due to the realisation of hedging derivatives	1 454	(122)
Note 4.12	Other adjustments	(2)	11
	Exclusions of income and costs, total	(1)	1 300
	Income tax paid	(569)	(444)
Note 4.11	Changes in working capital, including:	(2 869)	519
	change in trade payables transferred to factoring	(1 014)	460
	Net cash generated from operating activities	**2 666**	**3 254**
	Cash flow from investing activities		
	Expenditures on mining and metallurgical assets, including:	(2 244)	(2 199)
	paid capitalised interest on borrowings	(79)	(96)
	Expenditures on other property, plant and equipment and intangible assets	(359)	(288)
	Expenditures on financial assets designated for decommissioning of mines and other technological facilities	(24)	(22)
	Acquisition of newly-issued shares of a joint venture	-	(207)
	Proceeds from disposal of property, plant and equipment and intangible assets	80	-
	Proceeds from disposal of equity instruments measured at fair value through other comprehensive income	53	-
	Advances granted on property, plant and equipment and intangible assets	(12)	(12)
	Other	-	53
	Net cash used in investing activities	**(2 506)**	**(2 675)**
	Cash flow from financing activities		
	Proceeds from borrowings	74	4 181
	Proceeds from derivatives related to sources of external financing	18	34
	Repayment of borrowings	(1 674)	(4 429)
	Repayment of lease liabilities	(58)	(85)
	Expenditures due to derivatives related to sources of external financing	(38)	(40)
	Interest paid, including:	(80)	(149)
	borrowings	(72)	(140)
	Expenditures due to dividends paid to shareholders of the Parent Entity	(300)	-
	Other	12	6
	Net cash used in financing activities	**(2 046)**	**(482)**
	NET CASH FLOW	**(1 886)**	**97**
	Exchange gains/(losses)	(68)	6
	Cash and cash equivalents at beginning of the period	2 522	1 016
	Cash and cash equivalents at end of the period, including:	**568**	**1 119**
	restricted cash	27	35

amounts in PLN millions, unless otherwise stated

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 30 September 2021	As at 31 December 2020
	ASSETS		
	Mining and metallurgical property, plant and equipment	21 296	20 576
	Mining and metallurgical intangible assets	1 989	2 024
	Mining and metallurgical property, plant and equipment and intangible assets	23 285	22 600
	Other property, plant and equipment	2 896	2 857
	Other intangible assets	141	141
	Other property, plant and equipment and intangible assets	3 037	2 998
Note 4.5	Involvement in joint ventures – loans granted	8 521	6 069
	Derivatives	580	789
	Other financial instruments measured at fair value	750	636
	Other financial instruments measured at amortised cost	505	601
Note 4.6	Financial instruments, total	1 835	2 026
	Deferred tax assets	218	193
	Other non-financial assets	167	161
	Non-current assets	**37 063**	**34 047**
	Inventories	6 106	4 459
Note 4.6	Trade receivables, including:	1 115	834
	trade receivables measured at fair value through profit or loss	747	478
	Tax assets	254	295
Note 4.6	Derivatives	333	210
	Other financial assets	148	210
	Other non-financial assets	227	142
Note 4.6	Cash and cash equivalents	457	2 522
Note 4.13	Assets held for sale	443	61
	Current assets	**9 083**	**8 733**
	TOTAL ASSETS	**46 146**	**42 780**
	EQUITY AND LIABILITIES		
	Share capital	2 000	2 000
	Other reserves from measurement of financial instruments	(1 452)	(1 430)
	Accumulated other comprehensive income, other than from measurement of financial instruments	1 817	1 728
	Retained earnings	23 138	18 694
	Equity attributable to shareholders of the Parent Entity	25 503	20 992
	Equity attributable to non-controlling interest	90	89
	Equity	**25 593**	**21 081**
Note 4.6	Borrowings, lease and debt securities	5 554	6 928
Note 4.6	Derivatives	975	1 006
	Employee benefits liabilities	2 884	3 016
	Provisions for decommissioning costs of mines and other technological facilities	1 601	1 849
	Deferred tax liabilities	595	442
	Other liabilities	635	551
	Non-current liabilities	12 244	13 792
Note 4.6	Borrowings, lease and debt securities	462	407
Note 4.6	Derivatives	787	688
Note 4.6	Trade and similar payables	2 414	3 593
	Employee benefits liabilities	1 303	1 313
	Tax liabilities	1 285	537
	Provisions for liabilities and other charges	189	162
	Other liabilities	1 445	1 202
Note 4.13	Liabilities associated with assets held for sale	424	5
	Current liabilities	8 309	7 907
	Non-current and current liabilities	**20 553**	**21 699**
	TOTAL EQUITY AND LIABILITIES	**46 146**	**42 780**

amounts in PLN millions, unless otherwise stated

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Equity attributable to shareholders of the Parent Entity						
	Share capital	Other reserves from measurement of financial instruments	Accumulated other comprehensive income	Retained earnings	Total	Equity attributable to non-controlling interest	Total equity
As at 1 January 2020	**2 000**	**(738)**	**1 954**	**16 894**	**20 110**	**92**	**20 202**
Profit for the period	**-**	-	-	1 174	**1 174**	(2)	**1 172**
Other comprehensive income	-	(48)	(297)	-	**(345)**	-	**(345)**
Total comprehensive income	**-**	**(48)**	**(297)**	**1 174**	**829**	**(2)**	**827**
As at 30 September 2020, including:	**2 000**	**(786)**	**1 657**	**18 068**	**20 939**	**90**	**21 029**
accumulated costs associated with assets held for sale	**-**	**(14)**	**-**	**-**	**(14)**	**-**	**(14)**
As at 1 January 2021	**2 000**	**(1 430)**	**1 728**	**18 694**	**20 992**	**89**	**21 081**
Transactions with owners	-	-	-	(300)	**(300)**	-	**(300)**
Profit for the period	-	-	-	4 762	**4 762**	-	**4 762**
Other comprehensive income	**-**	(22)	89	-	**67**	1	**68**
Total comprehensive income	**-**	**(22)**	**89**	**4 762**	**4 829**	**1**	**4 830**
Reclassification of the result of disposal of equity instruments measured at fair value through other comprehensive income	-	-	-	(18)	**(18)**	-	**(18)**
As at 30 September 2021	**2 000**	**(1 452)**	**1 817**	**23 138**	**25 503**	**90**	**25 593**

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.

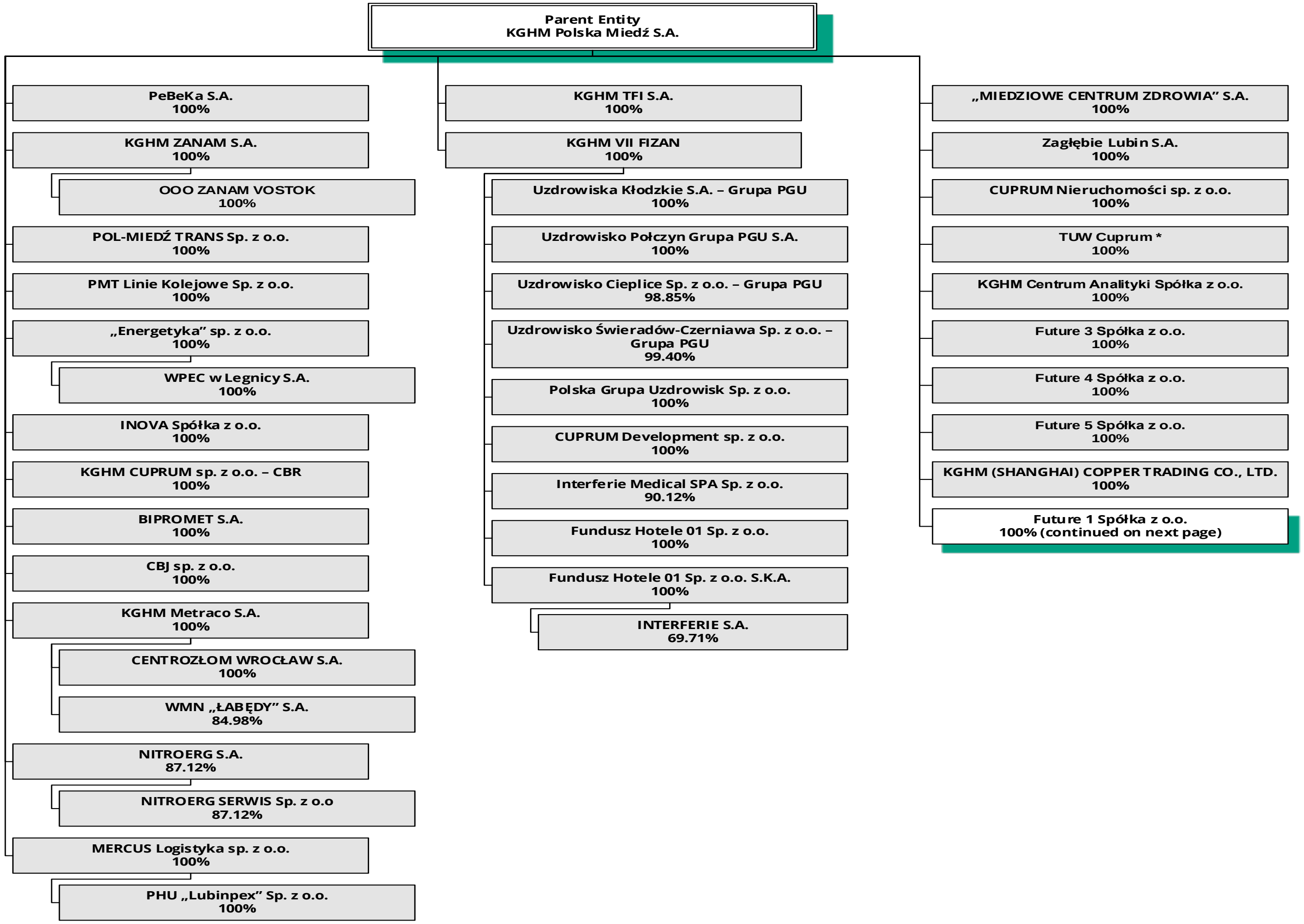
The Parent Entity's principal activities include:
- the mining of copper and non-ferrous metals ores; and
- the production of copper, precious and non-ferrous metals.

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 KGHM 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.

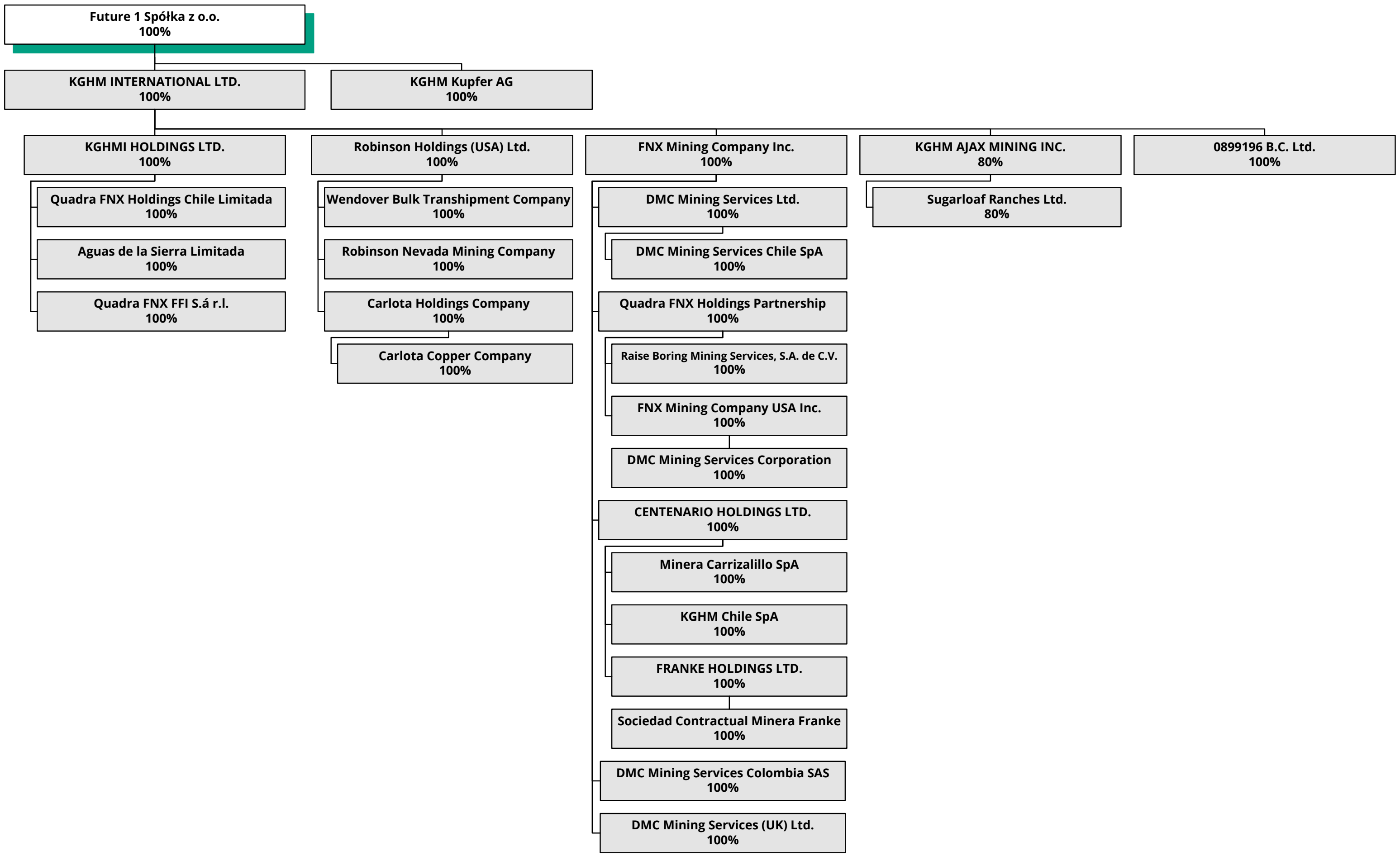
Note 1.2 Structure of the KGHM Polska Miedź S.A. Group

As at 30 September 2021, KGHM Polska Miedź S.A. consolidated 67 subsidiaries and used the equity method to account for the shares of two joint ventures (Sierra Gorda S.C.M. and NANO CARBON Sp. z o.o. in liquidation).



The percentage share represents the total share of the Group.

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


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

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 ***4.5585 EURPLN*,***
- for the conversion of turnover, profit or loss and cash flow for the comparable period, the rate of ***4.4420 EURPLN*,***
- for the conversion of assets, equity and liabilities at 30 September 2021, the current average exchange rate announced by the National Bank of Poland (NBP) as at 30 September 2021, of ***4.6329 EURPLN,***
- for the conversion of assets, equity and liabilities at 31 December 2020, the current average exchange rate announced by the NBP as at 31 December 2020, of ***4.6148 EURPLN.***

**the rates represent the arithmetic average of current average exchange rates announced by the NBP on the last day of each month during the period from January to September respectively of 2021 and 2020.*

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

The following quarterly report includes:

1. the condensed consolidated financial statements of the KGHM Polska Miedź S.A. Group for the period from 1 January to 30 September 2021 and the comparable period from 1 January to 30 September 2020, together with selected explanatory information **(Part 1)**,
2. the quarterly financial information of KGHM Polska Miedź S.A. for the period from 1 January to 30 September 2021 and the comparable period from 1 January to 30 September 2020 **(Part 2)**.

Neither the condensed consolidated financial statements for the period from 1 January to 30 September 2021 and as at 30 September 2021 nor the quarterly financial information of KGHM Polska Miedź S.A. for the period from 1 January to 30 September 2021 and as at 30 September 2021 were subject to audit by a certified auditor.

The consolidated quarterly report for the period from 1 January to 30 September 2021 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 2020 and the Consolidated annual report SRR 2020.

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 2020.

Note 1.4.1 Impact of new and amended standards and interpretations

From 1 January 2021, the Group is bound by amendments to standards resulting from Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 on the interest rate benchmark reform – Phase 2.

The aforementioned amendments to standards were adopted for use by the European Union. The Group analysed the impact of the IBOR reform on its consolidated financial statements. Pursuant to current decisions of entities designated to implement the reform, only the LIBOR rate will be replaced, and it will be replaced by a risk-free rate based on the overnight rate. The Group identified agreements with clauses based on the LIBOR rate and which will be amended following the replacement of the reference rate. These are mainly borrowing agreements (bank loans and loans), deposit agreements, guarantee agreements, letters of credit and factoring agreements as well as trade agreements. Replacement of the LIBOR rate by an alternative ratio will result in introducing appendices to the current agreements, analysing the potential change of interest rates from variable to fixed, introducing changes to internal methodologies and procedures and adapting IT tools to new valuation methods.

Moreover, the Group uses the LIBOR rate to estimate the lessee's incremental borrowing rate in lease agreements based on USD, for which it is not possible to otherwise determine the interest rate implicit in the lease, and to measure at fair value the loans granted by applying in the discounting process the current LIBOR market interest rate from the Reuters system. In the Group's opinion, the impact of this amendment on the measurement of loans and lease agreements will be immaterial due to the fact that despite the new calculation method, the new reference rate will differ from the LIBOR rate by only 1-2 basis points, depending on the date and currency. The KGHM Polska Miedź S.A. Group continuously monitors the recommendations of entities leading the IBOR reform. Due to the fact that many issues have not yet been formally regulated, the scale of changes to the aforementioned financial instruments and their impact on the Group's consolidated financial statements cannot currently be determined. Moreover, the IBOR reform will not have an impact on the interest rate of derivatives, because CIRS (open Cross Currency Interest Rate Swap transactions) transactions entered into and bonds issued by the Group are based on WIBOR reference rate, which will not be replaced by an alternative ratio.

amounts in PLN millions, unless otherwise stated

Exposure of selected items of the consolidated financial statements based on LIBOR rates to the interest rate benchmark reform

Type of financial instrument	Current reference rate	Carrying amount as at 30 September 2021
Long-term bank loans	LIBOR 3M	(2)
	LIBOR 1M	(12)
Short-term bank loans	LIBOR 3M	-
	LIBOR 1M	(3)
Reverse factoring	LIBOR 6M	5
	LIBOR 1M	1
Total		**(11)**

Moreover, the Group decided for an earlier application of the amendment to IFRS 16 *Leases* regarding COVID-19-related rent concessions, which is effective for annual periods beginning on or after 1 April 2021. These amendments extend by one year, that is to 30 June 2022, the optional and related to the coronavirus pandemic (COVID-19) relief of operational requirements for lessees making use of the option to temporarily suspend lease payments. Pursuant to the so-called practical expedient, when a lessee obtains a lease relief due to COVID-19, the lessee does not have to assess whether this relief is a modification of a lease, and instead recognises this change in the accounting books as if this change was not a modification. The impact of these amendments on the consolidated financial statements is immaterial.

Note 1.5 Impairment of assets

EVALUATION OF RISK OF IMPAIRMENT OF ASSETS OF THE COMPANY INTERFERIE S.A. – Segment – Other segments

The market capitalisation of the subsidiary Interferie S.A. in the first nine months of 2021 was below the carrying amount of the company's net assets, which in accordance with the adopted accounting policy was recognised by the company to be an indication to perform impairment testing of the company's assets. As at 30 September 2021, the carrying amount of the tested assets was PLN 153 million.

In order to assess the impairment, the company Interferie S.A. identified the following cash generating units (CGUs): INTERFERIE in Ustronie Morskie – Leisure and Sanatorium Cechsztyn, INTERFERIE in Kołobrzeg Leisure and Sanatorium Chalkozyn, INTERFERIE in Dąbki Sanatorium Argentyt, INTERFERIE in Świeradów Zdrój – Hotel Malachit, INTERFERIE Hotel in Głogów and INTERFERIE Hotel Bornit in Szklarska Poręba.

As at 30 September 2021, INTERFERIE Hotel in Głogów was classified to non-current assets held for sale and recognised, pursuant to IFRS 5, at its carrying amount which was lower than its fair value less costs to sell.

For the purpose of evaluation of impairment – pursuant to IAS 36.6, the recoverable amount of assets is determined at the amount corresponding to the fair value less costs to sell or to the value in use (which is a current, estimated value of future cash flows, expected to be obtained from the continued use of a cash generating unit) – depending on which one is higher.

In the facilities of INTERFERIE in Ustronie Morskie – Leisure and Sanatorium Cechsztyn, INTERFERIE in Kołobrzeg Leisure and Sanatorium Chalkozyn and INTERFERIE in Dąbki Sanatorium Argentyt, the recoverable amount was determined on the basis of the sum of future cash flows of individual CGUs discounted by the rate estimated on the basis of ratios used by the hotel industry.

In the facilities of INTERFERIE Hotel in Głogów, INTERFERIE Hotel Bornit in Szklarska Poręba and INTERFERIE Hotel Malachit in Świeradów Zdrój, the recoverable amount was determined based on the fair value less costs to sell (on the basis of valuation reports prepared by real estate surveyors).

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

amounts in PLN millions, unless otherwise stated

Basic assumptions adopted for impairment testing	
Assumption	**Level adopted in testing**
Forecast period* INTERFERIE in Ustronie Morskie - Leisure and Sanatorium Cechsztyn INTERFERIE in Kołobrzeg - Leisure and Sanatorium Chalkozyn INTERFERIE in Dąbki - Sanatorium Argentyt	4th quarter of 2021 – 3rd quarter of 2026 4th quarter of 2021 - 3rd quarter of 2033 4th quarter of 2021 - 3rd quarter of 2032
Notional discount rate for tests based on the DCF method during the detailed forecast period and in the residual period**	9.12%
Notional growth rate following the detailed forecast period	2.00%
Average operating profit margin - during the detailed forecast period: INTERFERIE in Ustronie Morskie - Leisure and Sanatorium Cechsztyn INTERFERIE in Kołobrzeg - Leisure and Sanatorium Chalkozyn INTERFERIE in Dąbki - Sanatorium Argentyt - during the residual period: INTERFERIE in Ustronie Morskie - Leisure and Sanatorium Cechsztyn INTERFERIE in Kołobrzeg - Leisure and Sanatorium Chalkozyn INTERFERIE in Dąbki - Sanatorium Argentyt	 26% 29% 36% 28% 40% 37%

**The difference in the forecast periods arises from the realisation of investment projects in the Argentyt and Chalkozyn facilities.*
*** The presented data is post-taxation, despite the model of measuring the value in use. The use of pre-taxation data does not have an impact on the recoverable amount.*

As a result of the impairment testing of the company's assets, the estimated fair value of the assets was determined to be higher than their carrying amount, which did not provide a basis, pursuant to IAS 36.8, to recognise an impairment loss, which is presented in the table below.

The measurement indicated a significant sensitivity of fair value to adopted discount rates, growth rates following the forecast period and volatility of operating profit in the forecasted period of the following CGUs. The sensitivity to changes in the level of revenues, arising from the lockdown period, is reflected in the sensitivity to changes in the operating profit.

Sensitivity analysis of fair value						
CGU	Carrying amount	Recoverable amount	Discount rate		Operating profit	
			higher by 6%	lower by 6%	higher by 6%	lower by 6%
INTERFERIE in Ustronie Morskie - Leisure and Sanatorium Cechsztyn	9	16	15	17	17	15
INTERFERIE in Kołobrzeg - Leisure and Sanatorium Chalkozyn	19	33	27	40	38	29
INTERFERIE in Dąbki - Sanatorium Argentyt	77	115	107	123	121	109

CGU	Carrying amount	Recoverable amount	Notional growth rate following the detailed forecast period	
			1%	3%
INTERFERIE in Ustronie Morskie - Leisure and Sanatorium Cechsztyn	9	16	14	18
INTERFERIE in Kołobrzeg - Leisure and Sanatorium Chalkozyn	19	33	28	41
INTERFERIE in Dąbki - Sanatorium Argentyt	77	115	109	123

amounts in PLN millions, unless otherwise stated

The discount rate and a change in the operating profit, alongside which the value of assets would be equal to the carrying amount is as follows:

Level of change in assumptions implicating an impairment loss		
CGU	Increase in discount rate (by pp.)	Percentage decrease in operating profit
INTERFERIE in Ustronie Morskie - Leisure and Sanatorium Cechsztyn	4.63	41
INTERFERIE in Kołobrzeg - Leisure and Sanatorium Chalkozyn	1.56	20
INTERFERIE in Dąbki - Sanatorium Argentyt	3.98	37

Costs to sell were adopted in the total amount of 3% (including: cost of legal services, real estate agency and other charges related to the sales transaction).

The company has a current valuation report of the property of INTERFERIE in Głogów, estimating the fair value of the subject of measurement at PLN 2.53 million (PLN 2.45 million after including the 3% of costs to sell). The valuation was prepared using the comparative approach, the pairs comparison method and the average price adjustment method for a part of the land. As at 30 September 2021, the carrying amount of the hotel (value of fixed assets, intangible assets and fixed assets under construction) is PLN 2.3 million.

The company has a current valuation report of the property of INTERFERIE Hotel Bornit in Szklarska Poręba, estimating the fair value of the subject of measurement to amount to PLN 25.9 million (PLN 25.1 million after including the 3% of costs to sell). The valuation was prepared using the comparative approach, the average price adjustment method and the pairs comparison method. As at 30 September 2021, the carrying amount of the hotel (value of fixed assets, intangible assets and fixed assets under construction) is PLN 23.2 million.

The company has a current valuation report of the property of INTERFERIE Hotel Malachit in Świeradów Zdrój, estimating the fair value of the subject of measurement to amount to PLN 23.2 million (PLN 22.5 million after including the 3% costs to sell). The valuation was prepared using the comparative approach, and the pairs comparison method. As at 30 September 2021, the carrying amount of the hotel (value of fixed assets, intangible assets and fixed assets under construction) is PLN 21.8 million.

The results of the impairment testing of assets of the KGHM Polska Miedź S.A. Group as at 31 December 2020 were presented in the part 3 of the Consolidated annual report SRR 2020.

amounts in PLN millions, unless otherwise stated

2 – Realisation of strategy

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

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

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

Policy regarding the development directions of the KGHM Polska Miedź S.A. Group

During the reporting period, policy regarding the development directions of the KGHM Polska Miedź S.A. Group was continued. Further actions were also taken aimed at adapting the Group's organisational functioning model to the business model of KGHM Polska Miedź S.A. and the market environment. In terms of the domestic companies, development policy was also aimed at cooperation between the KGHM Group's entities and at eliminating overlapping areas of competence in terms of individual entities. With respect to implementation of the Strategy of the Company for the years 2019-2023, in the case of the international companies of the Group, the Company aims at developing unified reporting principles, coherent internal regulations and standardised solutions with respect to individual functional areas of the international entities.

Directions regarding equity investments

In the case of the domestic companies, the main development goal is to ensure continuity and safe working conditions in the Core Business of KGHM Polska Miedź S.A. and at integrating the KGHM Group around the idea of sustainable development, including the implementation of development initiatives related to the Circular Economy, aimed at limiting the environmental footprint.

In terms of implementation of the Strategy of KGHM Polska Miedź S.A. for the years 2019-2023, in the case of the international companies of the Group, a variety of actions of a reorganisation nature were aimed at integrating KGHM INTERNATIONAL LTD. in Canada with the Company's activities in Poland by transferring some of the business processes of KGHM INTERNATIONAL LTD. to Poland. In the third quarter of 2021 these actions were continued, mainly with respect to developing coherent internal regulations and procedures as well as the standardisation of solutions in individual areas of the company's operations. In addition, internal actions were carried out aimed at advancing development scenarios for individual international assets in the Parent Entity's portfolio.

Investment goals

Investment projects planned and approved for advancement in 2021 support the achievement of strategic goals in all areas of the Strategy. Maintaining cost-effective domestic production will be possible by continuing and bringing into operation key investments, including:

- development of the Żelazny Most Tailings Storage Facility - the Southern Quarter and the Tailings Segregation and Thickening Station;
- replacement of mining machinery;
- outfitting the mines along with the construction of conveyor belts;
- construction of mine de-watering systems;
- construction of air cooling systems; and
- modernisation of the electrorefining sections in the metallurgical plants.

Taking into consideration the development of the Parent Entity, by enhancing the efficiency and flexibility of the KGHM Group in terms of its Polish assets, investments which will be advanced include:

- the Deposit Access program (Deep Głogów along with access and development tunnels);
- development of the Żelazny Most Tailings Storage Facility above a crown height of 195 m a.s.l.;
- documentation for the Hybrid Legnica Smelter and Refinery;

amounts in PLN millions, unless otherwise stated

- construction of photovoltaic power plants;
- searching for and exploring deposits under areas of exploration concessions.

Moreover, following the idea of sustainable development, investment projects will be continued such as those adapting the metallurgical installations to BAT conclusions for the non-ferrous metals industry and to restrict emissions of arsenic (BATAs).
In addition, the Company will continue to carry out work on new, intelligent technologies and production management systems, based on online communication between elements of the production process and advanced data analysis, in accordance with the KGHM 4.0 Program concept.

Advancement of the Strategy in the third quarter of 2021

In advancing the Strategy, in the third quarter of 2021 the Company endeavoured to maintain stable production in its domestic and international assets, and a level of costs guaranteeing financial security while ensuring safe working conditions and minimising its impact on the environment and surroundings, pursuant to the idea of sustainable development. To enhance the effectiveness of the actions taken, the decision was made to define and establish Strategic Programs. In the third quarter of 2021, a portion of the Strategic Programs planned to be created in the current year were established.

STRATEGIC AREA	Selected effectiveness measures		
PRODUCTION	450 kt	540 kt	130 kt
MAIN GOAL Maintenance of **cost-effective** domestic and foreign production	*Level of production in Poland of mined Cu in ore with an annual C1 cost not higher than 3800 USD/t in the years 2019-2023*	*Average yearly metallurgical production in the years 2019- 2030*	*Minimum yearly average of daily ore processing in Sierra Gorda from 2020*

Key actions taken in the third quarter of 2021 in the area of Production:

- Mined production in Poland in the first three quarters of 2021 amounted to 335.8 thousand tonnes of copper in ore with a C1 cost of 4 940 USD/t (2.24 USD/lb) of payable copper.

- Payable copper production abroad:
  - Sierra Gorda S.C.M.: 78.4 thousand tonnes (on a 55% basis); EBITDA and payable copper production exceeded planned amounts;
  - Robinson: 42 thousand tonnes;
  - Carlota: 4.1 thousand tonnes;
  - Franke: 7.9 thousand tonnes;
  - Sudbury Basin: 1.4 thousand tonnes.

- Production of electrolytic copper in the first three quarters of 2021 amounted to 440.1 thousand tonnes.
- Advancement continued on projects aimed at the automatisation of production in KGHM Polska Miedź S.A.'s Mining Divisions, under the KGHM 4.0 Strategic Program in the area Industry:
  - Equipment and elements of the dewatering monitoring system were outfitted, installed and brought into operation at the Polkowice-Sieroszowice Mine Division, with visualisation in the dispatcher control room.
  - In terms of work on the „Centre of Advanced Data Analysis (Centrum Zaawansowanych Danych Analitycznych - CZAD)": users positively verified the algorithms, involving analysis of the loads borne by the conveyor belts in the mines, developed by KGHM Cuprum. Work on implementing the algorithms in a production environment using the EKSPERT system platform is underway.

- Work was advanced on increasing the generation of power from internal sources, including renewable energy sources (RES):
  - Dialogue is underway involving the acquisition of additional wind farms. In the third quarter two preliminary offers were submitted involving the acquisition of wind farms with total installed capacity of approx. 50MW, while subsequent preliminary offers were prepared.
  - On 15 September 2021 the Company entered into a sector agreement for the development of off-shore wind farms. Dialogue is underway with potential partners in the development of off-shore wind farms.
  - Preliminary work is underway to bring into operation three photovoltaic farm projects on the grounds of the Company.

- In September a letter of intent was signed regarding the establishment of a „Lower Silesia Hydrogen Valley", in respect of which one of the initiators is KGHM Polska Miedź S.A.
- In September an agreement was signed by the Company involving preparations for the advancement of an investment comprising the construction of nuclear power sources with the company NuScale Power LLC – a producer of nuclear reactors utilising SMR (small modular reactor) technology.

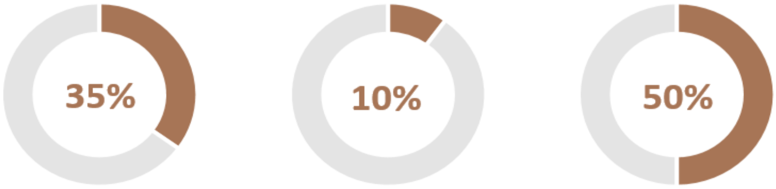
STRATEGIC AREA

DEVELOPMENT

MAIN GOAL

Increased **efficiency and flexibility** of the Group in managing its Polish and international assets

Selected effectiveness measures



Level of metallurgical production from purchased copper-bearing materials, including scrap, to 2030

An increase in the share of highly processed copper products in the Group's total sales by the end of 2030

Amount by which the needs of KGHM Polska Miedź for electricity from its own sources of energy generation and renewable energy sources will be satisfied by the end of 2030

Key actions taken in the third quarter of 2021 in the area of Development:

- Continued advancement of the Strategic Deposit Access Program:
  - The depth of the GG-1 shaft increased to the level of 1 259.6 m. Work continues on Stage VII of the shaft sinking (sinking in the interval 1 226 – 1 299.6 m). Ventilation ducts are being inserted into the concrete elements.
  - A notary act was signed for the purchase of land for the GG-2 „Odra" shaft. The process of selecting a contractor for the investment commenced.
  - Talks are underway with the owners of property at the site of the prospective Gaworzyce shaft. The municipality (Gmina) adopted the requisite resolutions for the purpose of commencing construction of the shaft.
  - 33.6 km of tunneling were excavated in the Rudna and Polkowice-Sieroszowice mining areas. All of the work performed under the Mine Projects Group enables the successive opening of new mining fields.
  - In terms of the Central Air Conditioning System, work continued on building the Surface-based Air Conditioning Station at the GG-1 shaft (handover of Phase I of the investment is planned for November 2021).
  - Start-up and operating instructions were developed for the Ice Water Transportation System, and technological start-up of the installation was carried out (handover of part I – October 2021).

- Continued advancement of Development of the Żelazny Most Tailings Storage Facility:
  - Southern Quarter: Stages 1 and 2 were completed along with acquisition of an operational permit. The advancement of the physical scope of Phase 3 of construction of the Southern Quarter amounted to 87%. Total advancement of the physical scope of work on the Southern Quarter together with slurry, water and power infrastructure reached 97%. Following the completion of operational testing of the tailings segregation and thickening installation, the deposition of large-grain tailings in the Southern Quarter commenced. The investment was handed over for operations after the end of the reporting period.

- Tailings Segregation and Thickening Station (TSTS): work is underway involving the architecture and internal installations of the hall, internal, water-sewage and ventilation installations, as well as the power building. 99% of the physical scope of Stage 1 and 45% of Stage 2 was completed. Total advancement of the physical scope of work on the TSTS reached 75%. Technological start-up of the large-grain tailings segregation and thickening installation was completed.
- Exploration projects with respect to exploring for and evaluating copper ore deposits were carried out pursuant to the concessions:
  - Exploratory drill holes were sunk in the Retków-Ścinawa and Głogów concessions.
  - Geological work continued within the Synklina Grodziecka and Konrad concessions.
  - As a result of the acquisition by the Company of geological exploratory concessions for „Bytom Odrzański" and „Kulów-Luboszyce" preparatory work was performed aimed at commencing advancement of the concessions. At the end of the quarter, work commenced on the advancement of geological work in the Bytom Odrzański concession area.
  - At the end of the quarter geological work commenced on the advancement of geological work in the Radwanice-Gaworzyce concession area.

- Exploration projects were advanced with respect to exploring for and evaluating of other deposits pursuant to the concessions:

amounts in PLN millions, unless otherwise stated

  - In the Puck concession area, preparatory work was carried out aimed at the sinking of subsequent drill holes (deposits of potassium-magnesium salts).
  - In the Nowe Miasteczko concession area, analysis was performed on the results of geophysical research (deposits of crude oil and natural gas).
- Projects involving development of the international assets were continued:
  - Victoria project – based on exploratory work carried out, approx. 6 million tonnes of project resources were re-classified to a higher recognition category (from the category Inferred to Indicated). Work also focused on preparing the foundations of the shaft's headframe, the waste rock containment pad and the site's permanent parking lot, as well as a water treatment plant. Moreover, in August 2021 the electrical infrastructure located on the grounds of the project was connected to the external power network. Work also continued aimed at maintaining good relations with key stakeholders in the project along with work related to preparing selected elements of the infrastructure, as the preparatory phase for further development of the project.
  - Ajax project – work involved monitoring and securing the project's terrain, in accordance with law in force. Actions continued aimed at dialogue with stakeholders in the project.
  - Sierra Gorda Oxide – supplementary work continued aimed at preparing for the next stage of engineering work and further project development.
- Under the Strategic Program called Hybrid Legnica Smelter and Refinery design work is underway involving the preparation of documentation. By the end of 2021 the plan foresees the execution and handover of the updated Indicative Statement of Costs and Spatial Program Concept for the Scrap Turnover Base and the Hybrid Legnica Smelter and Refinery.
- In the third quarter of 2021, 15.62% of KGHM Polska Miedź S.A.'s need for electricity was supplied by its own generating sources and RES.

STRATEGIC AREA

INNOVATION

MAIN GOAL

Increase the **efficiency** of the KGHM Group through innovation activities

Selected effectiveness measures

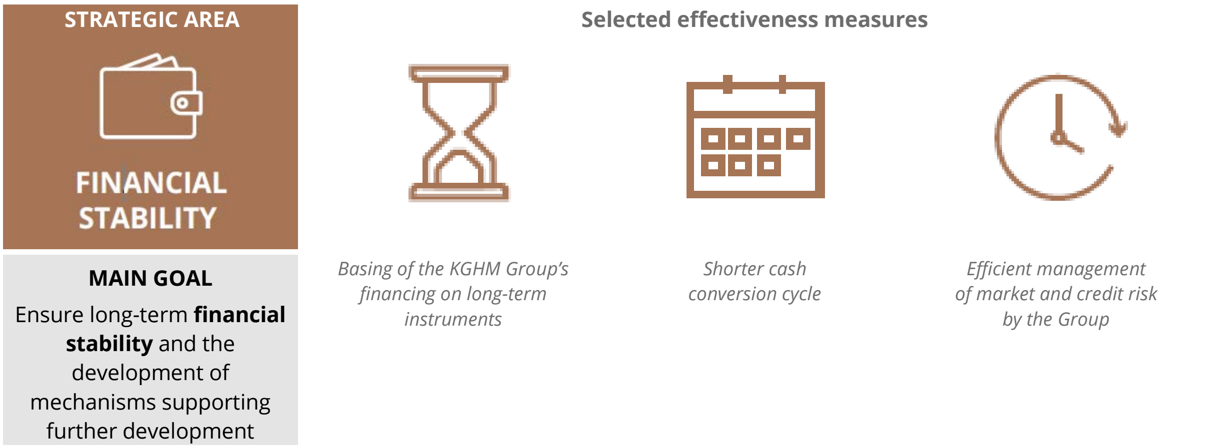
1%	100%	75%
Increase expenditures on innovation and R&D work to the level of 1% of KGHM Polska Miedź S.A.'s revenues in 2023	*Ensure that all of the innovation projects are realised, pursuant to the rules of a coherent model of innovation management and research and development work (R&D) in the KGHM Group, in the years 2019-2023*	*Level of funds for R&D and innovation in the years 2019-2023 to meet the challenges faced by KGHM Polska Miedź in the Core Business*

Key actions taken in the third quarter of 2021 in the area of Innovation:

- Under the CuBR venture, co-financed by the National Centre for Research and Development (NCRD), R&D projects having a total value of over PLN 180 million are underway. Altogether, 25 projects have been implemented under the four editions of the competition:
  - 12 projects have been completed.
  - 9 projects are being advanced.
  - 4 projects were suspended due to the inability to implement the results of the research.
  - Work continues on announcing the fifth CuBR competition, the subject of research is being assessed.
- Advancement of the Implementation Doctorates Program continued for the Company's employees. At the end of the third quarter of 2021, 36 Doctoral Students participated from the two editions. In September an academic Implementation Doctorates panel was organised during the Underground Mining School 2021 in Cracow.
- Actions were initiated involving the pilot testing of flotation machinery in the Concentrators Division.
- Work continues involving the testing of electric, battery-powered mining machinery. Currently a bolting rig is undergoing testing in the Lubin Mine Division, while in the third quarter of 2021 a self-propelled drilling rig was provided for testing. In the Polkowice-Sieroszowice Mine Division testing is underway on a transport vehicle adapted to work underground. Preparations are underway to begin testing a loader, which should commence in the second quarter of 2022.
- Following the conclusion of the „CuValley Hack" Hackathon, under the Dolina Miedziowa (Copper Valley) program, actions are currently underway to continue cooperation with the participants of the event.
- Work continued on subsidised research projects and preparing subsidy applications to the following Programs: Horizon Europe, KIC Raw Materials (Knowledge and Innovation Community), the National Environmental Protection Fund and

under the European Funds for Modern Economy (successor to the Smart Growth Operational Programme). In the third quarter, work commenced on advancing the project „Zastosowanie Technologii Reflux Flotation Cell (RFC)" (The application of Reflux Flotation Cell (RFC) Technology).

- In the area of intellectual property:
  - Proceedings are underway to obtain legal protection for the word trademark „KGHM" in China, submitted in an international procedure.
  - Applications in respect of four trademarks: the word-figurative trademark „KGHM GROUP", the word trademark „KGHM GROUP", the word-figurative trademark „GRUPA KGHM", and the word-figurative trademark „KGHM" were submitted to the European Union Intellectual Property Office (EUIPO) in Alicante. Application proceedings are underway.
  - By decisions dated 30 September 2021, the Patent Office of the Republic of Poland granted legal protection to two word trademarks: „KGHM" and „GRUPA KGHM".
  - The word trademark and the word-figurative trademark „KGHM" are being monitored in world trademark bases in order to verify the applications for legal protection for similar trademarks.
  - Seven proceedings are underway in the Patent Office of the Republic of Poland for the granting of patent protection for the submitted inventions.



Key actions taken in the third quarter of 2021 in the area of Financial stability:

- In the third quarter of 2021 the KGHM Group was fully capable of meeting its financial obligations. The financial resources held by the Group and available external financing guarantee its continued liquidity and enables the achievement of investment goals. In this period the Company concentrated on developing solutions aimed at enhancing the efficiency of liquidity management by assisting selected Group companies to obtain access to financial instruments of a guarantee nature.

- The Company took actions aimed at optimising the receivables recovery period and the payables payment period, matching them to current needs and market conditions. At the end of the third quarter of 2021 the balance of trade payables transferred to reverse factoring amounted to PLN 188 million, while the level of receivables transferred to factoring amounted to PLN 2 247 million.

- In terms of advancing the strategic plan of hedging the Company against market risk, in the third quarter of 2021 transactions were entered into on the forward currency market. Put options were purchased to cover USD 180 million of planned revenues from sales, with maturities falling from January to June 2022. In addition, collar strategies were implemented in the notional amount of USD 120 million with maturities falling from July 2022 to December 2022.

amounts in PLN millions, unless otherwise stated

STRATEGIC AREA

EFFICIENT ORGANISATION

MAIN GOAL

Implementation of systemic solutions aimed at **increasing the Group's value**

Selected effectiveness measures

from 2022	20%	80%
Ensure financial stability of Group companies in Poland on the basis of their own activities	*Increase in the efficiency of support functions as a result of centralisation and digitalisation of key back-office processes by 2023*	*Minimum level of achievement of key strategic targets and of the yearly goals assigned to them, in each of the years the strategy is in force*

Key actions taken in the third quarter of 2021 in the area of Efficient organisation:

Advancement of the KGHM 4.0 Program continued, divided into two main areas:

- INDUSTRY (industrial production):
  - In terms of implementation of the CMMS system, supporting production and material logistics in the Metallurgical Plants, Concentrators Division and in the Tailings Division, in the third quarter of 2021 work continued on efficiency of the process between operational continuity services and external companies.
  - In accordance with the schedule for the project called „CUXRF Robot - Robotisation of production and auxiliary processes": Stage 1 of the realisation of the agreement was completed and handed over involving the building of an optimised operating head for measuring copper content at the working faces, which will be built onto the CuXRF robotic arm. Work is underway related to building an electric, battery-powered mobile platform, onto which the arm of the aforementioned robot will be set.

- ICT (Information and Communication Technology):
  - In the third quarter of 2021, in terms of implementation of the FIORI eRaport system services, aimed at improving quality in terms of working time planning in the Divisions of the Company, a parallel production plan of the Company for 2021 was prepared in the SAP BPC system as well as the quantitative calculation of production (balance) in terms of the Mines and Concentrators as well as in the Głogów Copper Smelter and Refinery and the Cedynia Wire Rod Plant. The system to document and evaluate the quality of the scrap from KGHM Metraco S.A. is currently undergoing testing.
  - As part of the advancement of the project called Modernisation of the Central Balancing and Electricity Settlement System, work was carried out involving the analysis of settlement, reporting and balancing data from the electricity and natural gas measurement systems.
  - There were no interruptions recorded in the business operations of the KGHM Group and safety processes were supported as a result of work related to ensuring the continuity of the Core Business and administrative services due to the pandemic situation.

STRATEGIC AREA

PEOPLE AND THE ENVIRONMENT

MAIN GOAL

Growth based on the idea of **sustainable development and safety** as well as enhancing the Group's image of social responsibility

Selected effectiveness measures

20%	20%	70%
Minimum level of annual improvement of LTIFR (Polish assets) and TRiR (International assets)	*Maintain a participation budget at the level of 20% of the amount of deductions for donations from the minerals extraction tax from 2020*	*Level of commitment and satisfaction of the KGHM Group's employees based on measures defined during implementation, by 2023*

Key actions taken in the third quarter of 2021 in the area of People and the environment:

- An investment project supporting workplace safety called „Dostawa, montaż i uruchomienie systemu wspierania pracy operatora w zakresie antykolizji" (Supply, assembly and start-up of an anti-collision operator support system) was completed: the system is installed in 1 292 mining machines. Under this project testing equipment, synchronisation gates, units to load data from the machines and 20 081 tags in miners lamps were installed. 100% of the work on the entire project was completed in all of the mining divisions.
- The Occupational Health and Safety Program was continued in KGHM Polska Miedź S.A.:
  - The LTIFR KGHM[1] ratio amounted to 5.20. The TRiR[2] ratio for the international assets amounted to 0.66.
  - With respect to cooperation with domestic and international academic institutions and opinion makers, Company proposals were prepared as respects projected changes in hygienic and biological standards for heavy metals, and the Company's position was presented in terms of its recommendations regarding verification of the approach to standards for exposure to exhaust from diesel engines in underground mines.
  - In terms of the digitisation of analytical data and OHS reporting – stage 2 of this work was completed – a review was made of the IT solutions applied by other companies in this regard as well as the applications currently utilised by the Company.
  - Active forms of education and employee support were prepared in the form of interactive instructional films, reconstructions and handouts.
  - The OHS services conducted a joint audit at the Cedynia Wire Rod Plant and coordinated their approach as regards the measurement of selected chemical factors in the work environment.
  - A campaign aimed at prevention was launched regarding the use of psychoactive substances.
- 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) was continued. 12 projects were advanced at the Głogów and Legnica Copper Smelters and Refineries, of which by the end of the third quarter of 2021 the following were settled and completed:
  - A de-leaded slag transport installation (Głogów Copper Smelter and Refinery).
  - A warehouse and storage area for lead-bearing materials (Głogów Copper Smelter and Refinery).
  - An installation to remove sulphur from gases from the Kaldo furnace (Głogów Copper Smelter and Refinery).
- Key effects of the EU's tightening climate policy
  - The EU's tightening climate policy, in particular the European Green Deal and the Fit for 55 package, has a decisive impact on Polish industry's operating conditions. The radical rise in wholesale electricity prices which has been observed over the last several months affects the competitive position of Polish producers at the international level, not only in relation to producers outside of Europe who are not limited by restrictive environmental protection regulations, but also those from other EU countries where – in principle – a more balanced energy mix enables them to acquire energy at a substantially lower cost.
  - The revision of the EU's ETS system resulting from introduction of the Fit for 55 package means that as a result of an increase in the emissions reduction goal to -61% by 2030 (from the current level of -43%), the Company is experiencing a significant increase in costs connected with the purchase of greenhouse gas emission rights.
  - According to estimates by KGHM Polska Miedź S.A., additional costs connected with emission rights under the EU ETS system in the years 2021-2030 amount to approx. PLN 1.04 billion.
  - The Company also expects that the introduced changes will result in additional costs connected with the purchase of electricity due to higher unit market prices. If it is assumed that the current volume of electricity purchased from the market remains unchanged (approx. 2.24 TWh in 2020), these additional costs will amount to approx. PLN 2.96 billion in the years 2021-2030.
  - KGHM Polska Miedź S.A. anticipates that the costs associated with implementation of the EU's ambitious climate goals would amount in total to PLN 4 billion in the years 2021-2030. Because of this, the Company will intensify its existing decarbonisation efforts (the Energy Development Program) and will commence new projects in this regard. The Company will shape these actions based on the adopted Climate Policy.
- Adoption of the Climate Policy of KGHM Polska Miedź S.A.
  - On 16 November 2021 the Management Board of KGHM Polska Miedź S.A. adopted a resolution on the adoption for implementation of the Climate Policy of KGHM Polska Miedź S.A. – a document setting forth the Company's

[1] In 2021 the $LTIFR_{KGHM}$ (Lost Time Injury Frequency Rate KGHM), or the total number of workplace accidents in the Company KGHM Polska Miedź S.A. per million hours worked by the employees of KGHM Polska Miedź S.A.*

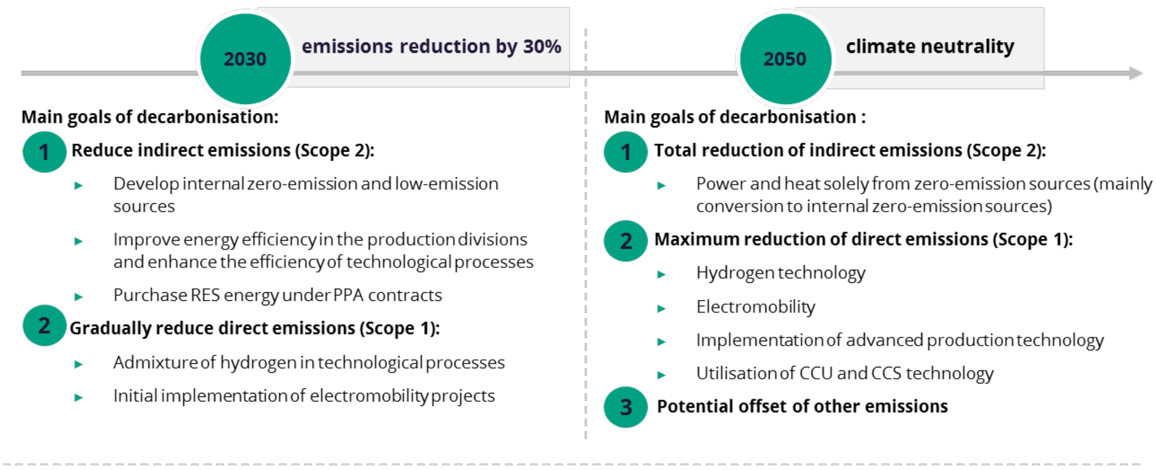
**workplace accident as defined by the Act dated 30 October 2002 on social insurance due to workplace accidents and occupational illnesses (Journal of Laws 2002 No. 199 item 1673 with subsequent amendments).*

[2] TRIR (Total Recordable Incident Rate) calculated using accepted methodology as the number of accidents at work meeting the conditions of registration as defined in the ICMM (International Council on Mining & Metals) standard, in total for the employees of KGHM INTERNATIONAL LTD., KGHM Chile SpA and Sierra Gorda S.C.M. and sub-contractors for these entities, per 200 000 worked hours.

goals as regards the reduction of greenhouse gas emissions over the timeframe of 2030 and 2050 as well as the scope and extent of changes required for its achievement.

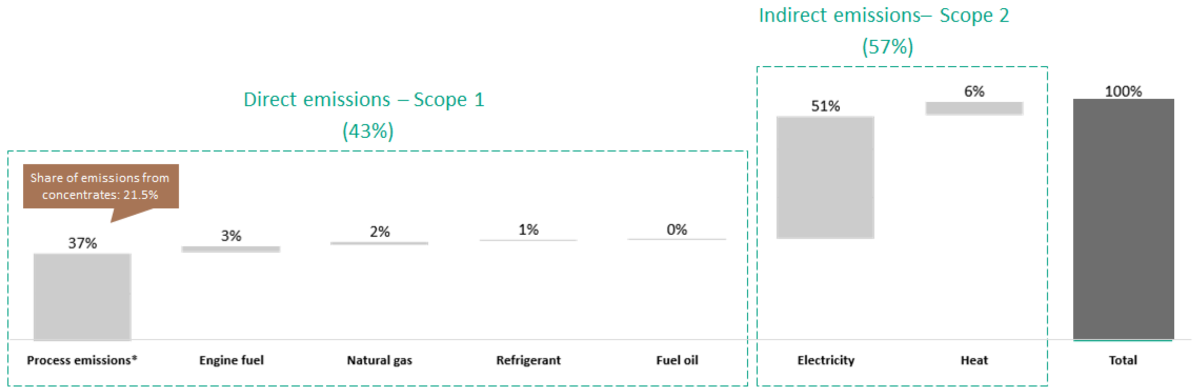
- The scope and impact of the Climate Policy encompasses KGHM Polska Miedź S.A., which will subsequently transfer its principles to its subsidiaries.
- The primary goal of the Climate Policy of KGHM is for the Parent Entity of the KGHM Polska Miedź S.A. Group to achieve climate neutrality by 2050 with respect to Scope 1 emissions - direct emissions primarily related to the Company's production activities and Scope 2 emissions - indirect emissions associated with the use of electricity and heat acquired from the market, with their maximum possible reduction.
- The intermediate target is to reduce total Scope 1 and Scope 2 emissions by 30% by 2030, compared to the emission levels of 2020. The reduction targets for the entire KGHM Group will be published no later than in the first half of 2023.

Emissions reduction targets of KGHM Polska Miedź S.A. and main decarbonisation directions



- The Climate Policy will be followed by the Decarbonisation Program of the KGHM Group, which will provide details on how the Climate Policy's goals will be attained, as well as total capital expenditures on the realisation of activities aimed at reducing the emission of greenhouse gases.
- KGHM Polska Miedź S.A. emits approximately 3.3 million tonnes of CO_2 equivalent annually, approximately 40% of which consists of Scope 1 emissions and 60% of which are Scope 2 emissions.
- Scope 1 emissions are direct emissions related above all to the Company's production activity, i.e. in particular emissions from metallurgical processes, emissions related to the use of engine fuels by mining vehicles and machines in the mines, and emissions related to the generation of energy from own sources with the use of natural gas.
- Scope 2 emissions, in turn, are indirect emissions related to the use of the electricity and heat purchased on the market.
- Scope 3 emissions are indirect emissions in the supply chain of equipment, machines, parts, production materials etc., but also services and business travel.

Greenhouse gas emissions at production divisions of KGHM Polska Miedź S.A. in 2020 according to the emission sources [%]



*Excluding emissions related to biomass and blast furnace gas used by Energetyka Sp. z o.o.

- In 2022, the Company will conduct a full survey of Scope 1 and Scope 2 emissions at its subsidiaries, so that, no later than in the first half of 2023, it will be able to announce the total Scope 1 and Scope 2 emissions for the entire organisation. The Company will publish data concerning Scope 3 emissions for the Group no later than in the first half of 2024.
- For the purpose of ensuring compliance of activities with the best market practices, the Company will strive to implement a climate reporting system based on the Recommendations of the Task Force on Climate-Related Financial Disclosures of 2017 (TCFD).
- The first step towards this end will be the implementation of changes in key management and business processes. The scope of changes will encompass all four areas of the TCFD Recommendations.

3 –Information on operating segments and revenues

Note 3.1 Operating segments

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The Management Board of the Parent Entity assesses performance of segments on the basis of 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, trade receivables and deferred tax assets. Liabilities which have not been allocated to the segments comprise trade liabilities and current corporate tax liabilities.

Financial data of the segment Sierra Gorda S.C.M. (55% share), presented in part 3 of the consolidated financial statements - Information on operating segments and revenues, does not include changes in the assumptions concerning the forecasts of pricing paths of commodities, adopted by the Company in the measurement of loans granted to Sierra Gorda S.C.M. As it was described in detail in the Consolidated half-year report PSr 2021, in the opinion of the Company's Management Board, the application of assumptions updated in this regard in assessment of the recoverable amount of non-current assets of Sierra Gorda S.C.M. could result in a reversal of a significant part of the impairment loss on non-current assets recognised in prior years.
The potential reversal of an impairment loss on non-current assets by Sierra Gorda S.C.M. would not have an impact on the carrying amount of the investment in Sierra Gorda S.C.M. (zero value) accounted for using the equity method, because the equity of Sierra Gorda S.C.M. remains at a negative level.

Note 3.2 Financial results of reporting segments

		from 1 January 2021 to 30 September 2021						
						Reconciliation items to consolidated data		
		KGHM Polska Miedź S.A.	KGHM INTERNATIONAL LTD.	Sierra Gorda S.C.M.*	Other segments	Elimination of data of the segment Sierra Gorda S.C.M	Adjustments ****	Consolidated financial statements
Note 3.3	**Total revenues from contracts with customers, of which:**	**17 970**	**2 292**	**3 277**	**7 490**	**(3 277)**	**(6 017)**	**21 735**
	- inter-segment	292	17	-	5 708	-	(6 017)	**-**
	- external	17 678	2 275	3 277	1 782	(3 277)	-	**21 735**
	Segment result – profit/(loss) for the period	**4 852**	**1 855**	**737**	**77**	**(737)**	**(2 022)**	**4 762**
	Additional information on significant cost/revenue items of the segment							
	Depreciation/amortisation recognised in profit or loss	(1 015)	(401)	(561)	(191)	561	9	**(1 598)**
	Reversal/(recognition) of impairment losses on non-current assets, including:	1 470	1 684	-	-	-	(1 484)	**1 670**
	reversal of impairment losses on investments in subsidiaries	1 010	-	-	-	-	(1 010)	**-**
	reversal/(recognition) of allowances for impairment of loans granted	473	1 655	-	-	-	(473)	**1 655**
		As at 30 September 2021						
	Assets, including:	**42 602**	**13 343**	**10 683**	**6 066**	**(10 683)**	**(15 865)**	**46 146**
	Segment assets, including:	42 602	13 343	10 683	6 066	(10 683)	(15 871)	**46 140**
	held for sale	-	443	-	-	-	-	**443**
	Assets unallocated to segments	-	-	-	-	-	6	**6**
	Liabilities, including:	**17 209**	**18 582**	**13 664**	**3 114**	**(13 664)**	**(18 352)**	**20 553**
	Segment liabilities, including:	17 209	18 582	13 664	3 114	(13 664)	(18 410)	**20 495**
	held for sale	-	424	-	-	-	-	**424**
	Liabilities unallocated to segments	-	-	-	-	-	58	**58**
	Other information	from 1 January 2021 to 30 September 2021						
	Cash expenditures on property, plant and equipment and intangible assets – cash flows	1 745	656	442	341	(442)	(139)	**2 603**
	Production and cost data	from 1 January 2021 to 30 September 2021						
	Payable copper (kt)	440.1	55.4	78.4				
	Molybdenum (million pounds)	-	0.2	7.0				
	Silver (t)	982.6	1.6	23.4				
	TPM (koz t)	61.4	39.9	22.9				
	C1 cash cost of producing copper in concentrate (USD/lb PLN/lb)**	2.24 8.53	1.93 7.36	0.81 3.07				
	Segment result - Adjusted EBITDA	**4 272**	**993**	**2 237**	**228**	**-**	**-**	**7 730**
	EBITDA margin****	**24%**	**43%**	**68%**	**3%**	**-**	**-**	**31%**

** 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 sales. For the purposes of calculating the Group's EBITDA margin (31%), the consolidated revenues from sales were increased by revenues from sales of the segment Sierra Gorda S.C.M.*
*[7 730 / (21 735 + 3 277) * 100]*
***** Adjustments arise from consolidation eliminations and financial data of companies unallocated to any segment.*

Financial results of reporting segments for the comparable period

		KGHM Polska Miedź S.A.	KGHM INTERNATIONAL LTD.	Sierra Gorda S.C.M.*	Other segments	Reconciliation items to consolidated data: Elimination of data of the segment Sierra Gorda S.C.M	Reconciliation items to consolidated data: Consolidation adjustments****	Consolidated financial statements
		from 1 January 2020 to 30 September 2020						
Note 3.3	**Revenues from contracts with customers, of which:**	**13 360**	**2 026**	**1 674**	**5 629**	**(1 674)**	**(4 435)**	**16 580**
	- inter-segment	228	16	4	4 191	(4)	(4 435)	**-**
	- external	13 132	2 010	1 670	1 438	(1 670)	-	**16 580**
	Segment result - profit/(loss) for the period	**1 156**	**(670)**	**(329)**	**(87)**	**329**	**773**	**1 172**
	Additional information on significant revenue/cost items of the segment							
	Depreciation/amortisation recognised in profit or loss	(896)	(333)	(575)	(179)	575	17	**(1 391)**
	Recognition of impairment losses on non-current assets, including:	(187)	-	-	(92)	-	187	**(92)**
	impairment losses on investments in subsidiaries	(131)	-	-	-	-	131	**-**
	allowances for impairment of loans granted	(56)				-	56	**-**
	Share of losses of joint ventures accounted for using the equity method	-	(206)	-	-	-	-	**(206)**
		As at 31 December 2020						
	Assets, including:	**39 342**	**10 811**	**9 701**	**5 636**	**(9 701)**	**(13 009)**	**42 780**
	Segment assets	39 342	10 811	9 701	5 636	(9 701)	(13 017)	**42 772**
	Assets unallocated to segments	-	-	-	-	-	8	**8**
	Liabilities, including:	**18 616**	**17 569**	**13 232**	**2 778**	**(13 232)**	**(17 264)**	**21 699**
	Segment liabilities	18 616	17 569	13 232	2 778	(13 232)	(17 290)	**21 673**
	Liabilities unallocated to segments	-	-	-	-	-	26	**26**
	Other information	**from 1 January 2020 to 30 September 2020**						
	Cash expenditures on property, plant and equipment and intangible assets – cash flows	1 841	431	376	243	(376)	(28)	**2 487**
	Production and cost data	**from 1 January 2020 to 30 September 2020**						
	Payable copper (kt)	411.9	49.2	59.9				
	Molybdenum (million pounds)	-	0.4	6.9				
	Silver (t)	975.4	1.2	20.0				
	TPM (koz t)	67.1	54.4	23.8				
	C1 cash cost of producing copper in concentrate (USD/lb PLN/lb)**	1.60 6.29	1.87 7.38	1.24 4.90				
	Segment result - adjusted EBITDA	**3 052**	**395**	**779**	**192**	**-**	**-**	**4 418**
	EBITDA margin* **	**23%**	**19%**	**47%**	**3%**	**-**	**-**	**24%**

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

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

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 sales. For the purposes of calculating the Group's EBITDA margin (24%), the consolidated revenues from sales were increased by revenues from sales of the segment Sierra Gorda S.C.M.*

*[4 418 / (16 580 + 1 670) * 100]*

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

amounts in PLN millions, unless otherwise stated

Reconciliation of adjusted EBITDA	from 1 January 2021 to 30 September 2021						
	KGHM Polska Miedź S.A.	KGHM INTERNATIONAL LTD.	Other segments	Consolidation adjustments*	Consolidated financial statements	Sierra Gorda S.C.M. **	Adjusted EBITDA (segments, total)
	1	2	3	4	5 (1+2+3+4)	6	7 (5+6-4)
Profit/(Loss) for the period	**4 852**	**1 855**	**77**	**(2 022)**	**4 762**	**737**	
[-] Profit or loss on involvement in joint ventures	-	1 977	-	-	1 977	-	
[-] Taxes	(1 218)	(22)	(49)	(54)	(1 343)	(365)	
[-] Depreciation/amortisation recognised in profit or loss	(1 015)	(401)	(191)	9	(1 598)	(561)	
[-] Finance income and (costs)	(377)	(767)	(14)	784	(374)	(585)	
[-] Other operating income and (costs)	3 197	44	103	(2 713)	631	11	
[-] (Recognition)/reversal of impairment losses on non-current assets recognised in cost of sales, selling costs and administrative expenses	(7)	31	-	-	24	-	
Segment result - adjusted EBITDA	**4 272**	**993**	**228**	**(48)**	**5 445**	**2 237**	**7 730**

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

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

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

amounts in PLN millions, unless otherwise stated

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

	from 1 January 2021 to 30 September 2021						
					Reconciliation items to consolidated data		
	KGHM Polska Miedź S.A.	KGHM INTERNATIONAL LTD.	Sierra Gorda S.C.M.*	Other segments	Elimination of data of the segment Sierra Gorda S.C.M.	Consolidation adjustments	Consolidated data
Copper	13 811	1 721	2 686	6	(2 686)	(21)	**15 517**
Silver	3 048	5	72	-	(72)	-	**3 053**
Gold	403	183	152	-	(152)	-	**586**
Services	106	300	-	1 636	-	(1 285)	**757**
Energy	40	-	-	167	-	(121)	**86**
Salt	21	-	-	-	-	25	**46**
Blasting materials and explosives	-	-	-	162	-	(64)	**98**
Mining machinery, transport vehicles and other types of machinery and equipment	-	-	-	153	-	(125)	**28**
Fuel additives	-	-	-	80	-	-	**80**
Lead	194	-	-	-	-	-	**194**
Products from other non-ferrous metals	-	-	-	80	-	(4)	**76**
Steel	-	-	-	470	-	(54)	**416**
Petroleum and its derivatives	-	-	-	230	-	(194)	**36**
Other merchandise and materials	189	-	-	4 168	-	(4 019)	**338**
Other products	158	83	367	338	(367)	(155)	**424**
TOTAL	**17 970**	**2 292**	**3 277**	**7 490**	**(3 277)**	**(6 017)**	**21 735**

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

amounts in PLN millions, unless otherwise stated

	from 1 January 2020 to 30 September 2020						
					Reconciliation items to consolidated data		
	KGHM Polska Miedź S.A.	KGHM INTERNATIONAL LTD.	Sierra Gorda S.C.M.*	Other segments	Elimination of data of the segment Sierra Gorda S.C.M.	Consolidation adjustments	Consolidated data
Copper	9 897	1 152	1 248	5	(1 248)	(11)	**11 043**
Silver	2 326	17	48	-	(48)	-	**2 343**
Gold	457	242	162	-	(162)	-	**699**
Services	86	444	-	1 695	-	(1 390)	**835**
Energy	34	-	-	131	-	(98)	**67**
Salt	19	-	-	-	-	(4)	**15**
Blasting materials and explosives	-	-	-	167	-	(61)	**106**
Mining machinery, transport vehicles and other types of machinery and equipment	-	-	-	142	-	(113)	**29**
Fuel additives	-	-	-	64	-	-	**64**
Lead	162	-	-	-	-	-	**162**
Products from other non-ferrous metals	-	-	-	55	-	(3)	**52**
Steel	-	-	-	304	-	(24)	**280**
Petroleum and its derivatives	-	-	-	187	-	(167)	**20**
Other merchandise and materials	275	-	-	2 796	-	(2 640)	**431**
Other products	104	171	216	83	(216)	76	**434**
TOTAL	**13 360**	**2 026**	**1 674**	**5 629**	**(1 674)**	**(4 435)**	**16 580**

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

amounts in PLN millions, unless otherwise stated

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

	from 1 January 2021 to 30 September 2021						
					Reconciliation items to consolidated data		
	KGHM Polska Miedź S.A.	KGHM INTERNATIONAL LTD.	Sierra Gorda S.C.M.*	Other segments	Elimination of data of the segment Sierra Gorda S.C.M.	Consolidation adjustments	Consolidated data
Total revenues from contracts with customers	**17 970**	**2 292**	**3 277**	**7 490**	**(3 277)**	**(6 017)**	**21 735**
Revenues from sales contracts, for which the price is set after the date of recognition of the sales (M+ principle), of which:	14 361	1 999	3 166	-	(3 166)	(60)	**16 300**
settled	13 661	1 860	981	-	(981)	(59)	**15 462**
unsettled	700	139	2 185	-	(2 185)	(1)	**838**
Revenues from realisation of long-term contracts	-	283	-	181	-	(171)	**293**
Revenues from other sales contracts	3 609	10	111	7 309	(111)	(5 786)	**5 142**
Total revenues from contracts with customers, of which:	**17 970**	**2 292**	**3 277**	**7 490**	**(3 277)**	**(6 017)**	**21 735**
in factoring	6 637	-	-	58	-	(14)	**6 681**
not in factoring	11 333	2 292	3 277	7 432	(3 277)	(6 003)	**15 054**

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

	from 1 January 2021 to 30 September 2021	from 1 January 2020 to 30 September 2020
Total revenues from contracts with customers, of which:	**21 735**	**16 580**
transferred at a certain moment	20 842	15 678
transferred over time	893	902

amounts in PLN millions, unless otherwise stated

	from 1 January 2020 to 30 September 2020						
					Reconciliation items to consolidated data		
	KGHM Polska Miedź S.A.	KGHM INTERNATIONAL LTD.	Sierra Gorda S.C.M.*	Other segments	Elimination of data of the segment Sierra Gorda S.C.M.	Consolidation adjustments	Consolidated data
Total revenues from contracts with customers	**13 360**	**2 026**	**1 674**	**5 629**	**(1 674)**	**(4 435)**	**16 580**
Revenues from sales contracts, for which the price is set after the date of recognition of the sales (M+ principle), of which:	9 870	1 582	1 634	-	(1 634)	(48)	**11 404**
settled	9 419	1 106	575	-	(575)	(47)	**10 478**
unsettled	451	476	1 059	-	(1 059)	(1)	**926**
Revenues from realisation of long-term contracts	-	429	-	152	-	(139)	**442**
Revenues from other sales contracts	3 490	15	40	5 477	(40)	(4 248)	**4 734**
Total revenues from contracts with customers, of which:	**13 360**	**2 026**	**1 674**	**5 629**	**(1 674)**	**(4 435)**	**16 580**
in factoring	5 085	16	-	-	-	-	**5 101**
not in factoring	8 275	2 010	1 674	5 629	(1 674)	(4 435)	**11 479**

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

amounts in PLN millions, unless otherwise stated

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

	from 1 January 2021 to 30 September 2021							from 1 January 2020 to 30 September 2020
					Reconciliation items to consolidated data			
	KGHM Polska Miedź S.A.	KGHM INTERNATIONAL LTD.	Sierra Gorda S.C.M.*	Other segments	Elimination of data of the segment Sierra Gorda S.C.M.	Consolidation adjustments	Consolidated data	KGHM Polska Miedź S.A. Group
Poland	4 217	-	9	7 228	(9)	(6 007)	**5 438**	4 067
Austria	325	-	-	21	-	-	**346**	136
Belgium	10	-	-	9	-	-	**19**	59
Bulgaria	31	-	-	4	-	-	**35**	14
Czechia	1 411	-	-	19	-	-	**1 430**	1 079
Denmark	24	-	-	1	-	-	**25**	11
Estonia	10	-	-	1	-	-	**11**	14
France	685	-	-	3	-	-	**688**	390
Spain	-	-	(1)	1	1	-	**1**	243
The Netherlands	2	-	64	-	(64)	-	**2**	2
Germany	2 652	-	2	61	(2)	-	**2 713**	2 237
Romania	223	-	-	2	-	-	**225**	129
Slovakia	90	-	-	13	-	-	**103**	68
Slovenia	117	-	-	2	-	-	**119**	44
Sweden	18	-	-	29	-	-	**47**	40
Hungary	872	-	-	4	-	-	**876**	524
The United Kingdom	967	-	-	4	-	-	**971**	1 551
Italy	1 379	-	-	18	-	-	**1 397**	778
Australia	766	-	-	-	-	-	**766**	607
Chile	-	140	389	-	(389)	-	**140**	24
China	1 814	886	2 098	-	(2 098)	-	**2 700**	2 055
India	-	-	20	-	(20)	-	**-**	1
Japan	-	135	611	-	(611)	-	**135**	62
Canada	13	358	-	-	-	(6)	**365**	367
South Korea	29	4	56	-	(56)	-	**33**	151
Norway	-	-	-	12	-	-	**12**	10
Russia	-	-	-	23	-	(4)	**19**	23
The United States of America	1 130	769	(1)	5	1	-	**1 904**	719
Switzerland	443	-	-	-	-	-	**443**	459
Turkey	79	-	-	3	-	-	**82**	66
Taiwan		-	-	-	-	-	**-**	222
Morocco	12	-	-	-	-	-	**12**	-
Brazil	8	-	30	-	(30)	-	**8**	4
Thailand	335	-	-	-	-	-	**335**	131
Philippines	4	-	-	-	-	-	**4**	152
Malaysia	48	-	-	-	-	-	**48**	32
Vietnam	254	-	-	-	-	-	**254**	68
Other countries	2	-	-	27	-	-	**29**	41
TOTAL	**17 970**	**2 292**	**3 277**	**7 490**	**(3 277)**	**(6 017)**	**21 735**	**16 580**

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

amounts in PLN millions, unless otherwise stated

Note 3.6 Main customers

In the period from 1 January 2021 to 30 September 2021 and in the comparable period the revenues from no single contractor exceeded 10% of the revenues from contracts with customers of the Group.

Note 3.7 Non-current assets – geographical breakdown

	As at 30 September 2021	As at 31 December 2020
Poland	22 870	22 502
Canada	1 647	1 441
The United States of America	1 599	1 416
Chile	272	353
Other countries	27	16
TOTAL*	**26 415**	**25 728**

** 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 10 648 million as at 30 September 2021 (PLN 8 319 million as at 31 December 2020).*

Note 3.8 Information on segments' results

3.8.1 The segment KGHM Polska Miedź S.A.

Production results

	Unit	First 9 months of 2021	First 9 months of 2020	Change (%)	3rd quarter of 2021	2nd quarter of 2021	1st quarter of 2021
Ore extraction (dry weight)	mn t	22.8	22.4	+1.8	7.8	7.5	7.5
Copper content in ore	%	1.48	1.50	(1.3)	1.5	1.47	1.48
Copper production in concentrate	kt	296.1	296.8	(0.2)	100.9	98.2	96.9
Silver production in concentrate	t	976.9	916.9	+6.5	336.6	327.3	313.0
Production of electrolytic copper	kt	440.1	411.9	+6.8	146.9	146.8	146.4
- including from own concentrate	kt	286.0	287.1	(0.4)	93.8	92.6	99.6
Production of metallic silver	t	982.6	975.4	+0.7	323.2	360.8	298.6
Production of gold	koz t	61.4	67.1	(8.5)	23.3	21.5	16.6

In the first nine months of 2021, there was an increase in ore extraction (dry weight) as compared to the corresponding period of 2020. Copper content in ore decreased to 1.48% due to the lower content and thickness of the mined deposit.
Copper production in concentrate decreased by approx. 0.7 thousand tonnes as compared to the first nine months of 2020 as a result of processing a higher amount of lower quality feed.
As compared to the corresponding period of 2020, there was an increase in electrolytic copper production by 28.2 thousand tonnes. Cathode production increased due to the availability of feed and higher availability of the production line since there were no maintenance shutdowns in 2021.
Production of metallic silver amounted to 982.6 tonnes and was higher by 7.2 tonnes (+0.7%) as compared to the first nine months of 2020. Metallic silver production increased due to the higher silver content in concentrate and higher copper cathode production.
Production of metallic gold amounted to 61.4 thousand troy ounces and was lower by 5.7 thousand troy ounces (-8.5%) as compared to the first nine months of 2020. Metallic gold production decreased due to the lower gold content in feed material.

Sales

Revenues from contracts with customers

	Unit	First 9 months of 2021	First 9 months of 2020	Change (%)	3rd quarter of 2021	2nd quarter of 2021	1st quarter of 2021
Revenues from contracts with customers, including:	**PLN mn**	**17 970**	**13 360**	**+34.5**	**5 826**	**6 575**	**5 569**
- copper	PLN mn	13 811	9 897	+39.5	4 403	5 108	4 300
- silver	PLN mn	3 048	2 326	+31.0	1 052	1 096	900
Volume of copper sales	kt	417.1	404.9	+3.0	132.1	148.4	136.6
Volume of silver sales	t	950.6	990.1	(4.0)	331.4	340.4	278.8

Revenues after the first three quarters of 2021 amounted to PLN 17 970 million and were higher than in the corresponding period of 2020 by 35%. The main factors behind this increase in revenues were: higher prices of copper (+57%) and silver (+34%) alongside a change in adjustment to revenues due to hedging transactions from PLN 330 million to –PLN 1 159 million.

Costs

Costs and C1 unit cost

	Unit	First 9 months of 2021	First 9 months of 2020	Change (%)	3rd quarter of 2021	2nd quarter of 2021	1st quarter of 2021
Cost of sales, selling costs and administrative expenses	**PLN mn**	**14 720**	**11 204**	**+31.4**	**5 070**	**5 440**	**4 210**
Expenses by nature	**PLN mn**	**16 233**	**11 090**	**+46.4**	**5 555**	**5 724**	**4 954**
Pre-precious metals credit unit cost of electrolytic copper production from own concentrate(1	PLN/t	32 108	25 618	+25.3	35 600	32 984	28 095
Total unit cost of electrolytic copper production from own concentrate	PLN/t	20 921	17 201	+21.6	24 423	21 461	17 214
C1 unit cost(2	**USD/lb**	**2.24**	**1.60**	**+40.0**	**2.48**	**2.30**	**1.93**

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

The Parent Entity's cost of sales, selling costs and administrative expenses (cost of products, merchandise and materials sold, selling costs and administrative expenses) for the first nine months of 2021 amounted to PLN 14 720 million and were higher by 31% as compared to the corresponding period of 2020, mainly due to an increase in sales of copper products alongside the utilisation in production of more purchased metal-bearing materials.

In the first nine months of 2021, total expenses by nature were higher by PLN 5 143 million as compared to the corresponding period of 2020, alongside a minerals extraction tax charge higher by PLN 1 419 million (due to higher prices of copper and silver) and higher costs of consumption of purchased metal-bearing materials by PLN 2 489 million (due to a higher volume of consumption by 40 thousand tonnes of copper alongside a 39.2% higher purchase price).
The increase in expenses by nature, excluding purchased metal-bearing materials and the minerals extraction tax, amounted to PLN 1 235 million and resulted mainly from the increase in costs of technological materials, fuels, electrical and other energy due to an increase in prices, labour costs due to wage increases, CO2 emissions charges and depreciation/amortisation.
C1 cost for the first nine months of 2021 amounted to 2.24 USD/lb and was higher than in the corresponding period of 2020 by 40%. The increase in this cost was mainly caused by the higher minerals extraction tax charge (the first nine months of 2020: 0.43 USD/lb; the first nine months of 2021: 1.04 USD/lb). C1 cost, excluding the minerals extraction tax, was higher as compared to 2020 by 2.7% alongside a higher value of by-products due to an increase in the prices of precious metals and the weakening of the US dollar exchange rate by 3.4%.
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 32 108 PLN/t (in the comparable period of 2020: 25 618 PLN/t) and was higher by 25%, mainly due to the higher minerals extraction tax.
The pre-precious metals credit unit cost of electrolytic copper production from own concentrate, excluding the minerals extraction tax, amounted to 24 166 PLN/t (in the corresponding period of 2020: 21 954 PLN/t).
The total unit cost of electrolytic copper production from own concentrate amounted to 20 921 PLN/t and was higher by 22% as compared to the first nine months of 2020. Excluding the minerals extraction tax, it was lower by 4% due to the higher value of associated metals.

Financial results

Statement of profit or loss

The Company recorded a profit in the amount of PLN 4 852 million for the first three quarters of 2021, or PLN 3 696 million higher than in the corresponding period of 2020.

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

	First 9 months of 2021	*First 9 months of 2020*	*Change (%)*	*3rd quarter of 2021*	*2nd quarter of 2021*	*1st quarter of 2021*
Revenues from contracts with customers, including:	**17 970**	**13 360**	**+34.5**	**5 826**	**6 575**	**5 569**
- adjustment of revenues due to hedging transactions	(1 159)	330	×	(417)	(476)	(266)
Cost of sales, selling costs and administrative expenses	**(14 720)**	**(11 204)**	**+31.4**	**(5 070)**	**(5 440)**	**(4 210)**
Profit on sales (EBIT)	**3 250**	**2 156**	**+50.7**	**756**	**1 135**	**1 359**
Other operating income and (costs), including:	**3 197**	**(267)**	**×**	**404**	**2 425**	**368**
Interest on loans granted and other financial receivables	225	205	+9.8	94	64	67
Realisation of derivatives	(364)	(209)	+74.2	(85)	(166)	(113)
Measurement of derivatives	86	1	×86.0	(60)	213	(67)
Exchange gains/(losses) on assets and liabilities other than borrowings	376	(119)	×	229	(211)	358
Reversal/(recognition) of impairment losses on investment certificates and shares	1 010	(131)	×	-	1 013	(3)
Reversal/(recognition) of impairment losses on financial instruments measured at amortised cost	523	(60)	×	23	487	13
Fees and charges on re-invoicing of costs of bank guarantees securing payments of liabilities	67	50	+34.0	6	13	48
Fair value gains/(losses) on financial assets measured at fair value through profit or loss	1 229	13	×94.5	170	989	70
Release/(recognition) of provisions	(15)	(6)	×2.5	(11)	3	(7)
Other	60	(11)	×	38	20	2
Finance income and (costs), including:	**(377)**	**(62)**	**×6.1**	**(168)**	**93**	**(302)**
Exchange gains/(losses) on borrowings	(284)	81	×	(146)	135	(273)
Interest on borrowings	(62)	(111)	(44.1)	(14)	(30)	(18)
Measurement of derivatives	(1)	-	×	-	-	(1)
Realisation of derivatives	(3)	(5)	(40.0)	-	(3)	-
Other	(27)	(27)	-	(8)	(9)	(10)
Profit before income tax	**6 070**	**1 827**	**×3.3**	**992**	**3 653**	**1 425**
Income tax expense	(1 218)	(671)	+81.5	(366)	(402)	(450)
Profit for the period	**4 852**	**1 156**	**×4.2**	**626**	**3 251**	**975**
Adjusted EBITDA[1]	**4 272**	**3 052**	**+40.0**	**1 115**	**1 482**	**1 675**

1) Adjusted EBITDA = profit or loss 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

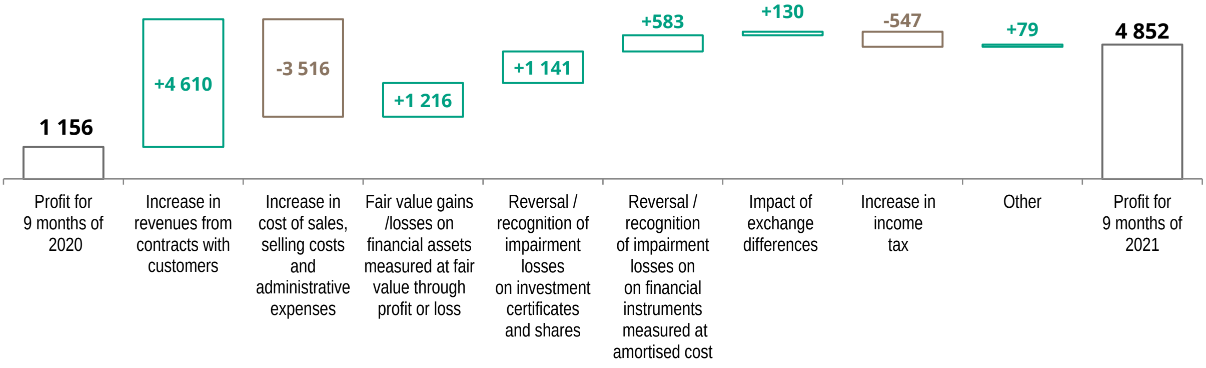
Main reasons for the change in profit or loss

Item	*Impact on change in profit or loss (in PLN million)*	*Description*
An increase in revenues from contracts with customers (+PLN 4 610 million)	+6 371	An increase in revenues due to higher prices of copper (+3 340 USD/t, +57%), silver (+6.50 USD/oz t, +34%) and gold (+65 USD/oz t, +4%)
	(1 489)	Change in the adjustment of revenues due to hedging transactions, from +PLN 330 million to –PLN 1 159 million
	(436)	A decrease in revenues from sales of basic products (copper, silver, gold) due to a less favourable average USD/PLN exchange rate (a change from 3.94 to 3.80 USD/PLN)
	+137	An increase in revenues due to a higher volume of sales of copper (+12.2 thousand tonnes, +3%) alongside lower volume of sales of silver (-40 t, -4%) and gold (-8.8 koz t, -13%)
	+27	An increase in other revenues from sales, including from the sale of refined lead (+PLN 32 million), sulphuric acid (+PLN 24 million), rhenium (+PLN 21 million) and other merchandise and services (+PLN 36 million) with a decrease in sales of goods and materials (including production materials) and waste (-PLN 86 million)
An increase in cost of sales, selling costs and administrative expenses[1] (-PLN 3 516 million)	+1 576	Lower utilisation of inventories (change in 2021: -PLN 1 606 million; in 2020: -PLN 30 million)
	(2 489)	Higher volume of consumption of purchased metal-bearing materials by 40 thousand tonnes of copper at a purchase price higher by 39%
	(2 603)	Including an increase in other expenses by nature by PLN 2 654 million, mainly due to an increase in costs: the minerals extraction tax charge (by PLN 1 419 million), employee benefits (by PLN 378 million), utilisation of materials other than purchased metal-bearing materials (by PLN 234 million), electrical and other energy (by PLN 218 million), other taxes and charges (by PLN 183 million) and depreciation/amortisation (by PLN 123 million)
Fair value gains/losses on financial assets measured at fair value through profit or loss (+PLN 1 216 million)	+1 216	An improvement of the result on changes in the fair value of financial assets measured at fair value through profit or loss, from +PLN 13 million to +PLN 1 229 million, including due to loans from +PLN 42 million to +PLN 1 303 million
Reversal/ recognition of impairment losses on investment certificates and shares in subsidiaries (+PLN 1 141 million)	+1 141	A change in differences between impairment losses recognised and reversed on shares and investment certificates, from -PLN 131 million to +PLN 1 010 million
Reversal/ recognition of impairment losses on financial instruments measured at amortised cost (+PLN 583 million)	+583	A change in differences between impairment losses recognised and reversed on financial instruments measured at amortised cost, from -PLN 60 million to +PLN 523 million, including due to loans from -PLN 56 million to +PLN 474 million
Impact of exchange differences (+PLN 130 million)	+495	A change in the result due to exchange differences from the measurement of assets and liabilities other than borrowings – in other operating activities
	(365)	A change in the result due to exchange differences from the measurement of liabilities due to borrowings (presented in finance costs)
Impact of derivatives and hedging transactions[2] (-PLN 69 million)	(70)	A change in the result due to the measurement and realisation of derivatives in other operating activities from -PLN 208 million to -PLN 278 million
	+1	A change in the result due to the measurement and realisation of derivatives in financing activities from -PLN 5 million to -PLN 4 million
Change in the balance of income and costs due to interest on borrowings and other financial receivables (+PLN 69 million)	+20	An increase in income due to interest on loans granted and other financial receivables
	+49	Lower interest costs on borrowings
Increase in income tax (-PLN 547 million)	(547)	An increase in income tax resulted from an increase in current income tax (-PLN 626 million), mainly due to an increase in revenues from sales and tax deductible costs

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

[2] *Excluding adjustment to revenues due to hedging transactions*

Chart 1. Change in profit/(loss) (PLN million)



Capital expenditures

In the first three quarters of 2021, capital expenditures on property, plant and equipment amounted to PLN 1 471 million and were lower by 7% as compared to the corresponding period of 2020. Total capital expenditures, including expenditures on leases and uncompleted development work amounted to PLN 1 540 million.

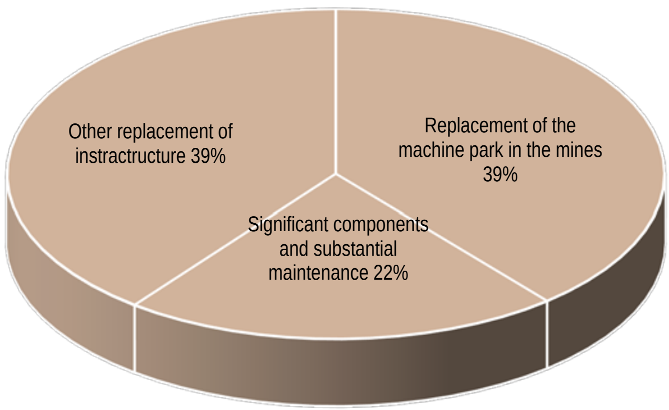
Structure of expenditures on property, plant and equipment and intangible assets (PLN million)

	First 9 months of 2021	*First 9 months of 2020*	*Change (%)*	*3rd quarter of 2021*	*2nd quarter of 2021*	*1st quarter of 2021*
Mining	1 105	1 099	0.5	379	399	327
Metallurgy	319	493	(35.3)	102	132	85
Other activities	47	14	x3.4	15	17	15
Development work - uncompleted	1	1	-	-	-	1
Leases per IFRS 16	68	56	21.4	8	41	19
Total	**1 540**	**1 663**	**(7.4)**	**504**	**589**	**447**
including borrowing costs	*90*	*100*	*(10.0)*	28	31	31

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

Projects related to replacement aimed at maintaining production equipment in an undeteriorated condition, represent 29% of expenditures incurred.

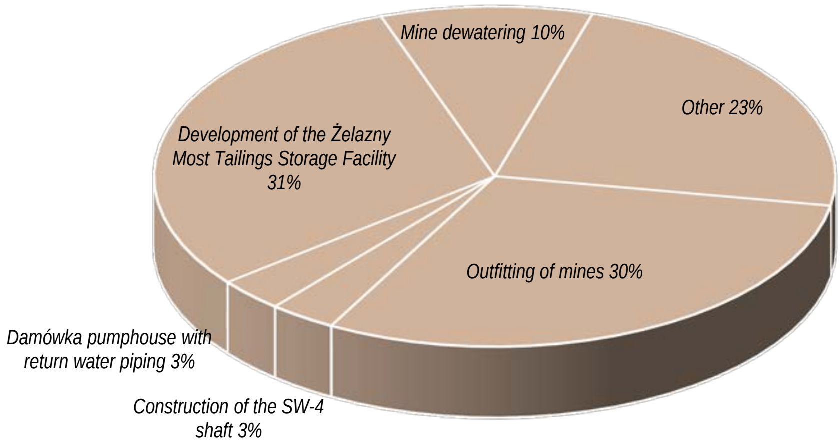
Chart 2. Structure of expenditures on replacement



Projects related to maintenance aimed at maintaining mine production at the level set in the approved Production Plan (development of infrastructure to match mine advancement) represent 31% of total expenditures incurred.

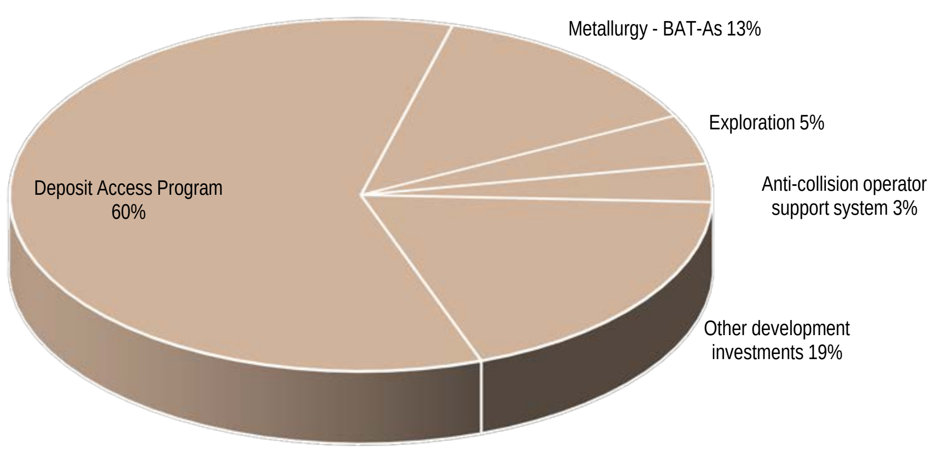
amounts in PLN millions, unless otherwise stated

Chart 3. Structure of expenditures on maintenance



Development projects aimed at increasing the production volume of the core business, implementation of technical and technological activities optimising the use of existing infrastructure, maintaining production costs and adaptation of the company's operations to changes in standards, laws and regulations (conformatory projects and those related to environmental protection) represent 40% of expenditures incurred.

Chart 4. Structure of expenditures on development



Detailed information on the advancement of key projects may be found in Part 2 of this Report on the realisation of Strategy in 2021.

3.8.2 The segment KGHM INTERNATIONAL LTD.

Production results

Production results

	Unit	*First 9 months of 2021*	*First 9 months of 2020*	*Change (%)*	*3rd quarter of 2021*	*2nd quarter of 2021*	*1st quarter of 2021*
Payable copper, including:	kt	55.4	49.2	+12.6	19.1	20.1	16.2
- Robinson mine (USA)	kt	42.0	34.8	+20.7	14.3	15.8	11.9
- Franke mine (Chile)	kt	7.9	9.2	(14.1)	2.9	2.4	2.6
- Sudbury Basin mines (CANADA) [1]	kt	1.4	1.6	(12.5)	0.4	0.5	0.5
Payable nickel	kt	0.2	0.3	(33.3)	0.0	0.1	0.1
Precious metals (TPM), including:	koz t	39.9	54.4	(26.7)	13.6	14.1	12.2
- Robinson mine (USA)	koz t	29.2	28.5	+2.5	10.1	10.4	8.7
- Sudbury Basin mines (CANADA) [1]	koz t	10.7	25.9	(58.7)	3.5	3.7	3.5

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

Copper production in the segment KGHM INTERNATIONAL LTD. in the first three quarters of 2021 amounted to 55.4 thousand tonnes, or an increase by 6.2 thousand tonnes (+13%) compared to the corresponding period of 2020. The increase in copper production by the segment was mainly due to higher production by the Robinson mine.

The increase in copper production in the Robinson mine by 7.2 thousand tonnes (+21%) was due to the extraction of ore with a higher copper content and higher recovery, which was partially offset by the lower volume of processed ore. Moreover, the mine increased TPM production by 0.7 thousand troy ounces (+3%) due to the higher recovery of gold.
The decrease in copper production in the Franke mine by 1.3 thousand tonnes (-14%) was mainly the result of mining a lower quality ore, which led to lower recovery of this metal.
The decrease in copper production in the McCreedy West mine by 0.2 thousand tonnes (-13%) was due to the lower volume of extracted ore, which was partially offset by the increased copper content in ore. The lower volume of extraction as well as the lower precious metals content resulted in a decrease in precious metals production by 15.2 thousand troy ounces (-59%).

Revenues

Volume and revenues from contracts with customers (USD million)

	Unit	First 9 months of 2021	First 9 months of 2020	Change (%)	3rd quarter of 2021	2nd quarter of 2021	1st quarter of 2021
Revenues from contracts with customers[1], including:	USD mn	600	515	+16.5	228	175	197
- copper	USD mn	451	293	+53.9	179	129	143
- nickel	USD mn	4	5	(20.0)	1	1	2
- precious metals (TPM)	USD mn	62	97	(36.1)	21	18	23
Copper sales volume	kt	51.1	54.2	(5.7)	20.0	13.7	17.4
Nickel sales volume	kt	0.2	0.3	(33.3)	0.0	0.1	0.1
Precious metals (TPM) sales volume	koz t	36.6	58.6	(37.5)	14.0	10.6	12.0

[1] reflects processing premium

Revenues from contracts with customers (PLN million)

	Unit	First 9 months of 2021	First 9 months of 2020	Change (%)	3rd quarter of 2021	2nd quarter of 2021	1st quarter of 2021
Revenues from contracts with customers[1], including:	PLN mn	2 292	2 026	+13.1	885	657	750
- copper	PLN mn	1 721	1 152	+49.4	693	484	544
- nickel	PLN mn	15	20	(25.0)	4	3	8
- precious metals (TPM)	PLN mn	237	382	(38.0)	82	67	88

[1] reflects processing premium

The revenues of the segment KGHM INTERNATIONAL LTD. in the first three quarters of 2021 amounted to USD 600 million, or an increase by USD 85 million (+17%) compared to the corresponding period of 2020, mainly due to higher copper prices. The increase in revenues was partially limited by a lower metals sales volume and lower revenues from the sale of services of companies operating under the brand DMC Mining Services („DMC").
Revenues from the sale of copper amounted to USD 451 million and were increased by USD 158 million (+54%), mainly due to a higher achieved sales price by 57% (9 239 USD/t in the first three quarters of 2021 compared to 5 871 USD/t in the corresponding period of 2020). This factor was partially limited by a lower copper sales volume by 3.1 thousand tonnes (-6%).
The lower revenues from TPM sales by USD 35 million (-36%) are the result of a decrease in the volume of sales by 22 thousand troy ounces (-38%), which was partially offset by higher achieved sales prices.
Revenues from the sales of services by DMC decreased (from USD 109 million in the first three quarters of 2020 to USD 74 million in the first three quarters of 2021) mainly due to the completion of a contract on 28 August 2020 related to a project carried out in the United Kingdom.

Costs

C1 payable copper production cost

	Unit	First 9 months of 2021	First 9 months of 2020	Change (%)	3rd quarter of 2021	2nd quarter of 2021	1st quarter of 2021
C1 payable copper production cost [1]	USD/lb	1.93	1.87	+3.2	1.67	1.83	2.32

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

The average weighted unit cash cost of copper production for all mines in the segment KGHM INTERNATIONAL LTD. in the first three quarters of 2021 amounted to 1.93 USD/lb, or an increase by 3% compared to the corresponding period of 2020. The increase in C1 is due to a decrease in copper sales volume and lower revenues from sales of associated metals (-29%), which decrease this cost.

Financial results

Financial results (USD million)

	First 9 months of 2021	*First 9 months of 2020*	*Change (%)*	*3rd quarter of 2021*	*2nd quarter of 2021*	*1st quarter of 2021*
Revenues from contracts with customers	600	515	+16.5	228	175	197
Cost of sales, selling costs and administrative expenses, including: (1	(437)	(499)	(12.4)	(150)	(121)	(166)
- (recognition)/reversal of impairment losses on non-current assets	8	-	x	-	7	1
Profit/(loss) on sales	**163**	**16**	**x10.2**	**78**	**54**	**31**
Profit/(loss) before taxation, including:	**492**	**(166)**	**x**	**46**	**452**	**(6)**
- share of profits/(losses) of the investment Sierra Gorda S.C.M. accounted for using the equity method	-	(52)	(100.0)	-	-	-
- reversal of an allowance for impairment of loans granted for the construction of the Sierra Gorda mine	435	-	x	-	435	-
Income tax	(6)	(5)	+20.0	(2)	(2)	(2)
Profit/(loss) for the period	**486**	**(170)**	**x**	**44**	**451**	**(9)**
Depreciation/amortisation recognised in profit or loss	(105)	(85)	+23.5	(41)	(31)	(33)
Adjusted EBITDA (2	**260**	**101**	**x2.6**	**119**	**78**	**63**

Financial results (PLN million)

	First 9 months of 2021	*First 9 months of 2020*	*Change (%)*	*3rd quarter of 2021*	*2nd quarter of 2021*	*1st quarter of 2021*
Revenues from contracts with customers	2 292	2 026	+13.1	885	657	750
Cost of sales, selling costs and administrative expenses, including: (1	(1 669)	(1 964)	(15.0)	(583)	(452)	(634)
- (recognition)/reversal of impairment losses on non-current assets	31	-	x	1	26	4
Profit/(loss) on sales	**623**	**62**	**x10.0**	**302**	**205**	**116**
Profit/(loss) before taxation, including:	**1 877**	**(652)**	**x**	**189**	**1 713**	**(25)**
- share of profits/(losses) of the investment Sierra Gorda S.C.M. accounted for using the equity method	-	(206)	(100.0)	-	-	-
- reversal of an allowance for impairment of loans granted for the construction of the Sierra Gorda mine	1 655	-	x	-	1 655	-
Income tax	(22)	(17)	+29.4	(7)	(7)	(8)
Profit/(loss) for the period	**1 855**	**(670)**	**x**	**182**	**1 706**	**(33)**
Depreciation/amortisation recognised in profit or loss	(401)	(333)	+20.4	(159)	(116)	(126)
Adjusted EBITDA (2	**993**	**395**	**x2.5**	**460**	**295**	**238**

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

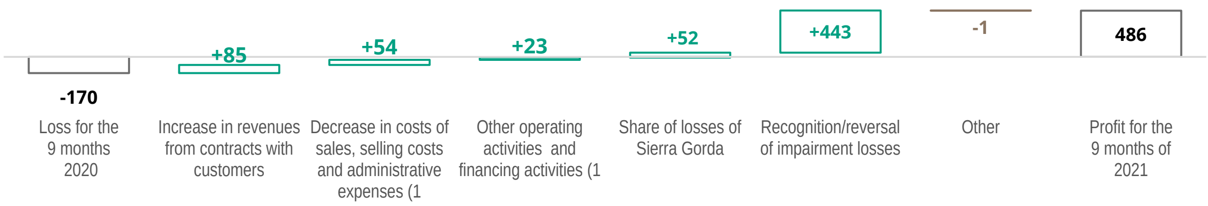
2) Adjusted EBITDA = profit or loss on sales + depreciation/amortisation (recognised in profit or loss) + impairment losses (-reversal of impairment losses) on non-current assets, recognised in cost of sales, selling costs and administrative expenses

Main factors impacting the change in profit or loss

Item	*Impact on change of profit or loss (in USD million)*	*Description*
An increase in revenues from contract with customers (+USD 85 million)	+192	Higher revenues due to an increase in prices of basic products, including copper +USD 182 million
	(79)	Lower revenues due to a decrease in sales volumes, including copper (-USD 28 million) and TPM (-USD 40 million)
	(35)	Lower revenues realised by companies operating under the DMC brand
	+7	Other factors
A decrease in cost of sales, selling costs and administrative expenses (+USD 62 million)	+37	Lower costs of external services related mainly to companies operating under the DMC brand
	+21	Lower costs of materials and energy
	+11	Lower labour costs
	+22	Change in inventories
	+8	Recognition/reversal of impairment losses on non-current assets (of which: +USD 10 million is a reversal of an impairment loss on the Robinson mine, +USD 2 million is a reversal of an impairment loss on the Franke mine and -USD 4 million is recognition of an impairment loss on the Carlota mine). In the first three quarters of 2020 these items did not occur.
	(35)	Higher depreciation/amortisation
	(2)	Other factors
Impact of other operating activities and financing	+435	Reversal of an allowance for impairment of loans granted for the construction of the Sierra Gorda mine. In the first three quarters of 2020 such an item did not occur.
	+23	Other factors, including +USD 12 million related to higher interest on the loan granted to the Sierra Gorda mine (as a result of a reversal of on allowance for impairment)

activities (+USD 458 million)		
Share of losses of joint ventures accounted for using the equity method	+52	Recognition in the first three quarters of 2020 of the share of the loss of Sierra Gorda S.C.M. to the amount of the increase in capital, i.e. in the amount of USD 52 million (in the corresponding period of 2021 there were no capital increases in Sierra Gorda S.C.M.).
Income tax	(1)	Changes due to current and deferred income tax.

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



1) Excludes recognition/reversal of impairment losses on property, plant and equipment and recognition/reversal of allowances for impairment of loans granted for the construction of the Sierra Gorda mine

Cash expenditures

Cash expenditures (USD million)

	First 9 months of 2021	First 9 months of 2020	Change (%)	3rd quarter of 2021	2nd quarter of 2021	1st quarter of 2021
Victoria project	22	4	x5.5	11	7	4
Sierra Gorda Oxide project	1	-	x	-	1	-
Stripping and other	149	106	+40.6	52	55	42
Total	**172**	**110**	**+56.4**	**63**	**64**	**45**
Financing for Sierra Gorda S.C.M. – increase in share capital	-	52	(100.0)	-	-	-

Cash expenditures (PLN million)

	First 9 months of 2021	First 9 months of 2020	Change (%)	3rd quarter of 2021	2nd quarter of 2021	1st quarter of 2021
Victoria project	84	16	x5.3	42	27	15
Sierra Gorda Oxide project	4	-	x	-	4	-
Stripping and other	568	415	+36.9	203	207	158
Total	**656**	**431**	**+52.2**	**245**	**238**	**173**
Financing for Sierra Gorda S.C.M. – increase in share capital	-	206	(100.0)	-	-	-

Cash expenditures by the segment KGHM INTERNATIONAL LTD. in the first three quarters of 2021 amounted to USD 172 million, or an increase by USD 62 million (+56%) compared to the corresponding period of 2020.
Around 74% of cash expenditures were incurred by the Robinson mine, mainly on work related to stripping to prepare for further mining of the deposit.
Expenditures on the Victoria project amounted to USD 22 million, mainly on the construction of surface infrastructure.
In the first three quarters of 2021, there was no financing provided to the Sierra Gorda mine.

3.8.3 The segment Sierra Gorda S.C.M.

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

Production results

As compared to production achieved in the period from January to September 2020, Sierra Gorda S.C.M. increased its copper and molybdenum production respectively by 31% and 2%.

Production of copper, molybdenum and precious metals

	Unit	First 9 months of 2021	First 9 months of 2020	Change (%)	3rd quarter of 2021	2nd quarter of 2021	1st quarter of 2021
Copper production[1	kt	142.6	109.0	+30.8	49.5	51.5	41.6
Copper production – segment (55%)	kt	78.4	59.9	+30.8	27.2	28.3	22.9
Molybdenum production[1	mn lbs	12.8	12.5	+2.4	4.4	4.9	3.5
Molybdenum production – segment (55%)	mn lbs	7.0	6.9	+2.4	2.4	2.7	1.9
TPM production – gold[1	koz t	41.7	43.2	(3.5)	15.7	13.9	12.1
TPM production – gold – segment (55%)	koz t	22.9	23.8	(3.5)	8.6	7.7	6.6

1) Payable metal in concentrate.

The main factor responsible for the increase in copper production was the processing of ore with higher metal content and higher copper recovery as compared to the first 9 months of 2020. The increase in recovery was also the main factor for the increase in molybdenum production. In the case of both of these metals, an increase in ore processing (+3%) played a significant role.

Sales

In the first three quarters of 2021, revenues from sales amounted to USD 1 561 million (on a 100% basis), or PLN 3 277 million proportionally to the interest held in the company Sierra Gorda S.C.M. (55%).

Volume and revenues from contracts with customers

	Unit	First 9 months of 2021	First 9 months of 2020	Change (%)	3rd quarter of 2021	2nd quarter of 2021	1st quarter of 2021
Revenues from contracts with customers,[1 including from the sale of:	**USD mn**	**1 561**	**774**	**×2.0**	**530**	**582**	**449**
- copper	USD mn	1 279	577	×2.2	430	484	365
- molybdenum	USD mn	175	100	+75.0	62	62	51
- TPM (gold)	USD mn	72	75	(4.0)	27	24	21
Copper sales volume	kt	139.3	103.0	+35.2	50.6	49.3	39.4
Molybdenum sales volume	mn lbs	10.8	12.3	(12.2)	3.1	3.5	4.2
TPM (gold) sales volume	koz t	40.7	41.7	(2.4)	15.2	13.3	12.2
Revenues from contracts with customers[1 - segment (55% share)	**PLN mn**	**3 277**	**1 674**	**+95.8**	**1 133**	**1 202**	**942**

1) reflects processing premium and other

The doubling of revenues as compared to the level achieved in the corresponding period of 2020 was mainly due to the favourable situation on the copper and molybdenum markets, which was reflected in a significant increase in achieved prices of these resources, respectively by (+69%) and (+92%). Moreover, of no less significance were the increase in production and the copper sales volume by 35%.
The detailed impact of individual factors on changes in revenues is 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 762 million, of which USD 654 million were costs of sales and USD 108 million were the total selling costs and administrative expenses. Proportionally to the interest held (55%) the costs of the segment amounted to PLN 1 601 million.

Costs and (C1) payable copper production cost

	Unit	First 9 months of 2021	First 9 months of 2020	Change (%)	3rd quarter of 2021	2nd quarter of 2021	1st quarter of 2021
Cost of sales, selling costs and administrative expenses	USD mn	762	680	+12.1	264	264	234
Cost of sales, selling costs and administrative expenses – segment (55% share)	PLN mn	1 601	1 470	+8.9	565	546	490
C1[1 payable copper production cost	**USD/lb**	**0.81**	**1.24**	**(34.7)**	**0.71**	**0.81**	**0.93**

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

Compared to the period from January to September 2020, the cost of sales, selling costs and administrative expenses expressed in USD million was higher by USD 82 million (+12%), mainly due to the increase in production and sales as well as the impact of labour agreements, and therefore an increase in labour costs by 67%. Apart from the labour costs, changes compared to the corresponding period of 2020 were mainly in respect of the following expenses by nature prior to the change in inventories and capitalised stripping:

– transport – an increase by 43% (+USD 21 million) mainly due to the increased volume of copper sales and increased freight costs,
– external services – an increase by 9% (+USD 12 million) due to higher extraction (+3%) and therefore a higher scope of work by mining machinery and therefore contracted maintenance and replacement of tires,
– fuel, lubricants and oils – an increase by 41% (+USD 12 million), mainly due to market conditions - higher price of diesel oil by 39%,
– energy – an increase by 2% (+USD 3 million), mainly due to higher consumption resulting from higher ore processing,
– spare parts – a decrease by 4% (-USD 2 million), mainly due to extension of the life of some of the components as a result of performed preventative replacements.

The C1 cash cost of payable copper production amounted to 0.81 USD/lb, or a decrease by 35%. The improvement in this regard was mainly thanks to the increase in the volume of copper sales. Due to higher prices of molybdenum and silver, there was an increase in revenues from the sale of associated metals, which reduce this cost, and which also had a significant impact on the achieved level of the C1 cash cost.

Financial results

Statement of profit or loss

In the first three quarters of 2021, adjusted EBITDA amounted to USD 1 066 million, of which proportionally to the interest held (55%) PLN 2 237 million is attributable to the KGHM Group.

Results in USD million (on a 100% basis)

	First 9 months of 2021	*First 9 months of 2020*	*Change (%)*	*3rd quarter of 2021*	*2nd quarter of 2021*	*1st quarter of 2021*
Revenues from contracts with customers	1 561	774	×2.0	530	582	449
Cost of sales, selling costs and administrative expenses	(762)	(680)	+12.1	(264)	(264)	(234)
Profit/loss on sales	799	94	×8.5	266	318	215
Profit/(loss) for the period	**351**	**(152)**	**×**	**122**	**153**	**76**
Depreciation/amortisation recognised in profit or loss	(267)	(266)	+0.4	(89)	(87)	(91)
Adjusted EBITDA[1]	**1 066**	**360**	**×3.0**	**355**	**405**	**306**

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

	First 9 months of 2021	*First 9 months of 2020*	*Change (%)*	*3rd quarter of 2021*	*2nd quarter of 2021*	*1st quarter of 2021*
Revenues from contracts with customers	3 277	1 674	+95.8	1 133	1 202	942
Cost of sales, selling costs and administrative expenses	(1 601)	(1 470)	+8.9	(565)	(546)	(490)
Profit/loss on sales	1 676	204	×8.2	568	656	452
Profit/(loss) for the period	**737**	**(329)**	**×**	**261**	**316**	**160**
Depreciation/amortisation recognised in profit or loss	(561)	(575)	(2.4)	(191)	(179)	(191)
Adjusted EBITDA[1]	**2 237**	**779**	**×2.9**	**759**	**835**	**643**

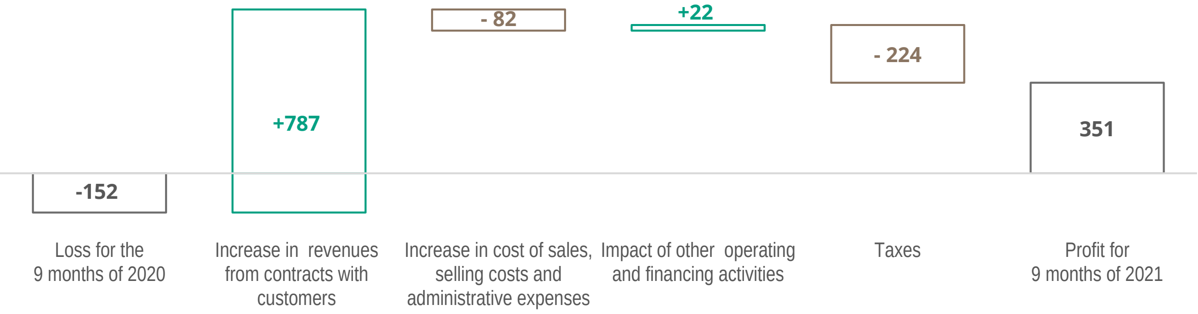
[1] Adjusted EBITDA = profit or loss on sales + depreciation/amortisation (recognised in profit or loss) + impairment loss (-reversal of impairment losses) on non-current assets, recognised in cost of sales, selling costs and administrative expenses

Main factors impacting the change in profit or loss

Item (impact on profit or loss)	*Impact on change of profit or loss (in USD million)*	*Description*
Higher revenues from contracts with customers (+USD 787 million)	+702	Higher revenues from sales of copper, including as a result of the increase in sales prices (+USD 426 million), and an increase in sales volume (+USD 367 million) alongside a less favourable than in the comparable period of 2020 "Mark to Market" adjustment (-USD 82 million as compared to USD 6 million in the period from January to September 2020)
	+75	Higher revenues from sales of molybdenum due to an increase in prices (+USD 89 million) and a more favourable "Mark to Market" valuation (+USD 9 million), alongside a decrease in the volume of sales (-USD 23 million)
	+10	Other factors, including mainly an increase in revenues from sales of silver (+USD 13 million)

Higher cost of sales, selling costs and administrative expenses (-USD 82 million)	(46)	Higher labour costs, mainly due to concluded labour agreements
	(21)	Higher transport costs due to higher volume of sales of copper
	(12)	Higher costs of fuel, lubricants and oils, mainly due to the higher price of diesel oil
	(3)	Change in other expenses by nature and impact of changes in inventories
Impact of other operating and financing activities (+USD 22 million)	+22	A higher result mainly as a result of foreign exchange gains and lower guarantee payments
Impact of taxes (-USD 224 million)	(224)	Due to a positive result prior to taxation versus a loss incurred in the corresponding period of 2020.

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



Cash expenditures

In the first 9 months of 2021, 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 211 million, of which USD 131 million (62%) represented expenditures on stripping to gain access to further areas of the deposit.

Cash expenditures

	Unit	*First 9 months of 2021*	*First 9 months of 2020*	Change (%)	*3rd quarter of 2021*	*2nd quarter of 2021*	*1st quarter of 2021*
Cash expenditures on property, plant and equipment	USD mn	211	174	+21.3	66	75	70
Cash expenditures on property, plant and equipment – segment (55% share)	PLN mn	442	376	+17.6	141	154	147

The increase in cash expenditures by 21% as compared to the corresponding period of 2020 was due to expenditures on replacement (among others: the tailings storage facility) and stripping (increased scope and cost applied in the valuation).

amounts in PLN millions, unless otherwise stated

4 – Selected additional explanatory notes

Note 4.1 Expenses by nature

	from 1 July 2021 to 30 September 2021	**from 1 January 2021 to 30 September 2021**	from 1 July 2020 to 30 September 2020	**from 1 January 2020 to 30 September 2020**
Depreciation of property, plant and equipment and amortisation of intangible assets	532	1 728	456	1 444
Employee benefits expenses	1 624	4 751	1 466	4 264
Materials and energy, including:	3 020	8 852	2 084	5 782
purchased metal-bearing materials	1 707	5 363	1 145	2 874
External services	494	1 479	549	1 561
Minerals extraction tax	904	2 539	442	1 120
Other taxes and charges	258	695	115	381
Write down of inventories	(46)	(28)	-	82
Impairment losses on property, plant and equipment and intangible assets	-	21	-	92
Reversal of an impairment loss on property, plant and equipment and intangible assets	-	(45)	-	(1)
Other costs	49	139	46	137
Total expenses by nature	**6 835**	**20 131**	**5 158**	**14 862**
Cost of merchandise and materials sold (+)	218	575	152	551
Change in inventories of finished goods and work in progress (+/-)	(455)	(1 656)	(296)	(73)
Cost of manufacturing products for internal use of the Group (-)	(434)	(1 186)	(348)	(866)
Total costs of sales, selling costs and administrative expenses, of which:	**6 164**	**17 864**	**4 666**	**14 474**
Cost of sales	5 760	16 784	4 296	13 430
Selling costs	115	330	114	326
Administrative expenses	289	750	256	718

amounts in PLN millions, unless otherwise stated

Note 4.2 Other operating income and (costs)

	from 1 July 2021 to 30 September 2021	**from 1 January 2021 to 30 September 2021**	from 1 July 2020 to 30 September 2020	**from 1 January 2020 to 30 September 2020**
Gains on derivatives, of which:	41	324	108	287
measurement of derivatives	(10)	239	90	192
realisation of derivatives	51	85	18	95
Interest income calculated using the effective interest rate method	-	1	-	4
Exchange differences on assets and liabilities other than borrowings	549	776	-	-
Reversal of impairment losses on financial instruments	-	18	5	9
Provisions released	14	35	-	2
Gains on the sale of intangible assets	1	1	24	31
Gains on the sale of property, plant and equipment	(2)	49	-	-
Refund of excise tax for previous years	-	5	-	48
Income from servicing of letters of credit and guarantees	1	66	23	45
Compensation, fines and penalties received	4	24	6	15
Compensation received due to the purchase of electricity for 2020*	39	39	-	-
Other	23	71	1	53
Total other operating income	**670**	**1 409**	**167**	**494**
Losses on derivatives, of which:	(177)	(592)	(178)	(473)
measurement of derivatives	(41)	(144)	(57)	(167)
realisation of derivatives	(136)	(448)	(121)	(306)
Fair value losses on financial assets	(9)	(73)	(29)	(29)
Impairment losses on financial instruments	-	(3)	1	(5)
Exchange differences on assets and liabilities other than borrowings	-	-	(318)	(54)
Provisions recognised	(18)	(43)	(6)	(43)
Losses on the sale of property, plant and equipment	-	-	2	(34)
Donations granted	(10)	(18)	(16)	(39)
Other	(8)	(49)	(12)	(46)
Total other operating costs	**(222)**	**(778)**	**(556)**	**(723)**
Other operating income and (costs)	**448**	**631**	**(389)**	**(229)**

**Compensation granted as a result of allocating the costs of purchasing greenhouse gases emission rights to the price of electricity consumed in the production of products.*

amounts in PLN millions, unless otherwise stated

Note 4.3 Finance income and costs

	from 1 July 2021 to 30 September 2021	**from 1 January 2021 to 30 September 2021**	from 1 July 2020 to 30 September 2020	**from 1 January 2020 to 30 September 2020**
Exchange differences on measurement and realisation of borrowings	-	-	117	80
Gains on derivatives - realisation of derivatives	-	35	-	35
Total finance income	**-**	**35**	**117**	**115**
Interest on borrowings, including:	(17)	(65)	(6)	(102)
leases	(3)	(10)	(1)	(11)
Unwinding of the discount on provisions effect	(4)	(11)	(3)	(10)
Exchange differences on measurement and realisation of borrowings	(135)	(255)	-	-
Losses on derivatives, of which:	-	(39)	1	(40)
measurement of derivatives	-	(1)	1	-
realisation of derivatives	-	(38)	-	(40)
Bank fees and charges on borrowings	(6)	(19)	(1)	(18)
Other	(3)	(20)	(8)	(21)
Total finance costs	**(165)**	**(409)**	**(17)**	**(191)**
Finance income and (costs)	**(165)**	**(374)**	**100**	**(76)**

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

Purchase of property, plant and equipment and intangible assets

	from 1 January 2021 to 30 September 2021	**from 1 January 2020 to 30 September 2020**
Purchase of property, plant and equipment, including:	2 323	2 263
leased assets	42	74
Purchase of intangible assets	214	76

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

	As at 30 September 2021	**As at 31 December 2020**
Payables due to the purchase of property, plant and equipment and intangible assets	432	626

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

	As at 30 September 2021	**As at 31 December 2020**
Purchase of property, plant and equipment	969	891
Purchase of intangible assets	26	29
Total capital commitments	**995**	**920**

amounts in PLN millions, unless otherwise stated

Note 4.5 Involvement in a joint venture

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

	from 1 January 2021 to 30 September 2021	from 1 January 2020 to 30 September 2020
As at the beginning of the reporting period	**-**	**-**
Acquisition of newly-issued shares	-	207
Share of net profits/(losses) of a joint venture accounted for using the equity method	736	(206)
Settlement of the Group's share of unsettled losses from prior years	(736)	-
Exchange differences from the translation of statements of operations with a functional currency other than PLN	-	(1)
As at the end of the reporting period	**-**	**-**

	from 1 January 2021 to 30 September 2021	from 1 January 2020 to 30 September 2020
Share of the Group (55%) in net profit/(loss) of Sierra Gorda S.C.M. for the reporting period, of which:	**736**	**(329)**
recognised in the measurement of a joint venture	736	(206)
not recognised in the measurement of a joint venture	-	(123)

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

	from 1 January 2021 to 30 September 2021	from 1 January 2020 to 31 December 2020
As at the beginning of the reporting period	**(4 909)**	**(4 988)**
Settlement of the Group's share of unsettled losses from prior years	736	79
As at the end of the reporting period	**(4 173)**	**(4 909)**

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

	from 1 January 2021 to 30 September 2021	from 1 January 2020 to 31 December 2020
As at the beginning of the reporting period	**6 069**	**5 694**
Accrued interest	322	377
Gains due to reversal of an impairment allowance	1 655	74
Exchange differences from the translation of statements of operations with a functional currency other than PLN	475	(76)
As at the end of the reporting period	**8 521**	**6 069**

The Group classifies loans granted to Sierra Gorda S.C.M. as credit-impaired financial assets due to the high credit risk at the moment of initial recognition (POCI). POCI loans are measured at amortised cost using the effective interest rate, adjusted by the credit risk using scenario analysis and the available free cash of Sierra Gorda S.C.M.

Pursuant to IFRS 9.5.5.17, the Group performed measurement of the loan. To estimate the expected credit losses, scenario analysis (IFRS 9.5.5.18) was used, comprising the Group's assumptions on the repayment of the loan granted. Scenario analysis was based on cash flows of Sierra Gorda S.C.M. estimated based on current forecasts of pricing paths of commodities, which were subsequently discounted using the effective interest rate method adjusted by the credit risk, determined at the initial recognition of the loan pursuant to IFRS 9.B5.5.45 at the level of 6.42%.

As at 30 June 2021, the Group estimated cash flows on repayment of receivables due to loans granted to Sierra Gorda S.C.M. updated by improved prices of metals (table below), as a result of which there was a reversal of an allowance for impairment recognised at the moment of initial recognition of an asset in the amount of PLN 1 655 million (USD 435 million).

Basic macroeconomic assumptions adopted for cash flow estimation – metal prices

Price paths were adopted on the basis of long-term forecasts available from financial and analytical institutions. A detailed forecast is being prepared for the period 2022-2026, while for the period 2027-2031 a technical adjustment of prices was applied between the last year of the detailed forecast and 2032, from which the following long-term metal price forecast is used:

Period	II H 2021	2022	2023	2024	2025	2026	LT
Copper price [USD/t]	9 000	8 200	8 000	7 500	7 500	7 500	7 000

Other key assumptions used for cash flow estimation

Assumption	Sierra Gorda S.C.M.
Mine life / forecast period	22
Level of copper production during mine life (kt)	3 752
Level of molybdenum production during mine life (million pounds)	223
Level of gold production during mine life (koz t)	1 017
Average operating margin during mine life	42.6%
Applied discount rate after taxation for assets in the operational phase	8.00%
Capital expenditures to be incurred during mine life [USD million]	1 487

amounts in PLN millions, unless otherwise stated

Note 4.6 Financial instruments

Financial assets	As at 30 September 2021 At fair value through other comprehensive income	At fair value through profit or loss	At amortised cost	Hedging instruments	Total	As at 31 December 2020 At fair value through other comprehensive income	At fair value through profit or loss	At amortised cost	Hedging instruments	Total
Non-current	731	39	9 034	560	**10 364**	618	58	6 670	749	**8 095**
Loans granted to a joint venture	-	-	8 521	-	**8 521**	-	-	6 069	-	**6 069**
Derivatives	-	20	-	560	**580**	-	40	-	749	**789**
Other financial instruments measured at fair value	731	19	-	-	**750**	618	18	-	-	**636**
Other financial instruments measured at amortised cost*	-	-	513	-	**513**	-	-	601	-	**601**
Current	-	876	1 074	239	**2 189**	-	489	3 088	199	**3 776**
Trade receivables*	-	771	368	-	**1 139**	-	478	356	-	**834**
Derivatives	-	94	-	239	**333**	-	11	-	199	**210**
Cash and cash equivalents*	-	-	568	-	**568**	-	-	2 522	-	**2 522**
Other financial assets*	-	11	138	-	**149**	-	-	210	-	**210**
Total	**731**	**915**	**10 108**	**799**	**12 553**	**618**	**547**	**9 758**	**948**	**11 871**

amounts in PLN millions, unless otherwise stated

Financial liabilities	As at 30 September 2021				As at 31 December 2020			
	At fair value through profit or loss	At amortised cost	Hedging instruments	Total	At fair value through profit or loss	At amortised cost	Hedging instruments	Total
Non-current	113	5 752	875	**6 740**	205	7 130	801	**8 136**
Borrowings, lease and debt securities*	-	5 555	-	**5 555**	-	6 928	-	**6 928**
Derivatives*	113	-	875	**988**	205	-	801	**1 006**
Other financial liabilities	-	197	-	**197**	-	202	-	**202**
Current	193	3 064	774	**4 031**	127	4 101	603	**4 831**
Borrowings, lease and debt securities*	-	464	-	**464**	-	407	-	**407**
Derivatives*	51	-	774	**825**	85	-	603	**688**
Trade payables*	-	2 281	-	**2 281**	-	2 329	-	**2 329**
Similar payables – reverse factoring	-	197	-	**197**	-	1 264	-	**1 264**
Other financial liabilities	142	122	-	**264**	42	101	-	**143**
Total	**306**	**8 816**	**1 649**	**10 771**	**332**	**11 231**	**1 404**	**12 967**

** including balances of assets and liabilities held for sale, presented in the table below.*

amounts in PLN millions, unless otherwise stated

Financial assets – held for sale	As at 30 September 2021 At fair value through profit or loss	At amortised cost	Total
Non-current	-	8	**8**
Other financial instruments measured at amortised cost	-	8	**8**
Current	24	112	**136**
Trade receivables	24	-	**24**
Cash and cash equivalents	-	111	**111**
Other financial assets	-	1	**1**
Total	**24**	**120**	**144**

Financial liabilities – held for sale	As at 30 September 2021 At fair value through profit or loss	At amortised cost	Total
Non-current	13	1	**14**
Borrowings, lease and debt securities	-	1	**1**
Derivatives	13	-	**13**
Current	38	66	**104**
Borrowings, lease and debt securities	-	2	**2**
Derivatives	38	-	**38**
Trade payables	-	64	**64**
Total	**51**	**67**	**118**

Financial assets – continued operations	As at 30 September 2021 At fair value through other comprehensive income	At fair value through profit or loss	At amortised cost	Hedging instruments	Total
Non-current	731	39	9 026	560	**10 356**
Loans granted to a joint venture	-	-	8 521	-	**8 521**
Derivatives	-	20		560	**580**
Other financial instruments measured at fair value	731	19			**750**
Other financial instruments measured at amortised cost	-	-	505	-	**505**
Current	-	852	962	239	**2 053**
Trade payables	-	747	368	-	**1 115**
Derivatives	-	94	-	239	**333**
Cash and cash equivalents	-	-	457	-	**457**
Other financial assets	-	11	137	-	**148**
Total	**731**	**891**	**9 988**	**799**	**12 409**

amounts in PLN millions, unless otherwise stated

Financial liabilities – continued operations	As at 30 September 2021			
	At fair value through profit or loss	At amortised cost	Hedging instruments	Total
Non-current	100	5 751	875	**6 726**
Borrowings, lease and debt securities	-	5 554	-	**5 554**
Derivatives	100	-	875	**975**
Other financial liabilities	-	197	-	**197**
Current	155	2 998	774	**3 927**
Borrowings, lease and debt securities	-	462	-	**462**
Derivatives	13	-	774	**787**
Trade payables	-	2 217	-	**2 217**
Similar payables – reverse factoring	-	197	-	**197**
Other financial liabilities	142	122	-	**264**
Total	**255**	**8 749**	**1 649**	**10 653**

amounts in PLN millions, unless otherwise stated

The fair value hierarchy of financial instruments

	As at 30 September 2021				As at 31 December 2020			
	fair value			carrying amount	fair value			carrying amount
Classes of financial instruments	level 1	level 2	level 3		level 1	level 2	level 3	
Long-term loans granted	-	19	9 683*	8 540	-	18	5 998	6 087
Listed shares	636	-	-	636	523	-	-	523
Unquoted shares	-	95	-	95	-	95	-	95
Trade receivables	-	771	-	771	-	478	-	478
Other financial assets	-	11	-	11	-	-	-	-
Derivatives, of which:	-	(900)	-	(900)	-	(695)	-	(695)
assets	-	913	-	913	-	999	-	999
liabilities	-	(1 813)	-	(1 813)	-	(1 694)	-	(1 694)
Received long-term bank and other loans	-	(2 992)	-	(2 979)	-	(4 358)	-	(4 342)
Long-term debt securities	(2 037)	-	-	(2 000)	(2 024)	-	-	(2 000)
Other financial liabilities	-	(142)	-	(142)	-	(42)	-	(42)

**Details may be found in: Methods and measurement techniques used by the Group in determining fair values of each class of financial asset or financial liability, Level 3, Long-term loans granted*

The Group does not disclose the fair value of financial instruments measured at amortised cost in the statement of financial position (except for long-term 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 fair value is not required when the carrying amount is approximate to the fair value).

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

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

Level 1

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

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 is 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.

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

Metals derivatives

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

Received long-term bank and other loans

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

Level 3

Long-term loans granted
Loans granted measured at amortised cost in the statement of financial position are included in this category, because of the use of unmeasurable 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 8%.
The forecasted cash flows of Sierra Gorda S.C.M., which are the basis for estimating the fair value of loans measured at amortised cost, are the most sensitive to copper price volatility, which affects other assumptions, such as forecasted

amounts in PLN millions, unless otherwise stated

production or operating margin. Therefore the Parent Entity, pursuant to IFRS 13 p.93.h, performed a sensitivity analysis of the fair value of loans to copper price volatility:

Scenarios	Copper prices [USD/t] 2 022	2 023	2 024	2 025	2 026	LT
Base	8 200	8 000	7 500	7 500	7 500	7 000
Base minus 0.1 USD/lb during mine life (220 USD/t)	7 980	7 780	7 280	7 280	7 280	6 780
Base plus 0.1 USD/lb during mine life (220 USD/t)	8 420	8 220	7 720	7 720	7 720	7 220

Classes of financial instruments	Carrying amount 30 September 2021	Fair value*	Sensitivity analysis of the fair value to changes in copper prices * Base plus 0,1 USD/lb during mine life	Base minus 0.1 USD/lb during mine life
Loans granted measured at amortised cost	**8 521**	**9 683**	**10 393**	**8 976**

** Approximate estimation of fair value on the basis of an estimation of the total cash flows available on the level of Sierra Gorda S.C.M.*

The above approximate estimation of the fair value of cash flows available for the repayment of loans granted to Sierra Gorda S.C.M. was prepared on the basis of the total cash flows available to Sierra Gorda S.C.M. (55% attributable to the KGHM Group).
Business scenarios assumed by the Parent Entity's Management Board to measure the carrying amount of loans adopt a conservative approach, among others as to the moment the cash flows occur, and assuming that not all of the cash flows generated by Sierra Gorda S.C.M. will be used to repay the loans. Because of the negative equity of Sierra Gorda S.C.M., pursuant to the equity method, the Group measures the value of the interest in Sierra Gorda S.C.M. at the level of 0. As a result, the estimated approximate fair value of total cash flows available to Sierra Gorda S.C.M. reflects the best possible estimate of the value of loans received from the owners as well as the value of interest held.

amounts in PLN millions, unless otherwise stated

Note 4.7 Commodity, currency and interest rate risk management in the Group

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

The Parent Entity actively manages market risk by taking actions and making decisions in this regard within the context of the KGHM Polska Miedź S.A. Group's global exposure.
The primary technique used by the Group in market risk management is the use of hedging strategies involving derivatives. Natural hedging is also used. The Parent Entity applies hedging transactions, as understood by hedge accounting.

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

Statement of profit or loss	from 1 January 2021 to 30 September 2021	from 1 January 2020 to 30 September 2020
Revenues from contracts with customers	(1 159)	330
Other operating and finance income / (costs):	(289)	(192)
on realisation of derivatives	(366)	(216)
on measurement of derivatives	94	25
interest on borrowings	(17)	(1)
Impact of derivatives and hedging instruments on profit or loss for the period (excluding the tax effect)	**(1 448)**	**138**
Statement of other comprehensive income		
Measurement of hedging transactions (effective portion)	(1 637)	(37)
Reclassification to revenues from contracts with customers due to realisation of a hedged item	1 159	(330)
Reclassification to finance costs due to realisation of a hedged item	17	1
Reclassification to other operating costs due to realisation of a hedged item (settlement of the hedging cost)	295	208
Impact of hedging transactions (excluding the tax effect)	**(166)**	**(158)**
TOTAL COMPREHENSIVE INCOME	**(1 614)**	**(20)**

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

In the first three quarters of 2021, copper sales of the Parent Entity amounted to 417.1 thousand tonnes (net sales of 263.7 thousand tonnes)[3], while the notional amount of copper price hedging strategies settled in this period amounted to 199.5 thousand tonnes, which represented approx. 48% of the total sales of this metal realised by the Parent Entity and approx. 76% of net sales in this period (in the first three quarters of 2020, 34% and 49% respectively). The notional amount of settled silver price hedging transactions represented approx. 22% of sales of this metal by the Parent Entity (in the first three quarters of 2020, 8%). In the case of currency transactions, approx. 27% of revenues from copper and silver sales realised by the Parent Entity in the first three quarters of 2021 were hedged (29% in the first three quarters of 2020).

As part of the realisation of the strategic plan to hedge the Parent Entity against market risk, in the third quarter of 2021 transactions were implemented on the forward currency market. Put options were purchased for USD 180 million of planned sales revenues, with maturity periods from January to June 2022. These transactions were not designated as hedging. Moreover, collar option strategies were implemented for a notional amount of USD 120 million with maturity periods from July 2022 to December 2022.

In the third quarter of 2021, the Parent Entity did not enter into any derivative transactions on the forward copper, silver and interest rate markets.
In terms of managing the net trading position[4] in the third quarter of 2021 so-called QP adjustment *swap* transactions were entered into on the copper and gold markets with maturity periods falling in June 2022.

[3] Copper sales less copper in purchased metal-bearing materials.
[4] *Applied for the purpose of reacting to changes in customers' contractual terms, the occurrence of non-standard pricing in metal sales and the purchase of copper-bearing materials.*

amounts in PLN millions, unless otherwise stated

As at 30 September 2021, the Parent Entity held an open derivatives position for: 255.9 thousand tonnes of copper (of which: 247.5 thousand tonnes arose from the strategic management of market risk, while 8.4 thousand tonnes came from the management of a net trading position), 16.95 million troy ounces of silver, and USD 1 380 million of planned revenues from sales of metals. Furthermore, as at 30 September 2021 the Parent Entity had open Cross Currency Interest Rate Swap (CIRS) transactions in the notional amount of PLN 2 billion, hedging against market risk connected with the issuance of bonds in PLN with a variable interest rate[5], and bank and other loans with fixed interest rates. Commodity risk was also related to derivatives embedded in the purchase contracts for metal-bearing materials.

With respect to managing currency risk, the Parent Entity uses natural hedging by borrowing in currencies in which it has revenues. As at 30 September 2021, the bank and investment loans which were drawn in USD, following their translation to PLN, amounted to PLN 2 998 million (as at 31 December 2020: PLN 4 321 million).

In the third quarter of 2021, none of the Group's mining subsidiaries had implemented any forward transactions on the commodity market or the currency market, and did not hold an open position on this market as at 30 September 2021. The risk of changes in metals prices was related to derivatives embedded in long-term contracts for the supply of sulphuric acid.

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 30 September 2021 is not presented due to its immateriality for the Group.

Condensed tables of open transactions in derivatives held by the Parent Entity as at 30 September 2021, 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 tables do not reflect restructured and opposite positions (purchase versus sale) of transactions entered into as part of restructuration consistent with instrument, strike price, notional and maturity period.

Hedging against copper price risk

			Option strike price					
			sold put option	**purchased put option**	**sold call option**	**purchased call option**	**Average weighted premium**	**Effective hedge price**
	Instrument/ option structure	**Notional**	*hedge limited to*	*copper price hedging*	*participation limited to*	*participation opened*		
		[tonnes]	[USD/t]	[USD/t]	[USD/t]	[USD/t]	[USD/t]	[USD/t]
4th quarter	collar	21 000	-	5 200	6 600	-	(204)	4 996
4th quarter	seagull	10 500	6 800*	9 100*	7 000	-	(380)	7 860
4th quarter	seagull	7 500	6 700*	9 000*	7 500	-	(429)	8 036
4th quarter	seagull	7 500	6 800*	9 100*	7 500	-	(443)	8 078
4th quarter	purchased call option	16 500	-	-	-	10 400	(250)	10 650
4th quarter	purchased call option	15 000	-	-	-	10 700	(255)	10 955
4th quarter	purchased call option	15 000	-	-	-	10 800	(265)	11 065
	TOTAL 4th quarter of 2021							
	- hedging	**46 500**						
	- reopening of price participation	**46 500**						

** As part of a restructuration of positions, the strike price of sold put options was increased from 4 200 and 4 600 USD/t to 6 700 and 6 800 USD/t and the level of purchased put options from 5 700 and 6 300 USD/t to 9 000 and 9 100 USD/t.*

1st half	seagull	30 000	4 600	6 300	7 500	-	(160)	6 140
1st half	seagull	24 000	5 200	6 900	8 300	-	(196)	6 704
2nd half	seagull	30 000	4 600	6 300	7 500	-	(160)	6 140
2nd half	seagull	24 000	5 200	6 900	8 300	-	(196)	6 704
2nd half	seagull	15 000	6 000	9 000	11 400	-	(248)	8 752
	TOTAL 2022	**123 000**						
1st half	seagull	24 000	5 200	6 900	8 300	-	(196)	6 704
1st half	seagull	15 000	6 000	9 000	11 400	-	(248)	8 752
2nd half	seagull	24 000	5 200	6 900	8 300	-	(196)	6 704
2nd half	seagull	15 000	6 000	9 000	11 400	-	(248)	8 752
	TOTAL 2023	**78 000**						

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

Hedging against silver price risk

	Instrument/ Option structure	Notional [mn ounces]	Option strike price: sold put option (hedge limited to) [USD/oz t]	purchased put option (silver price hedging) [USD/oz t]	sold call option (participation limited to) [USD/oz t]	Average weighted premium [USD/oz t]	Effective hedge price [USD/oz t]
4th quarter	purchased put option	0.60	-	27.00	-	(1.54)	25.46
	purchased put option	1.95	-	26.00	-	(1.17)	24.83
	TOTAL 4th quarter of 2021	2.55					
2022	seagull	3.60	16.00	26.00	42.00	(0.88)	25.12
	collar	2.40	-	27.00	55.00*	(2.08)	24.92
	collar	4.20	-	26.00	55.00*	(1.89)	24.11
	TOTAL 2022	10,20					
2023	seagull	4.20	16.00	26.00	42.00	(1.19)	24.81
	TOTAL 2023	4.20					

** As part of the restructuration, the strike price of sold call options was increased from 42 and 43 USD/ounce to 55 USD/ounce.*

Hedging against USD/PLN currency risk

	Instrument/ Option structure	Notional [USD mn]	Option strike price: sold put option (hedge limited to) [USD/PLN]	purchased put option (exchange rate hedging) [USD/PLN]	sold call option (participation limited to) [USD/PLN]	Average weighted premium [PLN per USD 1]	Effective hedge price [USD/PLN]
4th quarter	purchased put option	135	-	3.70	-	(0.09)	3.61
	purchased put option	60	-	3.80	-	(0.07)	3.73
	purchased put option	60	-	3.20	-	(0.00)	3.20
	purchased put option	97.5	-	3.65	-	(0.06)	3.59
	purchased put option	97.5	-	3.85	-	(0.06)	3.79
	TOTAL 4th quarter of 2021	450					
1st half	seagull	67.5	3.30	4.00	4.60	(0.01)	3.99
	seagull	90	3.50	3.90	4.50	0.04	3.94
	purchased put option	180	-	3.75	-	(0.04)	3.71
2nd half	seagull	67.5	3.30	4.00	4.60	(0.01)	3.99
	seagull	90	3.50	3.90	4.50	0.04	3.94
	collar	120	-	3.85	4.60	(0.04)	3.81
	TOTAL 2022	615					
1st half	seagull	67.5	3.30	4.00	4.60	(0.00)	4.00
	seagull	90	3.50	3.90	4.50	0.04	3.94
2nd half	seagull	67.5	3.30	4.00	4.60	(0.00)	4.00
	seagull	90	3.50	3.90	4.50	0.04	3.94
	TOTAL 2023	315					

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

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

The table below presents detailed data on derivative transactions designated as hedging, held by the Parent Entity as at 30 September 2021.

Open hedging derivatives	Notional of the transaction	Average weighted price /exchange rate/interest rate	Maturity - settlement period		Period of profit/loss impact	
Type of derivative	copper [t] silver [mn ounces] currency [USD mn] CIRS [PLN mn]	[USD/t] [USD/ounce] [USD/PLN] [USD/PLN, interest rate for USD]	from	to	from	to
Copper – *collars*	21 000	5 200-6 600	Oct'21	- Dec'21	Nov'21	- Jan'22
Copper – *seagulls**	226 500	7 063-8 591	Oct'21	- Dec'23	Nov'21	- Jan'24
Silver – purchased put option	2.55	26.24	Oct'21	- Dec'21	Nov'21	- Jan'22
Silver – *collars*	6.60	26.36-55.00	Jan'22	- Dec'22	Feb'22	- Jan'23
Silver – *seagulls**	7.80	26.00-42.00	Jan'22	- Dec'23	Feb'22	- Jan'24
Currency – purchased put option	60	3.80	Oct'21	- Dec'21	Oct'21	- Dec'21
Currency – *collars*	120	3.85-4.60	Jul'22	- Dec'22	Aug'22	- Jan'23
Currency – *seagulls**	630	3.94-4.54	Jan'22	- Dec'23	Feb'22	- Jan'24
Currency – *put spread**	135	3.70	Oct'21	- Dec'21	Oct'21	- Dec'21
Currency – interest rate – CIRS	400	3.78 and 3.23%		Jun'24		Jun'24
Currency - interest rate – CIRS	1 600	3.81 and 3.94%		Jun'29	Jun'29	- Jul'29

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

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

Taking into consideration the receivables due to open derivative transactions held by the Group (excluding embedded derivatives) as at 30 September 2021 and receivables due to settled derivatives, the maximum single entity share of the amount exposed to credit risk arising from these transactions amounted to 30%, or PLN 273 million (as at 31 December 2020: 32%, or PLN 317 million).[6]

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

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

Rating level		As at 30 September 2021	As at 31 December 2020*
Medium-high	from A+ to A- according to S&P and Fitch, and from A1 to A3 according to Moody's	100%	97%
Medium	from BBB+ to BBB- according to S&P and Fitch, and from Baa1 to Baa3 according to Moody's	-	3%

* *Restated*

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

The fair value of open derivatives of the KGHM Polska Miedź S.A. Group as at 30 September 2021, broken down into hedging transactions[7] and trade transactions (including embedded and adjustment derivatives) and instruments initially designated as hedging instruments excluded from hedge accounting, is presented in the tables below.
The fair value of open derivatives (assets and liabilities) as at 30 September 2021 has changed as compared to 31 December 2020 as a result of:

- the settlement of transactions in derivatives with maturities falling in the first three quarters of 2021, which were open as at the end of 2020,

[6] *In 2021 the method of calculating the value exposed to credit risk related to derivatives was changed – instead of the positive net fair value, only receivables due to open derivatives (excluding embedded derivatives) are taken into account as well as receivables due to settled derivatives. The data as at 31 December 2020 were calculated in accordance with the new method.*
[7] Within the KGHM Polska Miedź S.A. Group, the Parent Entity applies cash flow hedge accounting (CFH).

amounts in PLN millions, unless otherwise stated

- entering into new transactions on copper, silver, gold and currency markets,
- the change in macroeconomic conditions (e.g. forward prices of copper, silver, USD/PLN forward rates, interest rates and volatility implied as at the measurement date).

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

Type of derivative	As at 30 September 2021				
	Financial assets		Financial liabilities		
	Non-current	Current	Non-current	Current	Net total
Hedging instruments (CFH), including:	**560**	**239**	**(875)**	**(774)**	**(850)**
Derivatives – Metals (price of copper, silver)					
Options – *collar* (copper)	-	-	-	(196)	**(196)**
Options – *seagull** (copper)	319	43	(574)	(575)	**(787)**
Purchased put option (copper)					
Options – *collar* (silver)	50	89	-	-	**139**
Options – seagull* (silver)	126	45	(17)	-	**154**
Purchased put option (silver)	-	44	-	-	**44**
Derivatives – Currency (USDPLN exchange rate)					
Options – *collar*	6	2	(2)	(1)	**5**
Options – *seagull*	53	16	(24)	(2)	**43**
Options – *put spread**	-	-	-	-	**-**
Purchased put option	-	-	-	-	**-**
Derivatives – Currency-interest rate					
Cross Currency Interest Rate Swap CIRS	6	-	(258)	-	**(252)**
Trade instruments total, including:	**11**	**91**	**(107)**	**(50)**	**(55)**
Derivatives – Metals (price of copper, silver, gold)					
Sold put option (copper)	-	-	(58)	(3)	**(61)**
Purchased put option (copper)	-	39	-	-	**39**
Purchased call option (copper)	-	4	-	-	**4**
QP adjustment *swap* transactions (copper)	-	13	-	-	**13**
Sold put option (silver)	-	-	(21)	(4)	**(25)**
Purchased put option (silver)	4	3	-	-	**7**
Purchased call option (silver)	3	-	-	-	**3**
QP adjustment *swap* transactions (gold)	-	6	-	(1)	**5**
Derivatives – Currency					
Sold put option (USD)	-	-	(14)	(4)	**(18)**
Purchased put option (USD)	1	4	-	-	**5**
Purchased call option (USD)	3	1	-	-	**4**
Collar and *forward/swap* (EUR)	-	-	(1)	(1)	**(2)**
Embedded derivatives (price of copper, silver, gold)					
Acid supply contracts	-	-	(13)	(37)	**(50)**
Purchase contracts for metal-bearing materials	-	21	-	-	**21**
Instruments initially designated as hedging instruments excluded from hedge accounting, including:	**9**	**3**	**(6)**	**(1)**	**5**
Derivatives – Currency (USDPLN exchange rate)					
Options – *collar*	-	-	-	-	**-**
Options – *seagull*	9	3	(3)	(1)	**8**
Derivatives – Metals (price of silver)					
Options – *seagull*	-	-	(3)	-	**(3)**
TOTAL OPEN DERIVATIVES	**580**	**333**	**(988)**	**(825)**	**(900)**

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

amounts in PLN millions, unless otherwise stated

Note 4.8 Liquidity risk and capital management in the Group

Liquidity and capital management policy

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

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

Due to the centralisation of the process of obtaining external financing for the entire KGHM Group's needs at the Parent Entity's level, the realisation of intra-group liquidity transfers is made 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 third quarter of 2021, the Group continued actions aimed at optimising the financial liquidity management process by concentrating on the effective management of working capital and debt capital.

In the first three quarters of 2021, the KGHM Polska Miedź S.A. Group showed a full capacity for meeting its obligations. The cash held and external financing obtained by the Group guarantee continued liquidity and enable the realisation of investment projects.

In order to maintain financial liquidity and the creditworthiness to acquire external financing at an optimum cost, over the long term the Group's goal is for the ratio of Net Debt/Adjusted EBITDA to be no more than 2.0. The ratio's level as at the reporting dates was as follows:

Ratio	30 September 2021	31 December 2020
Net debt/Adjusted EBITDA*	**0.8**	**0.9**

** 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 2020	Cash flows	Accrued interest	Exchange differences	Other changes	As at 30 September 2021
Bank loans	1 994	(1 454)	48	138	(1)	725
Loans	2 685	(250)	58	148	2	**2 643**
Debt securities	2 000	(18)	27	-	-	2 009
Leases	656	(87)	28	-	45	642
Total debt	**7 335**	**(1 809)**	**161**	**286**	**46**	**6 019**
Free cash and cash equivalents	2 501	(1 960)	-	-	-	541
Net debt	**4 834**	**151**	**161**	**286**	**46**	**5 478**

Reconciliation of cash flows recognised in net debt change to the consolidated statement of cash flows	from 1 January 2021 to 30 September 2021
I. Financing activities	**(1 730)**
Proceeds from borrowings	74
Repayment of borrowings	(1 674)
Repayment of lease liabilities	(58)
Repayment of interest on borrowings and debt securities	(56)
Repayment of interest on leases	(16)
II. Investing activities	**(79)**
Paid capitalised interest on borrowings	(79)
III. Change in free cash and cash equivalents	**(1 960)**
TOTAL (I+II-III)	**151**

amounts in PLN millions, unless otherwise stated

Structure of external financing sources

As at 30 September 2021, the Group had open credit lines, loans and debt securities with a total balance of available financing being the equivalent of PLN 14 396 million, out of which PLN 5 377 million had been drawn.

The structure of financing sources is presented below.

	As at 30 September 2021	As at 30 September 2021	As at 31 December 2020
Unsecured revolving syndicated credit facility	Amount granted	Amount of the liability	Amount of the liability
	5 989	(15)*	(17)*
Investment loans	Amount granted	Amount of the liability	Amount of the liability
	3 562	2 643	2 685
Bilateral bank loans	Amount granted	Amount of the liability	Amount of the liability
	2 845	740	2 011
Bonds	Nominal value of the issue	Amount of the liability	Amount of the liability
	2 000	2 009	2 000
Total bank and other loans, bonds	**14 396**	**5 377**	**6 679**

** paid service charge which decreases financial liabilities due to received bank loans settled in time.*

Liabilities due to guarantees granted

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

As at 30 September 2021, the balance of liabilities held by the Group due to guarantees and letters of credit granted in total amounted to PLN 759 million, while liabilities due to promissory notes amounted to PLN 189 million.

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

- **Sierra Gorda S.C.M.** – a corporate guarantee in the amount of PLN 659 million (USD 165 million) set as a guarantee of payment of a bank loan instalment drawn by Sierra Gorda S.C.M. The carrying amount of the recognised liability due to the financial guarantee granted amounts to PLN 57 million*,

- **other entities, including the Parent Entity:**
  - PLN 47 million to secure 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,
  - PLN 39 million (PLN 32 million and CAD 2 million) securing the obligations related to proper execution of agreements concluded.

** A financial guarantee was recognised in the accounting books pursuant to par. 4.2.1. point c of IFRS 9.*

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

amounts in PLN millions, unless otherwise stated

Note 4.9 Related party transactions

Operating income from related entities	from 1 July 2021 to 30 September 2021	from 1 January 2021 to 30 September 2021	from 1 July 2020 to 30 September 2020	from 1 January 2020 to 30 September 2020
Revenues from sales of products, merchandise and materials to a joint venture	5	17	6	16
Interest income on loans granted to a joint venture	128	322	91	284
Revenues from other transactions with a joint venture	4	69	19	48
Revenues from other transactions with other related parties	1	9	2	8
Total	**138**	**417**	**118**	**356**

Purchases from related entities	from 1 July 2021 to 30 September 2021	from 1 January 2021 to 30 September 2021	from 1 July 2020 to 30 September 2020	from 1 January 2020 to 30 September 2020
Purchase of services, merchandise and materials	2	28	-	25
Other purchase transactions	-	2	-	2
Total	**2**	**30**	**-**	**27**

Trade and other receivables from related parties	As at 30 September 2021	As at 31 December 2020
From the joint venture Sierra Gorda S.C.M. (loans)	8 521	6 069
From the joint venture Sierra Gorda S.C.M. (other receivables)	66	369
From other related parties	9	4
Total	**8 596**	**6 442**

Trade and other payables towards related parties	As at 30 September 2021	As at 31 December 2020
Towards a joint venture	57	25
Towards other related parties	7	3
Total	**64**	**28**

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

Pursuant to the scope of IAS 24.26, as at 30 September 2021, the Group concluded the following transactions with the Polish Government and entities controlled or jointly controlled by the Polish Government, unusual due to their nature or amount:

- due to an agreement on setting mining usufruct for the extraction of mineral resources and for exploration for and evaluation of mineral resources – balance of payables in the amount of PLN 193 million (as at 31 December 2020: PLN 202 million), including fees on setting mining usufruct for the extraction of mineral resources recognised in costs in the amount of PLN 23 million (as at 31 December 2020: PLN 30 million),
- due to a reverse factoring agreement with the company PEKAO FAKTORING SP. Z O.O. - payables in the amount of PLN 119 million, interest costs in the amount of PLN 8 million (as at 31 December 2020, payables in the amount of PLN 974 million and interest costs from 1 January to 30 September 2020 in the amount of PLN 9 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, the servicing of special purpose funds, entering into transactions on the forward currency market with banks related to the State Treasury.

Apart from the aforementioned transactions entered into by the Group with the Polish Government and with entities controlled or jointly controlled by the Polish Government, or over which the government has significant influence, in the reporting period and in the comparable period there were no other transactions which were significant in terms of nature or amount.

State Treasury companies may purchase bonds issued by KGHM Polska Miedź S.A.
The remaining transactions between the Group and the Polish Government and with entities controlled or jointly controlled by the Polish Government, or over which the government has significant influence, were within the scope of normal, daily economic operations. These transactions concerned the following:

- the purchase of goods (energy, fuels, services) to meet the needs of current operating activities. In the period from 1 January to 30 September 2021, the turnover from these transactions amounted to PLN 1 408 million (from 1 January to 30 September 2020: PLN 811 million), and, as at 30 September 2021, the unsettled balance of liabilities from these transactions amounted to PLN 198 million (as at 31 December 2020: PLN 203 million),

- sales to Polish State Treasury Companies. In the period from 1 January to 30 September 2021, the turnover from these sales amounted to PLN 171 million (from 1 January to 30 September 2020: PLN 66 million), and, as at 30 September 2021, the unsettled balance of receivables from these transactions amounted to PLN 17 million (as at 31 December 2020: PLN 18 million).

Remuneration of the Supervisory Board of the Parent Entity (in PLN thousands)	from 1 January 2021 to 30 September 2021	from 1 January 2020 to 30 September 2020
Remuneration due to service in the Supervisory Board, salaries and other current employee benefits	1 325	1 259

Remuneration of the Management Board of the Parent Entity (in PLN thousands)	from 1 January 2021 to 30 September 2021	from 1 January 2020 to 30 September 2020
Salaries and other current employee benefits due to serving in the function	8 240	7 320
Benefits due to termination of employment	496	-
Total	**8 736**	**7 320**

Remuneration of other key managers (in PLN thousands)	from 1 January 2021 to 30 September 2021	from 1 January 2020 to 30 September 2020
Salaries and other current employee benefits	2 426	1 865

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.

		As at 30 September 2021	Increase/(decrease) since the end of the last financial year
	Contingent assets	**508**	**(24)**
	Guarantees received	323	26
	Promissory notes receivables	133	10
	Other	52	(60)
	Contingent liabilities	**410**	**(939)**
Note 4.8	Guarantees and letters of credit*	100	(955)
Note 4.8	Promissory note liabilities	189	18
	Property tax on underground mine workings	50	(5)
	Other	71	3
	Other liabilities not recognised in the statement of financial position	**100**	**-**
	Liabilities towards local government entities due to expansion of the tailings storage facility	100	-

**Decrease due to the expiry of the liability towards two beneficiaries:*

<u>Empressa Electrica Cochrane SPA</u> – expired because Sierra Gorda S.C.M. achieved parameters defined in the agreement for the off-take of electricity between Sierra Gorda S.C.M. and the beneficiary of the letter of credit, which resulted in the expiry of the liability of Sierra Gorda S.C.M. to maintain collateral of the aforementioned agreement. The liability expired on 6 April 2021,

<u>York Potash Ltd, London</u>. – expired because of the termination of the contract for design services and sinking four shafts along with associated infrastructure and equipment, entered into between DMC Mining Services (UK) Ltd. and DMC Mining Services Ltd. (companies of the KGHM INTERNATIONAL LTD. Group) and York Potash Ltd. The liability expired on 1 March 2021.

amounts in PLN millions, unless otherwise stated

Note 4.11 Changes in working capital

	Inventories	Trade receivables	Trade payables	Similar payables – reverse factoring	Working capital
As at 1 January 2021	(4 459)	(869)	2 498	1 264	**(1 566)**
As at 30 September 2021	(6 269)	(1 141)	2 448	197	**(4 765)**
Change in the statement of financial position	**(1 810)**	**(272)**	**(50)**	**(1 067)**	**(3 199)**
Exchange differences from the translation of statements of operations with a functional currency other than PLN	34	13	(10)	-	**37**
Depreciation/amortisation recognised in inventories	101	-	-	-	**101**
Change in payables due to the purchase of property, plant and equipment and intangible assets	-	-	154	52	**206**
Reclassification to property, plant and equipment	(15)	-	-	-	**(15)**
Change in payables due to the interests on reverse factoring	-	-	-	1	**1**
Adjustments	**120**	**13**	**144**	**53**	**330**
Change in the statement of cash flows, including:	**(1 690)**	**(259)**	**94**	**(1 014)**	**(2 869)**
held for sale	**(2)**	**(18)**	**(3)**	**-**	**(23)**
continued operations	**(1 688)**	**(241)**	**97**	**(1 014)**	**(2 846)**

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

Note 4.12 Other adjustments in the statement of cash flows

	from 1 January 2021 to 30 September 2021	from 1 January 2020 to 30 September 2020
Profit or loss due to measurement and realisation of derivatives related to sources of external financing	4	5
Other	(6)	6
Total	**(2)**	**11**

amounts in PLN millions, unless otherwise stated

Note 4.13 Assets held for sale and liabilities associated with them

In the third quarter of 2020 the Management Board of the Parent Entity undertook corporate decisions to enable the sale of international mining assets of the KGHM international LTD. Group - the companies S.C.M. Franke and Carlota Copper Company. In May 2021 informational material (investment teasers) was distributed to 46 companies which could potentially be interested in such a purchase, as a result of which 15 non-disclosure agreements were signed with entities interested in the acquisition of the assets of the Franke and Carlota mines.

Pursuant to the criteria set forth in IFRS 5, as at 30 June 2021, the Management Board of the Parent Entity reclassified the assets and liabilities of the companies S.C.M. Franke and Carlota Copper Company to the Disposal Group.

In the third quarter of 2021, on the basis of non-binding offers submitted by potential buyers, KGHM Polska Miedź S.A. selected entities, which were invited to the next stage of the Due Diligence process.

With respect to the assets of the companies S.C.M. Franke and Carlota Copper Company, due to the difference between the carrying amount of these assets and their tax base, there arose deductible temporary differences. Because of these differences the Group did not recognise a deferred tax asset, as the criteria set forth in IAS 12.44 were not met.

No significant costs were identified that would necessitate the recognition of provisions as a result of the planned sale of the Franke and Carlota assets.

Activities of the companies S.C.M. Franke and Carlota Copper Company were presented in the segment KGHM INTERNATIONAL LTD.

The financial data of companies classified to discontinued operations were presented together with continued operations in the consolidated financial statement of profit or loss, in the consolidated statement of cash flows and explanatory notes to these statements because they do not represent a separate major line of business and they are not a part of a single co-ordinated plan to dispose of a separate major line of business (IFRS 5.32 a and b).

Main groups of assets and liabilities classified to the Disposal Group

	As at 30 September 2021
ASSETS	
Mining and metallurgical property, plant and equipment	3
Mining and metallurgical intangible assets	124
Other financial instruments measured at amortised cost	8
Non-current assets	**135**
Inventories	163
Trade receivables, including:	24
trade receivables measured at fair value through profit or loss	24
Other financial assets	1
Other non-financial assets	9
Cash and cash equivalents	111
Current assets	**308**
TOTAL ASSETS OF THE DISPOSAL GROUP	**443**
LIABILITIES	
Borrowings, lease and debt securities	1
Derivatives	13
Provisions for decommissioning costs of mines and other technological facilities	274
Non-current liabilities	**288**
Borrowings, lease and debt securities	2
Derivatives	38
Trade payables	64
Employee benefits liabilities	12
Provisions for liabilities and other charges	1
Other liabilities	19
Current liabilities	**136**
TOTAL LIABILITIES OF THE DISPOSAL GROUP	**424**

amounts in PLN millions, unless otherwise stated

Statement of profit or loss for discontinued operations

	from 1 January 2021 to 30 September 2021	from 1 January 2020 to 30 September 2020
Revenues	486	340
Costs	(375)	(392)
Profit/(loss) on operating activities	**111**	**(52)**
Finance costs	(6)	(4)
Profit/(loss) before income tax	**105**	**(56)**
Income tax expense	-	-
PROFIT/(LOSS) FOR THE PERIOD	**105**	**(56)**

Cash flows for discontinued operations

	from 1 January 2021 to 30 September 2021	from 1 January 2020 to 30 September 2020
Cash flow generated from/(used in) operating activities, including:	76	(4)
change in provision for decommissioning of mines	(21)	31
Cash flow used in investing activities	(7)	(31)
Cash flow used in financing activities	(3)	(9)
TOTAL NET CASH FLOW	**66**	**(44)**

amounts in PLN millions, unless otherwise stated

5 – Additional information to the consolidated quarterly report

Note 5.1 Effect of changes in the organisational structure of the Group

In the third quarter of 2021 the Funds KGHM VI FIZAN and KGHM VII FIZAN were merged, which resulted from the need to adjust the structure of the Funds' investment portfolios to the statutory requirements. The acquired fund is KGHM VI FIZAN, and the acquiring fund is KGHM VII FIZAN.
The above-mentioned transaction did not have a significant impact on these consolidated financial statements.

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 dividend, total and per share

In accordance with Resolution No. 7/2021 of the Ordinary General Meeting of KGHM Polska Miedź S.A. dated 7 June 2021 regarding the appropriation of profit for the year ended 31 December 2020, the profit in the amount of PLN 1 779 million was appropriated as follows: as a shareholders dividend in the amount of PLN 300 million (PLN 1.50 per share) and transfer of PLN 1 479 million to the Company's reserve capital. The Ordinary General Meeting of KGHM Polska Miedź S.A. set the dividend date for 2020 at 21 June 2021 and the dividend payment date for 2020 at 29 June 2021.

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

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 2021, 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 2021.

Shareholders holding at least 5% of the total number of votes at the General Meeting of KGHM Polska Miedź S.A. as at the date of publication of this consolidated quarterly report, changes in the ownership structure of significant blocks of shares of KGHM Polska Miedź S.A. in the period since publication of the consolidated report for the first half of 2021

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

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

As far as the Company is aware, this state did not change since the publication of the consolidated report for the first half of 2021.

Ownership of KGHM Polska Miedź S.A.'s shares or of rights to them by members of the management and supervisory boards of KGHM Polska Miedź S.A., as at the date of publication of the consolidated quarterly report. Changes in ownership during the period following publication of the consolidated report for the first half of 2021

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. The aforementioned state did not change since the publication of the consolidated report for the first half of 2021.

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

Proceedings regarding royalties for use of invention project no. 1/97/KGHM entitled „Method for increasing the production capacity of the electrorefining sections of the Metallurgical Plants"

In the claim dated 26 September 2007, Plaintiffs (14 natural persons) filed a claim against KGHM Polska Miedź S.A. (Company) with the Regional Court in Legnica for the payment of royalties for the use by the Company of invention project no. 1/97/KGHM called „Sposób zwiększenia zdolności produkcyjnej wydziałów elektrorafinacji Huty Miedzi" (Method for increasing the production capacity of the electrorefining sections of the Metallurgical Plants) for the 8th calculation period, together with interest due. The amount of the claim (principal amount) was set by the Plaintiffs in the claim in the amount of approx. PLN 42 million (principal amount without interest and court costs). Interest as at 31 March 2019 amounted to approx. PLN 55 million. On 21 January 2008, in the response to the claim, KGHM Polska Miedź S.A. requested the dismissal of the claim in its entirety and filed a counter claim for the repayment of undue royalties paid for the 6th and 7th year of application of invention project no. 1/97/KGHM, together with interest due, also invoking the right of mutual set-off of claims. The amount of the claim (principal amount) in the counter claim was set by the Company in the amount of approx. PLN 25 million.
In a judgment dated 25 September 2018, the Regional Court in Legnica dismissed the counter claim and partially upheld the principal claim to the total amount of approx. PLN 24 million, and at the same time ordered the payment of interest in the amount of approx. PLN 30 million, totalling to PLN 54 million. Both parties to the proceedings appealed against this judgment.
In a judgment dated 12 June 2019, the Court of Appeal in Wroclaw 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 the Company 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 cassation appeal was admitted to be heard. The Company expects the indication of the date of the cassation hearing.
In accordance with the Company's position, the plaintiffs' claim should be dismissed in its entirety and the counter claim is justified. The Company in this regard paid the authors of the project royalties for a longer period of application of the project than anticipated in the initial contract entered into by the parties on advancing the invention project, based on an annex to the contract, extending the period of payment of royalties, whose validity is questioned by the Company. Moreover, the Company is questioning the „rationalisation" nature of the solutions, as well as whether they were in fact used in their entirety, and also their completeness and suitability for use in the form supplied by the plaintiffs as well as the means of calculating the economic effects of this solution, which were the basis for paying the royalties.

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

During the period from 1 January 2021 to 30 September 2021, neither KGHM Polska Miedź S.A. nor subsidiaries thereof entered into transactions with related entities under other than arm's length conditions.

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

As at 30 September 20201, KGHM Polska Miedź S.A. granted a guarantee of bank loans drawn by the joint venture Sierra Gorda S.C.M. to Bank Gospodarstwa Krajowego for the amount of PLN 659 million (USD 165 million). The repayment deadline for the bank loan guarantee expires in 2024. The guarantee was granted on arm's length conditions. Moreover, in the third quarter of 2021, none of the other entities of the Group granted any sureties for bank or other loans or guarantees.

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

In the third quarter of 2021 there were no other significant events, apart from those mentioned in the commentary to the report, which could have a significant impact on the assessment of assets, financial position and financial result of the Group, and significant for the assessment of the employment situation and the ability to pay its liabilities.

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

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

a) a subsequent wave of the COVID-19 pandemic and its potential for interruptions to the continuity of operations or restrictions in activities:
   i) due to possible infections by the SARS-CoV-2 virus and increased absenteeism amongst employees of the core production line and/or a decrease in productivity of work,
   ii) due to interruptions in the materials and services supply chain and to logistical restrictions, especially as regards international transport,
   iii) due to restrictions on certain sales markets, a drop in demand and optimisation of inventories of raw materials and finished products amongst customers,
   iv) due to extraordinary changes in legal acts (e.g. special acts),

b) volatility in copper and silver prices on the metals markets,

c) volatility in the USD/PLN exchange rate,

d) volatility in electrolytic copper production costs, including in particular due to the minerals extraction tax, changes in the value of consumed copper-bearing materials and as a result of volatility in prices of energy carriers and electricity,

e) the effects of the implemented hedging policy,

f) the general uncertainty on financial markets, and

g) the economic effects of the COVID-19 pandemic crisis (e.g. a decrease or delay in revenues from exports).

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

a) similarly as in the case of the Parent Entity, the COVID-19 pandemic and its potential impact on interruptions to the continuity of operations or restrictions in activities,

b) volatility in copper, silver, gold and molybdenum prices,

c) volatility in the CLP/USD, CAD/USD and USD/PLN exchange rates, and

d) volatility in mined copper production costs.

The above may affect the results of the Group in subsequent quarters. It is not possible however to provide quantitative estimates of the potential impact of current conditions on the results of the KGHM Group. To date there has not yet been recorded a substantial, negative impact on the continuity of the Core Production Business, sales or the continuity of the materials and services supply chain. The possibility of the future, negative impact of the COVID-19 pandemic in these areas in subsequent quarters may not however be excluded, especially in the context of the conduct of economic activities under conditions of fluctuations in demand and supply and the uncertainty related to the rate of economic recovery in Poland and globally as the epidemiological situation improves.

Note 5.6 Impact of the COVID – 19 on the operations of the Company and the Group

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

Evaluation of the key categories of risk which are impacted by the coronavirus pandemic is subjected to detailed analysis by the on-going monitoring of selected information in the areas of production, sales, supply chain, 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.

There were no substantial deviations from the achievement of the budget targets for the third quarter of 2021 in any of the operating segments of the KGHM Polska Miedź S.A. Group, with the exception of companies operating in the spa and hotel sector (Other segments).

Impact on the metals market

From the Group's point of view, an important impact of the coronavirus epidemic is its effect on market risk related to volatility in metals prices and market indices. As at 30 September 2021 the copper price amounted to 9 041 USD/t, meaning a decrease by 4% compared to 30 June 2021 and an increase by 17% compared to the price at the end of 2020. The Company's share price at the close of trading on 30 September 2021 amounted to PLN 157.65, meaning a decrease by 16% compared to 30 June 2021 and a decrease by 14% compared to the price at the end of 2020. The decrease in the Parent Entity's share price resulted in a decrease in the Company's market capitalisation, which on 30 September 2021 amounted to PLN 31 530 million compared to PLN 37 530 million at 30 June 2021 and PLN 36 600 million at the end of 2020. As at 30 September 2021 the Company's market capitalisation was above the level of its net assets by 24%.

Impact on the spa activities of the Group

The greatest impact of the COVID-19 pandemic was on the Group's secondary activities involving the hotel and spa services of the companies: Uzdrowiska Kłodzkie S.A. - Grupa PGU, Uzdrowisko Połczyn Grupa PGU S.A., Uzdrowisko Cieplice Sp. z o.o. - Grupa PGU, Uzdrowisko Świeradów - Czerniawa Sp. z o.o. – Grupa PGU, INTERFERIE S.A. and Interferie Medical SPA Sp. z o.o. The inability to freely conduct business activity in the first half of 2021 resulted in the achievement of low revenues which also translated into a loss on sales. The spa and hotel companies obtained exemptions from financing institutions from the obligation to calculate the DSCR ratio for the entire year - 2021. Financial liabilities to creditors and lessors are paid on an ongoing basis.

The spa and hotel companies of KGHM Polska Miedź S.A. have received financing from the Polski Fundusz Rozwoju (Polish Development Fund or PDF) under the Anti–Crisis Shield 1.0 for large enterprises and under the Anti–Crisis Shield 2.0 for the SME sector (the sector of small and medium enterprises). The financing received from the aforementioned programs amounted to PLN 13.3 million in the first quarter of 2021 (total: in 2020 and in the first quarter of 2021 – PLN 18.75 million). In the third quarter of 2021, after meeting the statutory requirements, part of the funds obtained under the financial shield 1.0 for large enterprises were remitted by the PDF decision (total amount remitted is PLN 6.5 million). The companies that submitted applications for financing from the SME sector shield are awaiting decisions on the settlement of the subsidies received. In addition, at the end of September, companies that joined the Anti-Crisis Shield 1.0 program for large enterprises submitted applications to join the Financial Shield under the 2.0 program for large enterprises. The total requested amount of liquidity loans amounted to PLN 18.7 million.

In terms of sales, in the first quarter of 2021, the spa companies offered commercial post-covid stays. In April, the National Health Fund (NHF) announced a post-covid treatment program for people struggling with post-covid complications, which is offered in selected resorts of the Group's spa companies.

In the second quarter of 2021, restrictions were lifted with a gradual return to the conduct of activities, the providing of services and the generation of revenues – all facilities resumed operations. While maintaining the sanitary regime and statutory restrictions on the admissible occupancy rate in hotel facilities, the companies returned to the full realisation of commercial and medical services. The holiday period brought the expected rebound in both hotel and spa activities - the companies took advantage of the holiday season and high internal demand for leisure and treatment services, achieving the best results in history. In the long term, the progressive vaccination campaign will undoubtedly be the main factor regulating the situation in the hotel and spa industry.

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

With regard to other domestic companies of the KGHM Polska Miedź S.A. Group, the pandemic situation in the third quarter of 2021 did not have a significant impact on the operating results generated by these entities.

The pandemic situation caused by COVID-19 did not have a significant impact on the Company's and the Group's operations, and at the date of publication of this report the Management Board of the Parent Entity estimates the risk of loss of going concern status caused by COVID-19 as low. Individual, small deviations from the continuity of the supply chain for materials and services have been observed, caused by logistical restrictions in international markets.
Regular contact with suppliers enables prompt reaction to delays by utilisation of the strategy of supplier diversification applied in the Group as well as the use of alternative solutions.

Preventive actions in the Group

In the KGHM Polska Miedź S.A. Group and as well as in all of the international mines of the Group and Sierra Gorda S.C.M., thanks to the implementation of a variety of preventative measures, such as enforcing a sanitary regime and health monitoring and testing of the employees, there were no production stoppages which would have been directly attributable to the pandemic. As a result, the Group's copper production in the third quarter of 2021 did not differ from the target set at the start of the year.

In terms of sales, the majority of customers continue not to feel any strong negative impact from the epidemic on their activities, thanks to which their trade payables towards the Parent Entity are being paid on time, while the execution of deliveries to customers continues without interruption.

The KGHM Group is fully capable of meeting its financial obligations. The financial resources held by the Group and available borrowings guarantee its continued financial liquidity. The financing structure of the Group at the level of the Parent Entity, based on the long-term and diversified sources of financing, provided the Company and the Group with long-term financial stability through extending the average weighted maturity of the KGHM Polska Miedź S.A. Group's debt.

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.

At present the Parent Entity is not aware of any significant risk of a breach in the financial covenants contained in external financing agreements related to the COVID-19 pandemic.

The KGHM Group continues to advance its investment projects in accordance with established schedules and is not aware of any increase in risk related to their continuation as a result of the coronavirus pandemic.

During the reported period there were likewise no interruptions in the continuity of the Group's operations caused by infections of this virus amongst the employees. There continues to be a lack of any substantial heightened level of absenteeism amongst employees of the Parent Entity's core business or domestic and international production assets related to the pandemic.

Taking into consideration the risk of a subsequent wave of the COVID-19 pandemic, there still remains uncertainty regarding the directions of development of the economic and social situation in Europe and globally. An important factor for the domestic and global economies will be the percentage of people fully vaccinated against COVID-19, which would enable among others the further easing of restrictions in individual countries and sectors, a reduction in uncertainty as to future periods, or improving economic activity. The Parent Entity continuously monitors the global economic situation, in order to assess its potential negative impact on the KGHM Polska Miedź S.A. Group and to take preventive actions to mitigate this impact.

Note 5.7 Subsequent events

Receipt of a document "Offer Notice" from Sumitomo Metal Mining Co., Ltd. and Sumitomo Corporation

On 14 October 2021, the Parent Entity received a document "Offer Notice" prepared by Sumitomo Metal Mining Co., Ltd. and Sumitomo Corporation. This document was presented to the Company in connection with the intent to sell the entirety of the shares of Sumitomo in the joint venture Sierra Gorda S.C.M. to the Australian mining group South32.

The document is subject to analysis under the right of first refusal of the Parent Entity to acquire shares in Sierra Gorda S.C.M. belonging to Sumitomo. The decision on the aforementioned matter will be announced by the Company's Management Board via a separate regulatory filing.

Resignation of a Member of the Supervisory Board of the Company

On 25 October 2021, the Parent Entity received a letter from Marek Pietrzak announcing his resignation from the function of Member of the Supervisory Board of KGHM Polska Miedź S.A., effective immediately.

Appointment of a Member of the Management Board of KGHM Polska Miedź S.A.

On 25 October 2021, the Supervisory Board of the Company adopted a resolution on the appointment of Marek Pietrzak as of 26 October 2021 to the Management Board of KGHM Polska Miedź S.A., as Vice President of the 11th term Management Board (Corporate Affairs).

Consent to extend the term of a syndicated credit facility agreement

On 27 October 2021, the Management Board of KGHM Polska Miedź S.A. consented to extend the term of an unsecured revolving syndicated credit facility agreement in the amount of USD 1 500 million, by submitting a request to the financing banks.

The agreement was entered into on 20 December 2019 for a five-year tenor and has two one-year extension options exercisable at the request of KGHM Polska Miedź S.A. (decision to agree for the extension of the term of the agreement is at the discretion of each syndicate member, proportionally to the interest held).
The extension of the term of the agreement realises the Strategy of KGHM Polska Miedź S.A. with respect to ensuring long-term financial stability by, among others, basing Company's financing structure on long-term instruments.

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

STATEMENT OF PROFIT OR LOSS

		from 1 July 2021 to 30 September 2021	**from 1 January 2021 to 30 September 2021**	from 1 July 2020 to 30 September 2020	**from 1 January 2020 to 30 September 2020**
Note 1	Revenues from contracts with customers	5 826	17 970	4 463	13 360
Note 2	Cost of sales	(4 788)	(13 993)	(3 396)	(10 517)
	Gross profit	**1 038**	**3 977**	**1 067**	**2 843**
Note 2	Selling costs and administrative expenses	(282)	(727)	(247)	(687)
	Profit on sales	**756**	**3 250**	**820**	**2 156**
Note 3	Other operating income, including:	626	3 972	122	765
	interest income calculated using the effective interest rate method	93	222	64	204
	reversal of impairment losses on financial instruments	26	534	3	3
Note 3	Other operating costs, including:	(222)	(775)	(345)	(1 032)
	impairment losses on financial instruments	(3)	(11)	25	(63)
Note 4	Finance income	-	35	118	117
Note 4	Finance costs	(168)	(412)	(29)	(179)
	Profit before income tax	**992**	**6 070**	**686**	**1 827**
	Income tax expense	(366)	(1 218)	(277)	(671)
	PROFIT FOR THE PERIOD	**626**	**4 852**	**409**	**1 156**
	Weighted average number of ordinary shares (million)	**200**	**200**	**200**	**200**
	Basic and diluted earnings per share (in PLN)	**3.13**	**24.26**	**2.05**	**5.78**

STATEMENT OF COMPREHENSIVE INCOME

	from 1 July 2021 to 30 September 2021	**from 1 January 2021 to 30 September 2021**	from 1 July 2020 to 30 September 2020	**from 1 January 2020 to 30 September 2020**
Profit for the period	**626**	**4 852**	**409**	**1 156**
Measurement of hedging instruments net of the tax effect	630	(134)	141	(128)
Other comprehensive income, which will be reclassified to profit or loss	**630**	**(134)**	**141**	**(128)**
Measurement of equity financial instruments at fair value through other comprehensive income, net of the tax effect	(1)	112	(24)	83
Actuarial gains/(losses) net of the tax effect	102	155	(32)	(265)
Other comprehensive income, which will not be reclassified to profit or loss	**101**	**267**	**(56)**	**(182)**
Total other comprehensive net income	**731**	**133**	**85**	**(310)**
TOTAL COMPREHENSIVE INCOME	**1 357**	**4 985**	**494**	**846**

amounts in PLN millions, unless otherwise stated

STATEMENT OF CASH FLOWS

		from 1 January 2021 to 30 September 2021	from 1 January 2020 to 30 September 2020
	Cash flow from operating activities		
	Profit before income tax	6 070	1 827
	Depreciation/amortisation recognised in profit or loss	1 015	896
	Interest on investment activities	(214)	(188)
	Other interests	83	133
	Dividend income	(37)	(15)
	Fair value gains on financial assets measured at fair value through profit or loss	(1 300)	(42)
	Impairment losses on non-current assets	22	188
	Reversal of impairment losses on non-current assets	(1 492)	-
	Exchange differences, of which:	62	(179)
	from investing activities and cash	(222)	(98)
	from financing activities	284	(81)
	Change in provisions for decommissioning of mines, employee benefits liabilities and other provisions	37	(27)
	Change in other receivables and liabilities other than working capital	525	317
	Change in assets and liabilities due to derivatives	(1 407)	70
	Reclassification of other comprehensive income to profit or loss due to the realisation of hedging derivatives	1 454	(122)
Note 6	Other adjustments	15	74
	Exclusions of income and costs, total	(1 237)	1 105
	Income tax paid	(540)	(435)
Note 5	Changes in working capital, including:	(2 892)	363
	change in trade payables transferred to factoring	(1 022)	460
	Net cash generated from operating activities	**1 401**	**2 860**
	Cash flow from investing activities		
	Expenditures on mining and metallurgical assets, including:	(1 721)	(1 797)
	paid capitalised interest on borrowings	(79)	(88)
	Expenditures on other property, plant and equipment and intangible assets	(24)	(44)
	Loans granted	(20)	(285)
	Advances granted on property, plant and equipment and intangible assets	(12)	(32)
	Expenditures due to acquisition of shares and investment certificates	-	(29)
	Expenditures on financial assets designated for decommissioning of mines and other technological facilities	(23)	(22)
	Proceeds from disposal of equity instruments measured at fair value through other comprehensive income	53	-
	Dividends received	37	15
	Repayment of loans	447	18
	Interests received	95	1
	Other	9	15
	Net cash used in investing activities	**(1 159)**	**(2 160)**
	Cash flow from financing activities		
	Proceeds from borrowings	-	4 052
	Proceeds from derivatives related to sources of external financing	18	34
	Proceeds from cash pooling	126	100
	Expenditures due to dividends paid to shareholders of the Company	(300)	-
	Repayments of borrowings	(1 611)	(4 417)
	Repayment of lease liabilities	(46)	(33)
	Payment of interest, including:	(69)	(148)
	borrowings	(61)	(139)
	Expenditures on derivatives related to sources of external financing	(38)	(40)
	Net cash used in financing activities	**(1 920)**	**(452)**
	NET CASH FLOW	**(1 678)**	**248**
	Exchange gains/(losses) on cash and cash equivalents	(64)	17
	Cash and cash equivalents at the beginning of the period	2 135	516
	Cash and cash equivalents at the end of the period, including	**393**	**781**
	restricted cash	**20**	**20**

amounts in PLN millions, unless otherwise stated

STATEMENT OF FINANCIAL POSITION

ASSETS	As at 30 September 2021	As at 31 December 2020
Mining and metallurgical property, plant and equipment	19 526	19 162
Mining and metallurgical intangible assets	637	675
Mining and metallurgical property, plant and equipment and intangible assets	20 163	19 837
Other property, plant and equipment	92	102
Other intangible assets	59	65
Other property, plant and equipment and intangible assets	151	167
Investments in subsidiaries	3 862	2 848
Loans granted, including:	9 410	7 648
measured at fair value through profit or loss	3 684	2 477
measured at amortised cost	5 726	5 171
Derivatives	579	789
Other financial instruments measured at fair value through other comprehensive income	702	589
Other financial instruments measured at amortised cost	521	433
Financial instruments, total	11 212	9 459
Other non-financial assets	64	56
Non-current assets	**35 452**	**32 367**
Inventories	5 209	3 555
Trade receivables, including:	773	351
trade receivables measured at fair value through profit or loss	635	260
Tax assets	194	217
Derivatives	333	210
Cash pooling receivables	21	128
Other financial assets	124	268
Other non-financial assets	103	66
Cash and cash equivalents	393	2 135
Non-current assets held for sale	-	45
Current assets	**7 150**	**6 975**
TOTAL ASSETS	**42 602**	**39 342**
EQUITY AND LIABILITIES		
Share capital	2 000	2 000
Other reserves from measurement of financial instruments, including	(1 412)	(1 390)
Accumulated other comprehensive income	(717)	(872)
Retained earnings	25 522	20 988
Equity	**25 393**	**20 726**
Borrowings, lease and debt securities	5 143	6 525
Derivatives	974	981
Employee benefits liabilities	2 583	2 724
Provisions for decommissioning costs of mines and other technological facilities	1 188	1 185
Deferred tax liabilities	187	81
Other liabilities	235	191
Non-current liabilities	10 310	11 687
Borrowings, lease and debt securities	359	306
Cash pooling liabilities	409	284
Derivatives	786	653
Trade and similar payables	2 148	3 334
Employee benefits liabilities	1 018	1 042
Tax liabilities	1 118	369
Provisions for liabilities and other charges	76	77
Other liabilities	985	864
Current liabilities	6 899	6 929
Non-current and current liabilities	**17 209**	**18 616**
TOTAL EQUITY AND LIABILITIES	**42 602**	**39 342**

amounts in PLN millions, unless otherwise stated

STATEMENT OF CHANGES IN EQUITY

	Share capital	Other reserves from measurement of financial instruments	Accumulated other comprehensive income	Retained earnings	Total equity
As at 1 January 2020	**2 000**	**(698)**	**(622)**	**19 209**	**19 889**
Profit for the period	-	-	-	1 156	**1 156**
Other comprehensive income	-	(45)	(265)	-	**(310)**
Total comprehensive income	-	(45)	(265)	1 156	**846**
As at 30 September 2020	**2 000**	**(743)**	**(887)**	**20 365**	**20 735**
accumulated costs associated with assets held for sale	-	(14)	-	-	(14)
As at 1 January 2021	2 000	(1 390)	(872)	20 988	**20 726**
Transactions with owners	-	-	-	(300)	**(300)**
Profit for the period	-	-	-	4 852	**4 852**
Other comprehensive income	-	(22)	155	-	**133**
Total comprehensive income	-	(22)	155	4 852	**4 985**
Reclassification of the result of disposal of equity instruments measured at fair value through other comprehensive income	-	-	-	(18)	**(18)**
As at 30 September 2021	**2 000**	**(1 412)**	**(717)**	**25 522**	**25 393**

amounts in PLN millions, unless otherwise stated

Explanatory notes

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

	from 1 July 2021 to 30 September 2021	**from 1 January 2021 to 30 September 2021**	from 1 July 2020 to 30 September 2020	**from 1 January 2020 to 30 September 2020**
Europe				
Poland	1 530	4 217	1 063	3 087
Germany	793	2 652	605	2 195
The United Kingdom	385	967	405	1 306
Czechia	415	1 411	388	1 069
Italy	442	1 379	278	772
Switzerland	175	443	108	459
Hungary	283	872	163	522
Austria	113	325	38	120
France	88	685	167	387
Romania	66	223	43	127
Slovenia	36	117	16	42
Slovakia	30	90	19	62
Bulgaria	9	31	3	9
Denmark	8	24	2	10
Belgium	4	10	-	51
Estonia	1	10	4	13
Sweden	-	18	15	15
The Netherlands	-	2	-	2
Other countries (dispersed sales)	-	1	-	-
North and South America				
The United States of America	297	1 130	160	376
Other countries (dispersed sales)	12	22	1	1
Australia				
Australia	251	766	223	607
Asia				
China	632	1 814	643	1 597
Vietnam	107	254	39	68
Thailand	89	335	31	129
Malesia	33	48	21	32
Turkey	20	79	22	63
Taiwan	-	-	2	222
Philippines	-	4	4	9
Singapore	-	-	-	7
South Korea	-	29	-	-
Other countries (dispersed sales)	-	-	-	1
Africa	7	12	-	-
TOTAL	**5 826**	**17 970**	**4 463**	**13 360**

amounts in PLN millions, unless otherwise stated

Note 2 Expenses by nature

	from 1 July 2021 to 30 September 2021	**from 1 January 2021 to 30 September 2021**	from 1 July 2020 to 30 September 2020	**from 1 January 2020 to 30 September 2020**
Depreciation of property, plant and equipment and amortisation of intangible assets	363	1 079	309	956
Employee benefits expenses	1 083	3 152	952	2 774
Materials and energy, including:	2 541	7 561	1 719	4 620
metal-bearing materials	1 707	5 363	1 145	2 874
electrical and other energy	351	946	235	728
External services, including:	457	1 339	416	1 259
transport	67	206	53	168
repairs, maintenance and servicing	134	388	142	387
mine preparatory work	131	382	107	361
Minerals extraction tax	904	2 539	442	1 120
Other taxes and charges	189	472	83	289
Revaluation of inventories	(8)	10	1	9
Other costs	26	81	19	63
Total expenses by nature	**5 555**	**16 233**	**3 941**	**11 090**
Cost of merchandise and materials sold (+)	81	212	52	266
Change in inventories of finished goods and work in progress (+/-)	(526)	(1 606)	(311)	(30)
Cost of manufacturing products for internal use (-)	(40)	(119)	(39)	(122)
Total costs of sales, selling costs and administrative expenses, of which:	**5 070**	**14 720**	**3 643**	**11 204**
cost of sales	4 788	13 993	3 396	10 517
selling costs	37	115	30	96
administrative expenses	245	612	217	591

amounts in PLN millions, unless otherwise stated

Note 3 Other operating income and (costs)

	from 1 July 2021 to 30 September 2021	**from 1 January 2021 to 30 September 2021**	from 1 July 2020 to 30 September 2020	**from 1 January 2020 to 30 September 2020**
Gains on derivatives, of which:	33	314	102	261
measurement of derivatives	(18)	230	84	166
realisation of derivatives	51	84	18	95
Exchange differences on assets and liabilities other than borrowings	229	376	-	-
Interest on loans granted and other financial receivables	94	225	64	205
Fees and charges on re-invoicing of costs of bank guarantees securing payments of liabilities	6	67	23	50
Reversal of allowances for impairment of financial instruments measured at amortised cost, including:	26	534	3	3
loans	26	482*	-	-
Fair value gains on financial assets measured at fair value through profit or loss, including:	175	1 313	(77)	157
loans	177	1 312*	(47)	151
Reversal of impairment losses on shares in subsidiaries	-	1 010**	-	-
Release of provisions	5	15	-	-
Dividend income	-	37	-	15
Other	58	81	7	74
Total other operating income	**626**	**3 972**	**122**	**765**
Losses on derivatives, of which:	(178)	(592)	(176)	(469)
measurement of derivatives	(42)	(144)	(56)	(165)
realisation of derivatives	(136)	(448)	(120)	(304)
Impairment losses on financial instruments measured at amortised cost	(3)	(11)	25	(63)
Fair value losses on financial assets measured at fair value through profit or loss, including:	(5)	(84)	(22)	(144)
loans	3	(9)	(17)	(109)
Impairment losses on investment certificates and shares in subsidiaries	-	-	-	(131)
Provisions recognised	(16)	(30)	-	(6)
Donations granted	(9)	(16)	(15)	(38)
Exchange differences on assets and liabilities other than borrowings	-	-	(145)	(119)
Other	(11)	(42)	(12)	(62)
Total other operating costs	**(222)**	**(775)**	**(345)**	**(1 032)**
Other operating income and (costs)	**404**	**3 197**	**(223)**	**(267)**

** The measurement of loans designated mainly for financing the joint venture Sierra Gorda S.C.M. As at 30 June 2021, the Company measured loans recognised at fair value as well as at amortised cost.*
As a result of the aforementioned measurements, as at 30 June 2021:

- *for the POCI loan – an allowance for impairment, recognised at the moment of initial recognition of the asset in the amount of PLN 456 million was reversed;*
- *for loans measured at fair value – an increase in fair value by the amount of PLN 1 129 million was estimated.*

Details are described in the Consolidated half-year report PSr 2021 in part 3 of the Condensed financial statements of KGHM Polska Miedź S.A.

***The reversal of the impairment loss on shares in Future 1 Sp. z o.o. in the amount of PLN 1 010 million. As at 30 June 2021, due to indications of the possibility of changes in the recoverable amount, the Company performed impairment testing on the value of the shares in Future 1 Sp. z o.o. Details are described in the Consolidated half-year report PSr 2021 in part 1 of the Condensed financial statements of KGHM Polska Miedź S.A.*
https://kghm.com/sites/kghm2014/files/document-attachments/kghm_group_consolidated_financial_statements_psr_2021_0.pdf

amounts in PLN millions, unless otherwise stated

Note 4 Finance income and (costs)

	from 1 July 2021 to 30 September 2021	**from 1 January 2021 to 30 September 2021**	from 1 July 2020 to 30 September 2020	**from 1 January 2020 to 30 September 2020**
Exchange differences on borrowings	-	-	117	81
Gains on derivatives - realisation of derivatives	-	35	1	36
Total finance income	**-**	**35**	**118**	**117**
Interest on borrowings, including:	(14)	(62)	(22)	(111)
leases	(2)	(6)	(2)	(7)
Fees and charges due to external financing	(6)	(21)	(5)	(21)
Exchange differences on borrowings	(146)	(284)	-	-
Losses on derivatives, of which:	-	(39)	-	(41)
measurement of derivatives	-	(1)	1	-
realisation of derivatives	-	(38)	(1)	(41)
Unwinding of the discount effect	(2)	(6)	(2)	(6)
Total finance costs	**(168)**	**(412)**	**(29)**	**(179)**
Finance income and (costs)	**(168)**	**(377)**	**89**	**(62)**

Note 5 Changes in working capital

	Inventories	Trade receivables	Trade payables	Similar payables – reverse factoring	Working capital
As at 1 January 2021	(3 555)	(351)	2 232	1 264	**(410)**
As at 30 September 2021	(5 209)	(773)	2 121	189	**(3 672)**
Change in the statement of financial position	(1 654)	(422)	(111)	(1 075)	**(3 262)**
Depreciation/amortisation recognised in inventories	51	-	-	-	**51**
Change in payables due to the purchase of property, plant and equipment and intangible assets	-	-	266	52	**318**
Change in payables due to the interests on reverse factoring	-	-	-	1	**1**
Adjustments	51	-	266	53	**370**
Change in the statement of cash flows	**(1 603)**	**(422)**	**155**	**(1 022)**	**(2 892)**

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

amounts in PLN millions, unless otherwise stated

Note 6 Other adjustments in the statement of cash flows

	from 1 January 2021 to 30 September 2021	from 1 January 2020 to 30 September 2020
Proceeds from income tax from the tax group companies	19	35
Losses on the disposal of property, plant and equipment and intangible assets	6	33
(Profits)/ losses due to measurement and realisation of derivatives related to sources of external financing	4	5
Profits on the disposal of shares and investment certificates	(12)	-
Other	(2)	1
Total	**15**	**74**

SIGNATURES OF ALL MEMBERS OF THE MANAGEMENT BOARD

This report was authorised for issue on 16 November 2021

President
of the Management Board

Marcin Chludziński

Vice President
of the Management Board

Adam Bugajczuk

Vice President
of the Management Board

Paweł Gruza

Vice President
of the Management Board

Andrzej Kensbok

Vice President
of the Management Board

Marek Pietrzak

Vice President
of the Management Board

Dariusz Świderski

SIGNATURE OF PERSON RESPONSIBLE FOR ACCOUNTING

Executive Director
of the Accounting Services Centre
Chief Accountant

Agnieszka Sinior