

POLISH FINANCIAL SUPERVISION AUTHORITY

Consolidated quarterly report QSr 3 / 2022

(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 **2022** from **1 July 2022** to **30 September 2022** 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 2022

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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 2022 to 30 September 2022	from 1 January 2021 to 30 September 2021	from 1 January 2022 to 30 September 2022	from 1 January 2021 to 30 September 2021
	As at 30 September 2022	As at 31 December 2021	As at 30 September 2022	As at 31 December 2021
I. Revenues from contracts with customers	25 696	21 735	5 481	4 768
II. Profit on sales	3 686	3 871	786	849
III. Profit before income tax	6 865	6 105	1 464	1 339
IV. Profit for the period	5 267	4 762	1 123	1 045
V. Profit for the period attributable to shareholders of the Parent Entity	5 266	4 762	1 123	1 045
VI. Profit for the period attributable to non-controlling interest	1	-	-	-
VII. Other comprehensive income	496	68	106	15
VIII. Total comprehensive income	5 763	4 830	1 229	1 060
IX. Total comprehensive income attributable to shareholders of the Parent Entity	5 760	4 829	1 228	1 060
X. Total comprehensive income attributable to non-controlling interest	3	1	1	-
XI. Number of shares issued (million)	200	200	200	200
XII. Earnings per ordinary share (PLN/EUR) attributable to shareholders of the Parent Entity	26.33	23.81	5.62	5.23
XIII. Net cash generated from operating activities	2 158	2 666	460	585
XIV. Net cash used in investing activities	(1 533)	(2 506)	(327)	(550)
XV. Net cash used in financing activities	(326)	(2 046)	(70)	(449)
XVI. Total net cash flow	299	(1 886)	63	(414)
XVII. Non-current assets	41 534	36 664	8 529	7 971
XVIII. Current assets	13 305	11 363	2 732	2 471
XIX. Total assets	54 839	48 027	11 261	10 442
XX. Non-current liabilities	12 800	11 351	2 629	2 468
XXI. Current liabilities	9 775	9 538	2 007	2 074
XXII. Equity	32 264	27 138	6 625	5 900
XXIII. Equity attributable to shareholders of the Parent Entity	32 206	27 046	6 613	5 880
XXIV. Equity attributable to non-controlling interest	58	92	12	20

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

	in PLN mn		in EUR mn	
	from 1 January 2022 to 30 September 2022	from 1 January 2021 to 30 September 2021	from 1 January 2022 to 30 September 2022	from 1 January 2021 to 30 September 2021
	As at 30 September 2022	As at 31 December 2021	As at 30 September 2022	As at 31 December 2021
I. Revenues from contracts with customers	21 783	17 970	4 647	3 942
II. Profit on sales	3 373	3 250	719	713
III. Profit before income tax	4 857	6 070	1 036	1 332
IV. Profit for the period	3 538	4 852	755	1 064
V. Other comprehensive net income	348	133	74	29
VI. Total comprehensive income	3 886	4 985	829	1 093
VII. Number of shares issued (million)	200	200	200	200
VIII. Earnings per ordinary share (PLN/EUR)	17.69	24.26	3.78	5.32
IX. Net cash generated from operating activities	1 721	1 401	367	307
X. Net cash used in investing activities	(953)	(1 159)	(203)	(254)
XI. Net cash used in financing activities	(397)	(1 920)	(85)	(421)
XII. Total net cash flow	371	(1 678)	79	(368)
XIII. Non-current assets	37 031	34 671	7 604	7 538
XIV. Current assets	11 260	8 787	2 312	1 910
XV. Total assets	48 291	43 458	9 916	9 448
XVI. Non-current liabilities	10 834	9 707	2 225	2 110
XVII. Current liabilities	8 331	7 911	1 710	1 720
XVIII. Equity	29 126	25 840	5 981	5 618

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Part 1 – Condensed consolidated financial statements

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	from 1 July 2022 to 30 September 2022	from 1 January 2022 to 30 September 2022	from 1 July 2021 to 30 September 2021	from 1 January 2021 to 30 September 2021	
Note 3.3	Revenues from contracts with customers	7 770	25 696	7 229	21 735
Note 4.1	Cost of sales	(6 611)	(20 643)	(5 760)	(16 784)
	Gross profit	1 159	5 053	1 469	4 951
Note 4.1	Selling costs and administrative expenses	(504)	(1 367)	(404)	(1 080)
	Profit on sales	655	3 686	1 065	3 871
Note 4.5	Gains due to the reversal of allowances for impairment of loans granted to a joint venture	-	783	-	1 655
Note 4.5	Interest income on loans granted to a joint venture calculated using the effective interest rate method	158	477	128	322
	Profit or loss on involvement in a joint venture	158	1 260	128	1 977
Note 4.2	Other operating income, including:	1 428	3 376	670	1 409
	other interest calculated using the effective interest rate method	15	41	-	1
	reversal of impairment losses on financial instruments	1	4	-	18
Note 4.2	Other operating costs, including:	(353)	(762)	(222)	(778)
	impairment losses on financial instruments	(2)	(5)	-	(3)
Note 4.3	Finance income	2	49	-	35
Note 4.3	Finance costs	(339)	(744)	(165)	(409)
	Profit before income tax	1 551	6 865	1 476	6 105
	Income tax expense	(464)	(1 598)	(437)	(1 343)
	PROFIT FOR THE PERIOD	1 087	5 267	1 039	4 762
	Profit for the period attributable to:				
	Shareholders of the Parent Entity	1 086	5 266	1 037	4 762
	Non-controlling interest	1	1	2	-
	Weighted average number of ordinary shares (million)	200	200	200	200
	Basic/diluted earnings per share (in PLN)	5.43	26.33	5.19	23.81

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	from 1 July 2022 to 30 September 2022	from 1 January 2022 to 30 September 2022	from 1 July 2021 to 30 September 2021	from 1 January 2021 to 30 September 2021
Profit for the period	1 087	5 267	1 039	4 762
Measurement of hedging instruments net of the tax effect	(197)	714	629	(134)
Exchange differences from the translation of statements of operations with a functional currency other than PLN	120	118	(36)	(65)
Other comprehensive income which will be reclassified to profit or loss	(77)	832	593	(199)
Measurement of equity financial instruments at fair value through other comprehensive income, net of the tax effect	(218)	(94)	(5)	112
Actuarial gains/(losses) net of the tax effect	(172)	(242)	99	155
Other comprehensive income, which will not be reclassified to profit or loss	(390)	(336)	94	267
Total other comprehensive net income	(467)	496	687	68
TOTAL COMPREHENSIVE INCOME	620	5 763	1 726	4 830
Total comprehensive income attributable to:				
Shareholders of the Parent Entity	619	5 760	1 723	4 829
Non-controlling interest	1	3	3	1

CONSOLIDATED STATEMENT OF CASH FLOWS

	from 1 January 2022 to 30 September 2022	from 1 January 2021 to 30 September 2021
Cash flow from operating activities		
Profit before income tax	6 865	6 105
Depreciation/amortisation recognised in profit or loss	1 605	1 598
Gain due to the reversal of allowances for impairment of loans granted to a joint venture	(783)	(1 655)
Interest on loans granted to a joint venture	(477)	(322)
Other interest	38	85
Impairment losses on non-current assets	53	32
Other gains due to the reversal of impairment losses on non-current assets	(1)	(47)
Gains on disposal of property, plant and equipment and intangible assets	(126)	(50)
Gain on disposal of subsidiaries	(173)	-
Exchange differences, of which:	(1 621)	(363)
from investing activities and on cash	(2 234)	(617)
from financing activities	613	254
Change in provisions for decommissioning of mines, liabilities related to future employee benefits programs and other provisions	(39)	65
Change in other receivables and liabilities other than working capital	(254)	622
Change in assets and liabilities due to derivatives	(404)	(1 418)
Reclassification of other comprehensive income to profit or loss due to the realisation of hedging derivatives	474	1 454
Other adjustments	8	(2)
Exclusions of income and costs, total	(1 700)	(1)
Income tax paid	(1 491)	(569)
Changes in working capital, including:	(1 516)	(2 869)
change in trade payables transferred to factoring	(53)	(1 014)
Net cash generated from operating activities	2 158	2 666
Cash flow from investing activities		
Expenditures on mining and metallurgical assets, including:	(2 622)	(2 244)
paid capitalised interest on borrowings	(132)	(79)
Expenditures on other property, plant and equipment and intangible assets	(334)	(359)
Expenditures on financial assets designated for decommissioning of mines and other technological facilities	-	(24)
Advances granted on property, plant and equipment and intangible assets	(10)	(12)
Proceeds from financial assets designated for decommissioning of mines and other technological facilities	31	-
Proceeds from repayment of loans granted to a joint venture	358	-
Proceeds from disposal of property, plant and equipment and intangible assets	376	80
Proceeds from disposal of subsidiaries	243	-
Proceeds from disposal of equity instruments measured at fair value through other comprehensive income	-	53
Interest received on loans granted to a joint venture	431	-
Other	(6)	-
Net cash used in investing activities	(1 533)	(2 506)
Cash flow from financing activities		
Proceeds from borrowings	674	74
Proceeds from derivatives related to sources of external financing	42	18
Repayment of borrowings	(312)	(1 674)
Repayment of lease liabilities	(51)	(58)
Expenditures due to derivatives related to sources of external financing	(45)	(38)
Interest paid, including:	(45)	(80)
borrowings	(43)	(72)
Expenditures due to dividends paid to shareholders of the Parent Entity	(600)	(300)
Other	11	12
Net cash used in financing activities	(326)	(2 046)
NET CASH FLOW	299	(1 886)
Exchange gains/(losses)	(71)	(68)
Cash and cash equivalents at beginning of the period	1 904	2 522
Cash and cash equivalents at end of the period, including:	2 132	568
recognised in assets held for sale (disposal group)	-	6
restricted cash	17	27

Note 4.12

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at 30 September 2022	As at 31 December 2021
ASSETS		
	22 768	21 564
	2 905	2 316
	25 673	23 880
	2 792	2 593
	209	250
	3 001	2 843
Note 4.5	10 591	7 867
	876	595
	587	637
	490	496
Note 4.6	1 953	1 728
	156	185
	160	161
	41 534	36 664
Non-current assets		
	8 160	6 337
Note 4.6	1 252	1 009
	796	614
	271	364
Note 4.6	826	254
Note 4.5	-	447
	380	172
	284	162
Note 4.6	2 132	1 884
Note 4.13	-	734
	13 305	11 363
Current assets		
TOTAL ASSETS		
	54 839	48 027
EQUITY AND LIABILITIES		
	2 000	2 000
	(1 085)	(1 705)
	2 093	2 219
	29 198	24 532
	32 206	27 046
	58	92
	32 264	27 138
Note 4.6	5 549	5 409
Note 4.6	1 544	1 134
	2 553	2 306
	1 539	1 242
	911	643
Note 4.9	704	617
	12 800	11 351
Note 4.6	1 369	455
Note 4.6	521	889
Note 4.6	3 081	2 974
	1 512	1 437
	1 287	1 453
	251	207
Note 4.9	1 754	1 661
Note 4.13	-	462
	9 775	9 538
	22 575	20 889
Non-current and current liabilities		
TOTAL EQUITY AND LIABILITIES		
	54 839	48 027

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Equity attributable to shareholders of the Parent Entity				Total	Equity attributable to non-controlling interest	Total equity
	Share capital	Other reserves from measurement of financial instruments	Accumulated other comprehensive income	Retained earnings			
As at 1 January 2021	2 000	(1 430)	1 728	18 694	20 992	89	21 081
Transactions with owners - dividend	-	-	-	(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
As at 1 January 2022	2 000	(1 705)	2 219	24 532	27 046	92	27 138
Transactions with owners - dividend	-	-	-	(600)	(600)	-	(600)
Profit for the period	-	-	-	5 266	5 266	1	5 267
Other comprehensive income	-	620	(126)	-	494	2	496
Total comprehensive income	-	620	(126)	5 266	5 760	3	5 763
Changes due to loss of control of subsidiaries	-	-	-	-	-	(37)	(37)
As at 30 September 2022	2 000	(1 085)	2 093	29 198	32 206	58	32 264

*PLN 18 million due to reclassification of the result of disposal of equity instruments measured at fair value through other comprehensive income was recognised in other comprehensive income.

1 – General information

Note 1.1 Corporate information

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

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

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

The Parent Entity’s principal activities include:

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

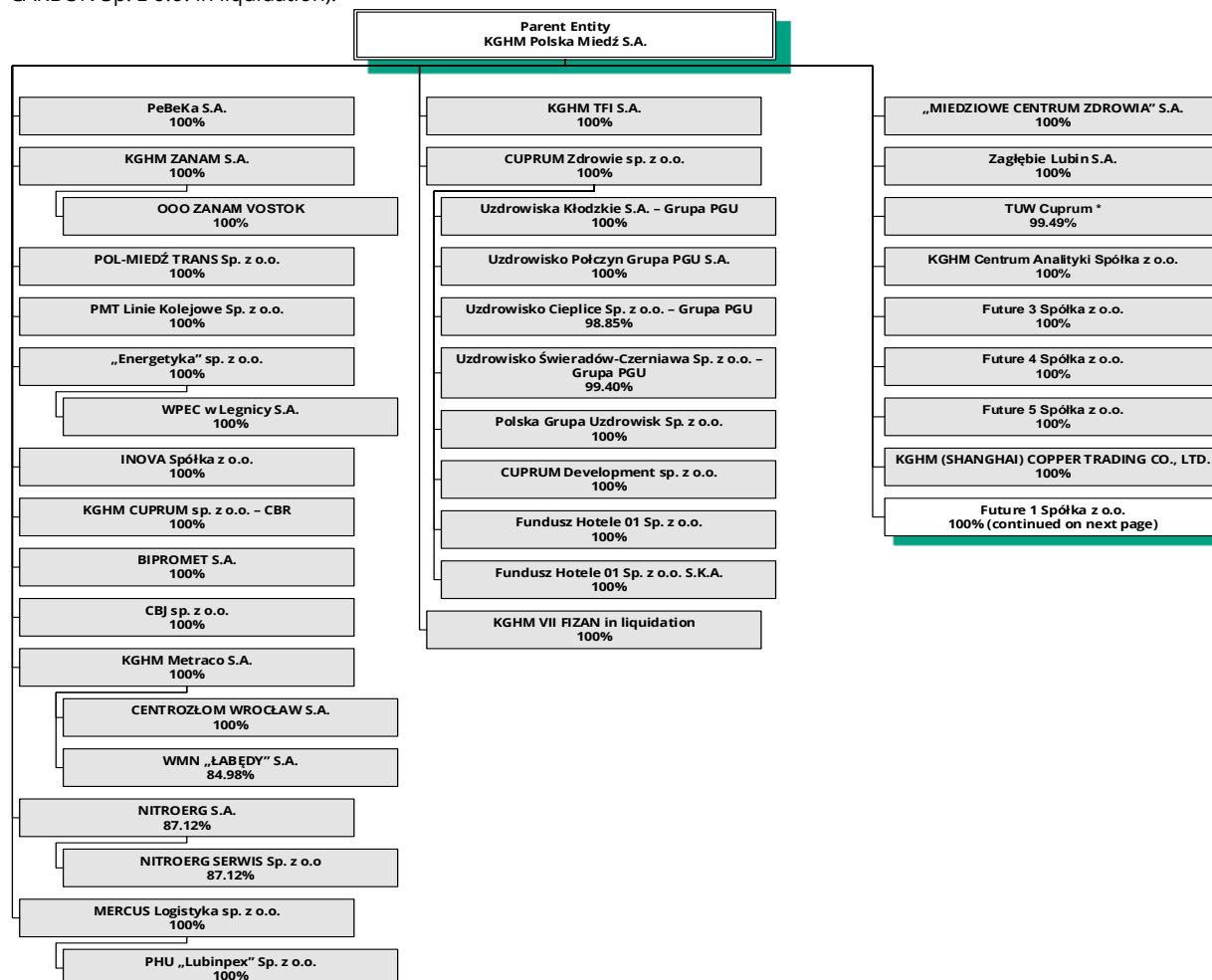
The business activities of the Group include:

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

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

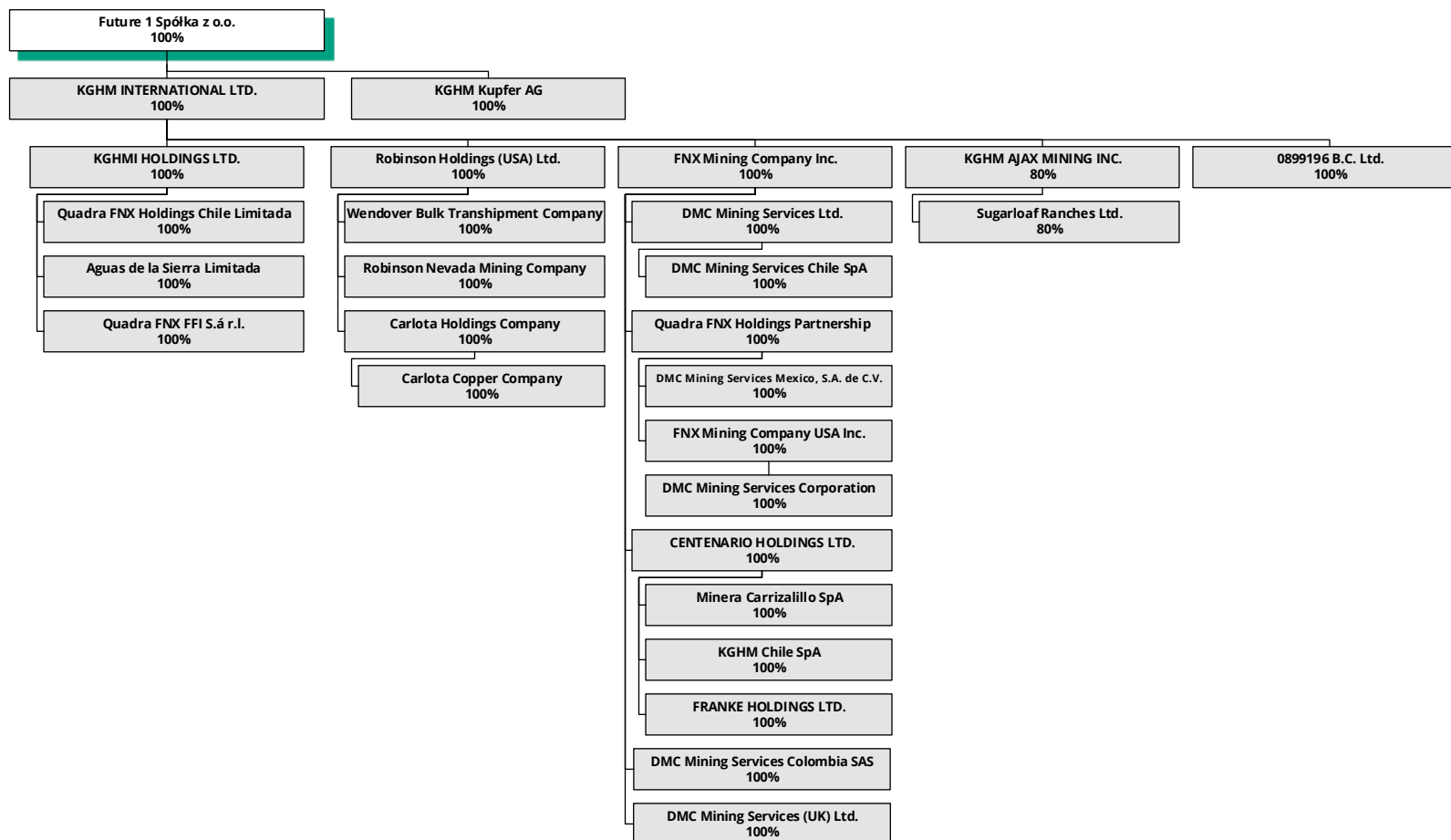
Note 1.2 Structure of the KGHM Polska Miedź S.A. Group

As at 30 September 2022, KGHM Polska Miedź S.A. consolidated 64 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



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 **4.6880 EURPLN***,
- for the conversion of turnover, profit or loss and cash flow for the comparable period, the rate of **4.5585 EURPLN***,
- for the conversion of assets, equity and liabilities at 30 September 2022, the current average exchange rate announced by the National Bank of Poland (NBP) as at 30 September 2022, of **4.8698 EURPLN**,
- for the conversion of assets, equity and liabilities at 31 December 2021, the current average exchange rate announced by the NBP as at 31 December 2021, of **4.5994 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 2022 and 2021.*

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 2022 and the comparable period from 1 January to 30 September 2021, 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 2022 and the comparable period from 1 January to 30 September 2021 (**Part 2**).

Neither the condensed consolidated financial statements for the period from 1 January to 30 September 2022 and as at 30 September 2022 nor the quarterly financial information of KGHM Polska Miedź S.A. for the period from 1 January to 30 September 2022 and as at 30 September 2022 were subject to audit by a certified auditor.

The consolidated quarterly report for the period from 1 January 2022 to 30 September 2022 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 2021 and the Consolidated annual report SRR 2021.

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 2021.

Note 1.4.1 Impact of new and amended standards and interpretations

From 1 January 2022, the Group is bound by:

- **Amendments to IFRS 3** on references to the Conceptual Framework,
- **Amendments to IAS 16** on proceeds before intended use of an item of property, plant and equipment,
- **Amendments to IAS 37** on cost of fulfilling onerous contracts,
- **Annual amendments to IFRS 2018-2020** – amendments to IAS 41, IFRS 1, IFRS 9.

Up to the date of publication of these consolidated financial statements, the aforementioned amendments to the standards were adopted for use by the European Union. In the Group's opinion, amendments to standards will be applicable to the Group's activities in the scope of future economic operations, transactions or other events, towards which the amendments to standards will be applicable.

In particular, the application of **amendments to IAS 16** on proceeds before intended use of an item of property, plant and equipment will result in a change in the Group's accounting policy in this regard. In accordance with the current policy, the Group decreased expenditures by the amount of revenues achieved before an item of property, plant and equipment was brought into use, which incidentally took place during the shaft sinking. Pursuant to the amendments, revenues from sales of products manufactured while an asset is brought to the desired location and condition (e.g. test production), together with associated costs, should be recognised in profit or loss for the period. Transitional provisions on the implementation of these amendments are applied retrospectively to items of property, plant and equipment brought into use on or after the beginning of the earliest presented period. The Group applied amendments to IAS 16 from 1 January 2022. With respect to the application of transitional provisions, the Group did not identify significant items of property, plant and equipment that would be subject to adjustments on or after 1 January 2021.

2 – Realisation of strategy

2.1 Description and basic elements of the Strategy of KGHM Polska Miedź S.A.

On 14 January 2022, the Company's Supervisory Board approved the „Strategy of the KGHM Polska Miedź S.A. Group to the year 2030 with an outlook to 2040” as presented by the Management Board. The Company's Strategy reflects the macroeconomic environment and the geopolitical situation affecting the mining sector. In the planned activities, a particular place is held by the green transformation through renewable energy and modern technology.

The Strategy does not alter the Company's current approach to its business activities. The Parent Entity continues to act responsibly and to think long-term about the Company's future. Therefore, the Company's mission and vision remain unchanged. The goals of the Strategy are ambitious, but attainable. To reflect the changes in the environment, the four existing strategic development directions (Elasticity /flexibility, Efficiency, Ecology and E-industry) were updated to include an additional, fifth element – Energy.

Diagram 1. Mission, Vision and Development Directions of the Strategy of KGHM Polska Miedź S.A.



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

Policy regarding the development directions of the KGHM Group

During the reporting period, policy regarding the development directions of the Group was continued. Further actions were also taken aimed at adapting the Group's organisational functioning model to the business model of KGHM Polska Miedź S.A. and the market environment. In terms of the domestic companies, development policy was also aimed at cooperation between the Group's entities and at eliminating overlapping areas of competence in terms of individual entities. With respect to implementation of the Strategy of KGHM Polska Miedź S.A., in the case of the international companies of the Group a variety of reorganisational actions were undertaken aimed at integration of KGHM INTERNATIONAL LTD. in Canada with the Company's activities in Poland and the transfer of some of the business functions of KGHM INTERNATIONAL LTD. to Poland. In the third quarter of 2022, these actions were continued, mainly in terms of developing uniform internal regulations, procedures and the standardisation of solutions in individual areas of the Company's activities. In addition, internal actions were undertaken aimed at advancing development scenarios for individual international assets in the Company's portfolio. On 26 April 2022 an Agreement to sell the shares of S.C.M. Franke was signed. As at the date the agreement was signed, Minera Las Cenizas became the owner and operator of the Franke mine.

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 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 the case of the international part of the Group, the Company focuses on maximising the value of the portfolio of assets.

Investment goals

Investment projects planned and approved for advancement in 2022 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, such as:

- Outfitting the mines along with the construction of conveyor belts;
- Replacement of mining machinery;
- Construction of mine de-watering systems;
- Construction of air cooling systems;
- Construction of the Tailings Segregation and Compacting Station at the Żelazny Most Tailings Storage Facility;
- Modernisation and renovation during the maintenance shutdown of the Głogów II Copper Smelter and Refinery.

Taking into consideration the development of KGHM Polska Miedź S.A. by enhancing the efficiency and flexibility of the 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);
- Searching for and exploring deposits under areas of exploration concessions;
- 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;
- Construction of photovoltaic power plants.

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 2022 a further 6 installations are planned to be brought into operation.

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.

2.3 Advancement of the Strategy in the first three quarters of 2022


During the reporting period, KGHM Polska Miedź S.A. advanced the „Strategy of the KGHM Polska Miedź S.A. Group to the year 2030 with an outlook to 2040”, approved in January 2022.

Advancement of the Company's Strategy has been presented below through the prism of five strategic development directions (Elasticity/Flexibility, Efficiency, Ecology, E-industry and Energy).

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

In the context of the impact of the conflict in Ukraine on the implementation of the Strategy, no significant negative consequences have been recorded and neither are they expected. The risk of disrupting the business continuity of the Group is assessed as low. Rising prices of goods and services may turn out to be potentially negative, which may result in an increase in the overall costs of implementing the Strategy.

Key achievements in terms of realised strategic actions taken in individual strategic directions of development:

	EFFICIENCY
Production in Poland and abroad (accrued)	<ul style="list-style-type: none"> – Mined production in Poland amounted to 334.4 thousand tonnes of copper in ore with a C1 cost of 5 279.5 USD/t (2.39 USD/lb) of payable copper. – Payable copper production abroad: <ul style="list-style-type: none"> ▪ Sierra Gorda: 67.7 thousand tonnes (on a 55% basis); ▪ Robinson: 39.6 thousand tonnes; ▪ Carlota: 3.4 thousand tonnes; ▪ Franke: 2.8 thousand tonnes (production to the date of sale of the mine, i.e. 26 April 2022); ▪ Sudbury Basin: 1.5 thousand tonnes. – Metallurgical production amounted to 442.5 thousand tonnes. – 110.9 thousand tonnes dry weight of scrap were processed. – Silver production amounted to 1 022 tonnes.
Continued advancement of the Deposit Access Program	<ul style="list-style-type: none"> – The GG-1 shaft reached a depth of 1 342.2 m. Stage 8.2 of shaft sinking and shaft inlets in concrete construction is in progress. – Work continues on procedures involving the signing of an agreement with investment contractors for tasks involving the construction of the GG-2 „Odra” Shaft. – Property for the investment was purchased. Advancement of the task „Terrain Utilisation Concept for the Gaworzyce shaft” was completed. – Advancement of the task „Terrain Utilisation Concept for the Retków shaft” is underway. – 30.5 kilometres of tunnelling were excavated in the Rudna and Polkowice-Sieroszowice Mining Areas (70% of work planned for 2022). – Work continued on building/renovating the Surface-based Air Conditioning Station at the GG-1 Shaft under the Central Air Conditioning System. The start-up of the installation is in progress. – The technical handover of the first part of the Ice Water Transportation System was completed. Work continued on building the second part of the System.

Development of the Żelazny Most Tailings Storage Facility	<ul style="list-style-type: none"> - Southern Quarter: operational permits were obtained. Total advancement of the physical scope of work for the Southern Quarter together with slurry, water and power infrastructure reached 95%. Tailings continue to be deposited in the Southern Quarter. - Tailings Segregation and Compacting Station (TSCS): work was completed on assembling the technological part of the Station. Work continues on developing infrastructure in the vicinity of the station. Total advancement of the physical scope of work on the TSCS is 84%. The process of segregation and compacting is underway for the purpose of deposition of tailings in the Southern Quarter as well as a separate process of building up the dams in the Southern Quarter.
Maintenance shutdown of the Głogów II Copper Smelter and Refinery	<ul style="list-style-type: none"> - The Głogów II Copper Smelter and Refinery was shut down for maintenance after four years of the production line's operation. On 3 July 2022 concentrate was fed to the flash furnace. The length of the maintenance shutdown was reduced by 8 calendar days. In the third quarter, the processes of settlement and closure of investment projects conducted as part of the maintenance shutdown were carried out.
R&D initiatives to enhance the efficiency of the core production business	<ul style="list-style-type: none"> - R&D work continued on the utilisation of PbZn concentrate in a pilot installation at the Głogów Copper Smelter and Refinery. - The work of a technology scouting team was completed regarding the production of silver powders and pastes for photovoltaic purposes as well as metal powders dedicated to additive technology (so-called „3D printing”). - Actions were carried out related to building a robot to clean the area between the recovery boiler and the flash furnace at the Głogów Copper Smelter and Refinery. - Actions were completed related to the possibility of improving the properties of titanium alloys as a result of adding rhenium. - A pioneering pilot project for optical fibre monitoring of a mine shaft was completed, confirming new possibilities for applying optical fibres in the search for more extensive information regarding the construction's condition. - Information technology to collect and transfer knowledge was developed.
Use of external financing for R&D&I projects	<ul style="list-style-type: none"> - Advancement of European research projects continued and five applications were submitted for the subsidising of initiatives under the Horizon Europe and KIC Raw Materials Programs. The Company is currently advancing a total of 10 projects using subsidies in the amount of PLN 9 million.
Intellectual property	<ul style="list-style-type: none"> - Proceedings are underway to obtain legal protection for selected trademarks. - Protection for four patents was extended in the Patent Office of the Republic of Poland. - Proceedings are underway for the granting of patents to protect four submitted inventions. 3 subsequent inventions are planned to be submitted for protection.



FLEXIBILITY


Extension of the value chain	<ul style="list-style-type: none"> - Detailed technical and economic analyses continued with respect to the development of copper processing in the Cedynia Wire Rod Plant Division. A special Team prepared a concept for development of the product value chain by constructing dedicated installations.
Hybrid Legnica Smelter and Refinery (HLS)	<ul style="list-style-type: none"> - The investment project „Documentation for the Hybrid Legnica Smelter and Refinery - Legnica Smelter and Refinery Scrap Turnover Base” continued. Tender proceedings are underway to develop a concept for the HLS in the form of a so-called „digital twin”.
Exploration projects with respect to exploring for and evaluating copper ore deposits	<ul style="list-style-type: none"> - Geological work continued within the Retków-Ścinawa and Głogów concession areas. Contracting of geological work was carried out. - Geological work continued within the Synklina Grodziecka and Konrad concession areas. - Analytical and conceptual work was carried out on the synergy of concession work with neighbouring geological concessions of KGHM Polska Miedź S.A. in the concession area Bytom Odrzański. - A concession was advanced by the drilling of subsequent holes in the area Kulów-Luboszyce. - In the Radwanice concession area, geological exploration work was carried out in the underground mine works.

Realisation of exploration projects with respect to exploring for and evaluating other deposits	<ul style="list-style-type: none"> - Contracting of subsequent geological work was carried out on the terrain of the Puck concession. The concession was altered - an appendix to the Geological Work Project was approved. - A concept of conducting further geological work within the Nowe Miasteczko concession was developed. An application was submitted to the concession-granting body to alter the concession.
Continuation of development projects in the international assets	<ul style="list-style-type: none"> - Sierra Gorda: there were no substantial interruptions in the mine's operation. Maintenance and renovation work was performed in line with plans and there were no recorded significant production shutdowns. - The Oxide Project: design work continued aimed at determining the further direction of project development by the owners (Sierra Gorda S.C.M.). - Victoria project: engineering work and actions related to preparing selected elements of the infrastructure for further development of the project continued, as well as actions aimed at maintaining good relations and cooperation with key stakeholders in the project.
CuBR venture	<ul style="list-style-type: none"> - Under the four editions of the competition, 25 R&D projects having a total value of over PLN 180 million were launched: 6 projects are currently being advanced while 19 projects have been completed.
Implementation Doctorates Program	<ul style="list-style-type: none"> - Advancement of the Implementation Doctorates Program for employees of the Group was continued. At the end of the third quarter of 2022, 28 doctoral students from the two editions had participated in the program.
Development of new business directions	<ul style="list-style-type: none"> - Investment gold and silver: Discussions continued with bidders for the final supplier as regards setting the technical, organisational and operational requirements necessary for the commencement of production of investment silver and gold, as well as discussions with potential distributors. The schedule for the purchase and installation of the production line was updated, in cooperation with the Głogów Copper Smelter and Refinery Division. - Institute of Future Mining (Instytut Górnictwa Przyszłości): identification of the main stakeholders and partners as well as of the key challenges and areas of mining development in the Company was completed. The Institute was registered in the National Court Register. - Urban Mining: strategic directions of development for the company Centrozłom Wrocław S.A. for the years 2022-2030 were developed (in cooperation with KGHM Metraco S.A.). The subject of competition on the wholesale market for sales of waste and scrap in Poland underwent analysis. - Other projects: Three agreements are being developed for the purpose of utilising Company property in terms of international investments with a high potential for development, amongst others in the context of waste recycling. Cooperation was entered into with SK Nexilis (a global producer of copper foil). A letter of intent was signed on cooperation with the Polish Investment and Trade Agency regarding development of the Polish economy.



ECOLOGY, SAFETY AND SUSTAINABLE DEVELOPMENT

Continuation of the Occupational Health and Safety Improvement Program in KGHM Polska Miedź S.A.	<ul style="list-style-type: none"> - LTIFR ratio of KGHM Polska Miedź S.A.: 4.81 (lower than the amount recorded for the same period of 2021 by 0.49). Number of workplace accidents: 106. TRiR ratio for the international assets (total for the employees of the KGHM INTERNATIONAL LTD. Group and Sierra Gorda S.C.M. as well as subcontractors for these entities): 0.3 (lower than the amount recorded for the same period of 2021 by 0.33). - Cooperation with domestic and international academic institutions and opinion makers was engaged in. Information about the Company was developed for Euromines regarding the occurrence of accidents on mine terrain belonging to KGHM Polska Miedź S.A., and data and knowledge regarding diesel engine emissions were summarised. In cooperation with the State Labour Inspectorate a conference called „Diesel engine emissions in underground mining based on the experience of KGHM Polska Miedź S.A.” was organised for the first time in Poland. Company representatives participated in the work of interdisciplinary, international problem teams. - An active model of coordination of the work of OHS units was applied. 10 inspections were conducted in the Divisions as well as two behavioural audits. Active forms of education and employee support were prepared. - The work of a Team appointed to prepare definitions for the Workplace Environment Reports Generator was concluded. Work commenced on implementation.
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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)	<ul style="list-style-type: none"> – The Program to adapt the technological installations of the Głogów Copper Smelter and Refinery and the Legnica Copper Smelter and Refinery was continued. In the third quarter of 2022, 6 projects were advanced.
Environmental policy and pro-environmental activities	<ul style="list-style-type: none"> – The balance of greenhouse emissions of the Scope 3 (other indirect emissions) of the Company for 2021 was calculated. – As a result of participation in the Carbon Disclosure Project, which involves communicating a company's carbon dioxide emissions, the climate change questionnaire was submitted to the CDP rating agency. – The environmental footprint and carbon footprint of some of the products of KGHM Polska Miedź S.A. was analysed. – A decision was received on recognising the acid waste generated by the metallurgical facilities of KGHM Polska Miedź S.A. as a by-product, thanks to which it can be utilised in the decarbonisation installations of the Concentrators Division. – The Polish Chamber of Commerce "Eco-development" ("Ekorozwój") awarded the "Green Laurels - 2022" ("Zielony Laur - 2022") prize for an installation to remove arsenic and mercury from gases prior to the SOLINOX installation.
	E-INDUSTRY
Continued advancement of projects to automate the production lines of the Mining Divisions of KGHM Polska Miedź S.A.	<ul style="list-style-type: none"> – Work continued related to the electromobility of mining machinery. Work continued connected with testing electric battery-powered mining machinery. The ST14 loader was admitted to production. – The anti-collision system was integrated as well as the system for locating and identifying machinery and people in the underground mines. – Robotisation of production and auxiliary processes continued. Work continues on building a CuXRF robot to scan for copper content at the working faces. – The acquisition was completed of equipment and elements of the dewatering monitoring system, which was built and brought into operation at the Polkowice-Sieroszowice mine with visualisation in the dispatcher's office. – Supplementary workshops were held for internal Auditors of the Energy Management System (ISO 50001) and of the Occupational Health and Safety Management System (ISO 45001).
KGHM 4.0 Program	<p>Advancement of the KGHM 4.0 Program was continued, divided into two main areas: In the area of ICT (Information and Communication Technology) and Cybersecurity:</p> <ul style="list-style-type: none"> – Work was carried out in terms of ensuring ICT security due to the war in Ukraine, as well as the growing threat of cybercrime. Thanks to this there were no interruptions recorded in the business operations of the KGHM Group, and security processes were supported. <p>In the area of Digitalisation of business processes:</p> <ul style="list-style-type: none"> – The process of adapting the organisation to digital change was carried out - Digital Workplaces in the IT environment of the Company under the Microsoft 365 package. – Under the project APO/BDG2.0 - adaptation of the Planning, Handover and Geological Data Base Application to new technology - in the third quarter of 2022 four tasks were handed over. – The fourth stage of implementation of the CMMS system (a production management system), supporting production and material logistics in the Metallurgical Plants, Concentrator Division and Tailings Division, continued. The project is aimed at increasing the Company's organisational and cost efficiency in terms of maintaining operational continuity. – Under the project „Development of methods to effectively monitor the tailings piping network using unmanned aerial vehicles”, functional requirements were developed along with the requisite documentation to purchase equipment for the edge detection of leaks using artificial intelligence (AI) and machine learning (ML).



ENERGY

Development of solar energy	<ul style="list-style-type: none"> - Actions continued involving construction of the HMG I-III photovoltaic power plants complex. The process of obtaining an environmental decision is underway, and the wording of a connection agreement for all sites of the PV HMG I-III power plant is being agreed. - Actions continued involving construction of the Obora I Sandpit photovoltaic power plant: documentation necessary for realisation of the investment was developed. Cartographic and geodesic work was completed, involving alteration of the use of land in the Land and Buildings Registry of the County Office in Lubin. - At the turn of May and June 2022, two new projects were initiated at the preparatory phase involving the construction of Tarnówek and Polkowice photovoltaic power plants. In July 2022 a project was initiated at the preparatory phase involving the construction of the Kalinówka photovoltaic power plant. The phase of preparing a tender is underway to identify a design firm to design and obtain a building permit for three continued projects. Advancement of a multi-scenario study of the possibilities of connecting new generating sources to the power network of the Company in the vicinity of the Lubin Mine is nearing completion. In addition, analytical work is underway involving the utilisation of other terrain belonging to KGHM Polska Miedź S.A. for the development of renewable energy sources. At the same time analyses are being conducted of the market environment in terms of acquiring companies either in possession of projects to build photovoltaic farms or having functioning installations.
Development of wind energy, including offshore	<ul style="list-style-type: none"> - In the first half of 2022, 7 applications were submitted for the issuance of siting permits. By the end of September 2022, two proceedings commenced aimed at identifying sites included in the applications of the Company and its Strategic Partner. In the third quarter, KGHM Polska Miedź S.A. took part in two potential transactions and submitted 2 non-binding offers involving the purchase of companies with wind power projects.
Development of hydrogen technology	<ul style="list-style-type: none"> - Work was completed on a strategic analysis connected with the involvement of the Company in the market of components of a hydrogen production installation. The identification of potential partners or contractors for the experimental implementation of hydrogen technology is underway. At the same time, a technical dialogue with suppliers of metallurgical technology was commenced involving the possibility of utilising hydrogen in metallurgical processes. Plans were made for the commencement of hydrogen projects in the years 2022-2023, comprising analytical work and studies as well as experiments and pilot work. They will be advanced both with commercial partners as well as with scientific and research centres, both domestic and international.
Development of nuclear energy	<ul style="list-style-type: none"> - In July 2022 the Company submitted an application, being the first time in Poland, for the implementation of small modular reactors (SMR) to the National Atomic Energy Agency. In September 2022, KGHM Polska Miedź S.A. and SN Nuclearelectrica S.A. signed a memorandum of cooperation on the development of SMRs. Work is currently underway on the selection of a site for the SMRs.
Self-generation of electricity	<ul style="list-style-type: none"> - After the first 9 months of 2022, 10.84% of the Parent Entity's need for electricity was met by its own internal sources, including RES.

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 and mining enterprises constitute operating segments: Sudbury Basin, Robinson, Carlota, Franke*, DMC, Victoria and Ajax projects.	Operating segments within the KGHM INTERNATIONAL LTD. Group are located in North and South America. The Management Board analyses the results of the following operating segments: Sudbury Basin, Robinson, Carlota, Franke*, Victoria and Ajax projects 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, nickel, platinum and palladium deposits. The operating segments were aggregated based on the similarity of long term margins achieved by individual segments, and the similarity of products, processes and production methods.
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.

* Entity sold on 26 April 2022 (Note 4.13).

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.

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

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

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

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

OTHER SEGMENTS	
Type of activity	Company
Support of the core business	BIPROMET S.A., CBJ sp. z o.o., Energetyka sp. z o.o., INOVA Spółka z o.o., KGHM CUPRUM sp. z o.o. - CBR, KGHM ZANAM S.A., KGHM Metraco S.A., PeBeKa S.A., POL-MIEDŹ TRANS Sp. z o.o., WPEC w Legnicy S.A.
Sanatorium-healing and hotel services	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 in liquidation, Polska Grupa Uzdrowisk Sp. z o.o.
Other activities	CENTROZŁOM WROCŁAW S.A., CUPRUM Development sp. z o.o., CUPRUM Zdrowie sp. z o.o.****, KGHM (SHANGHAI) COPPER TRADING CO., LTD., KGHM Kupfer AG, MERCUS Logistyka sp. z o.o., MIEDZIOWE CENTRUM ZDROWIA S.A., NITROERG S.A., NITROERG SERWIS Sp. z o.o., PHU "Lubinpex" Sp. z o.o., PMT Linie Kolejowe Sp. z o.o., WMN "ŁABĘDY" S.A., Zagłębie Lubin S.A., OOO ZANAM VOSTOK, KGHM Centrum Analityki Sp. z o.o.

* Entity sold on 26 April 2022 (Note 4.13).

** Entity sold on 21 February 2022 (Note 4.13).

*** Entity sold on 28 February 2022 (Note 4.13).

**** Formerly Cuprum Nieruchomości sp. z o.o.

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

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

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

- The segment KGHM Polska Miedź S.A. – comprises data from the separate financial statements of the Parent Entity prepared in accordance with IFRSs. In the separate financial statements, interest in subsidiaries (including indirect interest 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.

Note 3.2 Financial results of reporting segments

		from 1 January 2022 to 30 September 2022					Reconciliation items to consolidated data		Consolidated financial statements
		KGHM Polska Miedź S.A.	KGHM INTERNATIONAL LTD.	Sierra Gorda S.C.M.*	Other segments	Elimination of data of the segment Sierra Gorda S.C.M	Adjustments ****		
Note 3.3	Revenues from contracts with customers, of which:	21 783	2 264	2 831	9 585	(2 831)	(7 936)	25 696	
	- inter-segment	402	-	-	7 534	-	(7 936)	-	
	- external	21 381	2 264	2 831	2 051	(2 831)	-	25 696	
	Segment result – profit/(loss) for the period	3 538	1 020	122	-	(122)	709	5 267	
Additional information on significant cost/revenue items of the segment									
	Depreciation/amortisation recognised in profit or loss	(1 064)	(361)	(741)	(203)	741	23	(1 605)	
	Recognition/reversal of impairment losses on non-current assets, including:	179	783	-	(1)	-	(230)	731	
	reversal of allowances for impairment of loans granted	182	783	-	-	-	(182)	783	
		As at 30 September 2022							
	Assets, including:	48 291	16 934	14 803	5 908	(14 803)	(16 294)	54 839	
	Segment assets	48 291	16 934	14 803	5 908	(14 803)	(16 298)	54 835	
	Assets unallocated to segments	-	-	-	-	-	4	4	
	Liabilities, including:	19 165	21 324	15 415	3 260	(15 415)	(21 174)	22 575	
	Segment liabilities	19 165	21 324	15 415	3 260	(15 415)	(21 234)	22 515	
	Liabilities unallocated to segments	-	-	-	-	-	60	60	
Other information		from 1 January 2022 to 30 September 2022							
	Cash expenditures on property, plant and equipment and intangible assets – cash flows	1 996	753	735	290	(735)	(83)	2 956	
Production and cost data		from 1 January 2022 to 30 September 2022							
	Payable copper (kt)	442.5	47.3	67.7					
	Molybdenum (million pounds)	-	0.1	2.4					
	Silver (t)	999.8	1.4	20.7					
	TPM (koz t)	61.8	45.2	25.2					
	C1 cash cost of producing copper in concentrate (USD/lb PLN/lb)**	2.39 10.55	2.02 8.89	1.48 6.53					
	Segment result - Adjusted EBITDA	4 437	710	1 556	242	-	-	6 945	
	EBITDA margin***	20%	31%	55%	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 (arithmetic average of daily quotations per the NBP's tables).

*** Adjusted EBITDA to revenues from contracts with customers. For the purposes of calculating the Group's EBITDA margin (24%), the consolidated revenues from contracts with customers were increased by revenues from contracts with customers of the segment Sierra Gorda S.C.M. [6 945 / (25 696 + 2 831) * 100%]

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

Financial results of reporting segments for the comparable period

		from 1 January 2021 to 30 September 2021					Reconciliation items to consolidated data		Consolidated financial statements
		KGHM Polska Miedź S.A.	KGHM INTERNATIONAL LTD.	Sierra Gorda S.C.M.*	Other segments	Elimination of data of the segment Sierra Gorda S.C.M	Consolidation adjustments****		
Note 3.3	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 revenue/cost items of the segment									
	Depreciation/amortisation recognised in profit or loss	(1 015)	(401)	(561)	(191)	561	9	(1 598)	
	Impairment losses on non-current assets, including:	1 470	1 684	-	-	-	(1 484)	1 670	
	impairment losses on investments in subsidiaries	1 010	-	-	-	-	(1 010)	-	
	reversal of allowances for impairment of loans granted	473	1 655	-	-	-	(473)	1 655	
As at 31 December 2021									
	Assets, including:	43 458	13 646	12 232	6 066	(12 232)	(15 143)	48 027	
	Segment assets	43 458	13 646	12 232	6 066	(12 232)	(15 172)	47 998	
	Assets unallocated to segments	-	-	-	-	-	29	29	
	Liabilities, including:	17 618	18 185	12 844	3 339	(12 844)	(18 253)	20 889	
	Segment liabilities	17 618	18 185	12 844	3 339	(12 844)	(18 299)	20 843	
	Liabilities unallocated to segments	-	-	-	-	-	46	46	
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 (arithmetic average of daily quotations per the NBP's tables).

*** Adjusted EBITDA to revenues from contracts with customers. For the purposes of calculating the Group's EBITDA margin (31%) the consolidated revenues from contracts with customers were increased by revenues from contracts with customers of the segment Sierra Gorda S.C.M. [$7\,730 / (21\,735 + 3\,277) * 100\%$]

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

Reconciliation of adjusted EBITDA

from 1 January 2022 to 30 September 2022

	KGHM Polska Miedź S.A.	KGHM INTERNATIONAL LTD.	Other segments	Consolidation adjustments*	Consolidated financial statements	Sierra Gorda S.C.M. **	Adjusted EBITDA (segments, total)
	1	2	3	4	5 (1+2+3+4)	6	7 (5+6-4)
Profit/(Loss) for the period	3 538	1 020	-	709	5 267	122	
[-] Profit or loss on involvement in joint ventures	-	1 260	-	-	1 260	-	
[-] Current and deferred income tax, mining tax***	(1 319)	(100)	(22)	(157)	(1 598)	(105)	
[-] Depreciation/amortisation recognised in profit or loss	(1 064)	(361)	(203)	23	(1 605)	(741)	
[-] Finance income and (costs)	(716)	(765)	(31)	817	(695)	(613)	
[-] Other operating income and (costs)	2 200	276	15	123	2 614	25	
[-] (Recognition)/reversal of impairment losses on non-current assets recognised in cost of sales, selling costs and administrative expenses	-	-	(1)	(45)	(46)	-	
Segment result - adjusted EBITDA	4 437	710	242	(52)	5 337	1 556	6 945

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

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

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

Reconciliation of adjusted EBITDA

from 1 January 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	-	
[-] Current and deferred income tax, mining tax***	(1 218)	(22)	(49)	(554)	(1 843)	(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	452	5 945	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.

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

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

	from 1 January 2022 to 30 September 2022							
	KGHM Polska Miedź S.A.	KGHM INTERNATIONAL LTD.	Sierra Gorda S.C.M.*	Other segments	Reconciliation items to consolidated data			Consolidated data
					Elimination of data of the segment Sierra Gorda S.C.M.	Consolidation adjustments		
Copper	17 002	1 454	2 338	8	(2 338)	(40)	18 424	
Silver	3 361	18	63	-	(63)	-	3 379	
Gold	516	223	198	-	(198)	-	739	
Services	129	423	-	1 614	-	(1 233)	933	
Energy	22	-	-	235	-	(146)	111	
Salt	21	-	-	-	-	19	40	
Blasting materials and explosives	-	-	-	208	-	(103)	105	
Mining machinery, transport vehicles and other types of machinery and equipment	-	-	-	211	-	(174)	37	
Fuel additives	-	-	-	123	-	-	123	
Lead	219	-	-	-	-	-	219	
Products from other non-ferrous metals	-	-	-	136	-	(3)	133	
Steel	-	-	-	534	-	(134)	400	
Petroleum and its derivatives	-	-	-	387	-	(318)	69	
Other merchandise and materials	253	-	-	5 558	-	(5 464)	347	
Other products	260	146	232	571	(232)	(340)	637	
TOTAL	21 783	2 264	2 831	9 585	(2 831)	(7 936)	25 696	

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

from 1 January 2021 to 30 September 2021

				Other segments	Reconciliation items to consolidated data		Consolidated data
	KGHM Polska Miedź S.A.	KGHM INTERNATIONAL LTD.	Sierra Gorda S.C.M.*		Elimination of data of the segment Sierra Gorda S.C.M.	Consolidation adjustments	
Copper	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.

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

from 1 January 2022 to 30 September 2022

	KGHM Polska Miedź S.A.	KGHM INTERNATIONAL LTD.	Sierra Gorda S.C.M.*	Other segments	Reconciliation items to consolidated data		Consolidated data
					Elimination of data of the segment Sierra Gorda S.C.M.	Consolidation adjustments	
Total revenues from contracts with customers	21 783	2 264	2 831	9 585	(2 831)	(7 936)	25 696
Revenues from sales contracts, for which the price is set after the date of recognition of the sales (M+ principle), of which:							
settled	16 853	1 840	3 113	104	(3 113)	(104)	18 693
unsettled	15 866	997	1 346	104	(1 346)	(104)	16 863
Revenues from realisation of long-term contracts	987	843	1 767	-	(1 767)	-	1 830
Revenues from other sales contracts	-	395	-	119	-	(111)	403
Revenues from other sales contracts	4 930	29	(282)	9 362	282	(7 721)	6 600
Total revenues from contracts with customers, of which:	21 783	2 264	2 831	9 585	(2 831)	(7 936)	25 696
in factoring	6 651	-	-	221	-	(154)	6 718
not in factoring	15 132	2 264	2 831	9 364	(2 831)	(7 782)	18 978

	from 1 January 2022 to 30 September 2022	from 1 January 2021 to 30 September 2021
Total revenues from contracts with customers, of which:	25 696	21 735
transferred at a certain moment	24 583	20 842
transferred over time	1 113	893

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

	from 1 January 2021 to 30 September 2021						
	KGHM Polska Miedź S.A.	KGHM INTERNATIONAL LTD.	Sierra Gorda S.C.M.*	Other segments	Reconciliation items to consolidated data		Consolidated data
					Elimination of data of the segment Sierra Gorda S.C.M.	Consolidation adjustments	
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.

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

from 1 January 2022 to 30 September 2022

from 1 January 2021
to 30 September 2021

	Reconciliation items to consolidated data							KGHM Polska Miedź S.A. Group
	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	
Poland	5 486	-	12	9 271	(12)	(7 902)	6 855	5 438
Austria	396	-	-	21	-	-	417	346
Belgium	37	-	-	13	-	-	50	19
Bulgaria	24	-	-	15	-	-	39	35
Czechia	1 758	-	-	14	-	-	1 772	1 430
Denmark	2	-	-	1	-	-	3	25
Estonia	11	-	-	1	-	-	12	11
France	632	-	-	3	-	-	635	688
The Netherlands	6	-	90	-	(90)	-	6	2
Lithuania	3	-	-	16	-	-	19	4
Germany	4 256	-	-	77	-	-	4 333	2 713
Romania	112	-	-	2	-	-	114	225
Slovakia	134	-	-	13	-	-	147	103
Slovenia	104	-	-	1	-	-	105	119
Sweden	-	-	-	23	-	-	23	47
Hungary	1 151	-	-	9	-	-	1 160	876
The United Kingdom	1 282	-	-	6	-	-	1 288	971
Italy	1 722	-	-	23	-	-	1 745	1 397
Australia	588	-	-	-	-	-	588	766
Bosnia and Herzegovina	19	-	-	2	-	-	21	1
Chile	3	248	748	-	(748)	-	251	140
China	1 640	1 081	1 296	-	(1 296)	-	2 721	2 700
Japan	63	-	599	-	(599)	-	63	135
Canada	42	512	-	-	-	(34)	520	365
South Korea	64	-	48	-	(48)	-	64	33
Norway	-	-	-	12	-	-	12	12
Russia	-	-	-	5	-	-	5	19
The United States of America	766	161	3	12	(3)	-	939	1 904
Switzerland	598	-	-	6	-	-	604	443
Turkey	205	-	-	10	-	-	215	82
Taiwan	45	-	-	-	-	-	45	-
Morocco	37	-	-	-	-	-	37	-
Mexico	-	92	-	-	-	-	92	12
Brazil	1	-	29	-	(29)	-	1	8
Thailand	360	-	-	2	-	-	362	335
Philippines	-	170	-	-	-	-	170	4
Malaysia	42	-	-	-	-	-	42	48
Vietnam	173	-	-	-	-	-	173	254
Other countries	21	-	6	27	(6)	-	48	25
TOTAL	21 783	2 264	2 831	9 585	(2 831)	(7 936)	25 696	21 735

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

Note 3.6 Main customers

In the period from 1 January 2022 to 30 September 2022 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 2022	As at 31 December 2021
Poland	24 153	23 545
Canada	2 138	1 577
The United States of America	2 318	1 765
Chile	148	229
Other countries	49	94
TOTAL*	28 806	27 210

* 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 12 728 million as at 30 September 2022 (PLN 9 813 million as at 31 December 2021).

Note 3.8 Information on segments' results

3.8.1 The segment KGHM Polska Miedź S.A.

Production results

	Unit	First 9 months of 2022	First 9 months of 2021	Change (%)	3 rd quarter of 2022	2 nd quarter of 2022	1 st quarter of 2022
Ore extraction (dry weight)	mn t	23.0	22.8	+0.9	7.7	7.6	7.7
Copper content in ore	%	1.46	1.48	-1.4	1.43	1.47	1.48
Copper production in concentrate	kt	295.3	296.1	-0.3	96.4	98.9	100.0
Silver production in concentrate	t	988.8	976.9	+1.2	326.6	331.9	330.3
Production of electrolytic copper (payable)	kt	442.5	440.1	+0.5	146.2	145.2	151.1
- including from own concentrate	kt	273.9	286.0	-4.2	96.2	81.1	96.6
Production of metallic silver	t	999.8	982.6	+1.8	331.3	328.7	339.8
Production of gold	koz t	61.8	61.4	+0.7	20.9	19.8	21.1

In the first nine months of 2022, there was an increase in ore extraction (dry weight), but due to lower copper content in ore (lower thickness of the mined deposit) copper production in concentrate was slightly lower than in the corresponding period of 2021.

As compared to the corresponding period of 2021, there was an increase in electrolytic copper production by 2.4 thousand tonnes, and this increase concerned production from purchased metal-bearing materials.

Production of metallic silver recorded an increase by 17.2 tonnes (+1.8%) due to availability of feed material at the Precious Metals Plant.

Sales

Revenues from contracts with customers

	Unit	First 9 months of 2022	First 9 months of 2021	Change (%)	3 rd quarter of 2022	2 nd quarter of 2022	1 st quarter of 2022
Revenues from contracts with customers, including:	PLN mn	21 783	17 970	+21.2	6 572	7 656	7 555
- copper	PLN mn	17 002	13 811	+23.1	5 089	6 089	5 824
- silver	PLN mn	3 361	3 048	+10.3	1 029	1 118	1 214
Volume of copper sales	kt	429.8	417.1	+3.0	137.1	149.5	143.2
Volume of silver sales	t	1 037.4	950.6	+9.1	323.8	333.1	380.5

Revenues after the first 9 months of 2022 amounted to PLN 21 783 million and were higher than in the corresponding period of 2021 by 21%. The main factors behind this increase in revenues were: a more favourable USD/PLN exchange rate (+16%), higher sales volume of basic products and a lower negative adjustment of revenues due to hedging transactions alongside less favourable prices of copper and silver.

Costs

	Unit	First 9 months of 2022	First 9 months of 2021	Change (%)	3 rd quarter of 2022	2 nd quarter of 2022	1 st quarter of 2022
Cost of sales, selling costs and administrative expenses	PLN mn	18 410	14 720	+25.1	5 943	6 514	5 953
Expenses by nature	PLN mn	19 105	16 233	+17.7	6 155	6 743	6 207
Pre-precious metals credit unit cost of electrolytic copper production from own concentrate ¹⁾	PLN/t	38 202	32 108	+19.0	39 891	41 827	33 492
Total unit cost of electrolytic copper production from own concentrate	PLN/t	26 946	20 921	+28.8	30 747	28 372	21 977
C1 unit cost²⁾	USD/lb	2.39	2.24	+6.7	2.38	2.42	2.40

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

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

The Parent Entity's cost of sales, selling costs and administrative expenses (total cost of products, merchandise and materials sold, selling costs and administrative expenses) for the first nine months of 2022 amounted to PLN 18 410 million and were higher by 25% as compared to the corresponding period of 2021, mainly due to higher costs of consumption of purchased metal-bearing materials and higher costs of consumption of materials, fuels and energy carriers.

As compared to the first 9 months of 2021, total expenses by nature were higher by PLN 2 872 million due to an increase in consumption of purchased metal-bearing materials by 5.9 thousand tonnes of copper and 20% higher purchase price of feed, which resulted in a cost increase by PLN 1 338 million. Moreover, due to the regulatory decrease in rates by 30% from 1 January to the end of November 2022, the minerals extraction tax was lower by PLN 239 million.

The increase in expenses by nature, excluding purchased metal-bearing materials and the minerals extraction tax, amounted to PLN 1 773 million and resulted mainly from the increase in costs of consumption of materials and process fuels by PLN 782 million (mainly due to higher purchase price), costs of electrical and other energy by PLN 560 million (mainly due to higher purchase price and larger purchases due to reduced self-generation from natural gas), labour costs by PLN 336 million (wage increases due to higher rates and an increase in the provision for the annual bonus) and higher costs of external services, mainly repairs and maintenance as well as transport services.

C1 cost for the first nine months of 2022 amounted to 2.39 USD/lb and was higher than in the corresponding period of 2021 by 7%. The increase in this cost was mainly caused by lower valuation of by-products (due to a lower silver price) and higher extraction and metallurgical processing costs due to the aforementioned factors.

The pre-precious metals credit unit cost of electrolytic copper production from own concentrate (unit cost prior to decrease by the value of anode slimes containing, among others, silver and gold) amounted to 38 202 PLN/t (in the comparable period of 2021: 32 108 PLN/t) and was higher by 19%, mainly due to aforementioned higher extraction and smelting costs alongside a decrease in copper production from own concentrate by 4%.

The total unit cost of electrolytic copper production from own concentrate amounted to 26 946 PLN/t and was higher by 29% as compared to the first nine months of 2021.

Financial results

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

	First 9 months of 2022	First 9 months of 2021	Change (%)	3 rd quarter of 2022	2 nd quarter of 2022	1 st quarter of 2022
Revenues from contracts with customers, including:	21 783	17 970	+21.2	6 572	7 656	7 555
- adjustment of revenues due to hedging transactions	(254)	(1 159)	(78.1)	123	(161)	(216)
Cost of sales, selling costs and administrative expenses	(18 410)	(14 720)	+25.1	(5 943)	(6 514)	(5 953)
Profit on sales (EBIT)	3 373	3 250	+3.8	629	1 142	1 602
Other operating income and (costs)	2 200	3 197	(31.2)	807	1 052	341
Finance income and (costs)	(716)	(377)	+89.9	(355)	(256)	(105)
Profit before income tax	4 857	6 070	(20.0)	1 081	1 938	1 838
Income tax expense	(1 319)	(1 218)	+8.3	(351)	(455)	(513)
Profit for the period	3 538	4 852	(27.1)	730	1 483	1 325
Depreciation/amortisation recognised in profit or loss	1 064	1 015	+4.8	369	373	322
Adjusted EBITDA¹⁾	4 437	4 272	+3.9	998	1 515	1 924

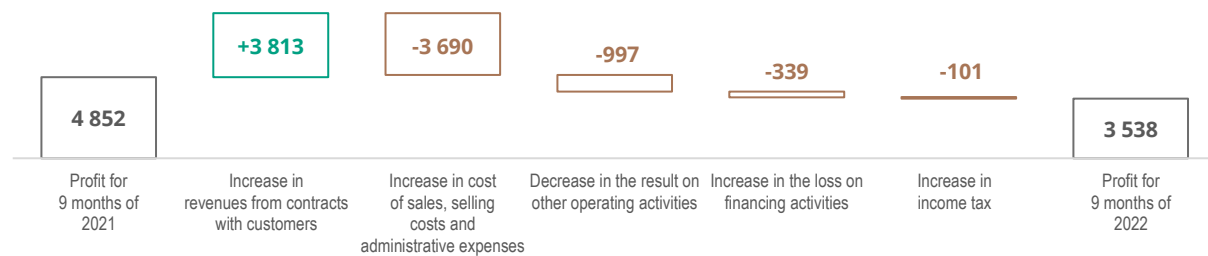
1) Adjusted EBITDA = profit on sales + depreciation/amortisation (recognised in profit or loss) + impairment loss (-reversal of impairment losses) on non-current assets, recognised in cost of sales, selling costs and administrative expenses

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	+3 813	An increase in revenues due to: <ul style="list-style-type: none"> – sales of basic products (copper, silver, gold) with a more favourable average USD/PLN exchange rate – a change from 3.80 to 4.40 USD/PLN (+PLN 3 003 million) – a higher copper sales volume by 12.8 kt, i.e. 3%, silver by 87 tonnes, i.e. 9% and gold by 170 kg, i.e. 9% (+PLN 772 million) – a decrease in the negative adjustment of revenues due to hedging transactions (+PLN 906 million) – lower copper prices by 124 USD/t, i.e. 1%, silver by 3.83 USD/oz t, i.e. 15% and higher gold prices by 25 USD/oz t, i.e. 1% (-PLN 1 063 million) – an increase in other revenues from sales, including from the sale of sulphuric acid (+PLN 70 million), refined lead (+PLN 25 million) and merchandise and materials (+PLN 64 million)
An increase in cost of sales, selling costs and administrative expenses¹⁾	(3 690)	An increase in costs due to: <ul style="list-style-type: none"> – lower make-to-stock production than in the previous year (-PLN 731 million) – a higher volume of consumption of purchased metal-bearing materials by 5.9 thousand tonnes of copper at a purchase price higher by 20% (-PLN 1 338 million) – an increase in other costs (-PLN 1 621 million), including an increase in costs of consumption of materials other than purchased metal-bearing materials (-PLN 782 million), electricity and other energy (-PLN 560 million) and employee benefits (-PLN 336 million),
A decrease in the result on other operating activities	(997)	The decrease in the result was mainly due to: <ul style="list-style-type: none"> – no reversal of impairment losses on shares in subsidiaries in 2022 while the amount of (-PLN 1 010 million) was recognised after the first nine months of 2021, – a change in the result on exchange differences on assets and liabilities other than borrowings (+PLN 920 million), – a decrease in fair value gains on financial assets measured at fair value through profit or loss (-PLN 507 million, including loans -PLN 519 million), – a decrease in reversal of impairment losses on financial instruments measured at amortised cost (-PLN 352 million), – an impact of derivatives and hedging transactions (+PLN 183 million), – financial support granted to municipalities (-PLN 99 million), – change in balance of released and recognised provisions (-PLN 65 million).
An increase in the loss on financing activities	(339)	An increase in the loss on financing activities mainly due to changes in the result on exchange differences on borrowings (-PLN 332 million)
An increase in income tax	(101)	An increase in income tax mainly concerned an increase in current income tax (-PLN 34 million) and the adjustment of current income tax for prior periods (-PLN 37 million) and deferred tax (-PLN 24 million)

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

Change in profit or loss (PLN million)



Capital expenditures

In the first three quarters of 2022, capital expenditures on property, plant and equipment amounted to PLN 1 828 million.

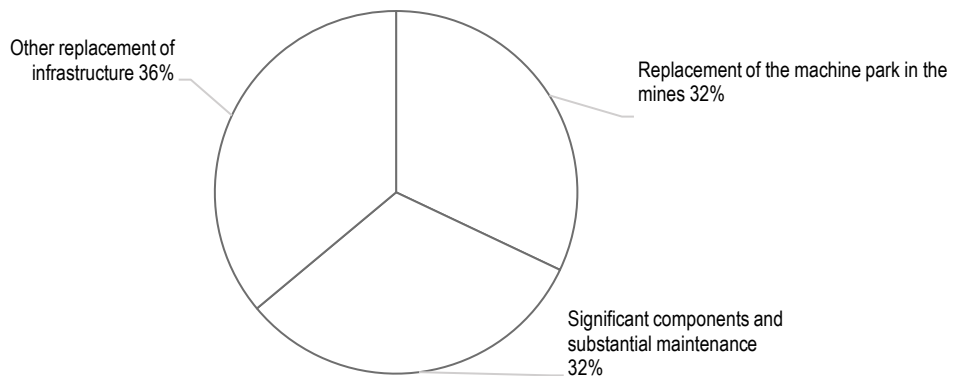
Structure of expenditures on property, plant and equipment and intangible assets by Division (PLN million)

	First 9 months of 2022	First 9 months of 2021	Change (%)	3 rd quarter of 2022	2 nd quarter of 2022	1 st quarter of 2022
Mining	1 315	1 105	19%	511	420	384
Metallurgy	403	319	26%	142	177	84
Other activities	39	47	(17%)	23	11	5
Development work - uncompleted	7	1	x7	2	1	4
Leases per IFRS 16	64	68	(6%)	21	34	9
Total	1 828	1 540	19%	699	643	486
<i>including borrowing costs</i>	123	90	37%	52	25	46

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

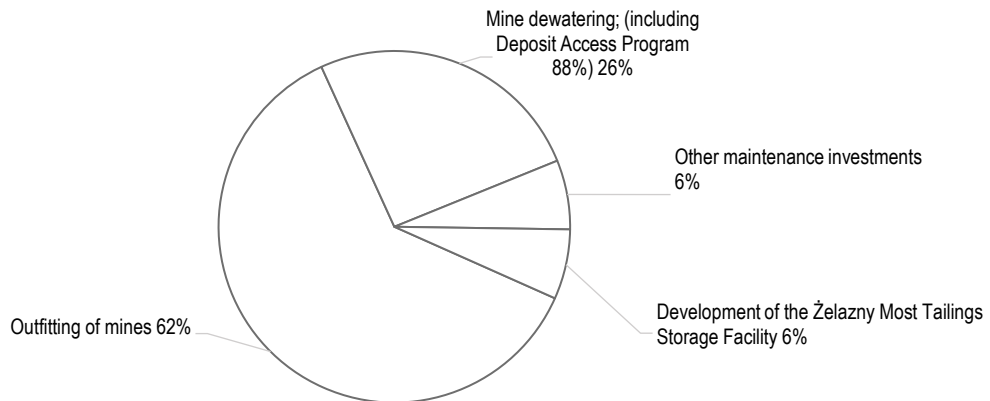
Projects related to replacement aimed at maintaining production equipment in an undeteriorated condition, represent 43% of expenditures incurred.

Structure of expenditures on replacement



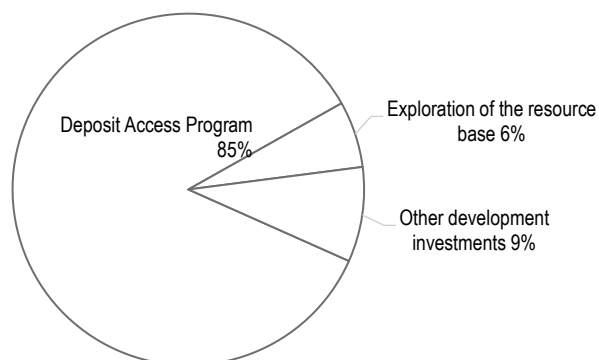
Projects related to maintenance aimed at maintaining mine production at the level set in the approved Production Plan (development of infrastructure to match mine advancement) represent 32% of total expenditures incurred.

Structure of expenditures on maintenance



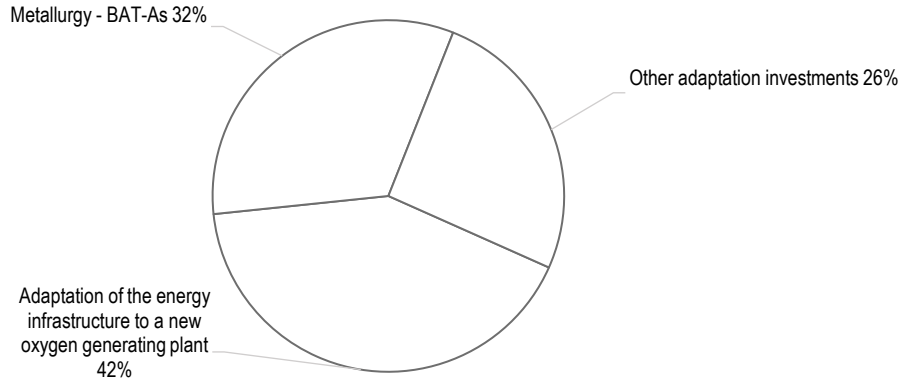
Development projects aimed at increasing the level of revenues from sales or maintaining them at the current level, at the implementation of technical and technological activities optimising the use of existing infrastructure, and at reducing operating costs, represent 23% of expenditures incurred.

Structure of expenditures on development



Adaptation projects aimed at adapting the company's operations to changes in laws, existing standards or other regulations, especially as regards occupational health and safety, securing property, cybersecurity, ethical and anti-corruption standards, environmental impact, quality standards and management systems, represent 2% of expenditures incurred.

Structure of expenditures on adaptation



Detailed information on the advancement of key projects may be found in Part 1, Note 2 of the consolidated financial statements on the realisation of Strategy in 2022.

3.8.2 The segment KGHM INTERNATIONAL LTD.

Production results

	Unit	First 9 months of 2022	First 9 months of 2021	Change (%)	3 rd quarter of 2022	2 nd quarter of 2022	1 st quarter of 2022
Payable copper, including:	kt	47.3	55.4	(14.6)	10.4	18.7	18.2
- Robinson mine (USA)	kt	39.6	42.0	(5.7)	8.8	16.5	14.3
- Franke mine (Chile)	kt	2.8	7.9	(64.6)	0.0	0.5	2.3
- Sudbury Basin mines (Canada) ⁽¹⁾	kt	1.5	1.4	7.1	0.6	0.5	0.4
Payable nickel	kt	0.3	0.2	50.0	0.1	0.1	0.1
Precious metals (TPM), including:	koz t	45.2	39.9	13.3	10.5	19.6	15.1
- Robinson mine (USA)	koz t	33.7	29.2	15.4	6.7	14.7	12.3
- Sudbury Basin mines (Canada) ⁽¹⁾	koz t	11.5	10.7	7.5	3.8	4.9	2.8

⁽¹⁾ *McCreeley West mine in the Sudbury Basin*

The decrease in copper production in the third quarter of 2022 as compared to production recorded in previous quarters of 2022 is a result of extraction from higher levels of the Ruth West 5 pit within the Robinson mine, which is characterised by significantly lower copper content. The lower quality of ore processed by Robinson, alongside sales by the Franke mine, was the main reason for a decrease in copper production by KGHM INTERNATIONAL LTD. (-15%) as compared to situation in the period from January to September 2021.

With regard to precious metals, there was a decrease in production by KGHM INTERNATIONAL LTD. in the third quarter of 2022, mainly because of lower gold recovery by the Robinson mine. Nevertheless, the good results achieved in the previous quarters of 2022 enabled the TPM production in the first 9 months to remain at a level higher than the one achieved in the corresponding period of 2021 (+13%).

Both copper and precious metals production exceeded the targets set forth in KGHM INTERNATIONAL LTD.'s budget for the first 9 months of 2022.

Revenues

Volume and revenues from sales (USD million)

	Unit	First 9 months of 2022	First 9 months of 2021	Change (%)	3 rd quarter of 2022	2 nd quarter of 2022	1 st quarter of 2022
Revenues from contracts with customers⁽¹⁾, including:	USD mn	510	600	(15.0)	132	168	210
- copper	USD mn	327	451	(27.4)	75	107	145
- nickel	USD mn	9	4	x2.3	3	2	4
- precious metals (TPM)	USD mn	72	62	16.1	21	25	26
Copper sales volume	kt	39.5	51.1	(22.7)	11.3	14.2	14.0
Nickel sales volume	kt	0.3	0.2	50.0	0.1	0.1	0.1
TPM sales volume	koz t	38.4	36.6	4.9	11.5	15.9	11.0

¹⁾ reflects processing premium

Revenues from sales (PLN million)

	Unit	First 9 months of 2022	First 9 months of 2021	Change (%)	3 rd quarter of 2022	2 nd quarter of 2022	1 st quarter of 2022
Revenues from contracts with customers⁽¹⁾, including:	PLN mn	2 264	2 292	(1.2)	648	740	876
- copper	PLN mn	1 454	1 721	(15.5)	379	470	605
- nickel	PLN mn	38	15	x2.5	11	12	15
- TPM - precious metals	PLN mn	321	237	35.4	103	110	108

¹⁾ reflects processing premium

The revenues of the segment KGHM INTERNATIONAL LTD. from January to September 2022 amounted to USD 510 million, or PLN 2 264 million. As compared to the level recorded in the previous year, revenues denominated in USD decreased by 15%, while revenues following conversion to PLN, due to the weakening of the PLN, remained at a level similar to the one achieved after the first three quarters of 2021.

Revenues decreased by USD 90 million as compared to the first 9 months of 2021, of which by USD 108 million due to lower copper sales volume (lower production and delays in railway transport of concentrate sales from the Robinson mine), and by USD 21 million due to a decrease in copper sales prices alongside a positive impact of other factors (refining charges, revenues from sales of other metals and provision of mining services, etc.) at the level of USD 39 million.

Costs

C1 payable copper production cost

	Unit	First 9 months of 2022	First 9 months of 2021	Change (%)	3 rd quarter of 2022	2 nd quarter of 2022	1 st quarter of 2022
C1 payable copper production cost ⁽¹⁾	USD/lb	2.02	1.93	4.7	2.07	1.77	2.23

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. from January to September 2022 amounted to 2.02 USD/lb, or an increase by 5% compared to the corresponding period of 2021, mainly as a result of the lower volume of copper sales despite the favourable valuation of precious metals and lower refining charges.

Financial results

Financial results (USD million)

	First 9 months of 2022	First 9 months of 2021	Change (%)	3 rd quarter of 2022	2 nd quarter of 2022	1 st quarter of 2022
Revenues from contracts with customers	510	600	(15.0)	132	168	210
Cost of sales, selling costs and administrative expenses, including: ⁽¹⁾	(431)	(437)	(1.3)	(134)	(147)	(150)
- reversal/(recognition) of impairment losses on non-current assets	0	8	(100.0)	-	0	-
Profit/(loss) on sales	79	163	(51.5)	(2)	21	60
Profit/(loss) before taxation, including:	252	492	(48.8)	(21)	167	106
Income tax	(23)	(6)	x3.8	(1)	(10)	(12)
Profit/(loss) for the period	230	486	(52.8)	(21)	157	94
Depreciation/amortisation recognised in profit or loss	(81)	(105)	(22.9)	(28)	(27)	(26)
Adjusted EBITDA⁽²⁾	160	260	(38.5)	26	47	87

Financial results (PLN million)

	First 9 months of 2022	First 9 months of 2021	Change (%)	3 rd quarter of 2022	2 nd quarter of 2022	1 st quarter of 2022
Revenues from contracts with customers	2 264	2 292	(1.2)	648	740	876
Cost of sales, selling costs and administrative expenses, including: ¹⁾	(1 915)	(1 669)	14.7	(645)	(645)	(625)
- reversal/(recognition) of impairment losses on non-current assets	0	31	(100.0)	-	0	-
Profit/(loss) on sales	349	623	(44.1)	3	95	251
Profit/(loss) before taxation, including:	1 120	1 877	(42.1)	(44)	724	440
Income tax	(100)	(22)	x4.5	(7)	(43)	(50)
Profit/(loss) for the period	1 020	1 855	(45.0)	(51)	681	390
Depreciation/amortisation recognised in profit or loss	(361)	(401)	(10.0)	(133)	(118)	(110)
Adjusted EBITDA²⁾	710	993	(28.5)	136	213	361

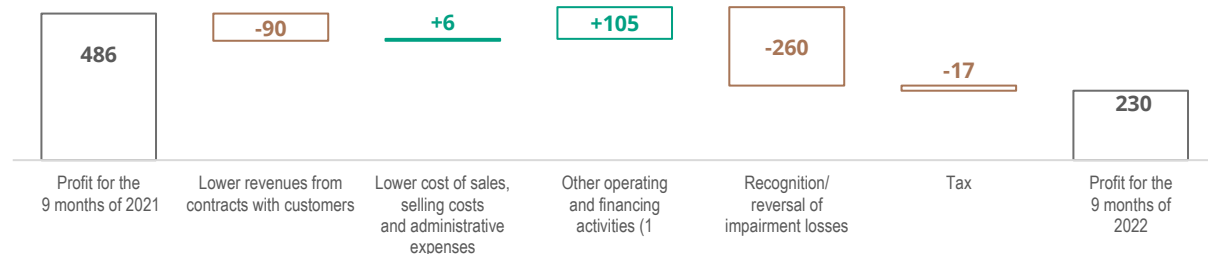
¹⁾ Cost of products, merchandise and materials sold, selling costs and administrative expenses

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

Main factors impacting the change in profit or loss

Item	Impact on change of profit or loss (in USD million)	Description
Lower revenues from contracts with customers	(90)	The decrease in revenues was mainly due to: <ul style="list-style-type: none"> - lower revenues (-USD 99 million) due to a decrease in sales volumes, mainly copper (-USD 108 million) - lower revenues (-USD 23 million) due to a decrease in sales prices, mainly copper (-USD 21 million) - impact of other factors (+USD 32 million), including revenues of DMC Mining Services (+USD 15 million) and more favourable refining and processing premiums (+USD 6 million)
Lower cost of sales, selling costs and administrative expenses	+6	The decrease in costs was mainly due to the volume of sales of the Robinson mine and therefore a change in inventories as compared to the situation in the corresponding period of 2021 (+USD 28 million). Moreover, depreciation/amortisation costs were lower (+USD 26 million). On the other hand, the following costs increased: materials (-USD 12 million), labour (-USD 15 million) and other expenses by nature (-USD 21 million).
Impact of other operating activities and financing activities	(155)	Main factors impacting the change in other operating activities and financing activities: <ul style="list-style-type: none"> - reversal of an allowance for impairment of loans granted for the construction of the Sierra Gorda mine (+USD 176 million after the first three quarters of 2022 versus +USD 436 million in the corresponding period of 2021) - result on the sale of the Oxide project (to Sierra Gorda S.C.M.) and of the Franke mine (in total +USD 51 million) - an increase in interest income on a loan granted to Sierra Gorda S.C.M. (+USD 23 million) due to the reversal of an allowance for impairment
Income tax	(17)	Changes due to current and deferred income tax.

Change in profit/loss (USD million)



1) Excludes 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 2022	First 9 months of 2021	Change (%)	3 rd quarter of 2022	2 nd quarter of 2022	1 st quarter of 2022
Victoria project	37	22	68.2	12	15	10
Stripping and other	133	150	(11.3)	42	38	53
Total	170	172	(1.2)	54	53	63

Cash expenditures (PLN million)

	First 9 months of 2022	First 9 months of 2021	Change (%)	3 rd quarter of 2022	2 nd quarter of 2022	1 st quarter of 2022
Victoria project	164	84	95.2	57	63	44
Stripping and other	589	572	3.0	202	168	219
Total	753	656	14.8	259	231	263

Cash expenditures by the segment KGHM INTERNATIONAL LTD. in the first 9 months of 2022 amounted to USD 170 million and were at a level similar to the one recorded in the corresponding period of 2021. The company's investment activities were first and foremost concentrated on the realisation of tasks associated with preparing the deposit for future mining by the Robinson mine and continuation of the Victoria project in Canada.

3.8.3 The segment Sierra Gorda S.C.M.

The segment Sierra Gorda S.C.M. is a joint venture (under the JV company Sierra Gorda S.C.M.) and the Australian mining group South32, which on 22 February 2022 acquired the shares from Sumitomo Metal Mining and Sumitomo Corporation.

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 of the consolidated financial statements.

Production results

From January to September 2022, Sierra Gorda S.C.M. continued extraction from mining areas with lower, as compared to 2021, content of copper and molybdenum.

Production of copper, molybdenum and precious metals

	Unit	First 9 months of 2022	First 9 months of 2021	Change (%)	3 rd quarter of 2022	2 nd quarter of 2022	1 st quarter of 2022
Copper production ⁽¹⁾	kt	123.0	142.6	(13.7)	42.1	37.5	43.4
Copper production – segment (55%)	kt	67.7	78.4	(13.7)	23.2	20.6	23.9
Molybdenum production ⁽¹⁾	mn lbs	4.4	12.8	(65.6)	0.9	1.4	2.1
Molybdenum production – segment (55%)	mn lbs	2.4	7.0	(65.6)	0.5	0.7	1.2
TPM production – gold ⁽¹⁾	koz t	45.8	41.7	9.8	17.4	16.3	12.1
TPM production – gold – segment (55%)	koz t	25.2	22.9	9.8	9.6	9.0	6.6

⁽¹⁾ Payable metal in concentrate.

The amount of processed ore did not significantly differ from the volume achieved in the first 9 months of 2021, and the main factor responsible for the decrease in payable copper production by 19.6 thousand tonnes (-14%) and molybdenum by 8.4 million pounds (-66%) was the lower content of these metals in ore (the lower quality of ore was reflected in the company's production plans).

Sales

In the first 9 months of 2022, revenues amounted to USD 1 159 million (on a 100% basis), or PLN 2 831 million proportionally to the interest held (55%).

Volume and revenues from sales

	Unit	First 9 months of 2022	First 9 months of 2021	Change (%)	3 rd quarter of 2022	2 nd quarter of 2022	1st quarter of 2022
Revenues from contracts with customers,¹⁾ including from the sale of:	USD mn	1 159	1 561	(25.8)	335	303	521
- copper	USD mn	957	1 279	(25.2)	275	223	459
- molybdenum	USD mn	95	175	(45.7)	23	42	30
- TPM (gold)	USD mn	81	72	12.5	29	29	23
Copper sales volume	kt	123.0	139.3	(11.7)	42.6	37.0	43.4
Molybdenum sales volume	mn lbs	5.4	10.8	(50.0)	1.5	2.3	1.6
TPM (gold) sales volume	koz t	44.4	40.7	9.1	17.2	15.2	12.0
Revenues from contracts with customers¹⁾ - segment (55% share)	PLN mn	2 831	3 277	(13.6)	893	744	1 194

¹⁾ reflects smelter treatment and refining charges and other

Revenues decreased by USD 402 million (-26%) as compared to the level achieved in the first 9 months of 2021, including USD 242 million due to the decrease in sales volume, and most of all due to the aforementioned decrease in production of molybdenum and copper.

Costs

The cost of sales, selling costs and administrative expenses incurred by the company Sierra Gorda S.C.M. amounted to USD 826 million, of which USD 723 million were costs of sales and USD 102 million were the total selling costs and administrative expenses. Proportionally to the interest held (55%) the costs of the segment amounted to PLN 2 016 million.

Costs and C1 payable copper production cost

	Unit	First 9 months of 2022	First 9 months of 2021	Change (%)	3 rd quarter of 2022	2 nd quarter of 2022	1st quarter of 2022
Cost of sales, selling costs and administrative expenses	USD mn	826	762	8.3	286	267	273
Cost of sales, selling costs and administrative expenses - segment (55% share)	PLN mn	2 016	1 601	26.0	748	642	626
C1¹⁾ payable copper production cost	USD/lb	1.48	0.81	82.7	1.68	1.41	1.35

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 increase in operating costs and cash cost of C1 copper production of Sierra Gorda S.C.M. in individual quarters of 2022 reflects the volatility on the energy, materials and fuel markets. As compared to the first 9 months of 2021, higher prices were recorded mostly with respect to:

- diesel fuel (+90%)
- energy (+77%)
- blasting materials (+57%).

The increase in rates for external services was of no less significance on the level of costs.

The aforementioned factors were the main reason for the increase in cost of sales, selling costs and administrative expenses by USD 64 million (+8%) as compared to the first 9 months of 2021.

These factors, including the decrease in copper sales volume and lower deduction due to sales of associated metals, contributed to the increase in C1 cash cost of copper production by 0.67 USD/lb (+83%).

Financial results

In the first 9 months of 2022, adjusted EBITDA amounted to USD 637 million, of which proportionally to the interest held (55%) PLN 1 556 million is attributable to the KGHM Polska Miedź S.A. Group.

Results in USD million (on a 100% basis)

	First 9 months of 2022	First 9 months of 2021	Change (%)	3 rd quarter of 2022	2 nd quarter of 2022	1st quarter of 2022
Revenues from contracts with customers	1 159	1 561	(25.8)	335	303	521
Cost of sales, selling costs and administrative expenses	(825)	(762)	8.4	(285)	(267)	(273)
Profit/loss on sales	334	799	(58.3)	50	36	248
Profit/(loss) for the period	50	351	(85.8)	(26)	(28)	104
Depreciation/amortisation recognised in profit or loss	(304)	(267)	13.9	(98)	(96)	(110)
Adjusted EBITDA¹⁾	637	1 066	(40.2)	146	133	358

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

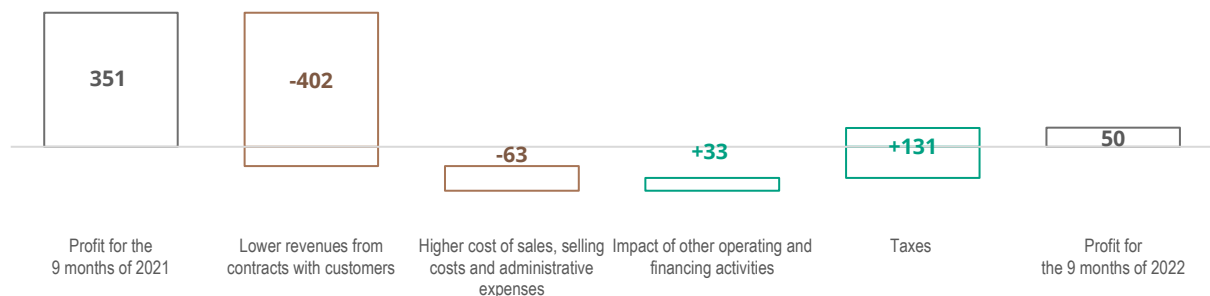
	First 9 months of 2022	First 9 months of 2021	Change (%)	3 rd quarter of 2022	2 nd quarter of 2022	1st quarter of 2022
Revenues from contracts with customers	2 831	3 277	(13.6)	893	744	1 194
Cost of sales, selling costs and administrative expenses	(2 016)	(1 601)	25.9	(748)	(642)	(626)
Profit/loss on sales	815	1 676	(51.4)	145	102	568
Profit/(loss) for the period	122	737	(83.4)	(57)	(60)	239
Depreciation/amortisation recognised in profit or loss	(741)	(561)	32.1	(257)	(231)	(253)
Adjusted EBITDA¹⁾	1 556	2 237	(30.4)	402	333	821

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

Main factors impacting the change in profit or loss

Item	Impact on change of profit or loss (in USD million)	Description
Lower revenues from contracts with customers	(402)	The decrease in revenues was due to: - lower volume of copper and molybdenum sales - lower revenues (-USD 242 million) - impact of other factors, including changes in metal prices - lower revenues (-USD 160 million).
Higher cost of sales, selling costs and administrative expenses	(63)	The increase in costs of sales, selling costs and administrative expenses was mainly due to: - higher costs of energy (-USD 51 million), fuels (- USD 40 million), materials (-USD 13 million), depreciation/amortisation (-USD 36 million), external services (-USD 10 million) with lower labour costs (+USD 42 million), mainly due to a bonus paid in 2021 - higher make-to-stock production than in the previous year - the impact on profit or loss of +USD 59 million - lower capitalised stripping costs, mainly due to a lower scope of work in 2022 - the impact on profit or loss of -USD 31 million
Impact of other operating and financing activities	+33	Improvement in the result on other operating activities (+USD 5 million) and the result on financing activities (+USD 28 million), mainly due to lower interest due to the partial repayment of Owner loans to build the mine.
Impact of taxes	+131	Lower income tax by USD 111 million (-USD 22 million in the first 9 months of 2022 versus -USD 133 million in 2021) due to lower profit before income tax and lower mining tax by USD 20 million (-USD 21 million versus -USD 41 million in the corresponding period of 2021)

Change in profit/(loss) (USD million)



Cash expenditures

From January to September 2022, 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 301 million, of which USD 100 million (33%) represented expenditures on stripping to gain access to further areas of the deposit.

	Unit	First 9 months of 2022	First 9 months of 2021	Change (%)	3 rd quarter of 2022	2 nd quarter of 2022	1st quarter of 2022
Cash expenditures on property, plant and equipment	USD mn	301	211	42.7	78	74	149
Cash expenditures on property, plant and equipment - segment (55% share)	PLN mn	735	442	66.3	211	182	342

Cash expenditures were higher than in the corresponding period of 2021 by 43% mainly due to the takeover from KGHM INTERNATIONAL LTD. of the Oxide project. However, lower expenditures were recorded as regards capitalised stripping costs due to a lower scope of work.

4 - Selected additional explanatory notes

Note 4.1 Expenses by nature

	from 1 July 2022 to 30 September 2022	from 1 January 2022 to 30 September 2022	from 1 July 2021 to 30 September 2021	from 1 January 2021 to 30 September 2021
Depreciation of property, plant and equipment and amortisation of intangible assets	576	1 735	532	1 728
Employee benefits expenses	1 801	5 324	1 624	4 751
Materials and energy, including:	3 773	11 831	3 020	8 852
purchased metal-bearing materials	2 077	6 701	1 707	5 363
External services	660	1 804	494	1 479
Minerals extraction tax	647	2 300	904	2 539
Other taxes and charges	164	537	258	695
Write down of inventories	(9)	-	(46)	(28)
Impairment losses on property, plant and equipment and intangible assets	-	47*	-	21
Reversal of an impairment loss on property, plant and equipment and intangible assets	(1)	(1)	-	(45)
Other costs	63	170	49	139
Total expenses by nature	7 674	23 747	6 835	20 131
Cost of merchandise and materials sold (+)	213	656	218	575
Change in inventories of finished goods and work in progress (+/-)	(451)	(1 181)	(455)	(1 656)
Cost of manufacturing products for internal use of the Group (-)	(321)	(1 212)	(434)	(1 186)
Total costs of sales, selling costs and administrative expenses, of which:	7 115	22 010	6 164	17 864
Cost of sales	6 611	20 643	5 760	16 784
Selling costs	145	411	115	330
Administrative expenses	359	956	289	750

*Impairment loss in the first half of 2022 concerns spa companies of the Group. Detailed information in the Consolidated half-year report PSr 2022, Note 1.6 Impairment of assets.

Note 4.2 Other operating income and (costs)

	from 1 July 2022 to 30 September 2022	from 1 January 2022 to 30 September 2022	from 1 July 2021 to 30 September 2021	from 1 January 2021 to 30 September 2021
Gains on derivatives, of which:	76	282	41	324
measurement	7	170	(10)	239
realisation	69	112	51	85
Interest income calculated using the effective interest rate method	15	41	-	1
Exchange differences on assets and liabilities other than borrowings	1 220	2 468	549	776
Reversal of impairment losses on financial instruments	1	4	-	18
Provisions released	52	98	14	35
Gain on disposal of intangible assets	-	135	1	1
Gain on disposal of property, plant and equipment	-	-	(2)	49
Gain on disposal of subsidiaries	-	173	-	-
Government grants received	5	14	6	13
Income from servicing of letters of credit and guarantees	17	28	1	66
Compensation, fines and penalties received	9	63	4	24
Compensation received due to the purchase of electricity for 2020 *	-	-	39	39
Other	33	70	17	63
Total other operating income	1 428	3 376	670	1 409
Losses on derivatives, of which:	(178)	(377)	(177)	(592)
measurement	(71)	(106)	(41)	(144)
realisation	(107)	(271)	(136)	(448)
Fair value losses on financial assets	55	(69)	(9)	(73)
Impairment losses on financial instruments	(2)	(5)	-	(3)
Impairment loss on fixed assets under construction	1	(6)	-	(11)
Provisions recognised	(80)	(96)	(18)	(43)
Financial support granted to municipalities	(99)	(99)	-	-
Losses on the sale of property, plant and equipment	(1)	(9)	-	-
Donations granted	(18)	(34)	(10)	(18)
Other	(31)	(67)	(8)	(38)
Total other operating costs	(353)	(762)	(222)	(778)
Other operating income and (costs)	1 075	2 614	448	631

*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.

Note 4.3 Finance income and (costs)

	from 1 July 2022 to 30 September 2022	from 1 January 2022 to 30 September 2022	from 1 July 2021 to 30 September 2021	from 1 January 2021 to 30 September 2021
Gains on derivatives - realisation	-	47	-	35
Other	2	2	-	-
Total finance income	2	49	-	35
Interest on borrowings, including:				
leases	(4)	(15)	(17)	(65)
unwinding of the discount on provisions effect	(2)	(7)	(3)	(10)
Unwinding of the discount on provisions effect	(6)	(15)	(4)	(11)
Exchange differences on measurement and realisation of borrowings	(314)	(617)	(135)	(255)
Losses on derivatives, of which:				
measurement	-	(51)	-	(39)
realisation	-	-	-	(1)
realisation	-	(51)	-	(38)
Bank fees and charges on borrowings	(7)	(23)	(6)	(19)
Other	(8)	(23)	(3)	(20)
Total finance costs	(339)	(744)	(165)	(409)
Finance income and (costs)	(337)	(695)	(165)	(374)

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

	from 1 January 2022 to 30 September 2022	from 1 January 2021 to 30 September 2021
Purchase of property, plant and equipment, including:	2 746	2 323
leased assets	91	42
Purchase of intangible assets	222	214

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

	As at 30 September 2022	As at 31 December 2021
Payables due to the purchase of property, plant and equipment and intangible assets	583	835

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

	As at 30 September 2022	As at 31 December 2021
Purchase of property, plant and equipment	1 431	1 056
Purchase of intangible assets	30	26
Total capital commitments	1 461	1 082

Note 4.5 Involvement in joint ventures

As at 30 September 2022, KGHM Polska Miedź S.A. 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).

During the reporting period, a change in partnership with the KGHM Polska Miedź S.A. Group in the joint venture Sierra Gorda S.C.M. was made. On 22 February 2022, the sale transaction of 45% share in Sierra Gorda S.C.M. by Sumitomo Metal Mining Co. Ltd. and Sumitomo Corporation to South32 Limited, an Australian mining group with its head office in Perth, was concluded. The transaction took place on the basis of sales agreements entered into on 14 October 2021.

The purchase price includes the amount of USD 1 400 million, payable on the transaction date and USD 500 million, depending on the copper prices in the years 2022 - 2025. The new partner of the Group is a globally diversified mining and metallurgical company with production plants in Australia, South Africa and South America. The company produces among others aluminium, metallurgical coal, manganese, nickel, silver, lead and zinc.

As at 30 September 2022, none of the agreements regulating the cooperation between the JV partners in the Sierra Gorda S.C.M. has been modified. In the case of an off-take agreement, the right to off-take 50% of the copper concentrate by the previous partner was not transferred to the new partner.

Joint ventures accounted for using the equity method

	from 1 January 2022 to 30 September 2022	from 1 January 2021 to 30 September 2021
As at the beginning of the reporting period	-	-
Share of profit for the reporting period	122	736
Settlement of the Group's share of unsettled losses from prior years (accumulated comprehensive losses)	1*	(550)
Exchange differences from the translation of statements of operations with a functional currency other than PLN	(123)	(186)
As at the end of the reporting period	-	-

*Despite the Group's share in the profit of Sierra Gorda S.C.M. for the reporting period in the amount of PLN 122 million (USD 27 million) the Group settled PLN 1 million of the unsettled losses of Sierra Gorda S.C.M. from prior years. The appreciation of the USD/PLN exchange rate as at 30 September 2022 (4.9533) compared to the USD/PLN exchange rate as at 31 December 2021 (4.06) resulted in an increase in the negative net assets of Sierra Gorda S.C.M., while the exchange differences in this regard exceeded the Group's participation in the profit of Sierra Gorda S.C.M. for the reporting period.

	from 1 January 2022 to 30 September 2022	from 1 January 2021 to 30 September 2021
Share of the Group (55%) in profit of Sierra Gorda S.C.M. for the reporting period, of which:	122	736
recognised in the measurement of a joint venture	122	736

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

	from 1 January 2022 to 30 September 2022	from 1 January 2021 to 31 December 2021
As at the beginning of the reporting period	(1 283)	(4 203)
Settlement of the Group's share of unsettled losses from prior years (accumulated comprehensive losses)	(1)	2 920
Unrecognised adjustment due to unrealised gains on a transaction between the Group and the joint venture (sale of the Oxide project)	(74)	-
As at the end of the reporting period	(1 358)	(1 283)

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

	from 1 January 2022 to 30 September 2022	from 1 January 2021 to 31 December 2021
As at the beginning of the reporting period	8 314	6 069
Repayment of loans (principal and interest)	(789)	(1 259)
Accrued interest	477	494
Gain due to reversal of an impairment allowance	783	2 380
Exchange differences from the translation of statements of operations with a functional currency other than PLN	1 806	630
As at the end of the reporting period	10 591	8 314

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 9.5.17, to estimate the expected credit losses, the Group uses scenario analysis (IFRS 9.5.18) comprising the Group's assumptions on the repayment of the loan granted. Scenario analysis is based on cash flows of Sierra Gorda S.C.M. estimated using current forecasts of pricing paths of commodities, adopted on the basis of a decision of the Market Risk Committee of KGHM Polska Miedź S.A., which took into account current market forecasts, which are 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 September 2022, the expected cash flows on repayment of receivables due to loans granted to Sierra Gorda S.C.M. estimated by the Group and assumptions used to estimate these cash flows have not changed in relation to the assumptions adopted as at 30 June 2022.

As at 30 June 2022, a reversal of an impairment allowance was made in the amount of PLN 783 million (USD 176 million).

Basic macroeconomic assumptions adopted for cash flow estimation – metal prices					
Price paths were adopted on the basis of a decision of the Market Risk Committee of KGHM Polska Miedź S.A., which took into account current market forecasts:					
Period	II H 2022	2023	2024	2025	LT
Copper price [USD/t]	8 500	8 500	8 500	8 500	7 700
Gold price [USD/oz]	1 800	1 800	1 750	1 700	1 500

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)	3 379
Level of molybdenum production during mine life (million pounds)	209
Level of gold production during mine life (koz)	934
Average operating margin during mine life	41.9%
Applied discount rate after taxation for assets in the operational phase (used to calculate the fair value for the disclosure purposes in Note 4.6.)	9.00%
Capital expenditures to be incurred during mine life [USD million]	1 390

In the third quarter of 2022, the change in the carrying amount of the loan from the amount of USD 2 105 million as at 30 June 2022 to the amount of USD 2 138 million as at 30 September 2022 is in respect of accrued interest.

Note 4.6 Financial instruments

Financial assets	As at 30 September 2022					As at 31 December 2021				
	At fair value through other comprehensive income	At fair value through profit or loss	At amortised cost	Hedging instruments	Total	At fair value through other comprehensive income	At fair value through profit or loss	At amortised cost	Hedging instruments	Total
Non-current	499	112	11 081	852	12 544	615	32	8 366	585	9 598
Loans granted to a joint venture	-	-	10 591	-	10 591	-	-	7 867	-	7 867
Derivatives	-	24	-	852	876	-	10	-	585	595
Other financial instruments measured at fair value	499	88	-	-	587	615	22	-	-	637
Other financial instruments measured at amortised cost*	-	-	490	-	490	-	-	499	-	499
Current	-	984	2 903	703	4 590	-	632	2 920	249	3 801
Loans granted to a joint venture	-	-	-	-	-	-	-	447	-	447
Trade receivables*	-	796	456	-	1 252	-	627	397	-	1 024
Derivatives	-	123	-	703	826	-	5	-	249	254
Cash and cash equivalents*	-	-	2 132	-	2 132	-	-	1 904	-	1 904
Other financial assets	-	65	315	-	380	-	-	172	-	172
Total	499	1 096	13 984	1 555	17 134	615	664	11 286	834	13 399

* Including balances of assets and liabilities held for sale regarding 2021, presented in the tables below.

Financial liabilities	As at 30 September 2022				As at 31 December 2021			
	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	80	5 809	1 464	7 353	78	5 696	1 056	6 830
Borrowings, lease and debt securities*	-	5 549	-	5 549	-	5 475	-	5 475
Derivatives	80	-	1 464	1 544	78	-	1 056	1 134
Other financial liabilities	-	260	-	260	-	221	-	221
Current	133	4 583	409	5 125	200	3 587	848	4 635
Borrowings, lease and debt securities*	-	1 369	-	1 369	-	474	-	474
Derivatives	112	-	409	521	41	-	848	889
Trade payables*	-	3 039	-	3 039	-	2 919	-	2 919
Similar payables – reverse factoring	-	42	-	42	-	95	-	95
Other financial liabilities*	21	133	-	154	159	99	-	258
Total	213	10 392	1 873	12 478	278	9 283	1 904	11 465

* Including balances of assets and liabilities held for sale regarding 2021, presented in the tables below.

Financial assets – held for sale (disposal group)	As at 31 December 2021		
	At fair value through profit or loss	At amortised cost	Total
Non-current	-	3	3
Other financial instruments measured at amortised cost	-	3	3
Current	13	22	35
Trade receivables	13	2	15
Cash and cash equivalents	-	20	20
Total	13	25	38

Financial liabilities associated with disposal group	As at 31 December 2021	
	At amortised cost	
Non-current	66	
Borrowings, lease and debt securities	66	
Current	66	
Borrowings, lease and debt securities	19	
Trade payables	40	
Other financial liabilities	7	
Total	132	

Financial assets – excluding assets held for sale (disposal group)	As at 31 December 2021				Total
	At fair value through other comprehensive income	At fair value through profit or loss	At amortised cost	Hedging instruments	
Non-current	615	32	8 363	585	9 595
Loans granted to a joint venture	-	-	7 867	-	7 867
Derivatives	-	10	-	585	595
Other financial instruments measured at fair value	615	22	-	-	637
Other financial instruments measured at amortised cost	-	-	496	-	496
Current	-	619	2 898	249	3 766
Loans granted to a joint venture	-	-	447	-	447
Trade receivables	-	614	395	-	1 009
Derivatives	-	5	-	249	254
Cash and cash equivalents	-	-	1 884	-	1 884
Other financial assets	-	-	172	-	172
Total	615	651	11 261	834	13 361

Financial liabilities – excluding liabilities related to disposal group	As at 31 December 2021			Total
	At fair value through profit or loss	At amortised cost	Hedging instruments	
Non-current	78	5 630	1 056	6 764
Borrowings, lease and debt securities	-	5 409	-	5 409
Derivatives	78	-	1 056	1 134
Other financial liabilities	-	221	-	221
Current	200	3 521	848	4 569
Borrowings, lease and debt securities	-	455	-	455
Derivatives	41	-	848	889
Trade payables	-	2 879	-	2 879
Similar payables – reverse factoring	-	95	-	95
Other financial liabilities	159	92	-	251
Total	278	9 151	1 904	11 333

The fair value hierarchy of financial instruments

Classes of financial instruments	As at 30 September 2022				As at 31 December 2021			
	fair value			carrying amount	fair value			carrying amount
	level 1	level 2	level 3		level 1	level 2	level 3	
Loans granted	-	23	8 916	10 614	-	22	8 193	8 336
Listed shares	400	-	-	400	516	-	-	516
Unquoted shares	-	99	-	99	-	99	-	99
Trade receivables	-	796	-	796	-	627	-	627
Other financial assets	-	65	65	130	-	-	-	-
Derivatives, of which:	-	(363)	-	(363)	-	(1 174)	-	(1 174)
assets	-	1 702	-	1 702	-	849	-	849
liabilities	-	(2 065)	-	(2 065)	-	(2 023)	-	(2 023)
Received long-term bank and other loans	-	(2 995)	-	(2 985)	-	(2 913)	-	(2 901)
Long-term debt securities	(1 973)	-	-	(2 000)	(2 034)	-	-	(2 000)
Other financial liabilities	-	(21)	-	(21)	-	(159)	-	(159)

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

There was no transfer in the Group of financial instruments between individual levels of the fair value hierarchy in the 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 2Unquoted 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.

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 3Loans granted

Loans granted measured at amortised cost in the statement of financial position are included in this category, because of the use of unobservable assumptions in the fair value measurement. With respect to estimating the fair value of these loans, a significant element of the estimation are the forecasted cash flows of Sierra Gorda S.C.M., which are unobservable input data, and pursuant to IFRS 13 the fair value of these assets is classified to level 3 of the hierarchy. The discount rate adopted to estimate the fair value of loans measured at amortised cost was adopted at 9.0% (an increase by 1 percentage point as compared to 31 December 2021).

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 production and operating margin. Therefore the Group, pursuant to IFRS 13 p.93.f, performed a sensitivity analysis of the fair value of loans to copper price volatility.

Scenarios	2022	2023	2024	2025	LT
Base	8 500	8 500	8 500	8 500	7 700
Base minus 0.1 USD/lb during mine life (220 USD/t)	8 280	8 280	8 280	8 280	7 480
Base plus 0.1 USD/lb during mine life (220 USD/t)	8 720	8 720	8 720	8 720	7 920

Classes of financial instruments	As at 30 September 2022		Sensitivity analysis of the fair value to changes in copper prices	
	Carrying amount	Fair value	Base plus 0,1 USD/lb during mine life	Base minus 0.1 USD/lb during mine life
Loans granted measured at amortised cost	10 591	8 916	9 188	8 554
Loans granted measured at amortised cost (USD million)	2 138	1 800	1 855	1 727

On 22 February 2022, the transaction was concluded for sale of the 45% interest in the company Sierra Gorda S.C.M. by Sumitomo Metal Mining Co., Ltd. and Sumitomo Corporation to South32 Limited, an Australian mining group with its registered head office in Perth. The transaction was closed on the basis of sales agreements concluded on 14 October 2021.

Taking into account the above-mentioned transaction and the lack of knowledge about the details of the negotiation process and the valuation assumptions made by the parties involved in the transaction as well as the fact that shares of Sierra Gorda S.C.M. are not publicly listed, it is not justifiable to measure the carrying amount of loans by directly referring to the transaction price from the sale transaction of the 45% interest in Sierra Gorda S.C.M. (i.e. participation in equity and loan receivables).

Nevertheless, the Group made a comparison of the carrying amount of involvement in the joint venture Sierra Gorda S.C.M. (i.e. receivables due to loans and the investment in equity instruments) in order to verify whether the total carrying amount of the involvement does not differ substantially from the value that would result from the transaction price, taking into account: (i) limitations as to the Group's ability to obtain full knowledge of the process of reaching the transaction price, and

(ii) differences in the applied discount rates for future expected cash flows obtainable from the JV (i.e. the effective interest rate for loan measurement pursuant to IFRS 9 versus the rate of return expected by the investor in the valuation of the transaction price).

In the opinion of the Management Board, the value of loans estimated by the Group does not differ significantly from the value that would be determined by reference to the transaction price. As a result, the estimated approximate fair value of total future 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 of interest held.

Other financial assets

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

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

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

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

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

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

	from 1 January 2022 to 30 September 2022	from 1 January 2021 to 30 September 2021
STATEMENT OF PROFIT OR LOSS		
Revenues from contracts with customers	(254)	(1 159)
Other operating income / (costs):	(95)	(268)
on realisation of derivatives	(159)	(363)
on measurement of derivatives	64	95
Finance income / (costs):	(2)	(21)
on realisation of derivatives	(4)	(3)
on measurement of derivatives	-	(1)
interest on borrowings	2	(17)
Impact of derivatives and hedging instruments on profit or loss for the period (excluding the tax effect)	(351)	(1 448)
STATEMENT OF OTHER COMPREHENSIVE INCOME		
Measurement of hedging transactions (effective portion)	409	(1 637)
Reclassification to revenues from contracts with customers due to realisation of a hedged item	254	1 159
Reclassification to finance costs due to realisation of a hedged item	(2)	17
Reclassification to other operating costs due to realisation of a hedged item (settlement of the hedging cost)	220	295
Impact of hedging transactions (excluding the tax effect)	881	(166)
TOTAL COMPREHENSIVE INCOME	530	(1 614)

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 2022, copper sales of the Parent Entity amounted to 430 thousand tonnes (net sales of 261 thousand tonnes)¹, while the notional amount of copper price hedging strategies settled in this period amounted to 104.25 thousand tonnes, which represented approx. 24% of the total sales of this metal realised by the Parent Entity and approx. 40% of net sales in this period (in the first three quarters of 2021, 48% and 76% respectively). The notional amount of settled silver price hedging transactions (7.65 million ounces) represented approx. 20% of sales of this metal by the Parent Entity (in the first three quarters of 2021, 22%).

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

In the case of currency transactions, approx. 11% of revenues from copper and silver sales realised by the Parent Entity in the period from 1 January to 30 September 2022 were hedged (27% in the first three quarters of 2021).

As part of the realisation of the strategic plan to hedge the Parent Entity against market risk, in the third quarter of 2022 *collar* option strategies (Asian options) were implemented in a total amount of USD 2 080 million of planned sales revenues, with maturity periods from August 2022 to December 2024 (including USD 1 920 million for the period from October 2022 to December 2024). In addition the Parent Entity restructured the hedging position on the copper market for the period from January 2023 to December 2023 for the total tonnage of 12 thousand tonnes by increasing the sold options' strike price from a seagull structure entered into in 2020.

In the third quarter of 2022, the Parent Entity did not enter into any derivative transactions on the forward silver and interest rate markets.

In terms of managing the net trading position² in the third quarter of 2022 so-called QP adjustment *swap* transactions were entered into on the copper and gold markets with maturity periods falling in June 2023. In addition, as part of on-going management of the currency risk, short-term forward sale transactions were entered into, aimed at hedging against risk connected with USDPLN rate fluctuations, for the planned current cash flows. Forward transactions were settled in the third quarter of 2022.

As at 30 September 2022, the Parent Entity held an open derivatives position for:

- 153.4 thousand tonnes of copper (including: 138.75 thousand tonnes arose from the strategic management of market risk, while 14.65 thousand tonnes came from the management of a net trading position),
- 6.75 million troy ounces of silver, and
- USD 3 469 million of planned revenues from sales of metals.

Furthermore, as at 30 September 2022 the Parent Entity had bank and other loans with fixed interest rate and open Cross Currency Interest Rate Swap (CIRS) transactions in the notional amount of PLN 2 billion, hedging both the sales revenues in the currency, as well as the variable interest rate of issued bonds. Commodity risk was also related to derivatives embedded in the purchase contracts for metal-bearing materials.

With respect to managing currency risk, the Parent Entity uses natural hedging by borrowing in currencies in which it has revenues. As at 30 September 2022, the bank and investment loans which were drawn in USD, following their translation to PLN, amounted to PLN 3 951 million (as at 31 December 2021: PLN 2 980 million).

In the third quarter of 2022, 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 2022. However, some of the Group's Polish companies managed the currency risk related to their core business by opening transactions in derivatives on the currency market. A listing of the open transactions of Polish companies as at 30 September 2022 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 2022, 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.

² 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.

Hedging against copper price risk – open derivatives as at 30 September 2022

	Instrument/ option structure	Notional [tonnes]	Average weighted option strike price			Average weighted premium [USD/£]	Effective hedge price [USD/£]
			sold put option	purchased put option	sold call option		
			<i>hedge limited to</i> [USD/£]	<i>copper price hedging</i> [USD/£]	<i>participation limited to</i> [USD/£]		
4th quarter of 2022	seagull	15 000	4 600	6 300	7 500	(160)	6 140
	seagull	12 000	5 200	6 900	8 300	(196)	6 704
	seagull	7 500	6 000	9 000	11 400	(248)	8 752
	seagull	5 250	6 700	9 286	11 486	(227)	9 059
	TOTAL X-XII 2022	39 750					
2023	seagull	36 000	5 200	6 900	8 300	(196)	6 704
	seagull	12 000	6 000	6 900	10 000	(296)	6 604
	seagull	30 000	6 000	9 000	11 400	(248)	8 752
	seagull	21 000	6 700	9 286	11 486	(227)	9 059
	TOTAL 2023	99 000					

Hedging against silver price risk – open derivatives as at 30 September 2022

	Instrument/ option structure	Notional [mn ounce]	Average weighted option strike price			Average weighted premium [USD/ounce]	Effective hedge price [USD/ ounce]
			sold put option	purchased put option	sold call option		
			<i>hedge limited to</i> [USD/ ounce]	<i>copper price hedging</i> [USD/ ounce]	<i>participation limited to</i> [USD/ ounce]		
4th quarter of 2022	seagull	0.90	16.00	26.00	42.00	(0.88)	25.12
	collar	1.65	-	26.36	55.00	(1.96)	24.40
	TOTAL X-XII 2022	2.55					
2023	seagull	4.20	16.00	26.00	42.00	(1.19)	24.81
	TOTAL 2023	4.20					

Hedging against USD/PLN currency risk – open derivatives as at 30 September 2022

	Instrument/ Option structure	Notional [USD mn]	Average weighted option strike price			Average weighted premium [PLN per USD 1]	Effective hedge price [USD/PLN]
			sold put option	purchased put option	sold call option		
			<i>hedge limited to</i> [USD/PLN]	<i>exchange rate hedging</i> [USD/PLN]	<i>participation limited to</i> [USD/PLN]		
4th quarter of 2022	seagull	33.75	3.30	4.00	4.60	(0.01)	3.99
	seagull	45.00	3.30	3.90	4.50	0.03	3.93
	collar	120.00	-	3.85	4.60	(0.04)	3.81
	purchased put option	75.00	-	4.11	-	(0.05)	4.06
	collar	240.00	-	4.65	5.09	(0.02)	4.63
	TOTAL X-XII 2022	513.75					
2023	seagull	135.00	3.30	4.00	4.60	(0.00)	4.00
	seagull	180.00	3.30	3.90	4.50	0.03	3.93
	collar	660.00	-	4.48	5.48	(0.03)	4.45
	collar	660.00	-	4.69	6.09	(0.05)	4.64
	TOTAL 2023	1 635.00					
2024	collar	660.00	-	4.48	5.48	(0.00)	4.48
	collar	660.00	-	4.69	6.09	(0.01)	4.68
	TOTAL 2024	1 320.00					

Hedging against currency-interest rate risk connected with the issue of bonds with a variable interest rate in PLN – open derivatives as at 30 September 2022

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

The table below presents detailed data on derivative transactions designated as hedging, held by the Company as at 30 September 2022.

Open hedging derivatives	Notional of the transaction	Average weighted price /exchange rate/interest rate	Maturity - settlement period		Period of profit/loss impact***	
			from	to	from	to
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]				
Copper – seagulls*	138 750	7 854-9 801	Oct'22	- Dec'23	Oct'22	- Jan'24
Silver – collars	1.65	26.36-55.00	Oct'22	- Dec'22	Oct'22	- Jan'23
Silver – seagulls*	5.10	26.00-42.00	Oct'22	- Dec'23	Oct'22	- Jan'24
Currency – purchased put option	75.00	4.11	Oct'22	- Dec'22	Oct'22	- Jan'23
Currency – collars	3 000.00	4.56-5.68	Oct'22	- Dec'24	Oct'22	Jan'25
Currency – seagulls*	393.75	3.94-4.54	Oct'22	- Dec'23	Oct'22	- Jan'24
Currency – interest rate – CIRS**	400	3.78 and 3.23%		June'24		June '24
Currency - interest rate – CIRS**	1 600	3.81 and 3.94%		June'29	June '29	- July '29

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

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

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

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

Taking into consideration the receivables due to open derivative transactions held by the Group (excluding embedded derivatives) as at 30 September 2022 and net receivables³ due to settled derivatives, the maximum single entity share of the amount exposed to credit risk arising from these transactions amounted to 22%, or PLN 385 million (as at 31 December 2021: 26%, or PLN 227 million).

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

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

Rating level		As at	As at
		30 September 2022	31 December 2021
Medium-high	from A+ to A- according to S&P and Fitch, and from A1 to A3 according to Moody's	92%	98%
Medium	from BBB+ to BBB- according to S&P and Fitch, and from Baa1 to Baa3 according to Moody's	8%	2%

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.

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

The fair value of open derivatives of the KGHM Polska Miedź S.A. Group as at 30 September 2022, broken down into hedging transactions⁴ 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 2022 has changed as compared to 31 December 2021 as a result of:

- the settlement of transactions in derivatives with maturities falling in the period from 1 January 2022 to 30 September 2022, which were open as at the end of 2021,
- entering into new transactions on metal and currency forward 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 2022				Net total
	Financial assets		Financial liabilities		
	Non-current	Current	Non-current	Current	
Hedging instruments (CFH), including:	852	703	(1 464)	(409)	(318)
Derivatives – Metals (price of copper, silver)					
Options – <i>seagull</i> * (copper)	207	456	(44)	(83)	536
Options – <i>collar</i> (silver)	-	60	-	-	60
Options – <i>seagull</i> * (silver)	48	128	(2)	-	174
Derivatives – Currency (USDPLN exchange rate)					
Options – <i>collar</i>	201	58	(461)	(165)	(367)
Options – <i>seagull</i> *	1	1	(78)	(161)	(237)
Purchased put option	-	-	-	-	-
Derivatives – Currency-interest rate					
Cross Currency Interest Rate Swap CIRS	395	-	(879)	-	(484)
Trade instruments, including:	24	123	(59)	(77)	11
Derivatives – Metals (price of copper, silver, gold)					
Sold put option (copper)	-	-	(52)	(56)	(108)
Purchased put option (copper)	3	2	-	-	5
Purchased call option (copper)	11	13	-	-	24
QP adjustment <i>swap</i> transactions (copper)	-	13	-	-	13
Sold put option (silver)	-	-	(7)	(8)	(15)
Purchased put option (silver)	-	1	-	-	1
Purchased call option (silver)	-	-	-	-	-
QP adjustment <i>swap</i> transactions (gold)	-	25	-	(11)	14
Derivatives – Currency					
Sold put option (USDPLN)	-	-	-	-	-
Purchased put option (USDPLN)	-	-	-	-	-
Purchased call option (USDPLN)	10	21	-	-	31
<i>Collar</i> and <i>forward/swap</i> (EURPLN)	-	-	-	(2)	(2)
Embedded derivatives (price of copper, silver, gold)					
Purchase contracts for metal-bearing materials	-	48	-	-	48
Instruments initially designated as hedging instruments excluded from hedge accounting, including:	-	-	(21)	(35)	(56)
Derivatives – Currency (USDPLN exchange rate)					
Options – <i>seagull</i>	-	-	(11)	(21)	(32)
Derivatives – Metals (price of copper, silver)					
Options – <i>seagull</i> (silver)	-	-	-	-	-
Options – <i>seagull</i> (copper)	-	-	(10)	(14)	(24)
TOTAL OPEN DERIVATIVES	876	826	(1 544)	(521)	(363)

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

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

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

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

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

Due to the centralisation of the process of obtaining external financing for the entire 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 2022, 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 2022	31 December 2021
Net debt/Adjusted EBITDA*	0.7	0.6

* 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 2021	Cash flows	Accrued interest	Exchange differences	Other changes	As at 30 September 2022
Bank loans	735	544	46	124	(56)	1 393
Loans	2 568	(286)	60	493	10	2 845
Debt securities	2 001	(42)	87	-	-	2 046
Leases	645	(80)	29	1	39	634
Total debt	5 949	136	222	618	(7)	6 918
Free cash and cash equivalents	1 880	235	-	-	-	2 115
Net debt	4 069	(99)	222	618	(7)	4 803

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

	from 1 January 2022 to 30 September 2022
I. Financing activities	268
Proceeds from borrowings	674
Repayment of borrowings	(312)
Repayment of lease liabilities	(51)
Repayment of interest on borrowings and debt securities	(30)
Repayment of interest on leases	(13)
II. Investing activities	(132)
Paid capitalised interest on borrowings	(132)
III. Change in free cash and cash equivalents	235
TOTAL (I+II-III)	(99)

Structure of external financing sources

As at 30 September 2022, the Group had open credit lines, loans and debt securities with a total balance of available financing being the equivalent of PLN 16 514 million, out of which PLN 6 284 million had been drawn.

The structure of financing sources is presented below.

	As at 30 September 2022	As at 30 September 2022	As at 31 December 2021
	Amount granted	Amount of the liability	Amount of the liability
Unsecured revolving syndicated credit facility	7 430	583	(14)*
Investment loans	3 553	2 845	2 568
Bilateral bank loans	3 531	810	749
Bonds	Nominal value of the issue 2 000	Amount of the liability 2 046	Amount of the liability 2 001
Total bank and other loans, bonds	16 514	6 284	5 304

* 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 2022, the Group held liabilities due to guarantees and letters of credit granted in the total amount of PLN 1 356 million and due to promissory note liabilities in the amount of PLN 158 million.

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

Sierra Gorda S.C.M. – a corporate guarantee in the amount of PLN 1 090 million (USD 220 million) set as security on the repayment of tranches of a bank loan drawn by Sierra Gorda S.C.M. The carrying amount of the liability due to a financial guarantee granted was recognised in the amount of PLN 81 million*, the guarantee is valid for up to 2 years,

other entities, including the Parent Entity:

- PLN 107 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, the guarantee is valid for up to 1 year,
- PLN 98 million to secure the execution of the Parent Entity's obligations related to the closure, restoration and supervision of storage facilities, the guarantee is valid for up to 1 year**,
- PLN 52 million (PLN 45 million and CAD 2 million) securing the obligations related to proper execution of agreements concluded, the guarantee is valid for up to 3 years,
- PLN 2 million to secure obligations related to tax and customs duties, the guarantee is valid indefinitely.

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

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

** In the third quarter of 2022, the form of the Tailings Storage Facilities Restoration Fund in the Parent Entity was changed, a separate bank account of the Fund was replaced by bank guarantees issued on demand of the Company, pursuant to the "Rules on creation and utilisation of the Tailings Storage Facilities Restoration Fund of KGHM Polska Miedź S.A."

Note 4.9 Other liabilities

	As at 30 September 2022	As at 31 December 2021
Deferred income, including:	396	355
liabilities due to Franco Nevada streaming contract	244	210
Trade payables	184	187
Other liabilities	124	78
Other liabilities – non-current, of which:	704	620
recognised in liabilities associated with disposal group	-	3
recognised as “other liabilities”	704	617
Special funds	465	412
Deferred income, including:	280	147
trade payables	144	106
non-current assets received free of charge	87	5
Accruals, including:	818	830
provision for purchase of property rights related to consumed electricity	67	98
charges for discharging gases and dusts to the air	274	260
other accounted costs, proportional to achieved revenues, which are future liabilities estimated on the basis of contracts entered into	250	196
Other financial liabilities	154	258
Other non-financial liabilities	37	43
Other liabilities – current, of which:	1 754	1 690
recognised in liabilities associated with disposal group	-	29
recognised as “other liabilities”	1 754	1 661
Total – non-current and current liabilities	2 458	2 310

Note 4.10 Related party transactions

Operating income from related entities	from 1 July 2022 to 30 September 2022	from 1 January 2022 to 30 September 2022	from 1 July 2021 to 30 September 2021	from 1 January 2021 to 30 September 2021
Revenues from sales of products, merchandise and materials to a joint venture	10	27	5	17
Interest income on loans granted to a joint venture	158	477	128	322
Revenues from other transactions with a joint venture	17	28	4	69
Revenues from other transactions with other related parties	1	10	1	9
Total	186	542	138	417

Purchases from related entities	from 1 July 2022 to 30 September 2022	from 1 January 2022 to 30 September 2022	from 1 July 2021 to 30 September 2021	from 1 January 2021 to 30 September 2021
Purchase of services, merchandise and materials	2	30	2	28
Other purchase transactions	1	3	-	2
Total	3	33	2	30

Trade and other receivables from related parties	As at 30 September 2022	As at 31 December 2021
From the joint venture Sierra Gorda S.C.M. (loans)	10 591	8 314
From the joint venture Sierra Gorda S.C.M. (other)	104	66
From other related parties	10	3
Total	10 705	8 383

Trade and other payables towards related parties	As at 30 September 2022	As at 31 December 2021
Towards a joint venture	81	58
Towards other related parties	9	1
Total	90	59

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 2022 and in the period from 1 January to 30 September 2022, the Group carried out 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 220 million (as at 31 December 2021: PLN 228 million), including fees on setting mining usufruct for the extraction of mineral resources recognised in costs in the amount of PLN 24 million (as at 31 December 2021: PLN 30 million),
- due to a reverse factoring agreement with the company PEKAO FAKTORING SP. Z O.O. - payables in the amount of PLN 42 million, interest costs from 1 January to 30 September 2022 in the amount of PLN 2 million (as at 31 December 2021, payables in the amount of PLN 68 million and interest costs from 1 January to 30 September 2021 in the amount of PLN 8 million),
- other transactions and economic operations: spot currency exchange, depositing cash, granting bank loans, guarantees and letters of credit (including documentary letters of credit), running bank accounts, servicing of documentary collection, servicing of special purpose funds and entering into transactions on the forward currency market with banks related to the State Treasury,
- due to disposal towards Polski Holding Hotelowy sp. z o.o. of all shares in the company INTERFERIE S.A. and Interferie Medical SPA sp. z o.o., revenues in the amount of PLN 167 million, details were presented in Note 4.13.

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 2022, the turnover from these transactions amounted to PLN 2 701 million (from 1 January to 30 September 2021: PLN 1 408 million), and, as at 30 September 2022, the unsettled balance of liabilities from these transactions amounted to PLN 253 million (as at 31 December 2021: PLN 224 million),
- sales to Polish State Treasury Companies. In the period from 1 January to 30 September 2022, the turnover from these sales amounted to PLN 375 million (from 1 January to 30 September 2021: PLN 171 million), and, as at 30 September 2022, the unsettled balance of receivables from these transactions amounted to PLN 110 million (as at 31 December 2021: PLN 24 million).

Remuneration of the Supervisory Board of the Parent Entity (in PLN thousands)	from 1 January 2022 to 30 September 2022	from 1 January 2021 to 30 September 2021
Remuneration due to service in the Supervisory Board, salaries and other current employee benefits	1 538	1 325
Remuneration of the Management Board of the Parent Entity (in PLN thousands)	from 1 January 2022 to 30 September 2022	from 1 January 2021 to 30 September 2021
Salaries and other current employee benefits due to serving in the function	9 514	8 240
Benefits due to termination of employment	90	496
Total	9 604	8 736
Remuneration of other key managers (in PLN thousands)	from 1 January 2022 to 30 September 2022	from 1 January 2021 to 30 September 2021
Salaries and other current employee benefits	2 482	2 426

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 4.11 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 2022	Increase/(decrease) since the end of the last financial year
Contingent assets	376	(133)
Guarantees received	194	(131)
Promissory notes receivables	140	6
Other	42	(8)
Contingent liabilities	528	62
Note 4.8 Guarantees and letters of credit	266	87
Note 4.8 Promissory note liabilities	158	(15)
Property tax on underground mine workings	34	(13)
Other	70	3
Other liabilities not recognised in the statement of financial position	112	13
Liabilities towards local government entities due to expansion of the tailings storage facility	112	13

Note 4.12 Changes in working capital

	Inventories	Trade receivables	Trade payables	Similar payables - reverse factoring	Working capital
As at 1 January 2022	(6 487)	(1 026)	3 106	95	(4 312)
As at 30 September 2022	(8 160)	(1 318)	3 223	42	(6 213)
Change in the statement of financial position	(1 673)	(292)	117	(53)	(1 901)
Exchange differences from the translation of statements of operations with a functional currency other than PLN	132	59	(39)	-	152
Depreciation/amortisation recognised in inventories	89	-	-	-	89
Change in payables due to the purchase of property, plant and equipment and intangible assets	-	-	209	-	209
Reclassification to property, plant and equipment	(29)	-	-	-	(29)
As at the date of loss of control	(94)	(20)	78	-	(36)
Adjustments	98	39	248	-	385
Change in the statement of cash flows	(1 575)	(253)	365	(53)	(1 516)

	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)
due to assets held for sale (disposal group) and liabilities associated with disposal group	(2)	(18)	(3)	-	(23)

Note 4.13 Assets held for sale (disposal group) and liabilities associated with them

In the current period, the sale of assets held for sale (disposal group) and liabilities associated with them of the companies S.C.M. Franke, Interferie S.A. and Interferie Medical SPA sp. z o.o. was carried out as well as a reclassification of assets held for sale (disposal group) and liabilities associated with them of Carlota Copper Company to continued operations. Details are described below.

Note 4.13.1. S.C.M. Franke and Carlota Copper Company

On 26 April 2022 subsidiaries of KGHM International Ltd., i.e. Franke Holdings Ltd. and Centenario Holdings Ltd., signed an agreement for the sale of 100% of the shares of the company Sociedad Contractual Minera Franke, being the owner of the Franke mine in Chile, to the company Minera Las Cenizas S.A. for the negotiated initial purchase price of USD 25 million.

In accordance with the sale agreement, the negotiated initial purchase price was adjusted by, among others, the change in net working capital, cash and borrowings between 31 March 2022 and the transaction date. The initial adjusted purchase price for 100% of the shares of S.C.M. Franke amounted to USD 23 million (payable in cash). The carrying amount of assets and liabilities that were subject to the sales transaction as at the transaction date amounted to USD 19 million.

Apart from the initial payment (initial purchase price), the pricing mechanism reflects contingent payments in the maximum amount of USD 45 million. Taking into account the probability of receiving these payments and the period of their realisation, they were measured in the discounted amount of USD 13 million and recognised in gain on disposal.

Gains on the disposal of S.C.M. Franke were recognised in "Other operating income".

Settlement of the transaction for the sale of S.C.M. Franke

Initial purchase price (USD million)	25
Change in net working capital, cash and borrowings between 31 March 2022 and 26 April 2022 (USD million)	(2)
Initial adjusted purchase price (USD million)	23
Carrying amount of assets and liabilities that were subject to the sales transaction (USD million)	19
Measurement of contingent payments (USD million)	13
Gain on disposal (USD million)	17
Gain on disposal (PLN million)	72
Exchange differences reclassified from other comprehensive income to gains on disposal (PLN million)	64
Gain on disposal in the consolidated statement of profit or loss (PLN million)	136

As at 30 June 2022, the criteria set forth in IFRS 5 under which Carlota Copper Company was classified as an asset held for sale were reassessed. As a result of the analysis conducted, the Management Board of the Parent Entity as at 30 June 2022 reclassified the assets and liabilities of the company to continued activities, because currently the sale is not highly probable. The process of selling the mining assets of Carlota Copper Company was not completed.

In accordance with IFRS 5.27, the recoverable amount of the assets of Carlota Copper Company was determined immediately following the reclassification. There were no substantial differences compared to the carrying amount as at 30 June 2022.

As at 30 September 2022, as a result of an analysis carried out, no indications have been identified indicating a change in the status of Carlota Copper Company.

The activities of the companies S.C.M. Franke and Carlota Copper Company were presented as part of the segment Other segments.

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

Financial data of S.C.M. Franke and Carlota Copper Company are presented in the tables below:

Main groups of assets and liabilities classified to disposal Group

	As at 26 April 2022 (sale date - date of loss of control)	As at 31 December 2021 (presentation under assets and liabilities classified to disposal Group)	
	S.C.M. Franke	S.C.M. Franke	Carlota Copper Company
ASSETS			
Mining and metallurgical intangible assets	125	116	3
Other financial instruments measured at amortised cost	2	3	-
Non-current assets	127	119	3
Inventories	91	87	62
Trade receivables, including:	14	13	-
trade receivables measured at fair value through profit or loss	14	13	-
Tax assets	5	3	-
Other non-financial assets	15	3	-
Cash and cash equivalents	8	5	-
Current assets	133	111	62
TOTAL ASSETS IN DISPOSAL GROUP	260	230	65
LIABILITIES			
Borrowings, leases and debt securities	-	-	1
Provisions for decommissioning costs of mines and other technological facilities	91	75	214
Non-current liabilities	91	75	215
Borrowings, leases and debt securities	1	2	1
Trade payables	58	26	7
Employee benefits liabilities	6	5	3
Tax liabilities	1	1	-
Provisions for liabilities and other charges	-	-	1
Other liabilities	18	21	4
Current liabilities	84	55	16
TOTAL LIABILITIES IN DISPOSAL GROUP	175	130	231

Statement of profit or loss of operations held for sale

	from 1 January 2022 to 26 April 2022	from 1 January 2021 to 30 September 2021	
	S.C.M. Franke	S.C.M. Franke	Carlota Copper Company
Revenues	132	332	154
Costs	(197)	(289)	(86)
Profit/(loss) on operating activities	(65)	43	68
Finance costs	(1)	(2)	(4)
Profit/(loss) before income tax	(66)	41	64
Income tax expense	-	-	-
PROFIT/(LOSS) FOR THE PERIOD	(66)	41	64

Cash flow of operations held for sale

	from 1 January 2022 to 26 April 2022	from 1 January 2021 to 30 September 2021	
	S.C.M. Franke	S.C.M. Franke	Carlota Copper Company
Net cash generated from/(used in) operating activities, including:	(40)	(7)	3
<i>change in provision for decommissioning of mines</i>	10	(17)	(4)
Net cash used in investing activities	-	(5)	(2)
Net cash generated from/(used in) financing activities	42	(2)	(1)
TOTAL NET CASH FLOW	2	(14)	-

Note 4.13.2. INTERFERIE S.A. and Interferie Medical SPA Sp. z o.o.

On 21 February 2022, KGHM VII Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych (hereafter: the Fund), with 100% of its Investment Certificates held by KGHM Polska Miedź S.A., sold all of its directly held shares in the company Interferie Medical SPA Sp. z o.o. with its head office in Legnica, that is 41 309 shares representing 67.37% of the share capital and the same percent of votes at the shareholders' meeting, to Polski Holding Hotelowy sp. z o.o. The Fund's indirect subsidiary – INTERFERIE S.A. – held the remaining 32.63% of the share capital of the company Interferie Medical SPA Sp. z o.o.

On 28 February 2022, as a result of the settlement of the call for the sale of shares of INTERFERIE S.A. (hereafter "the company"), announced by Polski Holding Hotelowy sp. z o.o., the portfolio companies of the Fund: Fundusz Hotele 01 Sp. z o.o. S.K.A. and Fundusz Hotele 01 Sp. z o.o sold all of their shares in the company, that is in total 10 152 625 shares, representing 69.71% of the share capital and the same percent of votes at the general meeting.

Due to the above, neither the Parent Entity nor any entities of the Group has any shares in the companies INTERFERIE S.A. and Interferie Medical SPA Sp. z o.o.

The total sale price for the shares of both companies (payable in cash) amounted to PLN 167 million and exceeded the value of net assets attributable to the Group by PLN 37 million. The result on the sale (profit) was recognised in the item „Other operating income”.

Activities of the companies Interferie S.A. and Interferie Medical SPA Spółka z o.o. were presented in the segment - Other segments.

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

Financial data of INTERFERIE S.A. and Interferie Medical SPA Sp. z o.o. are presented in the tables below:

Main groups of assets and liabilities classified as held for sale
(The following data includes net assets attributable to non-controlling interest)

	As at 28 February 2022	As at 31 December 2021
ASSETS		
Other property, plant and equipment	244	244
Other property, plant and equipment and intangible assets	244	244
Non-current assets	244	244
Inventories	1	1
Trade receivables	2	2
Tax assets	1	1
Other non-financial assets	3	-
Cash and cash equivalents	15	15
Current assets	22	19
TOTAL ASSETS IN DISPOSAL GROUP	266	263
LIABILITIES		
Borrowings, leases and debt securities	65	65
Employee benefits liabilities	1	1
Other liabilities	6	3
Non-current liabilities	72	69
Borrowings, leases and debt securities	12	16
Trade payables	6	7
Employee benefits liabilities	1	4
Tax liabilities	4	1
Other liabilities	5	4
Current liabilities	28	32
TOTAL LIABILITIES IN DISPOSAL GROUP	100	101

Statement of profit or loss of operations held for sale

	from 1 January 2022 to 28 February 2022	from 1 January 2021 to 30 September 2021
Revenues	14	-
Costs	(15)	-
Profit/(loss) on operating activities	(1)	-
Finance costs	-	-
Profit/(loss) before income tax	(1)	-
Income tax expense	-	-
PROFIT/(LOSS) FOR THE PERIOD	(1)	-

Cash flow of operations held for sale

	from 1 January 2022 to 28 February 2022	from 1 January 2021 to 30 September 2021
Net cash generated from operating activities	1	-
Net cash used in investing activities	(1)	-
Net cash generated from/(used in) financing activities	-	-
TOTAL NET CASH FLOW	-	-

Note 4.13.3 The Oxide project in the KGHM INTERNATIONAL LTD. Group

In the fourth quarter of 2021, an agreement on the sale of the Oxide project, which was held by the subsidiary KGHM Chile SpA, to Sierra Gorda S.C.M. was concluded between KGHM Polska Miedź S.A. and the other partner in the joint venture Sierra Gorda S.C.M. – Sumitomo (Sumitomo Metal Mining Co., Ltd. and Sumitomo Corporation). On 15 December 2021 the sales agreement was signed, with the sale date set at 1 January 2022.

As at 31 December 2021 the Oxide project was reclassified from intangible assets not yet available for use (assets related to exploration and evaluation of mineral resources) to non-current assets held for sale.

The cash inflow from the sale transaction took place on 4 March 2022. The profit on the sale in the amount of PLN 135 million was recognised in the item "Other operating income".

Pursuant to the accounting policy adopted by the Group, the Group's share in unrealised profit on the transaction between the Group and the entity accounted for using the equity method decreased the profit due to this transaction in correspondence with the carrying amount of the Group's interest in this entity. Since as at 30 September 2022 the carrying amount of the Group's interest in the joint venture Sierra Gorda S.C.M. amounts to PLN 0, elimination of the unrealised profit proportionally to the Group's interest (55%) will be recognised when the carrying amount of the Group's interest in Sierra Gorda S.C.M. is above the level of PLN 0.

5 – Additional information to the consolidated quarterly report

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

In the current reporting period, the following subsidiaries were sold: Interferie S.A. and Interferie Medical SPA Sp. z o.o. as well as a subsidiary of the KGHM INTERNATIONAL LTD. Group – Sociedad Contractual Minera Franke. Detailed information on these transactions is presented in Note 4.13. Assets held for sale (disposal group) and liabilities associated with them.

Moreover, in the third quarter of 2022 the process of reorganisation was completed within the Group with respect to the KGHM VII FIZAN's portfolio companies. The Extraordinary Partners Meeting of the direct subsidiary CUPRUM Nieruchomości sp. z o.o. increased the entity's share capital by the amount of PLN 368 million. At the same time, the name of the company was changed from CUPRUM Nieruchomości sp. z o.o. to CUPRUM Zdrowie sp. z o.o. and sales transactions were concluded by KGHM VII FIZAN to CUPRUM Zdrowie sp. z o.o. of shares in all of the Fund's portfolio companies, including four spa companies: Uzdrowiska Kłodzkie S.A. - Grupa PGU, Uzdrowisko Połczyn Grupa PGU S.A., Uzdrowisko Cieplice Sp. z o.o. - Grupa PGU, Uzdrowisko Świeradów - Czarniawa Sp. z o.o. – Grupa PGU.

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 a paid (declared) dividend, total and per share

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

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.

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 2022, 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 2022.

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 2022

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 2022.

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 2022

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 2022.

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

In the claim dated 26 September 2007, Plaintiffs (14 natural persons) filed a claim against KGHM Polska Miedź S.A. (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 KGHM on 18-19 June 2019. KGHM Polska Miedź S.A. filed a cassation appeal against the judgment of the court of second instance, i.e. with respect to the partially upheld principal claim in the amount of approx. PLN 24 million as well as with respect to the dismissed counter-claim in the amount of approx. PLN 25 million. The plaintiffs did not file a cassation appeal. The proceedings in front of the Supreme Court were registered and received a file reference number.

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 2022 to 30 September 2022, 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 a subsidiary thereof, if the total amount of existing guarantees or sureties is significant

In the third quarter of 2022, KGHM Polska Miedź S.A. and its subsidiaries did not grant sureties on bank and other loans and did not issue guarantees - jointly to a single entity or a subsidiary thereof - for which the total value of the existing sureties or guarantees is significant.

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

In the third quarter of 2022 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 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) the ongoing war in Ukraine and the system of economic sanctions and their potential impact on:
 - i) higher prices of fuels and energy carriers,
 - ii) interruptions in the supply chain and the availability of materials (e.g. steel), fuels and energy on international markets,
- b) the dynamic political situation in Chile and its potential impact on the tax burden related to the activities conducted there,
- c) the possible global economic slowdown or recession,
- d) a subsequent wave of the COVID-19 pandemic and its potential for interruptions to the continuity of operations or restrictions in activities,
- e) exceptional legal changes (e.g. special laws) due to the ongoing war in Ukraine or the COVID-19 pandemic,
- f) volatility in copper and silver prices on the metals markets,
- g) volatility in the USD/PLN exchange rate,
- h) 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,
- i) the effects of the implemented hedging policy,
- j) the general uncertainty on financial markets, and
- k) an increase in the prices of materials and services.

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

- a) similarly as in the case of the Parent Entity, the ongoing war in Ukraine and the global COVID-19 pandemic as well as potential impact of these factors on business continuity disruptions or business restrictions,
- b) the possible global economic slowdown or recession,
- c) volatility in copper, silver, gold and molybdenum prices,
- d) volatility in the CLP/USD and USD/PLN exchange rates,
- e) volatility in mined copper production costs, and
- f) an increase in the prices of materials and services.

Taking into consideration the ongoing military conflict in Ukraine, the risk of a subsequent wave of the COVID-19 pandemic and inflation observed, there still remains uncertainty regarding the directions of development of the economic and social situation in Europe and globally. The above may affect the results of the Group in subsequent quarters. It is not possible however to provide quantitative estimates of the potential impact of current conditions on the results of the Group. To date there has not yet been recorded a substantial, negative impact of above-mentioned factors on the continuity of the Core Production Business, sales or the continuity of the materials and services supply chain. However, their future negative impact cannot be excluded over subsequent quarters, especially in the context of conducting business in conditions of rising prices and a fluctuating demand and supply conditions or logistic restrictions.

The situation in Ukraine, in particular the conclusion of the conflict, will be important for the domestic and global economy, which could have a positive impact on the stability of the international fuel and energy market and the stability of the supply chain. The Parent Entity 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 actions to mitigate this impact.

Note 5.6 Market capitalisation of KGHM Polska Miedź S.A.

In the first 9 months of 2022, a general deterioration in sentiment was seen in stock markets due to the existing substantial uncertainty as to the development of the global macroeconomic situation in reaction to the start of the armed conflict in Ukraine and the tangible consequences of the COVID-19 (coronavirus) epidemic. As a result of these factors, amongst others, stock market indices suffered greatly. The share price of KGHM Polska Miedź S.A. in the first 9 months of 2022 fell by 35% compared to the share price at the end of 2021, and as at 30 September 2022 it amounted to PLN 87.66. During the same period the WIG and WIG 20 indices fell respectively by 34% and 39%. As a result, the Company's market capitalisation fell from PLN 27 880 million to PLN 17 532 million, which means that as at 30 September 2022 it remained 46% below the level of the Group's net assets.

Due to the fact that, during the reporting period, the Company's market capitalisation remained below the carrying amount of its net assets, in accordance with IAS 36 Impairment of assets, the Management Board of KGHM Polska Miedź S.A. performed an analysis to determine which areas of the KGHM Polska Miedź S.A. Group's activities may be impaired.

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

The drop in share prices affected companies in the majority of sectors, in many economies, and reflected investor uncertainty as to the future. In particular, the armed conflict in Ukraine led foreign investors to withdraw from areas bordering the conflict zone, which could be seen not only in the situation on the Warsaw stock exchange, but also on exchanges in the region, such as in Czechia, Slovakia and Hungary, and also has an impact on the substantial weakening of the PLN versus the USD.

From the point of view of the Company's operations, the key factor is first and foremost the copper price. In December 2021, the average price of copper amounted to 9 550 USD/t, while in September 2022 it amounted to 7 735 USD/t. The share prices of companies involved in the mining and processing of copper are strongly correlated with the price of this metal.

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

As a result of the assessment, it was judged that there was no relation between the fall in share price of KGHM Polska Miedź S.A. both in terms of the activities of KGHM Polska Miedź S.A. in Poland as well as abroad. Consequently, there were no indications identified suggesting the risk of impairment of these assets, therefore there were no tests for impairment of these assets as at 30 September 2022.

Due to the uncertainty and the significant volatility of basic economic parameters, including metals prices and currency exchange rates, and dynamic development of the pandemic situation in Poland and globally, and its impact on the economic situation, the Parent Entity is continuously monitoring the global situation in order to assess its potential impact on the Group.

Note 5.7 Information on the impact of Covid-19 and/or the war in Ukraine 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

The most significant risk factors related to the COVID-19 pandemic and/or the war in Ukraine and impacting the Company's and the Group's activities are:

- increased absenteeism amongst employees of the core production line as a result of subsequent waves of the SARS CoV-2 virus,
- higher prices of fuels and energy carriers,
- interruptions in the supply chain and the availability of materials (e.g. steel), fuels and energy on international markets,
- interruptions and logistical restrictions as regards international transport,
- restrictions in certain sales markets, a drop in demand and optimisation of inventories of raw materials and finished products amongst customers,
- the possible global economic slowdown or recession,
- potential exceptional legal changes,
- volatility in copper and silver prices on the metals markets,
- volatility in molybdenum prices,
- volatility in the USD/PLN exchange rate,
- volatility in electrolytic copper production costs, including in particular due to the minerals extraction tax, changes in the value of purchased copper-bearing materials consumed and volatility in prices of energy carriers and electricity,
- the increase in prices of materials and services due to the observed high inflation,
- the effects of the implemented hedging policy, and
- the general uncertainty on financial markets and the impact of the economic crisis connected with the COVID-19 pandemic and ongoing conflict in Ukraine.

Evaluation of the key categories of risk which are impacted by the coronavirus pandemic and/or the war in Ukraine, underwent detailed analysis by the on-going monitoring of selected information in the areas of production, sales, supply chains, personnel management and finance, in order to support the process of reviewing the current financial and operating situation of the KGHM Polska Miedź S.A. Group. As a result, some of the aforementioned threats had a negative impact on the Group's operations and ultimately resulted in deviations from the achievement of the budget targets on the cost side of the KGHM Polska Miedź S.A. Group for the third quarter of 2022.

Impact on the metals market and shares price

From the Company's point of view, an effect of the COVID-19 pandemic and/or the war in Ukraine, is their impact on market risk related to volatility in metals prices and market indices in the reporting period. The Company's share price at the end of the third quarter of 2022 decreased by 26% compared to the price at the end of the second quarter of 2022 and by 37% compared to the end of 2021 and at the close of trading on 30 September 2022 amounted to PLN 87.66. During the same

periods the WIG index fell by 14% and 34%, and WIG20 index by 19% and 39%. As a result of changes in the share price, the Company's capitalisation decreased from PLN 27.88 billion at the end of 2021 to PLN 17.53 billion at the end of the third quarter of 2022 (details on the Company's capitalisation in Note 5.6.).

After a stable first quarter of 2022, the situation on the metals markets showed a downward trend. The average price of copper in the second quarter of 2022 decreased by 4.8% compared to the average price of copper in the first quarter of 2022, and the average price of copper in the third quarter decreased by 18.6% compared to the average price of copper in the second quarter of 2022. The average price of copper in the period from the first to third quarter of 2022 was 9 064 USD/t, which was higher than assumed in the budget.

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

The expected continuation in the near term of increases in prices of fuels and energy carriers may still be the main factor generating a further increase in cost of sales, selling costs and administrative expenses.

While individual deviations have been observed in the availability of raw and other materials, at present the KGHM Polska Miedź S.A. Group is not experiencing a substantial negative impact of this volatility on its operations. It cannot however be ruled out that a prolonged continuation of this armed conflict as well as the system of economic sanctions could have a substantially greater negative impact on suppliers and customers and lead to unfavourable deviations in the continuity of materials and services supply chains in the KGHM Polska Miedź S.A. Group as well as in the receipt of products, caused among others by logistical restrictions and availability of materials (e.g. steel), fuels and energy on international markets. Taking into consideration the continuity of supply of energy carriers (natural gas, coal, coke), at present the KGHM Polska Miedź S.A. Group does not experience a negative impact from the suspension of Russian natural gas, coal and coke deliveries, and is fully capable of maintaining the continuity of the Core Production Business and of all production processes.

Impact on the spa activities of the Group

The increased number of infections from the SARS-CoV-2 virus omicron variant recorded at the start of 2022, and in subsequent months the war in Ukraine, caused a temporary decline in the number of reservations and customer stays in the spa facilities. Nonetheless, beginning at the turn of April and May 2022, the situation systematically improved and stabilised. Starting from 16 May 2022, the state of epidemic was rescinded and was replaced by the state of epidemic threat, which remains in force until rescinded. Consequently, COVID-19 remains in the vicinity of the spas but no longer has a direct negative impact on the functioning of the market in which these companies operate. At the same time the financial forecasts of these companies for 2022 and subsequent years do not assume restrictions of their operations or any temporary suspensions in the operations of their spa facilities. However, at the start of 2022 new risks of a financial nature were identified for the operations of these companies. Market uncertainty and inflationary pressure have been exacerbated by the ongoing armed conflict in Ukraine which, while it does not directly impact these companies, does so indirectly - through its implications for the energy commodities market (electricity and natural gas prices) and the labour market, including the construction market, affect the situation of these companies.

In the third quarter of 2022 the spa companies achieved 107.5% of their planned revenues (with quantitative sales at the level of 99.4% of planned person-days). In comparison to the corresponding prior-year period, the revenues of these companies increased by 23%. The improvement in revenues was due to factors such as higher realised prices for curative stays for a commercial customer, an increase in rates for contracts financed by the National Health Fund (Narodowy Fundusz Zdrowia) starting from April (4.5%) due to a weakening of the impact of inflation and minimalization of the impact of higher maintenance costs of facilities, including higher electricity prices. A subsequent valorisation of contracts took place from July 2022, with its goal being to adapt the value of the contracts to higher labour costs, resulting from entry into force of an Act amending the Act on the manner of setting the lowest basic wage of certain employees working in spa entities.

The spa companies involved in curative activities, which are financed from public sources, take advantage of the protection arising from the law on particular solutions aimed at protecting consumers of natural gas due to the situation on the natural gas market. The protection provided by this law will be in force to the end of 2023. The financial obligations of the spas to their creditors and lessors in the third quarter of 2022 were regulated on time, while the improved results, despite the higher-than-expected costs of electricity, natural gas and debt servicing, had a positive impact on meeting the covenants included in the investment loan agreement with the Pekao S.A. bank.

As a result of the funds received from 2.0 Shield for Large Enterprises from the Polish Development Fund (PDF, Polski Fundusz Rozwoju) for periods in which the operations were shut down, in August 2022 Uzdrowisko Połczyn Grupa PGU S.A. and Uzdrowiska Kłodzkie S.A. – Grupa PGU settled the support received and received a remission of the loans. Other companies which received subsidies under the PDF's Financial Shield program for the SME sector are awaiting the decision of the PDF as to the settlement of the support.

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

The epidemic situation caused by COVID-19 did not have a significant impact on operations of the Company and other companies of the Group, and at the date of publication of this report the Management Board of the Parent Entity estimates the risk of loss of going concern caused by COVID-19 to still be low.

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

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

In the second quarter of 2022, the limited availability of Russian cathodes on European markets, alongside the sustained high consumption of copper in the markets, was one of the factors positively influencing the prices of individual copper products. However, since June 2022, a decline in copper prices in global markets has been observed. Despite the introduction of sanctions by the EU on 21 July 2022 regarding, inter alia, the ban on the import of gold from Russia, a downward trend in the prices of this metal is also observed. Additionally, the high dynamics of inflation in the economy and the tightening of the monetary policy raise concerns about the pace of economic development and the dynamics of metal prices in the fourth quarter of 2022. At present, it is not possible to estimate the impact of the described potential events on the possible profit for the period and the situation is continuously monitored and simultaneously all possible mitigation measures are used.

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

In terms of the availability of capital and the level of debt, KGHM Polska Miedź S.A. holds no bank loans drawn from institutions threatened with sanctions.

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

In terms of the other companies of the KGHM Polska Miedź S.A. Group, the situation in Ukraine in the third quarter of 2022 did not have a substantial impact on the operating results generated by these entities.

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 KGHM Polska Miedź S.A. Group and Sierra Gorda S.C.M., thanks to the implementation of a variety of preventative measures there were no production stoppages which would have been directly attributable to pandemic and/or the war in Ukraine. Therefore, the Group's copper, silver and molybdenum production in the period from first to third quarter of 2022 was higher than the level assumed in the budget.

KGHM Polska Miedź S.A. for years has applied procedures related to the monitoring of receivables. The timeliness of payments by customers is subject to daily reporting, while any potential recorded interruptions in cash flows from customers are immediately explained. In terms of sales, the majority of customers currently do not feel any strong negative impact from the previous waves of epidemic on their activities, thanks to which the trade payables towards the Parent Entity are paid on time, while the execution of deliveries to customers continues without major interruption.

The strategy of diversification of suppliers applied by the entire KGHM Polska Miedź S.A. Group and application of alternative solutions at the present time effectively mitigate the risk of interruptions in the supply chains of raw and other materials.

The Group is fully capable of meeting its financial obligations. The financial resources held by the Group and available borrowings guarantee its continued financial liquidity. The financing structure of the Group is 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 maintaining a stable spread of debt maturities and optimising its cost.

Due to the centralisation of the process of obtaining external financing for the needs of the entire Group, in order to transfer liquidity within the Group, a debt instrument in the form of owners loans is used to support the investment process, and the Group uses local and international cash pooling to service its daily operations.

At present, the Parent Entity does not identify of any significant risk of a breach in the financial covenants contained in external financing agreements, related to the COVID-19 pandemic and/or the war in Ukraine.

The Group continues to advance its investment projects in accordance with established schedules and therefore does not identify any increase in risk related to their continuation as a result of the coronavirus pandemic and/or the war in Ukraine.

During the reporting 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 epidemic.

In the Company, the process continued of implementing a comprehensive business continuity management system, which also enables a detailed breakdown of the scope of actions undertaken as regards managing corporate risk in terms of the risk of a catastrophic impact and the small probability of their occurrence.

Taking into consideration the risk of appearance of new mutations of the SARS-CoV-2 there is still moderate uncertainty as to the development of a subsequent autumn/winter wave of the COVID-19 pandemic and as a consequence of its impact on the economic and social situation in Poland and globally. The effectiveness of the adopted vaccines in relation to possible new mutations of the virus will be important for the domestic and global economies. The expected economic recovery in Poland and globally, as the epidemic situation improved, was slowed down by armed conflict in Ukraine, the impact of which on food security, high prices of energy and Producer Price Index, as well as problems with access to synthetic fertilizers, may not only completely halt the recovery of the global economy after the pandemic, but even trigger a global recession, the scale of which and its effects are currently impossible to estimate. The end of the war, in particular, will be significant for the domestic and global economy, and it could have a positive impact on the stability of prices of fuels and energy carriers on international markets. With respect to stability in the continuity of energy carriers supply chains, the directions of energy-climate geopolitics will be of importance, especially in the context of gaining independence by European countries from Russian deliveries of natural gas and coal and the effects of the plan adopted by the EU Member States to reduce natural gas consumption in winter. 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 5.8 Subsequent events

Changes in the Supervisory Board of the Parent Entity

On 7 October 2022, the Extraordinary General Meeting of KGHM Polska Miedź S.A. dismissed the following persons from the composition of the Supervisory Board of the Parent Entity:

- Piotr Dytko,
- Robert Kaleta,

as well as appointed the following persons to the composition of the Supervisory Board of KGHM Polska Miedź S.A.:

- Marek Wojtków,
- Radosław Zimroz.

Changes in the Management Board of the Parent Entity

On 11 October 2022, the Supervisory Board of KGHM Polska Miedź S.A. adopted resolutions on dismissal as of 11 October 2022 of the following Members of the Management Board of the Company:

- Marcin Chłudziński, President of the Management Board of KGHM Polska Miedź S.A.;
- Jerzy Paluchniak, Vice President of the Management Board of KGHM Polska Miedź S.A. (International Assets).

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

On 24 October 2022, the Management Board of the Parent Entity, on request of a shareholder (the State Treasury), convened the Extraordinary General Meeting of KGHM Polska Miedź S.A., which will take place on 24 November 2022, beginning at 11:00 a.m. at the head office of the Parent Entity in Lubin.

Appointment of a Member of the Management Board of the Parent Entity

On 4 November 2022, the Supervisory Board of the Company adopted a resolution on the appointment of Tomasz Zdzikot as of 4 November 2022 to serve in the function of President of the 11th term Management Board of KGHM Polska Miedź S.A., who thus ceased to serve as the Vice President of the Management Board (Development) of KGHM Polska Miedź S.A. At the same time, the Supervisory Board temporarily entrusted him with the duties of the Vice President of the Management Board (Development) of KGHM Polska Miedź S.A.

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

STATEMENT OF PROFIT OR LOSS

	from 1 July 2022 to 30 September 2022	from 1 January 2022 to 30 September 2022	from 1 July 2021 to 30 September 2021	from 1 January 2021 to 30 September 2021	
Note 1	Revenues from contracts with customers	6 572	21 783	5 826	17 970
Note 2	Cost of sales	(5 626)	(17 529)	(4 788)	(13 993)
	Gross profit	946	4 254	1 038	3 977
Note 2	Selling costs and administrative expenses	(317)	(881)	(282)	(727)
	Profit on sales	629	3 373	756	3 250
Note 3	Other operating income, including:	1 158	2 973	626	3 972
	interest income calculated using the effective interest rate method	96	253	93	222
	reversal of impairment losses on financial instruments	(10)	182	26	534
Note 3	Other operating costs, including:	(351)	(773)	(222)	(775)
	impairment losses on financial instruments	(2)	(6)	(3)	(11)
Note 4	Finance income	-	47	-	35
Note 4	Finance costs	(355)	(763)	(168)	(412)
	Profit before income tax	1 081	4 857	992	6 070
	Income tax expense	(351)	(1 319)	(366)	(1 218)
	PROFIT FOR THE PERIOD	730	3 538	626	4 852
	Weighted average number of ordinary shares (million)	200	200	200	200
	Basic and diluted earnings per share (in PLN)	3.65	17.69	3.13	24.26

STATEMENT OF COMPREHENSIVE INCOME

	from 1 July 2022 to 30 September 2022	from 1 January 2022 to 30 September 2022	from 1 July 2021 to 30 September 2021	from 1 January 2021 to 30 September 2021
Profit for the period	730	3 538	626	4 852
Measurement of hedging instruments net of the tax effect	(197)	714	630	(134)
Other comprehensive income, which will be reclassified to profit or loss	(197)	714	630	(134)
Measurement of equity financial instruments at fair value through other comprehensive income, net of the tax effect	(209)	(93)	(1)	112
Actuarial gains/(losses) net of the tax effect	(174)	(273)	102	155
Other comprehensive income, which will not be reclassified to profit or loss	(383)	(366)	101	267
Total other comprehensive net income	(580)	348	731	133
TOTAL COMPREHENSIVE INCOME	150	3 886	1 357	4 985

STATEMENT OF CASH FLOWS

	from 1 January 2022 to 30 September 2022	from 1 January 2021 to 30 September 2021
Cash flow from operating activities		
Profit before income tax	4 857	6 070
Depreciation/amortisation recognised in profit or loss	1 064	1 015
Interest on investment activities	(196)	(214)
Other interests	89	83
Dividend income	(29)	(37)
Fair value gains on financial assets measured at fair value through profit or loss	(789)	(1 300)
Impairment losses on non-current assets	3	22
Reversal of impairment losses on non-current assets	(182)	(1 492)
Exchange differences, of which:	(469)	62
from investing activities and cash	(1 085)	(222)
from financing activities	616	284
Change in provisions for decommissioning of mines, employee benefits liabilities and other provisions	52	37
Change in other receivables and liabilities other than working capital	(295)	525
Change in assets and liabilities due to derivatives	(404)	(1 407)
Reclassification of other comprehensive income to profit or loss due to the realisation of hedging derivatives	474	1 454
Note 6 Other adjustments	81	15
Exclusions of income and costs, total	(601)	(1 237)
Income tax paid	(1 383)	(540)
Note 5 Changes in working capital, including:	(1 152)	(2 892)
change in trade payables transferred to factoring	(55)	(1 022)
Net cash generated from operating activities	1 721	1 401
Cash flow from investing activities		
Expenditures on mining and metallurgical assets, including:	(1 961)	(1 721)
paid capitalised interest on borrowings	(89)	(79)
Expenditures on other property, plant and equipment and intangible assets	(35)	(24)
Loans granted	(21)	(20)
Expenditures on financial assets designated for decommissioning of mines and other technological facilities	-	(23)
Advances granted on property, plant and equipment and intangible assets	(36)	(12)
Proceeds from disposal of equity instruments measured at fair value through other comprehensive income	-	53
Proceeds from financial assets designated for decommissioning of mines and other technological facilities	31	-
Dividends received	29	37
Proceeds from repayment of loans granted	1 013	447
Interests received on loans granted	22	95
Other	5	9
Net cash used in investing activities	(953)	(1 159)
Cash flow from financing activities		
Proceeds from borrowings	605	-
Proceeds from derivatives related to sources of external financing	42	18
Proceeds from cash pooling	-	126
Expenditures due to dividends paid to shareholders of the Company	(600)	(300)
Repayments of borrowings	(253)	(1 611)
Payment of interest, including:	(76)	(69)
borrowings	(76)	(61)
Expenditures on derivatives related to sources of external financing	(45)	(38)
Repayment of lease liabilities	(38)	(46)
Expenditures on cash pooling	(32)	-
Net cash used in financing activities	(397)	(1 920)
NET CASH FLOW	371	(1 678)
Exchange gains/(losses) on cash and cash equivalents	-	(64)
Cash and cash equivalents at the beginning of the period	1 332	2 135
Cash and cash equivalents at the end of the period, including	1 703	393
restricted cash	11	20

STATEMENT OF FINANCIAL POSITION

	As at 30 September 2022	As at 31 December 2021
ASSETS		
Mining and metallurgical property, plant and equipment	20 507	19 744
Mining and metallurgical intangible assets	1 197	1 093
Mining and metallurgical property, plant and equipment and intangible assets	21 704	20 837
Other property, plant and equipment	100	98
Other intangible assets	51	60
Other property, plant and equipment and intangible assets	151	158
Investments in subsidiaries	3 701	3 691
Loans granted, of which:	9 590	8 249
measured at fair value through profit or loss	3 459	2 959
measured at amortised cost	6 131	5 290
Derivatives	876	595
Other financial instruments measured at fair value through other comprehensive income	466	581
Other financial instruments measured at amortised cost	487	506
Financial instruments, total	11 419	9 931
Other non-financial assets	56	54
Non-current assets	37 031	34 671
Inventories	6 673	5 436
Trade receivables, including:	740	600
trade receivables measured at fair value through profit or loss	594	467
Tax assets	227	301
Derivatives	826	254
Cash pooling receivables	489	498
Other financial assets	432	289
Other non-financial assets	170	77
Cash and cash equivalents	1 703	1 332
Current assets	11 260	8 787
TOTAL ASSETS	48 291	43 458
EQUITY AND LIABILITIES		
Share capital	2 000	2 000
Other reserves from measurement of financial instruments	(1 049)	(1 670)
Accumulated other comprehensive income	(602)	(329)
Retained earnings	28 777	25 839
Equity	29 126	25 840
Borrowings, lease and debt securities	5 298	5 180
Derivatives	1 543	1 133
Employee benefits liabilities	2 323	2 040
Provisions for decommissioning costs of mines and other technological facilities	896	811
Deferred tax liabilities	471	290
Other liabilities	303	253
Non-current liabilities	10 834	9 707
Borrowings, lease and debt securities	1 279	382
Cash pooling liabilities	329	360
Derivatives	519	888
Trade and similar payables	2 503	2 613
Employee benefits liabilities	1 162	1 130
Tax liabilities	1 152	1 291
Provisions for liabilities and other charges	169	98
Other liabilities	1 218	1 149
Current liabilities	8 331	7 911
Non-current and current liabilities	19 165	17 618
TOTAL EQUITY AND LIABILITIES	48 291	43 458

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 2021	2 000	(1 390)	(872)	20 988	20 726
Transactions with owners - dividend	-	-	-	(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
As at 1 January 2022	2 000	(1 670)	(329)	25 839	25 840
Transactions with owners - dividend	-	-	-	(600)	(600)
Profit for the period	-	-	-	3 538	3 538
Other comprehensive income	-	621	(273)	-	348
Total comprehensive income	-	621	(273)	3 538	3 886
As at 30 September 2022	2 000	(1 049)	(602)	28 777	29 126

*PLN 18 million due to reclassification of the result of disposal of equity instruments measured at fair value through other comprehensive income was recognised in other comprehensive income.

Explanatory notes

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

	from 1 July 2022 to 30 September 2022	from 1 January 2022 to 30 September 2022	from 1 July 2021 to 30 September 2021	from 1 January 2021 to 30 September 2021
Europe				
Poland	1 562	5 486	1 530	4 217
Germany	1 295	4 256	793	2 652
Czechia	506	1 758	415	1 411
Italy	513	1 722	442	1 379
The United Kingdom	328	1 282	385	967
Hungary	338	1 151	283	872
France	251	632	88	685
Switzerland	266	598	175	443
Austria	108	396	113	325
Slovakia	38	134	30	90
Romania	34	112	66	223
Slovenia	26	104	36	117
Belgium	10	37	4	10
Bulgaria	5	24	9	31
Bosnia and Herzegovina	11	19	-	-
Estonia	4	11	1	10
The Netherlands	1	6	-	2
Denmark	-	2	8	24
Sweden	-	-	-	18
Other countries (dispersed sales)	5	7	-	1
North and South America				
The United States of America	299	766	297	1 130
Canada	13	42	3	13
Other countries (dispersed sales)	3	3	9	9
Australia				
Australia	189	588	251	766
Asia				
China	465	1 640	632	1 814
Thailand	54	360	89	335
Turkey	52	205	20	79
Vietnam	52	173	107	254
South Korea	64	64	-	29
Japan	1	63	-	-
Taiwan	22	45	-	-
Malesia	42	42	33	48
Philippines	-	-	-	4
Africa	15	55	7	12
TOTAL	6 572	21 783	5 826	17 970

Note 2 Expenses by nature

	from 1 July 2022 to 30 September 2022	from 1 January 2022 to 30 September 2022	from 1 July 2021 to 30 September 2021	from 1 January 2021 to 30 September 2021
Depreciation of property, plant and equipment and amortisation of intangible assets	376	1 117	363	1 079
Employee benefits expenses	1 168	3 488	1 083	3 152
Materials and energy, including:	3 291	10 241	2 541	7 561
metal-bearing materials	2 077	6 701	1 707	5 363
electrical and other energy	574	1 506	351	946
External services, including:	548	1 554	457	1 339
transport	84	241	67	206
repairs, maintenance and servicing	174	482	134	388
mine preparatory work	145	416	131	382
Minerals extraction tax	647	2 300	904	2 539
Other taxes and charges	112	347	189	472
Revaluation of inventories	(17)	(34)	(8)	10
Other costs	30	92	26	81
Total expenses by nature	6 155	19 105	5 555	16 233
Cost of merchandise and materials sold (+)	201	331	81	212
Change in inventories of finished goods and work in progress (+/-)	(356)	(875)	(526)	(1 606)
Cost of manufacturing products for internal use of entity (-)	(57)	(151)	(40)	(119)
Total costs of sales, selling costs and administrative expenses, of which:	5 943	18 410	5 070	14 720
Cost of sales	5 626	17 529	4 788	13 993
Selling costs	43	127	37	115
Administrative expenses	274	754	245	612

Note 3 Other operating income and (costs)

	from 1 July 2022 to 30 September 2022	from 1 January 2022 to 30 September 2022	from 1 July 2021 to 30 September 2021	from 1 January 2021 to 30 September 2021
Gains on derivatives, of which:	74	280	33	314
measurement	6	170	(18)	230
realisation	68	110	51	84
Exchange differences on assets and liabilities other than borrowings	600	1 296	229	376
Interest on loans granted and other financial receivables	97	254	94	225
Fees and charges on re-invoicing of costs of bank guarantees securing payments of liabilities	18	30	6	67
Reversal of allowances for impairment of financial instruments measured at amortised cost, including:	(10)	182	26	534
loans	23	182	26	482
Fair value gains on financial assets measured at fair value through profit or loss, including:	337	806	175	1 313
loans	336	793	177	1 312
Reversal of impairment losses on shares in subsidiaries	-	-	-	1 010
Release of provisions	1	10	5	15
Dividend income	29	29	-	37
Government grants received	2	9	1	1
Other	10	77	57	80
Total other operating income	1 158	2 973	626	3 972
	-			
Losses on derivatives, of which:	(176)	(375)	(178)	(592)
measurement	(70)	(105)	(42)	(144)
realisation	(106)	(270)	(136)	(448)
Fair value losses on financial assets measured at fair value through profit or loss, including:	55	(81)	(5)	(84)
trade receivables	55	(81)	(8)	(74)
Impairment losses on financial instruments measured at amortised cost	(2)	(6)	(3)	(11)
Financial support granted to municipalities	(99)	(99)	-	-
Provisions recognised	(80)	(90)	(16)	(30)
Donations granted	(19)	(33)	(9)	(16)
Compensations, fines and penalties paid and costs of litigation	(5)	(20)	(1)	(1)
Losses on disposal of property, plant and equipment (including costs associated with disposal of fixed assets)	(2)	(14)	(3)	(6)
Other	(23)	(55)	(7)	(35)
Total other operating costs	(351)	(773)	(222)	(775)
Other operating income and (costs)	807	2 200	404	3 197

Note 4 Finance income and (costs)

	from 1 July 2022 to 30 September 2022	from 1 January 2022 to 30 September 2022	from 1 July 2021 to 30 September 2021	from 1 January 2021 to 30 September 2021
Gains on derivatives - realisation	-	47	-	35
Total finance income	-	47	-	35
Interest on borrowings, including:	(30)	(65)	(14)	(62)
leases	(2)	(7)	(2)	(6)
Fees and charges due to external financing	(7)	(24)	(6)	(21)
Exchange differences on measurement and realisation of borrowings	(315)	(616)	(146)	(284)
Losses on derivatives, of which:	-	(51)	-	(39)
measurement	-	-	-	(1)
realisation	-	(51)	-	(38)
Unwinding of the discount effect	(3)	(7)	(2)	(6)
Total finance costs	(355)	(763)	(168)	(412)
Finance income and (costs)	(355)	(716)	(168)	(377)

Note 5 Changes in working capital

	Inventories	Trade receivables	Trade payables	Similar payables - reverse factoring	Working capital
As at 1 January 2022	(5 436)	(600)	2 745	55	(3 236)
As at 30 September 2022	(6 673)	(740)	2 687	-	(4 726)
Change in the statement of financial position	(1 237)	(140)	(58)	(55)	(1 490)
Depreciation/amortisation recognised in inventories	47	-	-	-	47
Liabilities due to purchase of property, plant and equipment and intangible assets	(1)	-	292	-	291
Adjustments	46	-	292	-	338
Change in the statement of cash flows	(1 191)	(140)	234	(55)	(1 152)

	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
Liabilities due to purchase of property, plant and equipment and intangible assets	-	-	266	52	318
Liabilities due to interest 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)

Note 6 Other adjustments in the statement of cash flows

	from 1 January 2022 to 30 September 2022	from 1 January 2021 to 30 September 2021
Proceeds from income tax from the tax group companies	62	19
Losses on disposal of property, plant and equipment and intangible assets	14	6
Losses due to measurement and realisation of derivatives related to sources of external financing	4	4
Gains on disposal of shares and investment certificates	(2)	(12)
Other	3	(2)
Total	81	15

SIGNATURES OF ALL MEMBERS OF THE MANAGEMENT BOARD

This report was authorised for issue on 16 November 2022

President
of the Management Board

Tomasz Zdzikot

Vice President
of the Management Board

Andrzej Kensbok

Vice President
of the Management Board

Marek Pietrzak

Vice President
of the Management Board

Marek Świder

SIGNATURE OF PERSON RESPONSIBLE FOR ACCOUNTING

Executive Director
of the Accounting Services Centre
Chief Accountant

Agnieszka Sinior