POLISH FINANCIAL SUPERVISION AUTHORITY

Consolidated annual report SRR 2023

(in accordance with § 60 sec. 2 of the Decree regarding current and periodic information)

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

for the financial year **2023** comprising the period from **1 January 2023** to **31 December 2023** containing the consolidated financial statements according to International Financial Reporting Standards in PLN.

publication date: 24 April 2024

KGHM Polska Miedź Spółka Akcyjna
(name of the issuer)

KGHM Polska Miedź S.A.	**Mining**
(name of the issuer in brief)	(issuer branch title per the Warsaw Stock Exchange)
59 – 301	**LUBIN**
(postal code)	(city)
M. Skłodowskiej – Curie	**48**
(street)	(number)
(+48) 76 7478 200	**(+48) 76 7478 500**
(telephone)	(fax)
ir@kghm.com	**www.kghm.com**
(e-mail)	(www)
6920000013	**390021764**
(NIP)	(REGON)
G30CO71KTT9JDYJESN22	**23302**
(LEI)	(KRS)

PricewaterhouseCoopers Polska Spółka z ograniczoną odpowiedzialnością Audyt Sp.k.
(auditing company)

	SELECTED FINANCIAL DATA	in PLN mn		in EUR mn	
		2023	2022	2023	2022
I.	Revenues from contracts with customers	33 467	33 847	7 390	7 219
II.	(Loss)/profit on sales	(1 640)	4 344	(362)	927
III.	(Loss)/profit before income tax	(3 600)	6 489	(795)	1 384
IV.	(Loss)/profit for the period	(3 691)	4 774	(815)	1 018
V.	(Loss)/profit for the period attributable to shareholders of the Parent Entity	(3 698)	4 772	(817)	1 018
VI.	Profit for the period attributable to non-controlling interest	7	2	2	-
VII.	Other comprehensive income	373	871	82	186
VIII.	Total comprehensive income	(3 318)	5 645	(733)	1 204
IX.	Total comprehensive income attributable to shareholders of the Parent Entity	(3 324)	5 643	(734)	1 204
X.	Total comprehensive income attributable to non-controlling interest	6	2	1	-
XI.	Number of shares issued	200 000 000	200 000 000	200 000 000	200 000 000
XII.	Net (loss)/earnings per ordinary share attributable to shareholders of the Parent Entity	(18.49)	23.86	(4.09)	5.09
XIII.	Net cash generated from operating activities	6 051	2 464	1 336	526
XIV.	Net cash used in investing activities	(4 798)	(2 695)	(1 060)	(575)
XV.	Net cash used in financing activities	(747)	(446)	(165)	(95)
XVI.	Total net cash flow	506	(677)	111	(144)
XVII.	Non-current assets	37 981	40 379	8 736	8 610
XVIII.	Current assets	13 402	13 065	3 082	2 786
XIX.	Total assets	51 383	53 444	11 818	11 396
XX.	Non-current liabilities	11 136	12 113	2 561	2 584
XXI.	Current liabilities	11 617	9 185	2 672	1 958
XXII.	Equity	28 630	32 146	6 585	6 854
XXIII.	Equity attributable to shareholders of the Parent Entity	28 565	32 089	6 570	6 842
XXIV.	Equity attributable to non-controlling interest	65	57	15	12

Average EUR/PLN exchange rate announced by the National Bank of Poland

	2023	2022
Average exchange rate for the period*	4.5284	4.6883
Exchange rate at the end of the period	4.3480	4.6899

**Exchange rates are the arithmetical average of the current average exchange rates announced by the National Bank of Poland on the last day of each month respectively of 2023 and 2022.*

Polish Financial Supervision Authority

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

CONSOLIDATED FINANCIAL STATEMENTS FOR 2023

Lubin, April 2024

Table of contents

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		from 1 January 2023 to 31 December 2023	from 1 January 2022 to 31 December 2022
Note 2.3	Revenues from contracts with customers	33 467	33 847
Note 4.1	Cost of sales	(32 907)	(27 541)
	Gross profit on sales	**560**	**6 306**
Note 4.1	Selling costs and administrative expenses	(2 200)	(1 962)
	(Loss)/profit on sales	**(1 640)**	**4 344**
Note 6.2	Gain due to the reversal of allowances for impairment of loans granted to a joint venture	101	873
Note 6.2	Interest income on loans granted to a joint venture calculated using the effective interest rate method	597	582
	Profit or loss on involvement in a joint venture	698	1 455
Note 4.2	Other operating income, including:	906	1 881
	other interest calculated using the effective interest rate method	56	54
	reversal of impairment losses on financial instruments	-	5
Note 4.2	Other operating costs, including:	(3 723)	(919)
	impairment losses on financial instruments	(4)	(5)
Note 4.3	Finance income	529	148
Note 4.3	Finance costs	(370)	(420)
	(Loss)/profit before income tax	**(3 600)**	**6 489**
Note 5.1	Income tax expense	(91)	(1 715)
	(LOSS)/PROFIT FOR THE PERIOD	**(3 691)**	**4 774**
	(Loss)/profit for the period attributable to:		
	Shareholders of the Parent Entity	(3 698)	4 772
	Non-controlling interest	7	2
	Weighted average number of ordinary shares (million)	**200**	**200**
	Basic/diluted (loss)/earnings per share (in PLN)	**(18.49)**	**23.86**

in PLN millions, unless otherwise stated

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		from 1 January 2023 to 31 December 2023	from 1 January 2022 to 31 December 2022
	(Loss)/profit for the period	**(3 691)**	**4 774**
Note 8.2.2	Measurement and settlement of hedging instruments net of the tax effect	451	1 354
	Exchange differences from translation of statements of operations with a functional currency other than PLN	(79)	(65)
	Other comprehensive income, which will be reclassified to profit or loss	**372**	**1 289**
Note 8.2.2	Measurement of equity financial instruments at fair value through other comprehensive income, net of the tax effect	253	(76)
	Actuarial losses net of the tax effect	(252)	(342)
	Other comprehensive income which will not be reclassified to profit or loss	**1**	**(418)**
	Total other comprehensive net income	**373**	**871**
	TOTAL COMPREHENSIVE INCOME	**(3 318)**	**5 645**
	Total comprehensive income attributable to:		
	Shareholders of the Parent Entity	(3 324)	5 643
	Non-controlling interest	6	2

in PLN millions, unless otherwise stated

CONSOLIDATED STATEMENT OF CASH FLOWS

		from 1 January 2023 to 31 December 2023	from 1 January 2022 to 31 December 2022
	Cash flow from operating activities		
	(Loss)/profit before income tax	(3 600)	6 489
Note 9.3	Depreciation/amortisation recognised in profit or loss	2 311	2 239
Note 6.2	Gain due to the reversal of allowances for impairment of loans granted to a joint venture	(101)	(873)
Note 6.2	Interest on loans granted to a joint venture	(597)	(582)
	Other interest	97	30
Part 3	Impairment losses on property, plant and equipment and intangible assets	4 036	147
	Other gains on reversal of impairment losses on property, plant and equipment and intangible assets	(56)	(3)
	Losses/(Gains) on disposal of property, plant and equipment and intangible assets	21	(108)
Note 9.9	Gain on disposal of subsidiaries	(1)	(180)
	Exchange differences, of which:	958	(661)
	from investment activities and cash	1 314	(838)
	from financing activities	(356)	177
	Change in provisions for decommissioning of mines, liabilities related to future employee benefits programs and other provisions	464	(56)
	Change in other receivables and liabilities other than working capital	(222)	(133)
	Change in assets and liabilities due to derivatives	906	(353)
Note 7.2	Reclassification of other comprehensive income to profit or loss due to the realisation of hedging derivatives	(285)	492
	Other adjustments	31	29
	Exclusions of income and costs, total	7 562	(12)
	Income tax paid	(1 646)	(1 696)
Note 10.4	Changes in working capital, including:	3 735	(2 317)
	change in trade payables transferred to factoring	2 868	(77)
	Net cash generated from operating activities	**6 051**	**2 464**
	Cash flow from investing activities		
Note 9.1.3	Expenditures on mining and metallurgical assets, including:	(4 112)	(3 678)
Note 8.4.2	paid capitalised interest on borrowings	(353)	(214)
	proceeds on settlement of an instrument hedging interest rate of bonds	102	-
	Expenditures on other property, plant and equipment and intangible assets	(664)	(440)
	Expenditures on financial assets designated for decommissioning of mines	(40)	-
	Advances granted on property, plant and equipment and intangible assets	(156)	(14)
	Expenditures on acquisition of subsidiaries	(7)	-
	Proceeds from financial assets designated for decommissioning of mines	2	26
	Proceeds from repayment of loans granted to a joint venture (principal)	28	358
	Proceeds from disposal of property, plant and equipment and intangible assets	41	394
	Proceeds from disposal of subsidiaries	1	243
	Interest received on loans granted to a joint venture	135	431
	Other	(26)	(15)
	Net cash used in investing activities	**(4 798)**	**(2 695)**
	Cash flow from financing activities		
Note 8.4.2	Proceeds from borrowings	1 673	677
	Proceeds from derivatives related to sources of external financing	70	130
Note 8.4.2	Repayment of received borrowings	(2 051)	(425)
Note 8.4.2	Repayment of lease liabilities	(83)	(59)
	Expenditures due to derivatives related to sources of external financing	(81)	(89)
	Interest paid, including:	(81)	(92)
Note 8.4.2	due to borrowings	(31)	(89)
	Dividends paid to shareholders of the Parent Entity	(200)	(600)
	Other	6	12
	Net cash used in financing activities	**(747)**	**(446)**
	NET CASH FLOW	**506**	**(677)**
	Exchange gains/(losses)	23	(27)
	Cash and cash equivalents at beginning of the period	1 200	1 904
	Cash and cash equivalents at end of the period, including:	**1 729**	**1 200**
	restricted cash	27	21

in PLN millions, unless otherwise stated

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 31 December 2023	As at 31 December 2022
	ASSETS		
	Mining and metallurgical property, plant and equipment	20 798	22 894
	Mining and metallurgical intangible assets	2 697	2 772
Note 9.1	Mining and metallurgical property, plant and equipment and intangible assets	23 495	25 666
	Other property, plant and equipment	2 941	2 746
	Other intangible assets	313	218
Note 9.2	Other property, plant and equipment and intangible assets	3 254	2 964
Note 6.2	Involvement in joint ventures – loans granted	9 096	9 603
Note 7.1	Derivatives	233	714
Note 7.3	Other financial instruments measured at fair value	905	606
Note 7.4	Other financial instruments measured at amortised cost	475	469
	Financial instruments, total	1 613	1 789
Note 5.1.1	Deferred tax assets	137	137
Note 12.3	Other non-financial assets	386	220
	Non-current assets	**37 981**	**40 379**
Note 10.1	Inventories	8 425	8 902
Note 10.2	Trade receivables, including:	932	1 177
	trade receivables measured at fair value through profit or loss	414	751
Note 5.3	Tax assets	985	367
Note 7.1	Derivatives	760	796
Note 12.3	Other financial assets	296	337
Note 12.3	Other non-financial assets	275	286
Note 8.5	Cash and cash equivalents	1 729	1 200
	Current assets	**13 402**	**13 065**
	TOTAL ASSETS	**51 383**	**53 444**
	EQUITY AND LIABILITIES		
Note 8.2.1	Share capital	2 000	2 000
Note 8.2.2	Other reserves from measurement of financial instruments	277	(427)
Note 8.2.2	Accumulated other comprehensive income, other than from measurement of financial instruments	1 482	1 812
Note 8.2.2	Retained earnings	24 806	28 704
	Equity attributable to shareholders of the Parent Entity	28 565	32 089
	Equity attributable to non-controlling interest	65	57
	Equity	**28 630**	**32 146**
Note 8.4.1	Borrowings, leases and debt securities	4 761	5 220
Note 7.1	Derivatives	202	719
Note 11.1	Employee benefits liabilities	3 117	2 621
Note 9.4	Provisions for decommissioning costs of mines and other technological facilities	1 923	1 859
Note 5.1.1	Deferred tax liabilities	646	1 151
Note 12.4	Other liabilities	487	543
	Non-current liabilities	**11 136**	**12 113**
Note 8.4.1	Borrowings, leases and debt securities	964	1 223
Note 7.1	Derivatives	499	434
Note 10.3	Trade and similar payables	6 188	3 094
Note 11.1	Employee benefits liabilities	1 709	1 699
Note 5.3	Tax liabilities	611	1 233
	Provisions for liabilities and other charges	194	173
Note 12.4	Other liabilities	1 452	1 329
	Current liabilities	**11 617**	**9 185**
	Non-current and current liabilities	**22 753**	**21 298**
	TOTAL EQUITY AND LIABILITIES	**51 383**	**53 444**

in PLN millions, unless otherwise stated

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

		Equity attributable to shareholders of the Parent Entity						
		Share capital	Other reserves from measurement of financial instruments	Accumulated other comprehensive income	Retained earnings	Total	Equity attributable to non-controlling interest	Total equity
	As at 31 December 2021	**2 000**	**(1 705)**	**2 219**	**24 532**	**27 046**	**92**	**27 138**
Note 12.2	Transactions with owners - Dividend	-	-	-	(600)	**(600)**	-	**(600)**
	Profit for the period	-	-	-	4 772	**4 772**	2	**4 774**
Note 8.2.2	Other comprehensive income	-	1 278	(407)	-	**871**	-	**871**
	Total comprehensive income	**-**	**1 278**	**(407)**	**4 772**	**5 643**	**2**	**5 645**
	Changes due to loss of control of subsidiaries	-	-	-	-	**-**	(37)	**(37)**
	As at 31 December 2022	**2 000**	**(427)**	**1 812**	**28 704**	**32 089**	**57**	**32 146**
	Transactions with non-controlling interest	-	-	-	-	**-**	2	**2**
Note 12.2	Transactions with owners - Dividend	-	-	-	(200)	**(200)**	-	**(200)**
	Profit/(loss) for the period	-	-	-	(3 698)	**(3 698)**	7	**(3 691)**
Note 8.2.2	Other comprehensive income	-	704	(330)	-	**374**	(1)	**373**
	Total comprehensive income	**-**	**704**	**(330)**	**(3 698)**	**(3 324)**	**6**	**(3 318)**
	As at 31 December 2023	**2 000**	**277**	**1 482**	**24 806**	**28 565**	**65**	**28 630**

Part 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 in Wrocław, Section IX (Economic) of the National Court Register, entry no. KRS 23302, on the territory of the Republic of Poland.

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

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

The Parent Entity's principal activities include:

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

In addition, the KGHM Polska Miedź S.A. Group ("the Group") conducts other activities, which are described in section 1.1.7 of the Management Board's Report on the activities of KGHM Polska Miedź S.A. and of the KGHM Polska Miedź S.A. Group in 2023.

The KGHM Polska Miedź S.A. Group carries out exploration and the mining of copper, nickel and precious metals based on concessions given for the Polish deposits to KGHM Polska Miedź S.A., and also based on legal titles held by companies of the KGHM INTERNATIONAL LTD. Group for the exploration for or mining of these resources in the USA, Canada and Chile. Detailed information is presented in the Management Board's report on the activities of KGHM Polska Miedź S.A and of the KGHM Polska Miedź S.A. Group in 2023 (sections 1.1.4 and 1.1.7).

In 2023, the Parent Entity of the Group consolidated 63 subsidiaries and used the equity method to account for the shares of two joint ventures (Sierra Gorda S.C.M. and NANO CARBON Sp. z o.o. in liquidation).

Note 1.2 Going concern

The consolidated financial statements were prepared under the assumption that the Group's companies will continue as a going concern during a period of at least 12 months from the end of the reporting period in a significantly unaltered form and business scope, and there are no reasons to suspect any intentional or forced discontinuation or significant limitation of its current activities. As at the date of signing of the consolidated financial statements the Management Board of the Parent Entity is not aware of any facts or circumstances that may cast doubt about the going concern in the foreseeable future.

Note 1.2.1 Monitored areas – macroeconomic conditions

The following macroeconomic factors have the most significant impact on the activities and financial results of the Group: copper and silver prices, prices of fuel, electricity and energy carriers as well as market interest rates, USD/PLN exchange rate, inflation manifested by fluctuations in prices of materials and services, which results in a salary pressure.

Stock prices of copper, silver and gold as well as the USD/PLN exchange rate shape the amount of revenues from sales and constitute a part of a market risk which is managed by the Group by, among others, derivatives transactions hedging the price as well as the exchange rate. Moreover, they have a significant impact on some of the Group's costs, while the following increases in prices have a direct impact on the level of costs: fuels, energy carriers and electricity, caused by a high inflation and disruptions in global supply chains. Furthermore, the level of market interest rates was reflected in the level of discount rates used by the Group in the balance sheet measurement of assets and liabilities recognised in the statement of financial position.

All of the aforementioned risk factors have an impact on the measurement of recoverable amount of the Group's assets, where of significance is not only the current volatility of commodities and exchange rates shaping the amount of revenues and a significant part of costs, but above all volatility of forecasts on shaping these factors in subsequent periods, since they have an impact on production and investment plans. Moreover, due to the long-term nature of mining and metallurgical assets, the applied discount rate, which remains under the influence of market interest rates, is of particular importance.

The description of impact of macroeconomic factors on individual areas of operations as well as assets and liabilities of the Group was presented in the following notes:

in PLN millions, unless otherwise stated

Impact observation areas	Note/Part
Operating segments and information on revenues – onerous contracts and variable overheads	2.3
Impairment of assets	Part 3
Receivables due to loans granted	6.2
Financial instruments – fair value	7.1
Market risk – price of commodities, exchange rate, interest rates, prices of energy and energy	7.5.1
Liquidity risk	8.1
Provision for decommissioning costs of mines and other technological facilities	9.4
Future employee benefits liabilities	Part 11

Note 1.2.2 Monitored areas – impact of COVID - 19

The Group did not record a negative impact due to factors related to the COVID – 19 pandemic during the reporting period, and the uncertainty related to their potential future impact in the subsequent periods is judged to be low.

Note 1.2.3 Monitored areas – impact of war in Ukraine

The ongoing armed conflict in Ukraine and the observed economic slowdown, especially in the largest global economies as well as the inflation and energy crisis, result in an uncertainty as to how the socio-economic situation will develop in Europe and the world.
The Parent Entity has the most significant impact on the activities and results of the KGHM Polska Miedź S.A. Group and is the most vulnerable to negative impact of the conflict in Ukraine.

Key risk categories

The most significant risk categories related to the war in Ukraine which impact the Group's operations are:

- interruptions in the supply chain and the availability of materials and components, fuels and energy on international markets,
- the possible recession of global economies as a result of the inflation and energy crisis, as well as the observed economic slowdown,
- volatility in copper and silver prices on the metals markets,
- volatility in the USD/PLN exchange rate,
- volatility in electrolytic copper production costs, including in particular due to the minerals extraction tax, changes in the value of consumed, purchased copper-bearing materials and volatility in prices of energy carriers and electricity,
- the general uncertainty on financial markets,
- continued price rises of fuels and energy carriers.

Evaluation of the key categories of risk which are impacted by the war in Ukraine underwent detailed analysis by the on-going monitoring of selected information in the areas of production, sales, supply chain, personnel management and finance, in order to support the process of reviewing the current financial and operating situation of the KGHM Polska Miedź S.A. Group. As a result, some of the aforementioned threats had a negative impact on the Group's operations and resulted in among others an increase in costs as compared to 2022. Details regarding the results of the operating segments may be found in Part 2.

Impact on the metals market and shares price

From the point of view of the Group, the war in Ukraine has an impact on market risk connected with volatility in metals prices and stock exchange indices during the reporting period. The level of the Parent Entity's market capitalisation continued to be lower than its net assets and it is one of the factors implying, among others, an occurrence of indications to conduct impairment testing of its production assets. The Company's share price at the end of 2023 rose by 10% compared to prices at the end of the third quarter of 2023 and fell by 3% compared to the end of 2022, and at the close of trading on 29 December 2023 amounted to PLN 122.70. As a result of changes in share prices, the Company's capitalisation decreased from PLN 25 350 million at the end of 2022 to PLN 24 540 million at the end of 2023.

Uncertainty related to the volatility on the metals market, in particular copper, is the main factor influencing the level of generated revenues and as a result it may have an impact on the financial result. The average price of copper during the year 2023 amounted to 8 478 USD/t, which was more than assumed in the budget. However, as compared to the average price of copper during 2022, it fell by 4%. Following the stable first quarter of 2023, the average price of copper in subsequent quarters was in a downward trend, which was reflected in the decrease in copper price of 9% in the fourth quarter as compared to the average price of copper in the first quarter of 2023. The average price of copper in the fourth quarter of 2023 amounted to 8 158 USD/t, which was at the level assumed in the budget.

Impact on the fuels and energy carriers market as well as the availability of raw and other materials

Currently, the Group still does not experience a significantly negative impact of volatility of supply chains on its business activities. It cannot be ruled out that the continuation of this armed conflict as well as the system of economic sanctions will have a substantial negative impact in subsequent periods on suppliers and customers of the Group and may 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 the 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 the present time, the KGHM Polska Miedź S.A. Group is not experiencing a negative impact from the suspension of Russian natural gas, coal and coke deliveries, and is fully capable of maintaining the continued operations of the core production business and of all production processes.

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

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

Despite the high level of inflation observed in the global economy, leading to a tightening of monetary policy, demand for the Company's key products in 2023 remained at a good level.

With respect to the availability of capital and the level of debt, the Group does not hold bank loans drawn from institutions threatened with sanctions.

Preventive actions in the Group

There were no production stoppages either in KGHM Polska Miedź S.A. or in any of the international mines of the KGHM Polska Miedź S.A. Group, including Sierra Gorda S.C.M., which could have been directly attributable to the war in Ukraine.

There have been no significant changes in the payment morality of customers, and therefore the receivables inflow to the Parent Entity takes place without any major disturbances.

The strategy of diversification of suppliers applied by the entire KGHM Polska Miedź S.A. Group and the use of alternative solutions effectively, at this point in time, mitigates the risk of interruptions in the supply chains of raw and other materials.

Due to the centralisation of the process of obtaining external financing for the entire Group's needs, the realisation of intra-group liquidity transfers is made using a debt instrument in the form of owner loans, which support the process of investment activities, and to support current activities the Group uses local and international cash pooling.

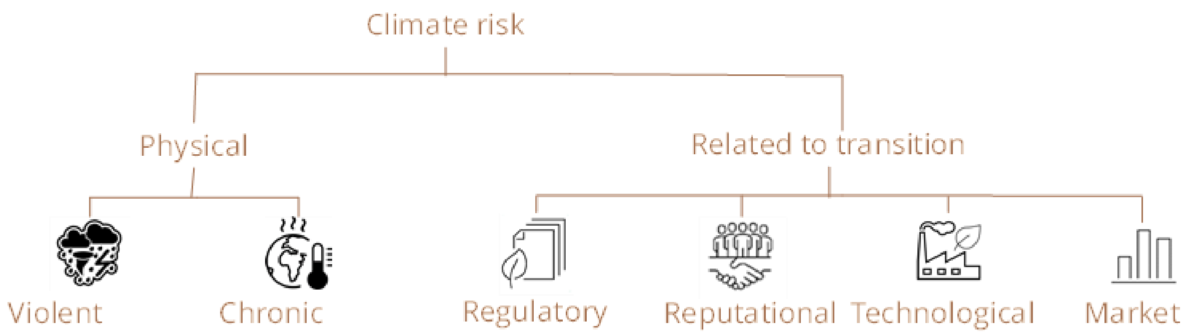
The Group continues to advance its investment projects in accordance with established schedules and therefore does not identify any increase in risk related to their continuation due to the war in Ukraine.

No significant, negative impact of the aforementioned factors has been recorded on the continued operations of the core production business, sales or continuity of the supply chain for materials and services yet. 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 1.2.4 Monitored areas – risks and hazards associated with climate change

The KGHM Polska Miedź S.A. Group (KGHM Group) is a conscious and responsible participant in the energy transition, and adaptation to climate changes and the management of climate risk are of key importance to it. The KGHM Group continuously evaluates the risk associated with the climate and the impact on its operations under the process of Corporate Risk Management of the KGHM Polska Miedź S.A. Group, which was described in more detail in the Management Board's report on the activities of KGHM Polska Miedź S.A. and of the KGHM Polska Miedź S.A. Group in 2023, section 4.2.

The negative impact of climate change on the activities of the KGHM Group is analysed using the classification presented below:



The KGHM Group is exposed to physical climate risk, arising from specified events, in particular related to violent and chronic weather phenomena resulting from changes in the climate, such as rainless days (droughts), strong/violent winds, increases in average daily temperature as well as permanent changes in weather patterns, which could impact the operations of the KGHM Group by, among others, through disruptions in the supply chain, the continuity of the core production business and an increase in operating costs directly related to the core business as well as through more difficult working conditions.

The climate risk related to the transition, to which the KGHM Group is exposed, arises from the need to adapt the economy to gradual climate change. This risk category comprises questions related to legal requirements, technological progress towards a low-carbon economy and changes in demand and supply for certain products and services, whose production is associated with the climate risk as well as the growing expectations of stakeholders regarding the KGHM Group as to the reduction of its impact on the climate. A detailed description of identified, key climate risks associated with the negative impact of climate changes on the activities of the KGHM Group, including indicators used in their assessment and actions undertaken by the KGHM Group to mitigate their impact, is presented in the Management Board's report on the activities of KGHM Polska Miedź S.A. and the KGHM Polska Miedź S.A. Group in 2023, section 4.2 Climate impact management.

While assessing the impact of identified climate risks on the Group's financial situation, results and activities, in particular in the case of volatile costs of CO_2 emission allowances, the increase in costs of electricity purchase, costs associated with research and additional expenditures on development of internal energy sources, the following areas were subjected to detailed assessment:

- adopted periods of economic utility of fixed assets and their residual values,
- existence of indications of the possibility of impairment of property, plant and equipment and intangible assets and assumptions adopted for impairment testing of these assets,
- assumptions adopted for the measurement of loans granted,
- revaluation of the provision for future decommissioning costs of mines and other technological facilities,
- revaluation of provisions for additional costs of sales, selling costs and administrative expenses,
- liabilities and liabilities due to guarantees associated with potential fines and environmental penalties.

As a result of the aforementioned work, as at 31 December 2023 no material impact of climate risk on the aforementioned areas was identified.

Note 1.3 Declaration by the Management Board on the accuracy of the prepared financial statements

The Management Board of KGHM Polska Miedź S.A. declares that, according to its best judgement, the annual consolidated financial statements for 2023 and the comparative data have been prepared in accordance with accounting principles currently in force, and give a true, fair and clear view of the financial position of the KGHM Polska Miedź S.A. Group and the profit or loss for the period of the Group.

The Management Board's report on the activities of KGHM Polska Miedź S.A. and of the KGHM Polska Miedź S.A. Group in 2023 presents a true picture of the development and achievements, as well as the condition, of KGHM Polska Miedź S.A. and the KGHM Polska Miedź S.A. Group, including a description of the basic exposures and risks.

The consolidated financial statements were authorised for publication and signed by the Management Board of the Parent Entity on 23 April 2024.

Note 1.4 Basis of preparation and presentation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union, on the basis of historical cost, except for financial instruments classified as measured at fair value and investment properties measured at fair value.

Accounting Policies

The accounting policies of the Group which apply to the consolidated financial statements as a whole, as well as significant estimates and their impact on amounts presented in the consolidated financial statements, are presented in the following note.

Topic	Accounting policies	Significant estimates and judgments
Consolidation principles	The consolidated financial statements include the financial statements of the Parent Entity and its subsidiaries. Subsidiaries are understood as being entities which are either directly controlled by the Parent Entity or indirectly through its subsidiaries. Obtaining control of a subsidiary, which is a business, is accounted for using the acquisition method. Subsidiaries are fully consolidated from the date on which control is obtained to the date on which control is lost. Balances, incomes, expenses and unrealised gains recognised in assets from intra-group transactions, are eliminated.	Determining whether the Parent Entity has control over a company requires an assessment as to whether it has rights to direct relevant activities of the company. Determining what constitutes relevant activities of the company and by which investor it is controlled requires a judgment. Among others, the following factors are taken into consideration when assessing the situation and determining the nature of relationships: voting rights, relative voting power, dilution of voting rights of other investors and their ability to appoint members of key management personnel or members of the supervisory board.

<table>
<tr><td>Fair value measurement</td><td>Fair value is the price that would be received from selling an asset or would be paid for a transfer of a liability in an orderly transaction between market participants at the measurement date. For financial reporting purposes, a fair value hierarchy was established that categorises the inputs into three levels:

Level 1 Value is based on inputs from active markets, as they are seen as the most reliable source of data.

Level 2 Value is based on inputs other than from active markets, which are nevertheless observable (unbiased, measurable).

Level 3 Value is based on unobservable inputs, used when appropriate observable input data is not available. Unobservable input data reflect assumptions that would be adopted by market participants in order to calculate the price of an asset or a liability, including risk assumptions.

Transfer between levels of the fair value hierarchy takes place if there is a change of sources of input data used for fair value measurement, such as:
• active market,
• lack of an active market, but there is observable data on the market,
• subjective input data.
It is acknowledged that transfers between levels of the fair value hierarchy take place at the end of the reporting period.</td><td>Fair value presents current estimates which may be subject to change in subsequent reporting periods due to market conditions or due to other factors. There are many methods of measuring fair value, which may result in differences in fair values.

Moreover, assumptions constituting the basis of fair value measurement may require estimating the changes in costs/prices over time, the discount rate, inflation rate or other significant variables.

Certain assumptions and estimates are necessary to determine to which level of fair value hierarchy a given instrument should be classified.</td></tr>
<tr><td>Financial statements of operations with a functional currency other than PLN</td><td>For purposes of preparing the consolidated financial statements in the presentation currency of the KGHM Polska Miedź S.A. Group, i.e. in PLN, individual items of financial statements of foreign operations whose functional currencies are other than PLN are translated in the following manner:
(i) assets and liabilities – at the closing rate, i.e. at the average exchange rate for that currency announced by the NBP at the end of the reporting period,
(ii) items of the statement of profit or loss, the statement of comprehensive income and the statement of cash flows - at the arithmetical average of average exchange rates announced for a given currency by the NBP at the end of each month of a given reporting period. If there is a significant volatility of exchange rates in a given period, revenues and costs in the statement of profit or loss and the statement of comprehensive income are translated using the exchange rates as at the transaction date.

Exchange differences from the translation of statements of operations with a functional currency other than PLN are recognised in other comprehensive income of a given period.</td><td>The consolidated financial statements are presented in PLN, which is also the functional currency of the Parent Entity and the Group's subsidiaries, with the exception of: the subsidiary Future 1 Sp. z o.o. and entities of the subgroup KGHM INTERNATIONAL LTD. in which mainly the US dollar (USD) is the functional currency.

The balance of exchange differences from the translation of statements of the aforementioned operations amounted to:
in 2023 – PLN 2 476 million,
in 2022 – PLN 2 554 million
(see Note 8.2.2 Changes of other equity items).</td></tr>
</table>

Foreign currency transactions and the measurement of items denominated in foreign currencies	At the moment of initial recognition, foreign currency transactions are translated into the functional currency: • at the average exchange rate prevailing on the date of conclusion of the transaction, where the exchange rate prevailing on the date of conclusion of the transaction is the average NBP exchange rate from the last working day preceding the transaction date in the case of conversion of currency sale and purchase transactions as well as of payments of receivables and liabilities on bank accounts in a currency of the transaction (including in the measurement of transactions involving the receipt, granting or repayment of borrowings) and for recognition of other transactions (including sales and purchases), • at the actual exchange rate applied, i.e. at the buy or sell exchange rate applied by the bank in which the transaction occurs, in the case of the sale or purchase of currencies and the payment of receivables or liabilities on a bank account in a currency other than the operation currency. At the end of each reporting period, foreign currency monetary items are translated at the closing rate prevailing on that date. Foreign exchange gains or losses on the settlement of foreign currency transactions, and on the measurement of foreign currency monetary assets and liabilities (other than derivatives), are recognised in profit or loss. Foreign exchange gains or losses on the measurement of foreign currency derivatives are recognised in profit or loss as a fair value measurement, provided they do not represent a change in the fair value of the effective cash flow hedge. In such a case, they are recognised in other comprehensive income in accordance with hedge accounting policies. Foreign exchange gains or losses on non-monetary items, such as equity instruments classified as financial assets measured at fair value through other comprehensive income, are recognised in other comprehensive income and are presented in measurement at fair value. Foreign exchange gains or losses on monetary items measured at fair value through profit or loss (e.g. loans granted measured at fair value) are recognised as a part of the fair value measurement.	-

As compared to the reporting period ended on 31 December 2022, there were no significant changes to the estimation methods. Changes in estimates as at 31 December 2023 as compared to the aforementioned period arise from changes in assumptions as a result of changes in business circumstances and/or other variables.

For a greater understanding of the data recognised in the consolidated financial statements, the accounting policy (principles) and important estimates, assumptions and judgments are presented in individual, detailed notes as presented in the table below.

in PLN millions, unless otherwise stated

Note	Title	Amount recognised in the financial statements		Accounting policies	Important estimates, assumptions and judgements
		2023	2022		
2.3	Revenues from contracts with customers	33 467	33 847	X	X
3.1	Impairment of assets	(4 482)	(230)		X
5.1	Income tax in the statement of profit or loss	(91)	(1 715)	X	X
5.1.1	Deferred income tax in the period	466	(533)	X	X
5.3	Tax assets	985	367	X	
5.3	Tax liabilities	(611)	(1 233)	X	
6.1	Joint ventures accounted for using the equity method	-	-	X	X
6.2	Loans granted to a joint venture	9 096	9 603	X	X
7.2	Derivatives	292	357	X	X
7.3	Other financial instruments measured at fair value	905	606	X	X
7.4	Other financial instruments measured at amortised cost	475	469	X	X
8.2	Equity attributable to shareholders of the Parent Entity	(28 565)	(32 089)	X	
8.4	Borrowings	(5 725)	(6 443)	X	
8.5	Cash and cash equivalents	1 729	1 200	X	
8.6	Labilities due to guarantees granted	(1 389)	(1 326)	X	X
9.1	Mining and metallurgical property, plant and equipment and intangible assets	23 495	25 666	X	X
9.2	Other property, plant and equipment and intangible assets	3 254	2 964	X	
9.4	Provisions for decommissioning costs of mines and other facilities*	(1 974)	(1 893)	X	X
9.7	Lease disclosures – the Group as a lessee	704	771	X	X
9.8	Greenhouse gas emissions allowances	882	717	X	
10.1	Inventories	8 425	8 902	X	X
10.1.1	Property rights arising from certificates of origin of energy from renewable sources and from energy efficiency	40	82	X	
10.2	Trade receivables	932	1 178	X	X
10.3	Trade and similar payables	(6 385)	(3 280)	X	X
10.4	Changes in working capital	3 735	(2 317)	X	X
11.1	Employee benefits liabilities	(4 826)	(4 320)	X	X
12.3	Other assets	957	843	X	
12.4	Other liabilities	(1 939)	(1 872)	X	

** In the statement of financial position, current provisions for decommissioning costs of mines and other technological facilities are recognised in the item Provisions for liabilities and other charges.*

The accounting policies described in this note and in individual notes were applied by the Group in a continuous manner to all presented periods.

Note 1.5 Impact of new and amended standards and interpretations

Amendments to standards applied for the first time in the consolidated financial statements for 2023:

- **IFRS 17** Insurance contracts and amendments to IFRS 17 published in 2020 and 2021,
- **Amendments to IAS 1 and Practice Statement 2** on disclosures of accounting policies,
- **Amendments to IAS 8** on the introduction of a definition of accounting estimates,
- **Amendments to IAS 12** on deferred tax related to assets and liabilities arising from a single transaction,
- **Amendments to IAS 12** on temporary exception to the requirements regarding recognition of deferred tax related to the implementation of the reform of the international tax system (the so-called Pillar 2 of the BEPS 2.0 (Base Erosion and Profit Shifting 2.0)).

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, the amendments to the standards:

- **IFRS 17** – do not have an impact on the consolidated financial statements,
- **IAS 1 and Practice Statement 2** and amendments to **IAS 8** - have an insignificant impact on the consolidated financial statements,
- **IAS 12** on deferred tax related to assets and liabilities arising from a single transaction – do not have an impact on the consolidated financial statements, because the Group applied an approach in line with current guidelines, among others with respect to leases capitalised by lessees pursuant to IFRS 16 and environmental provisions recognised pursuant to IFRIC 1,
- **IAS 12** regarding recognition of the effects of the international tax system reform, will have an impact on the consolidated financial statements, and the Group is assessing the scope of impact of the regulations on the global minimum tax pursuant to the description provided below:

Pillar 2 of the BEPS 2.0 project introduces a general framework of the global minimum tax, adopted during the forum of the Organisation for Economic Cooperation and Development (OECD, hereafter: OECD Framework). In the case of member states of the European Union, the first stage of implementation of new rules will be the adoption of the Council Directive (EU) 2022/2523 of 14 December 2022 on ensuring a global minimum level of taxation for multinational enterprise groups and large-scale domestic groups in the European Union (hereafter: "the Directive"). The Directive obliges the individual member states to implement its rules to their domestic legal systems, in accordance with legislative rules in force in individual states.

Pillar 2 of the BEPS 2.0 project introduces the GloBE rules (Global Anti-Base Erosion Model Rules):

1. The Income Inclusion Rule (**IIR**), pursuant to which a top-up tax is applied at the level of the ultimate parent entity or an intermediate parent entity in the case of low-tax constituent entities.
2. The Undertaxed Profits Rule (**UTPR**). This is a complementary rule to the IIR rule and is applicable only if no IIR was allocated. The top-up tax is allocated to countries with constituent entities on the basis of property, plant and equipment/employees of these entities by limiting or denying deductions or requiring a corresponding adjustment.
3. Qualified Domestic Minimum Top-up Tax (**QDMTT**). It is applicable prior to IIR and UTPR rules and consists of calculating the top-up tax by the low-tax jurisdiction itself on the basis of a calculation pursuant to the calculation for an IIR top-up tax.

The minimum effective tax rate (ETR) for all of the aforementioned rules is 15%.

The main mechanisms of Pillar 2 of the BEPS 2.0 reform will be applied by MNE (multinational enterprises /groups) in the following manner:

1. In the first step, before the GloBE rules, the Subject to Tax Rule is applicable (**STTR**), which provides individual countries with a right to impose a limited taxation at source on taxable payments between related entities, which are taxable below the agreed-upon minimum nominal rate of 9%. It is applicable to interest, licence fees and certain other receivables.
2. In the second step, **QDMTT** rule is applicable, under which the top-up tax may be calculated directly by the low-tax jurisdiction in which a group's (multinational enterprise's) constituent entity operates. It is of significance that the qualified domestic top-up tax should be calculated in a manner compliant with requirements stipulated for the calculation of the IIR tax under the Pillar 2.
3. If the two rules mentioned above were not applied or if their application would not lead to full settlement of the total top-up tax due from a given group, then the total amount of top-up tax, in the amount decreased by the part of a top up tax charged in previous steps, will be charged at the level of the ultimate or intermediate parent entity, pursuant to the **IIR** rule.
4. Finally, if the **IIR** top-up tax is likewise not imposed, the undertaxed profits rule is applicable (**UTPR**) by imposing a top-up tax on constituent entities of the group whose jurisdictions adopted the GloBE rules, regardless whether the constituent entities have paid the income tax above or below the ETR level of 15% or not.

The application of the aforementioned rules depends on whether a given country has implemented GloBE rules or its own national top-up tax.

In the case of Poland, appropriate domestic laws implementing the provisions of the Directive have not yet been adopted, nor has draft legislation been released to the public. Apart from Poland, the KGHM Polska Miedź S.A. Group has constituent entities in, among others, the following jurisdictions: Canada, USA, Chile, Luxembourg, the United Kingdom.

Currently in Canada, regulations on the implementation of QDMTT and IIR rules are being worked upon, and the first year in which they are planned to be applicable is the financial year beginning on or after 31 December 2023. In the case of UTPR, it is planned that it would be the financial year beginning on or after 31 December 2024.

The USA will not implement rules of Pillar 2 due to domestic regulations currently in force, whereas the USA plan to implement regulations aimed at counteracting the UTPR rule under the Pillar 2 in other jurisdictions.

It is expected that Chile will implement Pillar 2 rules, but no implementation schedule has been announced yet.

In Luxembourg, on 20 December 2023 regulations were adopted which implemented IIR, QDMTT and UTPR rules. QDMTT and IIR rules will be applicable to the financial year beginning on or after 31 December 2023, with UTPR rules to the financial year beginning on or after 31 December 2024.

The United Kingdom is one of the leading nations in terms of progress in the implementation of IIR and QDMTT rules – these regulations have already been implemented and will be in force from 2024, and a draft regulation on the implementation of UTPR has been published, with implementation planned from 2025.

Due to the above, in the Group's opinion, from 1 January 2024 the GloBE QDMTT and IIR rules will be implemented at least in Canada and the United Kingdom.

The analysis of the OECD Framework and the Directive leads to the conclusion that the Company KGHM Polska Miedź S.A., as a so-called multinational enterprise, will be obliged to report a specific level of the tax rate of subsidiaries at the level of individual jurisdictions. Nevertheless, implementation of appropriate regulations at the domestic level is necessary in this regard.

While the rules of the Directive should encompass the year 2024, the OECD Framework includes a transitional period (a so-called safe harbour), which enables the postponement of the date of obligatory application of these rules by 3 subsequent years (no later than to 30 June 2028). Based on analysis of the assumptions stipulated in these transitional rules, in the Group's opinion, it will be able to use them in the majority of jurisdictions.

Due to the above, since there is no legal framework in force on Pillar 2 of the BEPS 2.0 reform, these consolidated financial statements do not yet contain any amounts arising from the reform of the international tax system. The Group will take actions to estimate the potential impact of the reform on future tax burden of the Group as soon as the regulations are published.

The Group continuously monitors progress of the legislative work aimed at implementation of the rules of the reform in question, in Poland as well as in other jurisdictions in which subsidiaries of the Group operate, and analyses their impact on the Group as well as operational processes that will require an adjustment to new disclosure and reporting requirements.

Note 1.6 Published standards and interpretations, which are not yet in force and were not applied earlier by the Group.

Published standards and interpretations which are not yet in force, adopted for use by the European Union:

- **Amendments to IFRS 16** on lease liabilities in a sale and leaseback, effective on or after 1 January 2024.
- **Amendments to IAS 1** on classification of liabilities as current or non-current (including changes due to deferral of effective date), effective on or after 1 January 2024. The standard introduces changes clarifying conditions necessary to recognise financial liabilities as non-current. Such recognition will be possible only if the entity has the unconditional right to defer settlement of a liability for over 12 months after the reporting date, and at the same time the entity's intent as to the early repayment will not have an impact on this recognition. If the amendments to IAS 1 were applied by the Group in these consolidated financial statements, the presentation of borrowings as at 31 December 2023 would not change.
- **Amendments to IAS 1** on non-current liabilities with covenants, effective on or after 1 January 2024. The amendments aim to clarify that covenants, whose conditions have to be met by an entity after the reporting date, and which refer to the rights of an entity to defer settlement of a liability by at least twelve months from the end of the reporting period, do not have an impact on the classification of liabilities as current or non-current at the end of the reporting period. However, it will be necessary to disclose information on such covenants in notes to the financial statements in order to allow users of financial statements to understand the risk that a particular liability may become due in the period of 12 months from the end of the reporting period. In such a situation, the Standard requires the disclosure of a description of a covenant, the amount of liabilities it is related to and facts and circumstances, if they occur, indicating the occurrence of risk that an entity may not meet the conditions of the covenant within the deadline indicated after the end of the reporting period.

Published standards and interpretations which are not yet in force, awaiting the adoption for use by the European Union:

- **IFRS 14 Regulatory deferral accounts,** effective on or after 1 January 2016, however the European Commission has decided not to launch the endorsement process of this interim standard and to wait for the final standard.
- **Amendments to IFRS 10 and IAS 28** on the sale or contribution of assets between an Investor and its Associate or Joint Venture (date of entry into force was not specified).
- **Amendments to IAS 7 and IFRS 7** on disclosure requirements regarding supplier finance arrangements, effective on or after 1 January 2024.
- **Amendments to IAS 21** on how to approach the issue of assessment as to whether a given currency is exchangeable and how to determine a spot exchange rate if it is not exchangeable, effective on or after 1 January 2025.
- **IFRS 18 Presentation and disclosure in financial statements**, effective on or after 1 January 2027. IFRS 18 will replace IAS 1 Presentation of financial statements. The aim of the new standard is to improve the usefulness of the information presented in financial statements by providing investors with more transparent and comparable information on companies' financial results.

The Group intends to apply all of the amendments at their effective dates. In the Group's opinion, amendments to the standards will be applicable to its activities in the scope of future economic operations, transactions or other events, towards which the amendments to the standards are applicable. Amendments to IAS 7 and IFRS 7 on the disclosure requirements regarding supplier finance arrangements will be applied by the Group in the scope of reverse factoring used by the Group, as a supplement to information disclosed currently in these financial statements, but nevertheless, in the Group's opinion, this impact will be insignificant. If IFRS 18 is applied, changes in reporting will depend on the previously used method of presenting information on financial results in the financial statements. The Group intends to conduct a preliminary assessment of the scope of these changes for the Group's consolidated financial statements by the end of 2024.

Part 2 – Information on segments and revenues

Note 2.1 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.

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

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

- Future 1 Sp. z o.o., which acts as a holding company with respect to the KGHM INTERNATIONAL LTD. Group,
- Future 3 Sp. z o.o., Future 4 Sp. z o.o., 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 Board, which reports 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.

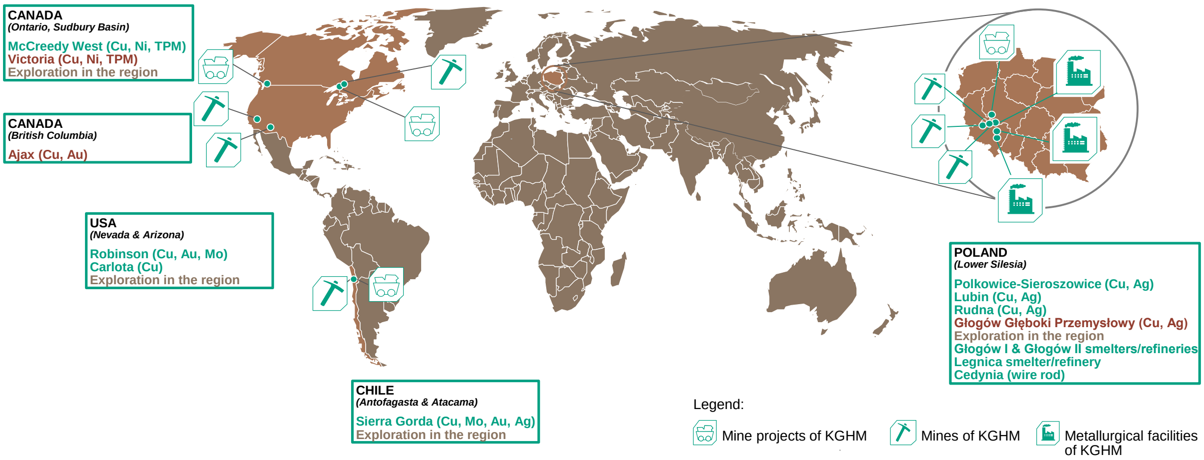
in PLN millions, unless otherwise stated

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

OTHER SEGMENTS	
Type of activity	**Company**
Support of the core business	BIPROMET S.A., CBJ sp. z o.o., “Energetyka” sp. z o.o., INOVA Spółka z o.o., KGHM CUPRUM sp. z o.o. – CBR, KGHM ZANAM S.A., KGHM Metraco S.A., PeBeKa S.A., POL-MIEDŹ TRANS Sp. z o.o., WPEC w Legnicy S.A.
Sanatorium-healing and hotel services	Uzdrowiska Kłodzkie S.A. - Grupa PGU, Uzdrowisko Cieplice Sp. z o.o. - Grupa PGU, Uzdrowisko Połczyn Grupa PGU S.A., Uzdrowisko Świeradów - Czerniawa Sp. z o.o. – Grupa PGU
Investment funds, financing activities	Fundusz Hotele 01 Sp. z o.o., Fundusz Hotele 01 Sp. z o.o. S.K.A., KGHM TFI S.A.*, Polska Grupa Uzdrowisk sp. z o.o.**
Other activities	CENTROZŁOM WROCŁAW S.A., CUPRUM Development sp. z o.o., Polska Grupa Uzdrowisk Sp. z o.o. (*formerly 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., Invest PV 7 Sp. z o.o.***

** Entity sold on 3 August 2023 (Note 9.9).*
*** Entities merged on 1 August 2023 (Note 12.2).*
**** Entity acquired on 10 October 2023 (Note 12.2).*

Location of mining assets of the KGHM Polska Miedź S.A. Group



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

- The segment KGHM Polska Miedź S.A. – comprises data from the separate financial statements of the Parent Entity prepared in accordance with IFRSs. In the separate financial statements, investments in subsidiaries (including indirect interest in KGHM INTERNATIONAL LTD.) are measured at cost, including impairment losses,
- The segment KGHM INTERNATIONAL LTD. – comprises consolidated data of the KGHM INTERNATIONAL LTD. Group prepared in accordance with IFRSs. The involvement in Sierra Gorda S.C.M. is accounted for using the equity method,
- The segment Sierra Gorda S.C.M. – comprises the 55% share of assets, liabilities, revenues and costs of this venture presented in the separate financial statements of Sierra Gorda S.C.M. prepared in accordance with IFRSs,
- Other segments – comprises aggregated data of individual subsidiaries after excluding transactions and balances between them.

The Management Board of the Parent Entity assesses a segment's performance based on adjusted EBITDA and the profit or loss for the period.

The Group defines adjusted EBITDA as profit/loss for the period pursuant to IFRS, excluding taxes (current and deferred income tax as well as the mining tax), finance income and costs, other operating income and costs, profit or loss on involvement in joint ventures, depreciation/amortisation and recognition/reversal of impairment losses on property, plant and equipment and intangible assets included in the cost of sales, selling costs and administrative expenses.

The Company redefined adjusted EBITDA during the reporting period, by including depreciation/amortisation recognised in expenses by nature in the calculation method (until now, the depreciation/amortisation recognised in profit or loss was included). The applied approach is commonly used by numerous listed companies, including in the mining sector, and ensures consistency and comparability with plans of individual operating segments of the KGHM Polska Miedź S.A. Group and parameters applied in credit agreements. The comparable period was converted pursuant to the presentation in the current reporting period, EBITDA changed as compared to the one presented in the published Consolidated financial statements for 2022, an increase in the amount of PLN 159 million.

Since adjusted EBITDA is not a measure defined by IFRS, it 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. Liabilities which have not been allocated to the segments comprise trade liabilities and deferred tax liabilities.

Note 2.2 Financial results of reporting segments

		KGHM Polska Miedź S.A.	KGHM INTERNATIONAL LTD.	Sierra Gorda S.C.M.*	Other segments	Reconciliation items to consolidated data: Elimination of data of the segment Sierra Gorda S.C.M	Reconciliation items to consolidated data: Consolidation adjustments****	Consolidated financial statements
		from 1 January 2023 to 31 December 2023						
Note 2.3	**Revenues from contracts with customers, of which:**	**29 084**	**2 451**	**3 319**	**12 585**	**(3 319)**	**(10 653)**	**33 467**
	- inter-segment	732	-	-	9 921	-	(10 653)	-
	- external	28 352	2 451	3 319	2 664	(3 319)	-	33 467
	Segment result – profit/(loss) for the period	**(1 153)**	**(1 120)**	**68**	**28**	**(68)**	**(1 446)**	**(3 691)**
	Additional information on significant revenues/costs items of the segment							
	Depreciation/amortisation recognised in expenses by nature	(1 675)	(706)	(770)	(295)	770	35	(2 641)
	(Recognition)/reversal of impairment losses on non-current assets, including:	(2 935)	(150)	219	2	(219)	(796)	(3 879)
	reversal of impairment losses on investment in subsidiaries	827	-	-	-	-	(827)	-
	reversal of allowances for impairment of loans granted	15	101	-	-	-	(15)	101
		As at 31 December 2023						
	Assets, including:	**48 896**	**13 916**	**12 597**	**6 671**	**(12 597)**	**(18 100)**	**51 383**
	Segment assets	48 896	13 916	12 597	6 671	(12 597)	(18 100)	51 383
	Assets unallocated to segments	-	-	-	-	-	-	-
	Liabilities, including:	**20 078**	**18 581**	**12 905**	**3 771**	**(12 905)**	**(19 677)**	**22 753**
	Segment liabilities	20 078	18 581	12 905	3 771	(12 905)	(19 790)	22 640
	Liabilities unallocated to segments	-	-	-	-	-	113	113
	Other information	**from 1 January 2023 to 31 December 2023**						
	Cash expenditures on property, plant and equipment and intangible assets – cash flows	3 074	984	1 106	602	(1 106)	116	4 776
	Production and cost data	**from 1 January 2023 to 31 December 2023**						
	Payable copper (kt)	592.4	39.9	78.7				
	Molybdenum (million pounds)	-	0.1	3.5				
	Silver (t)	1 403.3	2.7	22.3				
	TPM (koz t)	111.0	40.6	32.9				
	C1 cash cost of producing copper in concentrate (USD/lb PLN/lb)**	2.98 12.52	4.15 17.44	1.68 7.06				
	Segment result - Adjusted EBITDA	**3 563**	**(142)**	**1 584**	**357**	**-**	**-**	**5 362**
	EBITDA margin***	**12%**	**(6%)**	**48%**	**3%**	**-**	**-**	**15%**

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

*** Unit cash cost of payable copper production, reflecting ore mining and processing costs, transport costs, the minerals extraction tax, administrative expenses during the mining phase and smelter treatment and refining charges (TC/RC) less by-product value. C1 cost is in regard to payable copper in own concentrate in the case of the segment KGHM Polska Miedź S.A. and payable copper in end products of individual mines of the segment KGHM International Ltd. and the segment Sierra Gorda S.C.M. C1 cost in PLN/lb was calculated using the average exchange rate by the NBP (arithmetical average of daily quotations per the NBP's tables).*

**** Adjusted EBITDA to revenues from contracts with customers. For the purposes of calculating the Group's EBITDA margin (15%), the consolidated revenues from contracts with customers were increased by revenues from contracts with customers of the segment Sierra Gorda S.C.M. [5 362 / (33 467 + 3 319) * 100]*

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

Financial results of reporting segments for the comparable period

		KGHM Polska Miedź S.A.	KGHM INTERNATIONAL LTD.	Sierra Gorda S.C.M.*	Other segments	Reconciliation items to consolidated data: Elimination of data of the segment Sierra Gorda S.C.M	Reconciliation items to consolidated data: Consolidation adjustments****	Consolidated financial statements
		from 1 January 2022 to 31 December 2022						
Note 2.3	**Revenues from contracts with customers, of which:**	**28 429**	**3 217**	**3 974**	**12 889**	**(3 974)**	**(10 688)**	**33 847**
	- inter-segment	565	-	-	10 123	-	(10 688)	-
	- external	27 864	3 217	3 974	2 766	(3 974)	-	33 847
	Segment result – profit/(loss) for the period	**3 533**	**900**	**239**	**(51)**	**(239)**	**392**	**4 774**
	Additional information on significant revenues/costs items of the segment							
	Depreciation/amortisation recognised in expenses by nature	(1 504)	(656)	(937)	(274)	937	36	(2 398)
	(Recognition)/reversal of impairment losses on non-current assets, including:	207	781	-	-	-	(259)	729
	(recognition)/reversal of allowances for impairment of loans granted	213	873	-	-	-	(213)	873
		As at 31 December 2022						
	Assets, including:	**47 995**	**15 228**	**13 563**	**6 071**	**(13 563)**	**(15 850)**	**53 444**
	Segment assets	47 995	15 228	13 563	6 071	(13 563)	(15 854)	53 440
	Assets unallocated to segments	-	-	-	-	-	4	4
	Liabilities, including:	**18 320**	**19 276**	**13 992**	**3 446**	**(13 992)**	**(19 744)**	**21 298**
	Segment liabilities	18 320	19 276	13 992	3 446	(13 992)	(19 804)	21 238
	Liabilities unallocated to segments	-	-	-	-	-	60	60
	Other information	from 1 January 2022 to 31 December 2022						
	Cash expenditures on property, plant and equipment and intangible assets – cash flows	2 731	913	1 031	380	(1 031)	94	4 118
	Production and cost data	from 1 January 2022 to 31 December 2022						
	Payable copper (kt)	586.0	56.2	90.8				
	Molybdenum (million pounds)	-	0.1	2.9				
	Silver (t)	1 298.4	2.0	26.7				
	TPM (koz t)	87.3	55.9	34.3				
	(C1) cash cost of producing payable copper (USD/lb PLN/lb)**	2.38 10.62	2.14 9.57	1.50 6.69				
	Segment result - adjusted EBITDA	**5 470**	**1 089**	**2 190**	**275**	**-**	**-**	**9 024**
	EBITDA margin* **	**19%**	**34%**	**55%**	**2%**	**-**	**-**	**24%**

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

*** Unit cash cost of payable copper production, reflecting ore mining and processing costs, transport costs, the minerals extraction tax, administrative expenses during the mining phase and smelter treatment and refining charges (TC/RC) less by-product value. C1 cost is in regard to payable copper in own concentrate in the case of the segment KGHM Polska Miedź S.A. and payable copper in end products of individual mines of the segment KGHM International Ltd. and the segment Sierra Gorda S.C.M. C1 cost in PLN/lb was calculated using the average exchange rate by the NBP (arithmetical average of daily quotations per the NBP's tables).*

**** Adjusted EBITDA to revenues from contracts with customers. For the purposes of calculating the Group's EBITDA margin (23%) the consolidated revenues from contracts with customers were increased by revenues from contracts with customers of the segment Sierra Gorda S.C.M. [8 865 / (33 847 + 3 974) * 100]*

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

in PLN millions, unless otherwise stated

Reconciliation of adjusted EBITDA	from 1 January 2023 to 31 December 2023						
	KGHM Polska Miedź S.A.	KGHM INTERNATIONAL LTD.	Other segments	Consolidation adjustments*	Consolidated financial statements	Sierra Gorda S.C.M. **	Adjusted EBITDA (segments, total)
	1	2	3	4	5 (1+2+3+4)	6	7 (5+6-4)
Profit/(Loss) for the period	**(1 153)**	**(1 120)**	**28**	**(1 446)**	**(3 691)**	**68**	
[-] Profit or loss on involvement in joint ventures	-	698	-	-	698	-	
[-] Current and deferred income tax, mining tax***	(123)	250	(48)	(170)	(91)	(150)	
[-] Depreciation/amortisation recognised in expenses by nature	(1 675)	(706)	(295)	35	(2 641)	(770)	
[-] Finance income and (costs)	120	(1 028)	(51)	1 118	159	(778)	
[-] Other operating income and (costs)	(230)	(185)	63	(2 465)	(2 817)	(37)	
[-] (Recognition)/reversal of impairment losses on non-current assets recognised in cost of sales, selling costs and administrative expenses	(2 808)	(7)	2	88	(2 725)	219	
Segment result - adjusted EBITDA	**3 563**	**(142)**	**357**	**(52)**	**3 726**	**1 584**	**5 362**

Reconciliation of adjusted EBITDA	from 1 January 2022 to 31 December 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	**3 533**	**900**	**(51)**	**392**	**4 774**	**239**	
[-] Profit or loss on involvement in joint ventures	-	1 455	-	-	1 455	-	
[-] Current and deferred income tax, mining tax***	(1 463)	(122)	(36)	(94)	(1 715)	(177)	
[-] Depreciation/amortisation recognised in expenses by nature	(1 504)	(656)	(274)	36	(2 398)	(937)	
[-] Finance income and (costs)	(269)	(1 033)	(45)	1 075	(272)	(823)	
[-] Other operating income and (costs)	1 299	203	28	(568)	962	(14)	
[-] (Recognition)/reversal of impairment losses on non-current assets recognised in cost of sales, selling costs and administrative expenses	-	(36)	1	(45)	(80)	-	
Segment result - adjusted EBITDA	**5 470**	**1 089**	**275**	**(12)**	**6 822**	**2 190**	**9 024**

** 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.*

A detailed description of the results of individual segments is presented in the following sections of the Management Board's report on the activities of KGHM Polska Miedź S.A. and of the KGHM Polska Miedź S.A. Group in 2023:

- the segment KGHM Polska Miedź S.A. – in section 8,
- the segment KGHM INTERNATIONAL LTD. – in section 9,
- the segment Sierra Gorda S.C.M. – in section 10.

Note 2.3 Revenues from contracts with customers of the Group – breakdown by products

Accounting policies

Revenues arising from ordinary operating activities of the Group, i.e. revenues from sales of products, merchandise and materials, are recognised in the statement of profit or loss as revenues from contracts with customers.

The Group generates its revenues mainly from the sale of: copper, silver and gold. Other, smaller streams of revenues arise from the sale of services (including distribution of electricity, other utilities and mine construction services) and other products (including electricity), merchandise and materials (including steel, petroleum and its derivatives).

The Group recognises revenue from contracts with customers when the Group satisfies a performance obligation by transferring a promised good or providing a service to a customer, which is when the customer obtains control of that asset, i.e. the ability to direct the use of, and obtain substantially all of the remaining benefits from, the asset, as well as the ability to prevent other entities from directing the use of, and obtaining the benefits from, the asset.

The Group recognises as a performance obligation every contractual promise to transfer to a customer a good or provide a service that is distinct, or a series of distinct goods or services that are substantially the same and that have the same pattern of transfer to the customer. For each performance obligation, the Group determines (based on contractual terms), whether the obligation will be performed over time or at a specified moment. In particular, in contracts for the sale of copper, silver and gold, every measurement unit of a transferred good (e.g. 1 tonne of copper or 1 kg of silver) is a separate performance obligation. Therefore, for every sale or transfer of goods, constituting a multiplication of a measurement unit of a transferred product, which is realised at the same time, the Group fulfils its performance obligation and at the same time recognises revenues. The performance obligation is fulfilled by the Group in the same manner as in the case of other Group products, such as: lead, salt, steel, petroleum, blasting materials, mining machinery, fuel additives and other products.

Since in the majority of sales transactions, following the shipment of the promised product or good and transferring control over it, the Group has an unconditional right to consideration from the customer, and the only condition of receiving it is time lapse, the Group recognises the consideration from contracts with customers as receivables and therefore the Group does not recognise contractual assets.

In trade contracts in which the performance obligation is met at a specified time, the Group uses various payment conditions, including prepayments of up to several days before delivery and deferred payments of up to 120 days, although the deferred payments do not concern silver. Payment dates depend on the evaluation of the recipient's credit risk and the possibility of securing receivables. The consideration becomes due depending on contractual conditions, that is prior to the realisation of the delivery (prepayment) by the Group or after the Group meets its performance obligation. If the Group receives payment from the customer before it meets its performance obligation, it recognises it as contractual payables. However, in the case of deferred payments terms, the Group recognises due consideration from the customer as a receivable only after the transfer of promised products to the customer and the issuance of the invoice.

Moreover, revenues from the sale of services are recognised by the Group in profit or loss over time if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance to the extent that it performs its obligations, or
- the Group satisfies a performance obligation and creates or enhances an asset (for example, work in progress) that the customer controls as the asset is created or enhanced, or
- the Group satisfies a performance obligation and creates an asset without an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If the Group recognises revenues on the basis of assessment pursuant to the adopted method of measurement the degree of advancement, prior to the issue of the invoice, it recognises due consideration as a contractual asset and transfers it to receivables at the moment the right to consideration becomes unconditional.

The Group fulfils its performance obligation while performing the service and therefore it recognises revenues over time, under contracts for mine construction and other geological work, sanatorium-spa services and sale of electricity, including distribution of electricity.

Revenues from contracts with customers are recognised in the amount of the transaction price, consisting of the amount of consideration to which – in accordance with the Group's expectations – it will be given in return for the transfer of promised goods or services to the customer, excluding consideration collected on behalf of third parties.

The transaction price also reflects the effects of the time value of money if a contract with a customer contains a significant financing element, which is determined based on the contractual payment terms, regardless of whether the promise of financing is explicitly stated in the contract. In determining whether a financing component is significant for a given agreement, all of the facts and circumstances are taken into consideration, including the eventual difference between the promised consideration and the cash selling price of the promised goods and services, as well as the total impact of the following two factors: (i) the estimated period from the moment an entity transfers the promised goods or services to a customer to the moment the customer pays for these goods or services, and (ii) prevailing interest rates on a given market. In the realised contracts of sales to customers in 2023 and 2022, the Group identified a significant financing component in the contract with Franco Nevada (contract described below in Important estimates, assumptions and judgments). The Group presents the results of financing (interest costs) separately from revenues from contracts with customers in the statement of comprehensive income. In the Franco Nevada contract, there is also an element of variable consideration. In such a situation, the Group recognises revenues by estimating the amount of consideration, to which it will be entitled to in exchange for transferring the good to the customer, and includes a part or all of the amount of variable consideration in the transaction price only to such an extent to which it is highly probable that there will not be a reversal of a significant part of previously recognised accumulated revenues at the moment when uncertainty as to the amount of consideration ceases to exist.

In the case of copper and silver products sales transactions, for which the price is set after the date of recognition of a given sale, at the moment of initial recognition of a transaction an adjustment of revenues from sales is made, arising from the difference between the forward price of a metal expressed in USD from the date of recognition of a sale in the period corresponding to the period of settlement of the transaction, and the price from provisional invoice. This adjustment brings the amount of the transaction to the expected amount as a transaction price at the moment of initial recognition. This only concerns cases where the change in transaction price arises from a change in the metal's price. For these types of variable revenues, the limitation of IFRS 15 on recognising variable consideration only to the amount in respect of which it is highly probable that a reversal will not be recognised, is not applicable. Changes to the booked amount after the moment of recognition do not impact the revenues from sales but are fair value gains/losses on measurement of receivables pursuant to the accounting policies presented in Note 10.2.

Sales revenue is adjusted for the gain or loss on the settlement of future cash flow hedging derivatives, in accordance with the general principle that the portion of gain or loss on a derivative hedging instrument that is determined to be an effective hedge is recognised in the same position of profit or loss in which the gain or loss on the hedged item is recognised at the moment when the hedged item affects profit or loss.

Important estimates, assumptions and judgments

The Group recognises revenues from the sale of products, merchandise and materials in profit or loss once, when the performance obligation is satisfied (in particular in accordance with the applied INCOTERMS principles. In the majority of contracts, control is transferred to the customer after delivery of the goods, which is also understood as delivery of the goods to the carrier or to a designated facility (DAP, FCA and EX WORKS bases). In other contracts, control is transferred to the customer at the moment it is handed over to the carrier and loaded aboard a ship (CFR, CIF, CPT and CIP bases). In these contracts, the Group is also obliged to organise the shipment. In these cases, the Group acts as a principal, as it has control over the service before its completion and transfer to the customer. At the same time, the Group allocates a part of the transaction price to the transport service and recognises these revenues over time.

The Group recognises revenues over time due to realised mine construction services and other geological work. The Group meets liabilities in time, because the customer simultaneously receives and makes use of economic benefits arising from the performed service as it is performed, or because components are made which do not have an alternative application for the Group and simultaneously the Group has an enforceable right to payment. To measure the degree of advancement of performance obligation, the Group applies a method based on expenses incurred while meeting the performance obligation on the basis of incurred costs and for other contracts, a method based on results, where the unit cost set in advance is applied to measure the unit of production (e.g. to measure meters of drilled tunnelling).

<u>The contract with Franco Nevada</u>

Performance obligation

The Group realises the streaming arrangement contract, which is a source of financing available on the market for entities operating in the mining sector.

The contract concerns the sale of half of the production of gold, platinum and palladium contained in the ore extracted during the lives of the following mines: Morrison, McCreedy West and Podolsky, which are within the CGU Sudbury. Pursuant to the terms of the contract, Quadra FNX Mining Ltd. received a prepayment in the amount of CAD 400 million. Moreover, in accordance with the contract, the selling price for one ounce of gold equivalent is the lower of these two amounts: (a) USD 400, increased by 1% each year beginning from 2011, or (b) the market price of gold. The received prepayment covers the difference between the market price of ore sold and its fixed selling price. The Group recognised a liability due to the contract in the amount of prepayment due to the obligation put on the entity to meet the obligation to transfer or be ready to transfer goods or services in the future. The Group ceases to recognise this contractual obligation and recognises revenues at the moment it transfers these goods or services to the customer and therefore meets its performance obligation.

Variable consideration

In the contract with Franco Nevada the total transaction price is variable and depends on the amount of the raw material sold, and this in turn depends on ore extraction in the future throughout the life of the mine (including for example on the size of the deposit). Therefore, if in subsequent reporting periods the Group changes its judgment regarding the planned amount of ore to be extracted, and consequently to the amount of raw material sold, the transaction price will also be updated.

The Group recognises amounts related to satisfied performance obligations as revenue or as a decrease of revenue in the period in which the transaction price was changed.

Significant financing component

In the context of the contract with Franco Nevada, taking into consideration the expected period from the moment when prepayment is received to the moment when the Group transfers the promised good (the life of the mine, or several decades) and the nature of this contract, it was determined that the extension of payments over time provides benefits to the Group

due to the financing of deliveries of raw material by the buyer (Franco Nevada), and as a result the contract includes a significant financing element.
The Group presents the effects of financing (interest costs) separately from revenue from contracts with customers in the statement of profit or loss. Interest costs are recognised solely to the extent to which the liabilities related to the contract with Franco Nevada were recognised.

Determination of the transaction price allocated to other performance obligations

If the Group has other performance obligations at the end of the reporting period, it is required to disclose the transaction price allocated to these performance obligations (IFRS 15.120-122). The Group applies a practical expedient and does not disclose performance obligations which are a part of a contract that has an original expected duration of one year or less. Moreover, the Group has long-term contracts with prices based mainly on a variable consideration, which is not included by the Group when estimating the transaction price.

Moreover, the Group (via the company DMC) advances long-term contracts for mine construction, in which it uses a method based on expenditures to recognise revenues, which meets the criteria for recognising revenues in the amount, that the Group has a right to invoice. As at 31 December 2023, the total transaction price allocated to performance obligations, which remained unsatisfied at the end of the reporting period, amounted to PLN 940 million, of which the amount of PLN 489 million will be realised in 2024, the amount of PLN 335 million will be realised in 2025 and the amount of PLN 116 million will be realised in or after 2026 (in the comparable period the total transaction price allocated to performance obligations, which remained unsatisfied at the end of the reporting period, amounted to PLN 899 million, of which the amount of PLN 559 million will be realised in 2023, the amount of PLN 149 million will be realised in 2024 and the amount of PLN 191 million will be realised in or after 2025). These contracts do not have an element of variable consideration.

Onerous contracts and variable consideration

Taking into account the greater volatility of the macroeconomic environment, which has a significant impact on the Parent Entity's financial results and requirements of IAS 37 with respect to the identification of onerous contracts, the Parent Entity periodically analyses concluded contracts in terms of the potential occurrence of a situation under which the contractual sales price does not exceed the estimated, unavoidable costs of realisation of such contracts.

For the sales contracts of main products (copper, silver, gold) the Parent Entity has limited options of transferring the potential increase in production costs to the sales price of its final products, since the level of revenues from sales of these products mainly depends on stock exchange quotations and currency exchange rates.
Stock quotations are the basis used to determine the sales price of copper products in physical contracts ("Cash Settlement" of the London Metal Exchange are the most commonly used). In the case of silver products, applied prices are based on quotations of the London Bullion Market Association. Things look similar for other significant products of the Parent Entity, that is gold and lead products, the prices of which depend on stock quotations.
It is possible to negotiate additional premiums to prices arising from stock quotations, however they are limited due to the influence of current market conditions as well as the negotiation position of the parties.

Some of the Parent Entity's products (among others: sulphuric acid, sulphide copper and refined lead) are by-products of the copper production process, which, after further processing, may be sold to external clients. While making a decision to process and sell them, the Parent Entity is guided not only by potential, future economic gains arising from such contracts, but also pays attention to other costs that were avoided by making such a choice, that otherwise would have to be incurred in order to dispose of these by-products.
Despite the fact that the currently observed, and expected in the near future, prices of sulphuric acid, sulphide copper and refined lead are not conducive to the achievement of positive profit margins, the results of this activity are more advantageous than the available alternative solutions (e.g. disposal of these by-products).
Therefore, the Parent Entity does not recognise certain contracts as onerous contracts, because in a broader perspective, it generates profit for the overall copper production process, in which utilisation of by-products is an integral part and fits in the Parent Entity's actions aimed at protecting the natural environment as well as minimising the negative impact on this environment as a result of conducted economic activity.

On the basis of conducted analyses, the Parent Entity did not identify the occurrence of onerous contracts under IAS 37 as at 31 December 2023.

in PLN millions, unless otherwise stated

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

	from 1 January 2023 to 31 December 2023						
					Reconciliation items to consolidated data		
Products	KGHM Polska Miedź S.A.	KGHM INTERNATIONAL LTD.	Sierra Gorda S.C.M.*	Other segments	Elimination of data of the segment Sierra Gorda S.C.M	Consolidation adjustments	Consolidated data
Copper	22 290	1 409	2 677	10	(2 677)	(44)	**23 665**
Silver	4 389	34	72	-	(72)	-	**4 423**
Gold	932	211	277	-	(277)	-	**1 143**
Services	199	681	-	2 711	-	(2 070)	**1 521**
Energy	123	-	-	519	-	(388)	**254**
Salt	56	-	-	-	-	25**	**81**
Blasting materials and explosives	-	-	-	313	-	(152)	**161**
Mining machinery, transport vehicles and other types of machinery and equipment	-	-	-	383	-	(331)	**52**
Fuel additives	-	-	-	103	-	-	**103**
Lead	264	-	-	-	-	-	**264**
Products from other non-ferrous metals	-	-	-	141	-	(9)	**132**
Other products	184	116	293	883	(293)	(572)	**611**
Merchandise and materials							
Steel	-	-	-	440	-	(73)	**367**
Petroleum and its derivatives	-	-	-	435	-	(361)	**74**
Salt	-	-	-	81	-	(81)**	**-**
Other merchandise and materials	647	-	-	6 566	-	(6 597)	**616**
TOTAL	**29 084**	**2 451**	**3 319**	**12 585**	**(3 319)**	**(10 653)**	**33 467**

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

*** Including: PLN 81 million – reclassification from revenues from the sale of merchandise and materials to revenues from the sale of products.*

in PLN millions, unless otherwise stated

	from 1 January 2022 to 31 December 2022						
					Reconciliation items to consolidated data		
	KGHM Polska Miedź S.A.	KGHM INTERNATIONAL LTD.	Sierra Gorda S.C.M.*	Other segments	Elimination of data of the segment Sierra Gorda S.C.M	Consolidation adjustments	Consolidated data
Products							
Copper	22 207	2 015	3 248	10	(3 248)	(51)	**24 181**
Silver	4 341	30	82	-	(82)	-	**4 371**
Gold	649	313	269	-	(269)	-	**962**
Services	174	595	-	2 307	-	(1 745)	**1 331**
Energy	35	-	-	358	-	(212)	**181**
Salt	36	-	-	-	-	23**	**59**
Blasting materials and explosives	-	-	-	300	-	(151)	**149**
Mining machinery, transport vehicles and other types of machinery and equipment	-	-	-	315	-	(271)	**44**
Fuel additives	-	-	-	159	-	-	**159**
Lead	295	-	-	-	-	-	**295**
Products from other non-ferrous metals	-	-	-	179	-	(4)	**175**
Other products	325	264	375	797	(375)	(480)	**906**
Merchandise and materials							
Steel	-	-	-	623	-	(142)	**481**
Petroleum and its derivatives	-	-	-	528	-	(431)	**97**
Salt	-	-	-	59	-	(59)**	**-**
Other merchandise and materials	367	-	-	7 254	-	(7 165)	**456**
TOTAL	**28 429**	**3 217**	**3 974**	**12 889**	**(3 974)**	**(10 688)**	**33 847**

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

*** Including: PLN 59 million – reclassification from revenues from the sale of merchandise and materials to revenues from the sale of products.*

in PLN millions, unless otherwise stated

Note 2.4 Revenues from contracts with customers of the Group – breakdown by category

	from 1 January 2023 to 31 December 2023						
					Reconciliation items to consolidated data		
	KGHM Polska Miedź S.A.	KGHM INTERNATIONAL LTD.	Sierra Gorda S.C.M.*	Other segments	Elimination of data of the segment Sierra Gorda S.C.M	Consolidation adjustments	Consolidated data
Total revenues from contracts with customers, of which:	**29 084**	**2 451**	**3 319**	**12 585**	**(3 319)**	**(10 653)**	**33 467**
Revenues from sales contracts, for which the sales price is set after the date of recognition of the sales (M+ pricing formula**), of which:	20 681	1 771	3 307	169	(3 307)	(141)	**22 480**
settled	20 294	975	1 621	167	(1 621)	(139)	**21 297**
unsettled	387	796	1 686	2	(1 686)	(2)	**1 183**
Revenues from realisation of long-term contracts for mine construction	-	642	-	166	-	(128)	**680**
Revenues from other sales contracts	8 403	38	12	12 250	(12)	(10 384)	**10 307**
Total revenues from contracts with customers, of which:	**29 084**	**2 451**	**3 319**	**12 585**	**(3 319)**	**(10 653)**	**33 467**
in factoring	8 852	-	-	246	-	(246)	**8 852**
not in factoring	20 232	2 451	3 319	12 339	(3 319)	(10 407)	**24 615**

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

***the M+ pricing formula means that for individual transactions for the sale of copper and silver products, the final sales price is determined after the date of recognition of the sale, based on, for example, the average of the stock exchange quotations of a given metal in the month of sale or in the month following the month of sale.*

	from 1 January 2023 to 31 December 2023	from 1 January 2022 to 31 December 2022
Total revenues from contracts with customers, of which:	**33 467**	**33 847**
transferred at a certain moment	31 356	32 229
transferred over time	2 111	1 618

in PLN millions, unless otherwise stated

	from 1 January 2022 to 31 December 2022						
					Reconciliation items to consolidated data		
	KGHM Polska Miedź S.A.	KGHM INTERNATIONAL LTD.	Sierra Gorda S.C.M.*	Other segments	Elimination of data of the segment Sierra Gorda S.C.M	Consolidation adjustments	Consolidated data
Total revenues from contracts with customers, of which:	**28 429**	**3 217**	**3 974**	**12 889**	**(3 974)**	**(10 688)**	**33 847**
Revenues from sales contracts, for which the sales price is set after the date of recognition of the sales (M+ pricing formula**), of which:	21 767	2 556	3 974	6 259	(3 974)	(6 038)	**24 544**
settled	21 045	1 459	2 068	6 259	(2 068)	(6 038)	**22 725**
unsettled	722	1 097	1 906	-	(1 906)	-	**1 819**
Revenues from realisation of long-term mine construction contracts	-	555	-	165	-	(146)	**574**
Revenues from other sales contracts	6 662	106	-	6 465	-	(4 504)	**8 729**
Total revenues from contracts with customers, of which:	**28 429**	**3 217**	**3 974**	**12 889**	**(3 974)**	**(10 688)**	**33 847**
in factoring	8 677	-	-	390	-	(304)	**8 763**
not in factoring	19 752	3 217	3 974	12 499	(3 974)	(10 384)	**25 084**

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

***the M+ pricing formula means that for individual transactions for the sale of copper and silver products, the final sales price is determined after the date of recognition of the sale, based on, for example, the average of the stock exchange quotations of a given metal in the month of sale or in the month following the month of sale.*

in PLN millions, unless otherwise stated

Note 2.5 Revenues from contracts with customers of the Group – geographical breakdown reflecting the location of end customers

	from 1 January 2023 to 31 December 2023							from 1 January 2022 to 31 December 2022
					Reconciliation items to consolidated data			
	KGHM Polska Miedź S.A.	KGHM INTERNATIONAL LTD.	Sierra Gorda S.C.M.*	Other segments	Elimination of data of the segment Sierra Gorda S.C.M.	Consolidation adjustments	Consolidated data	KGHM Polska Miedź S.A. Group
Poland	7 075	-	33	12 258	(33)	(10 615)	8 718	8 986
Austria	401	-	-	22	-	-	423	570
Belgium	33	-	-	11	-	-	44	67
Bulgaria	251	-	-	16	-	-	267	47
Czechia	2 279	-	-	23	-	-	2 302	2 269
Denmark	9	-	-	-	-	-	9	28
Estonia	23	-	-	3	-	-	26	17
Finland	9	-	-	5	-	-	14	-
France	881	-	-	4	-	-	885	901
Greece	-	-	-	12	-	-	12	-
Spain	11	-	-	2	-	-	13	-
The Netherlands	7	-	78	-	(78)	-	7	7
Lithuania	4	-	-	9	-	-	13	22
Germany	6 070	-	-	66	-	-	6 136	5 603
Romania	155	-	-	2	-	-	157	142
Slovakia	209	-	-	15	-	-	224	197
Slovenia	108	-	-	3	-	-	111	132
Sweden	146	-	-	29	-	-	175	31
Hungary	1 439	-	-	8	-	-	1 447	1 419
The United Kingdom	990	-	-	4	-	-	994	1 682
Italy	2 172	-	-	14	-	-	2 186	2 348
Australia	393	-	-	-	-	-	393	787
Bosnia and Herzegovina	12	-	-	2	-	-	14	25
Chile	2	274	1 046	1	(1 046)	(1)	276	311
China	2 982	1 076	1 565	-	(1 565)	-	4 058	3 742
India	-	-	31	-	(31)	-	-	-
Japan	-	-	469	-	(469)	-	-	64
Canada	41	940	-	-	-	(36)	945	865
South Korea	15	-	57	-	(57)	-	15	68
The United States of America	1 163	162	-	17	-	(1)	1 341	1 210
Switzerland	1 358	-	-	3	-	-	1 361	797
Türkiye	231	-	-	15	-	-	246	297
Saudi Arabia	102	-	-	1	-	-	103	-
Vietnam	2	-	-	-	-	-	2	231
Philippines	-	-	-	-	-	-	-	173
Malaysia	52	-	-	-	-	-	52	72
Algeria	79	-	-	-	-	-	79	-
Brazil	-	-	40	-	(40)	-	-	-
Mexico	-	-	-	-	-	-	-	92
Taiwan	49	-	-	-	-	-	49	69
Thailand	327	-	-	-	-	-	327	442
Other countries	4	(1)	-	40	-	-	43	134
TOTAL	**29 084**	**2 451**	**3 319**	**12 585**	**(3 319)**	**(10 653)**	**33 467**	**33 847**

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

in PLN millions, unless otherwise stated

Note 2.6 Main customers

In the period from 1 January 2023 to 31 December 2023 and in the comparable period the revenues from no single customer exceeded 10% of the sales revenue of the Group.

Note 2.7 Non-current assets – geographical breakdown

	As at 31 December 2023	As at 31 December 2022
Poland	23 309	25 008
Canada	1 791	1 919
The United States of America	1 613	1 841
Chile	228	204
TOTAL*	**26 941**	**28 972**

**non-current assets, excluding: derivatives, other financial instruments, other non-financial assets and deferred tax assets (IFRS 8.33b) in the total amount of PLN 11 041 million as at 31 December 2023 (PLN 11 448 million as at 31 December 2022).*

Part 3 – Impairment of assets

Note 3.1 Impairment losses on assets as at 31 December 2023

IMPAIRMENT TESTING OF THE POLISH PRODUCTION ASSETS (MINING AND METALLURGICAL ASSETS) OF KGHM POLSKA MIEDŹ S.A. – the Segment KGHM Polska Miedź S.A.

Pursuant to the adopted accounting policy, KGHM Polska Miedź S.A. recognises a significant or prolonged decrease in market capitalisation of an entity as compared to the carrying amount of its net assets as an indication to perform impairment testing of the carrying amount of the Company's assets. The Company's market capitalisation was below the carrying amount of net assets during the entire year 2023 and slightly decreased as compared to 31 December 2022, and at the end of the reporting period it amounted to approx. 79% of this amount. Moreover, other indications of impairment occurred, which may be found below.

As at 31 December 2023, due to the occurrence of indications of changes in the recoverable amount of the Company's assets, the Management Board of the Parent Entity performed impairment testing of the Polish production assets (mining and metallurgical assets) of KGHM Polska Miedź S.A. In order to estimate the recoverable amount, these assets constitute a single cash generating unit (CGU).

The main indications that the recoverable amount of the CGU may be lower than its carrying amount were the following:

- the forecasted increase in operating cost and planned increase in capital expenditures on replacement,
- the update of assumptions on medium-term production volumes,
- strengthening of the PLN exchange rate versus the USD.

Some of the analysed factors have a positive impact on the profitability of the CGU's activities, and therefore on the value of the Company's assets, and these are as follows:

- an increase in the forecasted price paths of copper, silver and gold,
- a decrease in market interest rates,
- rich deposits in the concession areas (current long-term production plans of the Company are up to the horizon of 2055 and this period does not arise from exhausting the deposit but from the current validity of mining concessions held).

In order to estimate the recoverable amount of the CGU, in the conducted test the value in use of its non-current assets was calculated using the DCF method, i.e. the method of discounted cash flows.

Basic macroeconomic assumptions adopted for impairment testing as at 31 December 2023 – metal prices and the exchange rate

The Company adopted price paths on the basis of internal macroeconomic assumptions prepared based on long-term forecasts available from financial and analytical institutions. A detailed forecast was prepared for the period 2024-2028, while for the period 2029-2033 a technical adjustment of prices was applied between the last year of the detailed forecast and 2034, for which a long-term metal price and exchange rate forecast was used at the following level:

- for copper– 8 250 USD/t;
- for silver – 22 USD/oz;
- for gold – 1 600 USD/oz,
- for the USD/PLN exchange rate – 4.10.

Other assumptions adopted for impairment testing as at 31 December 2023	
Assumption	**Level adopted in the test**
Detailed forecast period	A 5-year detailed forecast period was adopted for the years 2024-2028 on the basis of assumptions of the Budget of KGHM Polska Miedź S.A. for 2024 and the Company's assumptions on production in the years 2024-2028 arising from the Mine and Copper Concentrate Production Plan for the years 2024-2028.
Mine production level	The total mine production level adopted for testing in the detailed forecast period (2024-2028) amounted to 1 913 thousand tonnes of copper in concentrate.
Margin level	The average level of EBIT margin adopted for testing in the detailed forecast period and in the residual period does not differ significantly from the historically observable level of the Company's profitability in relatively stable macroeconomic conditions.
Capital expenditures on replacement	Total level of expenditures on replacement adopted for testing in the detailed forecast period (2024-2028) amounted to PLN 12 338 million; in the residual period, capital expenditures on replacement were adopted at a level which allows matching the Company's assets to the planned decrease in own mine production.
Rate of increase/decrease following the forecast period	-1.43%, resulting from the planned decrease in production of copper in ore and in own concentrates assumed in current long-term plans (up to 2055).
Discount rate*	7.00% - this is the level of the real discount rate after taxation (9.85% at the nominal rate), since the cash flows adopted in the model were estimated on the basis of the real rate. Discount rate prior to taxation amounts to 12.69%.

**The presented data are the amounts after taxation as an approach practically used in the model of value in use. The discount rate before taxation was calculated for disclosure purposes on the basis of the rate after taxation, which was applied in the test.*

Results of the test performed as at 31 December 2023 may be found in the following table:

CGU	Segment	Carrying amount as at 31 December 2023*	Recoverable amount as at 31 December 2023	Impairment loss
		PLN mn	PLN mn	PLN mn
Polish production assets (mining and metallurgical) of KGHM Polska Miedź S.A.	KGHM Polska Miedź S.A.	20 166	16 577	3 589

** The carrying amount of non-current assets adjusted by key non-production assets, decreased by employee benefits liabilities. The CGU's carrying amount does not include provisions for the decommissioning costs of mines, just as the calculation of value in use does not include losses on the decommissioning of mines.*

As a result of the performed test, as at 31 December 2023 the value in use of mining and metallurgical assets of KGHM Polska Miedź S.A. was lower than their carrying amount by PLN 3 589 million. The calculated impairment loss was recognised in the following items: "Cost of sales" in the amount of PLN 2 587 million, "Selling costs and administrative expenses" in the amount of PLN 131 million and "Other operating costs" in the amount of PLN 871 million. A deferred tax on impairment losses was recognised in the amount of PLN 666 million, which decreased deferred tax liabilities in the segment KGHM Polska Miedź S.A.

The impairment loss was allocated to the following types of assets: buildings and land (PLN 1 570 million), technical equipment, machines, motor vehicles and other fixed assets (PLN 1 102 million), fixed assets under construction (PLN 874 million), intangible assets – other (PLN 43 million).

Sensitivity analysis of the recoverable amount of operating assets of KGHM Polska Miedź S.A. determined that the key assumptions adopted for the impairment testing were the adopted price paths, the exchange rate and the discount rate. The assumptions regarding the price paths, the exchange rate and the discount rate were adopted while taking into account the professional judgment of the Management Board as to the performance of these amounts in the future, and was reflected in the estimated recoverable amount.

Sensitivity analysis of the recoverable amount of the CGU (PLN million)	Recoverable amount
Discount rate 7.5%	15 263
Discount rate 7.0% (test)	**16 577**
Discount rate 6.5%	18 080

Sensitivity analysis of the recoverable amount of the CGU (PLN million)	Recoverable amount
Copper price -5%	12 700
Copper price (test)	**16 577**
Copper price +5%	20 118

Sensitivity analysis of the recoverable amount of the CGU (PLN million)	Recoverable amount
USD/PLN exchange rate -5%	11 002
USD/PLN exchange rate (test)	**16 577**
USD/PLN exchange rate +5%	21 779

TEST FOR THE IMPAIRMENT OF ASSETS OF THE KGHM INTERNATIONAL LTD. GROUP - the Segment KGHM INTERNATIONAL LTD.

As at 31 December 2023, as a result of the identification of indications of a possible change in the recoverable amount of some of the international mining assets of the KGHM INTERNATIONAL LTD. Group, the Parent Entity's Management Board performed impairment testing of these assets. The following cash generating units (CGUs) have been selected to evaluate the recoverable amount of the assets of the KGHM INTERNATIONAL LTD. Group, in which indications of a possible change in the recoverable amount were identified:

- The Robinson mine,
- The Carlota mine,
- The Sudbury Basin, comprising the Morrison mine, the Podolsky mine and the McCreedy mine,
- The pre-operational Victoria project.

The key indications to perform impairment testing of the individual CGUs:

The Robinson mine:

- the following indications were identified that the recoverable amount may be higher than the carrying amount:
  - a change in market forecasts of commodities prices,
  - a change in technical and economic parameters in terms of production volumes,
  - a change in technical and economic parameters in terms of production volumes (including mining from the Ruth West 6 pit), planned operating costs and capital expenditures;
- the following indications were identified that the recoverable amount may be lower than the carrying amount:
  - a change in discount rates.

The Carlota mine:

- the following indications were identified that the recoverable amount may be higher than the carrying amount:
  - a change in market forecasts of commodities prices,
  - a decrease in a discount rate compared to the discount rate from the date of the last test;
- the following indications were identified that the recoverable amount may be lower than the carrying amount:
  - a change in technical and economic parameters in terms of production volumes (including mining from the Cactus pit – Phase III), planned operating costs, capital expenditures and a change of the life of the mine.

The Sudbury Basin:

- the following indications were identified that the recoverable amount may be higher than the carrying amount:
  - a change in market forecasts of commodities prices;
- the following indications were identified that the recoverable amount may be lower than the carrying amount:
  - a change in discount rates;
  - a change in technical and economic parameters in terms of production volumes, planned operating costs, capital expenditures and a change of the life of the mine.

The pre-operational Victoria project;

- the following indications were identified that the recoverable amount may be higher than the carrying amount:
  - a change in market forecasts of commodities prices,
  - a change in discount rates,
  - a change in technical assumptions in the model;
- the following indications were identified that the recoverable amount may be lower than the carrying amount:
  - an update of the mine construction schedule,
  - an update of capital expenditures,
  - a change in economic assumptions in the model.

In order to determine the recoverable amount of assets of individual CGUs, in the test conducted the fair value (decreased by estimated costs to sell) was calculated using the DCF method, i.e. the method of discounted cash flows, for the following CGUs: Sudbury, Victoria, Robinson and Carlota.
There was a change in the measurement model of recoverable amount of the CGU Robinson; in the last impairment testing of this asset as at 30 June 2021 the model of value in use was applied.

Basic macroeconomic assumptions adopted for impairment testing as at 31 December 2023 – metal prices
Price paths were adopted on the basis of long-term forecasts available from financial and analytical institutions. A detailed forecast is being prepared for the period 2024-2028, while for the period 2029-2033 a technical adjustment of prices was applied between the last year of the detailed forecast and 2034, from which a long-term metal price forecast is used at the following levels: – for copper – 8 250 USD/t (3.74 USD/lb); – for gold – 1 600 USD/oz; – for nickel – 8.5 USD/lb (18 739 USD/t).

Assumptions adopted for impairment testing as at 31 December 2023	**Victoria**	**Sudbury**	**Robinson**	**Carlota**
Mine life / forecast period	16	5	13	4
Level of copper production during mine life (kt)	266	16	569	11
Level of nickel production during mine life (kt)	229	5	-	-
Level of gold production during mine life (koz t)	205	12	478	-
Average operating margin during mine life	64%	9%	41%	3%
Capital expenditures to be incurred during mine life [USD million]	1 686	8	1 236	31
Including capitalised stripping costs [USD million]	-	-	*745*	*7*
Applied discount rate after taxation for assets in the operational phase	-	7.9%	7.9%	9.9%
Applied discount rate after taxation for assets in the pre-operational phase	9.4%	-	-	-
Costs to sell	2%			
Level of fair value hierarchy to which the measurement at fair value was classified	Level 3			

CGU	**Date of the last impairment testing**	**Discount rate used in the last impairment testing**
Sudbury	31 December 2021	7.5%
Robinson	30 June 2021	7.5%
Carlota	31 December 2019	9.5%
Victoria	30 June 2021	10.5%

Key factors responsible for the modification of technical and economic assumptions adopted for impairment testing as at 31 December 2023	
Sudbury	The increase in the production volume of payable metal by the McCreedy West mine. The finance model was updated on the basis of a change in operational assumptions.
Robinson	An update of the production plan which includes mining from the Ruth West 6 pit and changes in mining sequence in the Liberty pit, which enabled the extension of LOM to 2036. The finance model was updated on the basis of a change in operational assumptions.
Carlota	An update of the production plan which includes mining from the Cactus pit – Phase 3, which enabled the extension of LOM to 2027. The finance model was updated on the basis of a change in operational assumptions.
Victoria	Update of the mine construction schedule, update of capital expenditures and calculation of operating costs.

Results of the test performed as at 31 December 2023 are presented in the following table:

CGU	Segment (Part 2)	Carrying amount*		Recoverable amount		Recognised impairment loss	
		USD mn	PLN mn	USD mn	PLN mn	USD mn	PLN mn
Victoria	KGHM INTERNATIONAL LTD.	428***	1 683	320	1 259	108	424
Sudbury		(50)	(197)	(46)**	(164)	-	-
Robinson		358***	1 409	431	1 696	-	-
Carlota		(47)	(185)	(47)	(185)	-	-

** The carrying amount of non-current assets decreased by the provision for future decommissioning costs of mines and the balance of deferred tax.*
*** Includes liabilities due to the Franco Nevada contract.*
**** Including the amount of activated borrowing costs for the Robinson of USD 7 million, for the Victoria Project of USD 44 million.*

As a result of the conducted test, an impairment loss was recognised on the assets of the CGU Victoria in the amount of PLN 424 million (USD 108 million), which was recognised in the item: "Other operating costs". Due to the recognition of an impairment loss, a deferred income tax was charged in the amount of PLN (75) million, which was recognised in the item "Income tax".

The results of tests performed as at 31 December 2023 for:

- the CGU Sudbury confirmed that the recoverable amount is higher than the CGU's carrying amount, however the difference between the recoverable and carrying amounts of the CGU is insignificant, and therefore the impairment loss recognised in previous periods was not reversed.
- the CGU Robinson indicated that the recoverable amount of the CGU exceeded the carrying amount. Due to the lack of impairment losses recognised in previous periods that could be reversed, the carrying amount of CGU Robinson did not change.

Sensitivity analysis of the recoverable amount of CGU Victoria (USD mn)	Recoverable amount
Discount rate 10.4%	235
Discount rate 9.4% (test)	**320**
Discount rate 8.4%	461

Sensitivity analysis of the recoverable amount of CGU Victoria (USD mn)	Recoverable amount
Copper price -0.10 $/lb	327
Copper price (test)	**320**
Copper price +0.10 $/lb	351

Sensitivity analysis of the recoverable amount of CGU Victoria (USD mn)	Recoverable amount
Nickel price -0.10 $/lb	329
Nickel price (test)	**320**
Nickel price +0.10 $/lb	350

Sensitivity analysis of the recoverable amount of CGU Robinson (USD mn)	Recoverable amount
Discount rate 8.9%	396
Discount rate 7.9% (test)	**431**
Discount rate 6.9%	469

Sensitivity analysis of the recoverable amount of CGU Robinson (USD mn)	Recoverable amount
Copper price -0.10 $/lb	355
Copper price (test)	**431**
Copper price +0.10 $/lb	507

The sensitivity analysis of the recoverable amount of the CGUs Sudbury and Carlota, due to the low carrying amount of assets, was not presented.

in PLN millions, unless otherwise stated

EVALUATION OF IMPAIRMENT OF WATER RIGHTS
In the Group, water rights in Chile are annually subjected to impairment testing by comparing their carrying amount to the recoverable amount, which is set as fair value decreased by costs to sell. The fair value of water rights is classified under level 2 of the fair value hierarchy, in which fair value measurements are based on significant observable input data, other than market prices. For the year ended on 31 December 2023, the Group assessed the factors impacting the recoverable amount of the asset. The Group engaged an independent advisor that, by using a polynomial model taking into account technical, legal and administrative aspects, performed a measurement of water rights held by the Group. As a result of the conducted analysis, taking into account a change in water price and the estimated amount of water available for extraction as compared to the level of these factors adopted for the measurement as at 31 December 2022, an impairment loss was reversed on this asset in the amount of PLN 23 million (USD 6 million) which was recognised in the item "Other operating income". The carrying amount of water rights amounted to PLN 88 million as at 31 December 2023 (as at 31 December 2022: PLN 73 million).

IMPAIRMENT TESTING OF PROPERTY, PLANT AND EQUIPMENT OF THE COMPANY CENTROZŁOM WROCŁAW S.A. – Segment – Other segments

As at 31 December 2023, as a result of the identification of indications of a possible change in the recoverable amount of property, plant and equipment of the company Centrozłom Wrocław S.A., the company performed impairment testing of these assets in 2023. The key indication to perform impairment testing was the achievement of a loss for 2023 by the company in the amount of PLN 42 million. The test was conducted using the fair value less costs to sell method, on the basis of available valuation reports and an expert's opinion, in order to confirm the recoverable amount of non-current assets.

The basis used to determine the recoverable amount during impairment testing:

1) land:
- valuation reports prepared by external entities at the company's request,
- valuation reports prepared at the request of local municipal authorities,

2) buildings and structures:
- valuation reports prepared by external entities at the company's request,
- an expert opinion by the technical services of the company on the basis of determined market value of similar objects in individual locations

3) machinery and equipment:
- an expert opinion by the technical services of the company on the basis of auction websites and the level of achieved prices

Properties for which valuation reports were prepared at the company's request*	Carrying amount	Recoverable amount
in Chróścina	1	3
in Wrocław	9	76
in Poznań	11	16
in Konin	2	4
in Opole	1	2
in Łódź	9	14
Total	**33**	**115**

Properties for which valuation reports were prepared at the request of local municipal authorities*	Carrying amount	Recoverable amount
	8	15

**cost to sell at the level of 3%*

in PLN millions, unless otherwise stated

Sensitivity analysis of the recoverable amount of property to volatility of market prices for land and accompanying buildings, for which valuation reports were prepared:			
At the company's request	**Price lower by 5%**	**Recoverable amount (test)**	**Price higher by 5%**
in Chróścina	2.9	3.1	3.2
in Wrocław	71.6	75.4	79.2
in Poznań	15.1	15.9	16.7
in Konin	4.0	4.2	4.4
in Opole	2.3	2.4	2.5
in Łódź	12.8	13.5	14.2
At the request of local municipal authorities	14.3	15.1	15.8
TOTAL	**123.0**	**129.6**	**136.0**

Sensitivity analysis of the fair value of machinery and equipment to volatility of market prices for machinery and equipment	Price lower by 5%	Recoverable amount (test)	Price higher by 5%
	31	32	34

As a result of the performed tests, the recoverable amount of property, plant and equipment was determined to be at the level of PLN 176 million, which is significantly higher than the carrying amount of property, plant and equipment (PLN 87 million). Therefore, no impairment loss was recognised.

Other impairment losses on assets

Other impairment losses on assets concern:

- fixed assets and intangible assets, PLN 10 million,
- fixed assets under construction and other intangible assets not yet available for use, PLN 13 million,
- write-down of inventories, PLN 442 million (including PLN 370 million on the segment KGHM INTERNATIONAL LTD. since the cost was higher than the net realisable value),
- allowances for impairment of receivables, PLN 4 million.

Information on the item in which impairment losses are recognised in the consolidated statement of profit or loss is presented in Note 4.4.

Note 3.2. Impairment of assets as at 31 December 2022

Pursuant to IAS 36, as at 31 December 2022 the Group assessed the occurrence of indications of impairment of its assets. Key non-current assets of the Group were subjected to the analysis. As a result of the performed evaluation, no indications of impairment of these assets were identified. Because of the Parent Entity's market capitalisation remaining below the level of its net assets for a significant part of 2022, this area was subjected to a further analysis.

Assessment of the risk of impairment of assets in the context of the market capitalisation of KGHM Polska Miedź S.A.
In 2022, a general deterioration in sentiment was seen in stock markets due to the 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) pandemic. As a result, stock market indices, amongst others, suffered greatly. In 2022, the share price of KGHM Polska Miedź S.A. fell by 9% compared to the share price at the end of 2021, and as at 31 December 2022 it amounted to PLN 126.75. During the same period the WIG and WIG 20 indices fell respectively by 17% and 21%. As a result, the Parent Entity's market capitalisation fell from PLN 27 880 million to PLN 25 350 million, which means that as at 31 December 2022 it remained 15% below the level of the Company's net assets. As at 15 March 2023, the Parent Entity's share price amounted to PLN 113.30 and as a result, the market capitalisation amounted to PLN 22 660 million and was 24% lower than the level of the Parent Entity's net assets. Due to the fact that, during a significant part of the reporting period, the Company's market capitalisation remained below the carrying amount of its net assets, in accordance with IAS 36 Impairment of assets, the Management Board of KGHM Polska Miedź S.A. conducted an analysis to determine whether any area of KGHM Polska Miedź S.A.'s activities could be impaired. The analysis of the assets located in Poland indicated that not all of the factors which affect the market capitalisation of KGHM Polska Miedź S.A. are factors which are related to the conducted economic activities. The drop in share prices affected companies in the majority of sectors, in different economies, and reflected investor uncertainty as to the future. In particular, the armed conflict in Ukraine caused a withdrawal of foreign investors from areas bordering the war zone, which can be seen not only in the situation on the Warsaw stock exchange, but also on exchanges in the region, such as in Czechia, Slovakia and Hungary, and also had a significant impact on the weakening of the PLN versus the USD. From the point of view of the Company's operations, the key factor influencing the level of market capitalisation is the copper price. In December 2021, the average price of copper amounted to 9 550 USD/t, and following the initial continuation of the upward trend in the first months of 2022 it recorded a significant decline. The minimum was recorded in July 2022, when the average copper price was at the level of 7 530 USD/t. But over time, as reassuring information as to the demand for this metal kept coming, prices returned to the trend observed at the start of the year and in December 2022 the average price for copper amounted to 8 367 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 turbulence 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 additionally remains under the influence of the armed conflict in Ukraine. Despite the continued uncertainty in the economic environment, KGHM Polska Miedź S.A. maintains full operational capacity and consistently advances planned production and sales targets. The financial results achieved by the Company significantly exceed the budget targets, which is also a result of conducted optimisation initiatives and cost discipline applied in response to macroeconomic conditions. As a result of the assessment, it was judged that there was no relation between the fall in the share price of KGHM Polska Miedź S.A. both in terms of the activities of KGHM Polska Miedź S.A. in Poland as well as abroad. The Company executes production and sales targets in Poland as well as abroad. Consequently, there were no indications identified suggesting the risk of impairment of the Polish and international production assets, therefore there were no tests for impairment conducted for these assets as at 31 December 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 global pandemic situation, and its impact on the economic situation, the Company is continuously monitoring the global situation.

in PLN millions, unless otherwise stated

TEST FOR THE IMPAIRMENT OF NON-CURRENT ASSETS OF SPA COMPANIES – Segment – Other segments
As at 30 June 2022, new risks were identified to the realisation of forecasted financial results of the Group companies providing spa services (CGU): Uzdrowiska Kłodzkie S.A. - Grupa PGU, Uzdrowisko Połczyn Grupa PGU S.A., Uzdrowisko Cieplice Sp. z o.o. - Grupa PGU, Uzdrowisko Świeradów - Czerniawa Sp. z o.o. – Grupa PGU. Apart from the increase in prices of electricity, energy carriers, food and other cost items due to inflation pressure, there is also a risk of inability to effectively transfer these increases into prices for end customers and/or an impact of these costs on provided services. For the purpose of estimating the recoverable amount, in the conducted test the value in use of the cash generating units, comprised of property, plant and equipment and intangible assets of all of the aforementioned companies, was measured using the DCF method, i.e. the method of discounted cash flows. The recoverable amount of CGUs, estimated as described above, was confirmed by the fair value of a transaction price of tested assets, which were sold between entities of the Group as part of the reorganisation project realised by the Group (details on changes in the organisational structure of the Group may be found in Note 12.11 Composition of the Group).

Basic assumptions adopted for impairment testing

Assumption	Uzdrowiska Kłodzkie S.A. - Grupa PGU	Uzdrowisko Połczyn Grupa PGU S.A.	Uzdrowisko Cieplice Sp. z o.o. - Grupa PGU	Uzdrowisko Świeradów - Czerniawa Sp. z o.o. – Grupa PGU
Detailed forecast period*	2nd half of 2022 - 1st half of 2028	2nd half of 2022 - 1st half of 2028	2nd half of 2022 - 1st half of 2028	2nd half of 2022 - 1st half of 2028
Average EBITDA margin during the detailed forecast period	12%	13%	12%	13%
EBITDA margin during the residual period	15%	14%	14%	16%
Capital expenditures during the detailed forecast period	PLN 58 million	PLN 12 million	PLN 12 million	PLN 9 million
Average notional discount rate during the detailed forecast period**	11.4%	11.3%	11.4%	11.5%
Discount rate during the residual period**	11.4%	11.7%	11.5%	11.8%
Notional growth rate following the detailed forecast period	2.0%	2.0%	2.0%	2.0%

** A 6-year detailed forecast period was adopted instead of a 5-year one, pursuant to the approach applied by KGHM VII FIZAN for the measurement of portfolio deposits, in order to maintain the comparability over time (the methodology applied in previous periods).*
*** Data is presented after taxation, despite the measurement model of value in use. The application of data before taxation does not have a significant impact on the recoverable amount.*

The results of the conducted tests are presented in the following table:

CGU	Carrying amount	Recoverable amount	Impairment loss
Uzdrowiska Kłodzkie S.A. - Grupa PGU	114	102	12
Uzdrowisko Połczyn Grupa PGU S.A	81	55	26
Uzdrowisko Cieplice Sp. z o.o. - Grupa PGU	34	28	6
Uzdrowisko Świeradów - Czerniawa Sp. z o.o. – Grupa PGU	38	36	2

As a result of the tests conducted, an impairment loss on non-current assets was recognised in the total amount of PLN 46 million – by comparing the carrying amount with the recoverable amount.

The impairment loss was recognised in the items: "Cost of sales" in the amount of PLN 45 million and in "Other operating costs" in the amount of PLN 1 million.

in PLN millions, unless otherwise stated

The recoverable amount of individual CGUs indicated a significant sensitivity to changes in the adopted discount rate, the average EBITDA margin, and the growth rate following the forecast period. Moreover, it should be noted that sensitivity to the change in the level of revenues is reflected in sensitivity to the changes in the EBITDA margin.

	Recoverable amount		
Average EBITDA margin during the forecast period	**decrease by 2 pp.**	**per test**	**increase by 2 pp.**
Uzdrowiska Kłodzkie S.A. - Grupa PGU	60	**102**	144
Uzdrowisko Połczyn Grupa PGU S.A.	43	**55**	69
Uzdrowisko Cieplice Sp. z o.o. - Grupa PGU	20	**28**	35
Uzdrowisko Świeradów - Czerniawa Sp. z o.o. – Grupa PGU	27	**36**	45
Average discount rate during the forecast period	**decrease by 1 pp.**	**per test**	**increase by 1 pp.**
Uzdrowiska Kłodzkie S.A. - Grupa PGU	119	**102**	88
Uzdrowisko Połczyn Grupa PGU S.A.	63	**55**	50
Uzdrowisko Cieplice Sp. z o.o. - Grupa PGU	32	**28**	24
Uzdrowisko Świeradów - Czerniawa Sp. z o.o. – Grupa PGU	41	**36**	32
Growth rate following the forecast period	**decrease by 1 pp.**	**per test**	**increase by 1 pp.**
Uzdrowiska Kłodzkie S.A. - Grupa PGU	92	**102**	113
Uzdrowisko Połczyn Grupa PGU S.A.	52	**55**	60
Uzdrowisko Cieplice Sp. z o.o. - Grupa PGU	25	**28**	30
Uzdrowisko Świeradów - Czerniawa Sp. z o.o. – Grupa PGU	33	**36**	39

In order to monitor the risk of further impairment of operating assets in subsequent reporting periods as well as to monitor the possibility of reversing the impairment loss, it was determined that the recoverable amount would be equal to the carrying amount of individual companies if the notional discount rate were as presented below:

Uzdrowiska Kłodzkie S.A. - Grupa PGU	10.54%
Uzdrowisko Połczyn Grupa PGU S.A.	8.50%
Uzdrowisko Cieplice Sp. z o.o. - Grupa PGU	10.00%
Uzdrowisko Świeradów - Czerniawa Sp. z o.o. – Grupa PGU	10.75%

EVALUATION OF IMPAIRMENT OF WATER RIGHTS

In the Group, water rights in Chile are annually subjected to impairment testing by comparing their carrying amount to the recoverable amount, which is set as fair value decreased by costs to sell. The fair value of water rights is classified under level 2 of the fair value hierarchy, in which fair value measurements are based on significant observable input data, other than market prices.

For the year ended on 31 December 2022, the Group assessed the factors impacting the recoverable amount of the asset and concluded that there are no grounds for recognising an impairment loss, as the water price and the estimated amount of water available for extraction did not change compared to the level of these factors adopted for measurement as at 31 December 2021. The carrying amount of water rights amounted to PLN 73 million as at 31 December 2022 (as at 31 December 2021: PLN 67 million).

Other impairment losses on assets

Other impairment losses on assets concern:

- fixed assets and intangible assets, PLN 38 million (including PLN 36 million on the segment KGHM INTERNATIONAL LTD.),
- fixed assets under construction and other intangible assets not yet available for use, PLN 63 million (including PLN 55 million on the segment KGHM INTERNATIONAL LTD., and exploratory work capitalised pursuant to IFRS 6, which were fully impaired since the lack of confirmation of economic feasibility of explored deposits),
- write-down of inventories, PLN 74 million,
- allowances for impairment of receivables, PLN 9 million.

Information on the item in which impairment losses are recognised in the consolidated statement of profit or loss is presented in Note 4.4.

in PLN millions, unless otherwise stated

Part 4 - Explanatory notes to the statement of profit or loss

Note 4.1 Expenses by nature

		from 1 January 2023 to 31 December 2023	from 1 January 2022 to 31 December 2022
Note 9.3	Depreciation of property, plant and equipment and amortisation of intangible assets	2 641	2 398
Note 11.1	Employee benefits expenses	8 296	7 333
	Materials and energy, including:	14 872	15 876
	purchased metal-bearing materials	7 712	8 859
	External services	2 960	2 604
Note 5.2	Minerals extraction tax	3 496	3 046
	Other taxes and charges	874	786
Note 4.4	Reversal of impairment losses on property, plant and equipment and intangible assets	(3)	(3)
Note 4.4	Reversal of write-down of inventories	(19)	(55)
	Advertising costs and representation expenses	96	89
	Property and personal insurance	87	80
Part 3 Note 4.4	Impairment losses on property, plant and equipment and intangible assets	2 728	83
Note 4.4	Write-down of inventories	429	74
	Other costs	83	77
	Total expenses by nature	**36 540**	**32 388**
	Cost of merchandise and materials sold (+)	679	792
	Change in inventories of finished goods and work in progress (+/-)	(275)	(2 008)
	Cost of products for internal use of the Group (-) *	(1 837)	(1 669)
	Total costs of sales, selling costs and administrative expenses, of which:	**35 107**	**29 503**
	Cost of sales	32 907	27 541
	Selling costs	481	560
	Administrative expenses	1 719	1 402

**The amount is mainly comprised of cost of manufacturing fixed assets by the Group*

in PLN millions, unless otherwise stated

Note 4.2 Other operating income and (costs)

		from 1 January 2023 to 31 December 2023	from 1 January 2022 to 31 December 2022
Note 7.1	Gains on derivatives, of which:	367	270
	measurement	202	109
	realisation	165	161
	Interest income calculated using the effective interest rate method	56	54
Note 7.1	Exchange differences on financial assets and liabilities other than borrowings	-	949
	Reversal of impairment losses on fixed assets under construction and intangible assets not yet available for use	53	-
Note 4.4	Reversal of impairment losses on financial instruments	-	5
	Release of provisions	54	62
	Gain on disposal of intangible assets	7	134
Note 9.9	Gain on disposal of subsidiaries	1	180
	Government grants received	17	19
	Income from servicing of letters of credit and guarantees	21	28
	Compensation, fines and penalties received	47	66
	Assistance under the government program "Aid for energy-intensive sectors related to sudden increases in natural gas and electricity prices in 2022 and 2023"	178	-
	Other	105	114
	Total other operating income	**906**	**1 881**
Note 7.1	Losses on derivatives, of which:	(634)	(490)
	measurement	(188)	(116)
	realisation	(446)	(374)
Note 4.4	Impairment losses on financial instruments	(4)	(5)
	Fair value losses on financial assets	(104)	(58)
Part 3 Note 4.4	Impairment losses on fixed assets under construction and intangible assets not yet available for use	(1 308)	(64)
Note 7.1	Exchange differences on financial assets and liabilities other than borrowings	(1 414)	-
	Provisions recognised	(36)	(27)
	Financial support granted to municipalities	(7)	(100)
	Losses on disposal of property, plant and equipment	(28)	(26)
	Donations granted	(66)	(55)
	Other	(122)	(94)
	Total other operating costs	**(3 723)**	**(919)**
	Other operating income and (costs)	**(2 817)**	**962**

in PLN millions, unless otherwise stated

Note 4.3 Finance income and (costs)

		from 1 January 2023 to 31 December 2023	from 1 January 2022 to 31 December 2022
Note 7.1	Exchange differences on measurement and realisation of borrowings	356	-
Note 7.1	Gains on derivatives - realisation	173	130
	Result of the settlement of a transaction hedging against interest rate risk due to the issue of bonds with a variable interest rate	-	18
	Total finance income	**529**	**148**
Note 7.1	Interest on borrowings including:	(76)	(18)
	leases	(1)	(9)
	Unwinding of the discount effect on provisions	(60)	(21)
	Bank fees and charges on drawn borrowings	(26)	(29)
Note 7.1	Losses on derivatives - realisation	(183)	(149)
Note 7.1	Exchange differences on measurement and realisation of borrowings	-	(179)
	Other	(25)	(24)
	Total finance costs	**(370)**	**(420)**
	Finance income and (costs)	**159**	**(272)**

Note 4.4 Reversal and (recognition) of impairment losses recognised in the statement of profit or loss

		from 1 January 2023 to 31 December 2023	from 1 January 2022 to 31 December 2022
	Reversal of impairment losses on assets recognised in:		
	cost of sales, of which:	**24**	**58**
Note 4.1	reversal of impairment loss on property, plant and equipment and intangible assets	3	3
Note 10.1	reversal of write-down of inventories	21	55
Note 6.2	**gains due to reversal of allowances for impairment of loans granted to a joint venture**	**101**	**873**
	other operating income, of which:	**53**	**5**
	reversal of impairment losses on fixed assets under construction and intangible assets not yet available for use	53	-
Note 4.2	reversal of an allowance for impairment of trade receivables	-	2
Note 4.2	reversal of an allowance for impairment of other financial receivables	-	3
	Reversal of impairment losses, total	**178**	**936**
	Impairment losses on assets, recognised in:		
	cost of sales and selling costs, of which:	**(3 170)**	**(162)**
Note 4.1	impairment loss on property, plant and equipment and intangible assets	(2 728)	(83)
Note 10.1	write-down of inventories	(442)	(79)
	other operating costs, of which:	**(1 312)**	**(73)**
Note 4.2	impairment losses on fixed assets under construction and intangible assets not yet available for use	(1 308)	(64)
	allowance for impairment of non-financial receivables	-	(4)
Note 4.2	allowance for impairment of trade receivables	(4)	(4)
Note 4.2	allowance for impairment of other financial receivables	-	(1)
	Impairment losses, total	**(4 482)**	**(235)**

in PLN millions, unless otherwise stated

Part 5 – Taxation

Note 5.1 Income tax in the consolidated statement of profit or loss

Accounting policies
Income tax recognised in profit or loss comprises current income tax and deferred income tax. Current income tax is calculated in accordance with current tax laws.

Taking into account the tax optimisation within the KGHM Polska Miedź S.A. Group, the "PGK KGHM I" Tax Group was founded, which operated in the years 2016-2018. Real benefits were noted in the period of operation of PGK KGHM, including the possibility of current utilisation of losses generated by some of the companies within PGK to settle them with the profits of other companies, and the positive result of an analysis of companies of the Group with respect to meeting the criteria indicated in the act on corporate income tax were a basis to found a new tax group – PGK KGHM II. It operated in the years 2019-2021, and in October 2021 an agreement was signed to extend its operations by a subsequent 3 tax years, that is from 2022 to 2024.
PGK KGHM II is comprised of:

1) KGHM Polska Miedź S.A.
2) Energetyka sp. z o.o.
3) Zagłębie Lubin S.A.
4) Miedziowe Centrum Zdrowia S.A.
5) KGHM CUPRUM sp. z o.o. – Centrum Badawczo-Rozwojowe
6) INOVA Centrum Innowacji Technicznych sp. z o.o.
7) PeBeKa S.A.
8) KGHM ZANAM S.A.
9) POL-MIEDŹ TRANS Sp. z o.o.
10) Mercus Logistyka sp. z o.o.
11) KGHM Metraco S.A.
12) Special purpose companies: Future 1 Sp. z o.o., Future 3 Sp. z o.o., Future 4 Sp. z o.o., Future 5 Sp. z o.o.,
13) KGHM Centrum Analityki Sp. z o.o.
14) Centrum Badań Jakości Sp. z o.o.
15) BIPROMET S.A.

Income tax

		from 1 January 2023 to 31 December 2023	from 1 January 2022 to 31 December 2022
	Current income tax	682	1 369
Note 5.1.1	Deferred income tax	(569)	315
	Current tax adjustments for prior periods	(37)	31
	Income tax on controlled foreign companies	15	-
	Income tax	**91**	**1 715**

In 2023, Group entities paid income tax in the amount of PLN 1 646 million (in 2022: PLN 1 696 million) to the appropriate tax offices.

in PLN millions, unless otherwise stated

The table below presents differences between income tax from profit before income tax for the Group and the income tax which could be achieved if the Parent Entity's tax rate was applied:

Reconciliation of effective tax rate

	from 1 January 2023 to 31 December 2023	from 1 January 2022 to 31 December 2022
(Loss)/profit before income tax	**(3 600)**	**6 489**
Tax calculated using the Parent Entity's rate (2023: 19%, 2022: 19%)	(684)	1 233
Effect of applying other tax rates abroad	(88)	(26)
Tax effect of non-taxable income	(9)	(6)
Tax effect of expenses not deductible for tax purposes, including:	723	713
minerals extraction tax	664	600
Unrecognised deferred tax assets on deductible temporary differences	76	2
Utilisation in the period of previously-unrecognised tax losses	(45)	(287)
Adjustments of current tax for prior periods	(37)	31
Tax losses and tax credits in the period from which there was no recognition of deferred tax assets	53	160
Deferred tax on eliminated interest on intra-Group loans	(72)	(81)
Income tax on controlled foreign companies	15	-
Other	159	(24)
Income tax in profit or loss	**91**	**1 715**

In Poland, tax bodies are empowered to audit tax declarations for a period of five years, although during this period companies may offset tax assets with tax liabilities being the income of the State Treasury (including due to current income tax). In Canada, tax declarations may be audited for a period of three years without the right to offset assets with liabilities due to current income tax.

in PLN millions, unless otherwise stated

Note 5.1.1 Deferred income tax

Accounting policies	Significant estimates, assumptions and judgments
Deferred income tax is determined using tax rates and tax laws that are expected to be applicable when the asset is realised or the liability is settled based on tax rates and tax laws that have been enacted or substantively enacted at the end of the reporting period. Deferred tax liabilities and deferred tax assets are recognised for temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, with the exception of temporary differences arising from initial recognition of assets or liabilities in transactions other than business combinations, which do not have an impact either on profit/(loss) before tax or on the taxable profit/(tax loss) at the moment they are concluded, and at the date of the transaction does not result in the occurrence of equal amounts of taxable and deductible temporary differences. Deferred tax assets are recognised if it is probable that taxable profit will be available against which the deductible temporary differences and unused tax losses can be utilised. Deferred tax assets and deferred tax liabilities are offset if the company has a legally enforceable right to set off current tax assets and current tax liabilities, and if the deferred tax assets and deferred tax liabilities relate to income taxes levied on a given entity by the same tax authority.	The assessment of probability of realising deferred tax assets with future tax income is based on the budgets of the companies of the Group. Companies of the Group recognised deferred tax assets in their accounting books to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised. Companies of the Group which historically have generated losses, and whose financial projections do not foresee the achievement of taxable profit enabling the deduction of deductible temporary differences, do not recognise deferred tax assets in their accounting books.

	from 1 January 2023 to 31 December 2023	from 1 January 2022 to 31 December 2022
Deferred net income tax at the beginning of the period, of which:	**(1 014)**	**(458)**
Deferred tax assets	137	185
Deferred tax liabilities	(1 151)	(643)
Deferred income tax during the period:	**466**	**(533)**
Recognised in profit or loss	569	(315)
Recognised in other comprehensive income	(103)	(218)
Exchange differences from translation of balances of deferred income tax of statements of operations with a functional currency other than PLN	**39**	**(23)**
Deferred net income tax at the end of the period, of which:	**(509)**	**(1 014)**
Deferred tax assets	137	137
Deferred tax liabilities	(646)	(1 151)

in PLN millions, unless otherwise stated

Maturities of deferred tax assets and deferred tax liabilities were as follows:

	Deferred tax assets		Deferred tax liabilities	
	As at 31 December 2023	As at 31 December 2022	As at 31 December 2023	As at 31 December 2022
Maturity over the 12 months from the end of the reporting period	42	31	(615)	(1 238)
Maturity of up to 12 months from the end of the reporting period	95	106	(31)	87
Total	**137**	**137**	**(646)**	**(1 151)**

Expiry dates of unused tax losses and tax credits, for which deferred tax assets were not recognised in individual countries, are presented in the following table:

	As at 31 December 2023				As at 31 December 2022			
	Unused tax losses	Expiry date	Unused tax credits	Expiry date	Unused tax losses	Expiry date	Unused tax credits	Expiry date
Luxembourg	-	-	-	-	158	indefinite	-	-
	325	2037	-	-	520	2036-2037	-	-
Chile	97	Indefinite	-	-	91	indefinite	-	-
Canada	1 663	2043	53	2039	1 602	2026-2042	60	2030-2039
Other	5	2024-2028	-	-	16	2025	-	-
Total	**2 090**		**53**		**2 387**		**60**	

As at 31 December 2023, the Group did not recognise a deferred tax asset on deductible temporary differences in the amount of PLN 556 million (as at 31 December 2022: PLN 660 million) because there is low possibility that they will be reversed in the foreseeable future and that taxable income, on which it could be recognised, will be achieved.

As at 31 December 2023, at the level of the consolidated financial statements, there was no recognition of deferred tax liabilities on taxable temporary differences in the amount of PLN 1 273 million (as at 31 December 2022: PLN 1 076 million) related to investments in subsidiaries and shares in joint ventures, as the conditions stipulated in IAS 12.39 were met., i.e. the Parent Entity is able to control the dates of reversal of these differences and it is probable that they will not reverse in the foreseeable future.

The following tables present deferred income tax assets and liabilities before their compensation at the level of individual companies of the Group.

in PLN millions, unless otherwise stated

Deferred tax assets (deferred tax assets prior to offsetting with deferred tax liabilities at the level of individual companies of the Group)

		Credited/(Charged)					Credited/(Charged)			
	As at 31 December 2021	profit or loss	other comprehensive income	exchange differences from translation of statements of operations with a functional currency other than PLN	changes due to loss of control of subsidiaries	As at 31 December 2022	profit or loss	other comprehensive income	exchange differences from translation of statements of operations with a functional currency other than PLN	As at 31 December 2023
Provision for decommissioning of mines and other technological facilities	**191**	1	-	2	-	**194**	17	-	(2)	**209**
Measurement of forward transactions other than hedging instruments	**71**	(27)	-	-	-	**44**	1	-	-	**45**
Difference between the depreciation rates of property, plant and equipment for accounting and tax purposes	**88**	7	-	-	-	**95**	141	-	-	**236**
Future employee benefits	**465**	-	80	-	-	**545**	33	59	-	**637**
Equity instruments measured at fair value	**104**	-	19	-	-	**123**	1	(56)	-	**68**
Lease liabilities	**75**	19	-	-	-	**94**	6	-		**100**
Accrued and unpaid interest on borrowings	**235**	45	-	17	-	**297**	44	-	(32)	**309**
Recognition/reversal of impairment losses on assets	**58**	(17)	-	-	(1)	**40**	167	-	-	**207**
Short-term accruals for remuneration	**113**	12	-	-	-	**125**	(30)	-	-	**95**
Re-measurement of hedging instruments	**305**	-	(292)	-	-	**13**	-	(3)	-	**10**
Liabilities related to fixed fee due to setting mining usufruct	**35**	-	-	-	-	**35**	3	-	-	**38**
Employee benefits (holidays)	**13**	-	-	-	-	**13**	5	-	-	**18**
Unpaid remuneration with surcharges	**24**	3	-	-	-	**27**	(25)	-	-	**2**
Other	**214**	(11)	-	-	(4)	**199**	9	-	(3)	**205**
Total	**1 991**	**32**	**(193)**	**19**	**(5)**	**1 844**	**372**	**-**	**(37)**	**2 179**

in PLN millions, unless otherwise stated

Deferred tax liabilities (deferred tax liabilities prior to offsetting with deferred tax assets at the level of individual companies of the Group)

		(Credited)/Charged					(Credited)/Charged			
	As at 31 December 2021	profit or loss	other comprehensive income	exchange differences from translation of statements of operations with a functional currency other than PLN	changes due to loss of control of subsidiaries	As at 31 December 2022	profit or loss	other comprehensive income	exchange differences from translation of statements of operations with a functional currency other than PLN	As at 31 December 2023
Measurement of forward transactions other than hedging instruments	**50**	(9)	-	-	-	**41**	6	-	-	**47**
Difference between the depreciation rates for accounting and tax purposes, including:	**1 659**	159	-	26	(4)	**1 840**	(418)	-	(36)	**1 386**
related to depreciation of right-to-use assets	**71**	18	-	-	-	**89**	(13)	-	-	**76**
Accrued and unpaid interest on loans	**504**	119	-	20	-	**643**	158	-	(42)	**759**
Re-measurement of hedging instruments	**-**	-	25	-	-	**25**	-	103	-	**128**
Equity instruments measured at fair value	**91**	(7)	-	-	-	**84**	29	-	-	**113**
Other	**145**	85	-	(4)	(1)	**225**	28	-	2	**255**
Total	**2 449**	**347**	**25**	**42**	**(5)**	**2 858**	**(197)**	**103**	**(76)**	**2 688**

in PLN millions, unless otherwise stated

Note 5.2 Other taxes and charges

	from 1 January 2023 to 31 December 2023	from 1 January 2022 to 31 December 2022	Basis for calculating tax	Tax rate	from 1 January 2023 to 31 December 2023	from 1 January 2022 to 31 December 2022	
Minerals extraction tax, of which:	**3 496**	**3 046**		tax rate calculated for every reporting period*			
- copper	2 946	2 650	Amount of copper in produced concentrate, expressed in tonnes		3 405	2 951	tax recognised in cost of sold products
- silver	550	396	Amount of silver in produced concentrate, expressed in kilograms		91	95	tax recognised in inventories

** In accordance with conditions specified by the Act dated 2 March 2012 on the minerals extraction tax, the amount of tax depends on the amount of copper and silver in concentrate as well as the tax rates. Tax rates are set separately for copper (Cu) and silver (Ag) on the basis of formulas specified in the Act and depend on average prices of these metals (stock quotations from LME/LBMA) as well as the USD exchange rate. The increase in tax rate in 2023 was mainly caused by the return to the calculation method used to determine the tax rate prior to the decrease in tax rates introduced by the Act, which temporarily in the period from January to November 2022, decreased the tax rates by approx. 30%. Currently, the indicator which is used to multiply the tax rate for copper and silver once again amounts to 0.85 (and in the period from January to November 2022 it amounted to 0.6).*

The minerals extraction tax paid by the Parent Entity is calculated from the amount of copper and silver in produced concentrate and depends on the stock prices of these metals as well as on the USD/PLN exchange rate. The tax is accounted for under manufacturing costs of basic products and is not deductible for corporate income tax purposes.

Other taxes and charges, with a breakdown by geographical location, were as follows:

	from 1 January 2023 to 31 December 2023	from 1 January 2022 to 31 December 2022
Poland	**803**	**693**
Real estate tax	293	268
Royalties	127	122
Excise tax	7	6
Environmental fees	96	16
Costs of redemption of CO_2 emission allowances	190	199
Contributions to the State Fund for the Rehabilitation of the Disabled People (PFRON)	34	29
Other taxes and charges	56	53
Other countries	**78**	**113**
Total	**881**	**806**

in PLN millions, unless otherwise stated

Note 5.3 Tax assets and liabilities

Accounting policies
Tax assets comprise current income tax assets and the settlement related to VAT. Assets not representing financial assets are initially recognised at nominal value and are measured at the end of the reporting period at the amount due. Tax liabilities comprise the Group's liabilities towards the tax office arising from the corporate income tax, including due to the withholding tax, personal income tax and liabilities due to the minerals extraction tax and the excise tax. Liabilities not representing financial liabilities are measured at the amount due.

	As at 31 December 2023	As at 31 December 2022
Current corporate income tax assets	558	39
Assets due to other taxes	427	328
Tax assets	**985**	**367**

	As at 31 December 2023	As at 31 December 2022
Current corporate income tax liabilities	-	612
Liabilities due to other taxes	611	621
Tax liabilities	**611**	**1 233**

Part 6 – Involvement in joint ventures

Accounting policies
The item "involvement in joint ventures" comprises investments in joint ventures accounted for using the equity method and loans granted to joint ventures. The Group classifies as investments accounted for using the equity method interests in joint ventures which are joint contractual arrangements, in which the parties sharing control have the right to the net assets of a given entity. Joint control occurs when decisions on the relevant activities of joint ventures require the unanimous consent of the parties sharing control. Investments are initially recognised at cost. The Group's share in the profit or loss of entities accounted for using the equity method (assessed while taking into account the impact of measurements to fair value at the investment's acquisition date) from the acquisition date is recognised in profit or loss, while its share in changes of accumulated other comprehensive income from the acquisition date is recognised in the relevant item of accumulated comprehensive income. Unrealised gains and losses on transactions between the investor and the joint venture are eliminated in an amount proportional to the investor's share in these profits/(losses), and correspond with the carrying amount of the Group's share in this unit. If, at the end of the reporting period, the Group's share in the unrealised gains on transactions between the Group and the joint venture exceeds the carrying amount of the investment in this unit, the Group's share in these gains is eliminated to the level of the carrying amount of the Group's interest in this unit. Elimination of unrealised gains, proportionally to the Group's share, unsettled in the period in which the transaction occurred, is performed in subsequent reporting period at the moment the carrying amount of the Group's interest in this unit exceeds zero. If there are any indications of a possibility of impairment, an investment is tested for impairment by calculating the recoverable amount.

Significant estimates, assumptions and judgments
Joint control The Group classifies Sierra Gorda S.C.M. with its head office in Chile as a joint venture under IFRS 11, in which KGHM INTERNATIONAL LTD.'s share equals 55%. Classification of Sierra Gorda S.C.M. as a joint venture, despite the 55% share of the Group, was made based on analysis of the terms of the agreements between the parties and contractual stipulations which indicated joint control. Pursuant to the terms of the agreements, all relevant activities of Sierra Gorda S.C.M. require the unanimous consent of both owners. The Group and other owners have three members each in the appointed Owners Council. The Owners Council makes strategic decisions and is responsible for overseeing their execution. Moreover, it approves the appointment of senior management. In the reporting period, there were no changes to provisions that were the basis of classifying the investment as a joint venture. Pursuant to the Group's judgment, loans granted to the joint venture Sierra Gorda S.C.M. do not meet the criteria of recognition as net investments in a joint venture, because the loans' settlement is planned and probable in the foreseeable future.

Note 6.1 Joint ventures accounted for using the equity method

During the comparable 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 of a 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 was carried out on the basis of sales agreements entered into on 14 October 2021.
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 31 December 2023, none of the agreements regulating the cooperation between the JV partners in the venture Sierra Gorda S.C.M. have been modified. Sierra Gorda S.C.M. had an off-take agreement signed with the companies Sumitomo Metal Mining Co., Ltd. and Sumitomo Corporation, pursuant to which they had the right to off-take 50% of the copper concentrate. The change in the partner in the joint venture did not have an impact on the conditions of the off-take agreement.

in PLN millions, unless otherwise stated

Value of the investment in the consolidated statement of financial position	2023	2022
As at 1 January	-	-
Share of profit for the reporting period	68	239
Settlement of the Group's share of unsettled losses from prior years (accumulated comprehensive losses)	(120)	(183)
Exchange differences from the translation of statements of operations with a functional currency other than PLN	52	(56)
As at 31 December	-	-

	from 1 January 2023 to 31 December 2023	from 1 January 2022 to 31 December 2022
The Group's share (55%) of profit for the reporting period of Sierra Gorda S.C.M., recognised in the valuation of the joint venture	**68**	**239**

Unrecognised share of the Group of the losses of Sierra Gorda S.C.M.	2023	2022
As at 1 January	**(1 174)**	**(1 283)**
Settlement of the Group's share of unsettled losses from prior years (accumulated comprehensive losses)	120	183
Unrecognised adjustment due to unrealised gains on a transaction between the Group and the joint venture (sale of the Oxide project)	-	(74)
As at 31 December	**(1 054)**	**(1 174)**

As at 31 December 2023, the KGHM Polska Miedź S.A. Group's share of the unsettled accumulated losses of Sierra Gorda S.C.M. amounted to PLN 1 054 million (USD 342 million), as at 31 December 2022: PLN 1 174 million (USD 362 million). The Group stopped recognising its share of losses of Sierra Gorda S.C.M. at the moment the value of this share exceeded the carrying amount of the interest in the investment in Sierra Gorda S.C.M. Recognition of the Group's share of losses of Sierra Gorda S.C.M. caused the carrying amount of shares in Sierra Gorda S.C.M. to be equal to PLN 0. After reducing the share to zero, the Group performed an analysis as to whether there is a legal or customary obligation to pay on Sierra Gorda S.C.M.'s behalf, which would result in an obligation of the Group to recognise a liability for this reason. On the basis of conducted analyses, the Group does not identify the existence of a legal or customary obligation to pay on Sierra Gorda S.C.M.'s behalf, which is described in IAS 28.39.
Moreover, the Group analysed the terms of the guarantee granted to Sierra Gorda S.C.M. to secure repayment of an instalment of the credit facility, which meets the definition of a financial guarantee pursuant to IFRS 9. Details on the guarantees granted to Sierra Gorda S.C.M. are described in Note 8.6.

in PLN millions, unless otherwise stated

Condensed financial data of Sierra Gorda S.C.M. is presented in the table below

	As at 31 December 2023	As at 31 December 2022
Non-current assets	**20 752**	**22 052**
Current assets, including:	**2 151**	**2 608**
Cash and cash equivalents	609	377
Non-current liabilities, including:	**669**	**23 751**
Borrowings and leases	525	2 242
Liabilities due to loans granted by jointly-controlling entities	-	20 891
Current liabilities, including:	**22 795**	**1 689**
Borrowings and leases	1 667	63
Liabilities due to loans granted by jointly-controlling entities	19 504	63
Carrying amount of net assets (incorporating the fair value measurement from the date of obtaining joint control)	**(561)**	**(780)**
The Group's share in net assets (55%)	(309)	(429)
Total unrecognised accumulated share of losses of Sierra Gorda S.C.M. (accumulated comprehensive losses)	1 054	1 174
Balance of impairment loss on interest in Sierra Gorda S.C.M.	(671)	(671)
Unrecognised adjustment due to unrealised gains on a transaction between the Group and the joint venture (sale of the Oxide project)	(74)	(74)
Value of the investment in the consolidated statement of financial position	**-**	**-**
	from 1 January 2023 to 31 December 2023	**from 1 January 2022 to 31 December 2022**
Revenues from contracts with customers	6 035	7 225
Depreciation/amortisation	(1 400)	(1 704)
Reversal of an impairment loss on property, plant and equipment	399	-
Interest costs	(1 391)	(1 440)
Other incomes/(costs)	(3 247)	(3 325)
Profit before income tax	**396**	**756**
Income tax	(273)	(321)
Profit for the period	**123**	**435**
Exchange differences from the translation of Sierra Gorda S.C.M.'s net assets to the PLN presentation currency	**96**	**(103)**
Total comprehensive income	**219**	**332**

Other information on the Group's involvement in the joint venture Sierra Gorda S.C.M.

		As at 31 December 2023	As at 31 December 2022
	Group's share in commitments (investment and operating)	7 758	7 153
	Group's share in the total amount of future lease gross payments due to lease agreements for mining equipment	480	459
Note 8.6	Guarantees granted by the Group	866	969

in PLN millions, unless otherwise stated

Note 6.2 Loans granted to a joint venture (Sierra Gorda S.C.M.)

<table>
<tr><th>Accounting policies</th><th>Significant estimates, assumptions and judgments</th></tr>
<tr><td>Loans granted to Sierra Gorda S.C.M. were classified 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 the scenario analysis and available free cash of Sierra Gorda S.C.M.</td><td>The terms of repayment of loans granted to finance operations abroad, including planned repayment dates, were set in individual agreements. Pursuant to the terms of the agreement, the principal amount and interest are paid on demand, but not later than 15 December 2024. Since the expected repayment of the loan was not made in the period of 12 months from the end of the reporting period, and taking into account that every repayment requires consent from both partners in the joint venture and there no such consent was expressed at the balance sheet date and at the date these consolidated financial statements were signed, the Group presents the balance of the loan as a long-term receivable. Due to the implementation of IFRS 9 as at 1 January 2018, the expected, undiscounted credit loss at the moment of initial recognition was estimated to amount to PLN 6 105 million (USD 1 754 million per the 3.4813 USD/PLN exchange rate of NBP dated 29 December 2017). As at 31 December 2022, the above-mentioned amount has been reversed in total. As at 31 December 2023, there are no expected credit losses at the moment of the initial recognition.

The repayments of loans by Sierra Gorda S.C.M. depend on that company's financial standing. In 2022, there were repayments in the total amount of USD 193 million (PLN 789 million). Further payments were made in 2023 in the total amount of USD 39 million (PLN 163 million). Due to the fact that settling the loan is planned and probable in the foreseeable future, the loan is not a net investment under IAS 21.15.

Pursuant to the requirements of IFRS 9.5.5.17, the Group performed impairment testing of the loan. To estimate the expected credit losses, scenario analysis (IFRS 9.5.5.18) was used, comprising the Group's assumptions on the repayment of the loan granted. The scenario analysis was based on cash flows of Sierra Gorda S.C.M., estimated on the basis of current market paths of commodities price forecasts, which were subsequently discounted using the effective interest rate 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%.

Other important assumptions used in the measurement of the loan concern the following:
• the probability of realisation of individual measurement scenarios,
• the level of production,
• the level of costs,
• the level of capital expenditures,
• the external financing of Sierra Gorda S.C.M.,
• the form and level of financing of Sierra Gorda S.C.M. by the owners,
• taxation at the level of Sierra Gorda S.C.M.,
• the distribution of cash.
Future realisation, or not, of assumptions will depend on many macroeconomic, operational and financial factors, as well as on the agreements made between the JV partners (sensitivity analysis of the carrying amount of the loan is presented in Note 7.5.2.4).</td></tr>
</table>

		2023	2022
	As at 1 January	**9 603**	**8 314**
	Repayment of loans (principal and interest)	(163)	(789)
	Accrued interest	597	582
Note 4.4	Gain due to the reversal of allowances for impairment on loans granted to a joint venture	101	873
	Exchange differences	(1 042)	623
	As at 31 December	**9 096**	**9 603**

The loan granted to Sierra Gorda S.C.M. has a fixed interest rate of 8%.

As at 31 December 2023, the Group estimated the expected cash flows on repayment of receivables due to loans granted to Sierra Gorda S.C.M., as a result of which, pursuant to IFRS 9.5.5.14, a gain on reversal of an allowance for impairment was recognised in the amount of PLN 101 million (USD 26 million). In the comparable period, an allowance for impairment was reversed in the amount of PLN 873 million.

Assumptions adopted for the estimation of cash flows of Sierra Gorda S.C.M. (commodity prices and other key assumptions) are presented below:

Basic macroeconomic assumptions adopted for cash flow estimation – price of metals

Price paths were adopted on the basis of a decision made by the Market Risk Committee of KGHM Polska Miedź S.A., which took into account current market forecasts:

Period	2024	2025	2026	2027	LT
Copper price [USD/t]	8 500	8 700	9 000	9 200	8 250
Gold price [USD/oz]	1 900	1 800	1 650	1 600	1 600

Other key assumptions used for estimation of cash flows	
Mine life / forecast period	24
Level of copper production during mine life (kt)	3 732
Level of molybdenum production during mine life (mn lbs)	233
Level of gold production during mine life (koz)	1 043
Average operating margin during mine life	43.1%
Applied discount rate after taxation (used to calculate the fair value for disclosure purposes in Part 7)	9.13%
Capital expenditures to be incurred during mine life (USD million)	1 708
Capitalised stripping costs during mine life (USD million)	4 102

in PLN millions, unless otherwise stated

PART 7 – Financial instruments and financial risk management

Note 7.1 Financial Instruments

Financial assets	As at 31 December 2023					As at 31 December 2022				
	At fair value through other comprehensive income	At fair value through profit or loss	At amortised cost	Hedging instruments	Total	At fair value through other comprehensive income	At fair value through profit or loss	At amortised cost	Hedging instruments	Total
Non-current	829	114	9 571	195	**10 709**	521	90	10 072	709	**11 392**
Loans granted to a joint venture	-	-	9 096	-	**9 096**	-	-	9 603	-	**9 603**
Derivatives	-	38	-	195	**233**	-	5	-	709	**714**
Other financial instruments measured at fair value	829	76	-	-	**905**	521	85	-	-	**606**
Other financial instruments measured at amortised cost	-	-	475	-	**475**	-	-	469	-	**469**
Current	-	919	2 475	323	**3 717**	-	829	1 926	755	**3 510**
Trade receivables	-	414	518	-	**932**	-	751	426	-	**1 177**
Derivatives	-	437	-	323	**760**	-	41	-	755	**796**
Cash and cash equivalents	-	-	1 729	-	**1 729**	-	-	1 200	-	**1 200**
Other financial assets	-	68	228	-	**296**	-	37	300	-	**337**
Total	**829**	**1 033**	**12 046**	**518**	**14 426**	**521**	**919**	**11 998**	**1 464**	**14 902**

in PLN millions, unless otherwise stated

Financial liabilities	As at 31 December 2023 At fair value through profit or loss	At amortised cost	Hedging instruments	Total	As at 31 December 2022 At fair value through profit or loss	At amortised cost	Hedging instruments	Total
Non-current	38	4 991	164	**5 193**	19	5 460	700	**6 179**
Borrowings, leases and debt securities	-	4 761	-	**4 761**	-	5 220	-	**5 220**
Derivatives	38	-	164	**202**	19	-	700	**719**
Other financial liabilities	-	230	-	**230**	-	240	-	**240**
Current	480	7 433	26	**7 939**	188	4 440	280	**4 908**
Borrowings, leases and debt securities	-	964	-	**964**	-	1 223	-	**1 223**
Derivatives	473	-	26	**499**	154	-	280	**434**
Trade payables		3 167	-	**3 167**	-	3 076	-	**3 076**
Similar payables – reverse factoring	-	3 021	-	**3 021**	-	18	-	**18**
Other financial liabilities	7	281	-	**288**	34	123	-	**157**
Total	**518**	**12 424**	**190**	**13 132**	**207**	**9 900**	**980**	**11 087**

in PLN millions, unless otherwise stated

Gains/(losses) on financial instruments recognised in profit/(loss) for the period

	from 1 January 2023 to 31 December 2023	Financial assets/liabilities measured at fair value through profit or loss	Financial assets measured at amortised cost	Financial liabilities measured at amortised cost	Hedging instruments	Total
Note 4.2 Note 6.2	Interest income	-	653	-	-	**653**
Note 6.2	Gain due to the reversal of allowances for impairment of loans granted to a joint venture	-	101	-	-	**101**
Note 4.3	Interest income/(costs)	-	-	(76)		**(76)**
Note 4.2	Foreign exchange gains/(losses) on instruments other than borrowings	(384)	(1 071)	41	-	**(1 414)**
Note 4.3	Foreign exchange gains on borrowings	-	-	356	-	**356**
Note 4.4	Impairment losses	-	(4)	-	-	**(4)**
Note 7.2	Revenues from contracts with customers	-	-	-	635	**635**
Note 4.2 Note 4.3	Gains on measurement and realisation of derivatives	540	-	-	-	**540**
Note 4.2 Note 4.3	Losses on measurement and realisation of derivatives	(467)	-	-	(350)	**(817)**
Note 4.3	Fees and charges on bank loans drawn	-	-	(26)	-	**(26)**
Note 4.2	Fair value losses on financial receivables	(104)	-	-	-	**(104)**
	Other gains	-	6	-	-	**6**
	Total net gain/(loss)	**(415)**	**(315)**	**295**	**285**	**(150)**

in PLN millions, unless otherwise stated

	from 1 January 2022 to 31 December 2022	Financial assets/liabilities measured at fair value through profit or loss	Financial assets measured at amortised cost	Financial liabilities measured at amortised cost	Hedging instruments	Total
Note 4.2 Note 6.2	Interest income	-	636	-	-	**636**
Note 6.2	Gain due to the reversal of allowances for impairment of loans granted to a joint venture	-	873	-	-	**873**
Note 4.3	Interest income/(costs)	-	-	(60)	60	**-**
Note 4.2	Foreign exchange gains/(losses) on instruments other than borrowings	233	767	(51)	-	**949**
Note 4.3	Foreign exchange losses on borrowings	-	-	(179)	-	**(179)**
Note 4.4	Reversal of impairment losses	-	5	-	-	**5**
Note 4.4	Impairment losses	-	(5)	-	-	**(5)**
Note 7.2	Revenues from contracts with customers	-	-	-	(182)	**(182)**
Note 4.2 Note 4.3	Gains on measurement and realisation of derivatives	400	-	-	-	**400**
Note 4.2 Note 4.3	Losses on measurement and realisation of derivatives	(329)	-	-	(310)	**(639)**
Note 4.3	Fees and charges on bank loans drawn	-	-	(29)	-	**(29)**
Note 4.2	Fair value losses on financial receivables	(58)	-	-	-	**(58)**
	Other gains/(losses)	-	2	(2)	-	**-**
	Total net gain/(loss)	**246**	**2 278**	**(321)**	**(432)**	**1 771**

in PLN millions, unless otherwise stated

The fair value hierarchy of financial instruments

Classes of financial instruments	As at 31 December 2023 fair value level 1	level 2	level 3	carrying amount	As at 31 December 2022 fair value level 1	level 2	level 3	carrying amount
Loans granted	-	22	7 778	9 118	-	20	7 787	9 623
Listed shares	703	-	-	703	422	-	-	422
Unquoted shares	-	126	-	126	-	99	-	99
Trade receivables	-	414	-	414	-	751	-	751
Derivatives, of which:	-	292	-	292	-	357	-	357
Assets	-	993	-	993	-	1 510	-	1 510
Liabilities	-	(701)	-	(701)	-	(1 153)	-	(1 153)
Received long-term bank and other loans	-	(2 486)	-	(2 486)	-	(2 560)	-	(2 560)
Long-term debt securities	(1 627)	-	-	(1 600)	(1 952)	-	-	(2 000)
Other financial assets	-	48	74	122	-	37	65	102
Other financial liabilities	-	(7)	-	(7)	-	(34)	-	(34)

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

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

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

Level 1

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

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

Level 2

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

Trade receivables
Receivables arising from the realisation of sales under contracts which are finally settled using future prices were measured using forward prices, depending on the period/month of contractual quoting. Forward prices are from the Reuters system. For trade receivables transferred to non-recourse factoring, a fair value is assumed at the level of the amount of the trade receivables transferred to the factor (nominal value from the invoice) less interest, which are the factor's compensation. Due to the short term between the transfer of receivables to the factor and their payment, fair value is not adjusted by the credit risk of the factor and the 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 at fair value set per the reference price applied in the settlement of these transactions.

Currency and currency-interest derivatives
In the case of derivatives on the currency market and currency-interest transactions (CIRS), the forward prices from the maturity dates of individual transactions were used to determine their fair value. The forward price for currency exchange rates was calculated on the basis of fixing and appropriate interest rates. Interest rates for currencies and the volatility ratios for exchange rates are 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's approximation to the Black-Scholes model was used for Asian options pricing on metals markets.

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

Level 3

Loans granted
Loans granted measured at amortised cost in the statement of financial position are included in this category, because of the use of unobservable assumptions in the fair value measurement. With respect to estimating the fair value of these loans, a significant element of the estimation are the forecasted cash flows of Sierra Gorda S.C.M., which are unobservable input data, and pursuant to IFRS 13 the fair value of these assets is classified to level 3 of the hierarchy. The discount rate adopted to calculate the fair value of loans measured at amortised cost is 9.13% (as at 31 December 2022: 9.75%).

Detailed disclosures on the assumptions adopted for the measurement of loans were presented in Note 6.2, while the sensitivity of the fair value classified to level 3 for loans granted – in Note 7.5.2.4. As at 31 December 2023, assumptions adopted for forecasted cash flows which were applied to measurement of fair value are consistent with assumptions adopted for the calculation of the carrying amount, while the difference between the carrying amount and the fair value arises from the adoption of different discount rates.

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 7.2 Derivatives

Accounting policies
Derivatives are classified as financial assets/liabilities measured at fair value through profit or loss, unless they have not been designated as hedging instruments. Purchases or sales of derivatives are recognised at the transaction date. Derivatives not designated as hedges, defined as trade derivatives, are initially recognised at fair value and at the end of the reporting period are measured at fair value, with recognition of the gains/losses on measurement in profit or loss. In the KGHM Polska Miedź S.A. Group, the Parent Entity applies hedge accounting for cash flows. Hedge accounting aims at reducing volatility in the Parent Entity's net result, arising from periodic changes in the measurement of transactions hedging individual types of market risk to which the Parent Entity is exposed. Hedging instruments may be derivatives as well as bank and other loans in foreign currencies. The designated hedges relate to the future sales transactions forecasted as assumed in the Sales Plan for a given year. These plans are prepared based on the production capacities for a given period. The Parent Entity estimates that the probability that transactions included in the production plan will occur is very high, as from the historical point of view sales were always realised at the levels assumed in Sales Plans. Future cash flows arising from interest on bonds issued in PLN also represent a hedged position. The Parent Entity may use natural currency risk hedging through the use of hedge accounting for bank and other loans denominated in USD, and designates them as positions hedging foreign currency risk, which relates to future revenues of the Parent Entity from sales of copper, silver and other metals, denominated in USD. Gains and losses arising from changes in the fair value of the cash flow hedging instrument are recognised in other comprehensive income, to the extent by which the change in fair value represents an effective hedge of the associated hedged item. The Group recognises in other reserves from measurement of financial instruments a part of the change of the hedging instrument arising from changes in the time value of the option, the forward element and currency margin. The portion which is ineffective is recognised in profit or loss as other operating income or costs. Gains or losses arising from the cash flow hedging instrument are recognised in profit or loss as a reclassification adjustment, in the same period or periods in which the hedged item affects profit or loss. Derivatives are no longer accounted for as hedging instruments when they expire, are sold, terminated or settled, or when the goal of risk management for a given relation has changed. The Parent Entity may designate a new hedging relationship for a given derivative, change the intended use of the derivative, or designate it to hedge another type of risk. In such a case, for cash flow hedges, gains or losses which arose in the periods in which the hedge was effective are retained in accumulated other comprehensive income until the hedged item affects profit or loss. If the hedge of a forecasted transaction ceases to function because it is probable that the forecasted transaction will not occur, then the net gain or loss recognised in other comprehensive income is immediately transferred to profit or loss as a reclassification adjustment. If a hybrid contract has an underlying instrument which is not a financial asset, the derivative is separated from an underlying instrument and is measured pursuant to the rules for derivatives only if (i) the economic characteristic and risk of the embedded instrument are not strictly related to the character of the host contract and its risks, (ii) a separate instrument, whose characteristics reflect the traits of the embedded derivative, would fulfil the conditions of the derivatives, and (iii) the combined instrument is not classified to financial assets measured at fair value, whose results of revaluation are recognised in other income or other operating costs in the reporting period. If an embedded derivative is separated, the underlying instrument is measured pursuant to appropriate accounting principles. The Parent Entity separates embedded derivatives in commodities transactions with settlement periods in the future, after the date of recognising a purchase invoice in the books up to the date of final settlement of the transaction. If a hybrid contract has an underlying instrument, which is a financial asset, the criteria for classification of financial assets are applied to the whole contract.
Important estimates, assumptions and judgments
Assumptions and estimates adopted for the measurement of fair value of derivatives were presented in note 7.1, in the item „Methods and measurement techniques used by the Group in determining fair values of each class of financial assets or financial liabilities" and in tables in Note 7.2. below.

in PLN millions, unless otherwise stated

Hedging derivatives – open items as at the end of the reporting period

Type of derivative	As at 31 December 2023					As at 31 December 2022				
	Financial assets		Financial liabilities			Financial assets		Financial liabilities		
	Non-current	Current	Non-current	Current	Total	Non-current	Current	Non-current	Current	Total
Hedging instruments (CFH), of which:	**195**	**323**	**(164)**	**(26)**	**328**	**709**	**755**	**(700)**	**(280)**	**484**
Derivatives – Metals (price of copper, silver)										
Options – *seagull** (copper)	-	-	-	-	**-**	60	440	(36)	(232)	**232**
Options – *seagull** (silver)	-	-	-	-	**-**	5	50	(1)	(3)	**51**
Derivatives – Currency (USDPLN exchange rate)										
Options – *collar*	-	-	-	-	**-**	328	262	(88)	(11)	**491**
Options – *seagull**	-	-	-	-	**-**	1	3	(6)	(34)	**(36)**
Options – *put spread*	28	315	(2)	(7)	**334**					
Derivatives – Currency-interest rate										
Cross Currency Interest Rate Swap CIRS	167	8	(162)	(19)	**(6)**	315	-	(569)	-	**(254)**
Trade instruments, of which:	**-**	**1**	**(38)**	**(473)**	**(510)**	**5**	**41**	**(14)**	**(118)**	**(86)**
Derivatives – Metals (price of copper, silver, gold)										
Sold put option (copper)	-	-	-	-	**-**	-	-	(13)	(49)	**(62)**
Purchased put option (copper)	-	-	-	-	**-**	-	1	-	-	**1**
Purchased call option (copper)	-	-	-	-	**-**	4	32	-	-	**36**
QP adjustment *swap* transactions (copper)	-	-	-	(5)	**(5)**	-	-	-	(10)	**(10)**
Sold put option (silver)						-	-	(1)	(1)	**(2)**
QP adjustment *swap* transactions (gold)	-	1	-	(6)	**(5)**	-	4	-	(14)	**(10)**
Derivatives – Currency										
Sold put option (USDPLN)	-	-	(38)	(436)	**(474)**	-	-	-	(1)	**(1)**
Purchased call option (USDPLN)	-	-	-	-	**-**	1	4	-	-	**5**
Collars and *forwards/swaps (EURPLN)*	-	-	-	-	**-**	-	-	-	-	**-**
Embedded derivatives (price of copper, silver, gold)										
Purchase contracts for metal-bearing materials	-	-	-	(26)	**(26)**	-	-	-	(43)	**(43)**
Instruments initially designated as hedging instruments excluded from hedge accounting, of which:	**38**	**436**	**-**	**-**	**474**	**-**	**-**	**(5)**	**(36)**	**(41)**
Derivatives – Currency (USDPLN exchange rate)										
Options – *seagull*	-	-	-	-	**-**	-	-	(1)	(4)	**(5)**
Options - *collar*	38	436	-	-	**474**					
Derivatives – Metals (price of copper, silver)										
Options – *seagull (copper)*	-	-	-	-	**-**	-	-	(4)	(32)	**(36)**
TOTAL OPEN DERIVATIVES	**233**	**760**	**(202)**	**(499)**	**292**	**714**	**796**	**(719)**	**(434)**	**357**

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

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

Open hedging derivatives	Notional	Average weighted price /exchange rate/interest rate	Maturity - settlement period		Period of profit/loss impact**	
Type of derivative	currency [USD mn] CIRS [PLN mn]	[USD/PLN] [USD/PLN, fixed interest rate for USD]	from	to	from	to
Currency – *put spread*	660.00	3.60 - 4.48	Jan'24	- Dec'24	Jan'24	- Jan'25
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

** Settlements of interest payments are made periodically, on a half-year basis, until the moment of the realisation of the transaction.*
*** Reclassification of profits or losses on a cash flow hedging instrument from other comprehensive income to the statement of profit or loss takes place in the reporting period in which the hedged position impacts profit or loss (as an adjustment of a hedged position and to other operating income/costs for the settled hedging cost). However, the recognition of the result on the settlement of the transaction takes place on the date of its settlement.*

The table below presents detailed data on derivative transactions designated as hedging, held by the Parent Entity as at 31 December 2022.

Open hedging derivatives	Notional	Average weighted price /exchange rate/interest rate	Maturity - settlement period		Period of profit/loss impact***	
Type of derivative	copper [t] silver [mn ounces] currency [USD mn] CIRS [PLN mn]	[USD/t] [USD/ounce] [USD/PLN] [USD/PLN, fixed interest rate for USD]	from	to	from	to
Copper – *seagulls**	189 000	8 075 - 9 759	Jan'23	- Dec'23	Jan'23	- Jan'24
Silver – *seagulls**	4.20	26.00 - 42.00	Jan'23	- Dec'23	Jan'23	- Jan'24
Currency – *collars*	2 640	4.58 - 5.78	Jan'23	- Dec'24	Jan'23	- Jan'25
Currency – *seagulls**	315	3.94 - 4.54	Jan'23	- Dec'23	Jan'23	- 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 profits or losses on a cash flow hedging instrument from other comprehensive income to the statement of profit or loss takes place in the reporting period in which the hedged position impacts profit or loss (as an adjustment of a hedged position and to other operating income/costs for the settled hedging cost). However, the recognition of the result on the settlement of the transaction takes place on the date of its settlement.*

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

Statement of profit or loss	from 1 January 2023 to 31 December 2023	from 1 January 2022 to 31 December 2022
Revenues from contracts with customers (reclassification adjustment)	635	(182)
Other operating income / (costs) (including the reclassification adjustment):	(267)	(220)
realisation of derivatives	(281)	(213)
measurement of derivatives	14	(7)
Finance income / (costs) (reclassification adjustment):	(11)	41
realisation of derivatives	(11)	(19)
interest on borrowings	-	60
Impact of derivatives and hedging instruments on profit or loss for the period (excluding the tax effect)	**357**	**(361)**

in PLN millions, unless otherwise stated

Statement of other comprehensive income		
Measurement of hedging transactions (effective portion)	944	1 239
Reclassification to revenues from contracts with customers due to realisation of a hedged item	(635)	182
Reclassification to finance costs due to realisation of a hedged item	-	(60)
Reclassification to non-current assets due to realisation of a hedged item*	(102)	-
Reclassification to other operating costs due to realisation of a hedged item (settlement of the hedging cost)	350	310
Impact of hedging transactions (excluding the tax effect)**	**557**	**1 671**
TOTAL COMPREHENSIVE INCOME	**914**	**1 310**

**Reclassification to non-current assets due to capitalisation of borrowing costs under the hedge accounting in the cost of non-current assets.*
***Amounts of income tax corresponding to individual items of other comprehensive income are presented in Note 8.2.2.*

Statement of financial position – non-current assets	As at 31 December 2023	As at 31 December 2022
Gain on settlement of an instrument hedging interest rate of bonds*	(102)	-

**Reclassification to non-current assets due to capitalisation of borrowing costs under the hedge accounting in the cost of non-current assets.*

Note 7.3 Other financial instruments measured at fair value

Accounting policies
The item “Other financial instruments measured at fair value” mainly includes: shares (listed and unquoted) which were not acquired for trading purposes, for which the option of measurement at fair value through other comprehensive income was selected in order to limit the volatility of the result, and loans granted measured at fair value through profit or loss, as they did not pass the contractual cash flow test (SPPI), because in the financing structure at the last stage of the target recipient of funds, debt is changed into a share, and that is why they were obligatorily classified to this measurement category. Shares are initially recognised at fair value increased by transaction costs, and at the end of the reporting period they are measured at fair value with recognition of gains/losses from measurement in other comprehensive income. The amounts recognised in accumulated other comprehensive income are not transferred later to profit or loss, while accumulated gains/losses on a given equity instrument are transferred within equity to retained earnings at the moment an equity instrument ceases to be recognised. Dividends from such investments are recognised in profit or loss. The translation of items expressed in a foreign currency is performed according to the accounting policies described in Note 1.5.

Important estimates, assumptions and judgments
The fair value of unquoted shares is calculated using the adjusted net assets method. The application of this method is due to the specific nature of the assets of companies whose shares are subject to measurement. 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 one subjected to measurement, market interest rates of State Treasury bonds and fixed-term deposits in financial institutions, and the risk-free discount rate published by the European Insurance and Occupational Pensions Authority). The fair value of listed shares is calculated based on the closing price as at the end of the reporting period. The loan’s fair value is set at the present value of future cash flows, including any change in market risk and credit risk factors during the loans’ life.

	As at 31 December 2023	As at 31 December 2022
Other financial instruments measured at fair value through other comprehensive income	**829**	**521**
Shares of listed companies (Warsaw Stock Exchange and TSX Venture Exchange), of which:	703	422
TAURON POLSKA ENERGIA S.A.	680	386
GRUPA AZOTY S.A.	19	32
Other listed shares	4	4
Unquoted shares	126	99
Other financial instruments measured at fair value through profit or loss	**76**	**85**
Loans granted	22	20
Receivables due to conditional payments associated with the agreement on the sale of a subsidiary S.C.M. Franke	54	65
Total other financial instruments measured at fair value	**905**	**606**

The measurement of listed shares is classified to level 1 of the fair value hierarchy (i.e. measurement is based on the prices of these shares listed on an active market at the measurement date), while the measurement of unquoted shares is classified to level 2 (i.e. measurement based on observable data, not deriving from an active market).

The measurement of loans granted is classified to level 2 of the fair value hierarchy.

In 2023 as well as in 2022, there were no dividends from companies in which the Group had shares classified as other financial instruments measured at fair value.

In 2023 as well as in 2022, there were no transfers of accumulated gain or loss within equity in respect of companies in which the Group holds shares classified as other financial instruments measured at fair value.

Due to investments in listed companies, the Group is exposed to price risk. Changes in the listed share prices of these companies resulting from the current macroeconomic situation may have a significant impact on the level of other comprehensive income and on the accumulated amount recognised in equity.

The following table presents the sensitivity analysis of listed companies' shares to price changes.

	As at 31 December 2023	Percentage change of share price		As at 31 December 2022	Percentage change of share price	
		13%	-13%		14%	-14%
	Carrying amount	Other comprehensive income	Other comprehensive income	Carrying amount	Other comprehensive income	Other comprehensive income
Listed shares	**703**	91	(91)	**422**	60	(60)

Sensitivity analysis for significant types of market risk to which the Group is exposed presents the estimated impact of potential changes in individual risk factors (at the end of reporting period) on profit or loss and other comprehensive income.

Potential changes in share prices at the end of the reporting period were determined at the level of standard deviations from the WIG20 and mWIG40 indices respectively for a period of 3 calendar years ended at the end of the reporting period.

in PLN millions, unless otherwise stated

Note 7.4 Other financial instruments measured at amortised cost

Accounting policies	Important estimates, assumptions and judgements
The item other financial instruments measured at amortised cost includes financial assets designated to cover the costs of decommissioning mines (accounting policies with respect to the obligation to decommission mines are presented in Note 9.4) and other financial assets not classified to other items. Assets included, in accordance with IFRS 9, in the category "measured at amortised cost", are initially recognised at fair value adjusted by transaction costs, which can be directly attributed to the purchase of these assets and measured at amortised cost at the end of the reporting period using the effective interest rate method, reflecting impairment.	Sensitivity analysis of the risk of changes in interest rates of cash accumulated on a bank account of the Mine Closure Fund and of investments in debt securities is presented in Note 7.5.1.4.

		As at 31 December 2023	As at 31 December 2022
	Cash held in the Mine Closure Fund	439	406
	Other non-current financial receivables	36	63
Note 7.1	**Total**	**475**	**469**

Financial assets designated for decommissioning mines and restoring tailings storage facilities are exposed to the credit risk described in Note 7.5.2.5.

Details regarding revaluation of the provision for the decommissioning costs of mines and other technological facilities are described in Note 9.4.

Note 7.5 Financial risk management

In the course of its business activities the Group is exposed to the following main financial risks:

- market risks:
  - commodity risk,
  - risk of changes in foreign exchange rates,
  - risk of changes in interest rates,
  - risk of changes in other merchandise, including energy and energy carriers,
  - price risk related to investments in shares of listed companies (Note 7.3),
- credit risk, and
- liquidity risk (the process of financial liquidity management is described in Note 8).

The Group identifies and measures financial risk on an ongoing basis, and also takes actions aimed at minimising its impact on the financial position.

The Parent Entity manages identified financial risk factors in a conscious and responsible manner, using the adopted Market Risk Management Policy, the Purchase policy of electricity, property rights, guarantees of origin and gaseous fuels, the Financial Liquidity Management Policy and the Credit Risk Management Policy. The process of financial risk management in the Parent Entity is supported by the work of the Market Risk Committee, the Standing Committee, the Financial Liquidity Committee and the Credit Risk Committee.

Note 7.5.1 Market risk

The market risk to which the Group is exposed to is understood as the possible occurrence of negative impact on the Group's results arising from changes in the market prices of commodities, exchange rates, interest rates, and debt securities, as well as the share prices of listed companies.

Note 7.5.1.1 Principles and techniques of market risk management

In market risk management (especially commodity and currency risk) the scale and profile of activities of the Parent Entity and of mining companies of KGHM INTERNATIONAL LTD. is of the greatest significance and impact 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 as a whole.

In accordance with the adopted policy, the goals of the market risk management process in the Group are as follows:
- limit volatility in the financial result;
- increase the probability of meeting budget targets;
- decrease the probability of losing financial liquidity;
- maintain good financial condition; and
- support the process of strategic decision making related to investing activities, including financing sources.

The objectives of market risk management should be considered as a whole, and their realisation is determined mainly by the Group's internal situation and market conditions.
The goals of market risk management at the Group level are achieved through their realisation in individual mining companies of the Group, with the coordination of these activities at the Parent Entity's level, in which key tasks related to the process of market risk management in the Group were centralised (such as coordination of the identification of sources of exposure to market risk, proposing hedging strategies, contacting financial institutions in order to sign, confirm and settle derivative transactions, and calculating measurements to fair value).
One of the market risk management techniques in the Parent Entity are hedging strategies using derivatives. The natural hedging is also used. The Parent Entity uses hedging transactions under the hedge accounting.

Taking into account the potential scope of their impact on the Group's results, market risk factors were divided into the following groups:

	Group	Market risk	Approach to risk management
Note 7.2	Group I – factors with the greatest impact on the Group's total exposure to market risk	Copper price	A strategic approach is applied to this group, aimed at systematically building up a hedging position comprising production, costs and revenues from sales for subsequent periods while taking into account the long-term cyclical nature of various markets. A hedging position may be restructured before it expires.
Note 7.2		Silver price	
Note 7.2		USD/PLN exchange rate	
		Prices of energy and energy carriers	
Note 7.2	Group II – other exposure to market risk	Prices of other metals and merchandise	From the Group's point of view, this group is comprised of less significant risks, although sometimes these risks are significant from an individual entity's point of view. Therefore, it is tactically managed - on an ad-hoc basis, depending on the market conditions.
Note 7.2		Other exchange rates	
Note 7.2		Interest rates	

In market risk management various approaches are applied for particular, identified exposure groups. The Parent Entity considers the following factors when selecting hedging strategies or restructuring hedging positions: current and forecasted market conditions, the internal situation of the Entity, the effective level and cost of hedging, and the impact of the minerals extraction tax.

The Parent Entity applies an integrated approach to managing the market risk to which it is exposed. This means a comprehensive approach to market risk, and not to each element individually. An example is the hedging transactions on the currency market, which are closely related to contracts entered into on the metals market. The hedging of metals sales prices determines the probability of achieving specified revenues from sales in USD, which represent a hedged position for the strategy on the currency market.

The Parent Entity only executes those derivatives which it has the ability to evaluate internally, using standard pricing models appropriate for a particular type of derivative, and which can be traded without significant loss of value with a counterparty other than the one with whom the transaction was initially entered into. In the market valuation of a given instrument, the Parent Entity uses information obtained from leading information services, banks, and brokers.

The Market Risk Management Policy in the Group permits the use of the following types of derivatives:
- swaps,
- forwards and futures,
- options, and
- structures combining the above instruments.

The instruments applied may be, therefore, either of standardised parameters (publicly traded instruments) or non-standardised parameters (over-the-counter instruments). The primary instruments applied are cash flow hedging instruments meeting the requirements for effectiveness as understood by hedge accounting. The effectiveness of the financial hedging instruments applied by the Parent Entity in the reporting period is continually monitored and assessed (details in Note 7.2 Derivatives - accounting policies).

The economic relationship between a hedging instrument and a hedged position is based on the sensitivity of the value of the position to the same market factors (metals prices, exchange rates or interest rates) and on matching appropriate key parameters of the hedging instrument and the hedged position (volume/notional amount, maturity date).

The hedge ratio of the established hedging relationship is set at the amount ensuring the effectiveness of the relationship and is consistent with the actual volume of the hedged position and the hedging instrument. Sources of potential ineffectiveness of the relationship arise from a mismatch of the parameters of the hedging instrument and the hedged position (e.g. the notional amount, maturity, base instrument, impact of credit risk). When structuring a hedging transaction, the Parent Entity aims to ensure a maximal match between these parameters to minimise the sources of ineffectiveness.

The Parent Entity quantifies its market risk exposure using a consistent and comprehensive measure. Market risk management in the Group is supported by simulations (such as scenario analysis, stress-tests, backtests) and calculated risk measures. The risk measures being used are mainly based on mathematical and statistical modelling, which uses historical and current market data concerning risk factors and takes into consideration the current exposure to market risk.

One of the measures used as an auxiliary tool in making decisions in the market risk management process in the Parent Entity is EaR - Earnings at Risk. This measure indicates the lowest possible level of profit for the period for a selected level of confidence (for example, with 95% confidence the profit for a given year will be not lower than…). The EaR methodology enables the calculation of profit for the period incorporating the impact of changes in market prices of copper, silver and foreign exchange rates in the context of budget plans. EBITDA-at-Risk ratio is calculated for both the KGHM INTERNATIONAL LTD. Group and the JV Sierra Gorda S.C.M.

Due to the risk of production cutbacks (for example because of force majeure) or failure to achieve planned foreign currency revenues, as well as purchases of metals contained in purchased materials, limits with respect to commitment in derivatives have been set.

For the Parent Entity limits on metals and currency markets were set at:

- up to 85% of planned, monthly sales volumes of copper, silver and gold from own concentrates, while: for copper and silver - up to 50% with respect to instruments which are obligations of the Parent Entity (for financing the hedging strategy), and up to 85% with respect to instruments representing the rights of the Parent Entity,
- up to 85% of planned, monthly revenues from the sale of products from own concentrates in USD or of the monthly, contracted net currency cash flows in the case of other currencies. For purposes of setting the limit, expenses for servicing the debt denominated in USD decrease the nominal amount of exposure to be hedged.

With respect to the risk of changes in interest rates, the Parent Entity has set a limit of commitment in derivatives of up to 100% of the debt's nominal value in every interest period, as stipulated in the signed agreements.

For selected mining companies in the Group, limits were set for commitment in derivatives on the copper and currency markets at the same levels as those functioning in the Parent Entity, while with respect to transactions on the nickel, silver and gold markets the limits were set as up to 60% of planned, monthly sales volume from own concentrates.

These limits are in respect both of hedging transactions as well as of the instruments financing these transactions.

The maximum time horizon within which the Group decides to limit market risk is set in accordance with the technical and economic planning process and amounts to 5 years, whereas in terms of interest rate risk, the time horizon reaches up to the maturity date of the long-term financial liabilities of the Group.

Note 7.5.1.2 Commodity risk

The Parent Entity is exposed to the risk of changes in the prices of the metals it sells: copper, silver, gold and lead. Furthermore, the KGHM INTERNATIONAL LTD. Group is exposed to the risk of changes in the prices of copper, gold, nickel, molybdenum, platinum and palladium.

In the Parent Entity and the KGHM INTERNATIONAL LTD. Group, the price formulas used in physical delivery contracts are mainly based on average monthly quotations from the London Metal Exchange for copper and other common metals and from the London Bullion Market for precious metals. Within the commercial policy, the Parent Entity and KGHM INTERNATIONAL LTD. set the price base for physical delivery contracts as the average price of the appropriate future month.

The permanent and direct link between sales proceeds and metals prices, without similar relationships on the expenditures side, results in a strategic exposure. In turn, operating exposure is a result of possible mismatches in the pricing of physical contracts with respect to the Group's benchmark profile, in particular in terms of the reference prices and the quotation periods.

in PLN millions, unless otherwise stated

On the metals market, the Group has a so-called long position, which means it has higher sales than purchases. The analysis of the Group's strategic exposure to market risk should be performed by deducting from the volume of metals sold the amount of metal in purchased materials.

The Group's strategic exposure to the risk of changes in the price of copper and silver in the years 2022-2023 is presented in the table below.

	from 1 January 2023 to 31 December 2023			from 1 January 2022 to 31 December 2022		
	Net	Sales	Purchase	Net	Sales	Purchase
Copper [t]	416 122	628 130	212 008	391 180	619 944	228 764
Silver [t]	1 343	1 361	18	1 322	1 347	25

The notional amount of copper price hedging strategies settled in 2023 represented approx. 32% (25% in 2022) of the total sales of this metal realised by the Parent Entity (it represented approx. 50% of net sales[1] in 2023 and 42% in 2022).

The notional amount of silver price hedging strategies settled in 2023 represented approx. 10% of the total sales of this metal realised by the Parent Entity (24% in 2022).

In 2023, pursuant to the Market Risk Management Policy, the Parent Entity monitored and analysed on an ongoing basis the macroeconomic environment and the situation on financial markets, and also identified and measured market risk related to changes in metals prices (testing the impact of market risk factors on the financial result, balance sheet and the statement of cash flows). In 2023, no hedging transactions were entered into on the copper and silver markets. All derivative transactions entered into in the previous periods as part of the strategic management of the Company against risk of changes in metals prices were settled.

In 2023 QP adjustment swap transactions were entered into on the copper and gold markets with maturities of up to June 2024, as part of the management of a net trading position[2].

As a result, as at 31 December 2023 the Parent Entity held open derivatives positions on metals market entered into solely under strategic management of a net trading position (for 9.2 thousand tonnes of copper and 18.3 thousand ounces of gold) with settlement period falling up to June 2024.

As at 31 December 2022, the Parent Entity held open derivatives positions on the copper market for 193.5 thousand tonnes (including: 189 thousand tonnes under strategic management of market risk, while 4.3 thousand tonnes was entered into under management of a net trading position) and for 4.2 million troy ounces of silver.

In 2022 and in 2023, neither KGHM INTERNATIONAL LTD. nor any of the mining companies implemented any forward transactions on the commodity market.

As at 31 December 2023, the risk of changes in metals prices was also related to derivatives embedded in the purchase contracts for metal-bearing materials entered into by the Parent Entity.

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

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

in PLN millions, unless otherwise stated

An analysis of the Group's sensitivity to the risk of changes in copper, silver and gold prices in the years 2022-2023

Financial assets and liabilities as at 31 December 2023	Value at risk	Carrying amount 31 December 2023	Change in COPPER prices [USD/t] 10 102 (+21%)		Change in COPPER prices [USD/t] 6 579 (-21%)		Change in GOLD prices [USD/ ounce] 2 391 (+16%)	Change in GOLD prices [USD/ ounce] 1 738 (-16%)
			profit or loss	other comprehensive income	profit or loss	other comprehensive income	profit or loss	profit or loss
Derivatives (copper)	**(5)**	**(5)**	(28)	-	47	-	-	-
Derivatives (gold)	**(5)**	**(5)**	-	-	-	-	(19)	28
Embedded derivatives (copper, gold)	**(26)**	**(26)**	(78)	-	99	-	(24)	26
Impact on profit or loss			**(106)**	**-**	**146**	**-**	**(43)**	**54**
Impact on other comprehensive income			**-**	**-**	**-**	**-**	**-**	**-**

Financial assets and liabilities as at 31 December 2022	Value at risk	Carrying amount 31 December 2022	Change in COPPER prices [USD/t] 10 293 (+23%)		Change in COPPER prices [USD/t] 6 463 (-23%)		Change in GOLD prices [USD/ounce] 2 107 (+15%)	Change in GOLD prices [USD/ounce] 1 524 (-16%)	Change in SILVER prices [USD/ounce] 31.69 (+32%)		Change in SILVER prices [USD/ounce] 17.06 (-29%)	
			profit or loss	other comprehensive income	profit or loss	other comprehensive income	profit or loss	profit or loss	profit or loss	other comprehensive income	profit or loss	other comprehensive income
Derivatives (copper)	**161**	**161**	(49)	(1 026)	17	935	-	-	-	-	-	-
Derivatives (silver)	**50**	**50**	-	-	-	-	-	-	2	(67)	(17)	106
Derivatives (gold)	**(10)**	**(10)**	-	-	-	-	(22)	29	-	-	-	-
Embedded derivatives (copper, silver, gold)	**(43)**	**(43)**	(164)	-	161	-	(24)	27	-	-	-	-
Impact on profit or loss			**(213)**	**-**	**178**	**-**	**(46)**	**56**	**2**	**-**	**(17)**	**-**
Impact on other comprehensive income			**-**	**(1 026)**	**-**	**935**	**-**	**-**	**-**	**(67)**	**-**	**106**

In order to determine the potential changes in metals prices for purposes of sensitivity analysis of commodity risk factors (copper, silver, gold), the mean reverting Schwarz model (the geometrical Ornstein-Uhlenbeck process) was used.

Note 7.5.1.3 Risk of changes in foreign exchange rates

Regarding the risk of changes in foreign exchange rates within the KGHM Polska Miedź S.A. Group, the following types of exposures were identified:

- transaction exposure related to the volatility of cash flows in the base (functional) currency,
- exposure related to the volatility of selected items of the statement of financial position in the base (functional) currency.

The transaction exposure to currency risk derives from cash flow-generating contracts, whose values expressed in the base (functional) currency depend on future levels of exchange rates of the foreign currencies with respect to the base (functional) currency. Cash flows exposed to currency risk may possess the following characteristics:

- denomination in the foreign currency – cash flows are settled in foreign currencies other than the functional currency, and
- indexation in the foreign currency – cash flows may be settled in the base currency, but the price (i.e. of a metal) is set in a different foreign currency.

The key source of exposure to currency risk in the Parent Entity's business operations are the proceeds from sales of products (with respect to metals prices, processing and producer margins).

The exposure to currency risk also derives from items in the consolidated statement of financial position denominated in foreign currencies, which under the existing accounting regulations must be translated, upon settlement or periodic valuation, including the translation of foreign operations statements, by applying the current exchange rate of the foreign currencies versus the base (functional) currency. Changes in the carrying amounts of such items between valuation dates result in the volatility of profit or loss for the period or of other comprehensive income.

Items in the consolidated statement of financial position which are exposed to currency risk include in particular:

- trade receivables and trade payables related to purchases and sales denominated in foreign currencies;
- financial receivables due to loans granted in foreign currencies;
- financial liabilities due to borrowings in foreign currencies;
- cash and cash equivalents in foreign currencies; and
- derivatives on metals market.

As for the currency market, the notional amount of settled transactions hedging revenues from metals sales amounted to approx. 26% (in 2022: 20%) of the total revenues from sales of copper and silver realised by the Parent Entity in 2023.

In 2023, as part of the active management of an open hedging position, the Parent Entity restructured a position on the currency market. Part of the *collar* options structures hedging revenues from sales in the period from July 2023 to December 2024, in the total notional amount of USD 990 million (USD 55 million on a monthly basis), was closed, which led to cash inflow due to option premiums of approx. PLN 533 million in the first half of 2023. The positive hedge result accumulated in equity was partly recognised in the operating result for the second half of 2023 (total amount of PLN 171 million) and will be systematically recognised in the operating result for the subsequent months of 2024 (total amount of PLN 345 million). Moreover, collar options structures hedging revenues from sales in 2024 in the notional amount of USD 660 million (USD 55 million on a monthly basis) were restructured by transforming them into put spread[3] structures, which enabled full participation in potential increases in the USD/PLN exchange rate.

As a result, as at 31 December 2023 the Parent Entity held an open position on the currency market for the notional amount of USD 660 million (USD 2 955 million as at 31 December 2022), and *Cross Currency Interest Rate Swap* (CIRS) transactions for the notional amount of PLN 2 billion, hedging revenues from sales in the currency as well as the variable interest of issued bonds.

The condensed table of open transactions in derivatives of the Parent Entity on the currency market as at 31 December 2023 is presented below (the hedged notional in the presented periods is allocated evenly on a monthly basis).

[3] *Put spread option structures were designated as hedging sales revenues.*

Hedging against USD/PLN currency risk – open derivatives as at 31 December 2023

	Instrument/ option	Notional	Average weighted option strike price: sold put option	purchased put option	sold call option	Average weighted premium	Effective hedge price
			hedge limited to	*exchange rate hedging*	*participation limited to*		
		[USD mn]	[USD/PLN]	[USD/PLN]	[USD/PLN]	[PLN per USD 1]	[USD/PLN]
1st half of 2024	put spread	330.00	3.60	4.48	-	(0.01)	4.47
2nd half of 2024	put spread	330.00	3.60	4.48	-	0.01	4.49
	TOTAL 2024	**660.00**					

The condensed table of open transactions in derivatives on the currency market as at 31 December 2022 is presented below (the hedged notional in the presented periods is allocated evenly on a monthly basis).

Hedging against USD/PLN currency risk – open derivatives as at 31 December 2022

	Instrument/ option	Notional	Average weighted option strike price: sold put option	purchased put option	sold call option	Average weighted premium	Effective hedge price
			hedge limited to	*exchange rate hedging*	*participation limited to*		
		[USD mn]	[USD/PLN]	[USD/PLN]	[USD/PLN]	[PLN per USD 1]	[USD/PLN]
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 31 December 2023 and as at 31 December 2022

	Instrument	Notional	Average interest rate	Average exchange rate
		[PLN mn]	[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 of open derivative transactions entered into by Polish companies on the currency market is not presented, due to its immateriality for the Group.

As for managing currency risk, the Parent Entity applies natural hedging by borrowing in the currency in which it has revenues. As at 31 December 2023, following their translation to PLN, the bank loans and the investment loans which were drawn in USD amounted to PLN 2 737 million (as at 31 December 2022: PLN 3 435 million).

The currency structure of financial instruments exposed to currency risk (change in the USD/PLN, EUR/PLN and CAD/PLN exchange rates) of the KGHM Polska Miedź S.A. Group and sensitivity analysis to the risk of changes in the exchange rates are presented in the tables below. In order to determine the potential changes in the USD/PLN, EUR/PLN and CAD/PLN exchange rates for sensitivity analysis purposes, the Black-Scholes model (the geometrical Brownian motion) was used.

Financial instruments	Value at risk as at 31 December 2023			
	total PLN million	USD million	EUR million	CAD million
Shares	**4**	-	-	1
Trade receivables	**524**	89	34	8
Cash and cash equivalents	**1 306**	280	31	24
Long-term loans granted to a joint venture	**9 096**	2 311	-	-
Other financial assets	**174**	30	1	17
Derivatives*	**292**	9	-	-
Trade and similar payables	**(2 238)**	(229)	(298)	(14)
Borrowings	**(2 828)**	(695)	(10)	(16)
Other financial liabilities	**(18)**	(1)	(3)	-

**Transactions on the commodities market which are denominated in USD and translated to PLN at the exchange rate as at the end of the reporting period are presented in the item "derivatives", in the column "USD million", while the column "total PLN million" also includes the fair value of derivatives which are denominated solely in PLN and their value depends on exchange rates.*

Financial instruments	Value at risk as at 31 December 2022			
	total PLN million	USD million	EUR million	CAD million
Shares	**4**	-	-	1
Trade receivables	**776**	140	30	5
Cash and cash equivalents	**868**	163	20	17
Long-term loans granted to a joint venture	**9 603**	2 182	-	-
Other financial assets	**234**	44	-	12
Derivatives*	**357**	36	-	-
Trade and similar payables	**(1 063)**	(153)	(75)	(11)
Borrowings	**(3 578)**	(793)	(10)	(13)
Other financial liabilities	**(49)**	(9)	(2)	-

**Transactions on the commodities market which are denominated in USD and translated to PLN at the exchange rate as at the end of the reporting period are presented in the item "derivatives", in the column "USD million", while the column "total PLN million" also includes the fair value of derivatives which are denominated solely in PLN and their value depends on exchange rates.*

in PLN millions, unless otherwise stated

An analysis of the Group's sensitivity to the currency risk in 2023 and 2022

Financial assets and liabilities as at 31 December 2023	Value at risk	Carrying amount 31 December 2023	Change in the USD/PLN exchange rate 4.46 (+13%) profit or loss	Change in the USD/PLN exchange rate 4.46 (+13%) other comprehensive income	Change in the USD/PLN exchange rate 3.50 (-11%) profit or loss	Change in the USD/PLN exchange rate 3.50 (-11%) other comprehensive income	Change in the EUR/PLN exchange rate 4.79 (+10%) profit or loss	Change in the EUR/PLN exchange rate 4.13 (-5%) profit or loss	Change in the CAD/PLN exchange rate 3.27 (+10%) profit or loss	Change in the CAD/PLN exchange rate 2.77(-7%) profit or loss
Shares	**4**	**829**	-	-	-	-	-	-	-	-
Trade receivables	**524**	**932**	47	-	(38)	-	15	(7)	2	(2)
Cash and cash equivalents	**1 306**	**1 729**	148	-	(121)	-	14	(7)	7	(5)
Long-term loans granted to a joint venture	**9 096**	**9 096**	1 223	-	(997)	-	-	-	-	-
Other financial assets	**174**	**847**	16	-	(13)	-	-	-	5	(3)
Derivatives	**292**	**292**	(4)	(500)	4	413	-	-	-	-
Trade and similar payables	**(2 238)**	**(6 385)**	(121)	-	99	-	(131)	-	64	-
Borrowings	**(2 828)**	**(5 725)**	(368)	-	300	-	(4)	2	(5)	3
Other financial liabilities	**(18)**	**(321)**	(1)	-	1	-	(1)	1	-	-
Impact on profit or loss			**940**		**(765)**		**(107)**	**(11)**	**73**	**(7)**
Impact on other comprehensive income				**(500)**		**413**				

Financial assets and liabilities as at 31 December 2022	Value at risk	Carrying amount 31 December 2022	Change in the USD/PLN exchange rate 5.03 (+14%) profit or loss	Change in the USD/PLN exchange rate 5.03 (+14%) other comprehensive income	Change in the USD/PLN exchange rate 3.91 (-11%) profit or loss	Change in the USD/PLN exchange rate 3.91 (-11%) other comprehensive income	Change in the EUR/PLN exchange rate 5.18 (+10%) profit or loss	Change in the EUR/PLN exchange rate 4.48 (-5%) profit or loss	Change in the CAD/PLN exchange rate 3.68 (+13%) profit or loss	Change in the CAD/PLN exchange rate 2.88 (-11%) profit or loss
Shares	**4**	**521**	-	-	-	-	-	-	-	-
Trade receivables	**776**	**1 178**	88	-	(68)	-	15	(6)	2	(2)
Cash and cash equivalents	**868**	**1 200**	102	-	(79)	-	10	(4)	7	(6)
Long-term loans granted to a joint venture	**9 603**	**9 603**	1 372	-	(1 065)	-	-	-	-	-
Other financial assets	**234**	**890**	28	-	(21)	-	-	-	5	(4)
Derivatives	**357**	**357**	(3)	(1 197)	(6)	1 193	(2)	1	-	-
Trade and similar payables	**(1 063)**	**(3 280)**	(96)	-	75	-	(37)	16	(5)	4
Borrowings	**(3 578)**	**(6 443)**	(499)	-	387	-	(5)	2	(5)	5
Other financial liabilities	**(49)**	**(211)**	(6)	-	4	-	(1)	-	-	-
Impact on profit or loss			**986**	**-**	**(773)**	**-**	**(20)**	**9**	**4**	**(3)**
Impact on other comprehensive income				**(1 197)**		**1 193**	**-**	**-**	**-**	**-**

in PLN millions, unless otherwise stated

Note 7.5.1.4 Interest rate risk

In 2023 the Group was exposed to the risk of changes in interest rates due to loans granted to a joint venture, investing cash, the reverse factoring program and using borrowings.

Positions with variable interest rates expose the Group to the risk of changes in cash flow from a given position as a result of changes in interest rates (i.e. it has an impact on the interest costs or income recognised in profit or loss). Positions with fixed interest rates expose the Group to the risk of fair value changes of a given position, excluding positions measured at amortised cost, for which the change in fair value does not affect their measurement and profit or loss.

The main items which are exposed to interest rate risk are presented below:

		As at 31 December 2023			As at 31 December 2022		
		Cash flow risk	Fair value risk	Total	Cash flow risk	Fair value risk	Total
	Cash and cash equivalents	1 729	-	**1 729**	1 200	-	**1 200**
	Loans granted	-	22	**22**	-	20	**20**
Note 7.1	Borrowings	(2 714)	(3 011)	**(5 725)**	(2 656)	(3 787)	**(6 443)**
	Similar payables*	(3 021)	-	**(3 021)**	(18)	-	**(18)**

** In order to effectively manage the working capital and realise mutual payables arising from binding agreements with suppliers on time, the Group performed reverse factoring agreements. Consequently, for a part of the portfolio of trade payables, an extension of payment dates was agreed upon in exchange for additional consideration in the form of interest. Interest is calculated with a variable rate, based on a fixed margin increased by a specified reference rate determined for individual currencies. Details on reverse factoring may be found in Note 8.4.1, Note 10.3 and Note 10.4.*

As at 31 December 2023 the Parent Entity had CIRS transactions (Cross Currency Interest Rate Swap) with maturities falling in June 2024 and June 2029, 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. The open hedging position as at 31 December 2023 and as at 31 December 2022 is presented in the table in Note 7.5.1.3.

An analysis of the Group's sensitivity to interest rate risk, assuming changes in interest rates for the balance sheet items in PLN, USD and EUR (presented in basis points, bps) is presented in the following table. An expert method including recommendations of the ARMA model was used to determine the potential volatility of interest rates.

	31 December 2023 change in interest rate				31 December 2022 change in interest rate			
	+50 bps (PLN, USD, EUR)		-150 bps (PLN, USD, EUR)		+150 bps (PLN, USD, EUR)		-100 bps (PLN, USD, EUR)	
	profit or loss	other comprehensive income	profit or loss	other comprehensive income	profit or loss	other comprehensive income	profit or loss	other comprehensive income
Cash and cash equivalents	9	-	(26)	-	18	-	(12)	-
Borrowings	(14)	-	41	-	(40)	-	27	-
Financial derivatives – interest rate	-	31	-	(107)	-	134	-	(97)
Similar payables	(15)	-	45	-	-	-	-	-
Impact on profit or loss	**(20)**	**-**	**60**	**-**	**(22)**	**-**	**15**	**-**
Impact on other comprehensive income	**-**	**31**	**-**	**(107)**	**-**	**134**	**-**	**(97)**

Impact of the reference rates reform

In 2023 the LIBOR reference rates in borrowing agreements entered into by the Group were replaced by SOFR or CME TERM SOFR reference rates. These rates are also applicable to newly-signed agreements with financial institutions denominated in USD.

In October 2023, the Steering Committee of the National Working Group on the reform of reference rates, which was appointed in connection with the reform of reference rates in Poland, revised the schedule of the process of replacing the WIBOR and WIBID reference rates with the new RFR (risk-free-rate) reference rate. During work on this reform, a variety of challenges specific to the Polish financial sector resulting from the scale and structure of agreements and instruments based on WIBOR were identified, thereby generating risk to the safe conduct of the conversion. This resulted in the designation of a new schedule for the introduction of these changes in order to limit risk and the costs of reforming the reference rates. The Committee set the final date of the conversion as at the end of 2027.

in PLN millions, unless otherwise stated

Until 2027, the IBOR reform will not have an impact on the interest rate applied in the Group's derivatives, because the CIRS transactions entered into (open cross currency interest rate swaps) and bonds issued by the Parent Entity are based on the WIBOR reference rate. In the case of this benchmark, until 2027 we are in the transitional period, during which adjustments to transactions entered into before the reform will not be required. After 2027, the IBOR reform may have an impact on cash flow hedging of variable interest of issued bonds (Tranche B) in the amount of PLN 1.6 billion, based on WIBOR 6M, that is CIRS transactions (cross currency swap) with maturity falling in 2029. The Group applied temporary exemptions from application of specific requirements of hedge accounting under IFRS 9 due to the IBOR reform and adopted an assumption that it may continue the hedge relationships. The notional amounts of hedging instruments to which these exemptions apply are disclosed in the following table.

As at 31 December 2023, the Group estimated that the impact of IBOR reform on the financial statements will be immaterial.

As at 31 December 2023, the Group held financial instruments based on variable interest rates, which were not yet replaced by alternative rates. The amount of financial instruments that are based on a rate subject to planned reform are presented in the following table:

Type of financial instrument		Carrying amount as at 31 December 2023	Carrying amount as at 31 December 2022
Bank loans	USD LIBOR 1M	-	(528)
	WIBOR 1M	(39)	(63)
Debt securities	WIBOR 6M	(2 002)	(2 002)
Reverse factoring	WIBOR 1M	(1 757)	(18)
Derivatives (CIRS for 2029, PLN 1 600 million)	WIBOR 6M	5	(198)
Total		**(3 793)**	**(2 809)**

Note 7.5.1.5 Risk of changes in prices of energy and energy carriers

In market risk management resulting from changes in metals prices and currency, the scale and profile of activities of the Parent Entity is of the greatest significance and impact on the results of the KGHM Polska Miedź S.A. Group. The risk of changes in prices of electricity and energy commodities is a commodity risk for the Parent Entity, the measurement of which is based on its impact on cash flow.

The Parent Entity's exposure to the risk of volatility in electricity prices, energy commodities and related merchandise involves the following markets:

- **electricity and natural gas,** which are required to engage in mining and processing operations, including natural gas used to generate electricity to meet the Parent Entity's needs in its own generating sources,
- **CO_2 emission allowances**, which need to be redeemed due to the level of greenhouse gas emissions by installations operated by the Parent Entity being higher than the level of greenhouse gas emissions for which the Parent Entity received freely-granted rights to emit CO_2,
- **property rights to energy** resulting from certificates of origin of energy from renewable sources (RES) and **energy efficiency certificates** (hereafter: property rights), subject to redemption (required for purposes of redemption due to the sale of electricity by the Parent Entity to end users as well as the consumption of purchased electricity for own needs).

The management of commodity price risk with respect to planned purchases of electricity and natural gas is based on the management of exposure to the risk of changes in the prices of electricity and natural gas in a time horizon of up to 36 subsequent months, resulting from electricity and gas purchase plans, less previously-signed purchase contracts with delivery in future periods.

In the case of changes in electricity prices, the source of exposure are sales prices in bilateral contracts and energy sales prices on the Polish Power Exchange, where the Parent Entity purchases electricity in forward products (RTEE) as well as on the intra-day and next-day market. Moreover, the Parent Entity entered into a contract for the supply of electricity from renewable energy sources under a PPA (Power Purchase Agreement), which was entered into to meet the own needs of the Parent Entity and, in accordance with the exemption provided for under IFRS 9 para. 2.4, is not subject to measurement and recognition as a financial instrument.

In the case of the risk of changes in gas prices, the source of exposure is a contract entered into with ORLEN S.A., according to which the price of the purchased gas depends to a large degree on the prices quoted on the Polish Power Exchange for E-type gas (as regards both forward and SPOT contracts).

in PLN millions, unless otherwise stated

Commodity risk related to CO_2 emission allowances is connected with the exposure to changes in the prices of emission allowances quoted in EUR on an exchange (e.g. European Energy Exchange) and in the EUR/PLN exchange rate, as well as differences in the utilization of CO_2 emission allowances by the Parent Entity from planned amounts. In terms of changes in the prices of CO_2 emission allowances, the Parent Entity has a net short position, resulting from the obligation to redeem rights due to CO_2 systemic emissions which occur as a result of the combustion of coal within coal-bearing materials in installations functioning in the copper smelters, and also as a result of the combustion of gas in the CCGT (Combined Cycle Gas Turbine) blocks generating electricity to meet the Parent Entity's needs. In 2023, the Parent Entity purchased CO_2 emission allowances in forward transactions to secure its own needs. Such derivatives, which are acquired and maintained to secure own needs, are excluded under IFRS 9 Financial Instruments and are not subject to measurement as at the end of the reporting period.

In terms of the risk of changes in property rights, the Parent Entity has a net short position resulting from the obligation to redeem property rights due to the sale of electricity to an end user as well as to the consumption of purchased electricity for own needs, while the source of exposure are mainly the prices of property rights on the wholesale market, (i.e. on the Polish Power Exchange). KGHM Polska Miedź S.A. sells electricity mostly to customers which provide services to the Parent Entity on properties belonging to KGHM Polska Miedź S.A..

Exposure of the Parent Entity to a given risk – demand volume of individual merchandise for own needs (purchase)

Merchandise	Unit	from 1 January 2023 to 31 December 2023	from 1 January 2022 to 31 December 2022
CO_2 emission allowances	EUA	282 901	151 900
Property rights, so-called green certificates	GWh	251	406
Property rights, so-called blue certificates	GWh	10	11
Property rights, so-called white certificates	TOE	2 403	2 371
Gas	GWh	2 282	1 751
Electricity	GWh	2 614	2 742

in PLN millions, unless otherwise stated

Note 7.5.1.6 Impact of hedge accounting on the financial statements

The following table contains information on changes in the fair value of hedging instruments, as well as corresponding changes in the fair value of hedged positions during the reporting period, being the basis for recognising the effective and ineffective portions of changes in the fair value of hedging instruments in the years 2023-2022 (excluding the tax effect).

In hedging relations, only the intrinsic value of the option is designated as a hedging instrument. The time value approximates zero in the horizon of a hedging relation. The hedge's inefficiency recognised in the statements of profit or loss in the reporting periods 2022-2023 was immaterial.

	As at 31 December 2023		from 1 January 2023 to 31 December 2023	from 1 January 2023 to 31 December 2023	As at 31 December 2022		from 1 January 2022 to 31 December 2022	from 1 January 2022 to 31 December 2022
	Balance of other comprehensive income due to cash flow hedging for relations				Balance of other comprehensive income due to cash flow hedging for relations			
relation type / *risk type* / *instrument type – hedged item*	remaining in hedge accounting	for which hedge accounting was ceased	Change in the value of hedged item	Change in the value of hedging instrument	remaining in hedge accounting	for which hedge accounting was ceased	Change in the value of hedged item	Change in the value of hedging instrument
Cash flow hedging								
Commodity risk (copper)								
Options – Sales revenue	-	-	-	-	(21)	(11)	(327)	255
intrinsic value	-	-	-	-	152	-	-	325
time value	-	-	-	-	(173)	(11)	-	(70)
Commodity risk (silver)								
Options – Sales revenue	-	-	-	-	19	-	16	(21)
intrinsic value	-	-	-	-	30	-	-	(16)
time value	-	-	-	-	(11)	-	-	(5)
Currency risk (USD)								
Options – Sales revenue	77	604	(623)	469	402	-	(183)	403
intrinsic value	107	545	-	619	193	-	-	182
time value	(30)	59	-	(150)	209	-	-	221
Loans – Sales revenue	-	(48)	-	-	-	(64)	-	-
intrinsic value	-	(48)	-	-	-	(64)	-	-
Currency-interest rate risk								
CIRS – Sales revenue	(180)		(439)	388	(569)	-	154	(137)
intrinsic value	(180)		-	388	(569)	-	-	(137)
CIRS – Finance income/costs	175		172	(140)	315	-	(181)	152
intrinsic value	175		-	(140)	315	-	-	152
Total, including:	**72**	**556**	**(890)**	**717**	**146**	**(75)**	**(521)**	**652**
Total intrinsic value	102	497	-	867	121	-	-	506
Total time value	(30)	59	-	(150)	25	(75)	-	146

in PLN millions, unless otherwise stated

The table below presents information on the impact of hedge accounting on the statement of profit or loss and other comprehensive income (excluding the tax effect).

relation type / risk type / instrument type	from 1 January 2023 to 31 December 2023			from 1 January 2022 to 31 December 2022	
	Profits or (losses) due to hedging recognised in other comprehensive income	Amount reclassified from other comprehensive income as a reclassification adjustment, due to realisation of a hedged item in the period		Profit or (loss) due to hedging recognised in other comprehensive income	Amount reclassified from other comprehensive income to the statement of profit or loss as a reclassification adjustment, due to realisation of a hedged item in the period
		to statement of profit or loss	to non-current assets		
Cash flow hedging					
Commodity risk (copper)					
Options*	(128)	(160)		800	(525)
Commodity risk (silver)					
Options*	(6)	13		26	114
Currency risk (USD)					
Options*	738	459		357	(46)
Loans**	-	(16)		-	(16)
Currency-interest rate risk					
CIRS***	340	(11)	102	56	41
Total	**944**	**285**	**102**	**1 239**	**(432)**

Item of the statement of profit or loss which includes a reclassification adjustment:
** revenues from contracts with customers, other operating income and (costs),*
*** revenues from contracts with customers,*
**** revenues from contracts with customers, other finance income and (costs) and non-current assets*

The following table contains information on changes in other comprehensive income (excluding the tax effect) in the period in connection with the application of hedge accounting in 2022 and 2023.

Other comprehensive income due to cash flow hedging	2023			2022		
	Effective value *	Cost of hedging **	Total	Effective value *	Cost of hedging **	Total
Other comprehensive income – transactions hedging against commodity and currency risk – as at 1 January	**68**	**3**	**71**	**(1 178)**	**(422)**	**(1 600)**
Impact of measurement of hedging transactions (effective part)	1 272	(328)	944	1 124	115	1 239
Reclassification to the statement of profit or loss due to realisation of hedged item	(737)	350	(387)	122	310	432
Other comprehensive income – transactions hedging against commodity and currency risk – as at 31 December	**603**	**25**	**628**	**68**	**3**	**71**

** Effective portions of changes in the fair value of hedging instruments due to hedged risk - intrinsic value of option.*
*** Time value of option + CCBS (Cross Currency Basis Swap).*

in PLN millions, unless otherwise stated

Note 7.5.2 Credit risk

Credit risk is defined as the risk that the Group's counterparties will not be able to meet their contractual liabilities and involves three main areas:

- the creditworthiness of the customers with whom physical sales transactions are undertaken,
- the creditworthiness of the financial institutions (banks/brokers) with whom, or through whom, hedging transactions are undertaken, as well as those in which free cash and cash equivalents are deposited, and
- the financial standing of subsidiaries - borrowers.

In particular, the sources of exposure to credit risk are:

- cash and cash equivalents and deposits,
- derivatives,
- trade receivables,
- loans granted (Note 6.2),
- guarantees granted (Note 8.6), and
- other financial assets.

Accounting policies
The Group recognises impairment loss on expected credit losses on financial assets measured at amortised cost. Expected credit losses are credit losses weighed by the default probability. The Group applies the following models for designating impairment losses: - the simplified model – for trade receivables, - the general (basic) model – for other financial assets. Under the general model the Group monitors changes in the level of credit risk related to a given financial asset and classifies financial assets to one of three stages of determining impairment losses – based on observations of changes in the level of credit risk compared to an instrument's initial recognition. In particular, the following are monitored: the credit rating and the financial condition of the customer and the payment delay period. Depending on which degree it is classified to, an impairment loss is estimated for a 12-month period (degree 1) or in the horizon of lifetime (degree 2 and degree 3). The absolute indicator of default is an overdue period of more than 90 days. Under the simplified model the Group does not monitor changes in the level of credit risk during an instrument's life and estimates the expected credit loss over the time horizon of maturity of the instrument based on historical data respecting the repayments of receivables.

Note 7.5.2.1 Credit risk related to cash, cash equivalents and bank deposits

The Group allocates periodically free cash in accordance with the requirements to maintain financial liquidity and limit risk and in order to protect capital and maximise interest income.

As at 31 December 2023, the total amount of free and restricted cash and cash equivalents of PLN 1 724 million was held in bank accounts and in short-term deposits (in total as at 31 December 2022: PLN 1 195 million).

All entities with which deposit transactions are entered into by the Group operate in the financial sector. Analysis of exposure to this type of risk indicated that these are solely banks with the highest, medium-high and medium ratings, and which have an appropriate level of equity and a strong, stable market position. The credit risk in this regard is monitored through the on-going review of the financial standing and by maintaining an appropriately low concentration levels in individual financial institutions.

The following table presents the level of concentration of cash and deposits, with the assessed creditworthiness of the financial institutions*.

Rating level		As at 31 December 2023	As at 31 December 2022
Highest	from AAA to AA- according to S&P and Fitch, and from Aaa to Aa3 according to Moody's	8%	10%
Medium-high	from A+ to A- according to S&P and Fitch, and from A1 to A3 according to Moody's	84%	73%
Medium	from BBB+ to BBB- according to S&P and Fitch, and from Baa1 to Baa3 according to Moody's	8%	17%

**Weighed by amount of cash deposited in current accounts and deposits.*

in PLN millions, unless otherwise stated

The risk level of a financial institution arising from depositing cash on bank accounts or deposits in the said institution, and taking into consideration the risk of these instruments, is almost the same, and therefore they are presented jointly.

As at 31 December 2023 the maximum single entity share of the amount exposed to credit risk arising from cash and bank deposits amounted to 35%, or PLN 608 million (as at 31 December 2022: 30%, or PLN 354 million).

	As at 31 December 2023	As at 31 December 2022
Counterparty 1	608	354
Counterparty 2	317	335
Counterparty 3	315	105
Counterparty 4	102	76
Counterparty 5	80	73
Other	302	252
Total	**1 724**	**1 195**

Impairment losses on cash and cash equivalents were determined individually for each balance of a given financial institution. External bank ratings were used to measure credit risk. The analysis determined that these assets have a low credit risk at the reporting date. The Group used a simplification permitted by the standard and the impairment loss was determined on the basis of 12-month credit losses. The calculation of impairment determined that the amount of impairment loss is insignificant. These assets are classified to Degree 1 of the impairment model.

Nota 7.5.2.2 Credit risk related to derivative transactions

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

The Group's credit exposure related to derivatives by main counterparties is presented in the table below[4].

	As at 31 December 2023			As at 31 December 2022		
	Exposure to credit risk			Exposure to credit risk		
	Financial receivables	Financial liabilities	Fair value	Financial receivables	Financial liabilities	Fair value
Counterparty 1	246	(138)	108	260	(250)	10
Counterparty 2	241	(172)	69	226	(172)	54
Counterparty 3	155	(93)	62	154	(33)	121
Counterparty 4	130	(180)	(50)	120	(53)	67
Other	269	(99)	170	787	(636)	151
Total	1 041	(682)	359	**1 547**	**(1 144)**	**403**
Open derivatives*	993	(675)	318	1 510	(1 110)	400
Settled derivatives, net	48	(7)	41	37	(34)	3

**excluding embedded derivatives*

Taking into consideration the receivables due to open derivatives transactions entered into by the Group (excluding embedded derivatives) as at 31 December 2023 and net receivables[5] due to settled derivatives, the maximum single entity share of the amount exposed to credit risk arising from these transactions amounted to 24%, or PLN 246 million (as at 31 December 2022: 17%, or PLN 260 million).

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

[4] *Excludes embedded derivatives.*
[5] *The Parent Entity offsets receivables and liabilities due to settled derivatives, 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.*

in PLN millions, unless otherwise stated

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

The following table presents the structure of ratings of the financial institutions with whom the Group had derivatives transactions, representing exposure to credit risk.

Rating level		As at 31 December 2023	As at 31 December 2022
Medium-high	from A+ to A- according to S&P and Fitch, and from A1 to A3 according to Moody's	71%	84%
Medium	from BBB+ to BBB- according to S&P and Fitch, and from Baa1 to Baa3 according to Moody's	29%	16%

Note 7.5.2.3 Credit risk related to trade receivables

The following Group companies had significant trade receivables as at 31 December 2023: KGHM Polska Miedź S.A. PLN 322 million, the KGHM INTERNATIONAL LTD. Group PLN 283 million, WPEC w Legnicy S.A. PLN 70 million, CENTROZŁOM WROCŁAW S.A. PLN 70 million, KGHM Metraco S.A. PLN 35 million, „MCZ" S.A. PLN 33 million, NITROERG S.A. PLN 30 million, WMN "Łabędy" S.A. PLN 18 million, , Pol-Miedź Trans Sp. z o.o. PLN 11 million, Energetyka Sp. z o.o. PLN 10 million (as at 31 December 2022: KGHM Polska Miedź S.A. PLN 517 million, the KGHM INTERNATIONAL LTD Group PLN 364 million, CENTROZŁOM WROCŁAW S.A. PLN 67 million, WPEC w Legnicy S.A. PLN 49 million, NITROERG S.A. PLN 39 million, KGHM Metraco S.A. PLN 28 million, „MCZ" S.A. PLN 24 million, WMN "Łabędy" S.A. PLN 19 million, Energetyka Sp. z o.o. PLN 11 million).

The total net amount of trade receivables of the Group as at 31 December 2023, excluding the fair value of accepted collateral, up to the amount of which the Group may be exposed to credit risk, amounts to PLN 932 million (as at 31 December 2022: PLN 1 178 million).

The Parent Entity limits its exposure to credit risk related to trade receivables by evaluating and monitoring the financial condition of its customers, setting credit limits, requiring collateral, and non-recourse factoring. The terms of factoring agreements entered into meet the criteria of removing receivables from the books at the moment of their purchase by the factor. As at 31 December 2023, the amount of receivables transferred to factoring, for which payment from factors was not received, amounted to PLN 10 million (as at 31 December 2022: PLN 4 million). Information on the amount of revenues from sales subjected to factoring in the financial period is presented in Note 2.4.

An inseparable element of the credit risk management process performed by the Parent Entity is the continuous monitoring of receivables and the internal reporting system.

Buyer's credit is only provided to proven customers. In the case of new customers, an effort is made to ensure that sales are based on prepayments or trade financing instruments which transfer the credit risk to financial institutions.

The Parent Entity makes use of the following forms of collateral:

- registered pledges, bank guarantees, promissory notes, notarial enforcement declarations, corporate guarantees, cessation of receivables, mortgages and documentary collection;
- ownership rights to goods to be transferred to the buyer only after payment is received;
- a receivables insurance contract, which covers receivables from entities with buyer's credit which have not provided strong collateral or have provided collateral which does not cover the total amount of the receivables.

Taking into account the above forms of collateral and the credit limits received from the insurance company, as at 31 December 2023 the Parent Entity had secured 56% of its trade receivables (as at 31 December 2022, 76%).

Although KGHM INTERNATIONAL LTD. does not use collateral, credit risk connected with trade receivables is subject to monitoring, and the majority of sales are to proven, long-term customers conducting international activities.

Assessment of concentration of credit risk in the Group:

Sector concentration	While KGHM Polska Miedź S.A. and KGHM INTERNATIONAL LTD. operate in the same sector, these two companies are different both in terms of their portfolios of products as well as in terms of the geographic location and nature of their customers, and consequently this sector concentration of credit risk is considered to be acceptable. Other companies of the Group operate in various economic sectors, such as transport, construction, commerce, industrial production and energy. As a consequence, in the case of most Group companies, in terms of sectors, there is no concentration of credit risk.
Customers concentration	As at 31 December 2023 the balance of receivables from the 7 largest customers represented 25% of trade receivables (2022: 58%). Despite the concentration of this type of risk, it is believed that due to the availability of historical data and the many years of experience cooperating with its customers, as well as to the securing used, the level of credit risk is low.

in PLN millions, unless otherwise stated

Geographical concentration

Companies of the Group have been cooperating for many years with a large number of customers, which affects the geographical diversification of trade receivables. Geographical concentration of credit risk for trade receivables is presented in the table below.

Trade receivables (net)	As at 31 December 2023	As at 31 December 2022
Poland	43%	40%
Canada	14%	19%
European Union (excluding Poland)	8%	10%
Asia	23%	26%
Other countries	12%	5%

Accounting policies

The Group applies the simplified model of calculating the allowance for impairment of trade receivables (regardless of their maturity). The expected credit loss on trade receivables is calculated at the closest ending date of the reporting period after the moment of recognition of a receivable in the statement of financial position and is updated at every subsequent reporting period ending date. In order to estimate the expected credit loss on trade receivables, the Group's entities apply provision matrices, made on the basis of historical levels of payment of trade receivables, which are periodically recalibrated in order to update them.
The Group adopted an assumption that the receivable risk is characterised by the number of days of delay and this parameter determines the estimated PD, i.e. the probability of a delay in payment of trade receivables by at least 90 days. For the purpose of estimating PD, 5 risk groups have been selected based on the criteria of number of days in payment, according to ranges presented below as "Important estimates and assumptions".

Default is defined as being a failure by a customer to meet its liabilities after a period of 90 days from the due date. In order to estimate the loss allowance for expected credit losses, collateral is also taken into account by allocating expected recovery rates to the particular types of collateral.
Moreover, forward-looking information is taken into account in the applied parameters of the model for estimating expected losses, by adjusting the base coefficients of default probability. This means that if as a result of analysis of macroeconomic data, such as for example: current GDP dynamics, inflation, unemployment rate, or WIG index, the Group recognises any deterioration in them in comparison to the previous period, in the ECL calculation the *forward looking* factor, which corrects risk connected with any decrease in receivables recovery, is taken into account. Despite the worsening of the GDP dynamics, and taking into consideration the inflation slowdown, favourable performance of the unemployment rate, and also forecasted significant economy rebound in 2024, the Parent Entity did not note any deterioration of macroeconomic factors to the degree justifying the accounting for *forward looking* factor as at the end of the reporting period, that is on 31 December 2023.

Important estimates and assumptions

	31 December 2023			31 December 2022		
Time frame in days	Percent of allowance for impairment*	Gross amount of receivables	Allowance for impairment in individual time frames**	Percent of allowance for impairment*	Gross amount of receivables	Allowance for impairment in individual time frames**
Not overdue	0.1-4.4	483	(2)	0.1-2.7	401	(2)
<1,30)	0.3-9.0	29	(1)	0.2-8.1	23	(1)
<30,60)	5.4-41.4	9	(4)	5.5-41.4	5	(1)
<60,90)	34.1-70.7	-	-	34.1-72.3	1	-
Default	100	36	(32)	100	36	(35)
Total		**557**	**(39)**		**466**	**(39)**

**Probability of default is represented in thresholds, calculated individually by Group companies on the basis of real historical data as respects the number of days of delay, pursuant to the model for calculating expected credit losses adopted by the Group for trade receivables.*
***The amount of allowance for impairment includes the recovery due to collateral.*

in PLN millions, unless otherwise stated

The following table presents the change in trade receivables measured at amortised cost.

		2023	2022
	Gross amount as at 1 January	**466**	**435**
	Change in the balance of receivables	95	31
	Utilisation of a loss allowance in the period	(4)	-
Note 10.2	**Gross amount as at 31 December**	**557**	**466**

The following table presents the change in the estimation of expected credit losses on trade receivables measured at amortised cost.

		2023	2022
	Loss allowance for expected credit losses as at 1 January	**39**	**36**
	Change in allowance in the period recognised in profit or loss	4	3
	Utilisation of a loss allowance in the period	(4)	-
Note 10.2	**Loss allowance for expected credit losses as at 31 December**	**39**	**39**

As at 31 December 2023, disputed receivables amounted to PLN 30 million (as at 31 December 2022, PLN 36 million). The Group is taking actions aimed at recovering these receivables or explaining the validity of pursuing claims.

Note 7.5.2.4 Credit risk related to loans granted to the joint venture Sierra Gorda S.C.M. (POCI)

Credit risk related to loans granted depends on risk related to the realisation of the joint mining venture in Chile (Sierra Gorda S.C.M.). These loans, as a result of the impairment recognised at the moment of initial recognition due to credit risk, were classified as POCI, and are measured at the end of the subsequent reporting periods at amortised cost using the effective interest rate method and the effective discount rate adjusted by credit risk.
The basis for accruing interest on POCI loans is their gross value less any allowance for impairment at the moment of initial recognition.

The loan granted does not have collateral limiting the exposure to credit risk, therefore the maximum amount exposed to potential loss due to credit risk is the gross amount of the loan, less expected credit losses recognised pursuant to IFRS 9.

Changes in the value of POCI loans in the reporting and comparable periods are presented in Note 6.2.

Neither in the reporting period nor in the comparable period was there any expected impairment of POCI loans.

Sensitivity analysis of the fair value of loans due to the change in forecasted cash flows of Sierra Gorda S.C.M.

As at 31 December 2023, the Group classified the measurement to fair value of loans granted to level 3 of the fair value hierarchy because of the utilisation in the measurement of a significant unmeasurable parameter, being the forecasted cash flows of Sierra Gorda S.C.M. These cash flows are the most sensitive to changes in copper prices, which implies other assumptions such as forecasted production and operating margin. Therefore, pursuant to IFRS 13 p.93.f, the Group performed a sensitivity analysis of the fair value (level 3) of loans to changes in copper prices.

	Copper prices [USD/t]				
Scenarios – 31 December 2023	**2024**	**2025**	**2026**	**2027**	**LT**
Base	8 500	8 700	9 000	9 200	8 250
Base minus 0.1 USD/lb during mine life (220 USD/tonne)	8 280	8 480	8 780	8 980	8 030
Base plus 0.1 USD/lb during mine life (220 USD/tonne)	8 720	8 920	9 220	9 420	8 470

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

Classes of financial instruments	Fair value as at 31 December 2023	Sensitivity analysis of the fair value to changes in copper price	
		Base plus 0.1 USD/lb during mine life	Base minus 0.1 USD/lb during mine life
Loans granted measured at amortised cost	**7 778**	7 969	7 567
Loans granted measured at amortised cost (USD million)	**1 977**	2 025	1 923

Classes of financial instruments	Carrying amount as at 31 December 2023	Sensitivity analysis of the carrying amount to changes in copper price	
		Base plus 0.1 USD/lb during mine life	Base minus 0.1 USD/lb during mine life
Loans granted measured at amortised cost	**9 096**	9 223	8 956
Loans granted measured at amortised cost (USD million)	**2 311**	2 344	2 276

Classes of financial instruments	Fair value as at 31 December 2022	Sensitivity analysis of the fair value to changes in copper price	
		Base plus 0.1 USD/lb during mine life	Base minus 0.1 USD/lb during mine life
Loans granted measured at amortised cost	**7 787**	8 064	7 465
Loans granted measured at amortised cost (USD million)	**1 769**	1 832	1 696

Classes of financial instruments	Carrying amount as at 31 December 2022	Sensitivity analysis of the carrying amount to changes in copper price	
		Base plus 0.1 USD/lb during mine life	Base minus 0.1 USD/lb during mine life
Loans granted measured at amortised cost	**9 603**	9 766	9 380
Loans granted measured at amortised cost (USD million)	**2 182**	2 219	2 131

in PLN millions, unless otherwise stated

Note 7.5.2.5 Credit risk related to other financial assets

As at 31 December 2023, the most significant item in other financial assets was cash accumulated on the bank accounts of the Mine Closure Fund in the amount of PLN 442 million (as at 31 December 2022: PLN 407 million).

All special purpose deposits of the Group, which are dedicated to collection of cash for future decommissioning costs of mines, are carried out by banks with the highest or medium-high ratings confirming the security of the deposited cash.

The following tables present the level of cash concentration within special purpose funds dedicated to the collection of cash by the Group for future decommissioning costs of mines, according to the credit ratings of financial institutions in which cash is held on special purpose accounts.

Rating level		As at 31 December 2023	As at 31 December 2022
Highest	AAA to AA- according to S&P and Fitch, and from Aaa to Aa3 according to Moody's	10%	12%
Medium-high	from A+ to A- according to S&P and Fitch, and from A1 to A3 according to Moody's	90%	88%

	As at 31 December 2023	As at 31 December 2022
Counterparty 1	398	358
Counterparty 2	44	49
Total	**442**	**407**

Impairment losses on cash accumulated on the bank accounts of special purpose funds: the Mine Closure Fund, were determined individually for each balance of a given financial institution. External bank ratings were used to measure credit risk. The analysis determined that these assets have a low credit risk at the reporting date. The Group used a simplification permitted by the standard and the impairment loss was determined on the basis of 12-month credit losses. The calculation of impairment determined that the amount of impairment loss is insignificant. These assets are classified to Degree 1 of the impairment model.

in PLN millions, unless otherwise stated

Part 8 – Borrowings and the management of liquidity and capital

Note 8.1 Capital management policy

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

In accordance with market practice, the Group monitors the level of financial security, among others on the basis of the Net Debt/Adjusted EBITDA ratio presented in the table below:

Ratios	Calculations	31 December 2023	31 December 2022
Net Debt/Adjusted EBITDA	Relation of net debt to adjusted EBITDA	**1.06**	**0.77**
Net Debt	Borrowings, debt securities and lease liabilities less free cash and its equivalents.	4 023	5 264
Adjusted EBITDA*	Profit/(loss) for the period pursuant to IFRS, excluding taxes (current and deferred income tax and mining tax), finance income and costs, other operating income and costs, profit or loss on involvement in joint ventures, depreciation/amortisation recognised in expenses by nature, recognition/reversal of impairment losses on property, plant and equipment and intangible assets recognised in the cost of sales, selling costs and administrative expenses.	3 778	6 834

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

The level of the Net Debt/Adjusted EBITDA ratio achieved in 2023 is consistent with the assumptions adopted by the Group in the reporting period and confirms its stable financial condition.

The economic situation is one of the most important factors affecting the Group's financial liquidity.

The Group forecasts the coverage ratio of financial needs by available sources of financing, in order to identify, at a sufficiently early stage, the possible occurrence of a liquidity gap.

The overriding principle in this process is to ensure the Group's financial security and stability, while the main tool used to limit risk is the diversification of financing sources and ensuring they are of long-term maturities.

When making decisions about the use of financial instruments, the Group analyses factors of significance for managing liquidity, amongst which the basic parameter is the level of interest rates and forecasts regarding their future direction.

The level of interest rates primarily has an impact on the Group's borrowing potential, understood as the possibility of obtaining and servicing debt, and consequently its subsequent refinancing. To limit the unfavourable impact of increases in market interest rates, some of the Group's borrowings are based on fixed interest rates.

Details regarding the impact of changes in interest rates on the occurrence of liquidity risks are presented in Note 7.5.1.4 of the Financial statements.

In the management of liquidity and capital, the Group also pays attention to adjusted operating profit, which is the basis for calculating the financial covenant and which is comprised of the following items:

	from 1 January 2023 to 31 December 2023	from 1 January 2022 to 31 December 2022
(Loss)/profit on sales	(1 640)	4 344
Interest income on loans granted to a joint venture	597	582
Other operating income and (costs)	(2 817)	962
Adjusted operating (loss)/profit*	**(3 860)**	**5 888**

** Presented amount does not include the profit due to reversal of allowances for impairment of loans granted to a joint venture.*

in PLN millions, unless otherwise stated

Financial covenant Net debt/EBITDA is calculated based on consolidated data, pursuant to definitions stipulated in borrowing agreements.

As at the end of the reporting period, in the financial year and after the end of the reporting period, up to the date of publication of these Consolidated financial statements, the value of the financial covenant subject to the obligation to report as at 30 June 2023 and 31 December 2023, met the conditions stipulated in the credit agreements.

Note 8.2 Equity

Accounting policies
Other reserves from the measurement of financial instruments arise from the measurement of cash flow hedging instruments (Note 7.2, Accounting policies) and the measurement of financial assets at fair value through other comprehensive income (Note 7.3, Accounting policies) less any deferred tax effect. Accumulated other comprehensive income consists of exchange differences from the translation of statements of operations with a functional currency other than PLN (Note 1.4, Accounting policies) and actuarial gains/losses on post-employment benefits programs less any deferred tax effect (Part 11, Accounting policies).

Note 8.2.1 Share capital

As at 31 December 2023 and at the date of signing of these financial statements, the Parent Entity's share capital, in accordance with the entry in the National Court Register, amounted to PLN 2 000 million and was divided into 200 000 000 shares, series A, fully paid, each having a face value of PLN 10. All of the shares are bearer shares. KGHM Polska Miedź S.A. has not issued preference shares. Each share grants the right to one vote at the general meeting. The Parent Entity does not have treasury shares.

In the years ended 31 December 2023 and 31 December 2022, there were no changes in either registered share capital or in the number of issued shares.

In 2023, the following changes in the ownership structure of significant blocks of shares of KGHM Polska Miedź S.A. took place:

- On 5 January 2023 the Parent Entity was informed about the merger of the companies Powszechne Towarzystwo Emerytalne Allianz Polska Spółka Akcyjna (PTE Allianz Polska S.A.) and Aviva Powszechne Towarzystwo Emerytalne Aviva Santander Spółka Akcyjna. As a result of the merger, the total number of shares of KGHM Polska Miedź S.A. held on the accounts of funds managed by PTE Allianz Polska S.A.: Allianz Otwarty Fundusz Emerytalny, Allianz Polska Dobrowolny Fundusz Emerytalny and Drugi Allianz Polska Otwarty Fundusz Emerytalny (Drugi Allianz OFE) amounted to 12 241 453 shares, representing 6.12% of the share capital of the Parent Entity.
- On 16 May 2023, the Company was informed by PTE Allianz Polska S.A. that as a result of the liquidation of Drugi Allianz OFE by transferring its assets to Allianz Polska Otwarty Fundusz Emerytalny (Allianz OFE), the share held in the total number of votes in KGHM Polska Miedź S.A. on the accounts of Allianz OFE amounted to more than 5%, that is on the accounts of Allianz OFE were 11 961 453 shares representing 5.98% of the share capital of the Parent Entity.

As a result of the above, the shareholder structure of KGHM Polska Miedź S.A. as at 31 December 2023 and at the date these financial statements were signed, established on the basis of notifications received by the Parent Entity pursuant to art. 69 of the Act on public offerings and conditions governing the introduction of financial instruments to organised trading, and on public companies, was as follows:

Shareholder	Number of shares/votes	Total nominal value of shares (PLN)	Percentage held in share capital/total number of votes
State Treasury [1)]	63 589 900	635 899 000	31.79%
Allianz Polska Otwarty Fundusz Emerytalny[2)]	11 961 453	119 614 530	5.98%
Nationale-Nederlanden Otwarty Fundusz Emerytalny[3)]	10 104 354	101 043 540	5.05%
Other shareholders	114 344 293	1 143 442 930	57.18%
Total	**200 000 000**	**2 000 000 000**	**100.00%**

[1)] based on a notification received by the Company dated 12 January 2010
[2)] based on a notification received by the Company dated 16 May 2023
[3)] based on a notification received by the Company dated 18 August 2016

In 2022, there were no changes in the ownership of significant blocks of shares of KGHM Polska Miedź S.A.

in PLN millions, unless otherwise stated

Note 8.2.2 Changes of other equity items

		Other reserves from measurement of financial instruments					
		Investments in equity instruments measured at fair value through other comprehensive income	Other reserves from measurement of future cash flow hedging financial instruments	Other reserves from measurement of financial instruments, total	Actuarial gains /(losses) on post-employment benefits programs	Exchange differences from the translation of statements of operations with a functional currency other than PLN	Retained earnings
	As at 1 January 2022	**(410)**	**(1 295)**	**(1 705)**	**(400)**	**2 619**	**24 532**
	Transactions with owners - Dividend	-	-	-	-	-	(600)
	Profit for the period	-	-	-	-	-	4 772
	Fair value losses on financial assets measured at fair value through other comprehensive income	(95)	-	(95)	-	-	-
Note 7.2	Impact of the effective part of cash flow hedging transactions	-	1 239	1 239	-	-	-
Note 7.2	Amount transferred to profit or loss due to settlement of hedging instruments	-	432	432	-	-	-
Note 11.2	Actuarial losses on post-employment benefits	-	-	-	(422)	-	-
	Exchange differences from the translation of statements of operations with a functional currency other than PLN	-	-	-	-	(65)	-
Note 5.1.1	Deferred income tax	19	(317)	(298)	80	-	-
	Other comprehensive income	(76)	1 354	1 278	(342)	(65)	-
	Total comprehensive income	(76)	1 354	1 278	(342)	(65)	4 772
	As at 31 December 2022	**(486)**	**59**	**(427)**	**(742)**	**2 554**	**28 704**
	Transactions with owners - Dividend	-	-	-	-	-	(200)
	Loss for the period	-	-	-	-	-	(3 698)
	Fair value gains on financial assets measured at fair value through other comprehensive income	309	-	309	-	-	-
Note 7.2	Impact of the effective part of cash flow hedging transactions	-	944	944	-	-	-
Note 7.2	Amount transferred to profit or loss due to settlement of hedging instruments	-	(387)	(387)	-	-	-
Note 11.2	Actuarial losses on post-employment benefits	-	-	-	(311)	-	-
	Exchange differences from the translation of statements of operations with a functional currency other than PLN	-	-	-	-	(78)	-
Note 5.1.1	Deferred income tax	(56)	(106)	(162)	59	-	-
	Other comprehensive income	253	451	704	(252)	(78)	-
	Total comprehensive income	253	451	704	(252)	(78)	(3 698)
	As at 31 December 2023	**(233)**	**510**	**277**	**(994)**	**2 476**	**24 806**

Based on the Act of 15 September 2000, i.e. the Commercial Partnerships and Companies Code, the Parent Entity is required to create reserve capital for any potential (future) or existing losses, to which no less than 8% of a given financial year's profit is transferred until the reserve capital has been built up to no less than one-third of the registered share capital. The reserve capital created in this manner may not be employed otherwise than in covering the loss reported in the financial statements. As at 31 December 2023 the statutory reserve capital in the Group's entities amounted to PLN 760 million, of which PLN 667 million relates to the Parent Entity, and is recognised in retained earnings.

Information related to dividends paid may be found in Note 12.2.

Note 8.3 Liquidity management policy

The Management Board of the Parent Entity is responsible for financial liquidity management in the Group and compliance with adopted policy. The Financial Liquidity Committee is a body supporting the Management Board in this regard.
The management of financial liquidity in the Group is performed in accordance with the Financial Liquidity Management Policy in the KGHM Polska Miedź S.A. Group. This document describes processes of managing financial liquidity in the Group, which are realised by Group companies, while their organisation, coordination and supervision is performed by the Parent Entity by using appropriate procedures and instruments. The basic principles resulting from this document are:

- assuring the stable and effective financing of the Group's activities,
- continuous monitoring of the Group's debt level,
- effective management of working capital, and
- coordination, by the Parent Entity, of processes of financial liquidity management in the Group companies.

Under the liquidity management process, the Group utilises instruments which enhance its effectiveness. One of the instruments used by the Group to deal with on-going operating activities is cash pooling – locally in PLN, USD and EUR, and internationally - in USD. The cash pooling service is aimed at optimising the management of cash resources, limiting interest costs, the effective financing of current working capital needs and the support of short-term financial liquidity in the Group.

In order to support current liquidity and to optimise the service of cash management in a group of accounts, the Parent Entity fulfils the function of the Coordinator and entered into an overdraft facility agreement in the amount of PLN 250 million with availability to 30 June 2024 and the option of automatic extension by subsequent two years with the bank in which the cash pooling system operates.

In 2023, the Parent Entity carried out the process of obtaining short-term financing and continued actions connected with developing the reverse factoring program.
In order to support the process of working capital management, the Parent Entity continuously transfers trade payables to reverse factoring.
The available reverse factoring program is treated by the Group as an efficient tool supporting the process of working capital management and is aimed at diversification of sources of financing of working capital. Contracts with factors were entered into for an indefinite period.

Moreover, work connected with prolonging the availability of long-term financing was carried out in the reporting period. Actions were continued aimed at conducting safe and responsible financial policy by basing the financing on diversified and long-term instruments.

in PLN millions, unless otherwise stated

Note 8.3.1 Contractual maturities for financial liabilities

Financial liabilities – as at 31 December 2023

Contractual maturities from the end of the reporting period	Maturity period				Total (without discounting)	Carrying amount
	up to 3 months	over 3 months to 12 months	over 1 to 3 years	over 3 years		
Borrowings	143	419	1 029	1 833	**3 424**	**2 939**
Debt securities liabilities	-	534	240	1 899	**2 673**	**2 002**
Lease liabilities	32	91	206	1 274	**1 603**	**784**
Trade payables	3 061	41	37	338	**3 477**	**3 319**
Similar payables – reverse factoring	2 268	753	-	-	**3 021**	**3 021**
Derivatives – currency contracts*	83	362	39	-	**484**	**483**
Derivatives – commodity contracts – metals*	5	6	-	-	**11**	**11**
Derivatives – interest rates	-	-	-	80	**80**	**181**
Embedded derivatives	26	-	-	-	**26**	**26**
Other financial liabilities	253	34	23	9	**319**	**321**
Total	**5 871**	**2 240**	**1 574**	**5 433**	**15 118**	**13 087**

**Financial liabilities arising from derivatives are calculated at their intrinsic values excluding the discount effect.*

Overdue liabilities	Overdue period				Total/Carrying amount
	up to 1 month	over 1 months to 12 months	over 1 year to 3 years	over 3 years	
Trade payables	28	15	1	1	**45**

The above tables regarding maturities do not include financial guarantees in the amount of PLN 872 million, which are due if there is a breach in contractual terms by parties to which the guarantees were granted and toward which the Group cannot postpone payments, that is they must be paid on demand within 3 months. Details on financial guarantees and their maturity dates were described in Note 8.6.

Financial liabilities – as at 31 December 2022

Contractual maturities from the end of the reporting period	Maturity period				Total (without discounting)	Carrying amount
	up to 3 months	over 3 months to 12 months	over 1 to 3 years	over 3 years		
Borrowings	803	390	946	1 778	**3 917**	**3 697**
Debt securities liabilities	-	174	699	2 093	**2 966**	**2 002**
Lease liabilities	27	63	165	1 303	**1 558**	**744**
Trade payables	3 013	11	26	344	**3 394**	**3 210**
Similar payables – reverse factoring	5	13	-	-	**18**	**18**
Derivatives – currency contracts*	-	2	1	-	**3**	**146**
Derivatives – commodity contracts – metals*	13	26	1	-	**40**	**395**
Derivatives – interest rates	-	-	28	348	**376**	**569**
Embedded derivatives	43	-	-	-	**43**	**43**
Other financial liabilities	120	38	51	7	**216**	**211**
Total	**4 024**	**717**	**1 917**	**5 873**	**12 531**	**11 035**

**Financial liabilities arising from derivatives are calculated at their intrinsic values excluding the discount effect.*

Overdue liabilities	Overdue period				Total/Carrying amount
	up to 1 month	over 1 months to 12 months	over 1 year to 3 years	over 3 years	
Trade payables	12	3	36	1	**52**

The above tables on maturity periods do not contain financial guarantees in the amount of PLN 969 million, which are due if contractual terms are breached by the parties towards which the guarantee was granted and the Group does not have an option to delay the payment, that is it must be paid on demand within 3 months.

in PLN millions, unless otherwise stated

Note 8.4 Borrowings

Accounting policies
Liabilities arising from borrowings are initially recognised at fair value, less (in the case of payment) or plus (in the case of accrual) transaction costs which are an integral part of the financing drawn, and are measured at amortised cost at the reporting date using the effective interest rate method. Accrued interest is recognised in finance costs, unless it is capitalised through property, plant and equipment or intangible assets.

Note 8.4.1 Net debt

		As at 31 December 2023	As at 31 December 2022
	Bank loans	637	573
	Loans	1 849	1 987
	Debt securities	1 600	2 000
	Leases	675	660
Note 7.1	**Non-current liabilities due to borrowings**	**4 761**	**5 220**
	Bank loans	30	690
	Loans	423	447
	Debt securities	402	2
	Leases	109	84
Note 7.1	**Current liabilities due to borrowings**	**964**	**1 223**
	Total borrowings	**5 725**	**6 443**
Note 8.5	Free cash and cash equivalents	1 702	1 179
	Net debt	**4 023**	**5 264**

Liabilities due to borrowings, debt securities and leases - breakdown by currency (translated into PLN) and by type of interest rate

	As at 31 December 2023	As at 31 December 2022
PLN/WIBOR	2 083	2 069
EUR/EURIBOR	17	16
EUR/fixed	25	32
USD/USD LIBOR	-	528
USD/SOFR	982	-
PLN/fixed	802	794
USD/fixed	1 755	2 961
CAD/fixed	49	41
Other	12	2
Total	**5 725**	**6 443**

As at 31 December 2023, the Group's liabilities due to borrowing, debt securities issued and leases, translated into PLN, amounted to PLN 5 725 million, or broken down by currencies: USD 695 million, PLN 2 885 million, EUR 10 million, CAD 16 million and in other currencies in the amount of PLN 12 million (as at 31 December 2022 liabilities, translated into PLN, amounted to PLN 6 443 million, or broken down by currencies: USD 793 million, PLN 2 863 million, EUR 10 million, CAD 13 million and in other currencies in the amount of PLN 2 million).

As at 31 December 2023, the balance of trade payables transferred to reverse factoring by the Group amounted to PLN 3 021 million (as at 31 December 2022: PLN 18 million).
Trade payables transferred to reverse factoring are presented in the statement of financial position as "Trade and similar payables" and are in the category of "similar", as due to the significant judgment of the Group presented in Note 10.3 of these consolidated financial statements, such a presentation most accurately presents the nature of these transactions.

The structure of debt confirms the effective advancing of the strategy of the Group, aimed at ensuring long term financial stability by basing the financial structure on diversified and long term financing sources.

in PLN millions, unless otherwise stated

Note 8.4.2 Net debt changes

Liabilities due to borrowing	As at 31 December 2022	Cash flows	Accrued interest	Exchange differences	Other changes*	As at 31 December 2023
Bank loans	1 263	(572)	75	(95)	(4)	667
Loans	2 434	23	90	(264)	(11)	2 272
Debt securities	2 002	(172)	172	-	-	2 002
Leases	744	(124)	41	(1)	124**	784
Total debt	**6 443**	**(845)**	**378**	**(360)**	**109**	**5 725**
Free cash and cash equivalents	1 179	523	-	-	-	1 702
Net debt	**5 264**	**(1 368)**	**378**	**(360)**	**109**	**4 023**
Proceeds from/(expenditures on) derivatives associated with external financing	-	91	-	-	-	-
Cash flows associated with borrowing following the inclusion of impact of derivatives	-	**(1 277)**	-	-	-	-

** Including at the date of obtaining control of INVEST PV 7 Sp. z o.o. - leases PLN (2) million.*
*** Including PLN 126 million due to modification and conclusion of new lease agreements.*

Liabilities due to borrowing	As at 31 December 2021	Cash flows	Accrued interest	Exchange differences	Other changes	As at 31 December 2022
Bank loans	735	530	68	(25)	(45)	1 263
Loans	2 568	(417)	79	206	(2)	2 434
Debt securities	2 001	(130)	131	-	-	2 002
Leases	645	(93)	33	-	159**	744
Total debt	**5 949**	**(110)**	**311**	**181**	**112**	**6 443**
Free cash and cash equivalents	1 880	(701)	-	-	-	1 179
Net debt	**4 069**	**591**	**311**	**181**	**112**	**5 264**
Proceeds from/(expenditures on) derivatives associated with external financing	-	41	-	-	-	-
Cash flows associated with borrowing following the inclusion of impact of derivatives	-	**632**	-	-	-	-

*** Including PLN 165 million due to modification and conclusion of new lease agreements*

Reconciliation of cash flows associated with borrowing following the inclusion of impact of derivatives in the consolidated statement of cash flows

	from 1 January 2023 to 31 December 2023	from 1 January 2022 to 31 December 2022
I. Financing activities	**(503)**	**142**
Proceeds from borrowings	1 673	677
Proceeds from derivatives associated with external financing	70	130
Repayment of borrowings	(2 051)	(425)
Repayment of lease liabilities	(83)	(59)
Repayment of interest on borrowings and debt securities	(30)	(79)
Repayment of interest on leases	(1)	(10)
Expenditures on derivatives associated with external financing	(81)	(92)
II. Investing activities	**(251)**	**(214)**
Paid capitalised interest on borrowings	(353)	(214)
Proceeds on settlement of an instrument hedging interest rate of bonds	102	-
III. Changes in free cash and cash equivalents	**523**	**(701)**
TOTAL (I+II+III)	**(1 277)**	**629**

Currency risk and interest rate risk are related to borrowings. A description of exposures to financial risks may be found in Note 7.5.

in PLN millions, unless otherwise stated

Note 8.4.3 Detailed information concerning the main sources of borrowings

As at 31 December 2023, the Group had open credit lines, loans and debt securities with a total balance of available financing in the amount of PLN 14 937 million, out of which PLN 4 941 million had been drawn (as at 31 December 2022 the Group had open credit lines and investment loans with a total balance of available financing in the amount of PLN 15 386 million, out of which PLN 5 699 million had been drawn).

The structure of financing sources is presented below.

Unsecured, revolving syndicated credit facility

A credit facility in the amount of USD 1 500 million (PLN 5 903 million), obtained on the basis of a financing agreement concluded by the Parent Entity with a syndicate of banks in 2019 with a maturity of 20 December 2024 and an option to extend it by a further 2 years (5+1+1). In the years 2020-2021 the Parent Entity received consent from Syndicate Members to extend the term of the agreement by 2 years in total, i.e. to 20 December 2026. The limit of available financing during the extension period will amount to USD 1 438 million (PLN 5 659 million). The funds acquired through this credit facility are used to finance general corporate purposes. Interest is based on SOFR plus a bank margin, depending on the net debt/EBITDA financial ratio.
The credit facility agreement obliges the Group to comply with the financial covenant and non-financial covenants. Financing parameters meet the standard conditions of these types of transactions. Pursuant to contractual terms and conditions, the Parent Entity is obliged to report the level of financial covenant for the reporting periods, i.e. as at 30 June and as at 31 December. The Parent Entity continuously monitors the risk of exceeding the level of the financial covenant stipulated in the credit facility agreement. As at the reporting date, during the financial year and after the reporting date, up to the publication of these consolidated financial statements, the value of the financial covenant subject to the obligation to report as at 30 June 2023 and as at 31 December 2023, complied with the provisions of the agreement.

	2023	2022
Amount granted	5 903	6 603
Amount of the liability	-	528

Investment loans

Loans, including investment loans granted to the Parent Entity by the European Investment Bank in the total amount of PLN 3 340 million:

1. Investment loan in the amount of PLN 2 000 million, with three instalments drawn and the payback periods expiring on 30 October 2026, 30 August 2028 and 23 May 2029 and utilised to the maximum available amount. The funds acquired through this loan were used to finance Parent Entity investment projects related to modernisation of metallurgy and development of the Żelazny Most tailings storage facility. The loan's instalments are based on a fixed interest rate.
2. Investment loan in the amount of PLN 1 340 million granted in December 2017 with a financing period of 12 years. The Parent Entity has drawn four instalments under this loan with maturities on 28 June 2030, 23 April 2031, 11 September 2031 and 6 March 2035. The funds acquired through this loan are used to finance the Parent Entity's projects related to development and replacement at various stages of the production process. Interest on the loan's three instalments is based on a fixed interest rate. The last instalment received in 2023 was drawn based on the variable SOFR rate plus a bank margin, which is dependent on the net debt/EBITDA financial ratio.

The loan agreements with the European Investment Bank oblige the Group to comply with the financial covenant and non-financial covenants commonly stipulated in such types of agreements. Pursuant to contractual terms and conditions, the Parent Entity is obliged to report the level of the financial covenant for the reporting periods, i.e. as at 30 June and as at 31 December. The Parent Entity continuously monitors the risk of exceeding the levels of the financial covenant stipulated in the loan agreements. As at the reporting date, during the financial year and after the reporting date, up to the publication of these consolidated financial statements, the value of the financial covenant subject to the obligation to report as at 30 June 2023 and as at 31 December 2023, complied with the provisions of the loan agreements.

	2023	2022
Amount granted	3 582	3 528
Amount of the liability	2 272	2 434

in PLN millions, unless otherwise stated

Other bank loans		
Bilateral bank loans in the total amount of PLN 3 452 million, are used to finance working capital and are a supporting tool in the management of financial liquidity and support financing of advanced investment undertakings. The Group holds lines of credit in the form of short-term and long-term credit agreements. The funds under open lines of credit are available in PLN, USD and EUR, with interest based on a fixed interest rate or variable WIBOR, SOFR and EURIBOR plus a margin.		
	2023	2022
Amount granted	3 452	3 255
Amount of the liability	667	735

Debt securities		
A bond issue program of the Parent Entity was established on the Polish market by an issue agreement on 27 May 2019. The issue with a nominal value of PLN 2 000 million took place on 27 June 2019, under which bonds were issued with a maturity of 5 years in the amount of PLN 400 million and a redemption date of 27 June 2024 as well as bonds with a maturity of 10 years in the amount of PLN 1 600 million and a redemption date of 27 June 2029. The nominal value of one bond is PLN 1 000, and the issue price is equal to the nominal value. Interest on the bonds is based on variable WIBOR plus a margin. The funds from the issue of the bonds are used to finance general corporate purposes.		
	2023	2022
Nominal value of the issue	2 000	2 000
Amount of the liability	2 002	2 002

Total bank and other loans, debt securities	2023	2022
Amount granted / Nominal value of the issue	**14 937**	**15 386**
Amount of the liability	**4 941**	**5 699**

The aforementioned sources ensure the availability of external financing in the amount of PLN 14 937 million. The funds available for use from these sources fully cover the liquidity needs of the Group.
The syndicated credit in the amount of USD 1 500 million (PLN 5 903 million), the investment loans in the amount of PLN 3 340 million, and the bilateral bank loans granted to the Parent Entity in the amount of PLN 3 398 million, are unsecured.
Repayment of a part of the liabilities of other Group companies due to bilateral bank loans and other loans are secured amongst others by statements on submitting to an enforcement regime, contractual mortgages, registered pledges or the assignment of receivables. The carrying amount of guarantees of repayment of external financing as at 31 December 2023 amounted to PLN 230 million, including property, plant and equipment in the amount of PLN 114 million (as at 31 December 2022: PLN 243 million, including property, plant and equipment in the amount of PLN 117 million).

Note 8.5 Cash and cash equivalents

Accounting policies
Cash and cash equivalents include mainly cash in bank accounts and deposits with maturities of up to three months from the date of their placement (the same applies to the statement of cash flows). Cash is measured at its nominal amount plus interest, including a loss allowance for expected credit losses (Note 7.5.2.1).

in PLN millions, unless otherwise stated

		As at 31 December 2023	As at 31 December 2022
	Cash in bank accounts	602	619
	Other financial assets with a maturity of up to 3 months from the date of acquisition - deposits	1 119	573
	Other cash	8	8
	Total cash and cash equivalents, of which:	**1 729**	**1 200**
	Restricted cash	27	21
Note 8.4.1	**Free cash and cash equivalents**	**1 702**	**1 179**

As at 31 December 2023, the Group had cash in bank deposits in the amount of PLN 73 million (as at 31 December 2022 PLN 66 million), which are funds in separate VAT accounts, designated for servicing split payments. These funds are gradually used, mainly to pay the VAT payables to suppliers and other payments mandated by law.

Note 8.6 Liabilities due to guarantees granted

Guarantees are an essential financial liquidity management tool 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.

Accounting policies

The Group issued guarantees which meet the definition of contingent liabilities pursuant to IAS 37 and recognises them in contingent liabilities and guarantees, which meet the definition of financial guarantees under IFRS 9, and which are measured and recognised as financial instruments pursuant to this standard.

At the moment of initial recognition, the Group recognises in the statement of financial position a financial guarantee at its fair value, in the item:

- financial assets measured at amortised cost (other financial assets),
- other liabilities (deferred income)

The liability due to the financial guarantee granted as at the end of the reporting period is recognised at the higher of two amounts: the initial value of the issued guarantee less the amount of profits recognised in profit or loss on guarantees, or the amount of an allowance for expected credit losses – set pursuant to the principles of the general model, described in accounting policies in Note 7.5.2.

Important estimates, assumptions and judgements

For the calculation of expected credit losses – ECL - the Group adopts estimates for the rating, PD (probability of default) and LGD (loss given default) parameters. Calculation of the expected credit losses takes place in the horizon remaining to the end of the guarantee, while the rating of a guarantee's beneficiary is adopted as the rating of the entity used for the purposes of calculating the PD parameter.

As at 31 December 2023, the liabilities of the Group due to guarantees and letters of credit granted amounted to a total of PLN 1 132 million (as at 31 December 2022, PLN 1 156 million) and due to promissory note payables amounted to PLN 257 million (as at 31 December 2022, PLN 170 million).

The most significant items of liabilities due to guarantees granted 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 866 million (USD 220 million) set as security on a bank loan drawn by Sierra Gorda S.C.M. The guarantee's validity period falls on September 2024. The carrying amount of the liability due to a financial guarantee granted was recognised in the amount of PLN 18 million – the initial amount of the issued guarantee decreased by the amount of revenues recognised in profit or loss due to guarantees (the amount of expected credit losses (Stage 2) is PLN 10 million)*,
– **other entities, including the Parent Entity:**
  - PLN 107 million - securing the proper execution by the Parent Entity of future environmental obligations related to the obligation to restore terrain, following the conclusion of operations of the Żelazny Most tailings storage facility (as at 31 December 2022 in the amount of PLN 126 million), the guarantee is valid for up to 1 year,
  - PLN 100 million - securing the obligations incurred by Brokerage House due to settlements of transactions entered into by the Parent Entity on the markets run by Towarowa Giełda Energii S.A, the guarantee is valid for up to 1 year,
  - PLN 16 million - securing claims to cover costs by the Group related to collecting and processing waste, the guarantee is valid up to 5 years,
  - PLN 35 million (PLN 15 million, EUR 3 million and CAD 2 million) securing the obligations related to proper execution of agreements concluded by the Group (as at 31 December 2022 in the amount of PLN 37 million, or PLN 30 million and CAD 2 million), the guarantee is valid for up to 5 years,
  - PLN 2 million - securing obligations related to tax and customs duties, the guarantee is valid indefinitely,
  - PLN 6 million – financial guarantees, securing the obligations of Group companies, the guarantees are valid for up to 1 year*.

As far as the Group is aware, at the end of the reporting period the Group determined the probability of payments resulting from the liabilities due to guarantees granted as low.

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

Guarantees securing the restoration of tailings storage facilities:

- **in the Parent Entity** - a guarantee securing potential claims against the Parent Entity in connection with art. 137 section 2 of the Act of 14 December 2012 on waste, based on which the manager of a tailings storage facility is obliged to create a restoration fund comprised of cash to execute the obligations related to closure, restoration, and oversight, including monitoring of the tailings storage facility. The fund may be in the form of a separate bank account, a provision or a bank guarantee. In 2022, the Parent Entity changed the form of the Tailings Storage Facility Restoration Fund from a bank account to a bank guarantee. As at 31 December 2023, the guarantee amounted to PLN 120 million (as at 31 December 2022: PLN 98 million).
- **in KGHM INTERNATIONAL LTD. -** bank guarantees securing funds to execute the obligations related to closure, restoration and oversight, including monitoring of the tailings storage facilities in accordance with the regulatory requirements of countries where the company has mines and projects. As at 31 December 2023, the guarantees amounted to PLN 623 million(as at 31 December 2022, PLN 531 million).

Part 9 – Non-current assets and related liabilities

Note 9.1 Mining and metallurgical property, plant and equipment and intangible assets

Accounting policies – property, plant and equipment

The most important property, plant and equipment of the Group is property, plant and equipment related to the mining and metallurgical operations, comprised of land, buildings, water and civil engineering structures, such as: primary mine tunnels (including, in underground mines: shafts, wells, galleries, drifts, primary chambers), backfilling, drainage and firefighting pipelines, piezometric holes and electricity, signal and optical fiber cables. Pre-stripping costs in open pit mines and machines, technical equipment, motor vehicles and other movable fixed assets, as well as right-to-use assets recognised in accordance with IFRS 16 Leases, including perpetual usufruct rights to land, are also included in mining and metallurgical property, plant and equipment.

Property, plant and equipment, excluding usufruct right-to-use assets, are recognised at cost less accumulated depreciation and accumulated impairment losses.

In the initial cost of items of property, plant and equipment the Group includes discounted decommissioning costs of fixed assets related to underground and surface mining and other facilities which, in accordance with binding laws, will be incurred following the conclusion of activities. Principles of recognition and measurement of decommissioning costs are presented in Note 9.4.

An asset's carrying amount includes costs of significant components, regular, major overhauls and significant periodic repairs, the performance of which determines further use of the asset.

Costs are increased by borrowing costs (i.e. interest and exchange differences representing an adjustment to interest cost) that were incurred for the purchase or construction of a qualifying item of property, plant and equipment.

Right-to-use assets are initially measured at cost, which comprises the initial lease liability and all lease payments paid on the date the lease began and before that date, less any lease incentives received, any initial direct costs incurred by the lessee and an estimate of costs which will be incurred by the lessee due to the disassembly or removal of a base asset or renovation of the site in which it was placed.
The perpetual usufruct right to land is measured at the amount of the liability on the perpetual usufruct right to land, which is measured using the perpetual rent method and all lease payments paid on the date the lease began or before that date (including payments for acquisition of this right on the market).
After the initial recognition, a right-to-use asset, excluding the perpetual usufruct right to land measured using the perpetual rent method, is measured at cost decreased by accumulated depreciation/amortisation and accumulated impairment losses, adjusted by the updated measurement of lease liabilities.

Items of property, plant and equipment (excluding land and perpetual usufruct rights to land) are depreciated by the Group, pursuant to the model of consuming the economic benefits from the given item of property, plant and equipment:

- using the **straight-line method**, for items which are used in production at an equal level throughout the period of their usage,
- using the **units of production method**, for items in respect of which the consumption of economic benefits is directly related to the quantity of ore extracted from the deposit or quantity of units produced, and this extraction or production is not spread evenly through the period of their usage. In particular it relates to buildings and structures of the mines machines and mining equipment, except for the items of property, plant and equipment used in metallurgical plants, where their usage results from the useful economic life of the given item of property, plant and equipment.

The useful lives, and therefore the depreciation rates of fixed assets used in the production of copper are adapted to the plans for the closure of operations, and in the case of right-to-use assets to the earlier of these two dates – either to the useful life end date or to the lease end date, unless the ownership of an asset is transferred to the Group before the end of the lease, in which case depreciation rates are adjusted to the estimated useful life end date.

For individual groups of fixed assets, the following useful lives have been adopted, estimated based on the anticipated useful lives of mines and metallurgical plants with respect to deposit content:

in PLN millions, unless otherwise stated

For own fixed assets:

Group	Fixed assets type	Total useful lives
Buildings and land	Land	Not subject to depreciation
	Buildings:	
	– buildings in mines and metallurgical plants,	40-100 years
	– sheds, reservoirs, container switchgears	20-30 years
	Primary mine tunnels	22-90 years
	Pipelines:	
	– backfilling to transfer sand with water,	6-9 years
	– technological, drainage, gas and firefighting	22-90 years
	Electricity, signal and optical fibre cables	10-70 years
Technical equipment, machines, motor vehicles and other fixed assets	Technical equipment, machines:	
	– mining vehicles, mining roof support	4-10 years
	– conveyor belts, belt weigher	10-66 years
	– switchboards, switchgears	4-50 years
	Motor vehicles:	
	– underground electric locomotives,	20-50 years
	– mining vehicles, railway vehicles, tankers, transportation platforms	7-35 years
	– trolleys, forklift, battery-electric truck	7-22 years
	– cars, trucks, special vehicles	5-22 years
	– underground diesel locomotives	10-20 years
	Other fixed assets, including tools and equipment	5-25 years
Pre-stripping costs	Total useful life depends on the expected individual mine life:	
	– Robinson	14 years
	– Carlota	2 years

The individual significant parts of a fixed asset (significant components), whose useful lives are different from the useful life of the given fixed asset as a whole are depreciated separately, applying a depreciation rate which reflects its anticipated useful life.

For the property, plant and equipment due to right-to-use assets:

Group	Type of right-to-use	Total period of use
Buildings and land	Perpetual usufruct right to land measured using the perpetual rent method	Not subject to depreciation
	Transmission easements	6-54 years (period of depreciation depends on the period of depreciation of an asset in respect of which a transmission easement was established)
	Land	5-30 years
	Buildings and Structures	3-5 years
	Computer sets	3 years
Technical equipment, machines, motor vehicles and other fixed assets	Machines and technical equipment	3-4 years
	Motor vehicles	3 years
	Equipment and other	5 years

Accounting policies – intangible assets
Mining and metallurgical intangible assets are mainly comprised of exploration and evaluation assets, and water rights in Chile. <u>Exploration and evaluation assets</u> The following expenditures are classified as exploration and evaluation assets: • geological projects, • obtaining environmental decisions, • obtaining concessions and mining usufruct for geological exploration, • work related to drilling (drilling; geophysical and hydrogeological research; geological, analytical and geotechnical services; etc.), • the purchase of geological information, • the preparation of geological documentation and its approval, • the preparation of economic and technical assessments of resources for the purpose of making decisions regarding applying for mine operating concessions, and • equipment usage costs (property, plant and equipment) used in exploratory work. Expenditures on exploration and evaluation assets are measured at cost less accumulated impairment losses and are recognised as intangible assets not yet available for use. The Group is required to test an individual entity (project) for impairment when: • the technical feasibility and commercial viability of extracting mineral resources is demonstrable; and • the facts and circumstances indicate that the carrying amount of exploration and evaluation assets may exceed their recoverable amount. Any potential impairment losses are recognised prior to reclassification resulting from the demonstration of the technical and economic feasibility of extracting the mineral resources.

Significant estimates, assumptions and judgments
Significant estimates and assumptions relating to impairment of mining and metallurgical property, plant and equipment and intangible assets are presented in Note 3. The net value of mining and metallurgical property, plant and equipment which are subject to depreciation using the natural method as at 31 December 2023 amounted to PLN 1 156 million (as at 31 December 2022: PLN 1 694 million).

in PLN millions, unless otherwise stated

Mining and metallurgical property, plant and equipment and intangible assets

		Property, plant and equipment			Intangible assets			
		Buildings and land	Technical equipment, machines, motor vehicles and other fixed assets	Fixed assets under construction	Water rights	Exploration and evaluation assets	Other	Total
	As at 1 January 2022							
	Gross carrying amount	21 852	16 851	5 791	253	3 095	1 295	**49 137**
	Accumulated depreciation/amortisation	(10 438)	(8 859)	-	-	-	(333)	**(19 630)**
	Impairment losses	(2 766)	(806)	(61)	(186)	(1 664)	(25)	**(5 508)**
	Net carrying amount, of which:	**8 648**	**7 186**	**5 730**	**67**	**1 431**	**937**	**23 999**
	own fixed assets and intangible assets, of which:	**8 191**	**7 152**	**5 730**	**67**	**1 431**	**937**	**23 508**
	recognised in assets held for sale (disposal group)	-	-	-	-	119	-	119
	recognised as "mining and metallurgical property, plant and equipment and intangible assets"	8 191	7 152	5 730	67	1 312	937	23 389
	leased fixed assets (right-to-use)	**457**	**34**	**-**	**-**	**-**	**-**	**491**
	Changes in 2022 net							
	Settlement of fixed assets under construction	691	1 750	(2 441)	-	-	-	**-**
	Purchase	-	-	1 901	4	114	18	**2 037**
	Leases – new contracts, modification of contracts	133	12	-	-	-	-	**145**
	Stripping cost in surface mines	367	-	-	-	-	-	**367**
	Self-constructed	-	-	1 027	-	68	2	**1 097**
	Capitalised borrowing costs	-	-	182	-	42	2	**226**
Note 9.4	Change in provisions for decommissioning costs of mines and tailings storage facilities	(42)	-	-	-	-	-	**(42)**
Note 4.1	Depreciation/amortisation, of which:	(784)	(1 239)	-	-	-	(20)	**(2 043)**
	own fixed assets and intangible assets	(756)	(1 230)	-	-	-	(20)	**(2 006)**
	leased fixed assets (right-to-use)	(28)	(9)	-	-	-	-	**(37)**
Note 4.4	(Recognition)/reversal of impairment losses	-	(7)	(6)	-	(55)	(2)	**(70)**
	own fixed assets and intangible assets	-	(7)	(6)	-	(55)	(2)	**(70)**
	leased fixed assets (right-to-use)	-	-	-	-	-	-	**-**
	Exchange differences from the translation of statements of operations with a functional currency other than PLN	77	51	40	6	108	2	**284**
	Liquidation, sale, donations and free of charge transfer	(5)	(40)	(19)	-	-	(5)	**(69)**
	Settlement from fixed assets under construction into intangible assets	-	-	(38)	-	-	-	**(38)**
	As at the date of loss of control of a subsidiary	-	-	-	-	(125)	-	**(125)**
	Transfer of mining and metallurgical property, plant and equipment into other property, plant and equipment	-	-	(197)	-	-	-	**(197)**
	Other changes	(3)	(24)	(56)	(4)	94	88	**95**
	As at 31 December 2022							
	Gross carrying amount	23 383	17 466	6 147	274	3 480	1 411	**52 161**
	Accumulated depreciation/amortisation	(11 463)	(9 449)	-	-	-	(362)	**(21 274)**
	Impairment losses	(2 838)	(328)	(24)	(201)	(1 803)	(27)	**(5 221)**
	Net carrying amount, of which:	**9 082**	**7 689**	**6 123**	**73**	**1 677**	**1 022**	**25 666**
	own fixed assets and intangible assets	**8 521**	**7 652**	**6 123**	**73**	**1 677**	**1 022**	**25 068**
	leased fixed assets (right-to-use)	**561**	**37**	**-**	**-**	**-**	**-**	**598**

in PLN millions, unless otherwise stated

	As at 31 December 2022							
	Gross carrying amount	23 383	17 466	6 147	274	3 480	1 411	**52 161**
	Accumulated depreciation/amortisation	(11 463)	(9 449)	-	-	-	(362)	**(21 274)**
	Impairment losses	(2 838)	(328)	(24)	(201)	(1 803)	(27)	**(5 221)**
	Net carrying amount, of which:	**9 082**	**7 689**	**6 123**	**73**	**1 677**	**1 022**	**25 666**
	own fixed assets and intangible assets	**8 521**	**7 652**	**6 123**	**73**	**1 677**	**1 022**	**25 068**
	leased fixed assets (right-to-use)	**561**	**37**	**-**	**-**	**-**	**-**	**598**
	Changes in 2023 net							
	Settlement of fixed assets under construction	1 392	2 110	(3 502)	(2)	-	2	**-**
	Purchase	-	-	2 313	2	167	91	**2 573**
	Leases – new contracts, modification of contracts, other changes	11	53	-	-	-	-	**64**
	Stripping cost in surface mines	174	-	-	-	-	-	**174**
	Self-constructed	-	-	1 290	-	110	2	**1 402**
	Capitalised borrowing costs	-	-	177	-	69	1	**247**
Note 9.4	Change in provisions for decommissioning costs of mines and tailings storage facilities	100	-	-	-	-	-	**100**
Note 4.1	Depreciation/amortisation, of which:	(898)	(1 369)	-	**-**	**-**	(29)	**(2 296)**
	own fixed assets and intangible assets	(855)	(1 348)	-	-	-	(29)	**(2 232)**
	leased fixed assets (right-to-use)	(43)	(21)	-	-	-	-	**(64)**
Note 4.4	(Recognition)/reversal of impairment losses, of which:	(1 542)	(1 109)	(946)	23	(365)	(43)	**(3 982)**
	own fixed assets and intangible assets	(1 453)	(1 103)	(946)	23	(365)	(43)	**(3 887)**
	leased fixed assets (right-to-use)	(89)	(6)	-	-	-	-	**(95)**
	Exchange differences from the translation of statements of operations with a functional currency other than PLN	(82)	(93)	(48)	(7)	(154)	-	**(384)**
	Liquidation, sale, donations and free of charge transfer	(7)	(30)	(5)	-	-	(10)	**(52)**
	Other changes	4	14	(103)	(1)	34	35	**(17)**
	As at 31 December 2023							
	Gross carrying amount	23 887	18 503	6 265	245	3 541	1 493	**53 934**
	Accumulated depreciation/amortisation	(11 688)	(9 890)	-	-	-	(354)	**(21 932)**
	Impairment losses	(3 965)	(1 348)	(966)	(157)	(2 003)	(68)	**(8 507)**
	Net carrying amount, of which:	**8 234**	**7 265**	**5 299**	**88**	**1 538**	**1 071**	**23 495**
	own fixed assets and intangible assets	**7 794**	**7 202**	**5 299**	**88**	**1 538**	**1 071**	**22 992**
	leased fixed assets (right-to-use)	**440**	**63**	**-**	**-**	**-**	**-**	**503**

in PLN millions, unless otherwise stated

Note 9.1.1 Mining and metallurgical property, plant and equipment – major fixed assets under construction

	As at 31 December 2023	As at 31 December 2022
Deposit Access Program	3 449	3 318
Construction of the SW-4 shaft	625	589
Outfitting the mines	233	163
Investment activity related to the development and operation of the Żelazny Most Tailings Storage Facility	173	280
Development of pipeline network in mines	95	52
Purchase of mining machinery	70	36
Construction of conveyors - the Lubin mine	67	74
Damówka pumping station with a backwater pipeline in the Tailings Division	36	145
BAT As – Installation for arsenic and mercury removal from gases before Solinox installation	1	117

Note 9.1.2 Exploration and evaluation assets

Significant expenditures on exploration and evaluation assets are presented in the table below.

Operating segment	Description	As at 31 December 2023		As at 31 December 2022	
		Gross carrying amount	Impairment losses	Gross carrying amount	Impairment losses
KGHM INTERNATIONAL LTD.	Expenditures related to exploratory work, mainly within the Victoria project located in the Sudbury Basin in Canada	2 164	1 102	2 192	832
KGHM INTERNATIONAL LTD.	Expenditures related to exploratory work within the Ajax project	614	614	671	671

Note 9.1.3 Expenses related to mining and metallurgical assets

	from 1 January 2023 to 31 December 2023	from 1 January 2022 to 31 December 2022
Purchase	(2 573)	(2 037)
Self-constructed fixed assets	(1 402)	(1 097)
Stripping costs of surface mines	(174)	(367)
Costs of external financing	(247)	(226)
Change in liabilities due to purchases	229	(21)
Other	55	70
Total*	**(4 112)**	**(3 678)**

** Including expenses on exploration and evaluation assets in the amount of PLN 340 million (in 2022: PLN 159 million).*

in PLN millions, unless otherwise stated

Note 9.2 Other property, plant and equipment and intangible assets

Accounting policies

Other property, plant and equipment are recognised at cost less accumulated depreciation and accumulated impairment losses. Depreciation is done using the straight-line method.

For individual groups of fixed assets, the following useful lives have been adopted:

The Group	Total useful lives
Buildings	25-60 years
Technical equipment and machines	4-15 years
Motor vehicles	3-14 years
Other fixed assets	5-10 years

Intangible assets presented as "other intangible assets" include in particular: acquired property rights not related to mining operations and software as well as CO_2 emission allowances (the appropriate accounting policies in this regard may be found in Note 9.8). These assets are measured at cost less any accumulated amortisation and impairment losses. Intangible assets are amortised using the straight-line method over their anticipated useful lives. The useful lives of the main groups of intangible assets are as follows:

The Group	Total useful lives
Acquired property rights not related to mining activities	5-50 years
Software	2-5 years
Other intangible assets	40-50 years

in PLN millions, unless otherwise stated

Other property, plant and equipment and intangible assets

		Property, plant and equipment				
		Buildings and land	Technical equipment, machines, motor vehicles and other fixed assets	Fixed assets under construction	Intangible assets	Total
	As at 1 January 2022					
	Gross carrying amount	2 897	3 058	216	624	**6 795**
	Accumulated depreciation/amortisation	(993)	(1 676)	-	(230)	**(2 899)**
	Impairment losses	(404)	(258)	(5)	(144)	**(811)**
	Net carrying amount, of which:	**1 500**	**1 124**	**211**	**250**	**3 085**
	own fixed assets and intangible assets, of which:	**1 334**	**1 078**	**211**	**250**	**2 873**
	recognised in assets held for sale (disposal group)	197	11	2	-	210
	recognised as “other property, plant and equipment and intangible assets”	1 137	1 067	209	250	2 663
	leased fixed assets (right-to-use), of which:	**166**	**46**	**-**	**-**	**212**
	recognised in assets held for sale (disposal group)	32	-	-	-	32
	recognised as “other property, plant and equipment and intangible assets”	134	46	-	-	180
	Changes in 2022 net					
	Settlement of fixed assets under construction	267	284	(551)	-	**-**
	Purchase	-	-	218	107	**325**
	Self-constructed	-	-	111	-	**111**
	Leases – new contracts, modification of contracts	4	16	-	-	**20**
Note 4.1	Depreciation/amortisation, of which:	(94)	(236)	-	(25)	**(355)**
	own fixed assets and intangible assets	(93)	(218)	-	(25)	**(336)**
	leased fixed assets (right-to-use)	(1)	(18)	-	-	**(19)**
Note 4.4	(Recognition)/reversal of impairment losses	(62)	(3)	(1)	(8)	**(74)**
	Liquidation, sale, donations and free of charge transfer	-	(9)	-	(32)	**(41)**
	Exchange differences from the translation of statements of operations with a functional currency other than PLN	27	-	-	-	**27**
	Transfer from mining and metallurgical property, plant and equipment to other property, plant and equipment	-	-	197	-	**197**
	Recognition/(redemption) of CO_2 emission allowances received free of charge	-	-	-	(78)	**(78)**
	As at the date of loss of control of a subsidiary	(229)	(11)	(2)	-	**(242)**
	Other changes	(20)	18	(13)	4	**(11)**
	As at 31 December 2022					
	Gross carrying amount	2 919	3 194	176	620	**6 909**
	Accumulated depreciation/amortisation	(1 058)	(1 753)	-	(250)	**(3 061)**
	Impairment losses	(468)	(258)	(6)	(152)	**(884)**
	Net carrying amount, of which:	**1 393**	**1 183**	**170**	**218**	**2 964**
	own fixed assets and intangible assets	**1 263**	**1 140**	**170**	**218**	**2 791**
	leased fixed assets (right-to-use)	**130**	**43**	**-**	**-**	**173**

in PLN millions, unless otherwise stated

		Property, plant and equipment				
		Buildings and land	Technical equipment, machines, motor vehicles and other fixed assets	Fixed assets under construction	Intangible assets	Total
	As at 31 December 2022					
	Gross carrying amount	2 919	3 194	176	620	**6 909**
	Accumulated depreciation/amortisation	(1 058)	(1 753)	-	(250)	**(3 061)**
	Impairment losses	(468)	(258)	(6)	(152)	**(884)**
	Net carrying amount, of which:	**1 393**	**1 183**	**170**	**218**	**2 964**
	own fixed assets and intangible assets	**1 263**	**1 140**	**170**	**218**	**2 791**
	leased fixed assets (right-to-use)	**130**	**43**	**-**	**-**	**173**
	Changes in 2023 net					
	Settlement of fixed assets under construction	115	324	(439)	-	**-**
	Purchase	-	-	323	249	**572**
	Self-constructed	-	-	126	-	**126**
	Leases – new contracts, modification of contracts, other changes	1	51	-	-	**52**
Note 4.1	Depreciation/amortisation, of which:	(66)	(252)	-	(27)	**(345)**
	own fixed assets and intangible assets	(65)	(227)	-	(27)	**(319)**
	leased fixed assets (right-to-use)	(1)	(25)	-	-	**(26)**
Note 4.4	(Recognition)/reversal of impairment losses	-	3	-	(1)	**2**
	Liquidation, sale, donations and free of charge transfer	(1)	(12)	1	(23)	**(35)**
	Exchange differences from the translation of statements of operations with a functional currency other than PLN	(54)	-	-	-	**(54)**
	As at the date of obtaining control of a subsidiary	4	21	-	-	**25**
	own fixed assets and intangible assets	2	21	-	-	**23**
	leased fixed assets (right-to-use)	2	-	-	-	**2**
	(Recognition) / redemption of CO_2 emission allowances received free of charge	-	-	-	(112)	**(112)**
	Other changes	3	3	44	9	**59**
	As at 31 December 2023					
	Gross carrying amount	2 925	3 432	231	747	**7 335**
	Accumulated depreciation/amortisation	(1 082)	(1 856)	-	(282)	**(3 220)**
	Impairment losses	(448)	(255)	(6)	(152)	**(861)**
	Net carrying amount, of which:	**1 395**	**1 321**	**225**	**313**	**3 254**
	own fixed assets and intangible assets	**1 263**	**1 252**	**225**	**313**	**3 053**
	leased fixed assets (right-to-use)	**132**	**69**	**-**	**-**	**201**

in PLN millions, unless otherwise stated

Note 9.3 Depreciation/amortisation

		Property, plant and equipment		Intangible assets	
		from 1 January 2023 to 31 December 2023	from 1 January 2022 to 31 December 2022	from 1 January 2023 to 31 December 2023	From 1 January 2022 to 31 December 2022
Note 4.1	**Total**	**2 585**	**2 353**	**56**	**45**
	settled in profit or loss	2 260	2 198	51	41
	cost of manufacturing products	2 214	2 153	47	37
	administrative expenses	37	36	4	4
	selling costs	9	9	-	-
	being part of the manufacturing cost of assets	325	155	5	4

Note 9.4 Provision for decommissioning costs of mines and other technological facilities

Accounting policies	Important estimates, assumptions and judgments
The provision for future decommissioning costs of mines and other technological facilities is recognised based on the estimated expected costs of decommissioning of such facilities and of restoring the sites to their original condition following the end of operations, which are made on the basis of ore extraction forecasts (for mining facilities), and technical-economic studies prepared either by specialist firms or by the Parent Entity. In the case of surface mines, certain actions and costs may influence the scope of restoration work, such as costs of hauling barren rock, incurred during mine life and due to its operations, are recognised as operating costs being an integral part of the production process and are therefore excluded from costs that are a basis of calculating the provision for mine decommissioning. Revaluation of this provision is made in two stages: 1) estimation of the costs of decommissioning mines to the current value in connection with the change in prices using the price change indices of construction-assembly production published by the Central Statistical Office. 2) discounting of the decommissioning costs to the current value using effective discount rates calculated based on the nominal interest rates and the inflation rate (quotient of the nominal rate and the inflation rate), whereby: – the nominal interest rate in the Parent Entity is based on the yield on treasury bonds at the end of the reporting period, with maturities nearest to the planned financial outflow and if there are no treasury bonds with maturities close to the planned financial outflows - the nominal interest rate is determined by the professional judgment of the Parent Entity's Management on the basis of the consistency of the adopted assumptions. In the KGHM INTERNATIONAL LTD. Group it is the rate of return on investments in ten- and twenty-year treasury bills of the US Federal Reserve and the rate of return on investments in five–year treasury bonds issued by the governments of Canada and Chile.	For the measurement of provision, the Parent Entity adopted, for the years 2024-2025, inflation rates at the level of the NBP's forecast from November 2023, that is 4.6% and 3.7%, respectively, and for subsequent periods at the level of 2.5%, in line with the long-term inflation target (in the comparable period, the Parent Entity revised its approach to the discount rates used to measure environmental provisions. At the end of 2022, with a bond yield of +/- 6.845% and inflation of +/- 13.1%, the Parent Entity received and applied for the years 2022-2023 a negative real discount rate of -5.53% instead of a rate of 0%. For the subsequent two measurement periods, that is for 2024 and 2025, the Parent Entity adopted inflation rates at the level of the NBP's forecast, that is 5.9% and 3.5%, respectively, and for subsequent periods, following the NBP's forecast - at the level of 2.5%, in line with the long-term inflation target). Moreover, for the first 10 years of measurement of the provision (that is to 2033), the Parent Entity adopted a risk-free rate of 5.2% (yield of 10-year treasury bonds) due to the fact that it is the only publicly available information on the risk-free rate for the subsequent 10 years, and pursuant to the adopted judgment, this rate was not modified. The Parent Entity will adjust the risk-free rate to the level of this rate announced at every subsequent end of the reporting period in order to measure the provision at those days (in the comparable period, for the first 10 years of measurement of the provision (that is to 2032), a risk-free rate of 6.845% was adopted). In turn, taking into account the high volatility of the risk-free rate that took place in the last period, based on yield of 10-year treasury bonds, the Parent Entity applied a professional judgment to determine this rate for the estimation of provisions falling after a period of 10 years from the end of the annual reporting period based on the historical observation of the ratio of the risk-free rate to the assumed inflation target. As a result of the judgement, the Parent Entity adopted the risk-free rate of 3.5% for the estimation of provision after a period of 10 years from the end of the annual reporting period, which translated into a real discount rate of 0.98% (in the comparable period the same assumptions were adopted). In the KGHM INTERNATIONAL LTD. Group, in the current period for the purpose of the measurement of the provision

- the inflation rate is based on the forecast of future inflation used in the calculation of future employee benefits liabilities.

A change in the discount rate or in the estimated decommissioning cost adjusts the value of the relevant item of fixed assets, unless it exceeds the carrying amount of the item of fixed assets (any surplus above this amount is recognised in other operating income).

The increase in the provision due to the time lapse is recognised in finance costs.

The provision for decommissioning costs of mines and other technological facilities includes the balance of the Mine Closure Fund and Tailings Storage Facility Restoration Fund, which the Parent Entity creates under separate regulations, i.e. the Act of 9 June 2011 Geological and Mining Law and the Act of 14 December 2012 on waste, respectively. The role of the Funds is to secure cash for the future realisation by the Parent Entity of its obligations related to the closure, decommissioning and restoration of mines and tailings storage facilities, by collecting them in the manner provided for by the laws.

In the case of the Mine Closure Fund, the Parent Entity has separated a bank cash account to which it transfers cash equivalent to 3% of the depreciation charges on fixed assets of mines, determined in accordance with the provisions of the Income Tax Act. Details on the credit risk related to the cash accumulated on the separate account of Mine Closure Fund are presented in Note 7.5.2.4.

In the case of Tailings Storage Facility Restoration Fund, in July 2022 the Parent Entity changed the form of securing the funds of this Fund, replacing a separate bank account with financial guarantees issued by the bank on demand of the Parent Entity, of which the Parent Entity is also a beneficiary. The value of guarantees is updated on an annual basis. The Parent Entity strives to fully secure funds for the restoration of individual tailings storage facilities in the year for which the liquidation and restoration schedule provides for the closure of a given tailings storage facility, by systematically increasing the value of these guarantees.

for decommissioning of mines and other technological facilities located in the United States of America and Canada, a real discount rate at the level of 1.17% to 1.90% was adopted depending on the mine (in the comparable period at the level of 1.19% to 1.67%).

With regard to the costs of some activities carried out during the exploratory work of surface mines, which at the same time serve to restore (recultivate) such pits, the Group made a judgment and recognised that these costs are mostly current production costs, because these activities primarily determine the current mine production and revenue generation, and their restoration is a secondary effect. Therefore, the costs of such activities are not included in the measurement of the restoration provision.

in PLN millions, unless otherwise stated

Expenditures on the decommissioning of mines and other facilities in the years 2023-2072

	2023*- 2032	2033-2042	2043-2052	2053-2062	2063-2072	Total
Mines	335	529	511	932	151	**2 458**
Smelters	112	98	2	2	-	**214**
Total	**447**	**627**	**513**	**934**	**151**	**2 672**

**Expenditures on decommissioning of mines and other facilities in the Parent Entity in 2023 amounted to PLN 2 million.*

		from 1 January 2023 to 31 December 2023	from 1 January 2022 to 31 December 2022
	Provisions at the beginning of the reporting period	**1 893**	**1 552**
Note 9.1	Changes in estimates recognised in fixed assets	100	(42)
	Reclassification of the balance of the Mine Closure Fund and Tailings Storage Facility Restoration Fund	-	496*
	Changes due to loss of control of subsidiaries	-	(91)
	Other	(19)	(22)
	Provisions at the end of the reporting period, of which:	**1 974**	**1 893**
	- non-current provisions	**1 923**	1 859
	- current provisions	**51**	34

**Change in the presentation to the presentation together with the non-current part of provision for decommissioning costs of mines and other facilities, which is a result of the change in judgments in 2022 as to the period of expected cash outflows from the fund.*

Impact of the change in discount rate on the provision for decommissioning costs of mines and other technological facilities

	As at 31 December 2023	As at 31 December 2022
increase in discount rate by 1 percentage point	(361)	(341)
decrease in discount rate by 1 percentage point	482	795

Note 9.5 Capitalised borrowing costs

During the period from 1 January 2023 to 31 December 2023, the Group recognised PLN 251 million of borrowing costs in property, plant and equipment and intangible assets.
During the period from 1 January 2022 to 31 December 2022, the Group recognised PLN 228 million of borrowing costs in property, plant and equipment and intangible assets.
The capitalisation rate applied by the Group to determine borrowing costs in 2023 amounted to 5.36%, in 2022: 4.45%.

Note 9.6 Carrying amount of the assets of Group companies representing collateral of repayment of liabilities

	As at 31 December 2023	As at 31 December 2022
Buildings	136	136
Technical equipment and machines	30	33
Land	8	8
Total	**174**	**177**

The carrying amount of assets representing collateral of repayment of financial liabilities as at 31 December 2023 amounted to PLN 174 million, including the carrying amount of assets set as collaterals of repayment of external financing of the companies of the KGHM Polska Miedź S.A. Group as at 31 December 2023 in the amount of PLN 117 million (as at 31 December 2022: PLN 177 million and PLN 117 million, respectively).

Note 9.7 Lease disclosures – the Group as a lessee

Accounting policies

As a lessee, the Group identifies leases in usufruct agreements, inter alia, land, perpetual usufruct right to land, and transmission easements, as well as technical equipment, machines, and transport vehicles.
The Group applies a uniform lease accounting model, which assumes that the lessee recognises the right-to-use assets and lease liabilities related to all lease agreements, including exemptions. The Group does not recognise lease assets and liabilities in relation to:

- short-term leases - for agreements without the option to purchase an asset, concluded for a period shorter than 12 months from the commencement of the agreement, including agreements concluded for an indefinite period with a short notice period if there is no reasonable certainty that the Group will not make use of termination.
- leases in respect of which the underlying asset has a low value.

In the case of an agreement that is or includes a lease, the Group recognises each lease component under the agreement as a lease, separately from non-lease components.

The right-to-use assets and the measurement policy for these assets are presented in Note 9.1.

The Group initially measures the lease liability at the present value of lease payments due to be paid as at the date of initial recognition, which include: fixed lease payments, variable lease payments which are dependent on an index or rate, amounts which the lessee is expected to pay under the guaranteed residual value, the strike price call option if it is reasonably certain that the lessee will exercise the option, and penalties for terminating the lease if the given lease period was set with the assumption that the lessee will terminate the agreement. In fixed lease payments, the Group also includes payments for the exclusion of land from forestry and agricultural production, if they relate to land used under lease agreements.
The lease payments exclude variable payments made by the lessee to the lessor for the right to use the underlying asset during the lease period, which depend on external factors other than payments based on a rate or index.

After the date the lease began, the Group measures the carrying amount of lease liabilities by:
- an increase due to interest on lease liabilities,
- a decrease due to paid lease payments,
- an update due to reassessment or modification of a lease agreement.

Lease liabilities are presented in Note 8.4.

Lease rate - lease payments are discounted by the Group using the incremental borrowing rate of the lessee because generally speaking, the interest rate of a lease agreement is not readily determinable.

Important estimates, assumptions and judgments

Identification of non-lease components

In the agreements for the lease of mining machinery, apart from the lease component, the Group identified non-lease components related to the provision of services other than the lease of assets. To separate the lease and non-lease components, the Group made a judgment, respectively allocating the remuneration for a given agreement to both components, based on the relative unit price of the lease component and the total unit price of the non-lease components.

Estimation of the incremental borrowing rate of the lease

For the purpose of calculating the discount rates under IFRS 16, the Group assumes that the discount rate should reflect the cost of financing that would be incurred to purchase the leased item. The Group calculates the incremental borrowing rates, for individual time ranges of lease agreements, on a quarterly basis and this rate is used to measure lease liabilities arising from lease agreements concluded or modified during a given quarter.

The materiality threshold for leases of low-value of underlying assets is set at PLN 20 000.

in PLN millions, unless otherwise stated

Lease disclosures – the Group as a lessee

		from 1 January 2023 to 31 December 2023	from 1 January 2022 to 31 December 2022
Note 9.1 Note 9.2	Depreciation/amortisation cost	90	56
Note 4.3	Interest cost	1	9
	Short-term lease cost	7	7
	Cost associated with leases of low-value of underlying assets not recognised as short-term agreements	1	1
	Cost associated with variable lease payments not recognised in the measurement of lease liabilities	7	8
Note 8.4.2	Total cash outflows due to leases	124	93
Note 9.1 Note 9.2	Increase in right-to-use assets	116	165
		As at 31 December 2023	**As at 31 December 2022**
Note 9.1 Note 9.2	Carrying amount of right-to-use assets (division by underlying assets in notes, pursuant to references)	704	771
Note 8.4.2	Carrying amount of right-to-use liabilities	784	744

In 2023 and in comparable period, the Group did not enter into sales and leaseback transactions.

As at 31 December 2023, the Group had lease agreements that contained extension options and termination options, and the estimated value of future cash outflows, to which the Group is potentially exposed and are not included in the measurement of lease liabilities amount to PLN 15 million and PLN 35 million respectively (as at 31 December 2022: PLN 19 million and PLN 37 million). The Group has lease agreements with guaranteed residual values, but they were included in the measurement of lease liabilities. Moreover, the Group has lease agreements that have not commenced yet, to which it is obliged as a lessee, and the value of future cash outflows in this respect amounts to PLN 14 million (as at 31 December 2022: PLN 10 million).

Note 9.8 Greenhouse gas emissions allowances

Accounting policies

CO_2 emission allowances received free of charge and purchased, intended to be used for the entity's own needs, are recognised as intangible assets.
At the moment of initial recognition:

- CO_2 emission allowances received free of charge and related non-financial subsidies (recognised as the settlement of deferred income) are measured at fair value corresponding to the market value of these allowances on the date of their initial recognition.
- purchased CO_2 emission allowances are measured at cost.

At the end of the reporting period, emission allowances are measured at initial value less amortisation and impairment losses. The value of the CO_2 emission allowances is not subject to depreciation/amortisation, if their end value is equal to or higher than their carrying amount.
Disposals of the emission allowances recognised as intangible assets are carried out in accordance with the FIFO method.
CO_2 emission allowances recognised as intangible assets are settled and excluded from the register whenever they are redeemed* by the Group. The settlement of CO_2 emission allowances is recognised in the provision which is created in accordance with the obligation to redeem the allowances.
This provision is recognised when the obligation to provide redemption allowances arises, respectively to the amounts of the pollutants emitted. The provision is measured in relation to the value of emission allowances held, at the carrying amount of these rights and in the case of their deficit, at the market value of the emission allowances as at the date the provision was created.
The provision is recognised in the production cost.
In the statement of profit or loss, the Group settles the subsidy recognised in deferred income in the period for which it was granted. The subsidy settled up to the cost of the created provision (respectively to the tonnage of CO_2 emissions covered by the provision) is offset in the Statement of profit or loss by the cost of the created provision. The subsidy in the amount which exceeds the cost of the created provision (both in terms of the amount as well as the value) is recognised as other operating income.

** redemption means fulfilling the obligation imposed by the provisions of the Act on greenhouse gas emission trading scheme on the owner of the Installation, consisting of the redemption of allowances on the allowance account by persons authorised to operate accounts in the Union Registry, for each Installation separately, in the number covering the actual emissions of pollutants for the previous year.*

in PLN millions, unless otherwise stated

Financial statements item	As at 31 December 2023		As at 31 December 2022	
	amount (t)	value	amount (t)	value
Intangible assets	2 240 969	882	1 978 607	717
Accruals	1 658 097	673	1 656 311	600

Financial statements item	from 1 January 2023 to 31 December 2023	from 1 January 2022 to 31 December 2022
Financial result (excluding the tax effect), of which:	**196**	**208**
Cost of sold products	190	199
Other operating income	6	9

Note 9.9 Assets held for sale (disposal group) and liabilities associated with them

Accounting policies

Non-current assets (or disposal groups) are classified by the Group as held for sale, if their carrying amount will be recovered by a sale transaction rather than by continued usage, contingent on their availability for immediate sale in their current condition and maintaining conditions that are customarily applied in the sale of these assets (or disposal groups) and their sale is highly probable. A sale is understood as highly probable if the Group is determined to fulfil the plan to sell an asset or a disposal group, actions were undertaken to actively search for a buyer, an asset is offered at cost, which is rational as compared to its current fair value, and the Group intends to sell an asset within a year from the classification day. Extension of the period required to conclude the sale by more than one year is possible only if the delay was caused by events or circumstances outside of the Group's control, and the Group itself may prove that it is determined to fulfil the plan to sell an asset.

At the moment of reclassification, these assets are measured at the lower of the following values: the carrying amount or the fair value decreased by costs to sell. The difference between the measurement at fair value is recognised in other operating costs. At the moment of later measurement, the potential reversal of fair value is recognised in other operating income.

In the current period, a sale transaction was realised of assets held for sale (disposal group) and liabilities associated with them of the company KGHM TOWARZYSTWO FUNDUSZY INWESTYCYJNYCH S.A. Details are described below.

Note 9.9.1 KGHM TOWARZYSTWO FUNDUSZY INWESTYCYJNYCH S.A.

On 13 March 2023, KGHM Polska Miedź S.A. concluded an Agreement for the sale of 100% of the shares of KGHM TOWARZYSTWO FUNDUSZY INWESTYCYJNYCH SPÓŁKA AKCYJNA ("Shares") with Agencja Rozwoju Przemysłu S.A. ("Buyer"). The sale of the Shares was contingent on meeting the conditions precedent, among others no objections raised by the Polish Financial Supervision Authority. The ownership rights to the Shares are transferred to the Buyer at the moment an appropriate entry is made in the Share Register. The sale of the Shares is the last stage of the reorganisation under the Group's structure, which comprised the liquidation of closed-end, non-public investment funds.

At the turn of the half-year, the Polish Financial Supervision Authority issued a decision on a lack of objections to the acquisition of shares by the Buyer. On 27 July 2023 the transaction was concluded.

On 3 August 2023, the buyer of the shares, i.e. Agencja Rozwoju Przemysłu S.A. was entered into the Share Register as the owner of 100% of the shares of KGHM TFI S.A.

The sale price of the shares amounted to PLN 4 million and was higher than the net assets of KGHM TFI S.A. by PLN 1 million. The result on sale (profit) was recognised in the item "Other operating income".

Due to their insignificant value, the main assets and liabilities of the company classified to the disposal group are not presented in the note.

In the comparable period, a sale transaction was carried out of assets held for sale (disposal group) and associated liabilities of the companies S.C.M. Franke, Interferie S.A. and Interferie Medical SPA sp. Z o. o., and a reclassification took place of assets held for sale (disposal group) and associated liabilities of the company Carlota Copper Company to continued operations. Details are presented below.

Note 9.9.2 S.C.M. Franke and Carlota Copper Company

On 26 April 2022 subsidiaries of KGHM INTERNATIONAL LTD., 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 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 at the discounted amount of USD 13 million and recognised in the item gain on disposal.

The gain on the disposal of S.C.M. Franke was recognised in “Other operating income”.

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

	USD mn	PLN mn
Initial purchase price	25	109
Change in net working capital, cash and borrowings between 31 March 2022 and 26 April 2022	(2)	(9)
Initial adjusted purchase price	**23**	**100**
Carrying amount of assets and liabilities that were subject to the sales transaction	19	86
Measurement of contingent payments at the date of disposal	13	60
Re-measurement of contingent payments at the reporting date	1	5
Gain on disposal	**18**	**79**
Exchange differences reclassified from other comprehensive income to gain on disposal	-	64
Gain on disposal in the consolidated statement of profit or loss	**-**	**143**

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 back to continued activities, because the sale was 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.

In November 2022, the process of selling Carlota Copper Company was resumed, however, in the opinion of the Management Board of the Parent Entity, it was not advanced enough to conclude that the sale is highly probable. Therefore, as at 31 December 2022 and as at 31 December 2023, the company's assets and related liabilities were not recognised as held for sale.

The activities of the companies S.C.M. Franke and Carlota Copper Company were presented as part of the segment KGHM INTERNATIONAL LTD.

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).

in PLN millions, unless otherwise stated

Financial data of the companies 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 31 December 2021	
	S.C.M. Franke	S.C.M. Franke	Carlota Copper Company
Revenues	132	497	209
Costs	(197)	(443)	(111)
Profit/(loss) on operating activities	**(65)**	**54**	**98**
Finance costs	(1)	(3)	(5)
Profit/(loss) before income tax	**(66)**	**51**	**93**
Income tax expense	-	-	-
PROFIT/(LOSS) FOR THE PERIOD	**(66)**	**51**	**93**

in PLN millions, unless otherwise stated

Cash flow of operations held for sale

	from 1 January 2022 to 26 April 2022	from 1 January 2021 to 31 December 2021	
	S.C.M. Franke	S.C.M. Franke	Carlota Copper Company
Net cash generated from/(used in) operating activities, including:	(40)	(7)	11
change in provision for decommissioning of mines	*10*	*(6)*	*(5)*
Net cash used in investing activities	-	(5)	(10)
Net cash generated from/(used in) financing activities	42	(2)	(2)
TOTAL NET CASH FLOW	**2**	**(14)**	**(1)**

Note 9.9.3 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 (income) was recognised in the item „Other operating income".

The 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).

in PLN millions, unless otherwise stated

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

Main groups of assets and liabilities classified to disposal Group

	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 31 December 2021
Revenues	14	71
Costs	(15)	(68)
Profit/(loss) on operating activities	**(1)**	**3**
Finance costs	-	(2)
Profit/(loss) before income tax	**(1)**	**1**
Income tax expense	-	-
PROFIT/(LOSS) FOR THE PERIOD	**(1)**	**1**

Cash flow of operations held for sale

	from 1 January 2022 to 28 February 2022	from 1 January 2021 to 31 December 2021
Net cash generated from operating activities	1	4
Net cash used in investing activities	(1)	(11)
Net cash generated from financing activities	-	17
TOTAL NET CASH FLOW	**-**	**10**

Note 9.9.4 The Oxide project in the KGHM INTERNATIONAL LTD. Group

In the fourth quarter of 2021, an agreement for 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 second 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 in the amount of PLN 176 million.

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 31 December 2022 the carrying amount of the Group's interest in the joint venture Sierra Gorda S.C.M. amounted 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. will be above the level of PLN 0.

Note 9.9.5 KGHM TOWARZYSTWO FUNDUSZY INWESTYCYJNYCH S.A.

As at 31 December 2022, the Group identified the assets and related liabilities of the subsidiary - KGHM TOWARZYSTWO FUNDUSZY INWESTYCYJNYCH S.A. as held for sale due to the fulfilment of the criteria set in IFRS 5 (i.e. they are available for immediate sale in their current state, the sale is highly probable, and it is expected that it will take place within 1 year from the date of classification as held for sale). Due to their insignificant value, these assets and liabilities were not separated in the statement of financial position to separate items "Assets held for sale (disposal group)" and "Liabilities associated with disposal group".

Note 9.9.6 Property, plant and equipment of Mercus Logistyka Sp. z o.o.

As at 31 December 2022, the Group identified property, plant and equipment of a subsidiary Mercus Logistyka Sp. z o.o. as held for sale due to the fulfilment of the criteria set in IFRS 5 (i.e. they are available for immediate sale in their current state, the sale is highly probable, and it is expected that it will take place within 1 year from the date of classification as held for sale). Due to their insignificant value, these assets were not separated in the statement of financial position to a separate item "Assets held for sale (disposal group)".

in PLN millions, unless otherwise stated

Part 10 – Working capital

Note 10.1 Inventories

Accounting policies	Important estimates, assumptions and judgments
The Group measures inventories at cost, not higher than the sales price less costs of completing production and costs to sell. Any differences in the value of finished goods constitutes a write-down and is recognised in the costs of sold products. Fixed indirect costs of production are allocated on the basis of the normal level of production capacity utilisation. The valuation of the inventory component disposal is made according to the weighted average purchase price and the weighted average actual production cost. The Group also classifies as inventories stand-by spare parts that do not meet the criteria for recognition as property, plant and equipment in accordance with IAS 16 par. 7 and in accordance with the principles of capitalization of significant components, adopted in the accounting principles of the Parent Entity, where a materiality threshold of at least PLN 300 thousand has been set, for which the spare parts are analysed in terms of meeting the capitalization criteria of IAS 16. In relation to the above, stand-by spare parts are in particular recognised as inventories, the value of which is insignificant or are not replaced at regular intervals, or which, after their installation, due to the failure of a spare part in an item of property, plant and equipment, will not contribute to the obtainment of higher economic benefits from further use of this component than those assumed at the moment of initial recognition of the component and putting it into use. The costs of such stand-by spare parts as a current maintenance cost of assets are recognized in profit or loss as they are consumed.	In the consolidated financial statements the volume of those inventories of the KGHM INTERNATIONAL LTD. Group which arise from the leaching process, is determined based on the estimated recovery of metal from ore. The nature of the process of leaching copper from ore limits the precision of monitoring the level of inventories arising during this process. In subsequent reporting periods, adjustments are made to the estimated recovery of copper from the leaching of ore in a given reporting period to the level of production achieved in the subsequent period. As at 31 December 2023 the provisionally-set value of inventories amounted to PLN 25 million (as at 31 December 2022, PLN 38 million). The Group measures inventories at cost, not higher than the net realisable value. The Group determines the net sales price of copper at the end of the reporting period on the basis of forward LME (London Metal Exchange) curve for the metal, set for months in which the sale of copper inventories will be made.

in PLN millions, unless otherwise stated

		As at 31 December 2023	As at 31 December 2022
	Materials	1 843	2 084
	Half-finished goods and work in progress	4 552	4 835
	Finished products	1 902	1 777
	Merchandise	128	206
Note 10.4	**Total carrying amount of inventories**	**8 425**	**8 902**

	Write-down of inventories during the reporting period	from 1 January 2023 to 31 December 2023	from 1 January 2022 to 31 December 2022
Note 4.4	Write-down recognised in cost of sales*	(442)	(79)
	Write-down reversed in cost of sales	21	55

Maturities of inventories	As at 31 December 2023	As at 31 December 2022
Maturity over the 12 months from the end of the reporting period	429	426
Maturity of up to 12 months from the end of the reporting period	7 996	8 476

** Including: PLN 370 million in 2023 due to a write-down recognised in KGHM INTERNATIONAL LTD. (in 2022 respectively PLN 44 million) since the cost was higher than the net realisable value.*

As at 31 December 2023 and in the comparable period, the value of inventories with a maturity of over 12 months mainly includes stand-by inventories of materials and spare parts to maintain production continuity and the finished rhenium product. Moreover, the KGHM INTERNATIONAL LTD. Group has an inventory of ore which will be used in the period of over 12 months concurrently with the higher quality ore extracted in the current period.

Note 10.1.1 Property rights arising from certificates of origin for electricity generated in renewable energy sources and from energy efficiency

Accounting policies

Property rights to energy are certificates attesting to the source of electricity which confirm that the electricity is generated by renewable energy sources (RES). The generation of energy by renewable energy sources is attested to by so-called green, blue and violet property rights to energy.
Energy efficiency certificates, so-called white certificates, are certificates confirming the claims of market participants related to declarations of energy savings resulting from their application of measures, or the implementation of actions aimed at improving the energy efficiency.

Recognition of acquired property rights to energy and of certificates attesting to energy efficiency

Acquired property rights to energy and certificates attesting to energy efficiency are recognised in the Statement of financial position as merchandise, and at the date of acquisition are measured at cost, comprised of:
- the value of certificates of origin (based on the current market price), or
- the amount of the negotiated contractual price, in cases where these rights are purchased in off-trading sessions.

At the end of the reporting period, property rights to energy and certificates attesting to energy efficiency are measured at cost less any impairment losses, though no higher than the net sale price.

Recognition of freely acquired property rights to energy and certificates attesting to energy efficiency

Freely acquired, granted by the President of the Energy Regulatory Office, certificates of origin for energy from renewable sources and certificates resulting from the act on energy efficiency are recognised as merchandise, while their free acquirement is treated as a non-financial subsidy and is measured at the moment of initial recognition at fair value.
The subsidy resulting from the receipt of freely acquired property rights to coloured energy is recognised in the Statement of profit or loss as reduction of cost of generating the energy from renewable energy resources at the moment of initial recognition.
Initial recognition in the accounting books of property rights arising from certificates of origin of renewable energy occurs on the date of production of a given type of energy, as the entitlement of energy producer to receive the property rights resulting from the certificates of origin arises at the moment of the production of the given type of energy.
The subsidy resulting from the receipt of freely acquired certificates attesting to energy efficiency are recognised as a subsidy to assets, in deferred income, and is systematically settled in the financial result in other operating income,

in PLN millions, unless otherwise stated

following the depreciation of fixed assets, whose acquisition/generation resulted in the arising of the energy efficiency for which the Group received the certificates.
Initial recognition in the accounting books of property rights arising from certificates of origin resulting from the act on energy efficiency occurs at the moment of their receipt.
At the end of the reporting period, freely acquired property rights to energy and certificates attesting to energy efficiency are measured at initial cost less any impairment losses, though no higher than the net sale price.

Recognition of income and disposal of property rights to energy and of certificates attesting to energy efficiency
Measurement of the disposal of property rights and of certificates attesting to energy efficiency are made using the FIFO method. The disposal resulting from the sale is transferred to the financial result and is recognised as the value of merchandise sold. The income from the sale of property rights to energy and of certificates attesting to energy efficiency is recognised in the financial result as income from the sale of merchandise.
The deficit of property rights to energy and of certificates attesting to energy efficiency is supplemented by their purchase or by a payment of a substitute fee. Any failure to carry out an obligatory redemption of property rights arising from certificates for renewable energy sources or from energy efficiency, or any failure to pay a substitute fee, results in the incurring a financial penalty by a company. The amount of the penalty incurred is recognised in other operating costs.

Provision for costs of meeting the obligation to redeem property rights to energy and of certificates attesting to energy efficiency
Due to the obligation to redeem property rights to energy and of certificates attesting to energy efficiency, the entities of the Group create a provision in accruals.
The Group creates a provision:
- charged to the costs of merchandise sold to the extent in which the obligation to redeem rights and certificates attesting to energy efficiency involves electricity purchased and resold to an end-user,
- charged to the costs of production to the extent in which the obligation to redeem rights involves electricity purchased and consumed to meet the company's own needs, and
- charged to the generation cost of energy sold to the extend in which the obligation to redeem rights involves electricity produced by a company and sold to an end-user.

This provision is measured at the carrying amount of the property rights to energy or certificates attesting to energy efficiency held and, in the case of their deficit, at the market value of the property rights (certificates) at the date the provision is created or at the amount of the substitute fee corresponding to the amount of the energy sold, depending on which of these amounts is lower.
Settlement of the amount of the provision and the redemption of property rights occurs at the date of redemption of these rights by the President of the Energy Regulatory Office.

Recognition of property rights to coloured energy and white certificates

Financial statements item	As at 31 December 2023		As at 31 December 2022	
	amount (MWh)/TOE	value	amount (MWh)/TOE	value
Inventories - merchandise, of which:		**40**		**82**
green property rights	267 850	32	394 269	72
blue property rights	7 790	2	10 576	3
white certificates	2 851	6	3 241	7
Accruals, of which:		**43**		**91**
provision for redemption of green property rights (MWh)	267 268	32	431 996	80
provision for redemption of blue property rights (MWh)	11 136	3	11 676	3
provision for redemption of white certificates (TOE)	4 235	8	4 126	8

Item from the statement of profit or loss	from 1 January 2023 to 31 December 2023	from 1 January 2022 to 31 December 2022
Financial result (excluding the tax effect), of which:	**43**	**94**
Cost of products sold	38	86
Cost of merchandise sold	3	6
Other operating income	2	2

in PLN millions, unless otherwise stated

Note 10.2 Trade receivables

Accounting policies

Trade receivables are initially recognised at the transaction price (unless the receivables contains a significant financial component subject to separation and therefore the receivables are initially recognised at fair value). After initial recognition, trade receivables are measured as follows:

- receivables not transferred to non-recourse factoring and not based on the M+ pricing formula*: at amortised cost while taking into account the loss allowance for expected credit losses (ECL). Trade receivables with maturity dates of less than 12 months are not discounted.
- receivables transferred to non-recourse factoring: at fair value through profit or loss, where the fair value is determined in the amount of their carrying amount less the factor's compensation, which include, among others, interest costs and risk assumption costs. Because of the short duration between the transferral of receivables to the factor and its payment and due to the low credit risk of the counterparty (factor), the fair value of these receivables does not include the impact of these factors. Receivables transferred to non-recourse factoring are obligatorily designated to the category of financial assets measured at fair value through profit or loss, because they were classified to a business model in which cash flows are realised solely by selling financial assets.
- receivables based on the M+ pricing formula: at fair value through profit or loss, where fair value is set as the nominal value (i.e. at the price in the invoice), adjusted by the impact of market and credit risks. Adjustment due to the market risk is calculated as the difference between the current market price for a given pricing period in the future (the period in which there will be a final determination of the settlement price) and the receivables' price recognised in the accounting books (multiplied by the sales volume). Adjustment due to the credit risk is calculated analogously to the calculation of expected credit losses for trade receivables measured at amortised cost. Receivables based on the M+ pricing formula are obligatorily designated to the category of financial assets measured at fair value through profit or loss, because these receivables do not pass the SPPI contractual cash flow test (solely payments of principal and interest) because of the element of variable price after the date of initial recognition of the receivables.

Receivables measured at fair value may be measured based on the applied M+ pricing formula as well as due to transferral to factoring. The measurements are carried out independently of each other. The result of both measurements is recognised in the profit or loss in other operating income/(costs).

** the M+ pricing formula means that for individual transactions for the sale of copper and silver products, the final sales price is determined after the date of recognition of the sale, based on, for example, the average of the stock exchange quotations of a given metal in the month of sale or in the month following the month of sale.*

The Group is exposed to the credit risk and currency risk related to trade receivables. Credit risk management and assessment of the credit quality of receivables is presented in Note 7.5.2.3. Information on currency risk is presented in Note 7.5.1.3.

The following table presents the carrying amounts of trade receivables and the loss allowances for an expected credit loss:

		As at 31 December 2023	As at 31 December 2022
	Trade receivables measured at amortised cost - gross value	557	466
	Loss allowance for expected credit losses	(39)	(39)
	Trade receivables measured at amortised cost - net value	518	427
	Trade receivables measured at fair value	414	751
Note 10.4	**Total**	**932**	**1 178**

Note 10.3 Trade and similar payables

Accounting policies
Trade and similar payables are initially recognised at fair value less transaction cost and are measured at amortised cost at the end of the reporting period. Accrued interest due to repayment of payables at a later date, in particular transferred to reverse factoring, is recognised in profit or loss, in the item "finance costs".

Important estimates, assumptions and judgments

Trade and similar payables presented in the statement of financial position also contain trade payables transferred to reverse factoring, which are in the category of "similar".

Moreover, the item "similar liabilities" also includes intra-group trade payables transferred by the debtor to the factor, for which the debtor received payment from the factor. At the moment of transfer of the liabilities to reverse factoring, the Parent Entity recognises payables towards the factor, who due to the subrogation of receivables, from the legal point of view, assumes the rights and obligations common for trade payables.

Reverse factoring is not directly regulated by IFRS, and as a result of the ambiguous nature of the transaction, it was necessary for the Parent Entity to make an important judgment on the presentation of balances of liabilities transferred to factoring in the statement of financial position and the presentation of transactions in the statement of cash flows.

In the Parent Entity's opinion, in presenting the balance of trade payables transferred to reverse factoring as „Trade and similar payables" (assigned to the category of "similar") together with other trade payables and not as debt liabilities, the following aspects had a crucial impact:

- from the legal point of view, at the moment of subrogation of liability by the reverse factoring there is a transfer of rights and obligations arising from the liabilities, rather than their expiry and the establishment of new rights and obligations in respect of the factor,
- there is no establishment of new guarantees related to the reverse factoring, nor are there any changes in commercial terms related to any breach of the contract terms and annulment of a contract,
- the goal of the program is not only to improve the Parent Entity's liquidity, but also to provide support to suppliers engaged in obtaining favourable financing in order to build long term business relationships,
- the established payment deadlines, as well as payment models (including as regards interest and discounting) do not change in respect of trade payables towards a given supplier which are not subject to reverse factoring. In light of the above, as well as taking into account the established interest rates and discounts and extended repayment periods, cash flows related to the liabilities transferred to reverse factoring do not change by more than 10%,
- costs related to reverse factoring are incurred both by the Parent Entity and its suppliers. The Parent Entity incurs interest cost arising from the payment of liabilities over an extended period, while the supplier incurs a discount cost due to early (that is, before the end of the base term, which is usually 60 days) payment received from the factor,
- the Parent Entity, together with individual suppliers, on the basis of signed contracts, will determine which invoices will be transferred to reverse factoring, and what the deadline for early payment to the supplier through the factor will be.

Moreover, although the Parent Entity identified characteristics which indicate the nature of reverse factoring as liabilities due to financing (liability due to credit granted by the factor), they were judged by the Parent Entity to be insufficient for the purpose of recognising that, at the moment of transfer of trade payables to reverse factoring, there is a complete change in the nature of the relationship from that of a trade to a debt one, which would necessitate presentation in the Statement of financial position as debt financial liabilities and presentation in the Statement of cash flows, in financial activities:

- the factor is a bank, and at the moment of subrogation by the factor there is a change in the debtor,
- in order to obtain more favourable terms, the factoring agreement was negotiated with the factor by the Parent Entity and not directly by the suppliers,
- the actual deadline for the payment of trade payables subject to reverse factoring is longer (and amounts to up to 180 days) than the deadline for the payment of other trade payables, which are not transferred to factoring (which usually amounts to 60 days),
- the main costs of reverse factoring are incurred by the Parent Entity, and suppliers are charged only if they receive payment on the date before the date stipulated in the trade contract, which usually amounts to 60 days from the day of receiving the invoice by the Company (discount for the payment before 60 days or other, stipulated in the trade contract).

As part of the analysis of IFRS in the context of presenting the balance of trade payables transferred to reverse factoring, the Parent Entity also analysed the statement published in December 2020 by the International Financial Reporting Interpretations Committee (Committee) on the presentation of reverse factoring transactions in the statement of financial position and the statement of cash flows. In the Parent Entity's opinion, the aspects indicated by the Committee as well as the summary of the key requirements related to the analysed issue do not have an impact on the conclusions of the assessment conducted by the Parent Entity. The Committee, recommending the appropriate presentation of liabilities subject to reverse factoring, indicated the same issues that were analysed and disclosed by the Parent Entity as part of important estimates, assumptions and judgments above. In particular, in the context of the areas of analysis indicated by the Committee, the Parent Entity confirms that:

in PLN millions, unless otherwise stated

- the transfer of liabilities to reverse factoring did not require the establishment of any additional collateral for the bank-factor, nor there are any additional guarantees related to reverse factoring established. Furthermore, there is no change in the trade terms and conditions related to non-compliance with the terms of the contract and the cancellation of the contract,
- taking the above into consideration, and taking into account the agreed interest and discount rates, and the extended repayment date, the cash flows related to the liability transferred to reverse factoring will not change by more than 10%; thus, the criteria of ceasing the disclosure of liabilities, i.e. the 10% test and the other criteria for ceasing the disclosure of liabilities under IFRS 9 have not been met,
- the agreed payment dates as well as the payment pattern (including interest and discount rates) do not change in relation to trade payables towards a given supplier, which are not covered by reverse factoring,
- liabilities transferred to reverse factoring are part of the working capital used by the unit in the unit's regular operating cycle.

The Parent Entity indicates that the actual deadline for the payment of trade payables subject to reverse factoring is longer (up to 180 days) than the deadline for the payment of other trade payables, which are not transferred to factoring, which usually amounts to 60 days, which may indicate a change in the nature of these liabilities from trade to debt. However, this characteristic has been judged by the Parent Entity to be insufficient to conclude that when the trade liability was transferred to reverse factoring, the nature of the liability changed completely. Apart from the above criteria, no other terms of liabilities covered by reverse factoring differ from the terms of other trade payables.

Therefore, the Parent Entity's assessment of the nature of trade payables transferred to reverse factoring and their presentation, means that the trade payables transferred to reverse factoring are presented by the Company in the statement of financial position under "Trade and similar payables ", including those under the " similar" category.

		As at 31 December 2023	As at 31 December 2022
	Non-current trade payables	197	186
	Current trade payables	3 167	3 076
	Current similar payables – reverse factoring	3 021	18
Note 10.4	**Trade and similar payables**	**6 385**	**3 280**

In 2023, the factors' total participation limit in the Parent Entity amounted to PLN 3 000 million, while Group companies did not have agreements with factors (in 2022 participation in the Group amounted to PLN 1 553 million, including in the Parent Entity: PLN 1 500 million). Currently, the Parent Entity has three concluded agreements for the provision of factoring services, which was implemented in 2019 in order to make it possible for suppliers to receive repayment of receivables faster, as part of the standard procurement process executed by the Parent Entity, alongside an extension of payment dates of payables by the Parent Entity to the factor. In 2023, the Parent Entity transferred to the factor payables in the amount of PLN 4 247 million, while Group companies did not transfer any payables to the factor in 2023 (in 2022 no payables were transferred from the Parent Entity to the factor; Group companies transferred payables in the amount of PLN 72 million), and the balance of trade payables covered by reverse factoring as at 31 December 2023 amounted to PLN 3 021 million (as at 31 December 2022, in the Parent Entity no trade payables were covered by reverse factoring; in Group companies the balance amounted to PLN 18 million); in the current year, payments made towards the factors by the Parent Entity amounted to PLN 1 209 million and by Group companies PLN 18 million (in the year ended 31 December 2022 in the Parent Entity amounted to PLN 55 million, in the Group companies PLN 95 million). Interest costs accrued and paid by the Group towards the factor in 2023 amounted to PLN 50 million (in the year ended 31 December 2022, interest costs accrued and paid amounted to PLN 3 million).

Repayment dates of receivables due to reverse factoring do not exceed 12 months, and consequently all payables transferred to reverse factoring are presented as short-term.

The item trade and similar payables contains payables due to the purchase and construction of fixed and intangible assets which, as at 31 December 2023, amounted to PLN 196 million in the non-current part and PLN 713 million in the current part (as at 31 December 2022, PLN 185 million and PLN 627 million, respectively).

The Group is exposed to currency risk arising from trade payables and to liquidity risk. Information on currency risk is presented in Note 7.5.1.3 and on liquidity risk in Note 8.3.1.
The fair value of trade and similar payables approximates their carrying amount.

Note 10.4 Changes in working capital

Accounting policies
Cash flows arising from interest on reverse factoring transactions are presented in cash flows from financing activities. The actually repaid principal amounts of receivables transferred to reverse factoring to a factor are presented in cash flows from operating activities, and partially also from investment activities. Moreover, the Parent Entity, as regards changes in working capital in the statement of cash flows, presented a separate line "Change in trade payables transferred to factoring" for the purposes of clear and transparent presentation.

Important estimates, assumptions and judgments

The Parent Entity implemented reverse factoring in the period ended on 31 December 2019 (more information may be found in Note 10.3).
Since market practice with respect to the presentation of reverse factoring transactions in the statement of cash flows is not uniform, the Management Board had to apply its own judgment in this regard. In the case of these transactions, the Parent Entity had to make an assessment as to whether expenses related to payments towards the factor should be classified to cash flows from operating activities or to cash flows from financing activities in the statement of cash flows. Pursuant to IAS 7.11, an entity should present cash flows from operating, investing and financing activities in a manner which is most appropriate to its business, because it provides information that allows users of financial statements to assess the impact of those activities on the financial position of the entity and the amount of its cash and cash equivalents.

Due to the above, in the Parent Entity's view:

- presentation of the repayment of the principal amounts of receivables in the reverse factoring in cash flows from operating activities is compliant with the objective of individual transaction elements and consistent with the presentation of these transactions in the statement of financial position. When legal subrogation of receivables is made by the factor, from a legal standpoint they assume the rights and responsibilities characteristic for trade receivables. Only cash flows from the repayment of principal amounts of receivables from liabilities due to the purchase and construction of fixed assets and intangible assets are presented under investing activities (more information may be found in Note 10.3).
- however, the financial aspect related to the factoring transaction is indicated in the presentation of interest in financing activities. This is consistent with recognising this interest in financing costs in the statement of profit or loss pursuant to the accounting policy adopted by the Parent Entity for the presentation of interest cost of reverse factoring in the financial activities.

in PLN millions, unless otherwise stated

	Inventories	Trade receivables	Trade payables	Similar payables	Working capital
As at 1 January 2023	(8 902)	(1 178)	3 262	18	**(6 800)**
As at the date of obtaining control of a subsidiary	-	-	1	-	**1**
As at 31 December 2023	(8 425)	(932)	3 364	3 021	**(2 972)**
Change in the statement of financial position	**477**	**246**	**101**	**3 003**	**3 827**
Exchange differences from translation of statements of operations with a functional currency other than PLN	(64)	(37)	25	-	**(76)**
Depreciation/amortisation recognised in inventories	296	-	-	-	**296**
Change in liabilities due to purchase of property, plant and equipment and intangible assets	-	-	(161)	(110)	**(271)**
Change in liabilities due to interest on reverse factoring	-	-	-	(25)	**(25)**
Reclassification to property, plant and equipment	(16)	-	-	-	**(16)**
Adjustments	**216**	**(37)**	**(136)**	**(135)**	**(92)**
Change in the statement of cash flows	**693**	**209**	**(35)**	**2 868**	**3 735**

	Inventories	Trade receivables	Trade payables	Similar payables	Working capital
As at 1 January 2022	(6 487)	(1 026)	3 106	95	**(4 312)**
As at 31 December 2022	(8 902)	(1 178)	3 262	18	**(6 800)**
Change in the statement of financial position	**(2 415)**	**(152)**	**156**	**(77)**	**(2 488)**
Exchange differences from translation of statements of operations with a functional currency other than PLN	43	16	(17)	-	**42**
Depreciation/amortisation recognised in inventories	117	-	-	-	**117**
Change in liabilities due to purchase of property, plant and equipment and intangible assets	-	-	41	-	**41**
Reclassification to property, plant and equipment	(10)	-	-	-	**(10)**
Reclassification from property, plant and equipment	16	-	-	-	**16**
As at a date of loss of control of a subsidiary	(94)	(20)	79	-	**(35)**
Adjustments	**72**	**(4)**	**103**	**-**	**171**
Change in the statement of cash flows	**(2 343)**	**(156)**	**259**	**(77)**	**(2 317)**

in PLN millions, unless otherwise stated

Part 11 – Employee benefits

Accounting policies

The Group is obliged to pay specified benefits following the period of employment (retirement benefits due to one-off retirement-disability rights, post-mortem benefits and the coal equivalent) and other long-term benefits (jubilee bonuses), in accordance with the Collective Labour Agreement.
The amount of the liabilities due to both of these benefits is estimated at the end of the reporting period by an independent actuary using the projected unit credit method.
The present value of liabilities from these benefits is determined by discounting estimated future cash outflow using the interest rates on treasury bonds expressed in the currency of the future benefits payments, with maturities similar to the date of settlement for liabilities.
Actuarial gains and losses from the measurement of specified benefits following the period of employment are recognised in other comprehensive income in the period in which they arose. Actuarial gains/losses from the measurement of other benefits (benefits due to jubilee bonuses) are recognised in profit or loss.

Significant estimates and assumptions

The carrying amount of the liability due to future employee benefits is equal to the present value of the liabilities due to defined benefits. The amount of the liability depends on many factors, which are used as assumptions in the actuarial method. Any changes to the assumptions may impact the carrying amount of the liability. The interest rate is one of the basic parameters for measuring the liability. At the end of the reporting period, based on the opinion of an independent actuary, an appropriate discount rate for the Group's entities is used for setting the present value of estimated future cash outflow due to these benefits. In setting the discount rate for the reporting period, the actuary extrapolates current interest rates of treasury bonds along the yield curve expressed in the currency of the future benefits payments, to obtain a discount rate enabling the discounting of payments with maturities which are longer than the maturities of the bonds.

Other macroeconomic assumptions used to measure liabilities due to future employee benefits, such as the inflation rate or the minimum salary, are based on current market conditions.

Pursuant to IAS 19 paragraph 78, actuarial assumptions adopted for measurement of employee benefits in the Group are consistent because they reflect the economic relationships between factors such as inflation, the salary growth rate, the discount rate and the coal price growth rate.

The assumptions used for measurement as at 31 December 2023 are presented in Note 11.2.

The following sensitivity analysis is based on the same measurement method which was used to measure liabilities recognised in these financial statements, that is the Projected Unit Credit Method. During the analysis of impact of a given factor (assumption), its value is changed by +/- 1 percentage point, while leaving all other assumptions and the database of people entitled to benefits unchanged. Therefore, the analysis shows the impact of change in only one selected factor.

Impact of changes in the assumptions on the balance of liabilities (the Parent Entity) as at 31 December 2023

	Discount rate		Planned base increases*	
	-1 pp	+1 pp	-1 pp	+1 pp
Retirement and disability benefits	37	(32)	(35)	44
Coal equivalent	289	(229)	(247)	307
Jubilee awards	39	(34)	(37)	47
Other benefits	3	(3)	(3)	4
Total liabilities	**368**	**(298)**	**(322)**	**402**
Impact on profit or loss	39	(34)	(37)	47
Impact on other comprehensive income	329	(264)	(285)	355

** Changes in the lowest salary were included in the retirement and disability benefits, jubilee awards and other benefits, while the coal equivalent includes the inflation changes*

in PLN millions, unless otherwise stated

Impact of changes in the assumptions on the balance of liabilities as at 31 December 2022

	Discount rate		Planned base increases*	
	-1 pp	+1 pp	-1 pp	+1 pp
Retirement and disability benefits	25	(22)	(25)	32
Coal equivalent	222	(181)	(173)	230
Jubilee awards	28	(25)	(27)	34
Other benefits	3	(2)	(2)	3
Total liabilities	**278**	**(230)**	**(227)**	**299**
Impact on profit or loss	28	(24)	(27)	34
Impact on other comprehensive income	250	(206)	(200)	265

** Changes in the lowest salary were included in the retirement and disability benefits, jubilee awards and other benefits, while the coal equivalent includes the inflation changes*

As the above analysis indicates, the benefits with the longest maturity horizon, i.e. coal equivalents that will be paid to current employees following their retirement or disability leave, are most sensitive to changes in assumptions. For these benefits, the deviation ranges from -17.7% to 25% (in the comparable period: from -15.7% to 20.2%).

The least sensitive to changes in assumptions are benefits with a relatively short maturity period, e.g. jubilee awards depending on the length of service, for which the deviation ranges from -6.6% to 9.1% (in the comparable period: from -6.1% to 8.4%).

Note 11.1 Employee benefits liabilities

Components of the item: employee benefits liabilities

		As at 31 December 2023	As at 31 December 2022
	Non-current	3 117	2 621
	Current	267	272
Note 11.2	**Total liabilities due to future employee benefits programs**	**3 384**	**2 893**
	Employee remuneration liabilities	421	358
	Social security liabilities	357	296
	Accruals (unused annual leave, bonuses, other)	664	773
	Other current employee liabilities	**1 442**	**1 427**
	Total employee benefits liabilities	**4 826**	**4 320**

Employee benefits expenses

		from 1 January 2023 to 31 December 2023	from 1 January 2022 to 31 December 2022
	Remuneration	5 881	5 370
	Costs of social security and other benefits	1 988	1 784
	Costs of future benefits	427	179
Note 4.1	**Employee benefits expenses**	**8 296**	**7 333**

in PLN millions, unless otherwise stated

Note 11.2 Changes in liabilities related to future employee benefits programs

		Total liabilities	Jubilee awards	Retirement and disability benefits	Coal equivalent	Other benefits
	As at 1 January 2022	**2 468**	**552**	**442**	**1 354**	**120**
Note 11.1	Total costs recognised in profit or loss	**179**	52	44	72	11
	Interest costs	**88**	19	16	49	4
	Current service costs	**98**	40	28	23	7
	Actuarial gains recognised in profit or loss	**(7)**	(7)	-	-	-
Note 8.2.2	Actuarial (gains)/losses recognised in other comprehensive income	**422**	-	(20)	480	(38)
	Benefits paid	**(175)**	(68)	(33)	(70)	(4)
	Changes due to loss of control of subsidiaries	**(1)**	-	(1)	-	-
	As at 31 December 2022	**2 893**	**536**	**432**	**1 836**	**89**
Note 11.1	Total costs recognised in profit or loss	**427**	223	53	147	4
	Interest costs	**194**	36	29	124	5
	Current service costs	**97**	46	24	23	4
	Past service costs	**(5)**	-	-	-	(5)
	Actuarial losses recognised in profit or loss	**141**	141	**-**	-	-
Note 8.2.2	Actuarial losses recognised in other comprehensive income	**311**	-	114	170	27
	Benefits paid	**(247)**	(79)	(39)	(126)	(3)
	As at 31 December 2023	**3 384**	**680**	**560**	**2 027**	**117**

As at 31 December	2023	2022	2021	2020	2019
Present value of liabilities due to employee benefits	**3 384**	2 893	2 468	3 169	2 770

in PLN millions, unless otherwise stated

Main actuarial assumptions (of the Parent Entity) adopted for measurement as at 31 December 2023:

	2023	2024	2025	2026	2027 and beyond
- discount rate	5.20%	5.20%	5.20%	5.20%	5.20%
- coal price growth rate	-20.57%	3.60%	2.50%	2.50%	2.50%
- rate of growth of the lowest salary	19.44%	5.20%	4.00%	4.00%	4.00%
- expected inflation	4.60%	3.70%	2.50%	2.50%	2.50%
- future expected increase in salary	9.60%	8.40%	4.00%	4.00%	4.00%

Main actuarial assumptions (of the Parent Entity) adopted for measurement as at 31 December 2022:

	2023	2024	2025	2026	2027 and beyond
- discount rate	6.75%	6.75%	6.75%	6.75%	6.75%
- coal price growth rate	87.90%	5.90%	3.50%	2.50%	2.50%
- rate of growth of the lowest salary	19.60%	5.70%	5.00%	4.00%	4.00%
- expected inflation	13.10%	5.90%	3.50%	2.50%	2.50%
- future expected increase in salary	16.00%	9.00%	5.00%	4.00%	4.00%

The change in actuarial gains/losses was caused by a change in the assumptions in respect of the increase in the discount rate, the increase in coal prices and future expected increase in salary.
For purposes of reassessment of the liabilities at the end of the current period, the parameters assumed were based on available forecasts of inflation, analysis of coal prices rates and of the lowest salary rates, and also based on the anticipated profitability of long-term treasury bonds.

Actuarial (gains)/losses as at 31 December 2023 versus assumptions adopted as at 31 December 2022

Change in financial assumptions	180
Change in demographic assumptions	64
Other changes	208
Total actuarial losses	**452**

Actuarial (gains)/losses as at 31 December 2022 versus assumptions adopted as at 31 December 2021

Change in financial assumptions	(7)
Change in demographic assumptions	(40)
Other changes	462
Total actuarial losses	**415**

Maturity profile of future employee benefits liabilities

Year of maturity:	**Total liabilities**	Jubilee awards	Retirement and disability benefits	Coal equivalent	Other benefits
2024	**266**	72	71	111	12
2025	**268**	68	76	118	6
2026	**207**	58	33	111	5
2027	**191**	54	27	105	5
2028	**181**	50	28	98	5
Other years	**2 271**	378	325	1 484	84
Total liabilities in the statement of financial position as at 31 December 2023	**3 384**	**680**	**560**	**2 027**	**117**

in PLN millions, unless otherwise stated

Maturity profile of future employee benefits liabilities

Year of maturity:	Total liabilities	Jubilee awards	Retirement and disability benefits	Coal equivalent	Other benefits
2023	**272**	68	64	129	11
2024	**251**	54	63	129	5
2025	**198**	48	22	123	5
2026	**189**	44	26	114	5
2027	**173**	42	21	105	5
Other years	**1 810**	280	236	1 236	58
Total liabilities in the statement of financial position as at 31 December 2022	**2 893**	**536**	**432**	**1 836**	**89**

in PLN millions, unless otherwise stated

Part 12 – Other notes

Note 12.1 Related party transactions

The accounting policies and significant estimates and assumptions presented in Parts 2 and 10 are applicable to transactions entered into with related parties.

The transactions between the Group and related parties include transactions with:

- the joint venture Sierra Gorda S.C.M.,
- entities controlled or jointly controlled by the State Treasury or over which it has significant influence, and
- the Management Board and the Supervisory Board (remuneration) – Note 12.9.

Operating income from related entities

	from 1 January 2023 to 31 December 2023	from 1 January 2022 to 31 December 2022
Revenues from sales of products, merchandise and materials to a joint venture	38	38
Interest income on loans granted to a joint venture	597	582
Revenues from other transactions with a joint venture	21	376
Revenues from other transactions with other related parties	23	11
Total	**679**	**1 007**

Purchase from related entities

	from 1 January 2023 to 31 December 2023	from 1 January 2022 to 31 December 2022
Purchase of services, merchandise and materials	34	32
Other purchase transactions	4	3
Total	**38**	**35**

Trade and other receivables from related parties

	As at 31 December 2023	As at 31 December 2022
From the joint venture Sierra Gorda S.C.M. – loans granted	9 096	9 603
From the joint venture Sierra Gorda S.C.M. - other receivables	29	69
From other related parties	5	5
Total	**9 130**	**9 677**

Trade and other payables towards related parties

	As at 31 December 2023	As at 31 December 2022
Towards joint venture	18	58
Towards other related parties	3	2
Total	**21**	**60**

The State Treasury is an entity controlling KGHM Polska Miedź S.A. at the highest level. The Group 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). In 2023, the Parent Entity and subsidiaries did not enter into significant transactions with related parties under other than arm's length conditions.

Pursuant to the scope of IAS 24.26, as at 31 December 2023 and in the period from 1 January to 31 December 2023, the Group realised the following transactions with the Polish Government and entities controlled or jointly controlled by the Polish Government, unusual due to their nature or amount:

- due to an agreement on setting mining usufruct for the extraction of mineral resources and for the exploration for and assessment of mineral resources – balance of payables in the amount of PLN 243 million (as at 31 December 2022: PLN 229 million); including payables due to mining usufruct for the extraction of mineral resources recognised in costs in the amount of PLN 31 million (as at 31 December 2022: PLN 31 million),

- due to a reverse factoring agreement the Group had payables in the amount of PLN 2 528 million and interest costs for the period from 1 January to 31 December 2023 in the amount of PLN 55 million (as at 31 December 2022, payables in the amount of PLN 18 million and interest costs for the period from 1 January to 31 December 2022 in the amount of PLN 3 million),
- other transactions and economic operations related to spot currency exchange, depositing cash, granting bank loans, guarantees, and letters of credit (including documentary letters of credit), running bank accounts, servicing of business credit cards, processing of a documentary collection, servicing of special purpose funds and entering into transactions on the forward currency market as part of cooperation with banks related to the State Treasury,

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

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

- the purchase of goods (energy, fuels, services), merchandise, materials and fixed assets to meet the needs of current operating activities. In the period from 1 January to 31 December 2023, the turnover from these transactions amounted to PLN 3 554 million (from 1 January to 31 December 2022: PLN 3 816 million), and, as at 31 December 2023, the unsettled balance of liabilities from these transactions amounted to PLN 378 million (as at 31 December 2022: PLN 340 million),
- sales to Polish State Treasury Companies. In the period from 1 January to 31 December 2023, the turnover from these sales amounted to PLN 864 million (from 1 January to 31 December 2022: PLN 430 million), and, as at 31 December 2023, the unsettled balance of receivables from these transactions amounted to PLN 240 million (as at 31 December 2022: PLN 241 million).

Note 12.2 Dividends paid

In accordance with Resolution No. 7/2023 of the Ordinary General Meeting of KGHM Polska Miedź S.A. dated 21 June 2023 regarding the appropriation of profit for the year ended 31 December 2022, the profit in the amount of PLN 3 533 million was appropriated as follows: as a shareholders dividend in the amount of PLN 200 million (PLN 1.00 per share) and transfer of PLN 3 333 million to the Company's reserve capital. The Ordinary General Meeting of KGHM Polska Miedź S.A. set the dividend date for 2022 at 27 July 2023 and the dividend payment date for 2022 at 10 August 2023.

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.

All shares of the Parent Entity are ordinary shares.

As at the date of publication, no decision was made as to covering the loss for 2023.

in PLN millions, unless otherwise stated

Note 12.3 Other assets

Accounting policies
Receivables not constituting financial assets are initially recognised at nominal value, and at the end of the reporting period they are measured in the amount receivable.

		As at 31 December 2023	As at 31 December 2022
	Other non-current non-financial assets	**386**	**220**
	Investment property	120	106
	Prepayments	9	14
	Non-financial advances	185	30
	Receivables due to overpayment of property tax	72	69
	Other	-	1
	Other current assets	**571**	**623**
Note 7.1	**Financial**	**296**	**337**
	Amounts retained (collateral) due to long-term construction contracts	7	13
	Receivables due to guarantees granted	18	29
	Receivables due to settled derivatives	48	37
	Receivables due to compensation for energy-intensive sector due to allocation of the costs of purchasing CO_2 emission allowances to the price of electricity	144	98
	Receivables due to conditional payments associated with the agreement on the sale of a subsidiary S.C.M. Franke	20	-
	Receivables due to settlement of the Franco Nevada streaming contract	13	113
	Other	46	47
	Non-financial	**275**	**286**
	Non-financial advances	103	108
	Receivables due to measurement of long-term contracts	75	99
	Receivables due to property and personal insurance	29	26
	Other	68	53
	Other non-current and current assets, total	**957**	**843**

in PLN millions, unless otherwise stated

Note 12.4 Other liabilities

Accounting policies
Other financial liabilities are initially recognised at fair value less transaction costs, and at the end of the reporting period they are measured at amortised cost.

	As at 31 December 2023	As at 31 December 2022
Deferred income, including:	222	238
Liabilities due to Franco Nevada streaming contract	128	137
Trade payables	197	186
Other financial liabilities	33	54
Other non-financial liabilities	35	65
Other liabilities – non-current	**487**	**543**
Deferred income, including:	67	134
Trade payables	33	87
Accruals, including:	1 046	976
Provision for purchase of property rights related to electricity	41	91
Charges for discharging gases and dusts to the air	501	600
Other accounted costs, proportional to achieved revenues, which are future liabilities estimated on the basis of contracts entered into	224	220
Liabilities due to settled derivatives	7	34
Other financial liabilities	281	123
Other non-financial liabilities	51	62
Other liabilities – current	**1 452**	**1 329**
Total – non-current and current liabilities	**1 939**	**1 872**

Note 12.5 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 31 December 2023	As at 31 December 2022
	Contingent assets	**459**	**366**
	Guarantees received	324	195
	Promissory notes receivables	111	147
	Other	24	24
	Contingent liabilities	**589**	**452**
Note 8.6	Guarantees and letters of credit	260	187
Note 8.6	Promissory note payables	257	170
	Property tax on underground mine workings	6	34
	Other	66	61
	Other liabilities not recognised in the statement of financial position - liabilities towards local government entities due to expansion of the tailings storage facility	**26**	**34**

in PLN millions, unless otherwise stated

Note 12.6 Litigation and claims

A proceeding regarding the payment of royalties for the use of invention project no. 1/97/KGHM called „Method for increasing the production capacity of the electrorefining sections of the Metallurgical Plants". Details are presented in The Management Board's Report on the activities of KGHM Polska Miedź S.A. and the KGHM Polska Miedź S.A. Group in 2023, in section 2.10 Litigation and claims.

Note 12.7 Capital commitments related to property, plant and equipment and intangible assets

Capital commitments incurred in the reporting period, but not yet recognised in the consolidated statement of financial position, were as follows:

	As at 31 December 2023	As at 31 December 2022
Capital commitments due to the purchase of:		
property, plant and equipment	1 668	1 390
intangible assets	22	18
Total capital commitments	**1 690**	**1 408**

The Group's share in capital commitments of joint ventures (Sierra Gorda S.C.M.) is presented in Note 6.1.

Note 12.8 Employment structure

	from 1 January 2023 to 31 December 2023	from 1 January 2022 to 31 December 2022
White-collar employees	10 968	10 650
Blue-collar employees	22 914	23 004
Total (full-time)	**33 882**	**33 654**

Note 12.9 Remuneration of key managers

Remuneration of members of the Management Board (in PLN thousands)	from 1 January 2023 to 31 December 2023				
	Period when function served	Remuneration for the period of service as a member of the Management Board	Remuneration after the period of service as a member of the Management Board	Benefits due to termination of employment	Total earnings
Members of the Management Board serving in the function as at 31 December 2023					
Tomasz Zdzikot*	01.01-31.12	1 648	-	-	**1 648**
Mirosław Kidoń	01.01-31.12	1 181	-	-	**1 181**
Marek Pietrzak*	01.01-31.12	2 244	-	-	**2 244**
Marek Świder*	01.01-31.12	2 004	-	-	**2 004**
Mateusz Wodejko	01.01-31.12	1 207	-	-	**1 207**
Members of the Management Board not serving in the function as at 31 December 2023					
Marcin Chludziński	-	-	874	-	**874**
Adam Bugajczuk	-	-	697	-	**697**
Paweł Gruza	-	-	631	(163)	**468**
Andrzej Kensbok	-	-	975	-	**975**
TOTAL		**8 284**	**3 177**	**(163)**	**11 298**

** The amount includes the variable part of remuneration for 2022 settled in 2023.*

Remuneration of members of the Management Board (in PLN thousands)	from 1 January 2022 to 31 December 2022				
	Period when function served	Remuneration for the period of service as a member of the Management Board	Remuneration after the period of service as a member of the Management Board	Benefits due to termination of employment	Total earnings
Members of the Management Board serving in the function as at 31 December 2022					
Tomasz Zdzikot	01.09-31.12	373	-	-	**373**
Mirosław Kidoń	10.12-31.12	64	-	-	**64**
Marek Pietrzak	01.01-31.12	1 079	-	-	**1 079**
Marek Świder	15.03-31.12	836	-	-	**836**
Mateusz Wodejko	21.12-31.12	32	-	-	**32**
Members of the Management Board not serving in the function as at 31 December 2022					
Marcin Chludziński	01.01-11.10	1 939	-	435	**2 374**
Adam Bugajczuk	01.01-31.08	1 667	-	-	**1 667**
Paweł Gruza	01.01-09.08	1 604	-	163	**1 767**
Andrzej Kensbok	01.01-06.12	1 679	-	298	**1 977**
Katarzyna Kreczmańska-Gigol	-	-	277	-	**277**
Jerzy Paluchniak	01.09-11.10	120	-	-	**120**
Radosław Stach	-	-	277	-	**277**
Dariusz Świderski	01.01-21.02	148	600	14	**762**
TOTAL		**9 541**	**1 154**	**910**	**11 605**

Remuneration of members of the Supervisory Board (in PLN thousands)	from 1 January 2023 to 31 December 2023			
	Period when function served	Current employee benefits	Current benefits due to serving in the function	Total earnings
Members of the Supervisory Board serving in the function as at 31 December 2023				
Agnieszka Winnik -Kalemba	01.01-31.12	-	185	**185**
Katarzyna Krupa	01.01-31.12	-	167	**167**
Wojciech Zarzycki	01.01-31.12	-	167	**167**
Józef Czyczerski	01.01-31.12	328	168	**496**
Przemysław Darowski	01.01-31.12	126	167	**293**
Andrzej Kisielewicz	01.01-31.12	-	167	**167**
Bogusław Szarek	01.01-31.12	326	167	**493**
Marek Wojtków	01.01-31.12	-	167	**167**
Radosław Zimroz	01.01-31.12	-	167	**167**
Piotr Ziubroniewicz	01.01-31.12	-	167	**167**
TOTAL		**780**	**1 689**	**2 469**

Remuneration of members of the Supervisory Board (in PLN thousands)	from 1 January 2022 to 31 December 2022			
	Period when function served	Current employee benefits	Current benefits due to serving in the function	Total earnings
Members of the Supervisory Board serving in the function as at 31 December 2022				
Agnieszka Winnik -Kalemba	01.01-31.12	-	164	**164**
Katarzyna Krupa	01.01-31.12	-	149	**149**
Wojciech Zarzycki	22.06-31.12	-	78	**78**
Józef Czyczerski	01.01-31.12	203	150	**353**
Przemysław Darowski	01.01-31.12	109	149	**258**
Andrzej Kisielewicz	01.01-31.12	-	149	**149**
Bogusław Szarek	01.01-31.12	372	149	**521**
Marek Wojtków	07.10-31.12	-	35	**35**
Radosław Zimroz	07.10-31.12	-	35	**35**
Piotr Ziubroniewicz	24.11-31.12	-	15	**15**
Members of the Supervisory Board not serving in the function as at 31 December 2022				
Piotr Dytko	22.06-07.10	-	44	**44**
Jarosław Janas	01.01-21.06	-	71	**71**
Robert Kaleta	01.01-07.10	-	115	**115**
Bartosz Piechota	01.01-21.06	-	71	**71**
TOTAL		**684**	**1 374**	**2 058**

	from 1 January 2023 to 31 December 2023	from 1 January 2022 to 31 December 2022
Current employee benefits of other key managers (in PLN thousands)	3 141	3 496

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 members of management bodies 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 Board of Directors of KGHM INTERNATIONAL LTD. were recognised as other key managers of the Group.

Note 12.10 Remuneration of the entity entitled to audit the financial statements and of entities related to it in PLN thousands

	from 1 January 2023 to 31 December 2023	from 1 January 2022 to 31 December 2022
Companies of the PricewaterhouseCoopers group, total	**5 653**	**5 429**
From the contract for the review and audit of financial statements and contracts for assurance services, of which:	**5 554**	**5 330**
audit of annual financial statements	4 541	4 307
assurance services, of which:	1 013	1 023
review of financial statements	833	818
other assurance services	180	205
From realisation of other contracts	**99**	**99**

in PLN millions, unless otherwise stated

Note 12.11 Composition of the Group

Company	Head office	% of Group's share As at 31 December 2023	As at 31 December 2022
BIPROMET S.A.	Katowice	100	100
CBJ sp. z o.o.	Lubin	100	100
CENTROZŁOM WROCŁAW S.A.	Wrocław	100	100
Polska Grupa Uzdrowisk sp. z o.o. (formerly CUPRUM Zdrowie sp. z o.o.)	Wrocław	100	100
"Energetyka" sp. z o.o.	Lubin	100	100
Fundusz Hotele 01 Sp. z o.o.	Wrocław	100	100
Fundusz Hotele 01 Sp. z o.o. S.K.A.	Wrocław	100	100
INOVA Spółka z o.o.	Lubin	100	100
KGHM CUPRUM sp. z o.o. – CBR	Wrocław	100	100
CUPRUM Development sp. z o.o.	Wrocław	100	100
KGHM Kupfer AG	Weißwasser	100	100
KGHM Metraco S.A.	Legnica	100	100
KGHM (SHANGHAI) COPPER TRADING CO., LTD.	Shanghai	100	100
KGHM TFI S.A.	Wrocław	-	100
KGHM ZANAM S.A.	Polkowice	100	100
"MIEDZIOWE CENTRUM ZDROWIA" S.A.	Lubin	100	100
NITROERG S.A.	Bieruń	87.12	87.12
NITROERG SERWIS Sp. z o.o.	Wilków	87.12	87.12
PeBeKa S.A.	Lubin	100	100
MERCUS Logistyka sp. z o.o.	Polkowice	100	100
PHU "Lubinpex" Sp. z o.o.	Lubin	100	100
Future 1 Sp. z o.o.	Lubin	100	100
KGHM Centrum Analityki Sp. z o.o.	Lubin	100	100
Future 3 Sp. z o.o.	Lubin	100	100
Future 4 Sp. z o.o.	Lubin	100	100
Future 5 Sp. z o.o.	Lubin	100	100
PMT Linie Kolejowe Sp. z o.o.	Owczary	100	100
POL-MIEDŹ TRANS Sp. z o.o.	Lubin	100	100
Polska Grupa Uzdrowisk sp. z o.o.	Wrocław	-	100
Uzdrowisko Cieplice Sp. z o.o.-Grupa PGU	Jelenia Góra	98.85	98.85
Uzdrowiska Kłodzkie S.A. - Grupa PGU	Polanica Zdrój	100	100
Uzdrowisko Połczyn Grupa PGU S.A.	Połczyn Zdrój	100	100
Uzdrowisko Świeradów-Czerniawa Sp. z o.o.-Grupa PGU	Świeradów Zdrój	99.48	99.40
WMN "ŁABĘDY" S.A.	Gliwice	84.98	84.98
WPEC w Legnicy S.A.	Legnica	100	100
Zagłębie Lubin S.A.	Lubin	100	100
OOO ZANAM VOSTOK	Gay (Russia)	100	100
Invest PV 7 Sp. z o.o.	Lubin	100	-
TUW Cuprum	Lubin	99.49	99.49

in PLN millions, unless otherwise stated

Company	Head office	% of Group's share As at 31 December 2023	As at 31 December 2022
KGHM INTERNATIONAL LTD. Group			
KGHM INTERNATIONAL LTD.	Canada	100	100
KGHM AJAX MINING INC.	Canada	80	80
Sugarloaf Ranches Ltd.	Canada	80	80
KGHMI HOLDINGS LTD.	Canada	100	100
Quadra FNX Holdings Chile Limitada	Chile	100	100
Aguas de la Sierra Limitada	Chile	100	100
Quadra FNX FFI S.à r.l.	Luxembourg	100	100
Robinson Holdings (USA) Ltd.	USA	100	100
Wendover Bulk Transhipment Company	USA	100	100
Robinson Nevada Mining Company	USA	100	100
Carlota Holdings Company	USA	100	100
Carlota Copper Company	USA	100	100
FNX Mining Company Inc.	Canada	100	100
DMC Mining Services Ltd.	Canada	100	100
Quadra FNX Holdings Partnership	Canada	100	100
DMC Mining Services Mexico, S.A. de C.V.	Mexico	100	100
FNX Mining Company USA Inc.	USA	100	100
DMC Mining Services Corporation	USA	100	100
Centenario Holdings Ltd.	Canada	100	100
Minera Carrizalillo SpA	Chile	100	100
KGHM Chile SpA	Chile	100	100
FRANKE HOLDINGS LTD.	Canada	100	100
0899196 B.C. Ltd.	Canada	100	100
DMC Mining Services (UK) Ltd.	The United Kingdom	100	100
DMC Mining Services Colombia SAS	Colombia	100	100
DMC Mining Services Chile SpA	Chile	100	100

Changes in the organisational structure of the KGHM Polska Miedź S.A. Group

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

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

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

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

On 28 June 2023, the Management Board of KGHM Polska Miedź S.A. adopted a resolution on the merger of the company CUPRUM Zdrowie sp. z o.o. with the company Polska Grupa Uzdrowisk sp. z o. o. and approval of the amendment to the Articles of Association of the company CUPRUM Zdrowie sp. z o.o. On 14 July 2023 the Shareholders Meetings of the merging companies expressed consent to the merger.

On 1 August 2023, the aforementioned merger was registered in the National Court Register.

Acquisition of shares in the company INVEST PV7 sp. z o.o.

On 10 October 2023, KGHM Polska Miedź S.A. acquired shares in the company INVEST PV7 sp. z o.o. – the first of several photovoltaic farms with a capacity of 5.2 MW, this acquisition being the result of a preliminary contingent agreement signed on 12 September 2023 for the purchase of shares in special purpose companies being the owners of photovoltaic farms projects with a combined capacity of approx. 47 MW. The farms are located in the following voivodeships: Lower Silesia, Łódź, Pomerania and Greater Poland.

In accordance with the requirements of IFRS 3 Business Combinations, an analysis was conducted as to whether the acquired assets and liabilities meet the definition of a business and the transaction should be settled in accordance with IFRS 3 as a business combination, or whether the acquired assets do not constitute a business and the transaction should be settled as an acquisition of assets.

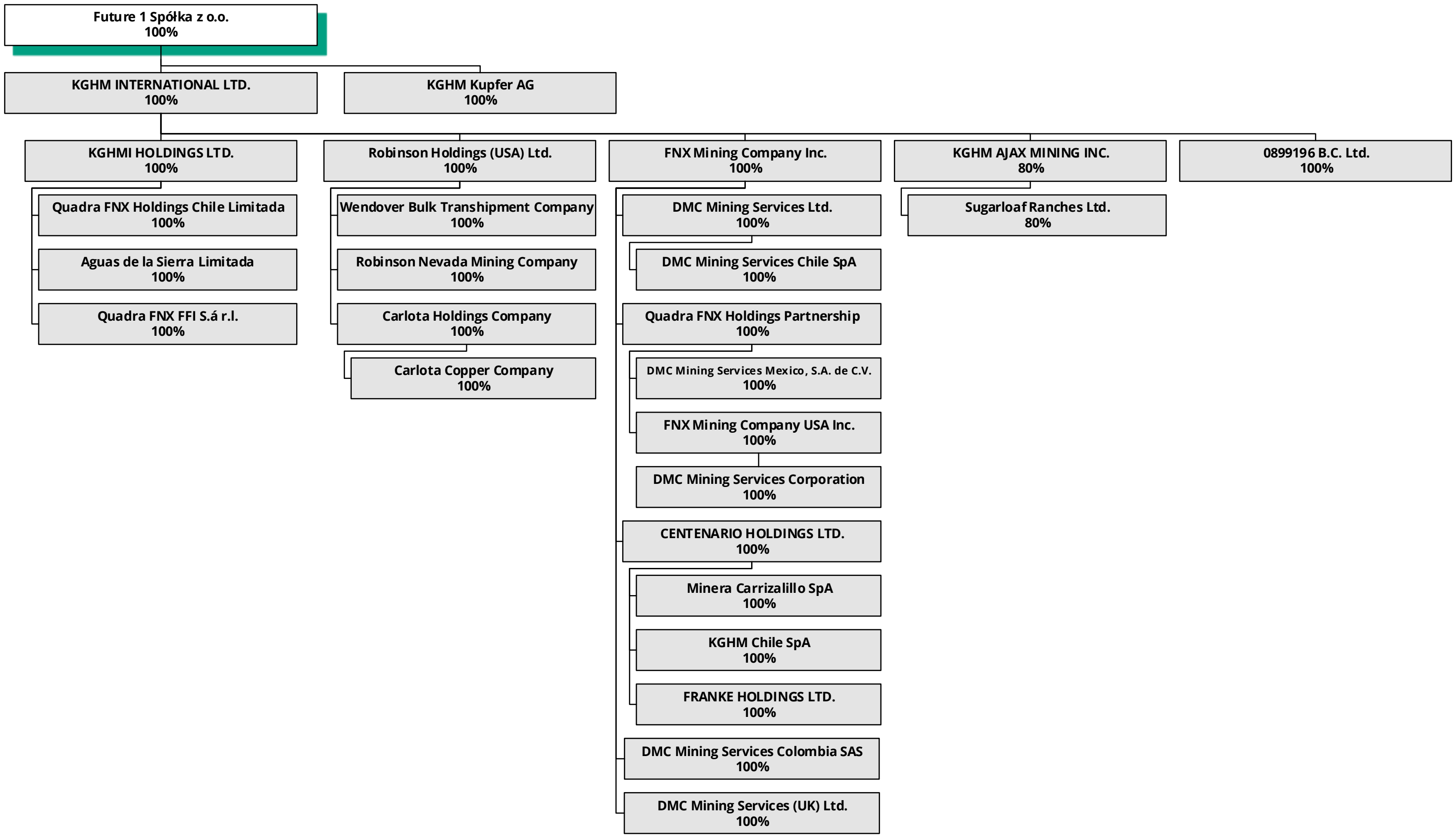
After conducting a concentration test, the Group concluded that the transaction constituted an acquisition of assets and was recognised as such in the consolidated financial statements.

The acquired assets are property, plant and equipment mainly constituting expenditures incurred on the construction of a photovoltaic farm (i.e. steel structures, Energy Performance Contracting costs) and land usufruct under a tenancy agreement.

Diagram of the KGHM Polska Miedź S.A. Group as at 31 December 2023

- **Parent Entity KGHM Polska Miedź S.A.**
  - PeBeKa S.A. 100%
  - KGHM ZANAM S.A. 100%
    - OOO ZANAM VOSTOK 100%
  - POL-MIEDŹ TRANS Sp. z o.o. 100%
  - PMT Linie Kolejowe Sp. z o.o. 100%
  - „Energetyka" sp. z o.o. 100%
    - WPEC w Legnicy S.A. 100%
  - INOVA Spółka z o.o. 100%
  - KGHM CUPRUM sp. z o.o. – CBR 100%
  - BIPROMET S.A. 100%
  - CBJ sp. z o.o. 100%
  - KGHM Metraco S.A. 100%
    - CENTROZŁOM WROCŁAW S.A. 100%
    - WMN „ŁABĘDY" S.A. 84.98%
  - NITROERG S.A. 87.12%
    - NITROERG SERWIS Sp. z o.o 87.12%
  - MERCUS Logistyka sp. z o.o. 100%
    - PHU „Lubinpex" Sp. z o.o. 100%
  - Polska Grupa Uzdrowisk sp. z o.o. 100%
    - Uzdrowiska Kłodzkie S.A. – Grupa PGU 100%
    - Uzdrowisko Połczyn Grupa PGU S.A. 100%
    - Uzdrowisko Cieplice Sp. z o.o. – Grupa PGU 98.85%
    - Uzdrowisko Świeradów-Czerniawa Sp. z o.o. – Grupa PGU 99.48%
    - CUPRUM Development sp. z o.o. 100%
    - Fundusz Hotele 01 Sp. z o.o. 100%
    - Fundusz Hotele 01 Sp. z o.o. S.K.A. 100%
  - „MIEDZIOWE CENTRUM ZDROWIA" S.A. 100%
  - Zagłębie Lubin S.A. 100%
  - TUW Cuprum * 99.49%
  - KGHM Centrum Analityki Spółka z o.o. 100%
  - Future 3 Spółka z o.o. 100%
  - Future 4 Spółka z o.o. 100%
  - Future 5 Spółka z o.o. 100%
  - KGHM (SHANGHAI) COPPER TRADING CO., LTD. 100%
  - Invest PV 7 Sp. z o.o. 100%
  - Future 1 Spółka z o.o. 100% (continued on next page)

** Unit excluded from consolidation due to its insignificant impact on the consolidated financial statements.*


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

Note 12.12 Subsequent events

Convening of an Extraordinary General Meeting

On 8 January 2024, the Parent Entity's Management Board announced the convening of the Extraordinary General Meeting of KGHM Polska Miedź S.A., which took place on 13 February 2024 at the head office of the Parent Entity in Lubin, at the address ul. Marii Skłodowskiej-Curie 48.

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

On 9 January 2024, Marek Świder resigned from the function of Vice President of the Management Board of KGHM Polska Miedź S.A. (Production), and thus from membership in the Management Board of KGHM Polska Miedź S.A., as of 9 January 2024.

Conclusion of a contract with Prysmian S.p.A. for the sale of copper wire rod

On 11 January 2024, the Parent Entity signed a long-term sales contract with one of the largest customers of copper wire rod – the Prysmian S.p.A. Group. The minimum value of the contract is estimated at USD 1.73 billion (PLN 6.88 billion), while the maximum value at USD 2.46 billion (PLN 9.77 billion). The contract is a continuation of a long-standing cooperation with the Prysmian Group.

Conclusion of an agreement and an annex to the guarantee agreement

On 11 January 2024, the Parent Entity signed an annex to the agreement for granting guarantee under the available line with a bank with its registered office in Warsaw, increasing the value of the agreement from PLN 500 million to PLN 700 million, and on 7 February 2024, it concluded an agreement for granting guarantee under the line up to the amount of USD 50 million (PLN 202 million).

Consent to sign a credit agreement

On 7 February 2024 the Management Board of the Company consented to sign an unsecured, revolving credit agreement with Bank Gospodarstwa Krajowego in the amount of USD 450 million for a financing period of up to 60 months, with an option to extend it by a subsequent 24 months. During the credit's availability period, that is 36 months from the date of signing the Agreement, the credit is a renewable credit line (every repayment renews the available credit limit) and beginning from the first day after the period of 36 months from the date of signing the Agreement, the credit will be transformed into a non-renewable loan to be repaid in four equal, semi-annual principal instalments (unless it is extended as per the conditions described below). Every repayment of a principal instalment will decrease the amount of credit until the credit is fully repaid. Moreover, the credit has 2 options to extend its availability period in the form of a renewable credit line:

- 1st extension option by a subsequent 24 months at the Company's request after 30 months,
- 2nd extension option by a subsequent 24 months at the Company's request after 54 months.

Pursuant to the terms of the Agreement, the credit may be drawn in USD. The financial resources acquired from the credit will be used to finance general corporate purposes. Interest on the credit was set based on SOFR plus a margin, depending on the level of the financial ratio of net debt/EBITDA. Other credit terms are standard terms for these types of transactions. The aforementioned Agreement replaces the credit agreement with Bank Gospodarstwa Krajowego from 2019, which was announced by the Company via regulatory filing no. 7/2019 dated 25 February 2019. The credit agreement was signed on 23 February 2024.

Granting a loan to KGHM INTERNATIONAL LTD.

On 12 February 2024, the Parent Entity granted a loan to KGHM INTERNATIONAL LTD. in the amount of USD 30.6 million (PLN 122.9 million) for financing the purchase of mining machinery in the Robinson mine.

Conclusion of reverse factoring agreements

On 12 February 2024 and on 1 March 2024, KGHM Polska Miedź S.A. concluded reverse factoring agreements with two financial institutions, with a total available limit of PLN 600 million. Ultimately, this limit will amount to PLN 1 billion.

Changes in the composition of the Supervisory Board of the Parent Entity

On 13 February 2024, 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:

- Andrzej Kisielewicz,
- Katarzyna Krupa,
- Agnieszka Winnik – Kalemba,
- Marek Wojtków,
- Wojciech Zarzycki,
- Radosław Zimroz,
- Piotr Ziubroniewicz

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

- Zbigniew Bryja,
- Aleksander Cieśliński,
- Zbysław Dobrowolski,
- Dominik Januszewski,
- Tadeusz Kocowski,
- Marian Noga,
- Piotr Prugar.

Changes in the composition of the Management Board of the Parent Entity

On 13 February 2024, the Supervisory Board of the Company adopted resolutions on dismissal from the composition of the 11th term Management Board of KGHM Polska Miedź S.A following persons:

- Tomasz Zdzikot, President of the Management Board of KGHM Polska Miedź S.A.,
- Mateusz Wodejko, Vice President of the Management Board (Finance) of KGHM Polska Miedź S.A.,
- Marek Pietrzak, Vice President of the Management Board (Corporate Affairs).

Moreover, the Supervisory Board of the Company adopted a resolution on delegation of Zbigniew Bryja - a member of the Supervisory Board, to temporarily carry out the duties of the President of the Management Board of KGHM Polska Miedź S.A., the Vice President of the Management Board (Finance) of KGHM Polska Miedź S.A., the Vice President of the Management Board (Corporate Affairs) of KGHM Polska Miedź S.A. and Vice President of the Management Board (Development) of KGHM Polska Miedź S.A. for the period from 13 February 2024 to the date of results of the qualification proceedings for the positions of President of the Management Board of KGHM Polska Miedź S.A. and at least one of the Vice Presidents of the Management Board of KGHM Polska Miedź S.A., but not longer than for a period of three months.

Acquisition of photovoltaic farms

On 29 February 2024, KGHM Polska Miedź S.A. acquired additional 7 photovoltaic farms on the Renewable Energy Sources market. The concluded transaction is the first step on the road towards the realisation of the energy transformation strategy. It is a step towards the diversification of sources and decoupling the Parent Entity from volatility of prices on the energy market. The transaction price amounted to PLN 215 million, paid by a bank transfer in the amount of PLN 141 million in 2023 (an advance due to acquisition of financial assets) and in the amount of PLN 74 million in 2024.

The acquired assets are located in four voivodeships: Lower Silesia, Pomerania, Greater Poland and Łódź. The company responsible for their construction is Projekt Solartechnik, a part of the Grenevia (Famur) group and TDJ.

Pursuant to the requirements of IFRS 3 Business Combinations, the Group is analysing whether the acquired assets and liabilities meet the definition of a business and whether the transaction should be settled pursuant to IFRS 3 as a business combination, or whether acquired assets do not constitute a business and the transaction should be settled as an acquisition of assets. The results of the concentration test will be recognised in the consolidated financial statements for the first quarter of 2024.

Resignation of a Member of the Supervisory Board of the Parent Entity, temporarily delegated to carry out the duties of a Member of the Management Board

On 6 March, the Company received a declaration from Zbigniew Bryja announcing his resignation, upon the submission of the declaration, from the delegation as a Member of the Supervisory Board of KGHM Polska Miedź S.A. to temporarily carry out the duties of the President of the Management Board of KGHM Polska Miedź S.A., the Vice President of the Management Board (Finance) of KGHM Polska Miedź S.A., the Vice President of the Management Board (Corporate Affairs) of KGHM Polska Miedź S.A. and Vice President of the Management Board (Development) of KGHM Polska Miedź S.A., as well as his resignation from serving in the function of a member of the Supervisory Board of the Parent Entity.

Appointment of Members of the Management Board of the Parent Entity

On 6 March 2024, the Supervisory Board of the Company adopted resolutions on appointing the following persons to the Management Board of KGHM Polska Miedź S.A.:

- Andrzej Szydło as a Member of the Management Board of KGHM Polska Miedź S.A., granting him the function of President of the Management Board of KGHM Polska Miedź S.A.
- Piotr Stryczek as a Member of the Management Board of KGHM Polska Miedź S.A., granting him the function of Vice President of the Management Board (Corporate Affairs) of KGHM Polska Miedź S.A.
- Mirosław Laskowski as a Member of the Management Board of KGHM Polska Miedź S.A., granting him the function of Vice President of the Management Board (Production) of KGHM Polska Miedź S.A.
- Zbigniew Bryja as a Member of the Management Board of KGHM Polska Miedź S.A., granting him the function of Vice President of the Management Board (Development) of KGHM Polska Miedź S.A.
- Piotr Krzyżewski as a Member of the Management Board of KGHM Polska Miedź S.A., granting him the function of Vice President of the Management Board (Finance) of KGHM Polska Miedź S.A

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

On 29 March 2024 Mirosław Kidoń resigned from the function of Vice President of the Management Board (International Assets) of KGHM Polska Miedź S.A., and thus from membership in the Management Board of KGHM Polska Miedź S.A., as of 1 April 2024.

Part 13 – Quarterly financial information of the Group

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		from 1 October 2023 to 31 December 2023 unaudited	from 1 October 2022 to 31 December 2022 unaudited	from 1 January 2023 to 31 December 2023	from 1 January 2022 to 31 December 2022
Note 2.3	Revenues from contracts with customers	7 819	8 151	33 467	33 847
Note 4.1	Cost of sales	(9 753)	(6 898)	(32 907)	(27 541)
	Gross (loss)/profit	**(1 934)**	**1 253**	**560**	**6 306**
Note 4.1	Selling costs and administrative expenses	(795)	(595)	(2 200)	(1 962)
	(Loss)/profit on sales	**(2 729)**	**658**	**(1 640)**	**4 344**
Note 6.2	Gains due to the reversal of allowances for impairment of loans granted to a joint venture	(392)	90	101	873
Note 6.2	Interest income on loans granted to a joint venture calculated using the effective interest rate method	151	105	597	582
	Profit or loss on involvement in a joint venture	(241)	195	698	1 455
Note 4.2	Other operating income, including:	204	24	906	1 881
	other interest calculated using the effective interest rate method	12	13	56	54
	reversal of impairment losses on financial instruments	(3)	1	-	5
	Other operating costs, including:	(2 769)	(1 676)	(3 723)	(919)
	impairment losses on financial instruments	2	-	(4)	(5)
	Finance income	391	537	529	148
Note 4.3	Finance costs	(148)	(114)	(370)	(420)
	(Loss)/ profit before income tax	**(5 292)**	**(376)**	**(3 600)**	**6 489**
Note 5.1	Income tax expense	765	(117)	(91)	(1 715)
	(LOSS)/PROFIT FOR THE PERIOD	**(4 527)**	**(493)**	**(3 691)**	**4 774**
	(Loss)/Profit for the period attributable to:				
	Shareholders of the Parent Entity	(4 526)	(494)	(3 698)	4 772
	Non-controlling interest	(1)	1	7	2
	Weighted average number of ordinary shares (million)	**200**	**200**	**200**	**200**
	Basic/diluted earnings per share (in PLN)	**(22.63)**	**(2.47)**	**(18.49)**	**23.86**

in PLN millions, unless otherwise stated

Explanatory notes to the consolidated statement of profit or loss

Note 13.1 Expenses by nature

	from 1 October 2023 to 31 December 2023 unaudited	from 1 October 2022 to 31 December 2022 unaudited	from 1 January 2023 to 31 December 2023	from 1 January 2022 to 31 December 2022
Depreciation of property, plant and equipment and amortisation of intangible assets	756	663	2 641	2 398
Employee benefits expenses	2 170	2 009	8 296	7 333
Materials and energy, including:	3 576	4 045	14 872	15 876
purchased metal-bearing materials	1 915	2 158	7 712	8 859
External services	812	800	2 960	2 604
Minerals extraction tax	699	746	3 496	3 046
Other taxes and charges	272	249	874	786
Reversal of impairment losses on property, plant and equipment and intangible assets	(1)	(2)	(3)	(3)
Reversal of write-down of inventories	(1)	(15)	(19)	(55)
Advertising costs and representation expenses	37	34	96	89
Property and personal insurance	21	22	87	80
Impairment losses on property, plant and equipment and intangible assets	2 720	36	2 728	83
Write-down of inventories	87	34	429	74
Other costs	26	20	83	77
Total expenses by nature	**11 174**	**8 641**	**36 540**	**32 388**
Cost of merchandise and materials sold (+)	138	136	679	792
Change in inventories of finished goods and work in progress (+/-)	(108)	(827)	(275)	(2 008)
Cost of products for internal use of the Group (-)	(656)	(457)	(1 837)	(1 669)
Total cost of sales, selling costs and administrative expenses, of which:	**10 548**	**7 493**	**35 107**	**29 503**
Cost of sales	9 753	6 898	32 907	27 541
Selling costs	134	149	481	560
Administrative expenses	661	446	1 719	1 402

in PLN millions, unless otherwise stated

Note 13.2 Other operating income and (costs)

	from 1 October 2023 to 31 December 2023 unaudited	from 1 October 2022 to 31 December 2022 unaudited	from 1 January 2023 to 31 December 2023	from 1 January 2022 to 31 December 2022
Gains on derivatives, of which:	(31)	(12)	367	270
measurement	(127)	(61)	202	109
realisation	96	49	165	161
Interest income calculated using the effective interest rate method	12	13	56	54
Exchange differences on financial assets and liabilities other than borrowings	-	-	-	949
Reversal of impairment losses on fixed assets under construction	23	-	53	-
Reversal of impairment losses on financial instruments	(3)	1	-	5
Provisions released	(33)	(36)	54	62
Gain on disposal of intangible assets	(1)	(1)	7	134
Gain on disposal of subsidiaries	-	7	1	180
Government grants received	(4)	5	17	19
Income from servicing of letters of credit and guarantees	11	-	21	28
Compensation, fines and penalties received	14	3	47	66
Assistance under the government program "Aid for energy-intensive sectors related to sudden increases in natural gas and electricity prices in 2022 and 2023"	178	-	178	-
Other	38	44	105	114
Total other operating income	**204**	**24**	**906**	**1 881**
Losses on derivatives, of which:	(100)	(113)	(634)	(490)
measurement	40	(10)	(188)	(116)
realisation	(140)	(103)	(446)	(374)
Impairment losses on financial instruments	2	-	(4)	(5)
Fair value losses on financial assets	(9)	11	(104)	(58)
Impairment losses on fixed assets under construction and intangible assets not yet available for use	(1 306)	(58)	(1 308)	(64)
Exchange differences on financial assets and liabilities other than borrowings	(1 274)	(1 519)	(1 414)	-
Provisions recognised	(30)	69	(36)	(27)
Financial support granted to municipalities	-	(1)	(7)	(100)
Losses on disposal of property, plant and equipment	(10)	(17)	(28)	(26)
Donations granted	(12)	(21)	(66)	(55)
Other	(30)	(27)	(122)	(94)
Total other operating costs	**(2 769)**	**(1 676)**	**(3 723)**	**(919)**
Other operating income/(costs)	**(2 565)**	**(1 652)**	**(2 817)**	**962**

in PLN millions, unless otherwise stated

Note 13.3 Finance income/(costs)

	from 1 October 2023 to 31 December 2023 unaudited	from 1 October 2022 to 31 December 2022 unaudited	from 1 January 2023 to 31 December 2023	from 1 January 2022 to 31 December 2022
Exchange differences on measurement and realisation of borrowings	305	438	356	-
Gains on derivatives - realisation	86	83	173	130
Result of the settlement of a transaction hedging against interest rate risk due to the issue of bonds with a variable interest rate	-	16	-	18
Total finance income	**391**	**537**	**529**	**148**
Interest on borrowings, including:	(40)	(3)	(76)	(18)
leases	-	(2)	(1)	(9)
Unwinding of the discount of provisions effect	(3)	(6)	(60)	(21)
Bank fees and charges on borrowings	(8)	(6)	(26)	(29)
Losses on derivatives - realisation	(90)	(98)	(183)	(149)
Exchange differences on measurement and realisation of borrowings	-	-	-	(179)
Other	(7)	(1)	(25)	(24)
Total finance costs	**(148)**	**(114)**	**(370)**	**(420)**
Finance income /(costs)	**243**	**423**	**159**	**(272)**

SIGNATURES OF ALL MEMBERS OF THE MANAGEMENT BOARD

These financial statements were authorised on 23 April 2024.

President
of the Management Board

Andrzej Szydło

Vice President
of the Management Board

Zbigniew Bryja

Vice President
of the Management Board

Piotr Krzyżewski

Vice President
of the Management Board

Mirosław Laskowski

Vice President
of the Management Board

Piotr Stryczek

SIGNATURE OF PERSON RESPONSIBLE FOR ACCOUNTING

Executive Director
of Accounting Services Centre
Chief Accountant

Agnieszka Sinior