POLISH FINANCIAL SUPERVISION AUTHORITY

Annual report RR 2023

(in accordance with § 60 sec. 1 point 3 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 separate financial statements according to International Accounting 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)
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(postal code)	(city)
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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	29 084	28 429	6 423	6 064
II.	(Loss)/Profit on sales	(920)	3 966	(203)	846
III.	(Loss)/Profit before income tax	(1 030)	4 996	(227)	1 066
IV.	(Loss)/Profit for the period	(1 153)	3 533	(255)	754
V.	Other comprehensive income	496	902	110	192
VI.	Total comprehensive income	(657)	4 435	(145)	946
VII.	Number of shares issued	200 000 000	200 000 000	200 000 000	200 000 000
VIII.	Earnings per ordinary share	(5.77)	17.67	(1.27)	3.77
IX.	Net cash generated from operating activities	5 639	1 791	1 245	382
X.	Net cash used in investing activities	(4 332)	(1 629)	(957)	(347)
XI.	Net cash used in financing activities	(809)	(506)	(179)	(108)
XII.	Total net cash flow	498	(344)	109	(73)
XIII.	Non-current assets	36 781	36 707	8 460	7 827
XIV.	Current assets	12 115	11 288	2 786	2 407
XV.	Total assets	48 896	47 995	11 246	10 234
XVI.	Non-current liabilities	9 468	10 311	2 178	2 199
XVII.	Current liabilities	10 610	8 009	2 440	1 708
XVIII.	Equity	28 818	29 675	6 628	6 327

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.**

SEPARATE FINANCIAL STATEMENTS FOR 2023

Lubin, April 2024

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SEPARATE STATEMENT OF PROFIT OR LOSS

		from 1 January 2023 to 31 December 2023	from 1 January 2022 to 31 December 2022
Part 2	Revenues from contracts with customers	29 084	28 429
Note 4.1	Cost of sales	(28 414)	(23 157)
	Gross profit	**670**	**5 272**
Note 4.1	Selling costs and administrative expenses	(1 590)	(1 306)
	(Loss)/Profit on sales	**(920)**	**3 966**
Note 4.2	Other operating income, including:	2 564	2 172
	interest income calculated using the effective interest rate method	377	346
	fair value gains on financial assets measured at fair value through profit or loss	668	631
	gain due to reversal of impairment losses on financial instruments	18	213
Note 4.2	Other operating costs, including:	(2 794)	(873)
	impairment losses on financial instruments	-	(7)
Note 4.3	Finance income	531	148
Note 4.3	Finance costs	(411)	(417)
	(Loss)/Profit before income tax	**(1 030)**	**4 996**
Note 5.1	Income tax expense	(123)	(1 463)
	(LOSS)/PROFIT FOR THE PERIOD	**(1 153)**	**3 533**
	Weighted average number of ordinary shares (million)	**200**	**200**
	Basic/diluted earnings per share (in PLN)	**(5.77)**	**17.67**

SEPARATE STATEMENT OF COMPREHENSIVE INCOME

		from 1 January 2023 to 31 December 2023	from 1 January 2022 to 31 December 2022
Note 8.2.2	**(Loss)/Profit for the period**	**(1 153)**	**3 533**
Note 8.2.2	Measurement of hedging instruments net of the tax effect	451	1 354
	Other comprehensive income which will be reclassified to profit or loss	**451**	**1 354**
Note 8.2.2	Measurement of equity financial instruments at fair value through other comprehensive income, net of the tax effect	264	(79)
Note 8.2.2	Actuarial losses net of the tax effect	(219)	(373)
	Other comprehensive income, which will not be reclassified to profit or loss	**45**	**(452)**
	Total other comprehensive net income	**496**	**902**
	TOTAL COMPREHENSIVE INCOME	**(657)**	**4 435**

in PLN millions, unless otherwise stated

SEPARATE 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		
	Profit before income tax	(1 030)	4 996
Note 9.3	Depreciation/amortisation recognised in profit or loss	1 597	1 434
	Interest on investment activities	(292)	(268)
	Other interest	167	61
	Dividends income	-	(29)
	(Profit)/loss on the disposal of shares and investment certificates	1	(1)
Note 6.2	Fair value (gains)/losses on financial assets measured at fair value through profit or loss	(563)	(600)
Note 4.4	Impairment losses on non-current assets	3 777	6
Note 4.4	Reversal of impairment losses on non-current assets	(842)	(213)
	Exchange differences, of which:	310	(231)
	from investment activities and cash	668	(410)
	from financing activities	(358)	179
	Change in provisions for decommissioning of mines, liabilities related to employee benefits and other provisions	391	(2)
	Change in other receivables and liabilities other than working capital	(208)	(165)
	Change in assets and liabilities due to derivatives	906	(351)
Note 7.2	Reclassification of other comprehensive income to profit or loss due to the realisation of hedging derivatives	(285)	492
	Other adjustments	156	114
	Exclusions of income and costs, total	5 115	247
	Income tax paid	(1 631)	(1 575)
Note 10.4	Changes in working capital, including:	3 185	(1 877)
	change in trade payables transferred to factoring	2 886	(55)
	Net cash generated from operating activities	**5 639**	**1 791**
	Cash flow from investing activities		
Note 9.1.2	Expenditures on mining and metallurgical assets, including:	(3 037)	(2 689)
	paid capitalised interest on borrowings	(254)	(173)
	proceeds on settlement of an instrument hedging interest rate of bonds	78	-
	Expenditures on other property, plant and equipment and intangible assets	(37)	(42)
	Expenditures due to acquisition of shares	(224)	(375)
	Expenditures on financial assets designated for decommissioning of mines	(40)	-
	Loans granted	(829)	(23)
	Advances granted on property, plant and equipment and intangible assets	(143)	(40)
	Advances granted for the purchase of financial assets	(141)	-
	(Expenditures on)/proceeds from disposal of shares and redemption of investment certificates	(4)	367
	Dividends received	-	29
	Proceeds from financial assets designated for decommissioning of mines	-	26
Note 7.5.2.5	Proceeds from repayment of loans granted (principal)	107	1 066
	Interest received on loans granted	8	34
	Other	8	18
	Net cash used in investing activities	**(4 332)**	**(1 629)**

in PLN millions, unless otherwise stated

	Cash flow from financing activities		
	Proceeds from borrowings	1 514	605
	Proceeds from cash pooling	30	-
	Proceeds from derivatives related to sources of external financing	70	130
Note 8.4.2	Repayment of received borrowings	(1 936)	(352)
	Repayment of lease liabilities	(62)	(44)
	Interest paid, including due to:	(145)	(117)
Note 8.4.2	borrowings	(119)	(116)
	Expenditures due to derivatives related to sources of external financing	(81)	(89)
	Expenditures due to dividends paid to shareholders of the Company	(200)	(600)
	Expenditures on cash pooling	-	(40)
	Other	1	1
	Net cash used in financing activities	**(809)**	**(506)**
	NET CASH FLOW	**498**	**(344)**
	Exchange differences on cash and cash equivalents	(2)	(3)
	Cash and cash equivalents at beginning of the period	985	1 332
Note 8.5	**Cash and cash equivalents at end of the period, including:**	**1 481**	**985**
	restricted cash	18	14

in PLN millions, unless otherwise stated

SEPARATE STATEMENT OF FINANCIAL POSITION

	ASSETS	As at 31 December 2023	As at 31 December 2022
	Mining and metallurgical property, plant and equipment	19 006	21 091
	Mining and metallurgical intangible assets	1 419	1 251
Note 9.1	Mining and metallurgical property, plant and equipment and intangible assets	20 425	22 342
	Other property, plant and equipment	111	104
	Other intangible assets	54	51
Note 9.2	Other property, plant and equipment and intangible assets	165	155
Note 6.1	Investments in subsidiaries – shares	4 807	3 701
Note 6.2	Loans granted, including:	9 638	8 763
	measured at fair value through profit or loss	3 766	3 233
	measured at amortised cost	5 872	5 530
Note 7.2	Derivatives	233	714
Note 7.3	Other financial instruments measured at fair value through other comprehensive income	803	483
Note 7.4	Other financial instruments measured at amortised cost	445	432
	Financial instruments, total	11 119	10 392
Note 12.3	Other non-financial assets	265	117
	Non-current assets	**36 781**	**36 707**
Note 10.1	Inventories	7 506	7 523
Note 10.2	Trade receivables, including:	471	620
	trade receivables measured at fair value through profit or loss	211	455
Note 5.3	Tax assets	932	312
Note 7.2	Derivatives	760	796
Note 7.1	Cash pooling receivables	424	588
Note 12.3	Other financial assets	327	322
Note 12.3	Other non-financial assets	214	142
Note 8.5	Cash and cash equivalents	1 481	985
	Current assets	**12 115**	**11 288**
	TOTAL ASSETS	**48 896**	**47 995**
	EQUITY AND LIABILITIES		
Note 8.2.1	Share capital	2 000	2 000
Note 8.2.2	Other reserves from measurement of financial instruments	320	(395)
Note 8.2.2	Accumulated other comprehensive income	(921)	(702)
Note 8.2.2	Retained earnings	27 419	28 772
	Equity	**28 818**	**29 675**
Note 8.4.1	Borrowings, leases and debt securities	4 508	5 000
Note 7.2	Derivatives	202	719
Note 11.1	Employee benefits liabilities	2 821	2 394
Note 9.4	Provisions for decommissioning costs of mines and other technological facilities	1 389	1 233
	Deferred tax liabilities	328	705
Note 12.4	Other liabilities	220	260
	Non-current liabilities	**9 468**	**10 311**
Note 8.4.1	Borrowings, leases and debt securities	833	1 124
Note 8.4.1	Cash pooling liabilities	350	321
Note 7.2	Derivatives	499	434
Note 10.3	Trade and similar payables	6 065	2 819
Note 11.1	Employee benefits liabilities	1 315	1 365
Note 5.3	Tax liabilities	405	1 061
	Provisions for liabilities and other charges	82	110
Note 12.4	Other liabilities	1 061	775
	Current liabilities	**10 610**	**8 009**
	Non-current and current liabilities	**20 078**	**18 320**
	TOTAL EQUITY AND LIABILITIES	**48 896**	**47 995**

in PLN millions, unless otherwise stated

SEPARATE STATEMENT OF CHANGES IN EQUITY

		Share capital	Other reserves from measurement of financial instruments	Accumulated other comprehensive income	Retained earnings	Total equity
	As at 1 January 2022	**2 000**	**(1 670)**	**(329)**	**25 839**	**25 840**
	Transactions with owners – dividend	-	-	-	(600)	**(600)**
	Profit for the period	-	-	-	3 533	**3 533**
Note 8.2.2	Other comprehensive income	-	1 275	(373)	-	**902**
	Total comprehensive income	-	1 275	(373)	3 533	**4 435**
	As at 31 December 2022	**2 000**	**(395)**	**(702)**	**28 772**	**29 675**
Note 12.2	Transactions with owners – dividend	-	**-**	-	(200)	**(200)**
	Loss for the period	-	-	-	(1 153)	**(1 153)**
Note 8.2.2	Other comprehensive income	-	715	(219)	-	**496**
	Total comprehensive income	-	715	(219)	(1 153)	**(657)**
	As at 31 December 2023	**2 000**	**320**	**(921)**	**27 419**	**28 818**

in PLN millions, unless otherwise stated

PART 1 – General information

Note 1.1 Corporate information

KGHM Polska Miedź S.A. ("the Company") with its registered office in Lubin at 48 M. Skłodowskiej-Curie Street is a joint stock company registered at the Regional Court for Wrocław Fabryczna, Section IX (Economic) of the National Court Register, entry no. KRS 23302, on the territory of the Republic of Poland.
KGHM Polska Miedź S.A. has a multi-divisional organisational structure, comprised of a Head Office and 10 Divisions: 3 mines (Lubin Mine Division, Polkowice-Sieroszowice Mine Division, Rudna Mine Division), 3 metallurgical plants (Głogów Smelter/Refinery, Legnica Smelter/Refinery, Cedynia Wire Rod Division), the Concentrator Division, the Tailings Division, the Mine-Smelter Emergency Rescue Division and the Data Center Division.
The shares of KGHM Polska Miedź S.A. are listed on the Warsaw Stock Exchange.
The Company's principal activities include:
− the mining of copper and non-ferrous metals ores; and
− the production of copper, precious and non-ferrous metals.
KGHM Polska Miedź S.A. carries out copper ore mining activities based on concessions given for specific mine deposits, and also based on mining usufruct agreements and mine operating plans.

KGHM Polska Miedź S.A. is a parent entity of the KGHM Polska Miedź S.A. Group ("Group").

Note 1.2 Going concern

The separate financial statements were prepared under the assumption of continuing 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 financial statements the Management Board 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 Company: 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 Company by, among others, derivatives transactions hedging the price as well as the exchange rate. Moreover, they have a significant impact on some of the Company'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 Company 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 Company'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 impact of macroeconomic factors on individual areas of operations as well as assets and liabilities of the Company was presented in the following notes:

Impact observation areas	Note
Operating segments and information on revenues – onerous contracts and variable overheads	Part 2
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 carriers	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 Company did not record a negative impact due to factors related to the COVID–19 pandemic during the reporting period, and risk related to their potential future impact is judged to be low.

Note 1.2.3 Monitored areas – impact of war in Ukraine

Key risk categories

The most significant risk categories related to the war in Ukraine which impact the Company'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 KGHM Polska Miedź S.A. As a result, some of the aforementioned threats had a negative impact on the Company'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 Company, 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 Company's market capitalisation continued to be lower than its net assets and it is one of the factors implying, among others, an occurrence of an indication 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, KGHM Polska Miedź S.A. 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 Company and may lead to unfavourable deviations in the continuity of materials and services supply chains in the Company 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, KGHM Polska Miedź S.A. 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 operation of the core production business and of all production processes.

Impact on the activities of the Company

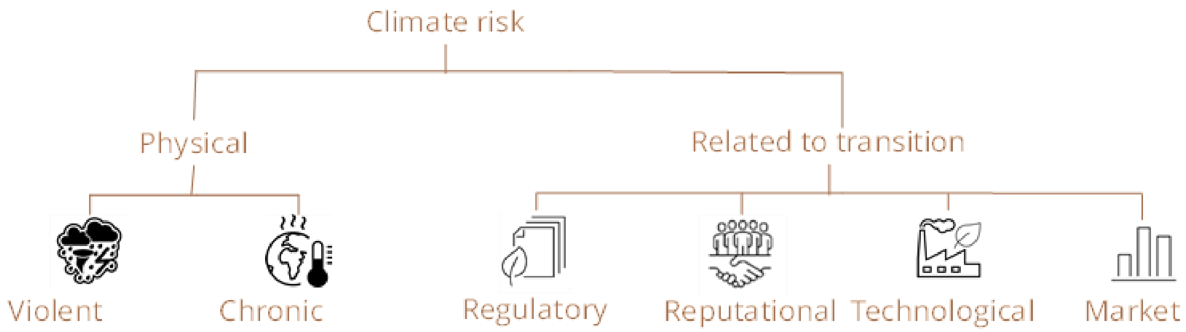
The geopolitical situation related to the direct aggression of Russia against Ukraine and the implemented system of sanctions at the present time is not restricting the operations of KGHM Polska Miedź S.A., while the risk of interruptions to the going concern of the Company in this regard continues to 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, KGHM does not hold bank loans drawn from institutions threatened with sanctions.

Preventive actions

There were no production stoppages in KGHM Polska Miedź S.A. 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 Company takes place without any major disturbances.
The strategy of diversification of suppliers applied by the Company 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.
KGHM Polska Miedź S.A. 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 Company continuously monitors the global economic situation in order to assess its potential negative impact on the Company and to take preventive actions to mitigate this impact.

Note 1.2.4 Monitored areas – risks and hazards associated with climate change

KGHM Polska Miedź S.A. 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 Company 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 2.3 Risk management.
The negative impact of climate change on the activities of KGHM Polska Miedź S.A. is analysed using the classification presented below:



The Company 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 Company 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 Ih the Company 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 Company 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 KGHM Polska Miedź S.A., including indicators used in their assessment and actions undertaken by the Company 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 2.3 Risk management and section 4.2 Climate impact management.

While assessing the impact of identified climate risks on the Company'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 separate financial statements

The Management Board of KGHM Polska Miedź S.A. declares that according to its best judgement, the annual separate financial statements for 2023 and the comparable 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 KGHM Polska Miedź S.A. and the loss for the period of the Company.
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 separate financial statements were authorised for publication and signed by the Management Board of the Company on 23 April 2024.

Note 1.4 Basis of preparation and presentation

These separate 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. These financial statements are the separate financial statements of KGHM Polska Miedź S.A. pursuant to IAS 27.

In order to fully understand the financial position and results of the Company's activities as the Parent Entity of the Group, these separate financial statements should be read jointly with the annual consolidated financial statements of the KGHM Polska Miedź S.A. Group for the year ended on 31 December 2023. These financial statements are available at the Company's website www.kghm.com from the dates indicated in the regulatory filing on publication dates for the Company's annual report and the Group's consolidated annual report for 2023.

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

Note 12.10 of these separate financial statements contains information on the Company's activities regulated by the Act on Energy, pursuant to article 44 section 2 of the Act dated 10 April 1997.

As compared to the period ended on 31 December 2022, there were no significant changes to the measurement 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 financial statements, the accounting policy and important estimates, assumptions and judgments are presented in individual, detailed notes as in the table below.

in PLN millions, unless otherwise stated

Note	Title	Amount recognised in the financial statements		Accounting policy	Important estimates, assumptions and judgements
		2023	2022		
2	Revenues from contracts with customers	29 084	28 429	x	x
3.1	Impairment losses on non-current assets	(3 777)	(6)		x
5.1	Income tax in the statement of profit or loss	(123)	(1 463)	x	
5.1.1	Deferred income tax	377	(415)	x	x
5.3	Tax assets	932	312	x	
5.3	Tax liabilities	(405)	(1 061)	x	
6.1	Investments in subsidiaries	4 807	3 701	x	x
6.2	Loans granted*	9 711	8 785	x	x
7.2	Derivatives	292	357	x	x
7.3	Other financial instruments measured at fair value	803	483	x	x
7.4	Other long-term financial instruments measured at amortised cost	445	432	x	x
8.2	Equity	(28 818)	(29 675)	x	
8.4	Borrowings	(5 691)	(6 445)	x	
8.5	Cash and cash equivalents	1 481	985	x	
8.6	Labilities due to guarantees granted	(1 537)	(1 609)	x	x
9.1	Mining and metallurgical property, plant and equipment and intangible assets	20 425	22 342	x	
9.2	Other property, plant and equipment and intangible assets	165	155	x	
9.4	Provision for decommissioning costs of mines and other facilities**	(1 401)	(1 261)	x	x
9.6	Lease disclosures – the Company as a lessee	562	681	x	x
10.1	Inventories	7 506	7 523	x	x
10.2	Trade receivables	471	620	x	x
10.3	Trade and similar payables	(6 261)	(3 005)	x	x
10.4	Changes in working capital	3 185	(1 877)	x	x
11.1	Employee benefits liabilities	(4 136)	(3 759)	x	x
12.3	Other assets	806	581	x	
12.4	Other liabilities	(1 281)	(1 035)	x	

** Amounts include data on long-term and short-term loans. In the statement of financial position short-term loans are recognised in the item "other financial assets".*

*** Amounts include data on non-current and current provisions for decommissioning costs of mines and other technological facilities. 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".*

Note 1.5 Foreign currency transactions and the measurement of items denominated in foreign currencies

The financial statements are presented in Polish zloty (PLN), which is both the functional and presentation currency of the Company.

At the moment of initial recognition, foreign currency transactions are translated into the functional currency:

- 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 average exchange rate set for a given currency, prevailing on the date of the transaction for other transactions. The exchange rate prevailing on the date of the transaction is the average NBP rate announced on the last working day preceding the transaction date.

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.

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.

Note 1.6 Impact of new and amended standards and interpretations

Amendments to standards applied for the first time in the separate 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 separate financial statements, the aforementioned amendments to the standards were adopted for use by the European Union.

In the Company's opinion, the amendments to the standards:
- **IFRS 17** – do not have an impact on the separate financial statements
- **IAS 1 and Practice Statement 2** and amendments to **IAS 8** - have an insignificant impact on the separate financial statements,
- **IAS 12** on deferred tax related to assets and liabilities arising from a single transaction – do not have an impact on the separate financial statements, because the Company 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 separate financial statements and the Company is assessing the scope of impact of 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 a 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 Company's opinion, from 1 January 2024 he 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 Company's opinion, companies of the Group 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 separate financial statements do not yet contain any amounts arising from the reform of the international tax system. The Company will take actions to estimate the potential impact of the reform on future tax burden of the Company as soon as the regulations are published.

The Company 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 1.7 Published standards and interpretations, which are not yet in force and were not applied earlier by the Company

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 Company in these separate 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.

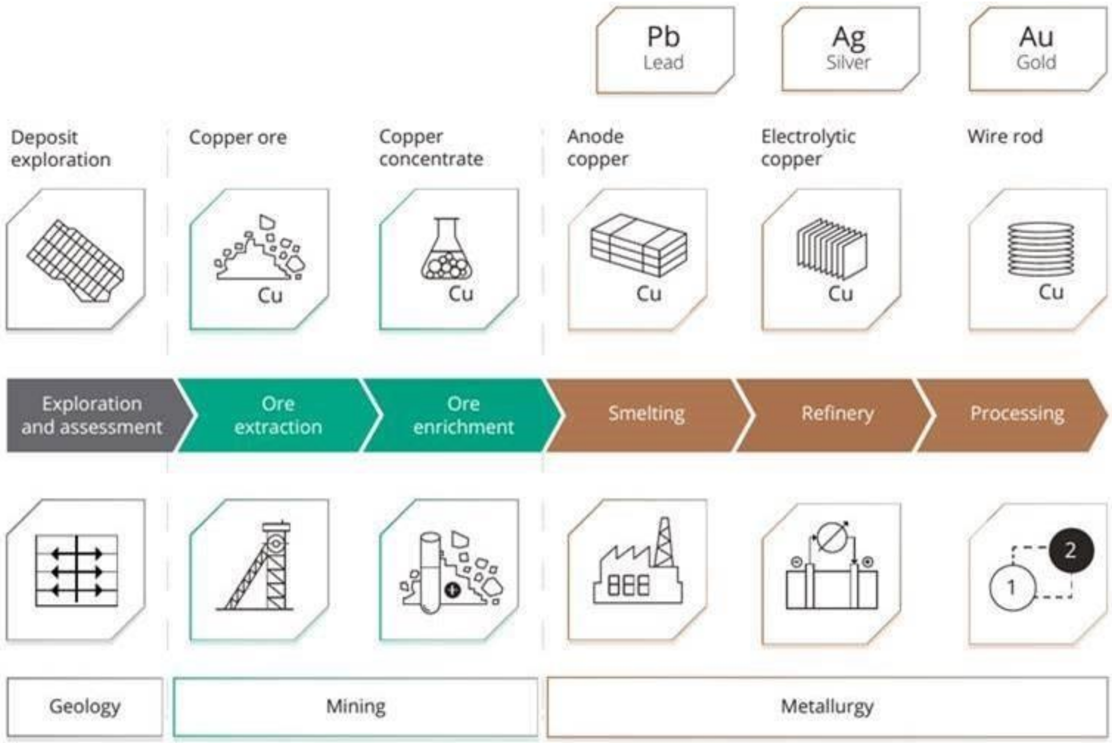
The Company intends to apply all of the amendments at their effective dates. In the Company's opinion, amendments to the standards will be applicable to its activities in the scope of future economic operations, transactions or other events, towards which the amendments to the standards are applicable.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

PART 2 – Operating segments and information on revenues

Operating segments

Based on an analysis of the Company's organisational structure, its system of internal reporting and the management model, it was determined that the Company's activity constitutes a single operating and reporting segment, which may be defined as "Production of copper, precious metals and other metallurgical products".

The core business of the Company is the production of copper and silver. Production is a fully integrated process, in which the end-product of one stage is the half-finished product used in the next stage. Copper ore extracted in the mines is transported to concentrators where the enrichment process is carried out. As a result of this process, copper concentrate is produced, which is then supplied to the metallurgical plants where it is smelted and fire refined into anode copper. Then, during the process of electrolytic refining, the anode copper is converted into copper cathodes, which are a commercial product, or a material to produce wire rod.
Anode slimes, which arise from the process of copper electrorefining, is a raw material used to produce precious metals. Lead-bearing dust which is generated from the smelting processes is used to produce lead. Nickel sulphate and copper sulphate are recovered from the processing of used electrolyte. Gases generated from the smelting furnaces are used to produce sulphuric acid. Economic use is also made of smelter slags, which are sold as road-building materials.



Settlements between organisational units are carried out based on measurement of production at cost, and as a result the internal organisational units (i.e. mines, concentrators, metallurgical plants) in the production cycle do not generate profit on sales.

The financial data prepared for management accounting purposes is based on the same accounting policies which are used to prepare the financial statements. The Management Board of the Company, which is responsible for allocating resources and for the financial results of the Company, regularly reviews financial reports in the process of making major operational decisions.

The organisational structure of KGHM Polska Miedź S.A. has the Head Office and 10 Divisions, including: mines, concentrators and metallurgical plants. The Head Office carries out sales of the Company's basic products, i.e. electrolytic copper cathodes, wire rod and silver, and support functions, particularly including the management of financial assets, centralised finance and accounting services, marketing, legal and other services.
The Management Board of the Company assesses a segment's performance based on Adjusted EBITDA and the profit or loss for the period. The manner of calculating Adjusted EBITDA is presented in the table "Reconciliation of Adjusted EBITDA".

in PLN millions, unless otherwise stated

Segment assets and liabilities

	As at 31 December 2023	As at 31 December 2022
Assets	48 896	47 995
Liabilities	20 078	18 320

Production of main products

	from 1 January 2023 to 31 December 2023	from 1 January 2022 to 31 December 2022
Electrolytic copper (kt), of which:	**592.4**	**586.0**
- electrolytic copper from own concentrates (kt)	385.5	381.5
Silver (t)	**1 403.3**	**1 298.4**
C1 unit cash cost of production of payable copper in own concentrate (USD/lb)*	**2.98**	**2.38**
C1 unit cash cost of production of payable copper in own concentrate (PLN/lb)*	**12.52**	**10.62**

**C1 cost reflects 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 was calculated using the average exchange rate by the NBP, which is set as arithmetical average of daily quotations per the NBP's tables.*

Segment financial results

	from 1 January 2023 to 31 December 2023	from 1 January 2022 to 31 December 2022
Total revenues from contracts with customers, including:	29 084	28 429
Revenues from sales transactions, for which the sales price is set after the date of recognition of the sales (M+ principle), of which:	20 681	21 767
settled	20 294	21 045
unsettled	387	722
Cost of sales, selling costs and administrative expenses*	(30 004)	(24 463)
Depreciation/amortisation recognised in expenses by nature**	(1 675)	(1 504)
(Recognition)/reversal of an impairment loss on non-current assets, recognised in cost of sales, selling costs and administrative expenses	(2 808)	-
Adjusted EBITDA	3 563	5 470
(Loss)/Profit for the period, including:	(1 153)	3 533
(recognition)/reversal of impairment losses on non-current assets	**(2 935)**	**207**

** Cost of products, merchandise and materials sold plus selling costs and administrative expenses.*
*** The Company redefined the 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, ensures consistency and comparability with plans of individual operating segments 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 Financial statements for 2022, an increase in the amount of PLN 70 million.

in PLN millions, unless otherwise stated

	from 1 January 2023 to 31 December 2023	from 1 January 2022 to 31 December 2022
Total revenues from contracts with customers, of which:	**29 084**	**28 429**
in factoring	8 852	8 677
not in factoring	20 232	19 752

	from 1 January 2023 to 31 December 2023	from 1 January 2022 to 31 December 2022
Revenues from contracts with customers, of which:	**29 084**	**28 429**
transferred at a certain moment	28 235	27 986
transferred over time	849	443

Reconciliation of "Adjusted EBITDA" (which is not defined in IFRSs) with "Profit/(loss) for the period" (which is defined in IFRSs) and "Profit on sales" is presented in the following tables:

Reconciliation of Adjusted EBITDA

	from 1 January 2023 to 31 December 2023	from 1 January 2022 to 31 December 2022
(Loss)/Profit for the period	**(1 153)**	**3 533**
[–] Current and deferred income tax	(123)	(1 463)
[–] Depreciation/amortisation recognised in expenses by nature	(1 675)	(1 504)
[–] Finance income and (costs)	120	(269)
[–] Other operating income and (costs)	(230)	1 299
[–] (Recognition)/reversal of an impairment loss on non-current assets, recognised in cost of sales, selling costs and administrative expenses	(2 808)	-
[=] Adjusted EBITDA*	**3 563**	**5 470**

	from 1 January 2023 to 31 December 2023	from 1 January 2022 to 31 December 2022
(Loss)/Profit on sales	**(920)**	**3 966**
[–] Depreciation/amortisation recognised in expenses by nature	(1 675)	(1 504)
[–] (Recognition)/reversal of an impairment loss on non-current assets, recognised in cost of sales, selling costs and administrative expenses	(2 808)	-
[=] Adjusted EBITDA*	**3 563**	**5 470**

** The Company defines adjusted EBITDA as profit/loss for the period pursuant to IFRS, excluding income tax (current and deferred), finance income and costs, other operating income and costs, depreciation/amortisation and recognition/reversal of impairment losses on property, plant and equipment included in the cost of sales, selling costs and administrative expenses.*

Accounting policies
Revenues arising from ordinary operating activities of the Company, 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 Company 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 IT services) and other products, merchandise and materials (including refined lead, sulphuric acid, heat and electricity as well as other production waste). The Company recognises revenue from contracts with customers when the Company 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. Since in every case, following the shipment of the promised good and transferring control over it, the Company has an unconditional right to consideration from the customer, and the only condition of receiving it is time lapse, the Company recognises the consideration from contracts with customers as receivables and therefore the Company does not recognise contractual assets. The Company 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 Company 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 Company fulfils its performance obligation and at the same time recognises revenues. Apart from contracts for supplying goods with transport services, there are no other contracts including more than one performance obligation. The attribution of transaction prices to individual performance obligations are made on the basis of unit sale prices. In trade contracts in which the performance obligation is met at a specified time, the Company 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 sale transactions of silver and gold. 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) or after the Company meets its performance obligation. If the Company 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 Company 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. Revenues from sales of other services, such as distribution of utilities, rentals, leases, sharing IT systems and other are recognised over time by the Company as it meets its obligations, as the customers simultaneously receive and gain economic benefits arising from the Company's performance and the Company has an unconditional right to consideration. 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 Company'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. The Company did not identify significant financing components in sales transactions to customers realised in 2023 and 2022. In the case of copper and silver products sales transaction 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 accounted 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 Company 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 place (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 Company is also obliged to organise a shipping service. In these cases, the obligation to sell goods and the obligation to provide a shipping service are treated as separate services promised in the contract. With respect to transport services, the Company acts as a principal, as it has control over the service before its completion.
Revenues from sales of other services, such as distribution of utilities, rentals, leases, sharing IT systems and other are recognised over time by the Company as it meets its obligations, as the customers simultaneously receive and gain economic benefits arising from the Company's performance and the Company has an unconditional right to consideration.

Onerous contracts and variable consideration

Taking into account the greater volatility of the macroeconomic environment, which has a significant impact on the Company's financial results and requirements of IAS 37 with respect to the identification of onerous contracts, the Company 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 Company 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 Company, 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 Company'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 Company 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 Company 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 Company'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 Company did not identify the occurrence of onerous contracts under IAS 37 as at 31 December 2023.

in PLN millions, unless otherwise stated

As at 1 January 2023, the balance of trade payables due to contracts with customers amounted to PLN 9 million and was wholly recognised in revenues for 2023. As at 31 December 2023, the balance of trade payables due to contracts with customers amounted to PLN 2 million.

In 2023, the Company recognised an adjustment to revenues on performance obligations realised in 2022 in the amount of PLN 71 million, which arose due to the final determination of sales price in 2023.

In 2022, the Company recognised revenues on performance obligations realised in 2021 in the amount of PLN 19 million, which arose due to the final determination of sales price in 2022.

If the Company has remaining performance obligations as at the end of the reporting period that are unsatisfied, it is necessary to disclose the transaction price allocated to these obligations (IFRS 15.120). The Company uses a practical approach and does not disclose performance obligations that are part of contracts with initial period of one year or less. Moreover, the Company has several long-term contracts, the price of which is based mainly on variable consideration that the Company does not include in estimating the transaction price.

Revenues from contracts with customers – breakdown by products

	from 1 January 2023 to 31 December 2023	from 1 January 2022 to 31 December 2022
Copper	22 290	22 207
Silver	4 389	4 341
Gold	932	649
Lead	264	295
Services	199	174
Merchandise	525	232
Waste and production materials	121	132
Other	364	399
TOTAL, including:	**29 084**	**28 429**
impact of hedging transactions on revenues from contracts with customers	635	(182)

in PLN millions, unless otherwise stated

Sales revenue – geographical breakdown reflecting the location of end customers

		from 1 January 2023 to 31 December 2023	from 1 January 2022 to 31 December 2022
Europe			
	Poland	7 074	7 157
	Germany	6 070	5 502
	Czechia	2 279	2 250
	Italy	2 172	2 319
	Hungary	1 439	1 408
	Switzerland	1 358	790
	The United Kingdom	990	1 676
	France	881	896
	Austria	401	541
	Bulgaria	251	29
	Slovakia	210	178
	Romania	155	138
	Sweden	146	5
	Slovenia	108	129
	Belgium	33	51
	Estonia	24	14
	Bosnia and Herzegovina	12	23
	Spain	11	-
	Denmark	9	27
	Finland	9	7
	The Netherlands	7	7
	Other countries (dispersed sale)	4	3
North America			
	The United States of America	1 163	997
	Canada	41	50
South America		2	7
Australia		393	787
Asia			
	China	2 982	2 146
	Thailand	327	437
	Türkiye	231	282
	Saudi Arabia	102	-
	Malesia	52	72
	Taiwan	49	69
	South Korea	15	67
	Vietnam	2	231
	Japan	-	64
	Hong Kong	-	15
Africa		82	55
TOTAL		**29 084**	**28 429**

in PLN millions, unless otherwise stated

Main customers

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

Non – current assets – geographical breakdown

The property, plant and equipment of KGHM Polska Miedź S.A. are located in Poland.

Cash expenditures on property, plant and equipment and intangible assets

	from 1 January 2023 to 31 December 2023	from 1 January 2022 to 31 December 2022
Cash expenditures on mining and metallurgical assets	(3 037)	(2 689)
Cash expenditures on other property, plant and equipment and intangible assets	(37)	(42)

in PLN millions, unless otherwise stated

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.

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 year and slightly decreased as compared to 31 December 2022, and at the end of the reporting period it amounted to 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 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*	7.0% - 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	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.	20 348	16 577	3 771

** 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 expenditures 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 3 771 million. The calculated impairment loss was recognised in the following items: "Cost of sales" in the amount of PLN 2 675 million, "Selling costs and administrative expenses" in the amount of PLN 131 million and "Other operating costs" in the amount of PLN 965 million. A deferred tax on impairment losses was recognised in the amount of PLN 710 million , which decreased deferred tax liabilities.

The impairment loss was allocated to the following types of assets: buildings and land (PLN 1 622 million), technical equipment, machines, motor vehicles and other fixed assets (PLN 1 138 million), fixed assets under construction (PLN 954 million), intangible assets – other (PLN 57 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

IMPAIRMENT TESTING OF SHARES IN FUTURE 1 Sp. z o.o.

KGHM Polska Miedź S.A. is involved in Future 1 Sp. z o.o. in the form of:
- loans granted in the amount of PLN 4 691 million, and
- shares measured at cost less impairment losses, which as at 31 December 2023 before the recognition of results of impairment testing amounted to PLN 2 111 million (comprised of PLN 4 770 million – value at cost, PLN 2 663 million – the amount of impairment loss and PLN 4 million – the amount of discount on receivables due to returnable payments to capital).

As at 31 December 2023, due to the occurrence of indications of changes in the recoverable amount of shares in the company Future 1 Sp. z o.o., the Company conducted a test for impairment of these shares. Future 1 Sp. z o.o. is a holding company, through which KGHM Polska Miedź S.A. holds shares in KGHM INTERNATIONAL LTD. (whose main assets are the Victoria project (in the pre-operational phase), the Robinson mine and less important mines of the Sudbury Basin and the Carlota mine) and in the joint venture Sierra Gorda S.C.M., and provides financing to the KGHM INTERNATIONAL LTD. Group and Sierra Gorda S.C.M.

The key indications to perform impairment testing were:
- a change in market forecasts of commodities prices,
- a change in the level of market interest rates,
- an update of assumptions and production plans of the Victoria Project (in the pre-operational phase),
- a change in technical and economic parameters of all mining assets in the operational phase in terms of: production volumes, planned operating costs, capital expenditures and changes of the individual lives of mines.

The main indications that the recoverable amount may be higher than the carrying amount of shares were:
- a higher assumed volume of production from mining assets and an increase in revenues,
- an increase in price paths of metals,

The main indications that the recoverable amount may be lower than the carrying amount of shares were:
- changes in technical and economic parameters of the Victoria project,
- changes in technical and economic parameters of mining assets, among other an increase in operating costs and planned capital expenditures during mine lives.

In order to estimate the recoverable amount, in the conducted test the fair value of the CGU was calculated using the DCF method, i.e. the method of discounted cash flows. The same method was used in previous years. Cash flows were discounted using the weighted average cost of capital at the level of 12.29%.

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

Basic macroeconomic assumptions adopted for cash flow estimation – metal prices
Price paths were adopted on the basis of long-term forecasts available from financial and analytical institutions. A detailed forecast 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, from which a long-term metal price forecast is used at the following level: • for copper – 8 250 USD/t (3.74 USD/lb); • for gold – 1 600 USD/oz; • for nickel – 18 739 USD/t (8.50 USD/lb).

Other key assumptions for cash flow estimation

Assumption	Sierra Gorda	Victoria	Sudbury	Robinson	Carlota
Mine life / forecast period	24	16	5	13	4
Level of copper production during mine life (kt)	3 732	266	16	569	11
Level of nickel production during mine life (kt)	-	229	5	-	-
Level of gold production during mine life (koz t)	1 043	205	12	478	-
Average operating margin during mine life	43%	64%	9%	41%	3%
Capital expenditures to be incurred during mine life [USD million]	5 809	1 686	8	1 236	31
Including capitalised stripping costs [USD million]	*4 102*	-	-	*745*	*7*

Key factors responsible for the modification of technical and economic assumptions	
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.
Sierra Gorda	Update of assumptions on production, operating costs and capital expenditures.

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

Test elements	PLN million
Discounted future cash flows of the KGHM INTERNATIONAL LTD. Group less by all of liabilities (including the repayment of loans towards KGHM Polska Miedź S.A.)	2 643
Recoverable amount of other assets	249
Recoverable amount of investment in KGHM INTERNATIONAL LTD. (Enterprise value) after the repayment of liabilities towards KGHM Polska Miedź S.A. due to loans granted	**2 892**
Less receivables due to return payment to capital of Future 1 Sp. z o.o.	(40)
Carrying amount of shares in Future 1 Sp. z o.o. (before the test for impairment)	2 111
Recoverable amount of shares in Future 1 Sp. z o.o. (test result)	**2 852**
Reversal of impairment loss on shares in Future 1	**741**

The reversal of the impairment loss on the shares in the amount of PLN 741 million was recognised in the statement of financial position in other operating activities (Note 4.2).

Sensitivity analysis of the recoverable amount of the shares of Future 1 Sp. z o.o. determined that the key assumptions adopted for the impairment testing were the assumed price paths and the discount rate. The assumptions regarding the price paths and the discount rate were adopted while taking into account the professional judgement of the Management Board as to the performance of these amounts in the future, and was reflected in the estimated recoverable amount. For the purposes of monitoring the risk of impairment of the tested asset in subsequent periods, the following determinations were made:

- discount rate – the adoption at a level higher by 1 percentage point would result in a reversal of the impairment loss in the total amount of PLN 445 million, and at a level lower by 1 percentage point would result in a reversal of the impairment loss in the total amount of PLN 1 080 million,
- price paths for copper – the adoption of prices at a level lower by 0.1 USD/lb would result in a reversal of the impairment loss in the amount of PLN 453 million, and at a level higher by 0.1 USD/lb would result in a reversal of the impairment loss in the amount of PLN 1 114 million.
- price paths for nickel – the adoption of prices at a level lower by 0.1 USD/lb would result in a reversal of the impairment loss in the amount of PLN 713 million, and at a level higher by 0.1 USD/lb would result in a reversal of the impairment loss in the total amount of PLN 769 million.

IMPAIRMENT TESTING OF SHARES IN KGHM METRACO S.A.

As at 31 December 2023, due to the occurrence of indications of changes in the recoverable amount of investment in shares in KGHM Metraco S.A., the Company conducted a test for impairment of this asset.

The key indications of a change in the recoverable amount of the asset are:

- better financial results than anticipated in forecasts,
- value of net assets of KGHM Metraco S.A. higher than the value of investment in the statement of financial position of KGHM Polska Miedź S.A., despite dividends paid out in the past which decreased the company's equity,
- identification of indications and conduction of impairment testing of the investment of KGHM Metraco S.A. in shares of the subsidiary Centrozłom Wrocław S.A.

In order to estimate the recoverable amount, in the conducted test the fair value of shares was calculated using the DCF method, i.e. the method of discounted cash flows.

Basic assumptions adopted for impairment testing

- continuation of the strategy of KGHM Metraco S.A. and continuation of current business activities, in an unchanged significantly scope,
- the period of disclosed forecast of cash flows was adopted on the basis of the 5-year financial plan of KGHM Metraco S.A.,
- cash flows adopted on the basis of the financial plan for the years 2024 – 2028, approved by the Management Board of KGHM Metraco S.A.
- WACC real discount rate of 6.74%, since the real cash flows were adopted in the model,
- following the period of the disclosed forecast, the growth rate was conservatively adopted at the level of 0.0%,
- average yearly EBITDA in the forecast period at the conservative level of PLN 23 million.

As a result of the conducted impairment testing of shares in KGHM Metraco S.A., the recoverable amount in the investment was estimated to be PLN 451 million, which is higher than the net carrying amount of the investment (PLN 335 million), which provided the Company with a justification to reverse the entirety of the previously recognised impairment loss on the investment in shares in KGHM Metraco S.A. in the amount of PLN 86 million, which was recognised in the statement of profit or loss in other operating activities (Note 4.2).

The conducted sensitivity analysis indicates that the recoverable amount is moderately vulnerable to the adopted level of discount rate and the growth rate following the forecast period:

- an increase in the discount rate by 1 percentage point results in a decrease in the estimated recoverable amount by PLN 16 million, a decrease by 1 percentage point results in an increase in the recoverable amount by PLN 22 million,
- an increase in the growth rate by 1 percentage point results in an increase in the recoverable amount by PLN 18 million, a decrease by 1 percentage point results in a decrease in the recoverable amount by PLN 13 million,

while other parameters remain unchanged.

IMPAIRMENT TESTING OF SHARES IN ZAGŁĘBIE LUBIN S.A.
As at 31 December 2023, due to the occurrence of indications of changes in the recoverable amount of investment in shares in Zagłębie Lubin S.A. (with a carrying amount of PLN 113 million), the Company performed a test for impairment of this asset. The key indications of a change in the recoverable amount of the asset included: • financial results worse than anticipated in forecasts, • value of net assets of Zagłębie Lubin S.A. lower than the value of investment in the statement of financial position of KGHM Polska Miedź S.A. In order to estimate the recoverable amount, in the conducted test the fair value of the company Zagłębie Lubin S.A. was estimated.

Basic assumptions adopted for impairment testing
The fair value of the investment in Zagłębie Lubin was estimated using the asset-based approach, i.e. the adjusted net assets method (a measurement classified to level 3 of the fair value hierarchy). The key assumptions adopted for measurement of the fair value of shares in the company were: • revenues generated by the Zagłębie Lubin company from sponsoring and revenues from the sale of tickets and passes, • during the detailed forecast period, there are no planned capital expenditures on the stadium, • the value of rights to player cards and to the team were set on the basis of market values of football players published on the transfer website www.transfermarkt.de, which is recognised as one of the best sources of information on market value of players and is widely used by the European and international clubs as well as football federations, • the period of detailed forecast of cash flows was adopted on the basis of the 5-year financial plan of Zagłębie Lubin S.A., taking into account the residual value, • the growth rate following the period of detailed forecast was adopted at the conservative level of 0.0%, • the WACC real discount rate was adopted at the level of 6.65%.

As a result of the conducted impairment testing of shares in Zagłębie Lubin S.A., the recoverable amount in the investment was estimated to be higher than the carrying amount of the investment (PLN 113 million) and therefore there is no justification to recognise an impairment loss on shares.
The conducted sensitivity analysis indicates that the recoverable amount is moderately vulnerable to changes in key parameters influencing the result of the measurement:

- an increase in the discount rate by 1 percentage point results in a decrease in the estimated recoverable amount of the company to PLN 115 million, while a decrease by 1 percentage point results in an increase in the recoverable amount to PLN 120 million,
- an increase in the valuations published by the transfer website by 5 percentage points results in an increase in the estimated recoverable amount of the company to PLN 120 million, while a decrease by 5 percentage points results in a decrease in the recoverable amount to PLN 115 million,

Other impairment losses on assets

Other impairment losses on assets concern:
- fixed assets and intangible assets, PLN 6 million,
- write-down of inventories, PLN 44 million.

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

Note 3.2 Impairment losses on assets as at 31 December 2022

Pursuant to IAS 36, as at 31 December 2022 the Company assessed the occurrence of indications of impairment of the Company's assets. Key non-current assets of the Company were subjected to the analysis, including shares in subsidiaries. As a result of the performed evaluation, no indications of impairment of these assets were identified. Because of the Company'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 of KGHM Polska Miedź S.A. 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) epidemic. 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 Company'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.

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 first and foremost 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. 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 pandemic situation in Poland and globally, and its impact on the economic situation, the Company is continuously monitoring the global situation.

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	1 675	1 504
Note 11.1	Employee benefits expenses	5 475	4 832
	Materials and energy, including:	12 955	13 687
	purchased metal-bearing materials	7 712	8 859
	electrical and other energy	2 224	1 921
	External services, including:	2 638	2 238
	transport	340	328
	repairs, maintenance and servicing	854	699
	mine preparatory work	736	617
Note 5.2	Minerals extraction tax	3 496	3 046
Note 5.2	Other taxes and charges	632	487
	Advertising costs and representation expenses	83	80
	Property and personal insurance	41	39
Part 3	Impairment losses on property, plant and equipment and intangible assets	2 808	-
	Reversal of write down of inventories	(13)	(52)
	Write down of inventories	44	13
	Other costs	25	21
	Total expenses by nature	**29 859**	**25 895**
	Cost of merchandise and materials sold (+)	545	449
	Change in inventories of products and work in progress (+/-)	(174)	(1 665)
	Cost of products for internal use (-)	(226)	(216)
	Total cost of sales, selling costs and administrative expenses, including:	**30 004**	**24 463**
	Cost of sales	28 414	23 157
	Selling costs	170	173
	Administrative expenses	1 420	1 133

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
	Gains on derivatives, of which:	366	268
Note 7.1	measurement	202	108
Note 7.1	realisation	164	160
	Exchange differences on financial assets and liabilities other than borrowings	-	500
	Interest on loans granted and other financial receivables	382	348
	Fees and charges on re-invoicing of bank guarantees costs securing payments of liabilities	23	31
	Reversal of impairment losses on financial instruments measured at amortised cost, including:	18	213
Note 6.2	gain on reversal of allowances for impairment of loans granted	15	213
	Fair value gains on financial assets measured at fair value through profit or loss, including:	668	631
Note 6.2	loans	657	601
Part 3	Reversal of impairment losses on shares in subsidiaries	827	-
	Dividends income	-	29
	Profit on disposal of shares in subsidiaries	-	2
	Release of provisions	30	12
	Refund of excise tax for previous years	2	1
	Overpayment of property tax	1	25
	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	69	112
	Total other operating income	**2 564**	**2 172**
	Losses on derivatives, of which:	(634)	(490)
Note 7.1	measurement	(188)	(116)
Note 7.1	realisation	(446)	(374)
	Impairment losses on financial instruments measured at amortised cost	-	(7)
Note 7.1	Exchange differences on financial assets and liabilities other than borrowings	(770)	-
	Fair value losses on financial assets measured at fair value through profit or loss, including:	(223)	(87)
	loans	(94)	-
	trade receivables	(129)	(87)
	Financial support granted to municipalities	(7)	(100)
	Provisions recognised	(6)	(16)
	Donations granted	(66)	(53)
	Losses on disposal of property, plant and equipment (including costs associated with disposal)	(19)	(22)
	Compensations, fines and penalties paid and costs of litigation	(9)	(28)
Part 3	Impairment losses on fixed assets under construction and intangible assets not yet available for use	(969)	(6)
	Other	(91)	(64)
	Total other operating costs	**(2 794)**	**(873)**
	Other operating income / (costs)	**(230)**	**1 299**

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	Gains on derivatives - realisation	173	130
	Exchange differences on measurement and realisation of borrowings	358	-
	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	**531**	**148**
	Interest on borrowings including:	(142)	(48)
	leases	(9)	(10)
	Fees and charges on external financing	(26)	(30)
	Exchange differences on measurement and realisation of borrowings	-	(179)
	Losses on derivatives, of which:	(183)	(149)
Note 7.1	realisation	(183)	(149)
	Unwinding of the discount effect	(60)	(11)
	Total finance costs	**(411)**	**(417)**
	Finance income /(costs)	**120**	**(269)**

Note 4.4 Reversal / recognition of impairment losses on assets in the statement of profit or loss

Reversal of impairment losses on assets recognised in:	from 1 January 2023 to 31 December 2023	from 1 January 2022 to 31 December 2022
cost of sales, of which:	**13**	**52**
reversal of write-down of inventories	13	52
other operating income, of which:	**844**	**213**
reversal of impairment losses on shares in subsidiaries	827	-
reversal of allowance for impairment of loans measured at amortised cost	15	213
reversal of allowance for impairment of other financial receivables	2	-
Reversal of impairment losses, total	**857**	**265**

Impairment losses on assets recognised in:		
cost of sales and selling costs, of which:	**(2 852)**	**(13)**
impairment losses on property, plant and equipment and intangible assets	(2 808)	-
write-down of inventories	(44)	(13)
other operating costs, of which:	**(969)**	**(13)**
impairment losses on fixed assets under construction and intangible assets not yet available for use	(969)	(6)
allowance for impairment of other financial receivables	-	(7)
Impairment losses, total	**(3 821)**	**(26)**

in PLN millions, unless otherwise stated

PART 5 – Taxation

Note 5.1 Income tax in the 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.

Income tax

		from 1 January 2023 to 31 December 2023	from 1 January 2022 to 31 December 2022
	Current income tax	670	1 228
Note 5.1.1	Deferred income tax	(488)	203
	Current tax adjustments for prior periods	(59)	32
	Income tax	**123**	**1 463**

In 2022 as well as in 2023, income tax advances were incurred by the Company using the simplified formula, that is in the fixed amount calculated on the basis of income achieved in 2021 – for the advances in 2023, and on the basis of income achieved in 2020 - for the advances in 2022.

The difference between the amount of tax paid by the Company in 2023 and the amount of tax paid in 2022 arises mainly from the additional income tax paid in 2023 in the amount of PLN 547 million due to the annual settlement of income tax for 2022, performed as at 30 June 2023.

The table below presents an identification of differences between income tax from profit before tax and the income tax calculated according to the principles resulting from the Corporate Income Tax Act:

Reconciliation of effective tax rate

	from 1 January 2023 to 31 December 2023	from 1 January 2022 to 31 December 2022
(Loss)/Profit before tax	**(1 030)**	**4 996**
Tax calculated using a rate of 19%	(196)	949
Tax effect of non-taxable income, including:	(308)	(104)
reversal of allowances for impairment of loans granted to subsidiaries	(148)	(94)
Tax effect of expenses not deductible for tax purposes, including:	690	589
minerals extraction tax	664	579
Current tax adjustments for prior periods	(59)	32
Current tax from settlement of the Tax Group	(4)	(3)
Income tax in profit or loss: (11.94)% for 2023, 29.28% for 2022	**123**	**1 463**

in PLN millions, unless otherwise stated

Note 5.1.1 Deferred income tax

Accounting policies	Important estimates, assumptions and judgments
Deferred 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 nor 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 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 the Company by the same taxation authority.	The assessment of probability that deferred tax assets will be realised with future tax income is based on the Company's budget. The Company recognises deferred tax assets in its books to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised.

	from 1 January 2023 to 31 December 2023	from 1 January 2022 to 31 December 2022
Deferred tax at the beginning of the period, of which:	**(705)**	**(290)**
Deferred tax assets	1 280	1 482
Deferred tax liabilities	(1 985)	(1 772)
Deferred tax in the period:	**377**	**(415)**
Recognised in profit or loss	488	(203)
Recognised in other comprehensive income	(111)	(212)
Deferred tax at the end of the period, of which:	**(328)**	**(705)**
Deferred tax assets	1 558	1 280
Deferred tax liabilities	(1 886)	(1 985)

Maturities of deferred tax assets/(deferred tax liabilities) were as follows:

	As at 31 December 2023	As at 31 December 2022
Maturity over the 12 months from the end of the reporting period (net value)	(321)	(808)
Maturity of up to 12 months from the end of the reporting period (net value)	(7)	103

in PLN millions, unless otherwise stated

Deferred tax assets and liabilities

Deferred tax assets	As at 1 January 2022	Credited/(Charged) profit or loss	Credited/(Charged) other comprehensive income	As at 31 December 2022	Credited/(Charged) profit or loss	Credited/(Charged) other comprehensive income	As at 31 December 2023
Interest	23	(3)	-	20	(1)	-	19
Provision for decommissioning of mines and other technological facilities	172	-	-	172	19	-	191
Measurement of forward transactions other than hedging instruments as understood by hedge accounting	69	(27)	-	42	2	-	44
Difference between the depreciation rates of property, plant and equipment for accounting and tax purposes	61	4	-	65	144	-	209
Future employee benefits	412	-	87	499	29	51	579
Equity instruments measured at fair value	103	-	18	121	-	(55)	66
Allowances for impairment/reversal of allowances for impairment of loans	9	(6)	-	3	9	-	12
Re-measurement of hedging instruments	304	-	(291)	13	-	(4)	9
Lease liabilities	68	20	-	88	1	-	89
Short-term accruals for remuneration	101	10	-	111	(30)	-	81
Liability related to the fixed fee due to setting mining usufruct	36	-	-	36	3	-	39
Recognition/reversal of other impairment losses on assets	17	(11)	-	6	162	-	168
Other	107	(3)	-	104	(52)	-	52
Total	**1 482**	**(16)**	**(186)**	**1 280**	**286**	**(8)**	**1 558**

in PLN millions, unless otherwise stated

Deferred tax liabilities	As at 1 January 2022	(Credited)/Charged profit or loss	(Credited)/Charged other comprehensive income	As at 31 December 2022	(Credited)/Charged profit or loss	(Credited)/Charged other comprehensive income	As at 31 December 2023
Measurement of forward transactions other than hedging instruments as understood by hedge accounting	49	(10)	-	39	7	-	46
Re-measurement of hedging instruments	-	-	26	26	-	103	129
Difference between the depreciation rates for accounting and tax purposes, including:	1 234	87	-	1 321	(300)	-	1 021
difference between the depreciation rates of leases for accounting and tax purposes	69	19	-	88	(18)	-	70
Accrued and unpaid interest on loans	248	50	-	298	57	-	355
Measurement of financial assets at fair value	85	(7)	-	78	30	-	108
Difference between the carrying amount and tax base of expenditures on fixed assets under construction and intangible assets not yet available for use	127	51	-	178	17	-	195
Other	29	16	-	45	(13)	-	32
Total	**1 772**	**187**	**26**	**1 985**	**(202)**	**103**	**1 886**

in PLN millions, unless otherwise stated

Note 5.2 Other taxes and charges

The following table presents the minerals extraction tax incurred by the Company.

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

** 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).*

Other taxes and charges:

	from 1 January 2023 to 31 December 2023	from 1 January 2022 to 31 December 2022
Royalties	127	122
Excise tax	6	5
Real estate tax	252	231
Other taxes and charges, including:	247	129
costs of redemption of CO_2 emission allowances	90	56
Total	**632**	**487**

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 Company's liabilities towards the Polish Tax Office arising from the corporate income tax, including due to the withholding tax, personal income tax and liabilities towards Customs Chamber due to the minerals extraction tax and the excise tax.

Liabilities not representing financial liabilities are measured at the amount due.

in PLN millions, unless otherwise stated

Tax assets

	As at 31 December 2023	As at 31 December 2022
Current corporate income tax assets	520	-
VAT receivables	412	312
Tax assets	**932**	**312**

Tax liabilities

	As at 31 December 2023	As at 31 December 2022
Current corporate income tax liabilities	-	601
Other tax liabilities	405	460
Tax liabilities	**405**	**1 061**

Tax authorities may audit accounting books and tax settlements during the 5 years since the end of the year in which the tax declarations were submitted and charge the Company with an additional tax together with penalties and interest. In the Management Board's opinion, there are no circumstances indicating the possibility that significant tax liabilities may occur.

in PLN millions, unless otherwise stated

PART 6 – Investments in subsidiaries

Note 6.1 Shares

Accounting policies	Important estimates, assumptions and judgments
In the financial statements of the Company, subsidiaries are those entities which are directly controlled by the Company. Investments in subsidiaries are measured at cost plus any granted non-returnable increases in share capital, including for the coverage of losses presented in the financial statements of a subsidiary and as a result of discounting interest-free returnable payments, less any impairment losses. Pursuant to IAS 36, impairment is measured by comparing the carrying amount with the higher of the following amounts: – fair value, decreased by costs to sell; and – value in use. The Company controls an entity if it simultaneously: – has power over the entity it invested in; – is exposed to variable returns or has rights to them; and – can use its power over the entity to affect the amount of its returns.	In the Company's opinion, power over individual entities recognised as subsidiaries is exercised through ownership of the majority of the total number of votes in the governing bodies of such entities. Important estimates, assumptions and judgments related to the assessment of the risk of impairment were presented in part 3 of these financial statements.

	2023	2022
As at 1 January	**3 701**	**3 691**
Acquisition of shares, of which:	8	-
Invest PV 7 Sp. z o.o.	8	-
Increase in share capital, of which:	276	375
Energetyka Sp. z o.o.	159	-
POL-MIEDŹ TRANS Sp. z o.o.	57	-
Zagłębie Lubin S.A.	30	-
TFI S.A.	2	-
KGHM Centrum Analityki sp. z o.o.	-	7
Polska Grupa Uzdrowisk sp. z o.o. (formerly Cuprum Zdrowie sp. z o.o.)	-	368
KGHM ZANAM S.A.	11	-
PMT Linie Kolejowe Sp. z o.o.	17	-
Sale of the shares in TFI S.A.	(5)	-
Reversal of impairment losses, of which:	827	-
KGHM METRACO S.A.	86	-
FUTURE 1 Sp. z o.o.	741	-
Repurchase of investment certificates of KGHM VII FIZAN	-	(365)
As at 31 December	**4 807**	**3 701**

The balance of impairment losses on the investments as at 31 December 2023 and as at 31 December 2022 by individual investments in subsidiaries is presented in the following table:

	As at 31 December 2023	As at 31 December 2022
Energetyka Sp. z o.o.	388	388
MCZ S.A.	14	14
KGHM METRACO S.A.	-	86
Zagłębie Lubin S.A.	81	81
FUTURE 1 Sp. z o.o.	1 922	2 663
Total	**2 405**	**3 232**

in PLN millions, unless otherwise stated

The most significant investments in subsidiaries (direct share)

Entity	Head Office	Scope of activities	Carrying amount of shares/investment certificates	
			as at 31 December 2023	as at 31 December 2022
FUTURE 1 Sp. z o.o.	Lubin	management and control of other companies, including the KGHM INTERNATIONAL LTD. Group	2 852	2 111
Polska Grupa Uzdrowisk sp. z o.o. (formerly Cuprum Zdrowie sp. z o.o.)	Wrocław	activities of financial holdings	376	376
KGHM Metraco S.A.	Legnica	trade, agency and representative services	421	335
"Energetyka" sp. z o.o.*	Lubin	generation, distribution and sale of electricity and heat	276	117
KGHM ZANAM S.A.*	Lubin	maintenance and production of machinery	143	132

** There was an increase in share capital in 2023*

As at 31 December 2023 and as at 31 December 2022, the % of share capital held as well as the % of voting power in the above-mentioned subsidiaries was 100%.

Note 6.2 Receivables due to loans granted

Accounting policies

The Company classifies loans granted to individual categories using the following policies:

Loans measured at amortised cost – to this category, the Company classifies loans that met two conditions: they are in a business model whose objective is to collect contractual cash flows due to holding assets, and have passed the SPPI (solely payments of principal and interest) test, that is they are maintained in order to collect the principal amount and interest. They are initially recognised at fair value adjusted by costs directly associated with the loan and are measured at the end of the reporting period at amortised cost using the effective interest rate method, including impairment calculated using the model of expected credit losses on the basis of discounted cash flows.

POCI loans – the Company classifies as POCI, at the moment of initial recognition, financial assets that are credit-impaired due to high credit risk at the moment they are granted or if the loans were purchased at a significant discount. POCI loans are measured at the end of the reporting period at amortised cost using the effective interest rate adjusted by the credit risk, including impairment calculated using the model of expected credit losses (ECL) on the basis of discounted cash flows in the horizon of the expected repayment of the loan. The loss allowance for ECL is calculated on the basis of expected credit losses during the whole life of the instrument. Accumulated changes to the expected credit losses are recognised as an increase or a reversal of an already recognised loss allowance for expected credit losses. Currently presented POCI loans are loans granted (not acquired). Classification was set due to the implementation of IFRS 9 in 2018 due to the recognised impairment at the moment of initial recognition.

The loans measured at fair value through profit or loss – to this category, the Company classifies loans that did not pass the SPPI (solely payments of principal and interest) test. The fair value of these loans is set at present value of future cash flows, including the change of market risk and credit risk factors during the loans' life.

Financial assets, for which the Company has to calculate the expected credit losses pursuant to IFRS 9, are classified to one of three degrees of a model of impairment. Classification to individual degrees of impairment model is at the level of a single financial instrument (a single exposure).

To the degree 2, the Company classifies financial instruments with an identified significant increase in credit risk, understood as a significant increase in probable default in the remaining time of the instrument as compared to the date of its initial recognition, but there were no objective indicators of impairment. The expected credit losses for the degree 2 are estimated during the entire life of these instruments.

in PLN millions, unless otherwise stated

If at the end of the reporting period the analysis proves that for a given financial instrument, since the day of its initial recognition, there was not a significant increase in credit risk and no default status was granted, the instrument is classified to the degree 1 of a model of impairment. For exposures classified to the degree 1, the expected credit losses are estimated in a horizon of 12 months.

Balances with an identified, objective indication of impairment are included in the degree 3. At the end of the reporting period, no financial instrument was defaulted (criteria classifying to the degree 3) and therefore, the Company did not classify any of the loans granted to the degree 3.

Important estimates, assumptions and judgments

Failed SPPI test - The Company assumes that the solely payments of principal and interest (SPPI) test for loans granted is not passed if, among others, in the structure of financing the target recipient of funds, debt is changed at the last stage into an equity investment.

Indications to classify the loan to the degree 2 of impairment model is the occurrence of one of the following:

- for exposition of the borrower's rating - at the level of Baa3 (per the Moody's methodology or a corresponding one for the S&P/Fitch ratings) or better (investment rating) – a drop in the borrower's rating by at least 5 levels,
- for exposition of the borrower's rating - at the level of Ba1 (per the Moody's methodology or a corresponding one for the S&P/Fitch ratings) or worse (below investment rating) – a drop in the borrower's rating by at least 3 levels,
- deterioration of operational cash flows forecasts of a borrower – in the time horizon of the exposure, which does not result in the impossibility of settling the liability arising from a given loan,
- change in conditions of the loan due to the worsening financial position of the borrower, which has an impact of less than 1% of the value of the loan at the date of change (a change in the conditions of the loan from reasons other than the worsening financial position of the borrower are not included in the assessment of occurrence of a given indication),
- delay in the repayment of over 30 days (after the maturity date of interest or capital).

Balances with an identified, objective indication of impairment are included in the degree 3. The Company recognises occurrence of at least one of the following events as an objective indication of default:

- borrower's rating at the level of Ca (per the Moody's methodology or a corresponding one for the S&P/Fitch ratings) or lower,
- deterioration of operational cash flows forecasts of a borrower – in the time horizon of the exposure, which results in the impossibility of settling the liability arising from a given loan,
- change in conditions of the loan due to the worsening financial position of the borrower, which has an impact of more than 1% of the value of the loan at the date of change (a change in the conditions of the loan from reasons other than the worsening financial position of the borrower are not included in the assessment of occurrence of a given indication),
- delay in the repayment of over 30 days (after the maturity date of interest or capital) – if at the date of analysis the loan was at stage 2 of calculating the allowance for impairment,
- delay in the repayment of over 90 days (after the maturity date of interest or capital) – if at the date of analysis the loan was at stage 1 of calculating the allowance for impairment.

In order to calculate expected credit losses (ECL), the Company uses, among others, the following parameters:

- the borrower's rating - is granted using internal methodology of the Company based on the Moody's methodology. The Company granted loans mainly to subsidiaries, of which over 99% of borrowers were assigned ratings between A3 – Baa3 (in the comparable period: A2 – Baa2).
- the curve of accumulated parameters of PD (parameter of probability of default, used to calculate the expected credit losses) for a given borrower is set on the basis of market sector quotations of Credit Default Swap contracts from the Reuters system, which quantify the market expectations as for the potential probability of default in a given sector and in a given rating. As at 31 December 2023, PD parameters for the adopted ratings were as follows:

A3 to Baa3 ratings according to Moody's (31 December 2023)

Up to one year	0.75% - 1.01%
1-3 years	0.75% – 4.63%
More than 3 years (at the date of loans' maturity)	0.75% – 25.87%

A2 to Baa2 ratings according to Moody's (31 December 2022)

Up to one year	0.69% - 1.39%
1-3 years	1.84% - 3.22%
More than 3 years (at the date of loans' maturity)	1.84% - 9.92%

in PLN millions, unless otherwise stated

The level of the LGD parameter (loss given default, expressed as the percentage of the amount outstanding) for the purposes of estimating expected credit losses for loans classified to the stage 1 and 2 is adopted at the level of 75% (based on estimations from Moody's Default and recovery rates for project finance bank loans, 1983-2021).
As at 31 December 2023 no decision was made whether to demand the repayment of loans with a contractual on-demand payment clause, including in the period of 12 months from the balance sheet date, and no joint decision was made by the owners of Sierra Gorda S.C.M. in this regard.

The Company classifies loans granted to one of the three following categories:
1. Measured at amortised cost, which were determined to be credit-impaired at the moment of initial recognition (POCI),
2. Measured at amortised cost, which were not determined to be credit-impaired at the moment of initial recognition,
3. Measured at fair value through profit or loss.

Loans that at the last stage of cash flows between companies in the Future 1 Sp. z o.o. holding structure or KGHM INTERNATIONAL LTD. were transferred as loans to a joint venture Sierra Gorda S.C.M., advanced by the KGHM INTERNATIONAL LTD. Group, were classified as POCI loans (identified allowance for impairment due to a credit risk at the moment of granting). These loans, pursuant to contractual terms, are paid on demand, but not later than 15 December 2024, however because the repayment of the loan was not made in the agreed-upon period of 12 months from the end of the reporting period, the Company presents the balance of the loan as a long-term receivable.

The Company presents, in the category of loans classified as measured at fair value through profit or loss, loans that at the last stage of cash flows between companies in the Future 1 Sp. z o.o. holding structure or KGHM INTERNATIONAL LTD. were transferred mainly as increases in share capital of Sierra Gorda S.C.M. The maturity of these loans falls in December 2024.

At the end of the reporting period, the Company performed a measurement of loans classified to level 3 of the fair value hierarchy (measured at fair value as well as at amortised cost (for disclosure purposes)) designated mainly for financing the joint venture Sierra Gorda S.C.M. The basis of measuring the level of recoverability of loans at the level of the separate financial statements of KGHM Polska Miedź S.A. is the estimation of cash flows generated by Sierra Gorda S.C.M and other significant international production assets, which are subsequently allocated by the Company in individual loans at various levels of the current financing structure. The estimate of cash flows generated by Sierra Gorda S.C.M. and other mines was determined on the basis of current forecasts of pricing paths of commodities and current mining plans.

The expected repayments of loans were 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 3.69% - 6.64% - for loans measured at amortised cost,
- the market interest rate at the level of 6.17% - 9.13% - for loans measured at fair value.

In the period from 1 January to 31 December 2023, the following was recognised:
- loss on recognition of an allowance for impairment of loans granted classified as POCI in the amount of PLN 6 million (USD 2 million translated at exchange rates from the date of recognition of the allowance for impairment),
- for loans measured at fair value – an increase in fair value in the amount of PLN 563 million was recognised (USD 230 million).

The increase in the fair value of loans is mainly a result of an increase in expected future cash flows of Sierra Gorda S.C.M. estimated on the basis of current, at the end of the reporting period, forecasts of price paths of commodities.

In the case of other loans measured at amortised cost, the Company calculated the allowance for impairment on the basis of the model of expected credit losses.

	as at 31 December 2023	as at 31 December 2022
Loans measured at amortised cost – gross amount	6 016	5 604
Allowances for impairment	(71)	(52)
Loans measured at fair value	3 766	3 233
Total, including:	**9 711**	**8 785**
- long-term loans	9 638	8 763
- short-term loans	73	22

The most significant items are loans granted to companies of the KGHM Polska Miedź S.A. Group, which are connected with the realisation of mining projects executed by indirect subsidiaries of KGHM Polska Miedź S.A. from the KGHM INTERNATIONAL LTD. Group. Credit risk related to loans granted was described in Note 7.5.2.5.

in PLN millions, unless otherwise stated

PART 7 – Financial instruments and financial risk management

Note 7.1 Financial Instruments

		As at 31 December 2023					As at 31 December 2022				
	Financial assets:	**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	803	3 804	6 317	195	**11 119**	483	3 238	5 962	709	**10 392**
Note 6.2	Loans granted	-	3 766	5 872	-	**9 638**	-	3 233	5 530	-	**8 763**
Note 7.2	Derivatives	-	38	-	195	**233**	-	5	-	709	**714**
Note 7.3	Other financial instruments measured at fair value	803	-	-	-	**803**	483	-	-	-	**483**
Note 7.4	Other financial instruments measured at amortised cost	-	-	445	-	**445**	-	-	432	-	**432**
	Current	-	647	2 492	324	**3 463**	-	496	2 060	755	**3 311**
Note 10.2	Trade receivables	-	211	260	-	**471**	-	455	165	-	**620**
Note 7.2	Derivatives	-	436	-	324	**760**	-	41	-	755	**796**
Note 8.5	Cash and cash equivalents	-	-	1 481	-	**1 481**	-	-	985	-	**985**
	Cash pooling receivables*	-	-	424	-	**424**	-	-	588	-	**588**
Note 12.3	Other financial assets	-	-	327	-	**327**	-	-	322	-	**322**
	Total	**803**	**4 451**	**8 809**	**519**	**14 582**	**483**	**3 734**	**8 022**	**1 464**	**13 703**

** Receivables from companies within the KGHM Polska Miedź S.A. Group which indebted themselves in the cash pooling system.*

in PLN millions, unless otherwise stated

	Financial liabilities:	As at 31 December 2023 At fair value through profit or loss	As at 31 December 2023 At amortised cost	As at 31 December 2023 Hedging instruments	As at 31 December 2023 Total	As at 31 December 2022 At fair value through profit or loss	As at 31 December 2022 At amortised cost	As at 31 December 2022 Hedging instruments	As at 31 December 2022 Total
	Non-current	**38**	**4 722**	**164**	**4 924**	**19**	**5 223**	**700**	**5 942**
Note 8.4	Borrowings, leases and debt securities	-	4 508	-	**4 508**	-	5 000	-	**5 000**
Note 7.2	Derivatives	38	-	164	**202**	19	-	700	**719**
	Other financial liabilities	-	214	-	**214**	-	223	-	**223**
	Current	473	7 597	26	**8 096**	188	4 401	280	**4 869**
Note 8.4	Borrowings, leases and debt securities	-	833	-	**833**	-	1 124	-	**1 124**
Note 8.4	Cash pooling liabilities*	-	350	-	**350**	-	321	-	**321**
Note 12.4	Other liabilities due to settlement under cash pooling contracts **	-	34	-	**34**	-	29	-	**29**
Note 7.2	Derivatives	473	-	26	**499**	154	-	280	**434**
Note 10.3	Trade payables	-	3 044	-	**3 044**	-	2 819	-	**2 819**
Note 10.3	Similar payables – reverse factoring	-	3 021	-	**3 021**	-	-	-	**-**
	Other financial liabilities	-	315	-	**315**	34	108	-	**142**
	Total	**511**	**12 319**	**190**	**13 020**	**207**	**9 624**	**980**	**10 811**

** Liabilities of KGHM Polska Miedź S.A. towards the Group companies within the credit limit of the group of accounts participating in the cash pooling system.*
*** Other current liabilities towards participants in the cash pooling system to return, after the end of the reporting period, cash transferred by them which were not used by KGHM Polska Miedź S.A. for its own needs.*

in PLN millions, unless otherwise stated

Gains/(losses) on financial instruments

	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 4.3	Interest income	-	382	-	-	382
Note 4.3	Interest costs	-	-	(166)	24	(142)
Note 4.2	Foreign exchange gains/(losses) on instruments other than borrowings	-	(811)	41	-	(770)
Note 4.3	Foreign exchange gains on borrowings	-	-	358	-	358
Note 4.2	Fair value gains/(losses) on financial assets measured at fair value through profit or loss	445	-	-	-	445
Note 4.4	Reversal/(recognition) of impairment losses	-	17	-	-	17
Note 7.2	Revenues from contracts with customers	-	-	-	635	635
Note 4.2 Note 4.3	Gains on measurement and realisation of derivatives	539	-	-	-	539
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)
	Other	-	-	(12)	-	(12)
	Total net gain/(loss)	**517**	**(412)**	**195**	**309**	**609**

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	Interest income	-	348	-	-	348
Note 4.3	Interest costs	-	-	(90)	60	(30)
Note 4.2	Foreign exchange gains/(losses) on instruments other than borrowings	-	549	(49)	-	500
Note 4.3	Foreign exchange losses	-	-	(179)	-	(179)
Note 4.2	Fair value gains/(losses) on financial assets measured at fair value through profit or loss	544	-	-	-	544
Note 4.4	Reversal/(recognition) of impairment losses	-	206	-	-	206
Note 7.2	Revenues from contracts with customers	-	-	-	(182)	(182)
Note 4.2	Gains on measurement and realisation of derivatives	398	-	-	-	398
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	-	-	(30)	-	(30)
	Other	-	-	(11)	-	(11)
	Total net gain/(loss)	**613**	**1 103**	**(359)**	**(432)**	**925**

Fair value measurement

Accounting policies	Important estimates, assumptions and judgements
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. The fair value hierarchy levels are as follows: 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 it is not possible to acquire data from the first two measurement levels. It includes all measurements based on subjective inputs. 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.	Fair value measurement is not a specific measurement for a given unit, but should be based on market, including any assumptions which market participants would consider in the process of measurement. Sometimes, given the limited availability of inputs, carrying out a fair value measurement requires selecting appropriate measurement techniques, under which a unit should make maximum use of observable data. In the case of the Company's assets, this involves in particular derivatives. The assumptions and estimates applied in their measurement are presented in Note 7.1. To determine fair value, the adoption of specified assumptions and judgments is especially required for assets whose fair value measurement cannot be made based on inputs arising from an active market or from the use of other data, regardless of how amenable they are to objective and measurable observation. Details on assumptions adopted for fair value measurement may be found in the further part of the Note 7.1 Methods and techniques used in determining fair value.

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 measured at fair value	-	-	3 766	3 766	-	-	3 233	3 233
Loans granted measured at amortised cost	-	895	5 050	5 945	-	143	5 409	5 552
Listed shares	680	-	-	680	386	-	-	386
Unquoted shares	-	106	-	106	-	97	-	97
Trade receivables	-	211	-	211	-	455	-	455
Other financial assets	-	48	-	48	-	37	-	37
Derivatives, of which:	-	292	-	292	-	357	-	357
Assets	-	993	-	993	-	1 510	-	1 510
Liabilities	-	(701)	-	(701)	-	(1 153)	-	(1 153)
Long-term bank and other loans	-	(2 306)	-	(2 306)	-	(2 387)	-	(2 387)
Long-term debt securities	(1 627)	-	-	(1 600)	(1 952)	-	-	(2 000)
Other financial liabilities	-	(7)	-	(7)	-	(34)	-	(34)

Discount rate adopted for disclosure of fair value of loans granted measured at amortised cost

As at 31 December 2023

Loans per impairment model	discount rate level 2	level 3	carrying amount
1st and 2nd degree (fixed interest rate)	6.15%	x	808
1st degree (variable interest rate)	5.83% (Wibor 1M)	x	87
2nd degree (fixed interest rate)	x	6.16%	3 342
POCI (fixed interest rate)*	x	9.13%	1 708
		Total	**5 945**

**Real discount rate*

As at 31 December 2022

Loans per impairment model	discount rate level 2	level 3	carrying amount
1st and 2nd degree (fixed interest rate)	6.92%	x	55
1st degree (variable interest rate)	6.94% (Wibor 1M)	x	88
2nd degree (fixed interest rate)	x	5.87%	3 572
POCI (fixed interest rate)*	x	9.75%	1 837
		Total	**5 552**

**Real discount rate*

Methods and measurement techniques used by the Company 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

Long-term loans granted
The fair value of loans measured at amortised cost 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. IBOR current market interest rare acquired from the Reuters system is used in the discounting process.

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.

Other financial assets/liabilities
The fair value of receivables/payables due to the settlement of derivatives, whose date of payment falls two working days after the end of the reporting period was set per the reference price applied in the settlement of these transactions.

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

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

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

Level 3

Long-term loans granted
The fair value of loans was estimated using the forecasted cash flows of international assets (Sierra Gorda S.C.M.), which pursuant to IFRS 13 are unobservable input data, and the fair value of assets determined using the same data is classified to level 3 of the fair value hierarchy.

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 was presented in Note 7.5.2.5.

The Company does not disclose the fair value of financial instruments measured at amortised cost (except for long-term 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.

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

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. The Company applies hedge accounting for cash flows. Hedge accounting aims at reducing volatility in the Company's net result, arising from periodic changes in the measurement of transactions hedging individual types of market risk to which the Company is exposed. Hedging instruments may be derivatives as well as bank and other loans in foreign currencies. The designated hedges mostly 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 Company 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 Company 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 Company 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. In addition, as a cost of hedging, the Company 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. The Company ceases to account for derivatives 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 Company 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 the underlying instrument and is measured pursuant to 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 Company 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 and assumptions
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 Company in determining fair values of each class of financial assets or financial liabilities" and in tables in point 7.2. of this part.

in PLN millions, unless otherwise stated

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 (USDPLN exchange rate)										
Sold put option	-	-	(38)	(436)	**(474)**	-	-	-	(1)	**(1)**
Purchased call option	-	-	-	-	**-**	1	4	-	-	**5**
Embedded derivatives (price of copper, 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)										
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 Company as at 31 December 2023.

Open hedging derivatives **Type of derivative**	**Notional** currency [USD mn] CIRS [PLN mn]	**Average weighted price /exchange rate/interest rate** [USD/PLN] [USD/PLN, fixed interest rate for USD]	**Maturity settlement period** from	 to	**Period of profit/loss impact**** 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 Company as at 31 December 2022.

Open hedging derivatives **Type of derivative**	**Notional** copper [t] silver [mn ounces] currency [USD mn] CIRS [PLN mn]	**Average weighted price /exchange rate/interest rate** [USD/t] [USD/ounce] [USD/PLN] [USD/PLN, fixed interest rate for USD]	**Maturity - settlement period** from	 to	**Period of profit/loss impact***** 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 in the accounting books 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 items of 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):	(268)	(222)
realisation of derivatives	(282)	(214)
measurement of derivatives	14	(8)
Finance income / (costs) (reclassification adjustment):	13	41
realisation of derivatives	(11)	(19)
interest on borrowings	24	60
Impact of derivatives and hedging instruments on profit or loss for the period (excluding the tax effect)	**380**	**(363)**

in PLN millions, unless otherwise stated

Statement of other comprehensive income	from 1 January 2023 to 31 December 2023	from 1 January 2022 to 31 December 2022
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	(24)	(60)
Reclassification to non-current assets due to realisation of a hedged item*	(78)	-
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	**937**	**1 308**

**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*	(78)	-

**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" 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. These assets 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 fair value of listed shares is calculated based on the closing price as at the end of the reporting period. The translations of shares 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 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 fixed-term deposits in financial institutions, and the risk-free discount rate published by the European Insurance and Occupational Pensions Authority).

	As at 31 December 2023	As at 31 December 2022
Shares of listed companies (Warsaw Stock Exchange and TSX Venture Exchange) of which:	680	386
TAURON POLSKA ENERGIA S.A.	680	386
Unquoted shares	123	97
Other financial instruments measured at fair value	**803**	**483**

in PLN millions, unless otherwise stated

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, which however is not from an active market).

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

Due to investments in listed companies, the Company 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 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	**680**	88	(88)	**386**	54	(54)

Sensitivity analysis for significant types of market risk to which the Company 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 index for a period of 3 calendar years ended at the end of the reporting period.

Note 7.4 Other long-term financial instruments measured at amortised cost

Accounting policies	Important estimates, assumptions and judgements
The item other long-term 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 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	394	356
Increases in share capital	39	41
Other financial receivables	12	35
Total	**445**	**432**

in PLN millions, unless otherwise stated

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 Company 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 Company's Management Board manages identified financial risk factors in a conscious and responsible manner, using the 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 adopted by the Company. Understanding the threats arising from the Company's exposure to risk and maintaining an appropriate organisational structure and procedures enable an effective achievement of tasks. The Company identifies and measures financial risk on an ongoing basis, and also takes actions aimed at minimising its impact on the financial position of the Company.

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

Note 7.5.1.1 Principles and techniques of market risk management

The Company actively manages the market risk to which it is exposed.

In accordance with the adopted policy, the goals of the market risk management process are as follows:

- limit volatility in the financial result;
- increase the probability of meeting budget targets;
- decrease the probability of losing financial liquidity;
- maintain the good financial condition of the Company; and
- support the process of strategic decision making related to investing, including financing sources.

The objectives of market risk management should be considered as a whole, and their realisation is determined mainly by the Company's internal situation and market conditions. Actions and decisions concerning market risk management in the Company should be analysed in the context of the KGHM Polska Miedź S.A. Group's global exposure to market risk.

Taking into account the potential scope of their impact on the Company'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 Company'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 planned 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	This group is comprised of less significant risks, 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	

The Company manages market risk by applying various approaches to particular, identified exposure groups.
The Company considers the following factors when selecting hedging strategies or restructuring hedging positions: current and forecasted market conditions, the internal situation of the Company, the effective level and cost of hedging, and the impact of the minerals extraction tax.

The Company 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 Company executes derivative transactions only if it has the ability to assess their value 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 evaluating the market value of given instruments, the Company uses information obtained from leading information services, banks, and brokers.

The Company's internal policy, which regulates market risk management principles, 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). Primarily 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 Company 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 Company aims to ensure a maximal match between these parameters to minimise the sources of ineffectiveness.

The Company quantifies its market risk exposure using a consistent and comprehensive measure. Market risk management 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 of the Company to market risk.

One of the measures used as an auxiliary tool in making decisions in the market risk management process 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.

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, the Company has set limits with respect to commitment in derivatives:

- 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 Company (for financing the hedging strategy), and up to 85% with respect to instruments representing the rights of the Company.
- 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 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.

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 Company 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 Company.

in PLN millions, unless otherwise stated

With respect to the risk of changes in interest rates, the Company 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.

Note 7.5.1.2. Commodity risk

The Company is exposed to the risk of changes in the prices of the metals it sells: copper, silver, gold and lead. The price formulas used in physical delivery contracts are mainly based on average monthly quotations from the London Metal Exchange for copper and lead and from the London Bullion Market Association for silver and gold. The Company's commercial policy is to 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 Company's benchmark profile, in particular in terms of the reference prices and the quotation periods.

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

The Company'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]	**379 430**	584 749	205 319	**344 065**	564 969	220 904
Silver [t]	**1 319**	1 352	33	**1 298**	1 338	40

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 Company (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 Company (24% in 2022).

In 2023, pursuant to the Market Risk Management Policy, the Company 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 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 Company 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 Company 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.

[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 Company's sensitivity to the risk of changes in commodity 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%) profit or loss	Change in COPPER prices [USD/t] 10 102 (+21%) other comprehensive income	Change in COPPER prices [USD/t] 6 579 (-21%) profit or loss	Change in COPPER prices [USD/t] 6 579 (-21%) other comprehensive income	Change in GOLD prices [USD/ounce] 2 391 (+16%) profit or loss	Change in GOLD prices [USD/ounce] 1 738 (-16%) 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%) profit or loss	Change in COPPER prices [USD/t] 10 293 (+23%) other comprehensive income	Change in COPPER prices [USD/t] 6 463 (-23%) profit or loss	Change in COPPER prices [USD/t] 6 463 (-23%) other comprehensive income	Change in GOLD prices [USD/ounce] 2 107 (+15%) profit or loss	Change in GOLD prices [USD/ounce] 1 524 (-16%) profit or loss	Change in SILVER prices [USD/ounce] 31.69 (+32%) profit or loss	Change in SILVER prices [USD/ounce] 31.69 (+32%) other comprehensive income	Change in SILVER prices [USD/ounce] 17.06 (-29%) profit or loss	Change in SILVER prices [USD/ounce] 17.06 (-29%) 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, the following types of exposures were identified:

- transaction exposure related to the volatility of cash flows in the base (functional) currency, and
- 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, the value of which expressed in the base (functional) currency depend on future levels of exchange rates of the foreign currencies with respect to the base (functional) currency (for KGHM Polska Miedź S.A. it is the Polish zloty). 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 transaction exposure to currency risk in the Company's business operations are the proceeds from sales of products (with respect to metals prices, processing and producer margins).

The Company's exposure to currency risk also derives from items in the statement of financial position denominated in foreign currencies, which under the existing accounting regulations must be translated, upon settlement or periodic valuation, 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 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 Company in 2023.

In 2023, as part of the active management of an open hedging position, a position on the currency market was restructured. 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 Company 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 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 (hedge limited to)	Average weighted option strike price – purchased put option (exchange rate hedging)	Average weighted option strike price – sold call option (participation limited to)	Average weighted premium	Effective hedge price
		[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 (hedge limited to)	Average weighted option strike price – purchased put option (exchange rate hedging)	Average weighted option strike price – sold call option (participation limited to)	Average weighted premium	Effective hedge price
		[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/ option	Notional	Average interest rate	Average exchange rate
		[PLN mn]	[fixed interest rate for USD]	[USD/PLN]
≤ 2024	CIRS	400	3.23%	3.78
≤ 2029	CIRS	1 600	3.94%	3.81
	TOTAL	**2 000**		

As for managing currency risk, the Company 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 2 648 million (as at 31 December 2022: PLN 3 435 million).

The currency structure of financial instruments exposed to currency risk (changes in the USD/PLN and EUR/PLN exchange rates) is presented in the table below. An analysis for other currencies is not presented due to the immateriality.

Financial instruments	Value at risk as at 31 December 2023 total PLN million	USD million	EUR million	Value at risk as at 31 December 2022 total PLN million	USD million	EUR million
Trade receivables	**243**	31	28	**337**	52	23
Cash and cash equivalents	**1 176**	268	28	**688**	136	19
Loans granted	**9 614**	2 443	-	**8 687**	1 974	-
Cash pooling receivables	**424**	108	-	**588**	134	-
Other financial assets	**48**	12	1	**80**	18	-
Derivatives*	**292**	9	-	**357**	36	-
Trade and similar payables	**(1 901)**	(184)	(270)	**(767)**	(124)	(48)
Borrowings	**(2 665)**	(673)	(4)	**(3 450)**	(780)	(3)
Other financial liabilities	**(17)**	(1)	(3)	**(46)**	(8)	(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.*

An analysis of the Company's sensitivity to the currency risk as at 31 December 2023 and as at 31 December 2022 is presented in the tables on the next page. In order to determine the potential changes in the USD/PLN and EUR/PLN exchange rates for sensitivity analysis purposes, the Black-Scholes model (the geometrical Brownian motion) was used.

in PLN millions, unless otherwise stated

An analysis of the Company's sensitivity to the currency risk in the years 2022-2023

Financial assets and liabilities as at 31 December 2023	Value at risk	Carrying amount 31 December 2023	Change in USD/PLN exchange rate 4.46 (+13%)		Change in USD/PLN exchange rate 3.50 (-11%)		Change in EUR/PLN exchange rate 4.79 (+10%)	Change in EUR/PLN exchange rate 4.13 (-5%)
			profit or loss	other comprehensive income	profit or loss	other comprehensive income	profit or loss	profit or loss
Trade receivables	**243**	**471**	17	-	(14)	-	12	(6)
Cash and cash equivalents	**1 176**	**1 481**	142	-	(116)	-	12	(6)
Loans granted	**9 614**	**9 638**	1 293	-	(1 054)	-	-	-
Cash pooling receivables	**424**	**424**	57	-	(46)	-	-	-
Other financial assets	**48**	**1 558**	6	-	(5)	-	-	-
Derivatives	**292**	**292**	(4)	(500)	4	413	-	-
Trade and similar payables	**(1 901)**	**(6 065)**	(97)	-	79	-	(119)	58
Borrowings	**(2 665)**	**(5 691)**	(356)	-	290	-	(2)	1
Other financial liabilities	**(17)**	**(562)**	(1)	-	1	-	(1)	1
		Impact on profit or loss	**1 057**	**-**	**(861)**	**-**	**(98)**	**48**
		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 USD/PLN exchange rate 5.03 (+14%)		Change in USD/PLN exchange rate 3.91 (-11%)		Change in EUR/PLN exchange rate 5.18 (+10%)	Change in EUR/PLN exchange rate 4.48 (-5%)
			profit or loss	other comprehensive income	profit or loss	other comprehensive income	profit or loss	profit or loss
Trade receivables	**337**	**620**	33	-	(26)	-	11	(5)
Cash and cash equivalents	**688**	**985**	85	-	(66)	-	9	(4)
Loans granted	**8 687**	**8 763**	1 241	-	(963)	-	-	-
Cash pooling receivables	**588**	**588**	84	-	(65)	-	-	-
Other financial assets	**80**	**1 237**	11	-	(9)	-	-	-
Derivatives	**357**	**357**	(3)	(1 197)	(6)	1 193	-	-
Trade and similar payables	**(767)**	**(2 819)**	(78)	-	60	-	(23)	10
Borrowings	**(3 450)**	**(6 445)**	(491)	-	381	-	(2)	1
Other financial liabilities	**(46)**	**(394)**	(5)	-	4	-	(1)	-
		Impact on profit or loss	**877**	**-**	**(690)**	**-**	**(6)**	**2**
		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 Company was exposed to the risk of changes in interest rates due to loans granted, investing free cash, participating in a cash-pooling service and borrowing.

Positions with variable interest rates expose the Company 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 the profit or loss). Positions with fixed interest rates expose the Company to the risk of fair value changes of a given position, excluding items 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*	1 888	-	**1 888**	1 356	-	**1 356**
Note 6.2	Loans granted	67	3 766	**3 833**	76	3 233	**3 309**
Note 7.1	Borrowings	(2 983)	(2 358)	**(5 341)**	(2 530)	(3 594)	**(6 124)**
	Cash pooling receivables	424	-	**424**	588	-	**588**
	Cash pooling liabilities	(350)	-	**(350)**	(321)	-	**(321)**
	Similar payables**	(3 021)	-	**(3 021)**	-	-	**-**

**Presented amounts include cash accumulated in special purpose funds: Mine Closure Fund and Social Fund*
***The value of trade payables transferred to reverse factoring*

As at 31 December 2023 the Company 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 Company'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	-	(28)	-	20	-	(14)	-
Borrowings	(15)	-	45	-	(38)	-	25	-
Cash pooling	-	-	(1)	-	4	-	(3)	-
Loans granted measured at fair value	(132)	-	384	-	(299)	-	237	-
Derivatives – interest rate	-	31	-	(107)	-	134	-	(97)
Similar payables**	(15)	-	45	-	-	-	-	-
Impact on profit or loss	**(153)**	**-**	**445**	**-**	**(313)**	**-**	**245**	**-**
Impact on other comprehensive income	**-**	**31**		**(107)**	**-**	**134**	**-**	**(97)**

**Presented amounts include cash accumulated in special purpose funds: Mine Closure Fund and Social Fund*
***The value of trade payables transferred to reverse factoring*

in PLN millions, unless otherwise stated

In 2023 the LIBOR reference rates in borrowing agreements entered into by the Company 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.

Until 2027, the IBOR reform will not have an impact on the interest rate applied in the Company's derivatives, because the CIRS transactions entered into (open cross currency interest rate swaps) and bonds issued by the Company 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 Company 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 Company estimated that the impact of IBOR reform on the financial statements will be immaterial.

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

Type of instrument		Carrying amount as at 31 December 2023	Carrying amount as at 31 December 2022
Loans granted	WIBOR 1M	86	88
Bank loans	USD LIBOR 1M	-	(528)
Debt securities	WIBOR 6M	(2 002)	(2 002)
Similar payables	WIBOR 1M	(1 757)	-
Derivatives (CIRS for 2029, PLN 1 600 million)	WIBOR 6M	5	(198)
Total		**(3 668)**	**(2 640)**

7.5.1.5 Risk of changes in prices of energy and energy carriers

The risk of changes in prices of electricity and energy commodities is a commodity risk for the Company, the measurement of which is based on its impact on cash flow.

The Company'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 Company'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 Company being higher than the level of greenhouse gas emissions for which the Company 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 Company 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 Company purchases electricity in forward products (RTEE) as well as on the intra-day and next-day market. Moreover, the Company 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 Company 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 PLN millions, unless otherwise stated

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).

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 Company from planned amounts. In terms of changes in the prices of CO_2 emission allowances, the Company 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 Company's needs. In 2023, the Company 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 Company 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). The Company sells electricity mostly to customers which provide services to the Company on properties belonging to the Company.

Exposure of the Company 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 2022-2023 (net of the tax effect).

	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

The inefficiency of the hedging which was recognised in profit or loss in the reporting periods of 2022 and 2023 was immaterial.

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

in PLN millions, unless otherwise stated

relation type / *risk type* / *instrument type*	from 1 January 2023 to 31 December 2023: Profits or (losses) due to hedging recognised in other comprehensive income	from 1 January 2023 to 31 December 2023: Amount reclassified from other comprehensive income as a reclassification adjustment, due to realisation of a hedged item in the period – to statement of profit or loss	from 1 January 2023 to 31 December 2023: Amount reclassified … – to non-current assets	from 1 January 2022 to 31 December 2022: Profit or (loss) due to hedging recognised in other comprehensive income	from 1 January 2022 to 31 December 2022: 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
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	13	78	56	41
Total	**944**	**309**	**78**	**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.

	2023: Effective value *	2023: Cost of hedging **	2023: Total	2022: Effective value *	2022: Cost of hedging **	2022: Total
Other comprehensive income due to cash flow hedging – 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 due to cash flow hedging – 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)*

Note 7.5.2 Credit risk

Credit risk is defined as the risk that the Company'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 Company is exposed to credit risk due to:

- 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 Company 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 Company 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 Company 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. The detailed principles of classification of loans granted to individual degrees of loss allowance for expected credit losses was described in note 6.2. Under the simplified model the Company 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 Company periodically allocates 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 1 481 million (as at 31 December 2022, PLN 985 million) was held in bank accounts and in short-term deposits. The detailed structure of cash and cash equivalents is presented in note 8.5.

All entities with which deposit transactions are entered into by the Company operate in the financial sector. These are solely banks registered in Poland or operating in Poland as branches of foreign banks, which belong to European, American and Chinese financial institutions with medium-high and medium ratings, an appropriate level of equity and a strong, stable market position. Credit risk in this regard is continuously monitored through the ongoing review of the financial standing and by maintaining an appropriately low level of concentration of resources in individual financial institutions.

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

in PLN millions, unless otherwise stated

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	95%	85%
Medium	from BBB+ to BBB- according to S&P and Fitch, and from Baa1 to Baa3 according to Moody's	5%	15%

**Weighed by amount of deposits.*

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 41%, or PLN 608 million (as at 31 December 2022: 36%, 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	70
Counterparty 4	80	68
Other	161	158
Total	**1 481**	**985**

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 Company 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 the impairment loss is insignificant. These assets are classified to Degree 1 of the impairment model.

Note 7.5.2.2 Credit risk related to derivatives transactions

All entities with which derivative transactions are entered into by the Company operate in the financial sector[4].

The Company's credit exposure related to derivatives by main counterparties is presented in the table below.

	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*

[4] *Excludes embedded derivatives in purchase contracts for metal-bearing materials.*

in PLN millions, unless otherwise stated

Taking into consideration the receivables due to open derivatives transactions entered into by the Company (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 Company 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 template 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.

Despite the concentration of credit risk associated with derivatives' transactions, the Company 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 Company 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

For many years, the Company has been cooperating with a large number of customers, which affects the geographical diversification of trade receivables. The majority of sales go to EU countries.

Trade receivables (net)	As at 31 December 2023	As at 31 December 2022
Poland	53%	60%
European Union (excluding Poland)	21%	15%
Asia	9%	22%
Other countries	17%	3%

[5] The Company 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

Accounting policies
The Company 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 following the 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 Company applies a provision matrix, made on the basis of historical levels of payment of trade receivables, which is periodically recalibrated in order to update it. The Company 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 of delays in payment, according to ranges presented below as "Important estimates and assumptions". The Company defines default 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, the Company takes into account also collaterals by allocating expected recovery rates to the particular types of collaterals. Moreover, the Company takes into account forward-looking factor 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 Company recognises any deterioration in them in comparison to the previous period, in the ECL calculation the *forward looking* factor, which corrects the 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 Company 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 (allowance for impairment)	Gross amount of receivables*	Allowance for impairment in individual time frames	Gross amount of receivables	Allowance for impairment in individual time frames
Not overdue	0.42	127	-	69	(1)
<1-30)	2.28	3	-	2	-
<30-60)	33.68	1	-	1	-
<60-90)	68.81	-	-	-	-
Default	100	-	-	-	-
Total		**131**	**-**	**72**	**(1)**

** Intra-group receivables were excluded from the calculation of allowance for impairment*

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

		2023	2022
	Gross amount as at 1 January	**166**	**134**
	Change in the balance of receivables	94	32
Note 10.2	**Gross amount as at 31 December**	**260**	**166**

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	**1**	**1**
	Allowance utilised	1	-
Note 10.2	**Loss allowance for expected credit losses as at 31 December**	**-**	**1**

The Company 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 part 2.

in PLN millions, unless otherwise stated

An inseparable element of the credit risk management process performed by the Company 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 Company 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 aforementioned forms of collateral and the credit limits received from the insurance company, as at 31 December 2023 the Company had secured 56% of its trade receivables (as at 31 December 2022: 76%).

The total net value of the Company's trade receivables as at 31 December 2023, excluding the fair value of collaterals, up to the value of which the Company may be exposed to credit risk, amounts to PLN 471 million (as at 31 December 2022: PLN 620 million).

The concentration of credit risk in the Company is related to the terms of payment allowed to key clients. Consequently, as at 31 December 2023 the balance of receivables from the Company's 7 largest clients, in terms of trade receivables at the end of the reporting period, represented 49% of the balance of trade receivables (as at 31 December 2022: 64%). Despite the concentration of this type of risk, the Company believes that due to the available historical data and the many years of experience in cooperating with its clients, as well as to securities used, the level of credit risk is low.

Note 7.5.2.4 Credit risk related to other financial assets

As at 31 December 2023, the major items in other financial assets were:

- cash accumulated in the special purpose Mine Closure Fund in the amount of PLN 398 million (as at 31 December 2022: PLN 358 million);
- receivables due to cash pooling in the amount of PLN 424 million (as at 31 December 2022: PLN 588 million). Credit risk in this regard is continuously monitored through the review of the financial standing and assets of the subsidiaries participating in the cash pooling.

The account of the special purpose fund, used to accumulate cash in order to cover the costs of decommissioning of mines is managed by a bank with a medium-high rating (principles of credit risk management connected with allocation of cash in financial institutions are described in Note 7.5.2.1).

Impairment losses on cash accumulated on the bank account of the Mine Closure Fund was determined based on an external bank rating. The analysis determined that these assets have a low credit risk at the reporting date. The Company 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 expected impairment loss is insignificant.

Note 7.5.2.5 Credit risk related to loans granted

Entities which were granted loans do not have ratings assigned to them by independent rating agencies. The following table presents a structure of ratings of entities which were granted loans by the Company, per the internal methodology of the Company:

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	48%	99%
Medium	from BBB+ to BBB- according to S&P and Fitch, and from Baa1 to Baa3 according to Moody's	52%	1%

in PLN millions, unless otherwise stated

Loans granted measured at amortised cost

The Company estimates expected credit losses related to loans granted measured at amortised cost in accordance with the general approach.

Loans granted do not have collaterals limiting the exposure to credit risk, therefore the maximum amount exposed to loss due to credit risk is the gross amount of the loans, less expected credit losses recognised pursuant to IFRS 9.

The following tables present the change in the gross amount of loans granted measured at amortised cost.

	Total	Degree 1 Medium rating	Degree 2 Medium-high rating	POCI Medium rating
Gross amount as at 1 January 2023	**5 604**	**145**	**3 622**	**1 837**
increase in the amount of loan (granting a loan)	**829**	829	-	-
repayment	(85)	(29)	(17)	(39)
modification of terms to the agreement	-	-	-	-
exchange differences	(670)	(80)	(390)	(200)
interest accrued using the effective interest rate	299	36	146	117
reversal of loss allowance recognised at the moment of initial recognition of a loan	39	-	-	39
Gross amount as at 31 December 2023	**6 016**	**901**	**3 361**	**1 754**

	Total	Degree 1 Medium rating	Degree 2 Medium-high rating	POCI Medium-high rating
Gross amount as at 1 January 2022	**5 505**	**213**	**3 664**	**1 628**
increase in the amount of loan (granting a loan)	22	22	-	-
repayment*	(776)	(121)	(466)	(189)
modification of terms to the agreement	(21)	-	(21)	-
exchange differences	417	12	284	121
interest accrued using the effective interest rate	297	20	162	115
reversal of loss allowance recognised at the moment of initial recognition of a loan	162	-	-	162
Other changes	(2)	(1)	(1)	-
Gross amount as at 31 December 2022	**5 604**	**145**	**3 622**	**1 837**

** Of which: PLN 742 million concerns the repayment of principal amount and PLN 34 million concerns the repayment of interest.*

There were no transfers of loans between degrees of impairment in any of the presented reporting periods.

The following tables present the change in the loss allowances for expected credit losses for loans measured at amortised cost.

	Total	Degree 1	Degree 2	POCI
Loss allowance for expected credit losses as at 1 January 2023	**52**	**2**	**50**	**-**
changes in risk parameters	24	7	(27)	44
exchange differences	(5)	(1)	(4)	-
Loss allowance for expected credit losses as at 31 December 2023	**71**	**8**	**19**	**44**

in PLN millions, unless otherwise stated

	Total	Degree 1	Degree 2	POCI
Loss allowance for expected credit losses as at 1 January 2022	**98**	**2**	**96**	**-**
changes in risk parameters	(50)	-	(50)	-
exchange differences	4	-	4	-
Loss allowance for expected credit losses as at 31 December 2022	**52**	**2**	**50**	**-**

Loans measured at amortised cost (Note 6.2)	Carrying amount	Degree 1	Degree 2	POCI
As at 1 January 2022	5 407	211	3 568	1 628
As at 31 December 2022 / 1 January 2023	5 552	143	3 572	1 837
As at 31 December 2023	**5 945**	**893**	**3 342**	**1 710**

In the years 2023 and 2022 no loans were reclassified to degree 3 of the measurement.

For loans measured at amortised cost (excluding POCI), interest is accrued on the gross value using the IRR rate set at the moment of initial recognition of the loan.

For POCI loans, interest is accrued on the gross value less any allowance for impairment recognised at the moment of initial recognition, an IRR rate adjusted by credit risk defined at the moment of the loan's initial recognition (CEIR, credit-adjusted effective interest rate).

Loans granted measured at fair value

The carrying amount of loans measured at fair value as at 31 December 2023 amounted to PLN 3 766 million. As at 31 December 2022, the carrying amount was PLN 3 233 million. More disclosures on the fair value measurement were presented in Note 7.1.

The loans granted do not have collaterals limiting exposure to credit risk, therefore the Company estimates the maximum, potential losses due to credit risk in the amount of 100% of their current fair value, i.e. USD 957 million (PLN 3 766 million), of which the amount of USD 813 million is due to the nominal value of loans granted.

The following table presents changes in the carrying amount of loans granted measured at fair value during the period.

		2023	2022
	Carrying amount as at 1 January	**3 233**	**2 959**
	Loan repaid	(30)	(324)
Note 4.2	Fair value gains	657	601
Note 4.2	Fair value losses	(94)	-
	Loss on realisation of instruments	-	(2)
	Other changes	-	(1)
	Carrying amount as at 31 December	**3 766**	**3 233**

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

As at 31 December 2023 and in the comparable period, the Company 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, begin the forecasted cash flows of Sierra Gorda S.C.M. More disclosures on the main assumptions (including unobservable input data) assumed for the calculation of cash flows of Sierra Gorda were presented in the consolidated financial statements of the KGHM Polska Miedź S.A. Group in Note 7.5.2.4.

Because of the significant sensitivity of the forecasted cash flows of Sierra Gorda S.C.M. to changes in the copper price, pursuant to IFRS 13 para. 93.f the Company performed a sensitivity analysis of the fair value (level 3) of loans to changes in copper prices.

	Copper price [USD/t]					
Scenarios 31 December 2023	**2024**	**2025**	**2026**	**2027**	**2028**	**LT**
Base	8 500	8 700	9 000	9 200	9 200	8 250
Base minus 0.1 [USD/lb]	8 280	8 480	8 780	8 980	8 980	8 030
Base plus 0.1 [USD/lb]	8 720	8 920	9 220	9 420	9 420	8 470
Scenarios 31 December 2022	**2023**	**2024**	**2025**	**2026**	**2027**	**LT**
Base	8 200	8 500	8 500	8 500	8 500	7 700
Base minus 0.1 [USD/lb]	7 980	8 280	8 280	8 280	8 280	7 480
Base plus 0.1 [USD/lb]	8 420	8 720	8 720	8 720	8 720	7 920

Classes of financial instruments	Fair value [PLN million]	Carrying amount 31 December 2023 [PLN million]	Fair value: Base plus 0.1 [USD/lb]	Fair value: Base minus 0.1 [USD/lb]	Fair value [PLN million]	Carrying amount 31 December 2022 [PLN million]	Fair value: Base plus 0.1 [USD/lb]	Fair value: Base minus 0.1 [USD/lb]
Loans granted measured at fair value	**3 766**	**3 766**	3 929	3 435	**3 233**	**3 233**	3 475	2 912
Loans granted measured at amortised cost	**4 822**	**5 050**	4 856	4 783	**5 090**	**5 408**	5 140	5 030

Concentration risk

The Company estimates the concentration risk to be at the level of 100%, since receivables due to loans granted are intra-group loans (Note 12.1), and 91% of the balance are loans granted to subsidiaries Future 1 Sp. z o.o., Quadra FNX FFI s.a.r.l and Quadra FNX Holding Chile Limitada, and the majority of which was transferred to finance the joint venture Sierra Gorda S.C.M.; 8% of the balance are loans granted to KGHM INTERNATIONAL LTD., and 1% of the balance are loans granted to companies in Poland. Detailed information on the loan granting transactions are presented in Note 6.2.

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 Company is aimed at securing funds for business development and maintaining the appropriate level of liquidity.

The Company monitors the Group's level of financial security, among others using the Net Debt/Adjusted EBITDA ratio presented in the table below, which was calculated on the basis of data presented in the Consolidated financial statements of the KGHM Group.

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 leases 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 Company's financial liquidity.
The Company 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 Company 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 Company'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 Company'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 process of managing liquidity and capital, the Company also pays attention to adjusted operating profit, calculated on the basis of data from the Consolidated financial statements of the KGHM Polska Miedź S.A. Group, which is the basis for calculating the financial covenant and which is comprised of the following items:

in PLN millions, unless otherwise stated

	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 gain on reversal of allowances for impairment of loans granted to a joint venture*

Financial covenant Net debt/EBITDA is calculated based on consolidated data, pursuant to definitions stipulated in borrowing agreements. As at the reporting date, in the financial year and after the reporting date, up to the date of publication of these financial statements, the value of a 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 measured at fair value through other comprehensive income (Note 7.3, Accounting policies) less any deferred tax effect. Accumulated other comprehensive income consists of actuarial gains/losses on post-employment benefits 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 Company'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. The Company has not issued preference shares. Each share grants the right to one vote at the general meeting. The Company 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 Company 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 Company.
- 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 Company.

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

in PLN millions, unless otherwise stated

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 in the period

		Other reserves from measurement of financial instruments				Retained earnings		
		Investments in equity instruments measured at fair value through other comprehensive income	Other reserves from measurement of cash flow hedging financial instruments	Total other reserves from measurement of financial instruments	Accumulated other comprehensive income	Reserve capital created in accordance with the Commercial Partnerships and Companies Code, art. 396	Reserve capital created from profit in accordance with the Company's Statutes	Profit/(loss) from previous years
	As at 1 January 2022	**(375)**	**(1 295)**	**(1 670)**	**(329)**	**667**	**19 564**	**5 608**
	Dividend paid	-	-	-	-	-	-	(600)
	Transfer of profit for the period to reserve capital	-	-	-	-	-	4 569	(4 569)
	Total comprehensive income, of which:	**(79)**	**1 354**	**1 275**	**(373)**	**-**	**-**	**3 533**
	Profit for the period	-	-	-	-	-	-	3 533
	Other comprehensive income	(79)	1 354	1 275	(373)	-	-	-
	Change in fair value of investments in equity instruments	(97)	-	(97)	-	-	-	-
Note 7.2	Impact of effective cash flow hedging transactions entered into	-	1 239	1 239	-	-	-	-
Note 7.2	Amount transferred to profit or loss in connection with realisation of derivatives	-	432	432	-	-	-	-
Note 11.2	Actuarial losses on post-employment benefits	-	-	-	(460)	-	-	-
Note 5.1.1	Deferred income tax	18	(317)	(299)	87	-	-	-
	As at 31 December 2022	**(454)**	**59**	**(395)**	**(702)**	**667**	**24 133**	**3 972**

in PLN millions, unless otherwise stated

		Other reserves from measurement of financial instruments				Retained earnings		
		Investments in equity instruments measured at fair value through other comprehensive income	Other reserves from measurement of cash flow hedging financial instruments	Total other reserves from measurement of financial instruments	Accumulated other comprehensive income	Reserve capital created in accordance with the Commercial Partnerships and Companies Code, art. 396	Reserve capital created from profit in accordance with the Company's Statutes	Profit/(loss) from previous years
	As at 1 January 2023	**(454)**	**59**	**(395)**	**(702)**	**667**	**24 133**	**3 972**
	Dividend paid	-	-	-	-	-	-	**(200)**
	Transfer of profit for the period to reserve capital	-	-	-	-	-	3 333	**(3 333)**
	Total comprehensive income, of which:	**264**	**451**	**715**	**(219)**	**-**	**-**	**(1 153)**
	Loss for the period	-	-	-	-	-	-	(1 153)
	Other comprehensive income	264	451	715	(219)	-	-	**-**
	Change in fair value of investments in equity instruments	320	-	320	-	-	-	**-**
Note 7.2	Impact of effective cash flow hedging transactions entered into	-	944	944	-	-	-	**-**
Note 7.2	Amount transferred to profit or loss in connection with realisation of derivatives	-	(387)	(387)	-	-	-	**-**
Note 11.2	Actuarial losses on post-employment benefits	-	-	-	(270)	-	-	**-**
Note 5.1.1	Deferred income tax	(56)	(106)	(162)	51	-	-	**-**
	As at 31 December 2023	**(190)**	**510**	**320**	**(921)**	**667**	**27 466**	**(714)**

Based on the Act of 15 September 2000, i.e. the Commercial Partnerships and Companies Code, the Company is required to create reserve capital for any potential (future) or existing losses, to which no less than 8% of a given 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 Company amounted to PLN 667 million, and is recognised in retained earnings in the item reserve capital created in accordance with art. 396 of the Commercial Partnerships and Companies Code.

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

Note 8.3 Liquidity management policy

The Management Board is responsible for the management of financial liquidity in the Company, and it is performed based on the approved, appropriate Policy. The Financial Liquidity Committee is a body supporting the Management Board.

The basic principles resulting from the Financial Liquidity Management Policy are:
- assuring the stable and effective financing of the Company's activities,
- investment of financial surpluses in safe financial instruments,
- limits for individual financial investment categories,
- limits for the concentration of funds in financial institutions,
- a required investment level rating for banks in which the funds are deposited, and
- effective management of working capital.

Under the liquidity management process, the Company utilises instruments which enhance its effectiveness. One of the instruments used by the Company to deal with ongoing operating activities is cash pooling - locally in PLN, USD and EUR and internationally in USD and CAD. 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 Company 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.

Accounting policies
In cash flows from operating activities in the statement of cash flows, the Company presents receivables due to cash pooling and other liabilities due to settlements within cash pooling agreements in the item "change in other receivables and liabilities". Receivables due to cash pooling are receivables from Group companies, which at the end of the reporting period incurred a debt within the cash pooling agreement. Other liabilities due to settlement within cash pooling agreements are liabilities of the Company towards participants in the cash pooling system to repay, after the end of the reporting period, of cash transferred by them, which were not used by the Company for its own needs. Within cash flows from financing activities, the Company presents proceeds and expenses due to cash pooling and they represent the Company's debt towards participants in the cash pooling system, that is cash which the Company uses for its own needs.

Important estimates, assumptions and judgments
The cash pooling system was implemented in the KGHM Polska Miedź S.A. Group to actively manage the current shortages and surpluses of cash on bank accounts of companies participating in the system to possibly the most efficiently manage the cash and limits of debt with high volatility and liquidity. KGHM Polska Miedź S.A., as a participant in the system as well as a coordinator in the system, does not treat this activity as an investment activity established in order to invest free cash and generate profits, but solely as supporting Group companies in managing their current shortages and surpluses.

In 2023, the Company 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 Company continuously transfers trade payables to reverse factoring.
The available reverse factoring program is treated by the Company 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 2023, a multipurpose credit facility agreement was entered into in the amount of USD 250 million and an availability period of 5 years and the option to extend it by a further 2 years. The resources acquired from this agreement serve to finance the working capital and support the management of current financial liquidity.

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
Financial liabilities	**up to 3 months**	**over 3 to 12 months**	**over 1 to 3 years**	**over 3 years**		
Borrowings	112	332	898	1 773	**3 115**	**2 648**
Debt securities liabilities	-	534	240	1 900	**2 674**	**2 002**
Lease liabilities	24	76	192	1 091	**1 383**	**691**
Cash pooling payables**	350	-	-	-	**350**	**350**
Other liabilities due to settlement under cash pooling contracts***	34	-	-	-	**34**	**34**
Trade payables	2 998	35	36	338	**3 407**	**3 240**
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	288	29	11	7	**335**	**333**
Total	**6 188**	**2 127**	**1 416**	**5 189**	**14 920**	**13 020**

**Financial liabilities arising from derivatives are calculated at their intrinsic values excluding the discount effect.*
*** Liabilities of KGHM Polska Miedź S.A. towards the Group companies within the cash pooling's credit limit.*
**** Other current financial liabilities due to the return of cash deposits towards all participants in cash pooling which presented a positive balance at the end of the reporting period.*

Overdue financial liabilities as at 31 December 2023

	Overdue period				
	up to 1 month	**over 1 month to 3 months**	**over 3 months to 12 months**	**over 1 year**	**Total / Carrying amount**
Trade payables	4	1	4	1	10

The tables above regarding maturities do not include financial guarantees. Details on financial guarantees and their maturity dates were described in Note 8.6.

in PLN millions, unless otherwise stated

Financial liabilities – as at 31 December 2022

Contractual maturities from the end of the reporting period	Maturity period				Total (without discounting)	Carrying amount
Financial liabilities	up to 3 months	over 3 to 12 months	over 1 to 3 years	over 3 years		
Borrowings	776	327	840	1 706	**3 649**	**3 435**
Debt securities liabilities	-	174	699	2 093	**2 966**	**2 002**
Lease liabilities	22	58	156	1 160	**1 396**	**687**
Cash pooling payables**	321	-	-	-	**321**	**321**
Other liabilities due to settlement under cash pooling contracts***	29	-	-	-	**29**	**29**
Trade payables	2 801	4	26	344	**3 175**	**3 004**
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	108	35	35	6	**184**	**179**
Total	**4 113**	**626**	**1 786**	**5 657**	**12 182**	**10 810**

**Financial liabilities arising from derivatives are calculated at their intrinsic values excluding the discount effect.*
*** Liabilities of KGHM Polska Miedź S.A. towards the Group companies within the cash pooling's credit limit.*
**** Other current financial liabilities due to the return of cash deposits towards all participants in cash pooling which presented a positive balance at the end of the reporting period.*

Overdue financial liabilities – as at 31 December 2022

	Overdue period				
	up to 1 month	over 1 month to 3 months	over 3 months to 12 months	over 1 year	Total / Carrying amount
Trade payables	1	0	8	4	13

The tables above on maturities do not include financial guarantees. Details on financial guarantees and their maturities may be found in Note 8.6.

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	590	528
Loans	1 715	1 859
Debt securities	1 600	2 000
Leases	603	613
Total non-current liabilities due to borrowings	**4 508**	**5 000**
Bank loans	-	666
Loans	343	382
Cash pooling liabilities*	350	321
Debt securities	402	2
Leases	88	74
Total current liabilities due to borrowings	**1 183**	**1 445**
Total borrowings	**5 691**	**6 445**
Free cash and cash equivalents	1 463	971
Net debt	**4 228**	**5 474**

** Liabilities of KGHM Polska Miedź S.A. towards the Group companies within the credit limit in the group of accounts participating in the cash pooling system*

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
USD/LIBOR	-	528
USD/SOFR	982	-
PLN/WIBOR*	2 351	2 323
USD/fixed	1 667	2 907
EUR/fixed	16	15
PLN/fixed	675	672
Total	**5 691**	**6 445**

** The amount includes KGHM Polska Miedź S.A.'s liabilities towards Group companies due to cash pooling in the amount of PLN 350 million (PLN 321 million in 2022) within the credit limit.*

As at 31 December 2023, the Company's liabilities due to borrowing, issued debt securities, leases and cash pooling amounted to PLN 5 691 million, or USD 673 million, PLN 3 027 million and EUR 4 million (as at 31 December 2022 liabilities amounted to PLN 6 445 million, or USD 780 million, PLN 2 995 million and EUR 3 million).

The structure of debt did not change in comparison to 2022. Pursuant to the adopted strategy, the external financing is aimed at ensuring long term financial stability whose structure is based on diversified and long-term financing instruments.

in PLN millions, unless otherwise stated

Note 8.4.2 Net debt changes

Liabilities due to borrowing	As at 1 January 2023	Cash flows	Accrued interest	Exchange differences	Other changes	As at 31 December 2023
Bank loans	1 194	(581)	72	(95)	-	**590**
Loans	2 241	3	78	(264)	-	**2 058**
Debt securities	2 002	(172)	172	-	-	**2 002**
Leases	687	(95)	33	(1)	67*	**691**
Cash pooling liabilities	321	18	11	-	-	**350**
Total debt	**6 445**	**(827)**	**366**	**(360)**	**67**	**5 691**
Free cash and cash equivalents	971	492	-	-	-	**1 463**
Net debt	**5 474**	**(1 319)**	**366**	**(360)**	**67**	**4 228**
Proceeds from/(expenditures on) derivatives associated with external financing	-	67	-	-	-	-
Cash flows associated with borrowing following the inclusion of impact of derivatives	**-**	**(1 252)**	**-**	**-**	**-**	**-**

**A conclusion and modification of lease agreements*

Liabilities due to borrowing	As at 1 January 2022	Cash flows	Accrued interest	Exchange differences	Other changes	As at 31 December 2022
Bank loans	593	550	63	(25)	13	**1 194**
Loans	2 387	(425)	73	206	-	**2 241**
Debt securities	2 001	(130)	131	-	-	**2 002**
Leases	581	(71)	28	-	149*	**687**
Cash pooling liabilities	360	(44)	5	-	-	**321**
Total debt	**5 922**	**(120)**	**300**	**181**	**162**	**6 445**
Free cash and cash equivalents	1 318	(347)	-	-	-	**971**
Net debt	**4 604**	**227**	**300**	**181**	**162**	**5 474**
Proceeds from/(expenditures on) derivatives associated with external financing	-	41	-	-	-	-
Cash flows associated with borrowing following the inclusion of impact of derivatives	**-**	**268**	**-**	**-**	**-**	**-**

**A conclusion and modification of lease agreements*

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

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

	from 1 January 2023 to 31 December 2023	from 1 January 2022 to 31 December 2022
I. Financing activities	**(584)**	**94**
Proceeds from borrowings	1 514	605
Proceeds from/(Expenditures on) cash pooling	30	(40)
Proceeds from derivatives related to sources of external financing	70	130
Repayment of borrowings	(1 936)	(352)
Repayment of lease liabilities	(62)	(44)
Repayment of interest on borrowings and debt securities	(111)	(107)
Repayment of interest on leases	(8)	(9)
Expenditures on derivatives related to sources of external financing	(81)	(89)
II. Investing activities	**(176)**	**(173)**
Paid capitalised interest on borrowings	(254)	(173)
Proceeds on settlement of an instrument hedging interest rate of bonds	78	-
III. Change in free cash and cash equivalents	**492**	**(347)**
TOTAL	**(1 252)**	**268**

Note 8.4.3 Detailed information concerning the main sources of borrowings

As at 31 December 2023, the Company had open credit lines, investment loans and debt securities with a total balance of available financing in the amount of PLN 14 641 million, out of which PLN 4 650 million had been drawn (as at 31 December 2022 the Company had open credit lines, investment loans and debt securities with a total balance of available financing in the amount of PLN 15 136 million, out of which PLN 5 437 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 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 Company 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 Company 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 Company 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 Company continuously monitors the risk of exceeding the levels 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 this Report, the value of the financial covenant resulting in the obligation to report as at 30 June 2023 and as at 31 December 2023, complied with the provisions of the agreement.

	As at 31 December 2023	As at 31 December 2022
Amount granted	5 903	6 603
Amount of the liability	-	528

in PLN millions, unless otherwise stated

Investment loans		
Loans granted 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 the Company's 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 by the European Investment Bank in December 2017 with a financing period of 12 years. The Company 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 Company's projects related to development and replacement at various stages of the production process. Interest on the loan's instalments is based on a fixed interest rate. The last instalment of the loan drawn in 2023 is based on the SOFR rate plus a bank margin, which is dependent on the net debt/EBITDA financial ratio. The loan agreements oblige the Company to comply with the financial covenant and non-financial covenants commonly stipulated in such types of agreements. Pursuant to contractual terms and conditions, the Company 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 Company 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 this Report, the value of the financial covenant resulting in the obligation to report as at 30 June 2023 and as at 31 December 2023, complied with the provisions of the loan agreements.		
	As at 31 December 2023	**As at 31 December 2022**
Amount granted	3 340	3 340
Amount of the liability	2 058	2 241

Other bank loans		
Bank loans in the total amount of PLN 3 398 million are used to finance working capital and support the management of current financial liquidity. The Company holds lines of credit in the form of credit agreements. These are working capital facilities and credit accounts with availability of up to 5 years. The funds under open lines of credit are available in USD, EUR and PLN with interest based on a fixed interest rate or variable SOFR, EURIBOR and WIBOR plus a margin.		
	As at 31 December 2023	**As at 31 December 2022**
Amount granted	3 398	3 193
Amount of the liability	590	666

Debt securities		
A bond issue program 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, 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.		
	As at 31 December 2023	**As at 31 December 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	**As at 31 December 2023**	**As at 31 December 2022**
Amount granted / Nominal value of the issue	**14 641**	**15 136**
Amount of the liability	**4 650**	**5 437**

in PLN millions, unless otherwise stated

The aforementioned sources ensure the availability of external financing in the amount of PLN 14 641 million. The funds available for use from these sources cover the liquidity needs of the Company and 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 other bank loans in the amount of PLN 3 398 million, are unsecured.

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).

	As at 31 December 2023	As at 31 December 2022
Cash in bank accounts	364	418
Other financial assets with a maturity of up to 3 months from the date of acquisition – deposits	1 117	567
Total cash and cash equivalents	**1 481**	**985**
Restricted cash	18	14
Free cash and cash equivalents	**1 463**	**971**

As at 31 December 2023, the Company had cash in bank deposits in the amount of PLN 29 million (as at 31 December 2022 PLN 25 million), which are funds in separate VAT accounts, designated for servicing split payments. These funds are gradually used to pay the VAT payables to suppliers.

Note 8.6 Liabilities due to guarantees granted

Guarantees and letters of credit are an essential financial liquidity management tool of the Group.

Accounting policies
The Company 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. 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 and assumptions
For the calculation of expected credit loss, the Company adopts estimates for the rating, PD (probability of default) and LGD parameters (loss given default) similarly as for the loans granted (Note 6.2). 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 Company held liabilities due to guarantees and letters of credit granted in the total amount of PLN 1 537 million. The most significant items secure the following obligations:

Sierra Gorda S.C.M. – securing the performance of concluded agreements in the amount of PLN 866 million:
- PLN 866 million (USD 220 million) - a corporate guarantee (financial) securing repayment of a Revolving Credit Facility, with maturity of the guarantee to 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:
- PLN 107 million - securing the proper execution by the Company 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 405 million (USD 90 million, CAD 18 million) - securing the restoration costs of the Robinson mine, the Podolsky mine and the Victoria project (as at 31 December 2022 in the amount of PLN 461 million, or USD 90 million, CAD 18 million), the guarantee is valid for up to 1 year,
- PLN 16 million - securing claims on behalf of Marshal of the Voivodeship of Lower Silesia to cover costs related to collecting and processing waste, the guarantee is valid to 12 March 2025,
- PLN 2 million - securing obligations related to tax and customs duties, the guarantee is valid indefinitely,
- PLN 35 million (PLN 14 million, EUR 3 million and CAD 2 million) - securing the obligations related to proper execution of agreements concluded by KGHM Polska Miedź S.A. and Group companies (as at 31 December 2022 in the amount of PLN 7 million, or PLN 2 million and CAD 2 million), the guarantee is valid for up to 5 years,
- PLN 100 million - securing the obligations incurred by Brokerage House due to settlements of transactions on the markets run by Towarowa Giełda Energii S.A, the guarantee was valid until 29 February 2024.
- PLN 6 million – financial guarantees, securing the obligations of Group companies, the guarantees are valid for up to 1 year.

As far as the Company is aware, at the end of the reporting period the Company determined the probability of payments resulting from the contingent liabilities as low.

Guarantees set under the Tailings Storage Facility Restoration Fund

Guarantees securing potential claims against the Company 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 Company 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).

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 Company 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 shafts, wells, galleries, drifts, primary chambers), backfilling, drainage and firefighting pipelines, piezometric holes and electricity, signal and optical fibre cables. 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 Company includes discounted decommissioning costs of fixed assets related to 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, exchange differences and fees 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 Company, 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 units produced, and this production is not spread evenly through the period of their usage. In particular it relates to machines and mining equipment in gas-steam blocks.

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 Company 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:

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, – sheds, reservoirs, container switchgears	 40-100 years 20-30 years

in PLN millions, unless otherwise stated

	Primary mine tunnels	22-90 years
	Pipelines: – backfilling to transfer sand with water, – technological, drainage, gas and firefighting	6-9 years 22-90 years
	Electricity, signal and optical fibre cables	10-70 years
Technical equipment, machines, motor vehicles and other fixed assets	Technical equipment and machines: – mining vehicles, mining roof support – conveyor belts, belt weigher – switchboards, switchgears	 4-10 years 10-66 years 4-50 years
	Motor vehicles: – underground electric locomotives, – mining vehicles, railway vehicles, tankers, transportation platforms – trolleys, forklift, battery-electric truck – cars, trucks, special vehicles – underground diesel locomotives	 20-50 years 7-35 years 7-22 years 5-22 years 10-20 years
	Other fixed assets, including tools and equipment	5-25 years

For right-to-use fixed 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 – warehouses	22 years
	Other buildings	3-5 years
	Structures	3 years
	Computer sets	3 years
Technical equipment, machines, motor vehicles and other fixed asset	Machines and technical equipment	3-4 years
	Motor vehicles	3 years
	Equipment and other	5 years

The Company performs regular reviews of its property, plant and equipment in terms of the adequacy of applied useful lives to current operating conditions.

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 rates which reflects its anticipated useful life.

Non-financial assets are tested for impairment whenever events or changes in circumstances indicate that their carrying amount may not be recoverable.

Accounting policies – intangible assets
Mining and metallurgical intangible assets are mainly comprised of exploration and evaluation assets. Exploration and evaluation assets are measured at cost less accumulated impairment losses. The following expenditures are recognised in the cost of the asset: – 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 Company 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.

in PLN millions, unless otherwise stated

	Property, plant and equipment			Intangible assets		
	Buildings and land	Technical equipment, machines, motor vehicles and other fixed assets	Fixed assets under construction	Exploration and evaluation assets	Other	Total
As at 1 January 2022						
Gross carrying amount	13 505	14 250	5 194	394	921	34 264
Accumulated depreciation/amortisation	(5 661)	(7 516)	-	-	(104)	(13 281)
Impairment losses	(1)	(18)	(9)	(118)	-	(146)
Net carrying amount	**7 843**	**6 716**	**5 185**	**276**	**817**	**20 837**
Net changes in 2022						
Settlement of fixed assets under construction	658	1 419	(2 077)	-	-	-
Purchases	-	-	2 416	71	19	2 506
Leases – new contracts, modification of contracts	132	18	-	-	-	150
Self-constructed	-	-	72	2	-	74
Capitalised borrowing costs	-	-	179	-	2	181
Change in provisions for decommissioning costs of mines and tailings storage facilities	16	-	-	-	-	16
Depreciation/amortisation, of which:	(408)	(1 039)	-	-	(14)	(1 461)
own fixed assets	(405)	(1 016)	-	-	(14)	(1 435)
leased fixed assets	(3)	(23)	-	-	-	(26)
Recognition of impairment losses	-	-	(4)	-	(2)	(6)
Utilisation of impairment losses	-	4	6	-	2	12
Other changes	-	(32)	(13)	-	78	33
As at 31 December 2022						
Gross carrying amount	14 278	15 086	5 771	467	1 020	36 622
Accumulated depreciation/amortisation	(6 036)	(7 986)	-	-	(118)	(14 140)
Impairment losses	(1)	(14)	(7)	(118)	-	(140)
Net carrying amount, of which:	**8 241**	**7 086**	**5 764**	**349**	**902**	**22 342**
own fixed assets and intangible assets	7 660	6 987	5 764	349	902	21 662
leased fixed assets	581	99	-	-	-	680

in PLN millions, unless otherwise stated

	Property, plant and equipment			Intangible assets		
	Buildings and land	Technical equipment, machines, motor vehicles and other fixed assets	Fixed assets under construction	Exploration and evaluation assets	Other	Total
As at 1 January 2023						
Gross carrying amount	14 278	15 086	5 771	467	1 020	36 622
Accumulated depreciation/amortisation	(6 036)	(7 986)	-	-	(118)	(14 140)
Impairment losses	(1)	(14)	(7)	(118)	-	(140)
Net carrying amount	**8 241**	**7 086**	**5 764**	**349**	**902**	**22 342**
Net changes in 2023						
Settlement of fixed assets under construction	1 387	1 663	(3 050)	-	-	-
Purchases	-	-	2 848	127	94	3 069
Liquidation	(7)	(16)	(4)	-	-	(27)
Leases – new contracts, modification of contracts	14	35	-	-	-	49
Self-constructed	-	-	93	2	-	95
Capitalised borrowing costs	-	-	172	-	1	173
Change in provisions for decommissioning costs of mines and tailings storage facilities	90	-	-	-	-	90
Depreciation/amortisation, of which:	(439)	(1 179)	-	-	(13)	(1 631)
own fixed assets	(394)	(1 151)	-	-	(13)	(1 558)
leased fixed assets	(45)	(28)	-	-	-	(73)
Recognition of impairment losses, of which:	(1 624)	(1 138)	(957)	-	(57)	(3 776)
own fixed assets	(1 530)	(1 117)	(957)	-	-	(3 604)
leased fixed assets	(94)	(21)	-	-	-	(115)
Utilisation of impairment losses	-	7	4	-	-	11
Other changes	1	16	(1)	-	14	30
As at 31 December 2023						
Gross carrying amount	15 705	16 222	5 829	596	1 119	39 471
Accumulated depreciation/amortisation	(6 417)	(8 603)	-	-	(121)	(15 141)
Impairment losses	(1 625)	(1 145)	(960)	(118)	(57)	(3 905)
Net carrying amount, of which:	**7 663**	**6 474**	**4 869**	**478**	**941**	**20 425**
own fixed assets and intangible assets	7 206	6 370	4 869	478	941	19 864
leased fixed assets	457	104	-	-	-	561

in PLN millions, unless otherwise stated

Note 9.1.1 Mining and metallurgical property, plant and equipment– 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
Modernisation of the Tankhouse at Głogów I Copper Smelter and Refinery – reconstruction of the roof and walls of the tankhouse	-	96

Note 9.1.2 Expenses related to mining and metallurgical assets

	from 1 January 2023 to 31 December 2023	from 1 January 2022 to 31 December 2022
Purchase	(3 069)	(2 506)
Change in liabilities due to purchase	275	27
Other	(243)	(210)
Total*	**(3 037)**	**(2 689)**

** Including expenses related to assets for exploration for and evaluation of mineral resources in the amount of PLN 158 million (in 2022: PLN 39 million)*

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. The policy regarding impairment is presented in Note 9.1. Depreciation is done using the straight-line method.

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

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 may be found in Note 9.7). 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:

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

	Property, plant and equipment			Intangible assets	
	Buildings and land	Technical equipment, machines, motor vehicles and other fixed assets	Fixed assets under construction	Other intangible assets	Total
As at 1 January 2022					
Gross carrying amount	58	252	9	209	528
Accumulated depreciation/amortisation	(39)	(182)	-	(149)	(370)
Net carrying amount as at 1 January 2022	**19**	**70**	**9**	**60**	**158**
As at 31 December 2022					
Gross carrying amount	66	266	10	216	558
Accumulated depreciation/amortisation	(41)	(197)	-	(165)	(403)
Net carrying amount as at 31 December 2022	**25**	**69**	**10**	**51**	**155**
own fixed assets and intangible assets	24	69	10	51	154
leased fixed assets	1	-	-	-	1
Net changes in 2023					
Settlement of fixed assets under construction	1	21	(22)	-	-
Purchase	-	-	30	7	37
Liquidation	-	(14)	-	-	(14)
Other changes	-	-	-	19	19
Depreciation/amortisation, of which:	(1)	(8)	-	(23)	(32)
property, plant and equipment and intangible assets	(1)	(8)	-	(23)	(32)
As at 31 December 2023					
Gross carrying amount	67	273	18	242	600
Accumulated depreciation/amortisation	(42)	(205)	-	(188)	(435)
Net carrying amount, of which:	**25**	**68**	**18**	**54**	**165**
own fixed assets and intangible assets	24	68	18	54	164
leased fixed assets	1	-	-	-	1

As at 31 December 2023 and 31 December 2022 the Company did not have any assets pledged as security for liabilities.

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	**Depreciation/amortisation**	**1 645**	**1 474**	**30**	**30**
	recognised in profit or loss	1 569	1 407	28	27
	cost of manufacturing products	1 538	1 375	25	25
	administrative expenses	31	32	3	2
	being part of the manufacturing costs of assets	76	67	2	3

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. Estimation of this provision is based on specially-prepared studies using ore extraction forecasts (for mining facilities), and technical-economic studies prepared either by specialist firms or by the Company. The amount of provision represents the estimated future decommissioning costs of mines discounted to present value. 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 real 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 is based on the yield on treasury bonds at the end of the reporting period, with maturities nearest to the planned financial outflows 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 Company's Management on the basis of the consistency of the adopted assumptions, – 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 Company creates under separate regulations, i.e. the Act of 9	For the measurement of provision, the Company 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 Company 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 Company 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 Company 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 Company 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 Company 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 Company 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 Company 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

in PLN millions, unless otherwise stated

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 Company 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 Company 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 Company 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 Company, of which the Company is also a beneficiary. As at 31 December 2023, the amount of guarantees was PLN 120 million, and their value is updated on an annual basis. The Company 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.

rate of 0.98% (in the comparable period, the same assumptions were adopted).

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

	2023*-2032	2033-2042	2043-2052	2053-2062	2063-2072	Total
Mines	80	344	221	921	143	**1 709**
Smelters	112	98	2	2	-	**214**
Total	**192**	**442**	**223**	**923**	**143**	**1 923**

**Expenditures on decommissioning of mines and other technological facilities amounted to PLN 2 million.*

		As at 31 December 2023	As at 31 December 2022
	Provisions at the beginning of the reporting period	**1 261**	**824**
Note 9.1	Changes in estimates recognised in fixed assets	90	16
	Mine Closure Fund and Tailing Storage Facility Restoration Fund – reclassification*	-	496
	Transfer from the provision to the fund	-	(75)
	Utilisation	(2)	-
	Interest	23	-
	Other	29	-
	Provisions at the end of the reporting period, including:	**1 401**	**1 261**
	- non-current provisions, including:	1 389	1 233
	Mine Closure Fund and Tailings Storage Facility Restoration Fund	556	496
	- current provisions	12	28

**Change in the presentation: to the presentation together with the non-current part of the 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.*

in PLN millions, unless otherwise stated

Impact of the change in discount rate on the provision for decommissioning costs of mines

	As at 31 December 2023	As at 31 December 2022
increase in discount rate by 1 percentage point	(284)	(258)
decrease in discount rate by 1 percentage point	397	700

Note 9.5 Capitalised borrowing costs

During the period between 1 January 2023 to 31 December 2023, the Company recognised PLN 173 million of borrowing costs in property, plant and equipment and intangible assets (during the period from 1 January 2022 to 31 December 2022: PLN 181million).

The capitalisation rate applied by the Company to determine borrowing costs in 2023 amounted to 3.92% (in 2022: 4.56%).

Note 9.6 Lease disclosures – the Company as a lessee

Accounting policies

As a lessee, the Company identifies leases in usufruct agreements, inter alia, land, perpetual usufruct right to land, and transmission easements, buildings and constructions as well as technical equipment and machines.
The Company 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 Company 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 Company 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 Company 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 Company 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 lease period was set with the assumption that the lessee will terminate the agreement. In fixed lease payments, the Company 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 Company 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.

Lease rate - lease payments are discounted by the Company using the incremental borrowing rate of the lessee because generally speaking, the interest rate of a lease agreement is difficult to determine.

in PLN millions, unless otherwise stated

		from 1 January 2023 to 31 December 2023	from 1 January 2022 to 31 December 2022
Note 9.1	Depreciation/amortisation cost	73	26
Note 4.3	Interest cost	9	10
	Short-term lease cost	14	9
	Costs recognised in profit or loss, associated with leases of low-value of underlying assets, which are not recognised as short-term agreements	1	1
	Cost associated with variable lease payments not recognised in the measurement of lease liabilities	1	-
Note 8.4.2	Total cash outflows due to leases	(95)	71
Note 9.1	Increase in right-to-use assets	49	38
		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)	562	681
Note 8.4.2	Carrying amount of right-to-use liabilities	691	575

As at 31 December 2023, the Company had lease agreements that contained extension options and termination options, and the estimated value of future cash outflows, to which the Company is potentially exposed and are not included in the measurement of lease liabilities amounted to PLN 10 million and PLN 39 million respectively. The Company has lease agreements containing guaranteed residual values, which have been included in the measurement of lease liabilities. Moreover, as at the end of the reporting period, the Company did not have any lease agreements that had not commenced yet, to which it was obliged as a lessee.

Note 9.7 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 Company. 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 Company 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	1 622 724	656	1 596 860	579
Accruals	1 218 359	501	1 091 203	391

Financial statements item	from 1 January 2023 to 31 December 2023	from 1 January 2022 to 31 December 2022
Cost of sold products	90	56
Other operating income	6	9

Note 9.8 Non-current assets held for sale and liabilities associated with them

As at 31 December 2023, the Company did not have any non-current assets held for sale.

As at 31 December 2022, the Company identified the shares of KGHM TOWARZYSTWO FUNDUSZY INWESTYCYJNYCH S.A. in the amount of PLN 3 million as assets 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 shares were not separated in the statement of financial position to a separate item "Non-current assets held for sale" and are included in this statement under the item "Investments in subsidiaries".

in PLN millions, unless otherwise stated

PART 10 – Working capital

Note 10.1 Inventories

Accounting policies
The Company 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 Company 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 Company, 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 are recognised in profit or loss as they are consumed, as current maintenance costs of assets.
Important estimates, assumptions and judgments
The Company measures inventories at cost, not higher than the net realisable value. The potential difference in the amounts represents a write-down of inventories of copper, silver and other products (at various processing stages), up to the net realisable value is recognised in the cost of manufacturing of sold products in the period, in which the write-down was recognised. The Company 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 metal inventories will be made.

	As at 31 December 2023	As at 31 December 2022
Materials	1 367	1 503
Half-finished goods and work in progress	4 300	4 495
Finished goods	1 800	1 444
Merchandise	39	81
Total net carrying amount of inventories	**7 506**	**7 523**

Write-down of inventories in the financial period

	from 1 January 2023 to 31 December 2023	from 1 January 2022 to 31 December 2022
Write-down recognised in cost of sales	44	13
Write-down reversed in cost of sales	13	52

in PLN millions, unless otherwise stated

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	92	76
Maturity of up to 12 months from the end of the reporting period	7 414	7 447

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, packages of spare parts under contractual obligations and the finished rhenium product.

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 these assets are measured at cost less any impairment losses, though no higher than the net sale price.

Recognition of freely acquired certificates attesting to energy efficiency

Freely acquired 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. 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.
Subsidies resulting from the receipt of freely acquired certificates attesting to energy efficiency are recognised, as a subsidy to assets, in accruals, and are subsequently settled systematically in the financial result in other operating income, following the depreciation of fixed assets, whose acquisition/generation resulted in the arising of the energy efficiency for which the Company received the certificates.
At the end of the reporting period, freely acquired 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 their 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 Company creates a provision in accruals.
The Company creates a provision:

in PLN millions, unless otherwise stated

- 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, and
- 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.

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:	**-**	**39**	**-**	**81**
green property rights	267 576	32	393 965	72
blue property rights	7 789	2	10 576	3
white certificates	2 483	5	2 776	6
Accruals, of which:	**-**	**41**	**-**	**89**
provision for redemption of green property rights (MWh)	267 132	32	431 640	80
provision for redemption of blue property rights (MWh)	11 131	3	11 666	3
provision for redemption of white certificates (TOE)	3 187	6	2 944	6

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:	**42**	**93**
Cost of products sold	38	86
Cost of merchandise sold	3	6
Other operating income	1	1

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, 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 (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 an adjustment by 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 the 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 assets do not pass the SPPI (solely payments of principal and interest) test 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 M+ pricing formula as well as due to the transfer 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 Company 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. while information on the currency risk is presented in Note 7.5.1.3.

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

	as at 31 December 2023	as at 31 December 2022
Trade receivables measured at amortised cost - gross value	260	166
Loss allowance for expected credit loss	-	(1)
Trade receivables measured at amortised cost - net value	260	165
Trade receivables measured at fair value	211	455
Total	**471**	**620**

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 payables 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". At the moment of transfer of the liabilities to reverse factoring, the Company 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 Company 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 Company'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 Company'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 Company and its suppliers. The Company 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 Company, 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 Company 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 Company 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 Company 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 Company, 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 Company 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 Company'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 Company. The Committee, recommending the appropriate presentation of liabilities

in PLN millions, unless otherwise stated

subject to reverse factoring, indicated the same issues that were analysed and disclosed by the Company as part of important estimates, assumptions and judgments above. In particular, in the context of the areas of analysis indicated by the Committee, the Company confirms that:

- 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 Company 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 Company 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 Company'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	196	186
Current trade payables	3 044	2 819
Similar payables – reverse factoring	3 021	-
Trade and similar payables	**6 261**	**3 005**

In 2023, the factors' total participation limit amounted to PLN 3 000 million (in 2022: 1 500 million). Currently, the Company 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 Company, alongside an extension of payment dates of payables by the Company to the factor. In 2023, liabilities in the amount of PLN 4 247 million were transferred to the factor and the value of trade payables covered by reverse factoring as at 31 December 2023 amounted to PLN 3 021 million (in 2022 no liabilities were transferred to the factors and therefore no trade payables were covered by reverse factoring as at 31 December 2022); in the current year, payments made towards the factors amounted to PLN 1 209 million (in the year ended 31 December 2022 they amounted to PLN 55 million). Interest costs accrued and paid towards the factor in 2023 amounted to PLN 50 million (in the year ended 31 December 2022 the interest costs accrued and paid amounted to PLN 0.5 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 195 million in the non-current part and PLN 1 141 million in the current part (as at 31 December 2022, respectively PLN 185 million and PLN 975 million).

The Company is exposed to currency risk arising from trade and similar 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.
The fair value of trade and similar payables approximates the 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. Moreover, the Company, as regards the 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

Due to the lack of uniform market practice with respect to the presentation of reverse factoring transactions in the Statement of cash flows, the Management Board had to apply its own judgment in this regard. In the case of these transactions, the Company 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 Company'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 a legal subrogation of receivables is made by the factor, from a legal standpoint, the factor assumes 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),
- 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 Company for the presentation of interest cost of reverse factoring in the financial activities.

Moreover, in terms of judgment regarding the presentation of cash flows resulting from reverse factoring transactions in the statement of cash flows in operating activities, the Company also relies on the position of 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 its position, the Committee emphasized that the main problem requiring a decision, in terms of presenting reverse factoring transactions in the statement of cash flow under IAS 7, is to determine whether cash flows should be presented as a part of operating or finance activities. The Committee considers that the decision regarding the classification of cash flows resulting from reverse factoring transactions may result from the previously determined classification of the relevant liabilities in the statement of financial position. If an entity concludes that a liability transfer to reverse factoring is a "Trade and similar payable", and in this way declares it as part of the working capital which is used in the core business of an entity that generates the revenues, the entity shall present the outflow from the payment for those liabilities as arising on operating activities in the statement of cash flows. Otherwise, these cash flows should be recognised in finance activities.

Taking into account the above, the Company assesses the nature of trade payables transferred to reverse factoring and presents them in the statement of financial position as "trade and similar payables" (information presented in Note 10.3), which confirms the Company's judgment as to the method of presentation of these transactions in the statement of cash flows as presented in the accounting policies in Note 10.4.

in PLN millions, unless otherwise stated

	Inventories	Trade receivables	Trade payables	Similar payables	Working capital
As at 1 January 2023	(7 523)	(620)	3 004	-	**(5 139)**
As at 31 December 2023	(7 506)	(471)	3 240	3 021	**(1 716)**
Change in the statement of financial position	17	149	236	3 021	**3 423**
Depreciation/amortisation recognised in inventories	72	-	-	-	**72**
Liabilities due to purchase of property, plant and equipment and intangible assets	-	-	(175)	(110)	**(285)**
Liabilities due to interest on reverse factoring	-	-	-	(25)	**(25)**
Adjustments	72	-	(175)	(135)	**(238)**
Change in the statement of cash flows	**89**	**149**	**61**	**2 886**	**3 185**

	Inventories	Trade receivables	Trade payables	Similar payables	Working capital
As at 1 January 2022	(5 436)	(600)	2 745	55	**(3 236)**
As at 31 December 2022	(7 523)	(620)	3 004	-	**(5 139)**
Change in the statement of financial position	(2 087)	(20)	259	(55)	**(1 903)**
Depreciation/amortisation recognised in inventories	60	-	-	-	**60**
Liabilities due to purchase of property, plant and equipment and intangible assets	-	-	(34)	-	**(34)**
Liabilities due to interest on reverse factoring	-	-	-	-	**-**
Adjustments	60	-	(34)	-	**26**
Change in the statement of cash flows	**(2 027)**	**(20)**	**225**	**(55)**	**(1 877)**

in PLN millions, unless otherwise stated

PART 11 – Employee benefits

Accounting policies

The Company 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 those of the liabilities due to be paid.
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 (for example benefits due to jubilee bonuses) are recognised in profit or loss.

Important 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 Company 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.

In accordance with IAS 19 par. 78, the actuarial assumptions adopted for the purpose of measurement of employee benefits in the Company are consistent, as they reflect the economic relations between such factors as inflation, the salary growth rate, the discount rate and the coal price growth rate.

The assumptions used in the 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 the 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 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

	As at 31 December 2023	As at 31 December 2022
Non-current	2 821	2 394
Current	227	237
Liabilities due to future employee benefits programs	**3 048**	**2 631**
Employee remuneration liabilities	591	494
Accruals (unused annual leave, bonuses, other)	497	634
Employee liabilities	**1 088**	**1 128**
Total employee benefits liabilities	**4 136**	**3 759**

Employee benefits expenses

		from 1 January 2023 to 31 December 2023	from 1 January 2022 to 31 December 2022
	Remuneration	3 682	3 387
	Costs of social security and other benefits	1 428	1 296
	Costs of future benefits	365	149
Note 4.1	**Employee benefits expenses**	**5 475**	**4 832**

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	**2 170**	**418**	**369**	**1 354**	**29**
Note 11.1	Total costs recognised in profit or loss	**149**	39	35	73	2
	Interest costs	**78**	15	13	49	1
	Current service costs	**77**	30	22	24	1
	Actuarial gains recognised in profit or loss	**(6)**	(6)	-	-	-
Note 8.2.2	Actuarial (gains)/losses recognised in other comprehensive income	**460**	-	(17)	479	(2)
	Benefits paid	**(148)**	(51)	(26)	(70)	(1)
	As at 31 December 2022	**2 631**	**406**	**361**	**1 836**	**28**
Note 11.1	Total costs recognised in profit or loss	**365**	172	43	147	3
	Interest costs	**178**	28	24	124	2
	Current service costs	**70**	27	19	23	1
	Actuarial losses recognised in profit or loss	**117**	117	-	-	-
Note 8.2.2	Actuarial losses recognised in other comprehensive income	**270**	-	97	170	3
	Benefits paid	**(218)**	(60)	(31)	(126)	(1)
	As at 31 December 2023	**3 048**	**518**	**470**	**2 027**	**33**

in PLN millions, unless otherwise stated

As at 31 December	2023	2022	2021	2020	2019
Present value of liabilities due to employee benefits	**3 048**	2 631	2 170	2 848	2 492

Main actuarial assumptions adopted for measurement as at 31 December 2023:

	2024	2025	2026	2027	2028 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 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 discount rate, coal prices and future expected changes of 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 adopted for measurement as at 31 December 2023 versus individual assumptions adopted as at 31 December 2022

Change in financial assumptions	137
Change in demographic assumptions	57
Other changes	193
Total actuarial losses	**387**

Actuarial gains/losses adopted for measurement as at 31 December 2022 versus individual assumptions adopted as at 31 December 2021

Change in financial assumptions	38
Change in demographic assumptions	(36)
Other changes	452
Total actuarial losses	**454**

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	post-mortem benefits
2024	**227**	54	60	111	2
2025	**241**	52	69	118	2
2026	**181**	42	26	111	2
2027	**168**	40	21	105	2
2028	**159**	37	22	98	2
Other years	**2 072**	293	272	1 484	23
Total liabilities in the statement of financial position as at 31 December 2023	**3 048**	**518**	**470**	**2 027**	**33**

Maturity profile of future employee benefits liabilities

Year of maturity:	Total liabilities	jubilee awards	retirement and disability benefits	coal equivalent	post-mortem benefits
2023	**185**	51	54	78	2
2024	**228**	40	57	129	2
2025	**177**	35	17	123	2
2026	**169**	32	21	114	2
2027	**155**	31	17	105	2
Other years	**1 717**	217	195	1 287	18
Total liabilities in the statement of financial position as at 31 December 2022	**2 631**	**406**	**361**	**1 836**	**28**

in PLN millions, unless otherwise stated

PART 12 – Other notes

Note 12.1 Related party transactions

The accounting policies and important estimates and assumptions presented in Note 10 are applicable to transactions entered into with related parties.

Operating income from related parties	from 1 January 2023 to 31 December 2023	from 1 January 2022 to 31 December 2022
From subsidiaries	1 097	900
From other related parties	21	28
Total	**1 118**	**928**

In 2023, the Company did not receive dividends from subsidiaries (in the comparable period the Company received PLN 29 million).

	As at 31 December 2023	As at 31 December 2022
Trade and other receivables from related parties	**10 514**	**9 724**
From subsidiaries, including:	10 496	9 667
loans granted	9 711	8 784
From other related parties	18	57
Payables towards related parties	**1 798**	**1 662**
Towards subsidiaries	1 780	1 605
Towards other related parties	18	57

	from 1 January 2023 to 31 December 2023	from 1 January 2022 to 31 December 2022
Purchases from related entities	**9 832**	**9 994**
Purchase of products, merchandise, materials and other purchases from subsidiaries	9 832	9 994

In 2023, the Company did not enter into significant transactions with related entities under other than arm's length conditions.

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

Pursuant to the scope of IAS 24.26, in the period from 1 January to 31 December 2023, the Company concluded the following transactions with the Polish Government and entities controlled or jointly controlled by the Polish Government, unusual due to their nature or amount:

- due to an agreement on setting mining usufruct for the extraction of mineral resources and for the exploration for and assessment of mineral resources – balance of payables as at 31 December 2023 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 35 million),
- due to a reverse factoring agreement – as at 31 December 2023, the Company had a payable in the amount of PLN 2 528 million (as at 31 December 2022, the Company had no payables),
- banks related to the State Treasury executed the following transactions and economic operations on the Company's behalf: spot currency exchange, depositing cash, cash pooling, granting bank loans, guarantees and letters of credit (including documentary letters of credit), processing of a documentary collection, running bank accounts, servicing of business credit cards, servicing of special purpose funds and entering into transactions on the forward currency market.

in PLN millions, unless otherwise stated

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

Other transactions between the Company 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 materials, merchandise and services 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 2 911 million (from 1 January to 31 December 2022: PLN 3 050 million), and, as at 31 December 2023, the unsettled balance of liabilities from these transactions amounted to PLN 294 million (as at 31 December 2022: PLN 254 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 386 million (from 1 January to 31 December 2022: PLN 163 million), and, as at 31 December 2023, the unsettled balance of receivables from these transactions amounted to PLN 173 million (as at 31 December 2022: PLN 193 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 Company are ordinary shares.

As at the date of publication, no decision was made on the dividend payout or allocation of profit for 2023.

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. Accounting policies concerning financial assets were described in Note 7.

		As at 31 December 2023	As at 31 December 2022
	Other non-current non-financial assets	**265**	**117**
	Non-financial advances	186	36
	Receivables due to overpayment of property tax	72	69
	Prepayments	7	12
	Other current assets	**541**	**464**
Note 7.1	Other current financial assets	327	322
	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 the costs of purchasing CO_2 emission allowances to the price of electricity	144	98
	Receivables due to payments for letters of credit	1	1
	Loans granted	73	22
	Other	43	135
	Other current non-financial assets	214	142
	Non-financial advances	182	111
	Prepayments	26	23
	Other	6	8

in PLN millions, unless otherwise stated

Note 12.4 Other liabilities

Accounting policies
Other financial liabilities are initially recognised at fair value less transaction cost, and at the end of the reporting period they are measured at amortised cost.

	As at 31 December 2023	As at 31 December 2022
Trade payables	196	186
Other	24	74
Other liabilities – non-current	**220**	**260**
Accruals, including:	620	517
provision for purchase of property rights related to electricity	41	89
charge for discharging of gases and dusts to the air	501	391
Liabilities due to the settlement of the Tax Group	197	12
Deferred income	23	41
Other liabilities due to settlements under cash pooling contracts	34	29
Other	187	176
Other liabilities – current	**1 061**	**775**

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	**531**	**373**
	Guarantees received	147	115
	Promissory note receivables	383	253
	Other	1	5
	Contingent liabilities	**696**	**701**
Note 8.6	Guarantees granted	665	641
	Real estate tax on mine tunnels	-	34
	Other	31	26
	Other liabilities not recognised in the statement of financial position	**26**	**34**
	Liabilities towards local government entities due to expansion of the tailings storage facility	26	34

Note 12.6 Capital commitments related to property, plant and equipment and intangible assets

Capital commitments incurred in the reporting period, but not yet recognised in the statement of financial position, were as follows (as at 31 December of a given year):

	As at 31 December 2023	As at 31 December 2022
Capital commitments due to the purchase of:		
property, plant and equipment	3 269	2 676
intangible assets	51	126
Total capital commitments	**3 320**	**2 802**

in PLN millions, unless otherwise stated

Note 12.7 Employment structure

	from 1 January 2023 to 31 December 2023	from 1 January 2022 to 31 December 2022
White-collar employees	4 960	4 909
Blue-collar employees	13 915	13 771
Total (full-time)	**18 875**	**18 680**

Note 12.8 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	-	167	**167**
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		**654**	**1 689**	**2 343**

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	-	149	**149**
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		**575**	**1 374**	**1 949**

Note 12.9 Remuneration of the entity entitled to audit the financial statements and of entities related to it (in PLN thousands)

PricewaterhouseCoopers Polska Spółka z ograniczoną odpowiedzialnością Audyt Sp.k. (PwC) performed audits of financial statements of KGHM Polska Miedź S.A. for 2022 and 2023.

in PLN millions, unless otherwise stated

	from 1 January 2023 to 31 December 2023	from 1 January 2022 to 31 December 2022
PricewaterhouseCoopers Polska Spółka z ograniczoną odpowiedzialnością Audyt Sp.k.	**1 872**	1 580
audit of annual financial statements	1 120	850
assurance services, of which:	**752**	**730**
review of financial statements	572	550
other assurance services	180	180
Other companies of PricewaterhouseCoopers Polska	**99**	**99**

Note 12.10 Disclosure of information on the Company's activities regulated by the Act on Energy

Note 12.10.1 Introduction

KGHM Polska Miedź S.A. meets the definition of an "energy enterprise" under the Act on Energy. Pursuant to article 44 of the Act on Energy, the Company is required to prepare, on the basis of the Company's accounting records, information about its regulated activities. The scope of information concerning regulated activities, pursuant to article 44 of the aforementioned Act, constitute the Company's business activities in:

- distribution of electricity;
- distribution of gaseous fuels; and
- trade in gaseous fuels.

Note 12.10.2 Description of regulated activities

KGHM Polska Miedź S.A. conducts the following types of energy-related activities:

- **Distribution of electricity** – an activity which consists of distributing the electricity, used to meet the needs of clients conducting business activities;
- **Trade in gaseous fuels** – an activity which consists of trading in nitrogen-enriched natural gas and is conducted to meet the needs of clients engaged in business activities; and
- **Distribution of gaseous fuels** – an activity which consists of distributing nitrogen-enriched natural gas by utilising the distribution grids located in the Legnica and Głogów municipalities in order to meet the needs of clients conducting business activities.

Note 12.10.3 Basic principles of regulatory accounting

Regulatory accounting is a specific type of accounting, if compared to the accounting carried out in accordance with the Accounting Act of 29 September 1994, conducted by an entrepreneur for its regulated activities including energy activities.

In addition to the accounting policy which was described in the financial statements and was the basis for the keeping of the accounting records and for preparation of the Company's financial statements, KGHM Polska Miedź S.A. applies the following accounting principles for the purposes of regulatory accounting:

Causality principle
The allocation of particular revenue and costs is made in accordance with a given assets' intended purpose and utilisation of assets to meet the needs of a specified type of activity or service, with the causality principle governing the recognition of items of revenue and costs in specified types of activity and with the principle of consistency between recognition by types of activity of items of revenue and costs, which stems from the fact that these items reflect different aspects of the same events.

Objectivity and non-discrimination principle
The allocation of assets, liabilities, equity, revenue and costs is done objectively and is not aimed at making profits or incurring losses.

Continuation and comparability principle
The methods and principles used in preparing the report on regulatory accounting are applied in a continuous manner. This report was prepared using the same principles for the current and comparable periods.

Transparency and consistency principle
The methods applied in preparing the report on regulatory accounting are transparent and consistent with the methods and principles applied in other calculations performed for regulatory purposes and with the methods and principles applied in preparing the financial statements.

Materiality principle (feasibility principle)
The Company permits certain simplifications in measurement, recognition and allocation of items of assets, liabilities, equity, revenue and costs as long as it does not significantly distort the true picture of the financial position and assets presented in the financial statements on regulated activities.

Note 12.10.4 Detailed principles of regulatory policy – methods and principles governing the allocation of assets, liabilities, equity, costs and revenues

The Company prepares financial information on its regulated activities by overlapping the regulated activities' structure with the Company's organisational structure. The Company applies, in a continuous manner, various methods for the allocation of revenue, costs, assets and liabilities to specific types of regulated activities. The following methods were used:

– **specific (direct) identification method** – applied if a direct identification of value is possible, for example the level of revenue from certain activities,
– **direct allocation method** (e.g. the purchase cost of production fuel) – this method is applied if there is a direct cause-and-effect relationship between the consumed resource and the corresponding cost,
– **indirect allocation method** on the basis of a predetermined allocation key, this method is used among others, to allocate cost in a situation where no direct cause-and-effect relationship between the utilised resource and the cost item exists and there is a need to use a cost driver (an allocation key) which enables linkage of items with their respective cost. The most commonly used allocation keys are:
  - revenue key – value of revenue is the allocation key;
  - production key – production units are the allocation key;
  - power key – the installed power of machines and equipment is used for the allocation of indirect costs;
  - cost key – the value of costs is the allocation key;
  - mixed keys, which combine elements of several different keys; and
  - other keys appropriate for a specific case.

Assets
In the statement of financial position of KGHM Polska Miedź S.A. for the current and comparable periods, the following items of assets of regulated activities were recognised:

Non-current assets:
1.Fixed assets,
2.Fixed assets under construction,

Current assets:
1. Trade receivables.

Other items of assets in the Company's statement of financial position were allocated to other activities due to the lack of a link between these items and regulated activities, or because the share of these items in regulated activities is immaterial.

Fixed assets
The identification and allocation of specific items of fixed assets to regulated activities takes place when these items of fixed assets are brought into use. Based on the key consumption for energy carriers, being the quantitative share in sales of the energy carrier in the total volume of the purchased energy carrier less losses, the percentage in the carrying amount of fixed assets used in the energy activities is established.

$$\text{Share} = \frac{\text{Volume of energy carriers sold externally in the reporting period x 100\%}}{\text{Total volume of purchased energy carrier for the reporting period – losses}}$$

Fixed assets under construction

The allocation of fixed assets under construction to regulated activities is achieved by the detailed identification of expenditures on fixed assets under construction which are related to regulated activities, based on the analysis of accounting records. The remaining expenditures on fixed assets under construction are recognised in other activities of the Company.
The Company recognises the full amount of deferred tax assets due to other deductible temporary differences under other activities, due to their immaterial share in regulated activities.

Trade receivables

Allocation of receivables in specific types of regulated activities is done on the basis of detailed identification of revenues from specific types of regulated activities, by analysing the accounting records with respect to unsettled sales invoices. The remaining amount of trade receivables is recognised in other activities. The Company recognises the full amount of other receivables (i.e. apart from trade receivables) in other activities due to their immaterial share in regulated activities.

Equity and liabilities

In the statement of financial position, the following items were recognised in equity and liabilities for the current and comparable periods with respect to regulated activities:

Equity

Liabilities

I. Non-current liabilities:
   1. Deferred tax liabilities;
   2. Future employee benefits liabilities.

II. Current liabilities:
   1. Future employee benefits liabilities.

The full amount of other items of liabilities are recognised by the Company in other activities, due to their immaterial share in regulated activities.

Equity

The Company allocates equity to regulated activities as an item offsetting the assets and liabilities.

Deferred tax liabilities

With respect to regulated activities, deferred tax liabilities were identified arising from taxable temporary differences between the depreciation of property, plant and equipment and intangible assets for tax purposes and their carrying amount.
The allocation of deferred tax liabilities due to the depreciation of property, plant and equipment and the amortisation of intangible assets, with respect to regulated activities, is performed through the use of indicators set for property, plant and equipment and intangible assets. The Company allocates all deferred tax liabilities arising from other taxable temporary differences to other operating activities.

Non-current and current liabilities due to future employee benefits

Liabilities due to future employee benefits are allocated to individual types of regulated activities using a revenue key through the indirect allocation method.

Revenues from sales

Following an analysis of revenues in terms of their allocation to individual types of regulated activities, the Company identified groups of operations which met the following conditions:

- revenues from the sale of electricity – distribution;
- revenues from the sale of nitrogen-enriched natural gas – distribution; and
- revenues from the sale of nitrogen-enriched natural gas – trade.

Revenues from sales are allocated to individual types of regulated activities using the individual identification method.

Operating costs

Following an analysis of costs in terms of their allocation to individual types of regulated activities, the following types of operating costs were identified:

- costs of electricity distribution services and the distribution of natural gas;
- the value of the sold merchandise related to trade in natural gas; and
- administrative expenses associated with electricity sold.

in PLN millions, unless otherwise stated

Costs of sales, selling costs and administrative expenses are allocated to separate types of regulated activities based on the Company's account of the actual costs.

Income tax

The amount of income tax presented in the statement of profit or loss for individual types of regulated activities is set as a multiple of the financial result and the effective tax rate. The amount of current income tax decreases or increases deferred income tax, which is calculated from the difference between the carrying amount and the taxable amount of the respective assets of regulated activities.

Statement of financial position pursuant to article 44 of the Act on Energy

As at 31 December 2023	Company in total	Principal activities	Energy activities, of which:	Electricity		Gas
				Distribution	Trade	Distribution
ASSETS						
Property, plant and equipment	19 117	19 035	82	78	-	4
Intangible assets	1 473	1 473	-	-	-	-
Other non-current assets	16 191	16 191	-	-	-	-
Non-current assets	**36 781**	**36 699**	**82**	**78**	**-**	**4**
Inventories	7 506	7 506	-	-	-	-
Trade receivables	471	456	15	9	6	-
Other current assets	4 138	4 138	-	-	-	-
Current assets	**12 115**	**12 100**	**15**	**9**	**6**	**-**
TOTAL ASSETS	**48 896**	**48 799**	**97**	**87**	**6**	**4**
EQUITY AND LIABILITIES						
Equity	**28 818**	**28 742**	**76**	**71**	**1**	**4**
Deferred tax liabilities	328	321	7	7	-	-
Employee benefits liabilities	2 821	2 816	5	5	-	-
Provisions for decommissioning costs of mines and other technological facilities	1 389	1 389	-	-	-	-
Other non-current liabilities	4 930	4 930	-	-	-	-
Non-current liabilities	**9 468**	**9 456**	**12**	**12**	**-**	**-**
Employee benefits liabilities	1 315	1 313	2	2	-	-
Other current liabilities	9 295	9 288	7	2	5	-
Current liabilities	**10 610**	**10 601**	**9**	**4**	**5**	**-**
TOTAL LIABILITIES	**20 078**	**20 057**	**21**	**16**	**5**	**-**
TOTAL EQUITY AND LIABILITIES	**48 896**	**48 799**	**97**	**87**	**6**	**4**

in PLN millions, unless otherwise stated

As at 31 December 2022	Company in total	Principal activities	Energy activities, of which:	Electricity	Gas	
ASSETS				Distribution	Turnover	Distribution
Property, plant and equipment	21 195	21 070	125	121	-	4
Intangible assets	1 302	1 302	-	-	-	-
Other non-current assets	14 210	14 210	-	-	-	-
Non-current assets	**36 707**	**36 582**	**125**	**121**	**-**	**4**
Inventories	7 523	7 523	-	-	-	-
Trade receivables	620	600	20	7	8	5
Other current assets	3 145	3 145	-	-	-	-
Current assets	**11 288**	**11 268**	**20**	**7**	**8**	**5**
TOTAL ASSETS	**47 995**	**47 850**	**145**	**128**	**8**	**9**
EQUITY AND LIABILITIES						
Equity	**29 675**	**29 543**	**132**	**116**	**8**	**8**
Deferred tax liabilities	705	695	10	10	-	-
Employee benefits liabilities	2 394	2 391	3	3	-	-
Provisions for decommissioning costs of mines and other technological facilities	1 233	1 233	-	-	-	-
Other non-current liabilities	5 979	5 979	-	-	-	-
Non-current liabilities	**10 311**	**10 298**	**13**	**13**	**-**	**-**
Employee benefits liabilities	1 365	1 365	-	-	-	-
Other current liabilities	6 644	6 644	-	-	-	-
Current liabilities	**8 009**	**8 009**	**-**	**-**	**-**	**-**
TOTAL LIABILITIES	**18 320**	**18 307**	**13**	**13**	**-**	**-**
TOTAL EQUITY AND LIABILITIES	**47 995**	**47 850**	**145**	**129**	**8**	**8**

in PLN millions, unless otherwise stated

Statement of profit or loss pursuant to article 44 of the Act on Energy

from 1 January 2023 to 31 December 2023	Company in total	Principal activities	Energy activities, of which:	Electricity	Gas	
				Distribution	Trade	Distribution
Revenues from contracts with customers	29 084	28 926	158	60	93	5
Cost of sales	(28 414)	(28 305)	(109)	(34)	(73)	(2)
Gross profit	**670**	**621**	**49**	**26**	**20**	**3**
Selling costs and administrative expenses	(1 590)	(1 590)	-	-	-	-
(Loss)/Profit on sales	**(920)**	**(969)**	**49**	**26**	**20**	**3**
Other operating income and costs	(230)	(230)	-	-	-	-
Finance income/(costs)	120	120	-	-	-	-
(Loss)/Profit before income tax	**(1 030)**	**(1 079)**	**49**	**26**	**20**	**3**
Income tax expense	(123)	(112)	(11)	(9)	(2)	-
(Loss)/Profit for the period	**(1 153)**	**(1 191)**	**38**	**17**	**18**	**3**

from 1 January 2022 to 31 December 2022	Company in total	Principal activities	Energy activities, of which:	Electricity	Gas	
				Distribution	Trade	Distribution
Revenues from contracts with customers	28 429	28 323	106	35	62	9
Cost of sales	(23 157)	(23 022)	(135)	(40)	(93)	**(2)**
Gross profit	**5 272**	**5 301**	**(29)**	**(5)**	**(31)**	**7**
Selling costs and administrative expenses	(1 306)	(1 306)	-	-	-	-
Profit on sales	**3 966**	**3 995**	**(29)**	**(5)**	**(31)**	**7**
Other operating income and costs	1 299	1 299	-	-	-	-
Finance (costs)/income	(269)	(269)	-	-	-	-
Profit before income tax	**4 996**	**5 025**	**(29)**	**(5)**	**(31)**	**7**
Income tax expense	(1 463)	(1 453)	(10)	(9)	-	(1)
Profit for the period	**3 533**	**3 572**	**(39)**	**(14)**	**(31)**	**6**

Note 12.11 Subsequent events

Convening of an Extraordinary General Meeting

On 8 January 2024, the Company's Management Board announced the convening of the Extraordinary General Meeting of KGHM Polska Miedź S.A. on 13 February 2024 at the head office of the Company in Lubin, at the address ul. Marii Skłodowskiej-Curie 48.

Resignation of a Member of the Management Board of the Company

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 Company 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 Company 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. Furthermore, the Management Board of KGHM Polska Miedź S.A. announces that the signing of the Agreement is planned on or before 26 February 2024. The credit agreement was signed on 23 February 2024.

Granting a loan to KGHM INTERNATIONAL LTD.
On 12 February 2024, the Company 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, the Company 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 Company
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 Company:

- 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 Company
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, the Company 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 Company 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.
In accordance with the requirements of IFRS 3 Business Combinations, the Group is conducting an analysis 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. 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 Company, temporarily delegated to carry out the duties of a Member of the Management Board

On 6 March 2024, 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 Company.

Appointment of Members of the Management Board of the Company

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 Company

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 KGHM Polska Miedź S.A.

SEPARATE 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
Revenues from contracts with customers	6 614	6 646	29 084	28 429
Cost of sales	(8 819)	(5 628)	(28 414)	(23 157)
Gross (loss)/profit	**(2 205)**	**1 018**	**670**	**5 272**
Selling costs and administrative expenses	(602)	(425)	(1 590)	(1 306)
Loss/(profit) on sales	**(2 807)**	**593**	**(920)**	**3 966**
Other operating income	796	(5)	2 564	2 172
interest income calculated using the effective interest rate method	99	93	377	346
fair value gains on financial assets measured at fair value through profit or loss	(225)	(175)	668	631
gain due to reversal of impairment losses on financial instruments	(76)	31	18	213
Other operating costs, including:	(1 904)	(896)	(2 794)	(873)
impairment losses on financial instruments	8	(1)	-	(7)
Finance income	393	537	531	148
Finance costs	(148)	(90)	(411)	(417)
(Loss)/profit before income tax	**(3 670)**	**139**	**(1 030)**	**4 996**
Income tax expense	780	(144)	(123)	(1 463)
(LOSS)/PROFIT FOR THE PERIOD	**(2 890)**	**(5)**	**(1 153)**	**3 533**
Weighted average number of ordinary shares (million)	**200**	**200**	**200**	**200**
Basic/diluted earnings per share (in PLN)	**(14.45)**	**(0.03)**	**(5.77)**	**17.67**

in PLN millions, unless otherwise stated

Explanatory notes to the 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	400	387	1 675	1 504
Employee benefits expenses	1 410	1 344	5 475	4 832
Materials and energy including:	3 058	3 446	12 955	13 687
Purchased metal-bearing materials	1 915	2 158	7 712	8 859
Electrical and other energy	365	415	2 224	1 921
External services, including:	754	684	2 638	2 238
Transport	80	87	340	328
Repairs, maintenance and servicing	279	217	854	699
Mine preparatory work	188	201	736	617
Minerals extraction tax	699	746	3 496	3 046
Other taxes and charges	179	140	632	487
Advertising costs and representation expenses	31	31	83	80
Property and personal insurance	10	9	41	39
Impairment losses on property, plant and equipment and intangible assets	2 808	-	2 808	-
Reversal of write-down of inventories	-	(12)	(13)	(52)
Write-down of inventories	11	7	44	13
Other costs	8	8	25	21
Total expenses by nature	**9 368**	**6 790**	**29 859**	**25 895**
Cost of merchandise and materials sold (+)	110	118	545	449
Change in inventories of products and work in progress (+/-)	8	(790)	(174)	(1 665)
Cost of products for internal use (-)	(65)	(65)	(226)	(216)
Total cost of sales, selling costs and administrative expenses, including:	**9 421**	**6 053**	**30 004**	**24 463**
Cost of sales	8 819	5 628	28 414	23 157
Selling costs	42	46	170	173
Administrative expenses	560	379	1 420	1 133

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:	(32)	(12)	366	268
measurement	(127)	(62)	202	108
realisation	95	50	164	160
Exchange differences on assets and liabilities other than borrowings	-	-	-	500
Interest on loans granted and other financial receivables	100	94	382	348
Fees and charges on re-invoicing of costs of bank guarantees securing payments of liabilities	11	1	23	31
Reversal of impairment losses on financial instruments measured at amortised cost, including:	(76)	31	18	213
gain due to reversal of an allowance for impairment of loans granted	(78)	31	15	213
Fair value gains on financial assets measured at fair value through profit or loss, including:	(225)	(175)	668	631
loans	(235)	(192)	657	601
Reversal of impairment losses on shares in subsidiaries	827	-	827	-
Dividends income	-	-	-	29
Profit on the disposal of shares in subsidiaries	-	2	-	2
Release of provisions	21	2	30	12
Refund of excise tax for previous years	-	1	2	1
Overpayment of property tax	1	24	1	25
Government grants received	(6)	1	8	10
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	(3)	26	61	102
Total other operating income	**796**	**(5)**	**2 564**	**2 172**

in PLN millions, unless otherwise stated

Losses on derivatives, of which:	(100)	(115)	(634)	(490)
measurement	40	(11)	(188)	(116)
realisation	(140)	(104)	(446)	(374)
Impairment losses on financial instruments measured at amortised cost	8	(1)	-	(7)
Exchange differences on financial assets and liabilities other than borrowings	(676)	(796)	(770)	-
Fair value losses on financial assets measured at fair value through profit or loss, including:	(127)	(6)	(223)	(87)
loans	(94)	-	(94)	-
trade receivables	(33)	(6)	(129)	(87)
Financial support granted to municipalities	-	(1)	(7)	(100)
Provisions recognised	(1)	74	(6)	(16)
Donations granted	(13)	(20)	(66)	(53)
Compensations, fines and penalties paid and costs of litigation	(1)	(8)	(9)	(28)
Losses on disposal of property, plant and equipment (including costs associated with disposal)	(8)	(8)	(19)	(22)
Impairment losses on fixed assets under construction and intangible assets not yet available for use	(967)	(3)	(969)	(6)
Other	(19)	(12)	(91)	(64)
Total other operating costs	**(1 904)**	**(896)**	**(2 794)**	**(873)**
Other operating income and (costs)	**(1 108)**	**(901)**	**(230)**	**1 299**

in PLN millions, unless otherwise stated

Note 13.3 Finance 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
Exchange differences on measurement and realisation of borrowings	307	436	358	-
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	-	18	-	18
Total income	**393**	**537**	**531**	**148**
Interest on borrowings	(50)	17	(142)	(48)
leases	(2)	(3)	(9)	(10)
Bank fees and charges on borrowings	(6)	(6)	(26)	(30)
Exchange differences on measurement and realisation of borrowings	-	-	-	(179)
Losses on derivatives - realisation	(90)	(98)	(183)	(149)
Unwinding of the discount effect	(2)	(3)	(60)	(11)
Total costs	**(148)**	**(90)**	**(411)**	**(417)**
Finance income/(costs)	**245**	**447**	**120**	**(269)**

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