POLISH FINANCIAL SUPERVISION AUTHORITY

Consolidated half-year report PSr 2021

(in accordance with § 60 section 2 and § 62 section 3 of the Decree of the Minister of Finance dated 29 March 2018)

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

for the first half of financial year **2021** from **1 January 2021** to **30 June 2021**
containing the condensed consolidated financial statements prepared under International Accounting Standard 34 in PLN and condensed financial statements under International Accounting Standard 34 in PLN.

publication date: 17 August 2021

KGHM Polska Miedź Spółka Akcyjna
(name of the issuer)

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

Mining
(issuer branch title per the Warsaw Stock Exchange)

59 – 301
(postal code)

LUBIN
(city)

M. Skłodowskiej – Curie
(street)

48
(number)

(+48) 76 7478 200
(telephone)

(+48) 76 7478 500
(fax)

ir@kghm.com
(e-mail)

www.kghm.com
(website address)

6920000013
(NIP)

390021764
(REGON)

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

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

SELECTED FINANCIAL DATA

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

		in PLN mn		in EUR mn	
		from 1 January 2021 to 30 June 2021	**from 1 January 2020 to 30 June 2020**	**from 1 January 2021 to 30 June 2021**	**from 1 January 2020 to 30 June 2020**
I.	Revenues from contracts with customers	14 506	10 948	3 190	2 465
II.	Profit on sales	2 806	1 140	617	257
III.	Profit before income tax	4 629	1 107	1 018	249
IV.	Profit for the period	3 723	699	819	157
V.	Profit for the period attributable to shareholders of the Parent Entity	3 725	702	819	158
VI.	Profit for the period attributable to non-controlling interest	(2)	(3)	-	(1)
VII.	Other comprehensive income	(619)	(497)	(136)	(112)
VIII.	Total comprehensive income	3 104	202	683	45
IX.	Total comprehensive income attributable to the shareholders of the Parent Entity	3 106	205	684	46
X.	Total comprehensive income attributable to non-controlling interest	(2)	(3)	(1)	(1)
XI.	Number of shares issued (million)	200	200	200	200
XII.	Earnings per ordinary share (in PLN/EUR) attributable to the shareholders of the Parent Entity	18.63	3.51	4.10	0.79
XIII.	Net cash generated from operating activities	2 317	1 931	510	435
XIV.	Net cash used in investing activities	(1 567)	(1 825)	(345)	(411)
XV.	Net cash generated from/(used in) financing activities	(1 955)	826	(430)	186
XVI.	Total net cash flow	(1 205)	932	(265)	210
		As at 30 June 2021	**As at 31 December 2020**	**As at 30 June 2021**	**As at 31 December 2020**
XVII.	Non-current assets	35 969	34 047	7 956	7 378
XVIII.	Current assets	9 086	8 733	2 010	1 892
XIX.	Total assets	45 055	42 780	9 966	9 270
XX.	Non-current liabilities	12 148	13 792	2 687	2 989
XXI.	Current liabilities	9 040	7 907	2 000	1 713
XXII.	Equity	23 867	21 081	5 279	4 568
XXIII.	Equity attributable to shareholders of the Parent Entity	23 780	20 992	5 260	4 549
XXIV.	Equity attributable to non-controlling interest	87	89	19	19

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

		in PLN mn		in EUR mn	
		from 1 January 2021 to 30 June 2021	**from 1 January 2020 to 30 June 2020**	**from 1 January 2021 to 30 June 2021**	**from 1 January 2020 to 30 June 2020**
I.	Revenues from contracts with customers	12 144	8 897	2 671	2 003
II.	Profit on sales	2 494	1 336	548	301
III.	Profit before income tax	5 078	1 141	1 117	257
IV.	Profit for the period	4 226	747	929	168
V.	Other comprehensive income	(598)	(395)	(132)	(89)
VI.	Total comprehensive income	3 628	352	797	79
VII.	Number of shares issued (million)	200	200	200	200
VIII.	Earnings per ordinary share (in PLN/EUR)	21.13	3.74	4.65	0.84
IX.	Net cash generated from operating activities	1 680	1 925	369	433
X.	Net cash used in investing activities	(1 178)	(1 545)	(259)	(348)
XI.	Net cash generated from/(used in) financing activities	(1 870)	796	(411)	179
XII.	Total net cash flow	(1 368)	1 176	(301)	264
		As at 30 June 2021	**As at 31 December 2020**	**As at 30 June 2021**	**As at 31 December 2020**
XIII.	Non-current assets	35 272	32 367	7 802	7 014
XIV.	Current assets	6 838	6 975	1 513	1 511
XV.	Total assets	42 110	39 342	9 315	8 525
XVI.	Non-current liabilities	10 306	11 687	2 280	2 533
XVII.	Current liabilities	7 768	6 929	1 718	1 501
XVIII.	Equity	24 036	20 726	5 317	4 491

Table of contents

Condensed consolidated financial statements

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		from 1 January 2021 to 30 June 2021	from 1 January 2020 to 30 June 2020
Note 2.3	Revenues from contracts with customers	14 506	10 948
Note 3.1	Cost of sales	(11 024)	(9 134)
	Gross profit	**3 482**	**1 814**
Note 3.1	Selling costs and administrative expenses	(676)	(674)
	Profit on sales	**2 806**	**1 140**
	Share of losses of a joint venture accounted for using the equity method	-	(210)
Note 4.2	Gains due to the reversal of allowances for impairment of loans granted to a joint venture	1 655	-
Note 4.2	Interest income on loans granted to a joint venture calculated using the effective interest rate method	194	193
	Profit or loss on involvement in a joint venture	1 849	(17)
Note 3.2	Other operating income, including:	739	591
	other interest calculated using the effective interest rate method	1	4
	reversal of impairment losses on financial instruments	18	4
Note 3.2	Other operating costs, including:	(556)	(431)
	impairment losses on financial instruments	(3)	(6)
Note 3.3	Finance income	35	35
Note 3.3	Finance costs	(244)	(211)
	Profit before income tax	**4 629**	**1 107**
	Income tax expense	(906)	(408)
	PROFIT FOR THE PERIOD	**3 723**	**699**
	Profit for the period attributable to:		
	Shareholders of the Parent Entity	3 725	702
	Non-controlling interest	(2)	(3)
	Weighted average number of ordinary shares (million)	**200**	**200**
	Basic/diluted earnings per share (in PLN)	**18.63**	**3.51**

amounts in PLN millions, unless otherwise stated

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	from 1 January 2021 to 30 June 2021	from 1 January 2020 to 30 June 2020
Profit for the period	**3 723**	**699**
Measurement of hedging instruments net of the tax effect	(763)	(268)
Exchange differences from the translation of statements of operations with a functional currency other than PLN	(29)	(111)
Other comprehensive income from continued operations, which will be reclassified to profit or loss	**(792)**	**(379)**
Measurement of equity financial instruments at fair value through other comprehensive income, net of the tax effect	117	109
Actuarial gains/(losses) net of the tax effect	56	(227)
Other comprehensive income from continued operations, which will not be reclassified to profit or loss	**173**	**(118)**
Total other comprehensive net income	**(619)**	**(497)**
TOTAL COMPREHENSIVE INCOME	**3 104**	**202**
Total comprehensive income attributable to:	**3 104**	**202**
Shareholders of the Parent Entity	3 106	205
Non-controlling interest	(2)	(3)

amounts in PLN millions, unless otherwise stated

CONSOLIDATED STATEMENT OF CASH FLOWS

		from 1 January 2021 to 30 June 2021	from 1 January 2020 to 30 June 2020
	Cash flow from operating activities		
	Profit before income tax	4 629	1 107
	Depreciation/amortisation recognised in profit or loss	1 020	953
	Share of losses of a joint venture accounted for using the equity method	-	210
	Interest on loans granted to a joint venture	(194)	(193)
	Other interest	62	113
	Impairment losses on non-current assets	32	93
	Gains due to the reversal of allowances for impairment of loans granted to a joint venture	(1 655)	-
	Other gains due to the reversal of impairment losses on non-current assets	(47)	(1)
	(Gains)/losses on the sale of property, plant and equipment and intangible assets	(51)	29
	Exchange differences, of which:	41	(467)
	from investing activities and on cash	(79)	(504)
	from financing activities	120	37
	Change in provisions for decommissioning of mines, employee benefits liabilities and other provisions	-	(15)
	Change in other receivables and liabilities other than working capital	707	(73)
	Change in assets and liabilities due to derivatives	(1 084)	273
	Reclassification of other comprehensive income to profit or loss due to the realisation of hedging derivatives	954	(154)
Note 4.10	Other adjustments	3	10
	Exclusions of income and costs, total	(212)	778
	Income tax paid	(390)	(386)
Note 4.11	Changes in working capital, including:	(1 710)	432
Note 4.11	change in trade payables transferred to factoring	(411)	329
	Net cash generated from operating activities	2 317	1 931
	Cash flow from investing activities		
	Expenditures on mining and metallurgical assets, including:	(1 462)	(1 389)
	paid capitalised interest on borrowings	(58)	(64)
	Expenditures on other property, plant and equipment and intangible assets	(201)	(192)
	Expenditures on financial assets designated for decommissioning of mines and other technological facilities	(24)	(22)
	Acquisition of newly-issued shares of a joint venture	-	(207)
	Proceeds from disposal of property, plant and equipment and intangible assets	77	18
	Proceeds from disposal of equity instruments measured at fair value through other comprehensive income	53	-
	Advances granted on property, plant and equipment and intangible assets	(7)	(25)
	Other	(3)	(8)
	Net cash used in investing activities	(1 567)	(1 825)
	Cash flow from financing activities		
	Proceeds from borrowings	55	4 157
	Proceeds from derivatives related to sources of external financing	18	33
	Repayment of borrowings	(1 581)	(3 147)
	Repayment of lease liabilities	(49)	(44)
	Expenditures due to derivatives related to sources of external financing	(38)	(40)
	Interest paid, including:	(64)	(135)
	borrowings	(58)	(128)
	Expenditures due to dividends paid to shareholders of the Parent Entity	(300)	-
	Other	4	2
	Net cash generated from/(used in) financing activities	(1 955)	826
	NET CASH FLOW	(1 205)	932
	Exchange gains/(losses)	(49)	3
	Cash and cash equivalents at beginning of the period	2 522	1 016
	Cash and cash equivalents at end of the period, including:	1 268	1 951
	restricted cash	22	29

amounts in PLN millions, unless otherwise stated

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 30 June 2021	As at 31 December 2020
	ASSETS		
	Mining and metallurgical property, plant and equipment	21 033	20 576
	Mining and metallurgical intangible assets	1 875	2 024
	Mining and metallurgical property, plant and equipment and intangible assets	22 908	22 600
	Other property, plant and equipment	2 748	2 857
	Other intangible assets	110	141
	Other property, plant and equipment and intangible assets	2 858	2 998
Note 4.2	Involvement in joint ventures – loans granted	7 992	6 069
	Derivatives	574	789
	Other financial instruments measured at fair value	755	636
	Other financial instruments measured at amortised cost	501	601
Note 4.3	Financial instruments, total	1 830	2 026
	Deferred tax assets	216	193
	Other non-financial assets	165	161
	Non-current assets	**35 969**	**34 047**
	Inventories	5 794	4 459
Note 4.3	Trade receivables, including:	881	834
	trade receivables measured at fair value through profit or loss	497	478
	Tax assets	235	295
Note 4.3	Derivatives	294	210
	Other financial assets	96	210
	Other non-financial assets	251	142
Note 4.3	Cash and cash equivalents	1 189	2 522
Note 4.12	Assets held for sale	346	61
	Current assets	**9 086**	**8 733**
	TOTAL ASSETS	**45 055**	**42 780**
	EQUITY AND LIABILITIES		
	Share capital	2 000	2 000
	Other reserves from measurement of financial instruments	(2 076)	(1 430)
	Accumulated other comprehensive income other than from measurement of financial instruments	1 755	1 728
	Retained earnings	22 101	18 694
	Equity attributable to shareholders of the Parent Entity	23 780	20 992
	Equity attributable to non-controlling interest	87	89
	Equity	**23 867**	**21 081**
Note 4.3	Borrowings, leases and debt securities	5 505	6 928
Note 4.3	Derivatives	1 156	1 006
Note 4.6	Employee benefits liabilities	2 942	3 016
Note 4.7	Provisions for decommissioning costs of mines and other technological facilities	1 566	1 849
	Deferred tax liabilities	374	442
	Other liabilities	605	551
	Non-current liabilities	12 148	13 792
Note 4.3	Borrowings, leases and debt securities	428	407
Note 4.3	Derivatives	1 163	688
Note 4.3	Trade and similar payables	3 023	3 593
Note 4.6	Employee benefits liabilities	1 397	1 313
	Tax liabilities	1 135	537
	Provisions for liabilities and other charges	179	162
	Other liabilities	1 304	1 202
Note 4.12	Liabilities associated with assets held for sale	411	5
	Current liabilities	9 040	7 907
	Non-current and current liabilities	**21 188**	**21 699**
	TOTAL EQUITY AND LIABILITIES	**45 055**	**42 780**

amounts in PLN millions, unless otherwise stated

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Equity attributable to shareholders of the Parent Entity						
	Share capital	Other reserves from measurement of financial instruments	Accumulated other comprehensive income	Retained earnings	Total	Equity attributable to non-controlling interest	Total equity
As at 1 January 2020	**2 000**	**(738)**	**1 954**	**16 894**	**20 110**	**92**	**20 202**
Profit for the period	**-**	-	-	702	**702**	(3)	**699**
Other comprehensive income	-	(159)	(338)	-	**(497)**	-	**(497)**
Total comprehensive income	**-**	**(159)**	**(338)**	**702**	**205**	**(3)**	**202**
As at 30 June 2020	**2 000**	**(897)**	**1 616**	**17 596**	**20 315**	**89**	**20 404**
As at 1 January 2021	**2 000**	**(1 430)**	**1 728**	**18 694**	**20 992**	**89**	**21 081**
Transactions with owners	-	-	-	(300)	**(300)**	-	**(300)**
Profit for the period	-	-	-	3 725	**3 725**	(2)	**3 723**
Other comprehensive income	-	(646)	27	-	**(619)**	-	**(619)**
Total comprehensive income	**-**	**(646)**	**27**	**3 725**	**3 106**	**(2)**	**3 104**
Reclassification of the result of disposal of equity instruments measured at fair value through other comprehensive income	-	-	-	(18)	**(18)**	-	**(18)**
As at 30 June 2021	**2 000**	**(2 076)**	**1 755**	**22 101**	**23 780**	**87**	**23 867**

Part 1 – General information

Note 1.1 Corporate information

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

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

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

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

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

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

As at the end of the reporting period, current liabilities in the Parent Entity's financial statements were higher than current assets by the amount of PLN 930 million. In the Management Board's opinion, there is no significant risk of loss of going concern or problems with liquidity in light of the aforementioned situation. The Management Board of the Company continuously monitors the relation between current liabilities and current assets. The Company maintains the balance of cash at the level necessary to manage the immediate (a few days) liquidity, while surplus cash is used to repay bank loans. Taking into account the unused limits of bank and other loans (as at 30 June 2021 in the amount of PLN 8 billion), the cash generated from operating activities, current and flexible access to sources of external financing, the Company's liquidity situation remains at a stable level and is not endangered in any way. It is also demonstrated by debt ratios, which at the end of June 2021 were significantly above the marginal safety levels adopted by the Company in order to maintain financial liquidity and creditworthiness. As a part of the management of financial liquidity in the first half of 2021, the Company repaid a loan from Bank Gospodarstwa Krajowego in the amount of USD 350 million.

The pandemic's impact on individual aspects of the business and the going concern assumption are described in note 5.6.

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

Note 1.2 Declaration by the Management Board of KGHM Polska Miedź S.A.

The Management Board of KGHM Polska Miedź S.A. declares that according to its best judgement:
- the condensed consolidated financial statements for the first half of 2021 and comparative data have been prepared in accordance with accounting principles currently in force, and give a true, fair and clear view of the financial position of the KGHM Polska Miedź S.A. Group and the profit for the period of the Group,
- the condensed financial statements of KGHM Polska Miedź S.A. for the first half of 2021 and comparative data have been prepared in accordance with accounting principles currently in force, and give a true, fair and clear view of the financial position of KGHM Polska Miedź S.A. and the profit for the period of KGHM Polska Miedź S.A.,
- the Management Board's report on the activities of the Group in the first half of 2021 presents a true picture of the development and achievements, as well as the condition, of the KGHM Polska Miedź S.A. Group, including a description of the basic exposures and risks.

Note 1.3 Structure of the KGHM Polska Miedź S.A. Group as at 30 June 2021

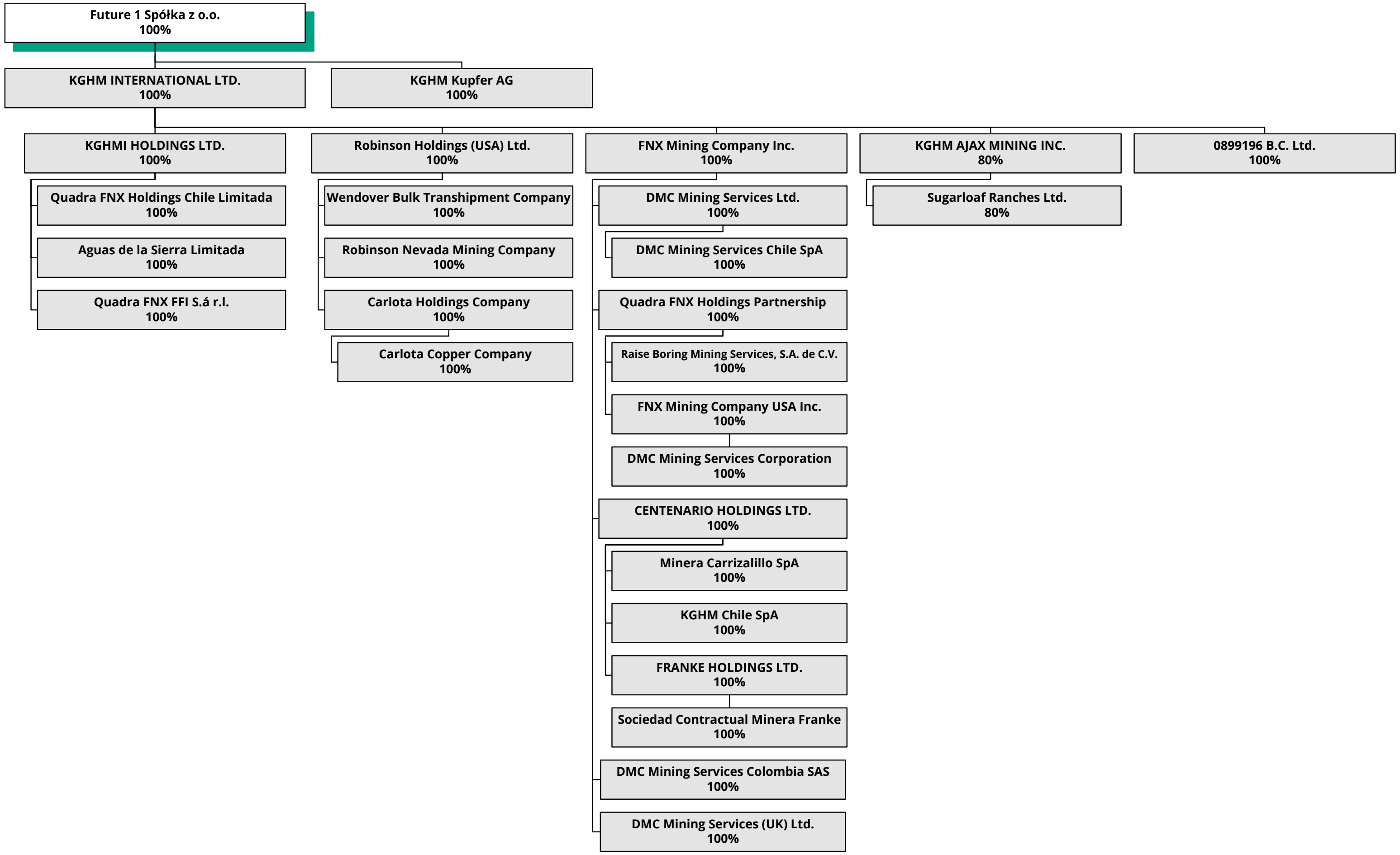
In the current half-year, KGHM Polska Miedź S.A. consolidated 70 subsidiaries and used the equity method to account for the shares of two joint ventures (Sierra Gorda S.C.M. and NANO CARBON Sp. z o.o. in liquidation).

Parent Entity KGHM Polska Miedź S.A.

- PeBeKa S.A. 100%
- KGHM ZANAM S.A. 100%
  - OOO ZANAM VOSTOK 100%
- POL-MIEDŹ TRANS Sp. z o.o. 100%
- PMT Linie Kolejowe Sp. z o.o. 100%
- „Energetyka" sp. z o.o. 100%
  - WPEC w Legnicy S.A. 100%
- INOVA Spółka z o.o. 100%
- KGHM CUPRUM sp. z o.o. – CBR 100%
- BIPROMET S.A. 100%
- CBJ sp. z o.o. 100%
- KGHM Metraco S.A. 100%
  - CENTROZŁOM WROCŁAW S.A. 100%
  - WMN „ŁABĘDY" S.A. 84.98%
- NITROERG S.A. 87.12%
  - NITROERG SERWIS Sp. z o.o 87.12%
- MERCUS Logistyka sp. z o.o. 100%
  - PHU „Lubinpex" Sp. z o.o. 100%
- KGHM TFI S.A. 100%
- KGHM VI FIZAN 100%
  - Interferie Medical SPA Sp. z o.o. 90.12%
  - Fundusz Hotele 01 Sp. z o.o. 100%
  - Fundusz Hotele 01 Sp. z o.o. S.K.A. 100%
    - INTERFERIE S.A. 69.71%
- KGHM VII FIZAN 100%
  - Uzdrowiska Kłodzkie S.A. – Grupa PGU 100%
  - Uzdrowisko Połczyn Grupa PGU S.A. 100%
  - Uzdrowisko Cieplice Sp. z o.o. – Grupa PGU 98.85%
  - Uzdrowisko Świeradów-Czerniawa Sp. z o.o. – Grupa PGU 99.40%
  - Polska Grupa Uzdrowisk Sp. z o.o. 100%
  - CUPRUM Development sp. z o.o. 100%
- „MIEDZIOWE CENTRUM ZDROWIA" S.A. 100%
- Zagłębie Lubin S.A. 100%
- CUPRUM Nieruchomości sp. z o.o. 100%
- TUW Cuprum * 100%
- KGHM Centrum Analityki Spółka z o.o. 100%
- Future 3 Spółka z o.o. 100%
- Future 4 Spółka z o.o. 100%
- Future 5 Spółka z o.o. 100%
- Future 6 Spółka z o.o. in liquidation 100%
- Future 7 Spółka z o.o. in liquidation 100%
- KGHM (SHANGHAI) COPPER TRADING CO., LTD. 100%
- Future 1 Spółka z o.o. 100% (continued on next page)

** Excluded from consolidation.*

The percentage share represents the total share of the Group.


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

Note 1.4 Exchange rates applied

The following exchange rates were applied in the conversion of selected financial data in EUR:

- for the conversion of turnover, profit or loss and cash flow for the current period, the rate of ***4.5472 EURPLN*,***
- for the conversion of turnover, profit or loss and cash flow for the comparable period, the rate of ***4.4413 EURPLN*,***
- for the conversion of assets, equity and liabilities as at 30 June 2021, the current average exchange rate announced by the National Bank of Poland (NBP) as at 30 June 2021, of ***4.5208 EURPLN,***
- for the conversion of assets, equity and liabilities as at 31 December 2020, the current average exchange rate announced by the NBP as at 31 December 2020, of ***4.6148 EURPLN.***

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

Note 1.5 Accounting policies and the impact of new and amended standards and interpretations

The following half-year report includes:

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

The condensed consolidated financial statements for the period from 1 January to 30 June 2021 and as at 30 June 2021 as well as the condensed separate financial statements for the period from 1 January to 30 June 2021 and as at 30 June 2020 were reviewed by a certified auditor.

The consolidated half-year report for the period from 1 January 2021 to 30 June 2021, in that part concerning the condensed consolidated financial statements of the KGHM Polska Miedź S.A. Group and in that part concerning the condensed financial statements of KGHM Polska Miedź S.A., was prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the European Union, and for a full understanding of the financial position and operating results of KGHM Polska Miedź S.A. and the KGHM Polska Miedź S.A. Group, should be read jointly with the Annual report RR 2020 and the Consolidated annual report SRR 2020.

The financial statements contained in this half-year report were prepared using the same accounting policies and valuation methods for the current and comparable periods as well as the principles applied in the annual financial statements (consolidated and separate), prepared as at 31 December 2020.

Note 1.5.1 Impact of new and amended standards and interpretations

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

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

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

amounts in PLN millions, unless otherwise stated

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

Type of financial instrument	Current reference rate	Carrying amount as at 30 June 2021
Long-term bank loans	LIBOR 3M	(2)
	LIBOR 1M	(12)
Short-term bank loans	LIBOR 3M	(1)
	LIBOR 1M	(3)
Reverse factoring	LIBOR 6M	23
	LIBOR 1M	-
Total		**5**

On 31 March 2021, the International Accounting Standards Board (IASB) published amendments to IFRS 16 *Leases,* which extend by one year, that is to 30 June 2022, the optional and related to the coronavirus pandemic (COVID-19) relief of operational requirements for lessees making use of the option to temporarily suspend lease payments. Pursuant to the so-called practical expedient, when a lessee obtains a lease relief due to COVID-19, the lessee does not have to assess whether this relief is a modification of a lease, and instead recognises this change in the accounting books as if this change was not a modification. Pursuant to the information published by IASB, these amendments were supposed to be effective for annual periods beginning on or after 1 April 2021, with an option of earlier application. The Group will apply these amendments following their adoption for use by the European Union, while in its opinion their impact on the consolidated financial statements will be immaterial.

Note 1.6. Impairment of assets

TEST FOR THE IMPAIRMENT OF ASSETS OF THE KGHM INTERNATIONAL LTD. GROUP

In the current period, as a result of the identification of indications of a possible change in the recoverable amount of some of the international mining assets of the KGHM INTERNATIONAL LTD. Group, the Parent Entity's Management Board performed impairment testing of these assets. The key indications to perform impairment testing were:

- a change in market forecasts of commodities prices,
- the decision to commence the process of preparing to sell some of the assets located in the Sudbury Basin (this does not include the pre-operational Victoria project, which remains within the KGHM INTERNATIONAL LTD. Group as a strategic asset),
- a change in technical and economic parameters for the KGHM INTERNATIONAL LTD. Group's Sudbury Basin mine assets in terms of production volumes, planned operating costs and capital expenditures during the life of a mine.

The main indications that the recoverable amount may be higher than the carrying amount, with the consequent justification for the reversal of previously recognised impairment losses, were as follows:

- an increase in the price paths for copper, gold, palladium and silver,
- extension of the Life of Mine of the McCreedy mine, part of the CGU Sudbury Basin,
- an increase in the expected production volume of the McCreedy mine, part of the CGU Sudbury Basin.

The main indications that the recoverable amount may be lower than the carrying amount, with the consequent necessity for the recognition of a further impairment loss, were as follows:

- a decrease in the price paths for nickel,
- deferment of re-commencement of production in the Morrison/Levack mine, part of the CGU Sudbury,
- a decrease in the expected production volume of the Morrison/Levack mine, part of the CGU Sudbury,
- an increase in the expected capital expenditures during the life of the Morrison/Levack mine, part of the CGU Sudbury,

The following CGUs have been selected for the purpose of evaluation of the recoverable amount of the assets of the KGHM INTERNATIONAL LTD. Group, in which indications of a possible change in the recoverable amount were identified:

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

In order to determine the recoverable amount of assets of individual CGUs during the testing, the fair value (decreased by estimated costs to sell) was calculated for the following CGUs: Sudbury, Victoria and the value in use for the CGU Robinson.

As the Carlota and Franke mines (assets of the KGHM INTERNATIONAL LTD. Group) were on 30 June 2021 reclassified to assets held for sale, their recognition in the books and the valuation at the moment of reclassification were performed pursuant to IFRS 5 (Note 4.12).

Basic macroeconomic assumptions adopted in the impairment testing – metal prices

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

- for copper – 7 000 USD/t (3.18 USD/lb);
- for gold – 1 500 USD/oz;
- for nickel – 7.25 USD/lb

Assumption	Victoria	Sudbury	Robinson
Mine life / forecast period	14	14	7
Level of copper production during mine life (kt)	249	43	358
Level of nickel production during mine life (kt)	221	23	-
Level of gold production during mine life (koz t)	157	27	263
Average operating margin during mine life	62%	27%	43%
Capital expenditures to be incurred during mine life [USD million]	1 530	157	410
Applied discount rate after taxation for assets in the operational phase*	-	7.5%	7.5%
Applied discount rate after taxation for assets in the pre-operational phase	10.5%	-	-
Costs to sell	2%		
Level of fair value hierarchy to which the measurement at fair value was classified	Level 3		

** The presented data of the CGU Robinson is post-taxation despite the model of measuring the value in use. The use of pre-taxation data does not significantly impact the recoverable amount.*

Key factors responsible for the modification of technical and economic assumptions	
Sudbury	The inclusion in production of copper and precious metals mineralisation zones („700 Zone" and „PM Zone") and exclusion of a nickel zone („Intermain Orebody"). Deferment of re-commencement of the Levack mine up to 2027 and a decrease of the production volume.

Results of the test performed as at 30 June 2021 are presented in the following table:

CGU	Segment (Part 2)	Carrying amount*		Recoverable amount		Reversal of impairment loss	
		USD mn	PLN mn	USD mn	PLN mn	USD mn	PLN mn
Victoria	KGHM INTERNATIONAL LTD.	280	1 065	280	1 065	-	-
Sudbury		43	164	43	164	-	-
Robinson		369	1 404	614	2 335	10**	38**

** The carrying amount of fixed assets decreased by the provision for future decommissioning costs of mines.*

***Despite estimating the recoverable amount of CGU Robinson at the level of USD 614 million (PLN 2 335 million), which was higher than the carrying amount of this CGU's assets by the amount of USD 245 million (PLN 932 million), the Group reversed, pursuant to IAS 36.117, impairment losses on assets of this CGU recognised in prior periods in the amount of USD 10 million (PLN 38 million), that is to the level of the carrying amount of assets, which would be determined (after deducting any accumulated depreciation/amortisation), if there was no recognition of impairment losses on these assets in prior periods.*

As a result of the conducted test, there was a reversal of an impairment loss on the assets of the CGU Robinson in the amount of PLN 38 million, which decreased the item "Cost of sales".

The results of tests performed as at 30 June 2021 for the CGU Victoria and the CGU Sudbury confirmed that their recoverable amounts are equal to their carrying amounts.

Sensitivity analysis of the recoverable amount of CGU Victoria (USD mn)	Recoverable amount
Discount rate 11%	247
Discount rate 10.5% (test)	**280**
Discount rate 10%	329

Sensitivity analysis of the recoverable amount of CGU Victoria (USD mn)	Recoverable amount
Copper price -0.10 $/lb	275
Copper price (test)	**280**
Copper price +0.10 $/lb	299

Sensitivity analysis of the recoverable amount of CGU Victoria (USD mn)	Recoverable amount
Nickel price -0.10 $/lb	238
Nickel price (test)	**280**
Nickel price +0.10 $/lb	336

Sensitivity analysis of the recoverable amount of CGU Robinson (USD mn)	Recoverable amount
Discount rate 8%	604
Discount rate 7.5% (test)	**614**
Discount rate 7%	625

Sensitivity analysis of the recoverable amount of CGU Robinson (USD mn)	Recoverable amount
Copper price -0.10 $/lb	564
Copper price (test)	**614**
Copper price +0.10 $/lb	665

The sensitivity analysis of the recoverable amount of the CGU Sudbury, due to its low carrying amount, was not presented due to its immateriality.

amounts in PLN millions, unless otherwise stated

EVALUATION OF RISK OF IMPAIRMENT OF ASSETS OF THE COMPANY INTERFERIE S.A. – Segment – Other segments
The market capitalisation of the subsidiary Interferie S.A. in the first half of 2021 was below the carrying amount of the company's net assets, which in accordance with the adopted accounting policy was recognised by the company to be an indication to perform impairment testing of the company's assets. As at 30 June 2021, the carrying amount of the tested assets was PLN 153 million. In order to assess the impairment, the company Interferie S.A. identified the following cash generating units (CGUs): INTERFERIE in Ustronie Morskie – Leisure and Sanatorium Cechsztyn, INTERFERIE in Kołobrzeg Leisure and Sanatorium Chalkozyn, INTERFERIE in Dąbki Sanatorium Argentyt, INTERFERIE in Świeradów Zdrój – Hotel Malachit, INTERFERIE Hotel in Głogów and INTERFERIE Hotel Bornit in Szklarska Poręba. As at the reporting date, INTERFERIE Hotel in Głogów was classified to non-current assets held for sale and recognised, pursuant to IFRS 5, at its carrying amount which was lower than its fair value less costs to sell. For the purpose of evaluation of impairment – pursuant to IAS 36.6, the recoverable amount of assets was determined at the amount corresponding to the fair value less costs to sell or to the value in use (which is a current, estimated value of future cash flows, expected to be obtained from the continued use of a cash generating unit) – depending on which one is higher. The recoverable amount was determined on the basis of the sum of future cash flows of individual CGUs discounted by the rate estimated on the basis of ratios used by the hotel industry in the facilities: INTERFERIE in Ustronie Morskie – Leisure and Sanatorium Cechsztyn, INTERFERIE in Kołobrzeg Leisure and Sanatorium Chalkozyn and INTERFERIE in Dąbki Sanatorium Argentyt. The recoverable amount was determined based on the fair value less costs to sell (on the basis of valuation reports prepared by real estate surveyors) in the facilities: INTERFERIE Hotel in Głogów, INTERFERIE Hotel Bornit in Szklarska Poręba and INTERFERIE Hotel Malachit in Świeradów Zdrój. The fair value was classified to level 3 of the fair value hierarchy.

Basic assumptions adopted for impairment testing	
Assumption	**Level adopted in testing**
Forecast period* INTERFERIE in Ustronie Morskie -Leisure and Sanatorium Cechsztyn INTERFERIE in Kołobrzeg Leisure and Sanatorium Chalkozyn INTERFERIE in Dąbki Sanatorium Argentyt	2nd half of 2021 - 1st half of 2026 2nd half of 2021 - 1st half of 2033 2nd half of 2021 - 1st half of 2032
Notional discount rate for tests based on the DCF method during the detailed forecast period and in the residual period**	9.12%
Notional growth rate following the detailed forecast period	2.00%
Average operating profit margin - during the detailed forecast period: INTERFERIE in Ustronie Morskie -Leisure and Sanatorium Cechsztyn INTERFERIE in Kołobrzeg Leisure and Sanatorium Chalkozyn INTERFERIE in Dąbki Sanatorium Argentyt - during the residual period: INTERFERIE in Ustronie Morskie -Leisure and Sanatorium Cechsztyn INTERFERIE in Kołobrzeg Leisure and Sanatorium Chalkozyn INTERFERIE in Dąbki Sanatorium Argentyt	 26% 30% 37% 28% 40% 37%

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

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

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

amounts in PLN millions, unless otherwise stated

Sensitivity analysis of fair value						
CGU	Carrying amount	Recoverable amount	Discount rate		Operating profit	
			higher by 6%	lower by 6%	higher by 6%	lower by 6%
INTERFERIE in Ustronie Morskie - Leisure and Sanatorium Cechsztyn	9	16	15	17	17	15
INTERFERIE in Kołobrzeg Leisure and Sanatorium Chalkozyn	19	34	28	41	38	29
INTERFERIE in Dąbki Sanatorium Argentyt	77	115	108	124	121	109
CGU	Carrying amount	Recoverable amount	Notional growth rate following the detailed forecast period			
			1%		3%	
INTERFERIE in Ustronie Morskie - Leisure and Sanatorium Cechsztyn	9	16	14		18	
INTERFERIE in Kołobrzeg Leisure and Sanatorium Chalkozyn	19	34	28		41	
INTERFERIE in Dąbki Sanatorium Argentyt	77	115	109		123	

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

Level of change in assumptions implicating an impairment loss		
CGU	Increase in discount rate (by pp.)	Percentage decrease in operating profit
INTERFERIE in Ustronie Morskie - Leisure and Sanatorium Cechsztyn	4.63	41
INTERFERIE in Kołobrzeg Leisure and Sanatorium Chalkozyn	1.63	20
INTERFERIE in Dąbki Sanatorium Argentyt	4.09	37

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

The company has a current valuation report of the property of INTERFERIE in Głogów, estimating the fair value of the subject of measurement at PLN 2.5 million (PLN 2.4 million after including the 3% of costs to sell). The valuation was prepared using the comparative approach, the average price adjustment method and, for the land element, the pairs comparison method. As at 30 June 2021, the carrying amount of the hotel (value of fixed assets, intangible assets and fixed assets under construction) is PLN 2.3 million.

The company has a current valuation report of the property of INTERFERIE Hotel Bornit in Szklarska Poręba, estimating the fair value of the subject of measurement to amount to PLN 25.9 million (PLN 25.1 million after including the 3% of costs to sell). The valuation was prepared using the comparative approach, the average price adjustment method and the pairs comparison method. As at 30 June 2021, the carrying amount of the hotel (value of fixed assets, intangible assets and fixed assets under construction) is PLN 23.4 million.

The company has a current valuation report of the property of INTERFERIE Hotel Malachit in Świeradów Zdrój, estimating the fair value of the subject of measurement to amount to PLN 23.2 million (PLN 22.5 million after including the 3% costs to sell). The valuation was prepared using the comparative approach, and the pairs comparison method. As at 30 June 2021, the carrying amount of the hotel (value of fixed assets, intangible assets and fixed assets under construction) is PLN 21.9 million.

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

Part 2 - Information on segments and revenues

Note 2.1 Information on segments

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

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

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

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

- Future 1 Sp. z o.o., which acts as a holding company with respect to the KGHM INTERNATIONAL LTD. Group,
- Future 3 Sp. z o.o., Future 4 Sp. z o.o., Future 5 Sp. z o.o., which operate in the structure related to the establishment of a Tax Group,
- KGHM Centrum Analityki sp. z o.o.,
- Future 6 Sp. z o.o. in liquidation and Future 7 Sp. z o.o. in liquidation.

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

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

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

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

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

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

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

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

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

- Other segments – comprises aggregated data of individual subsidiaries after excluding transactions and balances between them.

The Management Board of the Parent Entity assesses a segment's performance based on adjusted EBITDA and the profit or loss for the period.
The Group defines adjusted EBITDA as profit/loss for the period pursuant to IFRS, excluding taxes (current and deferred income tax as well as the mining tax), finance income and costs, other operating income and costs, profit or loss on involvement in joint ventures, depreciation/amortisation and recognition/reversal of impairment losses on property, plant and equipment and intangible assets included in the cost of sales, selling costs and administrative expenses. Adjusted EBITDA – as a financial indicator not defined by IFRSs – is not a standardised measure and therefore its method of calculation may vary between entities, and consequently the presentation and calculation of adjusted EBITDA applied by the Group may not be comparable to that applied by other market entities.

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

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

Financial data of the segment Sierra Gorda S.C.M. (55% share), presented in Part 2 of the consolidated financial statements - information on segments and revenues, does not include changes in the assumptions concerning the forecasts of pricing paths of commodities, adopted by the Company in the measurement of loans granted to Sierra Gorda S.C.M. In the opinion of the Company's Management Board, the application of assumptions updated in this regard in assessment of the recoverable amount of non-current assets of Sierra Gorda S.C.M. could result in a reversal of a significant part of an impairment loss on non-current assets as at 30 June 2021, and as a result (changes in financial data for a 55% share) an increase in assets of Sierra Gorda S.C.M. from USD 2 555 million by USD 755 million to the level of USD 3 310 million (PLN 12 591 million), equity from –USD 814 million by USD 552 million to the level of -USD 262 million (-PLN 997 million) and the financial result for the first half of 2021 from USD 125 million by USD 552 million to the level of USD 677 million (PLN 2 562 million). The aforementioned estimates would not have an impact on the carrying amount of the investment in Sierra Gorda S.C.M. (zero value) accounted for using the equity method, because the equity of Sierra Gorda S.C.M. remains at a negative level. The information on hypothetical impact of changes in assumptions of the forecasts of pricing paths of commodities on the financial data of Sierra Gorda S.C.M. is provided for reference only, in order to ensure the transparency of updated assumptions on the measurement of loans granted to Sierra Gorda S.C.M. A potential reversal of the impairment on non-current assets of Sierra Gorda was calculated by the Management Board of the Parent Entity of the Group using a model, which was not audited or reviewed by the certified auditor as at 30 June 2021.

Note 2.2 Financial results of reporting segments

	KGHM Polska Miedź S.A.	KGHM INTERNATIONAL LTD.	Sierra Gorda S.C.M.*	Other segments	Reconciliation items to consolidated data: Elimination of data of the segment Sierra Gorda S.C.M	Reconciliation items to consolidated data: Adjustments *****	Consolidated financial statements
	from 1 January 2021 to 30 June 2021						
Note 2.3 **Total revenues from contracts with customers, of which:**	**12 144**	**1 407**	**2 144**	**4 984**	(2 144)	(4 029)	**14 506**
- inter-segment	194	12	-	3 791	-	(3 997)	**-**
- external	11 950	1 395	2 144	1 193	(2 144)	(32)	**14 506**
Segment result – profit/(loss) for the period	**4 226**	**1 673**	**476**	**65**	**(476)**	**(2 241)**	**3 723**
Additional information on significant cost/revenue items of the segment							
Depreciation/amortisation recognised in profit or loss	(656)	(242)	(370)	(126)	370	4	**(1 020)**
(Recognition)/reversal of impairment losses on non-current assets, including:	1 446	1 683	-	-	-	(1 459)	**1 670**
reversal of impairment losses on investments in subsidiaries	1 010	-	-	-	-	(1 010)	**-**
(recognition)/reversal of allowances for impairment of loans granted	450	1 655	-	-	-	(450)	**1 655**
	as at 30 June 2021						
Assets, including:	**42 110**	**12 794**	**9 717**	**5 910**	**(9 717)**	**(15 759)**	**45 055**
Segment assets, including:	42 110	12 794	9 717	5 910	(9 717)	(15 765)	**45 049**
held for sale	-	346	-	-	-	-	**346**
Assets unallocated to segments	-	-	-	-	-	6	**6**
Liabilities, including:	**18 074**	**17 947**	**12 812**	**2 981**	**(12 812)**	**(17 814)**	**21 188**
Segment liabilities, including:	18 074	17 947	12 812	2 981	(12 812)	(17 857)	**21 145**
held for sale	-	411	-	-	-	-	**411**
Liabilities unallocated to segments	-	-	-	-	-	43	**43**
Other information	**from 1 January 2021 to 30 June 2021**						
Cash expenditures on property, plant and equipment and intangible assets	1 207	411	301	206	(301)	(161)	**1 663**
Production and cost data	**from 1 January 2021 to 30 June 2021**						
Payable copper (kt)	293.2	36.3	51.2				
Molybdenum (million pounds)	-	0.1	4.6				
Silver (t)	659.4	1.2	15.6				
TPM (koz t)**	38.1	26.3	14.3				
C1 cash cost of producing copper in concentrate (USD/lb PLN/lb)***	2.12 7.97	2.10 7.92	0.87 3.26				
Segment result - Adjusted EBITDA	**3 157**	**533**	**1 478**	**145**	**-**	**-**	**5 313**
EBITDA margin******	**26%**	**38%**	**69%**	**3%**	**-**	**-**	**32%**

** 55% of the Group's share in Sierra Gorda S.C.M.'s financial and production data. The hypothetical impact of changes in assumptions of the forecasts of pricing paths of commodities on the financial statements of Sierra Gorda S.C.M. was presented in not 2.1 of the consolidated financial statements.*
*** TPM (Total Precious Metals) – precious metals (gold, platinum, palladium).*
**** Unit cash cost of payable copper production, reflecting ore mining and processing costs, transport costs, the minerals extraction tax, administrative expenses during the mining phase and smelter treatment and refining charges (TC/RC) less by-product value.*
***** Adjusted EBITDA to revenues from contracts with customers. For the purposes of calculating the Group's EBITDA margin (32%), the consolidated revenues from contracts with customers were increased by revenues from contracts with customers of the segment Sierra Gorda S.C.M. [5 313 / (14 506 + 2 144) * 100%]*
****** Adjustments arise from consolidation eliminations and financial data of companies unallocated to any segment.*

Financial results of reporting segments for the comparable period

		KGHM Polska Miedź S.A.	KGHM INTERNATIONAL LTD.	Sierra Gorda S.C.M.*	Other segments	Reconciliation items to consolidated data: Elimination of data of the segment Sierra Gorda S.C.M	Reconciliation items to consolidated data: Adjustments*****	Consolidated financial statements
		from 1 January 2020 to 30 June 2020						
Note 2.3	**Revenues from contracts with customers, of which:**	**8 897**	**1 269**	**1 049**	**3 512**	**(1 049)**	**(2 730)**	**10 948**
	- inter-segment	156	10	-	2 527	-	(2 693)	-
	- external	8 741	1 259	1 049	985	(1 049)	(37)	10 948
	Segment result – profit/(loss) for the period	**747**	**(663)**	**(308)**	**(120)**	**308**	**735**	**699**
	Additional information on significant cost/revenue items of the segment							
	Depreciation/amortisation recognised in profit or loss	(595)	(249)	(415)	(119)	415	10	(953)
	(Recognition)/reversal of impairment losses on non-current assets	-	-	-	(93)	-	1	(92)
	Share of losses of joint ventures accounted for using the equity method	-	(210)	-	-	-	-	(210)
		as at 31 December 2020						
	Assets, including:	**39 342**	**10 811**	**9 701**	**5 636**	**(9 701)**	**(13 009)**	**42 780**
	Segment assets	39 342	10 811	9 701	5 636	(9 701)	(13 017)	42 772
	Assets unallocated to segments	-	-	-	-	-	8	8
	Liabilities, of which:	**18 616**	**17 569**	**13 232**	**2 778**	**(13 232)**	**(17 264)**	**21 699**
	Segment liabilities	18 616	17 569	13 232	2 778	(13 232)	(17 290)	21 673
	Liabilities unallocated to segments	-	-	-	-	-	26	26
	Other information	from 1 January 2020 to 30 June 2020						
	Cash expenditures on property, plant and equipment and intangible assets	1 208	296	256	154	(256)	(77)	1 581
	Production and cost data	from 1 January 2020 to 30 June 2020						
	Payable copper (kt)	280.8	30.7	39.2				
	Molybdenum (million pounds)	-	0.3	5.0				
	Silver (t)	695.0	0.8	12.5				
	TPM (koz t)**	45.6	38.2	16.2				
	C1 cash cost of producing copper in concentrate (USD/lb PLN/lb)***	1.59 6.37	2.01 8.07	1.26 5.06				
	Segment result - Adjusted EBITDA	**1 931**	**162**	**428**	**130**	**-**	**-**	**2 651**
	EBITDA margin******	**22%**	**13%**	**41%**	**4%**	**-**	**-**	**22%**

** 55% of the Group's share in Sierra Gorda S.C.M.'s financial and production data.*
*** TPM (Total Precious Metals) – precious metals (gold, platinum, palladium).*
**** Unit cash cost of payable copper production, reflecting ore mining and processing costs, transport costs, the minerals extraction tax, administrative expenses during the mining phase and smelter treatment and refining charges (TC/RC) less by-product value.*
***** Adjusted EBITDA to revenues from contracts with customers. For the purposes of calculating the Group's EBITDA margin (22%), the consolidated revenues from contracts with customers were increased by revenues from contracts with customers of the segment Sierra Gorda S.C.M. [2 651 / (10 948 + 1 049) * 100%]*
****** Adjustments arise from consolidation eliminations and financial data of companies unallocated to any segment.*

amounts in PLN millions, unless otherwise stated

Reconciliation of adjusted EBITDA	from 1 January 2021 to 30 June 2021						
	KGHM Polska Miedź S.A.	KGHM INTERNATIONAL LTD.	Other segments	Consolidation adjustments*	Consolidated financial statements	Sierra Gorda S.C.M. **	Adjusted EBITDA (segments, total)
	1	2	3	4	5 (1+2+3+4)	6	7 (5+6-4)
Profit/(loss) for the period	**4 226**	**1 673**	**65**	**(2 241)**	**3 723**	**476**	
[+] Profit or loss on involvement in joint ventures	**-**	**1 849**	**-**	**-**	**1 849**	**-**	
[-] Taxes	(852)	(15)	(31)	(8)	(906)	(236)	
[-] Depreciation/amortisation recognised in profit or loss	(656)	(242)	(126)	4	(1 020)	(370)	
[-] Finance income/(costs)	(209)	(495)	(8)	503	(209)	(392)	
[-] Other operating income/(costs)	2 793	13	85	(2 708)	183	(4)	
[-] (Recognition)/reversal of impairment losses on non-current assets recognised in cost of sales, selling costs and administrative expenses	(7)	30	-	2	25	-	
Segment result - adjusted EBITDA	**3 157**	**533**	**145**	**(34)**	**3 801**	**1 478**	**5 313**

** Adjustments arise from consolidation eliminations and financial data of companies unallocated to any segment.*
***55% share of the Group in the financial and production data of Sierra Gorda S.C.M. The hypothetical impact of changes in assumptions of the forecasts of pricing paths of commodities on the financial statements of Sierra Gorda S.C.M. was presented in not 2.1 of the consolidated financial statements.*

Reconciliation of adjusted EBITDA	from 1 January 2020 to 30 June 2020						
	KGHM Polska Miedź S.A.	KGHM INTERNATIONAL LTD.	Other segments	Consolidation adjustments*	Consolidated financial statements	Sierra Gorda S.C.M. **	Adjusted EBITDA (segments, total)
	1	2	3	4	5 (1+2+3+4)	6	7 (5+6-4)
Profit/(loss) for the period	**747**	**(663)**	**(120)**	**665**	**629**	**(308)**	
[+] Profit or loss on involvement in joint ventures	-	(17)	-	-	(17)	-	
[-] Taxes	(394)	(9)	(17)	12	(408)	107	
[-] Depreciation/amortisation recognised in profit or loss	(595)	(249)	(119)	11	(952)	(415)	
[-] Finance income/(costs)	(151)	(534)	(11)	520	(176)	(432)	
[-] Other operating income/(costs)	(44)	(16)	(10)	230	160	4	
[-] (Recognition)/reversal of impairment losses on non-current assets recognised in cost of sales, selling costs and administrative expenses	-	-	(93)	1	(92)	-	
Adjusted EBITDA	**1 931**	**162**	**130**	**(109)**	**2 114**	**428**	**2 651**

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

amounts in PLN millions, unless otherwise stated

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

	from 1 January 2021 to 30 June 2021						
					Reconciliation items to consolidated data		
	KGHM Polska Miedź S.A.	KGHM INTERNATIONAL LTD.	Sierra Gorda S.C.M.*	Other segments	Elimination of data of the segment Sierra Gorda S.C.M	Consolidation adjustments	Consolidated data
Copper	9 408	1 028	1 766	5	(1 766)	(14)	**10 427**
Silver	1 996	2	49	-	(49)	-	**1 998**
Gold	262	110	94	-	(94)	-	**372**
Services	70	206	-	1 011	-	(807)	**480**
Energy	28	-	-	174	-	(125)	**77**
Salt	15	-	-	-	-	20	**35**
Blasting materials and explosives	-	-	-	107	-	(41)	**66**
Mining machinery, transport vehicles and other types of machinery and equipment	-	-	-	102	-	(78)	**24**
Fuel additives	-	-	-	46	-	-	**46**
Lead	135	-	-	-	-	-	**135**
Products from other non-ferrous metals	-	-	-	53	-	(2)	**51**
Steel	-	-	-	314	-	(36)	**278**
Petroleum and its derivatives	-	-	-	144	-	(123)	**21**
Merchandise and materials	124	-	-	2 812	-	(2 724)	**212**
Other products	106	61	235	216	(235)	(99)	**284**
TOTAL	**12 144**	**1 407**	**2 144**	**4 984**	**(2 144)**	**(4 029)**	**14 506**

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

amounts in PLN millions, unless otherwise stated

	from 1 January 2020 to 30 June 2020						
					Reconciliation items to consolidated data		
	KGHM Polska Miedź S.A.	KGHM INTERNATIONAL LTD.	Sierra Gorda S.C.M.*	Other segments	Elimination of data of the segment Sierra Gorda S.C.M	Consolidation adjustments	Consolidated data
Copper	6 543	687	762	4	(762)	(8)	**7 226**
Silver	1 524	9	24	-	(24)	-	**1 533**
Gold	332	152	110	-	(110)	-	**484**
Services	58	297	-	947	-	(767)	**535**
Energy	24	-	-	103	-	(70)	**57**
Salt	11	-	-	-	-	(2)	**9**
Blasting materials and explosives	-	-	-	109	-	(40)	**69**
Mining machinery, transport vehicles and other types of machinery and equipment	-	-	-	82	-	(66)	**16**
Fuel additives	-	-	-	47	-	-	**47**
Lead	111	-	-	-	-	-	**111**
Products from other non-ferrous metals	-	-	-	37	-	(2)	**35**
Steel	-	-	-	209	-	(21)	**188**
Petroleum and its derivatives	-	-	-	127	-	(115)	**12**
Merchandise and materials	220	-	-	1 643	-	(1 546)	**317**
Other products	74	124	153	204	(153)	(93)	**309**
TOTAL	**8 897**	**1 269**	**1 049**	**3 512**	**(1 049)**	**(2 730)**	**10 948**

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

amounts in PLN millions, unless otherwise stated

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

	from 1 January 2021 to 30 June 2021						
					Reconciliation items to consolidated data		
	KGHM Polska Miedź S.A.	KGHM INTERNATIONAL LTD.	Sierra Gorda S.C.M.*	Other segments	Elimination of data of the segment Sierra Gorda S.C.M	Consolidation adjustments	Consolidated data
Total revenues from contracts with customers	**12 144**	**1 407**	**2 144**	**4 984**	**(2 144)**	**(4 029)**	**14 506**
Revenues from sales contracts, for which the price is set after the date of recognition of the sales (M+ principle), of which:	9 697	1 200	1 990	20	(1 990)	(39)	**10 878**
settled	8 931	1 048	117	20	(117)	(39)	**9 960**
unsettled	766	152	1 873	-	(1 873)	-	**918**
Revenues from realisation of long-term contracts	-	196	-	130	-	(123)	**203**
Revenues from other sales contracts	2 447	11	154	4 834	(154)	(3 867)	**3 425**
Total revenues from contracts with customers, of which:	**12 144**	**1 407**	**2 144**	**4 984**	**(2 144)**	**(4 029)**	**14 506**
in factoring	4 770	-	-	44	-	(3)	**4 811**
not in factoring	7 374	1 407	2 144	4 940	(2 144)	(4 026)	**9 695**

	from 1 January 2021 to 30 June 2021	from 1 January 2020 to 30 June 2020
Total revenues from contracts with customers, of which:	**14 506**	**10 948**
transferred at a certain moment	13 949	10 356
transferred over time	557	592

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

amounts in PLN millions, unless otherwise stated

	from 1 January 2020 to 30 June 2020						
					Reconciliation items to consolidated data		
	KGHM Polska Miedź S.A.	KGHM INTERNATIONAL LTD.	Sierra Gorda S.C.M.*	Other segments	Elimination of data of the segment Sierra Gorda S.C.M	Consolidation adjustments	Consolidated data
Total revenues from contracts with customers	**8 897**	**1 269**	**1 049**	**3 512**	**(1 049)**	**(2 730)**	**10 948**
Revenues from sales contracts, for which the price is set after the date of recognition of the sales (M+ principle), of which:	6 510	972	1 067	36	(1 067)	(35)	**7 483**
settled	5 940	437	152	36	(152)	(34)	**6 379**
unsettled	570	535	915	-	(915)	(1)	**1 104**
Revenues from realisation of long-term contracts	-	288	-	113	-	(9)	**392**
Revenues from other sales contracts	2 387	9	(18)	3 363	18	(2 686)	**3 073**
Total revenues from contracts with customers, of which:	**8 897**	**1 269**	**1 049**	**3 512**	**(1 049)**	**(2 730)**	**10 948**
in factoring	3 113	13	-	4	-	-	**3 130**
not in factoring	5 784	1 256	1 049	3 508	(1 049)	(2 730)	**7 818**

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

amounts in PLN millions, unless otherwise stated

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

	from 1 January 2021 to 30 June 2021							from 1 January 2020 to 30 June 2020
					Reconciliation items to consolidated data			
	KGHM Polska Miedź S.A.	KGHM INTERNATIONAL LTD.	Sierra Gorda S.C.M.*	Other segments	Elimination of data of the segment Sierra Gorda S.C.M.	Consolidation adjustments	Consolidated data	KGHM Polska Miedź S.A. Group
Poland	2 687	-	5	4 815	(5)	(4 025)	**3 477**	2 666
Austria	212	-	-	10	-	-	**222**	94
Belgium	6	-	-	6	-	-	**12**	56
Bulgaria	22	-	-	3	-	-	**25**	11
Czechia	996	-	-	12	-	-	**1 008**	688
Denmark	16	-	-	1	-	-	**17**	9
France	597	-	-	2	-	-	**599**	223
Spain	-	-	-	1	-	-	**1**	241
Netherlands	2	-	28	-	(28)	-	**2**	1
Germany	1 859	-	3	41	(3)	-	**1 900**	1 618
Romania	157	-	-	1	-	-	**158**	85
Slovakia	60	-	-	9	-	-	**69**	46
Slovenia	81	-	-	1	-	-	**82**	27
Sweden	18	-	-	21	-	-	**39**	17
Hungary	589	-	-	2	-	-	**591**	360
The United Kingdom	582	-	-	2	-	-	**584**	1 065
Italy	937	-	-	12	-	-	**949**	497
Australia	515	-	-	-	-	-	**515**	384
Chile	-	57	221	-	(221)	-	**57**	14
China	1 182	370	1 437	-	(1 437)	-	**1 552**	978
India	-	-	18	-	(18)	-	**-**	-
Japan	-	134	379	-	(379)	-	**134**	(3)
Canada	10	262	-	-	-	(4)	**268**	257
South Korea	29	4	38	-	(38)	-	**33**	148
The United States of America	833	580	(1)	3	1	-	**1 416**	503
Switzerland	268	-	-	-	-	-	**268**	351
Turkey	59	-	-	1	-	-	**60**	43
Taiwan	-	-	-	-	-	-	**-**	220
Brazil	-	-	16	-	(16)	-	**-**	4
Thailand	246	-	-	-	-	-	**246**	98
Philippines	4	-	-	-	-	-	**4**	150
Malesia	15	-	-	-	-	-	**15**	11
Vietnam	147	-	-	-	-	-	**147**	29
Other countries	15	-	-	41	-	-	**56**	57
TOTAL	**12 144**	**1 407**	**2 144**	**4 984**	**(2 144)**	**(4 029)**	**14 506**	**10 948**

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

amounts in PLN millions, unless otherwise stated

Note 2.6 Main customers

In the period from 1 January 2021 to 30 June 2021 and in the comparable period, the revenues from no single contractor exceeded 10% of the sales revenue of the Group.

Note 2.7 Non-current assets – geographical breakdown

	As at 30 June 2021	As at 31 December 2020
Poland	22 649	22 502
Canada	1 528	1 441
The United States of America	1 445	1 416
Chile	254	353
Other countries	19	16
TOTAL*	**25 895**	**25 728**

**non-current assets, excluding: derivatives, other financial instruments, other non-financial assets and deferred tax assets (IFRS 8.33b) in the total amount of PLN 10 074 million as at 30 June 2021 (PLN 8 319 million as at 31 December 2020).*

amounts in PLN millions, unless otherwise stated

Part 3 – Explanatory notes to the consolidated statement of profit or loss

Note 3.1 Expenses by nature

	from 1 January 2021 to 30 June 2021	from 1 January 2020 to 30 June 2020
Depreciation of property, plant and equipment and amortisation of intangible assets	1 196	988
Employee benefits expenses	3 127	2 798
Materials and energy, including:	5 832	3 698
purchased metal-bearing materials	3 656	1 729
External services	985	1 012
Minerals extraction tax	1 635	678
Other taxes and charges	437	266
Revaluation of inventories	18	82
Impairment losses on property, plant and equipment and intangible assets	21	92
Reversal of an impairment loss on property, plant and equipment and intangible assets	(45)	(1)
Other costs	90	91
Total expenses by nature	**13 296**	**9 704**
Cost of merchandise and materials sold (+)	357	399
Change in inventories of finished goods and work in progress (+/-)	(1 201)	223
Cost of manufacturing products for internal use of the Group (-)	(752)	(518)
Total costs of sales, selling costs and administrative expenses, of which:	**11 700**	**9 808**
Cost of sales	11 024	9 134
Selling costs	215	212
Administrative expenses	461	462

amounts in PLN millions, unless otherwise stated

Note 3.2 Other operating income and (costs)

	from 1 January 2021 to 30 June 2021	from 1 January 2020 to 30 June 2020
Gains on derivatives, of which:	283	179
measurement of derivatives	249	102
realisation of derivatives	34	77
Interest income calculated using the effective interest rate method	1	4
Exchange differences on assets and liabilities other than borrowings	227	264
Reversal of impairment losses on financial instruments	18	4
Provisions released	21	2
Gains on the sale of intangible assets	-	8
Gains on the sale of property, plant and equipment	51	-
Government grants received	7	12
Income from servicing of letters of credit and guarantees	65	22
Compensation, fines and penalties received	20	9
Other	46	87
Total other operating income	**739**	**591**
Losses on derivatives, of which:	(415)	(295)
measurement of derivatives	(103)	(110)
realisation of derivatives	(312)	(185)
Fair value losses on financial assets	(64)	-
Impairment losses on financial instruments	(3)	(6)
Provisions recognised	(25)	(37)
Losses on the sale of property, plant and equipment	-	(36)
Donations given	(8)	(23)
Other	(41)	(34)
Total other operating costs	**(556)**	**(431)**
Other operating income and (costs)	**183**	**160**

amounts in PLN millions, unless otherwise stated

Note 3.3 Finance income and (costs)

	from 1 January 2021 to 30 June 2021	from 1 January 2020 to 30 June 2020
Gains on derivatives - realisation of derivatives	35	35
Total finance income	**35**	**35**
Interest on borrowings, including:	(48)	(96)
leases	(7)	(10)
Bank fees and charges on borrowings	(13)	(17)
Exchange differences on measurement and realisation of borrowings	(120)	(37)
Losses on derivatives, of which:	(39)	(41)
measurement of derivatives	(1)	(1)
realisation of derivatives	(38)	(40)
Unwinding of the discount effect on provisions	(7)	(7)
Other	(17)	(13)
Total finance costs	**(244)**	**(211)**
Finance income and (costs)	**(209)**	**(176)**

amounts in PLN millions, unless otherwise stated

Part 4 – Other explanatory notes

Note 4.1 Information on property, plant and equipment and intangible assets

Purchase of property, plant and equipment and intangible assets

	from 1 January 2021 to 30 June 2021	from 1 January 2020 to 30 June 2020
Purchase of property, plant and equipment, including	1 504	1 377
leased assets	36	62
Purchase of intangible assets	122	57

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

	As at 30 June 2021	As at 31 December 2020
Payables due to the purchase of property, plant and equipment and intangible assets	449	626

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

	As at 30 June 2021	As at 31 December 2020
Purchase of property, plant and equipment	688	891
Purchase of intangible assets	27	29
Total capital commitments	**715**	**920**

Note 4.2 Involvement in joint ventures

Joint ventures accounted for using the equity method – Sierra Gorda S.C.M.

	from 1 January 2021 to 30 June 2021	from 1 January 2020 to 30 June 2020
As at the beginning of the reporting period	**-**	**-**
Acquisition of newly-issued shares	-	207
Share of net profits/(losses) of joint ventures accounted for using the equity method (including share of loss for the current year and unrecognised accumulated loss for prior years)	476	(204)
Settlement of the Group’s share of unsettled losses from prior years	(476)	-
Exchange differences from the translation of statements of operations with a functional currency other than PLN	-	(3)
As at the end of the reporting period	**-**	**-**

	from 1 January 2021 to 30 June 2021	from 1 January 2020 to 30 June 2020
Share of the Group (55%) in net profit/(loss) of Sierra Gorda S.C.M. for the reporting period, of which:	**476**	**(308)**
recognised in the measurement of joint ventures	476	(210)
not recognised in the measurement of joint ventures	-	(98)

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

	from 1 January 2021 to 30 June 2021	from 1 January 2020 to 31 December 2020
As at the beginning of the reporting period	**(4 909)**	**(4 988)**
Settlement of the Group's share of unsettled losses from prior years	476	79
As at the end of the reporting period	**(4 433)**	**(4 909)**

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

	from 1 January 2021 to 30 June 2021	from 1 January 2020 to 31 December 2020
As at the beginning of the reporting period	**6 069**	**5 694**
Accrued interest	194	377
Gains due to reversal of an impairment allowance	1 655	74
Exchange differences from the translation of statements of operations with a functional currency other than PLN	74	(76)
As at the end of the reporting period	**7 992**	**6 069**

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

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

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

Basic macroeconomic assumptions adopted for cash flow estimation – metal prices

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

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

Other key assumptions used for cash flow estimation

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

amounts in PLN millions, unless otherwise stated

Note 4.3 Financial instruments under IFRS 9

Financial assets*	As at 30 June 2021					As at 31 December 2020				
	At fair value through other comprehensive income	At fair value through profit or loss	At amortised cost	Hedging instruments	Total	At fair value through other comprehensive income	At fair value through profit or loss	At amortised cost	Hedging instruments	Total
Non-current	736	59	8 500	534	**9 829**	618	58	6 670	749	**8 095**
Loans granted to a joint venture	-	-	7 992	-	**7 992**	-	-	6 069	-	**6 069**
Derivatives	-	40	-	534	**574**	-	40	-	749	**789**
Other financial instruments measured at fair value	736	19	-	-	**755**	618	18	-	-	**636**
Other financial instruments measured at amortised cost*	-	-	508	-	**508**	-	-	601	-	**601**
Current	-	687	1 749	118	**2 554**	-	489	3 088	199	**3 776**
Trade receivables*	-	511	384	-	**895**	-	478	356	-	**834**
Derivatives	-	176	-	118	**294**	-	11	-	199	**210**
Cash and cash equivalents*	-	-	1 268	-	**1 268**	-	-	2 522	-	**2 522**
Other financial assets*	-	-	97	-	**97**	-	-	210	-	**210**
Total	**736**	**746**	**10 249**	**652**	**12 383**	**618**	**547**	**9 758**	**948**	**11 871**

Financial liabilities*	As at 30 June 2021				As at 31 December 2020			
	At fair value through profit or loss	At amortised cost	Hedging instruments	Total	At fair value through profit or loss	At amortised cost	Hedging instruments	Total
Non-current	125	5 703	1 049	**6 877**	205	7 130	801	**8 136**
Borrowings, lease and debt securities*	-	5 507	-	**5 507**	-	6 928	-	**6 928**
Derivatives*	125	-	1 049	**1 174**	205	-	801	**1 006**
Other financial liabilities	-	196	-	**196**	-	202	-	**202**
Current	205	3 632	1 150	**4 987**	127	4 101	603	**4 831**
Borrowings, lease and debt securities*	-	430	-	**430**	-	407	-	**407**
Derivatives*	54	-	1 150	**1 204**	85	-	603	**688**
Trade payables*	-	2 236	-	**2 236**	-	2 329	-	**2 329**
Similar payables – reverse factoring	-	839	-	**839**	-	1 264	-	**1 264**
Other financial liabilities	151	127	-	**278**	42	101	-	**143**
Total	**330**	**9 335**	**2 199**	**11 864**	**332**	**11 231**	**1 404**	**12 967**

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

amounts in PLN millions, unless otherwise stated

Financial assets – held for sale

	At fair value through profit or loss	At amortised cost	Total
Non-current	-	7	**7**
Other financial instruments measured at amortised cost	-	7	**7**
Current	14	80	**94**
Trade receivables	14	-	**14**
Cash and cash equivalents	-	79	**79**
Other financial assets	-	1	**1**
Total	**14**	**87**	**101**

Financial liabilities – held for sale

	At fair value through profit or loss	At amortised cost	Total
Non-current	18	2	**20**
Borrowings, lease and debt securities	-	2	**2**
Derivatives	18	-	**18**
Current	41	54	**95**
Borrowings, lease and debt securities	-	2	**2**
Derivatives	41	-	**41**
Trade payables	-	52	**52**
Total	**59**	**56**	**115**

	As at 30 June 2021				
Financial assets – continued operations	At fair value through other comprehensive income	At fair value through profit or loss	At amortised cost	Hedging instruments	Total
Non-current	736	59	8 493	534	**9 822**
Loans granted to a joint venture	-	-	7 992	-	**7 992**
Derivatives	-	40	-	534	**574**
Other financial instruments measured at fair value	736	19	-	-	**755**
Other financial instruments measured at amortised cost	-	-	501	-	**501**
Current	-	673	1 669	118	**2 460**
Trade receivables	-	497	384	-	**881**
Derivatives	-	176	-	118	**294**
Cash and cash equivalents	-	-	1 189	-	**1 189**
Other financial assets	-	-	96	-	**96**
Total	**736**	**732**	**10 162**	**652**	**12 282**

amounts in PLN millions, unless otherwise stated

Financial liabilities – continued operations	As at 30 June 2021			
	At fair value through profit or loss	At amortised cost	Hedging instruments	Total
Non-current	107	5 701	1 049	**6 857**
Borrowings, lease and debt securities	-	5 505	-	**5 505**
Derivatives	107	-	1 049	**1 156**
Other financial liabilities	-	196	-	**196**
Current	164	3 526	1 150	**4 840**
Borrowings, lease and debt securities	-	428	-	**428**
Derivatives	13	-	1 150	**1 163**
Trade payables	-	2 184	-	**2 184**
Similar payables – reverse factoring	-	839	-	**839**
Other financial liabilities	151	127	-	**278**
Total	**271**	**9 279**	**2 199**	**11 749**

amounts in PLN millions, unless otherwise stated

The fair value hierarchy of financial instruments

	As at 30 June 2021				As at 31 December 2020			
	fair value			carrying amount	fair value			carrying amount
Classes of financial instruments	level 1	level 2	level 3		level 1	level 2	level 3	
Long-term loans granted	-	19	9 335*	8 011	-	18	5 998	6 087
Listed shares	641	-	-	641	523	-	-	523
Unquoted shares	-	95	-	95	-	95	-	95
Trade receivables	-	511	-	511	-	478	-	478
Derivatives, of which:	-	(1 510)	-	(1 510)	-	(695)	-	(695)
assets	-	868	-	868	-	999	-	999
liabilities	-	(2 378)	-	(2 378)	-	(1 694)	-	(1 694)
Received long-term bank and other loans	-	(2 948)	-	(2 933)	-	(4 358)	-	(4 342)
Long-term debt securities	(2 038)	-	-	(2 000)	(2 024)	-	-	(2 000)
Other financial liabilities	-	(151)	-	(151)	-	(42)	-	(42)

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

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

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

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

Level 1

Listed shares

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

Long-term debt securities

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

Level 2

Unquoted shares

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

Trade receivables

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

Long-term loans granted

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

Other financial assets/liabilities

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

Currency and currency-interest derivatives

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

Metals derivatives

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

Received long-term bank and other loans

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

Level 3

Long-term loans granted

Loans granted measured at amortised cost in the statement of financial position are included in this category, because of the use of unmeasurable assumptions in the fair value measurement. With respect to estimating the fair value of these loans, a significant element of the estimation are the forecasted cash flows of Sierra Gorda S.C.M., which pursuant to IFRS 13 are unobservable input data, that necessitate the classification of the calculated fair value estimation to level 3 of the hierarchy. The discount rate adopted to calculate the fair value of loans measured at amortised cost is 8%.

amounts in PLN millions, unless otherwise stated

The forecasted cash flows of Sierra Gorda S.C.M., which are the basis for estimating the fair value of loans measured at amortised cost, are the most sensitive to copper price volatility, which affects other assumptions, such as forecasted production or operating margin. Therefore the Parent Entity, pursuant to IFRS 13 p.93.f, performed a sensitivity analysis of the fair value of loans to copper price volatility.

	Copper prices [USD/t]						
Scenarios	**Second half of 2021**	**2 022**	**2 023**	**2 024**	**2 025**	**2 026**	**LT**
Base	9 000	8 200	8 000	7 500	7 500	7 500	7 000
Base minus 0.1 USD/lb during mine life (220 USD/t)	8 780	7 980	7 780	7 280	7 280	7 280	6 780
Base plus 0.1 USD/lb during mine life (220 USD/t)	9 220	8 420	8 220	7 720	7 720	7 720	7 220

Classes of financial instruments	**Carrying amount 30 June 2021**	**Fair value***	**Sensitivity analysis of the fair value to changes in copper prices ***	
			Base plus 0,1 USD/lb during mine life	Base minus 0.1 USD/lb during mine life
Loans granted measured at amortised cost	**7 992**	**9 335**	**10 019**	**8 653**

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

The above approximate estimation of fair value of cash flows available for the repayment of loans granted to Sierra Gorda S.C.M. was prepared on the basis of the total cash flows available to Sierra Gorda S.C.M. (55% attributable to the Group).

Business scenarios assumed by the Parent Entity's Management Board to measure the carrying amount of loans adopt a conservative approach, among others as to the moment the cash flow occur, and assuming that not all of the cash flows generated by Sierra Gorda S.C.M. will be used to repay the loans. Because of the negative equity of Sierra Gorda S.C.M. as at 30 June 2021 (details in note 2.1. of the consolidated financial statements), the Group measures the shares value of Sierra Gorda S.C.M. at the level of 0, pursuant to the equity method. As a result, the estimated approximate fair value of total cash flows available to Sierra Gorda S.C.M. reflects the best possible estimate of the value of loans received from the owners as well as the value of shares held.

The approximate estimation of fair value of cash flows of Sierra Gorda S.C.M. was performed by the Parent Entity using a model which was not audited or reviewed by the independent auditor as at 30 June 2021.

Note 4.4 Commodity, currency and interest rate risk management

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

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

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

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

Statement of profit or loss	**from 1 January 2021 to 30 June 2021**	**from 1 January 2020 to 30 June 2020**
Revenues from contracts with customers	(742)	292
Other operating and finance income / (costs):	(153)	(123)
on realisation of derivatives	(281)	(113)
on measurement of derivatives	145	(9)
interest on borrowings	(17)	(1)
Impact of derivatives and hedging instruments on profit or loss for the period (excluding the tax effect)	**(895)**	**169**

amounts in PLN millions, unless otherwise stated

Statement of other comprehensive income		
Measurement of hedging transactions (effective portion)	(1 914)	(179)
Reclassification to revenues from contracts with customers due to realisation of a hedged item	742	(292)
Reclassification to finance costs due to realisation of a hedged item	17	1
Reclassification to other operating costs due to realisation of a hedged item (settlement of the hedging cost)	212	138
Impact of hedging transactions (excluding the tax effect)	**(943)**	**(332)**
TOTAL COMPREHENSIVE INCOME	**(1 838)**	**(163)**

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

In the first half of 2021, copper sales of the Parent Entity amounted to 285 thousand tonnes (net sales of 177.8 thousand tonnes)[1], while the notional amount of copper price hedging strategies settled in this period amounted to 153 thousand tonnes, which represented approx. 56% of the total sales of this metal realised by the Parent Entity and approx. 86% of net sales in this period (in the first half of 2020, 32% and 44% respectively). The notional amount of settled silver price hedging transactions represented 26% of sales of this metal by the Parent Entity (in the first half of 2020, 8%). In the case of currency market, the notional amount of settled hedging transactions represented approx. 25% of revenues from copper and silver sales realised by the Parent Entity in the first half of 2021 (33% - in the first half of 2020).

In the first half of 2021 the Parent Entity implemented a *seagull* hedging strategy on the copper market for the period from July 2022 to December 2023 for the total volume of 45 thousand tonnes. In addition, a position on the forward copper market was restructured. Call options were purchased for the period from March to December 2021 for the total volume of 155 thousand tonnes (of which: 93 thousand tonnes for the second half of 2021), opening at the same time participation in potential further price rises for the *collar* and seagull options structures held for 2021. As part of this restructuration, the level of execution of options structures hedging revenues from the sale of copper for the period from October to December 2021 for the total volume of 25.5 thousand tonnes was also raised. A position on the forward silver market was also restructured for the period from July 2021 to December 2022. A portion of the notional, previously sold put options (11.7 million ounces in total) and call options (5.1 million ounces in total) was bought back, embedded in *seagull* hedging structures, while the level of execution of sold call options for 2022 (6.6 million ounces in total) was raised. In terms of managing the net trading position[2] in the first half of 2021 so-called QP adjustment *swap* transactions were entered into on the copper and gold markets with maturity periods falling in March 2022.

As part of the realisation of the strategic plan to hedge the Parent Entity against market risk, in the first half of 2021 put options were purchased on the currency market with maturity periods from February to December 2021 for a total notional amount of USD 870 million (including USD 510 million for the period from July to December 2021). These transactions were not designated as hedging instruments. Moreover, the Parent Entity bought back sold put options with a strike price of USD/PLN 3.20 for a notional amount of USD 495 million (USD 45 million monthly) for the period from February to December 2021.

In the first half of 2021, the Parent Entity did not enter into any hedging transactions on the forward interest rate market.

As at 30 June 2021, the Parent Entity held an open derivatives position for: 311.2 thousand tonnes of copper (of which: 294 thousand tonnes arose from the strategic management of market risk, while 17.2 thousand tonnes came from the management of a net trading position), 19.5 million troy ounces of silver, and USD 1 530 million of planned revenues from sales of metals. Furthermore, as at 30 June 2021 the Parent Entity had open Cross Currency Interest Rate Swap (CIRS) transactions in the notional amount of PLN 2 billion, hedging against market risk connected with the issuance of bonds in PLN with a variable interest rate[3], and bank and other loans with fixed interest rates. Commodity risk was also related to derivatives embedded in the purchase contracts for metal-bearing materials.

With respect to managing currency risk, the Parent Entity uses natural hedging by borrowing in currencies in which it has revenues. As at 30 June 2021, the bank and investment loans which were drawn in USD, following their translation to PLN, amounted to PLN 2 919 million (as at 31 December 2020: PLN 4 321 million).

[1] Copper sales less copper in purchased metal-bearing materials.
[2] Applied for the purpose of reacting to changes in customers' contractual terms, the occurrence of non-standard pricing in metal sales and the purchase of copper-bearing materials.
[3] The debt due to bond issue in PLN generates a currency risk because most of the sales revenues of the Parent Entity are USD-denominated.

amounts in PLN millions, unless otherwise stated

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

Some of the Group's Polish companies managed the currency risk related to their core business by opening transactions in derivatives on the currency market. A listing of the open transactions of Polish companies as 30 June 2021 is not presented due to its immateriality for the Group.

Condensed tables of open transactions in derivatives held by the Parent Entity as at 30 June 2021, entered into as part of the strategic management of market risk, are presented below. The hedged notional amounts of transactions on the copper, silver and currency markets in the presented periods are allocated evenly on a monthly basis. The condensed tables do not reflect opposite transactions (purchase versus sale) consistent with instrument, strike price, notional and maturity period entered into as part of restructuration and restructured hedging strategies.

Hedging against copper price risk

	Instrument/ option structure	Notional	Option strike price				Average weighted premium	Effective hedge price
			sold put option	purchased put option	sold call option	purchased call option		
			hedge limited to	*copper price hedging*	*participation limited to*	*participation opened*		
		[tonnes]	[USD/t]	[USD/t]	[USD/t]	[USD/t]	[USD/t]	[USD/t]
3rd quarter	collar	21 000	-	5 200	6 600	-	(204)	4 996
	seagull	10 500	4 200	5 700	7 000	-	(130)	5 570
	seagull	15 000	4 600	6 300	7 500	-	(193)	6 107
	purchased call option	30 000	-	-	-	10 200	(168)	10 368
	purchased call option	16 500	-	-	-	10 300	(170)	10 470
4th quarter	collar	21 000	-	5 200	6 600	-	(204)	4 996
	seagull	10 500	6 800*	9 100*	7 000	-	(380)	7 860
	seagull	7 500	6 700*	9 000*	7 500	-	(429)	8 036
	seagull	7 500	6 800*	9 100*	7 500	-	(443)	8 078
	purchased call option	16 500	-	-	-	10 400	(250)	10 650
	purchased call option	15 000	-	-	-	10 700	(255)	10 955
	purchased call option	15 000	-	-	-	10 800	(265)	11 065
	TOTAL VII-XII 2021							
	- hedging	**93 000**						
	- reopening of price participation	**93 000**						

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

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

amounts in PLN millions, unless otherwise stated

Hedging against silver price risk

	Instrument/ Option structure	Notional [mn ounces]	Option strike price: sold put option *hedge limited to* [USD/oz t]	Option strike price: purchased put option *silver price hedging* [USD/oz t]	Option strike price: sold call option *participation limited to* [USD/oz t]	Average weighted premium [USD/oz t]	Effective hedge price [USD/oz t]
2nd half	purchased put option	1.20	-	27.00	-	(1.54)	25.46
2nd half	purchased put option	3.90	-	26.00	-	(1.17)	24.83
	TOTAL VII-XII 2021	**5.10**					
2022	seagull	3.60	16.00	26.00	42.00	(0.88)	25.12
2022	collar	2.40	-	27.00	55.00*	(2.08)	24.92
2022	collar	4.20	-	26.00	55.00*	(1.89)	24.11
	TOTAL 2022	**10.20**					
2023	seagull	4.20	16.00	26.00	42.00	(1.19)	24.81
	TOTAL 2023	**4.20**					

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

Hedging against USD/PLN currency risk

	Instrument/ Option structure	Notional [mn USD]	Option strike price: sold put option *hedge limited to* [USD/PLN]	Option strike price: purchased put option *exchange rate hedging* [USD/PLN]	Option strike price: sold call option *participation limited to* [USD/PLN]	Average weighted premium [PLN per USD 1]	Effective hedge price [USD/PLN]
VII-XII 2021	purchased put option	270	-	3.70	-	(0.09)	3.61
VII-XII 2021	purchased put option	120	-	3.80	-	(0.07)	3.73
VII-XII 2021	purchased put option	120	-	3.20	-	(0.00)	3.20
VII-XII 2021	purchased put option	195	-	3.65	-	(0.06)	3.59
VII-XII 2021	purchased put option	195	-	3.85	-	(0.06)	3.79
	TOTAL VII-XII 2021	**900**					
2022	seagull	135	3.30	4.00	4.60	(0.01)	3.99
2022	seagull	180	3.50	3.90	4.50	0.04	3.94
	TOTAL 2022	**315**					
2023	seagull	135	3.30	4.00	4.60	(0.00)	4.00
2023	seagull	180	3.50	3.90	4.50	0.04	3.94
	TOTAL 2023	**315**					

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

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

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

Open hedging derivatives Type of derivative	Notional of the transaction 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, interest rate for USD]	Maturity - settlement period from	 to	Period of profit/loss impact from	 to
Copper – *seagulls**	252 000	6 961-8 460	Jul'21	- Dec'23	Aug'21	- Jan'24
Copper – *collars*	42 000	5 200-6 600	Jul'21	- Dec'21	Aug'21	- Jan'22
Silver – purchased put option	5.10	26.24	Jul'21	- Dec'21	Aug'21	- Jan'22
Silver – *collars*	6.60	26.36-55.00	Jan'22	- Dec'22	Feb'22	- Jan'23
Silver – seagulls*	7.80	26.00-42.00	Jan'22	- Dec'23	Feb'22	- Jan'24
Currency – *put spread**	270	3.70	Jul'21	- Dec'21	Jul'21	- Dec'21
Currency – purchased put option	120	3.80	Jul'21	- Dec'21	Jul'21	- Dec'21
Currency – *seagulls**	630	3.94-4.54	Jan'22	- Dec'23	Feb'22	- Jan'24
Currency – interest rate – CIRS	400	3.78 and 3.23%		Jun'24		Jun'24
Currency - interest rate – CIRS	1 600	3.81 and 3.94%		Jun'29	Jun'29	- Jul'29

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

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

Taking into consideration the receivables due to open derivative transactions held by the Group (excluding embedded derivatives) as at 30 June 2021 and receivables due to settled derivatives, the maximum single entity share of the amount exposed to credit risk arising from these transactions amounted to 29%, or PLN 253 million (as at 31 December 2020: 32%, or PLN 317 million).[4]

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

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

Rating level		As at 30 June 2021	As at 31 December 2020*
Medium-high	from A+ to A- according to S&P and Fitch, and from A1 to A3 according to Moody's	99%	97%
Medium	from BBB+ to BBB- according to S&P and Fitch, and from Baa1 to Baa3 according to Moody's	1%	3%

** restated*

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

The fair value of open derivatives of the KGHM Polska Miedź S.A. Group broken down into hedging transactions[5] and trade transactions (including embedded and adjustment derivatives) and instruments initially designated as hedging instruments excluded from hedge accounting, is presented in detail in the table below.

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

amounts in PLN millions, unless otherwise stated

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

Type of derivative	As at 30 June 2021					As at 31 December 2020				
	Non-current assets	Current assets	Non-current liabilities	Current liabilities	**Net total**	Non-current assets	Current assets	Non-current liabilities	Current liabilities	**Net total**
Hedging instruments (CFH), including:	**534**	**118**	**(1 049)**	**(1 150)**	**(1 547)**	**749**	**199**	**(801)**	**(604)**	**(457)**
Derivatives – Metals (price of copper, silver, gold)										
Options – collar (copper)	-	-	-	(441)	**(441)**	1	1	(35)	(355)	**(388)**
Options – seagull (copper)	268	10	(847)	(707)	**(1 276)**	235	14	(432)	(242)	**(425)**
Options – purchased put option (copper)	-	-	-	-	**-**	-	17	-	-	**17**
Options – collar (silver)	52	27	(5)	-	**74**	-	-	-	-	**-**
Options – seagull (silver)	95	14	(34)	(2)	**73**	311	91	(107)	(7)	**288**
Options – purchased put option (silver)	-	26	-	-	**26**	-	-	-	-	**-**
Derivatives – Currency (USDPLN exchange rate)										
Options – seagull	119	26	(17)	-	**128**	202	-	(29)	-	**173**
Options – put spread	-	7	-	-	**7**	-	44	-	-	**44**
Options – purchased put option	-	8	-	-	**8**	-	32	-	-	**32**
Derivatives – Currency-interest rate										
Cross Currency Interest Rate Swap CIRS	-	-	(146)	-	**(146)**	-	-	(198)	-	**(198)**
Trade instruments total, including:	**20**	**171**	**(109)**	**(50)**	**32**	**8**	**11**	**(201)**	**(75)**	**(257)**
Derivatives – Metals (price of copper, silver, gold)										
Options – sold put option (copper)	-	-	(39)	(2)	**(41)**	-	-	(41)	(1)	**(42)**
Options – purchased put option (copper)	-	44	-	-	**44**	-	-	-	-	**-**
Options – purchased call option (copper)	-	48	-	-	**48**	-	-	-	-	-
QP adjustment swap transactions (copper)	-	39	-	-	**39**	-	-	-	(7)	**(7)**
Options – sold put option (silver)	-	-	(14)	(1)	**(15)**	-	-	(54)	(3)	**(57)**
Options – purchased put option (silver)	3	-	-	-	**3**	-	-	-	-	**-**
Options – purchased call option (silver)	14	4	-	-	**18**	-	-	-	-	**-**
QP adjustment swap transactions (gold)	-	2	-	-	**2**	-	1	-	(1)	**-**
Derivatives – Currency										
Options – sold put option (USDPLN)	-	-	(37)	(6)	**(43)**	-	-	(81)	(1)	**(82)**
Options – purchased put option (USDPLN)	1	20	-	-	**21**	4	-	-	-	**4**
Options – purchased call option (USDPLN)	2	-	-	-	**2**	4	10	-	-	**14**
Collar and forward/swap (EURPLN)	-	1	(1)	(1)	**(1)**	-	-	(1)	(2)	**(3)**
Embedded derivatives (price of copper, silver, gold)										
Acid and water supply contracts	-	-	(18)	(40)	**(58)**	-	-	(24)	(33)	**(57)**
Purchase contracts for metal-bearing materials	-	13	-	-	**13**	-	-		(27)	**(27)**
Instruments initially designated as hedging instruments excluded from hedge accounting, including:	**20**	**5**	**(16)**	**(4)**	**5**	**32**	**-**	**(4)**	**(9)**	**19**
Derivatives – Currency (USDPLN exchange rate)						-	-	-	(2)	**(2)**
Options – collar	-	-	-	-	**-**	32	-	(4)	(7)	**21**
Options – seagull	20	5	(2)	(1)	**22**	-	-	-	(2)	**(2)**
Derivatives – Metals (price of silver)										
Options – sold call option	-	-	(14)	(3)	**(17)**	-	-	-	-	**-**
TOTAL OPEN DERIVATIVES	**574**	**294**	**(1 174)**	**(1 204)**	**(1 510)**	**789**	**210**	**(1 006)**	**(688)**	**(695)**

amounts in PLN millions, unless otherwise stated

Note 4.5 Liquidity risk and capital management

Capital management policy

Capital management in the Group is aimed at securing funds for development and maintaining the appropriate level of liquidity.
In order to maintain financial liquidity and the creditworthiness to acquire external financing at an optimum cost, over the long term the Group's goal for the ratio of Net Debt/EBITDA is not more than 2.0. The level of the ratio as at the balance sheet dates is presented below:

Ratios	Calculations	30 June 2021	31 December 2020
Net Debt/EBITDA	relation of net debt to EBITDA	**0.7**	**0.9**
Net Debt	borrowings, debt securities and lease liabilities less free cash and cash equivalents	4 691	4 834
Adjusted EBITDA*	profit on sales plus depreciation/amortisation recognised in profit or loss and impairment losses on non-current assets	6 889	5 277

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

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

	from 1 January 2021 to 30 June 2021	from 1 January 2020 to 31 December 2020
Profit on sales	2 806	3 161
Interest income on loans granted to joint ventures	194	377
Other operating income and (costs)	183	(624)
Adjusted profit from operating activities*	**3 183**	**2 914**

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

As at the end of the reporting period, during the first half of 2021 and after the end of the reporting period, up to the date of publication of this Consolidated half-year report, the value of the financial covenant subject to the obligation to report met the conditions stipulated in the credit agreements.

Liquidity management policy

The management of financial liquidity in the Group is performed based on the "Financial Liquidity Management Policy in the Group". The basic principles resulting from the Policy are:

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

In the first half of 2021, the Group continued actions aimed at optimising the financial liquidity management process by concentrating on the effective management of working and debt capital.

Under the liquidity management process, the Group utilises instruments which enhance its effectiveness. One of the primary instruments used by the Group to deal with on-going operating activities is cash pooling – local in PLN, USD and EUR and international - in USD and CAD.

amounts in PLN millions, unless otherwise stated

Net debt changes

Liabilities due to borrowing	As at 31 December 2020	Cash flows	Accrued interest	Exchange differences	Other changes	As at 30 June 2021
Bank loans	1 994	(1 449)	35	109	-	689
Loans	2 685	(149)	39	31	1	2 607
Debt securities	2 000	(18)	18	-	-	2 000
Leases	656	(75)	24	-	36	641
Total debt	**7 335**	**(1 691)**	**116**	**140**	**37**	**5 937**
Free cash and cash equivalents	2 501	(1 255)	-	-	-	1 246
Net debt	**4 834**	**(436)**	**116**	**140**	**37**	**4 691**

Reconciliation of cash flows recognised in net debt change to the consolidated statement of cash flows	from 1 January 2021 to 30 June 2021
I. Financing activities	
Proceeds from borrowings	55
Repayment of borrowings	(1 581)
Repayment of lease liabilities	(49)
Repayment of interest on borrowings and debt securities	(41)
Repayment of interest on leases	(17)
II. Investing activities	
Paid capitalised interest on borrowings	(58)
III. Change in free cash and cash equivalents	(1 255)
TOTAL (I+II+III)	**(436)**

Details on external financing sources

As at 30 June 2021, the Group had open credit lines, loans and debt securities with a total balance of available financing being the equivalent of PLN 13 984 million, out of which PLN 5 296 million had been drawn.

The structure of external financing sources is presented below.

Unsecured, revolving syndicated credit facility

A credit facility in the amount of USD 1 500 million, obtained on the basis of a financing agreement concluded by the Parent Entity with a syndicate of banks in 2019 with a maturity of 19 December 2024, with an option to extend it by a further 2 years (5+1+1).

In 2020 the Parent Entity received consent from Syndicate Members to extend the term of the agreement by one year, i.e. to 19 December 2025. The amount of available financing during the extension period will amount to USD 1 438 million.

The funds acquired through this credit facility are used to finance general corporate purposes. Interest is based on LIBOR plus a bank margin, depending on the net debt/EBITDA financial ratio. The credit facility agreement obliges the Group to comply with the financial covenant and non-financial covenants. In accordance with contractual terms, the Parent Entity is obliged to report the level of the financial covenant for the reporting periods, i.e. as at 30 June and as at 31 December. The Parent Entity continuously monitors the risk of exceeding the level of the financial covenant stipulated in the credit facility agreement. As at the reporting date, during the first half of 2021, and after the reporting date, up to the signing of these Consolidated financial statements, the value of the financial covenant complied with the provisions of the agreement.

As at 30 June 2021	As at 30 June 2021	As at 31 December 2020
Amount granted	Amount of the liability	Amount of the liability
5 705	(15)*	(17)*

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

amounts in PLN millions, unless otherwise stated

Investment loans

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

1. Investment loan in the amount of PLN 2 000 million, with three instalments drawn and the payback periods expiring on 30 October 2026, 30 August 2028 and 23 May 2029 and utilised to the maximum available amount. The funds obtained 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 have a fixed interest rate.
2. Investment loan in the amount of PLN 1 340 million granted in December 2017 by the European Investment Bank with a financing period of 12 years. So far, the Parent Entity has drawn three instalments under this loan with the payback periods expiring on 28 June 2030, 23 April 2031 and 11 September 2031.The unutilised part of the loan in the amount of PLN 440 million, by which the amount of financing granted to the Parent Entity was increased in June 2021, is available until April 2023. The funds acquired through this loan are used to finance the Parent Entity's projects related to development and replacement at various stages of the production process. The loan's instalments have a fixed interest rate.

The loan agreements with the European Investment Bank oblige the Group to comply with the financial covenant and non-financial covenants commonly stipulated in such types of agreements. In accordance with contractual terms, the Parent Entity is obliged to report the level of the financial covenant for the reporting periods, i.e. as at 30 June and as at 31 December. The Parent Entity continuously monitors the risk of exceeding the level of the financial covenant stipulated in the loans agreements. As at the reporting date, during the first half of 2021, and after the reporting date, up to the signing of these Consolidated financial statements, the value of the financial covenant complied with the provisions of the agreement.

As at 30 June 2021	As at 30 June 2021	As at 31 December 2020
Amount granted	Amount of the liability	Amount of the liability
3 570	2 607	2 685

Other bank loans

Bilateral bank loans in the total amount of PLN 2 709 million, are used for financing working capital and are a supporting tool in the management of financial liquidity and support financing of advanced investment undertakings. The Group holds lines of credit in the form of short-term and long-term credit agreements. The funds are available under open lines of credit in PLN, USD and EUR, with interest based on a fixed interest rate or variable WIBOR, LIBOR and EURIBOR plus a margin. In the first half of 2021, the Company entered into overdraft credit agreements in the amount of USD 80 million, with the availability period of 2 years and the option to extend it by one year.

As at 30 June 2021	As at 30 June 2021	As at 31 December 2020
Amount granted	Amount of the liability	Amount of the liability
2 709	704	2 011

amounts in PLN millions, unless otherwise stated

Debt securities

A bond issue program of the Parent Entity was established on the Polish market by an issue agreement on 27 May 2019. The issue with a nominal value of PLN 2 000 million took place on 27 June 2019, under which bonds were issued with a maturity of 5 years in the amount of PLN 400 million and a redemption date of 27 June 2024 as well as bonds with a maturity of 10 years in the amount of PLN 1 600 million and a redemption date of 27 June 2029.

The nominal value of one bond is PLN 1 000, and the issue price is equal to the nominal value. The bonds' interest rates are based on variable WIBOR plus a margin.
The funds from the issue of the bonds are used to finance general corporate purposes.

	As at 30 June 2021	As at 30 June 2021	As at 31 December 2020
	Nominal value of the issue	Amount of the liability	Amount of the liability
	2 000	2 000	2 000
Total bank and other loans, debt securities	**13 984**	**5 296**	**6 679**

The aforementioned sources fully cover the current, medium and long-term liquidity needs of the Group.

Cash and cash equivalents	As at 30 June 2021	As at 31 December 2020
Cash in bank accounts	1 234	1 841
Other financial assets with a maturity of up to 3 months from the date of acquisition - deposits	22	675
Other cash	12	6
Total, including:	**1 268**	**2 522**
held for sale	79	-
continued operations	1 189	-

Liabilities due to guarantees granted

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

As at 30 June 2021, the Group held liabilities due to guarantees and letters of credit granted in the total amount of PLN 929 million and due to promissory notes in the amount of PLN 184 million.

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

Sierra Gorda S.C.M. – securing the performance of concluded agreements in the amount of PLN 734 million:

- on 29 March 2021 Sierra Gorda S.C.M. signed a renewable revolving bank loan agreement with Bank Gospodarstwa Krajowego with a maximum limit of USD 700 million and thee availability period of 3.5 years. The bank loan is being used to refinance the current debt and potentially to finance Sierra Gorda S.C.M.'s current activities. Repayment of the bank loan agreement is secured by corporate guarantees issued by the owners of Sierra Gorda S.C.M.
  As at the reporting date, the Company issued a corporate guarantee in the amount of PLN 629 million (USD 165 million) securing repayment of a bank loan instalment drawn by Sierra Gorda S.C.M. The carrying amount of the recognised liability due to a financial guarantee granted amounts to PLN 59 million*,
- PLN 105 million (USD 28 million) as a corporate guarantee securing repayment of a specified part of payment to guarantees set by Sumitomo Metal Mining Co., Ltd. and Sumitomo Corporation, securing repayment of a corporate loan drawn by the joint venture Sierra Gorda S.C.M.**,

other entities, including the Parent Entity:

- PLN 146 million to secure the proper execution by the Parent Entity of future environmental obligations related to the obligation to restore terrain, following the conclusion of operations of the Żelazny Most tailings storage facility,
- PLN 39 million (PLN 32 million and CAD 2 million) securing the obligations related to proper execution of agreements concluded.

** The financial guarantee was recognised pursuant to par. 4.2.1. point c of IFRS 9.*
***The repayment of the corporate loan drawn by the joint venture Sierra Gorda S.C.M took place in June 2021. The agreement confirming the release of the Company from the obligation to maintain the collateral due to the repayment of the loan by Sierra Gorda S.C.M. is in the process of being signed, and it is expected that it will be soon entered into.*

amounts in PLN millions, unless otherwise stated

Based on the knowledge held, at the end of the reporting period the Group assessed the probability of payments resulting from contingent liabilities related to:
- Sierra Gorda S.C.M. as moderately low,
- other entities of the Group as low.

Note 4.6 Employee benefits liabilities

	As at 30 June 2021	As at 31 December 2020
Non-current liabilities	2 942	3 016
Current liabilities	154	153
Liabilities due to future employee benefits programs	**3 096**	**3 169**
Remuneration liabilities	175	299
Social insurance liabilities	327	244
Accruals (unused annual leave, bonuses, other)	741	617
Other current employee benefits liabilities	**1 243**	**1 160**
Total employee benefits liabilities	**4 339**	**4 329**

Discount rate adopted for the measurement of liabilities due to future employee benefits programs in the Parent Entity as at 30 June 2021.

	2021	2022	2023	2024	2025 and beyond
- discount rate	1.65%	1.65%	1.65%	1.65%	1.65%

Discount rate adopted for the measurement of liabilities due to future employee benefits programs in the Parent Entity as at 31 December 2020.

	2021	2022	2023	2024	2025 and beyond
- discount rate	1.30%	1.30%	1.30%	1.30%	1.30%

Note 4.7 Provisions for decommissioning costs of mines and other technological facilities

	from 1 January 2021 to 30 June 2021	from 1 January 2020 to 31 December 2020
Provisions at the beginning of the reporting period	**1 884**	**1 794**
Changes in estimates recognised in fixed assets	(8)	76
Other	(6)	14
Provisions at the end of the reporting period, of which:	**1 870**	**1 884**
- non-current provisions, of which:	1 832	1 849
held for sale	266	-
continued operations (Consolidated statement of financial position)	**1 566**	**-**
- current provisions, of which:	38	35
held for sale	1	-
continued operations	**37**	**-**

amounts in PLN millions, unless otherwise stated

Note 4.8 Related party transactions

Operating income from related entities	from 1 January 2021 to 30 June 2021	from 1 January 2020 to 30 June 2020
Revenues from sales of products, merchandise and materials to a joint venture	12	10
Interest income on loans granted to a joint venture	194	193
Revenues from other transactions with a joint venture	65	29
Revenues from other transactions with other related parties	8	6
Total	**279**	**238**

Purchases from related entities	from 1 January 2021 to 30 June 2021	from 1 January 2020 to 30 June 2020
Purchase of services, merchandise and materials from other related parties	26	25
Other purchase transactions from other related parties	2	2
Total	**28**	**27**

Trade and other receivables from related parties	As at 30 June 2021	As at 31 December 2020
From the joint venture Sierra Gorda S.C.M. (loans)	7 992	6 069
From the joint venture Sierra Gorda S.C.M. (other)	66	369
From other related parties	15	4
Total	**8 073**	**6 442**

Trade and other payables towards related parties	As at 30 June 2021	As at 31 December 2020
Towards a joint venture	59	25
Towards other related parties	13	3
Total	**72**	**28**

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

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

- due to an agreement on setting mining usufruct for the extraction of mineral resources and for exploration for and evaluation of mineral resources – balance of payables in the amount of PLN 184 million (as at 31 December 2020: PLN 202 million), including fees on setting mining usufruct for the extraction of mineral resources recognised in costs in the amount of PLN 15 million (as at 31 December 2020: PLN 30 million),
- due to a reverse factoring agreement with the company PEKAO FAKTORING SP. Z O.O. - payables in the amount of PLN 679 million, interest costs in the amount of PLN 5 million (as at 31 December 2020, payables in the amount of PLN 974 million and interest costs from 1 January to 30 June 2020 in the amount of PLN 6 million),
- other transactions and economic operations: spot currency exchange, depositing cash, granting bank loans, guarantees, and letters of credit (including documentary letters of credit), running bank accounts, the servicing of special purpose funds, entering into transactions on the forward currency market with banks related to the State Treasury.

Apart from the aforementioned transactions entered into by the Group with the Polish Government and with entities controlled or jointly controlled by the Polish Government, or over which the government has significant influence, in the reporting period and in the comparable period there were no other transactions, which were significant in terms of nature or amount.
State Treasury companies may purchase bonds issued by KGHM Polska Miedź S.A.

In the current and comparable periods no other individual transactions were identified, which were significant due to their unusual nature and the amount.

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

- the purchase of goods (energy, fuels, services) to meet the needs of current operating activities. In the period from 1 January to 30 June 2021, the turnover from these transactions amounted to PLN 938 million (from 1 January to 30 June 2020: PLN 671 million), and, as at 30 June 2021, the unsettled balance of liabilities from these transactions amounted to PLN 155 million (as at 31 December 2020: PLN 203 million),
- sales to Polish State Treasury Companies. In the period from 1 January to 30 June 2021, the turnover from these sales amounted to PLN 134 million (from 1 January to 30 June 2020: PLN 50 million), and, as at 30 June 2021, the unsettled balance of receivables from these transactions amounted to PLN 19 million (as at 31 December 2020: PLN 18 million).

Remuneration of the Supervisory Board of the Parent Entity (in PLN thousands)	**from 1 January 2021 to 30 June 2021**	**from 1 January 2020 to 30 June 2020**
Remuneration due to service in the Supervisory Board, salaries and other current employee benefits	874	834

Remuneration of the Management Board of the Parent Entity (in PLN thousands)	**from 1 January 2021 to 30 June 2021**	**from 1 January 2020 to 30 June 2020**
Remuneration during the term of a member of the Management Board's mandate*	7 001	2 374
Benefits due to termination of employment	377	-
Total	**7 378**	**2 374**

** The amount includes the variable part of remuneration for 2020, which was settled in the second quarter of 2021. The variable part of remuneration for 2019 was settled in the third quarter of 2020.*

Remuneration of other key managers (in PLN thousands)	**from 1 January 2021 to 30 June 2021**	**from 1 January 2020 to 30 June 2020**
Salaries and other current employee benefits	1 746	1 189

Based on the definition of key management personnel according to IAS 24 and based on an analysis of the rights and scope of responsibilities of managers of the Group arising from corporate documents and from management contracts, the members of the Board of Directors of KGHM INTERNATIONAL LTD. and the President of the Management Board of KGHM INTERNATIONAL LTD. were recognised as other key managers of the Group.

Note 4.9 Assets and liabilities not recognised in the statement of financial position

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

		As at 30 June 2021	**As at 31 December 2020**
	Contingent assets	**516**	**532**
	Guarantees received	273	297
	Promissory notes receivables	134	123
	Other	109	112
	Contingent liabilities	**604**	**1 349**
Note 4.5	Guarantees and letters of credit*	300	1 055
Note 4.5	Promissory note liability	184	171
	Property tax on underground mine workings	50	55
	Other	70	68
	Other liabilities not recognised in the statement of financial position	**99**	**100**
	Liabilities towards local government entities due to expansion of the tailings storage facility	99	100

**Decrease due to the expiry of the liability towards two beneficiaries:*
Empressa Electrica Cochrane SPA – expired because Sierra Gorda S.C.M. achieved parameters defined in the agreement for the off-take of electricity between Sierra Gorda S.C.M. and the beneficiary of the letter of credit, which resulted in the expiry of the liability of Sierra Gorda S.C.M. to maintain collateral of the aforementioned agreement. The liability expired on 6 April 2021.
York Potash Ltd, London. – expired because of the termination of the contract for design services and sinking four shafts along with associated infrastructure and equipment, entered into between DMC Mining Services (UK) Ltd. and DMC Mining Services Ltd. (companies of the KGHM INTERNATIONAL LTD. Group) and York Potash Ltd. The liability expired on 1 March 2021.

amounts in PLN millions, unless otherwise stated

Note 4.10 Other adjustments in the consolidated statement of cash flows

	from 1 January 2021 to 30 June 2021	from 1 January 2020 to 30 June 2020
Profit or loss due to measurement and realisation of derivatives related to sources of external financing	4	6
Other	(1)	4
Total	**3**	**10**

Note 4.11 Changes in working capital

	Inventories	Trade receivables	Trade payables	Similar payables – reverse factoring	Working capital
As at 1 January 2021	(4 459)	(869)	2 498	1 264	**(1 566)**
As at 30 June 2021, of which:	(5 913)	(897)	2 403	839	**(3 568)**
held for sale	(118)	(14)	52	-	**(80)**
continued operations	(5 795)	(883)	2 351	839	**(3 488)**
Change in the statement of financial position	**(1 454)**	**(28)**	**(95)**	**(425)**	**(2 002)**
Exchange differences from the translation of statements of operations with a functional currency other than PLN	6	3	(2)	-	**7**
Depreciation/amortisation recognised in inventories	156	-	-	-	**156**
Payables due to the purchase of property, plant and equipment and intangible assets	-	-	130	14	**144**
Reclassification to property, plant and equipment	(15)	-	-	-	**(15)**
Adjustments	**147**	**3**	**128**	**14**	**292**
Change in the statement of cash flows, including:	**(1 307)**	**(25)**	**33**	**(411)**	**(1 710)**
held for sale	**35**	**(10)**	**(12)**	**-**	**13**
continued operations	**(1 342)**	**(15)**	**45**	**(411)**	**(1 723)**

	Inventories	Trade receivables	Trade payables	Similar payables – reverse factoring	Working capital
As at 1 January 2020	(4 741)	(795)	2 344	596	(2 596)
As at 30 June 2020	(4 615)	(863)	2 080	945	(2 453)
Change in the statement of financial position	**126**	**(68)**	**(264)**	**349**	**143**
Exchange differences from the translation of statements of operations with a functional currency other than PLN	27	18	(8)	-	37
Depreciation/amortisation recognised in inventories	18	-	-	-	18
Payables due to the purchase of property, plant and equipment and intangible assets	-	-	254	(20)	234
Adjustments	**45**	**18**	**246**	**(20)**	**289**
Change in the statement of cash flows	**171**	**(50)**	**(18)**	**329**	**432**

amounts in PLN millions, unless otherwise stated

Note 4.12 Assets held for sale and liabilities associated with them

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

At present KGHM Polska Miedź S.A. is at the stage of responding to the inquiries of potential buyers for the companies up for sale. According to the schedule for the process of selling the international mining assets Franke and Carlota, the receipt of binding offers from interested buyers is planned for the fourth quarter of 2021.

In light of the aforementioned facts, in the opinion of the Management Board of KGHM Polska Miedź S.A. the criteria set forth in IFRS 5 requiring the reclassification of the assets and liabilities of the companies S.C.M. Franke and Carlota Copper Company to the Disposal group, have been satisfied. In accordance with IFRS 5.15, immediately prior to reclassification the fair values of the assets and liabilities of the Disposal group were determined, and those amounts were recognised in assets held for sale, as they were lower than their carrying amount. Consequently, an impairment loss was recognised on property, plant and equipment in the amount of PLN 18 million.

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

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

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

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

Main groups of assets and liabilities classified to the Disposal group

	As at 30 June 2021
ASSETS	
Mining and metallurgical intangible assets	119
Other financial instruments measured at amortised cost	7
Non-current assets	**126**
Inventories	118
Trade receivables, including:	14
trade receivables measured at fair value through profit or loss	14
Other financial assets	1
Other non-financial assets	8
Cash and cash equivalents	79
Current assets	**220**
TOTAL ASSETS OF THE DISPOSAL GROUP	**346**
LIABILITIES	
Borrowings, leases and debt securities	2
Derivatives	18
Provisions for decommissioning costs of mines and other technological facilities	266
Non-current liabilities	**286**
Borrowings, leases and debt securities	2
Derivatives	41
Trade and similar payables	52
Provisions for liabilities and other charges	1
Other liabilities	29
Current liabilities	**125**
TOTAL LIABILITIES OF THE DISPOSAL GROUP	**411**

amounts in PLN millions, unless otherwise stated

Statement of profit or loss for discontinued operations

	from 1 January 2021 to 30 June 2021	from 1 January 2020 to 30 June 2020
Revenues	312	209
Costs	(288)	(267)
Profit/(loss) on operating activities	**24**	**(58)**
Finance costs	(3)	(3)
Profit/(loss) before income tax	**21**	**(61)**
Income tax expense	-	-
PROFIT/(LOSS) FOR THE PERIOD	**21**	**(61)**

Cash flows for discontinued operations

	from 1 January 2021 to 30 June 2021	from 1 January 2020 to 30 June 2020
Cash flow generated from/(used in) operating activities, including:	45	(41)
change in provision for decommissioning of mines	*(15)*	*28*
Cash flow used in investing activities	(4)	(23)
Cash flow used in financing activities	(3)	(6)
TOTAL NET CASH FLOW	**38**	**(70)**

Part 5 – Additional information to the consolidated half-year report

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

In the first half of 2021, the liquidation process of Future 6 Sp. z o.o. in liquidation and Future 7 Sp. z o.o. in liquidation was completed. As at 30 June 2021 the above-mentioned subsidiaries have not yet been removed from the National Court Register.

The aforementioned transactions did not have a significant impact on these consolidated financial statements.

Note 5.2 Seasonal or cyclical activities

The Group is not affected by seasonal or cyclical activities.

Note 5.3 Information on the issuance, redemption and repayment of debt and equity securities

In the first half of 2021, there was no redemption or repayment of debt and equity securities in the Group.

Note 5.4 Information related to a paid (declared) dividend, total and per share

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

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

All shares of the Parent Entity are ordinary shares.

Note 5.5 List of material proceedings before courts, arbitration authorities or public administration authorities respecting the liabilities and debt of KGHM Polska Miedź S.A. and its subsidiaries

On 26 September 2007, Plaintiffs (14 natural persons) filed a claim against KGHM Polska Miedź S.A. (Company) with the Regional Court in Legnica for the payment of royalties for the use by the Company of invention project no. 1/97/KGHM called „Sposób zwiększenia zdolności produkcyjnej wydziałów elektrorafinacji Huty Miedzi" (Method for increasing the production capacity of the electrorefining sections of the Metallurgical Plants) for the 8th calculation period, together with interest due. The amount of the claim (principal amount) was set by the Plaintiffs in the claim in the amount of approx. PLN 42 million (principal amount without interest and court costs), and interest as at 31 March 2019 amounted to approx. PLN 55 million. On 21 January 2008, in the response to the claim, KGHM Polska Miedź S.A. requested the dismissal of the claim in its entirety and filed a counter-claim for the repayment of undue royalties paid for the 6th and 7th year of application of invention project no. 1/97/KGHM, together with interest due, also invoking the right of mutual set-off of claims. The amount of the claim (principal amount) in the counter claim was set by the Company in the amount of approx. PLN 25 million.
In a judgment dated 25 September 2018, the Regional Court in Legnica dismissed the counter claim and partially upheld the principal claim to the total amount of approx. PLN 24 million, and at the same time ordered the payment of interest in the amount of approx. PLN 30 million, totalling to PLN 54 million. Both parties to the proceedings appealed against this judgment.
In a judgment dated 12 June 2019, the Court of Appeal in Wrocław dismissed the appeals of both sides, altering the judgment of the court of first instance solely in the matter of the resolution of court costs from the hearings at the court of first instance and charging them to KGHM Polska Miedź S.A. The judgment is binding and was executed by KGHM on 18-19 June 2019. KGHM Polska Miedź S.A. filed a cassation appeal against the judgment of the court of second instance, i.e. with respect to the partially upheld principal claim in the amount of approx. PLN 24 million as well as with respect to the dismissed counter-claim in the amount of approx. PLN 25 million. The date of the hearing regarding admission of the cassation appeal to be heard has not yet been set.
In accordance with the Company's position, the plaintiffs' claim should be dismissed in its entirety and the counter claim is justified. The Company in this regard paid the authors of the project royalties for a longer period of application of the project than anticipated in the initial contract entered into by the parties on advancing the invention project, based on an annex to the contract, extending the period of payment of royalties, whose validity is questioned by the Company. Moreover, the Company is questioning the „rationalisation" nature of the solutions, as well as whether they were in fact used in their entirety, and also their completeness and suitability for use in the form supplied by the Plaintiffs as well as the means of calculating the economic effects of this solution, which were the basis for paying the royalties.

Note 5.6 Impact of the COVID – 19 (coronavirus) epidemic on the activities of the KGHM Polska Miedź S.A. Group in the first half of 2021

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

Key risk categories

Evaluation of the key categories of risk which are impacted by the coronavirus pandemic is subjected to detailed analysis by the on-going monitoring of selected information in the areas of production, sales, supply chain, personnel management and finance, in order to support the process of reviewing the current financial and operating situation of the KGHM Polska Miedź S.A. Group.

As a result of the coronavirus pandemic, there were no substantial deviations from the achievement of the budget targets for the first half of 2021, in any of the operating segments of the KGHM Polska Miedź S.A. Group, with the exception of companies operating in the spa and hotel sector (Other segments).

Impact on the metals market

From the Group's point of view, an important impact of the coronavirus epidemic is its effect on market risk related to volatility in metals prices and market indices. As at 30 June 2021 the copper price amounted to 9 385 USD/t, meaning an increase by 21% compared to the price at the end of 2020 and an increase by 6% compared to 31 March 2021.

The Company's share price in the first half of 2021 was 3% higher compared to the price at the end of 2020 and at the close of trading on 30 June 2021 amounted to PLN 187.65. The Company's share price remained at a stable, high level during the entire first half of 2021, several times exceeding the amount of PLN 200.00 per share and reaching on 13 May 2021 the record level of PLN 223.80. The increase in the Parent Entity's share price resulted in an increase in the Company's market capitalisation, which on 30 June 2021 amounted to PLN 37 530 million compared to PLN 36 600 million at the end of 2020. As at 30 June 2021 and the Company's market capitalisation was above the level of its net assets by 57%.

Impact on the spa activities of the Group

The greatest impact of the COVID-19 pandemic was on the Group's secondary activities involving the hotel and spa services of the companies: Uzdrowiska Kłodzkie S.A. - Grupa PGU, Uzdrowisko Połczyn Grupa PGU S.A., Uzdrowisko Cieplice Sp. z o.o. - Grupa PGU, Uzdrowisko Świeradów - Czerniawa Sp. z o.o. – Grupa PGU, INTERFERIE S.A. and Interferie Medical SPA Sp. z o.o. In the first quarter of 2021 there were substantial interruptions to the daily operations of these companies, caused by the mandatory lockdown and the restrictions imposed on their activities by Decrees of the Minister of Health. As a result, some of the facilities were temporarily excluded from operating.

The inability to freely conduct business activity resulted in the achievement of low revenues which also translated into a loss on operating activities and the inability to obtain the required bank covenants (with respect to DSCR - Debt Service Coverage Ratio). As a result of the situation, prior to the reporting date, the spa and hotel companies obtained extensions from financing institutions of the exemptions from the obligation to calculate the DSCR ratio for the first half of 2021. Financial liabilities to creditors and lessors are paid on an ongoing basis.

The spa and hotel companies of KGHM Polska Miedź S.A. have received financing from the Polski Fundusz Rozwoju (Polish Development Fund) under the Anti–Crisis Shield 1.0 for large enterprises and under the Anti–Crisis Shield 2.0 for the sector of small and medium enterprises (SME sector). The financing received from the aforementioned programs amounted to PLN 13.3 million in the first quarter of 2021 (total: in 2020 and in the first quarter of 2021 – PLN 18.75 million). In the second quarter of 2021, the companies did not acquire additional financing under the Anti-Crisis Shields. At the end of the first half of the year, the financial and liquidity situation of the companies was stable and secure.

In the first quarter of 2021, the spa companies offered commercial post-covid stays. In April, the NHF (the National Health Fund) announced a post-covid treatment program for people struggling with post-covid complications.
In the second quarter of 2021, restrictions were lifted with a gradual return to the conduct of activities, the providing of services and the generation of revenues – all facilities resumed operations. The main factor regulating the situation in the hotel and spa industry will undoubtedly be the on-going vaccination campaign. Vaccination points against COVID-19 are being carried out in selected spa facilities.

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

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

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

Preventive actions in the Group

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

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

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

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

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

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

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

Due to the threat posed by subsequent waves of COVID-19 pandemic, there still remains uncertainty as to the further development of the pandemic situation both domestically and abroad as well as its potential impact on the functioning of the Company and the Group in subsequent quarters. An important factor for the domestic and global economies will be the potential improvement in the epidemic situation given the programs of vaccinations and the effectiveness of vaccines compared to newly-appearing strains of the virus, which would enable among others the further easing of restrictions in individual countries and sectors, a reduction in uncertainty as to future periods, or increasing activity amongst producers as well as consumers. The Parent Entity continuously monitors the global and local economic situation, in order to assess its impact on the KGHM Polska Miedź S.A. Group and to take actions to mitigate this impact.

Note 5.7 Subsequent events after the reporting period

Changes in the Supervisory Board of the Parent Entity

On 6 July 2021, the Extraordinary General Meeting of KGHM Polska Miedź S.A. appointed Robert Kaleta and Katarzyna Krupa to the composition of the Supervisory Board of KGHM Polska Miedź S.A. After the change, the Parent Entity's Supervisory Board consist of 10 people.

On 16 August 2021, during a Supervisory Board meeting, its Chairperson Andrzej Kisielewicz submitted his resignation from the function of Chairperson of the Supervisory Board of KGHM Polska Miedź S.A., effective immediately. On the same day, that is on 16 August 2021, the Supervisory Board of KGHM Polska Miedź S.A. adopted a resolution on the appointment of Agnieszka Winnik-Kalemba to the function of Chairperson of the Supervisory Board of KGHM Polska Miedź S.A.

Merger of the KGHM VI FIZAN Fund and KGHM VII FIZAN

On 31 May 2021, the Meeting of Investors of KGHM VI FIZAN and the Meeting of Investors of KGHM VII FIZAN adopted resolutions approving the merger of the Funds. On 30 July 2021, the Funds were merged, which resulted from the need to adjust the structure of the Funds' investment portfolios to the statutory requirements. The acquired fund is KGHM VI FIZAN, and the acquiring fund is KGHM VII FIZAN.

Repayment of loans by the KGHM INTERNATIONAL LTD. Group

As a result of the good financial condition of the KGHM INTERNATIONAL LTD. Group's companies, from 12 July to 3 August 2021 the KGHM INTERNATIONAL LTD. Group repaid some of the loans granted by KGHM Polska Miedź S.A. and the subsidiary Future 1 Sp. z o.o. in the total amount of PLN 171 million (USD 45 million). These loans were repaid before their maturity falling on 31 December 2027.

Part 6 – Quarterly financial information of the Group

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		from 1 April 2021 to 30 June 2021*	from 1 April 2020 to 30 June 2020*	from 1 January 2021 to 30 June 2021	from 1 January 2020 to 30 June 2020
	Revenues from contracts with customers	7 761	5 649	14 506	10 948
Note 6.1	Cost of sales	(6 054)	(4 648)	(11 024)	(9 134)
	Gross profit	**1 707**	**1 001**	**3 482**	**1 814**
Note 6.1	Selling costs and administrative expenses	(343)	(356)	(676)	(674)
	Profit on sales	**1 364**	**645**	**2 806**	**1 140**
	Share of losses of joint ventures accounted for using the equity method	-	(210)	-	(210)
	Gains due to the reversal of allowances for impairment of loans granted to a joint venture	1 655	-	1 655	-
	Interest income on loans granted to joint ventures calculated using the effective interest rate method	97	97	194	193
	Profit or loss on involvement in joint ventures	1 752	(113)	1 849	(17)
Note 6.2	Other operating income, including:	240	96	739	591
	other interest calculated using the effective interest rate method	-	2	1	4
	reversal of impairment losses on financial instruments	6	-	18	4
Note 6.2	Other operating costs, including:	(682)	(776)	(556)	(431)
	impairment losses on financial instruments	(2)	3	(3)	(6)
Note 6.3	Finance income	175	433	35	35
Note 6.3	Finance costs	(82)	(107)	(244)	(211)
	Profit before income tax	**2 767**	**178**	**4 629**	**1 107**
	Income tax expense	(409)	(169)	(906)	(408)
	PROFIT FOR THE PERIOD	**2 358**	**9**	**3 723**	**699**
	Profit for the period attributable to:				
	Shareholders of the Parent Entity	2 359	10	3 725	702
	Non-controlling interest	(1)	(1)	(2)	(3)
	Weighted average number of ordinary shares (million)	**200**	**200**	**200**	**200**
	Basic and diluted earnings per share (in PLN)	**11.80**	**0.05**	**18.63**	**3.51**

** Data not subject to review and audit.*

amounts in PLN millions, unless otherwise stated

Explanatory notes to the condensed consolidated statement of profit or loss

Note 6.1 Expenses by nature

	from 1 April 2021 to 30 June 2021*	from 1 April 2020 to 30 June 2020*	from 1 January 2021 to 30 June 2021	from 1 January 2020 to 30 June 2020
Depreciation of property, plant and equipment and amortisation of intangible assets	573	489	1 196	988
Employee benefits expenses	1 641	1 430	3 127	2 798
Materials and energy, including:	3 092	1 753	5 832	3 698
purchased metal-bearing materials	1 989	810	3 656	1 729
External services	516	505	985	1 012
Minerals extraction tax	917	334	1 635	678
Other taxes and charges	217	127	437	266
Revaluation of inventories	28	14	18	82
Impairment losses on property, plant and equipment and intangible assets	18	65	21	92
Reversal of impairment losses on property, plant and equipment and intangible assets	(41)	(1)	(45)	(1)
Other costs	50	46	90	91
Total expenses by nature	**7 011**	**4 762**	**13 296**	**9 704**
Cost of merchandise and materials sold (+)	193	251	357	399
Change in inventories of finished goods and work in progress (+/-)	(402)	263	(1 201)	223
Cost of manufacturing products for internal use of the Group (-)	(405)	(272)	(752)	(518)
Total costs of sales, selling costs and administrative expenses, of which:	**6 397**	**5 004**	**11 700**	**9 808**
Cost of sales	6 054	4 648	11 024	9 134
Selling costs	106	109	215	212
Administrative expenses	237	247	461	462

** Data not subject to review and audit.*

amounts in PLN millions, unless otherwise stated

Note 6.2 Other operating income and (costs)

	from 1 April 2021 to 30 June 2021*	from 1 April 2020 to 30 June 2020*	from 1 January 2021 to 30 June 2021	from 1 January 2020 to 30 June 2020
Gains on derivatives, of which:	178	20	283	179
measurement of derivatives	145	(39)	249	102
realisation of derivatives	33	59	34	77
Exchange differences on assets and liabilities other than borrowings	-	-	227	264
Interest income calculated using the effective interest rate method	-	2	1	4
Reversal of impairment losses on financial instruments	6	-	18	4
Release of provisions	13	(13)	21	2
Gains on the sale of intangible assets	-	-	-	8
Gains on the sale of property, plant and equipment	-	-	51	-
Government grants received	5	9	7	12
Income from servicing of letters of credit and guarantees	14	5	65	22
Compensation, fines and penalties received	8	6	20	9
Other	16	67	46	87
Total other operating income	**240**	**96**	**739**	**591**
Losses on derivatives, of which:	(125)	(59)	(415)	(295)
measurement of derivatives	73	50	(103)	(110)
realisation of derivatives	(198)	(109)	(312)	(185)
Fair value losses on financial assets	(43)	42	(64)	-
Impairment losses on financial instruments	(2)	3	(3)	(6)
Exchange differences on assets and liabilities other than borrowings	(482)	(687)	-	-
Provisions recognised	-	(34)	(25)	(37)
Losses on the sale of property, plant and equipment	-	(28)	-	(36)
Donations given	(5)	(2)	(8)	(23)
Other	(25)	(11)	(41)	(34)
Total other operating costs	**(682)**	**(776)**	**(556)**	**(431)**
Other operating income and (costs)	**(442)**	**(680)**	**183**	**160**

** Data not subject to review and audit.*

amounts in PLN millions, unless otherwise stated

Note 6.3 Finance income and (costs)

	from 1 April 2021 to 30 June 2021*	from 1 April 2020 to 30 June 2020*	from 1 January 2021 to 30 June 2021	from 1 January 2020 to 30 June 2020
Exchange differences on borrowings	140	398	-	-
Gains on derivatives - realisation of derivatives	35	35	35	35
Other	-	-	-	-
Total finance income	**175**	**433**	**35**	**35**
Interest on borrowings, including:	(27)	(51)	(48)	(96)
leases	(3)	(5)	(7)	(10)
Bank fees and charges on borrowings	(4)	(11)	(13)	(17)
Exchange differences on measurement and realisation of borrowings	-	-	(120)	(37)
Losses on derivatives, of which:	(38)	(38)	(39)	(41)
measurement of derivatives	-	2	(1)	(1)
realisation of derivatives	(38)	(40)	(38)	(40)
Unwinding of the discount effect on provisions	(3)	4	(7)	(7)
Other	(10)	(11)	(17)	(13)
Total finance costs	**(82)**	**(107)**	**(244)**	**(211)**
Finance income and (costs)	**93**	**326**	**(209)**	**(176)**

** Data not subject to review and audit.*

Condensed financial statements of KGHM Polska Miedź S.A.

STATEMENT OF PROFIT OR LOSS

		from 1 January 2021 to 30 June 2021	from 1 January 2020 to 30 June 2020
Note 2.1	Revenues from contracts with customers	12 144	8 897
Note 2.2	Cost of sales	(9 205)	(7 121)
	Gross profit	**2 939**	**1 776**
Note 2.2	Selling costs and administrative expenses	(445)	(440)
	Profit on sales	**2 494**	**1 336**
Note 2.3	Other operating income, including:	3 346	669
	interest income calculated using the effective interest rate method	129	140
	reversal of impairment losses on financial instruments	508	-
Note 2.3	Other operating costs, including:	(553)	(713)
	impairment losses on financial instruments	(8)	(88)
Note 2.4	Finance income	35	35
Note 2.4	Finance costs	(244)	(186)
	Profit before income tax	**5 078**	**1 141**
	Income tax expense	(852)	(394)
	PROFIT FOR THE PERIOD	**4 226**	**747**
	Weighted average number of ordinary shares (million)	**200**	**200**
	Basic and diluted earnings per share (in PLN)	**21.13**	**3.74**

STATEMENT OF COMPREHENSIVE INCOME

	from 1 January 2021 to 30 June 2021	from 1 January 2020 to 30 June 2020
Profit for the period	**4 226**	**747**
Measurement of hedging instruments net of the tax effect	(764)	(269)
Other comprehensive income, which will be reclassified to profit or loss	**(764)**	**(269)**
Measurement of equity financial instruments at fair value through other comprehensive income, net of the tax effect	113	107
Actuarial gains/(losses) net of the tax effect	53	(233)
Other comprehensive income, which will not be reclassified to profit or loss	**166**	**(126)**
Total other comprehensive net income	**(598)**	**(395)**
TOTAL COMPREHENSIVE INCOME	**3 628**	**352**

amounts in PLN millions, unless otherwise stated

STATEMENT OF CASH FLOWS

	Cash flow from operating activities	from 1 January 2021 to 30 June 2021	from 1 January 2020 to 30 June 2020
	Profit before income tax	5 078	1 141
	Depreciation/amortisation recognised in profit or loss	656	595
	Interest on investment activities	(123)	(128)
	Other interest	63	105
	Dividends income	(37)	(15)
	Fair value gains on financial assets measured at fair value through profit or loss	(1 123)	(107)
	Impairment losses on non-current assets	20	215
	Reversal of impairment losses on non-current assets	(1 466)	-
	Exchange differences, of which:	136	(210)
	from investing activities and on cash	103	(246)
	from financing activities	33	36
	Change in provisions for decommissioning of mines, employee benefits liabilities and other provisions	(26)	(56)
	Change in other receivables and liabilities other than working capital	689	21
	Change in assets and liabilities due to derivatives	(1 082)	291
	Reclassification of other comprehensive income to profit or loss due to the realisation of hedging derivatives	954	(154)
Note 3.10	Other adjustments	22	66
	Exclusions of income and costs, total	(1 317)	623
	Income tax paid	(368)	(372)
Note 3.9	Changes in working capital, including:	(1 713)	533
Note 3.9	change in trade payables transferred to factoring	(436)	329
	Net cash generated from operating activities	**1 680**	**1 925**
	Cash flow from investing activities		
	Proceeds from disposal of equity instruments measured at fair value through other comprehensive income	53	-
	Expenditures on mining and metallurgical assets, including:	(1 204)	(1 170)
	paid capitalised interest on borrowings	(58)	(64)
	Expenditures on other property, plant and equipment and intangible assets	(3)	(38)
	Advances granted on property, plant and equipment and intangible assets	(6)	(40)
	Loans granted	-	(270)
	Expenditures on financial assets designated for decommissioning of mines and other technological facilities	(23)	(22)
	Other	5	(5)
	Net cash used in investing activities	**(1 178)**	**(1 545)**
	Cash flow from financing activities		
	Proceeds from borrowings	-	4 052
	Proceeds from derivatives related to sources of external financing	18	33
	Proceeds from cash pooling	88	50
	Repayment of borrowings	(1 543)	(3 142)
	Repayment of lease liabilities	(41)	(29)
	Interest paid, including:	(54)	(128)
	borrowings	(48)	(121)
	Expenditures due to dividends paid to shareholders of the Company	(300)	-
	Expenditures due to derivatives related to sources of external financing	(38)	(40)
	Net cash (used in)/generated from financing activities	**(1 870)**	**796**
	NET CASH FLOW	**(1 368)**	**1 176**
	Exchange gains/(losses) on cash and cash equivalents	(56)	15
	Cash and cash equivalents at the beginning of the period	2 135	516
	Cash and cash equivalents at the end of the period, including:	**711**	**1 707**
	restricted cash	**15**	**19**

amounts in PLN millions, unless otherwise stated

STATEMENT OF FINANCIAL POSITION

	ASSETS	As at 30 June 2021	As at 31 December 2020
	Mining and metallurgical property, plant and equipment	19 392	19 162
	Mining and metallurgical intangible assets	608	675
	Mining and metallurgical property, plant and equipment and intangible assets	20 000	19 837
	Other property, plant and equipment	96	102
	Other intangible assets	62	65
	Other property, plant and equipment and intangible assets	158	167
	Investments in subsidiaries	3 851	2 848
Note 3.3	Loans granted, including:	9 406	7 648
	measured at fair value through profit or loss	3 600	2 477
	measured at amortised cost	5 806	5 171
Note 3.2	Derivatives	574	789
	Other financial instruments measured at fair value through other comprehensive income	702	589
	Other financial instruments measured at amortised cost	518	433
Note 3.2	Financial instruments, total	11 200	9 459
	Other non-financial assets	63	56
	Non-current assets	**35 272**	**32 367**
	Inventories	4 883	3 555
Note 3.2	Trade receivables, including:	490	351
	trade receivables measured at fair value through profit or loss	371	260
	Tax assets	181	217
Note 3.2	Derivatives	293	210
	Cash pooling receivables	4	128
	Other financial assets	113	268
	Other non-financial assets	162	66
Note 3.2	Cash and cash equivalents	712	2 135
	Non-current assets held for sale	-	45
	Current assets	**6 838**	**6 975**
	TOTAL ASSETS	**42 110**	**39 342**
	EQUITY AND LIABILITIES		
	Share capital	2 000	2 000
	Other reserves from measurement of financial instruments	(2 041)	(1 390)
	Accumulated other comprehensive income	(819)	(872)
	Retained earnings	24 896	20 988
	Equity	**24 036**	**20 726**
Note 3.2	Borrowings, lease and debt securities	5 096	6 525
Note 3.2	Derivatives	1 155	981
Note 3.5	Employee benefits liabilities	2 649	2 724
Note 3.6	Provisions for decommissioning costs of mines and other technological facilities	1 168	1 185
	Deferred tax liabilities	7	81
	Other liabilities	231	191
	Non-current liabilities	10 306	11 687
Note 3.2	Borrowings, lease and debt securities	322	306
Note 3.2	Cash pooling liabilities	372	284
Note 3.2	Derivatives	1 162	653
Note 3.2	Trade and similar payables	2 775	3 334
Note 3.5	Employee benefits liabilities	1 111	1 042
	Tax liabilities	971	369
	Provisions for liabilities and other charges	72	77
	Other liabilities	983	864
	Current liabilities	7 768	6 929
	Non-current and current liabilities	**18 074**	**18 616**
	TOTAL EQUITY AND LIABILITIES	**42 110**	**39 342**

amounts in PLN millions, unless otherwise stated

STATEMENT OF CHANGES IN EQUITY

	Share capital	Other reserves from measurement of financial instruments	Accumulated other comprehensive income	Retained earnings	Total equity
As at 1 January 2020	**2 000**	**(698)**	**(622)**	**19 209**	**19 889**
Profit for the period	-	-	-	747	**747**
Other comprehensive income	-	(162)	(233)	-	**(395)**
Total comprehensive income	-	(162)	(233)	747	**352**
As at 30 June 2020	**2 000**	**(860)**	**(855)**	**19 956**	**20 241**
As at 1 January 2021	2 000	(1 390)	(872)	20 988	**20 726**
Transactions with owners	-	-	-	(300)	**(300)**
Profit for the period	-	-	-	4 226	**4 226**
Other comprehensive income	-	(651)	53	-	**(598)**
Total comprehensive income	-	(651)	53	4 226	**3 628**
Reclassification of the result of disposal of equity instruments measured at fair value through other comprehensive income	-	-	-	(18)	**(18)**
As at 30 June 2021	**2 000**	**(2 041)**	**(819)**	**24 896**	**24 036**

Part 1 – Impairment of assets

TESTING FOR THE IMPAIRMENT OF INVOLVEMENT IN THE COMPANY FUTURE 1

As at 30 June 2021, due to indications of the possibility of changes in the recoverable amount, the Company performed impairment testing on the value of the shares in Future 1 Sp. z o.o. Future 1 is a holding company through which the Company holds shares in KGHM INTERNATIONAL LTD. and provides financing for 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,
- the decision to commence the process of preparing to sell some of the assets located in the Sudbury Basin (this does not include the pre-operational Victoria project, which remains within the KGHM INTERNATIONAL LTD. Group),
- a change in technical and economic parameters for the KGHM INTERNATIONAL LTD. Group's Sudbury Basin mine assets in terms of production volumes, planned operating costs and capital expenditures during the life of a mine.

The main indications that the recoverable amount may be higher than the carrying amount, with the consequent justification for the reversal of previously recognised impairment losses, were as follows:

- an increase in the price paths for copper, gold, palladium and silver,
- extension of the Life of Mine of the McCreedy mine, part of the CGU Sudbury,
- an increase in the expected production volume of the McCreedy mine, part of the CGU Sudbury.

The main indications that the recoverable amount may be lower than the carrying amount, with the consequent necessity for the recognition of a further impairment loss, were as follows:

- a decrease in the price paths for nickel,
- deferment of re-commencement of production in the Morrison/Levack mine, part of the CGU Sudbury,
- a decrease in the expected production volume of the Morrison/Levack mine, part of the CGU Sudbury,
- an increase in the expected capital expenditures during the life of the Morrison/Levack mine, part of the CGU Sudbury,

The value of the shares in Future 1 is presented at cost less impairment losses and as at 30 June 2021, before the recognition of the results of impairment testing, amounted to PLN 1 101 million, including PLN 4 770 million at cost and PLN 3 669 million - the impairment loss.

To measure the level of impairment of shares, the value of cash flows of individual cash generating units in KGHM INTERNATIONAL LTD. (mainly the Robinson mine, the Sudbury Basin mines comprised of the Morrison and McCreedy mines, the pre-operational Victoria project and the involvement in the joint venture Sierra Gorda S.C.M.) was estimated, decreased by liabilities (loans granted by KGHM Polska Miedź S.A.) and increased by other assets (among others the Ajax project). The cash flows estimated in this manner were discounted by a 12% rate.

Basic macroeconomic assumptions adopted for cash flow estimation – metal prices

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

- for copper – 7 000 USD/t (3.18 USD/lb);
- for gold – 1 500 USD/oz;
- for nickel – 7.25 USD/lb.

Other key assumptions used for cash flow estimation

Assumption	Sierra Gorda	Victoria	Sudbury	Robinson
Mine life / forecast period	22	14	14	7
Level of copper production during mine life (kt)	3 752	249	43	358
Level of nickel production during mine life (kt)	-	221	23	-
Level of gold production during mine life (koz t)	1 017	157	27	263
Average operating margin during mine life	42.6%	62%	27%	43%
Capital expenditures to be incurred during mine life [USD million]	1 487	1 530	157	410

Key factors responsible for modification of the technical and economic assumptions	
Sudbury	The inclusion in production of copper and precious metals mineralisation zones ("700 Zone" and "PM Zone") and exclusion of a nickel zone ("Intermain Orebody"). Deferment of re-commencement of the Levack mine up to 2027 and a decrease of the production volume.

Results of the test performed as at 30 June 2021 are presented in the following table:

Test elements	PLN million
Discounted future cash flows of the KGHM INTERNATIONAL LTD. Group less liabilities (including the repayment of loans towards KGHM Polska Miedź S.A.)	1 937
Recoverable amount of other assets	214
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	**2 151**
Less receivables due to return payment to capital of Future 1	(40)
Carrying amount of shares in Future 1 (before the test for impairment)	1 101
Recoverable amount of shares in Future 1 (test result)	**2 111**
Reversal of impairment loss on shares in Future 1	**1 010**

The reversal of the impairment loss on the shares in the amount of PLN 1 010 million was recognised in the statement of financial position in other operating activities (Note 2.3).

Sensitivity analysis of the recoverable amount of the shares of Future 1 determined that the key assumptions adopted for the impairment testing were the assumed price paths and discount rates. The assumptions regarding the price paths and 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 amounts. For the purposes of monitoring the risk of impairment of the tested assets in subsequent periods, the following determinations were made:

- discount rates – adoption at a level higher by 1 percentage point would result in a reversal of the impairment loss in the total amount of PLN 792 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 1 261 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 717 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 1 321 million.
- price paths for nickel – the adoption of prices at a level lower by 0.45 USD/lb would result in a reversal of the impairment loss in the amount of PLN 925 million, and at a level higher by 0.45 USD/lb would result in a reversal of the impairment loss in the total amount of PLN 1 095 million.

As at 31 December 2020 the results of test for impairment of the Company's assets were presented in the Annual report RR 2020 in part 3.

amounts in PLN millions, unless otherwise stated

Part 2 – Explanatory notes to the statement of profit or loss

Note 2.1 Revenues from contracts with customers – geographical breakdown reflecting the location of end customers

		from 1 January 2021 to 30 June 2021	from 1 January 2020 to 30 June 2020
Europe			
	Poland	2 687	2 024
	Germany	1 859	1 590
	Czechia	996	681
	Italy	937	494
	France	597	220
	Hungary	589	359
	The United Kingdom	582	901
	Switzerland	268	351
	Austria	212	82
	Romania	157	84
	Slovenia	81	26
	Slovakia	60	43
	Bulgaria	22	6
	Sweden	18	-
	Denmark	16	8
	Estonia	9	8
	Belgium	6	51
	Netherlands	2	1
	Other countries (dispersed sales)	1	2
North and South America			
	The United States of America	833	216
	Canada	10	-
Australia			
	Australia	515	384
Asia			
	China	1 182	954
	Thailand	246	98
	Vietnam	147	29
	Turkey	59	41
	South Korea	29	-
	Malesia	15	11
	Taiwan	-	220
	Singapore	-	7
	Other countries (dispersed sales)	4	6
Africa		5	-
TOTAL		**12 144**	**8 897**

amounts in PLN millions, unless otherwise stated

Note 2.2 Expenses by nature

	from 1 January 2021 to 30 June 2021	from 1 January 2020 to 30 June 2020
Depreciation of property, plant and equipment and amortisation of intangible assets	716	647
Employee benefits expenses	2 069	1 822
Materials and energy, including:	5 020	2 901
purchased metal-bearing materials	3 656	1 729
electrical and other energy	595	493
External services, including:	882	843
transport	139	115
repairs, maintenance and servicing	254	245
mine preparatory work	251	254
Minerals extraction tax	1 635	678
Other taxes and charges	283	206
Revaluation of inventories	18	8
Other costs	55	44
Total expenses by nature	**10 678**	**7 149**
Cost of merchandise and materials sold (+)	131	214
Change in inventories of finished goods and work in progress (+/-)	(1 080)	281
Cost of manufacturing products for internal use (-)	(79)	(83)
Total costs of sales, selling costs and administrative expenses, of which:	**9 650**	**7 561**
Cost of sales	9 205	7 121
Selling costs	78	66
administrative expenses	367	374

amounts in PLN millions, unless otherwise stated

Note 2.3 Other operating income and (costs)

		from 1 January 2021 to 30 June 2021	from 1 January 2020 to 30 June 2020
	Gains on derivatives, of which:	281	159
	measurement of derivatives	248	82
	realisation of derivatives	33	77
	Exchange differences on assets and liabilities other than borrowings	147	26
	Interest on loans granted and other financial receivables	131	141
	Fees and charges on re-invoicing of costs of bank guarantees securing payments of liabilities	61	27
	Reversal of allowances for impairment of financial instruments measured at amortised cost, including:	508	-
Note 3.3	loans	456	-
	Fair value gains on financial assets measured at fair value through profit or loss, including:	1 138	234
	loans	1 135	198
Part 1	Reversal of impairment losses on shares in subsidiaries	1 010	-
	Release of provisions	10	-
	Refund of excise tax for previous years	5	48
	Dividends income	37	15
	Other	18	19
	Total other operating income	**3 346**	**669**
	Losses on derivatives, of which:	(414)	(293)
	measurement of derivatives	(102)	(109)
	realisation of derivatives	(312)	(184)
	Impairment losses on financial instruments measured at amortised cost	(8)	(88)
	Fair value losses on financial assets measured at fair value through profit or loss, including:	(79)	(122)
	loans	(12)	(92)
	Impairment losses on shares and investment certificates in subsidiaries	-	(131)
	Provisions recognised	(14)	(6)
	Donations given	(7)	(23)
	Other	(31)	(50)
	Total other operating costs	**(553)**	**(713)**
	Other operating income and (costs)	**2 793**	**(44)**

amounts in PLN millions, unless otherwise stated

Note 2.4 Finance income and (costs)

	from 1 January 2021 to 30 June 2021	from 1 January 2020 to 30 June 2020
Gains on derivatives - realisation of derivatives	35	35
Total finance income	**35**	**35**
Interest on borrowings, including:	(48)	(89)
leases	(4)	(5)
Bank fees and charges on borrowings	(15)	(16)
Exchange differences on borrowings	(138)	(36)
Losses on derivatives, of which:	(39)	(41)
measurement of derivatives	(1)	(1)
realisation of derivatives	(38)	(40)
Unwinding of the discount effect	(4)	(4)
Total finance costs	**(244)**	**(186)**
Finance income and (costs)	**(209)**	**(151)**

amounts in PLN millions, unless otherwise stated

Part 3 – Other explanatory notes

Note 3.1 Information on property, plant and equipment and intangible assets

Purchase of property, plant and equipment and intangible assets

	from 1 January 2021 to 30 June 2021	from 1 January 2020 to 30 June 2020
Purchase of property, plant and equipment	953	997
including: leases	33	44
Purchase of intangible assets	56	23

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

	As at 30 June 2021	As at 31 December 2020
Payables due to the purchase of property, plant and equipment and intangible assets	625	953

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

	As at 30 June 2021	As at 31 December 2020
Purchase of property, plant and equipment	1 427	1 673
Purchase of intangible assets	24	38
Total capital commitments	**1 451**	**1 711**

amounts in PLN millions, unless otherwise stated

Note 3.2 Financial instruments

	Financial assets:	As at 30 June 2021					As at 31 December 2020				
		At fair value through other comprehensive income	At fair value through profit or loss	At amortised cost	Hedging instruments	Total	At fair value through other comprehensive income	At fair value through profit or loss	At amortised cost	Hedging instruments	Total
	Non-current	702	3 640	6 324	534	**11 200**	589	2 517	5 604	749	**9 459**
Note 3.3	Loans granted	-	3 600	5 806	-	**9 406**	-	2 477	5 171	-	**7 648**
	Derivatives	-	40	-	534	**574**	-	40	-	749	**789**
	Other financial instruments measured at fair value	702	-	-	-	**702**	589	-	-	-	**589**
	Other financial instruments measured at amortised cost	-	-	518	-	**518**	-	-	433	-	**433**
	Current	-	553	941	118	**1 612**	-	271	2 622	199	**3 092**
	Trade receivables	-	371	119	-	**490**	-	260	91	-	**351**
	Derivatives	-	175	-	118	**293**	-	11	-	199	**210**
	Cash and cash equivalents	-	-	712	-	**712**	-	-	2 135	-	**2 135**
	Cash pooling receivables*	-	-	4	-	**4**	-	-	128	-	**128**
	Other financial assets	-	7	106	-	**113**	-	-	268	-	**268**
	Total	**702**	**4 193**	**7 265**	**652**	**12 812**	**589**	**2 788**	**8 226**	**948**	**12 551**

** Receivables from companies which indebted themselves in the cash pooling system.*

amounts in PLN millions, unless otherwise stated

	Financial liabilities:	As at 30 June 2021				As at 31 December 2020			
		At fair value through profit or loss	At amortised cost	Hedging instruments	Total	At fair value through profit or loss	At amortised cost	Hedging instruments	Total
	Non-current	106	5 275	1 049	**6 430**	180	6 710	801	**7 691**
Note 3.4	Borrowings, lease and debt securities	-	5 096	-	**5 096**	-	6 525	-	**6 525**
	Derivatives	106	-	1 049	**1 155**	180	-	801	**981**
	Other financial liabilities	-	179	-	**179**	-	185	-	**185**
	Current	164	3 654	1 149	**4 967**	91	4 083	604	**4 778**
Note 3.4	Borrowings, lease and debt securities	-	322	-	**322**	-	306	-	**306**
Note 3.4	Cash pooling liabilities*	-	372	-	**372**	-	284	-	**284**
	Other liabilities due to settlement under cash pooling contracts **	-	55	-	**55**	-	52	-	**52**
	Derivatives	13	-	1 149	**1 162**	49	-	604	**653**
	Trade payables	-	1 961	-	**1 961**	-	2 070	-	**2 070**
	Similar payables – reverse factoring	-	814	-	**814**	-	1 264	-	**1 264**
	Other financial liabilities	151	130	-	**281**	42	107	-	**149**
	Total	**270**	**8 929**	**2 198**	**11 397**	**271**	**10 793**	**1 405**	**12 469**

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

amounts in PLN millions, unless otherwise stated

The fair value hierarchy of financial instruments

Classes of financial instruments	As at 30 June 2021 fair value level 1	level 2	level 3	carrying amount	As at 31 December 2020 fair value level 1	level 2	level 3	carrying amount
Long-term loans granted measured at fair value	-	93	3 507	3 600	-	105	2 372	2 477
Long-term loans granted measured at amortised cost	-	589	5 418	5 806	-	700	5 054	5 171
Listed shares	609	-	-	609	497	-	-	497
Unquoted shares	-	93	-	93	-	93	-	93
Trade receivables	-	371	-	371	-	260	-	260
Other financial assets	-	7	-	7	-	-	-	-
Derivatives, of which:	-	(1 450)	-	(1 450)	-	(635)	-	(635)
- assets	-	867	-	867	-	999	-	999
- liabilities	-	(2 317)	-	(2 317)	-	(1 634)	-	(1 634)
Long-term bank and other loans received	-	(2 662)	-	(2 648)	-	(4 081)	-	(4 065)
Long-term debt securities	(2 038)	-	-	(2 000)	(2 024)	-	-	(2 000)
Other financial liabilities	-	(151)	-	(151)	-	(42)	-	(42)

Loans granted measured at amortised cost

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

discount rate level 2	level 3	carrying amount	discount rate level 2	level 3	carrying amount
4.60%	x	552	3.09%	x	535
Wibor 1M	x	58	Wibor 1M	x	59
x	1.95%	3 254	x	1.44%	3 154
x	POCI 8%	1 942	x	POCI 9.58%	1 423
	Total	**5 806**		**Total**	**5 171**

amounts in PLN millions, unless otherwise stated

Methods and measurement techniques used by the Company in determining the fair values of each class of financial asset or financial liability are presented in part 4, note 4.3 of the consolidated financial statements, with the exception of methods and measurement techniques used to determine the fair value of long-term loans granted measured at fair value and at amortised cost, described below.

Level 2

Fair value of loans measured at fair value and loans measured at amortised cost, for which the fair value 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 were classified to level 2 of the fair value hierarchy. The current IBOR market rate from the Reuters system was used in the discounting process.

Level 3

Fair value of loans measured at fair value and loans measured at amortised cost, for which the fair value was estimated on the basis of forecasted cash flows of international assets, among others Sierra Gorda, which pursuant to IFRS 13 are unobservable input data, that is input data at the level 3 of the fair value hierarchy, were classified to level 3 of the fair value hierarchy.

There was no transfer of financial instruments between individual levels of the fair value hierarchy within the Company in the reporting period, nor was there any change in the classification of instruments as a result of a change in the purpose or method of use of these instruments.

Note 3.3 Receivables due to loans granted

	as at 30 June 2021	as at 31 December 2020
Loans measured at amortised cost – gross amount	5 919	5 352
Allowances for impairment	(111)	(179)
Loans measured at amortised cost – carrying amount	5 808	5 173
Loans measured at fair value – carrying amount	3 600	2 477
Total, of which:	**9 408**	**7 650**
- long-term loans	9 406	7 648
- short-term loans	2	2

	from 1 January 2021 to 30 June 2021	from 1 January 2020 to 30 June 2020
At the beginning of the reporting period	2 477	2 271
Loans granted	-	216
Fair value gains	1 135	118
Fair value losses	(12)	(128)
At the end of the reporting period	**3 600**	**2 477**

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 holding structure or KGHM INTERNATIONAL LTD. were transferred as a loan to a joint venture Sierra Gorda SCM, advanced by the KGHM INTERNATIONAL LTD. Group, were classified as POCI loans (identified allowance for impairment due to a high credit risk at the moment of granting).
These loans, pursuant to contractual terms, are paid on demand, but not later than 15 December 2024. Due to the implementation of IFRS 9 as at 1 January 2018, the Company estimated the expected, undiscounted credit loss at the moment of initial recognition in the amount of PLN 1 289 million (USD 370 million calculated using the 3.4813 USDPLN exchange rate of NBP dated 29 December 2017).

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.

amounts in PLN millions, unless otherwise stated

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 Baa1 – Baa3.
- 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 30 June 2021, PD parameters for the adopted ratings were as follows:

Baa1 to Baa3 ratings according to Moody's (30-06-2021)

Up to one year	0.70% - 1.09%
1-3 years	3.27% - 5.55%
More than 3 years (at the date of loans' maturity)	4.21% - 18.16%

A3 to Baa3 ratings according to Moody's (31-12-2020)

Up to one year	0.5% - 1.01%
1-3 years	2.47% - 5.22%
More than 3 years (at the date of loans' maturity)	4.05% - 18.94%

- 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 Annual Default Study: Corporate Default and Recovery Rates, 1920 – 2016).

The moderate stabilisation of the pandemic situation resulted in a similar level of PD parameters, expected credit risk (ECL) and a similar level of discount rates used in the measurement of loans at fair value as compared to quotations from 31 December 2020.

Pursuant to IFRS 9, 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) 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 method adjusted by the credit risk, determined at the initial recognition of the loan pursuant to IFRS 9.B5.5.45 at the level of 3.69% - 6.64% - for loans measured at amortised cost
- the market interest rate at the level of 1.95%-10% - for loans measured at fair value.

As a result of the aforementioned measurements, as at 30 June 2021:

- for the POCI loan –an allowance for impairment, recognised at the moment of initial recognition of the asset in the amount of PLN 456 million was reversed;
- for loans measured at fair value – an increase in fair value by the amount of PLN 1 129 million was estimated,
    - including the amount of PLN 987 million on loans granted in the years 2015 – 2017 to the company Quadra FNX Holdings Chile Limitada (a subsidiary of the KGHM INTERNATIONAL LTD. Group) in the amount of USD 442 million for the purpose of recapitalisation of the Sierra Gorda S.C.M. project. These loans were classified by KGHM Polska Miedź S.A. as measured at fair value through profit or loss. As a result of restructuration of stream of loans in December 2017 and on the basis of an analysis of profitability of the Sierra Gorda S.C.M. investment, the Company measured the recoverable amount of these loans to be at the level of PLN 0. The increase in the recoverable amount of loans in this stream is a result of a significant increase in future cash flows of Sierra Gorda S.C.M. estimated on the basis of current price paths of commodities.
    - The amount of PLN 142 million concerns loans granted in the years 2018 – 2020 to the company Quadra FNX FFI (a subsidiary within the KGHM INTERNATIONAL LTD. Group) in the amount of USD 346 million, for the purpose of recapitalisation of the Sierra Gorda S.C.M. project.

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

As at 30 June 2021, the Company classified the measurement at 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, that is the forecasted cash flows of Sierra Gorda S.C.M. The cash flows are the most sensitive to changes in copper prices, which implies other assumptions such as forecasted production and operating margin. Therefore, the Company performed a sensitivity analysis of the fair value of loans to volatility in copper prices.

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

	Copper prices [USD/t]					
Scenarios	2 022	2 023	2 024	2 025	2 026	LT
Base	8 200	8 000	7 500	7 500	7 500	7 000
Pessimistic	7 980	7 780	7 280	7 280	7 280	6 780
Optimistic	8 420	8 220	7 720	7 720	7 720	7 220

Classes of financial instruments	Fair value [PLN million]	Carrying amount 30.06.2021 [PLN million]	Fair value – Optimistic Scenario	Fair value – Pessimistic scenario
Loans granted measured at fair value	**3 507**	**3 507**	3 655	3 359
Loans granted measured at amortised cost	**5 418**	**5 196**	5 528	5 327

Note 3.4 Net debt

	As at 30 June 2021	As at 31 December 2020
Bank loans*	556	1 863
Loans	2 092	2 202
Debt securities - bonds	2 000	2 000
Leases	448	460
Total non-current liabilities due to borrowings	**5 096**	**6 525**
Bank loans**	(3)	(3)
Loans	275	259
Cash pooling liabilities***	372	284
Leases	50	50
Total current liabilities due to borrowings	**694**	**590**
Total borrowings	**5 790**	**7 115**
Free cash and cash equivalents	696	2 120
Net debt	**5 094**	**4 995**

** Presented amounts include the preparation fee paid in the amount of PLN 14 million, which decreases financial liabilities due to received bank loans.*
*** Presented amounts include the preparation fee paid in the amount of PLN 3 million, which decreases financial liabilities due to received bank loans.*
**** Liabilities of KGHM Polska Miedź S.A. towards Group companies within the credit limit in the group of accounts participating in the cash pooling system.*

amounts in PLN millions, unless otherwise stated

Note 3.5 Employee benefits liabilities

	As at 30 June 2021	As at 31 December 2020
Jubilee bonuses	455	445
Retirement and disability benefits	405	408
Coal equivalent	1 883	1 965
Other benefits	31	30
Total liabilities due to future employee benefits programs	**2 774**	**2 848**
Remuneration and social insurance liabilities	381	425
Accruals due to employee benefits	605	493
Employee benefits	**986**	**918**
Total employee benefits liabilities, of which:	**3 760**	**3 766**
- non-current liabilities	2 649	2 724
- current liabilities	1 111	1 042

Discount rate adopted for the measurement of liabilities due to future employee benefits programs as at 30 June 2021

	2021	2022	2023	2024	2025 and beyond
- discount rate	1.65%	1.65%	1.65%	1.65%	1.65%

Discount rate adopted for the measurement of liabilities due to future employee benefits programs as at 31 December 2020

	2021	2022	2023	2024	2025 and beyond
- discount rate	1.30%	1.30%	1.30%	1.30%	1.30%

Note 3.6 Provisions for decommissioning costs of mines and other technological facilities

	from 1 January 2021 to 30 June 2021	from 1 January 2020 to 31 December 2020
Provisions as at the beginning of the reporting period	1 192	1 131
Changes in estimates recognised in fixed assets	(5)	83
Other	(12)	(22)
Provisions as at the end of the reporting period, of which:	**1 175**	**1 192**
- non-current provisions	1 168	1 185
- current provisions	7	7

Note 3.7 Related party transactions

Operating income from related parties	from 1 January 2021 to 30 June 2021	from 1 January 2020 to 30 June 2020
From subsidiaries	339	311
From other related parties	55	16
Total	**394**	**327**

In the period from 1 January 2021 to 30 June 2021, the Company recognised dividends from subsidiaries in other operating income - in the amount of PLN 37 million (from 1 January to 30 June 2020: PLN 15 million).

	from 1 January 2021 to 30 June 2021	from 1 January 2020 to 30 June 2020
Purchase of merchandise and materials and other purchases from subsidiaries	3 773	2 603

amounts in PLN millions, unless otherwise stated

Trade and other receivables from related parties	As at 30 June 2021	As at 31 December 2020
Trade and other receivables from related parties	**9 696**	**8 189**
From subsidiaries, including:	9 637	8 046
loans granted	9 408	7 650
From other related parties	59	143

Payables towards related parties	As at 30 June 2021	As at 31 December 2020
Payables towards related parties	**1 404**	**1 262**
Towards subsidiaries	1 345	1 240
Towards other related parties	59	22

Remuneration of the key managers of KGHM Polska Miedź S.A., i.e. members of the Management Board and members of the Supervisory Board of KGHM Polska Miedź S.A., is presented in part 4, note 4.8 of the consolidated financial statements.

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, 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 exploration for and evaluation of mineral resources – balance of payables in the amount of PLN 184 million (as at 31 December 2020: PLN 202 million); including fees on setting mining usufruct for the extraction of mineral resources recognised in costs in the amount of PLN 15 million (at 31 December 2020: PLN 30 million),
- due to a reverse factoring agreement with the company PEKAO FAKTORING SP. Z O.O. – balance of payables as at 30 June 2021 in the amount of PLN 654 million, interest costs paid in the reporting period in the amount of PLN 5 million (as at 31 December 2020, payables in the amount of PLN 974 million and paid interest costs for 2020 in the amount of PLN 11 million),
- 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), running bank accounts and the servicing of special purpose funds.

Apart from the aforementioned transactions entered into by the Company with the Polish Government and with entities controlled or jointly controlled by the Polish Government, or over which the government has significant influence, which were significant due to their nature and the amount, there also occurred transactions arising from extraordinary administrative orders based on art. 11 of the act dated 2 March 2020 on particular solutions related to preventing and counteracting COVID-19, other infectious diseases and the crisis-related situations caused thereby (Journal of laws from 2020, item 374 with subsequent amendments), involving the sale of personal protective equipment in the amount of PLN 3 million. There were no unsettled balances of receivables due to these transactions as at 30 June 2021.

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

In the current and comparable periods no other individual transactions were identified that would be considered as significant in terms of unusual nature and amount.

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

- the purchase of goods to meet the needs of current operating activities. In the period from 1 January to 30 June 2021, the turnover from these transactions amounted to PLN 727 million (from 1 January to 30 June 2020: PLN 507 million), and, as at 30 June 2021, the unsettled balance of liabilities from these transactions amounted to PLN 112 million (as at 31 December 2020: PLN 166 million),
- sales to Polish State Treasury Companies. In the period from 1 January to 30 June 2021, the turnover from these sales amounted to PLN 111 million (from 1 January to 30 June 2020: PLN 33 million), and, as at 30 June 2021, the unsettled balance of receivables from these transactions amounted to PLN 10 million (as at 31 December 2020: PLN 8 million).

amounts in PLN millions, unless otherwise stated

Note 3.8 Assets and liabilities not recognised in the statement of financial position

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

	As at 30 June 2021	As at 31 December 2020
Contingent assets	**484**	**505**
Guarantees received	193	208
Promissory notes receivables	202	208
Receivables due to paid undue royalties for developers of invention projects	59	59
Receivables due to property tax on underground mine workings	30	30
Contingent liabilities	**774**	**1 524**
Guarantees*	667	1 411
Promissory note liability	16	16
Property tax on underground mine workings	50	55
Other	41	42
Other liabilities not recognised in the statement of financial position	**99**	**100**
Liabilities towards local government entities due to expansion of the tailings storage facility	99	100

**Decrease due to the expiry of the liability towards two beneficiaries:*
Empressa Electrica Cochrane SPA – expired because Sierra Gorda S.C.M. achieved parameters defined in the agreement for the off-take of electricity between Sierra Gorda S.C.M. and the beneficiary of the letter of credit, which resulted in the expiry of the liability of Sierra Gorda S.C.M. to maintain collateral of the aforementioned agreement. The liability expired on 6 April 2021.
York Potash Ltd, London. – expired because of the termination of the contract for design services and sinking four shafts along with associated infrastructure and equipment, entered into between DMC Mining Services (UK) Ltd., DMC Mining Services Ltd. (companies of the KGHM INTERNATIONAL LTD. Group) and York Potash Ltd. The liability expired on 1 March 2021.

Note 3.9 Changes in working capital

	Inventories	Trade receivables	Trade payables	Similar payables – reverse factoring	Working capital
As at 1 January 2021	(3 555)	(351)	2 232	1 264	**(410)**
As at 30 June 2021	(4 883)	(490)	2 122	814	**(2 437)**
Change in the statement of financial position	**(1 328)**	**(139)**	**(110)**	**(450)**	**(2 027)**
Depreciation/amortisation recognised in inventories	50	-	-	-	**50**
Change in payables due to the purchase of property, plant and equipment and intangible assets	-	-	250	14	**264**
Adjustments	50	-	250	14	**314**
Change in the statement of cash flows	**(1 278)**	**(139)**	**140**	**(436)**	**(1 713)**

amounts in PLN millions, unless otherwise stated

	Inventories	Trade receivables	Trade payables	Similar payables – reverse factoring	Working capital
As at 1 January 2020	(3 783)	(243)	2 029	596	**(1 401)**
As at 30 June 2020	(3 624)	(334)	1 854	945	**(1 159)**
Change in the statement of financial position	**159**	**(91)**	**(175)**	**349**	**242**
Depreciation/amortisation recognised in inventories	39	-	-	-	**39**
Change in payables due to the purchase of property, plant and equipment and intangible assets	-	-	272	(20)	**252**
Adjustments	**39**	**-**	**272**	**(20)**	**291**
Change in the statement of cash flows	**198**	**(91)**	**97**	**329**	**533**

Note 3.10 Other adjustments in the statement of cash flows

	from 1 January 2021 to 30 June 2021	from 1 January 2020 to 30 June 2020
Losses on the sales of property, plant and equipment and intangible assets	3	33
Proceeds from income tax from the tax group companies	13	26
Profits or losses due to measurement and realisation of derivatives related to sources of external financing	4	6
Other	2	1
Total	**22**	**66**

Part 4 – Quarterly financial information of KGHM Polska Miedź S.A.

STATEMENT OF PROFIT OR LOSS

		from 1 April 2021 to 30 June 2021*	from 1 April 2020 to 30 June 2020*	from 1 January 2021 to 30 June 2021	from 1 January 2020 to 30 June 2020
	Revenues from contracts with customers	6 575	4 672	12 144	8 897
Note 4.1	Cost of sales	(5 208)	(3 713)	(9 205)	(7 121)
	Gross profit	**1 367**	**959**	**2 939**	**1 776**
Note 4.1	Selling costs and administrative expenses	(232)	(239)	(445)	(440)
	Profit on sales	**1 135**	**720**	**2 494**	**1 336**
Note 4.2	Other operating income, including:	2 829	63	3 346	669
	interest income calculated using the effective interest rate method	63	68	129	140
	reversal of impairment losses on financial instruments	494	-	508	-
Note 4.2	Other operating costs, including:	(404)	(595)	(553)	(713)
	impairment losses on financial instruments	(7)	88	(8)	(88)
Note 4.3	Finance income	170	436	35	35
Note 4.3	Finance costs	(77)	(91)	(244)	(186)
	Profit before income tax	**3 653**	**533**	**5 078**	**1 141**
	Income tax expense	(402)	(185)	(852)	(394)
	PROFIT FOR THE PERIOD	**3 251**	**348**	**4 226**	**747**
	Weighted average number of ordinary shares (million)	**200**	**200**	**200**	**200**
	Basic and diluted earnings per share (in PLN)	**16.26**	**1.74**	**21.13**	**3.74**

**Data not subject to review and audit*

amounts in PLN millions, unless otherwise stated

Explanatory notes to the condensed statement of profit or loss

Note 4.1 Expenses by nature

	from 1 April 2021 to 30 June 2021*	from 1 April 2020 to 30 June 2020*	from 1 January 2021 to 30 June 2021	from 1 January 2020 to 30 June 2020
Depreciation of property, plant and equipment and amortisation of intangible assets	360	322	716	647
Employee benefits expenses	1 114	932	2 069	1 822
Materials and energy, including:	2 673	1 377	5 020	2 901
purchased metal-bearing materials	1 989	810	3 656	1 729
electrical and other energy	299	243	595	493
External services, including:	457	413	882	843
transport	71	58	139	115
repairs, maintenance and servicing	133	122	254	245
mine preparatory work	123	114	251	254
Minerals extraction tax	917	334	1 635	678
Other taxes and charges	143	99	283	206
Revaluation of inventories	28	18	18	8
Other costs	32	18	55	44
Total expenses by nature	**5 724**	**3 513**	**10 678**	**7 149**
Cost of merchandise and materials sold (+)	64	162	131	214
Change in inventories of finished goods and work in progress (+/-)	(310)	315	(1 080)	281
Cost of manufacturing products for internal use (-)	(38)	(38)	(79)	(83)
Total costs of sales, selling costs and administrative expenses, of which:	**5 440**	**3 952**	**9 650**	**7 561**
cost of sales	5 208	3 713	9 205	7 121
selling costs	39	35	78	66
administrative expenses	193	204	367	374

**Data not subject to review and audit*

amounts in PLN millions, unless otherwise stated

Note 4.2 Other operating income and (costs)

	from 1 April 2021 to 30 June 2021*	from 1 April 2020 to 30 June 2020*	from 1 January 2021 to 30 June 2021	from 1 January 2020 to 30 June 2020
Gains on derivatives, of which:	176	16	281	159
measurement of derivatives	144	(43)	248	82
realisation of derivatives	32	59	33	77
Exchange differences on assets and liabilities other than borrowings	-	-	147	26
Interest on loans granted and other financial receivables	64	68	131	141
Fees and charges on re-invoicing of costs of bank guarantees securing payments of liabilities	13	7	61	27
Reversal of allowances for impairment of financial instruments measured at amortised cost, including:	494	-	508	-
loans	452	-	456	-
Fair value gains on financial assets measured at fair value through profit or loss, including:	1 025	(99)	1 138	234
loans	1 033	(131)	1 135	198
Reversal of impairment losses on shares in subsidiaries	1 010	-	1 010	-
Release of provisions	4	-	10	-
Refund of excise tax for previous years	-	48	5	48
Dividends income	37	15	37	15
Other	6	8	18	19
Total other operating income	**2 829**	**63**	**3 346**	**669**
Losses on derivatives, of which:	(129)	(61)	(414)	(293)
measurement of derivatives	69	47	(102)	(109)
realisation of derivatives	(198)	(108)	(312)	(184)
Impairment losses on financial instruments measured at amortised cost	(7)	88	(8)	(88)
Fair value losses on financial assets measured at fair value through profit or loss, including:	(36)	(76)	(79)	(122)
loans	(1)	(92)	(12)	(92)
Impairment losses on shares and investment certificates in subsidiaries	3	(89)	-	(131)
Provisions recognised	(1)	(3)	(14)	(6)
Donations granted	(4)	(3)	(7)	(23)
Exchange differences on assets and liabilities other than borrowings	(211)	(420)	-	-
Other	(19)	(31)	(31)	(50)
Total other operating costs	**(404)**	**(595)**	**(553)**	**(713)**
Other operating income and (costs)	**2 425**	**(532)**	**2 793**	**(44)**

**Data not subject to review and audit*

amounts in PLN millions, unless otherwise stated

Note 4.3 Finance income and (costs)

	from 1 April 2021 to 30 June 2021*	from 1 April 2020 to 30 June 2020*	from 1 January 2021 to 30 June 2021	from 1 January 2020 to 30 June 2020
Exchange differences on borrowings	135	401	-	-
Gains on derivatives - realisation of derivatives	35	35	35	35
Total finance income	**170**	**436**	**35**	**35**
Interest on borrowings, including:	(30)	(48)	(48)	(89)
leases	(2)	(3)	(4)	(5)
Bank fees and charges on external financing	(6)	(10)	(15)	(16)
Exchange differences on borrowings	-	-	(138)	(36)
Losses on derivatives, of which:	(38)	(38)	(39)	(41)
measurement of derivatives	-	2	(1)	(1)
realisation of derivatives	(38)	(40)	(38)	(40)
Unwinding of the discount effect	(3)	5	(4)	(4)
Total finance costs	**(77)**	**(91)**	**(244)**	**(186)**
Finance income and (costs)	**93**	**345**	**(209)**	**(151)**

**Data not subject to review and audit*

SIGNATURES OF ALL MEMBERS OF THE MANAGEMENT BOARD

These financial statements were authorised for issue on 16 August 2021.

President
of the Management Board

Marcin Chludziński

Vice President
of the Management Board

Adam Bugajczuk

Vice President
of the Management Board

Paweł Gruza

Vice President
of the Management Board

Andrzej Kensbok

Vice President
of the Management Board

Dariusz Świderski

SIGNATURE OF PERSON RESPONSIBLE FOR ACCOUNTING

Executive Director
of Accounting Services Center
Chief Accountant

Agnieszka Sinior