POLISH FINANCIAL SUPERVISION AUTHORITY

Consolidated half-year report PSr 2019

(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 **2019** from **1 January 2019** to **30 June 2019**
containing the consolidated financial statements prepared under International Accounting Standard 34 in PLN
and condensed financial statements under International Accounting Standard 34 in PLN.

publication date: 20 August 2019

KGHM Polska Miedź Spółka Akcyjna
(name of the issuer)

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

Mining
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(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 consolidated financial statements of the KGHM Polska Miedź S.A. Group

		in PLN mn		in EUR mn	
		from 1 January 2019 to 30 June 2019	**from 1 January 2018 to 30 June 2018**	**from 1 January 2019 to 30 June 2019**	**from 1 January 2018 to 30 June 2018**
I.	Revenues from contracts with customers	11 228	9 423	2 618	2 223
II.	Profit on sales	1 405	1 352	328	319
III.	Profit before income tax	1 452	984	339	232
IV.	Profit for the period	970	611	226	144
V.	Profit for the period attributable to shareholders of the Parent Entity	969	610	226	144
VI.	Profit for the period attributable to non-controlling interest	1	1	-	-
VII.	Other comprehensive net income	(231)	(401)	(54)	(94)
VIII.	Total comprehensive income	739	210	172	50
IX.	Total comprehensive income attributable to the shareholders of the Parent Entity	738	209	172	50
X.	Total comprehensive income attributable to non-controlling interest	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	4.85	3.05	1.13	0.72
XIII.	Net cash generated from operating activities	1 614	704	376	166
XIV.	Net cash used in investing activities	(1 696)	(1 513)	(396)	(357)
XV.	Net cash generated from financing activities	270	832	63	196
XVI.	Total net cash flow	188	23	43	5
		As at 30 June 2019	**As at 31 December 2018**	**As at 30 June 2019**	**As at 31 December 2018**
XVII.	Non-current assets	30 581	29 375	7 192	6 831
XVIII.	Current assets	8 464	7 862	1 991	1 829
XIX.	Total assets	39 045	37 237	9 183	8 660
XX.	Non-current liabilities	13 400	12 147	3 152	2 825
XXI.	Current liabilities	5 681	5 865	1 336	1 364
XXII.	Equity	19 964	19 225	4 695	4 471
XXIII.	Equity attributable to shareholders of the Parent Entity	19 871	19 133	4 673	4 450
XXIV.	Equity attributable to non-controlling interest	93	92	22	21

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

		in PLN mn		in EUR mn	
		from 1 January 2019 to 30 June 2019	**from 1 January 2018 to 30 June 2018**	**from 1 January 2019 to 30 June 2019**	**from 1 January 2018 to 30 June 2018**
I.	Revenues from contracts with customers	8 831	7 189	2 059	1 696
II.	Profit on sales	1 333	1 166	311	275
III.	Profit before income tax	1 712	1 278	399	301
IV.	Profit for the period	1 227	987	286	233
V.	Other comprehensive net income	(250)	(245)	(58)	(58)
VI.	Total comprehensive income	977	742	228	175
VII.	Number of shares issued (million)	200	200	200	200
VIII.	Earnings per ordinary share (in PLN/EUR)	6.14	4.94	1.43	1.17
IX.	Net cash generated from operating activities	1 269	368	296	87
X.	Net cash used in investing activities	(1 400)	(1 157)	(326)	(273)
XI.	Net cash generated from financing activities	265	792	62	187
XII.	Total net cash flow	134	3	32	1
		As at 30 June 2019	**As at 31 December 2018**	**As at 30 June 2019**	**As at 31 December 2018**
XIII.	Non-current assets	29 263	28 098	6 882	6 534
XIV.	Current assets	6 784	6 152	1 595	1 431
XV.	Total assets	36 047	34 250	8 477	7 965
XVI.	Non-current liabilities	11 429	10 240	2 688	2 381
XVII.	Current liabilities	4 596	4 965	1 080	1 155
XVIII.	Equity	20 022	19 045	4 709	4 429

HALF-YEAR CONDENSED CONSOLIDATED FINANCIAL STATEMENTS OF THE KGHM POLSKA MIEDŹ S.A. GROUP FOR THE FIRST HALF OF 2019

AND

HALF-YEAR CONDENSED FINANCIAL STATEMENTS OF KGHM POLSKA MIEDŹ S.A. FOR THE FIRST HALF OF 2019

Lubin, August 2019

Table of contents

Condensed consolidated financial statements

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		from 1 January 2019 to 30 June 2019	from 1 January 2018 to 30 June 2018
Note 2.3	Revenues from contracts with customers	11 228	9 423
Note 3.1	Cost of sales	(9 146)	(7 431)
	Gross profit	**2 082**	**1 992**
Note 3.1	Selling costs and administrative expenses	(677)	(640)
	Profit on sales	**1 405**	**1 352**
	Share of losses of joint ventures accounted for using the equity method	(63)	(254)
	Interest income on loans granted to joint ventures calculated using the effective interest rate method	166	126
	Profit or loss on involvement in joint ventures	103	(128)
Note 3.2	Other operating income	264	765
Note 3.2	Other operating costs	(234)	(402)
Note 3.3	Finance income	61	26
Note 3.3	Finance costs	(147)	(629)
	Profit before income tax	**1 452**	**984**
	Income tax expense	(482)	(373)
	PROFIT FOR THE PERIOD	**970**	**611**
	Profit for the period attributable to:		
	Shareholders of the Parent Entity	969	610
	Non-controlling interest	1	1
	Weighted average number of ordinary shares (million)	**200**	**200**
	Basic/diluted earnings per share (in PLN)	**4.85**	**3.05**

amounts in PLN millions, unless otherwise stated

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	from 1 January 2019 to 30 June 2019	from 1 January 2018 to 30 June 2018
Profit for the period	**970**	**611**
Measurement of hedging instruments net of the tax effect	(60)	56
Exchange differences from the translation of statements of operations with a functional currency other than PLN	17	(142)
Other comprehensive income which will be reclassified to profit or loss	**(43)**	**(86)**
Measurement of equity financial instruments at fair value through other comprehensive income, net of the tax effect	**(63)**	(124)
Actuarial losses net of the tax effect	(125)	(191)
Other comprehensive income, which will not be reclassified to profit or loss	**(188)**	**(315)**
Total other comprehensive net income	**(231)**	**(401)**
TOTAL COMPREHENSIVE INCOME	**739**	**210**
Total comprehensive income attributable to:	**739**	**210**
Shareholders of the Parent Entity	738	209
Non-controlling interest	1	1

amounts in PLN millions, unless otherwise stated

CONSOLIDATED STATEMENT OF CASH FLOWS

		from 1 January 2019 to 30 June 2019	from 1 January 2018 to 30 June 2018
	Cash flow from operating activities		
	Profit before income tax	1 452	984
	Depreciation/amortisation recognised in profit or loss	921	864
	Share of losses of joint ventures accounted for using the equity method	63	254
	Interest on loans granted to joint ventures	(166)	(126)
	Interest and other costs of borrowings	99	70
	Impairment losses on non-current assets	-	14
	Exchange differences, of which:	47	(52)
	from investing activities and cash	105	(585)
	from financing activities	(58)	533
	Change in provisions and employee benefits liabilities	(60)	231
	Change in other receivables and liabilities	(290)	89
	Change in derivatives	(50)	(164)
Note 4.10	Other adjustments	-	(7)
	Exclusions of income and costs, total	564	1 173
	Income tax paid	(257)	(413)
Note 4.11	Changes in working capital	(145)	(1 040)
	Net cash generated from operating activities	**1 614**	**704**
	Cash flow from investing activities		
	Expenditures on mining and metallurgical assets, including:	(1 416)	(1 153)
	paid capitalised interest on borrowings	(72)	(53)
	Expenditures on other property, plant and equipment and intangible assets	(188)	(121)
	Expenditures on financial assets designated for mine decommissioning	(292)	(24)
	Acquisition of newly-issued shares of joint ventures	(63)	(262)
	Other expenses	(21)	(22)
	Total expenses	(1 980)	(1 582)
	Proceeds from financial assets designated for mine decommissioning	268	9
	Other proceeds	16	60
	Total proceeds	284	69
	Net cash used in investing activities	**(1 696)**	**(1 513)**
	Cash flow from financing activities		
	Proceeds from borrowings	3 425	2 065
	Proceeds from the issue of debt financial instruments	2 000	-
	Other proceeds	2	2
	Total proceeds	5 427	2 067
	Repayments of borrowings, including:	(5 048)	(1 165)
	leases	(24)	(4)
	Interest paid and other costs of borrowings, including:	(108)	(70)
	leases	(25)	-
	Other expenses	(1)	-
	Total expenses	(5 157)	(1 235)
	Net cash generated from financing activities	**270**	**832**
	TOTAL NET CASH FLOW	**188**	**23**
	Exchange gains/(losses)	(39)	1
	Cash and cash equivalents at beginning of the period	957	**586**
	Cash and cash equivalents at end of the period	**1 106**	**610**

amounts in PLN millions, unless otherwise stated

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 30 June 2019	As at 31 December 2018
	ASSETS		
	Mining and metallurgical property, plant and equipment	18 632	17 507
	Mining and metallurgical intangible assets	1 715	1 657
	Mining and metallurgical property, plant and equipment and intangible assets	20 347	19 164
	Other property, plant and equipment	2 945	2 789
	Other intangible assets	155	224
	Other property, plant and equipment and intangible assets	3 100	3 013
	Joint ventures accounted for using the equity method	4	4
	Loans granted to joint ventures	5 327	5 199
Note 4.2	Total involvement in joint ventures	5 331	5 203
	Derivatives	258	320
	Other financial instruments measured at fair value	463	541
	Other financial instruments measured at amortised cost	751	716
Note 4.3	Financial instruments, total	1 472	1 577
	Deferred tax assets	223	309
	Other non-financial assets	108	109
	Non-current assets	**30 581**	**29 375**
	Inventories	5 277	4 983
Note 4.3	Trade receivables, including:	723	799
	Trade receivables measured at fair value through profit or loss	231	304
	Tax assets	288	417
Note 4.3	Derivatives	324	301
	Other financial assets	420	273
	Other non-financial assets	326	132
Note 4.3	Cash and cash equivalents	1 106	957
	Current assets	**8 464**	**7 862**
	TOTAL ASSETS	**39 045**	**37 237**
	EQUITY AND LIABILITIES		
	Share capital	2 000	2 000
	Other reserves from measurement of financial instruments	(468)	(444)
	Accumulated other comprehensive income other than from measurement of financial instruments	1 897	2 005
	Retained earnings	16 442	15 572
	Equity attributable to shareholders of the Parent Entity	19 871	19 133
	Equity attributable to non-controlling interest	93	92
	Equity	**19 964**	**19 225**
Note 4.3	Borrowings, leases and debt securities	7 910	6 878
Note 4.3	Derivatives	127	162
Note 4.6	Employee benefits liabilities	2 649	2 447
	Provisions for decommissioning costs of mines and other facilities	1 712	1 564
	Deferred tax liabilities	404	498
	Other liabilities	598	598
	Non-current liabilities	13 400	12 147
Note 4.3	Borrowings, leases and debt securities	1 050	1 071
Note 4.3	Derivatives	47	43
Note 4.3	Trade payables	1 882	2 053
Note 4.6	Employee benefits liabilities	1 036	1 044
	Tax liabilities	453	349
	Provisions for liabilities and other charges	162	271
	Other liabilities	1 051	1 034
	Current liabilities	5 681	5 865
	Non-current and current liabilities	**19 081**	**18 012**
	TOTAL EQUITY AND LIABILITIES	**39 045**	**37 237**

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 2018	**2 000**	**(568)**	**2 427**	**13 915**	**17 774**	**91**	**17 865**
Transactions with non-controlling interest	-	-	-	-	**-**	(1)	**(1)**
Transactions with owners	-	-	-	-	**-**	(1)	**(1)**
Profit for the period	**-**	-	-	610	**610**	1	**611**
Other comprehensive income	-	(68)	(333)	-	**(401)**	-	**(401)**
Total comprehensive income	-	(68)	(333)	610	**209**	1	**210**
As at 30 June 2018	**2 000**	**(636)**	**2 094**	**14 525**	**17 983**	**91**	**18 074**
As at 1 January 2019	**2 000**	**(444)**	**2 005**	**15 572**	**19 133**	**92**	**19 225**
Profit for the period	-	**-**	**-**	**969**	**969**	**1**	**970**
Other comprehensive income	-	(123)	(108)	-	**(231)**	-	**(231)**
Total comprehensive income	**-**	**(123)**	**(108)**	**969**	**738**	**1**	**739**
Reclassification of the result of measurement of equity instruments measured at fair value through other comprehensive income	-	99	-	(99)	**-**	-	**-**
As at 30 June 2019	**2 000**	**(468)**	**1 897**	**16 442**	**19 871**	**93**	**19 964**

Part 1 – General information

Note 1.1 Corporate information

KGHM Polska Miedź S.A. ("the Parent Entity") 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 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 the KGHM INTERNATIONAL LTD. Group for the exploration for and mining of these resources in the USA, Canada and Chile.

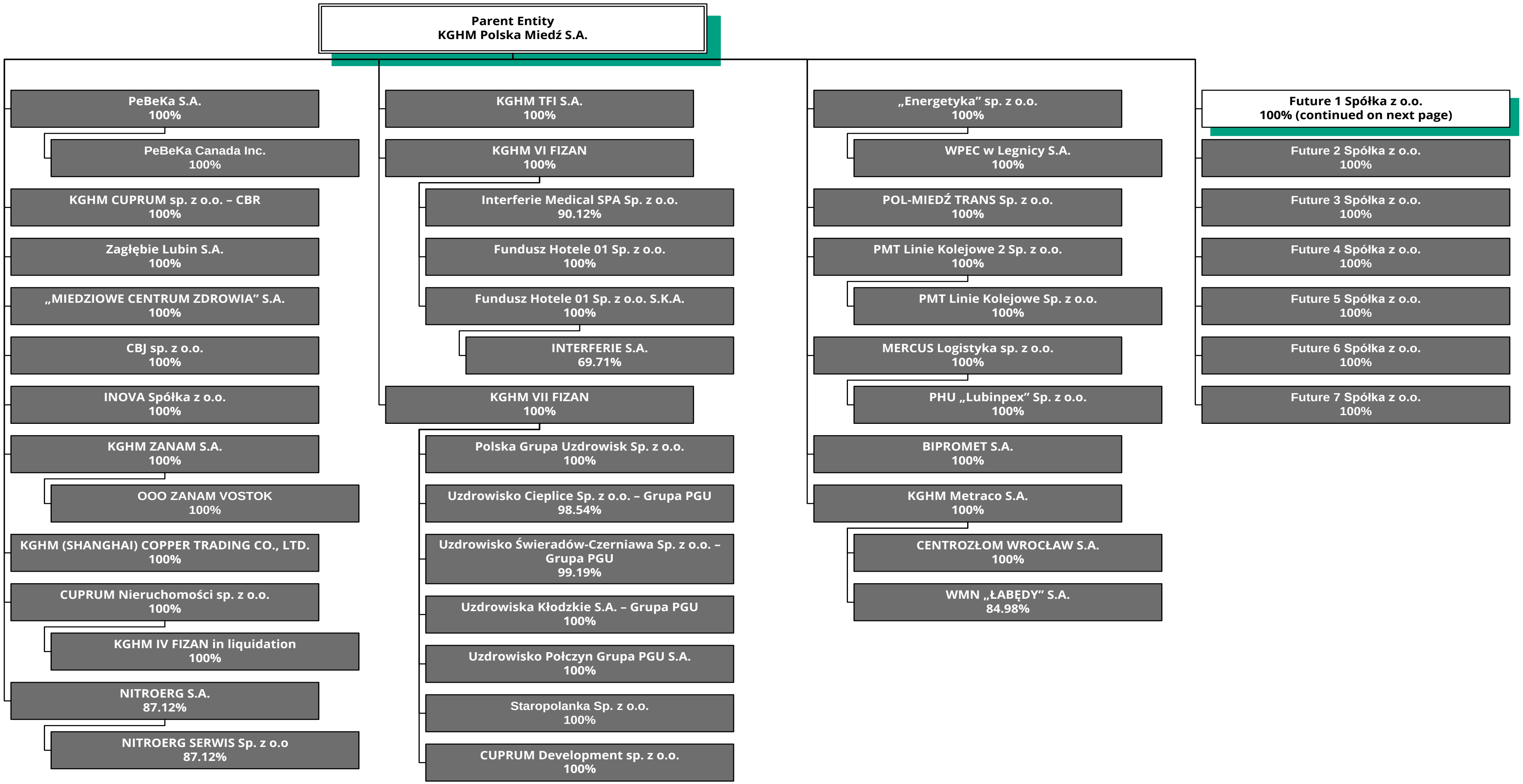
Note 1.2 Declaration by the Management Board of KGHM Polska Miedź S.A.

The Management Board of KGHM Polska Miedź S.A. declares that according to its best judgement:

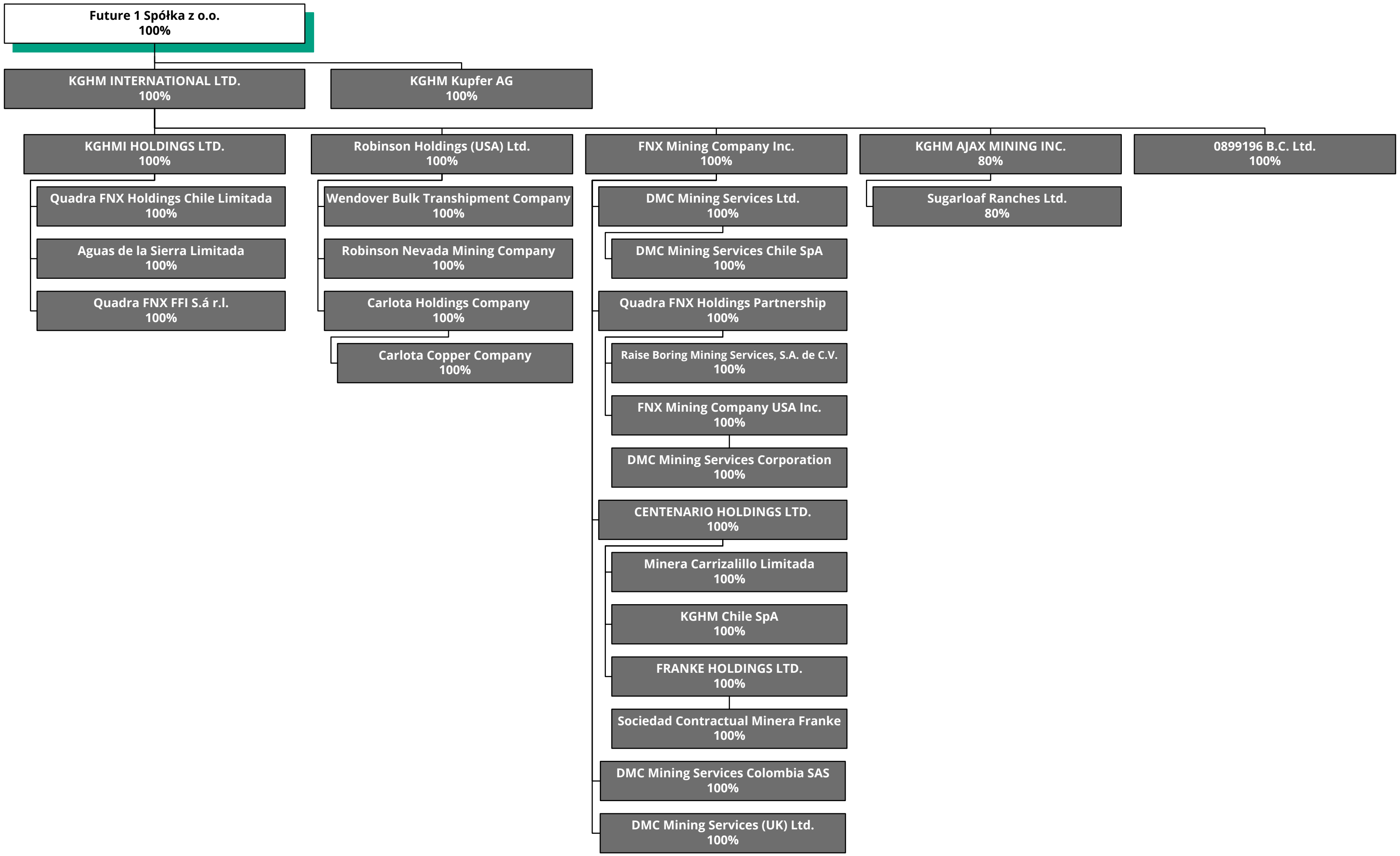
– condensed consolidated financial statements for the first half of 2019 and comparative data have been prepared in accordance with accounting principles currently in force, and give a true, fair and clear view of the financial position of the KGHM Polska Miedź S.A. Group and the profit for the period of the Group,
– condensed financial statements of KGHM Polska Miedź S.A. for the first half of 2019 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 2019 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 2019

In the current half-year, KGHM Polska Miedź S.A. consolidated 74 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.).



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 Limitada
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 ***4.2880 EURPLN*,***
- for the conversion of turnover, profit or loss and cash flow for the comparable period, the rate of ***4.2395 EURPLN*,***
- for the conversion of assets, equity and liabilities at 30 June 2019, the current average exchange rate announced by the National Bank of Poland (NBP) as at 28 June 2019, of ***4.2520 EURPLN,***
- for the conversion of assets, equity and liabilities at 31 December 2018, the current average exchange rate announced by the NBP as at 31 December 2018, of ***4.3000 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 2019 and 2018.*

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

The condensed consolidated financial statements as at 30 June 2019 as well as the condensed financial statements as at 30 June 2019 were reviewed by a certified auditor.

The consolidated half-year report for the period from 1 January 2019 to 30 June 2019 in the part concerning condensed consolidated financial statements and in the part concerning condensed financial statements of KGHM Polska Miedź S.A. was prepared in accordance with IAS 34 Interim Financial Reporting as approved by the European Union and for a full understanding of the financial position and operating results of KGHM Polska Miedź S.A. and the KGHM Polska Miedź S.A. Group, should be read jointly with the Annual report R 2018 and the Consolidated annual report RS 2018.

This half-year report's financial statements were prepared using the same accounting policies and valuation methods for the current and comparable periods and principles applied in annual financial statements (consolidated and separate), prepared as at 31 December 2018, with the exception of accounting policies and measurement arising from the application of IFRS 16 which are presented below.

Note 1.5.1 Impact of new and amended standards and interpretations

The International Accounting Standards Board approved the following new standards for use after 1 January 2019:

- IFRS 16 Leases,
- Amendments to IAS 19 on amendments, curtailments or settlements of plans of specified benefits,
- Amendments to IAS 28 on long-term interests that form part of the net investments in associates and joint ventures,
- IFRIC 23 interpretation on uncertainty over income tax treatments,
- Amendments to IFRS 9 on debt financial assets with early repayment options, which could lead to the arising of a so-called negative compensation,
- Annual improvements to IFRS Standards, 2015-2017 cycle.

Up to the date of publication of these consolidated financial statements, the aforementioned amendments to the standards were approved for use by the European Union and with the exception of IFRS 16, they will not have an impact on the Group's accounting policy or on the consolidated financial statements.

IFRS 16 "Leases"

Basic information on the standard

Date of implementation and transitional rules
IFRS 16 is effective for annual periods beginning on or after 1 January 2019 and has been adopted by the European Union. It superseded the IAS 17 standard, interpretations IFRIC 4 and SIC 15 and 27. The Group applies IFRS 16 from 1 January 2019.

Main changes introduced by the standard
The new standard introduced a single model for recognising a lease in a lessee's accounting books, conforming to the recognition of a finance lease under IAS 17. In accordance with IFRS 16, an agreement is a lease or contains a lease if it transfers the rights to control the use of an identified asset for a given period in exchange for compensation. The essential element differentiating the definition of a lease from IAS 17 and from IFRS 16 is the requirement to have control over the used, specific asset, indicated directly or implied in the agreement. Transfer of the right to use takes place when we have an identified asset, with respect to which the lessee has the right to obtain substantially all of the economic benefits from its use, and controls the use of a given asset in a given period. If the definition of a "lease" is met, the right to use an asset is recognised alongside a corresponding lease liability, set in the amount of future discounted payments – for the duration of the lease. Expenses related to the use of lease assets, the majority of which were previously recognised in external services costs, are currently classified as depreciation/amortisation and interest costs. Right-to-use assets are depreciated in accordance with IAS 16, while lease liabilities are settled using the effective interest rate. The requirements of the new standard with respect to recognition and measurement by the lessor are similar to the requirements of IAS 17. A lease is classified as financial or operational also in accordance with IFRS 16. Compared to IAS 17, the new standard changed the principles of classification of a sublease and requires the lessor to disclose additional information.

Impact of IFRS 16 on the financial statements

The Group had completed the work related to implementation of the new standard IFRS 16 in the fourth quarter of 2018. The project to implement IFRS 16 (project), was executed in three stages:

- stage I – analysis of all executed agreements for the purchase of services, regardless of their classification, the goal of which was to identify agreements based on which the Group companies use assets belonging to suppliers; in addition, this stage comprised the analysis of perpetual usufruct rights to land as well as land easements and transmission easements,

- stage II – the evaluation of each agreement identified in stage I in terms of its meeting the criteria to be recognised as a lease pursuant to IFRS 16,

- stage III - implementation of IFRS 16 based on the developed concept.

All agreements involving a finance lease, operating lease, rentals, leases, perpetual usufruct rights to land or transmission easements and land easements were analysed. Also analysed were transactions involving purchased services (external service costs under operating activities) in terms of any occurrence of use of the identified assets.
Under this project the Group carried out appropriate changes in accounting policy and operating procedures. Methods were developed and implemented for the proper identification of lease agreements and for gathering data needed in order to properly account for such transactions.
The Group decided to apply the standard from 1 January 2019. In accordance with the transition rules described in IFRS 16.C5 (b), the new principles were adopted retrospectively, and the accumulated impact of initial application of the new standard was recognised in equity as at 1 January 2019. Consequently, comparable data for financial year 2018 were not restated (the modified retrospective approach).

Subsequently are described particular adjustments resulting from the implementation of IFRS 16.

Description of adjustments

a) Recognition of lease liabilities

Following the adoption of IFRS 16, the Group recognises lease liabilities related to agreements which were previously classified as "operating leases" in accordance with IAS 17 *Leases*. These liabilities were measured at the present value of lease payments due to be paid as at the date of commencement of the application of IFRS 16. For purposes of implementation of IFRS 16 and disclosure with respect to the impact of implementation of IFRS 16, discounting was applied using the Group's incremental borrowing rate as at 1 January 2019.
At their date of initial recognition, lease payments contained in the amount of lease liabilities comprise the following types of payments for the right to use the underlying asset for the life of the lease:

- fixed lease payments less any lease incentives,
- variable lease payments which are dependent on indices or market interest rates,
- amounts expected to be payable under guaranteed residual value of the leased object,
- the strike price of a purchase option, if it is reasonably certain that the option will be exercised, and
- payment due to contractual penalties for terminating the lease, if the lease period reflects the lessee's use of the option of terminating the lease.

For the purposes of calculating the discount rate under IFRS 16, the Group assumed that the discount rate should reflect the cost of financing which would be drawn to purchase an asset with a similar value to right to use of the object of a given lease. To estimate the amount of the discount rate, the Group considered the following contractual parameters: the type and life of an agreement, the currency applied and the potential margin which would have to be paid to financial institutions to obtain financing.

As at 1 January 2019, the discount rates calculated by the Group were within the following ranges (depending on the life of the agreement):
- for PLN-denominated agreements: from 4.25% to 5.86%
- for EUR-denominated agreements: from 2.10% to 4.63%
- for USD-denominated agreements: from 5.42% to 6.08%
- for CAD-denominated agreements: from 4.70% to 5.75%

The Group used expedients with respect to short-term leases (up to 12 months) as well as in the case of leases in respect of which the underlying asset has a low value (up to PLN 20 000) and for which agreements it does not recognise financial liabilities nor any respective right-to-use assets. These types of lease payments are recognised as costs using the straight-line method during the life of the lease.

b) Recognition of right-to-use assets

Right-to-use assets are measured at cost.
The initial cost of a right-to-use asset comprises:
- the amount of the initial measurement of lease liabilities,
- any lease payments paid at the commencement date or earlier, less any lease incentives received,
- initial direct costs incurred by the lessee as a result of entering into a lease agreement,
- estimates of costs which are to be incurred by the lessee as a result of an obligation to disassemble and remove an underlying asset or to carry out renovation.

On the day of initial application, in the case of leases previously classified as operating leases under IAS 17, right-to-use assets were measured by the Group at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments related to that lease, recognised in the statement of financial position directly preceding the date of the initial application of IFRS 16.
Following initial recognition, right-to-use assets are depreciated under IAS 16 and are subjected to impairment testing pursuant to IAS 36.

c) Application of estimates

The implementation of IFRS 16 required making estimates and calculations which effected the measurement of lease liabilities and of right-to-use assets. These include among others:
- determining which agreements are subject to IFRS 16,
- determining the remaining life of leases for agreements entered into before 1 January 2019 (including for agreements with unspecified lives or which may be prolonged),
- determining the incremental borrowing rates applied for the purpose of discounting future cash flows, and
- determining useful lives and the depreciation rates of right-to-use assets, recognised as at 1 January 2019.

d) Application of practical expedients

In the first time application of IFRS 16, the Group used following practical exemptions, permitted by the standard:
- application of a single discount rate to a portfolio of leases with similar characteristics,
- assessment as to whether lease agreements are onerous as defined by IAS 37 at the moment of implementation of the standard as an alternative to performing impairment testing of a leased asset,
- the treatment of operating lease agreements for which the remaining lease term is less than 12 months as at 1 January 2019 as short-term leases, and
- the use of hindsight (i.e. knowledge gained after the fact) in determining the lease period if the agreement contains options to prolong or terminate the lease.

e) Impact of implementation of IFRS 16 on the financial statements

As at 31 December 2018, the Group had non-cancellable, off-balance sheet operating lease liabilities in respect of the following agreements: perpetual usufruct of land, lease of land, lease of machines and equipment and other leases. As at 31 December 2018, their notional amount was PLN 1 489 million, of which the amount of PLN 1 478 million concerns lease agreements in accordance with IFRS 16, and excludes short-term leases and the lease of low value assets.

For the aforementioned agreements, the Group measured the present value of assets used under these agreements and recognised, as at 1 January 2019, right-to-use assets in the amount of PLN 637 million and a corresponding lease liability in the same amount.

amounts in PLN millions, unless otherwise stated

In the case of lease agreements which were previously classified as finance leases, the carrying amounts of the right-to-use assets and lease liabilities as at 1 January 2019 is equal to the amounts measured in accordance with IAS 17 as at 31 December 2018.

Off-balance sheet lease liabilities in the amount of PLN 1 489 million were written off.

In the case of agreements in which the Group companies are lessors, application of IFRS 16 did not necessitate the recognition of adjustments as at 1 January 2019.

Summary of the financial impact of the implementation of IFRS 16 (this only concerns lease agreements entered into or amended before 1 January 2019):

Reconciliation of transition from IAS 17 to IFRS 16:

		Amount
Finance lease liabilities	IAS 17	27
Off-balance sheet operating lease liabilities (excluding discount)	IAS 17	1 489
Total - 31 December 2018		**1 516**
(-) Impact of the discount using the incremental borrowing rate as at 1 January 2019	IFRS 16	(139)
(-) Impact of the discount of perpetual usufruct of land as at 1 January 2019	IFRS 16	(702)
(-) Short-term lease agreements recognised as a cost in the period	IFRS 16	(11)
(-) Lease agreements of low value assets recognised as a cost in the period	IFRS 16	-
Lease liabilities – 1 January 2019		**664**

Impact on items of the statement of financial position as at 1 January 2019

	As at 1 January 2019
Right-to-use assets – property, plant and equipment	716
Intangible assets – reclassification of purchased perpetual usufruct right to land and transmission easements	(79)
Lease liability	637

Impact on the financial statements as at 30 June 2019

Right-to-use assets – by assets	As at 31 December 2018	Impact of IFRS 16	As at 1 January 2019	As at 30 June 2019
Land	5	249	254	251
Perpetual usufruct right to land	74	302	376	381
Buildings	-	8	8	6
Technical equipment and machines	19	59	78	107
Motor vehicles	15	18	33	29
Other fixed assets	2	1	3	4
Total	**115**	**637**	**752**	**778**

	from 1 January 2019 to 30 June 2019
Impact on the statement of comprehensive income:	
- decrease in taxes, charges and services	(42)
- increase in interest costs	16
- increase in depreciation/amortisation	24
Impact on the statement of cash flows:	
- increase in net cash flows - operating activities	42
- decrease in net cash flows - financing activities	(42)

The cost of short-term lease agreements and the cost of lease agreements for low-value assets for the first half of 2019 is immaterial.

The discount rates applied as at 30 June 2019 were as follows:

- for PLN-denominated agreements: from 3.93 % to 5.22%,
- for EUR-denominated agreements: from 1.93% to 4.24%.
- for USD-denominated agreements: from 4.89% to 5.58%
- for CAD-denominated agreements: from 4.11% to 5.29%

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: 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: 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 2 Sp. z o.o., Future 3 Sp. z o.o., Future 4 Sp. z o.o., Future 5 Sp. z o.o., Future 6 Sp. z o.o. and Future 7 Sp. z o.o., which operate in the structure related to the establishment of a Tax Group.

These companies do not conduct operating activities which could impact the results achieved by individual segments, and as a result their inclusion could distort the data presented in this part of the consolidated financial statements due to significant settlements with other Group 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 Limitada, 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 IV FIZAN in liquidation, 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., PeBeKa Canada Inc., PHU "Lubinpex" Sp. z o.o., PMT Linie Kolejowe Sp. z o.o., PMT Linie Kolejowe 2 Sp. z o.o., Staropolanka 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 income tax (current and deferred), finance income and (costs), other operating income and costs, the share of losses of joint ventures accounted for using the equity method, impairment losses on interest in joint ventures, depreciation/amortisation and impairment losses on property, plant and equipment 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.

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

Note 2.2 Financial results of reporting segments

		from 1 January 2019 to 30 June 2019						
						Reconciliation items to consolidated data		
		KGHM Polska Miedź S.A.	KGHM INTERNATIONAL LTD.	Sierra Gorda S.C.M.*	Other segments	Elimination of data of the segment Sierra Gorda S.C.M	Adjustments*****	Consolidated financial statements
Note 2.3	**Total revenues from contracts with customers, of which:**	**8 831**	**1 414**	**1 007**	**3 660**	(1 007)	(2 677)	11 228
	- inter-segment	162	11	-	2 447	-	(2 620)	-
	- external	8 669	1 403	1 007	1 213	(1 007)	(57)	11 228
	Segment result – profit/(loss) for the period	**1 227**	**(257)**	**(246)**	**(2)**	**246**	**2**	**970**
	Additional information on significant cost/revenue items of the segment							
	Depreciation/amortisation recognised in profit or loss	(586)	(216)	(238)	(119)	238	-	(921)
	Share of losses of joint ventures accounted for using the equity method	-	(63)	-	-	-	-	(63)
		As at 30 June 2019						
	Assets, of which:	**36 047**	**9 980**	**8 913**	**5 482**	**(8 913)**	**(12 464)**	**39 045**
	Segment assets	36 047	9 980	8 913	5 482	(8 913)	(12 474)	39 035
	Joint ventures accounted for using the equity method	-	-	-	-	-	4	4
	Assets unallocated to segments	-	-	-	-	-	6	6
	Liabilities, of which:	**16 025**	**15 749**	**12 557**	**2 338**	**(12 557)**	**(15 031)**	**19 081**
	Segment liabilities	16 025	15 749	12 557	2 338	(12 557)	(15 085)	19 027
	Liabilities unallocated to segments	-	-	-	-	-	54	54
	Other information	from 1 January 2019 to 30 June 2019						
	Cash expenditures on property, plant and equipment and intangible assets	1 312	312	294	130	(294)	(150)	1 604
	Production and cost data	from 1 January 2019 to 30 June 2019						
	Payable copper (kt)	286.7	36.0	29.2				
	Molybdenum (million pounds)	-	0.5	5.7				
	Silver (t)	704.6	1.1	7.1				
	TPM (koz t)**	50.6	38.9	14.5				
	C1 cash cost of producing copper in concentrate (USD/lb)***	1.81	1.82	1.47				
	Segment result - Adjusted EBITDA	**1 919**	**336**	**349**	**128**	**-**	**-**	**2 732**
	EBITDA margin******	**22%**	**24%**	**35%**	**3%**	**-**	**-**	**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. [2 732 / (11 228 + 1 007) * 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 2018 to 30 June 2018						
Note 2.3	**Revenues from contracts with customers, of which:**	**7 189**	**1 298**	**908**	**3 369**	**(908)**	**(2 433)**	**9 423**
	- inter-segment	139	19	-	2 262	-	(2 420)	-
	- external	7 050	1 279	908	1 107	(908)	(13)	9 423
	Segment result – profit/(loss) for the period	**987**	**(391)**	**(236)**	**32**	**236**	**(17)**	**611**
	Additional information on significant cost/revenue items of the segment							
	Depreciation/amortisation recognised in profit or loss	(534)	(220)	(256)	(115)	256	5	(864)
	Share of losses of joint ventures accounted for using the equity method	-	(252)	-	-	-	(2)	(254)
		As at 31 December 2018						
	Assets, of which:	**34 250**	**9 587**	**8 851**	**5 848**	**(8 851)**	**(12 448)**	**37 237**
	Segment assets	34 250	9 587	8 851	5 848	(8 851)	(12 466)	37 219
	Joint ventures accounted for using the equity method	-	-	-	-	-	4	4
	Assets unallocated to segments	-	-	-	-	-	14	14
	Liabilities, of which:	**15 205**	**15 178**	**12 340**	**2 606**	**(12 340)**	**(14 977)**	**18 012**
	Segment liabilities	15 205	15 178	12 340	2 606	(12 340)	(15 030)	17 959
	Liabilities unallocated to segments	-	-	-	-	-	53	53
	Other information	from 1 January 2018 to 30 June 2018						
	Cash expenditures on property, plant and equipment and intangible assets	961	297	307	101	(307)	(85)	1 274
	Production and cost data	from 1 January 2018 to 30 June 2018						
	Payable copper (kt)	227.5	42.6	24.5				
	Molybdenum (million pounds)	-	0.2	7.7				
	Silver (t)	478.4	0.7	6.3				
	TPM (koz t)**	38.4	34.6	9.3				
	C1 cash cost of producing copper in concentrate (USD/lb)***	1.90	1.86	1.16				
	Segment result - Adjusted EBITDA	**1 700**	**380**	**333**	**152**	**-**	**-**	**2 565**
	EBITDA margin******	**24%**	**29%**	**37%**	**5%**	**-**	**-**	**25%**

* 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 (25%), the consolidated revenues from contracts with customers were increased by revenues from contracts with customers of the segment Sierra Gorda S.C.M. [2 565 / (9 423 + 908) * 100%]
***** Adjustments arise from consolidation eliminations and financial data of companies unallocated to any segment.
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amounts in PLN millions, unless otherwise stated

Reconciliation of adjusted EBITDA	from 1 January 2019 to 30 June 2019			
	KGHM Polska Miedź S.A.	KGHM INTERNATIONAL LTD.	Sierra Gorda S.C.M.*	Other segments
Profit/(loss) for the period	**1 227**	**(257)**	**(246)**	**(2)**
[-] Share of losses of joint ventures accounted for using the equity method	-	(63)	-	-
[-] Current and deferred income tax	(485)	(24)	62	(17)
[-] Depreciation/amortisation recognised in profit or loss	(586)	(216)	(238)	(119)
[-] Other operating income/(costs)	452	176	(6)	14
[-] Finance income/(costs)	(73)	(466)	(413)	(8)
[-] Recognition/reversal of impairment losses on non-current assets recognised in cost of sales, selling costs and administrative expenses	-	-	-	-
Adjusted EBITDA	**1 919**	**336**	**349**	**128**

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

Reconciliation of adjusted EBITDA	from 1 January 2018 to 30 June 2018			
	KGHM Polska Miedź S.A.	KGHM INTERNATIONAL LTD.	Sierra Gorda S.C.M.*	Other segments
Profit/(loss) for the period	**987**	**(391)**	**(236)**	**32**
[-] Share of losses of joint ventures accounted for using the equity method	-	(252)	-	-
[-] Current and deferred income tax	(291)	(10)	67	(15)
[-] Depreciation/amortisation recognised in profit or loss	(534)	(220)	(256)	(115)
[-] Other operating income/(costs)	708	124	3	18
[-] Finance costs	(596)	(413)	(383)	(8)
[-] Recognition/reversal of impairment losses on non-current assets recognised in cost of sales, selling costs and administrative expenses	-	-	-	-
Adjusted EBITDA	**1 700**	**380**	**333**	**152**

*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 2019 to 30 June 2019

	KGHM Polska Miedź S.A.	KGHM INTERNATIONAL LTD.	Sierra Gorda S.C.M.*	Other segments	Reconciliation items to consolidated data: Elimination of data of the segment Sierra Gorda S.C.M.	Reconciliation items to consolidated data: Consolidation adjustments	Consolidated data
Copper	6 835	770	653	3	(653)	(12)	**7 596**
Silver	1 313	1	14	-	(14)	-	**1 314**
Gold	253	110	77	-	(77)	-	**363**
Services	45	400	-	1 100	-	(822)	**723**
Blasting materials and explosives	-	-	-	104	-	(36)	**68**
Mining machinery, transport vehicles and other types of machinery and equipment	-	-	-	70	-	(46)	**24**
Merchandise and materials	120	-	-	2 090	-	(1 722)	**488**
Other products	265	133	263	292	(263)	(38)	**652**
TOTAL	**8 831**	**1 414**	**1 007**	**3 659**	**(1 007)**	**(2 676)**	11 228

from 1 January 2018 to 30 June 2018

	KGHM Polska Miedź S.A.	KGHM INTERNATIONAL LTD.	Sierra Gorda S.C.M.*	Other segments	Reconciliation items to consolidated data: Elimination of data of the segment Sierra Gorda S.C.M.	Reconciliation items to consolidated data: Consolidation adjustments	Consolidated data
Copper	5 691	845	489	3	(489)	(10)	**6 529**
Silver	930	6	10	-	(10)	-	**936**
Gold	180	95	42	-	(42)	-	**275**
Services	44	282	-	1 053	-	(799)	**580**
Blasting materials and explosives	-	-	-	106	-	(37)	**69**
Mining machinery, transport vehicles and other types of machinery and equipment	-	-	-	90	-	(72)	**18**
Merchandise and materials	95	-	-	1 804	-	(1 452)	**447**
Other products	249	70	367	313	(367)	(63)	**569**
TOTAL	**7 189**	**1 298**	**908**	**3 369**	**(908)**	**(2 433)**	**9 423**

* 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 2019 to 30 June 2019						
					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	**8 831**	**1 414**	**1 007**	**3 659**	**(1 007)**	**(2 676)**	**11 228**
Revenues from sales contracts, for which the sales price is set after the date of recognition of the sales (M+ principle), of which:	7 431	1 013	1 002	-	(1 002)	(41)	**8 403**
settled	6 861	418	262	-	(262)	(40)	**7 239**
unsettled	570	595	740	-	(740)	(1)	**1 164**
Revenues from other sales contracts	1 400	401	5	3 659	(5)	(2 635)	**2 825**

	from 1 January 2018 to 30 June 2018						
					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	**7 189**	**1 298**	**908**	**3 369**	**(908)**	**(2 433)**	**9 423**
Revenues from sales contracts, for which the sales price is set after the date of recognition of the sales (M+ principle), of which:	5 201	1 013	923	-	(923)	(42)	**6 172**
settled	4 613	624	129	-	(129)	(41)	**5 196**
unsettled	588	389	794	-	(794)	(1)	**976**
Revenues from other sales contracts	1 988	285	(15)	3 369	15	(2 391)	**3 251**

* 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 clients

	from 1 January 2019 to 30 June 2019							from 1 January 2018 to 30 June 2018
					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	2 151	-	4	3 500	(4)	(2 674)	**2 977**	2 800
Austria	99	-	-	11	-	-	**110**	135
Bulgaria	5	52	-	4	-	-	**61**	13
Czechia	695	-	-	13	-	-	**708**	727
Denmark	27	-	-	1	-	-	**28**	36
Finland	11	52	-	3	-	-	**66**	36
France	445	-	-	1	-	-	**446**	376
Spain	-	124	-	1	-	-	**125**	303
Netherlands	3	-	73	1	(73)	-	**4**	-
Germany	1 388	(54)	-	30	-	-	**1 364**	1 023
Romania	93	-	-	1	-	-	**94**	30
Slovakia	49	-	-	4	-	-	**53**	63
Slovenia	35	-	-	2	-	-	**37**	38
Sweden	16	-	-	13	-	-	**29**	35
Hungary	354	-	-	4	-	-	**358**	366
The United Kingdom	1 042	224	-	5	-	(2)	**1 269**	855
Italy	476	-	-	5	-	-	**481**	224
Australia	37	-	-	1	-	-	**38**	-
Bosnia and Hercegovina	20	-	-	1	-	-	**21**	15
Chile	-	44	87	-	(87)	-	**44**	8
China	1 143	22	330	-	(330)	-	**1 165**	948
Japan	-	154	405	-	(405)	-	**154**	2
Canada	-	288	1	-	(1)	-	**288**	331
South Korea	-	61	57	-	(57)	-	**61**	-
Russia	-	-	-	25	-	-	**25**	15
The United States of America	210	334	32	2	(32)	-	**546**	593
Switzerland	328	-	-	1	-	-	**329**	250
Turkey	128	-	-	2	-	-	**130**	145
Taiwan	49	-	-	-	-	-	**49**	-
Brazil	-	63	13	-	(13)	-	**63**	-
Philippines	-	50	-	-	-	-	**50**	-
Other countries	27	-	5	28	(5)	-	**55**	56
TOTAL	**8 831**	**1 414**	**1 007**	**3 659**	**(1 007)**	**(2 676)**	**11 228**	**9 423**

* 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 2019 to 30 June 2019 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

	Property, plant and equipment, intangible assets and investment properties	
	As at 30 June 2019	As at 31 December 2018
Poland	20 732	19 652
Canada	1 153	1 151
The United States of America	1 281	1 118
Chile	360	335
TOTAL	**23 526**	**22 256**

The following were also recognised in non-current assets: involvement in joint ventures accounted for using the equity method, loans granted to joint ventures, derivatives, other instruments measured at fair value, other financial and non-financial assets and deferred tax assets.

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 2019 to 30 June 2019	from 1 January 2018 to 30 June 2018
Depreciation of property, plant and equipment and amortisation of intangible assets	961	993
Employee benefits expenses	2 707	2 580
Materials and energy	4 025	3 379
External services	1 124	1 031
Minerals extraction tax	866	900
Other taxes and charges	260	278
Other costs	105	103
Total expenses by nature	**10 048**	**9 264**
Cost of merchandise and materials sold (+)	382	342
Change in inventories of finished goods and work in progress (+/-)	12	(912)
Cost of manufacturing products for internal use of the Group (-)	(619)	(623)
Total costs of sales, selling costs and administrative expenses, of which:	**9 823**	**8 071**
Cost of sales	9 146	7 431
Selling costs	202	180
Administrative expenses	475	460

Note 3.2 Other operating income and (costs)

	from 1 January 2019 to 30 June 2019	from 1 January 2018 to 30 June 2018
Measurement and realisation of derivatives	110	122
Interest income calculated using the effective interest rate method	5	4
Exchange differences on assets and liabilities other than borrowings	-	537
Release of provisions	52	14
Other	97	88
Total other operating income	**264**	**765**
Measurement and realisation of derivatives	(123)	(122)
Impairment losses on financial instruments	(3)	(3)
Impairment losses on non-financial assets	-	(14)
Exchange differences on assets and liabilities other than borrowings	(6)	-
Provisions recognised	(18)	(162)
Other	(84)	(101)
Total other operating costs	**(234)**	**(402)**
Other operating income and (costs)	**30**	**363**

amounts in PLN millions, unless otherwise stated

Note 3.3 Finance income and (costs)

	from 1 January 2019 to 30 June 2019	from 1 January 2018 to 30 June 2018
Exchange differences on borrowings	58	-
Measurement and realisation of derivatives	2	26
Other	1	-
Total finance income	**61**	**26**
Interest on borrowings, including:	(85)	(52)
leases	(17)	-
Bank fees and charges on borrowings	(14)	(15)
Exchange differences on borrowings	-	(533)
Measurement and realisation of derivatives	(19)	-
Other	(29)	(29)
Total finance costs	**(147)**	**(629)**
Finance income and (costs)	**(86)**	**(603)**

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 2019 to 30 June 2019	from 1 January 2018 to 30 June 2018
Purchase of property, plant and equipment	1 347	1 089
Purchase of intangible assets	43	38

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

	As at 30 June 2019	As at 31 December 2018
Payables due to the purchase of property, plant and equipment and intangible assets	445	728

Capital commitments not recognised in the consolidated statement of financial position

	As at 30 June 2019	As at 31 December 2018
Purchase of property, plant and equipment	1 321	1 478
Purchase of intangible assets	48	45
Total capital commitments	**1 369**	**1 523**

Note 4.2 Involvement in joint ventures

Joint ventures accounted for using the equity method

	from 1 January 2019 to 30 June 2019		from 1 January 2018 to 31 December 2018	
	Sierra Gorda S.C.M.	Other	Sierra Gorda S.C.M.	Other
As at the beginning of the reporting period	**-**	**4**	**-**	**8**
Acquisition of shares	63	-	666	-
Share of losses of joint ventures accounted for using the equity method	(63)	-	(658)	(4)
Exchange differences from the translation of statements of operations with a functional currency other than PLN	-	-	(8)	-
As at the end of the reporting period	**-**	**4**	**-**	**4**

	from 1 January 2019 to 30 June 2019	from 1 January 2018 to 30 June 2018
Share of the Group (55%) in net losses of Sierra Gorda S.C.M. for the reporting period, of which:	**(246)**	**(236)**
recognised in share of losses of joint ventures for the reporting period	(63)	(236)
not recognised in share of losses of joint ventures	(183)	-

amounts in PLN millions, unless otherwise stated

Unrecognised losses of Sierra Gorda S.C.M.

	from 1 January 2019 to 30 June 2019	from 1 January 2018 to 31 December 2018
As at the beginning of the reporting period	**(4 976)**	**(4 867)**
Not recognised share of losses of joint ventures	(183)	(109)
As at the end of the reporting period	**(5 159)**	**(4 976)**

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

	from 1 January 2019 to 30 June 2019	from 1 January 2018 to 31 December 2018
As at the beginning of the reporting period	**5 199**	**3 889**
Accrued interest	166	257
Gains due to reversal of an impairment allowance	-	733
Exchange differences from the translation of statements of operations with a functional currency other than PLN	(38)	320
As at the end of the reporting period	**5 327**	**5 199**

amounts in PLN millions, unless otherwise stated

Note 4.3 Financial instruments

Financial assets:	As at 30 June 2019					As at 31 December 2018				
	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	447	17	6 078	257	**6 799**	526	27	5 915	308	**6 776**
Loans granted to joint ventures	-	-	5 327	-	**5 327**	-	-	5 199	-	**5 199**
Derivatives	-	1	-	257	**258**	-	12	-	308	**320**
Other financial instruments measured at fair value	447	16	-	-	**463**	526	15	-	-	**541**
Other financial instruments measured at amortised cost	-	-	751	-	**751**	-	-	716	-	**716**
Current	-	281	1 983	309	**2 573**	-	328	1 717	285	**2 330**
Trade receivables	-	231	492	-	**723**	-	304	495	-	**799**
Derivatives	-	15	-	309	**324**	-	16	-	285	**301**
Cash and cash equivalents	-	-	1 106	-	**1 106**	-	-	957	-	**957**
Other financial assets	-	35	385	-	**420**	-	8	265	-	**273**
Total	**447**	**298**	**8 061**	**566**	**9 372**	**526**	**355**	**7 632**	**593**	**9 106**

amounts in PLN millions, unless otherwise stated

Financial liabilities:	As at 30 June 2019 At fair value through profit or loss	At amortised cost	Hedging instruments	Total	As at 31 December 2018 At fair value through profit or loss	At amortised cost	Hedging instruments	Total
Non-current	**102**	**8 107**	**25**	**8 234**	133	7 080	29	**7 242**
Borrowings, lease and debt securities	-	7 910	-	**7 910**	-	6 878	-	**6 878**
Derivatives	102	-	25	**127**	133	-	29	**162**
Other financial liabilities	-	197	-	**197**	-	202	-	**202**
Current	51	3 064	3	**3 118**	37	3 240	6	**3 283**
Borrowings, lease and debt securities	-	1 050	-	**1 050**	-	1 071	-	**1 071**
Derivatives	44	-	3	**47**	37	-	6	**43**
Trade payables	-	1 882	-	**1 882**	-	2 053	-	**2 053**
Other financial liabilities	7	132	-	**139**	-	116	-	**116**
Total	**153**	**11 171**	**28**	**11 352**	**170**	**10 320**	**35**	**10 525**

amounts in PLN millions, unless otherwise stated

The fair value hierarchy of financial instruments

Classes of financial instruments	As at 30 June 2019 level 1	As at 30 June 2019 level 2	As at 31 December 2018 level 1	As at 31 December 2018 level 2
Loans granted	-	16	-	15
Listed shares	348	-	427	-
Unquoted shares	-	99	-	99
Trade receivables	-	231	-	304
Other financial assets	-	35	-	8
Other financial liabilities	-	7	-	-
Derivatives, of which:	-	408	-	416
Assets	-	582	-	621
Liabilities	-	(174)	-	(205)

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

Level 1

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

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, risk-free discount rate published by the European Insurance and Occupational Pensions Authority).

Loans granted
Loans granted are measured using the discounted cash flows model, taking into account the borrower's credit risk.

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.
Trade receivables subjected to factoring, due to the short term between the transfer of receivables to the factor and its payment and low credit risk of the factor, the fair value of these receivables is similar to the nominal value of receivables.

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 derivatives

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

Metals derivatives

In the case of forward commodity purchase or sell transactions, 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 as well as volatility ratios at the end of the reporting period are from Reuters. With respect to silver and gold the fixing price set by the London Bullion Market Association at the end of the reporting period is used. Volatility ratios and forward prices for precious metals were also taken from the Reuters system. Forward and swap contracts on the copper, silver and gold markets were valued using the forward market curve appropriate for a given commodity. Levy approximation to the Black-Scholes model is used for Asian options pricing on metals markets.

amounts in PLN millions, unless otherwise stated

Level 3

No financial instruments were measured at fair value which were classified to level 3 in either the reporting or the comparable period in the Group.

There was no transfer in the Group of financial instruments between individual levels of the fair value hierarchy, in either the reporting or the comparable periods, nor was there any change in the classification of instruments as a result of a change in the purpose or use of these instruments.

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.

	from 1 January 2019 to 30 June 2019	from 1 January 2018 to 30 June 2018
Statement of profit or loss		
Revenues from contracts with customers	77	75
Other operating and finance income and costs:	(30)	26
on realisation of derivatives	(71)	(56)
on measurement of derivatives	41	82
Impact of derivatives and hedging instruments on profit or loss for the period	**47**	**101**
Statement of comprehensive income		
Impact of hedging transactions	**(74)**	**69**
Impact of measurement of hedging transactions (effective portion)	(59)	90
Reclassification to revenues from contracts with customers due to realisation of a hedged item	(77)	(75)
Reclassification to other operating costs due to realisation of a hedged item (settlement of the hedging cost)	**62**	54
TOTAL COMPREHENSIVE INCOME	**(27)**	**170**

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 2019, copper sales of the Parent Entity amounted to 280 thousand tonnes (net sales of 196 thousand tonnes)[1], while the notional amount of copper price hedging strategies settled in the first half of 2019 amounted to 51 thousand tonnes, which represented approx. 18% of the total sales of this metal realised by the Parent Entity and approx. 26% of net sales in this period (in the first half of 2018, 18% and 26% respectively). In the case of currency transactions, approx. 17% of total revenues from copper and silver sales realised by the Parent Entity were hedged in the first half of 2019 (28% - in the first half of 2018).

With respect to strategic management of market risk in the first half of 2019, the Parent Entity implemented copper price hedging transactions with a total notional amount of 36 thousand tonnes and a maturity period from July 2019 to June 2020. This hedging included the complex *collar* structures (Asian options) entered into. In addition, with respect to the management of a net trading position, in the first half of 2019 QP adjustment swap transactions were entered into on the copper and gold markets with maturity of up to December 2019. As a result, as at 30 June 2019 the Parent Entity held open derivatives transactions for 159 thousand tonnes of copper (of which: 141 thousand tonnes came from strategic management of market risk, while 18 thousand tonnes came from the management of a net trading position).

[1] Copper sales less copper in purchased materials.

amounts in PLN millions, unless otherwise stated

In the first half of 2019, the Parent Entity also implemented transactions hedging against a change in the USD/PLN exchange rate with a notional amount of USD 1 080 million. *Collar* and *seagull* options structures (European options) were entered into with maturity falling from July 2019 to December 2021. As a result, as at 30 June 2019, the Parent Entity held a hedging position for planned revenues from sales of metals in the amount of USD 1 980 million.

With respect to managing currency risk which arises from borrowings, the Parent Entity uses natural hedging by borrowing in currencies in which it has revenues. As at 30 June 2019, following their translation to PLN, the bank loans and investment loans which were drawn in USD amounted to PLN 6 110 million (as at 31 December 2018: PLN 7 655 million).

Moreover, the Parent Entity held open derivatives transactions on the interest rate market for the years 2019-2020 and bank and other loans with a fixed interest rate.

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. The table of open transactions of Polish companies as at 30 June 2019 is not presented, due to its immateriality for the Group.

In the first half of 2019, neither KGHM INTERNATIONAL LTD. nor any of the mining companies implemented any forward transactions on the commodity market. As at 30 June 2019, the risk of changes in metals prices was also related to derivatives embedded in the long-term contracts for supply of sulphuric acid and water.

The condensed tables of open transactions in derivatives held by the Parent Entity on the copper, currency and interest rate markets as at 30 June 2019, entered into with respect to strategic management of market risk are presented below. The hedged notional amounts of transactions on copper and currency markets in the presented periods are allocated evenly on a monthly basis.

COPPER MARKET

	Instrument	Notional	Option strike price			Average weighted premium	Effective hedge price	Hedge limited to	Participation limited to
			Sold put option	Purchased put option	Sold call option				
		[tonnes]	[USD/t]	[USD/t]	[USD/t]	[USD/t]	[USD/t]	[USD/t]	[USD/t]
2nd half	Seagull	21 000	4 700	6 200	8 000	-226	5 974	4 700	8 000
	Seagull	12 000	5 000	6 900	9 000	-250	6 650	5 000	9 000
	Collar	6 000		6 800	8 400	-250	6 550		8 400
	Collar	12 000		6 700	8 300	-228	6 472		8 300
	Collar	18 000		6 400	7 800	-248	6 152		7 800
TOTAL VII-XII 2019		**69 000**							
1st half	Seagull	12 000	5 000	6 900	9 000	-250	6 650	5 000	9 000
	Seagull	2 460	5 000	6 900	8 800	-250	6 650	5 000	8 800
	Seagull	12 540	5 000	6 800	8 700	-220	6 580	5 000	8 700
	Collar	18 000		6 400	7 800	-248	6 152		7 800
2nd half	Seagull	12 000	5 000	6 900	9 000	-250	6 650	5 000	9 000
	Seagull	2 460	5 000	6 900	8 800	-250	6 650	5 000	8 800
	Seagull	12 540	5 000	6 800	8 700	-220	6 580	5 000	8 700
TOTAL 2020		**72 000**							

CURRENCY MARKET

	Instrument	Notional	Option strike price: Sold put option	Option strike price: Purchased put option	Option strike price: Sold call option	Average weighted premium	Effective hedge price	Hedge limited to	Participation limited to
		[USD million]	[USD/PLN]	[USD/PLN]	[USD/PLN]	[PLN per USD 1]	[USD/PLN]	[USD/PLN]	[USD/PLN]
2nd half	Collar	360		3.50	4.25	-0.05	3.45		4,25
	Collar	180		3.75	4.40	-0.06	3.69		4,40
TOTAL VII-XII 2019		**540**							
1st half	Collar	360		3.50	4.25	-0.06	3.44		4,25
	Collar	180		3.75	4.40	-0.08	3.67		4,40
2nd half	Collar	180		3.50	4.25	-0.04	3.46		4,25
	Collar	180		3.75	4.40	-0.08	3.67		4,40
TOTAL 2020		**900**							
1st half	Seagull	270	3.20	3.70	4.30	-0.07	3.63	3.20	4,30
2nd half	Seagull	270	3.20	3.70	4.30	-0.07	3.63	3.20	4,30
TOTAL 2021		**540**							

INTEREST RATE MARKET

Instrument	Notional	Option strike price	Average weighted premium		Effective hedge price
	[USD million]	[LIBOR 3M]	[USD per USD 1 million hedged]	[%]	[LIBOR 3M]
Purchase of interest rate cap options **QUARTERLY IN 2019**	1 000	2.50%	381	0.15%	2.65%
Purchase of interest rate cap options **QUARTERLY IN 2020**	1 000	2.50%	381	0.15%	2.65%

The table below presents the fair value of derivatives of the Group.

Derivatives	**As at 30 June 2019**	**As at 31 December 2018**
Non-current assets	258	320
Current assets	324	301
Non-current liabilities	(127)	(162)
Current liabilities	(47)	(43)
Net fair value of open derivatives	**408**	**416**

The table below presents detailed data on derivative transactions designated as hedging, held by the Parent Entity as at 30 June 2019.

Open hedging derivatives	**Notional**	**Avg. weighted price/exchange rate**	**Maturity/ settlement period**		**Period of profit/loss impact**	
	Copper [t] Currency [USD million]	[USD/t] [USD/PLN]	from	to	from	to
Copper – seagulls	87 000	6 702-8 661	July 19	Dec 20	Aug 19	Jan 21
Copper – collars	54 000	6 511-7 978	July 19	June 20	Aug 19	July 20
Currency – seagulls	540	3.70-4.30	Jan 21	Dec 21	Jan 21	Dec 21
Currency - collars	1 440	3.59-4.31	July 19	Dec 20	July 19	Dec 20

The fair value of open derivatives of the Group broken down into hedging transactions and trade transactions (including embedded derivatives) is presented in the tables below.

amounts in PLN millions, unless otherwise stated

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

Type of derivative	As at 30 June 2019					As at 31 December 2018				
	Financial assets		Financial liabilities			Financial assets		Financial liabilities		
	Non-current	Current	Non-current	Current	Net total	Non-current	Current	Non-current	Current	Net total
Derivatives – Commodity contracts - Copper										
Options – Collar	7	117	-	(1)	123	11	104	-	(1)	114
Options – Seagull	119	145	(2)	-	262	245	143	(10)	(1)	377
Derivatives – Currency contracts										
Options USD – Collar	39	47	(4)	(2)	80	52	38	(19)	(4)	67
Options USD – Seagull	92	-	(19)	-	73	-	-	-	-	-
TOTAL HEDGING INSTRUMENTS	**257**	**309**	**(25)**	**(3)**	**538**	**308**	**285**	**(29)**	**(6)**	**558**

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

Type of derivative	As at 30 June 2019					As at 31 December 2018				
	Financial assets		Financial liabilities			Financial assets		Financial liabilities		
	Non-current	Current	Non-current	Current	Net total	Non-current	Current	Non-current	Current	Net total
Derivatives – Commodity contracts - Copper										
Options – Seagull	-	-	(13)	(4)	(17)	-	-	(39)	(5)	(44)
QP adjustment swap transactions	-	5	-	(5)	-	-	4	-	-	4
Derivatives – Commodity contracts - Gold										
QP adjustment swap transactions	-	1	-	(2)	(1)	-	2	-	(2)	-
Derivatives – Currency contracts										
Collar and forward/swap EUR	-	1	(1)	-	-	1	1	(1)	(1)	-
Sold put options USD	-	-	(13)	-	(13)	-	-	-	-	-
Derivatives – Interest rate										
Options – purchased CAP	1	-	-	-	1	11	9	-	-	20
Embedded derivatives										
Purchase contracts for metal-bearing materials	-	8	-	-	8	-	-	-	-	-
Acid and water supply contracts	-	-	(75)	(33)	(108)	-	-	(93)	(29)	(122)
TOTAL TRADE INSTRUMENTS	**1**	**15**	**(102)**	**(44)**	**(130)**	**12**	**16**	**(133)**	**(37)**	**(142)**

Counterparty credit risk (CVA – *credit value adjustment*, for assets) and own credit risk (DVA – *debit value adjustment*, for liabilities) were not recognised in the measurement of derivatives (hedging and trade) due to their immateriality.

amounts in PLN millions, unless otherwise stated

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

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

Rating level		As at 30 June 2019	As at 31 December 2018
Medium-high	from A+ to A- according to S&P and Fitch, and from A1 to A3 according to Moody's	96%	99%
Medium	from BBB+ to BBB- according to S&P and Fitch, and from Baa1 to Baa3 according to Moody's	4%	1%

* *Weighed by positive fair value of open and unsettled derivatives*.

Taking into consideration the fair value of open derivative transactions entered into by the Group and the fair value of unsettled derivatives, as at 30 June 2019 the maximum single entity share of the amount exposed to credit risk arising from these transactions amounted to 22%, i.e. PLN 121 million (as at 31 December 2018: 22%, i.e. PLN 121 million).

In order to reduce cash flows and at the same time to limit credit risk, the Parent Entity carries out net settlements (based on framework agreements entered into with its customers) to the level of the positive balance of fair value resulting from the measurement of transactions in derivatives with a given counterparty. Moreover, the resulting credit risk is continuously monitored by the review of the credit ratings and is limited by striving to diversify the portfolio while implementing hedging strategies.
Despite the concentration of credit risk associated with derivatives' transactions, the Parent Entity has determined that, due to its cooperation only 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.

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 accordance with market practice, the Group monitors its capital, among others on the basis of ratios presented in the table below:

Ratios	Calculations	30 June 2019	30 June 2019**	31 December 2018
Net Debt/EBITDA	relation of net debt to EBITDA	**1.8**	**1.6****	**1.6**
Net Debt	Borrowings, debt securities and lease liabilities less free cash and cash equivalents	7 863	7 238**	7 000
Adjusted EBITDA*	profit on sales plus depreciation/amortisation recognised in profit or loss and impairment losses on non-current assets	4 490	4 490	4 339
Equity ratio	relation of equity less intangible assets to total assets	**0.5**	**0.5**	**0.5**
Equity	assets of the Group after deducting all of its liabilities	19 964	19 964	19 225
Intangible assets	identifiable non-cash items of assets without a physical form	1 870	1 870	1 881
Equity less intangible assets		18 094	18 094	17 344
Total assets	sum of non-current and current assets	39 045	39 045	37 237

**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.*

*** Presented data does not contain amounts arising from implementation of IFRS 16 with respect to leases in the amount of PLN 625 million.*

amounts in PLN millions, unless otherwise stated

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

	from 1 January 2019 to 30 June 2019	from 1 January 2018 to 31 December 2018
Profit on sales	1 405	2 591
Interest income on loans granted to joint ventures	166	257
Other operating income and (costs)	30	308
Adjusted profit from operating activities*	**1 601**	**3 156**

**Presented amount does not include reversal of allowances for impairment of loans granted to joint ventures*

In order to maintain financial liquidity and the creditworthiness to acquire external financing at an optimum cost, over the long term the Group's goal is for the equity ratio to be not less than 0.5, and the ratio of Net Debt/EBITDA not more than 2.0.

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 2019, the Group continued actions aimed at ensuring long-term financial stability by basing the financial structure on diversified and long term financing sources. In realisation of this goal, the Parent Entity established the bond issue program on the Polish market, under which in June 2019 the first issue of bonds was made with a nominal value of PLN 2 billion.

Under the process of liquidity management, the Group uses instruments which enhance its effectiveness. One of the primary instruments used by the Group is the cash pooling service, managed both locally in PLN, USD and EUR and internationally in USD and CAD.

Net debt changes

Liabilities due to borrowings, debt securities and leases	As at 31 December 2018	Change in accounting policies – implementation of IFRS 16	As at 1 January 2019	Cash flows	Accrued interest	Exchange differences	Other changes	As at 30 June 2019
Bank loans	5 676	-	5 676	(2 001)	124	53	-	3 852
Loans	2 246	-	2 246	156	37	(25)	-	2 414
Debt securities	-	-	-	2 000	1	-	-	2 001
Leases	27	637	664	(48)	18	-	59	693
Total debt	**7 949**	**637**	**8 586**	**107**	**180**	**28**	**59**	**8 960**
Free cash and cash equivalents	949	-	-	148	-	-	-	1 097
Net debt	**7 000**							**7 863**

Details on external financing sources

As at 30 June 2019, the Group had open credit lines and loans with a total balance of available financing in the amount of PLN 17 495 million, out of which PLN 6 266 million had been drawn.
As at 30 June, the value of bonds issued by the Parent Entity amounted to PLN 2 001 million.

The structure of external financing sources is presented below.

amounts in PLN millions, unless otherwise stated

Unsecured, revolving syndicated credit facility

A credit facility in the amount of USD 2 500 million, obtained on the basis of a financing agreement concluded by the Parent Entity with a syndicate of banks in 2014 with a maturity of 9 July 2021. The funds acquired through this credit facility are used to finance general corporate purposes, including continued advancement of investment projects. Interest is based on LIBOR plus a 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 commonly stipulated in such agreements. In accordance with contractual terms, the Company is obliged to uphold the financial covenant in the reporting periods ending on 30 June and 31 December. The Parent Entity continuously monitors the risk of exceeding the levels of the financial covenant stipulated in the credit facility agreement. As at 30 June 2019 and up to the date this report was authorised for issue, the value of the financial covenant complied with the provisions of the credit facility agreement.

	As at 30 June 2019	As at 30 June 2019	As at 31 December 2018
	Amount granted	Amount used	Amount used
	9 334	735	4 136
Preparation fee which decreases financial liabilities due to bank loans			(15)
Carrying amount of financial liabilities due to bank loans			4 121

Investment loans

Loans, including loans granted to the Parent Entity by the European Investment Bank in the total amount of PLN 2 900 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 Company investment projects related to modernisation of metallurgy and development of the Żelazny Most tailings storage facility.
2. Investment loan in the amount of PLN 900 million granted by the European Investment Bank in December 2017 with a financing period of 12 years, and the availability of instalments for a period of 22 months from the date of signing the agreement. Under this loan, the Parent Entity drew two instalments with the payback period expiring on 28 June 2030 and 23 April 2031. 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 agreements with the European Investment Bank oblige the Group to comply with the financial covenants and non-financial covenants commonly stipulated in such types of agreements. In accordance with contractual terms, the Company is obliged to uphold the financial covenants in the reporting periods ending on 30 June and 31 December. The Parent Entity continuously monitors the risk of exceeding the levels of the financial covenants stipulated in the loans agreements. As at 30 June 2019 and up to the date this report was authorised for issue, the value of the financial covenants complied with the provisions of the loans agreements.

As at 30 June 2019	As at 30 June 2019	As at 31 December 2018
Amount granted	Amount used	Amount used
2 932	2 414	2 246

amounts in PLN millions, unless otherwise stated

Bilateral bank loans

Bilateral bank loans granted to Group companies up to the total amount of PLN 5 229 million, used for financing working capital, and which are a tool supporting the management of financial liquidity and for financing the advanced investment projects. The funds under open lines of credit are available in PLN, USD and EUR, with interest based on variable WIBOR, LIBOR and EURIBOR plus a margin. A part of these agreements obliges 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 Company is obliged to uphold the financial covenant in the reporting periods ending on 30 June and 31 December. The Parent Entity continuously monitors the risk of exceeding the levels of the financial covenant stipulated in the bank loan agreements. As at 30 June 2019 and up to the date this report was authorised for issue, the value of the financial covenant complied with the provisions of the bank loans agreements.

As at 30 June 2019	As at 30 June 2019	As at 31 December 2018
Amount granted	Amount used	Amount used
5 229	3 117	1 555

Bonds

An Issue agreement dated 27 May 2019 established a bond issue program on the Polish market. The first issue with a nominal value of PLN 2 billion took place on 27 June 2019, under which bonds with a maturity of 5 years in the amount of PLN 400 million and bonds with a maturity of 10 years in the amount of PLN 1 600 million were issued.
The nominal value of one bond is PLN 1 000, and the issue price is equal to the nominal value. The redemption date of bonds with a maturity of 5 years is 27 June 2024 and the redemption date of bonds with a maturity of 10 years is 27 June 2029.
The bonds' interest rate is variable, based on an interest rate consisting of WIBOR 6M and a margin.
The funds from the issue of the bonds will be used to finance general corporate purposes.

As at 30 June 2019	As at 30 June 2019	As at 31 December 2018
Nominal value of the issue	Value of issued bonds	Value of issued bonds
2 000	2 001	-

Total bank and other loans, bonds	**19 495**	**8 267**	**7 937**
Preparation fee which decreases financial liabilities due to bank loans			(15)
Carrying amount of financial liabilities due to bank loans			**7 922**

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

Cash and cash equivalents

	As at 30 June 2019	As at 31 December 2018
Cash in bank accounts	329	626
Other financial assets with a maturity of up to 3 months from the date of acquisition - deposits	767	329
Other cash	10	2
Total	**1 106**	**957**

Contingent 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 do not have to use their cash in order to secure their liabilities towards other entities.

As at 30 June 2019, the Group held contingent liabilities due to guarantees and letters of credit granted in the total amount of PLN 2 337 million and due to promissory notes in the amount of PLN 55 million.

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

amounts in PLN millions, unless otherwise stated

Sierra Gorda S.C.M. – securing the performance of concluded agreements in the amount of PLN 2 037 million:

- a letter of credit of PLN 513 million (USD 138 million) granted as security for the proper performance of a long-term contract for the supply of electricity,
- PLN 92 million (USD 25 million) as corporate guarantees set as security on the payment due to concluded lease agreements,
- PLN 760 million (USD 204 million) as corporate guarantees securing repayment of short-term working capital facilities,
- PLN 672 million (USD 180 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 credit drawn by the joint venture Sierra Gorda S.C.M.,

Other entities, including the Parent Entity:

- PLN 187 million (USD 50 million) securing the proper execution by DMC Mining Services (UK) Ltd. and DMC Mining Services Ltd. of the contract for shaft sinking under the project conducted in the United Kingdom,
- PLN 49 million securing the proper execution of future environmental obligations of the Parent Entity related to the obligation to restore terrain, following the conclusion of operations of the Żelazny Most tailings storage facility,
- PLN 23 million (PLN 5 million, USD 3 million, and CAD 2 million) securing the obligations related to proper execution of concluded agreements.

Note 4.6 Employee benefits liabilities

	As at 30 June 2019	As at 31 December 2018
Jubilee awards	507	468
Retirement and disability benefits	421	395
Coal equivalent	1 770	1 659
Other benefits	106	96
Total liabilities due to future employee benefits programs	**2 804**	**2 618**
Remuneration and social insurance liabilities	405	492
Accruals (unused annual leave, bonuses, other)	476	381
Employee liabilities	**881**	**873**
Total employee benefits liabilities, of which:	**3 685**	**3 491**
- non-current liabilities	2 649	2 447
- current liabilities	1 036	1 044

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

	As at 30 June 2019	As at 31 December 2018
Provisions at the beginning of the reporting period	**1 576**	**1 360**
Changes in estimates recognised in fixed assets	136	173
Other	13	43
Provisions at the end of the reporting period, of which:	**1 725**	**1 576**
- non-current provisions	1 712	1 564
- current provisions	13	12

amounts in PLN millions, unless otherwise stated

Note 4.8 Related party transactions

Operating income from related entities	from 1 January 2019 to 30 June 2019	from 1 January 2018 to 30 June 2018
Revenues from sales of products, merchandise and materials to a joint venture	11	13
Interest income on a loan granted to a joint venture	166	126
Revenues from other transactions with a joint venture	19	19
Revenues from other transactions with other related parties	18	7
Total	**214**	**165**

Purchases from related entities	from 1 January 2019 to 30 June 2019	from 1 January 2018 to 30 June 2018
Purchase of services, merchandise and materials from other related parties	24	16
Other purchase transactions from other related parties	1	1
Total	**25**	**17**

Trade and other receivables from related parties	As at 30 June 2019	As at 31 December 2018
From the joint venture Sierra Gorda S.C.M. – loans	5 327	5 199
From the joint venture Sierra Gorda S.C.M. – other	470	447
From other related parties	14	3
Total	**5 811**	**5 649**

Trade and other payables towards related parties	As at 30 June 2019	As at 31 December 2018
Towards joint ventures	35	24
Towards other related parties	14	2
Total	**49**	**26**

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 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).

As at 30 June 2019, the balances of unsettled payables due to concluded agreements necessary to conduct principal operating activities of the Parent Entity, distinctive due to their nature, in the amount of PLN 181 million (as at 31 December 2018: PLN 200 million) concerned the following:

- setting mining usufruct for the extraction of ore – fixed fees and setting mining usufruct for the exploration for and assessment of deposits –in the total amount of PLN 166 million (as at 31 December 2018: PLN 170 million),
- setting mining usufruct for the extraction of ore – variable part of the fee (recognised in costs) in the amount of PLN 15 million (as at 31 December 2018: PLN 30 million).

The remaining transactions, which were collectively significant, 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, carried out at arm's length. 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 2019, the turnover from these transactions amounted to PLN 478 million (from 1 January to 30 June 2018: PLN 552 million), and, as at 30 June 2019, the unsettled balance of liabilities from these transactions amounted to PLN 107 million (as at 31 December 2018: PLN 158 million),
- sales to Polish State Treasury Companies. In the period from 1 January to 30 June 2019, the turnover from these sales amounted to PLN 35 million (from 1 January to 30 June 2018: PLN 26 million), and, as at 30 June 2019, the unsettled balance of receivables from these transactions amounted to PLN 7 million (as at 31 December 2018: PLN 8 million).

Remuneration of the Supervisory Board of the Parent Entity (in PLN thousands)	from 1 January 2019 to 30 June 2019	from 1 January 2018 to 30 June 2018
Remuneration due to service in the Supervisory Board, salaries and other current employee benefits	940	853

Remuneration of the Management Board of the Parent Entity (in PLN thousands)	from 1 January 2019 to 30 June 2019	from 1 January 2018 to 30 June 2018
Remuneration during the term of a member of the Management Board's mandate	1 916	1 647
Benefits due to termination of employment	12	814
Total	**1 928**	**2 461**

Remuneration of other key managers (in PLN thousands)	from 1 January 2019 to 30 June 2019	from 1 January 2018 to 30 June 2018
Salaries and other current employee benefits	2 135	1 596

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 2019	As at 31 December 2018
	Contingent assets	**633**	**565**
	Guarantees received	301	250
	Promissory notes receivables	130	121
	Other	202	194
	Contingent liabilities	**2 563**	**2 457**
Note 4.5	Guarantees	2 337	2 255
Note 4.5	Promissory note liability	55	18
	Liabilities due to implementation of projects and inventions	6	17
	Other	165	167
	Other liabilities not recognised in the statement of financial position	**754**	**736**
	Liabilities towards local government entities due to expansion of the tailings storage facility	109	113
	Securing the proper execution of future environmental obligations related to the obligation to restore terrain, following the conclusion of operations of the Żelazny Most tailings storage facility	271	253
	Securing the restoration costs of the Robinson mine, the Podolsky mine and the Victoria project and obligations related to proper execution of concluded agreements	374	370

Note 4.10 Other adjustments in the consolidated statement of cash flows

	from 1 January 2019 to 30 June 2019	from 1 January 2018 to 30 June 2018
Loss on the sales of property, plant and equipment and intangible assets	2	5
Reclassification of other comprehensive income to profit or loss due to the realisation of hedging derivatives	(15)	(21)
Other	13	9
Total	**-**	**(7)**

amounts in PLN millions, unless otherwise stated

Note 4.11 Changes in working capital

	Inventories	Trade receivables	Trade payables	Working capital
As at 1 January 2019	(4 983)	(961)	2 224	(3 720)
As at 30 June 2019	(5 277)	(888)	2 050	(4 115)
Change in the statement of financial position	**(294)**	**73**	**(174)**	**(395)**
Exchange differences from the translation of statements of operations with a functional currency other than PLN	(4)	(3)	1	**(6)**
Depreciation/amortisation recognised in inventories	34	-	-	**34**
Payables due to the purchase of property, plant and equipment and intangible assets	-	-	224	224
Other	1	-	(3)	(2)
Adjustments	31	(3)	222	250
Change in the statement of cash flows	(263)	70	48	(145)

	Inventories	Trade receivables	Trade payables	Working capital
As at 1 January 2018	(4 562)	(1 520)	1 995	(4 087)
As at 30 June 2018	(5 568)	(1 457)	1 561	(5 464)
Change in the statement of financial position	**(1 006)**	**63**	**(434)**	**(1 377)**
Exchange differences from the translation of statements of operations with a functional currency other than PLN	34	18	(13)	**39**
Depreciation/amortisation recognised in inventories	125	-	-	**125**
Payables due to the purchase of property, plant and equipment and intangible assets	-	-	173	**173**
Adjustments	**159**	**18**	**160**	**337**
Change in the statement of cash flows	**(847)**	**81**	**(274)**	**(1 040)**

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 2019, KGHM Polska Miedź S.A. acquired investment certificates of the following funds:

- KGHM VI Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych (KGHM VI FIZAN), on 29 January 2019, 8 790 investment certificates for PLN 5 288.59 per certificate, paid in cash in the total amount of PLN 46 million.

- KGHM VII Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych (KGHM VII FIZAN), on 29 January 2019, 17 818 investment certificates for PLN 11 872.26 per certificate, paid in cash in the total amount of PLN 211 million, and on 7 June 2019, 3 358 investment certificates for PLN 11 291.46 per certificate, which will be paid in cash in the total amount of PLN 38 million.

In June 2019 the first part of payment was made in the amount of PLN 335.80 (PLN 0.10 per certificate); the payment of the remaining amount will be made by the end of September 2019.

The company KGHM TFI S.A. (a subsidiary of KGHM Polska Miedź S.A.) manages the aforementioned Funds. KGHM is the sole participant in the KGHM VI FIZAN and KGHM VII FIZAN Funds. The Funds' investment objective is to increase the value of their assets by increasing the value of deposits.

Moreover, on 29 January 2019, there was a retirement of all of the Investment Certificates of KGHM I FIZAN and KGHM V FIZAN. The Parent Entity received reimbursement from this retirement in the amount of PLN 391 million, which in the consolidated financial statements was settled with the equity of the liquidated funds and did not have an impact on the consolidated statement of profit or loss.

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 2019 the Group issued bonds. 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. 7/2019 of the Ordinary General Meeting of KGHM Polska Miedź S.A. dated 7 June 2019 regarding the appropriation of the profit for financial year 2018, the entirety of the profit was transferred to the Parent Entity's reserve capital.

In accordance with Resolution No. 10/2018 of the Ordinary General Meeting of KGHM Polska Miedź S.A. dated 6 July 2018 regarding the appropriation of the profit for financial year 2017, the entirety of the profit was transferred to the Parent Entity's reserve capital.

All shares of the Parent Entity are ordinary shares.

Note 5.5 Other information to the consolidated report

Information on on-going disputed issues

At the end of the first half of 2019, the total value of on-going disputed issues both by and against KGHM Polska Miedź S.A. and its subsidiaries amounted to PLN 388 million, including receivables of PLN 184 million and liabilities of PLN 204 million. The total value of the above disputes did not exceed 10% of the equity of the Parent Entity.

Value of proceedings involving receivables at the end of the first half of 2019:
- proceedings by KGHM Polska Miedź S.A. amounted to PLN 100 million,
- proceedings by subsidiaries amounted to PLN 84 million.

Value of proceedings involving liabilities at the end of the first half of 2019:
- proceedings against KGHM Polska Miedź S.A. amounted to PLN 53 million,
- proceedings against subsidiaries amounted to PLN 151 million.

Detailed description may be found in point 7.7 of the Management Board's Report on the activities of the Group.

Note 5.6 Subsequent events after the reporting period

Change in the act on the minerals extraction tax

On 1 July 2019, the Act dated 12 April 2019 on changing the act on the minerals extraction tax came into force.

The Act introduced changes with respect to lowering the minerals extraction tax by decreasing the ratios adopted for calculating the tax rate on the extraction of copper and silver by 15%. The estimated, monthly impact of the proposed change to the tax formula on lowering the Company's costs, given present macroeconomic conditions, amounts to approximately PLN 19 million.

Extension of a bank loan repayment deadline

On 30 July 2019 the Parent Entity extended the timeframe of availability of a credit line in the amount of PLN 170 million in Santander Bank Polska S.A. to 31 August 2019. Interest of the bank loan is based on WIBOR/LIBOR plus a margin.

Conclusion of CIRS transactions

The Parent Entity concluded currency and interest rate swap (CIRS) transactions, aimed at securing against the currency and interest rate risks arising from the issue of bonds in PLN with a variable interest rate by the Parent Entity.

Part 6 – Quarterly financial information of the Group

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		from 1 April 2019 to 30 June 2019*	from 1 April 2018 to 30 June 2018*	from 1 January 2019 to 30 June 2019	from 1 January 2018 to 30 June 2018
	Revenues from contracts with customers	5 740	5 157	11 228	9 423
Note 6.1	Cost of sales	(4 705)	(4 113)	(9 146)	(7 431)
	Gross profit	**1 035**	**1 044**	**2 082**	**1 992**
Note 6.1	Selling costs and administrative expenses	(369)	(351)	(677)	(640)
	Profit on sales	**666**	**693**	**1 405**	**1 352**
	Share of losses of joint ventures accounted for using the equity method	(63)	(254)	(63)	(254)
	Interest income on loans granted to joint ventures calculated using the effective interest rate method	84	45	166	126
	Profit or loss on involvement in joint ventures	**21**	(209)	**103**	(128)
Note 6.2	Other operating income and (costs)	(167)	554	30	363
Note 6.3	Finance income and (costs)	94	(715)	(86)	(603)
	Profit before income tax	**614**	**323**	**1 452**	**984**
	Income tax expense	(196)	(151)	(482)	(373)
	PROFIT FOR THE PERIOD	**418**	**172**	**970**	**611**
	profit for the period attributable to:				
	Shareholders of the Parent Entity	417	171	969	610
	Non-controlling interest	1	1	1	1
	Weighted average number of ordinary shares (million)	**200**	**200**	**200**	**200**
	Basic and diluted earnings per share (in PLN)	**2.09**	**0.86**	**4.85**	**3.05**

** Data not subject to the review*

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 2019 to 30 June 2019*	from 1 April 2018 to 30 June 2018*	from 1 January 2019 to 30 June 2019	from 1 January 2018 to 30 June 2018
Depreciation of property, plant and equipment and amortisation of intangible assets	465	576	961	993
Employee benefits expenses	1 363	1 357	2 707	2 580
Materials and energy	1 984	1 558	4 025	3 379
External services	646	522	1 124	1 031
Minerals extraction tax	446	466	866	900
Other taxes and charges	128	138	260	278
Other costs	63	51	105	103
Total expenses by nature	**5 095**	**4 668**	**10 048**	**9 264**
Cost of merchandise and materials sold (+)	179	179	382	342
Change in inventories of finished goods and work in progress (+/-)	170	(76)	12	(912)
Cost of manufacturing products for internal use of the Group (-)	(370)	(307)	(619)	(623)
Total costs of sales, selling costs and administrative expenses, of which:	**5 074**	**4 464**	**9 823**	**8 071**
Cost of sales	4 705	4 113	9 146	7 431
Selling costs	104	98	202	180
Administrative expenses	265	253	475	460

** Data not subject to the review*

Note 6.2 Other operating income and (costs)

	from 1 April 2019 to 30 June 2019*	from 1 April 2018 to 30 June 2018*	from 1 January 2019 to 30 June 2019	from 1 January 2018 to 30 June 2018
Measurement and realisation of derivatives	60	64	110	122
Exchange differences on assets and liabilities other than borrowings	-	720	-	537
Interest income calculated using the effective interest rate method	2	2	5	4
Release of provisions	44	10	52	14
Other	39	39	97	88
Total other operating income	**145**	**835**	**264**	**765**
Measurement and realisation of derivatives	(58)	(62)	(123)	(122)
Impairment losses on financial instruments	-	(1)	(3)	(3)
Impairment losses on non-financial assets	-	(4)	-	(14)
Exchange differences on assets and liabilities other than borrowings	(217)	-	(6)	-
Provisions recognised	(7)	(158)	(18)	(162)
Other	(30)	(56)	(84)	(101)
Total other operating costs	**(312)**	**(281)**	**(234)**	**(402)**
Other operating income and (costs)	**(167)**	**554**	**30**	**363**

** Data not subject to the review*

amounts in PLN millions, unless otherwise stated

Note 6.3 Finance income and (costs)

	from 1 April 2019 to 30 June 2019*	from 1 April 2018 to 30 June 2018*	from 1 January 2019 to 30 June 2019	from 1 January 2018 to 30 June 2018
Exchange differences on borrowings	165	-	58	-
Measurement and realisation of derivatives	2	11	2	26
Other	1	-	1	-
Total finance income	**168**	**11**	**61**	**26**
Interest on borrowings, including:	(45)	(27)	(85)	(52)
leases	(10)	-	(17)	-
Bank fees and charges on borrowings	(8)	(8)	(14)	(15)
Exchange differences on borrowings	-	(682)	-	(533)
Measurement and realisation of derivatives	(7)	-	(19)	-
Other	(14)	(9)	(29)	(29)
Total finance costs	**(74)**	**(726)**	**(147)**	**(629)**
Finance income and (costs)	**94**	**(715)**	**(86)**	**(603)**

** Data not subject to the review*

Condensed financial statements of KGHM Polska Miedź S.A.

STATEMENT OF PROFIT OR LOSS

		from 1 January 2019 to 30 June 2019	from 1 January 2018 to 30 June 2018
Note 2.1	Revenues from contracts with customers	8 831	7 189
Note 2.2	Cost of sales	(7 056)	(5 605)
	Gross profit	**1 775**	**1 584**
Note 2.2	Selling costs and administrative expenses	(442)	(418)
	Profit on sales	**1 333**	**1 166**
Note 2.3	Other operating income, including:	669	1 965
	interest income calculated using the effective interest rate method	131	125
	reversal of impairment losses on financial instruments	112	950
Note 2.3	Other operating costs, including:	(217)	(1 257)
	recognition of impairment losses on financial instruments	(10)	(807)
Note 2.4	Finance income	60	26
Note 2.4	Finance costs	(133)	(622)
	Profit before income tax	**1 712**	**1 278**
	Income tax expense	(485)	(291)
	PROFIT FOR THE PERIOD	**1 227**	**987**
	Weighted average number of ordinary shares (million)	**200**	**200**
	Basic and diluted earnings per share (in PLN)	**6.14**	**4.94**

STATEMENT OF COMPREHENSIVE INCOME

	from 1 January 2019 to 30 June 2019	from 1 January 2018 to 30 June 2018
Profit for the period	**1 227**	**987**
Measurement of hedging instruments net of the tax effect	(60)	57
Other comprehensive income, which will be reclassified to profit or loss	**(60)**	**57**
Measurement of equity financial instruments at fair value through other comprehensive income, net of the tax effect	(70)	(113)
Actuarial losses net of the tax effect	(120)	(189)
Other comprehensive income, which will not be reclassified to profit or loss	**(190)**	**(302)**
Total other comprehensive net income	**(250)**	**(245)**
TOTAL COMPREHENSIVE INCOME	**977**	**742**

amounts in PLN millions, unless otherwise stated

STATEMENT OF CASH FLOWS

	Cash flow from operating activities	from 1 January 2019 to 30 June 2019	from 1 January 2018 to 30 June 2018
	Profit before income tax	1 712	1 278
	Depreciation/amortisation recognised in profit or loss	586	534
	Interest on investment activities	(115)	(119)
	Interest and other costs of borrowings	93	73
	Dividends income	(37)	(239)
	Fair value gains on financial assets measured at fair value through profit or loss	(141)	(41)
	Impairment losses on non-current assets	10	810
	Reversal of impairment losses on non-current assets	(112)	(949)
	Exchange differences, of which:	25	162
	from investing activities and cash	83	(369)
	from financing activities	(58)	531
	Change in provisions	(69)	207
	Change in other receivables and liabilities	(259)	(162)
	Change in assets/liabilities due to derivatives	(35)	(137)
Note 3.9	Other adjustments	24	(4)
	Exclusions of income and costs, total	(30)	135
	Income tax paid	(321)	(332)
Note 3.8	Changes in working capital	(92)	(713)
	Net cash generated from operating activities	**1 269**	**368**
	Cash flow from investing activities		
	Expenditures on mining and metallurgical assets, including:	(1 254)	(942)
	paid capitalised interest on borrowings	(72)	(53)
	Expenditures on other property, plant and equipment and intangible assets	(58)	(19)
	Expenditures on acquisition of subsidiaries	(391)	-
	Loans granted	(63)	(269)
	Other expenses	(43)	(53)
	Total expenses	(1 809)	(1 283)
	Proceeds from disposal of subsidiaries	391	-
	Dividends received	10	101
	Other proceeds	8	25
	Total proceeds	409	126
	Net cash used in investing activities	**(1 400)**	**(1 157)**
	Cash flow from financing activities		
	Proceeds from borrowings	3 423	2 044
	Proceeds from issue of debt financial instruments	2 000	-
	Total proceeds	5 423	2 044
	Expenses due to cash pool	(30)	(40)
	Repayments of borrowings	(5 016)	(1 146)
	Repayment of lease liabilities	(13)	-
	Interest and other costs of borrowings, including:	(99)	(66)
	leases	(19)	-
	Total expenses	(5 158)	(1 252)
	Net cash generated from financing activities	**265**	**792**
	TOTAL NET CASH FLOW	**134**	**3**
	Exchange gains/(losses) on cash and cash equivalents	(35)	12
	Cash and cash equivalents at the beginning of the period	627	234
	Cash and cash equivalents at the end of the period	**726**	**249**

amounts in PLN millions, unless otherwise stated

STATEMENT OF FINANCIAL POSITION

	ASSETS	As at 30 June 2019	As at 31 December 2018
	Mining and metallurgical property, plant and equipment	17 359	16 382
	Mining and metallurgical intangible assets	616	576
	Mining and metallurgical property, plant and equipment and intangible assets	17 975	16 958
	Other property, plant and equipment	89	92
	Other intangible assets	48	52
	Other property, plant and equipment and intangible assets	137	144
	Investments in subsidiaries	3 415	3 510
	Loans granted, including:	6 641	6 262
	measured at fair value through profit or loss	1 916	1 724
	measured at amortised cost	4 725	4 538
Note 3.2	Derivatives	257	319
	Other financial instruments measured at fair value through other comprehensive income	409	496
	Other financial instruments measured at amortised cost	402	376
Note 3.2	Financial instruments, total	7 709	7 453
	Deferred tax assets	-	9
	Other non-financial assets	27	24
	Non-current assets	**29 263**	**28 098**
	Inventories	4 362	4 102
Note 3.2	Trade receivables, including:	206	310
	trade receivables measured at fair value through profit or loss	62	139
	Tax assets	222	275
Note 3.2	Derivatives	323	300
	Other financial assets	751	489
	Other non-financial assets	194	49
Note 3.2	Cash and cash equivalents	726	627
	Current assets	**6 784**	**6 152**
	TOTAL ASSETS	**36 047**	**34 250**
	EQUITY AND LIABILITIES		
	Share capital	2 000	2 000
	Other reserves from measurement of financial instruments	(437)	(307)
	Accumulated other comprehensive income	(713)	(593)
	Retained earnings	19 172	17 945
	Equity	**20 022**	**19 045**
Note 3.2	Borrowings, lease and debt securities	7 652	6 758
Note 3.2	Derivatives	52	68
Note 3.4	Employee benefits liabilities	2 425	2 235
Note 3.5	Provisions for decommissioning costs of mines and other technological facilities	1 099	980
	Deferred tax liabilities	11	-
	Other liabilities	190	199
	Non-current liabilities	11 429	10 240
Note 3.2	Borrowings, lease and debt securities	996	1 035
Note 3.2	Cash pooling liabilities	50	80
Note 3.2	Derivatives	14	13
Note 3.2	Trade payables	1 610	1 920
Note 3.4	Employee benefits liabilities	770	783
	Tax liabilities	360	233
	Provisions for liabilities and other charges	87	190
	Other liabilities	709	711
	Current liabilities	4 596	4 965
	Non-current and current liabilities	**16 025**	**15 205**
	TOTAL EQUITY AND LIABILITIES	**36 047**	**34 250**

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 31 December 2017	**2 000**	**142**	**(348)**	**15 462**	**17 256**
Change in accounting policies – application of IFRS 9	**-**	**(604)**	**-**	**458**	**(146)**
As at 1 January 2018	**2 000**	**(462)**	**(348)**	**15 920**	**17 110**
Profit for the period	-	-	-	987	**987**
Other comprehensive income	-	(56)	(189)	-	**(245)**
Total comprehensive income	-	(56)	(189)	987	**742**
Other changes	-	-	-	(15)	**(15)**
As at 30 June 2018	**2 000**	**(518)**	**(537)**	**16 892**	**17 837**
As at 31 December 2018	**2 000**	**(307)**	**(593)**	**17 945**	**19 045**
Profit for the period	-	-	-	1 227	**1 227**
Other comprehensive income	-	(130)	(120)	-	**(250)**
Total comprehensive income	-	(130)	(120)	1 227	**977**
As at 30 June 2019	**2 000**	**(437)**	**(713)**	**19 172**	**20 022**

Part 1 – General information

Note 1.1 Impact of the application of new and amended standards on the Company's accounting policy and on the Company's separate financial statements.

IFRS 16 "Leases"

Basic information on the standard

Date of implementation and transitional rules
IFRS 16 is effective for annual periods beginning on or after 1 January 2019 and has been adopted by the European Union. It superseded the IAS 17 standard, interpretations IFRIC 4 and SIC 15 and 27. The Company applies IFRS 16 from 1 January 2019.

Main changes introduced by the standard
The new standard introduced a single model for recognising a lease in a lessee's accounting books, conforming to the recognition of a finance lease under IAS 17. In accordance with IFRS 16, an agreement is a lease or contains a lease if it transfers the rights to control the use of an identified asset for a given period in exchange for compensation. The essential element differentiating the definition of a lease from IAS 17 and from IFRS 16 is the requirement to have control over the used, specific asset, indicated directly or implied in the agreement. Transfer of the right to use takes place when we have an identified asset, with respect to which the lessee has the right to obtain substantially all of the economic benefits from its use, and controls the use of a given asset in a given period. If the definition of a "lease" is met, the right to use an asset is recognised alongside a corresponding lease liability, set in the amount of future discounted payments – for the duration of the lease. Expenses related to the use of lease assets, the majority of which were previously recognised in external services costs, are currently classified as depreciation/amortisation and interest costs. Right-to-use assets are depreciated in accordance with IAS 16, while lease liabilities are settled using the effective interest rate. The requirements of the new standard with respect to recognition and measurement by the lessor are similar to the requirements of IAS 17. A lease is classified as financial or operational also in accordance with IFRS 16. Compared to IAS 17, the new standard changed the principles of classification of a sublease and requires the lessor to disclose additional information.

Impact of IFRS 16 on the financial statements

The Company had completed the work related to implementation of the new standard IFRS 16 in the fourth quarter of 2018. The project to implement IFRS 16 (project), was executed in three stages:

- stage I – analysis of all executed agreements for the purchase of services, regardless of their classification, the goal of which was to identify agreements based on which the Company uses assets belonging to suppliers; in addition, this stage comprised the analysis of perpetual usufruct rights to land as well as land easements and transmission easements,

- stage II – the evaluation of each agreement identified in stage I in terms of its meeting the criteria to be recognised as a lease pursuant to IFRS 16,

- stage III - implementation of IFRS 16 based on the developed concept.

All agreements involving a finance lease, operating lease, rentals, leases, perpetual usufruct rights to land or transmission easements and land easements were analysed. Also analysed were transactions involving purchased services (external service costs under operating activities) in terms of any occurrence of use of the identified assets.
Under this project the Company carried out appropriate changes in accounting policy and operating procedures. Methods were developed and implemented for the proper identification of lease agreements and for gathering data needed in order to properly account for such transactions.
The Company decided to apply the standard from 1 January 2019. In accordance with the transition rules described in IFRS 16.C5 (b), the new principles were adopted retrospectively, and the accumulated impact of initial application of the

new standard was recognised in equity as at 1 January 2019. Consequently, comparable data for financial year 2018 were not restated (the modified retrospective approach).

Subsequently are described particular adjustments resulting from the implementation of IFRS 16.

Description of adjustments

a) Recognition of lease liabilities

Following the adoption of IFRS 16, the Company recognises lease liabilities related to agreements which were previously classified as "operating leases" in accordance with IAS 17 *Leases*. These liabilities were measured at the present value of lease payments due to be paid as at the date of commencement of the application of IFRS 16. For purposes of implementation of IFRS 16 and disclosure with respect to the impact of implementation of IFRS 16, discounting was applied using the Company's incremental borrowing rate as at 1 January 2019.

At their date of initial recognition, lease payments contained in the amount of lease liabilities comprise the following types of payments for the right to use the underlying asset for the life of the lease:

- fixed lease payments less any lease incentives,
- variable lease payments which are dependent on indices or market interest rates,
- amounts expected to be payable under guaranteed residual value of the leased object,
- the strike price of a purchase option, if it is reasonably certain that the option will be exercised, and
- payment due to contractual penalties for terminating the lease, if the lease period reflects the lessee's use of the option of terminating the lease.

For the purposes of calculating the discount rate under IFRS 16, the Company assumed that the discount rate should reflect the cost of financing which would be drawn to purchase an asset with a similar value to right to use of the object of a given lease. To estimate the amount of the discount rate, the Company considered the following contractual parameters: the type and life of an agreement, the currency applied and the potential margin which would have to be paid to financial institutions to obtain financing.

As at 1 January 2019, the discount rates calculated by the Company were within the following ranges (depending on the life of the agreement):

- for PLN-denominated agreements: from 4.25% to 5.86%,
- for EUR-denominated agreements: 2.10%.

The Company used expedients with respect to short-term leases (up to 12 months) as well as in the case of leases in respect of which the underlying asset has a low value (up to PLN 20 000) and for which agreements the Company does not recognise financial liabilities nor any respective right-to-use assets. These types of lease payments are recognised as costs using the straight-line method during the life of the lease.

b) Recognition of right-to-use assets

Right-to-use assets are measured at cost.

The initial cost of a right-to-use asset comprises:

- the amount of the initial measurement of lease liabilities,
- any lease payments paid at the commencement date or earlier, less any lease incentives received,
- initial direct costs incurred by the lessee as a result of entering into a lease agreement,
- estimates of costs which are to be incurred by the lessee as a result of an obligation to disassemble and remove an underlying asset or to carry out renovation.

On the day of initial application, in the case of leases previously classified as operating leases under IAS 17, right-to-use assets were measured by the Company at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments related to that lease, recognised in the statement of financial position directly preceding the date of the initial application of IFRS 16.

Following initial recognition, right-to-use assets are depreciated under IAS 16 and are subjected to impairment testing pursuant to IAS 36.

c) Application of estimates

The implementation of IFRS 16 required making certain estimates and calculations which effected the measurement of lease liabilities and of right-to-use assets. These include among others:

- determining which agreements are subject to IFRS 16,
- determining the remaining life of leases for agreements entered into before 1 January 2019 (including for agreements with unspecified lives or which may be prolonged),
- determining the incremental borrowing rates applied for the purpose of discounting future cash flows, and
- determining useful lives and the depreciation rates of right-to-use assets, recognised as at 1 January 2019.

amounts in PLN millions, unless otherwise stated

d) Application of practical expedients

In the first time application of IFRS 16, the Company used following practical exemptions, permitted by the standard:
- application of a single discount rate to a portfolio of leases with similar characteristics,
- assessment as to whether leases are onerous as defined by IAS 37 at the moment of implementation of the standard as an alternative to performing impairment testing of a leased asset,
- the treatment of operating lease agreements for which the remaining lease term is less than 12 months as at 1 January 2019 as short-term leases, and
- the use of hindsight (i.e. knowledge gained after the fact) in determining the lease period if the agreement contains options to prolong or terminate the lease.

e) Impact of implementation of IFRS 16 on the financial statements

As at 31 December 2018, the Company had non-cancellable, off-balance sheet operating lease liabilities in respect of the following agreements: perpetual usufruct of land, lease of land, lease of machines and equipment and other leases. As at 31 December 2018, their notional amount was PLN 1 084 million, of which the amount of PLN 1 082 million concerns lease agreements in accordance with IFRS 16, and excludes short-term leases and the lease of low value assets.

For the aforementioned agreements, the Company measured the present value of assets used under these agreements and recognised, as at 1 January 2019, right-to-use assets in the amount of PLN 511 million and a corresponding lease liability in the same amount.

Off-balance sheet lease liabilities in the amount of PLN 1 082 million were written off.

In the case of agreements in which the Company is a lessor, application of IFRS 16 did not necessitate the recognition of adjustments as at 1 January 2019.

Summary of the financial impact of the implementation of IFRS 16 (this only concerns lease agreements entered into or amended before 1 January 2019):

Reconciliation of transition from IAS 17 to IFRS 16:

		Amount
Finance lease liabilities	IAS 17	-
Off-balance sheet operating lease liabilities (excluding discount)	IAS 17	1 084
Total - 31 December 2018		**1 084**
(-) Impact of the discount using the incremental borrowing rate as at 1 January 2019	IFRS 16	(149)
(-) Impact of the discount of perpetual usufruct of land as at 1 January 2019	IFRS 16	(422)
(-) Short-term lease agreements recognised as a cost in the period	IFRS 16	(2)
(-) Lease agreements of low value assets recognised as a cost in the period	IFRS 16	-
Lease liabilities – 1 January 2019		**511**

Impact on items of the statement of financial position as at 1 January 2019

	As at 1 January 2019
Right-to-use assets – property, plant and equipment	517
Intangible assets – reclassification of purchased perpetual usufruct right to land in the amount of PLN 2 million and transmission easements in the amount of PLN 4 million to property, plant and equipment	(6)
Lease liability	511

Impact on the financial statements as at 30 June 2019

Right-to-use assets – by assets	As at 1 January 2019	As at 30 June 2019
Land*	246	244
Perpetual usufruct right to land **	199	200
Buildings	35	34
Technical equipment and machines	36	32
Other fixed assets	1	1
Total	**517**	**511**

** including the reclassified transmission easements, PLN 4 million,*
*** including the reclassified purchased perpetual usufruct right to land, PLN 2 million.*

amounts in PLN millions, unless otherwise stated

	from 1 January 2019 to 30 June 2019
Impact on the statement of comprehensive income:	
- decrease in taxes, charges and services	(32)
- increase in interest costs	14
- increase in depreciation/amortisation	11
Impact on the statement of cash flows:	
- increase in net cash flows from operating activities	32
- decrease in net cash flows from financing activities	(32)

The cost of short-term lease agreements and the cost of lease agreements for low-value assets for the first half of 2019 is immaterial.

The discount rates applied as at 30 June 2019 were as follows:

- for PLN-denominated agreements: from 4.25% to 5.86%,
- for EUR-denominated agreements: 2.10%.

Impact on financial ratios

Given the fact that the Company recognises nearly all of its lease agreements in its statement of financial position, the implementation of IFRS 16 by the Company affected its balance sheet ratios, including the debt to equity ratio. Moreover, as a result of the implementation of IFRS 16 there were changes in profit ratios (such as operating profit, EBITDA), as well as in cash flow from operating activities. The Company has analysed the impact of all of these changes in terms of compliance with covenants contained in credit agreements to which the Company is a party, and did not identify any risk of breaches in these covenants.

Note 1.2 Risk management

Commodity, currency and interest risk management in KGHM Polska Miedź S.A. was presented in part 4, note 4.4 of this report's consolidated financial statements.

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 clients

		from 1 January 2019 to 30 June 2019	from 1 January 2018 to 30 June 2018
Europe			
	Poland	2 151	2 005
	Germany	1 388	1 007
	The United Kingdom	1 042	768
	Czechia	695	716
	France	445	375
	Hungary	354	364
	Spain	-	302
	Switzerland	328	250
	Italy	476	220
	Austria	99	124
	Slovakia	49	58
	Slovenia	35	36
	Denmark	27	35
	Finland	11	32
	Romania	93	29
	Sweden	16	23
	Bosnia and Herzegovina	20	15
	Other countries (dispersed sales)	15	22
North and South America			
	The United States of America	210	76
Australia			
	Australia	37	-
Asia			
	China	1 143	582
	Turkey	128	141
	Taiwan	49	-
	Japan	-	2
	Singapore	9	-
	Other countries (dispersed sales)	5	5
Africa		6	2
TOTAL		**8 831**	**7 189**

amounts in PLN millions, unless otherwise stated

Note 2.2 Expenses by nature

	from 1 January 2019 to 30 June 2019	from 1 January 2018 to 30 June 2018
Depreciation of property, plant and equipment and amortisation of intangible assets	633	580
Employee benefits expenses	1 710	1 684
Materials and energy, including:	3 141	2 549
Purchased metal-bearing materials	1 988	1 477
Electrical and other energy	429	372
External services, including:	823	788
Transport	121	103
Repairs, maintenance and servicing	239	239
Mine preparatory work	247	242
Minerals extraction tax	866	900
Other taxes and charges	200	218
Other costs	60	44
Total expenses by nature	**7 433**	**6 763**
Cost of merchandise and materials sold (+)	118	92
Change in inventories of finished goods and work in progress (+/-)	18	(772)
Cost of manufacturing products for internal use (-)	(71)	(60)
Total costs of sales, selling costs and administrative expenses, of which:	**7 498**	**6 023**
Cost of sales	7 056	5 605
Selling costs	63	52
Administrative expenses	379	366

amounts in PLN millions, unless otherwise stated

Note 2.3 Other operating income and (costs)

	from 1 January 2019 to 30 June 2019	from 1 January 2018 to 30 June 2018
Measurement and realisation of derivatives	94	91
Interest on loans granted and other financial receivables	132	126
Fees and charges on re-invoicing of costs of bank guarantees securing payments of liabilities	28	28
Reversal of impairment losses on financial instruments, including:	112	950
reversal of allowances for impairment of loans measured at amortised cost	112	949
Gains on changes in fair value of financial assets measured at fair value through profit or loss	163	160
Exchange differences on assets and liabilities other than borrowings	16	327
Dividends income	37	239
Other	87	44
Total other operating income	**669**	**1 965**
Measurement and realisation of derivatives	(122)	(119)
Losses due to initial recognition of POCI loans	-	(763)
Losses due to fair value changes of financial assets measured at fair value through profit or loss	(21)	(119)
Allowances for impairment of loans measured at amortised cost, including:	(10)	(44)
POCI loans	(10)	(41)
Provisions recognised	(7)	(149)
Other	(57)	(63)
Total other operating costs	**(217)**	**(1 257)**
Other operating income and (costs)	**452**	**708**

Note 2.4 Finance income and (costs)

	from 1 January 2019 to 30 June 2019	from 1 January 2018 to 30 June 2018
Exchange differences on borrowings	58	-
Measurement and realisation of derivatives	2	26
Total finance income	**60**	**26**
Interest on borrowings, including:	(80)	(58)
leases	(14)	-
Bank fees and charges on borrowings	(13)	(12)
Exchange differences on borrowings	-	(531)
Measurement and realisation of derivatives	(19)	-
Unwinding of the discount effect	(21)	(21)
Total finance costs	**(133)**	**(622)**
Finance income and (costs)	**(73)**	**(596)**

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 2019 to 30 June 2019	from 1 January 2018 to 30 June 2018
Purchase of property, plant and equipment	964	741
Purchase of intangible assets	21	13

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

	As at 30 June 2019	As at 31 December 2018
Payables due to the purchase of property, plant and equipment and intangible assets	596	1 006

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

Capital commitments due to the purchase of:	As at 30 June 2019	As at 31 December 2018
property, plant and equipment	2 524	2 671
intangible assets	68	74
Total capital commitments	**2 592**	**2 745**

amounts in PLN millions, unless otherwise stated

Note 3.2 Financial instruments

Financial assets:	As at 30 June 2019					As at 31 December 2018				
	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	409	1 916	5 127	257	7 709	496	1 735	4 914	308	**7 453**
Loans granted	-	1 916	4 725	-	**6 641**	-	1 724	4 538	-	**6 262**
Derivatives	-	-	-	257	**257**	-	11	-	308	**319**
Other financial instruments measured at fair value	409	-	-	-	**409**	496	-	-	-	**496**
Other financial instruments measured at amortised cost	-	-	402	-	**402**	-	-	376	-	**376**
Current	-	111	1 586	309	**2 006**	-	162	1 279	285	**1 726**
Trade receivables	-	62	144	-	**206**	-	139	171	-	**310**
Derivatives	-	14	-	309	**323**	-	15	-	285	**300**
Cash and cash equivalents	-	-	726	-	**726**	-	-	627	-	**627**
Other financial assets	-	35	716	-	**751**	-	8	481	-	**489**
Total	**409**	**2 027**	**6 713**	**566**	**9 715**	**496**	**1 897**	**6 193**	**593**	**9 179**

Financial liabilities:	As at 30 June 2019				As at 31 December 2018			
	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	**26**	**7 670**	**26**	**7 722**	39	6 941	29	**7 009**
Borrowings, lease and debt securities	-	7 652	-	**7 652**	-	6 758	-	**6 758**
Derivatives	26	-	26	**52**	39	-	29	**68**
Other financial liabilities	-	18	-	**18**	-	183	-	**183**
Current	18	2 772	3	**2 793**	7	3 104	6	**3 117**
Borrowings, lease and debt securities	-	996	-	**996**	-	1 035	-	**1 035**
Cash pooling liabilities	-	50	-	**50**	-	80	-	**80**
Derivatives	11	-	3	**14**	7	-	6	**13**
Trade payables	-	1 610	-	**1 610**	-	1 920	-	**1 920**
Other financial liabilities	7	116	-	**123**	-	69	-	**69**
Total	**44**	**10 442**	**29**	**10 515**	**46**	**10 045**	**35**	**10 126**

amounts in PLN millions, unless otherwise stated

The fair value hierarchy of financial instruments

Classes of financial instruments	As at 30 June 2019 level 1	As at 30 June 2019 level 2	As at 31 December 2018 level 1	As at 31 December 2018 level 2
Listed shares	313	-	399	-
Unquoted shares	-	96	-	97
Loans granted	-	1 916	-	1 724
Trade receivables	-	62	-	139
Other financial assets	-	35	-	8
Other financial liabilities	-	7	-	-
Derivatives, of which:	-	514	-	538
Assets	-	580	-	619
Liabilities	-	(66)	-	(81)

Level 3

No financial instruments were measured at fair value which were classified to level 3 in either the reporting or the comparable period in the Company.

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

Methods and measurement techniques used by the Company in determining fair values of each class of financial asset or financial liability were presented in part 4, note 4.3 of the consolidated financial statements.

Note 3.3 Net debt

	As at 30 June 2019	As at 31 December 2018
Total borrowings, cash pool, leases, debt securities	**8 698**	**7 873**
Free cash and cash equivalents	723	625
Net debt	**7 975**	**7 248**

Note 3.4 Employee benefits liabilities

	As at 30 June 2019	As at 31 December 2018
Jubilee bonuses	397	362
Retirement and disability benefits	357	333
Coal equivalent	1 770	1 660
Other benefits	26	21
Total liabilities due to future employee benefits programs	**2 550**	**2 376**
Remuneration and social insurance liabilities	289	365
Accruals due to employee benefits	356	277
Employee benefits	**645**	**642**
Total employee benefits liabilities, including:	**3 195**	**3 018**
- non-current liabilities	2 425	2 235
- current liabilities	770	783

amounts in PLN millions, unless otherwise stated

Note 3.5 Provisions for decommissioning costs of mines and other technological facilities

	As at 30 June 2019	As at 31 December 2018
Provisions as at the beginning of the reporting period	988	804
Changes in estimates recognised in fixed assets	112	168
Other	7	16
Provisions as at the end of the reporting period, including:	**1 107**	**988**
- non-current provisions	1 099	980
- current provisions	8	8

Note 3.6 Related party transactions

Operating income from related parties	from 1 January 2019 to 30 June 2019	from 1 January 2018 to 30 June 2018
From subsidiaries	536	448
From other related parties	12	13
Total	**548**	**461**

In the period from 1 January 2019 to 30 June 2019, KGHM Polska Miedź S.A. recognised dividends from subsidiaries in other operating income - in the amount of PLN 37 million (from 1 January to 30 June 2018: PLN 239 million).

Purchases from related entities	from 1 January 2019 to 30 June 2019	from 1 January 2018 to 30 June 2018
Purchase of products, merchandise and materials and other purchases from subsidiaries	2 450	2 287
Total	**2 450**	**2 287**

Trade and other receivables from related parties	As at 30 June 2019	As at 31 December 2018
From subsidiaries	7 305	6 716
From other related parties	124	102
Total	**7 429**	**6 818**

Payables towards related parties	As at 30 June 2019	As at 31 December 2018
Towards subsidiaries	673	906
Towards other related parties	22	11
Total	**695**	**917**

Remuneration of 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. were 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 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).

As at 30 June 2019, the balances of payables due to agreements necessary to conduct principal operating activities of the Company, distinctive due to their nature, in the amount of PLN 181 million (as at 31 December 2018: PLN 200 million) were comprised of:

- setting mining usufruct – fixed fees and mining usufructs for exploration and evaluation of mineral resources – in the total amount of PLN 166 million (as at 31 December 2018: PLN 170 million),
- setting mining usufruct – variable part (recognised in costs) in the amount of PLN 15 million (as at 31 December 2018: PLN 30 million).

The remaining transactions, which were collectively significant, 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, carried out at arm's length. These transactions concerned the following:

amounts in PLN millions, unless otherwise stated

- the purchase of goods (energy, fuels, services) to meet the needs of current operating activities. In the period from 1 January to 30 June 2019, the turnover from these transactions amounted to PLN 312 million (from 1 January to 30 June 2018: PLN 414 million), and, as at 30 June 2019, the unsettled balance of liabilities from these transactions amounted to PLN 76 million (as at 31 December 2018: PLN 131 million),
- sales to Polish State Treasury Companies. In the period from 1 January to 30 June 2019, the turnover from these sales amounted to PLN 24 million (from 1 January to 30 June 2018: PLN 17 million), and, as at 30 June 2019, the unsettled balance of receivables from these transactions amounted to PLN 3 million (as at 31 December 2018: PLN 6 million).

Note 3.7 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 2019	As at 31 December 2018
Contingent assets	**562**	**558**
Guarantees received	215	168
Promissory notes receivables	200	225
Other	147	165
Contingent liabilities	**2 830**	**2 898**
Guarantees	2 664	2 735
Promissory note liability	16	16
Other	150	147
Other liabilities not recognised in the statement of financial position	**380**	**366**
Liabilities towards local government entities due to expansion of the tailings storage facility	109	113
Securing the proper execution of future environmental obligations related to the obligation to restore terrain, following the conclusion of operations of the Żelazny Most tailings storage facility	271	253

amounts in PLN millions, unless otherwise stated

Note 3.8 Changes in working capital

	Inventories	Trade receivables	Trade payables	Working capital
As at 31 December 2018	(4 102)	(310)	2 082	**(2 330)**
As at 30 June 2019	(4 362)	(206)	1 767	**(2 801)**
Change in the statement of financial position	**(260)**	**104**	**(315)**	**(471)**
Depreciation/amortisation recognised in inventories	45	-	-	**45**
Payables due to the purchase of property, plant and equipment and intangible assets	-	-	333	**333**
Other adjustments	1	-	-	**1**
Adjustments	46	-	333	**379**
Change in the statement of cash flows	**(214)**	**104**	**18**	**(92)**

	Inventories	Trade receivables	Trade payables	Working capital
As at 31 December 2017	(3 857)	(1 050)	1 882	**(3 025)**
As at 30 June 2018	(4 627)	(683)	1 303	**(4 007)**
Change in the statement of financial position	**(770)**	**367**	**(579)**	**(982)**
Depreciation/amortisation recognised in inventories	45	-	-	**45**
Payables due to the purchase of property, plant and equipment and intangible assets	-	-	224	**224**
Adjustments	**45**	**-**	**224**	**269**
Change in the statement of cash flows	**(725)**	**367**	**(355)**	**(713)**

Note 3.9 Other adjustments in the statement of cash flows

	from 1 January 2019 to 30 June 2019	from 1 January 2018 to 30 June 2018
Losses on the disposal of property, plant and equipment and intangible assets	7	17
Reclassification of other comprehensive income to profit or loss due to the realisation of hedging instruments	(15)	(21)
Income tax proceeds/(expenses) from/to the tax group companies	32	(1)
Other	-	1
Total	**24**	**(4)**

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

STATEMENT OF PROFIT OR LOSS

		from 1 April 2019 to 30 June 2019*	from 1 April 2018 to 30 June 2018*	from 1 January 2019 to 30 June 2019	from 1 January 2018 to 30 June 2018
	Revenues from contracts with customers	4 515	3 983	8 831	7 189
Note 4.1	Cost of sales	(3 659)	(3 101)	(7 056)	(5 605)
	Gross profit	**856**	**882**	**1 775**	**1 584**
Note 4.1	Selling costs and administrative expenses	(248)	(236)	(442)	(418)
	Profit on sales	**608**	**646**	**1 333**	**1 166**
Note 4.2	Other operating income and (costs) including:	73	635	452	708
	interest income calculated using the effective interest rate method	65	68	131	125
	reversal/(recognition) of impairment losses on financial instruments	8	94	102	143
Note 4.3	Finance income and (costs)	100	(720)	(73)	(596)
	Profit before income tax	**781**	**561**	**1 712**	**1 278**
	Income tax expense	(249)	(95)	(485)	(291)
	PROFIT FOR THE PERIOD	**532**	**466**	**1 227**	**987**
	Weighted average number of ordinary shares (million)	**200**	**200**	**200**	**200**
	Basic and diluted earnings per share (in PLN)	**2.66**	**2.33**	**6.14**	**4.94**

**Data not subject to the review*

amounts in PLN millions, unless otherwise stated

Explanatory notes to the statement of profit or loss

Note 4.1 Expenses by nature

	from 1 April 2019 to 30 June 2019*	from 1 April 2018 to 30 June 2018*	from 1 January 2019 to 30 June 2019	from 1 January 2018 to 30 June 2018
Depreciation of property, plant and equipment and amortisation of intangible assets	319	287	633	580
Employee benefits expenses	871	902	1 710	1 684
Materials and energy, including:	1 550	1 144	3 141	2 549
Purchased metal-bearing materials	996	611	1 988	1 477
Electrical and other energy	195	187	429	372
External services, including:	434	419	823	788
Transport	62	53	121	103
Repairs, maintenance and servicing	130	131	239	239
Mine preparatory work	125	125	247	242
Minerals extraction tax	446	466	866	900
Other taxes and charges	97	109	200	218
Other costs	39	15	60	44
Total expenses by nature	**3 756**	**3 342**	**7 433**	**6 763**
Cost of merchandise and materials sold (+)	56	51	118	92
Change in inventories of finished goods and work in progress (+/-)	135	(28)	18	(772)
Cost of manufacturing products for internal use (-)	(40)	(28)	(71)	(60)
Total costs of sales, selling costs and administrative expenses, including:	**3 907**	**3 337**	**7 498**	**6 023**
Cost of sales	3 659	3 101	7 056	5 605
Selling costs	32	28	63	52
Administrative expenses	216	208	379	366

**Data not subject to the review*

amounts in PLN millions, unless otherwise stated

Note 4.2 Other operating income and (costs)

	from 1 April 2019 to 30 June 2019*	from 1 April 2018 to 30 June 2018*	from 1 January 2019 to 30 June 2019	from 1 January 2018 to 30 June 2018
Measurement and realisation of derivatives	48	54	94	91
Interest on loans granted and other financial receivables	66	69	132	126
Fees and charges on re-invoicing of costs of bank guarantees securing payments of liabilities	9	10	28	28
Reversal of impairment losses on financial instruments, including:	17	136	112	950
reversal of allowances for impairment of loans measured at amortised cost	17	136	112	949
Gains on changes in fair value of financial assets measured at fair value through profit or loss	83	47	163	160
Exchange differences on assets and liabilities other than borrowings	-	451	16	327
Dividends income	37	239	37	239
Other	49	28	87	44
Total other operating income	**309**	**1 034**	**669**	**1 965**
Measurement and realisation of derivatives	(57)	(60)	(122)	(119)
Losses due to initial recognition of POCI loans	-	-	-	(763)
Losses due to fair value changes of financial assets measured at fair value through profit or loss	(21)	(119)	(21)	(119)
Allowances for impairment of loans measured at amortised cost, including:	(10)	(42)	(10)	(44)
POCI loans	(10)	(41)	(10)	(41)
Exchange differences on assets and liabilities other than borrowings	(127)	-	-	-
Provisions recognised	-	(148)	(7)	(149)
Other	(21)	(30)	(57)	(63)
Total other operating costs	**(236)**	**(399)**	**(217)**	**(1 257)**
Other operating income and (costs)	**73**	**635**	**452**	**708**

**Data not subject to the review*

amounts in PLN millions, unless otherwise stated

Note 4.3 Finance income and (costs)

	from 1 April 2019 to 30 June 2019*	from 1 April 2018 to 30 June 2018*	from 1 January 2019 to 30 June 2019	from 1 January 2018 to 30 June 2018
Exchange differences on borrowings	165	-	58	-
Measurement and realisation of derivatives	2	11	2	26
Total finance income	**167**	**11**	**60**	**26**
Interest on borrowings including:	(43)	(34)	(80)	(58)
leases	(9)	-	(14)	-
Bank fees and charges on borrowings	(7)	(6)	(13)	(12)
Exchange differences on borrowings	-	(681)	-	(531)
Measurement and realisation of derivatives	(7)	-	(19)	-
Unwinding of the discount effect	(10)	(10)	(21)	(21)
Total finance costs	**(67)**	**(731)**	**(133)**	**(622)**
Finance income and (costs)	**100**	**(720)**	**(73)**	**(596)**

**Data not subject to the review*

SIGNATURES OF ALL MEMBERS OF THE MANAGEMENT BOARD

These financial statements were authorised for issue on 19 August 2019.

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

Katarzyna Kreczmańska-Gigol

Vice President
of the Management Board

Radosław Stach

SIGNATURE OF PERSON RESPONSIBLE FOR ACCOUNTING

Executive Director
of Accounting Services Center
Chief Accountant

Łukasz Stelmach