



KGHM
POLSKA MIEDŹ

STRATEGY

of KGHM Polska Miedź S.A.

Higher production



Higher ore processing by Sierra Gorda
(130 kt Cu), continued high level in
Poland (450 kt Cu)

Energy independence #2

50% of consumption provided
by internal generating resources
in the following decade

International assets 2.0

#3

Review, integration,
financial efficiency



Long-term financial strategy

#4

Effective use of long-term instruments,
an additional 20% efficiency thanks to
back-office digitalisation

Ecosystem Innovation for KGHM



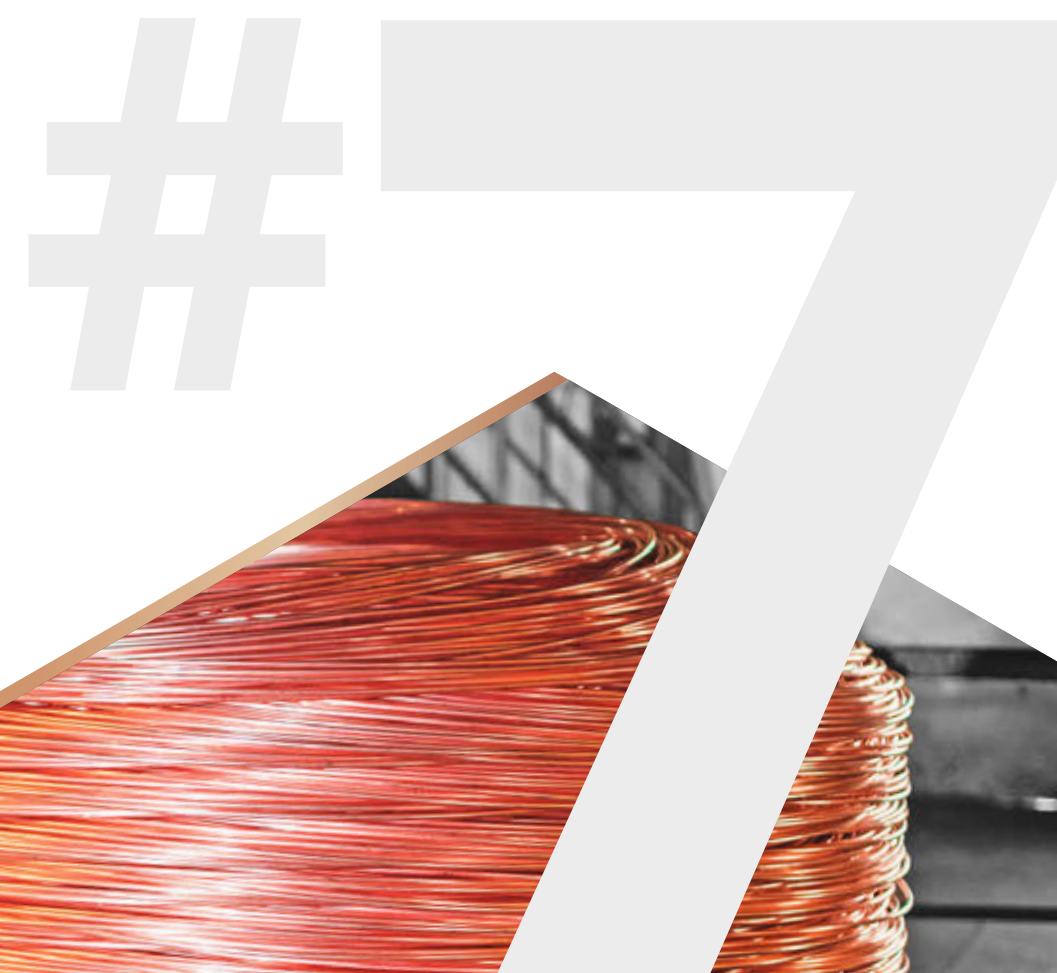
Higher spending on R&D
– over PLN 200 million
(min. 1% of annual revenues)

Technologies of the future

KGHM 4.0:
Internet of Things, automation
and digitalisation

New quality safety and development

The Strategy emphasises an ambitious plan for the Management Board and employees, prioritises sustainable development



Global conditions

The period since adoption of the current strategy was full of events strongly impacting the global geopolitical and economic situation, which was one of the elements indicating a need to update the strategy

PREPARATION AND ADOPTION OF THE STRATEGY

STRATEGY UPDATE

2017-2018

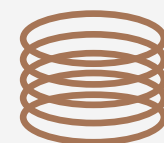
2017

2018

Invocation by the UK of Article 50 of the Treaty on European Union aimed at leaving the EU	Trade war between the USA and China and the imposition of tariffs	Adoption by the European Commission of a long-term strategic vision, assuming among others a neutral impact by economies on the climate by 2050	
Expected slowdown in Chinese economic growth	Higher labour costs in Poland	Resumption of sanctions on Iran by the USA	Expansion of sanctions by the EU against Russia
India, the UK, France and other countries announce plans to introduce restrictions on the sale of ICE autos		Withdrawal of Qatar from OPEC	Withdrawal of the USA from the Paris climate accord
Fall in average annual USD/PLN exchange rate	Imposition by the USA of tariffs on steel and aluminium from the EU, Canada and Mexico		Replacement of NAFTA by the new USMCA

High market volatility forces the need for new strategic directions

#4E



ELASTICITY,
FLEXIBILITY



EFFICIENCY



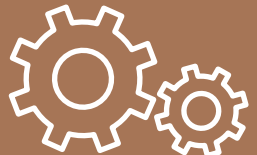

ECOLOGY,
SAFETY AND SUSTAINABLE
DEVELOPMENT



E-INDUSTRY


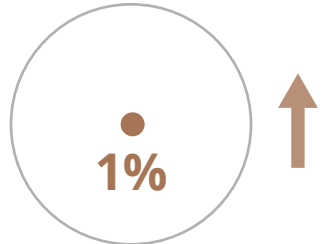
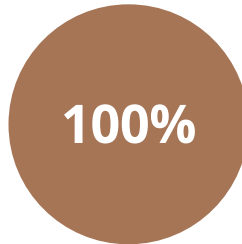
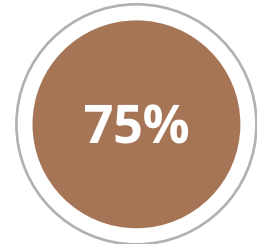




Strategy in practice

Selected key operating initiatives

AREA	MAIN TARGET	SELECTED EFFECTIVENESS MEASURES		
 <p>PRODUCTION</p>	<p>Maintenance of cost-effective domestic and foreign production</p>	<p>450 kt</p> <p>Level of production in Poland of mined Cu in ore with an annual C1 cost not higher than 3800 USD/t in the years 2019-2023</p>	<p>540 kt</p> <p>Average yearly metallurgical production in the years 2019-2023</p>	<p>130 kt</p> <p>Yearly average of daily ore processing in Sierra Gorda from 2020</p>
 <p>DEVELOPMENT</p>	<p>Increased efficiency and flexibility of the KGHM Group in managing its Polish and international assets</p>	<p>35%</p> <p>Level of metallurgical production from purchased copper-bearing materials, including scrap, to 2030</p>	<p>10%</p> <p>An increase in the share of highly processed copper products in the Group's total sales by the end of 2030</p>	<p>50%</p> <p>Amount by which the needs of KGHM Polska Miedź for electricity from its own sources of energy generation and renewable energy sources will be satisfied by the end of 2030</p>

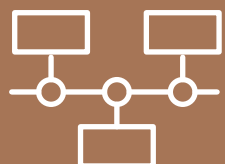

Strategy in practice

Selected key operating initiatives

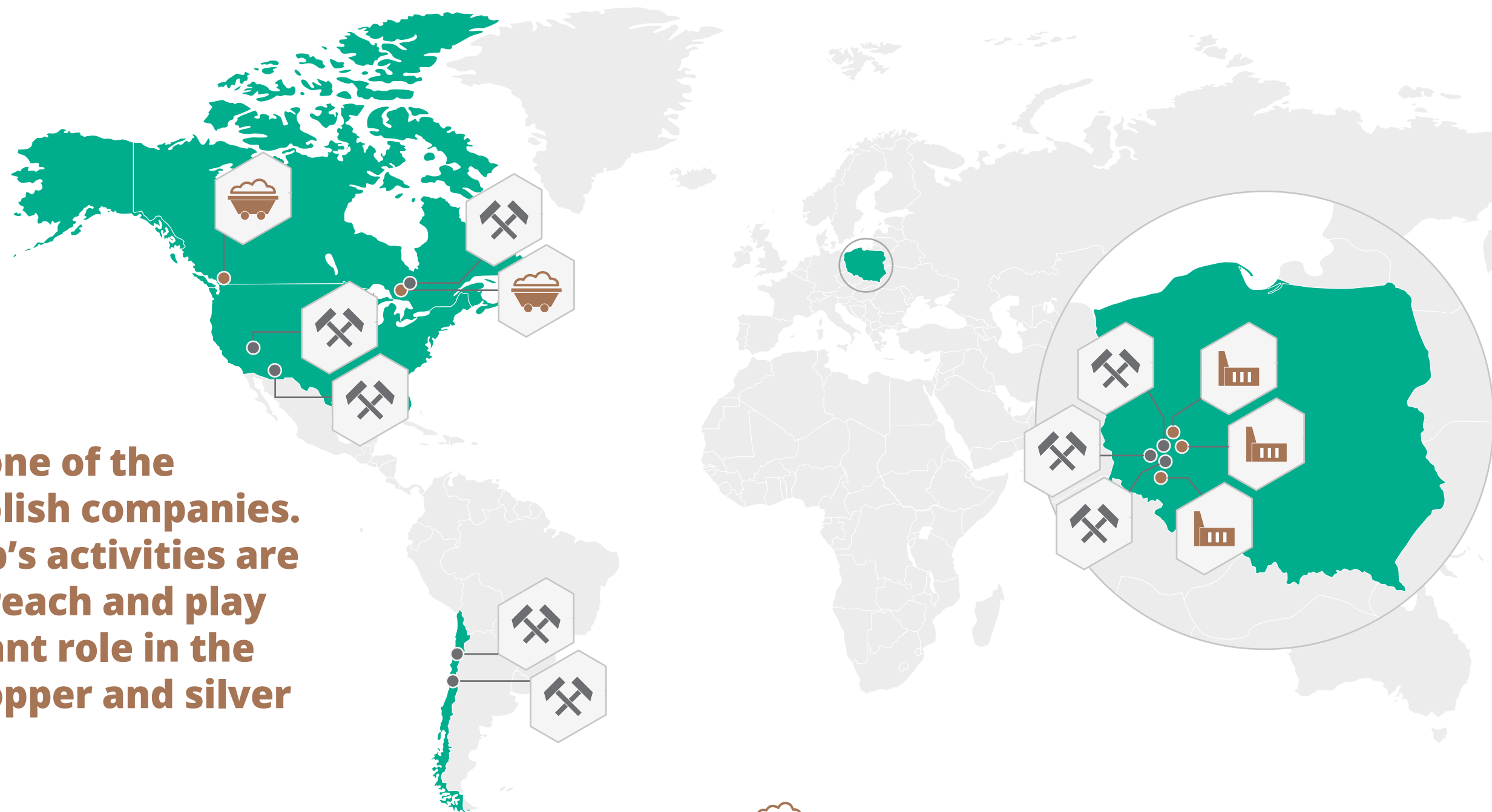
AREA	MAIN TARGET	SELECTED EFFECTIVENESS MEASURES		
 <p>INNOVATION</p>	<p>Increase the efficiency of the KGHM Group through innovation</p>	 <p>Increase expenditures on innovation and R&D work to the level of 1% of KGHM Polska Miedź S.A.'s revenues by 2023</p>	 <p>Ensure that all of the innovation projects are realised, pursuant to the rules of a coherent model of innovation management and research and development work (R&D) in the KGHM Group, in the years 2019-2023</p>	 <p>Level of funds for R&D and innovation in the years 2019-2023 to meet the challenges faced by KGHM Polska Miedź S.A. in the Core Business</p>
 <p>FINANCIAL STABILITY</p>	<p>Ensure long-term financial stability and the development of mechanisms supporting further development</p>	 <p>Basing of the Group's financing on long-term instruments</p>	 <p>Shorter cash conversion cycle</p>	 <p>Efficient management of market and credit risk by the KGHM Group</p>




Strategy in practice

Selected key operating initiatives

AREA	MAIN TARGET	SELECTED EFFECTIVENESS MEASURES		
 <p>EFFICIENT ORGANISATION</p>	<p>Implementation of systemic solutions aimed at increasing the KGHM Group's value</p>	<p>from 2022</p> <p>Ensure financial stability of the Polish-based Group companies, on the basis of their own activities</p>	<p>20%</p> <p>Increase in the efficiency of support functions as a result of centralisation and digitalisation of key back-office processes by 2023</p>	<p>80%</p> <p>Minimum level of achievement of key strategic targets and of the yearly goals assigned to them, in each of the years the strategy is in force</p>
 <p>PEOPLE AND THE ENVIRONMENT</p>	<p>Growth based on the idea of sustainable development and safety as well as enhancing the Group's image of social responsibility</p>	<p>20%</p> <p>Minimum level of annual improvement of LTIFR (Polish assets) and TRiR (International assets)</p>	<p>20%</p> <p>Maintain a participation budget at the level of 20% of the amount of deductions for donations from the minerals extraction tax by 2020</p>	<p>70%</p> <p>Level of commitment and satisfaction of the KGHM Group's employees based on measures defined during implementation, by 2023</p>

KGHM is one of the largest Polish companies. The Group's activities are global in reach and play a significant role in the world's copper and silver markets



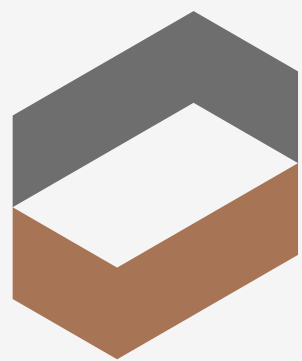
-  Mining projects of KGHM
-  Mines of KGHM
-  Metallurgical facilities of KGHM

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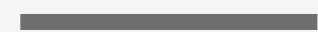
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Thank you