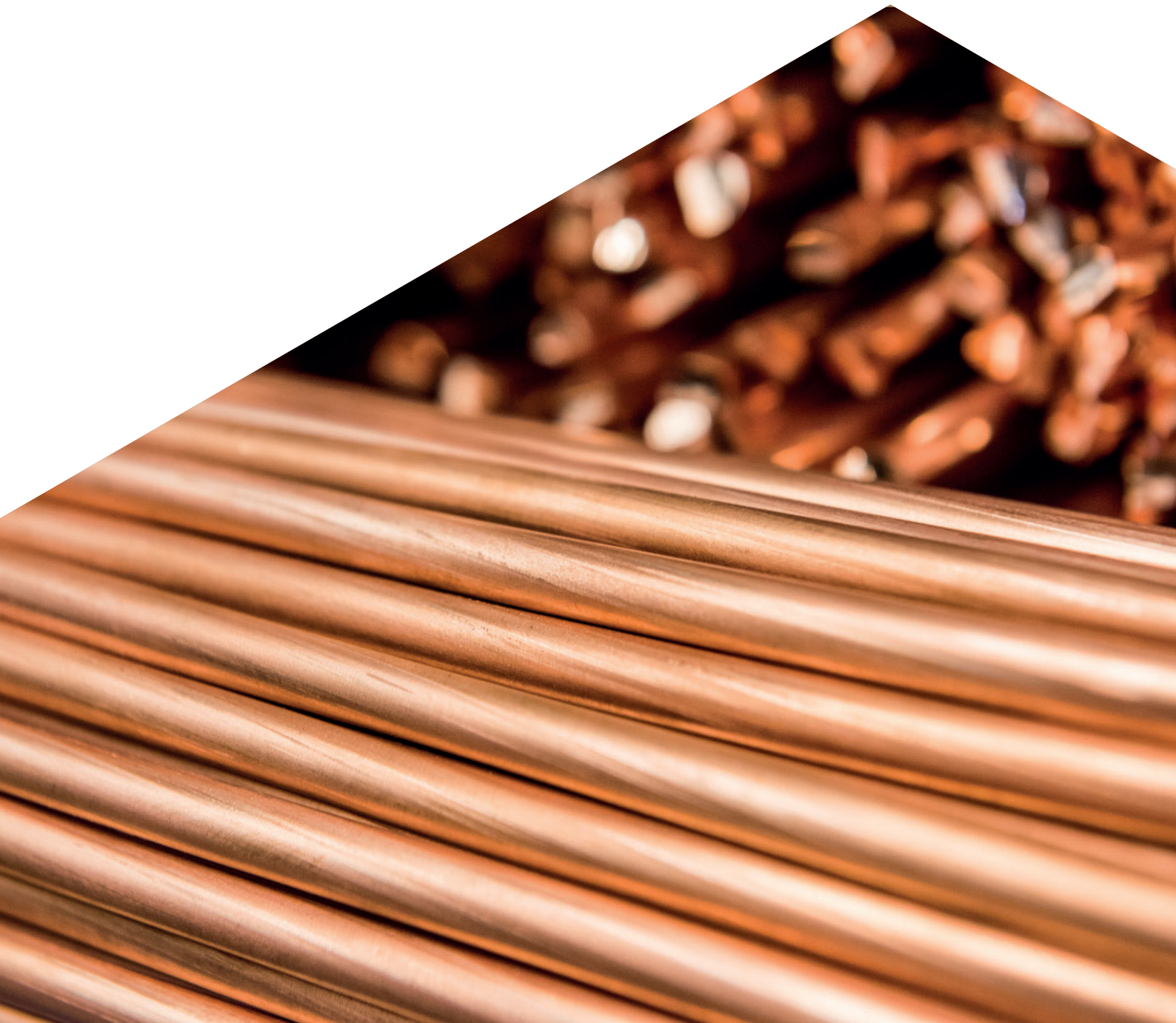




Strategy summary





1. INDICATORS

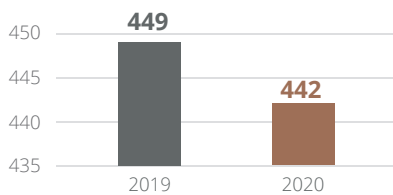
STRATEGIC AREA: PRODUCTION

MAIN GOAL: Maintenance of cost-effective domestic and foreign international production

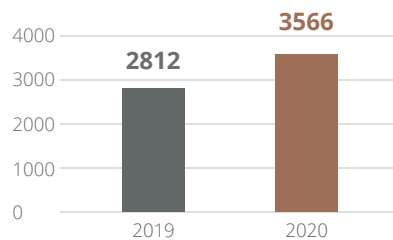
KEY INDICATORS FOR 2020:

- 1. 450 kt - 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**

Level of production in Poland of mined Cu in ore [kt]



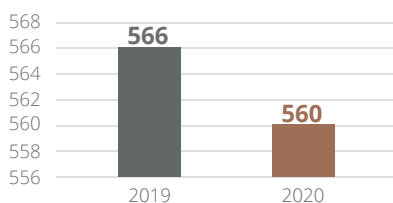
Annual C1 cost [USD/t]



* 2812 USD/t = 1,28 USD/lb 3566 USD/t = 1,62 USD/lb

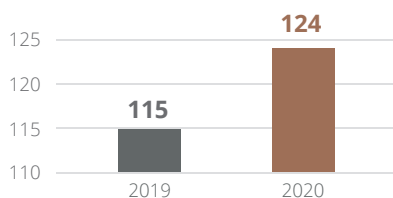
- 2. 540 kt Cu - average annual metallurgical production in the years 2019-2023**

Metallurgical production Cu [kt]



- 3. 130 ktpd - average annual daily ore processing in Sierra Gorda from 2020**

Average annual daily ore processing in Sierra Gorda [ktpd]





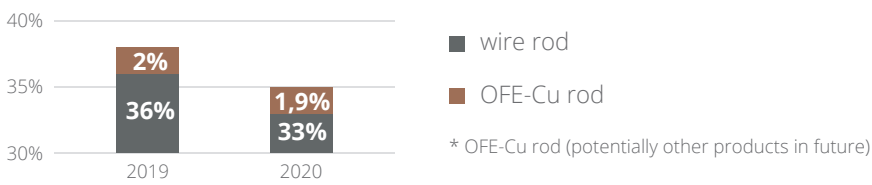
STRATEGIC AREA: DEVELOPMENT

MAIN GOAL: Increased efficiency and flexibility of the KGHM Group in managing its Polish and international assets

KEY INDICATORS FOR 2020:

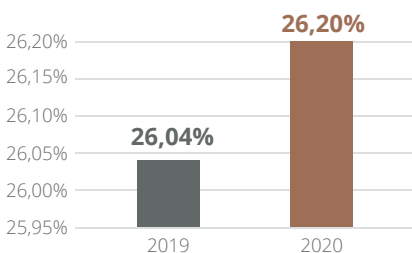
- 1. 10% - increase in the share of highly processed copper products in the Group's total sales by the end of 2030**

Share of highly processed copper products in total sales*



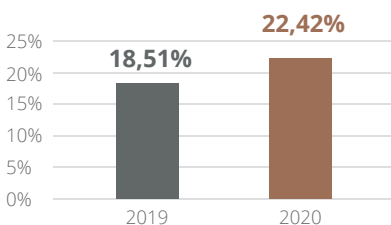
- 2. 35% - level of metallurgical production from purchased copper-bearing materials, including scrap, by 2030 (indicator in 2018: 23%)**

Level of metallurgical production from purchased copper-bearing materials, including scrap



- 3. 50% - 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 (indicator in 2018: 18.64%)**

Meet the needs of KGHM Polska Miedź S.A. for electricity from its own sources of energy generation and renewable energy sources





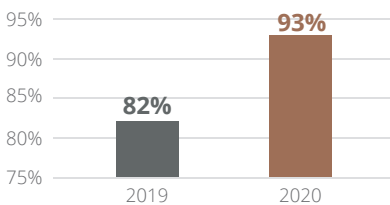
STRATEGIC AREA: INNOVATION

MAIN GOAL: Increase the efficiency of the KGHM Group through innovation

KEY INDICATORS FOR 2020:

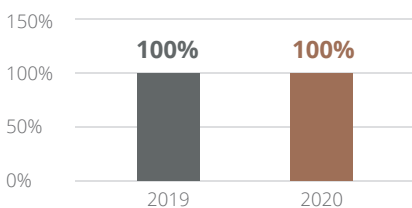
- 1. Commit 75% of funds for R&D and innovation in the years 2019-2023 to meet the challenges faced by KGHM Polska Miedź in the Core Business**

% of funds for R&D and innovation in the Core Business



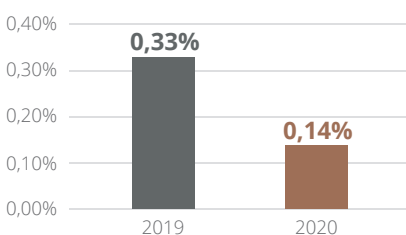
- 2. Ensure that 100% of the innovation projects are realised pursuant to the rules of a coherent model of innovation management and research and development work in the KGHM Group, in the years 2019-2023**

% of innovation projects compliant with a coherent model of innovation management and R&D work



- 3. Increase expenditures on innovation and R&D work to the level of 1% of KGHM Polska Miedź S.A.'s revenues by 2023. Level in 2017: 0.22**

% of expenditures on R&D vs revenues of KGHM





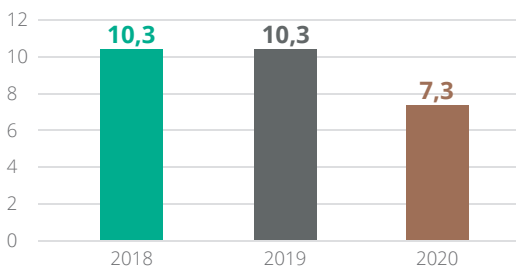
STRATEGIC AREA: PEOPLE AND THE ENVIRONMENT

MAIN GOAL: Growth based on the idea of sustainable development and safety as well as enhancing the Group's image of social responsibility

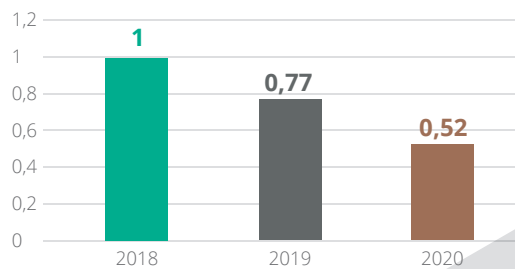
KEY INDICATORS FOR 2020:

1. Annual improvement in LTIFR* (Polish assets) oraz TRiR** (international assets) – by at least 20% (compared to base year 2018)

LTIFR*



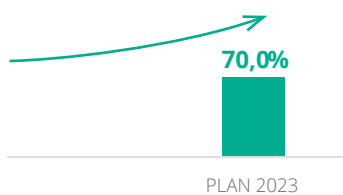
TRiR**



* LTIFR_{KGHM} (Lost Time Injury Frequency Rate KGHM) used to assess OHS ex post - means the total number of workplace accidents (completed evaluations) on an annual basis per million hours worked by the employees of KGHM Polska Miedź S.A.

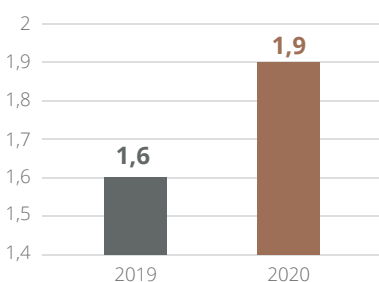
** TRiR – Total Recordable Incident Rate – total number of registered incidents to the total number of to the total number of hours worked by all employees.

2. By 2023 achieve a level of commitment and satisfaction of the KGHM Group's employees of 70%

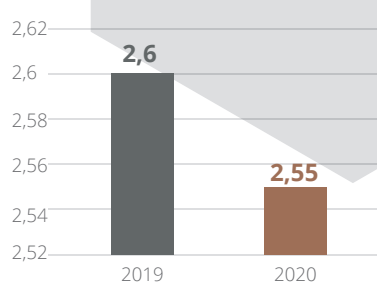


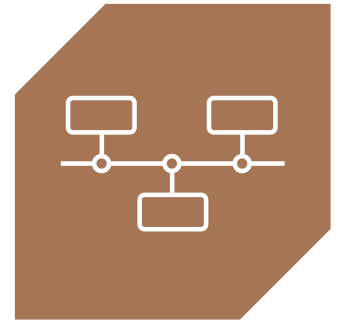
3. Maintain airborne emissions of substances characteristic for the production of KGHM Polska Miedź S.A. per metric tonne of electrolytic copper:

kg SO₂/t Cu_{el} [kg]



t CO₂/t Cu_{el} [t]





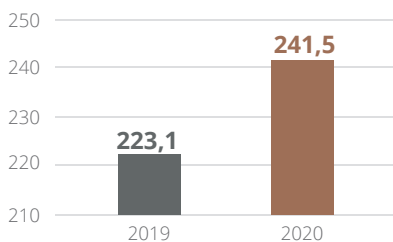
STRATEGIC AREA: EFFICIENT ORGANISATION

MAIN GOAL: Implementation of systemic solutions aimed at increasing the KGHM Group's value

KEY INDICATORS FOR 2020:

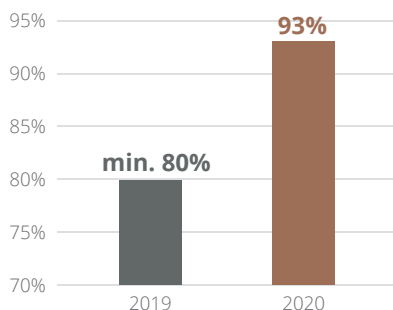
1. Ensure financial stability of Group companies in Poland on the basis of their own activities from 2022

Adjusted EBITDA of selected* KGHM Group companies [mIn PLN]

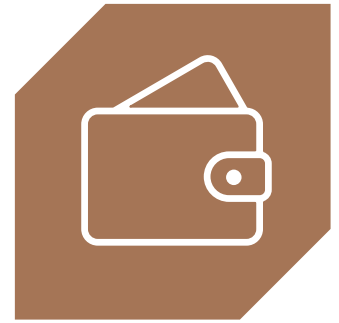


* Adjusted EBITDA of selected KGHM Group companies (BIPROMET, CBJ, INOVA, KGHM CUPRUM, KGHM Metraco, KGHM ZANAM, Mercus Logistyka, NITROERG S.A., PeBeKa S.A., POL-MIEDŹ TRANS Sp. z o.o., PMT Linie Kolejowe Sp. z o.o.) – for the purpose of monitoring the strategy, monitoring of the indicator was adopted for companies related to the core business

2. 80% - 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



* Level of achievement of the Strategy based on assessment of progress in strategic KPIs on a scale of 1-5 points for each indicator (where achievement is as follows: below 25% - 1 point, 25-50% - 2 points, 51-74% - 3 points, 75-89% - 4 points, 90-100% - 5 points).



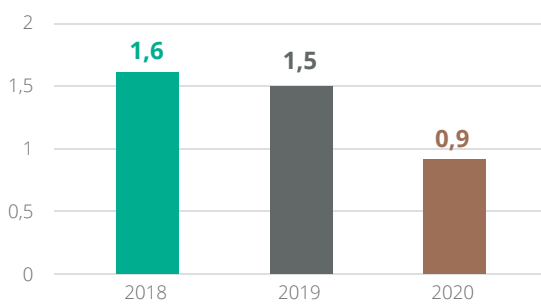
STRATEGIC AREA: FINANCIAL STABILITY

MAIN GOAL: Ensure long-term financial stability and the development of mechanisms supporting further development

KEY INDICATORS FOR 2020:

In the area of Financial Stability, the base year was chosen as 2018.

1. Net debt/EBITDA



2. STRATEGY SUMMARY AFTER 2 YEARS OF ITS IMPLEMENTATION



EFFICIENCY

Our response to increase in competitiveness in the production and mining sector and Industry 4.0

- Investments were carried out to ensure that domestic mine production remains at the level of 450 thousand tonnes of copper in ore and average annual metallurgical production at the level of 540 thousand tonnes,
- The Revolving-Casting-Refining (RCR) furnace at the Legnica Copper Smelter and Refinery increased the capacity of the purchased materials processing unit and increased production capacity,
- Energy reviews in all of the Divisions and at the Head Office indicated new areas where energy consumption could be reduced, pursuant to the Energy Management System,
- Skills were developed in energy development, including RES (investments in photovoltaic power plants at the Legnica and Głogów Copper Smelters and Refineries and at the Obora Sandpit),
- The efficiency of waste deposition was increased as part of the Project to Develop the Źelazny Most Tailings Storage Facility by building the Southern Quarter,
- External sources were used to finance R&D and innovation projects,
- An effective and diverse organisational culture was developed, based on the Group's values,
- The Group's structure was rationalised to more effectively utilise its potential from the perspective of operations of the entire Group,
- Cost discipline was maintained and savings initiatives were implemented,
- Financial efficiency was increased thanks to the diversification of its sources and to the adaptation of financing to the Group's needs,
- Actions were taken to shorten the receivables recovery period and extend the liabilities payment period (we utilise factoring),
- Continuous, safe access to factoring for the Group was assured.



ECOLOGY, SAFETY AND SUSTAINABLE DEVELOPMENT

We rely on electromobility, the development of pro-ecological regulations, the Circular Economy and pro-ecological production in accordance with the highest safety standards

- Intelligent solutions were introduced to enhance employee safety,
- The same OHS procedures were introduced in the Group's companies and divisions, including a consistent safety management system for all of the assets of KGHM INTERNATIONAL LTD.,
- Numerous actions were taken under the „Copper Heart” employee volunteer program,
- Corporate income taxes were paid by the Group to the State and local budgets - around PLN 400 million annually,
- A minerals extraction tax was paid to the State budget – around PLN 1.5 billion annually,
- Employees were provided with development and educational opportunities through numerous training sessions, development programs and HR projects (e.g. the „4E Skills Academy”),
- New installations were applied, in accordance with BAT conclusions (Best Available Techniques) for the nonferrous metals industry,
- Investments were made in renewable energy sources (RES), mainly in the development of photovoltaics,
- Electromobility was developed – we are testing electric personnel and terrain vehicles; in terms of replacing the machinery park, there is a switch from diesel engines to low-emission vehicle engines,
- Non-financial reporting was expanded to ensure that the Company's internal and external communication remains consistent,
- High standards were achieved in communicating with the market and investors.



ELASTICITY/FLEXIBILITY

We adapt our activities to changes in our environment

- Consistent management of deposits and extraction, adapting to the geological structure,
- Metallurgical production was optimised – the RCR furnace at the Legnica Copper Smelter and Refinery, the concentrate roaster at the Głogów Copper Smelter and Refinery,
- A new financing structure was introduced, from short-term to long-term,
- Procurement programs were consolidated and logistics were digitalised,
- Maintenance shutdowns were efficiently planned and performed,
- Power generation from internal sources was increased,
- Implementation Doctorates and other programs were carried out in cooperation with institutions of learning and research institutes, aimed at improving the functioning of the core business,
- Actions were undertaken to eliminate generational and know-how gaps - a program was conducted in cooperation with the Ministry of National Education - „Skilled in the mining-metallurgical sector”,
- Employee skills were consistently raised through adaptive and development projects.



E-INDUSTRY

We implement the idea of Industry 4.0., we are striving towards automation and robotisation of production, we are digitally transforming the KGHM Group, we are building a knowledge-based society

- A pilot version of a „System for locating persons and machines in the underground mines” was put into operation,
- „Broad-band data transmission in underground mines” was expanded in the mines,
- The „Centre of Advanced Data Analysis (Centrum Zaawansowanych Analiz Danych - CZAD)” was expanded – the use of algorithms was tested in the analysis of conveyor belt loads in the mines,
- The „Robotisation of production and auxiliary processes” was expanded – construction commenced on a CuXRF robot for scanning for copper content at the working faces,
- Projects related with the National Cybersecurity System and strengthening IT security within the Group were implemented,
- A Projects Management System 2.0. was developed,
- The digitalisation, automatisisation and electronic workflow of documents and information was expanded for such areas as administration, logistics, procurement, IT, legal services, data archiving, personnel and wages, communications and PR, agreements/contracts, financial management, real estate, HR,
- IT technologies were developed for the collection and transfer of knowledge within the Group and the archiving of R&D and project documentation in terms of inventions and patent proceedings in the years 1959-2020.