

# Layers of possibilities



## KGHM Group Investor Presentation

December 2019

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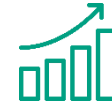
# Agenda



1. Key information about the KGHM Group



2. The KGHM Group vs the sector



3. Production and financial results of the KGHM Group – annual data



4. Production and financial results of the KGHM Group – 9M 2019 data



5. Advancement of the Group's Strategy



6. Additional slides, Q&A



## Key information about the KGHM Group

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# KGHM Group in brief

One of the world's largest producers of copper and silver with nearly 60 years of experience in mining and metallurgy

634 thousand tonnes of payable copper production by the KGHM Group in 2018

A diversified portfolio of assets at various stages of development located in mining-friendly jurisdictions

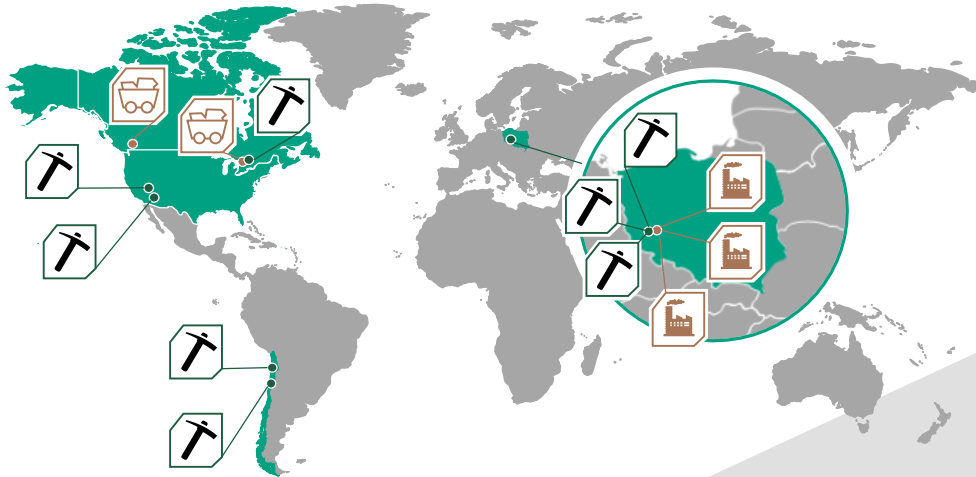
Member of the prestigious indices Respect Index & FTSE4Good published by the WSE and LSE

A stable and competitive position in a key sector for the global economy  
- copper mining and processing

An organisation with strong values-based roots, focused on corporate social responsibility

# KGHM: a top ten copper producer and a leading Polish exporter

The Group has a global reach and plays a significant role on the global copper and silver markets



Legend: Mining projects of KGHM Mines of KGHM Metallurgical facilities of KGHM

Eighth largest copper producer



Third largest silver producer



## Other KGHM Group products:

- Molybdenum
- Lead
- Nickel
- Gold
- Palladium
- Platinum
- Rhenium
- Sulphuric acid
- Selenium
- Copper sulphate
- Nickel sulphate

## Geology



Exploration and evaluation

## Mining



Ore extraction



Ore enrichment

## Metallurgy



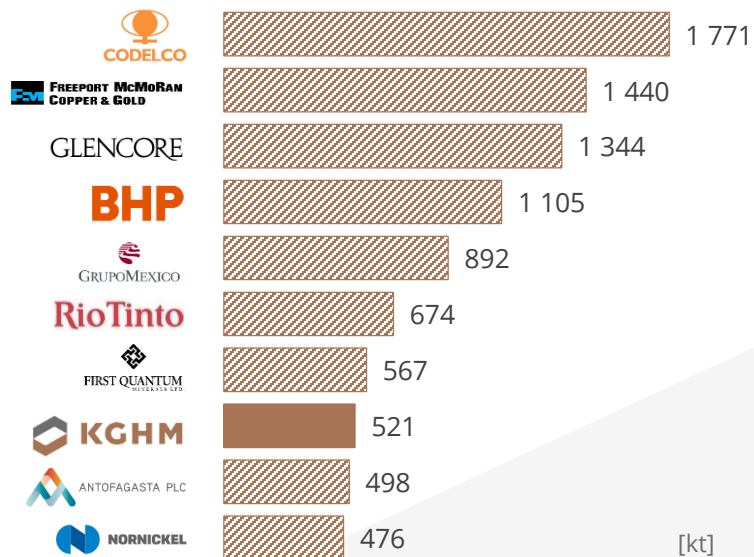
Smelting and refining



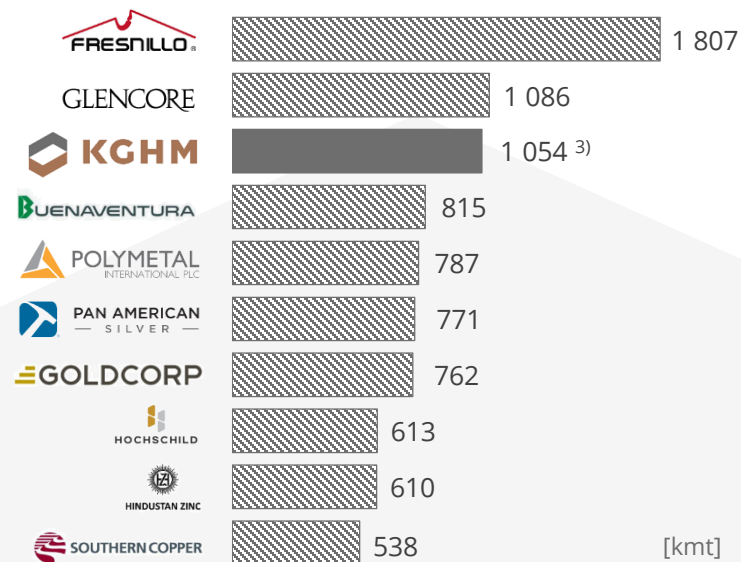
Casting

# KGHM among the biggest copper and silver producers

Mined Copper production 2018 <sup>1)</sup>



Silver production 2018 <sup>2)</sup>



1) Copper Market Outlook, CRU, April 2019

2) World Silver Survey 2019

3) KGHM results as reported in its consolidated financial statement 2018



# A proud history of mining and metallurgy

Discovery of the copper deposit brought about a fundamental change in the region's economy thanks to the growth of KGHM Polska Miedź S.A. As a result of M&A activities, capped by the acquisition of Quadra FNX, KGHM became a truly global copper producer aimed at continued growth



1957



Discovery of the copper deposit by Jan Wyżykowski

1960-70



Founding of the Lubin and Polkowice mines

1968-78



Start of construction of Głogów smelter /refinery

1969-74



Completion of the Rudna mine

1977-80



Construction of the Sieroszowice mine

1993



Start of precious metals plant – silver and gold

1997



IPO - KGHM joins the Warsaw Stock Exchange

2012



Acquisition of the Canadian mining company Quadra FNX

2014



Start of production by the Sierra Gorda mine

2015



Level of commercial production reached by Sierra Gorda

2018-19



Start-up of flash furnace technology at the Głogów I smelter

# Core production assets in Poland – stable output and earnings

Underground mines, fully integrated production

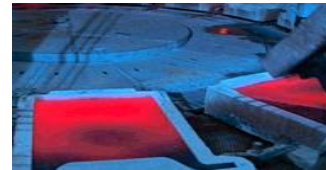


## Lubin Mine

27 years LOM

2018 production stats:

- Cu production (payable): 70 kt
- Copper Grade: 0.95%



## Legnica Smelter and Refinery

LME grade A-registered cathodes

Capacity of ~120 kt electrolytic Cu/year <sup>1)</sup>

- Other metals produced: Ag, Au, Pb, Re
- 2018 Cu production: 115 kt



## Polkowice-Sieroszowice Mine

37 years LOM

2018 production stats:

- Cu production (payable): 196 kt
- Copper Grade : 1.71%



## Głogów I Smelter and Refinery

LME grade A-registered cathodes

Capacity of ~239 kt electrolytic Cu/year <sup>1)</sup>

- Other metals produced: Ag, Au, Pb, Re
- 2018 Cu production: 183 kt



## Rudna Mine

22 years LOM

2018 production stats:

- Cu production (payable): 186 kt
- Copper Grade: 1.63%



## Głogów II Smelter and Refinery

LME grade A-registered cathodes

Capacity of ~223 kt electrolytic Cu/year <sup>1)</sup>

- Other metals produced: Ag, Au, Pb, Re
- 2018 Cu production: 204 kt



## Deep Głogów Project

- Extension of Rudna and Polkowice-Sieroszowice mines
- DG production figures are included in Rudna and Polkowice-Sieroszowice mines' production stats



## Cedynia Copper Wire Rod Plant

Contirod and Upcast technology

- 2018 Cu wire rod production: 266 kt

# Key international assets

## Existing operations and growth potential from projects

### Producing assets



#### Sierra Gorda (55% stake), Chile

- 25 years LOM
- Open-pit mine
- Porphyry
- 2018 production stats:
  - Cu production (payable): 53 kt



#### Robinson Mine, USA

- 7 years LOM
- Open-pit mine
- Porphyry/Skarn orebody
- 2018 production stats:
  - Cu production (payable): 49 kt



#### Sudbury, Canada

- 8 years LOM
- Underground mine
- Footwall/Contact orebody
- 2018 production stats:
  - Cu production (payable): 7.4 kt



#### Franke Mine, Chile

- 2 years LOM
- Open-pit mine
- IOCG orebody
- 2018 production stats:
  - Cu production: 20 kt (cathodes: SX-EW)

### Potential growth projects



#### Sierra Gorda Oxide, Chile

- 10 years LOM
- The project aims at processing the oxide ore
- The oxide ore is currently stored separately for later heap leaching
- Oxide ore will be transported to a permanent heap, where it will be processed via leaching



#### Victoria, Canada

- 14 years LOM
- The projects assumes building an underground copper-nickel mine
- Current development scenario assumes exploiting the deposit via 2 shafts
- 18 kt Cu p.a., 16 kt Ni p.a.



#### Ajax (80% stake), Canada

- 19 years LOM
- The project assumes building an open-pit copper-gold mine and processing plant with associated infrastructure.
- 53 kt Cu p.a., 114 k troz Au p.a.

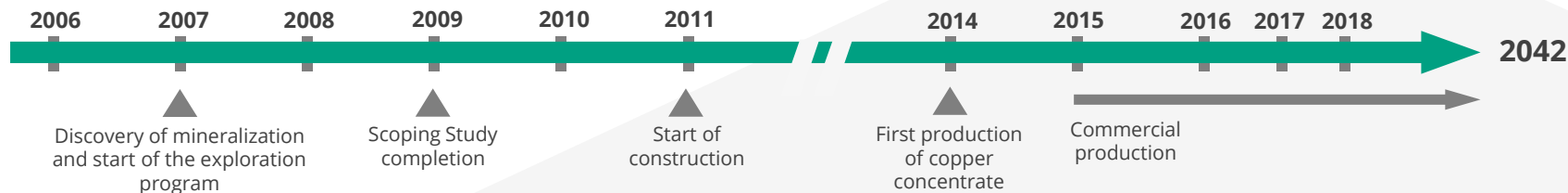
# Sierra Gorda

Sierra Gorda is an open pit copper and molybdenum mine located in Chile's Antofagasta region in the Atacama desert. Sierra Gorda is a Joint Venture of:

- KGHM Polska Miedź S.A. – 55% share
- Sumitomo Metal Mining – 31.5% share
- Sumitomo Corporation – 13.5% share



## Schedule of Sierra Gorda development



Life of mine based on documented resources is 25 years

Sierra Gorda end products are copper concentrate and molybdenum concentrate

Cu production in 2018

96.9 kt<sup>1)</sup>

Mo production in 2018

26.7 mn lbs<sup>1)</sup>



## The KGHM Group vs the sector

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Macroeconomic environment

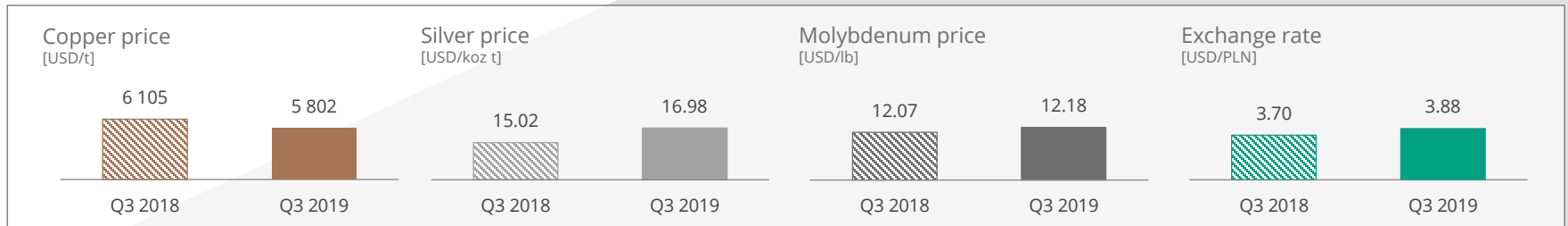
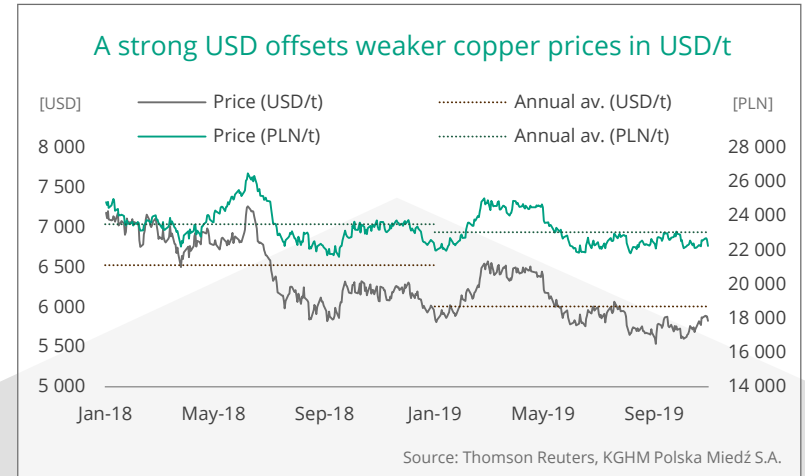


# Macroeconomic environment

## Commodities and currencies prices

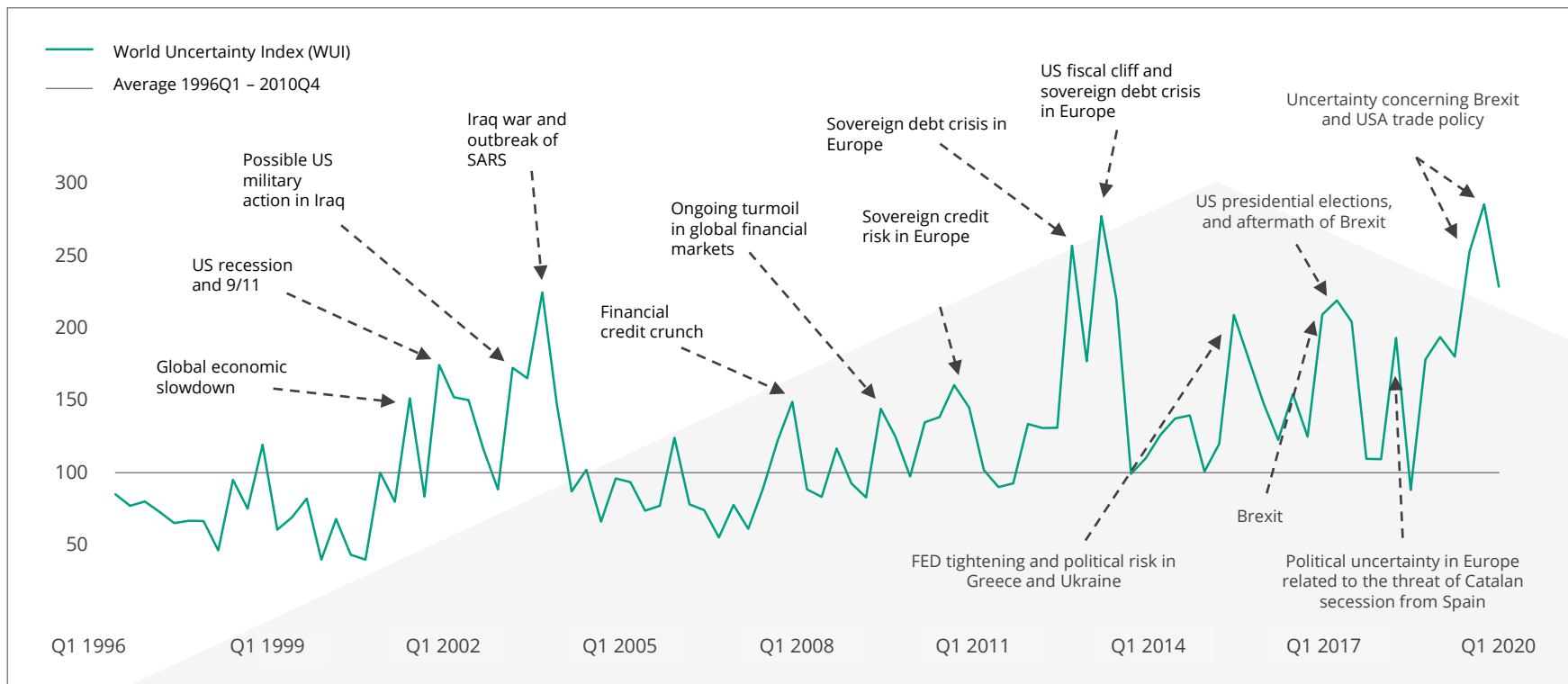
### The average PLN-expressed copper price since the start of the year at levels similar to prior year

- In Q3 2019 the USD-expressed copper price decreased (-5% yoy) compared to the corresponding period of 2018 alongside a 13% higher silver price and a slightly higher molybdenum price
- Copper prices expressed in PLN remained at a similar level to Q3 2018 (-0.4% yoy), although in terms of the change versus the prior quarter (Q3 to Q2 2019) they were lower (-3.4% q/q), mainly due to a decrease in the USD-expressed copper price, which was only partially offset by the USD/PLN exchange rate
- The main factors affecting metals prices and exchange rates in the past quarter were mainly aspects of the on-going uncertainty in the global economy (trade war, Brexit)



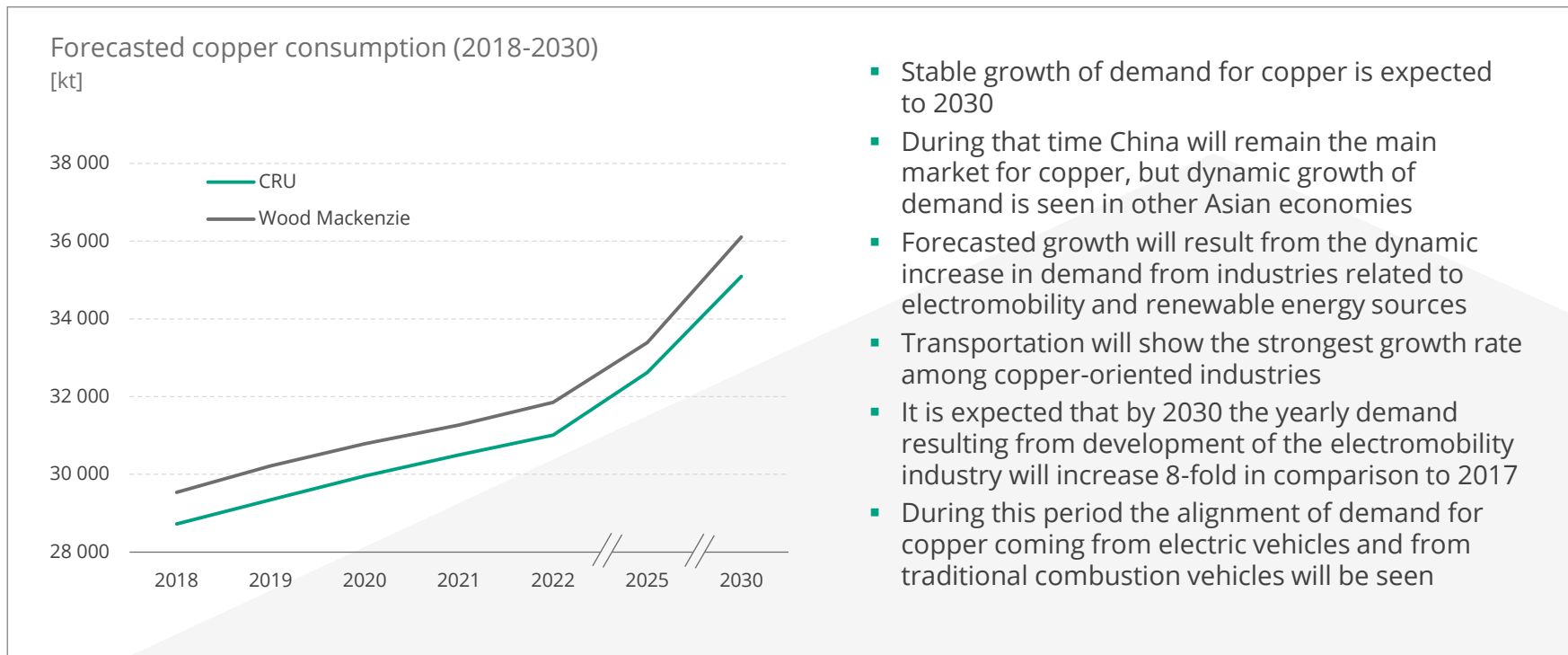
# Record amount of uncertainty in the global economy

World Uncertainty Index (WUI) 1996 – 2019



# By 2030 the demand for copper is forecasted to be higher by over 20%

Industries related to electromobility and renewable energy sources will be a crucial element in higher demand, with supply under pressure

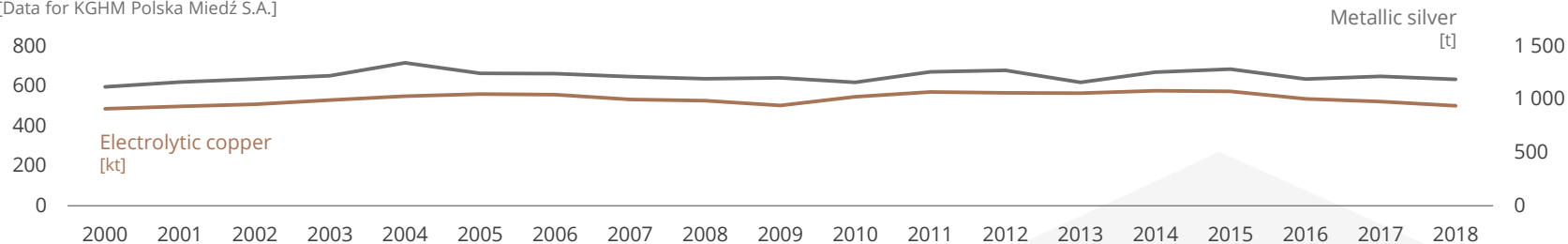




# Stable production outlook for KGHM

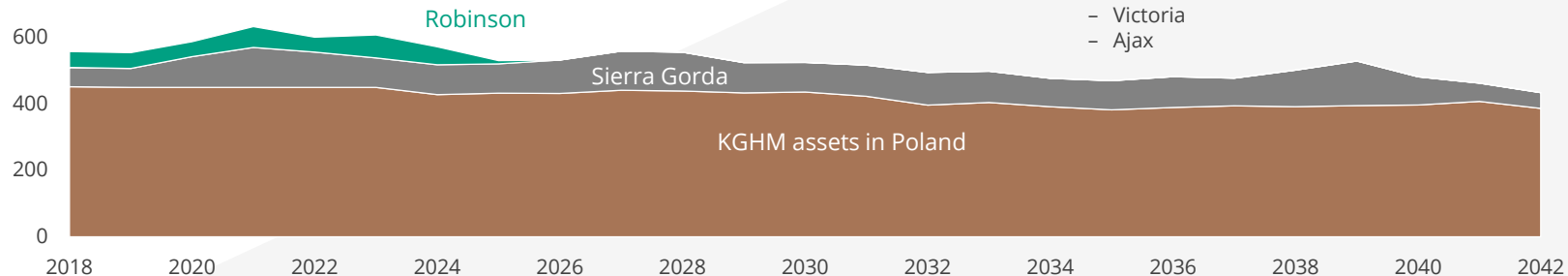
## Production of electrolytic copper and metallic silver

[Data for KGHM Polska Miedź S.A.]



## Forecast mine production by the KGHM Group

[kt Cu in ore]

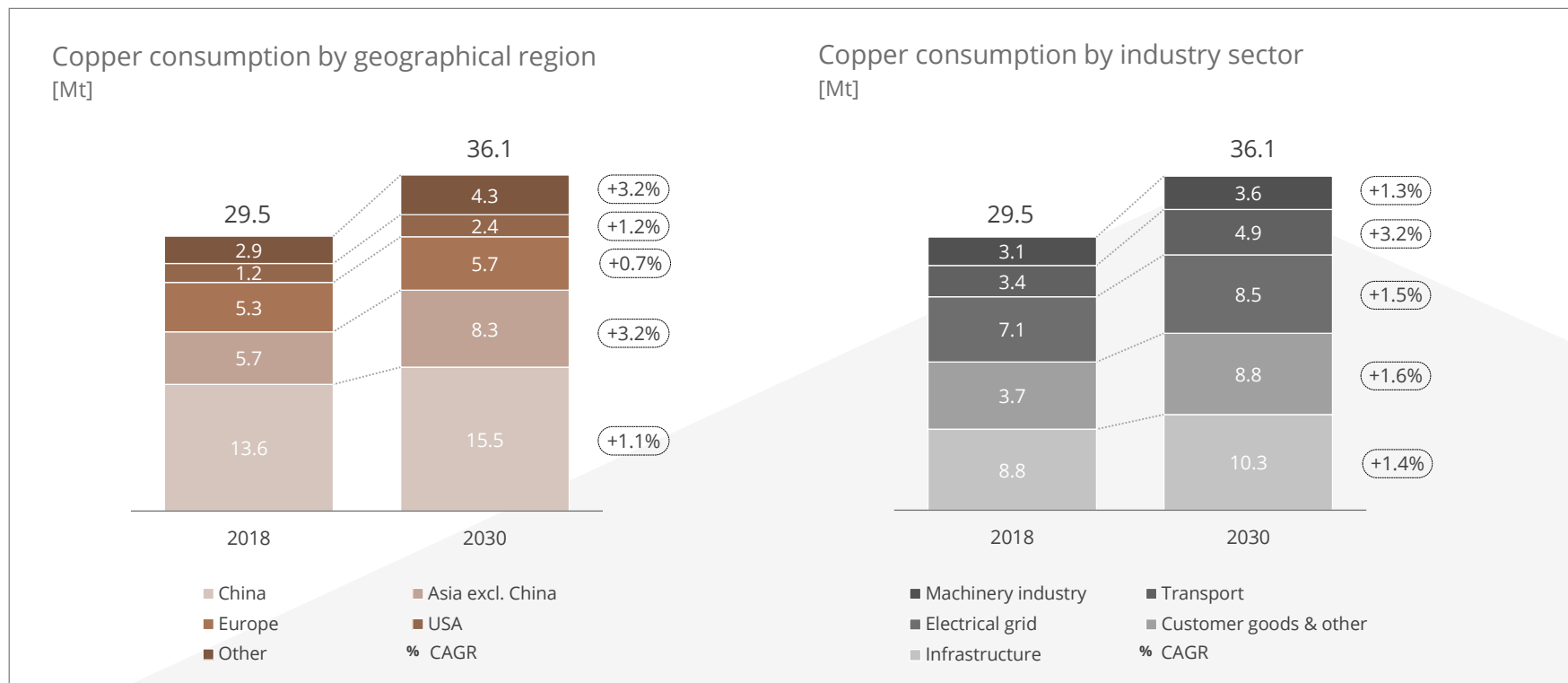


Potential projects:

- Sierra Gorda Oxide
- Victoria
- Ajax

# Copper consumption by geographical region and industry sector

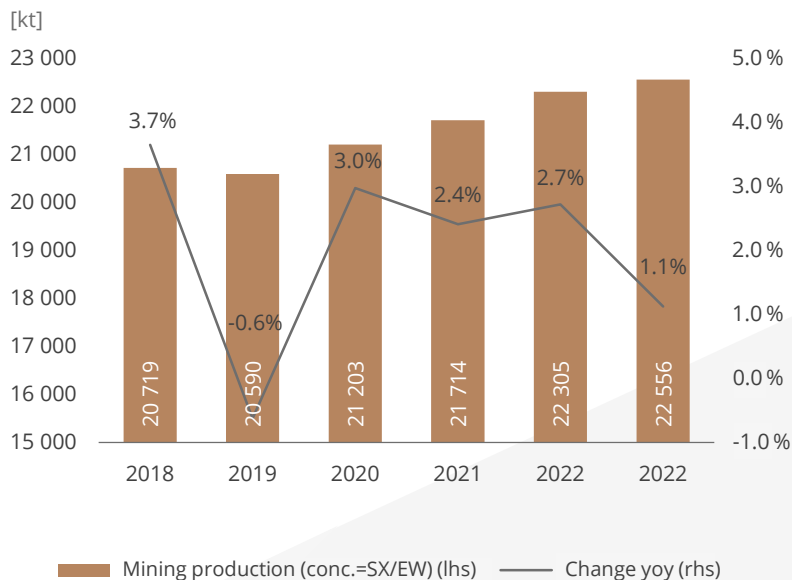
2018-2030



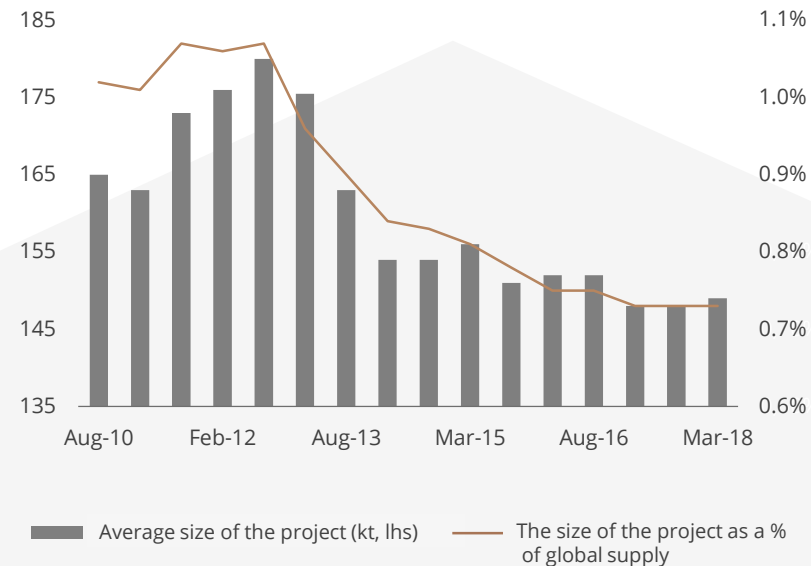
# Mining production (1)

Despite a clear increase in investment expenditures, analysts still anticipate a deficit in the market

Many years of underinvestment will affect supply in the coming years



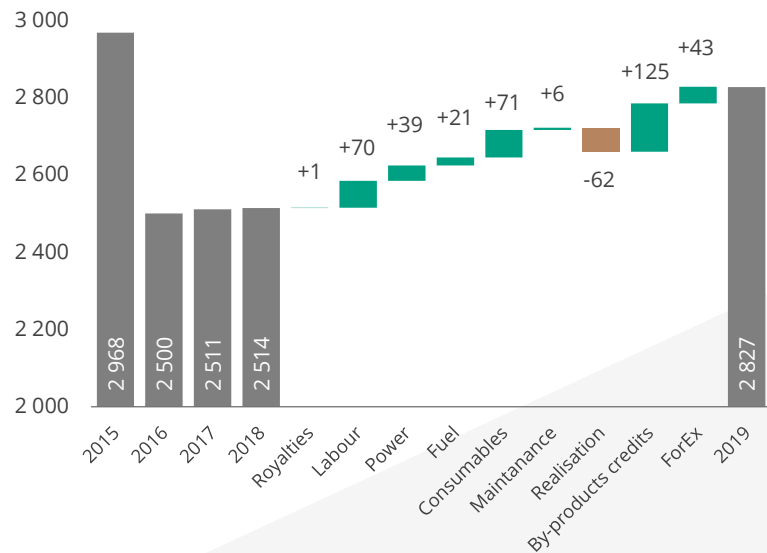
In recent years, mining companies have developed less capital-intensive projects



## Mining production (2)

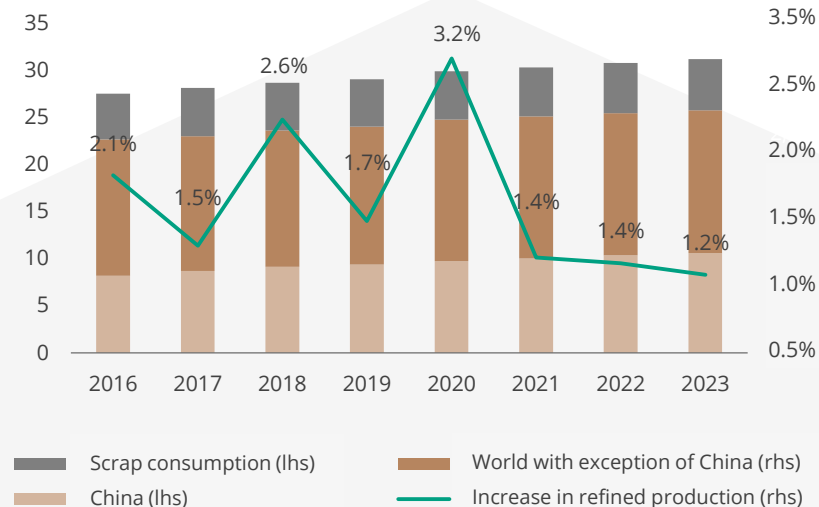
Despite a clear increase in investment expenditures, analysts still anticipate a deficit in the market

CRU anticipates a nearly 12.5% increase in costs this year



The increase in supply will remain limited, which will be affected by a slight increase in scrap use  
[mn t]

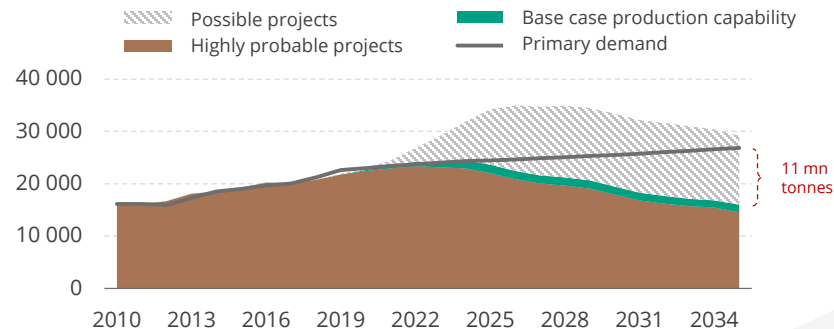
A decrease in scrap consumption in 2018 (-1.2% = 60 kt)



# Copper market balance

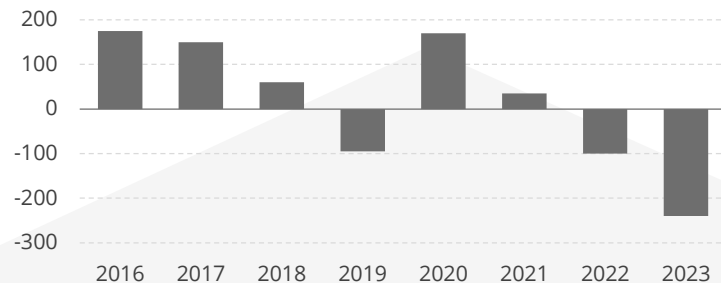
The balance expected to turn into deficit in the medium term, with a potentially larger gap in 5-10 years

## Copper mining and potential mining projects [kt]



Source: Wood Mackenzie

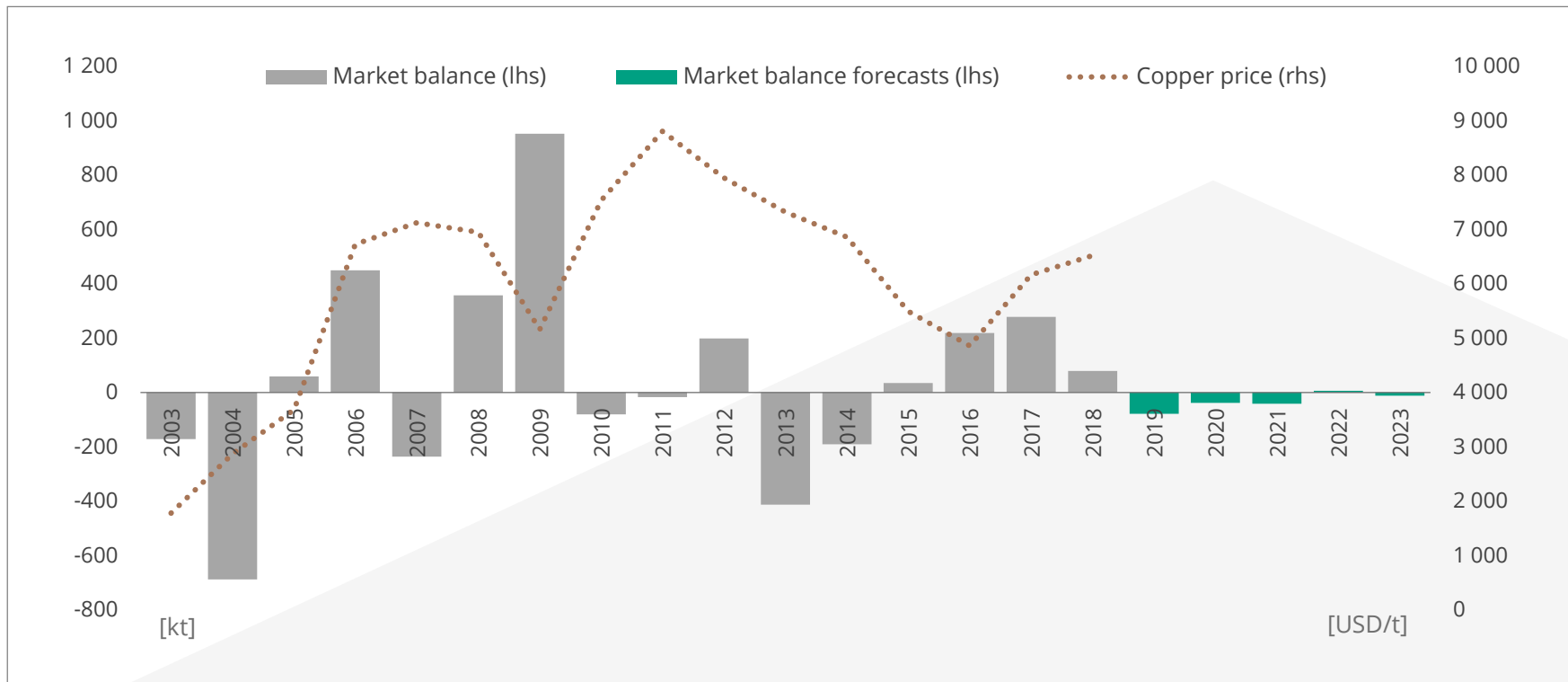
## Copper market balance



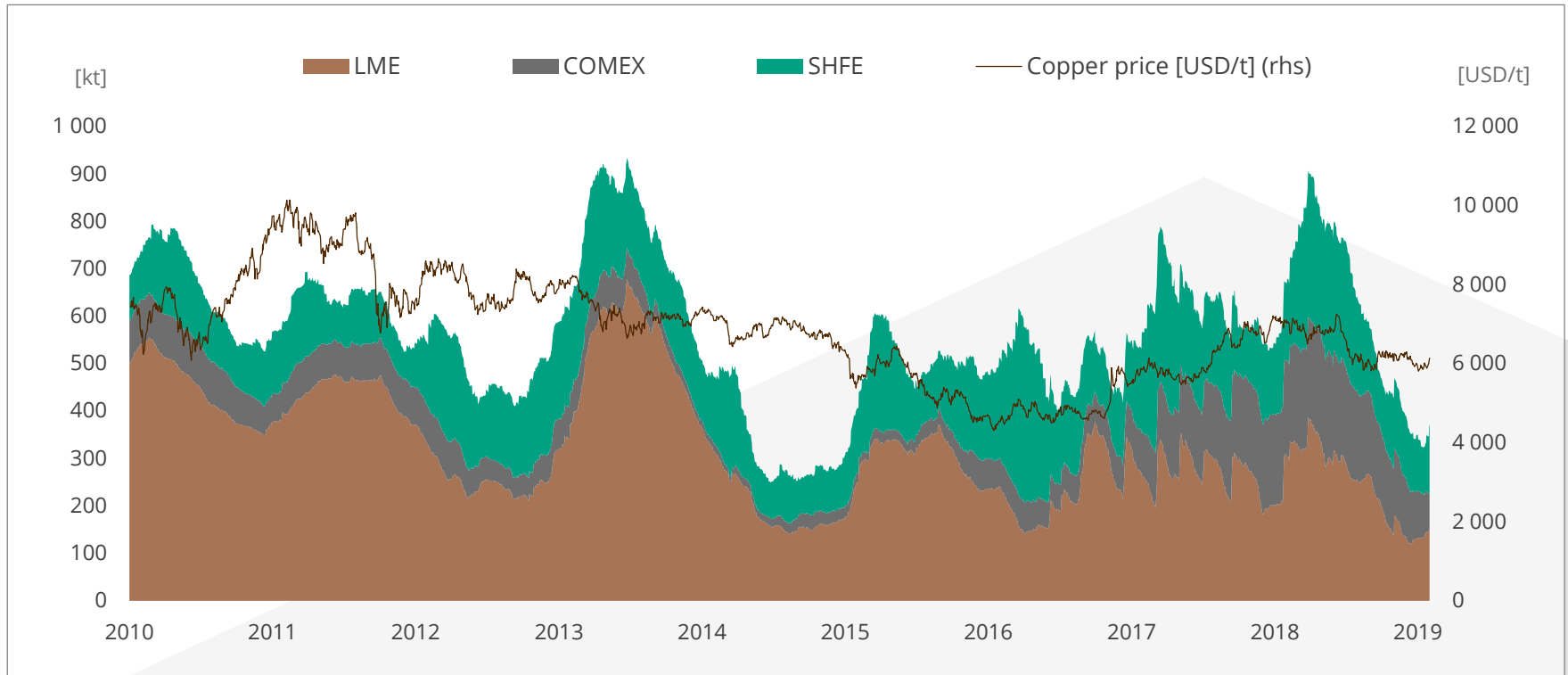
Source: CRU International

- Although global copper resources are extensive, most of them are in difficult locations (with water or energy scarcity, political instability, social unrest against mining investment)
- Production from currently operating assets will decrease, with mine depletion and lower copper grades
- While the rate of growth in demand is slowing, it remains stable, which is expected to result in a potential supply-side gap
- Despite the fact that there are new projects in the development pipeline, most of them are merely related to the expansion and development of existing assets; this means that a number of new, greenfield projects would be needed to fill the supply gap

# The deficit on the refined copper market is not always reflected in the metal price level...



## ...or in the red metal's stocks level





## Production and financial results of the KGHM Group

5 years data

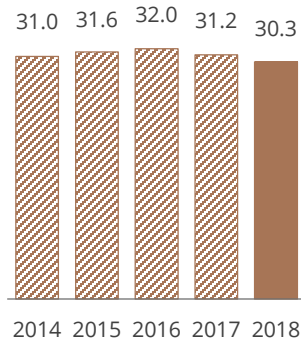




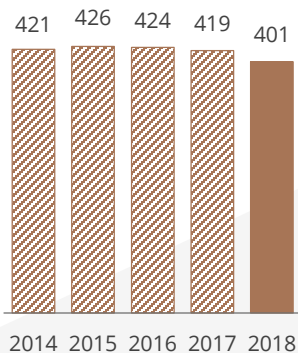
# Key production data – 5 years

KGHM Polska Miedź S.A.

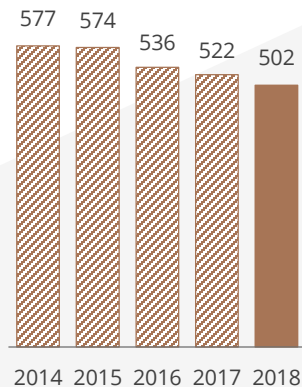
Ore extraction  
[mn t dry weight]



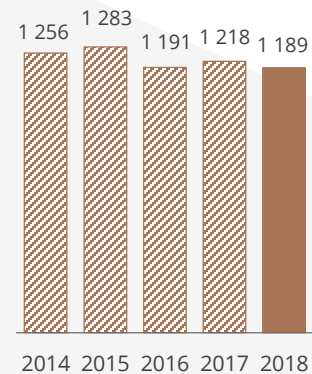
Production of copper  
in concentrate  
[kt]



Production of  
electrolytic copper  
[kt]

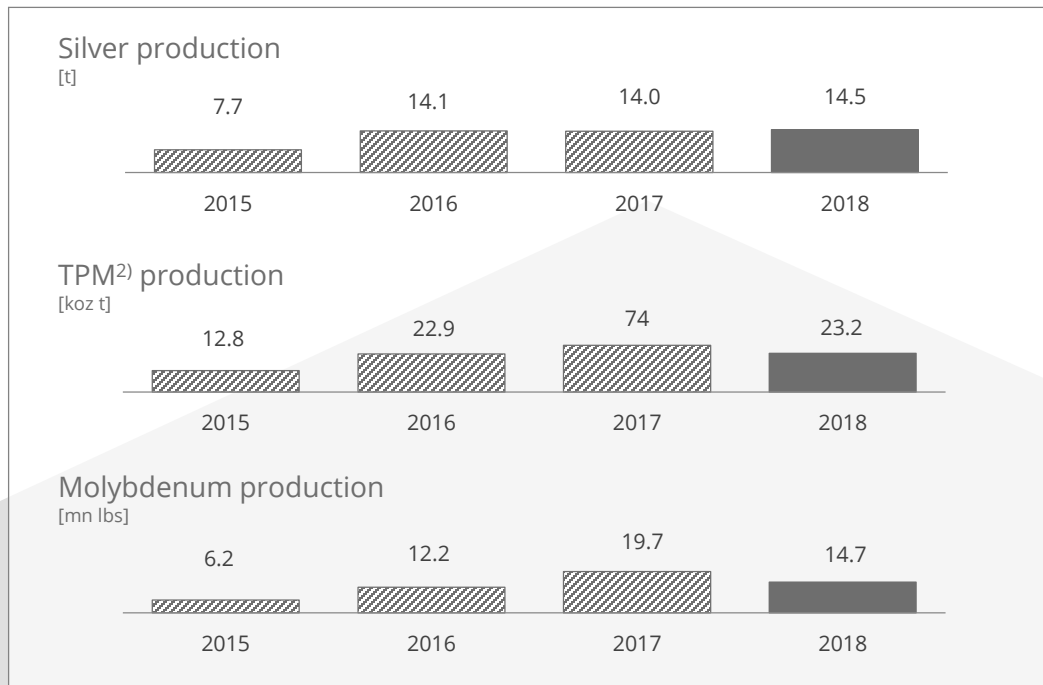
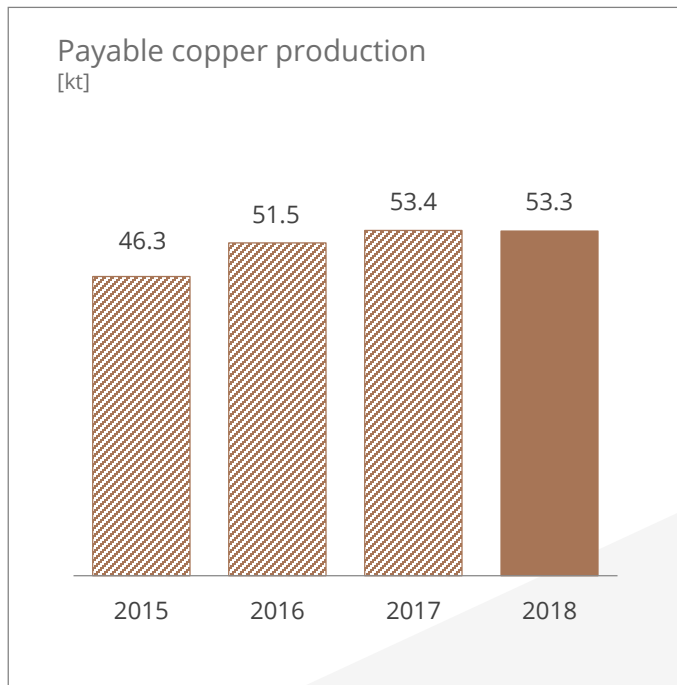


Metallic silver  
production  
[t]



# Key production data – 4 years (since production start)

Sierra Gorda<sup>1)</sup>

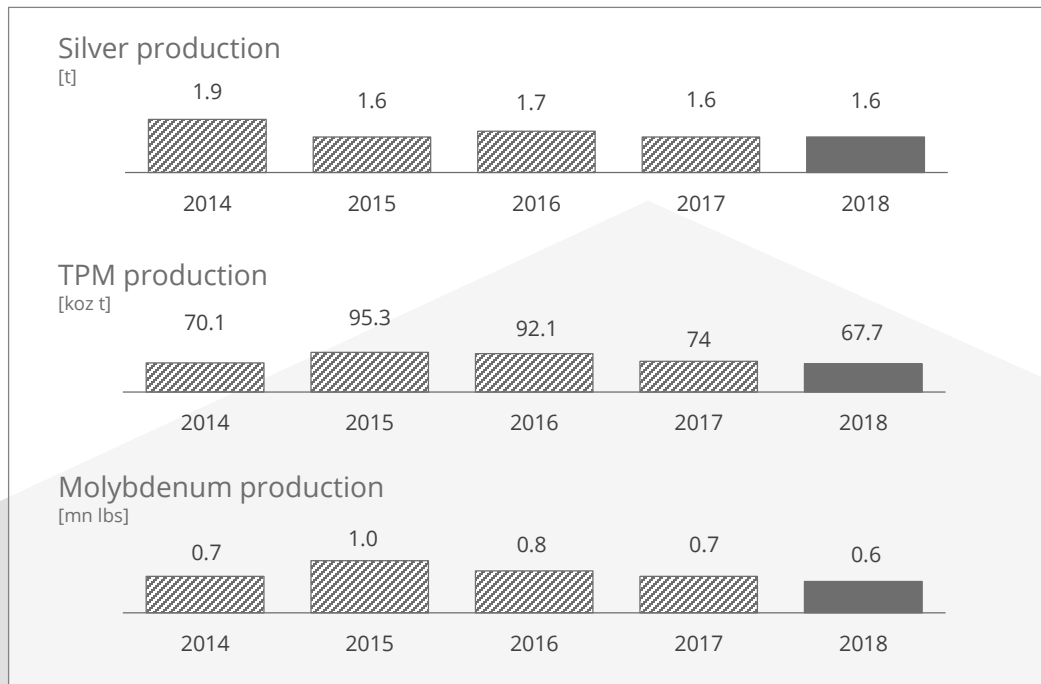
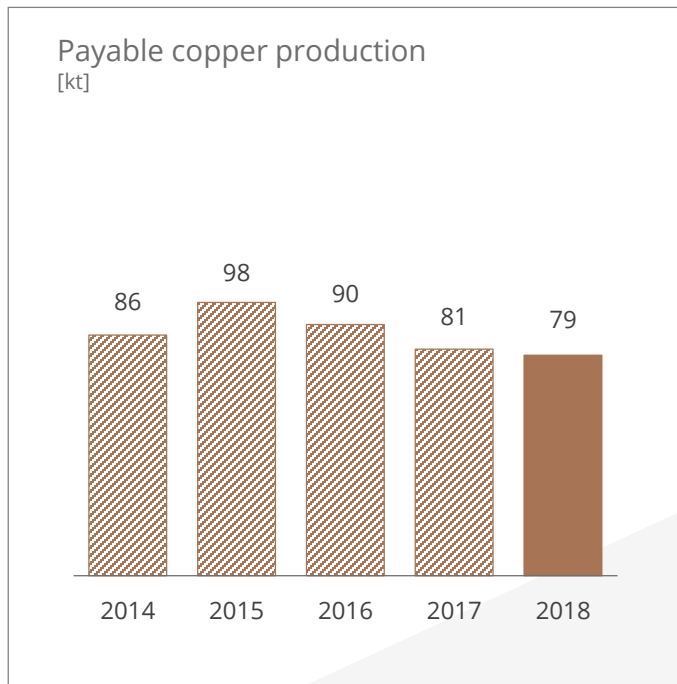


1) Pursuant to interest held (55%)

2) TPM - Total Precious Metals, comprising gold, platinum and palladium

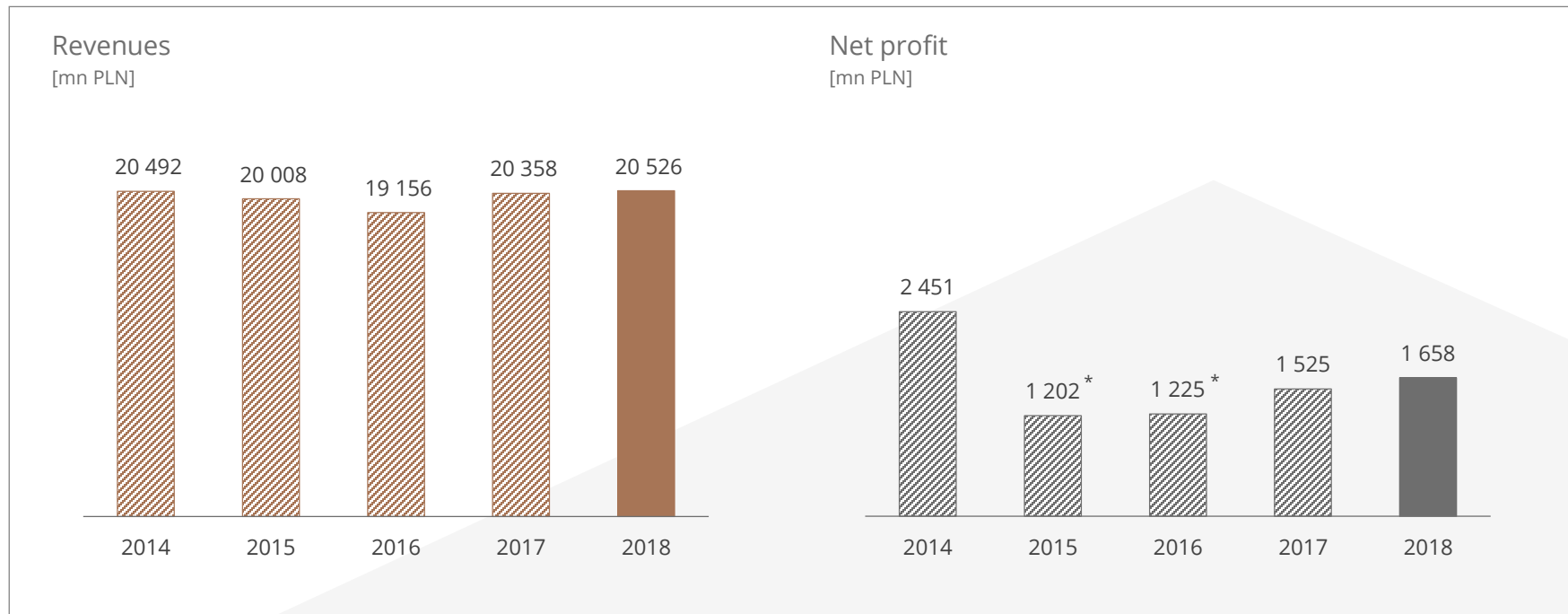
# Key production data – 5 years

KGHM International



# Sales revenue and net profit – 5 years

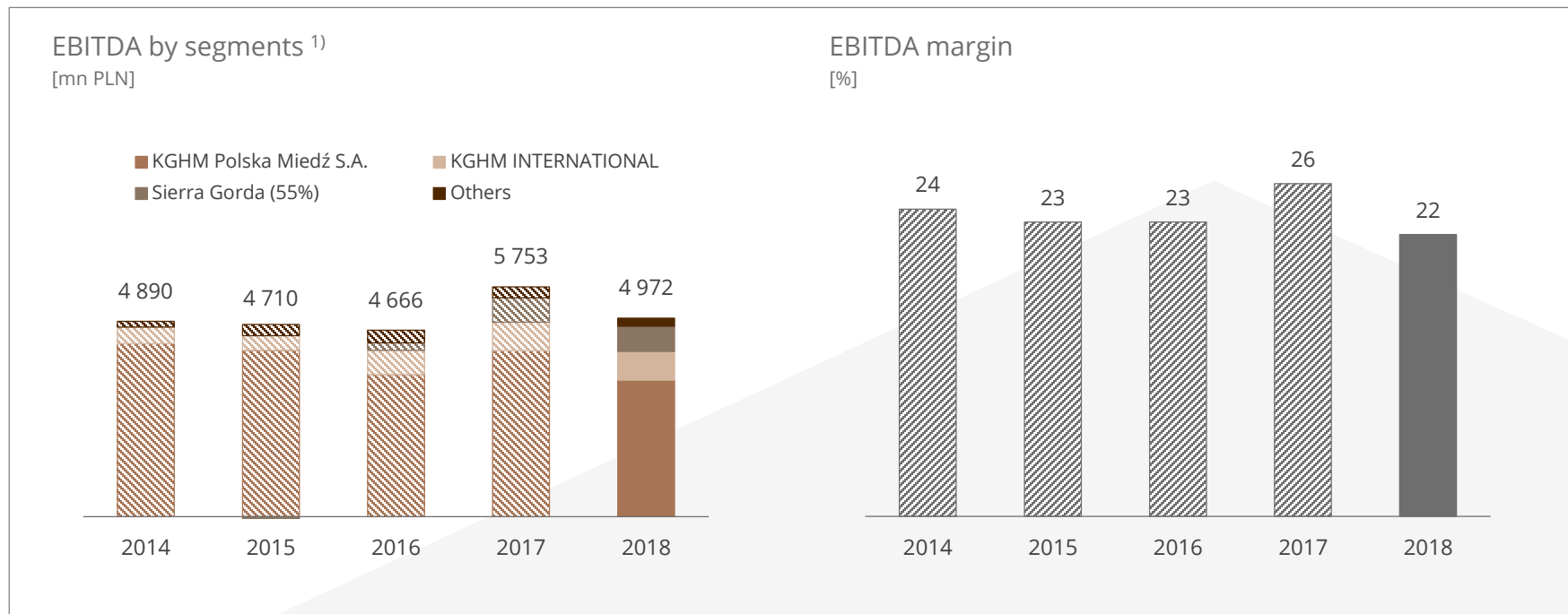
KGHM Group



\* Net profit of 2015 and 2016 excluding impact of impairment of non-current assets, loans and impairment recognised in the loss from the valuation of joint ventures using the equity method

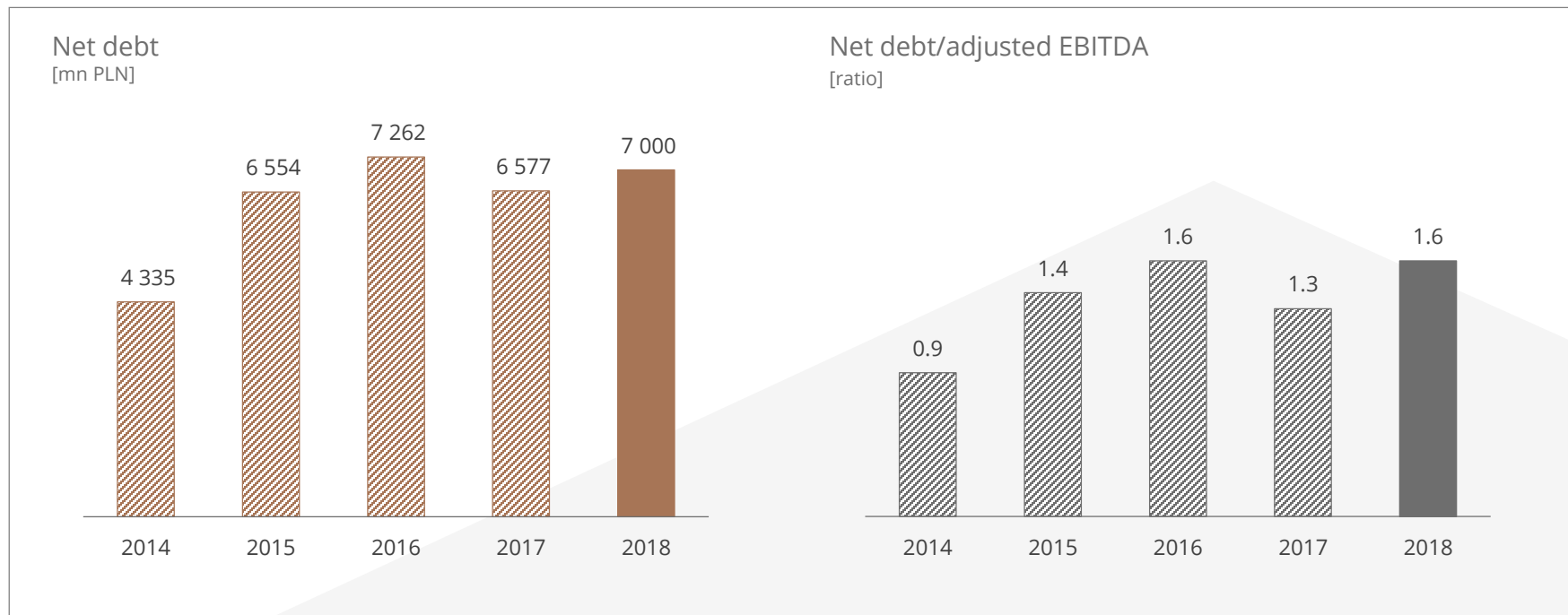
# EBITDA and EBITDA margin – 5 years

KGHM Group



# Net debt and net debt/EBITDA ratio – 5 years

KGHM Group



# Basic items of the consolidated financial statements

## KGHM Group

KGHM Group – consolidated data		2014	2015	2016	2017	2018
Sales revenue	[mn PLN]	20 492	20 008	19 156	20 358	20 526
Profit/(loss) for the period	[mn PLN]	2 451	-5 009	-4 449	1 525	1 658
Total assets	[mn PLN]	40 374	36 764	33 442	34 122	37 237
Liabilities and provisions	[mn PLN]	14 844	16 350	17 531	16 337	18 012
Earnings per share (EPS) <sup>1)</sup>	[PLN]	12.25	-25.06	-21.86	7.84	8.29
Share price of the Company <sup>2)</sup>	[PLN]	108.85	63.49	92.48	111.20	88.88
Net debt/EBITDA <sup>3)</sup>		0.90	1.40	1.60	1.30	1.60
Payable copper production <sup>4)</sup>	[kt]	663	718	677	656	634
Payable silver production <sup>4)</sup>	[t]	1 258	1 299	1 207	1 234	1 205
Concentrate production cost C1 <sup>4)</sup>	[USD/lb]	1.89	1.59	1.41	1.59	1.81
Cash expenditures on property, plant and equipment & intangible assets	[mn PLN]	3 434	3 939	3 251	2 796	2 875

1) Attributable to shareholders of the Parent Entity

2) At the end of the period

3) Adjusted EBITDA for the year, excluding EBITDA of the joint venture Sierra Gorda S.C.M.

4) Comprises Sierra Gorda S.C.M. pursuant to interest held (55%)



# Production and financial results of the KGHM Group

9M 2019





# Summation of the first 3 quarters of 2019 in the KGHM Group

Main events and factors affecting the results of the Group<sup>1)</sup>

## Macroeconomic environment

**-9%**

Lower copper price

**-1.7%**

Lower silver price

**+7.6%**

Stronger USD vs the PLN

## Production and C1 cost

**+14%**

Higher copper production

**+22%**

Higher silver and TPM production

**-7%**

Lower C1 cost

## Financial results

**+14%**

Higher revenues:  
PLN 16 869 million

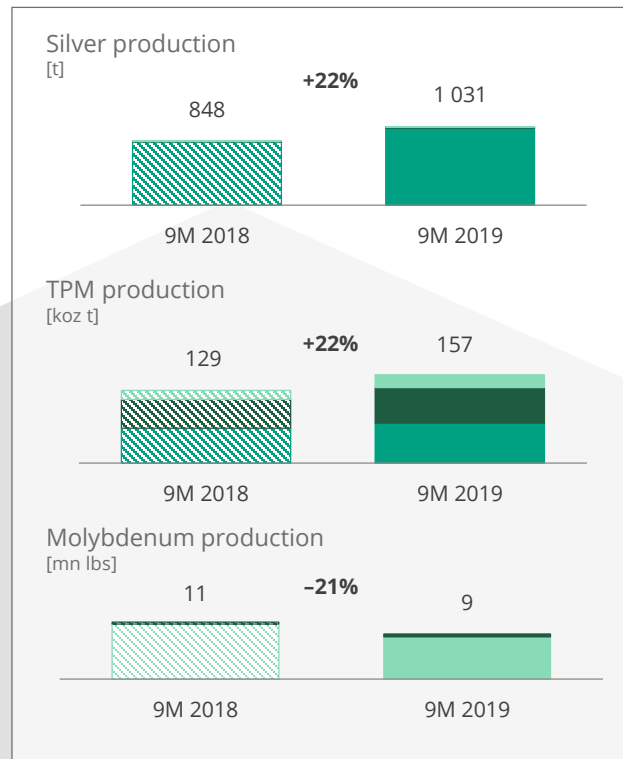
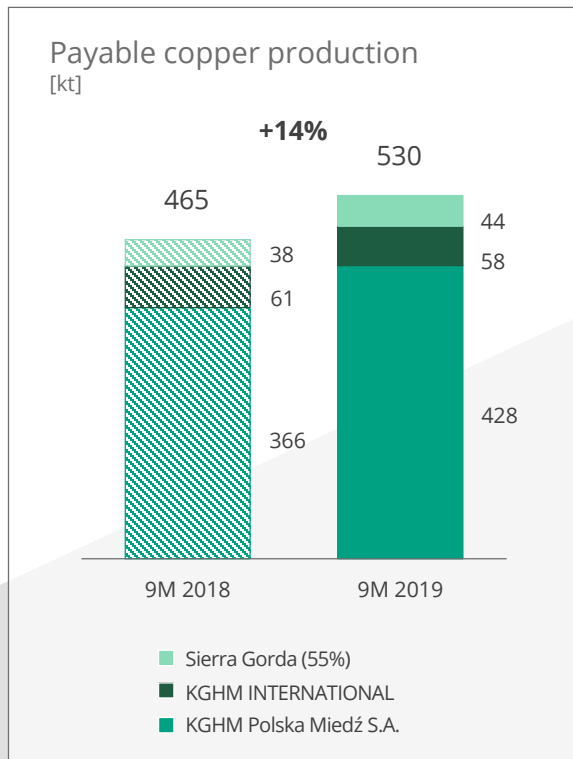
**+8%**

Higher EBITDA:  
PLN 4 112 million

# Metals production

## KGHM Group

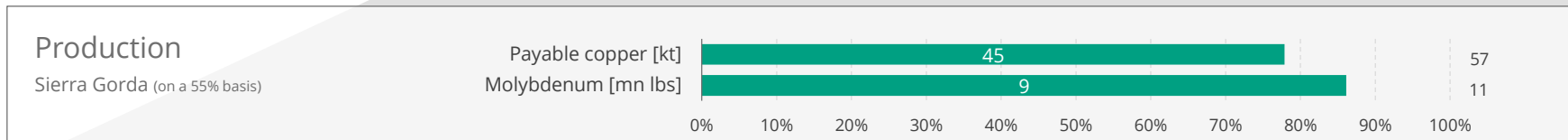
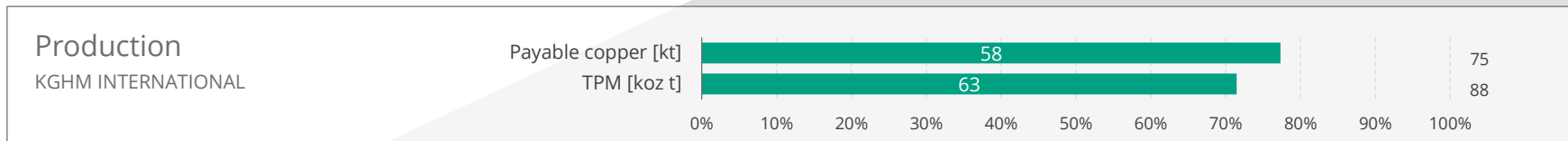
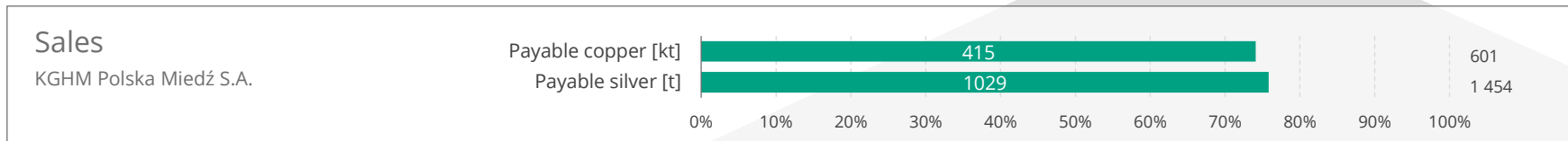
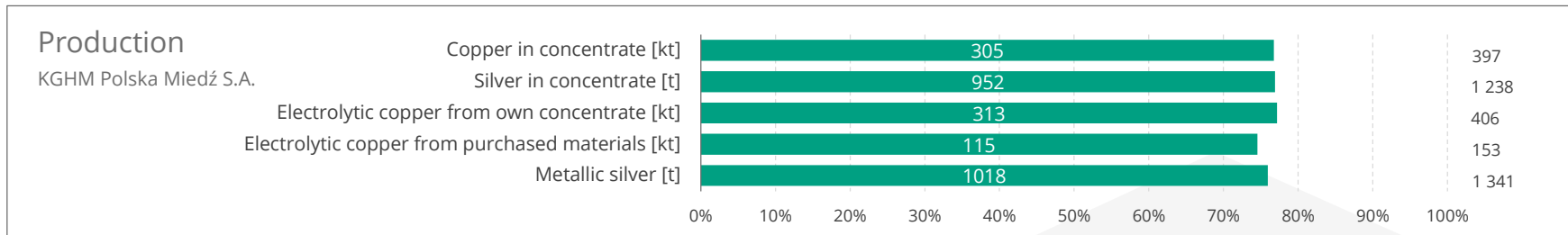
- Production of electrolytic copper exceeded the target set for KGHM Polska Miedź S.A. due to improved availability of production equipment
- Lower production by KGHM INTERNATIONAL due to lower production by the Sudbury Basin, Franke and the Robinson mine
- Higher payable copper production by the Sierra Gorda mine thanks to higher extraction and ore processing as well as the processing of better quality ore than in the first nine months of 2018



# Production and sales in the first 3 quarters of 2019

## Execution of annual targets

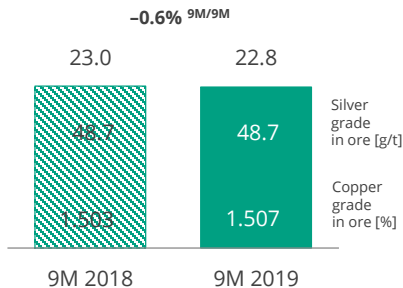
**2019E**  
Budget



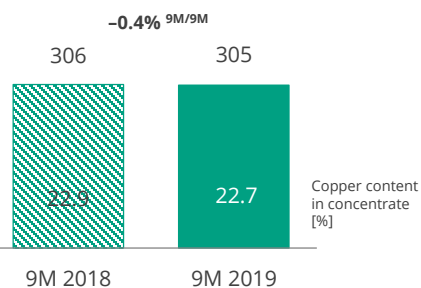
# Production results

KGHM Polska Miedź S.A.

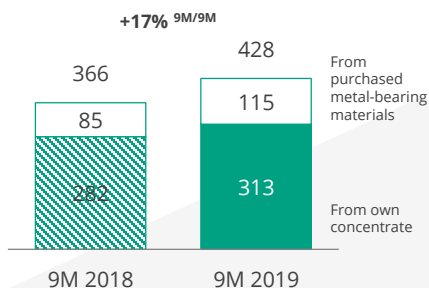
Ore extraction  
[mn t dry weight]



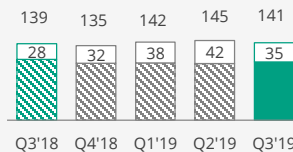
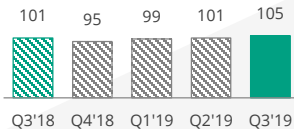
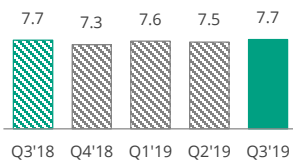
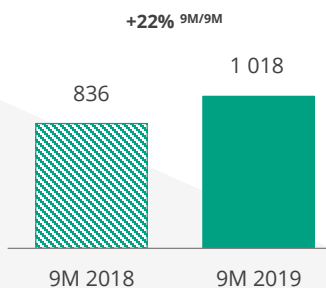
Production of copper  
in concentrate [kt]



Electrolytic copper  
production [kt]



Metallic silver  
production [t]



- Ore extraction results from areas selected for mining

- Slightly lower production due to lower extraction

- Higher production due to higher concentrate processing thanks to the work of the copper concentrate roasting installation

- Higher production due to better availability of charge materials thanks to higher processing of concentrate

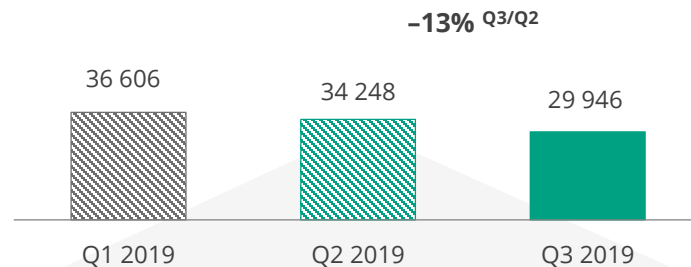
# Change in inventories

KGHM Polska Miedź S.A.

## Inventories of copper in concentrate at the smelters

amount of Cu [t]

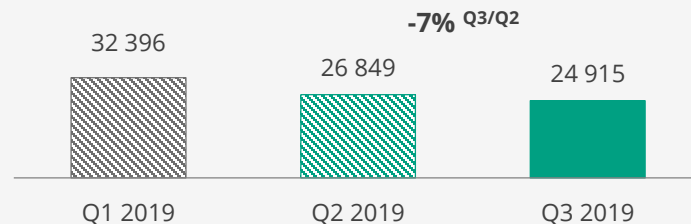
- A further decrease in the level of inventories due to the better availability of equipment and the proper functioning of the copper concentrate roasting installation
- In subsequent quarters, concentrate inventories will decrease according to plan



## Inventories of copper anodes at the smelters

amount of Cu [t]

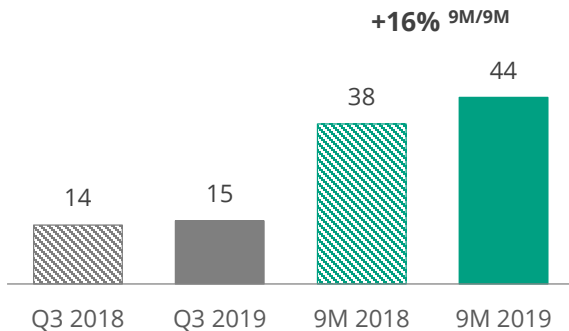
- The decrease in copper anodes inventories resulted from the adopted production plan and from higher electrolytic copper production



# Production results

Sierra Gorda<sup>1)</sup>

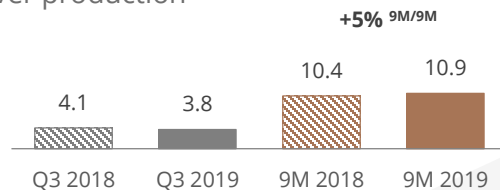
Payable copper production  
[kt]



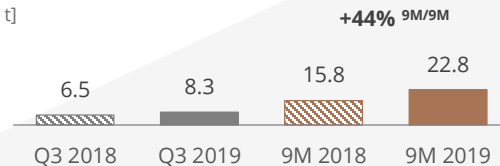
Higher-than-planned copper production in the first three quarters of 2019

- Higher payable copper production due to higher extraction and ore processing
- In the first 9 months of 2019 ore with a higher copper content was extracted compared to the first 9 months of 2018

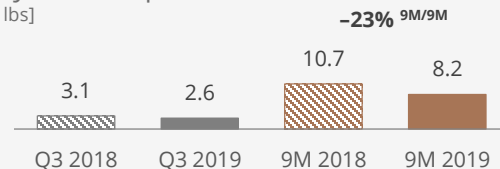
Silver production  
[t]



TPM Production <sup>2)</sup>  
[koz t]



Molybdenum production  
[mn lbs]

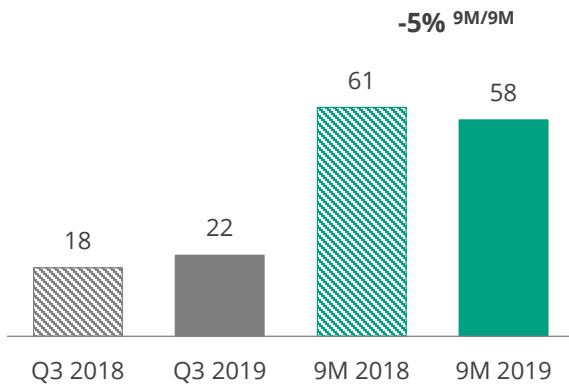


- Higher extraction by the Sierra Gorda mine led to higher copper, silver and gold production
- The drop in molybdenum production was due to extraction in areas with lower molybdenum content compared to ore extracted in prior years

# Production results

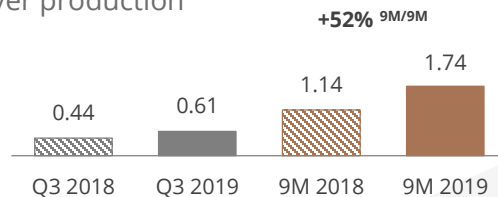
## KGHM INTERNATIONAL

Payable copper production  
[kt]

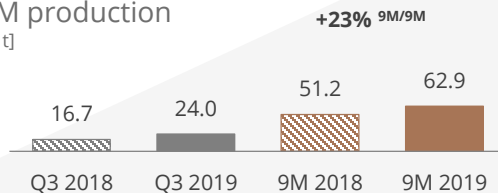


- The decrease in production in the current period was due to a temporary drop in mined copper ore grade at the Robinson mine and to a change in the area being mined in the Sudbury Basin

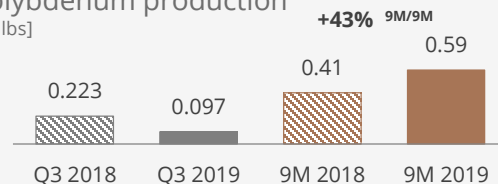
Silver production  
[t]



TPM production  
[koz t]



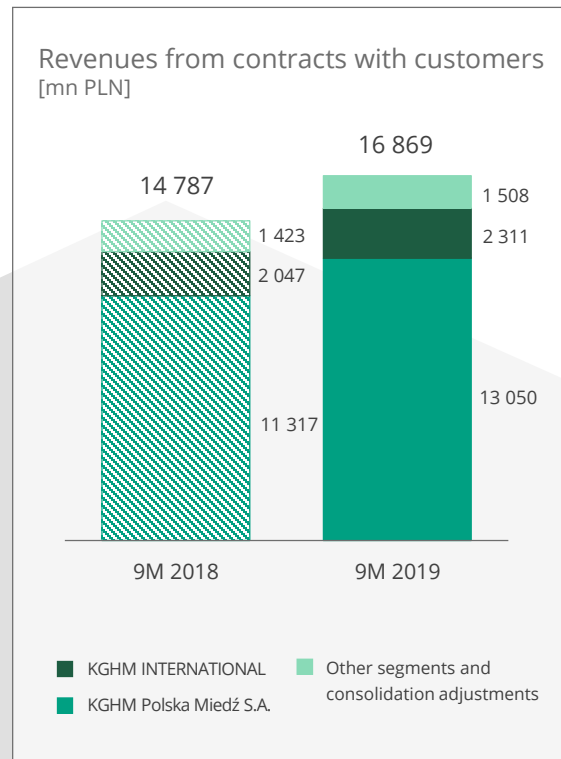
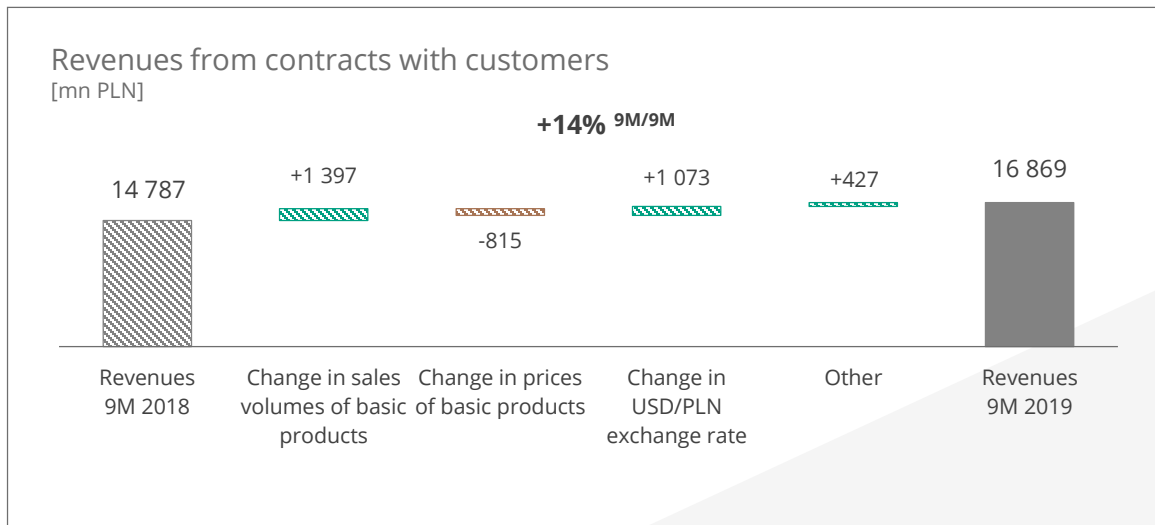
Molybdenum production  
[mn lbs]



- The silver production target was exceeded in the Sudbury Basin due to a change in the region being mined (different nature of the deposit in the McCreedy mine)
- Higher TPM production both in the Sudbury Basin and the Robinson mine
- Higher molybdenum production by the Robinson mine due to a substantial increase in the recovery of this metal thanks to an improvement in the production process

# Sales revenue

## KGHM Group

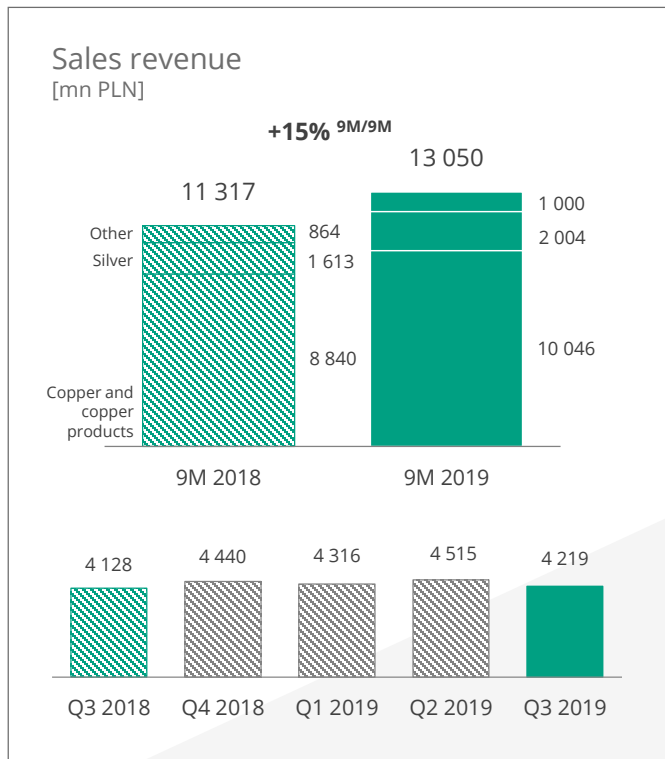


- Higher revenues by PLN 2 082 million (+14%) compared to the corresponding period of 2018, including higher revenues in KGHM Polska Miedz S.A. (+PLN 1 733 million)
- The higher revenues of KGHM Polska Miedz S.A. were mainly due to higher sales volumes of copper (+13%) and silver (+18%) and to a more favourable exchange rate alongside lower copper and silver prices



# Sales revenue

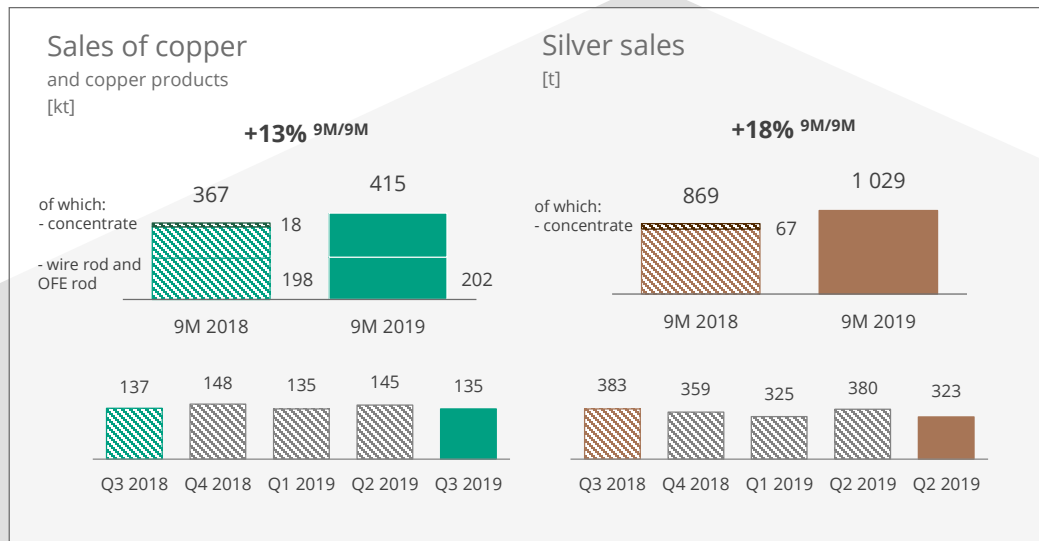
KGHM Polska Miedź S.A.



Higher revenues from sales by PLN 1 733 million (+15%) in the first 9M of 2019 compared to the first 9M of 2018 due to:

- higher sales volumes (copper by 13% and silver by 18%)
- a more favourable USD/PLN exchange rate (+8%)

alongside less favourable prices of copper (-9%) and silver (-2%)



# Stable and safe financial situation of the KGHM Group

2019E  
Budget

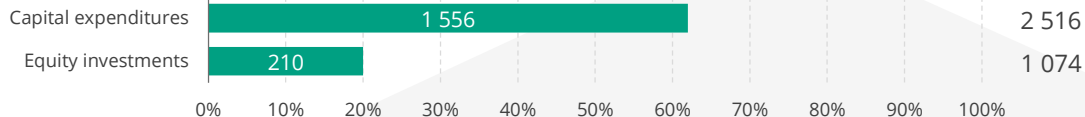
## Total unit production cost

Of electrolytic copper from own concentrate  
KGHM Polska Miedź S.A.<sup>1)</sup>  
[k PLN/t]



## Investments

KGHM Polska Miedź S.A.<sup>2)</sup>  
[mn PLN]



## Financial leverage of the KGHM Group

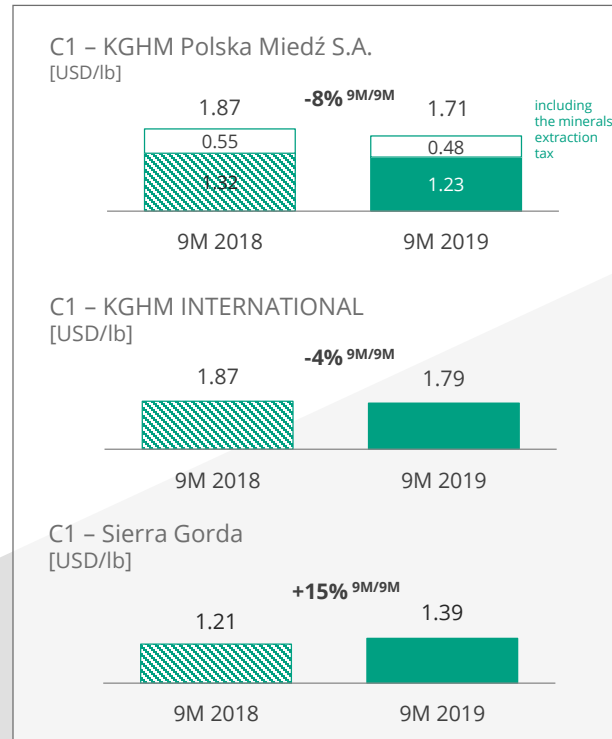
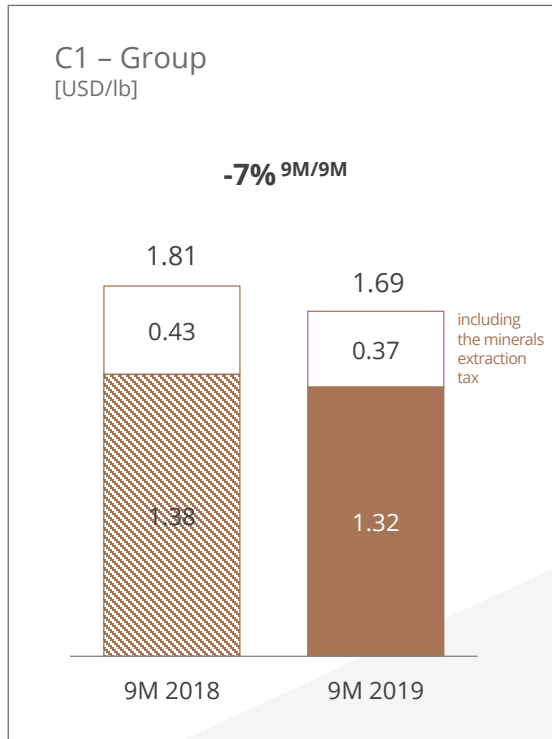
[Net debt / adjusted EBITDA]



- 1) Sum of costs of extraction, floatation and metallurgical processing per cathode, together with support functions and cathode selling costs, adjusted by the value of inventories of half-finished products and work in progress, less the value of anode slimes and divided by the volume of electrolytic copper production from own concentrates
- 2) Capital expenditures – excluding Development work – uncompleted; Equity investments – Loans granted and acquisition of shares and investment certificates of subsidiaries together with loans for these subsidiaries
- 3) Level of net debt/EBITDA ≤ 2 related to the Financial Liquidity Policy adopted by the Company and is not part of the budget assumptions of KGHM for 2019

# C1 unit cost<sup>1)</sup>

## KGHM Group

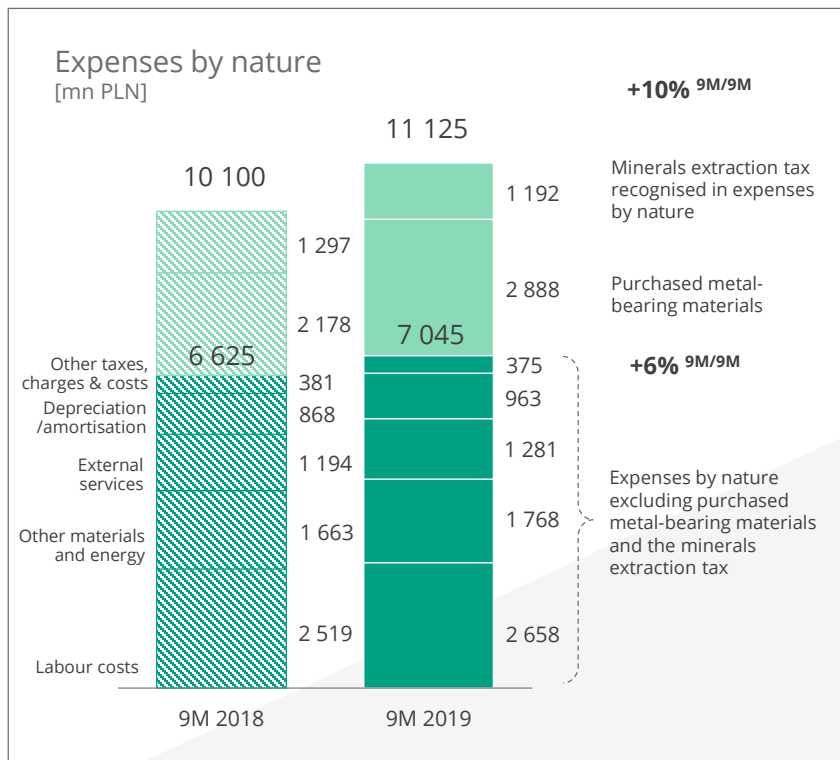


- The decrease in C1 cost in KGHM Polska Miedź S.A. versus the corresponding period of 2018 was mainly due to a weakening of the PLN vs the USD by 8%
- The 4% decrease in this cost in KGHM INTERNATIONAL was due among others to higher revenues from the sale of associated metals (which decrease this cost)
- The 15% increase in C1 cost in Sierra Gorda was due to a lower volume of sales of molybdenum (lower Mo grade in ore), and consequently lower by-product credit revenues which are deducted when calculating C1 cost

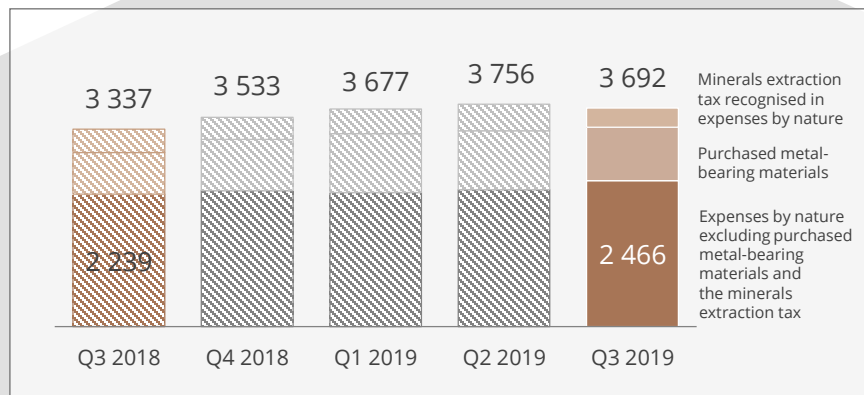
1) C1 cost - cash cost of concentrate production reflecting the minerals extraction tax, plus administrative expenses and smelter treatment and refining charges (TC/RC), less depreciation/amortisation and the value of by-product premiums, calculated for payable copper in concentrate

# Expenses by nature

KGHM Polska Miedź S.A.

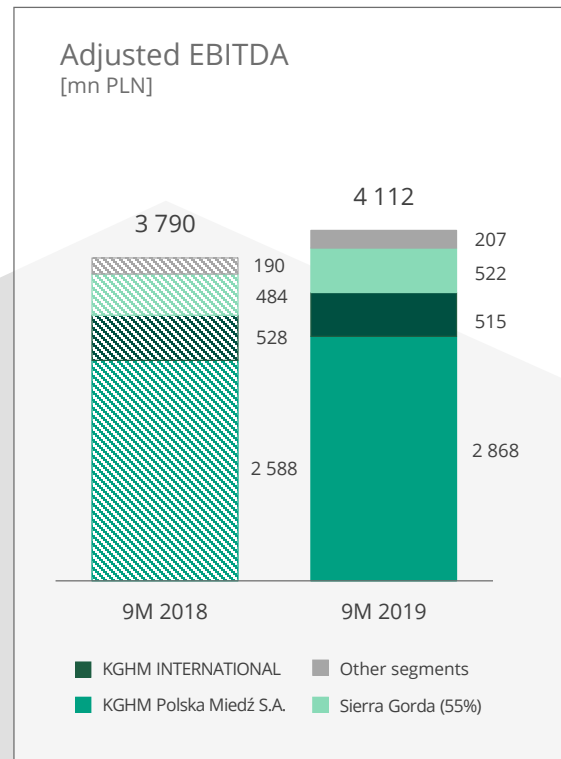
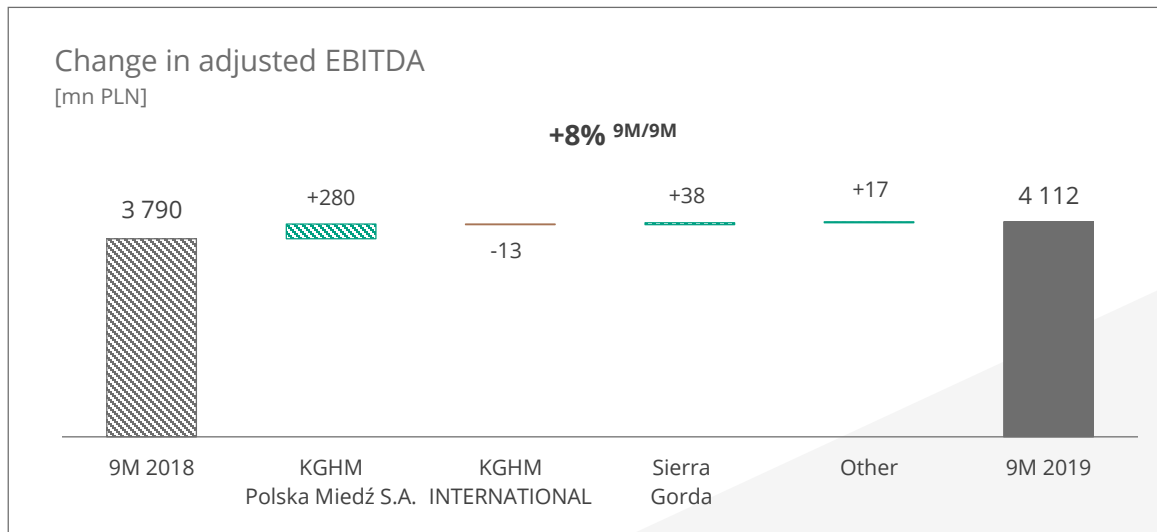


- Expenses by nature were higher by PLN 1 025 million (10%) mainly due to higher consumption of purchased metal-bearing materials by PLN 710 million (a higher volume of purchased metal-bearing materials used by 30 thousand tonnes of copper alongside a similar purchase price)
- Expenses by nature, excluding purchased metal-bearing materials and the minerals extraction tax, were higher by PLN 420 million (6%) mainly due to higher labour costs (+PLN 139 million), costs of other materials and energy due to higher production (+PLN 105 million), depreciation/amortisation (+PLN 95 million) and external services (+PLN 87 million)



# Operating results

## KGHM Group



- The increase in EBITDA of the Group<sup>1)</sup> (+PLN 322 million) was mainly due to increases in KGHM Polska Miedź S.A. (+PLN 280 million; +11% 9M/9M) and Sierra Gorda (+PLN 38 million; +8% 9M/9M)

# Financial results

KGHM Group

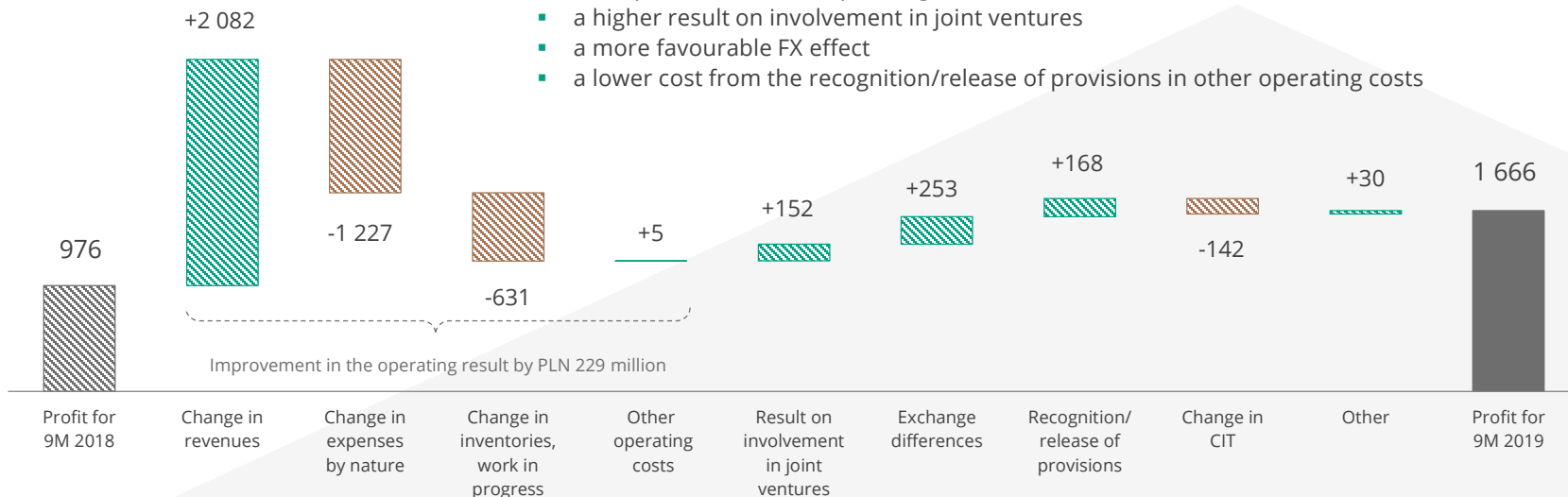
Profit for the period  
[mn PLN]

+ 71% 9M/9M

## 1 666 mn PLN consolidated net profit in the first 9M of 2019

The increase in net profit by the Group by PLN 690 million (+71%) was mainly due to:

- an improvement in the operating result
- a higher result on involvement in joint ventures
- a more favourable FX effect
- a lower cost from the recognition/release of provisions in other operating costs

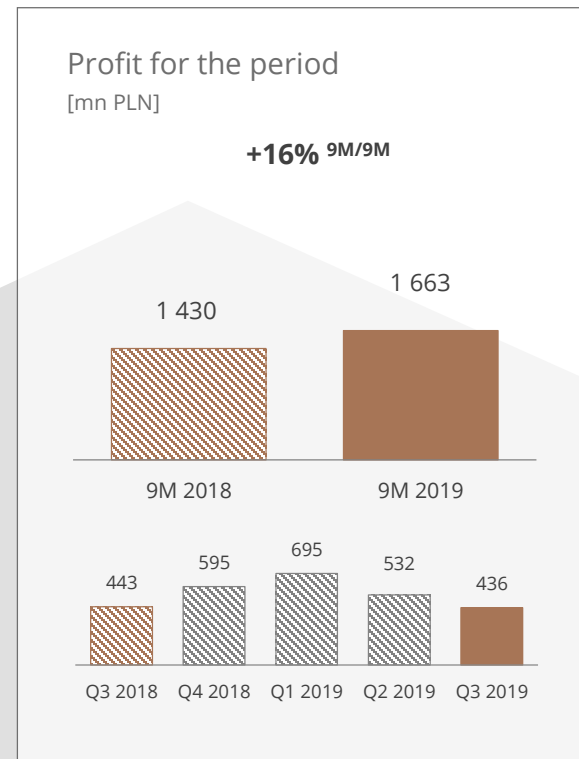
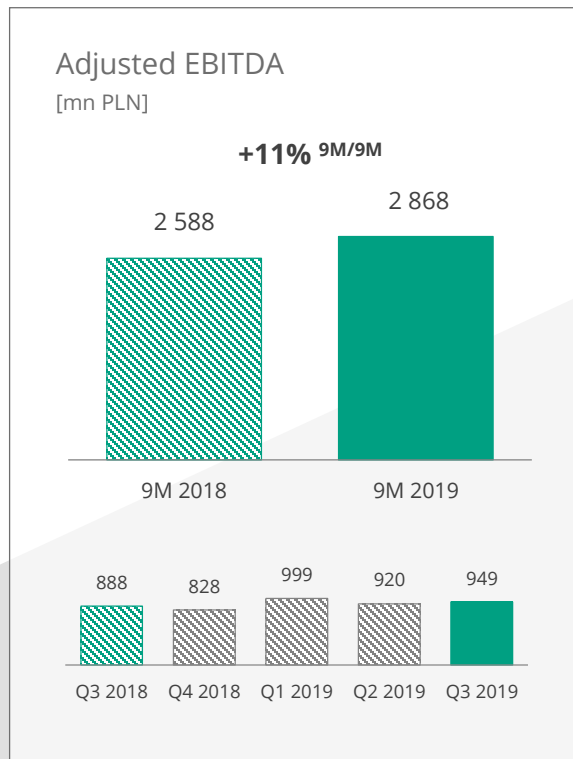


# EBITDA and profit for the period

KGHM Polska Miedź S.A.

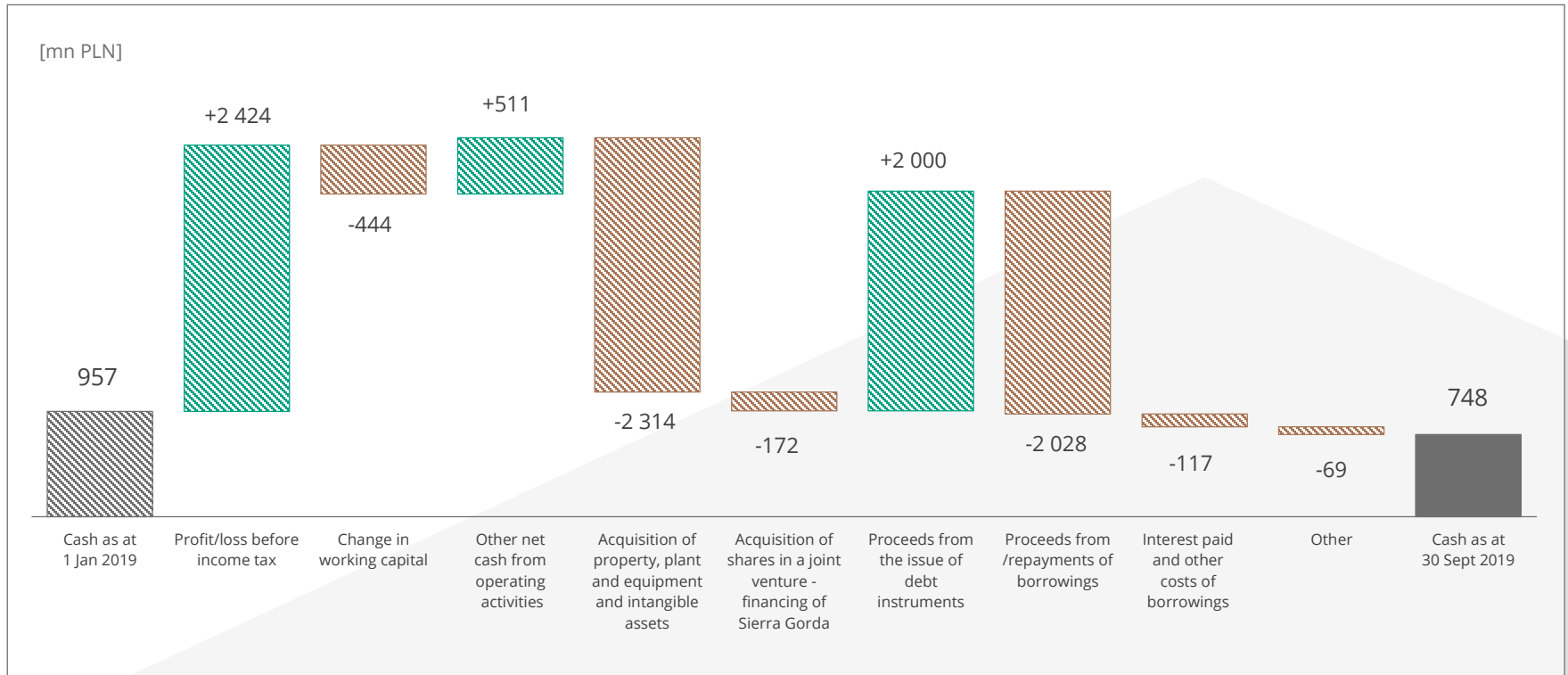
## Higher standalone EBITDA and profit for the period

- EBITDA higher by 11% than in the first 9 months of 2018 due to a higher volume of copper sold (higher revenues)
- Higher profit for the period by PLN 233 million (+16%) than in the first 9 months of 2018 due to higher EBITDA, a more favourable result on exchange differences and a lower level of provisions recognised



# Cash flow

## KGHM Group







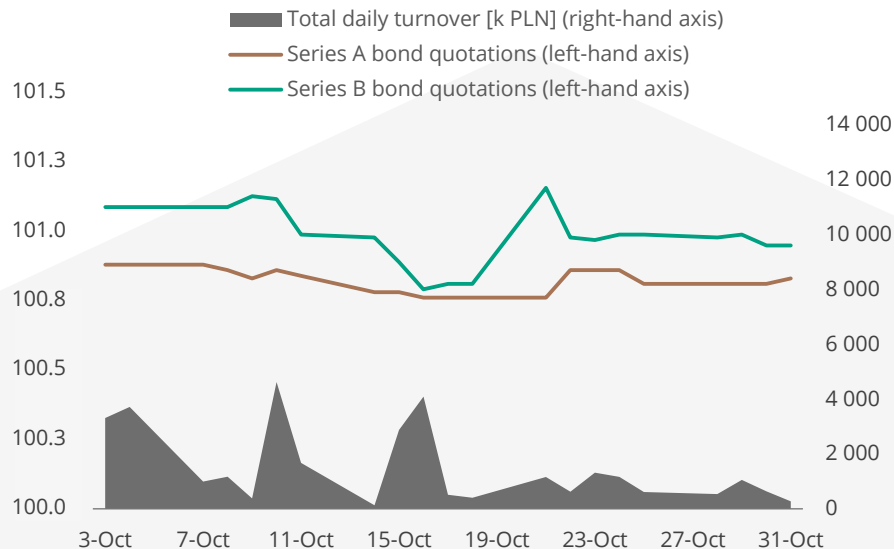
# Debut of bonds on the Catalyst market

3rd October 2019

## Highlights of the Catalyst debut and bond quotations

- Total value of issue series A and B - PLN 2 billion
- 144 issuers on the Catalyst market
- 6th debut in 2019
- Designated market maker to ensure liquidity
- During the period 3-31 October turnover on KGHM's bonds accounted for 22% of total corporate bonds turnover on the Catalyst<sup>1)</sup> market
- Average daily turnover in both bonds series during the period 3-31 October amounted to PLN 1 486 thousand
- To date, the highest total daily turnover in both bonds series occurred on 10 October and amounted to PLN 4 622 thousand

Quotations of KGHM's bonds on the Catalyst market<sup>2)</sup>

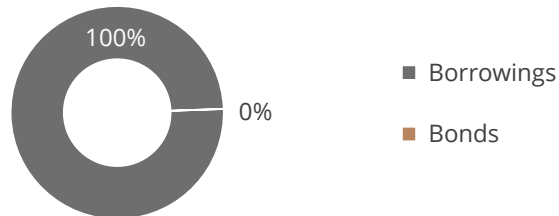


# Diversification of borrowing sources

Financing structure based on long-term instruments

Sources of financing prior to the bond issue

[mn PLN] <sup>1)</sup>



Sources of financing following the bond issue

[mn PLN] <sup>2)</sup>



As a result of changes carried out in the first half of 2019 involving the financing structure (the initiation of a new, 7-year loan in the amount of USD 450 million and the issuance of 5-year and 10-year bonds in the amount of PLN 2 000 million), **the average weighted maturity period was extended by 2 years.**

With respect to managing currency risk which may arise from borrowings, the Company uses natural hedging by borrowing in currencies in which it has revenues.

The Company entered into transactions forming an element of a strategy based on CIRS, or Cross Currency Interest Rate Swaps, aimed at securing against the currency and interest rate risk arising from the issuance of bonds.



## Advancement of the KGHM Group's strategy

---



# 4 strategic directions for KGHM's development

The review of the Strategy of KGHM Polska Miedź S.A. for 2019-2013

#4E



ELASTICITY,  
FLEXIBILITY



EFFICIENCY



ECOLOGY,  
SAFETY AND SUSTAINABLE  
DEVELOPMENT



E-INDUSTRY

# Strategic priorities

#1 Higher production

#2 Energy independence

#3 International assets 2.0

#4 Long-term financial strategy

#5 Ecosystem innovation for KGHM

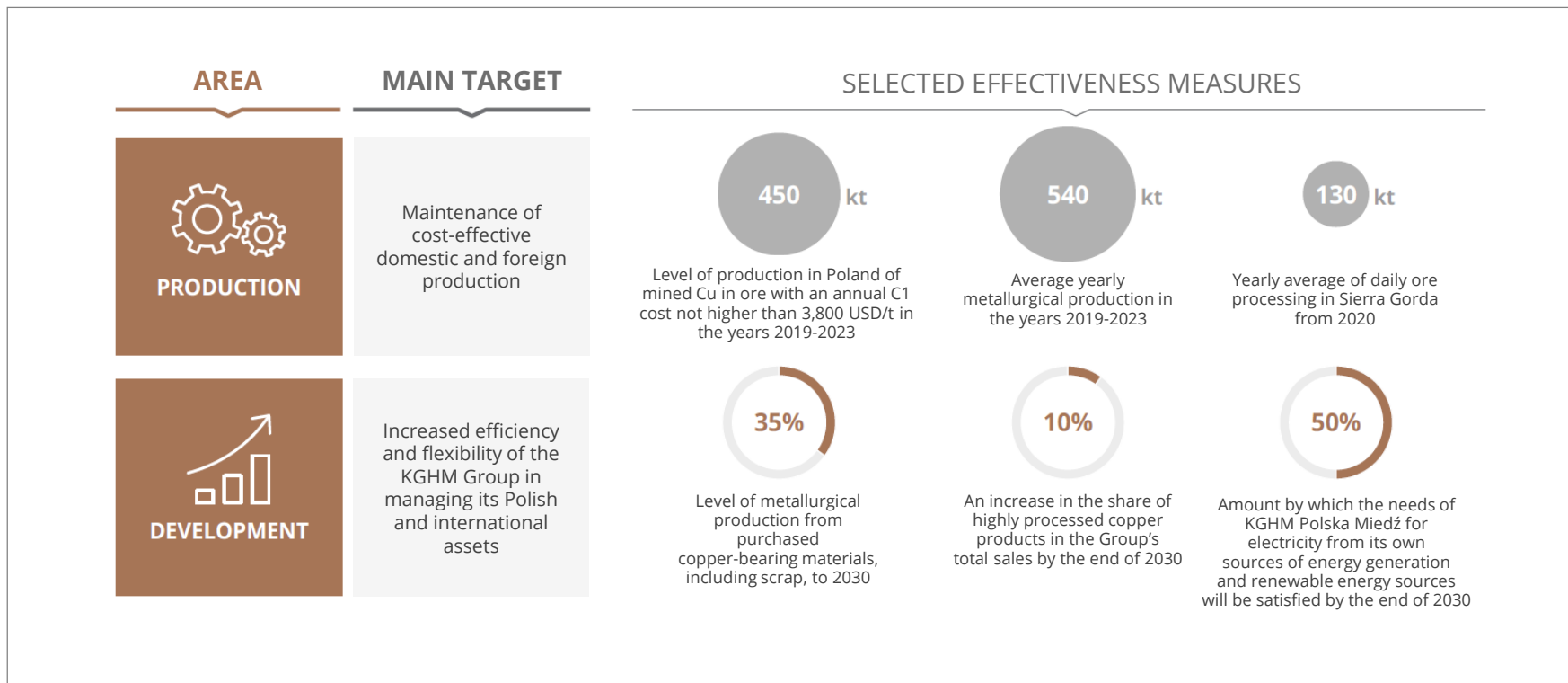
#6 Technologies of the future

#7 New quality  
*Safety and development*



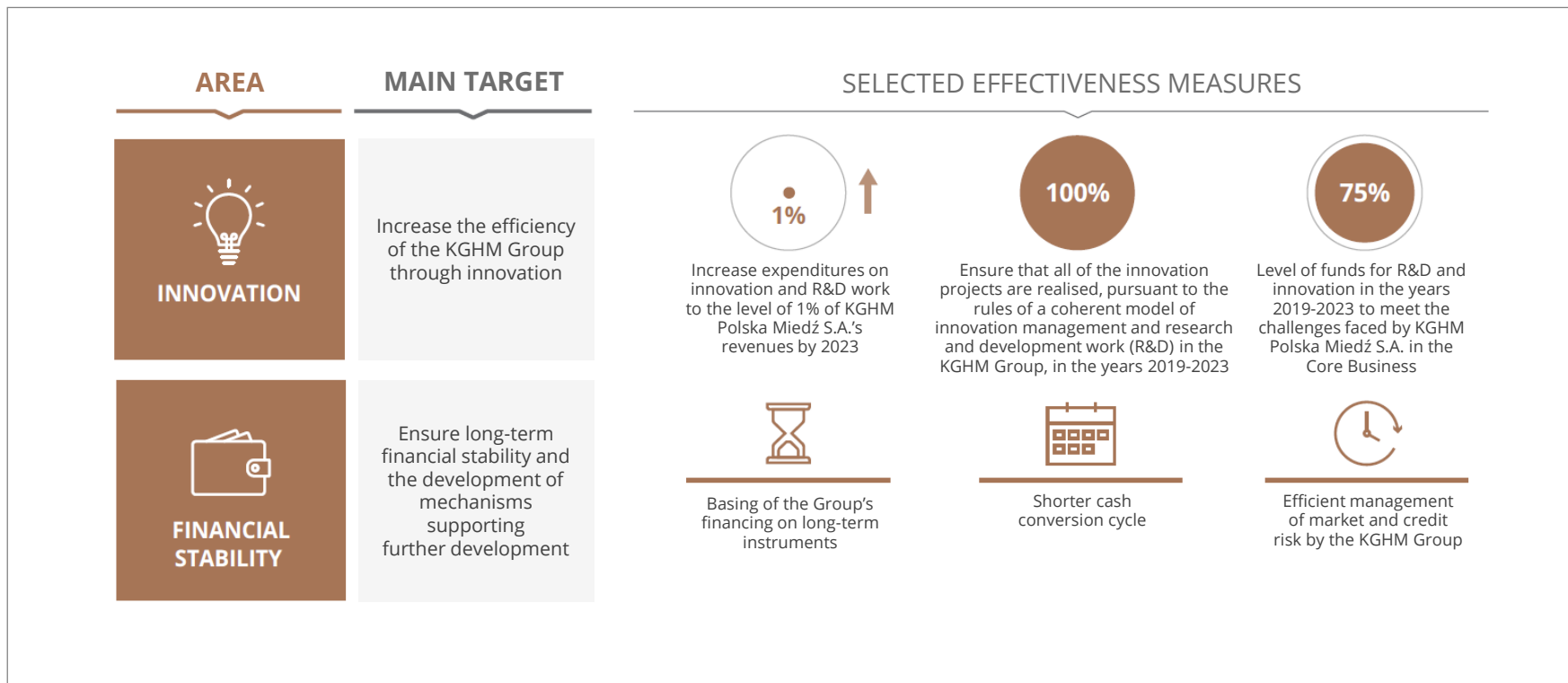
# Strategy in practice

## Selected key operating initiatives (1)



# Strategy in practice

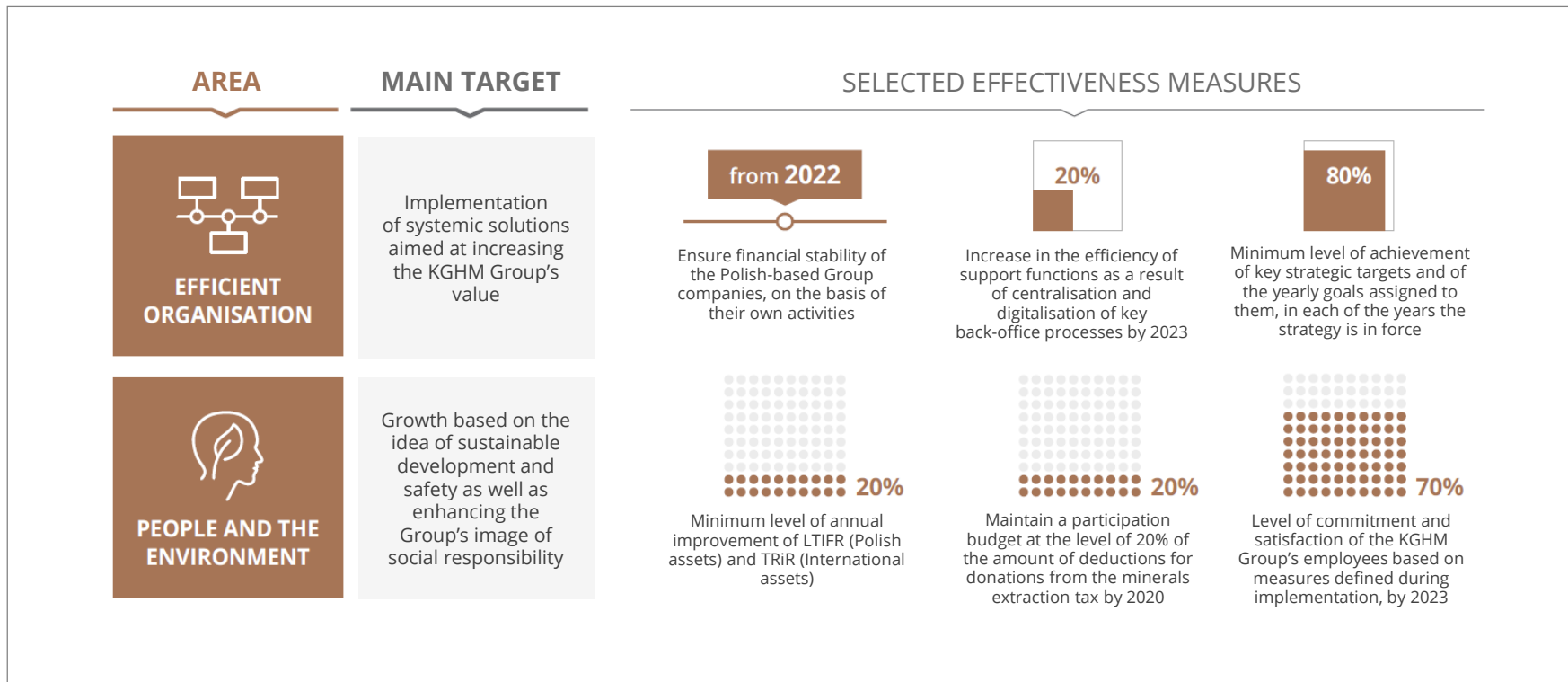
## Selected key operating initiatives (2)





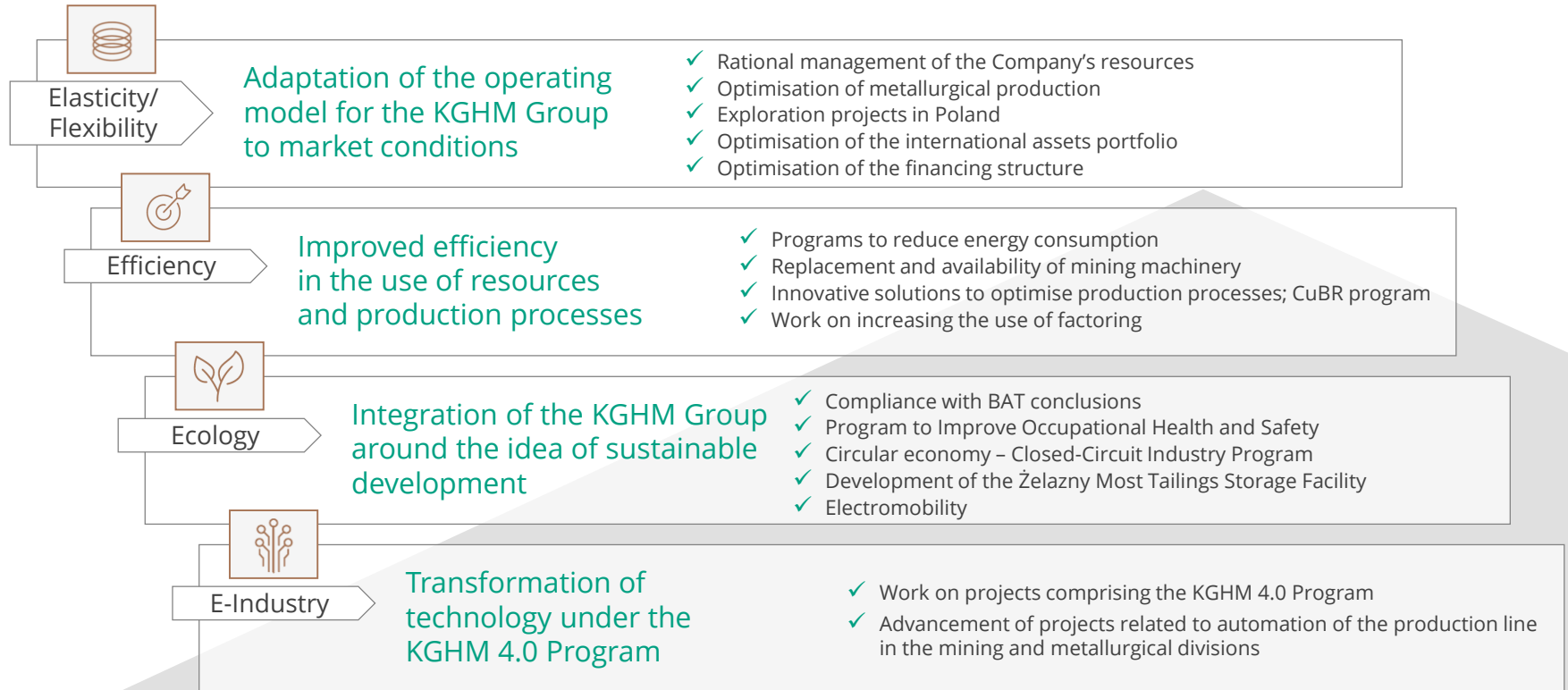
# Strategy in practice

## Selected key operating initiatives (3)



# Consistent advancement of the strategy

## Key areas – 4E



# A consistent and rational investment program

Capital expenditures by KGHM Polska Miedź S.A. in the first three quarters of 2019

## Main projects financed in the first 3 quarters of 2019

### Deposit Access Program

- Individual projects in the categories of maintaining mine production and development with respect to mining, mine shafts, air conditioning and power-related infrastructure projects, are being systematically advanced.

### Copper concentrate roasting installation

- The installation was successfully commissioned and brought on-line at the Głogów Copper Smelter and Refinery. Work is underway to optimise the investment and conclude commissioning procedures.

### RCR furnace at the Legnica Copper Smelter and Refinery

- The installation was successfully commissioned and brought on-line at the Legnica Copper Smelter and Refinery. Work is underway to optimise the copper scrap processing technology, being one of the Company's most important goals.

### Development of the Żelazny Most Tailings Storage Facility

- Individual phases of the work to build the facility's southern quarter is advancing according to plan. Work is also underway on constructing the tailings segregation and thickening station.

### Program to adapt the technological installations of KGHM to the requirements of BAT Conclusions

- Under this Program, projects are being advanced at the Głogów and Legnica Copper Smelters/Refineries. In 2019 work was completed on sealing the conveyor belts and belt pulling stations at the Głogów facility. Nearing completion are the construction of an off-gas desulphurisation installation for the Kaldo furnace at the Głogów facility and modernisation of the dedusting unit for the shaft furnaces at the Legnica facility.

**2 516** mn PLN

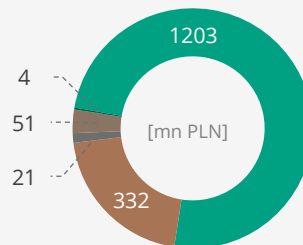
CAPEX budget targets for 2019

**2 670** mn PLN

CAPEX budget targets for 2018

by area

- Mining (75%)
- Metallurgy (21%)
- Other activities (1%)
- Leasing IFRS 16
- Development work - uncompleted



**1 611** mn PLN

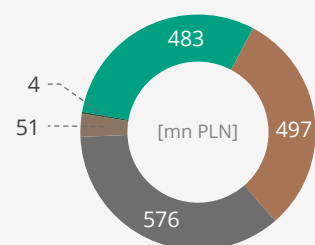
CAPEX execution, 9M 2019

**1 232** mn PLN

CAPEX execution, 9M 2018

by category

- Replacement (30%)
- Maintaining mine production (31%)
- Mine development (36%)
- Leasing IFRS 16
- Development work - uncompleted



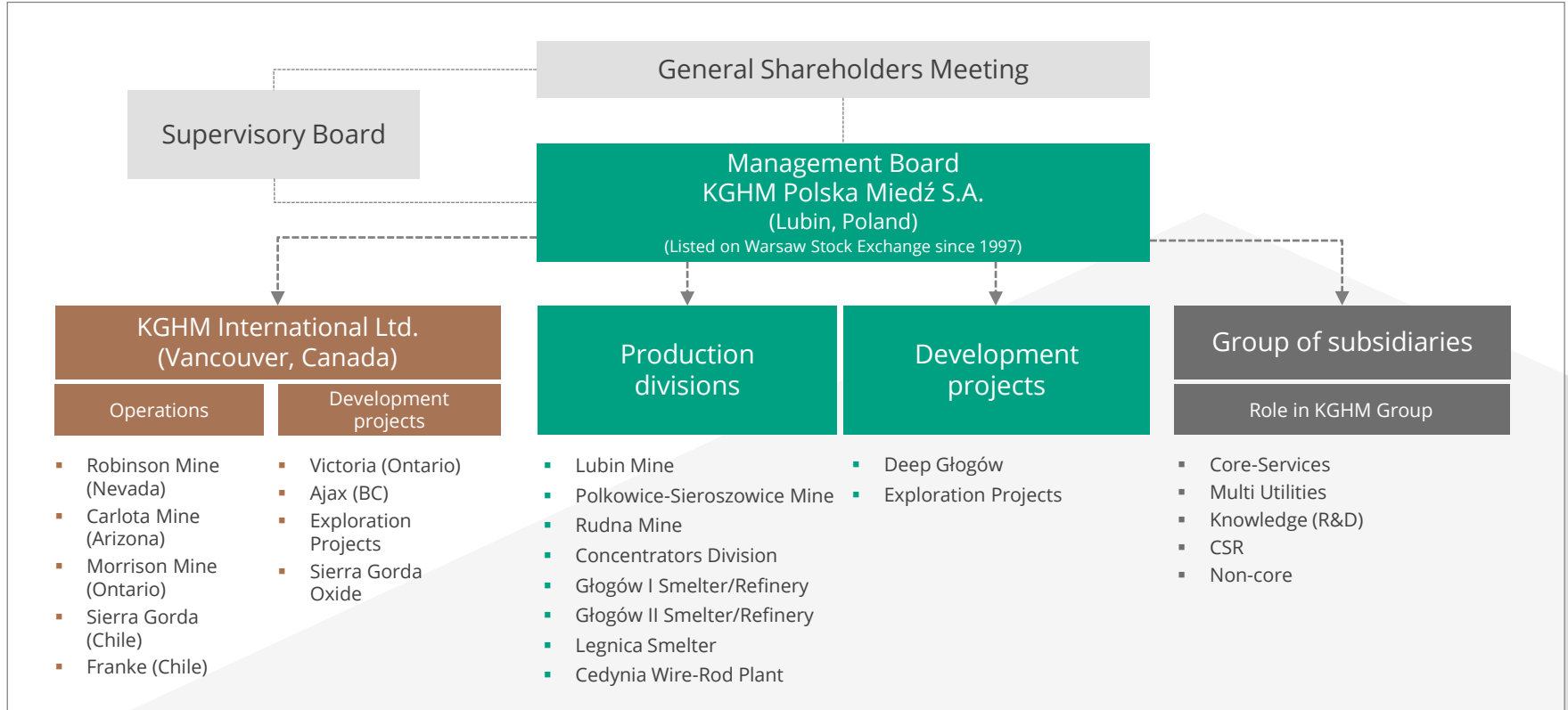


Additional slides

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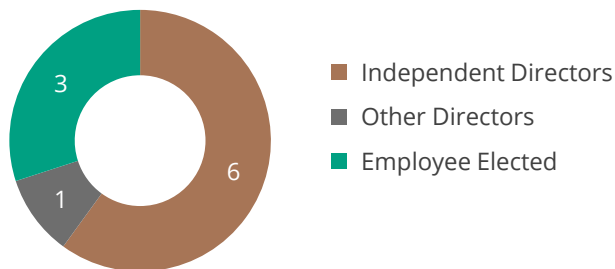


# Transparent Group structure



# Committed to solid corporate governance

## Independent directors on the board



KGHM meets the top quality Corporate Governance standards of the Warsaw Stock Exchange (compliant with EU/OECD guidance)

## KGHM's Corporate Governance is guided by international standards and follows best practices:

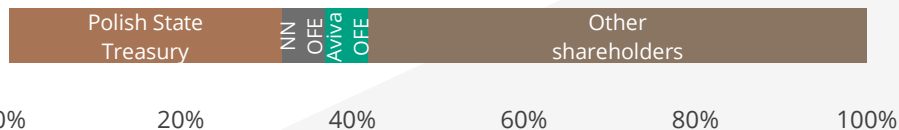
- All members of KGHM's Supervisory Board are appointed by the General Shareholders Meeting
- All of KGHM's shares have equal voting rights (no preferred stock)
- 6 independent members of the Supervisory Board <sup>1)</sup>
- Committees of the Supervisory Board:
  - Strategy Committee
  - Audit Committee
  - Remuneration Committee
- Internal audit structure implemented across the KGHM Group - consistent with the best international practices
- Code of Ethics – implemented in 2015

**In 2018 KGHM joined the FTSE4Good index.** Being a member of the FTSE4Good index series confirms KGHM's efforts in the field of environmental protection, social responsibility and corporate governance. KGHM perceives joining the FTSE4Good index as an award for its solid performance in complying with demanding ESG standards.

# Shareholder structure of KGHM Polska Miedź S.A.

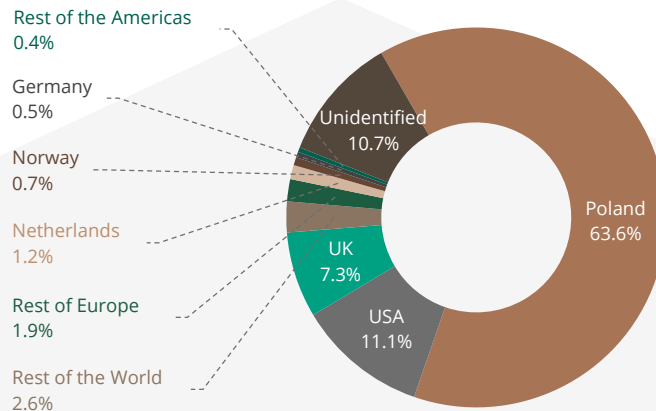
## Ownership structure

Shareholder	No. of shares/ votes	Percentage of share capital	Share in total number of votes
Polish State Treasury	63,589,900	31.79%	31.79%
Nationale-Nederlanden OFE	10,104,354	5.05%	5.05%
Aviva OFE	10,039,684	5.02%	5.02%
Other shareholders	116,266,062	58.14%	58.14%
<b>Total</b>	<b>200,000,000</b>	<b>100.00%</b>	<b>100.00%</b>



## Geographical ownership structure

[% of shares]



# Sensitivity of results to metal prices and the FX rate

The economic results of KGHM Polska Miedź S.A. are highly sensitive to changes in metals prices and the FX rate<sup>1)</sup>

## Copper price

Cu price decrease by 100 USD/t  
= approx. PLN 68 million lower net profit

Cu price increase by 100 USD/t  
= approx. PLN 75 million higher net profit

## Silver price

Ag price decrease by 1 USD/oz t  
= approx. PLN 120 million lower net profit

Ag price increase by 1 USD/oz t  
= approx. PLN 119 million higher net profit

## USD/PLN exchange rate

FX rate decrease by PLN 0.10  
= approx. PLN 156 million lower net profit

FX rate increase by PLN 0.10  
= approx. PLN 169 million higher net profit



# Share price performance

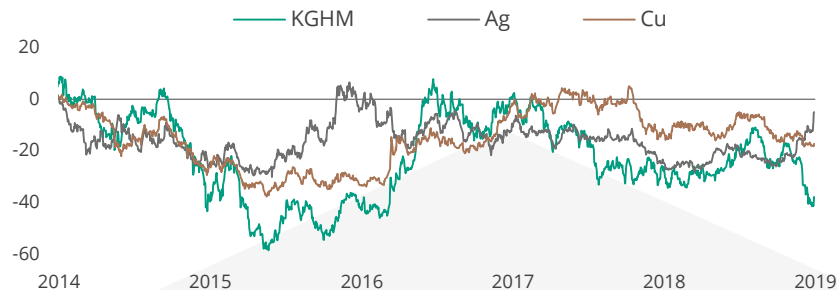
## Basic quotes

WSE debut	10 <sup>th</sup> July 1997	
GPW ticker	KGH	
Bloomberg/Reuters ticker	KGH PW / KGH.WA	
Share price [PLN]	90.42	
Capitalization [bn PLN]	18.08	
No. of shares	200 000 000	
Share capital [PLN]	2 000 000 000	
52 weeks	Max/min share price [PLN]	112/73.76
	Spread min/max [PLN]	38.24
	Avg. share price [PLN]	92.20
	Avg. volume	578 763
	Avg. turnover [mn PLN]	53.15

The Company's shares are a component of the indices: WIG, WIG20, WIG20TR, WIG30, WIG30TR, WIG-GÓRNICTWO, WIG-Poland, WIG.MS-BAS, RESPECT/WIG-ESG, CEEplus. In 2018 KGHM joined the prestigious FTSE4Good index.

## Strong correlation with copper and silver

[change in %]

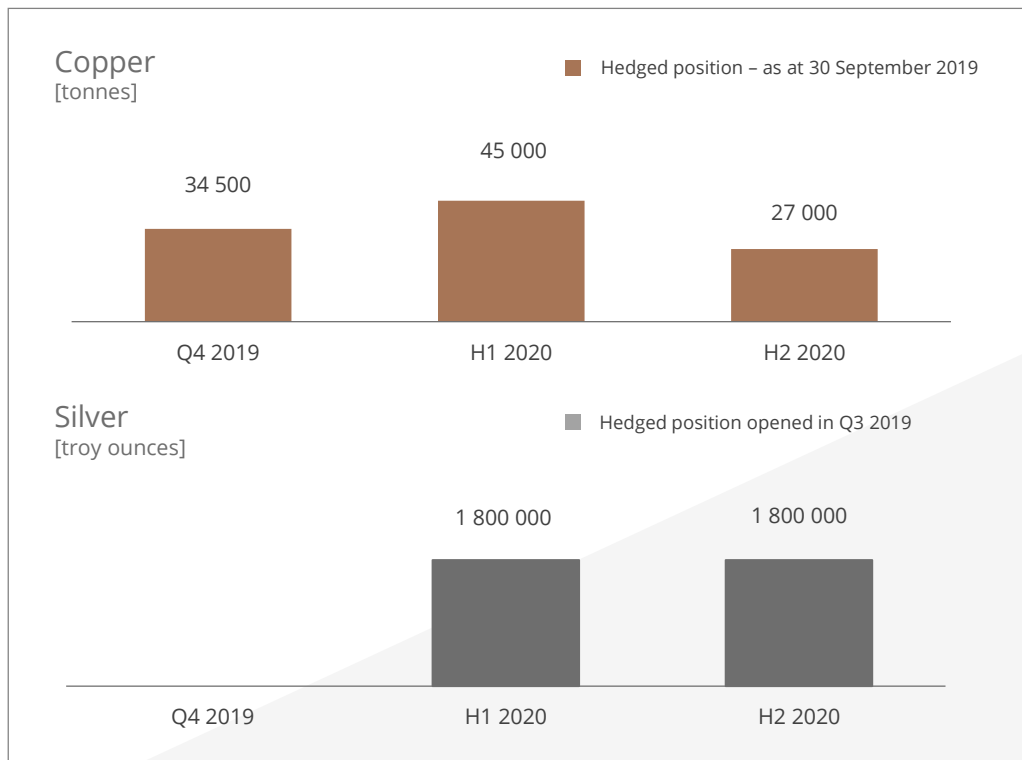


## ...as well as WIG20 index



# Market risk management

Hedged positions on the copper and silver markets (as at 30 September 2019)

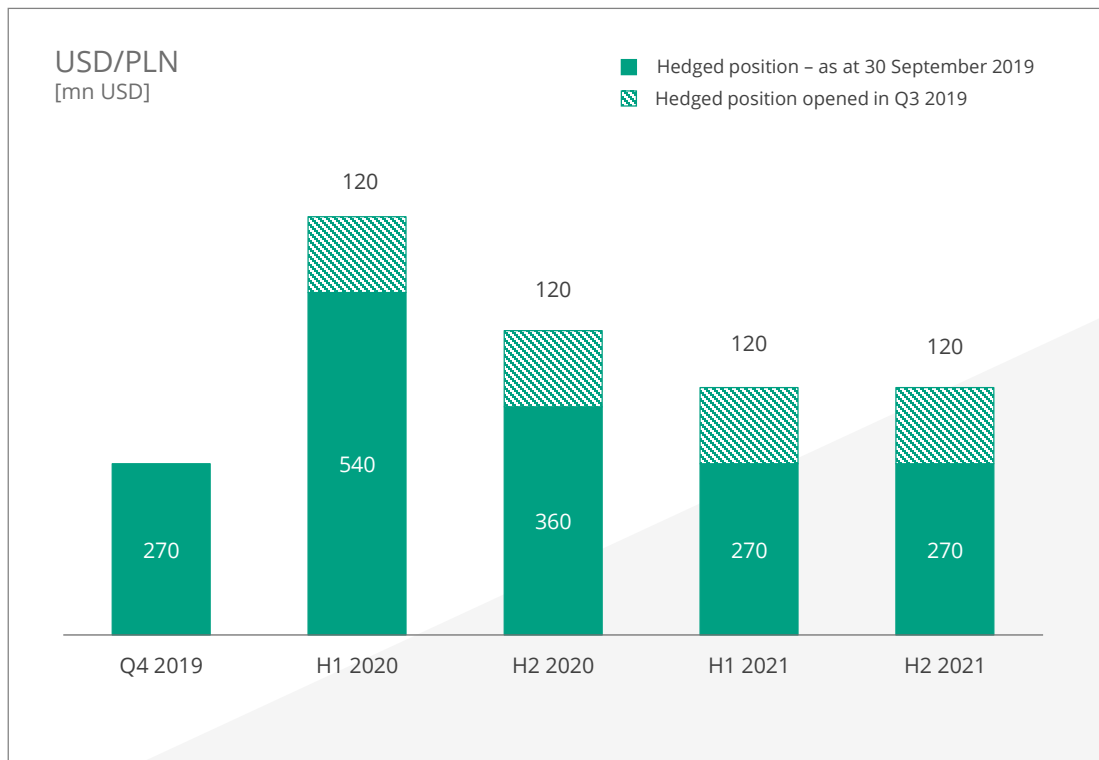


## The fair value of derivatives in KGHM Polska Miedź S.A. as at 30 September 2019 amounted to PLN 173 million

- In the first three quarters of 2019, KGHM Polska Miedź S.A. recorded a result on derivatives and hedges in the amount of PLN 97.2 million, of which:
  - PLN 170 million increased revenues from contracts with customers (transactions settled to 30 September 2019)
  - PLN 55.2 million decreased the result on other operating activities
  - PLN 17.6 million decreased the result on finance activities
- The revaluation reserve on cash flow hedging instruments as at 30 September 2019 amounted to -PLN 198.5 million

# Market risk management

Hedged positions on the currency and interest rate markets (as at 30 September 2019)



- In the third quarter of 2019 the Parent Entity entered into CIRS, or Cross Currency Interest Rate Swaps, in the notional amount of PLN 2 billion, securing against the market risk related to the issue of bonds in PLN with variable interest rates
- In addition, on 30 September 2019 the Parent Entity held open derivatives CAP positions on the interest rate market for 2020 as well as borrowings with a fixed interest rate

# Challenges facing KGHM Polska Miedź S.A.

In the period 2019 - 2023



## Production

- Adapt currently-applied mining technology to potentially-difficult working conditions
- Maintain domestic production at the current level – gain access to new areas of the mines
- Improve operational efficiency
- Improve safety – Zero Harm
- Ensure Energy supplies at optimal prices



## Żelazny Most

Ensure the long-term ability to store mine tailings



## Pyrometallurgy modernisation

Modernisation of Głogów and Legnica plants

- Ramp-up of new production units at the Głogów metallurgical plant (Głogów 1 smelter, roaster)
- Ramp-up of the scrap processing unit at the Legnica metallurgical plant



## Sierra Gorda

Bring the Sierra Gorda to operational maturity



## Stabilise the level of debt

- Improve the security of the Company's operations by reducing debt
- Keep the Net Debt/EBITDA ratio under 2.0

# Reasons to invest in KGHM

A leading player on the copper and silver market in terms of mine output and size of documented resources, in mining-friendly jurisdictions

A diversified portfolio of assets at various stages of development to guarantee continued operations

PLN 21.5 bn paid out as dividend to shareholders in the last 15 years

Experienced management with a proven track record of success

A solid outlook for the copper market in the medium-to-long term

A rational leveraging policy with a safe level of the net debt/EBITDA ratio and long-term financing ensured through the Bond Issue Program

Follow us on:



Thank you

Investor Relations Department

[kgm.com/en/investors](http://kgm.com/en/investors)

[ir@kgm.com](mailto:ir@kgm.com)

+48 76 74 78 280