

Layers of possibilities



KGHM Group Investor Presentation 'Well grounded': WOOD's Virtual Conference

17th June 2020

Cautionary statement

This presentation was prepared by KGHM Polska Miedź S.A. (KGHM). The presentation is strictly of an informational nature and should not be construed as containing investment advice. The users of this presentation are solely responsible for their own analysis and assessment of the market situation and of the potential future results of KGHM based on the information contained in this presentation. The presentation is not, and should not be construed to be, an offer to sell, or to submit an offer to purchase, any of the securities of KGHM. The presentation is also neither in whole nor in part the basis for concluding any agreement or contract whatsoever or for undertaking any liabilities whatsoever. Moreover, this presentation does not represent a recommendation to invest in the securities of KGHM.

Neither KGHM nor any of its subsidiaries shall be held liable for the results of any decisions taken based on or utilizing the information contained in this presentation or arising from its contents. The market-related information contained within this presentation was partially prepared on the basis of data arising from those third parties mentioned in this presentation. Furthermore, certain declarations contained in this presentation may be of a forward-looking nature – in particular, such declarations may be in the nature of projections, developed based on actual assumptions, reflecting known and unknown types of risk as well as a certain level of uncertainty. The actual results, achievements and events which occur in future may significantly differ from the data directly contained or understood to be contained within this presentation.

In no case whatsoever should the information contained within this presentation be considered as a clear or understood declaration, or as any type of assertion whatsoever by KGHM or persons acting in its behalf. Neither KGHM nor any of its subsidiaries are required or obligated to update this presentation or to provide its users with any additional information whatsoever. KGHM furthermore hereby notifies the users of this presentation, that the sole reliable source of data on its financial results, forecasts, events and company indicators are the current and periodic reports published by KGHM in performance of the informational obligations arising from Polish law.

Agenda



1. Key information about the KGHM Group



2. Sustainable development of the KGHM Group



3. The KGHM Group vs the sector



4. Production and financial results of the KGHM Group



5. Advancement of the Group's Strategy



6. Additional slides, Q&A

We care, we act, we protect

Actions by the KGHM Group during the COVID-19 pandemic

Selected internal procedures for protection and prevention

- An informational campaign is underway using the company's existing means of communication: intranet, kghm.tv, posters and billboards, enabling the ongoing transmission of updated recommendations and announcements by the government and health authorities
- A dedicated infoline and e-mail were created for employees as well as on-line training, incl. OHS
- The possibility of home-based remote work was introduced
- Procedures were introduced complying with the guidance announced by the government regarding what to do in the event of infection by the coronavirus
- Decontamination of all common areas in the company's divisions was introduced along with industrial ozonation, and hand disinfectants have been provided
- In the mines, the frequency of trips into the mines was increased, which reduced the number of staff travelling at the same time
- Body temperature measurement was introduced, among others utilising thermal cameras
- Business trips abroad were cancelled as well as employee participation in domestic conferences
- Vehicles providing employee transportation undergo decontamination
- Other actions, such as the replacement of on-site language courses with on-line courses and the switch to take-out meals from the canteen

We care, we act, we protect



KGHM purchased medical equipment for Poland via air transport, comprised of 51 respirators, over 150 thousand protective medical aprons, 380 thousand medical masks, over 200 thousand medical goggles and over 6 million protective masks.

Moreover, under the slogan „Be a good neighbour” the Company is engaged in actions under the **KGHM Voluntariat program** „Miedziane serce”, or Copper Heart. Company employees provide support to senior citizens in dealing with their most important needs.

The companies **KGHM ZANAM** and **Mercus Logistyka** are engaged in producing protective masks for the Voivodeship of Lower Silesia and the Ministry of Health, which are then delivered to hospitals and other medical facilities.

The company **INTERFERIE** has donated one of its buildings for use as a quarantine facility. In addition, sanitary buildings of the **Polish Spa Group** will serve the same purpose.



The KGHM Foundation has provided over PLN 4.6 million towards efforts to prevent and counteract the COVID-19 virus. Funds have been spent among others on the purchase of vital life-saving equipment (respirators, cardio-monitors and tests). This aid has been given to hospitals in Lubin and Wrocław, emergency rooms and hospices.

The following items have been donated:

- over 96 000 litres of disinfectant
- 7 900 medical masks
- 7 200 surgical masks
- 1 235 protective medical aprons

The company **NITROERG** produces disinfectants. This liquid has already been provided to more than a thousand Polish hospitals, medical and social services facilities, as well as to the employees of the KGHM Group. **NITROERG** currently produces 80 thousand litres daily.

Lubinpex provides meals to medical staff at the hospital in Legnica, while the spa company **Uzdrowiska Kłodzkie** has provided 2.5 thousand bottles of mineral water produced by Staropolanka to infectious diseases hospitals.



We care, we act, we protect



Thanks to the company **Centrum Badań Jakości (CBJ)** a special type of centrifuge called *MiniSpin* and automatic pipette packets were provided to the specialty hospital in Legnica. The equipment provided is used in testing samples for presence of the virus. CBJ also has a *miniOpticon* real-time PCR system for testing isolated material for the coronavirus genome. The company is prepared to provide this equipment to hospital laboratories.

Miedziowe Centrum Zdrowia, a health services company in the KGHM Group, opened a special telephone hotline to provide medical advice through its clinics in several towns in the region. This is aimed at helping patients with consultations as respects previously-registered visits and specialty care.





Key information about the KGHM Group



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

702 thousand tonnes of payable copper production by the KGHM Group in 2019, (11% higher y/y)

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

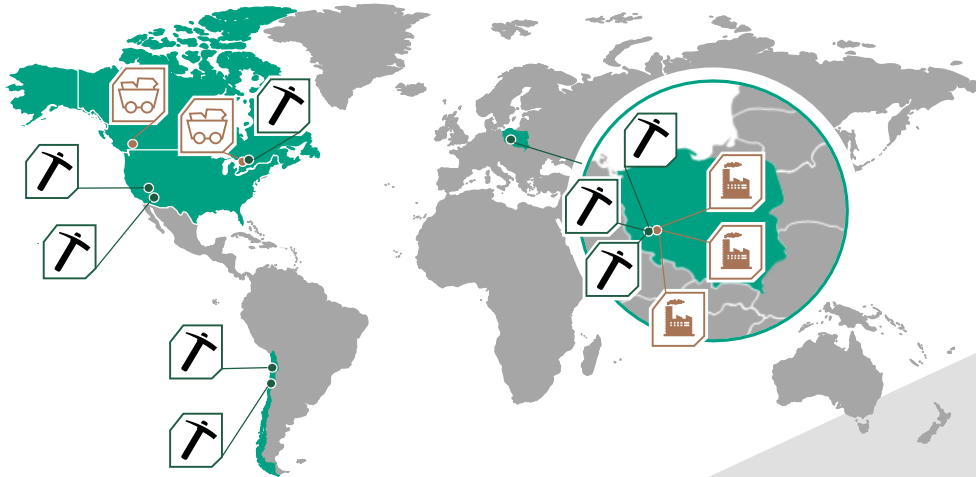
Member of the prestigious indices WIG-ESG¹⁾ & FTSE4Good published by the WSE and LSE

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



Second
largest
silver
producer



Other KGHM Group products:

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

Geology



Mining



Metallurgy



Exploration and
evaluation

Ore extraction

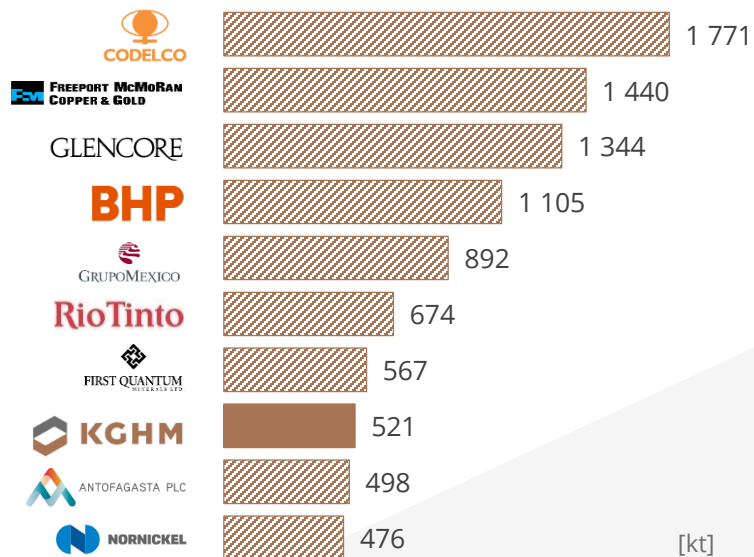
Ore enrichment

Smelting and
refining

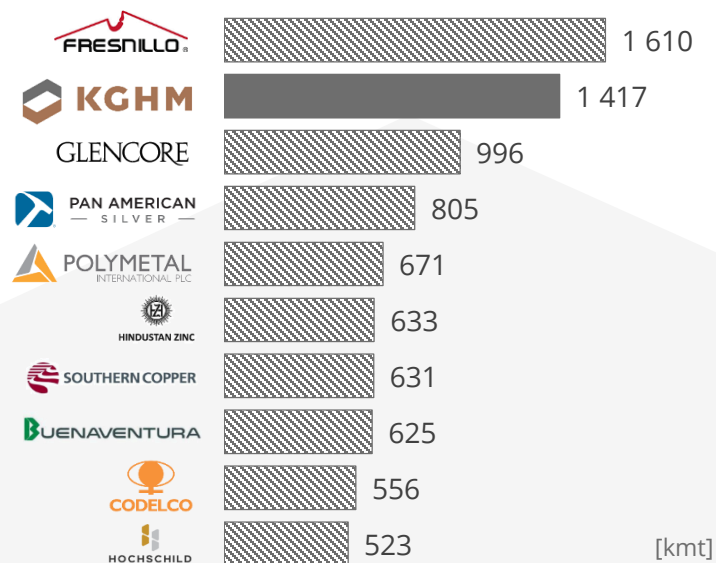
Casting

KGHM among the biggest copper and silver producers¹⁾

Mined Copper production 2018²⁾



Silver production 2019³⁾



1) KGHM results as reported in its consolidated financial statement 2018 for copper & 2019 for silver

2) Copper Market Outlook, CRU, April 2019

3) World Silver Survey 2020

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

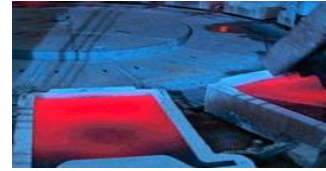
Underground copper mines, fully integrated production



Polkowice-Sieroszowice Mine

36 years LOM

- Copper production in 2019 (payable): 194.6 kt (-0.6% y/y)
- Associated metals: silver, lead, rock salt, gold



Legnica Smelter and Refinery

LME grade A-registered cathodes

Capacity of ~120 kt electrolytic Cu/year ¹⁾

- Other metals produced: Ag, Au, Pb, Re
- 2019 Cu production: 117.5 kt (+2.6% y/y)



Rudna Mine

21 years LOM

- Copper production in 2019 (payable): 181.3 kt (-2.6% y/y)
- Associated metals: silver, lead, gold



Głogów I Smelter and Refinery

LME grade A-registered cathodes

Capacity of ~240 kt electrolytic Cu/year ¹⁾

- Other metals produced: Ag, Au, Pb, Re
- 2019 Cu production: 218.7 kt



Lubin Mine

26 years LOM

- Copper production in 2019 (payable): 73.5 kt (+4.9 y/y)
- Associated metals: silver, lead, gold



Głogów II Smelter and Refinery

LME grade A-registered cathodes

Capacity of ~230 kt electrolytic Cu/year ¹⁾

- Other metals produced: Ag, Au, Pb, Re
- 2019 Cu production: 229.3 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

- Production in 2019: 250.7 kt of copper wire rod and 15.5 kt of OFE rod (-0.08% y/y)

Key international assets

Existing operations and growth potential from projects

Producing assets



Sierra Gorda (55% stake), Chile

- 24 years LOM
- Open-pit mine
 - Porphyry
- 2019 production stats:
- Cu production (payable): 59.8 kt (+11.7 y/y)



Robinson Mine, USA

- 9 years LOM
- Open-pit mine
 - Porphyry/Skarn orebody
- 2019 production stats:
- Cu production (payable): 48.8 kt (+1.7 y/y)



Sudbury, Canada

- 7 years LOM
- Underground mine
 - Footwall/Contact orebody
- 2019 production stats:
- Cu production (payable): 4.2 kt (-43.2% y/y)¹⁾



Franke Mine, Chile

- 5 years LOM
- Open-pit mine
 - IOCG orebody
- 2010 production stats:
- Cu production (cathodes: SX-EW): 19.0 kt (-5.9% y/y)

Potential growth projects



Sierra Gorda Oxide, Chile

- 11 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

- 13 years LOM
- The projects assumes building an underground copper-nickel mine
 - Current development scenario assumes exploiting the deposit via 2 shafts
 - Forecasted annual production: 19 kt Cu p.a., 17 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 koz t Au p.a.

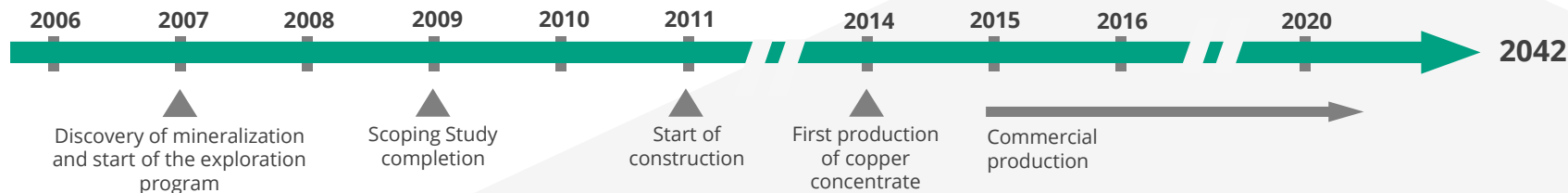
Sierra Gorda



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 ¹⁾

Cu production in 2019

108.2 kt

↑ 11.2% y/y

Mo production in 2019

20.3 mn lbs

↓ 24.0% y/y



Sustainable development of the KGHM Group



Copper production: emissions and impact on climate transformation

Arguments for using copper as a carbon-neutral metal

Copper - a strategic material for a carbon neutral and circular economy in Europe

CIRCULAR ECONOMY

A circular metal

Close to **50%** of copper produced in the EU is obtained through recycling

Carrier of valuable metals

copper metallurgy is needed to handle and recover many other valuable materials present in electronics, batteries, etc.

ENERGY TRANSITION AND DIGITISATION

22 mn tonnes of copper required over 2020 – 2050 to shift to a climate-neutral European economy



International Copper Association

Copper Alliance

0.4%



-75%

While adding 0.4% GHG, copper contributes to reducing ~ 75% of emissions in EU society

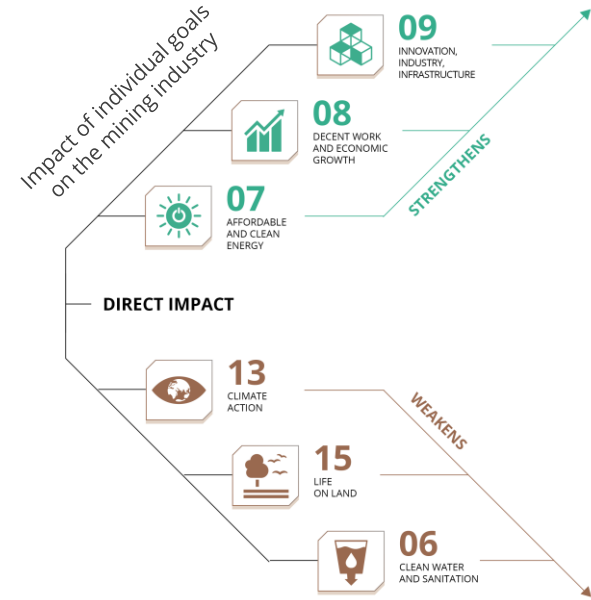


Sustainable development of the raw materials industry

– a global challenge of the modern world

KGHM as a signatory of Agenda 2030 operates on the basis of the principles of sustainable development, taking into account in its daily commitments such areas as Society, Environment, Economics and Economy, Security and Resource Efficiency

In 2018 KGHM joined the [FTSE4Good](#). Being a member of the FTSE4Good index series confirms KGHM's efforts in the field of ESG: environmental protection, social responsibility and corporate governance. Moreover, KGHM belongs to the [WIG-ESG](#) index (previously [RESPECT Index](#)) and The European Technology Platform on Sustainable Mineral Resources ([ETP SMR](#)).



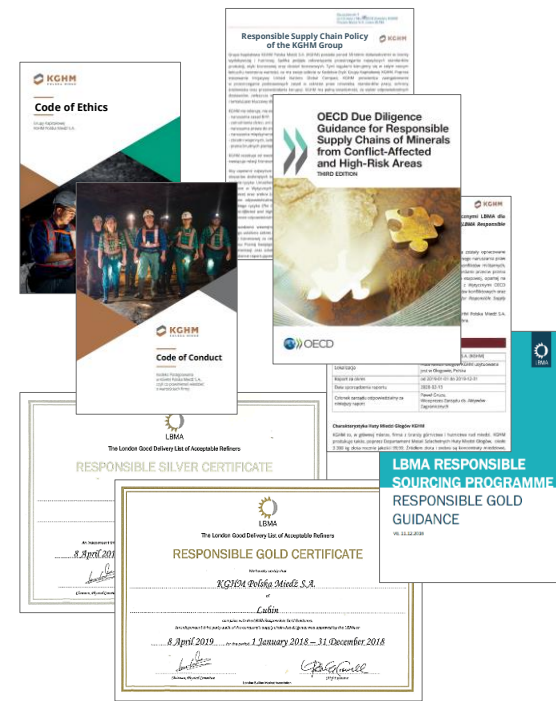
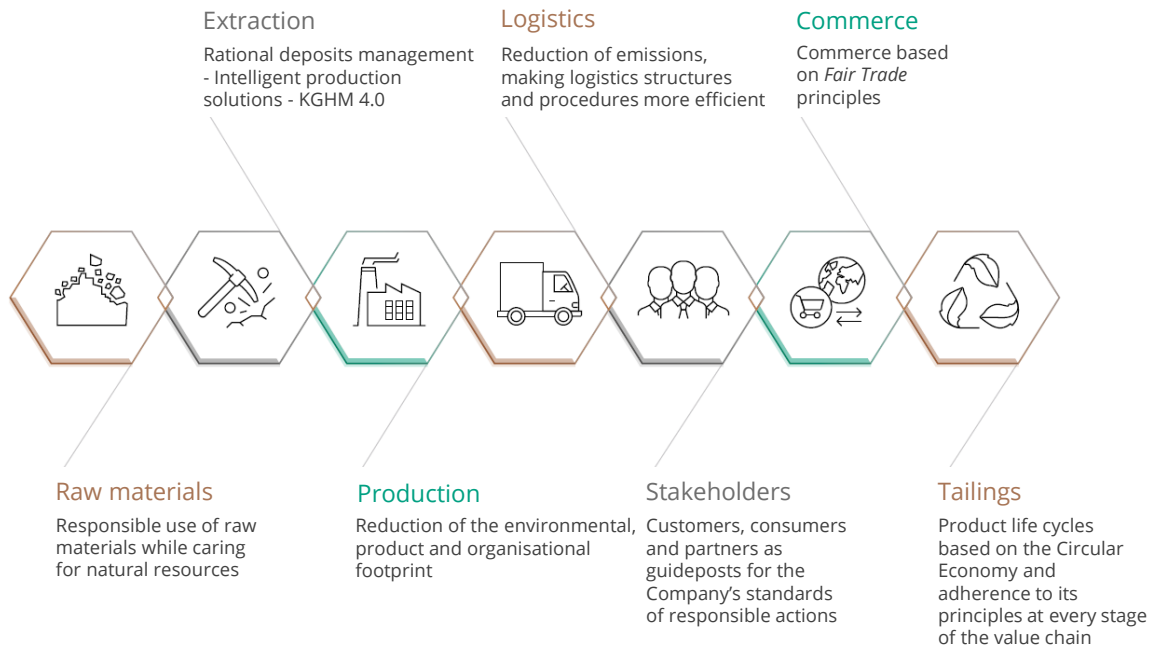
FTSE4Good



European Technology Platform
on Sustainable Mineral Resources

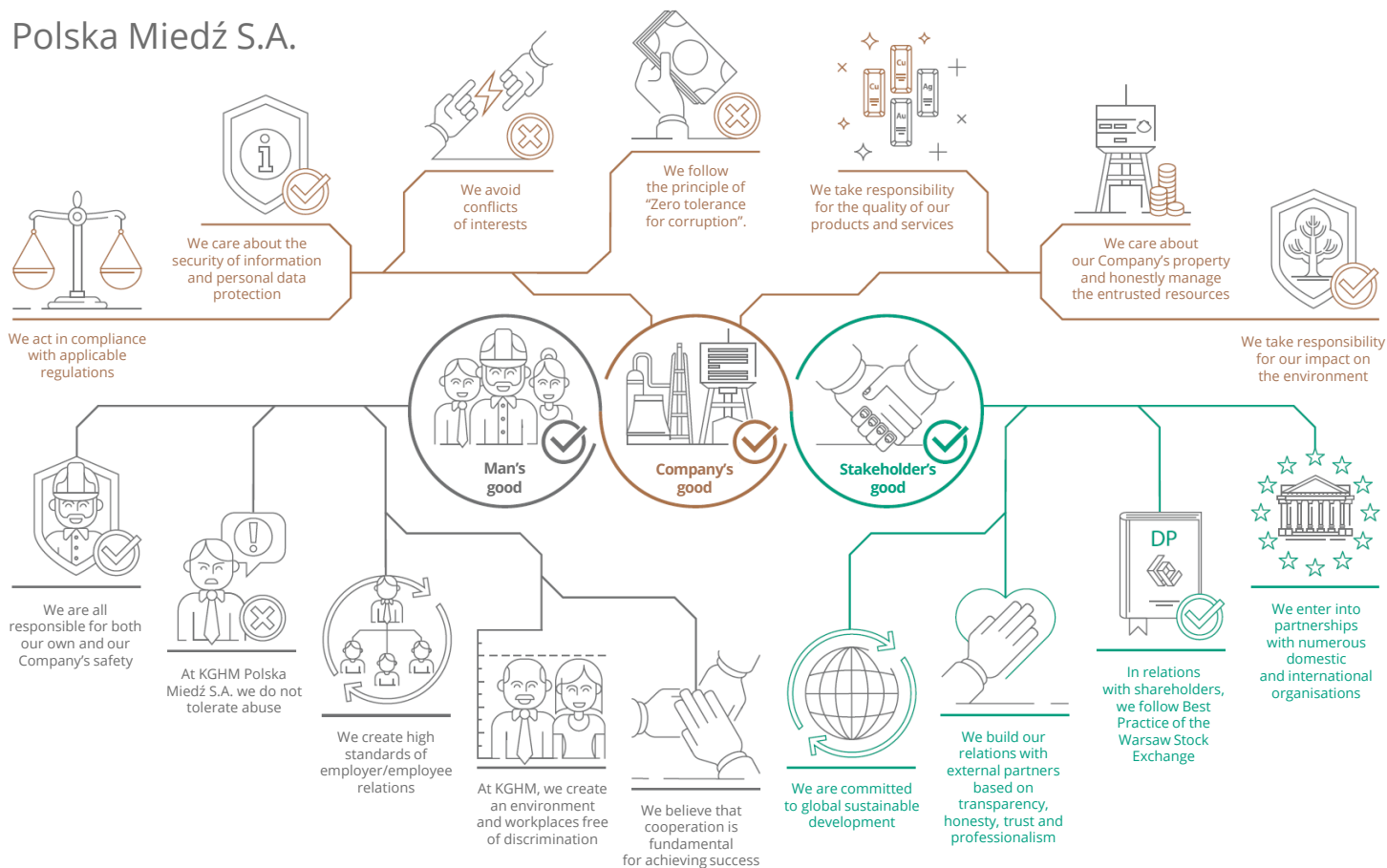
Sustainable value chain

Responsible Supply Chain Policy of the KGHM Group



Ethical Standards

KGHM Polska Miedź S.A.



People and the Environment as a strategic area in the KGHM Group

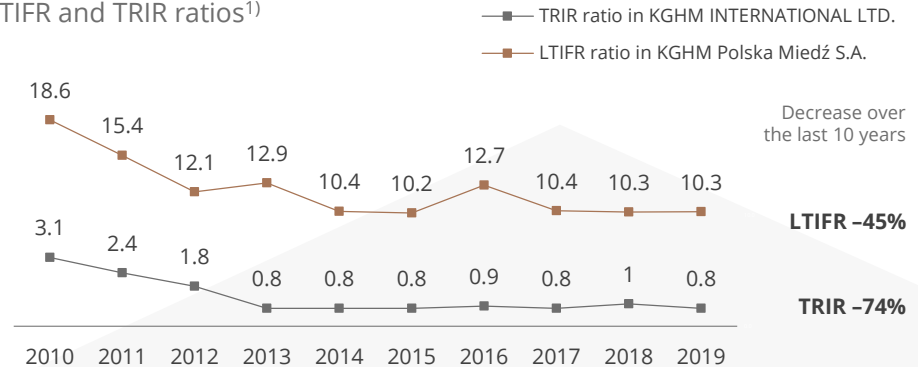
Strategy for 2019 – 2023



People and the Environment

- Main target – growth based on the idea of sustainable development and safety as well as enhancing the Group's image of social responsibility
- Selected effectiveness measures with respect to *People and the Environment*:
 - Minimum level of annual improvement of LTIFR (Polish assets) and TRiR (international assets)
 - Level of commitment and satisfaction of the KGHM Group's employees based on measures defined during implementation, by 2023

LTIFR and TRIR ratios¹⁾



In 2019, the Company recorded a slight increase (+0.7%) in the total number of workplace accidents. At the same time the number of workplace accidents in KGHM Polska Miedź S.A., excl. accidents due to natural causes, was lower by 11%. Among recorded accidents around 98% were qualified as light injuries, caused mainly by rock falls followed by loss of balance by employees, as well as contact (striking) with or by moveable/immovable objects.

TRIR 2019:

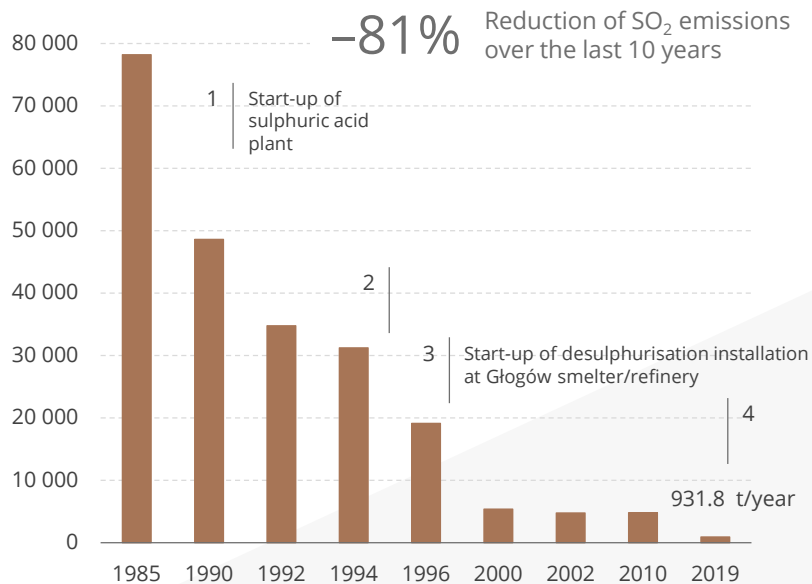
2.8 North America 0.31 KGHM Chile SpA 0.36 Sierra Gorda S.C.

1) LTIFR (Lost Time Injury Frequency Rate); TRIR (Total Recordable Incident Rate) calculated using accepted methodology as the number of accidents at work meeting the conditions of registration as defined in the ICMM (International Council on Mining & Metals) standard, in total for the employees of KGHM INTERNATIONAL LTD., KGHM Chile SpA and Sierra Gorda SCM and sub-contractors for these entities, per 200 000 worked hours

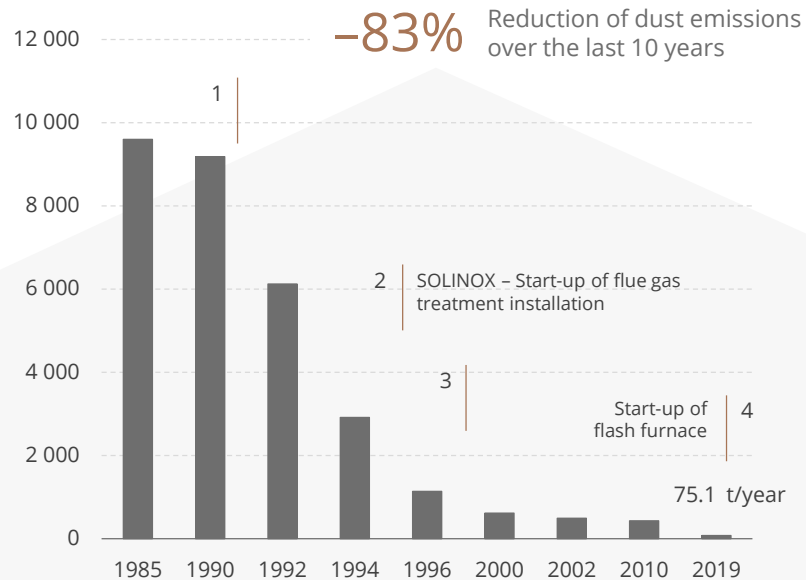
Emissions by the divisions of KGHM Polska Miedź S.A.

SO₂ and dust emissions¹⁾

SO₂ emissions by KGHM Polska Miedź S.A.
[t/year]



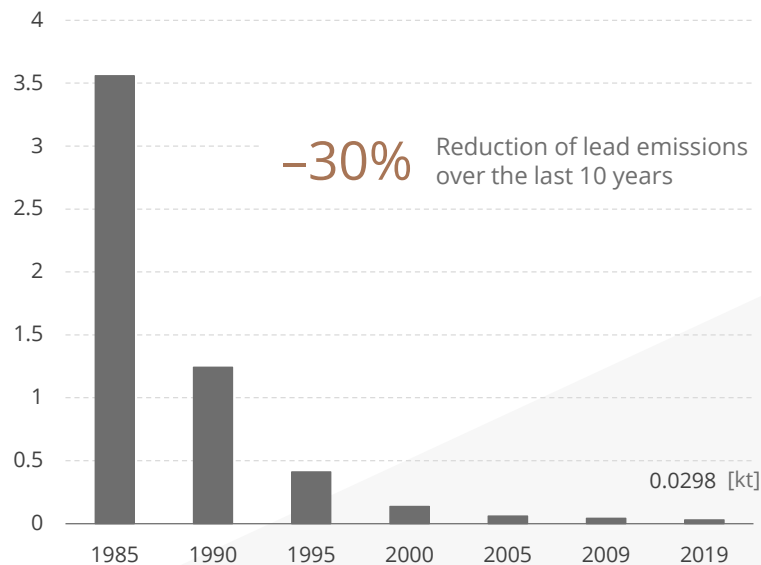
Dust emissions by KGHM Polska Miedź S.A.
[t/year]



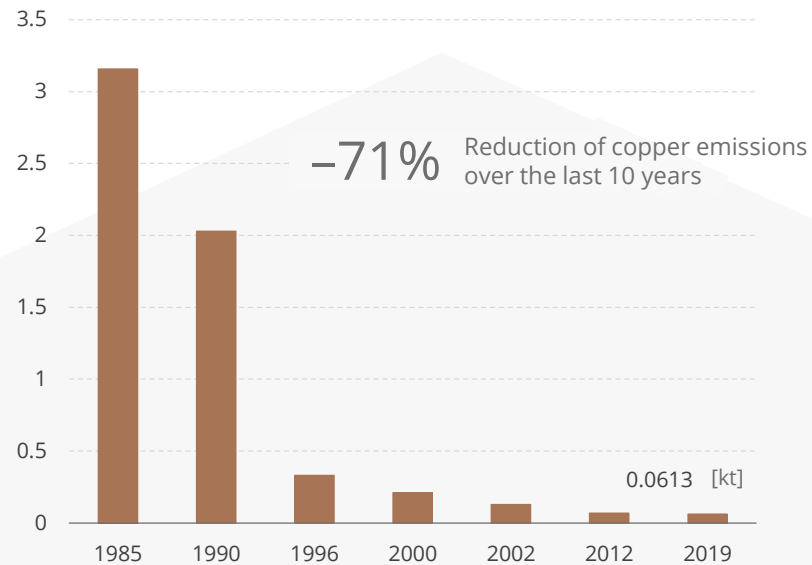
Emissions by the divisions of KGHM Polska Miedź S.A.

Lead and copper emissions

Lead emissions by KGHM Polska Miedź S.A.
[kt]



Copper emissions by KGHM Polska Miedź S.A.
[kt]



Pro-ecological investments and environmental fees

KGHM Group



Over
229
million PLN

spent in 2019 by KGHM
on investments to
protect the natural
environment

[incl. the largest expenses of **over
PLN 44 million** incurred on replacing
the absorption and drying towers of the
sulphuric acid plant at the Legnica Copper
Smelter and Refinery]

Selected actions to reduce environmental impact and environmental fees in 2019

PLN 3.3 million

Energetyka sp. z o.o. **-13% Y/Y**

[payments for water intake and waste discharge and
for emissions to the atmosphere]

Selected environmental investments¹⁾:

- construction of a gases treatment installation meeting emission standards compliant with EU Directives
- expanding capacity based on gas-fired boilers

PLN 0.3 million

NITROERG S.A. **-40% Y/Y**

[fees due to the specific nature of the products –
explosives, initiation systems, fuel additives]

Selected environmental investments:

- modernization of the sewage treatment plant
- continuation of the construction of a new installation for the production of fuel additives, which will allow for the re-use of concentrated acids in the production process

BATAs program

Selected environmental investments:

- 22 projects were advanced (16 in HM Głogów and 6 in HM Legnica), decision made to exclude six projects from the BATAs Program
- HM Głogów: work completed on sealing conveyor belts and belt pulling stations for carrying copper concentrate, construction of gas desulphurisation installation for the Kaldo furnace completed
- HM Legnica: a modernised dedusting unit for three filters behind the shaft furnaces brought on-line

Pro-ecological investments and environmental fees

KGHM INTERNATIONAL

Activities carried out by the entities of the KGHM INTERNATIONAL Group in 2019 related to environmental protection

PLN 28 million

Robinson Mine (USA)

including PLN 3 million due to environmental permits held

→ Activities were aimed at monitoring air and water quality, waste management and the restoration of mining areas

PLN 5 million

Carlota Mine (USA)

→ Activities were mainly related to mine decommissioning and environmental monitoring

PLN 1 million

Sudbury Basin (Canada)

→ In the Sudbury Basin mines activities focused on environmental monitoring

PLN 6 million

Franke Mine (Chile)

→ Activities focused on acquiring required permits and environmental monitoring



IN 2014, KGHM JOINED THE
GLOBAL COMPACT –
THE WORLD'S LARGEST UN
INITIATIVE FOR CORPORATE
SOCIAL RESPONSIBILITY AND
SUPPORT FOR SUSTAINABLE
DEVELOPMENT

Energy development program



Renewable energy sources development

- Photovoltaic
 - 200 ha of own lands for development, out of which 160 ha in close vicinity of energy consumption sites
- On-shore wind farms
 - Virtual PPAs¹⁾
 - Acquisitions



Optimisation and development of gas fired units

- Power production increase in existing CCGT blocks
- Development of local gas engines



R&D of alternative options

- Waste heat utilisation from metallurgy and mining processes
- Energy storage for optimisation and stabilisation
- Waste fuels utilisation



Competence building

- Adjusting company structure for changing environment
- Building competencies to secure energy deliveries
- Support legislation for energy intensive industry

First photovoltaic projects

Design phase

PV¹⁾ 1. HMG

4 MW Głogów Copper Smelter and Refinery
Start of production
Q3 2021

PV 2. Piaskownia Obora

5 MW in the reclamation area of the Obora sandpit
Start of production
Q2 2022



Pre-design phase

3. Wierzba I

16 MWp²⁾ at the willow³⁾ plantation

4. Wierzba II

50 MWp at the willow plantation

5. Konrad

30 MWp at the former Konrad Mine

ESG - a new dimension of sustainable development

in the field of reporting environmental, social and corporate activities

Protection of human rights, operating with respect for the natural environment, responsible supply chain management and transparency in relations with stakeholders are crucial to us and are a pillar of our activity on the global market. Among the achievements and activities undertaken in the KGHM Group in 2019 in the areas of E - environmental, S - social and G - governance were, among others:

Environment

- „Żelazny Most” Tailing Storage Facility: The 18th International Conference on Technical Control of Water Dams – Monitoring and safety of hydrotechnical constructions
- Replacing the absorption and drying towers of the sulphuric acid plant at the Legnica Copper Smelter and Refinery
- Construction of a fumes treatment installations meeting the emission standards compliant with EP Directives and expanding the capacity based on gas-fired boilers in Energetyka sp. z o.o.
- Modernization of the sewage treatment plant and continuation of the construction of a new installation for the production of fuel additives, which will allow for the re-use of concentrated acids in the production process in NITROERG S.A.

Social

- Organization of the Lower Silesian Conference on Responsible Supply Chain „To have an impact”
- Prizewinner in the international Stevie Awards competition in the category „CSR Program of the Year - in Europe” for all activities in the field of corporate social responsibility
- Cooperation in the „Together for Youth” project, for developing opportunities for youth in the region
- Joining the „Educational Cluster of the Legnica Special Economic Zone”
- „Copper Heart” voluntary employee work program
- The ECO-Health Program
- Establishing the Medical Council at KGHM to support and initiate all the works in the scope of extensive local activities for the health of employees and residents of the region

Governance

- KGHM Polska Miedź S.A. with the „Transparent Company of the Year” award and "The Best of The Best" Annual Report prize for the Sustainability Report for 2018
- „Executive of the Year - Metals & Mining” award for the President of the Management Board of KGHM Polska Miedź S.A.
- Membership in the RESPECT and WIG-ESG indices, and since 2018 in the FTSE4Good Index Series
- Providing information on the website on the Company's application of the recommendations and principles contained in the Code of Good Practices



The KGHM Group vs the sector

Macroeconomic environment

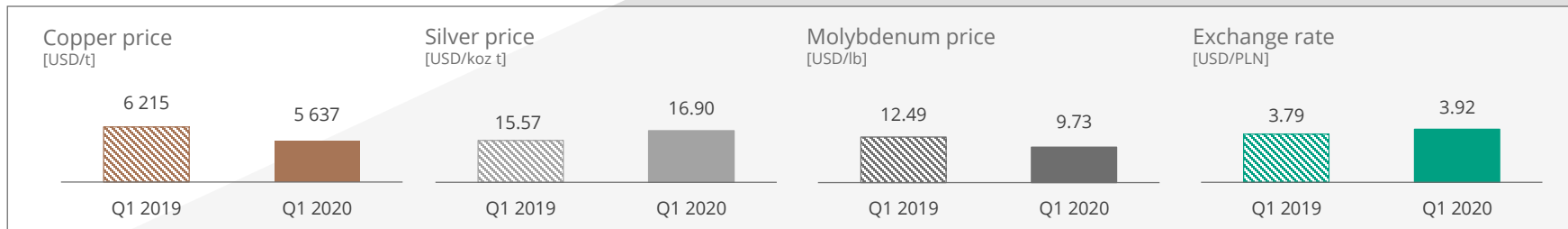
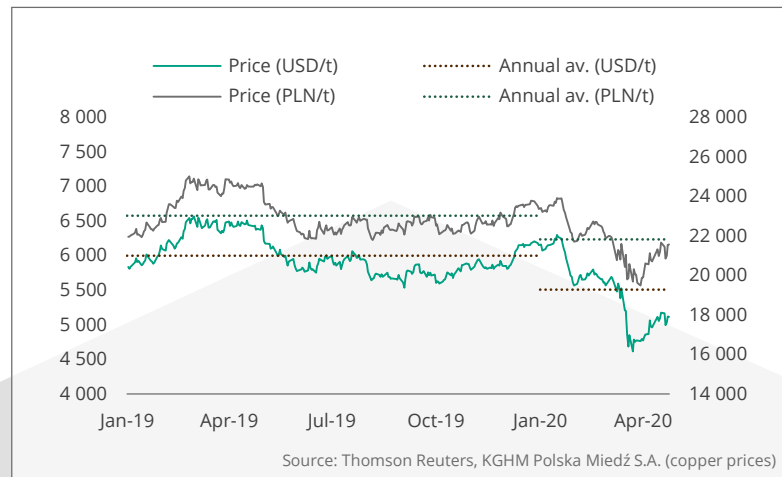


Macroeconomic environment

Commodities and currencies prices

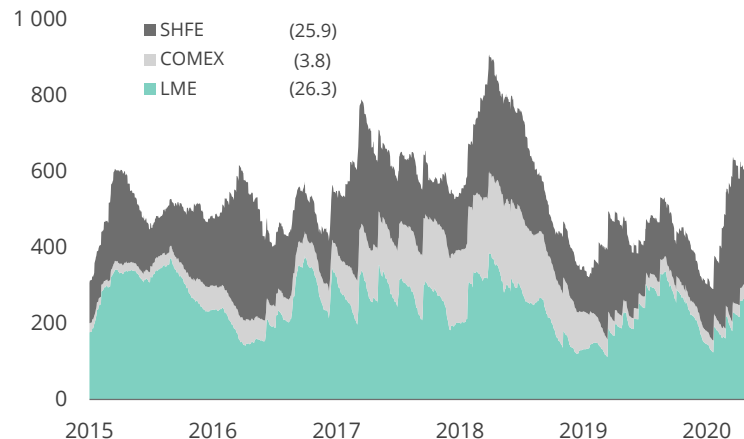
The outbreak of the COVID-19 pandemic caused a fall in commodities prices and weakening of the PLN

- The outbreak of the epidemic in China, which is the largest consumer of many commodities, led to falls in these prices in February and March 2020. The average copper price in Q1 2020 was more than 9% lower, and molybdenum more than 22% compared to the corresponding prior-year period.
- Precious metals likewise were at first heavily devalued, but they quickly recovered their value. The average silver price in 1Q'20 was 8.5% higher than a year earlier.
- The average copper price in PLN was 6.3% lower than in Q1 2019. The decrease in the USD-denominated copper price was partially offset by a weakening in the USD/PLN rate.

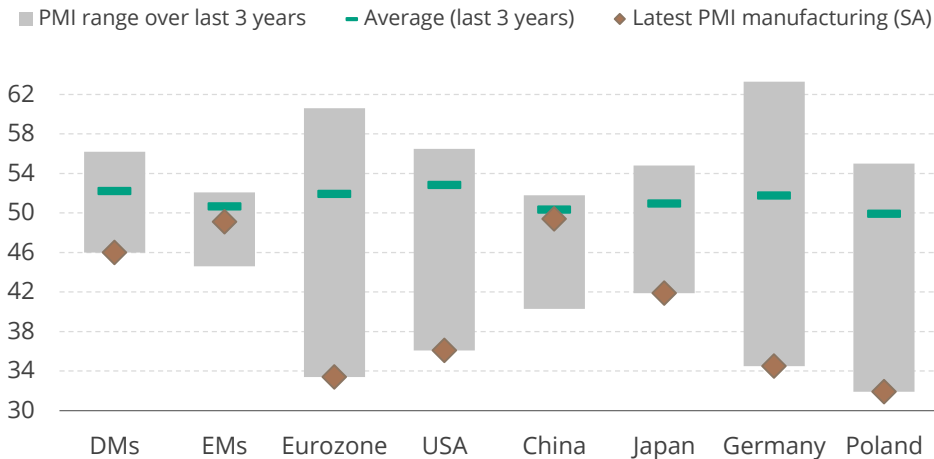


Copper market in relative balance. Global economy puts on the brake.

Copper stocks have risen in recent weeks but remain in the range of recent years



Global PMI indicates a strong slowdown in the global economy



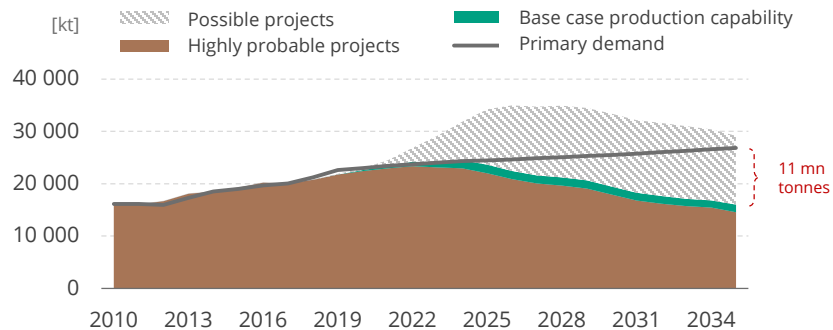
Source: Bloomberg, KGHM Polska Miedź

- The conclusion of the first round of USA-China trade negotiations in mid-January was overshadowed by the outbreak of the COVID-19 epidemic in China. The lockdown of the economy aimed at restricting the spread of the epidemic led to a downturn in prices on the commodities market and to higher inventories.
- Global demand for commodities fell as a result of lower economic activity in further countries. Supply has also fallen due to restrictions on production and mine closures (due to lockdowns or safety-related reasons) as well as scrap availability at lower prices.
- The deep, rapid falls in share prices in March led to demand for cash and financial liquidity and affected in turn other markets, including commodities. The crucial question is when, and how quickly, the global economy will be re-opened.

Copper market balance – pre-pandemic outlook

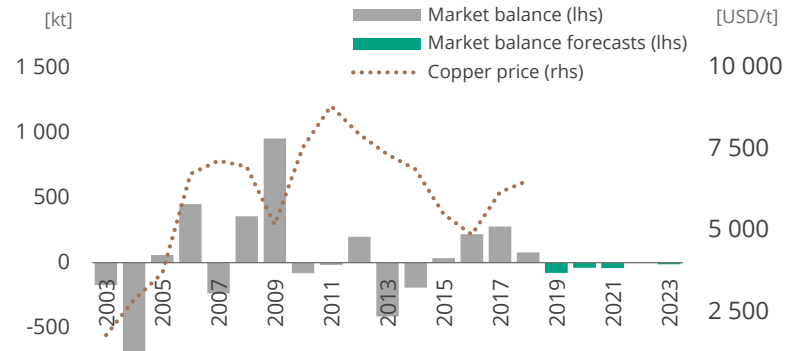
The balance expected to turn into deficit in the medium term, with a potentially larger gap in 5-10 years

Copper mining and potential mining projects



Source: Wood Mackenzie

Copper market balance

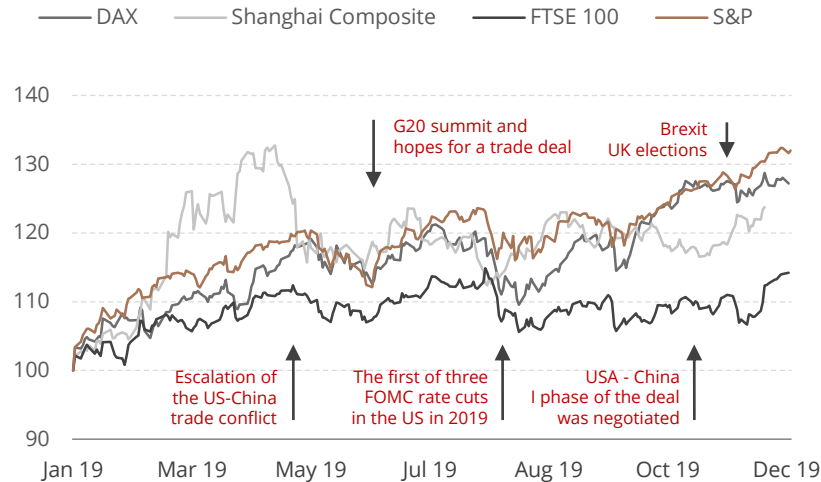


Source: KGHM Polska Miedź, market forecasts

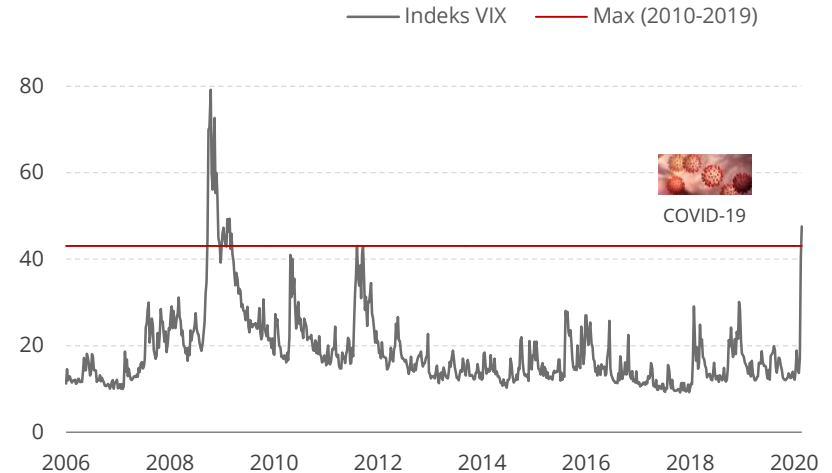
- Although global copper resources are extensive, most of them are in difficult locations (with water or energy scarcity, political instability, social unrest against mining investment)
- Production from currently operating assets will decrease, with mine depletion and lower copper grades
- While the 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

Record high level of uncertainty in the global economy

In the second half of the year, the financial markets were ruled by the trade conflict and Fed policy



The VIX index, illustrating uncertainty in the markets in response to the COVID-19 threat, exceeded the level of 2011 in March 2020, when S&P lowered the US rating



Source: Bloomberg, KGHM Polska Miedź



Production and financial results of the KGHM Group

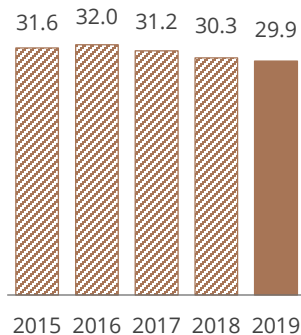
Part I: 5 years data



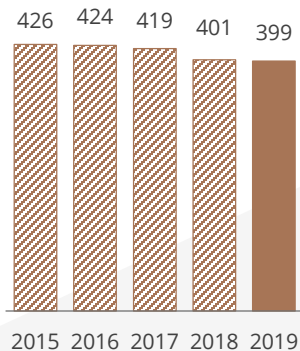
Key production data – 5 years

KGHM Polska Miedź S.A.

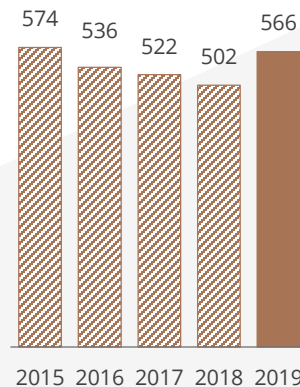
Ore extraction
[mn t dry weight]



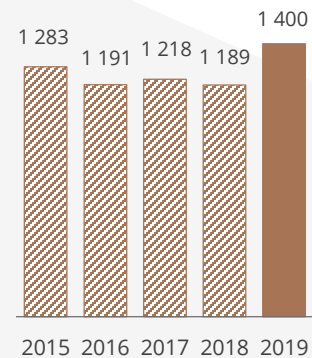
Production of copper
in concentrate
[kt]



Production of
electrolytic copper
[kt]

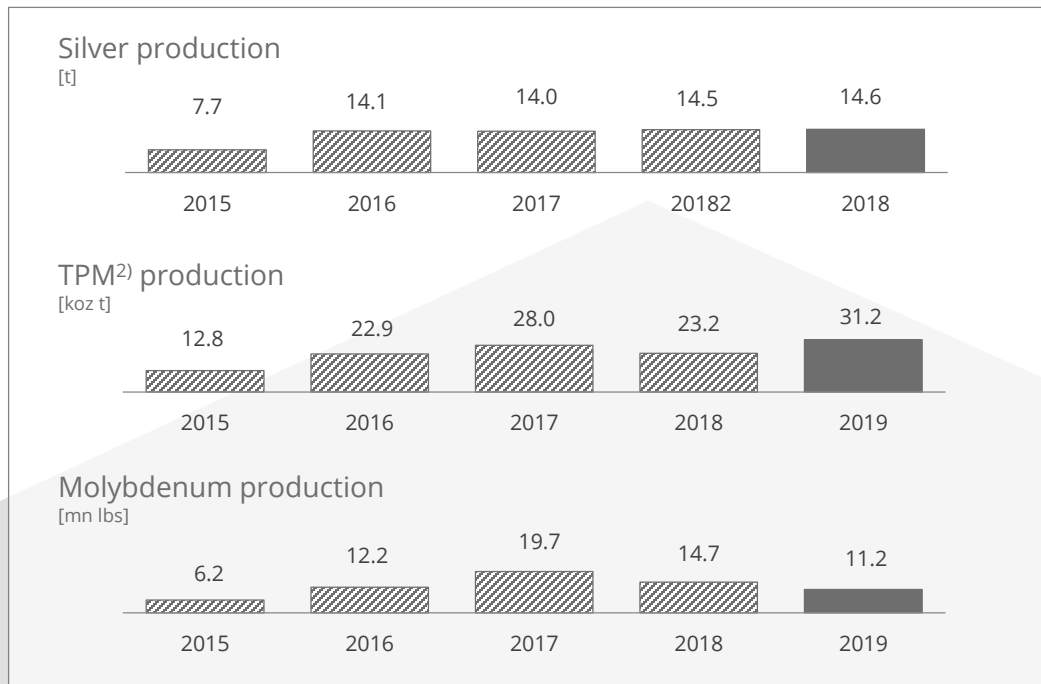
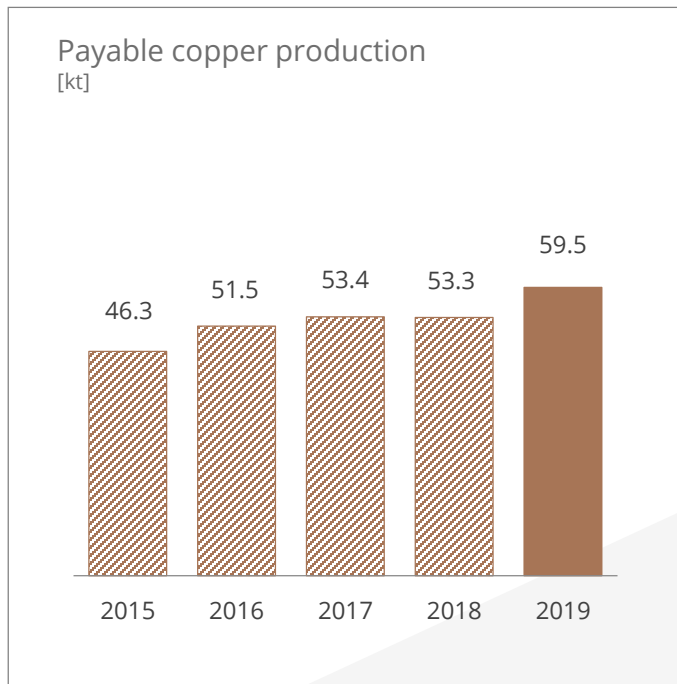


Metallic silver
production
[t]



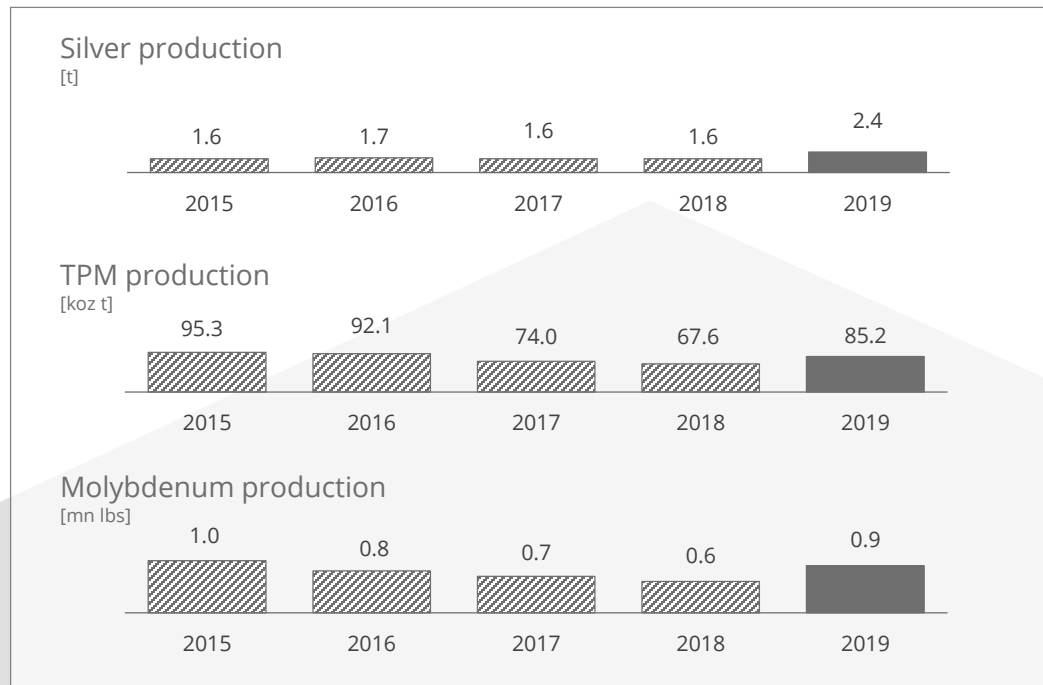
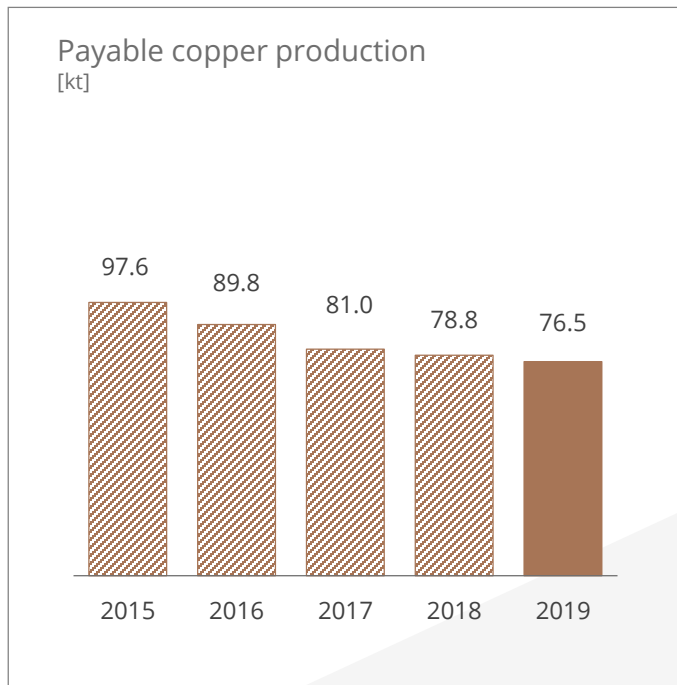
Key production data – 5 years (since production start)

Sierra Gorda¹⁾



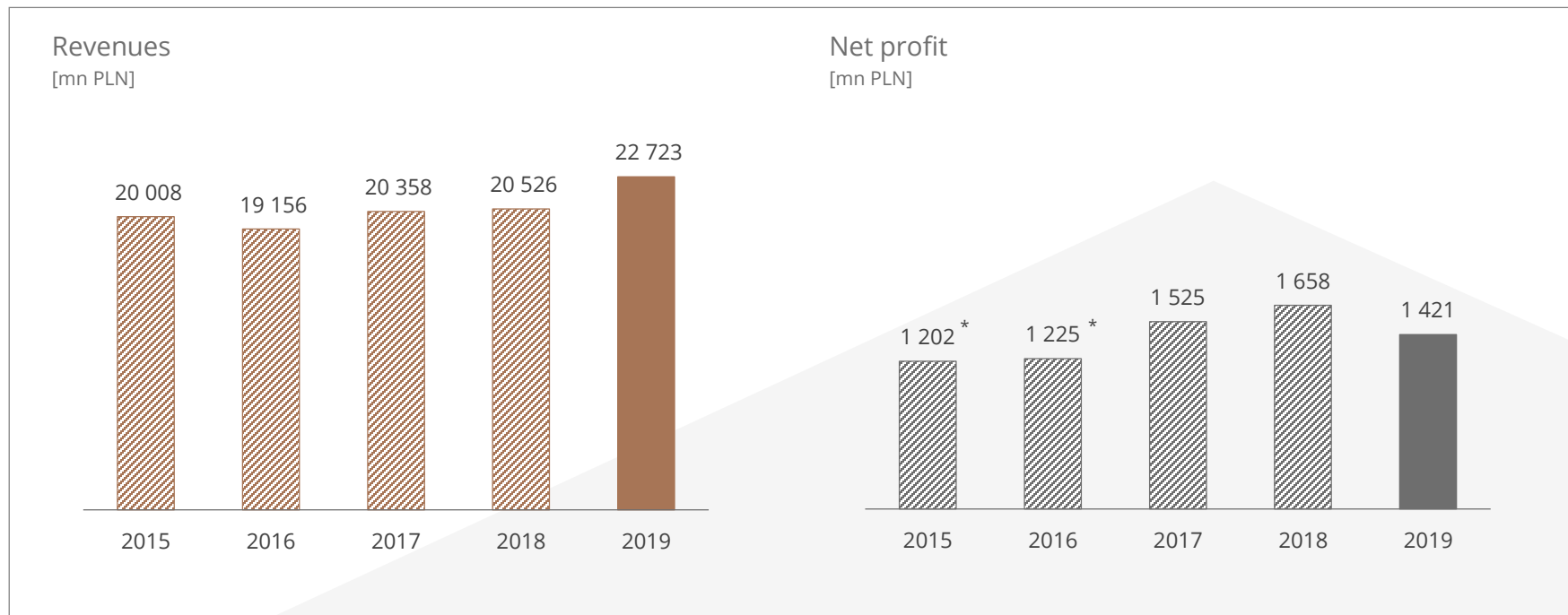
Key production data – 5 years

KGHM International



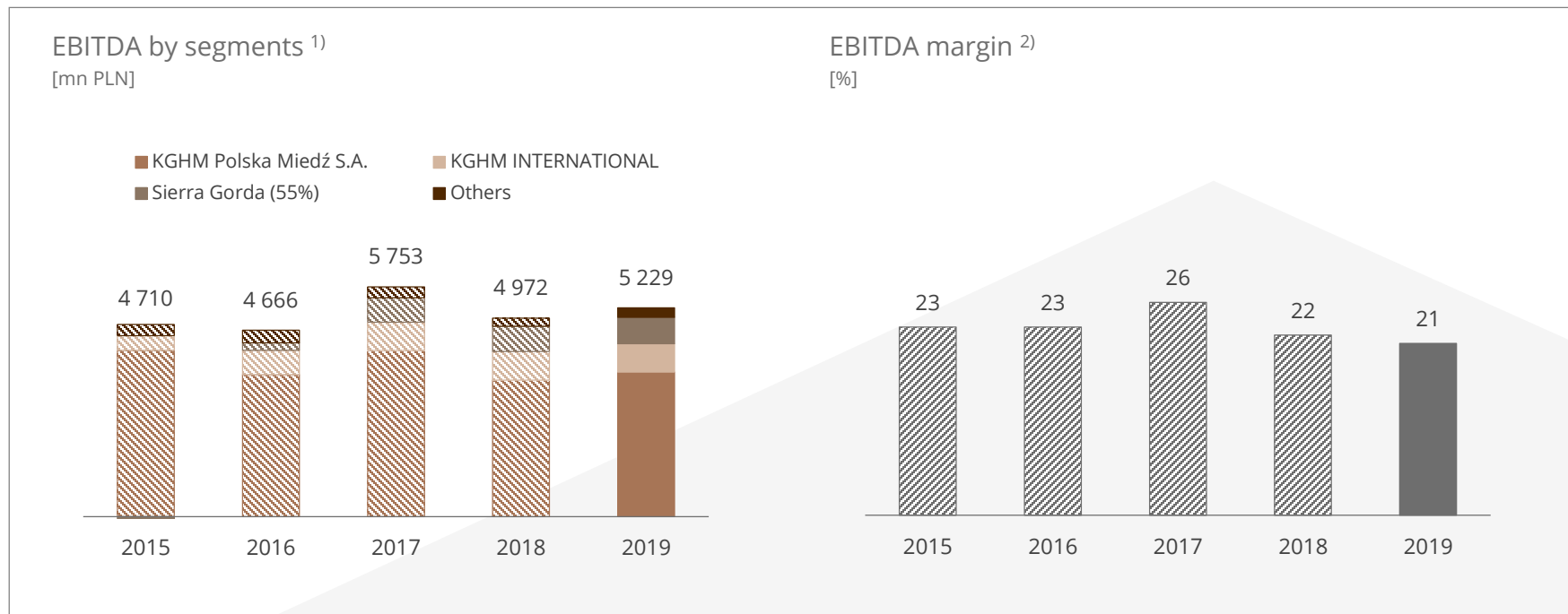
Sales revenue and net profit – 5 years

KGHM Group



EBITDA and EBITDA margin – 5 years

KGHM Group

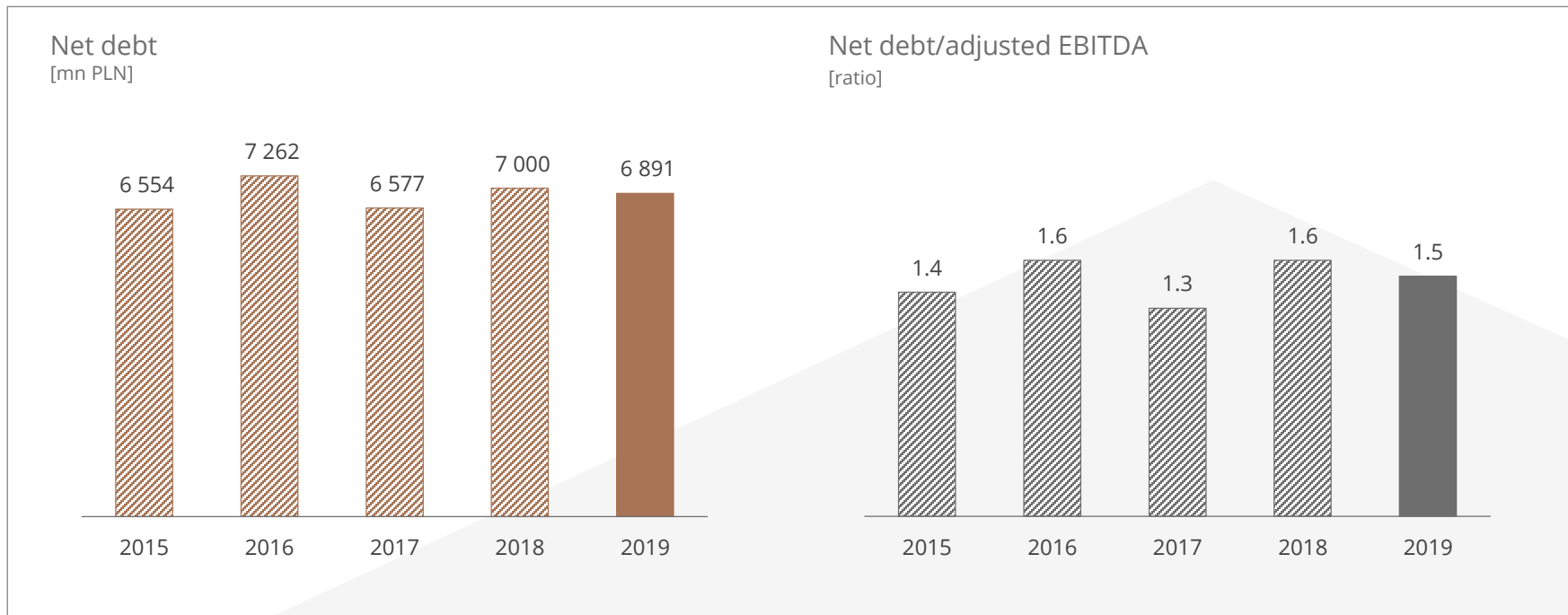


1) Sum of segments; adjusted EBITDA = EBITDA (profit/loss) on sales + depreciation/amortisation) adjusted by impairment losses on non-current assets

2) Adjusted EBITDA to revenues from sales. For the purposes of calculating the Group's EBITDA margin, the consolidated revenues from sales were increased by revenues from sales of the segment Sierra Gorda S.C.M. e.g. for 2019: $[5\,229 / (22\,723 + 2\,002) * 100]$

Net debt and net debt/EBITDA ratio – 5 years

KGHM Group



Basic items of the consolidated financial statements

KGHM Group

KGHM Group – consolidated data		2015	2016	2017	2018	2019
Sales revenue	[mn PLN]	20 008	19 156	20 358	20 526	22 723
Profit/(loss) for the period	[mn PLN]	-5 009	-4 449	1 525	1 658	1 421
Total assets	[mn PLN]	36 764	33 442	34 122	37 237	39 409
Liabilities and provisions	[mn PLN]	16 350	17 531	16 337	18 012	19 207
Earnings per share (EPS) ¹⁾	[PLN]	-25.06	-21.86	7.84	8.29	7.11
Share price of the Company ²⁾	[PLN]	63.49	92.48	111.20	88.88	95.58
Net debt/EBITDA ³⁾		1.4	1.6	1.3	1.6	1.5
Payable copper production ⁴⁾	[kt]	718	677	656	634	702
Payable silver production ⁴⁾	[t]	1 299	1 207	1 234	1 205	1 417
Concentrate production cost C1 ⁴⁾	[USD/lb]	1.59	1.41	1.59	1.81	1.70
Cash expenditures on property, plant and equipment & intangible assets	[mn PLN]	3 939	3 251	2 796	2 875	3 232

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

Part II: FY 2019



Summation of 2019 in the KGHM Group

Main events and factors affecting the results of the Group¹⁾

Macroeconomic environment

-8%

Lower copper price

+3%

Higher silver price

+6%

Stronger USD vs the PLN

Production and C1 cost

+11%

Higher copper production

+18%

Higher silver production

-6%

Lower C1 cost

Financial results

+11%

Higher revenues:
PLN 22 723 million

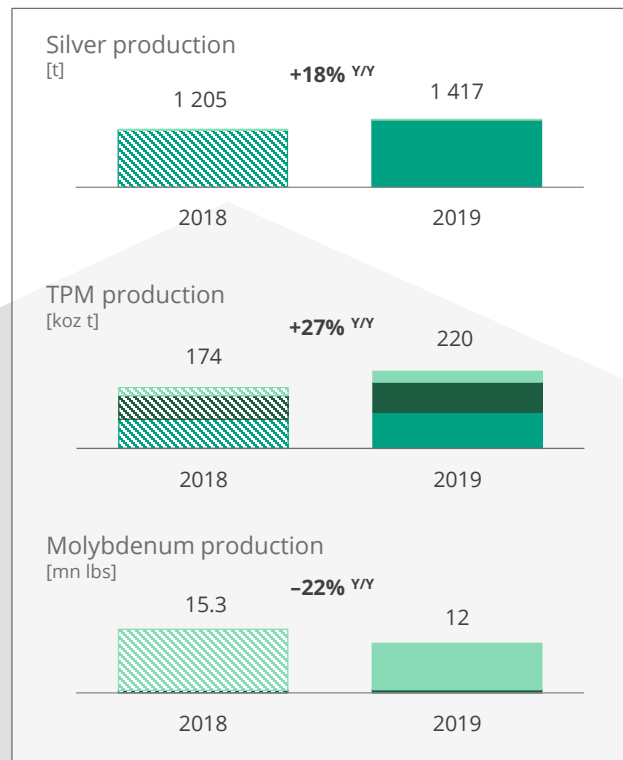
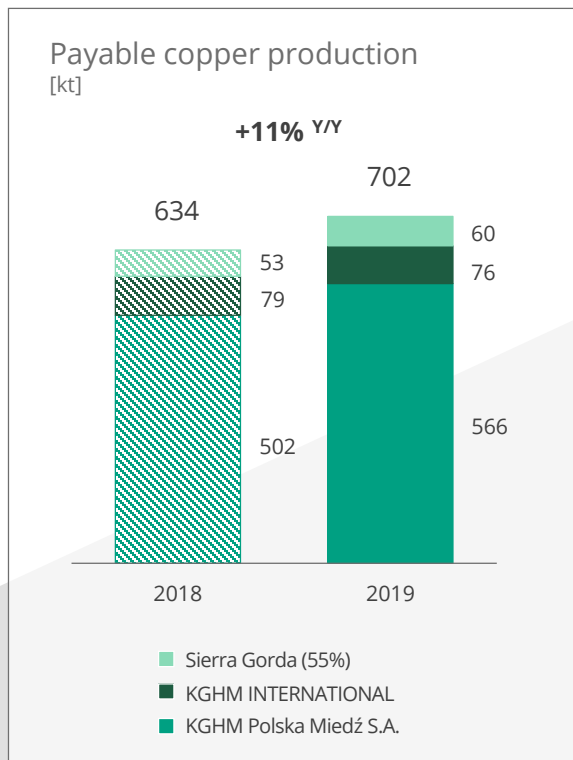
+5%

Higher EBITDA:
PLN 5 229 million

Metals production

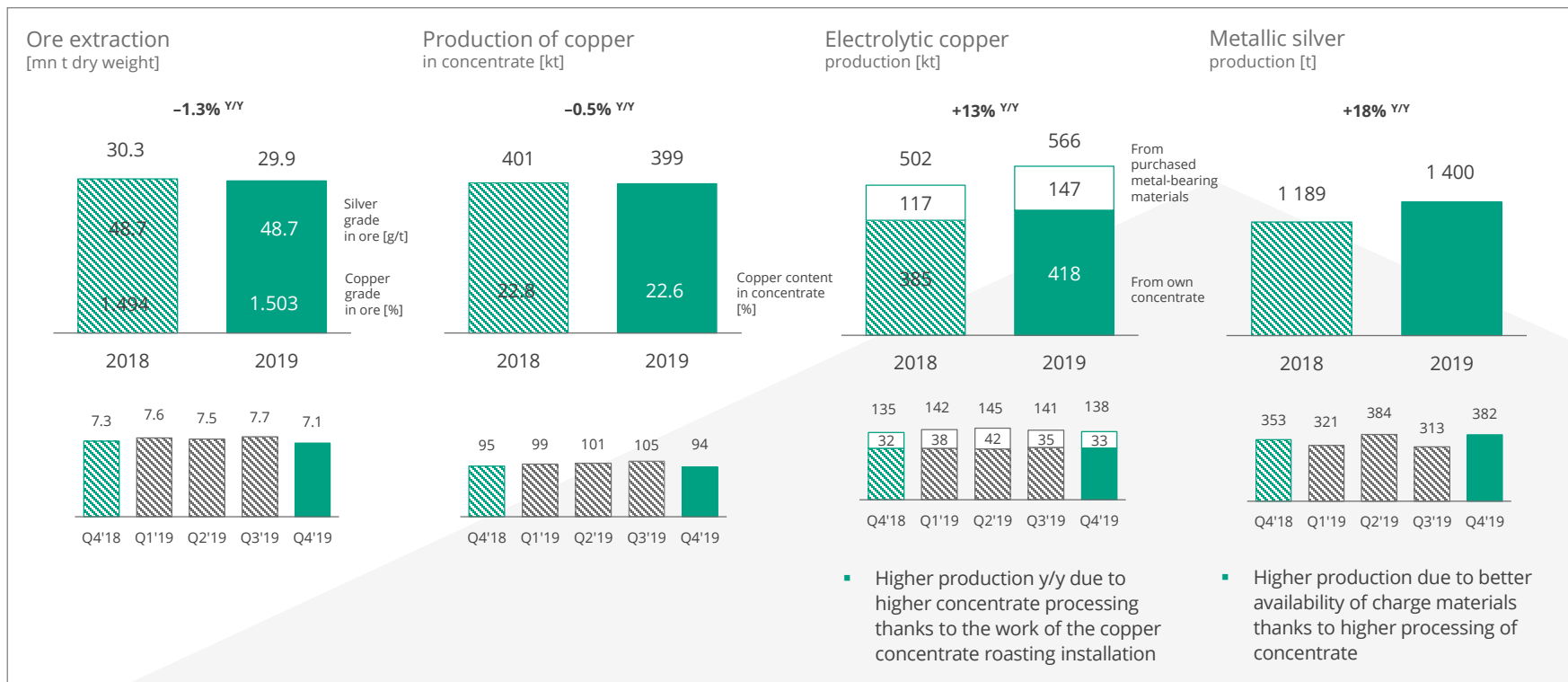
KGHM Group

- Production of electrolytic copper exceeded the target set for KGHM Polska Miedź due to improved availability of production equipment, incl. the proper functioning of the copper concentrate roasting installation
- Lower production by KGHM INTERNATIONAL due to lower production by the Sudbury Basin and the Franke mine
- Higher payable copper production by the Sierra Gorda mine thanks to higher extraction and ore processing as well as higher copper ore grade



Production results

KGHM Polska Miedź S.A.



- Higher production y/y 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

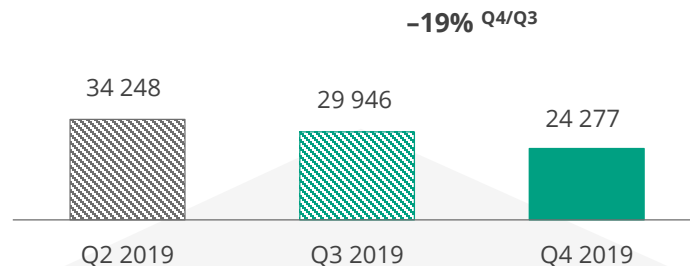
Change in inventories

KGHM Polska Miedź S.A.

Inventories of copper in concentrate at the smelters

amount of Cu [t]

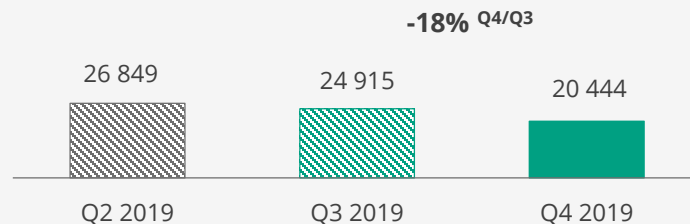
- A further decrease in the level of inventories due to the better availability of equipment and the proper functioning of the copper concentrate roasting installation
- In subsequent quarters, concentrate inventories will be consistently optimised



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

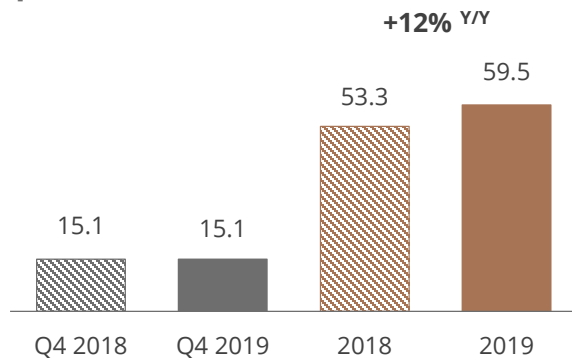


Production results

Sierra Gorda¹⁾

Payable copper production

[kt]

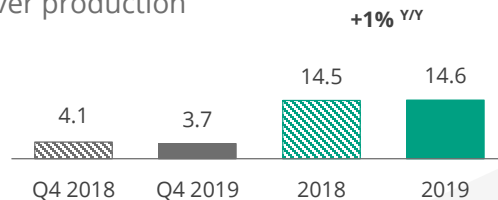


Higher-than-planned copper production in 2019

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

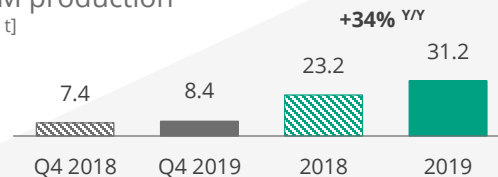
Silver production

[t]



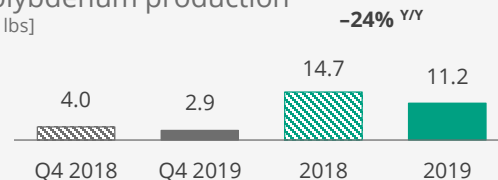
TPM production

[koz t]



Molybdenum production

[mn lbs]

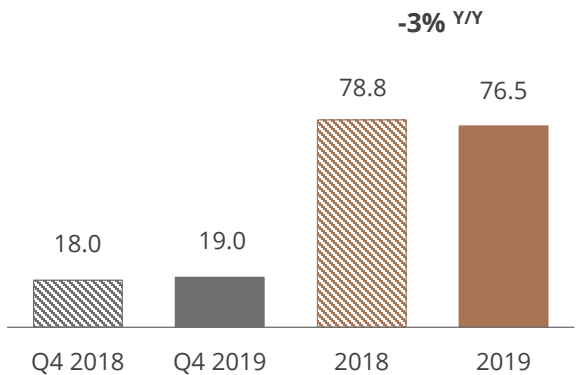


- Higher copper, silver and gold production due to higher extraction by the Sierra Gorda mine
- Lower molybdenum production due to extraction in areas with lower molybdenum content compared to ore extracted in prior years

Production results

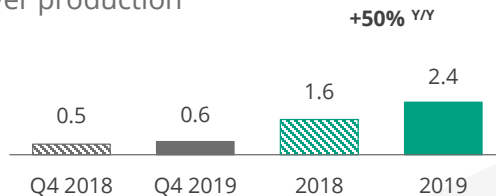
KGHM INTERNATIONAL

Payable copper production
[kt]

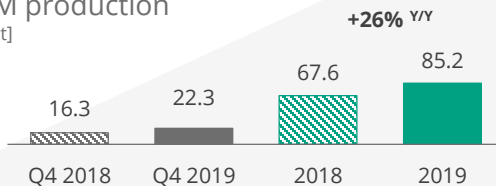


- Lower production due to lower copper ore grade in the Sudbury Basin (a change in the area being mined) and at the Franke mine (due to the nature of the orebodies)

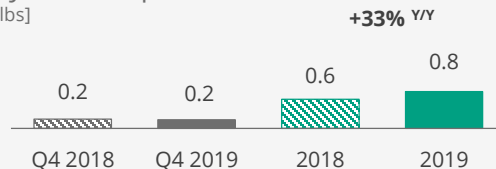
Silver production
[t]



TPM production
[koz t]



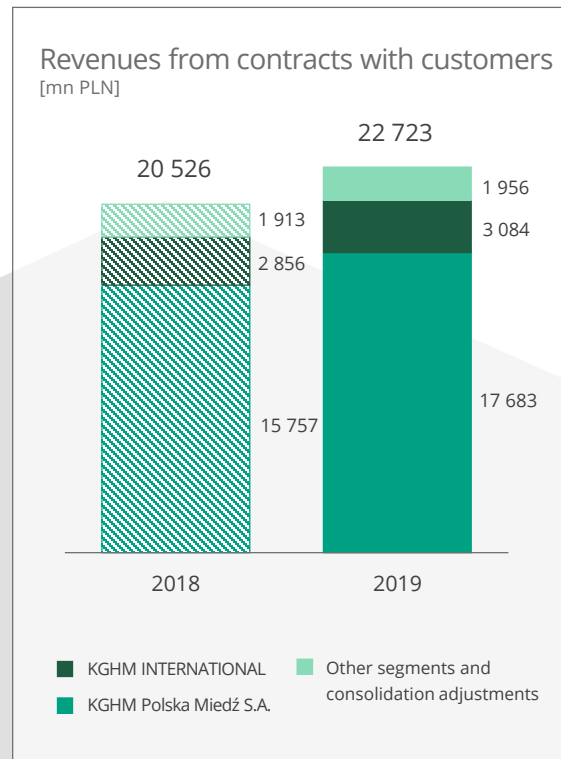
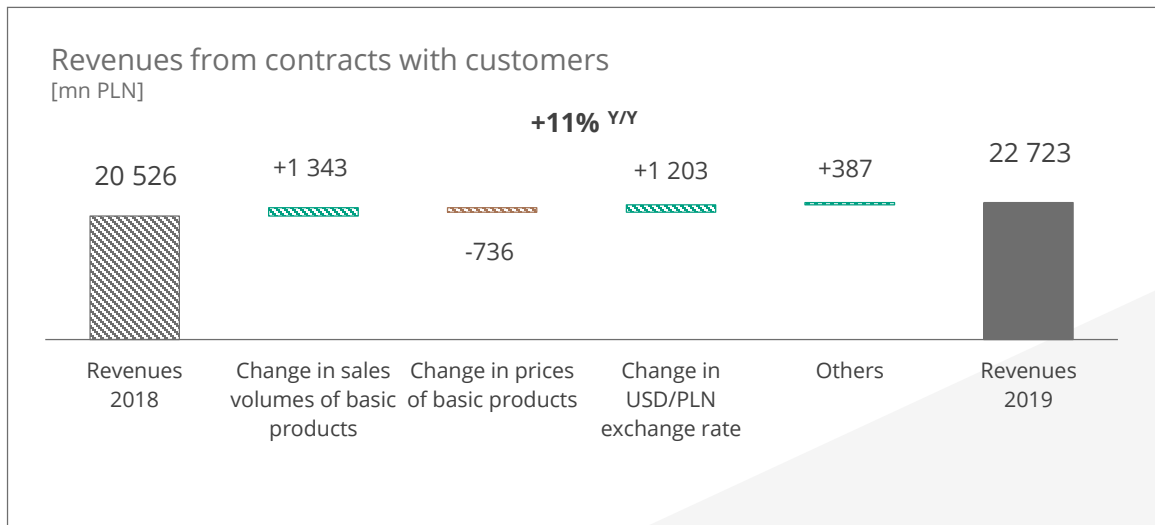
Molybdenum production
[mn lbs]



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

Sales revenue

KGHM Group



- Higher revenues by PLN 2 197 mn (+11%) compared to 2018, including higher revenues in KGHM Polska Miedź S.A. (+PLN 1 926 mn)
- The higher revenues of KGHM Polska Miedź S.A. were mainly due to higher sales volumes of copper (+8%) and silver (+13%) and to a more favourable exchange rate alongside lower copper prices

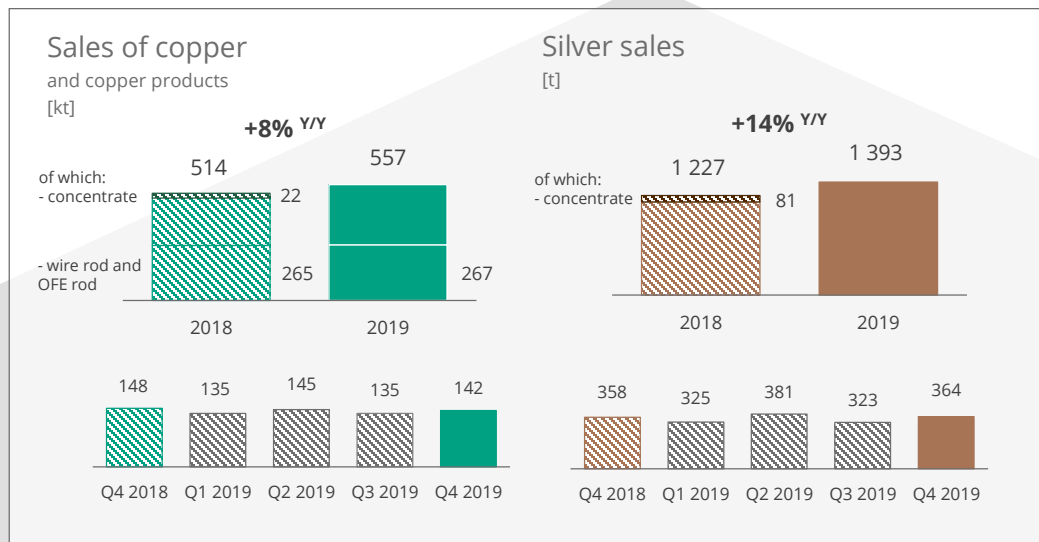
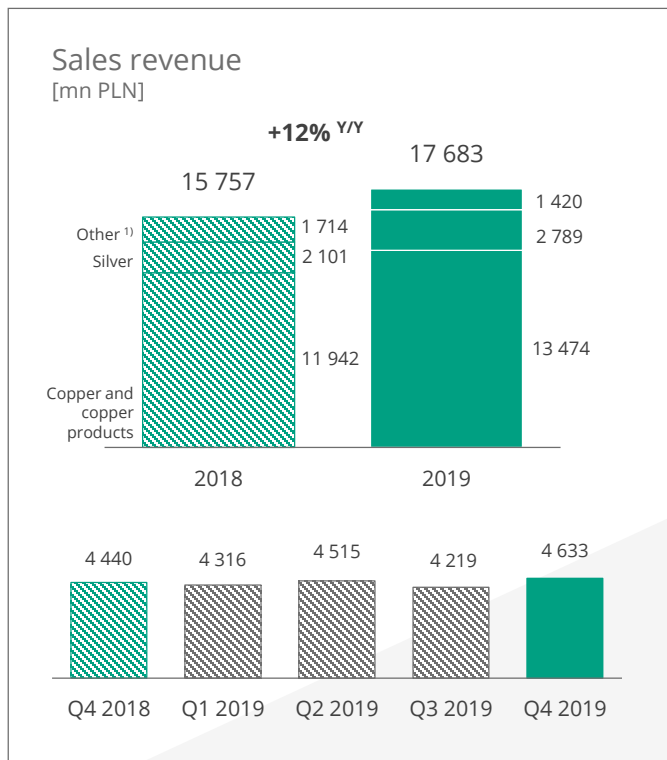
Sales revenue

KGHM Polska Miedź S.A.

Higher revenues from sales by PLN 1 926 million (+12%) in FY2019 compared to FY2018 due to:

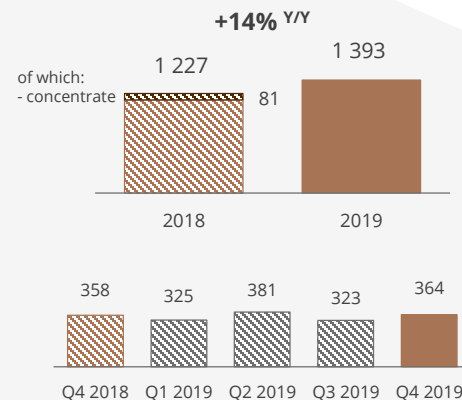
- higher sales volumes (copper by 8% and silver by 14%)
- a more favourable USD/PLN exchange rate (+6%) and silver (+3%)

alongside less favourable copper prices (-8%)



Silver sales

[t]



Stable and safe financial situation of the KGHM Group

2019E
target

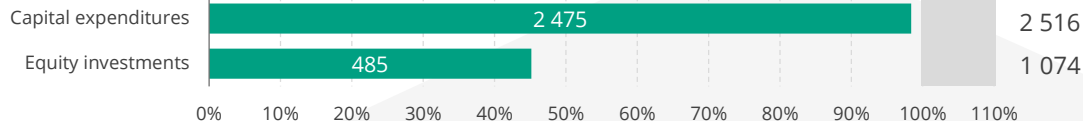
Total unit production cost

of electrolytic copper from own concentrate
KGHM Polska Miedź S.A.¹⁾
[k PLN/t]



Investments

KGHM Polska Miedź S.A.²⁾
[mn PLN]



Financial leverage of the KGHM Group

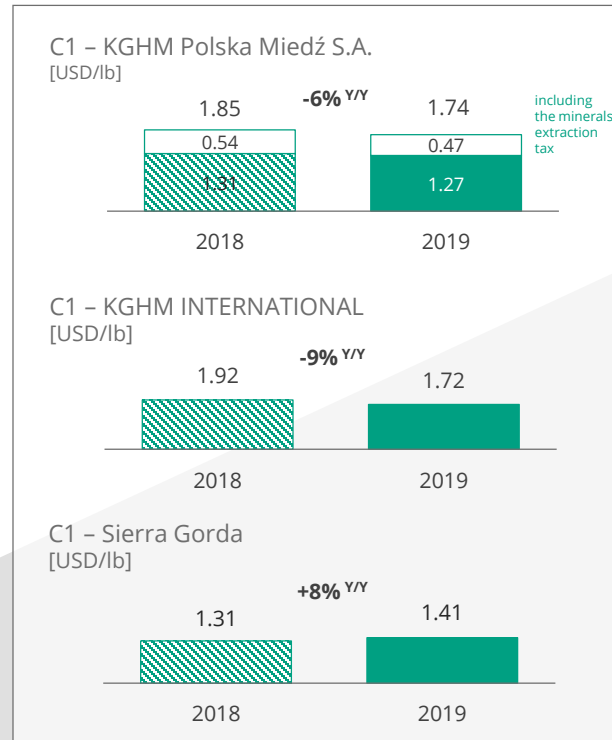
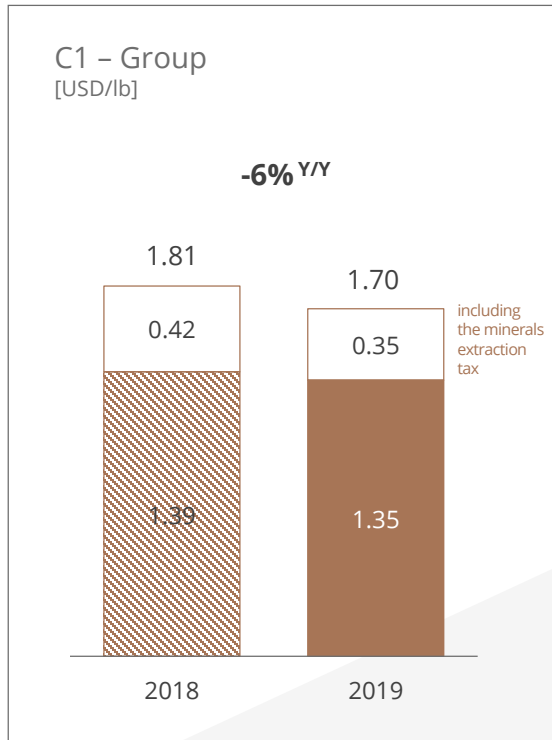
[Net debt / adjusted EBITDA]³⁾



- 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 – incl. loans – acquisition of shares and investment certificates of subsidiaries and loans granted, excluding the purchase of investment certificates related to restructurisation of FIZAN funds in 2019
- 3) Adjusted EBITDA for the 12 months ended 31 Dec 2019, excluding EBITDA of the joint venture Sierra Gorda S.C.M.
- 4) 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 cost¹⁾

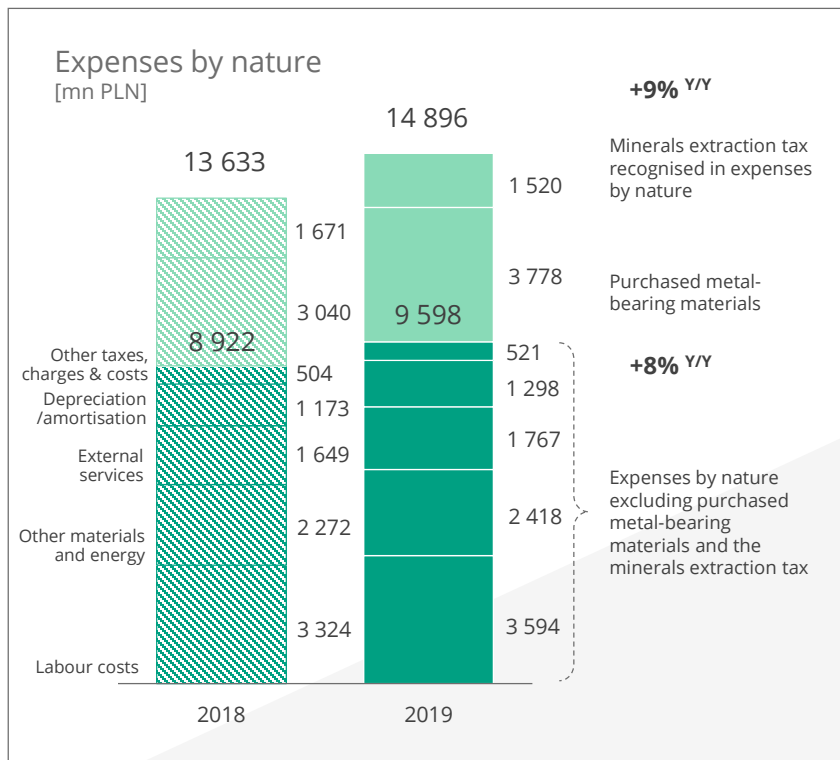
KGHM Group



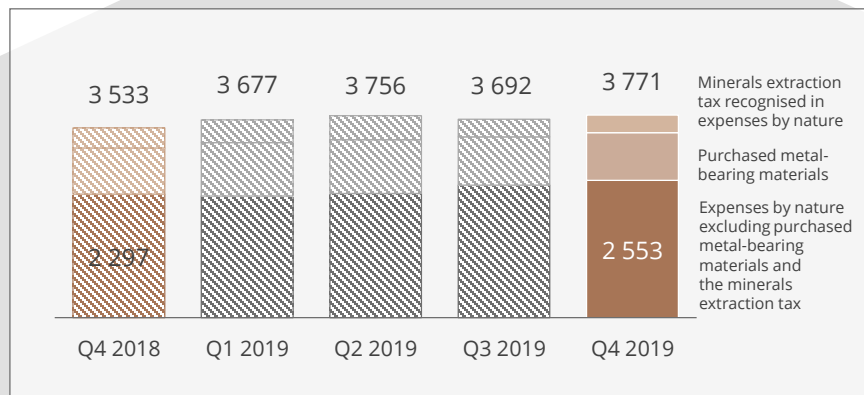
- The decrease in C1 cost in KGHM Polska Miedź S.A. was mainly due to a weakening of the PLN vs the USD by 6% and a lower MET
- The 10% decrease in this cost in KGHM INTERNATIONAL was due among others to lower operating costs and higher revenues from the sale of associated metals (which decrease this cost)
- The 8% 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

Expenses by nature

KGHM Polska Miedź S.A.

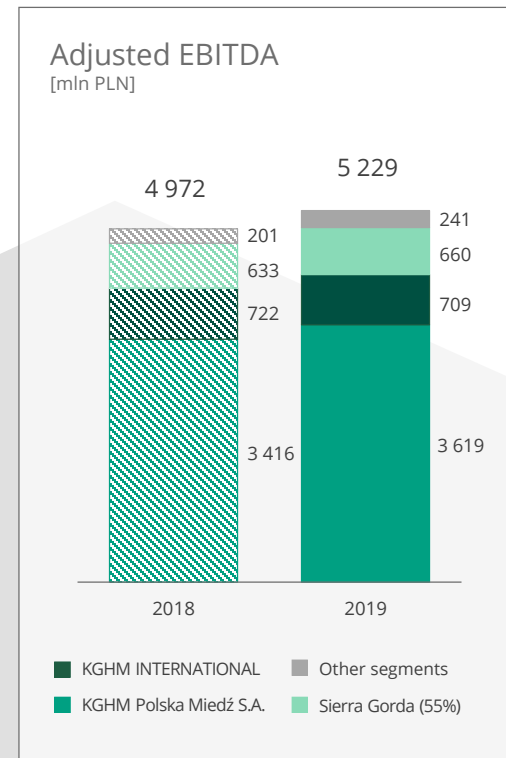
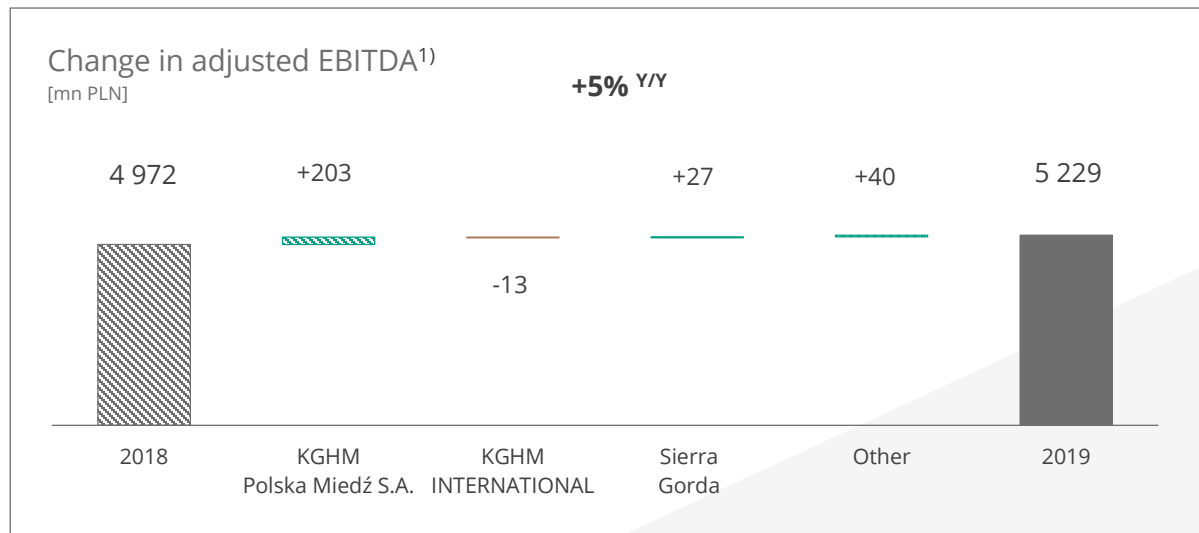


- Expenses by nature were higher by PLN 1 263 million (9%), mainly due to higher consumption of purchased metal-bearing materials by PLN 738 million (a higher amount by 29 kt Cu at a similar purchase price)
- Expenses by nature, excluding purchased metal-bearing materials and the minerals extraction tax, were higher by PLN 676 million (8%) mainly due to higher labour costs (+PLN 270 million), cost of materials and energy consumed (+PLN 146 million), depreciation/ amortisation (+PLN 125 million) and external services (+PLN 118 million)



Operating results

KGHM Group



- Higher adjusted EBITDA of the Group (+PLN 257 mn) thanks to an increase in KGHM Polska Miedź S.A. (+PLN 203 mn; +6%), in the Group companies in Poland (+PLN 40 mn; +20%) and in Sierra Gorda (+PLN 27 mn; +4%)

1) Sum of segments; adjusted EBITDA = EBITDA (profit/(loss) on sales + depreciation/amortisation) adjusted by impairment losses on non-current assets
2) Costs excl. depreciation/amortisation and impairments/reversals of impairments on fixed assets, by segment

Financial results

KGHM Group

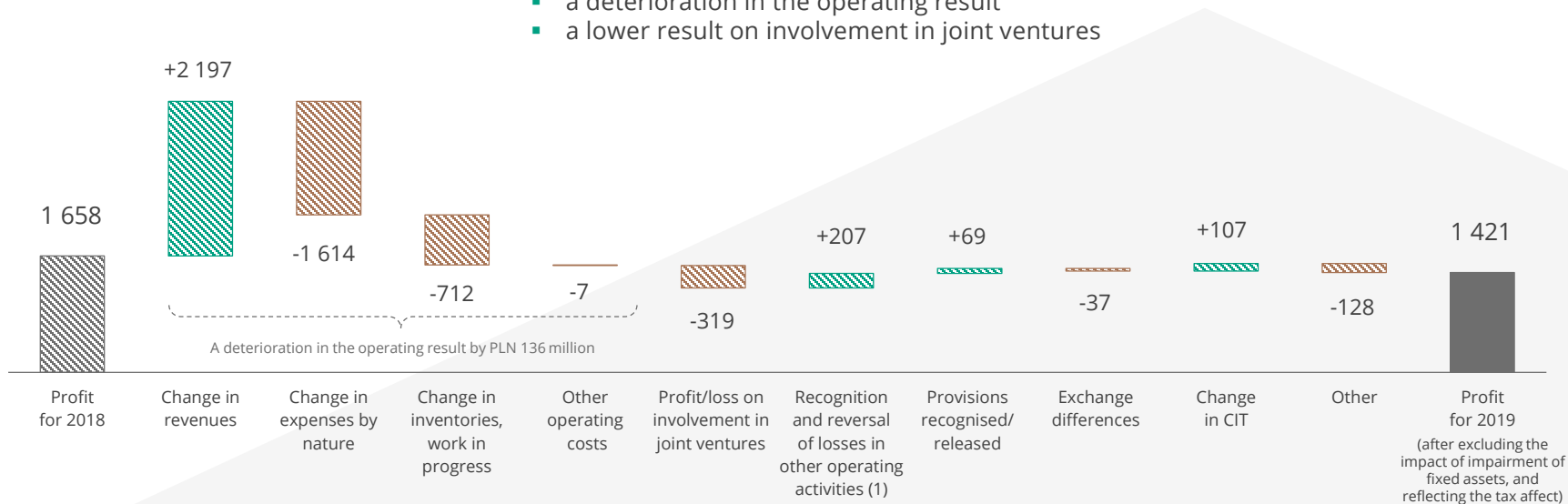
Profit for the period
[mn PLN]

-14% Y/Y

1 421 million PLN consolidated net profit in FY2019

The decrease in net profit by the Group by PLN 237 million (-14%) was mainly due to:

- a deterioration in the operating result
- a lower result on involvement in joint ventures

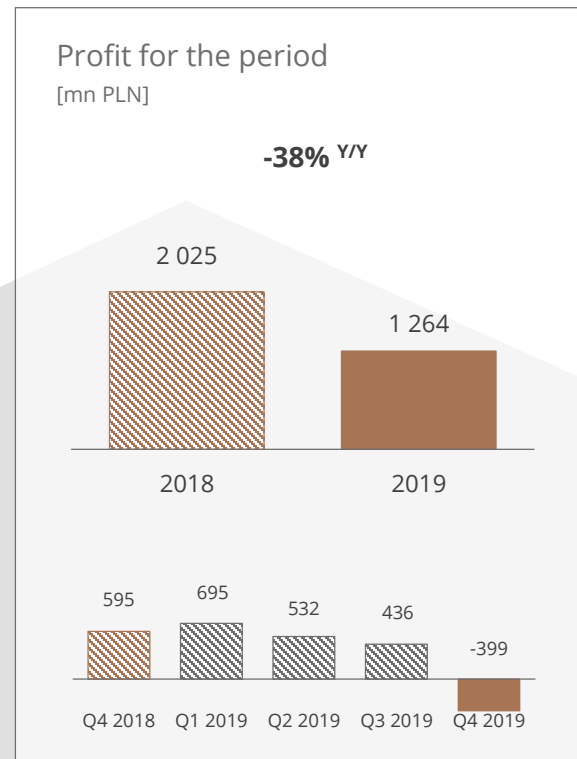
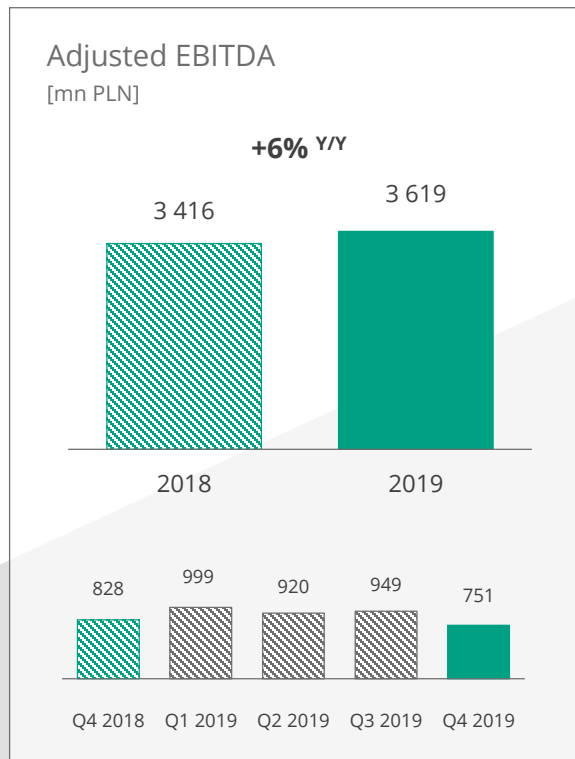


EBITDA and profit for the period

KGHM Polska Miedź S.A.

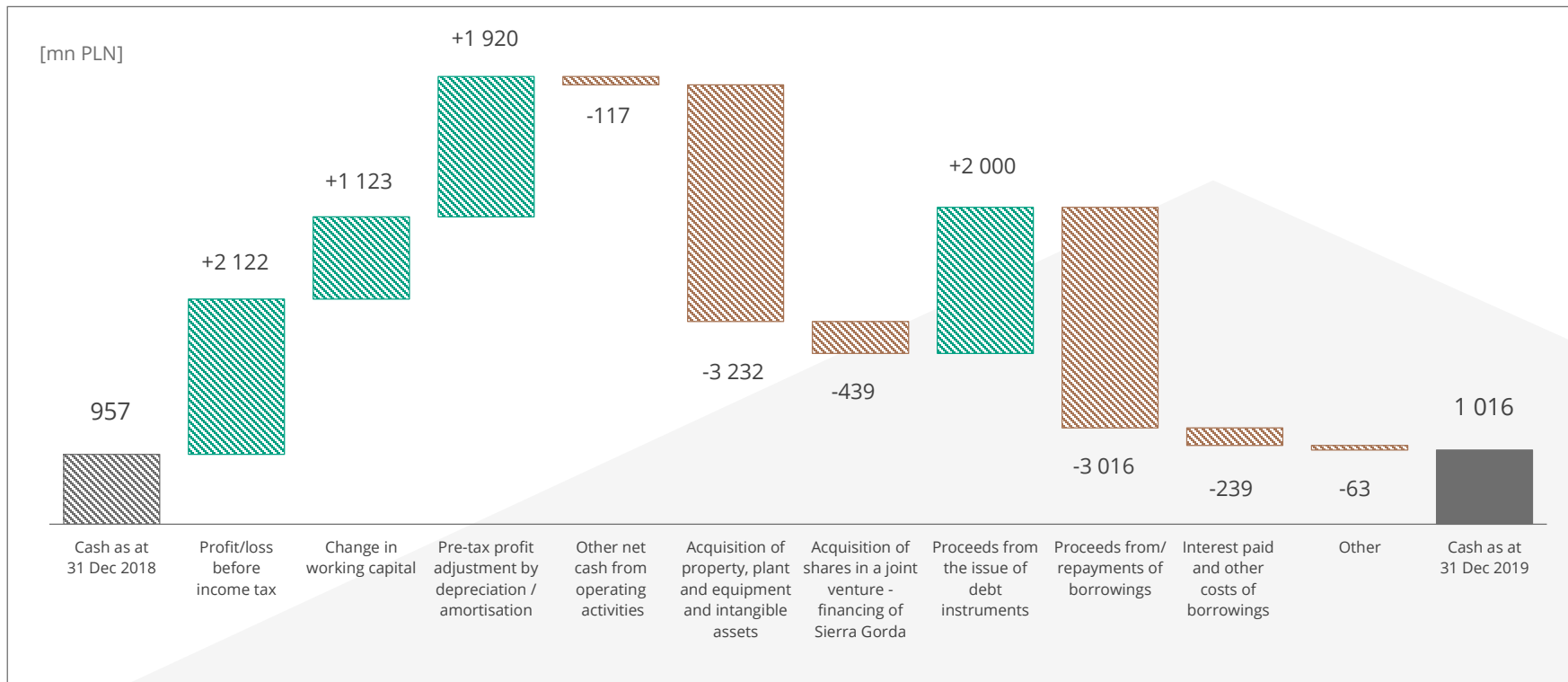
Higher standalone EBITDA with lower net profit

- EBITDA higher by 6% than for 2018 due to a higher volume of copper sold and a more favourable exchange rate (higher revenues)
- Profit for the period lower by PLN 761 million (-38%) than in the prior year due to write-offs – recognition of impairment losses on shares and investment certificates in subsidiaries in 2019 (-PLN 460 million) with a reversal in 2018 (+PLN 355 million)



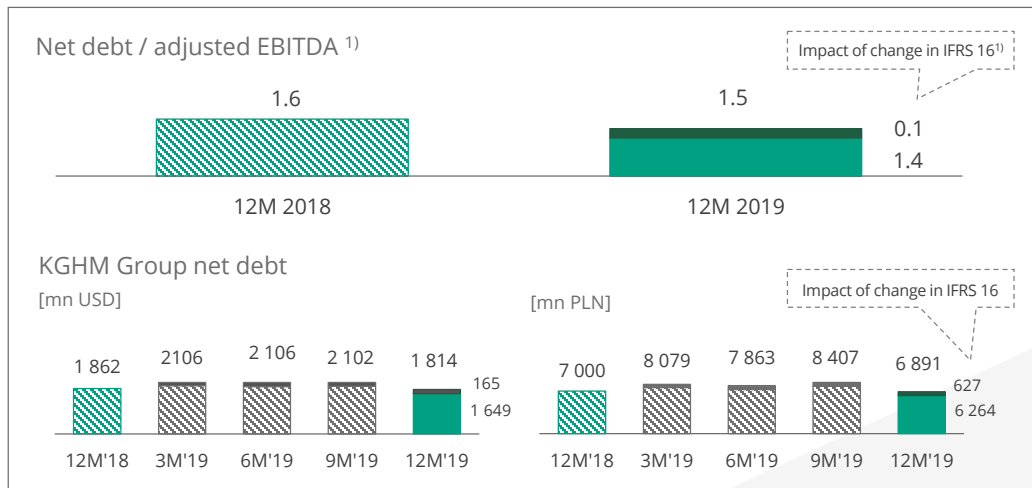
Cash flow

KGHM Group



Net debt of the KGHM Group

As at the end of Q4 2019



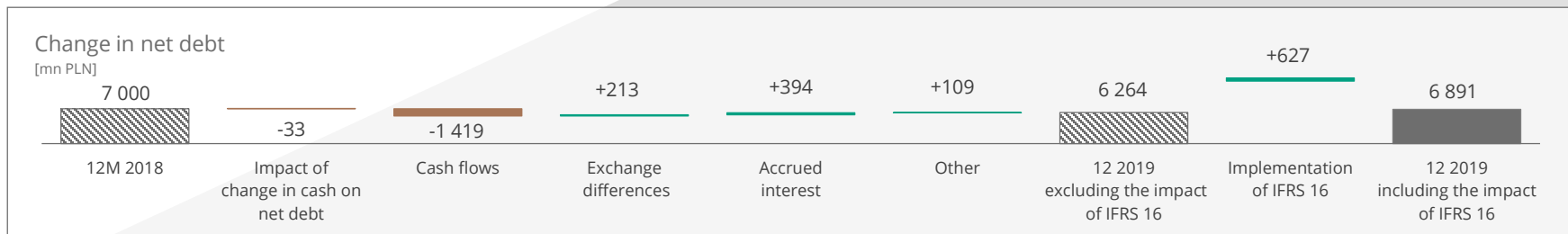
Main factors affecting interest-bearing debt in the 12 months of 2019

(Increases in debt)

- Cash expenditures on property, plant and equipment (PLN 3 233 mn)
- The minerals extraction tax (PLN 1 520 mn)
- Equity increase for Sierra Gorda (USD 112.75 mn)
- Borrowing costs (PLN 239 mn)
- Negative exchange differences (an increase in debt by PLN 213 mn)
- Change in trade and other receivables (an increase by PLN 96 mn)

(Decreases in debt)

- Positive cash flow from operating activities, excluding the change in working capital and the minerals extraction tax (PLN 5 628 mn)
- Change in trade and other liabilities, incl. trade liabilities transferred to the factor (an increase by PLN 737 mn)
- Decrease in inventories (a decrease by PLN 305 mn)





Production and financial results of the KGHM Group

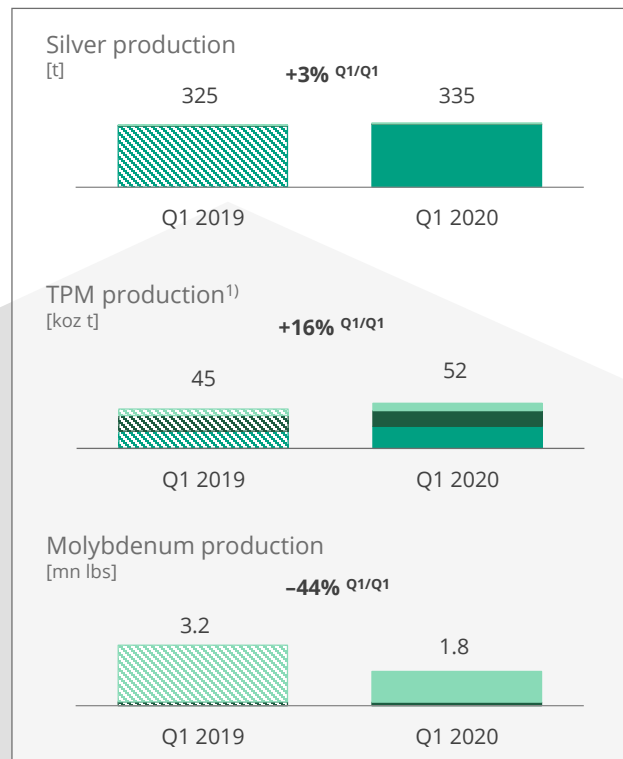
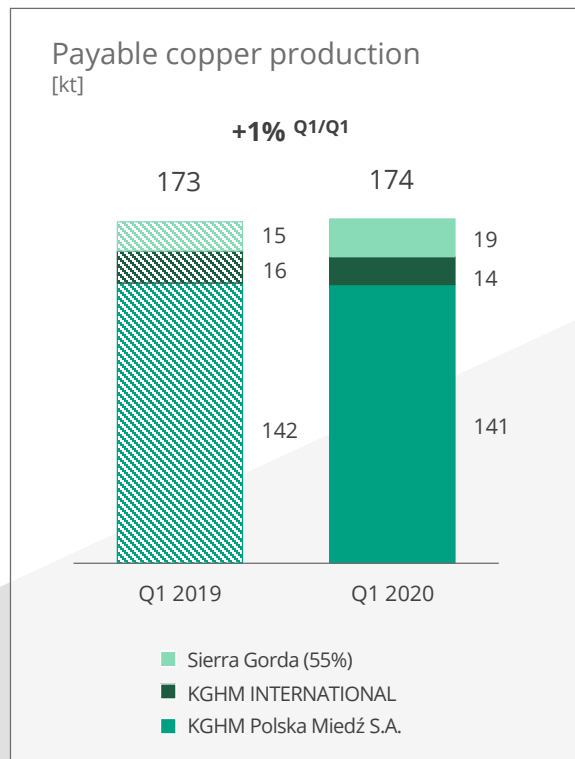
Part III: Q1 2020



Metals production

KGHM Group

- Slightly lower production of electrolytic copper by KGHM Polska Miedź S.A. due to lower processing of own concentrate and the build-up of anode inventories due to the planned maintenance shutdown in Q3 2020 of the Głogów I Smelter/Refinery
- Lower copper production by KGHM INTERNATIONAL due to lower production by the Sudbury Basin and the Franke mine
- Higher copper production by the Sierra Gorda mine due to extracting higher copper grade ore
- Lower molybdenum production both by Sierra Gorda (due to the nature of the ore – decreasing Mo content), and by Robinson (extraction from a low-quality transitional zone)

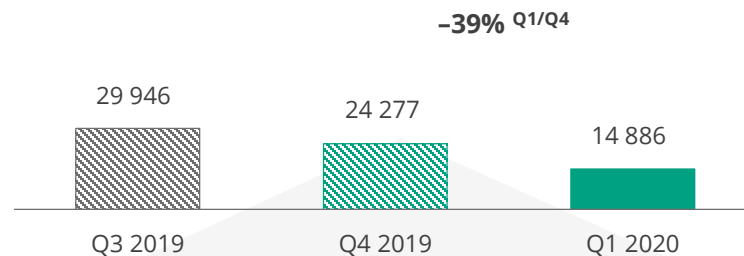


Change in inventories

KGHM Polska Miedź S.A.

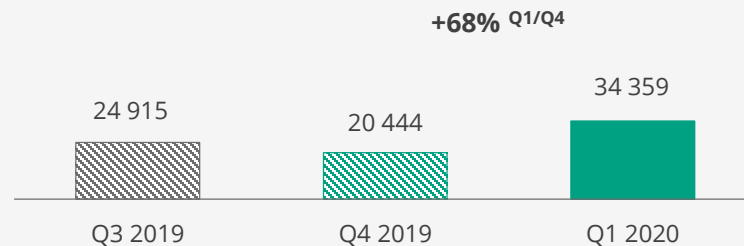
Inventories of copper in concentrate at the smelters amount of Cu [t]

- A further decrease in the level of inventories due to execution of production plans and the proper functioning of the copper concentrate roasting installation



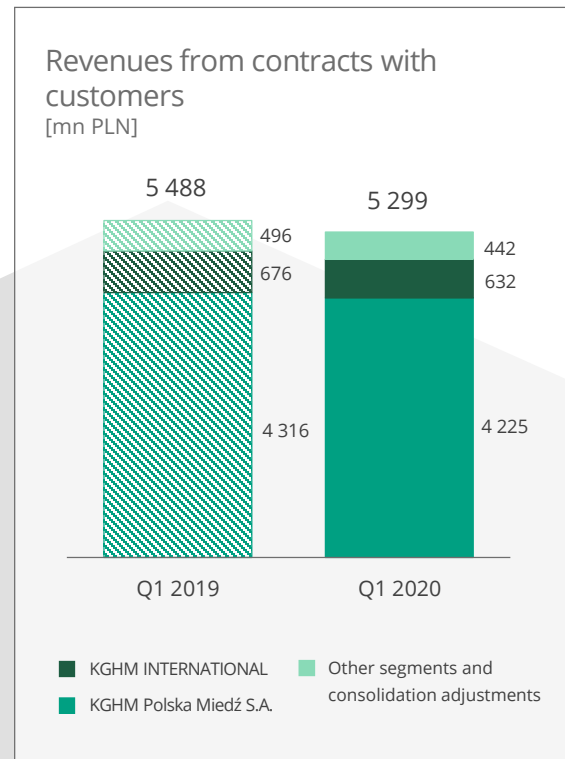
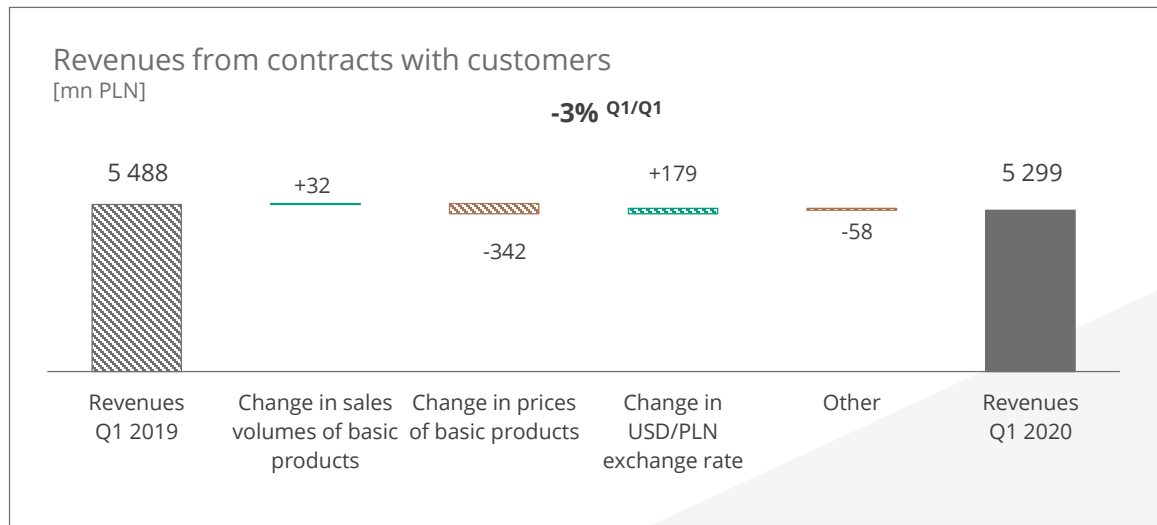
Inventories of copper anodes at the smelters amount of Cu [t]

- Anode inventories were higher due to the build-up of anode inventories which will be consumed in Q3 2020 during the 10-week maintenance shutdown at Głogów I



Group sales revenue

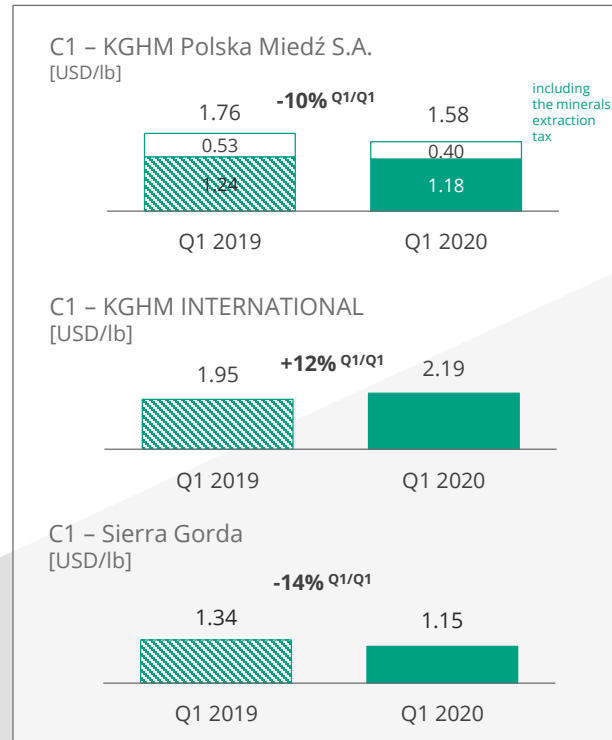
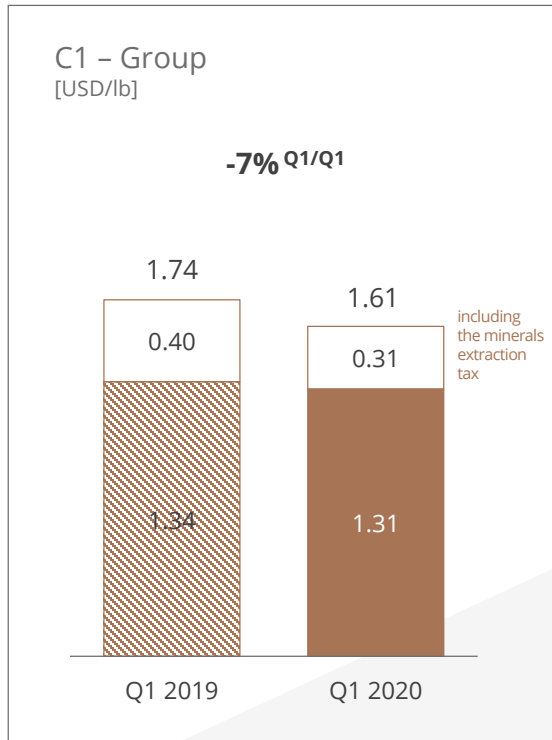
Q1 2020



- Lower revenues by PLN 189 million (-3%) versus the corresponding period of 2019 in all of the segments, mainly due to less favourable macroeconomic conditions

C1 unit cost¹⁾

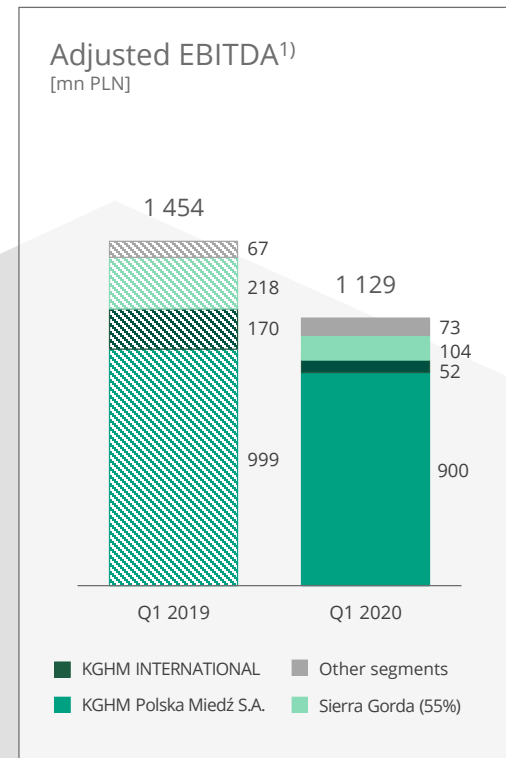
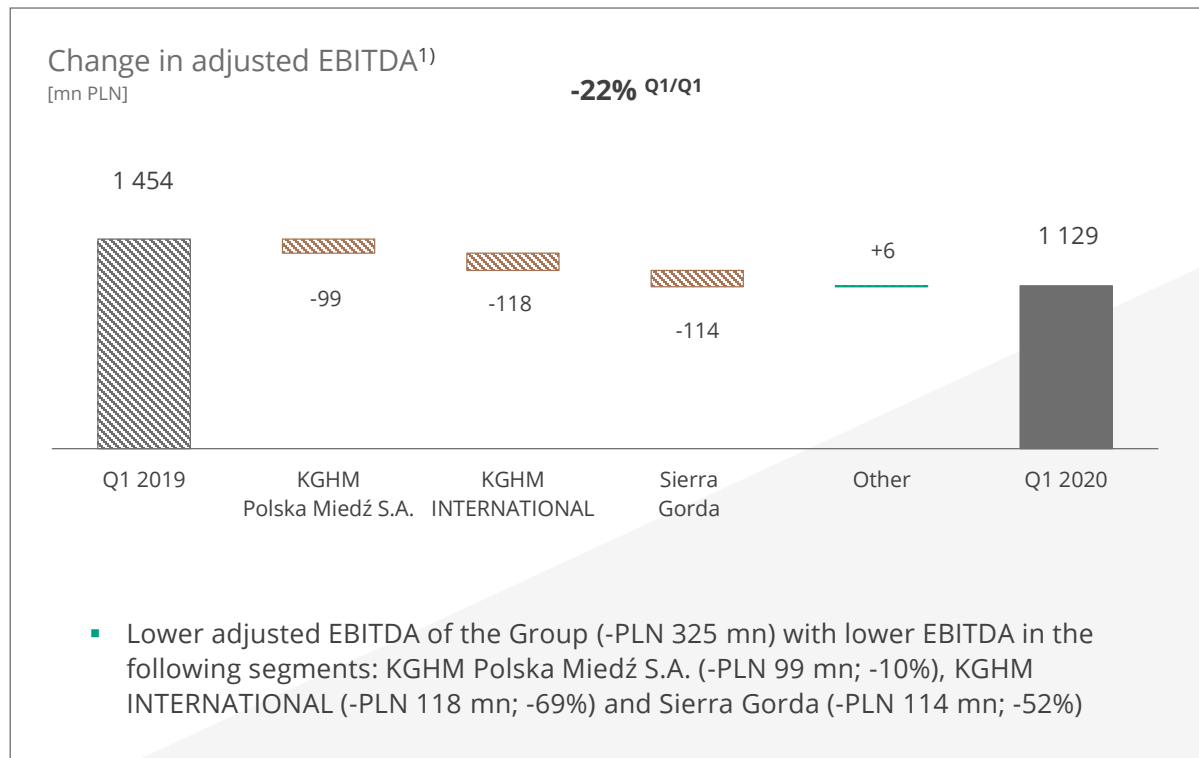
KGHM Group



- The decrease in C1 cost in KGHM Polska Miedź S.A. was mainly due to a weakening of the PLN vs the USD by (3.6%), higher silver content in own concentrate and a lower MET
- An increase in C1 cost in KGHM International by 12% due to higher operating costs (materials and Energy and the impact of the change in inventories)
- Lower C1 cost in Sierra Gorda thanks to continued cost discipline and a higher copper sales volume

Operating results

KGHM Group



Financial results

KGHM Group

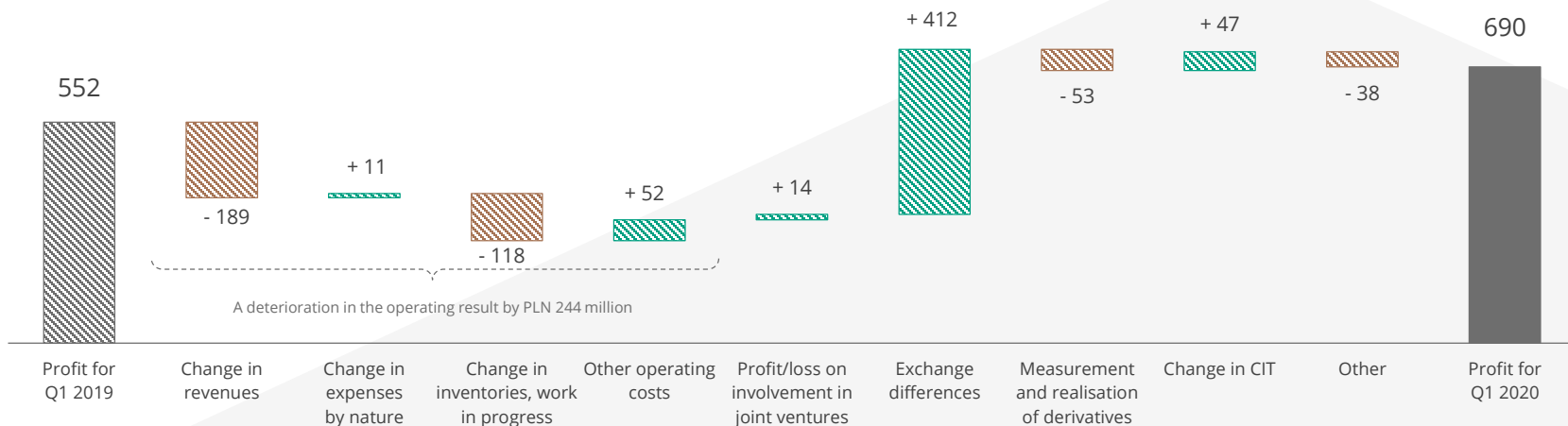
Profit for the period

[mn PLN]

+25% Q1/Q1

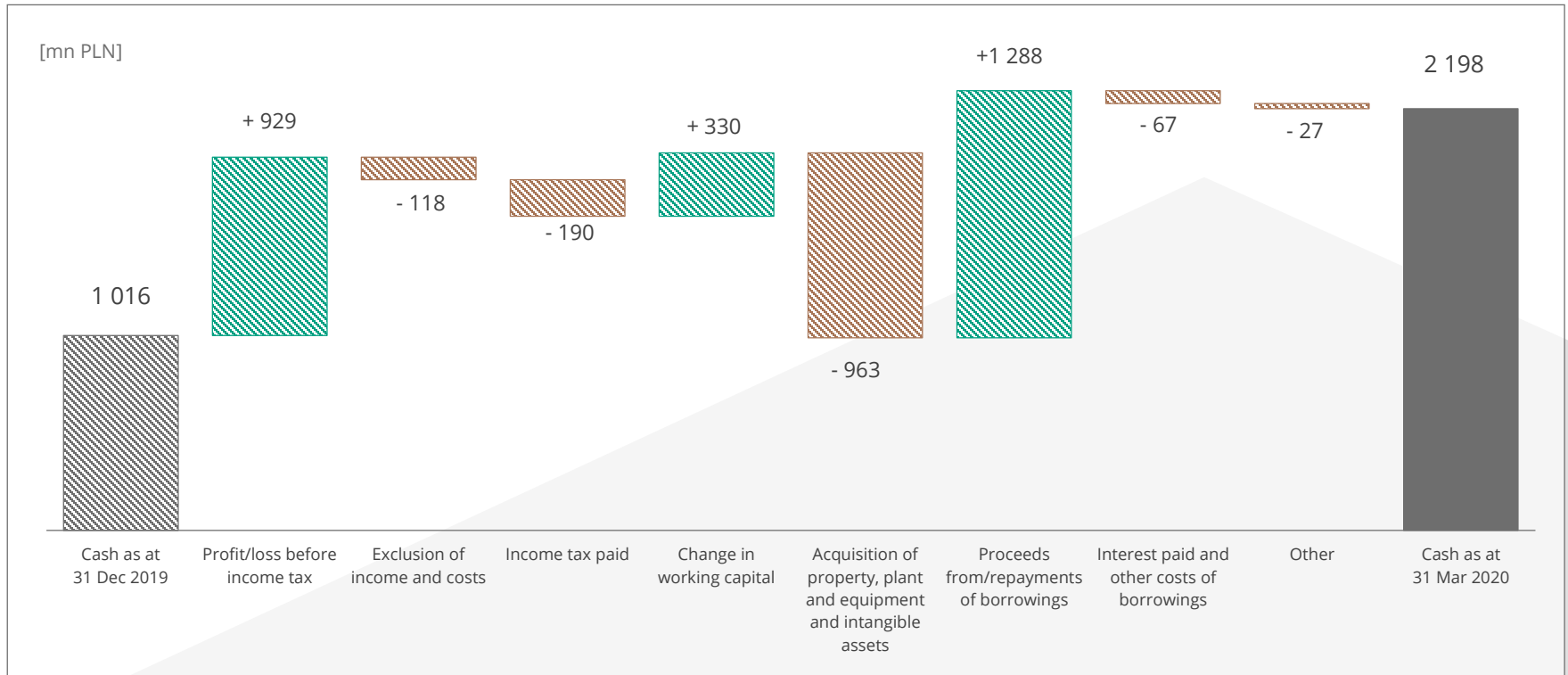
PLN 690 million consolidated net profit for Q1 2020

Group profit for the period higher by PLN 138 million (+25%) mainly due to favourable exchange differences



Cash flow

KGHM Group





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 2019-2023

#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

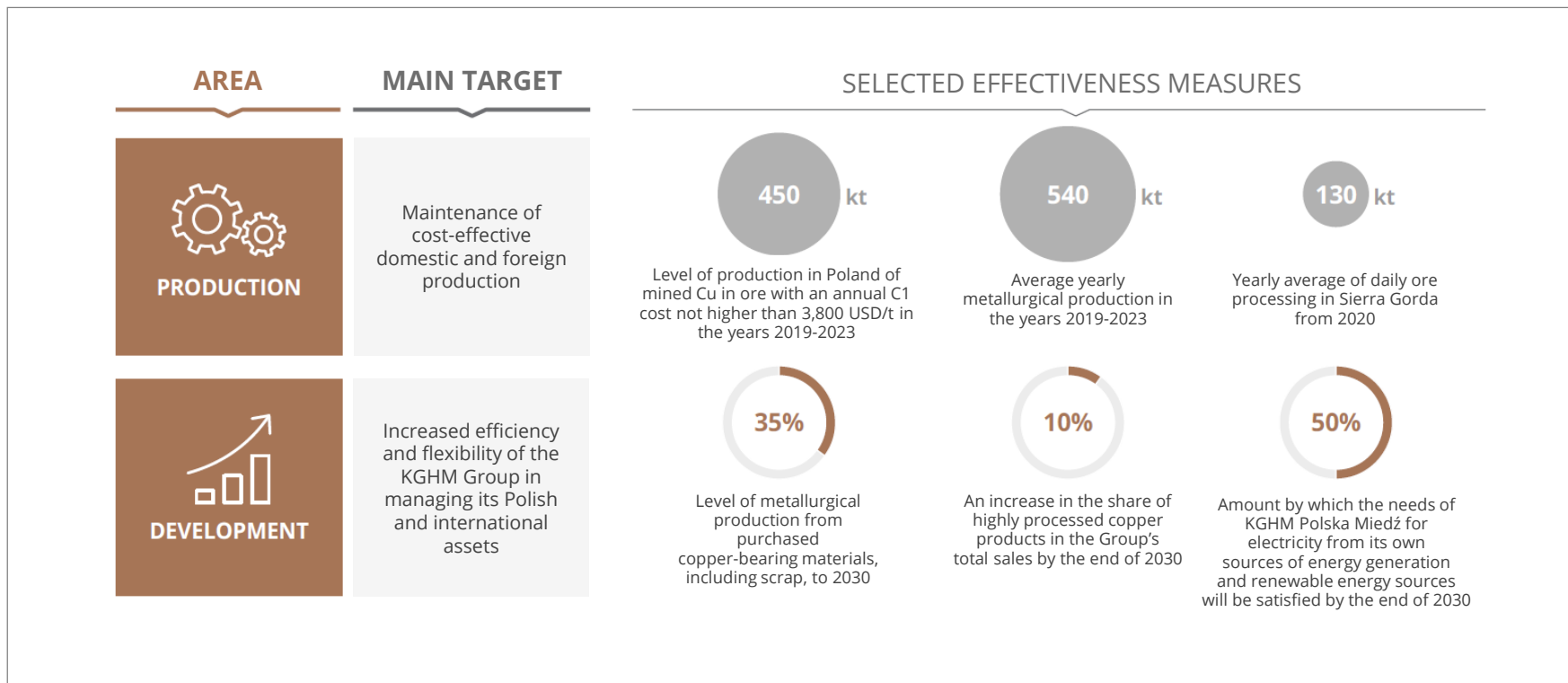
#6 Technologies of the future

#7 New quality
Safety and development



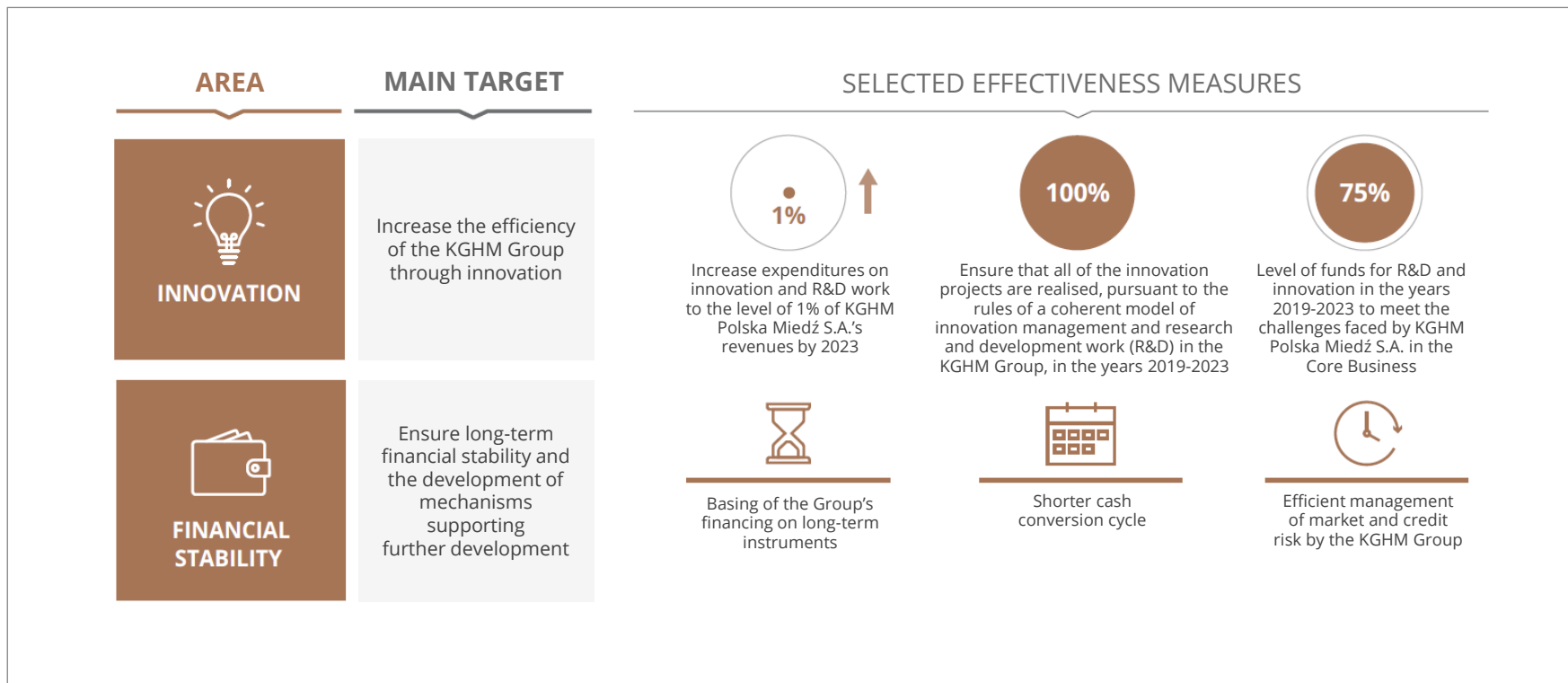
Strategy in practice

Selected key operating initiatives (1)



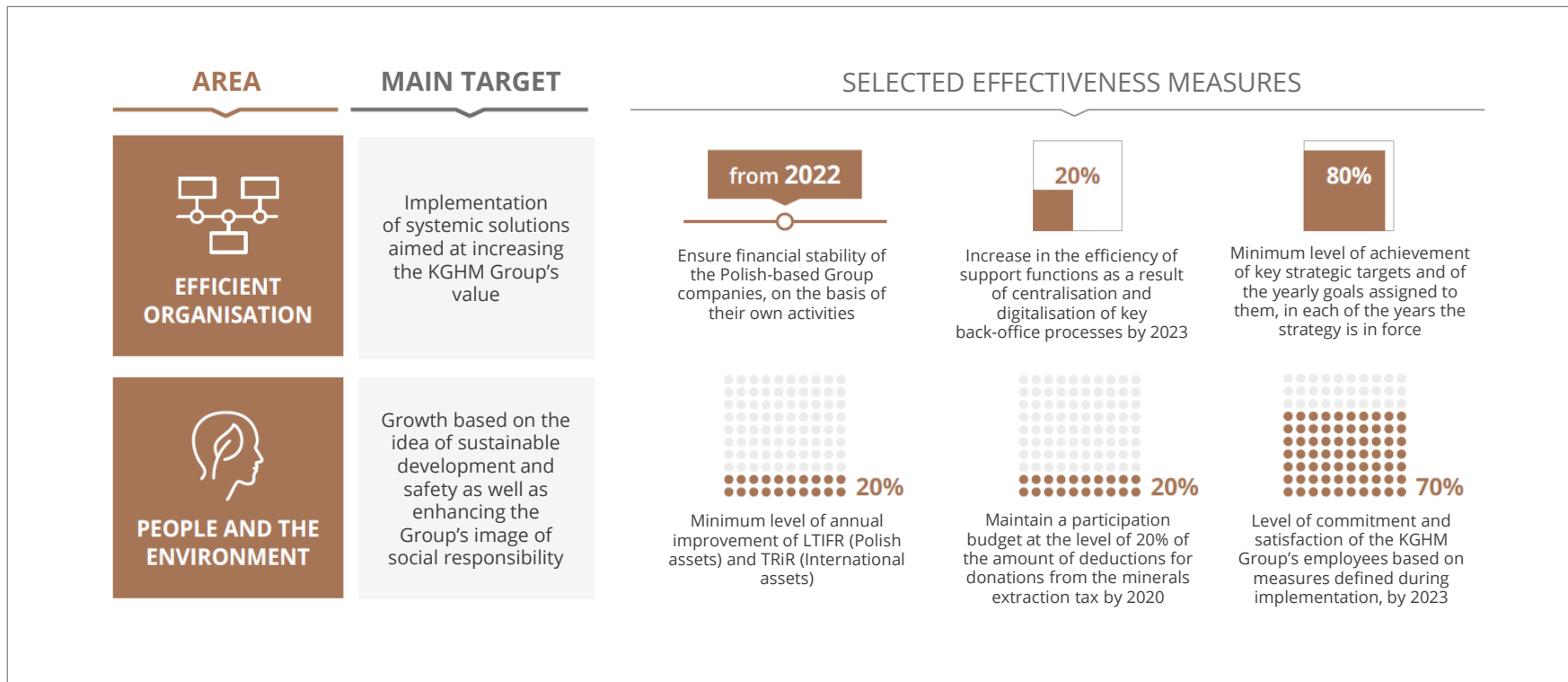
Strategy in practice

Selected key operating initiatives (2)



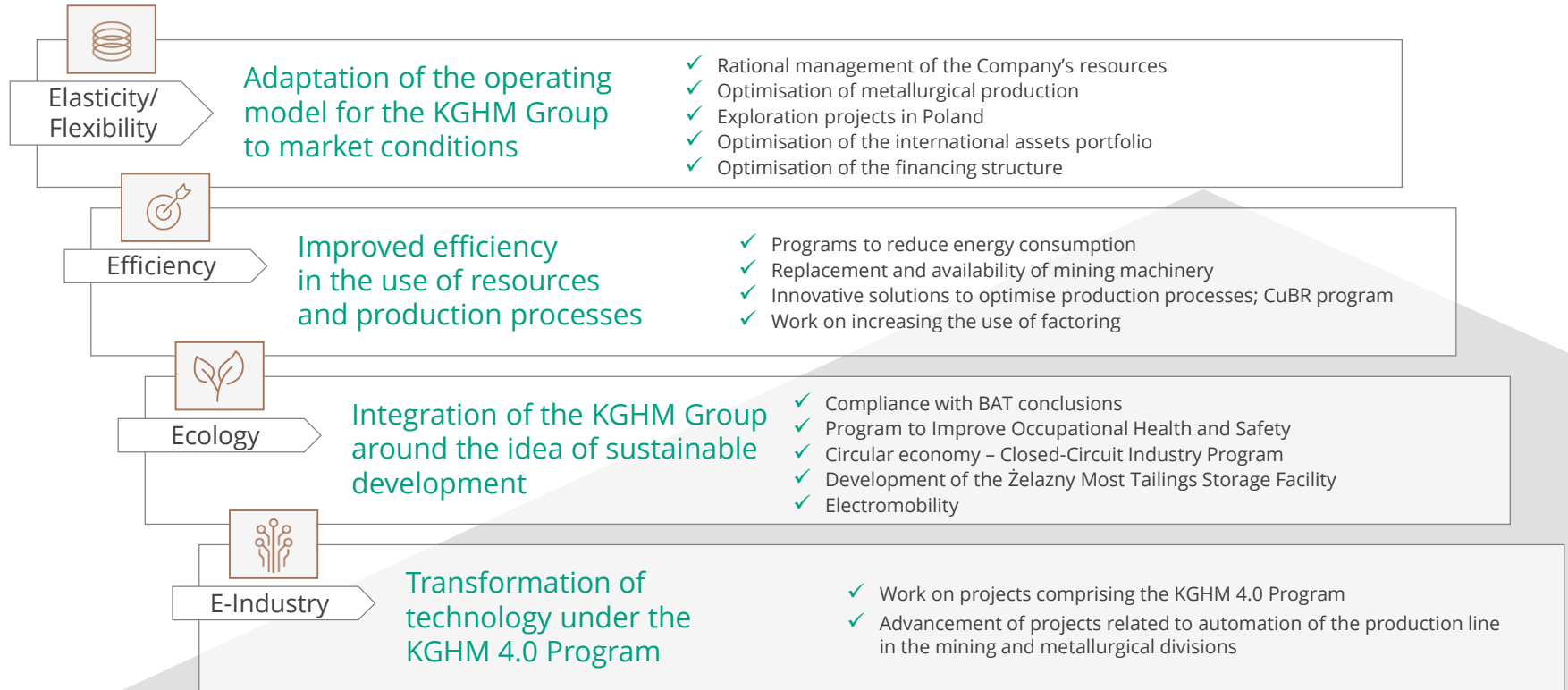
Strategy in practice

Selected key operating initiatives (3)



Consistent advancement of the strategy

Key areas – 4E



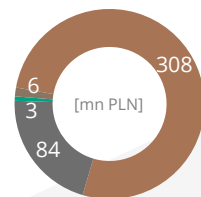
A consistent and rational investment program

Capital expenditures by KGHM Polska Miedź S.A. in 2019 and Q1 2020

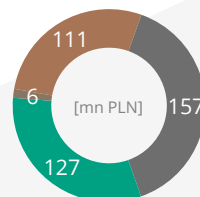


CAPEX execution in Q1 2020

by area



by category



CAPEX and budget in Q1 2019

472 mn PLN

CAPEX execution in Q1 2019

2 516 mn PLN

CAPEX budget target for 2019

CAPEX execution in FY 2019

2 516 mn PLN

CAPEX budget target for 2019

2 481 mn PLN

CAPEX execution in 2019

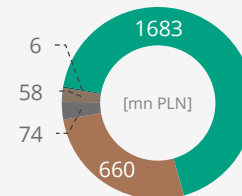
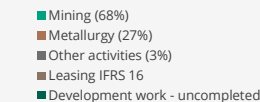
2 670 mn PLN

CAPEX budget target for 2018

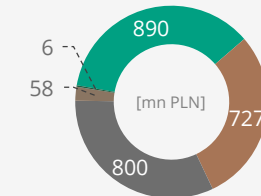
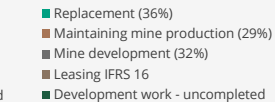
2 132 mn PLN

CAPEX execution in 2018

by area



by category





Additional slides



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

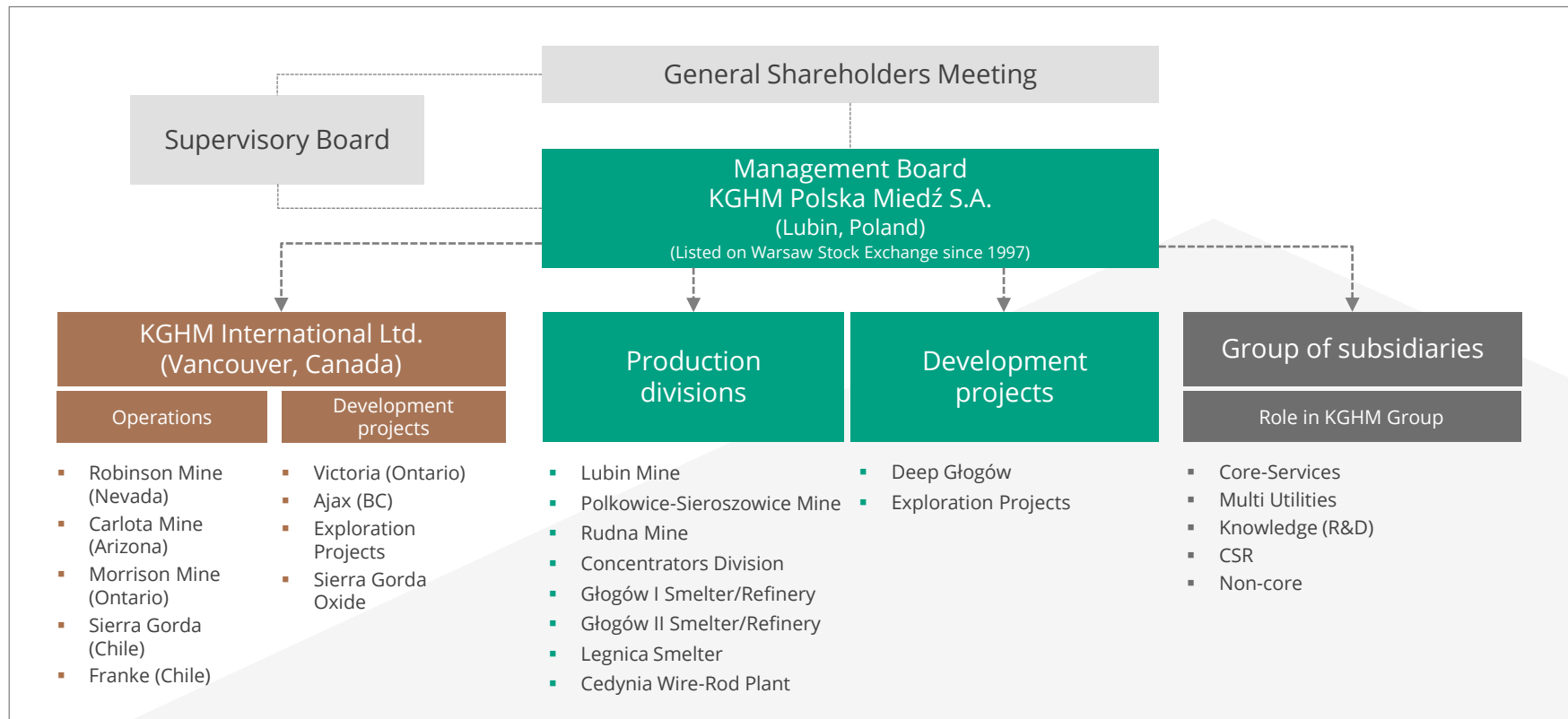
A reliable producer, a trusted business partner and a company committed to sustainable development

Experienced management with a proven track record of success

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

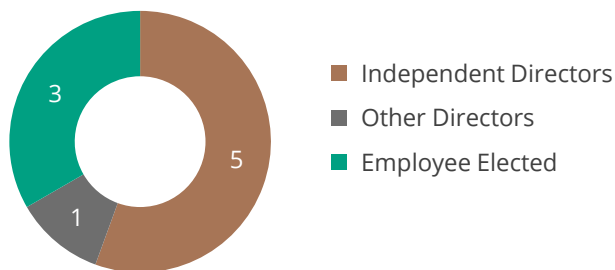
A rational leveraging policy with a safe level of the net debt/EBITDA ratio and long-term financing ensured through the Bond Issue Program

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:

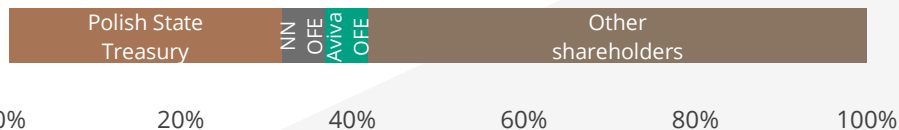
- All members of KGHM's Supervisory Board are appointed by the General Shareholders Meeting
- All of KGHM's shares have equal voting rights (no preferred stock)
- 5 independent members of the Supervisory Board ¹⁾
- Committees of the Supervisory Board:
 - Strategy Committee
 - Audit Committee
 - Remuneration 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.

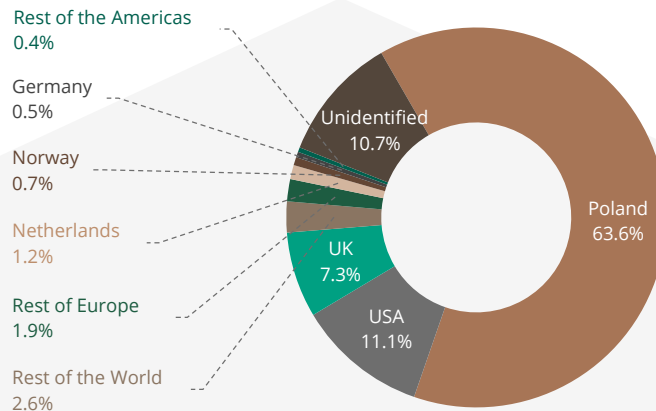
Ownership structure

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%
Total	200,000,000	100.00%	100.00%



Geographical ownership structure

[% of shares]



Share price performance

Basic quotes

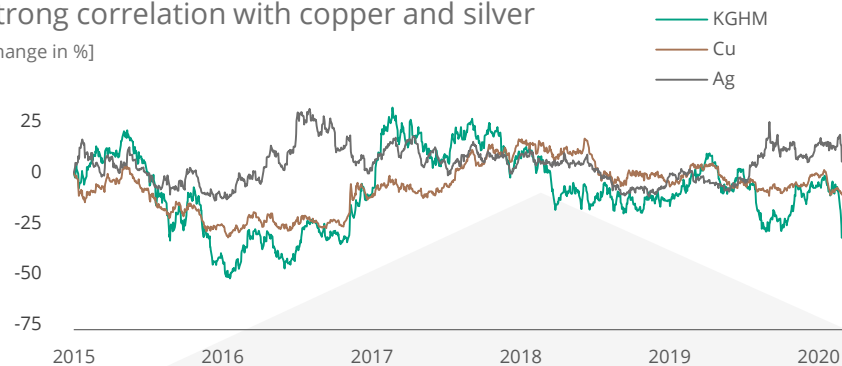
WSE debut	10 th July 1997	
GPW ticker	KGH	
Bloomberg/Reuters ticker	KGH PW / KGH.WA	
Share price [PLN]	59.82	
Capitalization [bn PLN]	11.96	
No. of shares	200 000 000	
Share capital [PLN]	2 000 000 000	
52 weeks ¹⁾	Max/min share price [PLN]	112/49.40
	Spread min/max [PLN]	62.60
	Avg. share price [PLN]	89.12
	Avg. volume	624 729
	Avg. turnover [mn PLN]	53.25

Data: KGHM Polska Miedź, infostrefa.com, as of 31st March 2020

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

Strong correlation with copper and silver

[change in %]



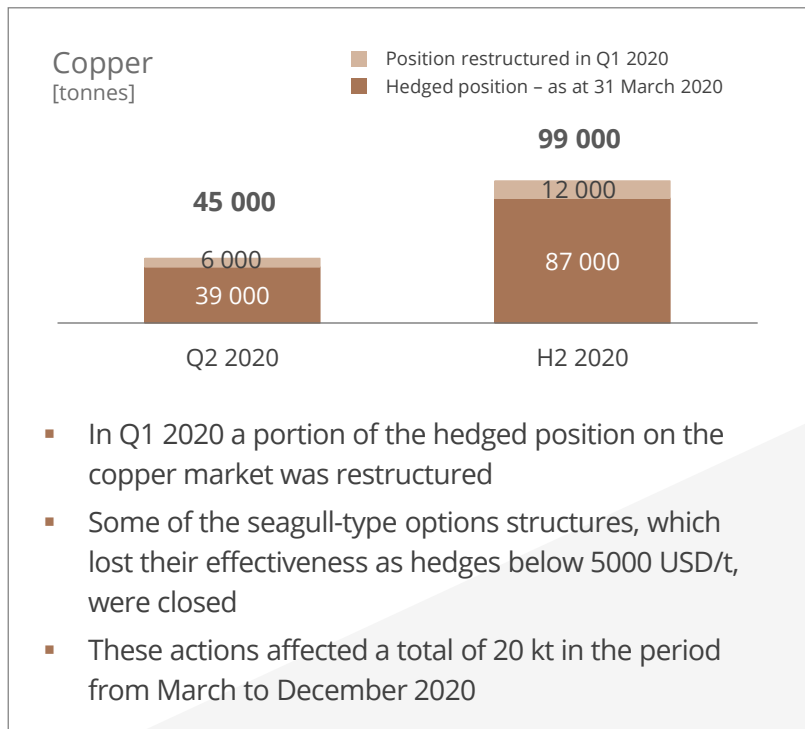
...as well as WIG20 index

[change in %]



Market risk management

Hedged position on the copper market (as at 31 March 2020)

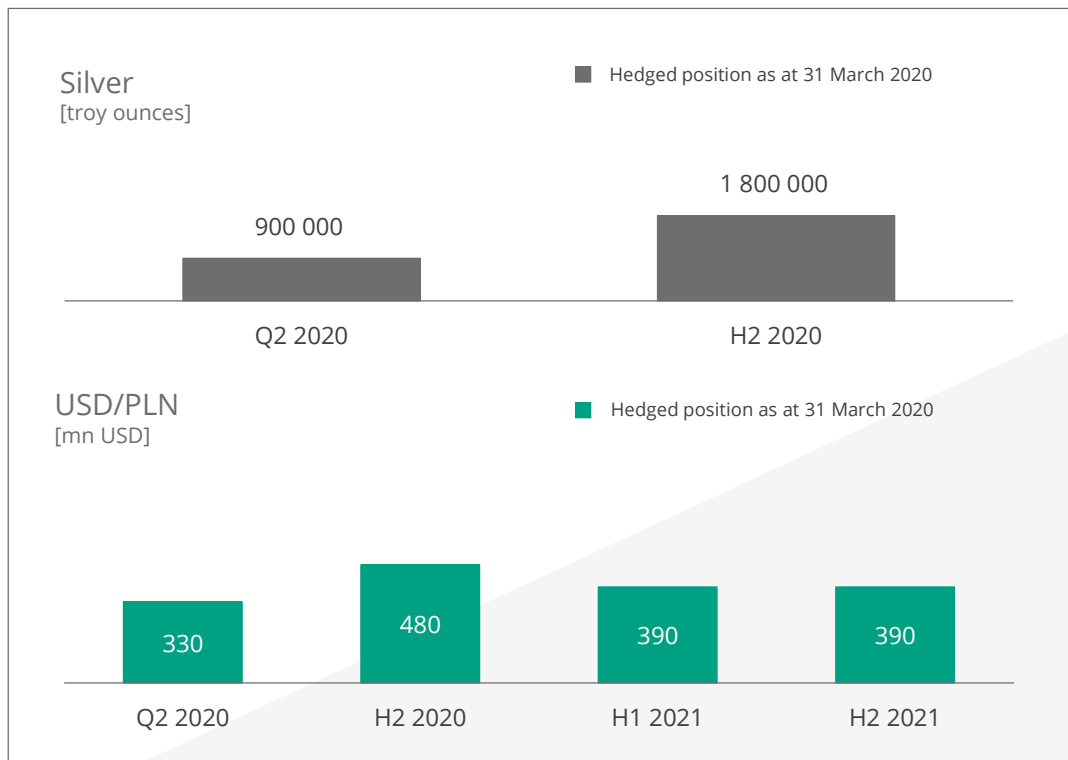


In Q1 2020 KGHM Polska Miedź S.A. recorded a result on derivatives and hedges in the amount of PLN 30.5 million, of which:

- PLN 122.6 million adjusted revenues from contracts with customers (transactions settled to 31 March 2020)
 - PLN 89.1 million decreased the result on other operating activities
 - PLN 3 million decreased the result on finance activities
- The fair value of derivatives in KGHM Polska Miedź S.A. as at 31 March 2020 amounted to PLN 107 million¹⁾ (for copper PLN 634 million)
 - The revaluation reserve on cash flow hedging instruments as at 31 March 2020 amounted to -PLN 149.9 million

Market risk management

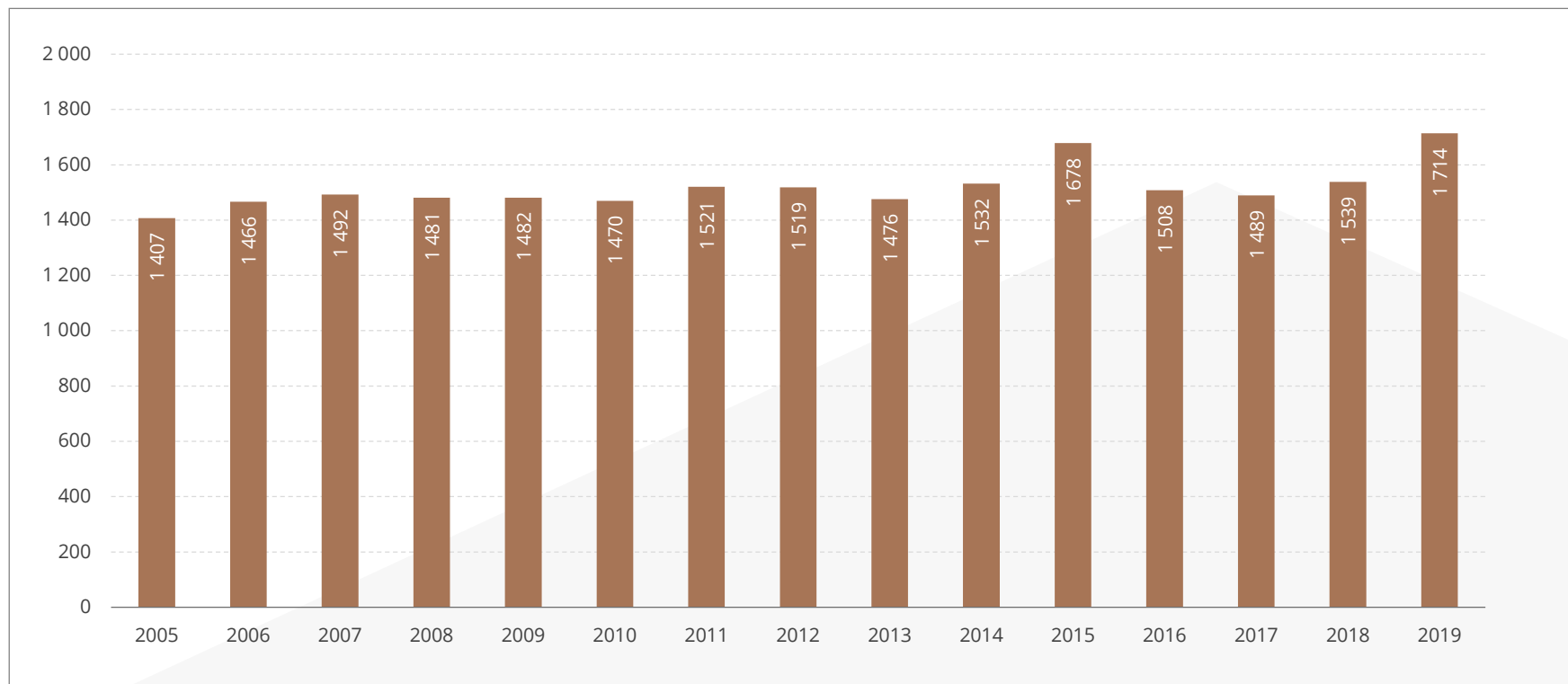
Hedged positions on the silver, currency and interest rate markets (as at 31 March 2020)



- As at 31 March 2020 the Parent Entity held open Cross Currency Interest Rate Swap (CIRS) transactions in the notional amount of PLN 2 billion, hedging against market risk related to the issuance of PLN-denominated bonds with a variable interest rate
- In addition, as at 31 March 2020 the Parent Entity held CAP positions on the interest rate market for 2020 as well as borrowings with fixed interest rates

CO₂ emissions by KGHM Polska Miedź S.A.

ETS¹⁾ direct emissions + nonETS [kt CO₂]



Follow us on
social media:



Thank you

Investor Relations Department

kgm.com/en/investors

ir@kgm.com

+48 76 74 78 280