

60 YEARS
KGHM



THE FUTURE IS MADE
OF COPPER

KGHM Group Investor Presentation

ERSTE Group Conviction Equity Investors Conference

27 January 2022

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Key information about the KGHM Group

KGHM Group in brief

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

709 thousand tonnes of payable copper production by the KGHM Group in 2020, (1.1% 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 GPW 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

The KGHM Group's strategy

2030 with an outlook to 2040 - highlights

KGHM'S MISSION AND VISION REMAIN UP-TO-DATE,

however to reflect the changes in the environment,
strategic directions have been extended with an additional element – Energy



MISSION

To always have copper

VISION

To use our resources efficiently to become a leader in sustainable development

#5E
DEVELOPMENT
DIRECTIONS



Elasticity
and flexibility



Efficiency



Ecology,
safety and
sustainability


















E-industry



Energy

KGHM'S STRATEGY CONSISTS OF 5 PILLARS BASED ON 5 DEVELOPMENT DIRECTIONS

Strategy of the KGHM Group for the years 2022-2030

Development directions	Flexibility	Efficiency	Ecology	E-industry	Energy
 <p>1. Core business</p>	 <p>Advanced technologies and R&D forming an intelligent production chain</p>	 <p>Optimization of mining production in Poland and abroad ensuring long-term business continuity</p>	 <p>Leader in the development of low-emission mining capacity for new metal and mineral deposits in Poland</p>	 <p>Development of metallurgy with the use of effective processing based on the principles of the circular economy</p>	
 <p>2. New activities</p>	 <p>One of the leading producers of environmentally friendly electricity, supporting Poland's energy transformation</p>		 <p>Expansion along the value chain through the development of new products from copper and other metals (including establishing cooperation with partners in Poland and abroad)</p>		
 <p>3. Supporting activities</p>	 <p>A significant provider of Smart Mining solutions in the area of products and services sold in Poland and globally</p>		 <p>Ensuring the financial stability of the KGHM Group and implementing systemic solutions aimed at increasing the Group's value</p>		
 <p>4. Health</p>	 <p>Development of healthy activities and health resorts as a contribution to extending the length and quality of life of citizens</p>				
 <p>5. Support for society</p>	 <p>Growth based on sustainability and safety</p>				

THE OBJECTIVES OF THE STRATEGY ARE CONSISTENT WITH KGHM'S CLIMATE POLICY

and the climate goals set out therein for 2030 and 2050

Emission reduction targets of KGHM Polska Miedź S.A. and the main directions of decarbonization

MAIN DIRECTIONS OF DECARBONIZATION:

Reduction of indirect Scope 2 emissions:

- Development of own emission-free and low-carbon sources
- Improving energy efficiency in production divisions and streamlining technological processes
- Purchase of energy from RES via PPA contracts¹

Gradual reduction of direct Scope 1 emissions:

- Hydrogen doping in technological processes
- First implementations in the field of electromobility

MAIN DIRECTIONS OF DECARBONIZATION:

The total reduction of indirect Scope 2 emissions:

- Electricity and heat exclusively from emission-free and low-emission sources (own sources)

Maximum reduction of direct emissions:

- Hydrogen technologies
- Use of CCU and CCS technologies²
- Electromobility
- Implementation of advanced technologies within the production line

The potential offset of other emissions

2030

30% emission reduction

2050

climate neutrality



Main assumptions of the Budget for 2022

Production of KGHM Polska Miedź S.A.

Copper in concentrate (kt)	392
Silver in concentrate (t)	1 280
Electrolytic copper (kt)	585
-including from own concentrate	394
Metallic silver (t)	1 222

Sales of KGHM Polska Miedź S.A.

Payable copper (kt)	583
Payable silver (t)	1 278

Production of KGHM International

Payable copper (kt)	54
TPM (koz t)	53.1

Production of Sierra Gorda (on a 55% basis)

Payable copper (kt)	91
Molybdenum (mn lbs)	2.9

Unit cost of copper production from own concentrate

The expected total unit cost of copper production from own concentrate⁽¹⁾ in KGHM Polska Miedź S.A. amounts to 26.5 thousand PLN/t.

CAPEX

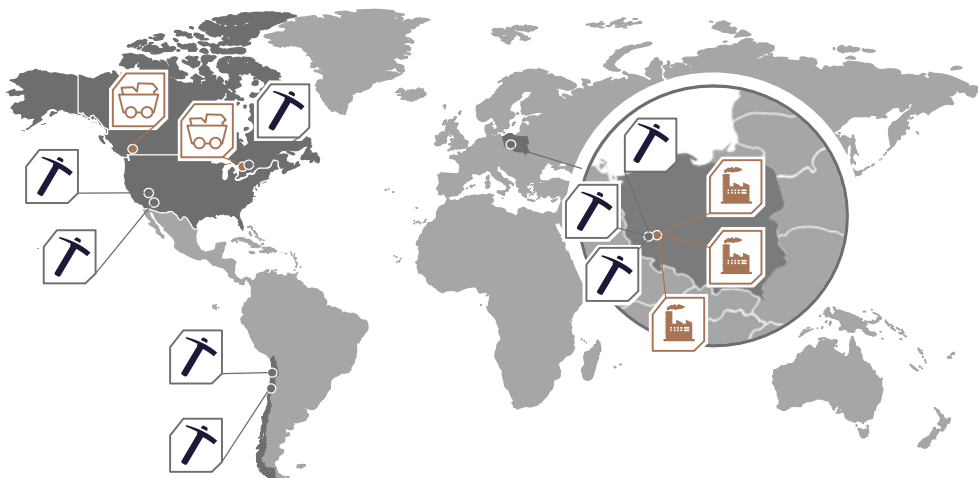
KGHM Polska Miedź S.A.'s capital expenditures on property, plant and equipment planned for 2022 amount to PLN 2 835 million, while other capital expenditures⁽²⁾ amount to PLN 202 million.

(1) the sum of costs of mining, flotation, smelter processing per electrolytic copper, together with support functions and cathode selling costs, adjusted by the value of inventories of half-finished products and work in progress, less anode slimes and divided by the volume of electrolytic copper production from own concentrate

(2) acquisition of shares and investment certificates of subsidiaries and related entities, as well as loans for these entities. Expenditures covered by expected proceeds related to the restructurisation of FIZAN are not included

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

Seventh
 largest
 copper
 producer



Second
 largest
 silver
 producer



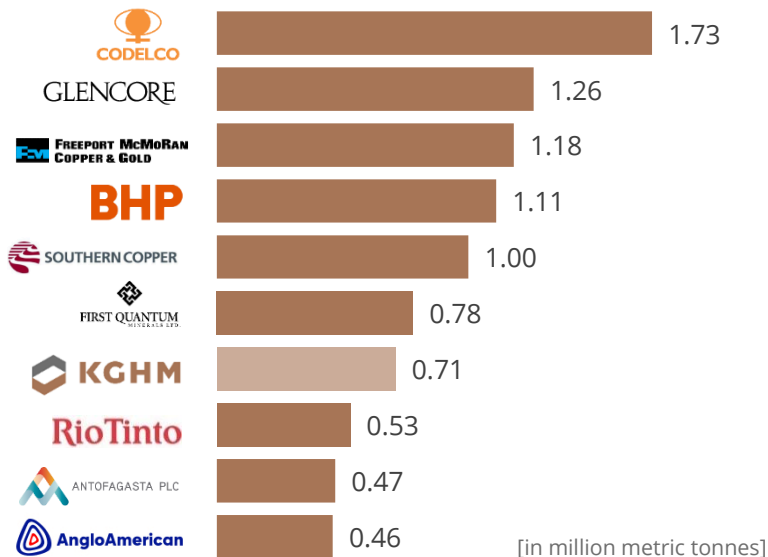
Other KGHM Group products:

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

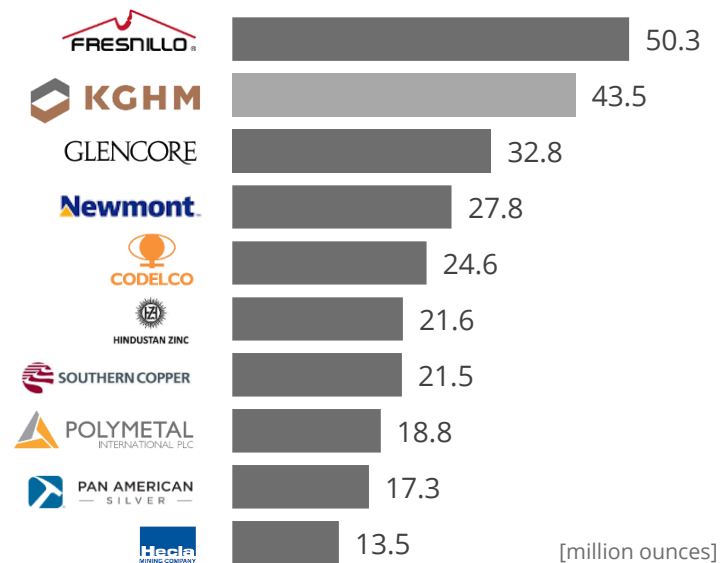


KGHM among the biggest copper and silver producers¹⁾

Mined Copper production 2020²⁾



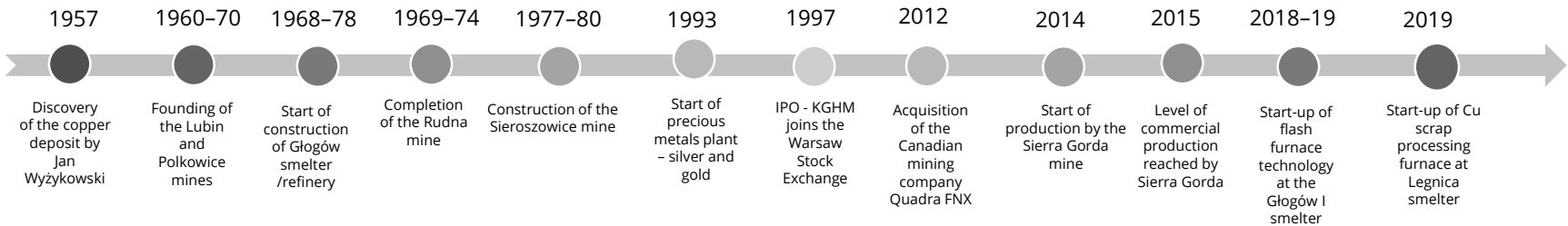
Silver production 2020³⁾



- 1) KGHM results as reported in its consolidated financial statement 2020
- 2) Statista, April 2020
- 3) World Silver Survey 2021

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



Core production assets in Poland – stable output and earnings

Underground copper mines, fully integrated production



Polkowice-Sieroszowice Mine

36 years LOM

- Copper in extracted ore in 2020: 191.0 kt
- Associated metals: silver, lead, rock salt, gold



Legnica Smelter and Refinery

LME grade A-registered cathodes

Capacity of ca. 120 kt electrolytic Cu/year¹⁾

- Other metals produced: Ag, Au, Pb, Re
- 2020 Cu production: 123.3 kt



Rudna Mine

21 years LOM

- Copper in extracted ore in 2020: 177.4 kt
- Associated metals: silver, lead, gold



Głogów I Smelter and Refinery

LME grade A-registered cathodes

Capacity of ca. 240 kt electrolytic Cu/year¹⁾

- Other metals produced: Ag, Au, Pb, Re



Lubin Mine

26 years LOM

- Copper in extracted ore in 2020: 73.5 kt
- Associated metals: silver, lead, gold



Głogów II Smelter and Refinery

LME grade A-registered cathodes

Capacity of ca. 230 kt electrolytic Cu/year¹⁾

- Other metals produced: Ag, Au, Pb, Re

2020 Cu production in total: 437.1 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 2020: 245.4 kt of copper wire and 14.1 kt of OFE rod

Key international assets

Existing operations and growth potential from projects

Producing assets



Sierra Gorda (55% stake), Chile

- | | |
|---|---|
| 23 years LOM | 2020 production stats: |
| <ul style="list-style-type: none"> ▪ Open-pit mine ▪ Porphyry | <ul style="list-style-type: none"> ▪ Cu production (payable): 148.7 kt |



Robinsón Mine, USA

- | | |
|---|--|
| 9 years LOM | 2020 production stats: |
| <ul style="list-style-type: none"> ▪ Open-pit mine ▪ Porphyry/Skarn orebody | <ul style="list-style-type: none"> ▪ Cu production (payable): 47.4 kt |



Sudbury, Canada

- | | |
|--|---|
| 7 years LOM | 2020 production stats: |
| <ul style="list-style-type: none"> ▪ Underground mine ▪ Footwall/Contact orebody | <ul style="list-style-type: none"> ▪ Cu production (payable): 2.1 kt |



Franke Mine, Chile

- | | |
|---|--|
| 5 years LOM | 2020 production stats: |
| <ul style="list-style-type: none"> ▪ Open-pit mine ▪ IOCG orebody | <ul style="list-style-type: none"> ▪ Cu production (cathodes: SX-EW): 12.5 kt |

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
 - The 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 accessing the deposit via 2 shafts
 - Forecasted annual production: 16 kt Cu p.a., 18 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.

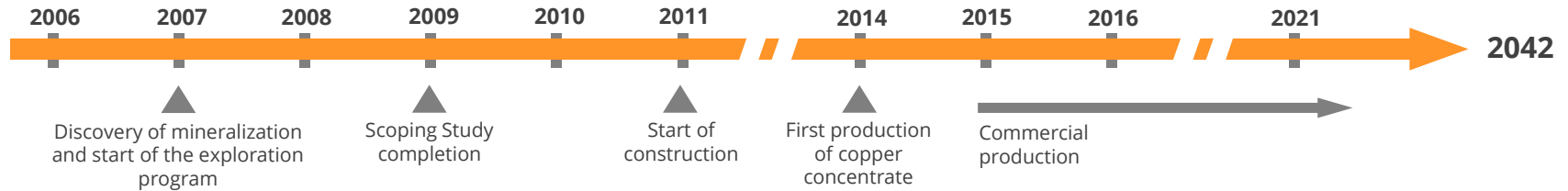
Sierra Gorda



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



Sierra Gorda payable copper production and silver production¹⁾

Cu production in 2020 vs 2019	81.8 kt	59.5 kt	↑ +37% y/y
Ag production in 2020 vs 2019	27.6 t	14.6 t	↑ +87% y/y

Q3 and first 9M of 2021 - KGHM Group

Copper – our key product

9M 2021

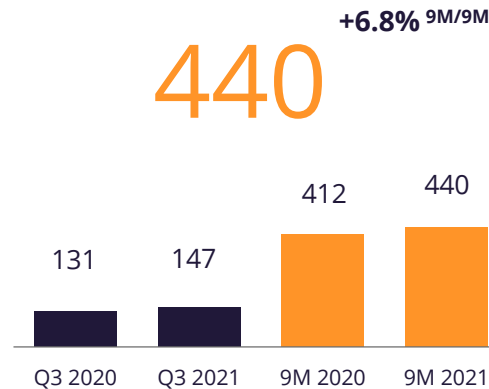
Payable copper production
by the KGHM Group
higher by 10.1% (9M/9M)

574

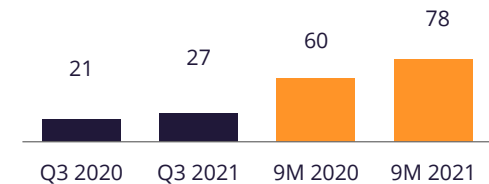
+10.1% 9M/9M
[kt]

- KGHM Polska Miedź:
higher production from
purchased copper-bearing
materials due to higher
availability of production lines
- Sierra Gorda:
higher recovery and higher
copper content in ore
- KGHM INTERNATIONAL:
higher production by the
Robinson mine

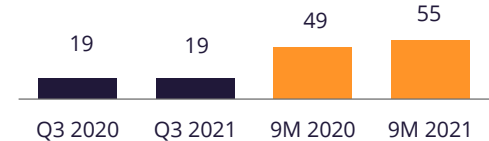
Payable copper production
KGHM Polska Miedź [kt]



Payable copper production
Sierra Gorda¹⁾ [kt]

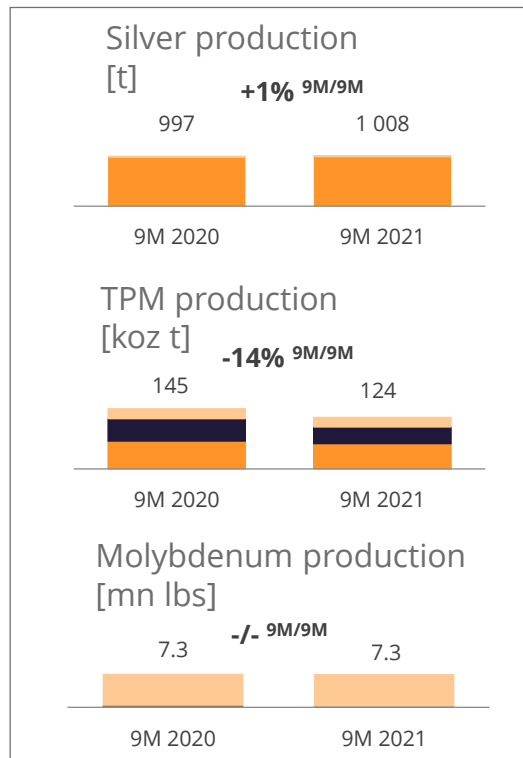
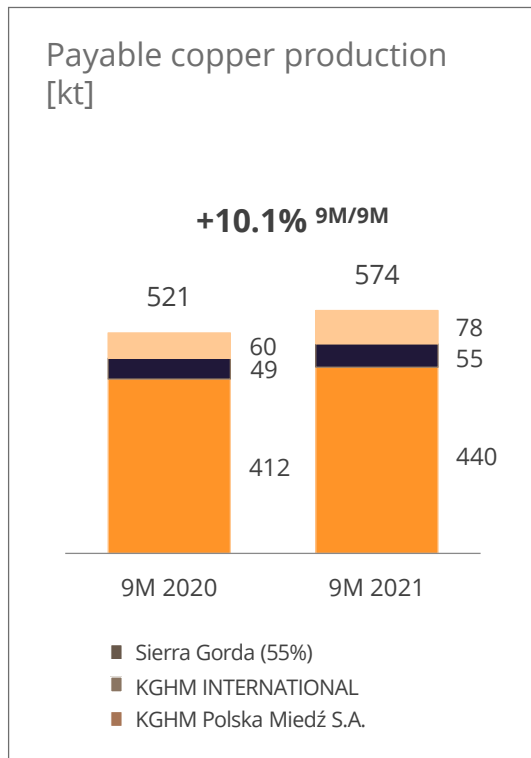


Payable copper production
KGHM INTERNATIONAL [kt]

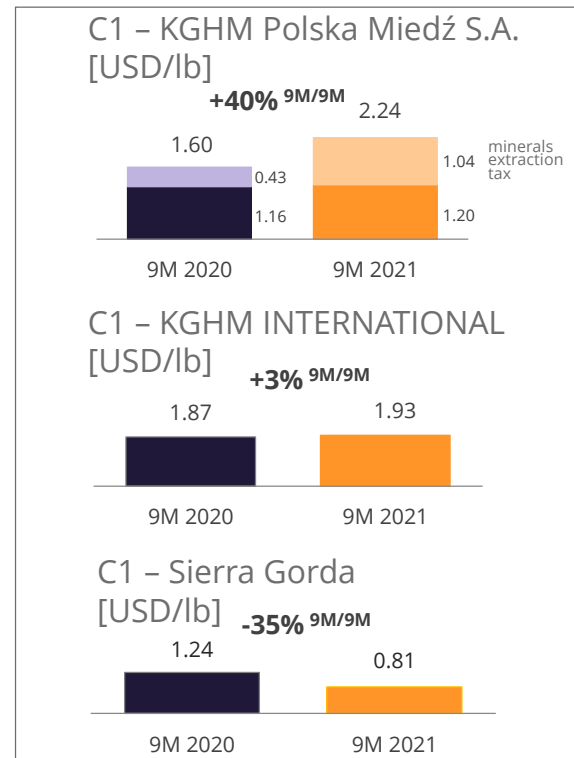


Other major metals and costs

Production

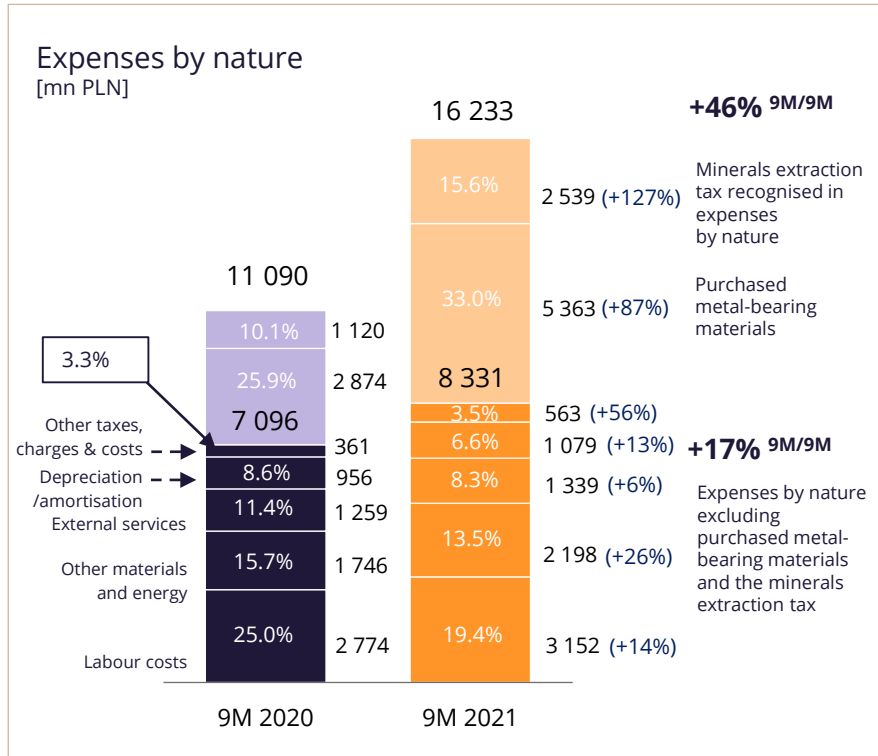


C1 cost



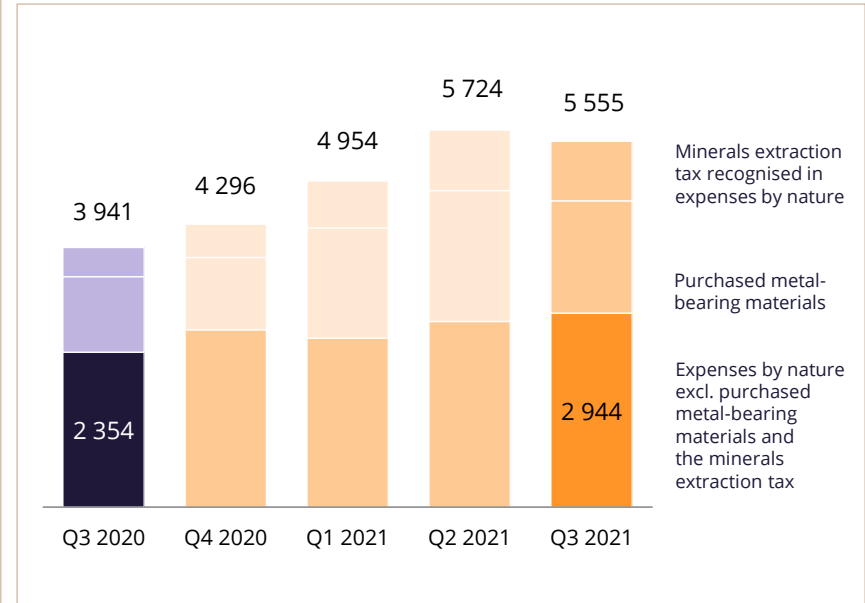
Expenses by nature

KGHM Polska Miedź S.A.



Expenses by nature higher by PLN 5 143 million, 9M/9M

(of which PLN 3 908 mn due to purchased metal-bearing materials and the minerals extraction tax)



Financial results – KGHM Group

9M 2021

Adjusted EBITDA nearly doubled for the KGHM Group compared to 9M 2020

Higher adjusted EBITDA compared to 9M 2020 (+3 312 mn PLN; +75%), of which by segment:

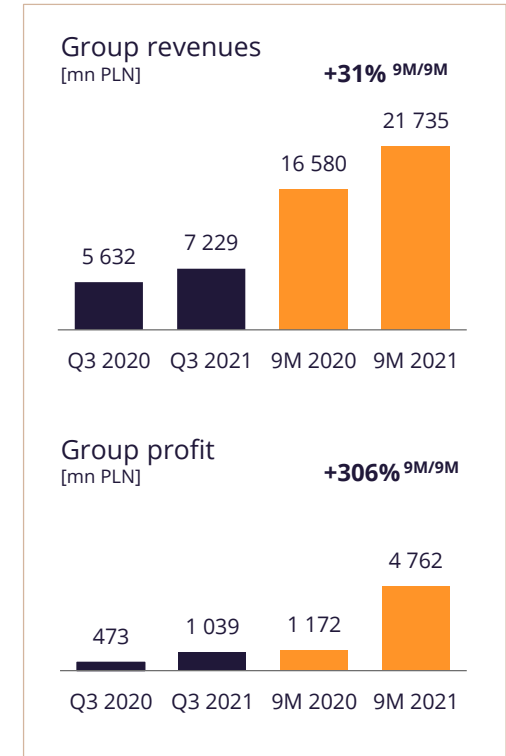
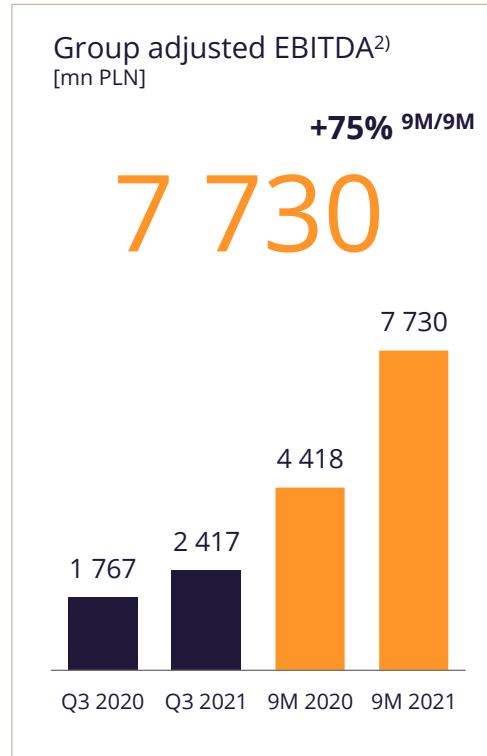
- KGHM Polska Miedź +PLN 1 220 mn – higher copper prices
- Sierra Gorda¹⁾ +PLN 1 458 mn – mainly higher revenues from copper sales due to higher prices and a higher sales volume
- KGHM INTERNATIONAL +PLN 598 mn – higher copper prices

Higher Group revenues

- Impact of higher metals prices

Higher Group profit for the period

- Improvement in EBITDA and reversal of impairment on loans aided in achieving a profit higher by PLN 3 590 mn (more than 4-times increase) than in 9M 2020

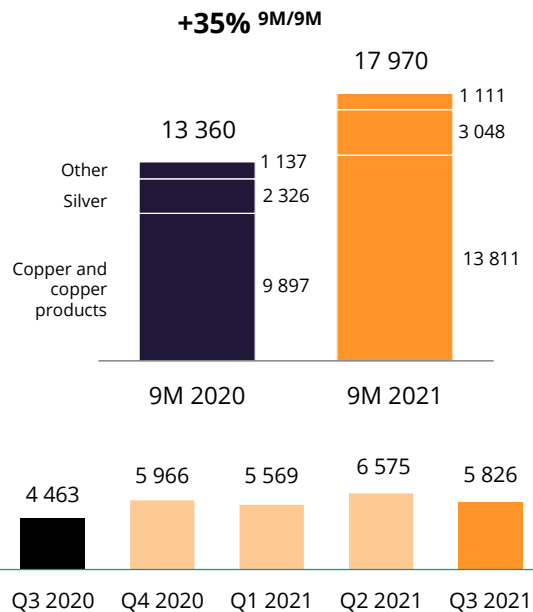


1) On a 55% basis

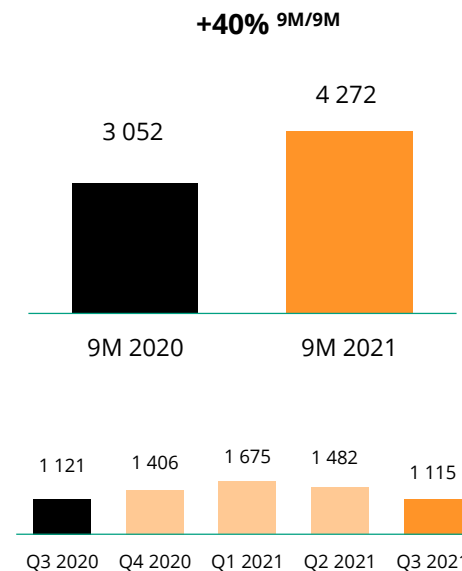
2) Sum of segments; adjusted EBITDA = profit/loss on sales + depreciation/amortisation adjusted by impairment losses/reversals of impairment losses on non-current assets

Financial results – KGHM Polska Miedź S.A.

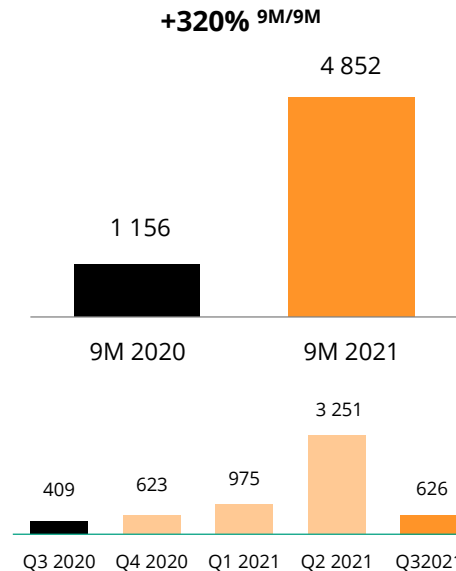
Revenues from contracts with customers [mn PLN]



Adjusted EBITDA [mn PLN]



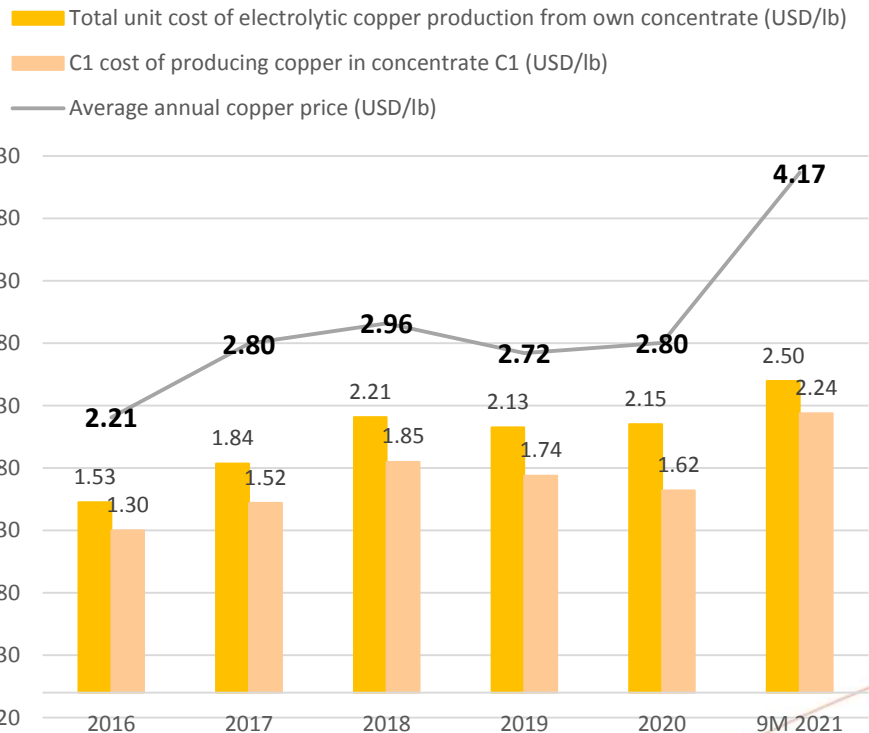
Profit for the period [mn PLN]



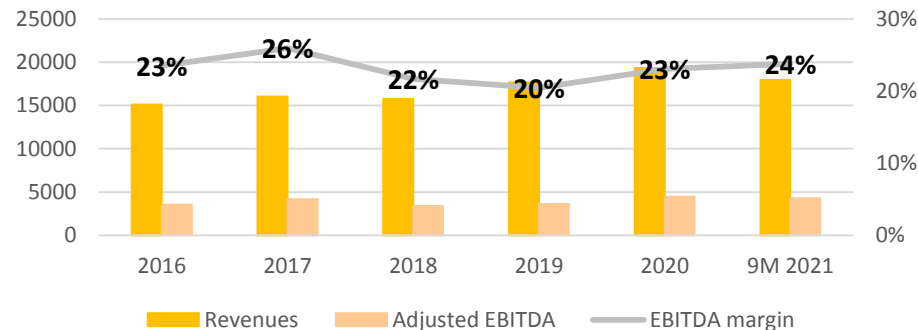
Margins remain robust



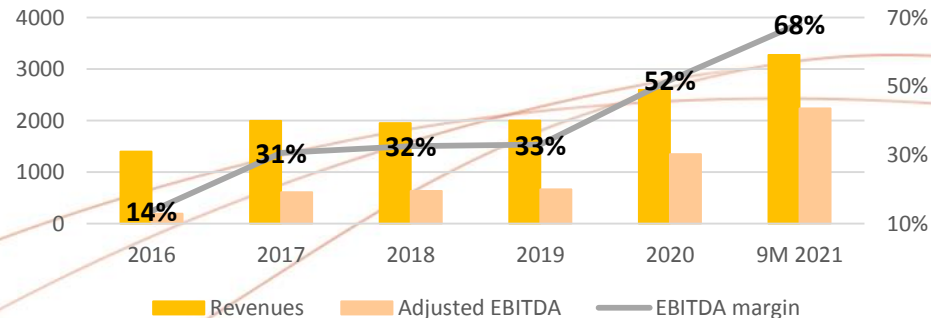
KGHM Polska Miedź S.A.
Copper production cost vs copper price



KGHM Polska Miedź S.A.
Revenues vs EBITDA (mn PLN)



Sierra Gorda S.C.M.
Revenues vs EBITDA (mn PLN)*

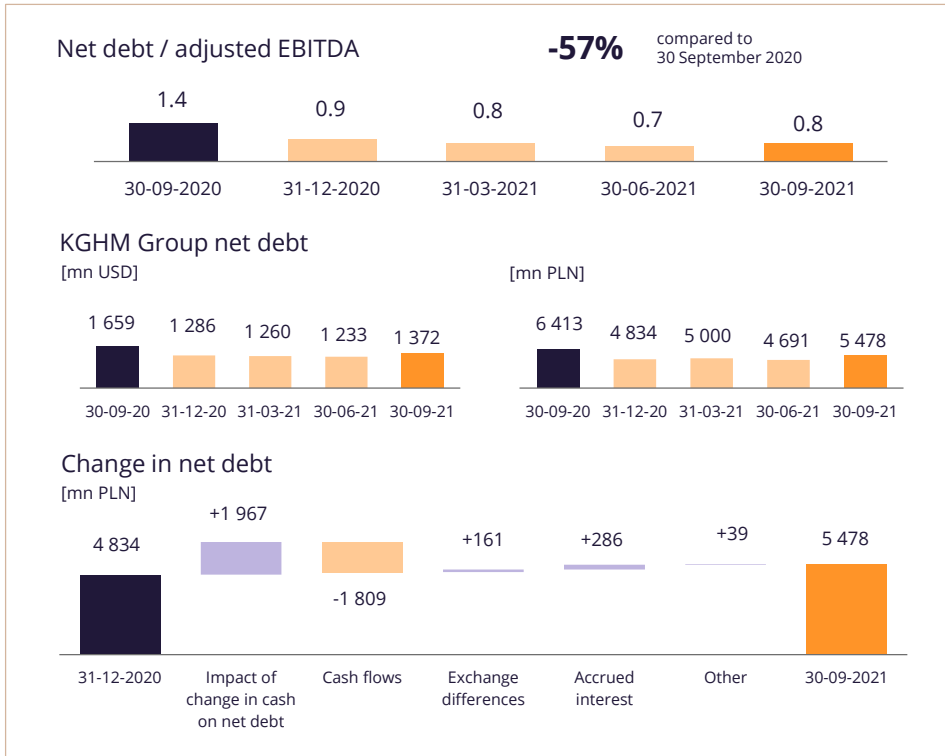


*Proportionally to the interest held (55%)

THE FUTURE IS MADE
OF COPPER

Net debt of the KGHM Group

As at the end of Q3 2021



Main factors affecting net debt in 9M 2021

Increases in debt

- Cash expenditures on property, plant and equipment (PLN 2 603 mn)
- The minerals extraction tax (PLN 2 539 mn)
- Change in inventories (higher by PLN 1 690 mn)
- Change in trade and other payables, incl. trade liabilities transferred to the factor (lower by PLN 374 mn)
- Dividend paid by KGHM Polska Miedź S.A. (PLN 300 mn)
- Negative exchange differences (an increase in PLN-denominated debt by PLN 286 mn)
- Change in trade and other receivables (higher by PLN 183 mn)
- Borrowing costs recognised in cash flow (PLN 80 mn)

Decreases in debt

- Positive cash flow from operating activities, excluding the change in working capital and the minerals extraction tax (PLN 7 452 mn)
- Proceeds from disposal of shares in the company PGE EJ1 (PLN 53 mn)

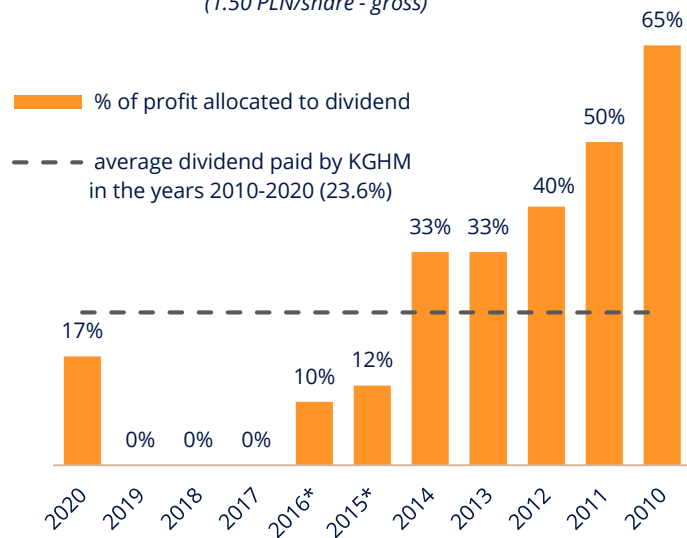
Capital allocation

Renewal of dividend payout

2020 Dividend Payout (17% of net profit)

300 mn PLN

(1.50 PLN/share - gross)



dividend date: 21 June 2021

dividend payment date: 29 June 2021

Dividend policy

The Dividend Policy of KGHM Polska Miedź S.A. is part of its on-going efforts to ensure a balance between dividends paid out to shareholders and opportunities to efficiently invest the Company's funds.

The Dividend Policy of KGHM Polska Miedź S.A. assumes that the Management Board will recommend allocation of **up to one-third of the Company's standalone net profit** for the previous financial year as a dividend, while taking into account the current and anticipated financial situation of the Company and the Group. In particular, in making its recommendation the Management Board will take into account the Company's anticipated requirements for capital to complete the Company's development program as well as a safe debt level for the Group.

* In the years 2015-2016 the company reported a net loss, mainly due to the impairment of assets. The dividend payout ratio for this period was calculated on the basis of the company's net result, after eliminating the impact of the impairments.

A rationale and responsible investment program

Capital expenditures by KGHM Polska Miedź S.A. in 9M 2021



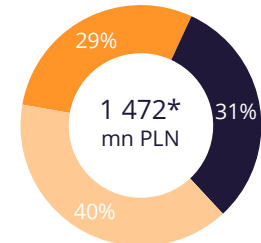
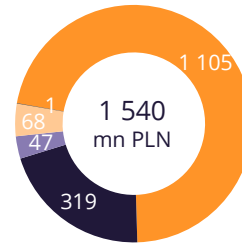
1 540 mn PLN

CAPEX execution in 9M 2021

2 853 mn PLN

CAPEX target for 2021

CAPEX execution in 9M 2021



*excl. Leasing per IFRS 16

Comparison: CAPEX and budget execution in 9M 2020

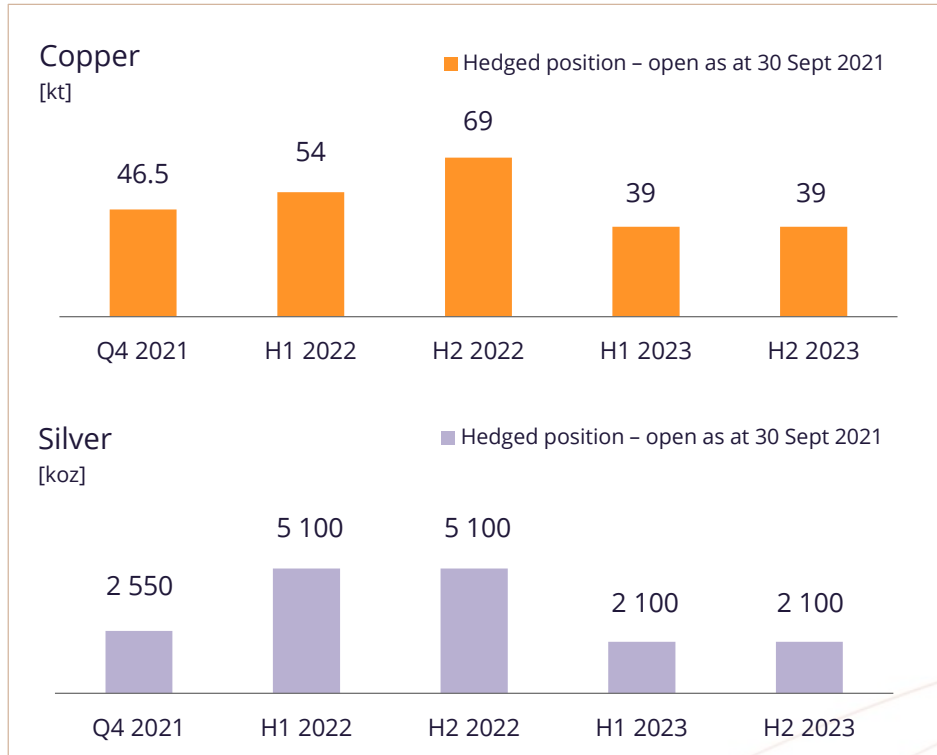


1 663 mn PLN
CAPEX execution 9M 2020

2 250 mn PLN
CAPEX budget target for CAPEX 2020

Market risk management

Hedged position on the copper and silver markets (as at 30 September 2021)



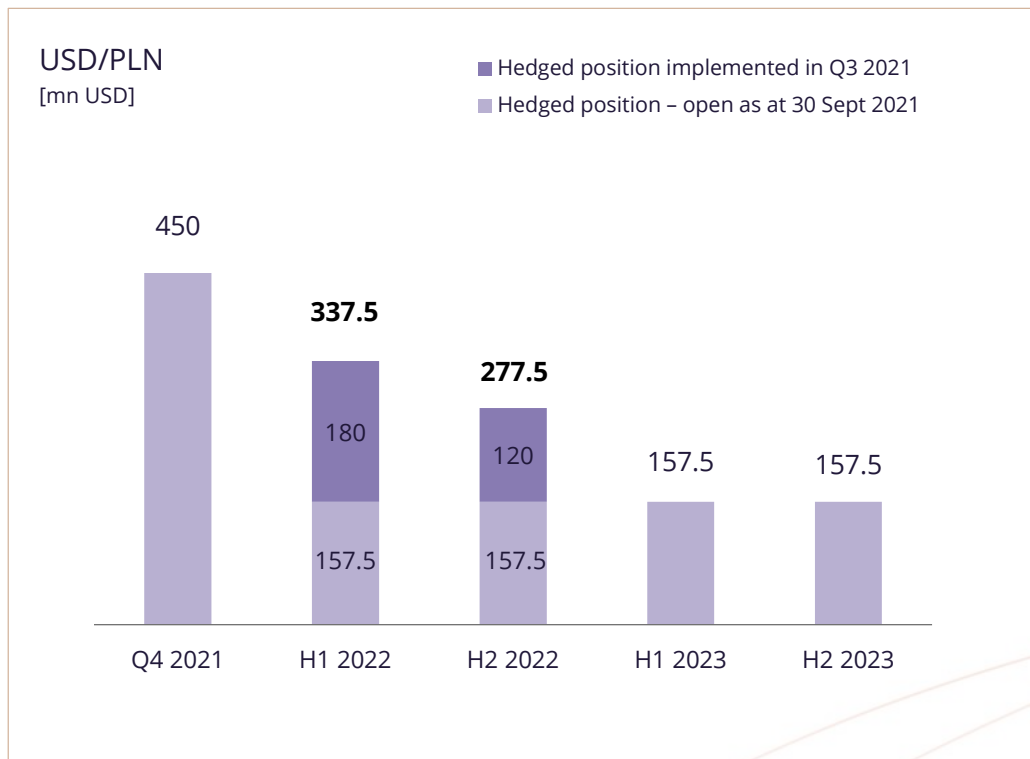
At the end of the third quarter of 2021 the Parent Entity recorded a result on derivatives* and hedges in the amount of -PLN 1 506 million:

- -PLN 1 159 million adjusted revenues from contracts with customers (transactions settled to 30 September 2021)
 - PLN 326 million decreased the result on other operating activities
 - PLN 21 million decreased the result on finance activities
- The fair value of open derivatives in KGHM Polska Miedź S.A. as at 30 September 2021 amounted to -PLN 869 million*
 - The revaluation reserve on cash flow hedging instruments as at 30 September 2021 amounted to -PLN 1 399 million
 - In the third quarter of 2021 the Parent Entity did not enter into derivatives transactions on the forward copper and silver markets

* excludes embedded instruments

Market risk management

Hedged positions on the currency and interest rate markets (as at 30 September 2021)



In the third quarter of 2021 transactions were implemented on the forward currency market:

- Put options were purchased for USD 180 million of planned revenues from sales, with maturities falling from January to June 2022
- In addition, collar strategies were implemented for the notional amount of USD 120 million with maturities falling from July 2022 to December 2022
- In Q3 2021 there were no transactions entered into on the forward interest rate market
- As at 30 September 2021 the Parent Entity held open CIRS (Cross Currency Interest Rate Swap) transactions for the notional amount of PLN 2 billion

Sustainable development – commitments of KGHM Polska Miedź S.A.

CLIMATE POLICY
ENVIRONMENTAL POLICY
ANTI-CORRUPTION POLICY

We produce copper responsibly

Achievements in 2021:



- The Głogów and Legnica smelter/refineries were certified by **The Copper Mark** – an international program providing a credible assurance framework to promote responsible production practices
- Expanded environmental reporting through the **CDP Climate Change** questionnaire, now including GHG¹⁾ Scope 3 emissions and climate risks – further data to be added following publication of the Climate Policy



Climate Policy:



- **KGHM's Climate Policy** was announced **with targets for 2030 and neutrality by 2050**, as a framework for further work towards a detailed **Decarbonisation Programme**

Based on analyses carried out for the purposes of the Climate Policy, further means to improve the management of emissions and their reduction will be identified

The granting of The Copper Mark, participation in the CDP project, continued presence in the FTSE4Good index series and the publication of our Climate Policy are expressions of the Company's sense of accountability for the environment and society. These endeavours also serve to mobilise and commit us to even greater efforts to reduce our impact on the environment.

Strengthening corporate governance

New Policies in KGHM Polska Miedź S.A.

ISO 14001

Environmental Policy

Based on continual improvement under the PN-EN ISO 14001 Environmental Management System, the Company's senior management is committed among others to the following:

- the continuous prevention and restriction of the Company's environmental and climate impact by improving and developing our technological processes, modernising and replacing equipment and preventing pollution and breakdowns,
- the rational utilisation of our environmental resources, such as land, water and forests and other natural resources,
- restricting the amount of waste generated and the continuous development of waste management methods,
- restricting emissions to the air, water and soil,
- restoring terrain adversely impacted by our activities,
- the active support of efforts to ensure biological diversity and, if that is not possible, to undertake appropriate compensatory actions.

[More...](#)

ISO 37001

Anti-Corruption Policy

The senior leadership of the KGHM Group hereby declares its absolute commitment to actions aimed at maintaining and perfecting the Anti-corruption Management System in accordance with the PN-ISO 37001 standard

- It is forbidden to take part in any behaviors of a corruption-related nature, consisting of offering, promising, giving, accepting, demanding or applying for undue benefits, whether financial or non-financial, in particular in connection with the performance of official duties,
- It is forbidden to engage in any type of retaliation towards individuals who have refused to give or adopt undue benefits. This also applies to cases that may result in the loss of business opportunities with entities of the KGHM Group,
- Anyone taking part in an act of a corruption-related nature, or being a witness or possessing information regarding said event, is obliged to immediately report such an occurrence,

[More...](#)

Climate Policy of KGHM Polska Miedź S.A.

Testifying to KGHM's ambitions of reducing its environmental footprint



KGHM's Vision

„To use our resources efficiently to become a leader in sustainable development”



Strategy of the KGHM Group

Strategic directions



1. Flexibility



2. Efficiency



3. Ecology



4. E-industry



Climate Policy of KGHM Polska Miedź S.A.¹⁾



A directional document aimed at **showing the actions to be taken by KGHM Polska Miedź S.A. to oppose climate change**



Sets forth the **ambitions of KGHM Polska Miedź S.A. to limit its impact on the climate**, as well as the principles to be followed by the Company in achieving them



Indicates **the Company's management methodology in adapting** to existing and forecasted **climate changes**

Climate Policy of KGHM Polska Miedź S.A.

The Policy will serve as direct support in advancing the the UN's Sustainable Development goals. Moreover, its implementation ensures the achievement of measurable benefits for the Company and its stakeholders.

The Climate Policy of KGHM Polska Miedź S.A. will directly support achievement of the UN's¹ Sustainable Development goals:



Goal 7: Ensure access to affordable, reliable, sustainable and modern energy for all



Goal 12: Ensure sustainable consumption and production patterns



Goal 13: Take action for the sustainable development goals

Thanks to the preparation and implementation of the Climate Policy, KGHM will:



Once again demonstrate its far-reaching goal of reducing the Company's carbon footprint



Lead to the substantial decarbonisation of the entire Polish economy, as one of the most energy-intensive enterprises in the country



Strengthen its market position, achieving a potentially better positioning of its products



Be a response to the ever-increasing expectations of the financial markets, shareholders and investors



Comply with the latest standards set forth in the Warsaw Stock Exchange's Best Practices for Listed Companies



Ensure further improvement in living and working conditions in those regions where it operates



Adapt to changes in the regulatory environment associated with the rise in energy prices and CO₂ emissions rights



Systematically enhance its ESG ratings

Identifying opportunities in the transformation to a low-emissions economy

The Climate Policy is a major step in seizing opportunities, and consequently in building long-term value



Supports the transformation into a low-emissions economy

- KGHM, as **one of the world's largest copper producers**, will have a substantial impact on the success of the transformation into a low-emissions economy, as is clear from the need to **secure the anticipated increasing demand for copper**, as a key component in a future, green economy



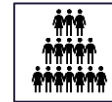
Lower emissions is a competitive advantage

- Reducing the Company's emissions and its products' carbon footprint will be one of its competitive advantages.** It is therefore vital to set ambitious emissions reduction objectives and support their achievement by dedicated processes within KGHM



Regulatory environment

- KGHM **will actively take advantage of the opportunities** arising from the climate transformation, including benefits connected with dedicated EU funds
- KGHM is **adapting to changes in the regulatory environment** and the associated obligations deriving from KGHM's impact on the climate, as well as the impact of the climate on the Company



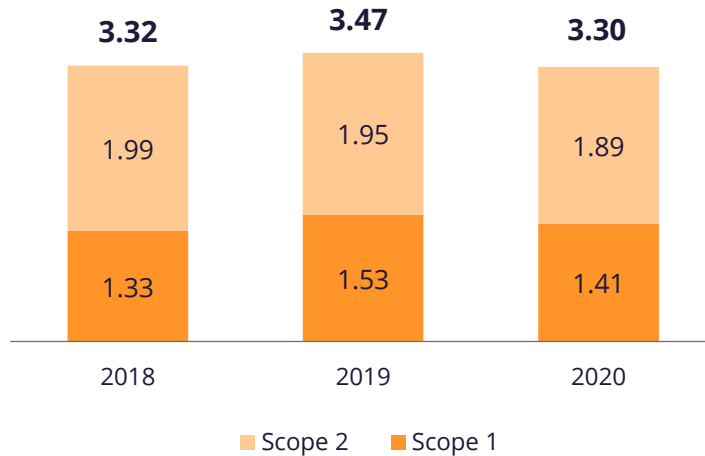
Stakeholder expectations

- The actions being taken in connection with the Climate Policy and the obligations arising therefrom will be beneficial not only for KGHM's surroundings, but will also have a substantial **impact on building the Company's long-term shareholder value**

Inventorisation of key sources of greenhouse gas emissions

At the Parent Entity level, to be followed in turn at the Group level

Scope 1 and 2 greenhouse emissions of KGHM Polska Miedź S.A. [mn t CO₂e]



Source: KGHM Polska Miedź S.A.



Annual CO₂-equivalent emissions by KGHM Polska Miedź S.A. are around 3.3 mn tonnes, of which around 40% are Scope 1 and 60% are Scope 2 pursuant to *GHG Protocol*¹⁾

In 2022 KGHM will conduct a full inventorisation of Scope 1 and Scope 2 emissions in its subsidiaries so as to publish complete information on Scope 1 and Scope 2 emissions for the entire organisation pursuant to *GHG Protocol* at the latest by mid-2023.

Moreover, KGHM will publish data on Scope 3 emissions by the Group at the latest in the first half of 2024.

Climate neutrality by 2050

Achieving climate neutrality by 2050 is the overriding goal of the Climate Policy of KGHM Polska Miedź S.A. Intermediate goal – the reduction of total Scope 1 and Scope 2 emissions by 2030 by 30%¹⁾



Main goals of decarbonisation:

- 1 **Reduce indirect emissions (Scope 2):**
 - Develop internal zero-emission and low-emission sources
 - Improve energy efficiency in the production divisions and enhance the efficiency of technological processes
 - Purchase RES energy under PPA contracts
- 2 **Gradually reduce direct emissions (Scope 1):**
 - Admixture of hydrogen in technological processes
 - Initial implementation of electromobility projects

Reduction goals for the entire KGHM Group will be announced at the latest in the first half of 2023

Main goals of decarbonisation:

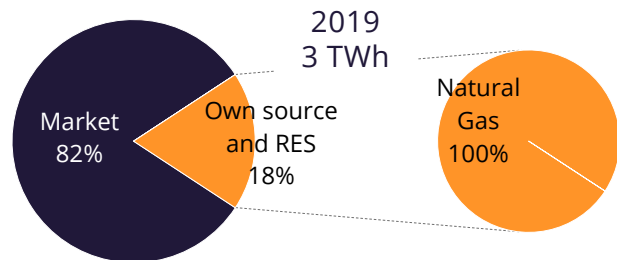
- 1 **Total reduction of indirect emissions (Scope 2):**
 - Power and heat solely from zero-emission sources (mainly conversion to internal zero-emission sources)
- 2 **Maximum reduction of direct emissions (Scope 1):**
 - Hydrogen technology
 - Electromobility
 - Implementation of advanced production technology
 - Utilisation of CCU and CCS technology²⁾
- 3 **Potential offset of other emissions**

Details regarding capital expenditures on actions to restrict greenhouse gas emissions will be included and announced as part of the Decarbonisation Program of the KGHM Group

By 2030 the increase in share of RES will lead to a substantial reduction in CO₂ emissions

Share of power source in supplies to KGHM Polska Miedź S.A.

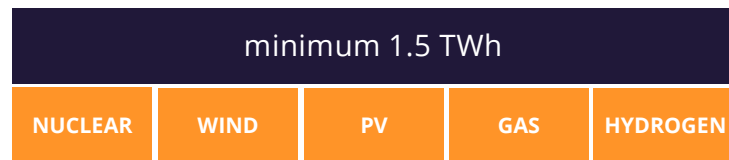
2019:



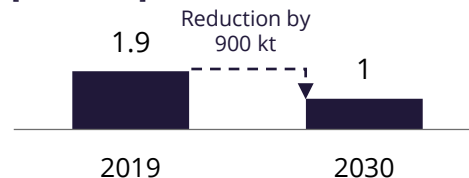
2020:

Own generation sources covered 22.42% of KGHM's total power needs in 2020 (almost 1.5% more than in 2019)

2030:



Estimated CO₂ emissions due to electricity consumption [mn tonnes]



Implementation of the „Development of Energy generation, incl. RES“ Program alongside changes in the national energy system structure will enable the avoidance of approx. 900 kt of CO₂ annually



100% of electricity to be generated **by RES** in the **Sierra Gorda mine** from 2023

Implementation of the Climate Policy of KGHM Polska Miedź S.A.

Adapting the Company's operating principles to achieve its GHG emissions reduction targets and reflecting climate risk in its internal processes

KGHM wants to be a major participant in the green transformation. This is reflected not only in the development of its primary activities, but also in the introduction of a variety of changes in the way the Company operates, aimed at demonstrating our awareness of climate change and strengthening our Communications in this regard with all of our stakeholders.

- To ensure compliance with best market practice, KGHM will work towards the implementation of a climate reporting system based on the recommendations from 2017 of the Task Force on Climate-Related Financial Disclosures („TCFD Recommendations“)
- The first step in the implementation of the new reporting system will be the preparation of corporate structures to meet the requirements of the TCFD Recommendations by implementing a variety of changes in KGHM Polska Miedź S.A.
- The changes currently being planned will encompass the key business and management processes – in particular those connected with or impacting GHG emissions by KGHM.

Organisational and process changes in KGHM Polska Miedź S.A. To comply with the TCFD Recommendations



Corporate governance

Changes aimed at the introduction of mechanisms for monitoring and supervising climate questions by KGHM's management and supervisory staff, including the Management Board



Strategy

Changes aimed at the introduction of mechanisms to reflect the climate question in the processes of updating, implementing and monitoring the Strategy



Risk management

Changes aimed at the comprehensive integration of climate risk into the current system of Corporate Risk Management in KGHM Polska Miedź S.A.



Indicators and targets

Changes aimed at introducing a process of measuring emissions by the KGHM Group which is fully compliant with GHG Protocol, and at implementing preliminary indicators appropriate for monitoring improvements in the resilience of the business model of KGHM Polska Miedź S.A. to climate change

Employee safety as a strategic priority for the KGHM Group



Safety and development

- **ISO 45001:2018**

Granting of an Occupational Health and Safety Management System Certificate

- **Leader's Gold Card of Workplace Safety**

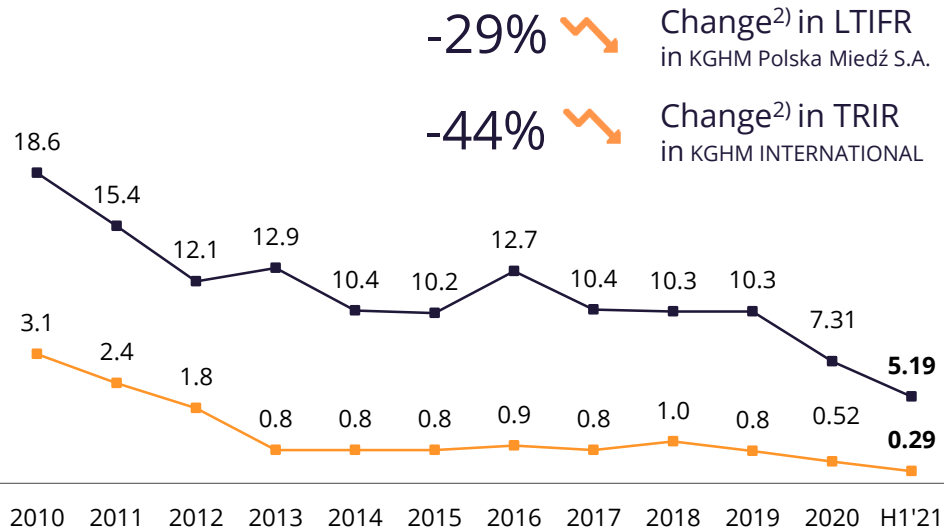
A 19% (h/h) decrease in the number of recognized accidents at work from 95 to 77 registered at the end of H1 2021

- **Historically-low accident ratio**

Thanks to the outstanding behaviour and commitment of all employees

— TRIR in KGHM INTERNATIONAL LTD
 — LTIFR in KGHM Polska Miedź S.A.

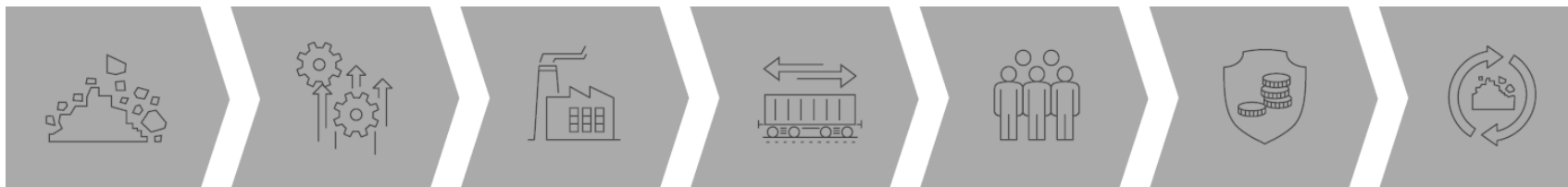
Accident ratios¹⁾



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 International Council on Mining & Metals standard, in total for the employees of KGHM INTERNATIONAL LTD., KGHM Chile SpA and Sierra Gorda S.C.M. and sub-contractors for these entities, per 200 000 worked hours

2) Average accident rate for H1 2021 compared to the average for 2020

Sustainable value chain in the KGHM Group



Raw materials

Responsible use of raw materials while caring for natural resources

Extraction

Rational deposits management - Intelligent production solutions - KGHM 4.0

Production

Reduction of the environmental, product and organisational footprint

Logistics

Reduction of emissions, making logistics structures and procedures more efficient

Stakeholders

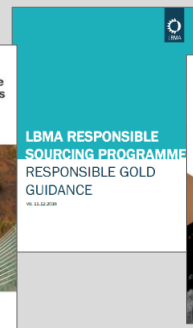
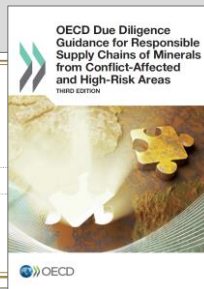
Customers, consumers and partners as guideposts for the Company's standards of responsible actions

Commerce

Commerce based on Fair Trade principles

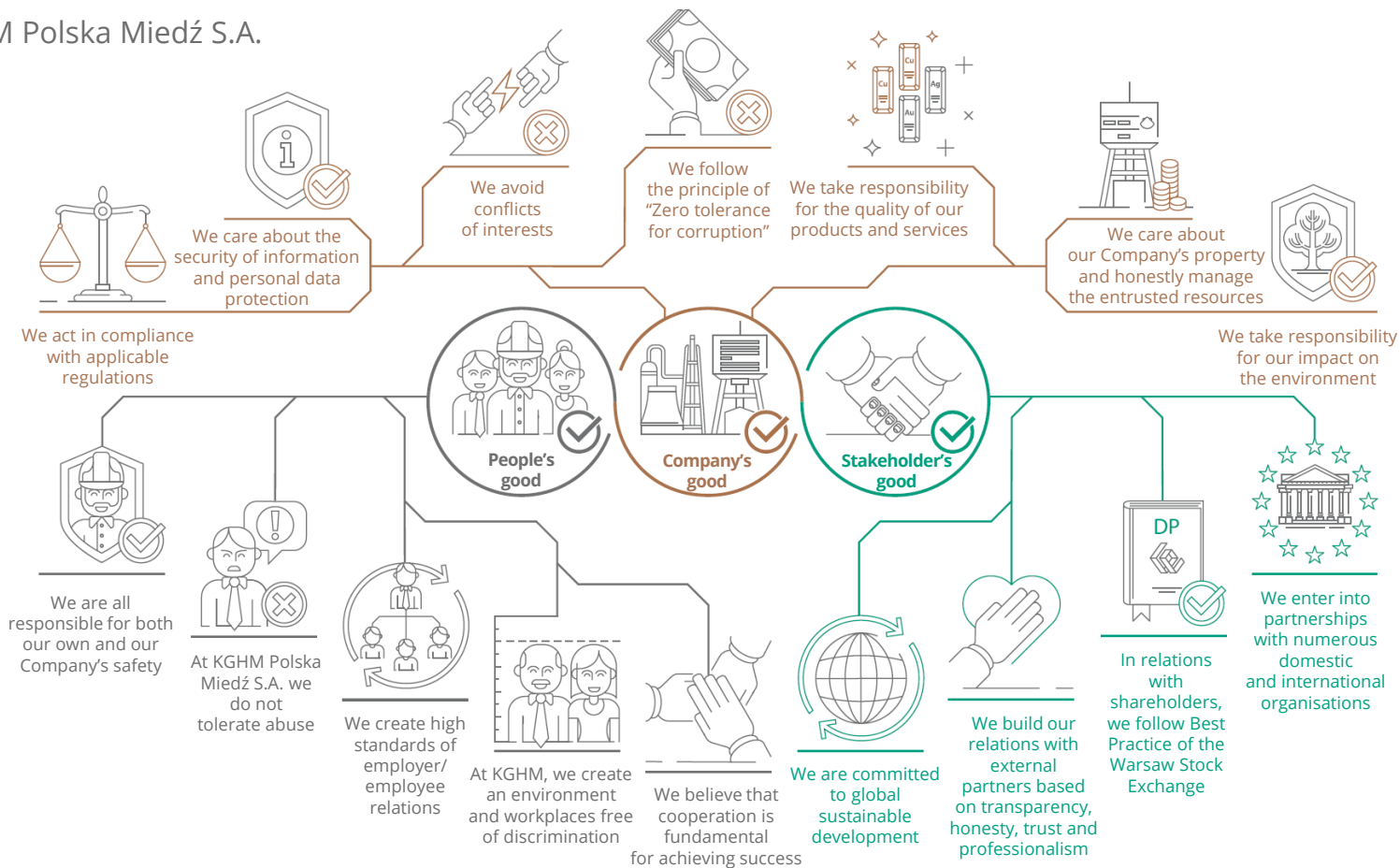
Tailings

Product life cycles based on the Circular Economy and adherence to its principles at every stage of the value chain



Ethical standards

KGHM Polska Miedź S.A.



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



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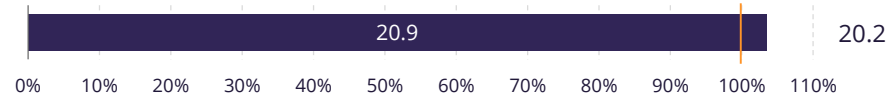
Supporting slides

The financial situation of the KGHM Group remains stable and safe

2021
Budget

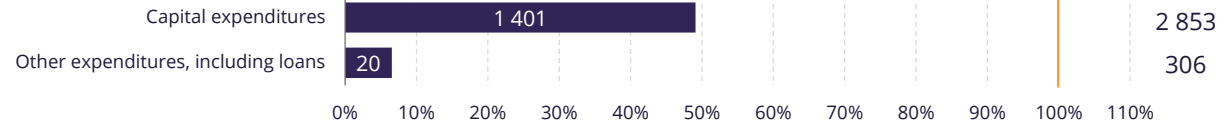
Total unit production cost

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



Investments

of KGHM Polska Miedź S.A.²⁾
[mn PLN]



Liquidity of the KGHM Group

[net debt / adjusted EBITDA]³⁾

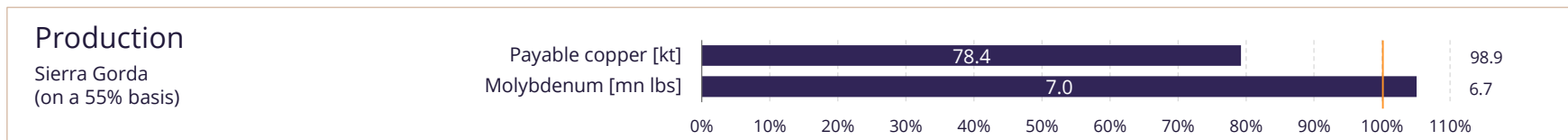
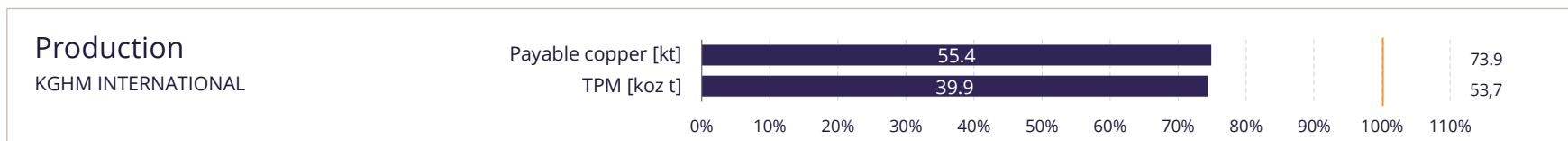
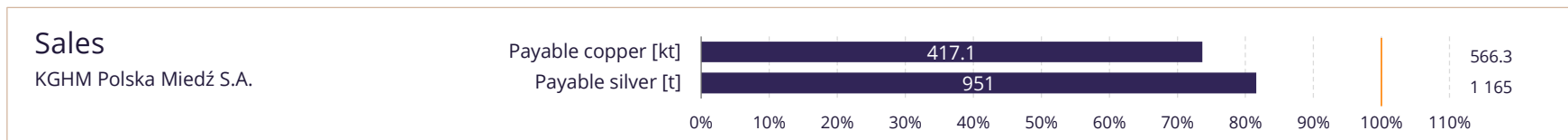
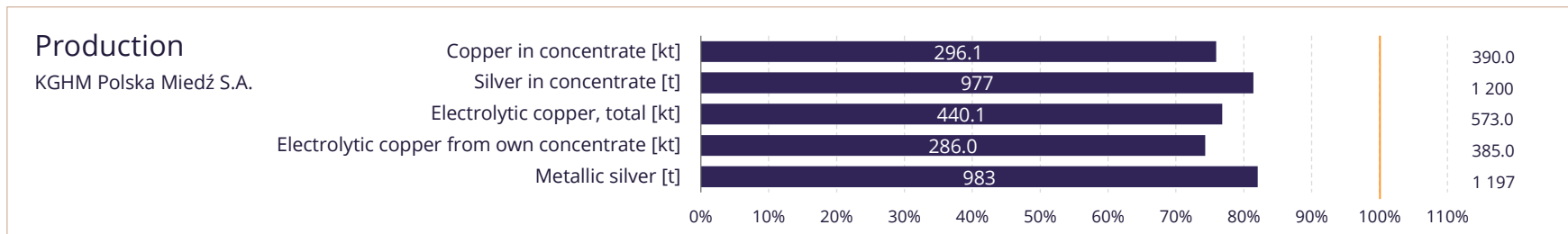


- 1) Sum of costs of extraction, floatation and metallurgical processing per cathode, together with support functions and cathode selling costs, adjusted by the value of inventories of half-finished products and work in progress, less the value of anode slimes and divided by the volume of electrolytic copper production from own concentrates
- 2) Capital expenditures – excluding costs of borrowing, leasing per IFRS 16 unrelated with an investment project and development work – uncompleted;
Other expenditures – acquisition of shares and investment certificates of subsidiaries and associates and loans granted
- 3) Adjusted EBITDA for 12 months, to the end of the reporting period, 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 2021

Group production and sales in 9M 2021

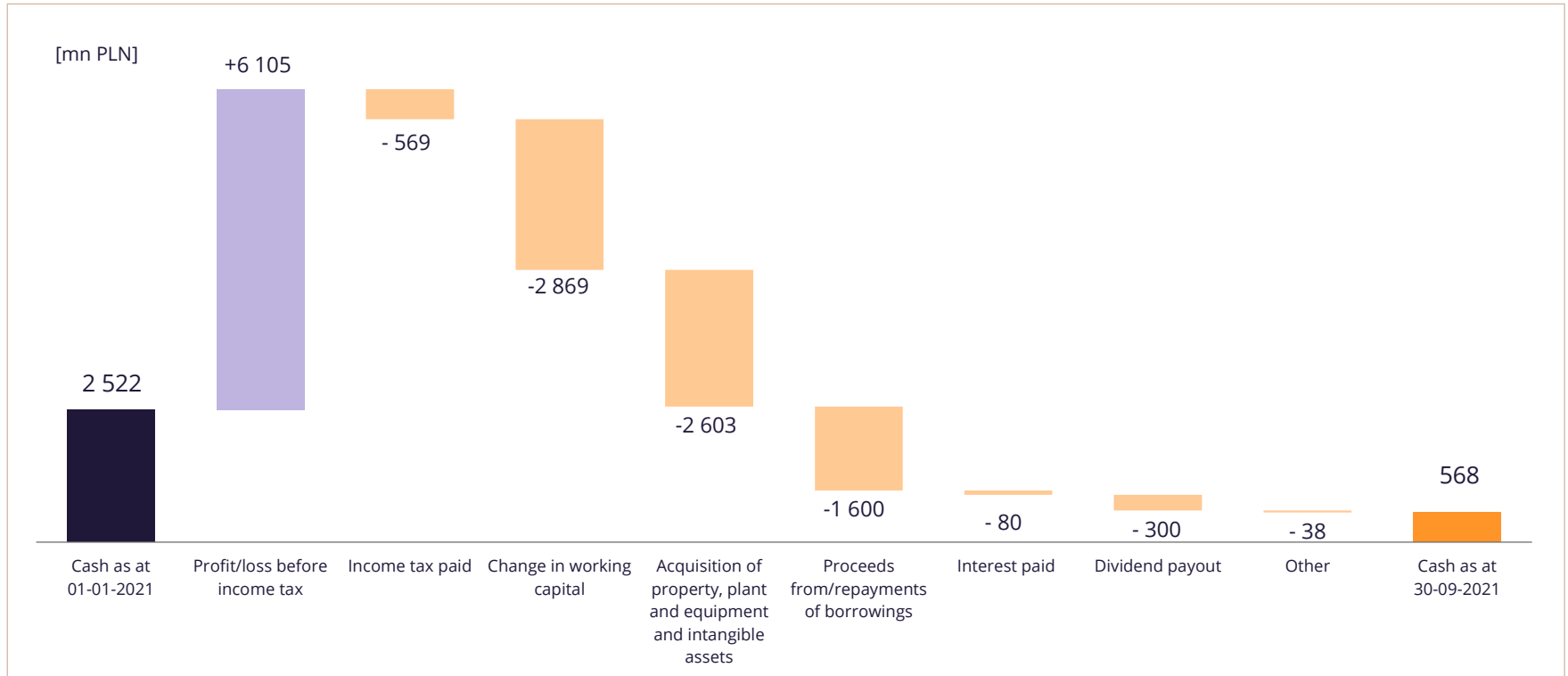
Execution of annual targets

2021
Budget



Cash flow

KGHM Group



The KGHM Group vs the sector

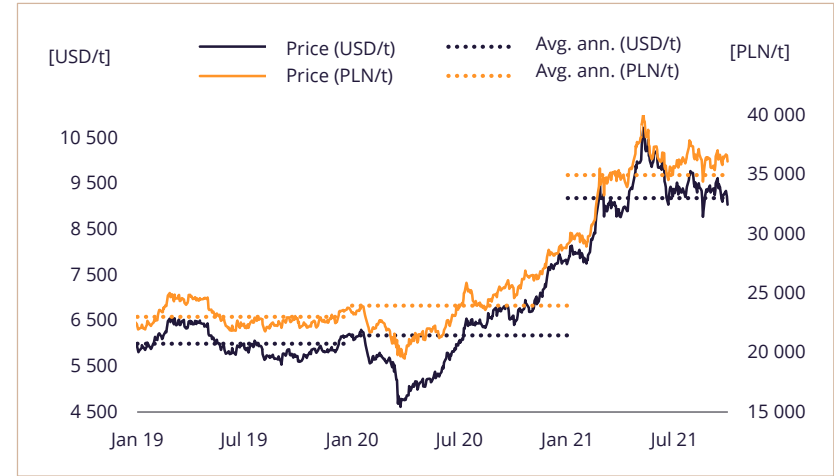
Macroeconomic environment – Q3 2021

Macroeconomic environment

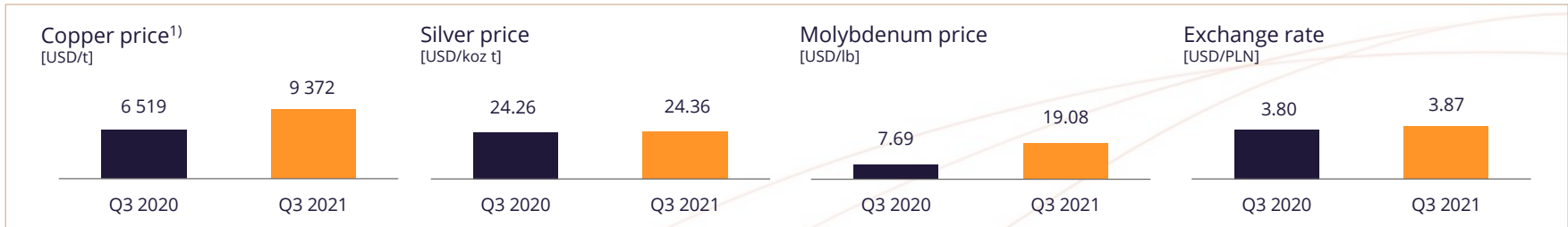
Commodities and currencies prices

Copper prices in Q3 2021 stabilised above 9 000 USD/t, with an average price of 9 371 USD/t. The Chinese economy remained the focus of attention.

- The average price of copper in the third quarter of 2021 was 44% higher than in the corresponding period of 2020; in contrast, silver prices in the third quarter of 2021 remained practically unchanged compared to the corresponding period of 2020 (+0.4%)
- The average price of molybdenum was 148% higher compared to the comparable period of 2020
- The average price of copper in PLN was nearly 46% higher than in the third quarter of 2020, due to an increase in the USD/PLN exchange rate (an increase by 2% y/y)



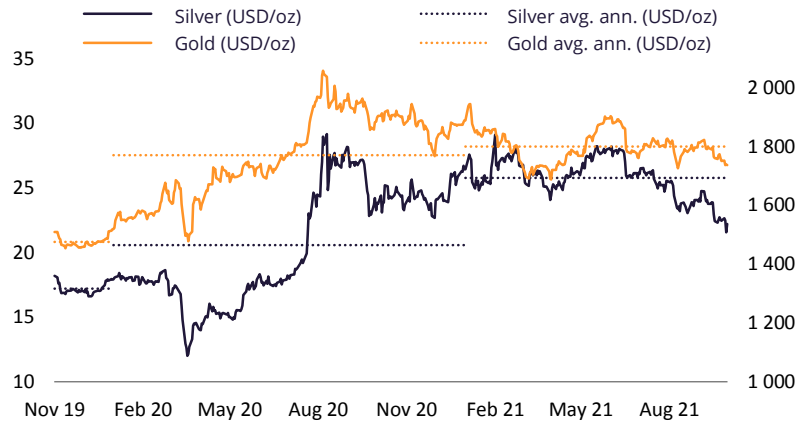
Source: Thomson Reuters, KGHM Polska Miedź S.A.



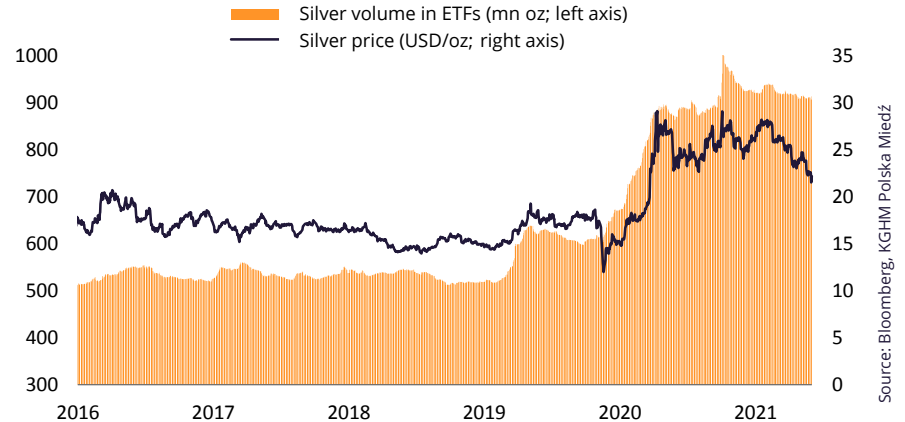
Precious metals prices in Q3 2021

The third quarter of 2021 saw a bearish trend in silver and consolidation of gold prices below 1 800 USD/oz

The silver price fell in Q3 2021, approaching 23 USD/oz



The drop in investor interest in silver was confirmed by the check on inflows of cash to ETFs

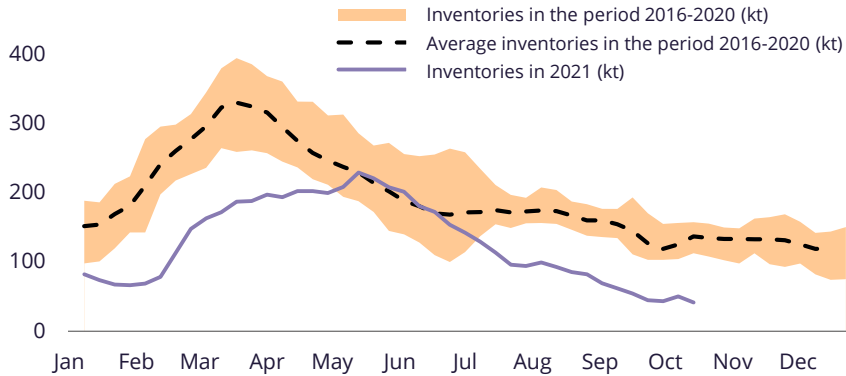


- The price of gold in Q3 2021 oscillated around 1 800 USD/oz, the average gold price was 1 789 USD/oz and was more than 6% lower than the average for the corresponding period of 2020; in contrast the price of silver decreased in Q3 2021 to around 23 USD/oz
- Taking into consideration the nature of silver as both a precious and an industrial metal, it suffered doubly as a result of rising expectations of a tightening of monetary policy, which reduced the attraction of precious metals, while fears of a global economic slowdown had a negative impact on industrial metals
- In 2021 the trend towards growing institutional demand for silver, mainly in the form of inflows to ETFs, was checked

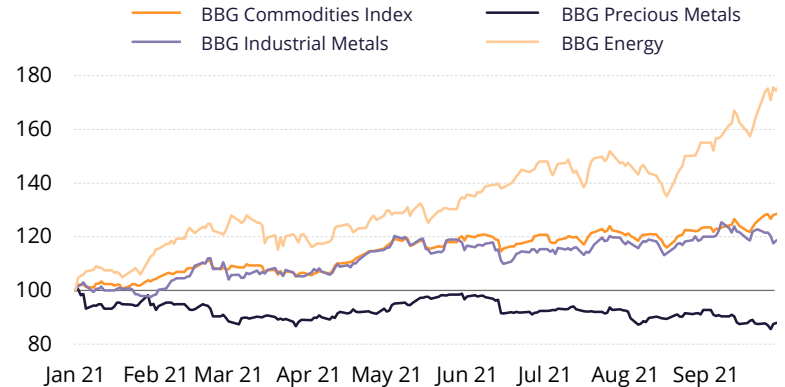
Lower inventories in official copper warehouses in Shanghai in Q3 2021 compared to previous years

The energy commodities index has risen by nearly 80% since the start of 2021

Inventory movements on the Shanghai market are showing marked divergence from the seasonal trends of prior years



The energy commodities index just in Q3 2021 rose by more than 20%



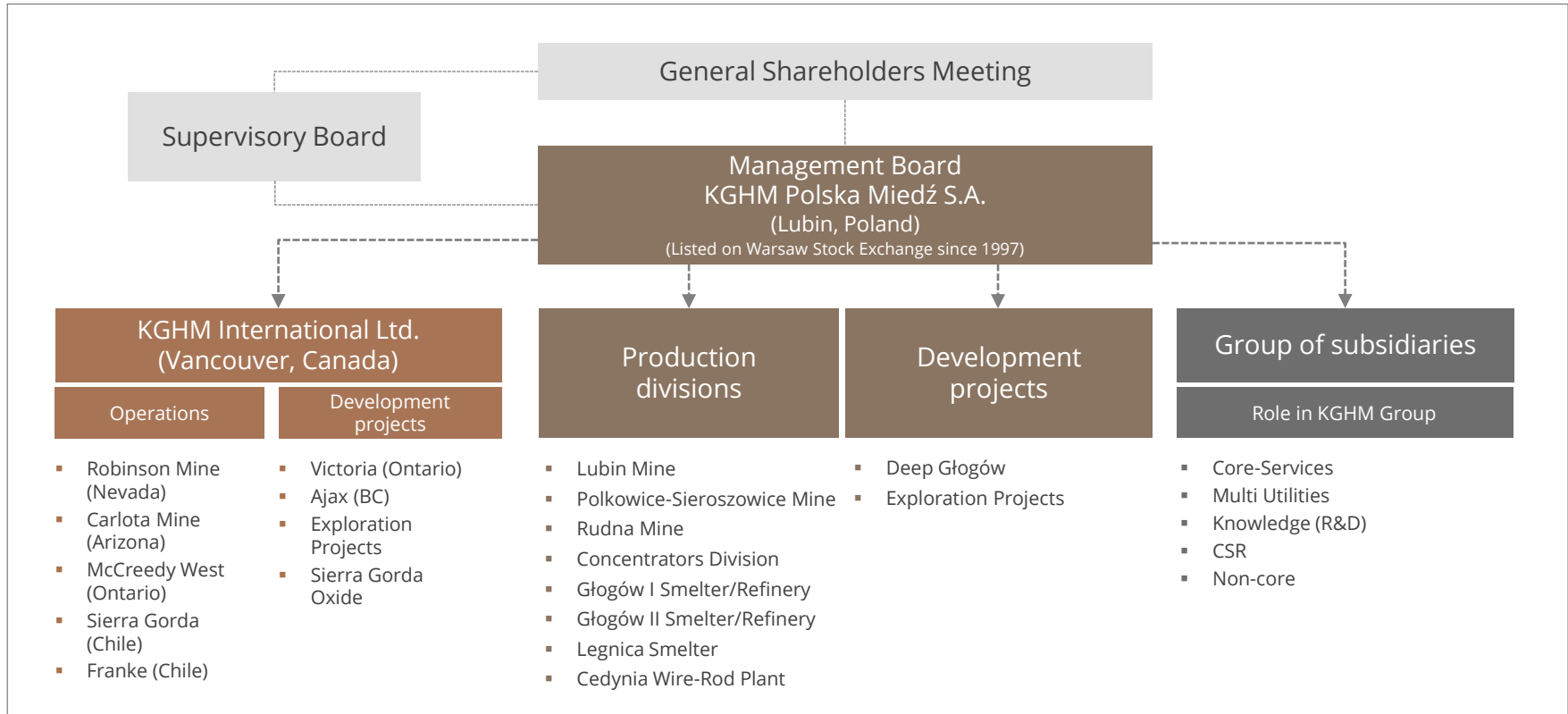
Source: Bloomberg, KGHM Polska Miedź

- The low copper inventories on the Chinese market indicate much stronger demand for physical metal than is suggested by historical performance in the last 5 years
- According to announcements by the Chinese State Reserve Bureau, cathodes from previously-built inventories will flow onto the market until year's end; plans regarding the amount of copper to be made available are not known
- The decrease in inventories on the Chinese market is also the result of restrictions on the processing of low-quality scrap in Malaysia

- The Bloomberg commodities index at the end of September 2021 reached its lowest level in 6 years
- Precious metals prices are more than 10% lower than at the start of 2021
- Strong increases in natural gas and crude oil prices drove up the energy commodities prices index in 2021 by nearly 80%

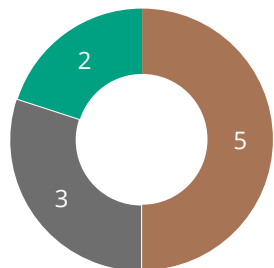
Governance

Transparent Group structure



Committed to solid corporate governance

Independent directors on the Supervisory Board (10 directors total)



■ Independent Directors
■ Employee Elected
■ Other

Independent Directors by gender:
4 men, 1 woman

Total directors by gender:
8 men, 2 women

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

External recognition of ESG performance:

Copper Mark – 2 facilities, since 2021

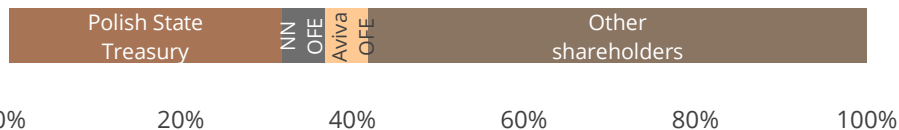
FTSE4Good index certificate – since 2018

MSCI – BB rating

Shareholder structure of KGHM Polska Miedź S.A.

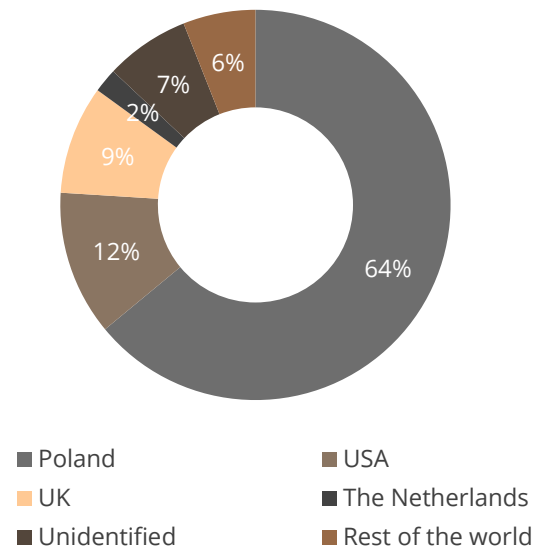
Ownership structure

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]



Sustainable development – supporting slides

Environmental protection

Primary obligations of KGHM Polska Miedź S.A.



We supply metals and related products in order to achieve the environmental goals of contemporary society, including actions on behalf of the climate and efficient energy use



We keep abreast of new technologies to reduce industrial impact on the environment and introduce them according to our needs and possibilities



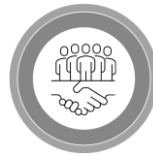
We minimise waste generation and are constantly developing techniques to manage waste in order to achieve the greatest degree of environmental protection



We strengthen our employees' sense of accountability to protect the environment



We apply the principles of responsible management of chemicals introduced by the EU's REACH and CLP regulations



We conduct objective, open and respectful dialogue with our local communities and appropriate government bodies concerning the environment



We operate our installations in compliance with the environmental permits held. We monitor emissions to the air, water and soil. We minimise the utilisation of limited resources, such as soil, water and energy

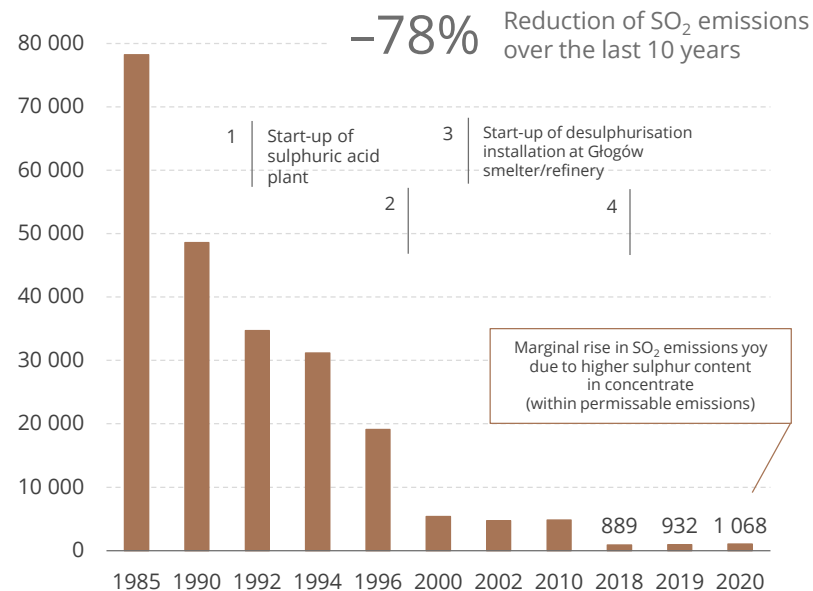


We actively strive to preserve and, if unavoidable, to restore losses of biological diversity, as well as to responsibly manage our earth, its forests and water

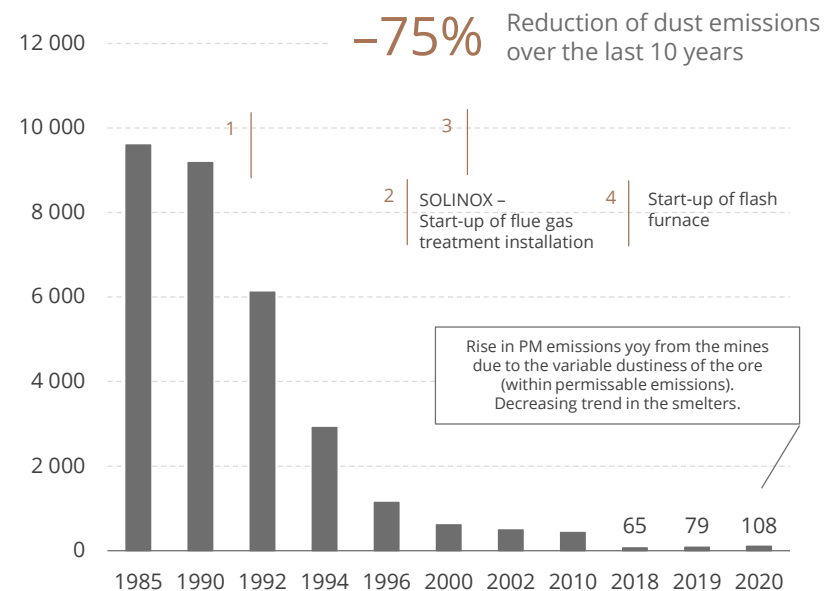
Emissions by the divisions of KGHM Polska Miedź S.A.

SO₂ and dust emissions¹⁾

SO₂ emissions by KGHM Polska Miedź S.A.
[tonnes]



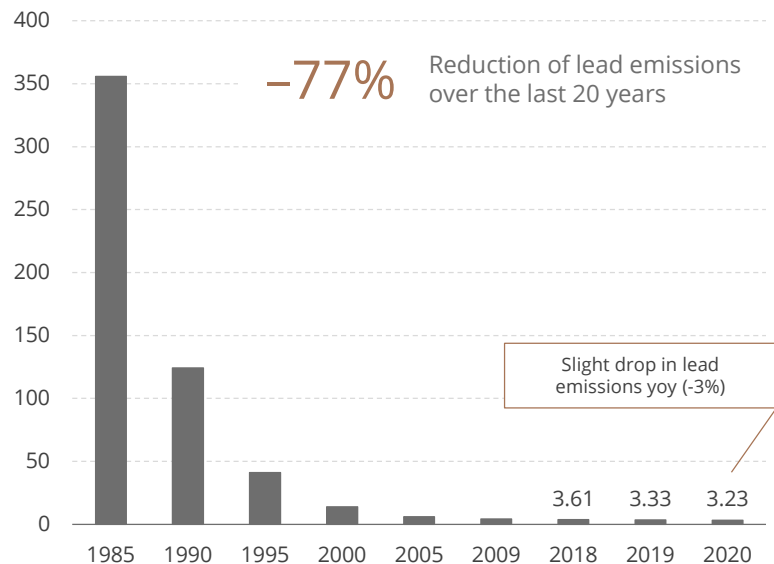
Dust emissions by KGHM Polska Miedź S.A.
[tonnes]



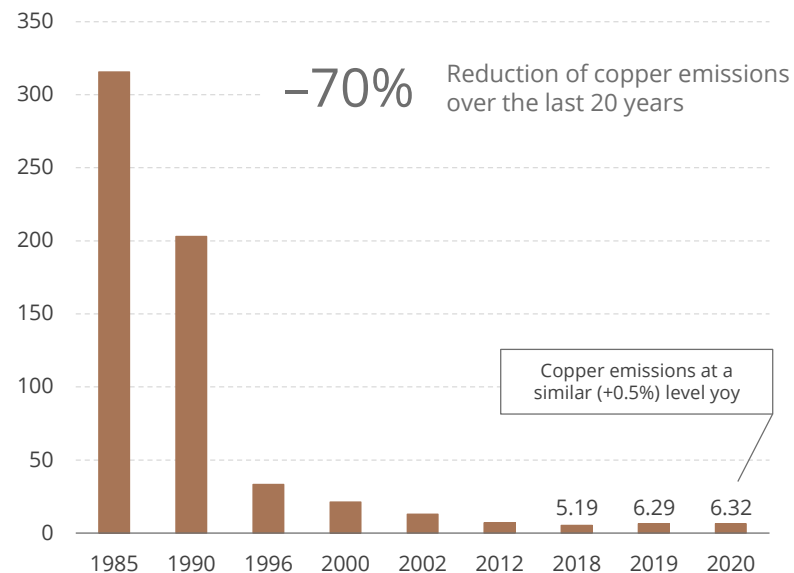
Emissions by the divisions of KGHM Polska Miedź S.A.

Lead and copper emissions

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

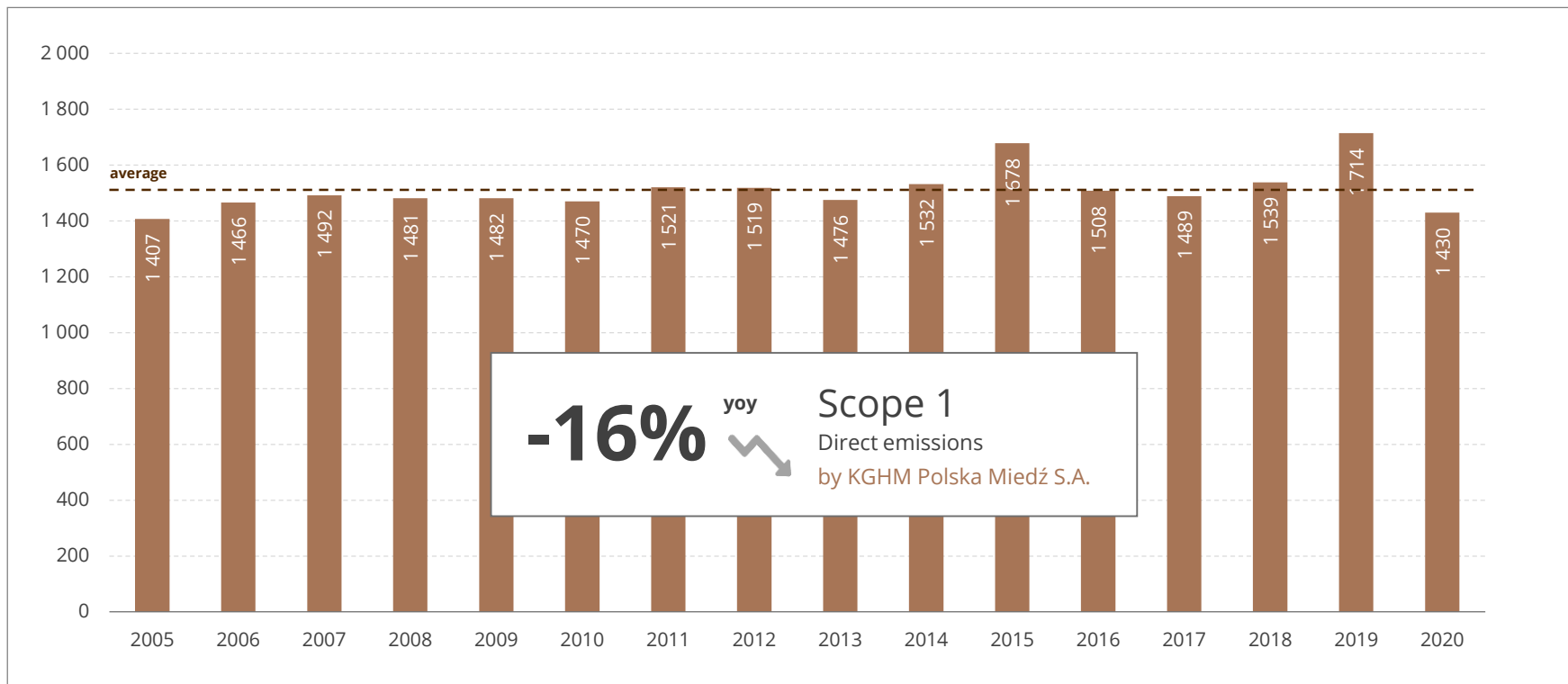


Copper emissions by KGHM Polska Miedź S.A.
[tonnes]



CO₂ emissions by KGHM Polska Miedź S.A.¹⁾

ETS²⁾ direct emissions + non-ETS equivalent [kt CO₂]



1) For further information, including on Scope 2 emissions, please see our Non-financial Report
 2) ETS – European Union Emission Trading Scheme

Events for investors

2022

Date	Upcoming events
25 January	Trigon Top Picks
27 January	Erste Conviction Equity Investors Conference
9 February	Wood ESG Symposium
23 March	Annual Report for 2021
20 April	Raiffeisen Institutional Investor Conference
12 May	Q1 report
17 May	Bank of America Global Metals, Mining & Steel Conference



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