

# Layers of possibilities



Results of the KGHM Group for  
the 1st quarter of 2020

13<sup>th</sup> – 14<sup>th</sup> May 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. KGHM Group in the fight with the coronavirus



2. Key issues and execution of main targets



3. Production results of the KGHM Group by segment



4. Financial results of the KGHM Group



5. Advancement of development initiatives



6. Supporting slides – KGHM Polska Miedź S.A. and Sustainable Development



## KGHM Group in the fight with the coronavirus

---

# 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 issues and execution of main targets

---





# Summation of Q1 2020 in the KGHM Group

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

## Macroeconomic environment

**-9.3%**

Lower copper price

**+8.5%**

Higher silver price

**+3.4%**

Stronger USD vs the PLN

## Production and C1 cost

**+1%**

Higher copper production

**+3%**

Higher silver production

**-7.4%**

Lower C1 cost

## Financial results

**-3%**

Lower revenues

**-22%**

Lower EBITDA

**+25%**

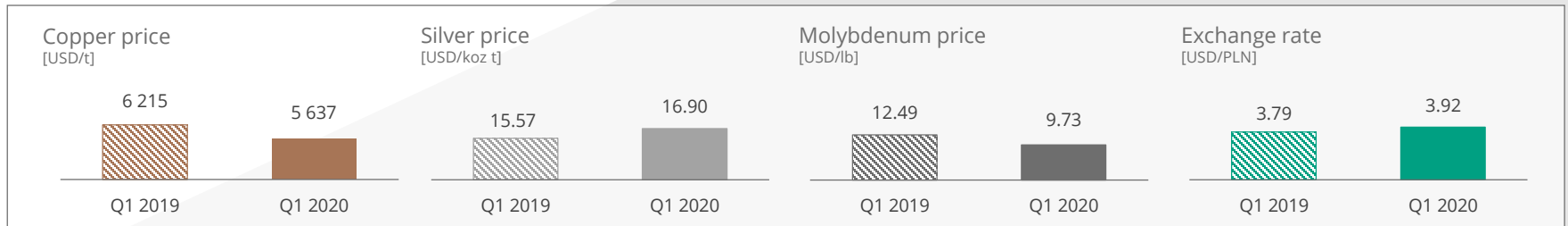
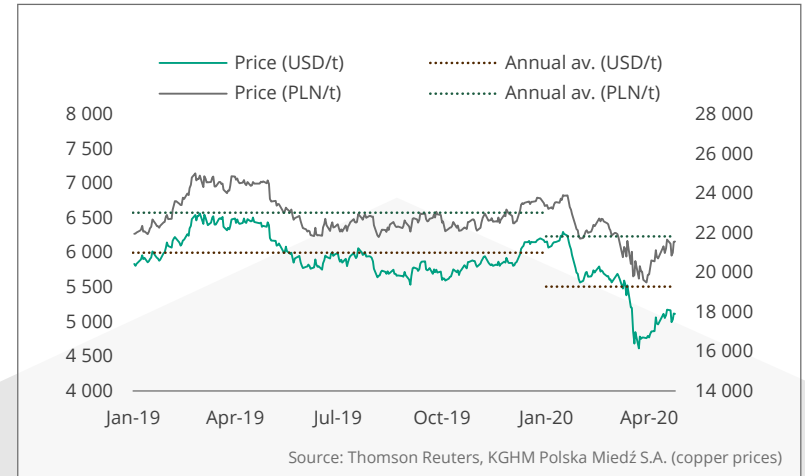
Higher net result

# Macroeconomic environment

## Commodities and currencies prices

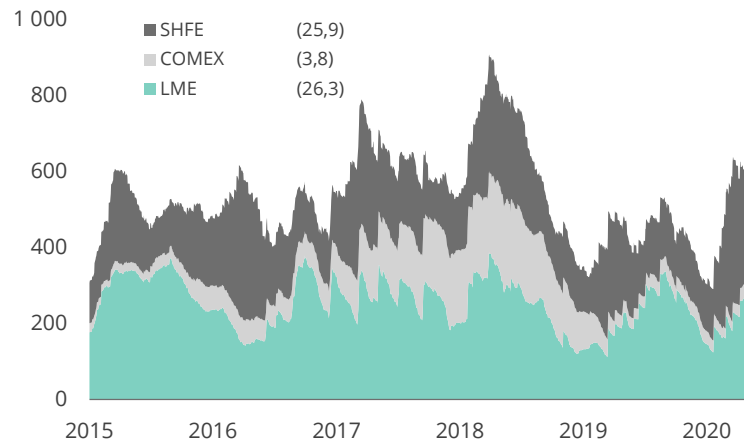
### The outbreak of the COVID-19 pandemic caused a fall in commodities prices and weakening of the PLN

- 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.

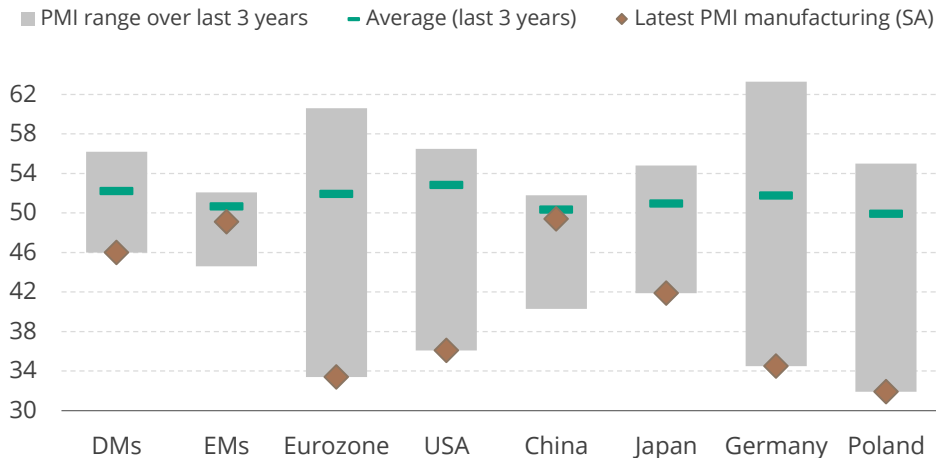


## Copper market in relative balance. Global economy puts on the brake.

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.

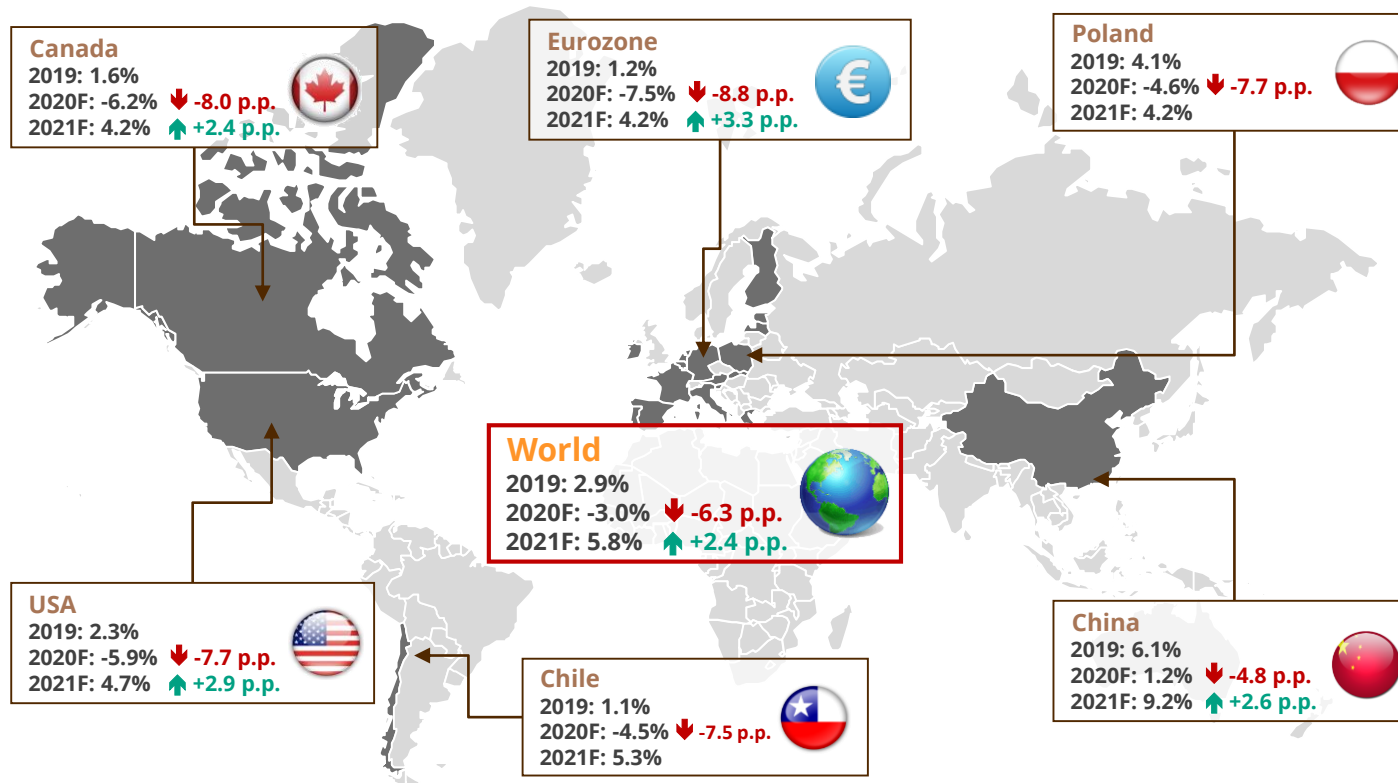


# Economic activity at record lows in most countries

PMI numbers indicate that the global economy has put on the brake

	Jan-18	Feb-18	Mar-18	Apr-18	May-18	Jun-18	Jul-18	Aug-18	Sep-18	Oct-18	Nov-18	Dec-18	Jan-19	Feb-19	Mar-19	Apr-19	May-19	Jun-19	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19	Jan-20	Feb-20	Mar-20	
<b>USA (ISM)</b>	59,2	60,6	58,9	58,4	59,0	59,9	58,2	60,8	59,3	58,5	58,8	55,0	55,5	54,1	54,6	53,4	52,3	51,6	51,3	48,8	48,2	48,5	48,1	47,8	50,9	50,1	49,1	49,1
<b>USA (PMI)</b>	55,3	55,6	56,5	56,4	55,4	55,3	54,7	55,6	55,7	55,3	53,8	54,9	53,0	52,4	52,6	50,5	50,6	50,4	50,3	51,1	51,3	52,6	52,4	51,9	50,7	48,5	36,1	36,1
<b>Canada</b>	55,6	55,7	55,5	56,2	57,1	56,9	56,8	54,8	53,9	54,9	53,6	53,0	52,6	50,5	49,7	49,1	49,2	50,2	49,1	51,0	51,2	51,4	50,4	50,6	51,8	46,1	33,0	33,0
<b>Mexico</b>	52,6	51,6	52,4	51,6	51,0	52,1	52,1	50,7	51,7	50,7	49,7	49,7	50,9	52,6	49,8	50,1	50,0	49,2	49,8	49,0	49,1	50,4	48,0	47,1	49,0	50,0	47,9	47,9
<b>Brazil</b>	51,2	53,2	53,4	52,3	50,7	49,8	50,5	51,1	50,9	51,1	52,7	52,6	52,7	53,4	52,8	51,5	50,2	51,0	49,9	52,5	53,4	52,2	52,9	50,2	51,0	52,3	48,4	48,4
<b>Eurozone</b>	58,6	56,6	56,2	55,5	54,9	55,1	54,6	53,2	52,0	51,8	51,4	50,5	49,3	47,5	47,9	47,7	47,6	46,5	47,0	45,7	45,9	46,9	46,3	47,9	49,2	44,5	33,4	33,4
<b>Germany</b>	60,6	58,2	58,1	56,9	55,9	56,9	55,9	53,7	52,2	51,8	51,5	49,7	47,6	44,1	44,4	44,3	45,0	43,2	43,5	41,7	42,1	44,1	43,7	45,3	48,0	45,4	34,5	34,5
<b>France</b>	55,9	53,7	53,8	54,4	52,5	53,3	53,5	52,5	51,2	50,8	49,7	51,2	51,5	49,7	50,0	50,6	51,9	49,7	51,1	50,1	50,7	51,7	50,4	51,1	49,8	43,2	31,5	31,5
<b>Italy</b>	56,8	55,1	53,5	52,7	53,3	51,5	50,1	50,0	49,2	48,6	49,2	47,8	47,7	47,4	49,1	49,7	48,4	48,5	48,7	47,8	47,7	47,6	46,2	48,9	48,7	40,3	31,1	31,1
<b>Spain</b>	56,0	54,8	54,4	53,4	53,4	52,9	53,0	51,4	51,8	52,6	51,1	52,4	49,9	50,9	51,8	50,1	47,9	48,2	48,8	47,7	46,8	47,5	47,4	48,5	50,4	45,7	30,8	30,8
<b>Netherlands</b>	63,4	61,5	60,7	60,3	60,1	58,0	59,1	59,8	57,1	56,1	57,2	55,1	52,7	52,5	52,0	52,2	50,7	50,7	51,6	51,6	50,3	49,6	48,3	49,9	52,9	50,5	41,3	41,3
<b>Austria</b>	59,2	58,0	58,0	57,3	56,6	56,8	56,4	55,0	53,8	54,9	53,9	52,7	51,8	50,0	49,2	48,3	47,5	47,0	47,9	45,1	45,5	46,0	46,0	49,2	50,2	45,8	31,6	31,6
<b>Ireland</b>	56,2	54,1	55,3	55,4	56,6	56,3	57,5	56,3	54,9	55,4	54,5	52,6	54,0	53,9	52,5	50,4	49,8	48,7	48,6	48,7	50,7	49,0	49,5	51,4	51,2	45,1	36,0	36,0
<b>UK</b>	55,3	54,8	53,8	54,3	54,0	53,9	52,9	53,7	51,1	53,3	54,3	52,8	52,1	55,1	53,1	49,4	48,0	48,0	47,4	48,3	49,6	48,9	47,5	50,0	51,7	47,8	32,6	32,6
<b>Greece</b>	56,1	55,0	52,9	54,2	53,5	53,5	53,9	53,6	53,1	54,0	53,8	53,7	54,2	54,7	56,6	54,2	52,4	54,6	54,9	53,6	53,5	54,1	53,9	54,4	56,2	42,5	29,5	29,5
<b>Poland</b>	53,7	53,7	53,9	53,3	54,2	52,9	51,4	50,5	50,4	49,5	47,6	48,2	47,6	48,7	49,0	48,8	48,4	47,4	48,8	47,8	45,6	46,7	48,0	47,4	48,2	42,4	31,9	31,9
<b>Czech Rep.</b>	58,8	57,3	57,2	56,5	56,8	55,4	54,9	53,4	52,5	51,8	49,7	49,0	48,6	47,3	46,6	46,6	45,9	43,1	44,9	44,9	45,0	43,5	43,6	45,2	46,5	41,3	35,1	35,1
<b>Turkey</b>	55,6	51,8	48,9	46,4	46,8	49,0	46,4	42,7	44,3	44,7	44,2	44,2	46,4	47,2	46,8	45,3	47,9	46,7	48,0	50,0	49,0	49,5	49,5	51,3	52,4	48,1	33,4	33,4
<b>Russia</b>	50,2	50,6	51,3	49,8	49,5	48,1	48,9	50,0	51,3	52,6	51,7	50,9	50,1	52,8	51,8	49,8	48,6	49,3	49,1	46,3	47,2	45,6	47,5	47,9	48,2	47,5	31,3	31,3
<b>Asia</b>	51,8	50,9	51,6	51,4	52,1	51,5	51,5	51,5	51,4	51,0	50,9	50,4	50,2	50,0	50,6	50,6	49,8	49,9	49,8	49,7	49,6	49,6	50,5	51,1	50,7	42,0	42,9	42,9
<b>China (Caixin)</b>	51,6	51,0	51,1	51,1	51,0	50,8	50,6	50,0	50,1	50,2	49,7	48,3	49,9	50,8	50,2	50,2	49,4	49,9	50,4	51,4	51,7	51,8	51,5	51,1	40,3	50,1	49,4	49,4
<b>China</b>	51,3	50,3	51,5	51,4	51,9	51,5	51,2	51,3	50,8	50,2	50,0	49,4	49,5	49,2	50,5	50,1	49,4	49,4	49,7	49,5	49,8	49,3	50,2	50,2	50,0	35,7	52,0	52,0
<b>Japan</b>	54,1	53,1	53,8	52,8	53,0	52,3	52,5	52,5	52,9	52,2	52,6	50,3	48,9	49,2	50,2	49,8	49,3	49,4	49,3	48,9	48,4	48,9	48,4	48,8	47,8	44,8	41,9	41,9
<b>India</b>	52,1	51,0	51,6	51,2	53,1	52,3	51,7	52,2	53,1	54,0	53,2	53,9	54,3	52,6	51,8	52,7	52,1	52,5	51,4	50,6	51,2	52,7	55,3	54,5	51,8	27,4	27,4	
<b>Indonesia</b>	51,4	50,7	51,6	51,7	50,3	50,5	51,9	50,7	50,5	50,4	51,2	49,9	50,1	51,2	50,4	51,6	50,6	49,6	49,0	49,1	47,7	48,2	49,5	49,3	51,9	45,3	27,5	27,5
<b>Malaysia</b>	49,9	49,5	48,6	47,6	49,5	49,7	51,2	51,5	49,2	48,2	46,8	47,9	47,6	47,2	49,4	48,8	47,8	47,6	47,4	47,9	49,3	49,5	50,0	48,8	48,5	48,4	31,3	31,3
<b>Taiwan</b>	56,0	55,3	54,8	53,4	54,5	53,1	53,0	50,8	48,7	48,4	47,7	47,5	46,3	49,0	48,2	48,4	45,8	48,1	47,9	50,0	49,8	49,8	50,8	51,8	49,9	50,4	42,2	42,2
<b>Thailand</b>	50,0	50,6	48,9	49,4	51,8	49,6	50,0	50,3	49,9	49,4	50,2	50,3	49,6	49,7	50,3	50,3	50,6	50,6	49,4	49,8	50,1	49,5	49,7	51,2	49,6	49,7	46,4	46,4
<b>South Korea</b>	50,3	49,1	48,4	48,9	49,8	48,3	49,9	51,3	51,0	48,6	49,8	48,3	47,2	48,8	50,2	48,4	47,5	47,3	49,0	48,0	48,4	49,4	50,1	49,8	48,7	44,2	41,6	41,6

# Economic growth forecasts by the IMF in April 2020<sup>1)</sup>



1) Forecasts (F) of actual GDP growth – International Monetary Fund - World Economic Outlook, April 2020; change in forecast (in p.p.) compared to the revision from January 2020, and in the case of Poland and Chile – compared to the revision from October 2019.

# Key production indicators

Q1 2020

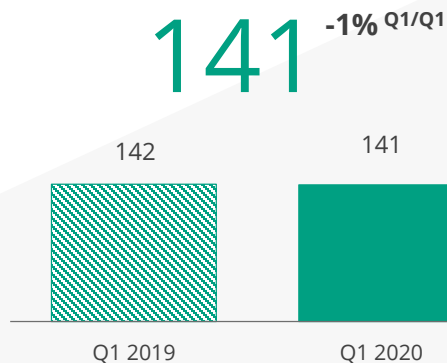
Payable copper production  
by the KGHM Group  
higher by 1% (q/q)

174

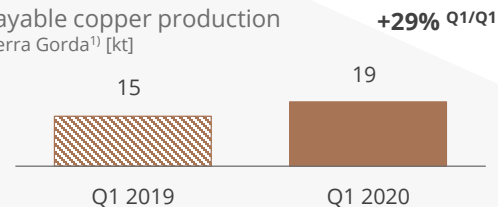
+1% Q1/Q1  
[kt]

- **KGHM Polska Miedź** – 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
- **Sierra Gorda** – higher copper content in ore
- **KGHM INTERNATIONAL** – lower production in the Sudbury Basin and by the Franke mine

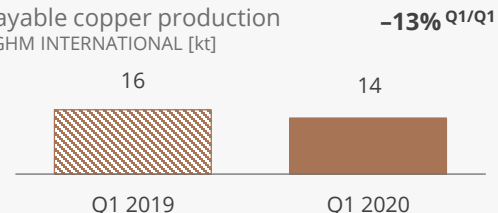
Payable copper production  
KGHM Polska Miedź [kt]



Payable copper production  
Sierra Gorda<sup>1)</sup> [kt]



Payable copper production  
KGHM INTERNATIONAL [kt]





# Key financial indicators

Q1 2020

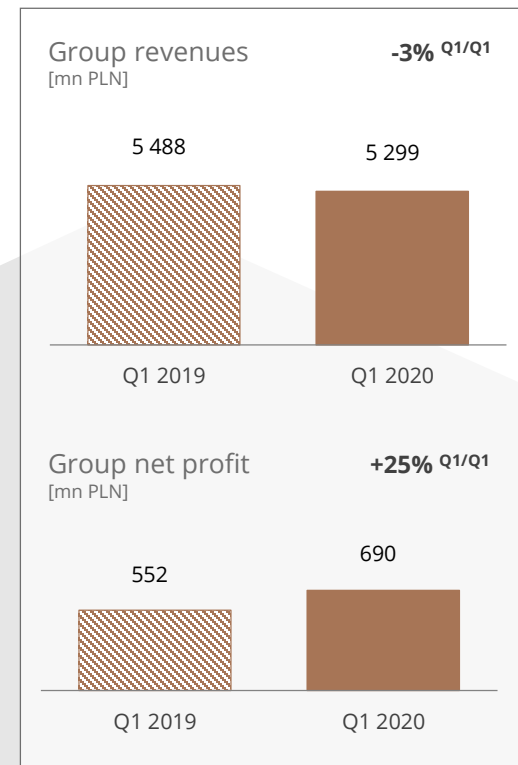
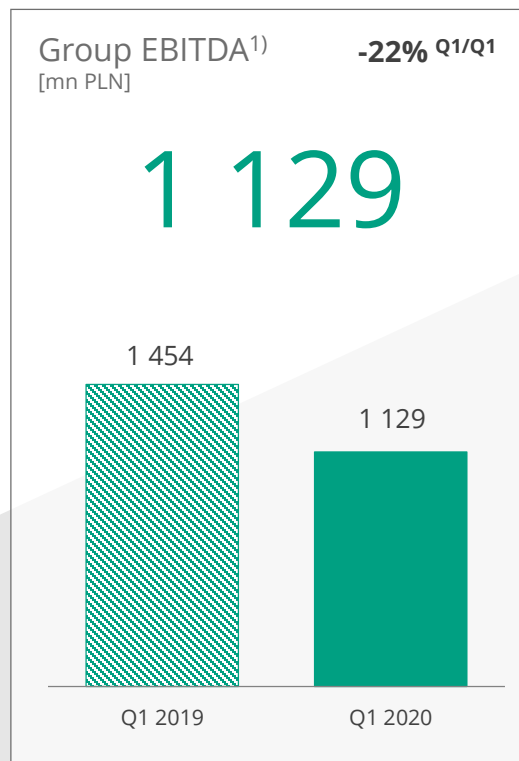
Lower revenues and EBITDA by the KGHM Group with lower net profit

## Lower Group revenues by PLN 189 mn

- Lower revenues in all Group segments
- Impacted by lower copper prices and a more favourable exchange rate

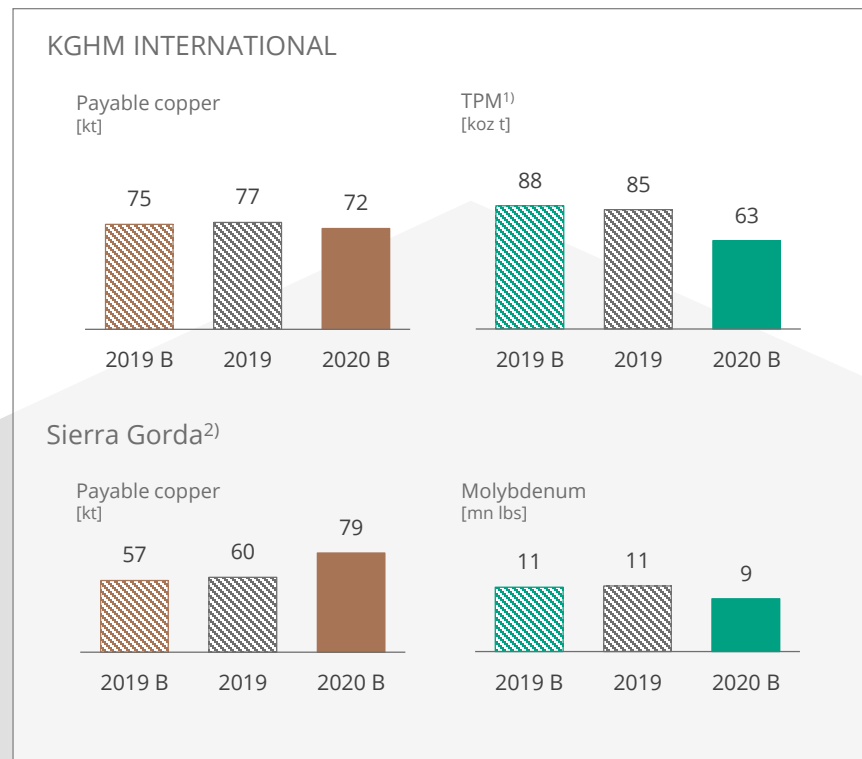
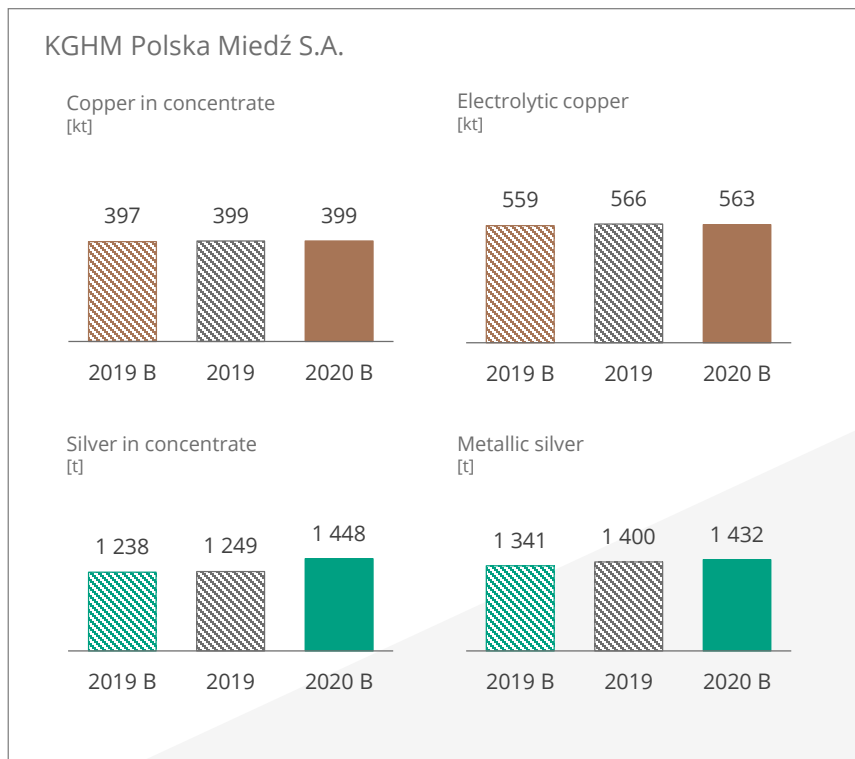
## Lower net profit by PLN 138 mn

- Positive impact of exchange differences despite a lower result on sales



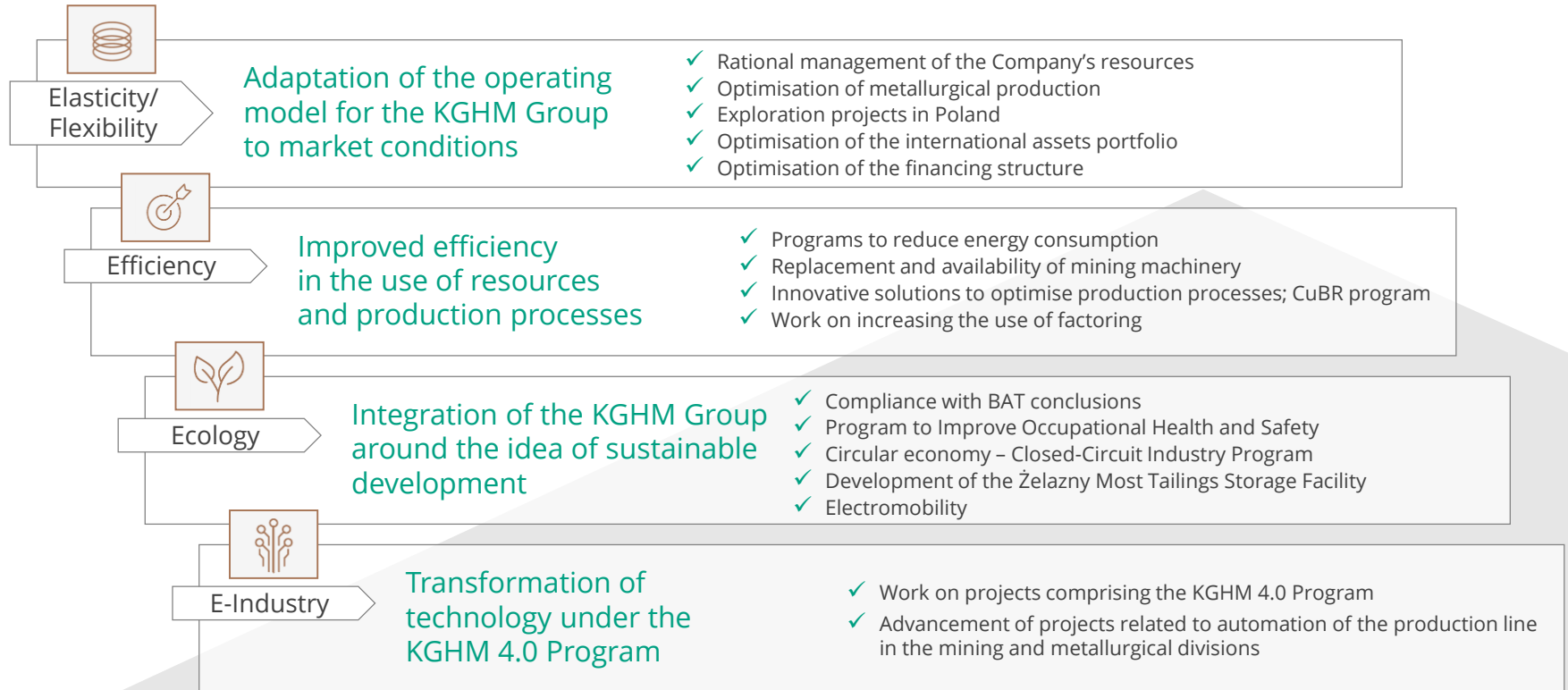
# Budget 2020

## Main production assumptions for KGHM Group versus budget and realisation 2019



# Consistent advancement of the strategy

## Key areas – 4E







## Production results of the **KGHM** Group by segment

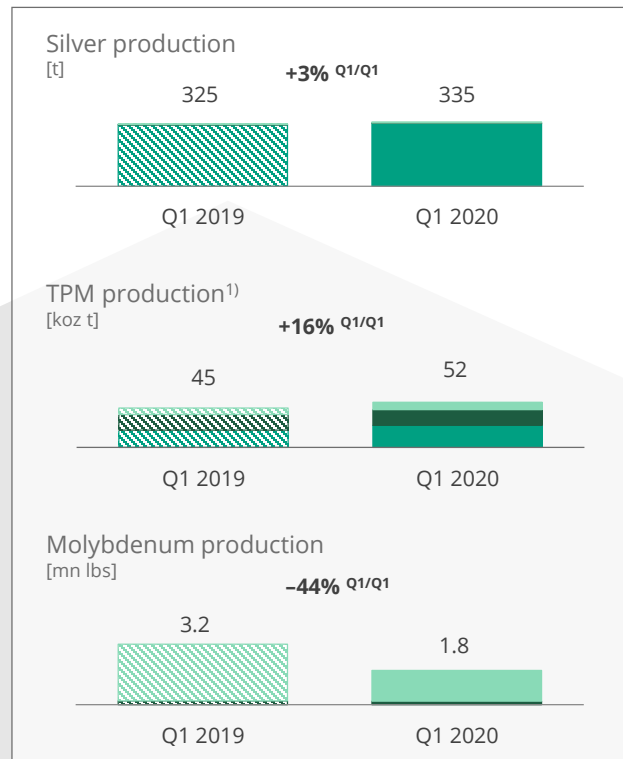
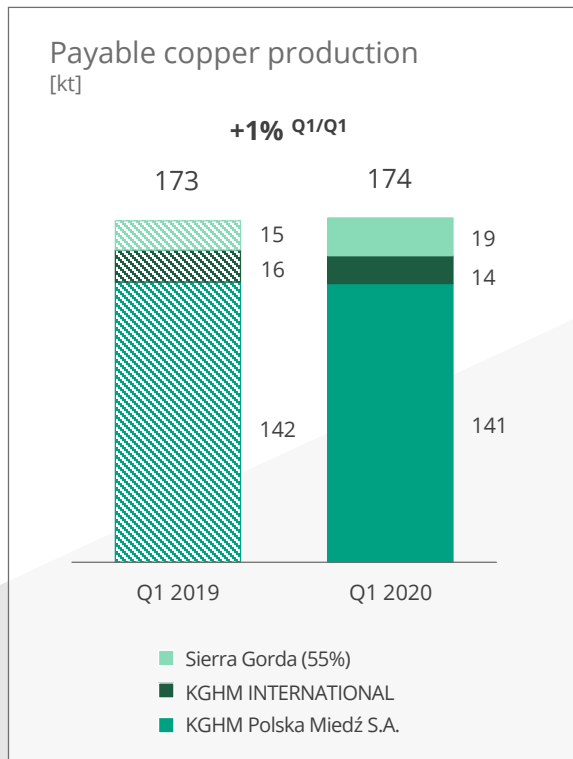
---



# Metals production

## KGHM Group

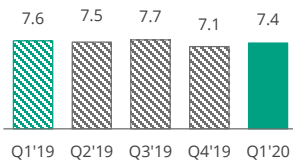
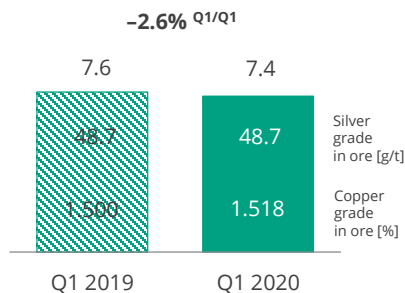
- Slightly lower production of electrolytic copper by KGHM Polska Miedź S.A. due to lower processing of own concentrate and the build-up of anode inventories due to the planned maintenance shutdown in Q3 2020 of the Głogów I Smelter/Refinery
- Lower copper production by KGHM INTERNATIONAL due to lower 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)



# Production results

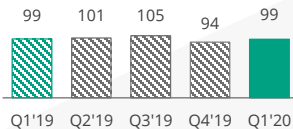
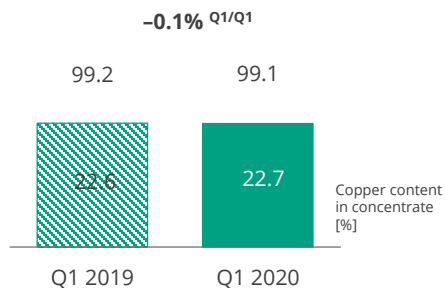
KGHM Polska Miedź S.A.

Ore extraction  
[mn t dry weight]



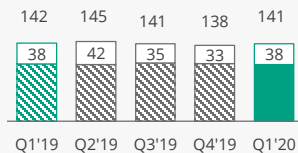
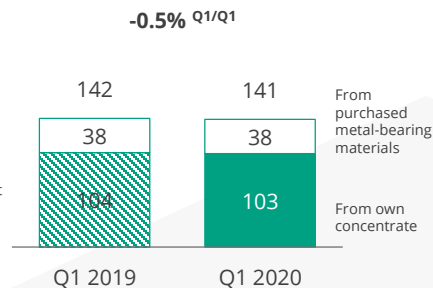
- Ore extraction results from areas selected for mining

Production of copper  
in concentrate [kt]



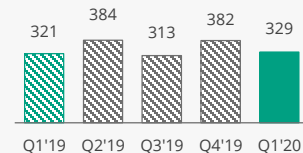
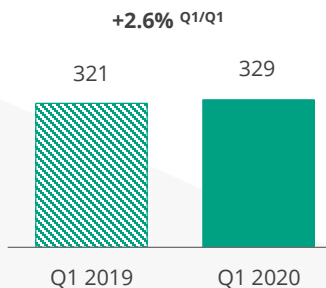
- Slightly lower production due to lower extraction

Electrolytic copper  
production [kt]



- Lower production due to build-up of anode inventories which will be consumed in Q3 2020 during the maintenance shutdown at Głogów I

Metallic silver  
production [t]



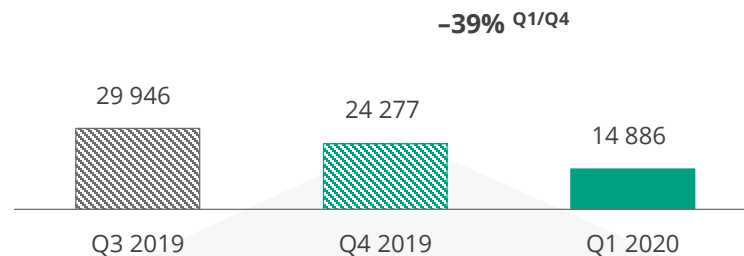
- Higher production due to better availability of charge materials

# Change in inventories

KGHM Polska Miedź S.A.

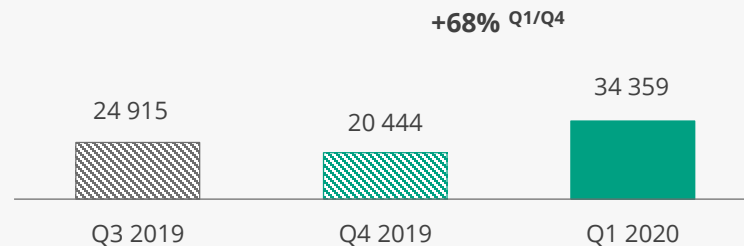
## Inventories of copper in concentrate at the smelters amount of Cu [t]

- 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]

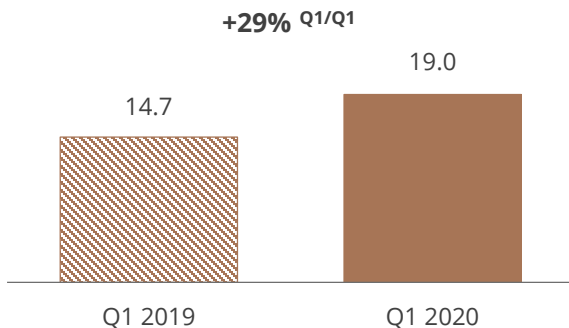
- Anode inventories were higher due to the build-up of anode inventories which will be consumed in Q3 2020 during the 10-week maintenance shutdown at Głogów I



# Production results

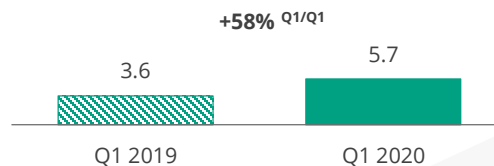
Sierra Gorda<sup>1)</sup>

Payable copper production  
[kt]

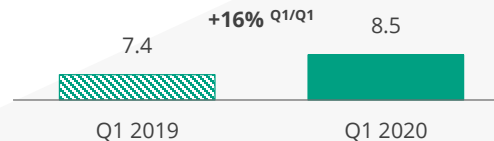


- Higher production in Q1 2020 compared to Q1 2019 due to higher extraction and ore processing (higher than targeted)
- In Q1 2020 ore with a higher copper content was extracted compared to Q1 2019

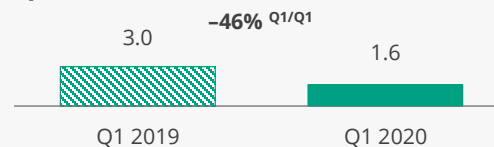
Silver production  
[t]



TPM production  
[koz t]



Molybdenum production  
[mn lbs]

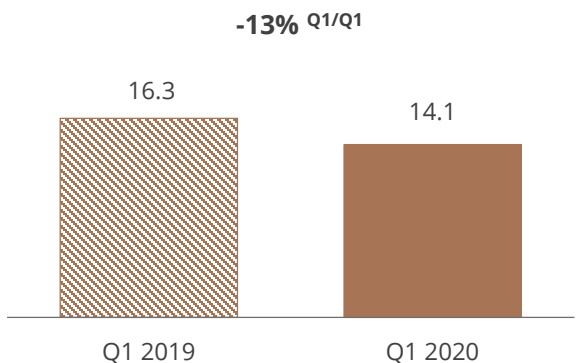


- Higher copper, silver and gold production due to higher extraction by the Sierra Gorda mine
- Lower molybdenum production due to extraction in areas with lower molybdenum content compared to ore extracted in Q1 2019

# Production results

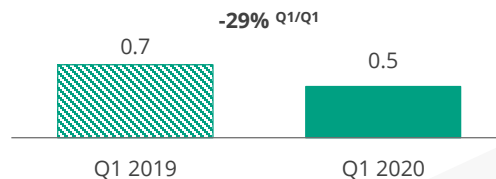
## KGHM INTERNATIONAL

Payable copper production  
[kt]

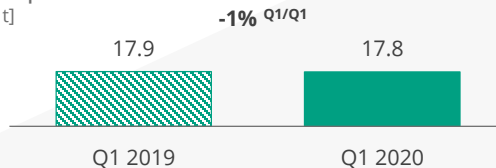


- Lower production due to lower copper ore grade in the Sudbury Basin (lower extraction and lower copper content in ore) and at the Franke mine (lower copper content in ore and lower recovery due to high carbonates content in the ore)

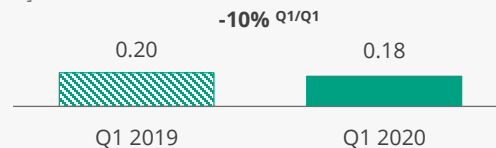
Silver production  
[t]



TPM production  
[koz t]



Molybdenum production  
[mn lbs]



- Lower silver production in the Sudbury Basin due to lower extraction and lower silver content in ore
- Lower gold production by the Robinson mine (mining from a poor-quality transitional zone), which was not offset by higher TPM production in the Sudbury Basin
- Lower molybdenum production by the Robinson mine due to mining from a poor-quality transitional zone





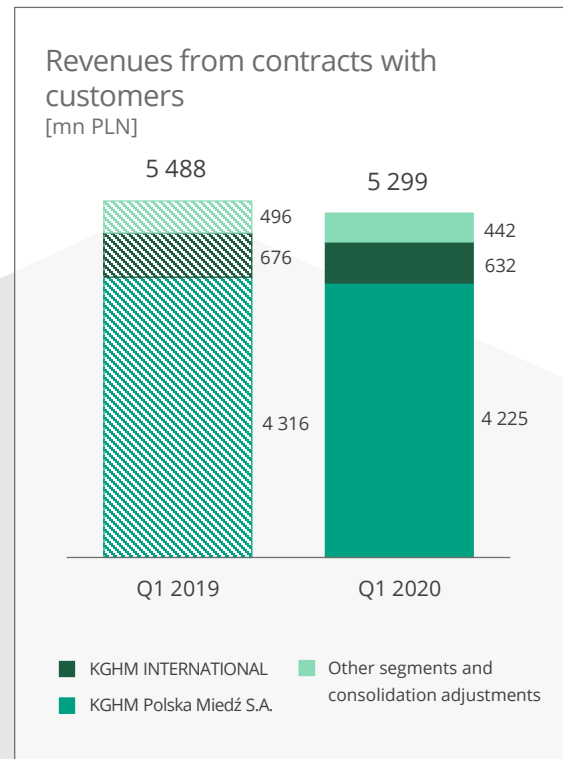
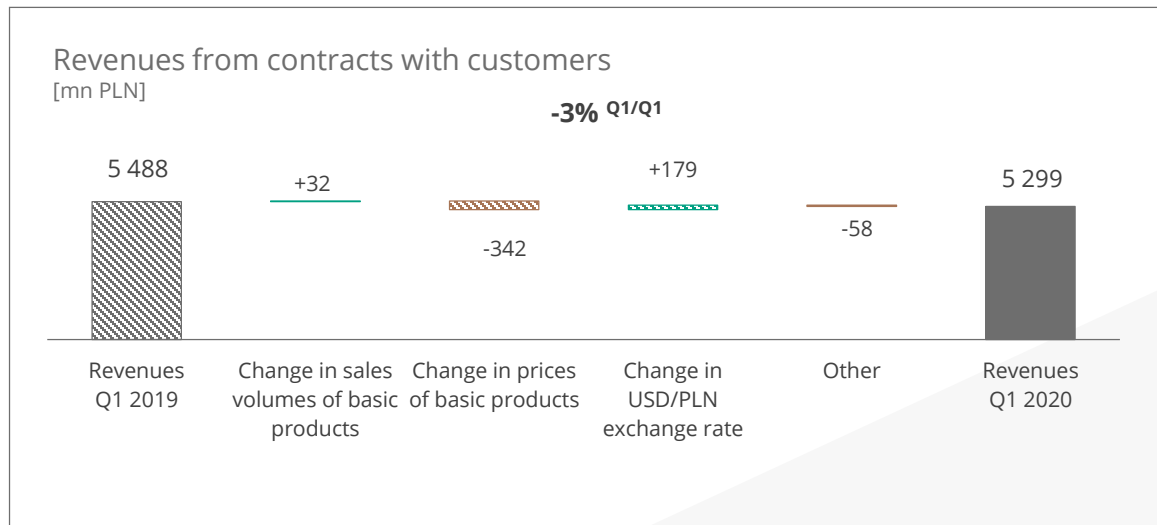
## Financial results of the Group

---



# Group sales revenue

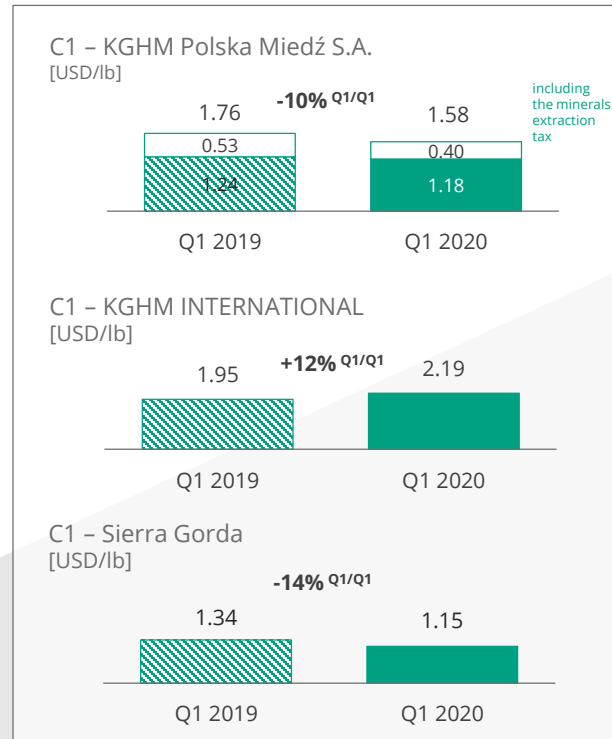
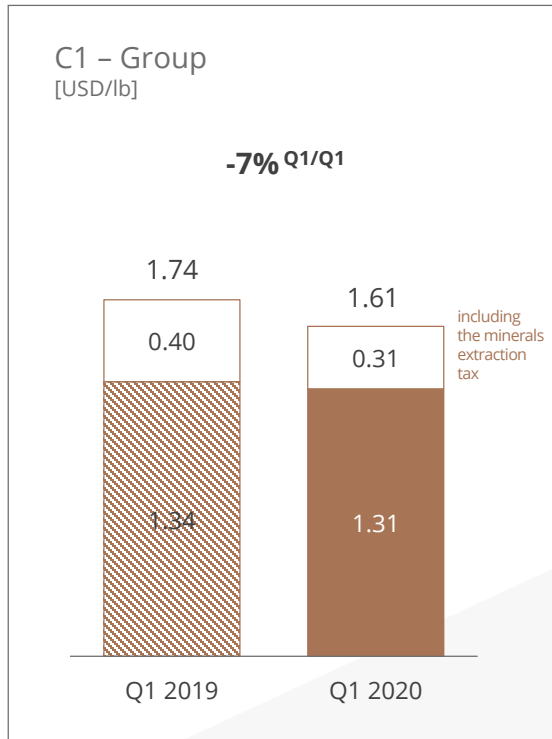
Q1 2020



- 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 cost<sup>1)</sup>

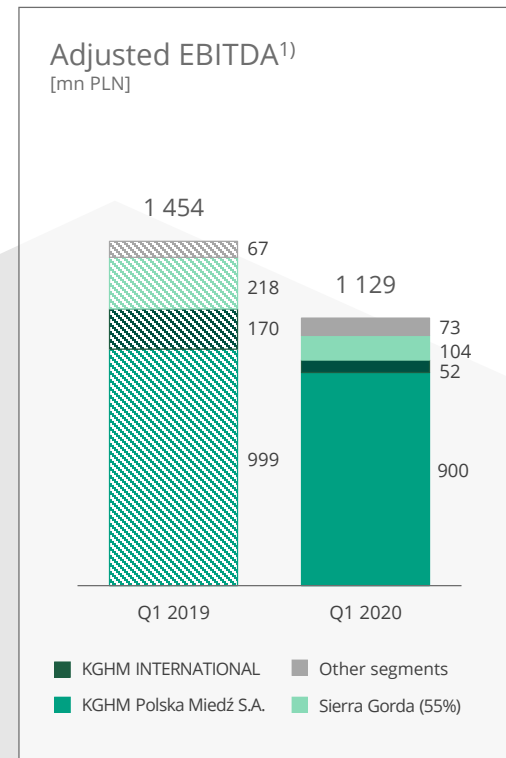
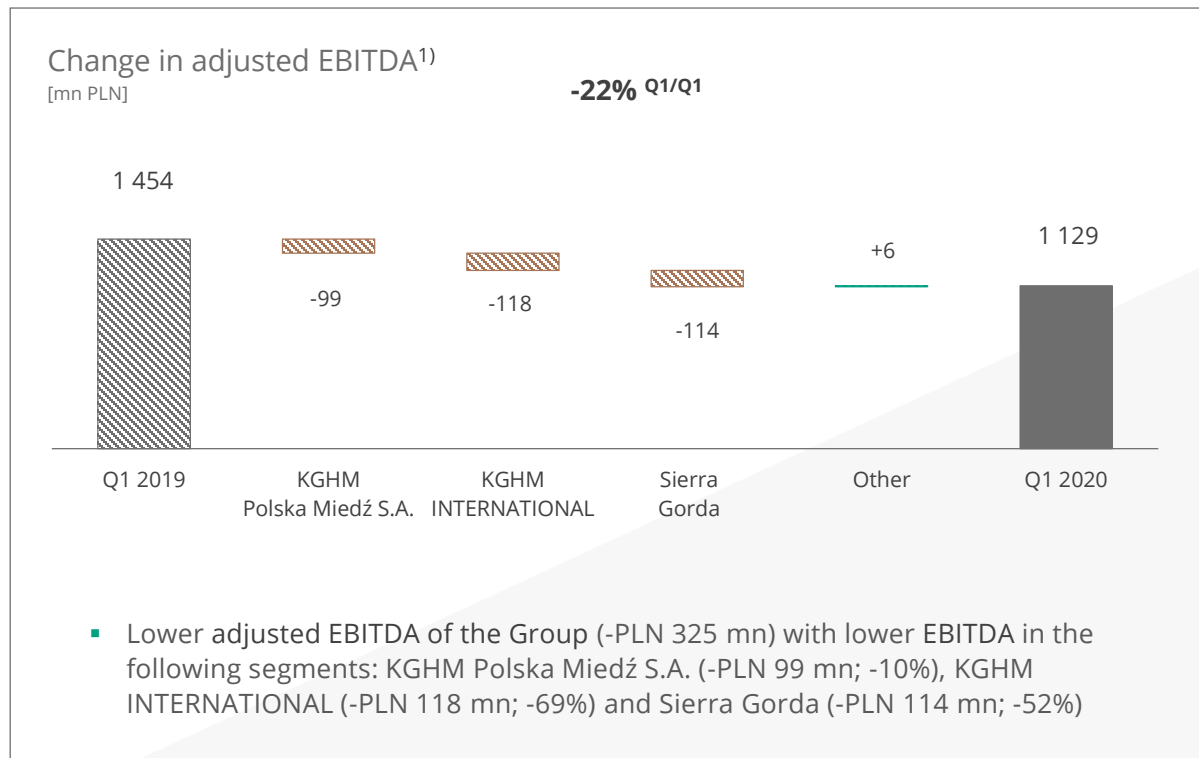
## KGHM Group



- 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

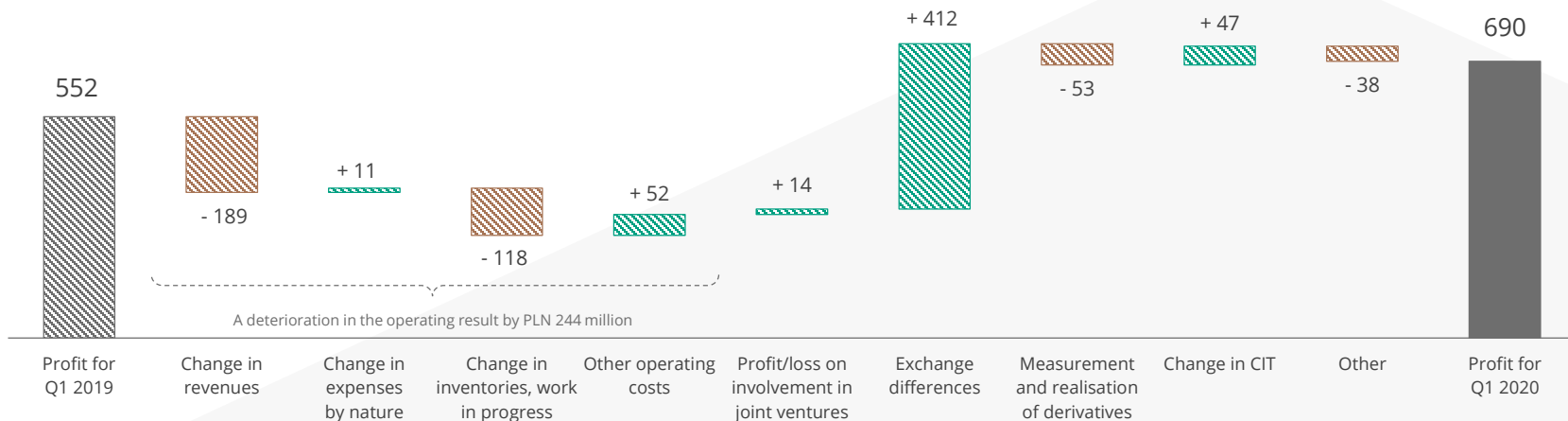
Profit for the period

[mn PLN]

**+25% Q1/Q1**

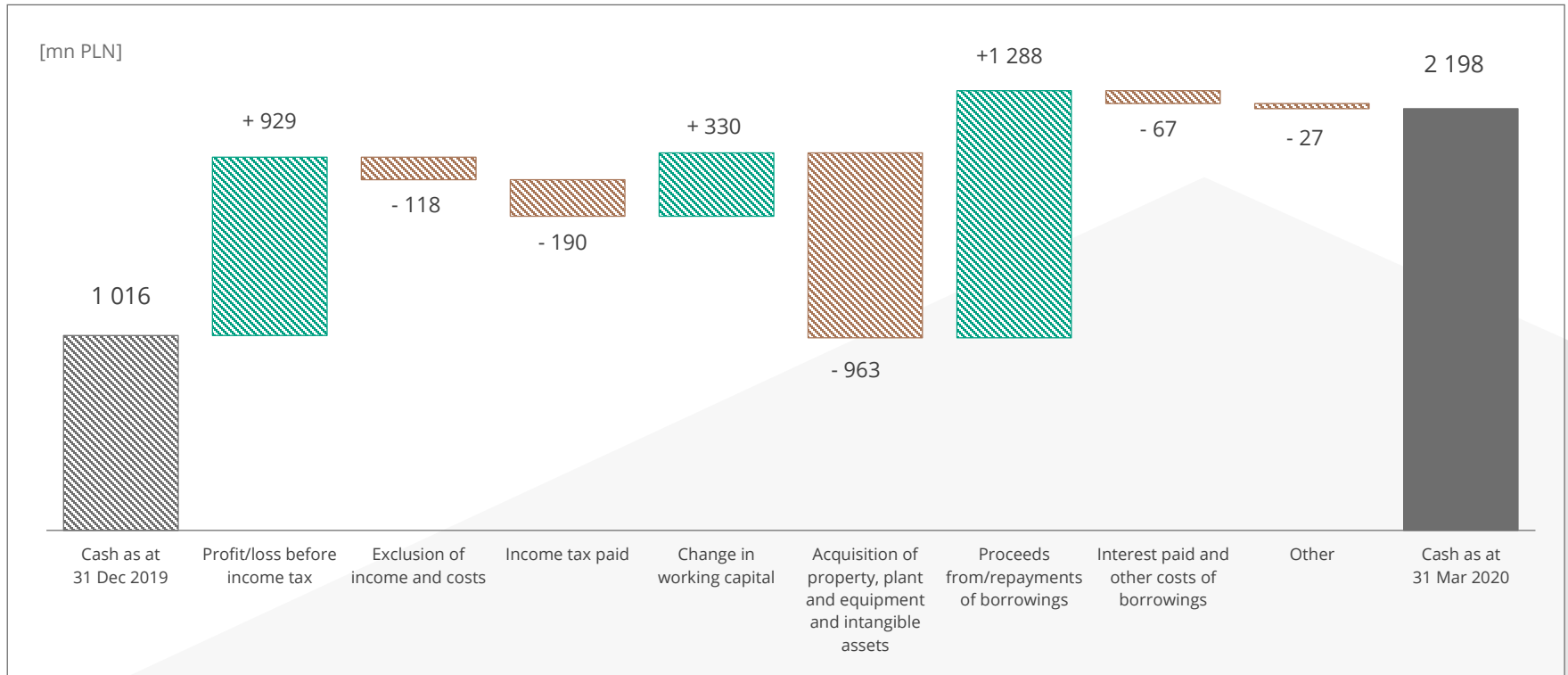
## PLN 690 million consolidated net profit for Q1 2020

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



# Cash flow

## KGHM Group









## Advancement of development initiatives



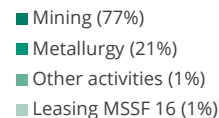
# A consistent and rational investment program

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

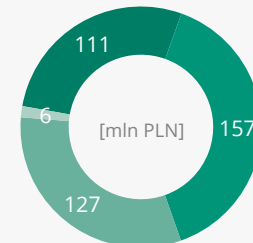
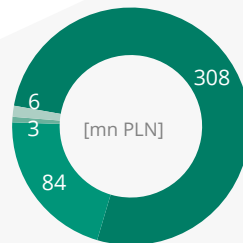


## CAPEX execution in Q1 2020

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

# Selected development projects

CAPEX execution in Q1 2020

## 80 mn PLN

Deposit Access Program

- ↳ 10.3 km of tunneling were excavated
- ↳ The GG-1 shaft reached a depth of 1129.2 m
- ↳ The GG-2 „Odra” shaft – the amendment of planning documentation is underway, talks carried out with property owners,
- ↳ Gaworzyce shaft – the spatial plan was handed over

## 49 mn PLN

Development of Żelazny Most Tailings Storage Facility – Southern Quarter

- ↳ Southern Quarter – work advancing on schedule, 67% of the planned work has been completed
- ↳ Tailings Segregation and Thickening Station – work started on building internal installations for the hall, 55% of the planned work has been completed

## 1.6 mn PLN

KGHM 4.0 Program

- ↳ A pilot BigData environment was created for a sample scope of industrial data from the Głogów Smelter/Refinery
- ↳ An e-Report system was implemented in the mining divisions
- ↳ A project to implement a system for monitoring fueling using diesel fuel was begun
- ↳ Testing of the CRM business system began

## 12 mn PLN

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

- ↳ At the Głogów Smelter/Refinery: construction/ assembly work carried out on most projects, also testing of the desulphurisation installation for gas emissions from the Kaldo furnace
- ↳ At the Legnica Smelter/Refinery: design and pre-fabrication work carried out, deliveries received

## 4.6 mn PLN

Exploration projects

- ↳ – in the concessioned area:
  - ↳ „RETKÓW-ŚCINAWA” a drillhole was sunk, land restoration work performed, geological documentation developed
  - ↳ „GŁOGÓW” work started on building the drilling site
  - ↳ „PUCK” core sample analysis completed



## New Development Programs

The process began of initiating the Preparatory Phase of new development projects under the Strategic Programs:

- ↳ Construction of a PV power plant - Energy Development Program
- ↳ Hybrid Metallurgical Plant Program at the Legnica Smelter/Refinery
- ↳ Construction of a CuOFe+alloy production line - Program to Extend the Value Chain, under the Oxygen-Free Copper Production Intensification program at the Cedynia Wire Rod Plant

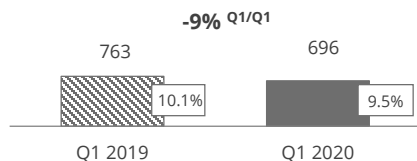


# Role of Deep Głogów (GGP) in maintaining output in Poland

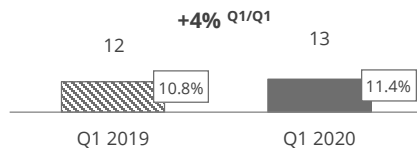
## Deposit access program in KGHM's concessioned areas

### Increasing share of production from GGP in total production in Poland

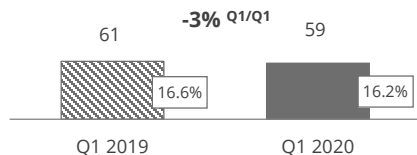
Ore extraction dry weight from GGP [kt]



Amount of copper in ore [kt]

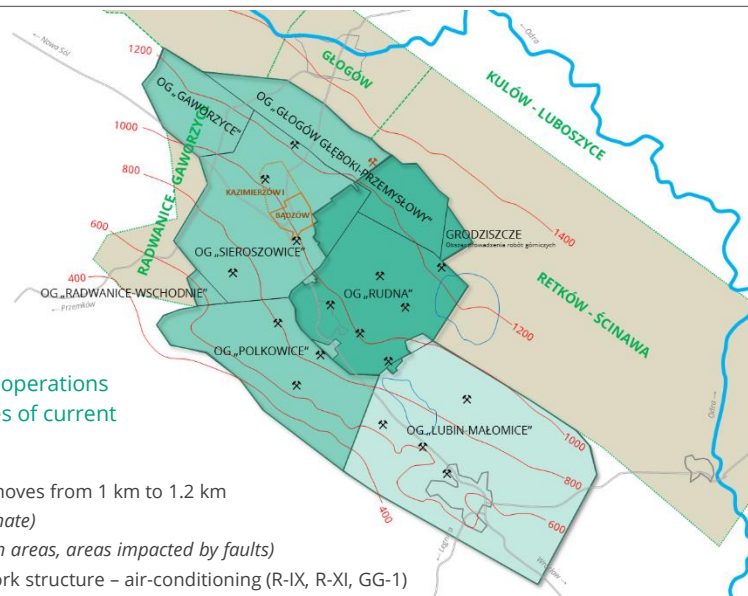


Amount of silver in ore [t]



### Existing concessions and potential areas

- Mining area – Cu
- Mining area – NaCl
- ⋯ Exploring deposits area – Cu
- ⋯ Exploring deposits area – NaCl
- ⚡ Shaft, shaft under construction
- 400 — Isolines of the Cu deposit depth



### Conditions impacting further mining operations and their extension to the boundaries of current and potential mining areas:

- Mining at deeper levels – extraction moves from 1 km to 1.2 km
- Difficult working conditions (*microclimate*)
- High deposit variability (*poor or barren areas, areas impacted by faults*)
- Development of the ventilation network structure – air-conditioning (R-IX, R-XI, GG-1)
- Substantial access and preparatory work – approx. 50 km per annum
- Development of underground infrastructure (*conveyors, power/gas/water, power grid, etc.*)
- Shorter effective working time (*increased distance from the shafts*) – need for new shafts: GG-1, Odra, Retków and Gaworzycze
- Impact of natural hazards



# Layers of possibilities



Results of the KGHM Group for  
the 1st quarter of 2020

13<sup>th</sup> – 14<sup>th</sup> May 2020





## Supporting slides

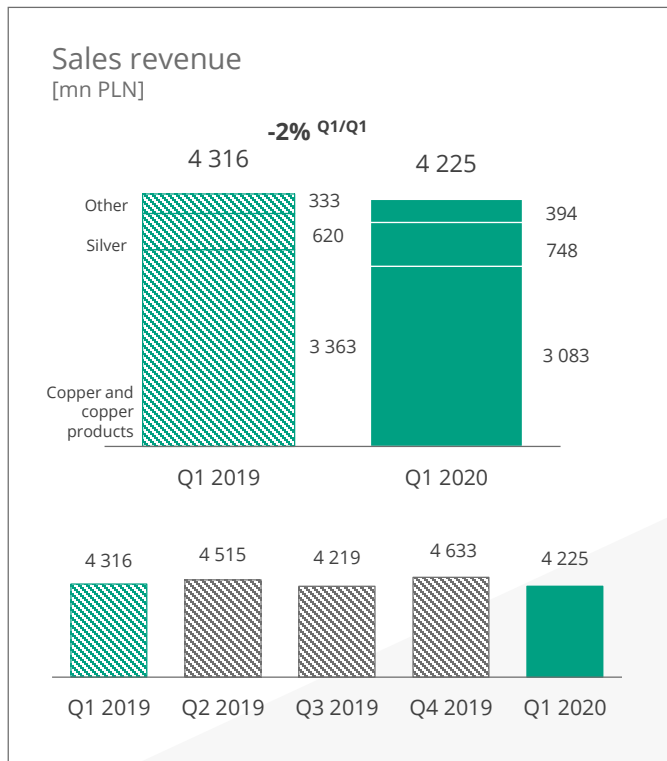
---

KGHM Polska Miedź S.A.

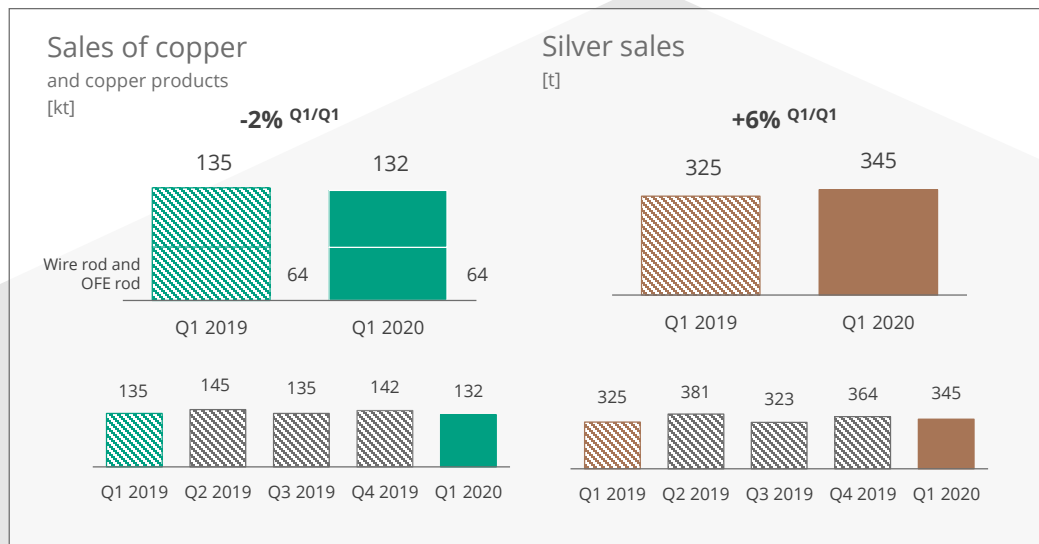


# Sales revenue

KGHM Polska Miedź S.A.

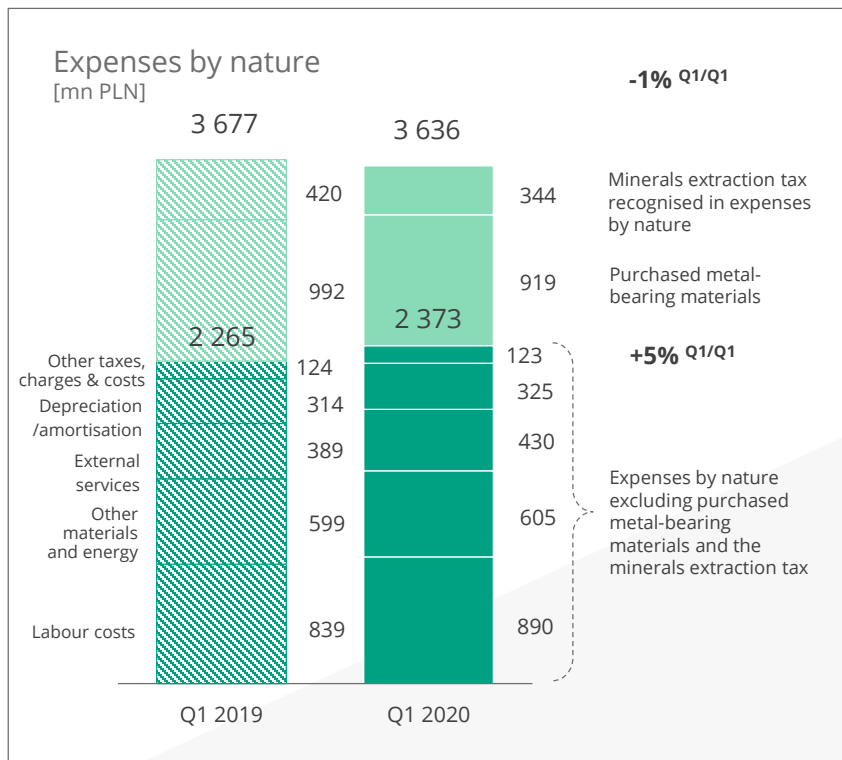


Lower revenues from sales by PLN 91 million (-2%) in Q1 2020 compared to the same period of 2019 mainly due to lower copper prices and a lower copper sales volume

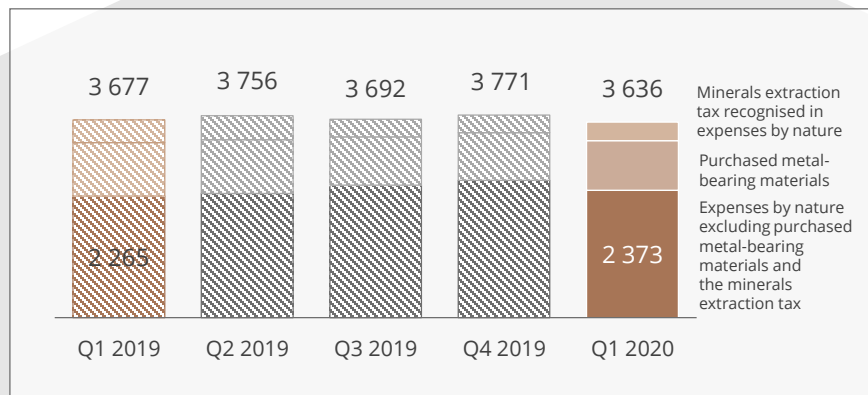


# Expenses by nature

KGHM Polska Miedź S.A.



- Expenses by nature were lower by PLN 41 million (1%) mainly due to a lower minerals extraction tax by PLN 76 million as well as to lower costs of consumption of purchased metal-bearing materials by PLN 73 million
- Expenses by nature, excluding purchased metal-bearing materials and the minerals extraction tax, were higher Q/Q by PLN 108 million, or 5%, mainly due to higher labour costs (+PLN 51 million) and external services (+PLN 41 million)

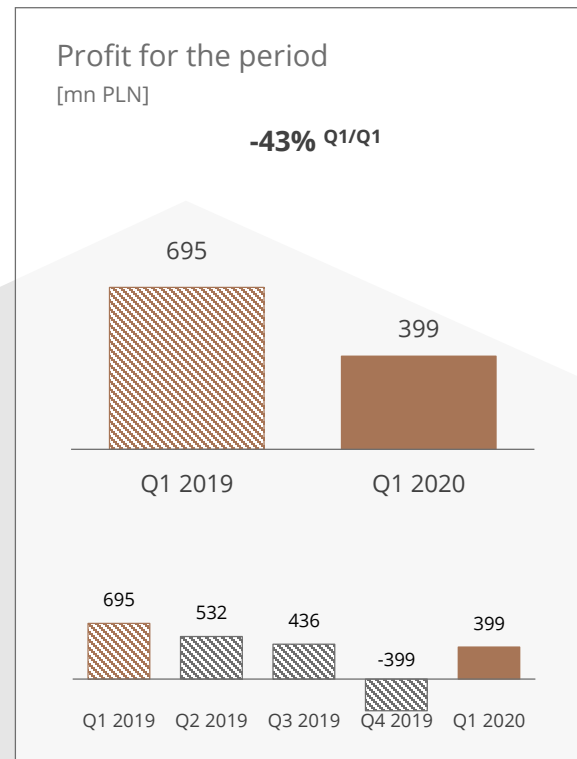
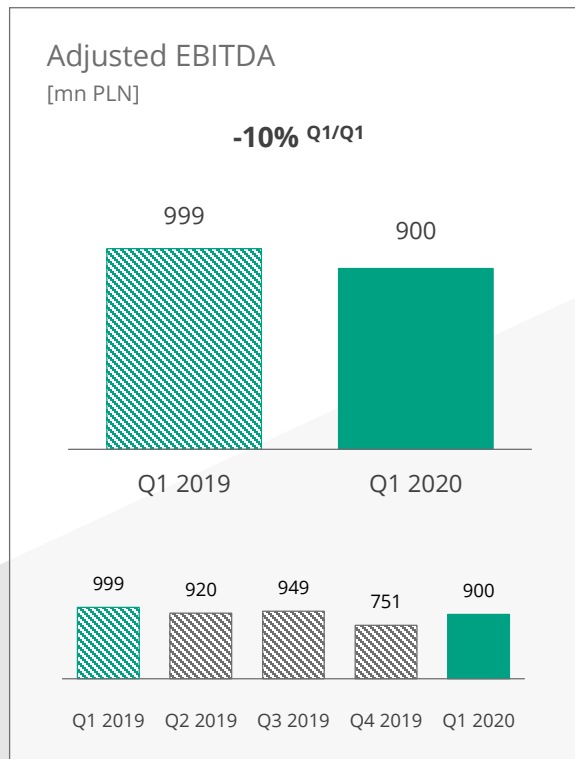


# EBITDA and profit for the period

KGHM Polska Miedź S.A.

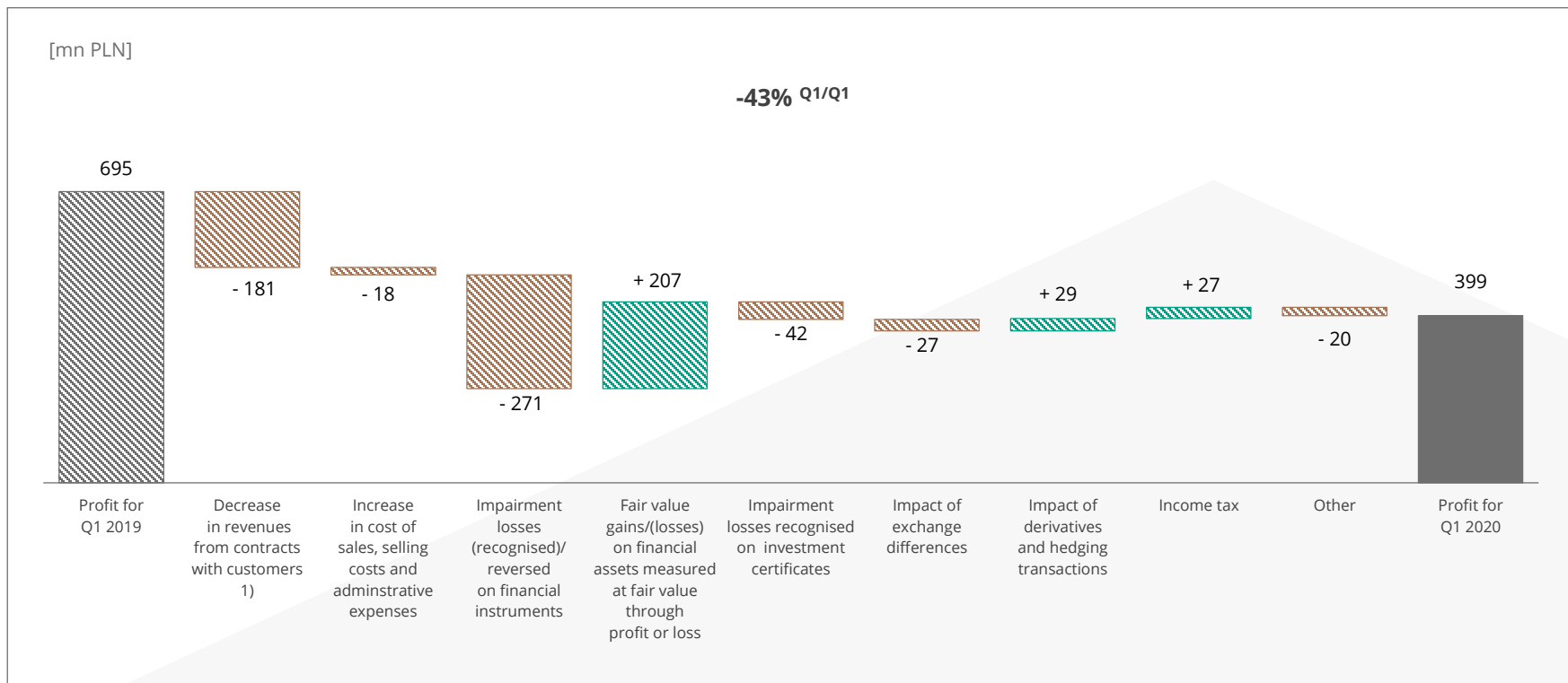
## Lower standalone EBITDA and net profit

- EBITDA lower by PLN 99 million, or 10%, than in Q1 2019 mainly due to less favourable copper prices
- Profit for the period lower by PLN 296 million (-43%) than in the prior year – apart from a lower operating result, profit was substantially impacted by impairment losses on financial instruments and investment certificates



# Profit for the period

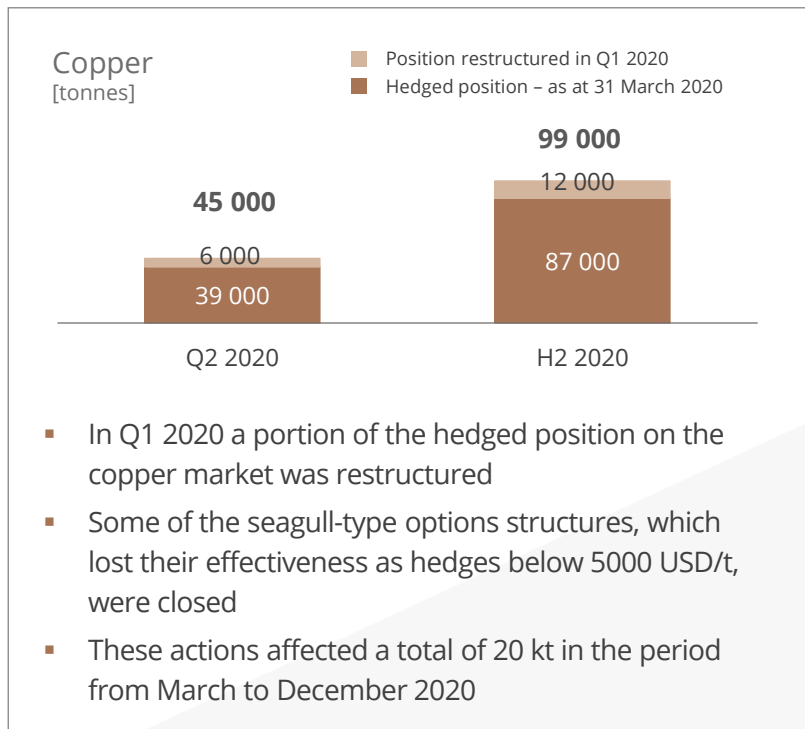
KGHM Polska Miedź S.A.





# Market risk management

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



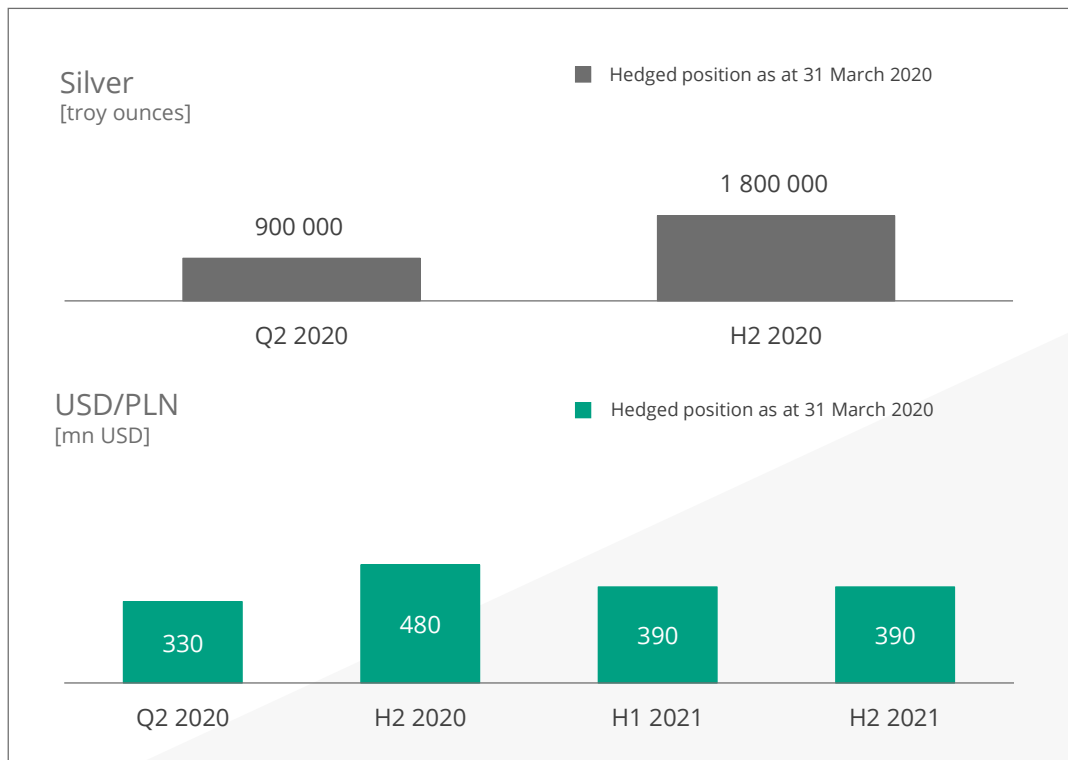
In Q1 2020 KGHM Polska Miedź S.A. recorded a result on derivatives and hedges in the amount of PLN 30.5 million, of which:

- 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 million<sup>1)</sup> (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



## Sustainable development in 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

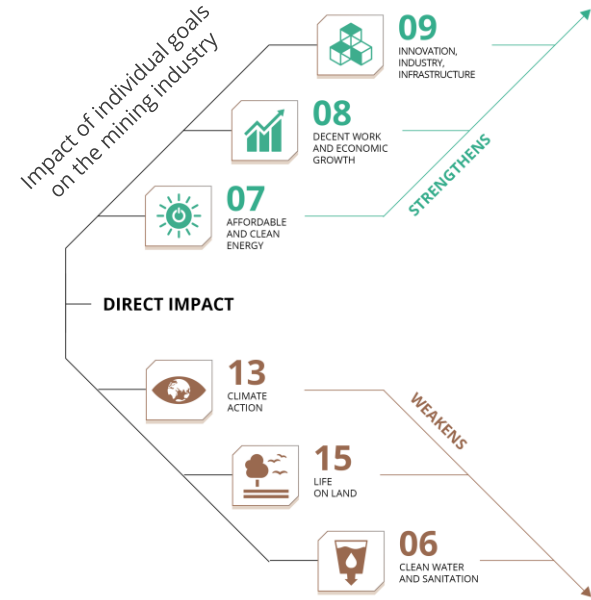


# Sustainable development of the raw materials industry

– 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

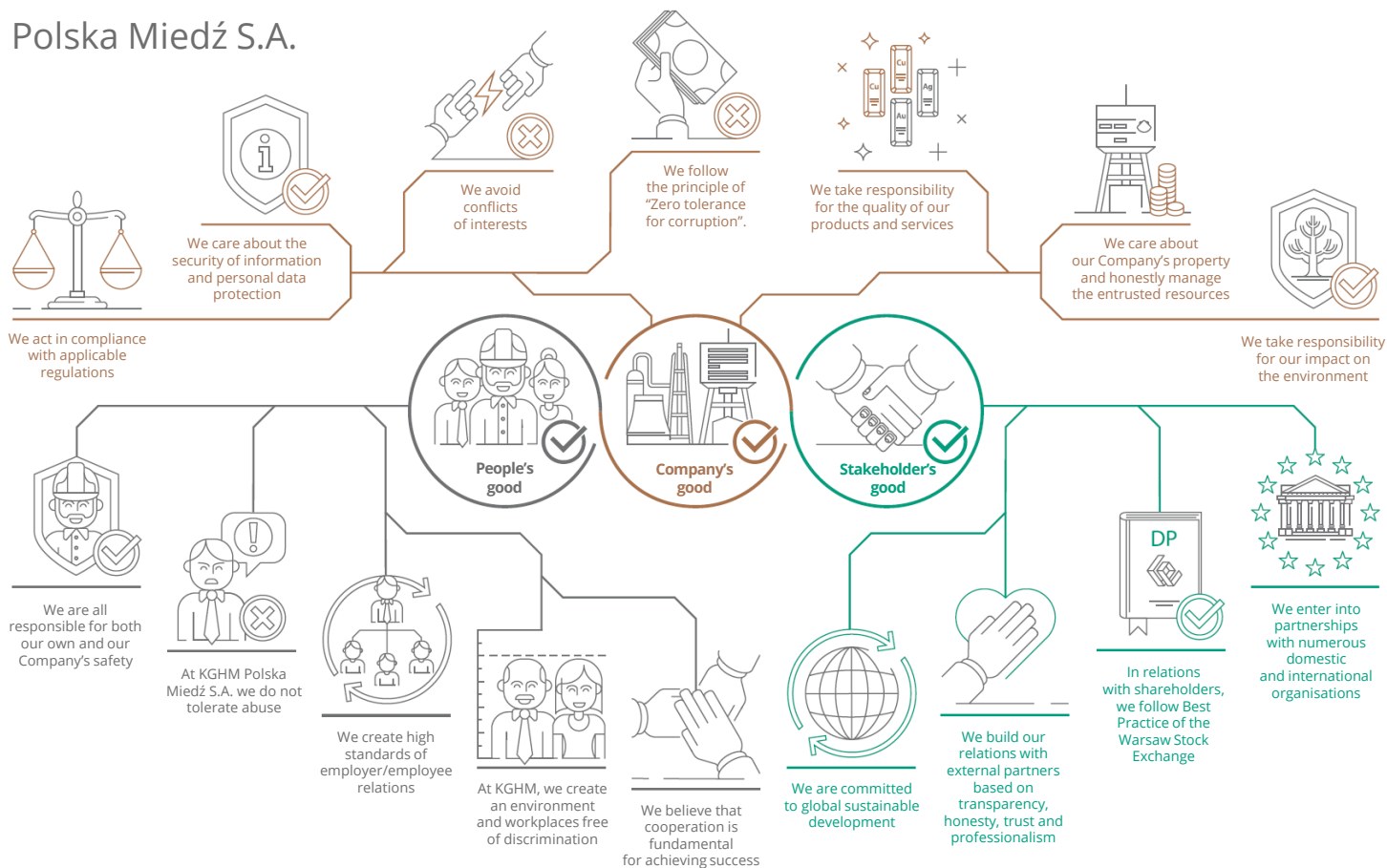
## Responsible Supply Chain Policy of the KGHM Group





# Ethical Standards

KGHM Polska Miedź S.A.

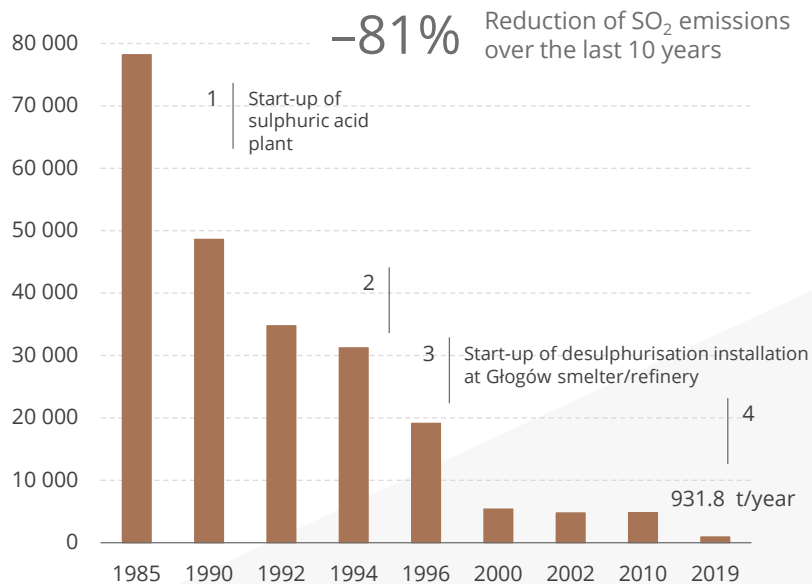




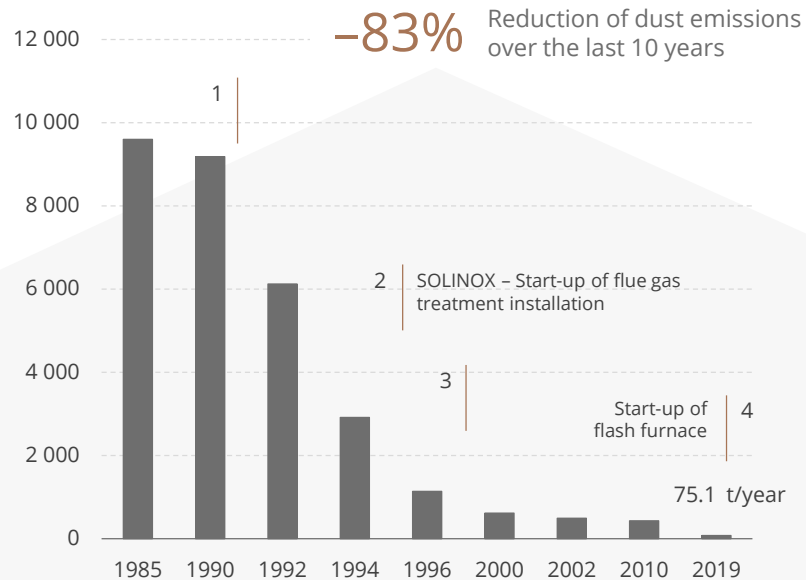
# Emissions by the divisions of KGHM Polska Miedź S.A.

SO<sub>2</sub> and dust emissions<sup>1)</sup>

SO<sub>2</sub> emissions by KGHM Polska Miedź S.A.  
[t/year]



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

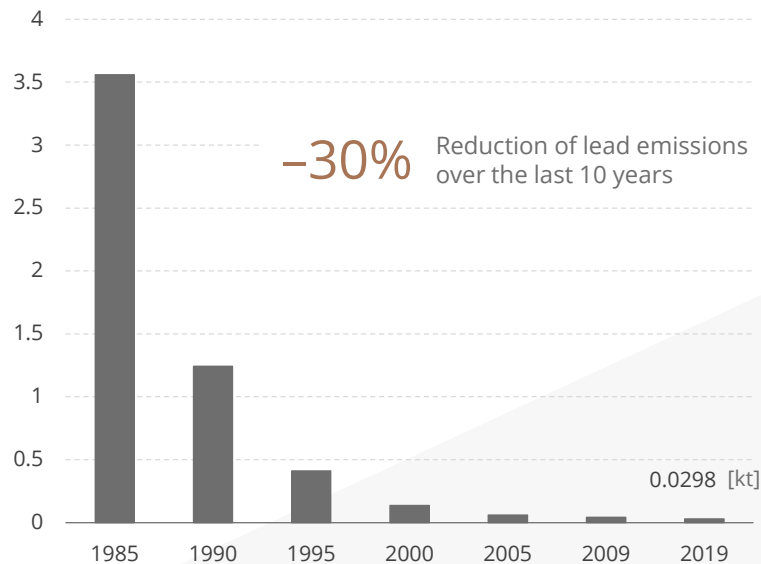


# Emissions by the divisions of KGHM Polska Miedź S.A.

## Lead and copper emissions

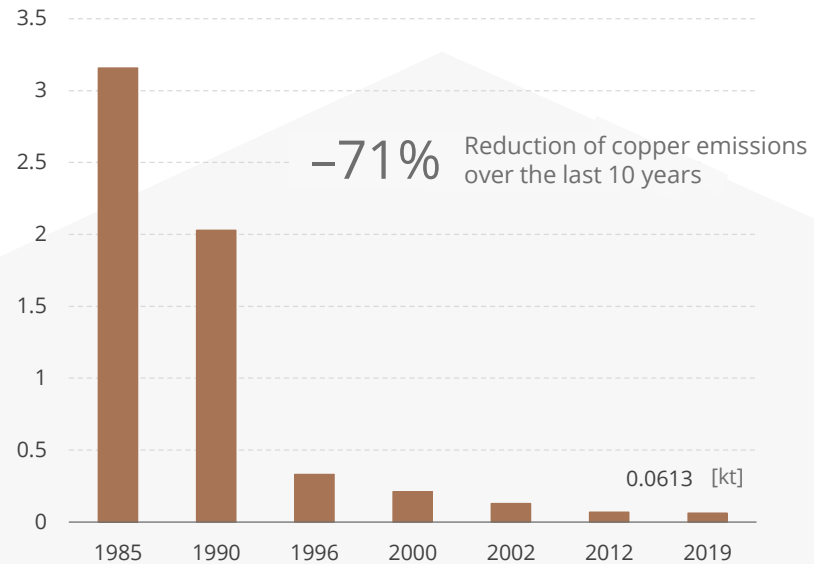
Lead emissions by KGHM Polska Miedź S.A.

[kt]



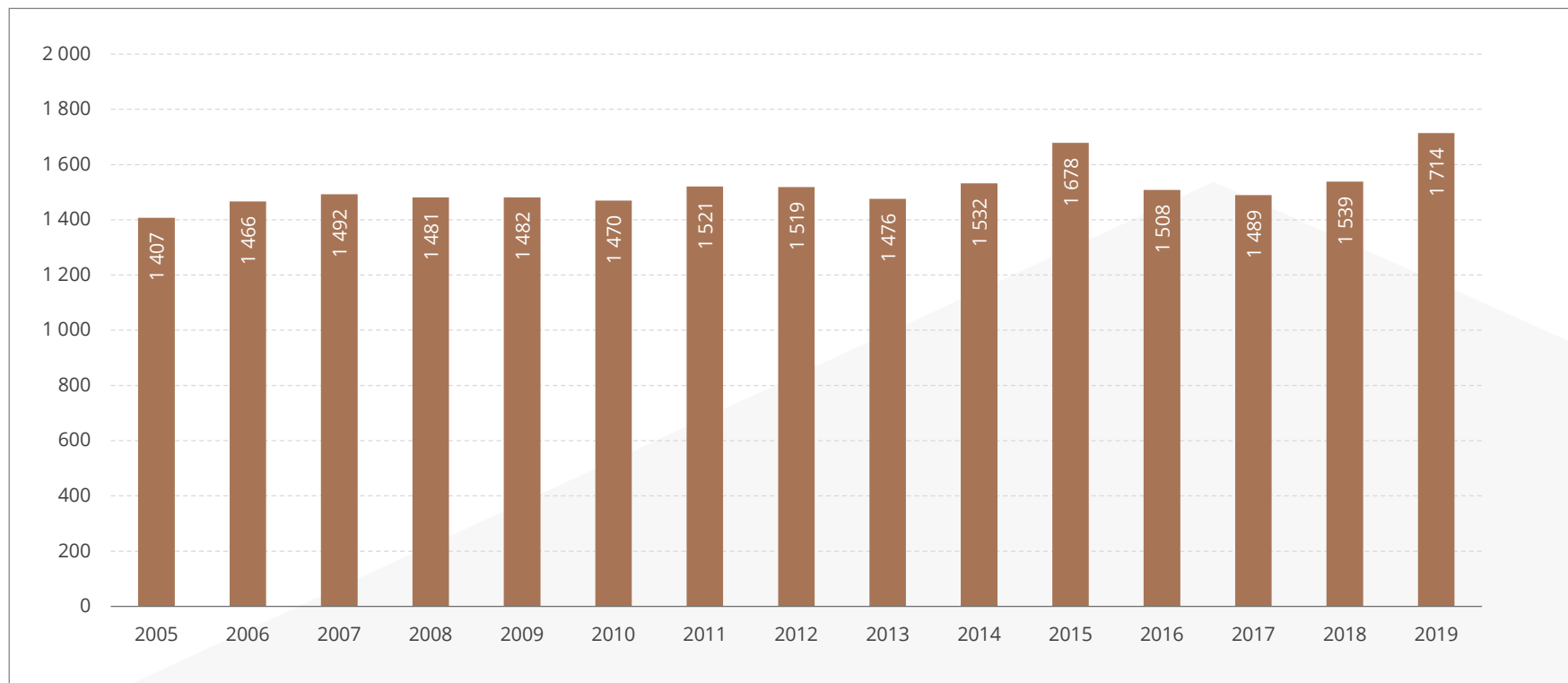
Copper emissions by KGHM Polska Miedź S.A.

[kt]



# CO<sub>2</sub> emissions by KGHM Polska Miedź S.A.

ETS<sup>1)</sup> direct emissions + nonETS [kt CO<sub>2</sub>]



# 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 proces in NITROERG S.A.

#E

## 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

#S

## 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

#G

Follow us on  
social media:



Thank you

Investor Relations Department

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

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

+48 76 74 78 280