

60 YEARS
KGHM



THE FUTURE IS MADE
OF COPPER



Results of the KGHM Group for Q3 and the first 9 months of 2021

Lubin, 16-17 November 2021

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Agenda



1. KGHM's commitments towards the environment and climate



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.

KGHM awarded

For effective advancement of its strategy, management and excellent financial results



COMPANY OF THE YEAR IN CENTRAL-EASTERN EUROPE

Granted during the Economic Forum in Karpacz for excellent financial and operating results and for building a global brand



MARCIN CHŁUDZIŃSKI MOST VALUABLE CEO

The President of KGHM Polska Miedź S.A. was recognised as the most valuable president amongst listed companies in the ranking „TOP30. Assessment of Polish managers 2021” with a value of PLN 1.8 billion



ECONOMIC AWARD BY THE PRESIDENT OF POLAND

KGHM Polska Miedź S.A. received the Economic Award of the President of Poland in the category „International Success”.

AMBER OF THE POLISH ECONOMY 2021



GLOBEE BUSINESS AWARDS – GOLD AND BRONZE



THE BEST OF THE BEST – THE BEST ANNUAL REPORT 2020



POLISH COMPANY OF THE YEAR 2020 – NEWSPAPER „GAZETA POLSKA CODZIENNE”

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

CLIMATE POLICY
ENVIRONMENTAL POLICY
ANTI-CORRUPTION POLICY

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



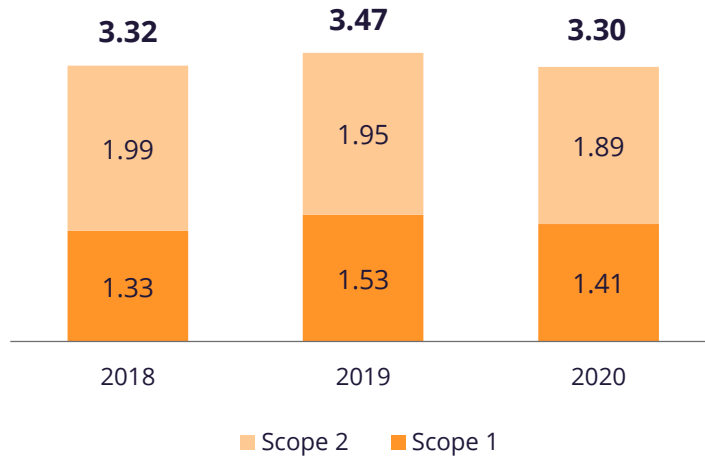
Stakeholder expectations

- 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.

1) Level of emissions calculated pursuant to the GHG Protocol standard, though this does not include the entire Group. KGHM Polska Miedź S.A. is the major emitter of greenhouse gases in the KGHM Group.

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

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

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...](#)

Key issues and execution of main targets

Summation of the first 9 months of 2021 in the KGHM Group

Main macroeconomic factors and aspects of the Group compared to 9M 2020

Macroeconomic environment¹⁾

+57%

Copper price

+34%

Silver price

-3.4%

Weaker USD vs the PLN

Production and C1 cost

+10%

Copper production

+1%

Silver production

+22%

C1 cost

Financial results

+31%

Increase in revenues to
PLN 21 735 mn

+75%

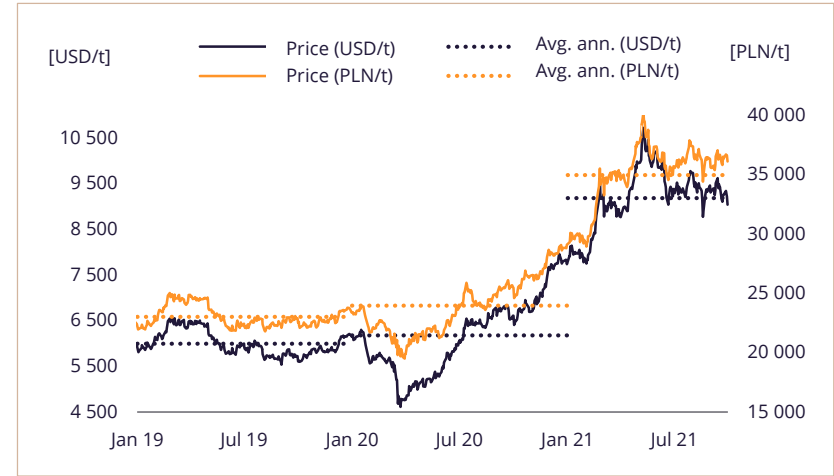
Increase in EBITDA²⁾ to
PLN 7 730 mn

Macroeconomic environment

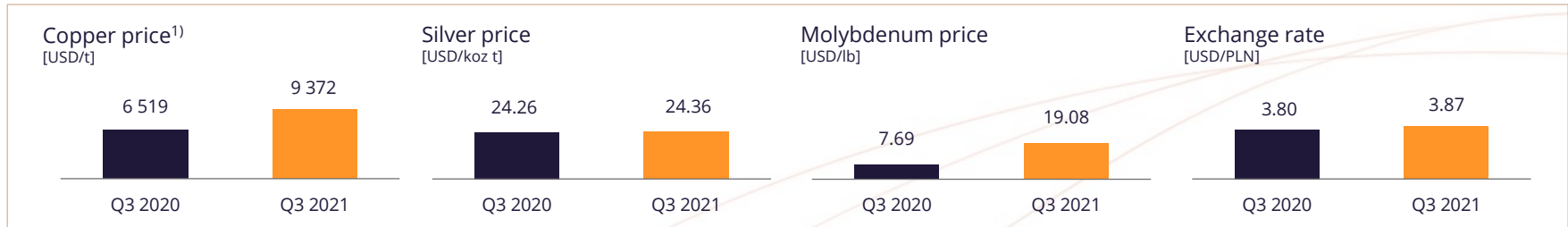
Commodities and currencies prices

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)



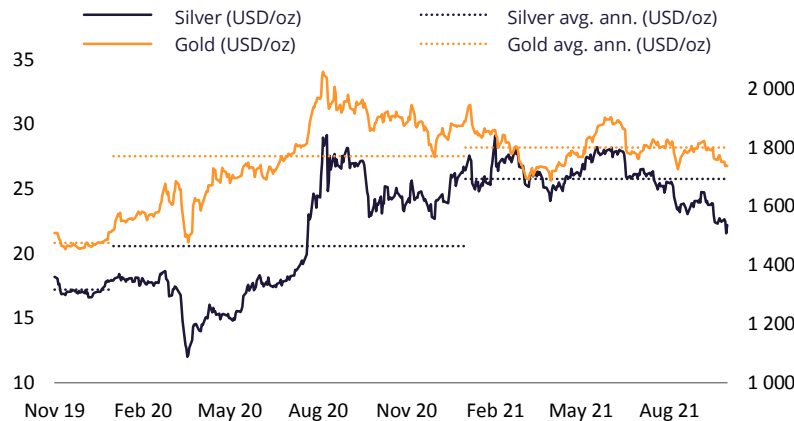
Source: Thomson Reuters, KGHM Polska Miedź S.A.



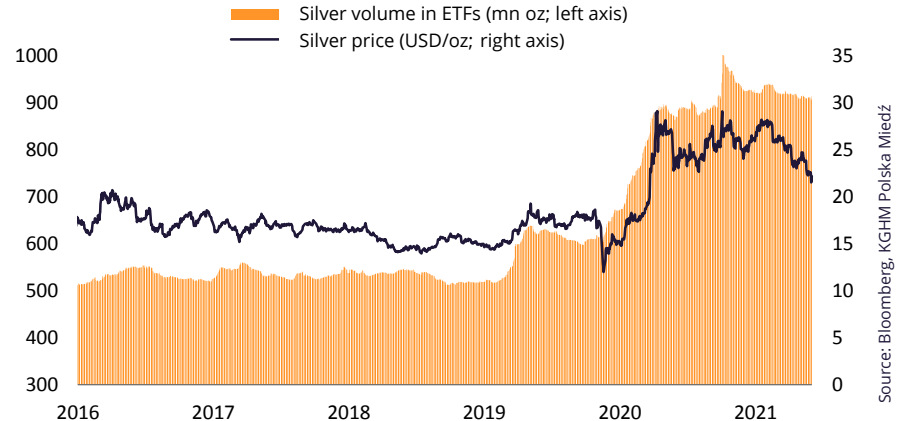
Precious metals prices in Q3 2021

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

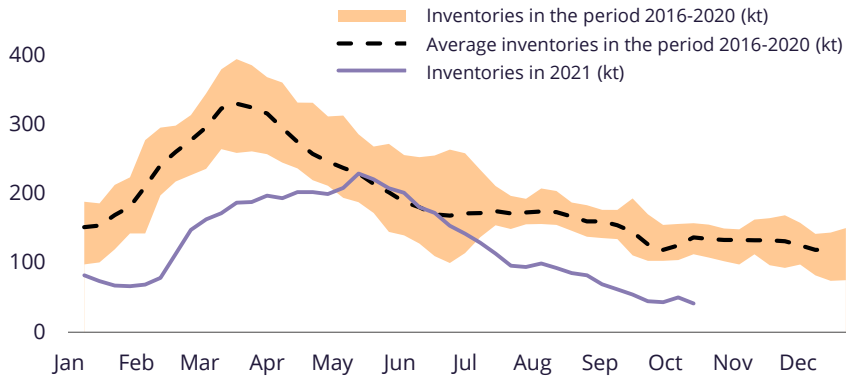


- The price of gold in Q3 2021 oscillated around 1 800 USD/oz, the average gold price was 1 789 USD/oz and was more than 6% lower than the average for the corresponding period of 2020; in contrast the price of silver decreased in Q3 2021 to around 23 USD/oz
- Taking into consideration the nature of silver 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

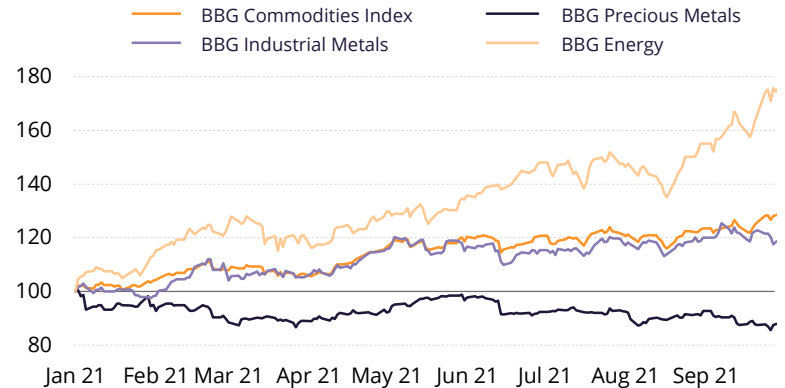
Lower inventories in official copper warehouses in Shanghai in Q3 2021 compared to previous years

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

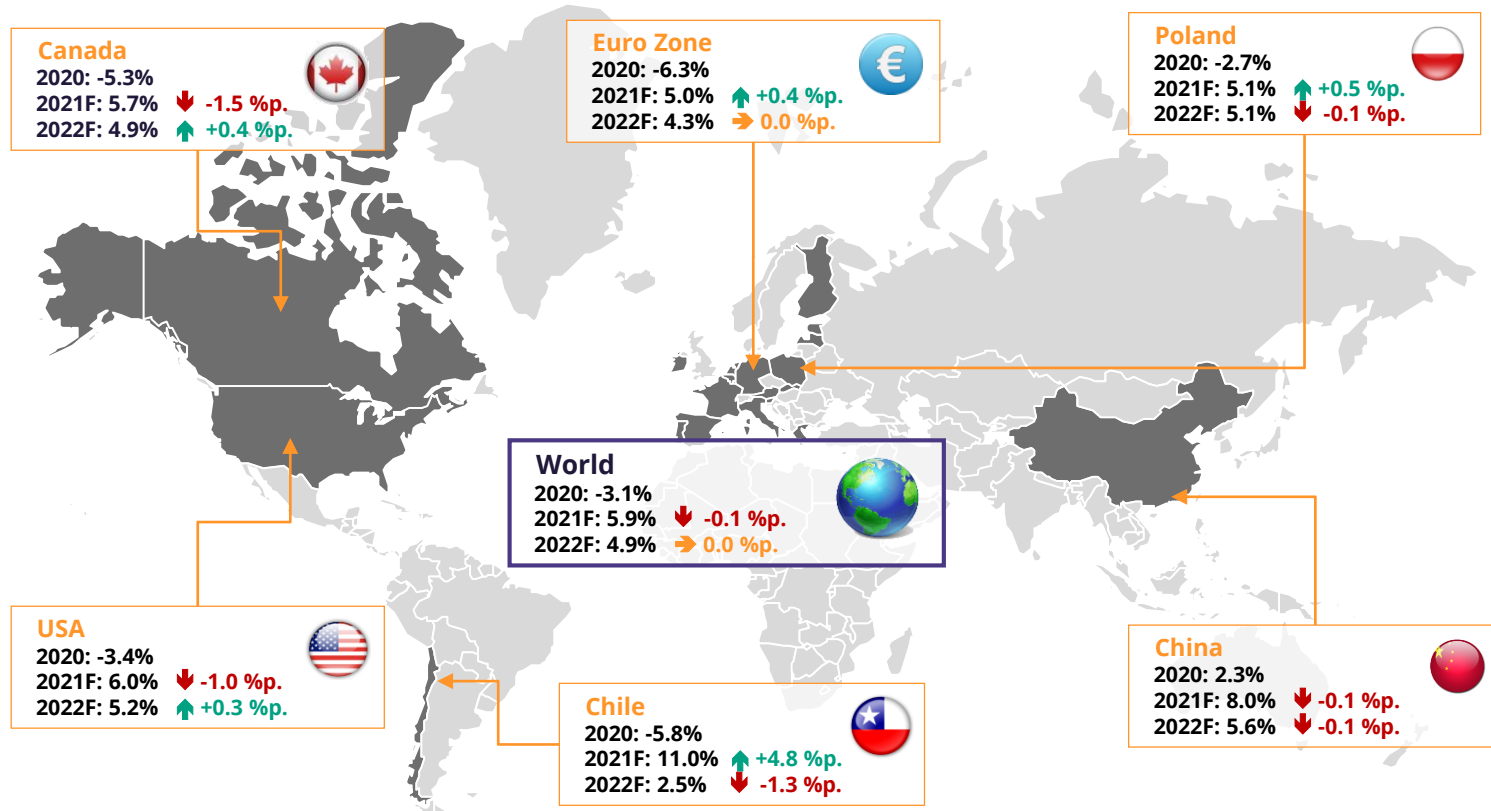
- The Bloomberg commodities index at the end of September 2021 reached its lowest level in 6 years
- Precious metals prices are more than 10% lower than at the start of 2021
- Strong increases in natural gas and crude oil prices drove up the energy commodities prices index in 2021 by nearly 80%

More than a year after the first wave of COVID-19, manager sentiment in Q3 2021 returned to relative balance

- The highest PMIs were recorded in the EU, while in Asia they remain at a more muted level
- Industrial PMI in China for the first time since February 2020 fell below 50

	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	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20	Jan-21	Feb-21	Mar-21	Apr-21	May-21	Jun-21	Jul-21	Aug-21	Sep-21
USA (ISM)	55.7	54.2	55.3	53.6	52.2	51.3	51.0	48.4	48.3	48.3	48.2	47.7	51.1	50.3	49.7	41.7	43.1	52.2	53.7	55.6	55.7	58.8	57.7	60.5	58.7	60.8	64.7	60.7	61.2	60.6	59.5	59.9	61.1
USA (PMI)	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	39.8	49.8	50.9	53.1	53.2	53.4	56.7	57.1	59.2	58.6	59.1	60.5	62.1	62.1	63.4	61.1	60.7
Canada	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	40.6	47.8	52.9	55.1	56.0	55.5	55.8	57.9	54.4	54.8	58.5	57.2	57.0	56.5	56.2	57.2	57.0
Mexico	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	35.0	38.3	38.6	40.4	41.3	42.1	43.6	43.7	42.4	43.0	44.2	45.6	48.4	47.6	48.8	49.6	47.1	48.6
Brazil	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	36.0	38.3	51.6	58.2	64.7	64.9	66.7	64.0	61.5	56.5	58.4	52.8	52.3	53.7	56.4	49.6	53.6	54.4
Eurozone	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	39.4	47.4	51.8	51.7	53.7	54.8	53.8	55.2	54.8	57.9	62.5	62.9	63.1	63.4	62.8	61.4	58.6
Germany	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	36.6	45.2	51.0	52.2	56.4	58.2	57.8	58.3	57.1	60.7	66.6	66.2	64.4	65.1	65.9	62.6	58.4
France	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	40.6	52.3	52.4	49.8	51.2	51.3	49.6	51.1	51.6	56.1	59.3	58.9	59.4	59.0	58.0	57.5	55.0
Italy	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	45.4	47.5	51.9	53.1	53.2	53.8	51.5	52.8	55.1	56.9	59.8	60.7	62.3	62.2	60.3	60.9	59.7
Spain	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	38.3	49.0	53.5	49.9	50.8	52.5	49.8	51.0	49.3	52.9	56.9	57.7	59.4	60.4	59.0	59.5	58.1
Netherlands	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	40.5	45.2	47.9	52.3	52.5	50.4	54.4	58.2	58.8	59.6	64.7	67.2	69.4	68.8	67.4	65.8	62.0
Austria	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	40.4	46.5	52.8	51.0	51.7	54.0	51.7	53.5	54.2	58.3	63.4	64.7	66.4	67.0	63.9	61.8	62.8
Ireland	52.6	54.0	53.9	52.5	50.4	49.8	48.7	48.6	48.7	50.7	49.7	49.5	51.4	51.2	45.1	36.0	39.2	51.0	57.3	52.3	50.0	50.3	52.2	57.2	51.8	52.0	57.1	60.8	64.1	64.0	63.3	62.8	60.3
UK	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	40.7	50.1	53.3	55.2	54.1	53.7	55.6	57.5	54.1	55.1	58.9	60.9	65.6	63.9	60.4	60.3	57.1
Greece	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	41.1	49.4	48.6	49.4	50.0	48.7	42.3	46.9	50.0	49.4	51.8	54.4	58.0	58.6	57.4	59.3	58.4
Poland	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	40.6	47.2	52.8	50.6	50.8	50.8	50.8	51.7	51.9	53.4	54.3	53.7	57.2	59.4	57.6	56.0	53.4
Czech Rep.	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	39.6	44.9	47.0	49.1	50.7	51.9	53.9	57.0	57.0	56.5	58.0	58.9	61.8	62.7	62.0	61.0	58.0
Turkey	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	40.9	53.9	56.9	54.3	52.8	53.9	51.4	50.8	54.4	51.7	52.6	50.4	49.3	51.3	54.0	54.1	52.5
Russia	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	36.2	49.4	48.4	51.1	48.9	46.9	46.3	49.7	50.9	51.5	51.1	50.4	51.9	49.2	47.5	46.5	49.8
Asia	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	50.7	51.2	52.8	53.1	53.0	53.6	54.9	53.0	51.5	50.9	50.6	51.9	52.0	51.3	50.3	49.2	50.0
China (Caixin)	49.5	49.2	50.5	50.1	49.4	49.4	49.7	49.5	49.8	49.3	50.2	50.0	35.7	52.0	50.8	50.6	50.9	51.1	51.0	51.5	51.4	52.1	51.9	51.3	50.6	51.9	51.1	51.0	50.9	50.4	50.1	49.6	49.6
China	50.3	48.9	49.2	50.2	49.8	49.3	49.4	49.3	48.9	48.4	48.9	48.4	47.8	44.8	41.9	38.4	40.1	45.2	47.2	47.7	48.7	49.0	50.0	49.8	51.4	52.7	53.6	53.0	52.4	53.0	52.7	51.5	51.5
Japan	53.9	54.3	52.6	51.8	52.7	52.1	52.5	51.4	51.4	50.6	51.2	52.7	55.3	54.5	51.8	27.4	30.8	47.2	46.0	52.0	56.8	58.9	56.3	56.4	57.7	57.5	55.4	55.5	50.8	48.1	55.3	52.3	53.7
India	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	28.6	39.1	46.9	50.8	47.2	47.8	50.6	51.3	52.2	50.9	53.2	54.6	55.3	53.5	40.1	42.7	52.2
Indonesia	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	45.6	51.0	50.0	49.3	49.0	48.5	48.4	49.1	48.9	47.7	49.9	53.9	51.3	39.9	40.1	43.4	48.1
Malaysia	47.5	46.3	49.0	48.2	48.4	45.5	48.1	47.9	50.0	49.8	49.8	50.8	51.8	49.9	50.4	42.2	41.9	46.2	50.6	52.2	55.2	55.1	56.9	59.4	60.2	60.4	60.8	62.4	62.0	57.6	59.7	58.5	54.7
Taiwan	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	35.8	41.3	42.5	45.3	50.0	49.6	51.1	50.7	52.3	48.5	47.2	49.2	49.7	46.4	48.9	48.0	48.5	49.1
Thailand	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	41.3	43.4	46.9	48.5	49.8	51.2	52.9	52.9	53.2	55.3	55.3	54.6	53.7	53.9	53.0	51.2	52.4
South Korea	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	41.3	43.4	46.9	48.5	49.8	51.2	52.9	52.9	53.2	55.3	55.3	54.6	53.7	53.9	53.0

Economic growth forecast of the IMF from October 2021



Key production indicators

9M 2021

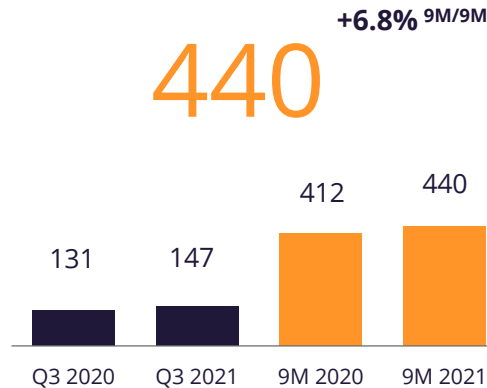
Payable copper production
by the KGHM Group
higher by 10.1% (9M/9M)

574

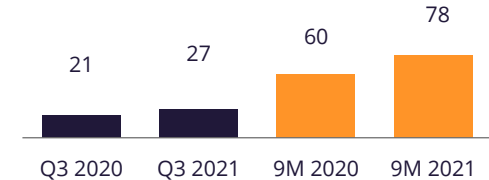
+10.1% 9M/9M
[kt]

- 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

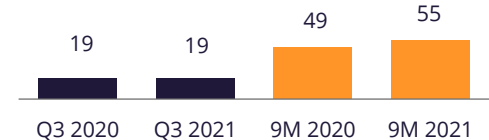
Payable copper production
KGHM Polska Miedź [kt]



Payable copper production
Sierra Gorda¹⁾ [kt]



Payable copper production
KGHM INTERNATIONAL [kt]



Key financial indicators

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:

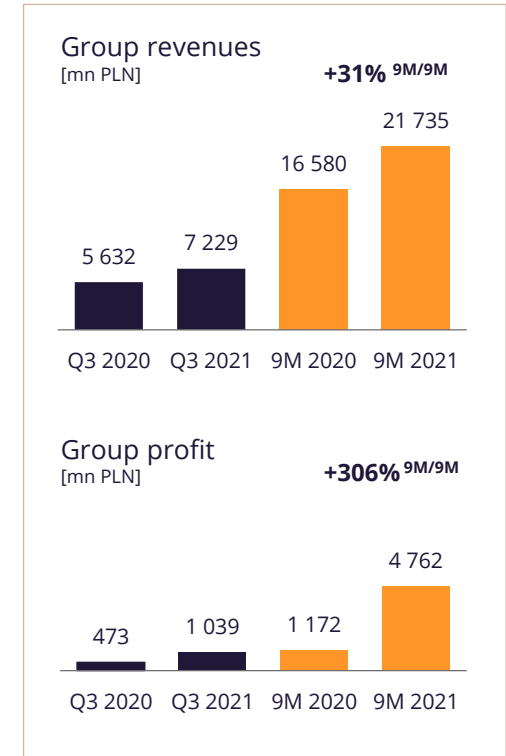
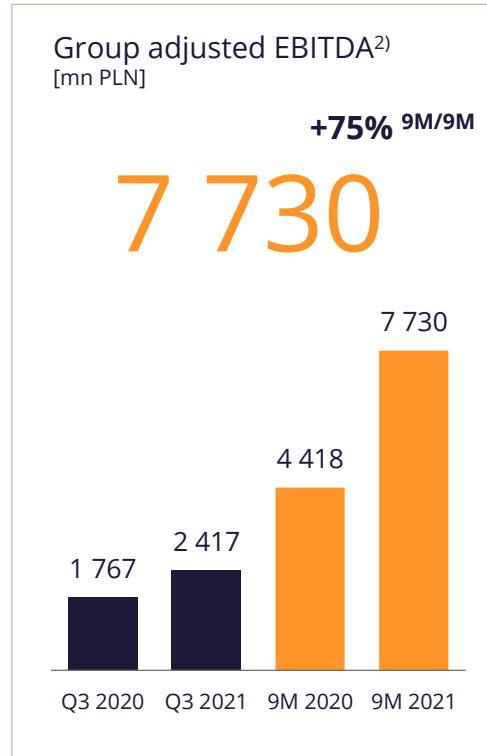
- KGHM Polska Miedź +PLN 1 220 mn – higher copper prices
- Sierra Gorda¹⁾ +PLN 1 458 mn – mainly higher revenues from copper sales due to higher prices and a higher sales volume
- KGHM INTERNATIONAL +PLN 598 mn – higher copper prices

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

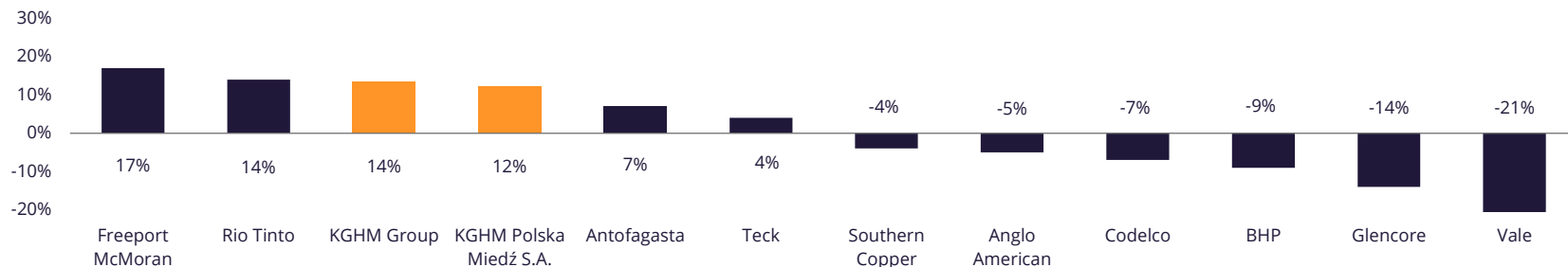


1) On a 55% basis

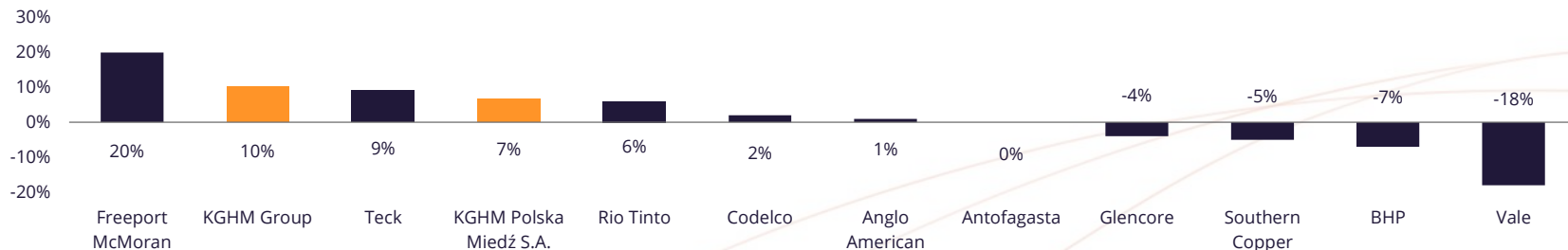
2) Sum of segments; adjusted EBITDA = profit/loss on sales + depreciation/amortisation adjusted by impairment losses/reversals of impairment losses on non-current assets

The production of miners in Q3 2021

Copper production by miners, Q3 2021 vs Q3 2020



Copper production by miners, 9M 2021 vs 9M 2020

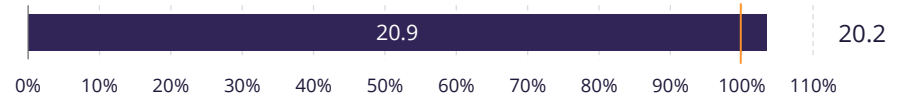


The financial situation of the KGHM Group remains stable and safe

2021
Budget

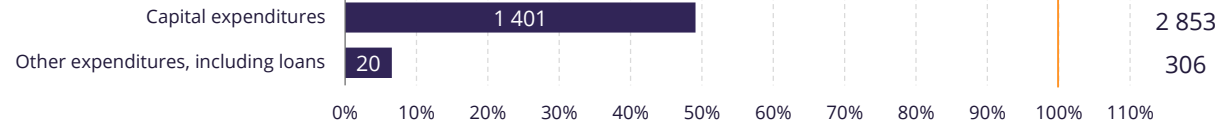
Total unit production cost

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⁾

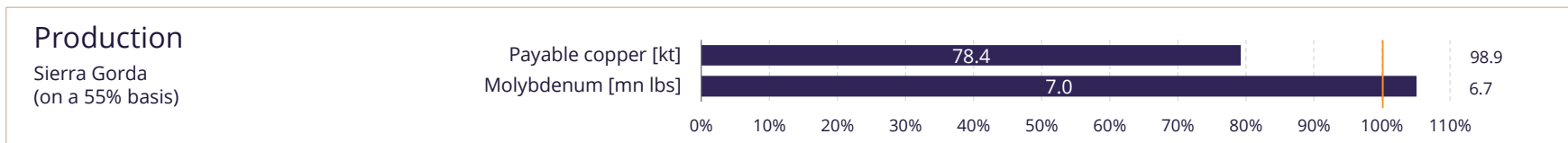
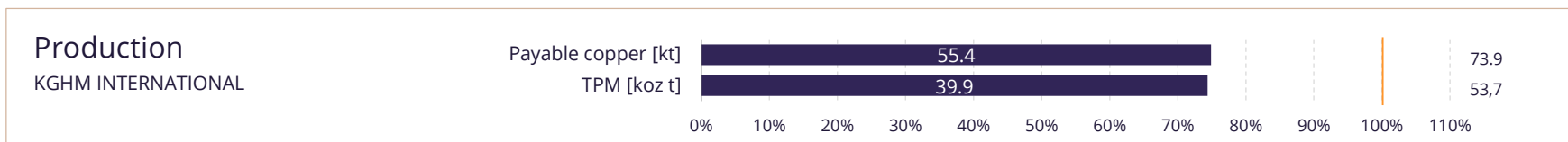
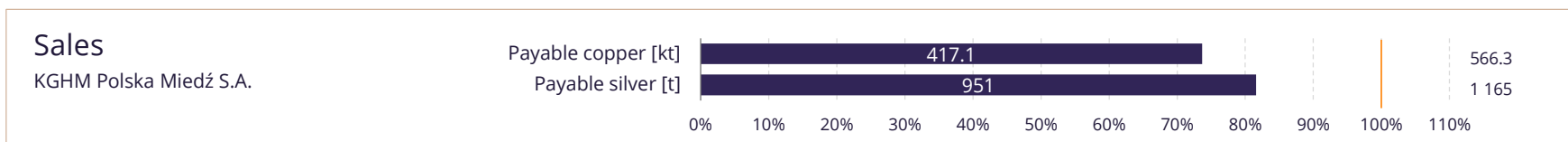
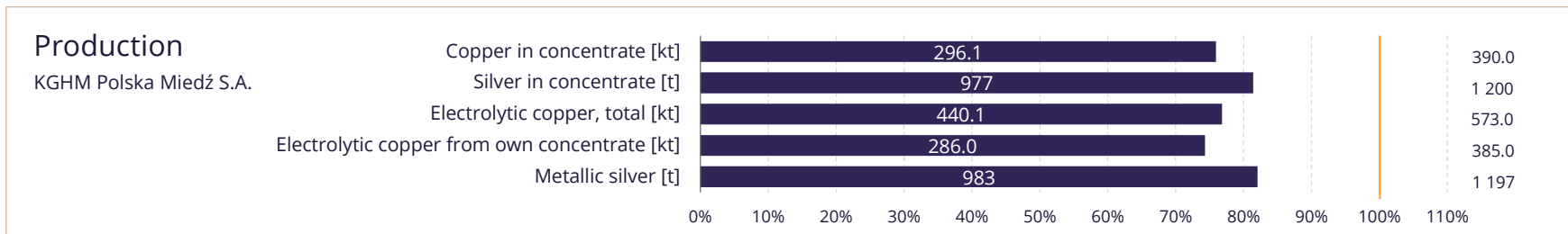


- 1) Sum of costs of extraction, floatation and metallurgical processing per cathode, together with support functions and cathode selling costs, adjusted by the value of inventories of half-finished products and work in progress, less the value of anode slimes and divided by the volume of electrolytic 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

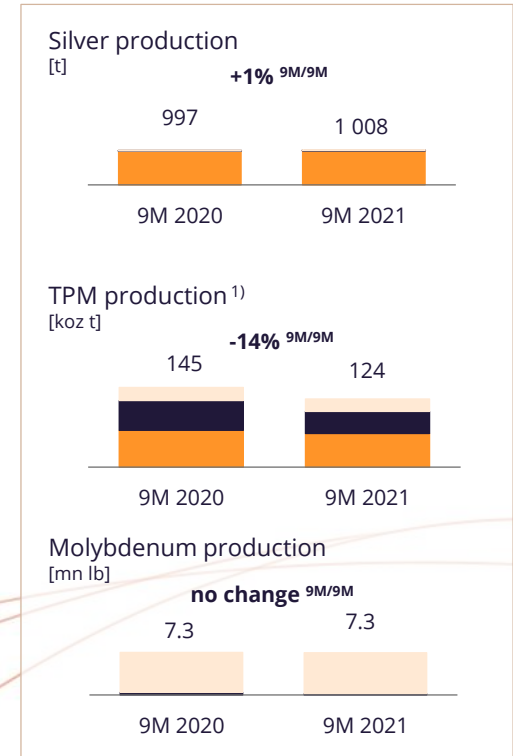
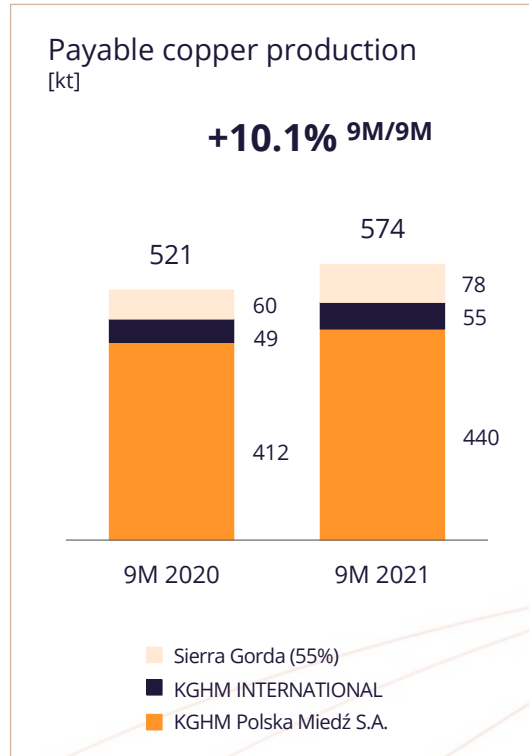


Production results of the KGHM Group by segment

Metals production

KGHM Group

- Higher production:
 - by KGHM Polska Miedź due to higher production from purchased copper-bearing materials (higher availability of production lines)
 - by KGHM INTERNATIONAL due mainly to higher production by the Robinson mine
 - by the Sierra Gorda mine due to higher recovery and higher copper content in ore
- Lower production of TPM by KGHM Polska Miedź, the Sudbury Basin and Sierra Gorda
- Molybdenum production in line with target – slightly higher molybdenum production by Sierra Gorda (higher recovery) offset by lower production by the Robinson mine (lower recovery)

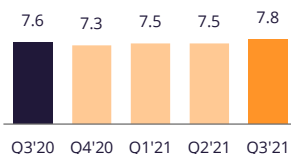
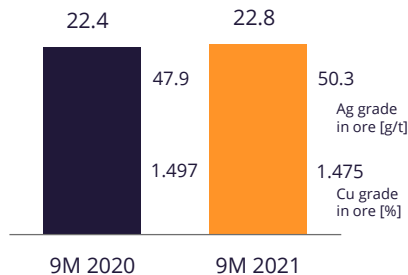


Production results

KGHM Polska Miedź S.A.

Ore extraction
[mn t dry weight]

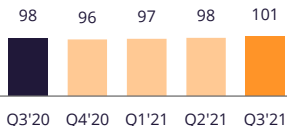
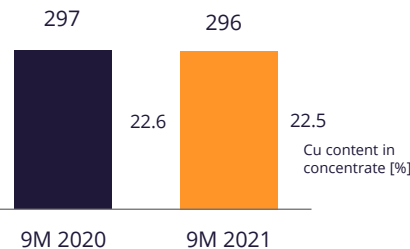
+1.8% 9M/9M



- Ore extraction results from areas selected for mining

Production of copper
in concentrate [kt]

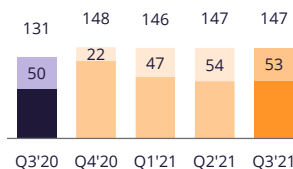
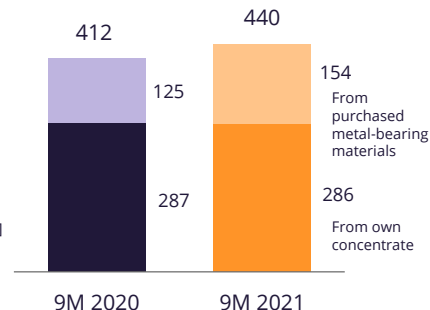
-0.2% 9M/9M



- Production of copper in concentrate resulting from volume of production and copper content

Electrolytic copper
production [kt]

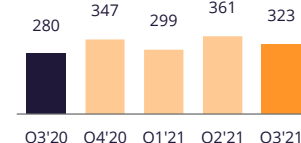
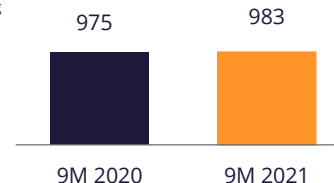
+6.8% 9M/9M



- Higher production of electrolytic copper due to higher availability of production lines

Metallic silver
production [t]

+0.7% 9M/9M

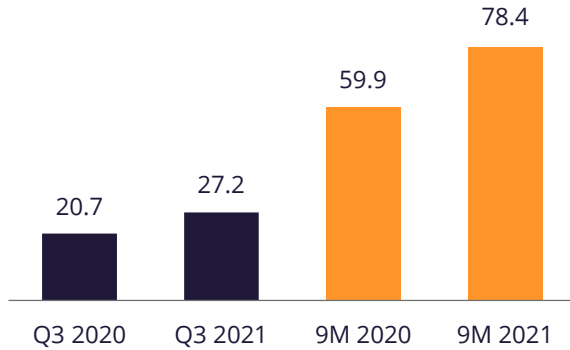


- Lower production due to the lower availability of purchased silver-bearing materials

Production results

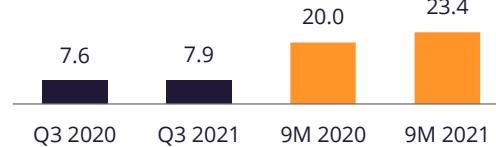
Sierra Gorda¹⁾

Payable copper production **+31% 9M/9M**
[kt]

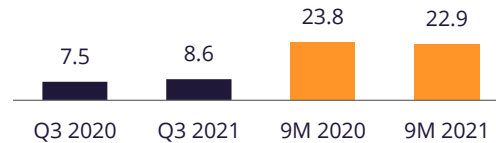


- Higher copper production in the first 9M of 2021 versus the 9M of 2020 thanks to higher copper content in mined ore and higher metal recovery

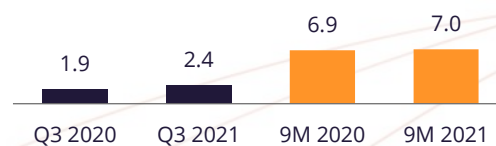
Silver production **+17% 9M/9M**
[t]



TPM production **-4% 9M/9M**
[koz t]



Molybdenum production **+2% 9M/9M**
[mn lbs]

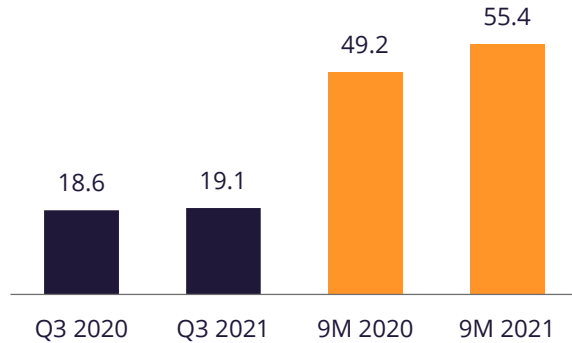


- The volume of precious metals production derived from the content of these metals in mined ore
- The increase in molybdenum production was due to higher metal recovery and the higher volume of ore processed, which offset extraction from areas with lower molybdenum content compared to ore mined in the corresponding prior period

Production results

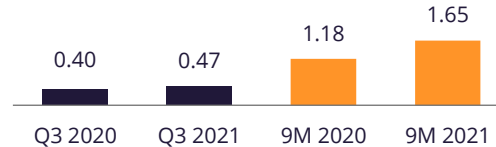
KGHM INTERNATIONAL

Payable copper production **+13% 9M/9M**
[kt]

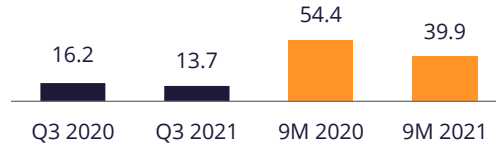


- Higher production due to an increase by the Robinson mine (mining of higher-grade ore and higher recovery)

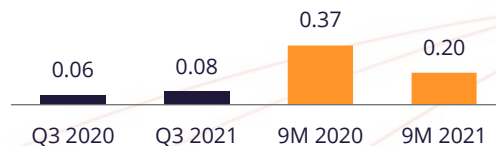
Silver production **+39% 9M/9M**
[t]



TPM production **-27% 9M/9M**
[koz t]



Molybdenum production **-44% 9M/9M**
[mn lbs]

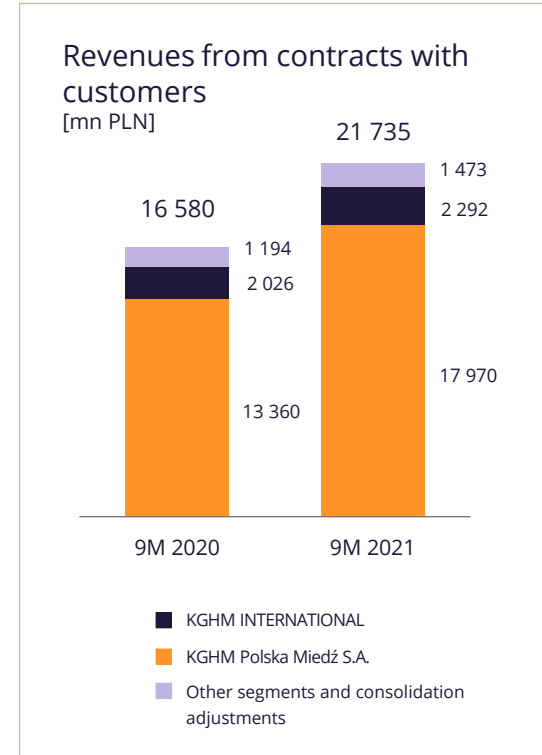
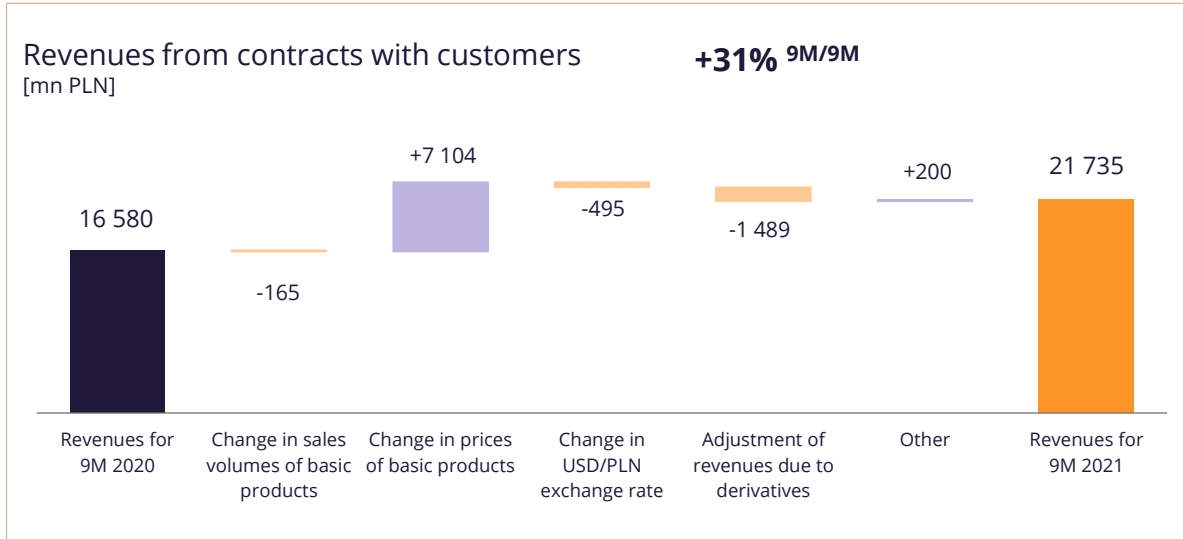


- Higher silver production by the Sudbury Basin due to higher silver content in ore
- Higher gold production by the Robinson mine (higher recovery) did not offset lower TPM production by the Sudbury Basin (lower extraction, lower TPM content in ore)
- Lower molybdenum production by the Robinson mine due to lower recovery

Financial results of the Group

Group sales revenue

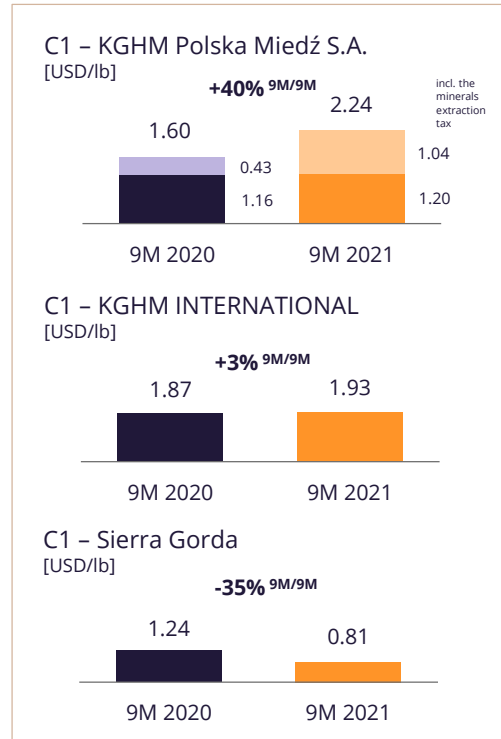
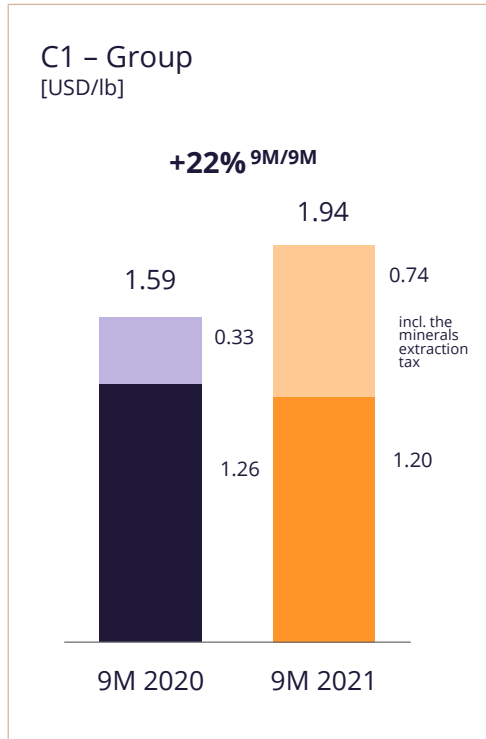
9M 2021



- Higher revenues by PLN 5 155 million (+31%) versus 9M 2020 due to higher prices for basic products, partially offset by an adjustment of revenues due to derivatives and a less favourable USD/PLN exchange rate

C1 unit cost¹⁾

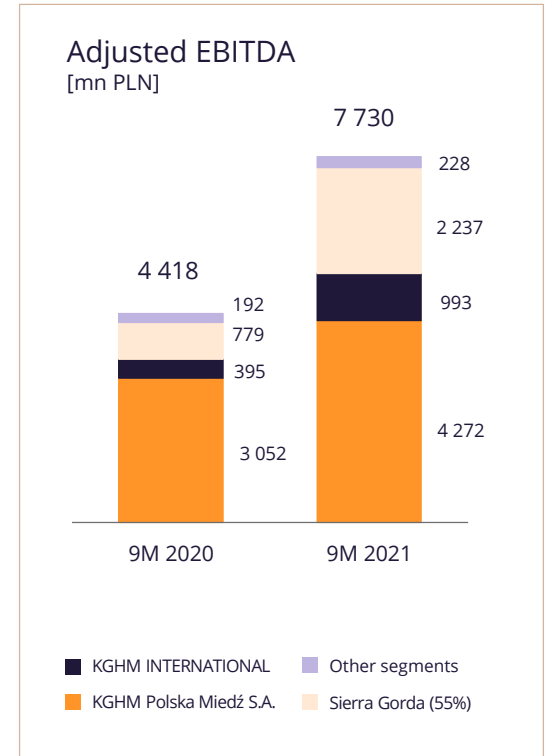
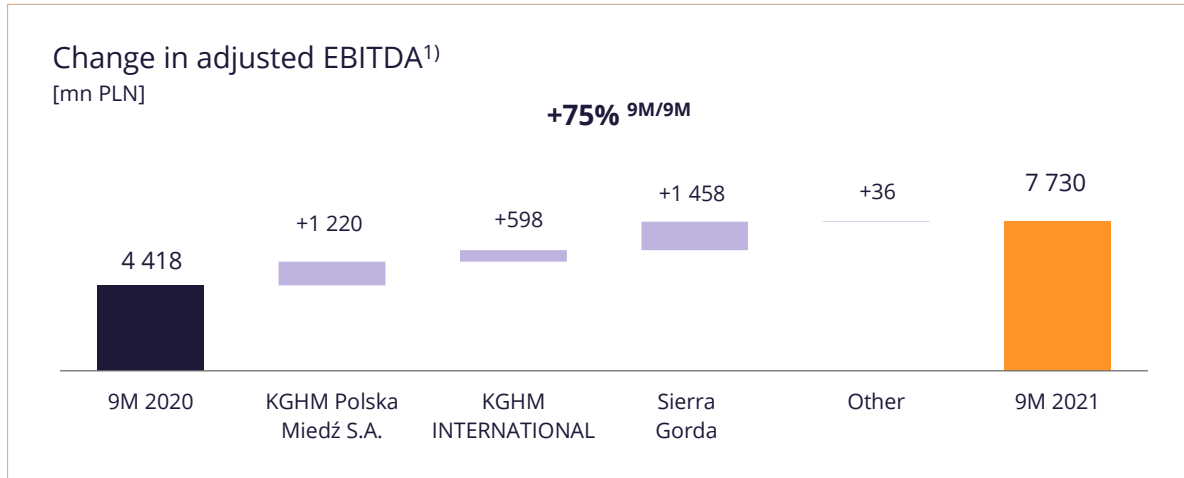
KGHM Group



- The increase in C1 cost in KGHM Polska Miedź by 40% versus 9M 2020 was mainly due to an increase in the minerals extraction tax charge (C1 excluding this tax was higher by only 3%)
- The increase in C1 by 3% in KGHM INTERNATIONAL versus 9M 2020 was due to a lower copper sales volume and lower revenues from sales of associated metals
- The decrease in C1 cost in Sierra Gorda by 35% compared to the prior year was due to a higher copper sales volume and higher revenues from sales of associated metals

Operating results

KGHM Group



Higher adjusted EBITDA versus 9M 2020 by PLN 3 312 mn mainly due to a higher adjusted EBITDA by the following segments:

- KGHM Polska Miedź S.A. (+PLN 1 220 mn)
- Sierra Gorda (+PLN 1 458 mn)
- KGHM INTERNATIONAL (+PLN 598 mn)

Financial results

KGHM Group

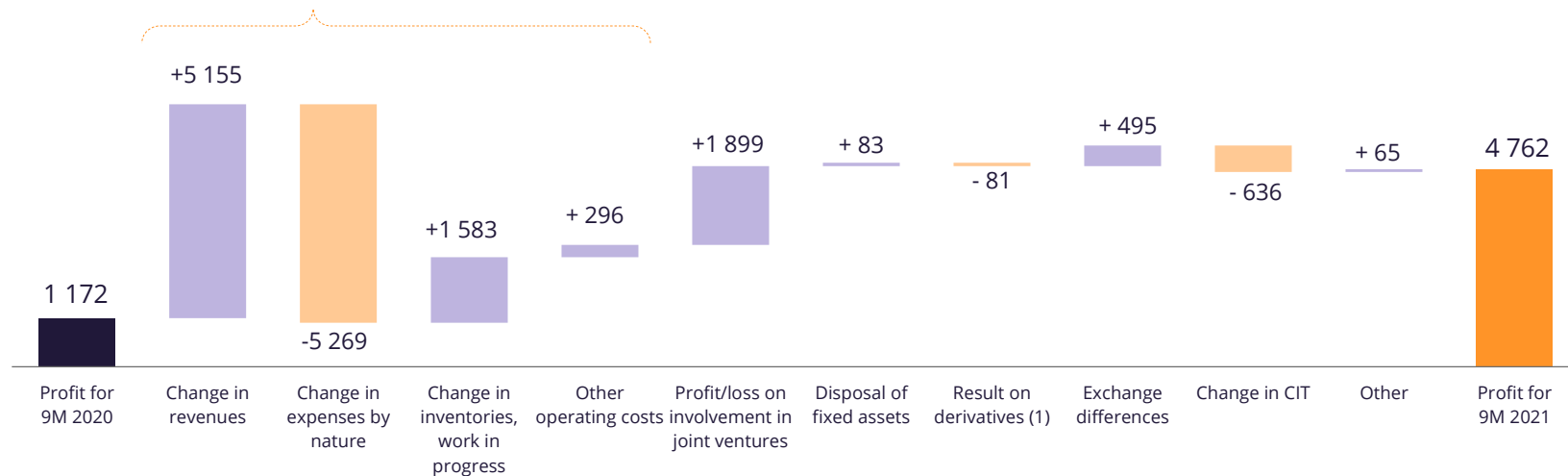
Profit for the period **+306%** ^{9M/9M}
[mn PLN]

4 762
[mn PLN]

consolidated net profit for 9M 2021

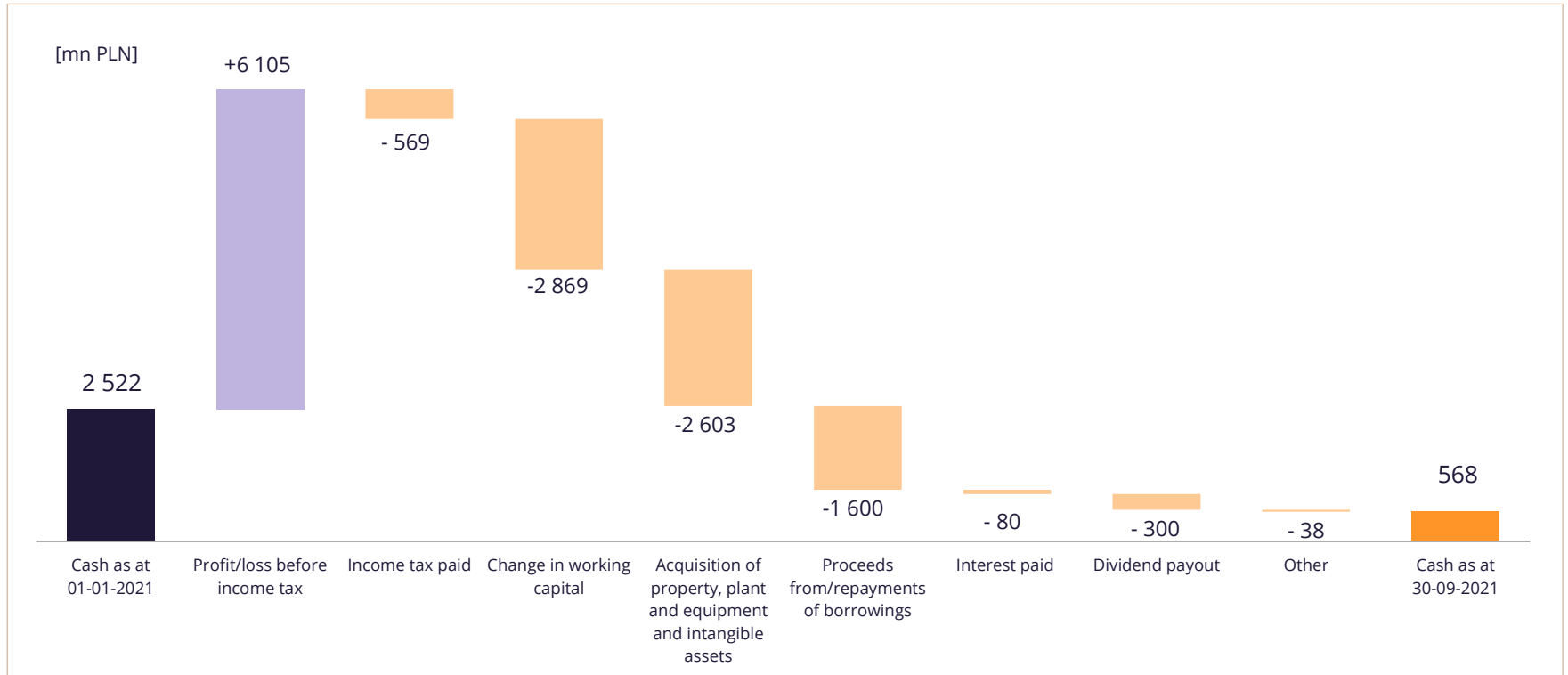
Higher KGHM Group profit by PLN 3 590 million (more than 4-times) mainly due to a higher net result on sales as well as a higher result on the involvement in joint ventures and in the result on exchange differences, with a higher CIT

Higher net result on sales
by PLN 1 765 mn



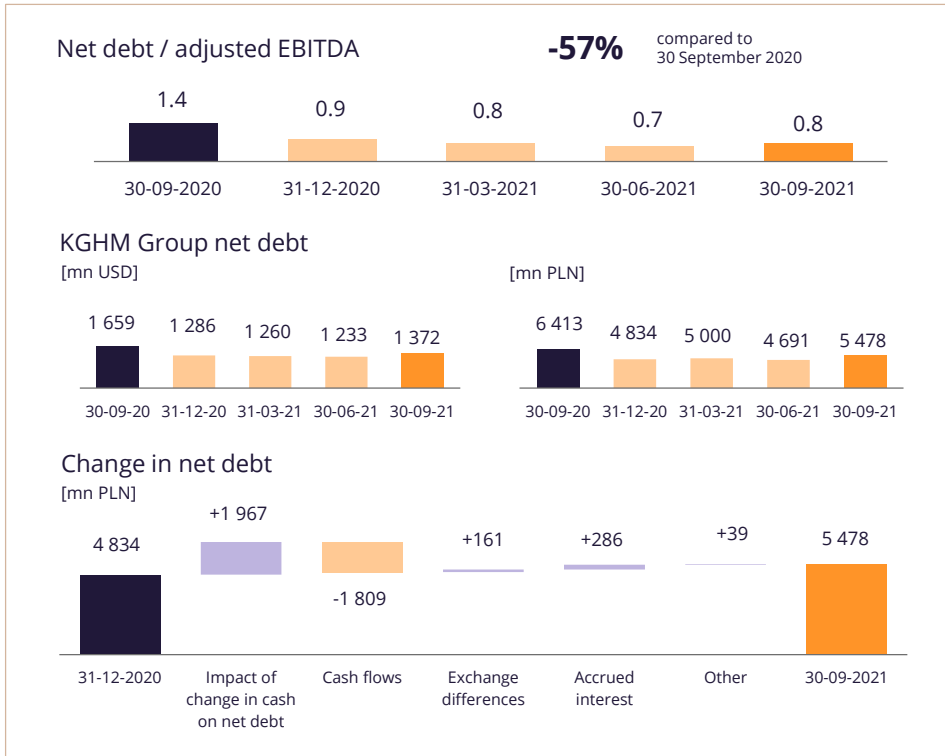
Cash flow

KGHM Group



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)

Advancement of development initiatives

A rationale and responsible investment program

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

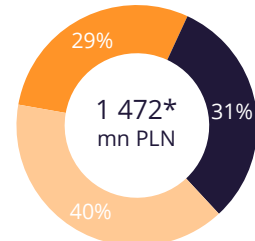
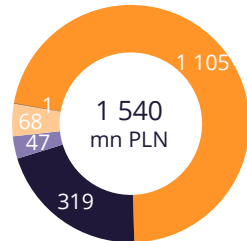


1 540 mn PLN
CAPEX execution in 9M 2021

2 853 mn PLN
CAPEX target for 2021

CAPEX execution in 9M 2021

- by area
 - Mining
 - Metallurgy
 - Other activities
 - Leasing IFRS 16
 - Development - uncompleted
- by category
 - Replacement
 - Maintaining mine production
 - Development



*excl. Leasing per IFRS 16

Comparison: CAPEX and budget execution in 9M 2020

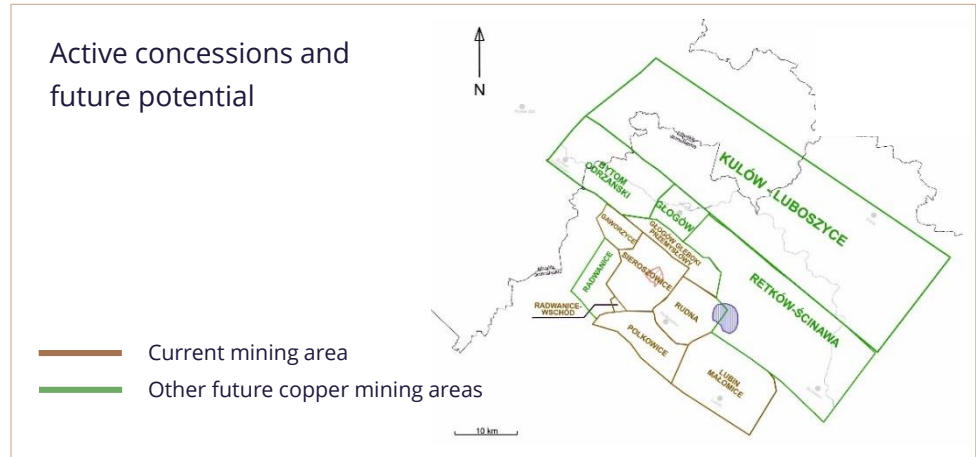
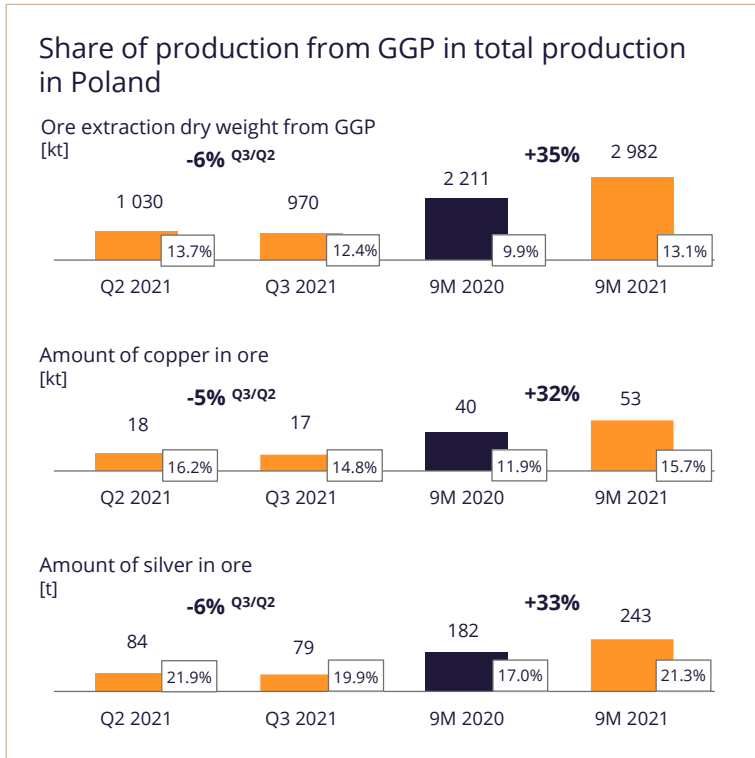


1 663 mn PLN
CAPEX execution 9M 2020

2 250 mn PLN
CAPEX budget target for CAPEX 2020

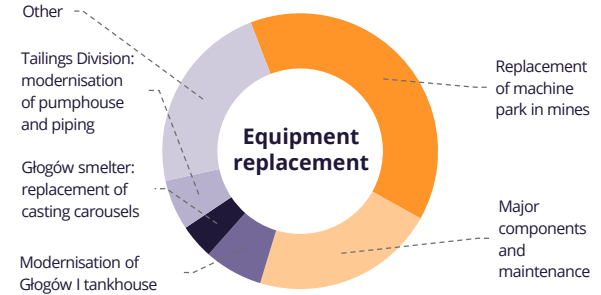
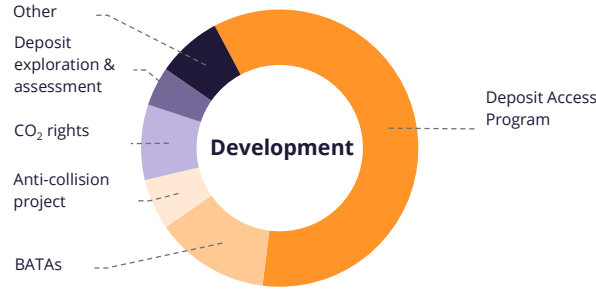
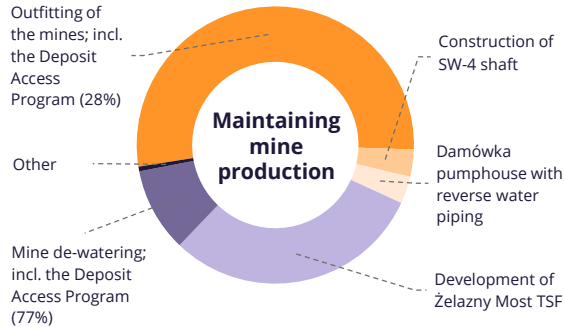
Role of Deep Głogów (GGP) in maintaining output in Poland

Deposit access program in KGHM's concessioned areas



- The decrease in ore extraction in Q3 versus Q2 (-6%) was due to increased, required work in barren rock, which was possible thanks to increased ore extraction in H1. This can also be seen when comparing to 9M 2021 and 2020 (+35%).
- In the third quarter work began on the sinking of an exploratory drillhole into the Bytom Odrzański concession. Preparatory work began aimed at commencing the drilling of an exploratory borehole in the Kulów-Luboszyce concession.

CAPEX execution in key projects



Development of Żelazny Most Tailings Storage Facility

- Completion of Stages 1 & 2 of construction of the Southern Quarter. Work continues on Stage 3 - 88% completed.
- Continuation of work on the Tailings Segregation and Thickening Station - 76% completed (99% of Stage 1, and 46% of Stage 2)
- The deposition of course-grained material into the Southern Quarter commenced
- The deposition of thickened (de-watered) tailings enables the return (i.e. re-utilisation) of significant amounts of water into processing and **around 5-times less water needing to be stored in the Southern Quarter**

Deposit Access Program

- GG-1 shaft - sunk to 1 259.9 m
- GG-2 „Odra” shaft - commenced shaft sinking procedures
- 33.5 km of tunneling completed
- Central Air Cooling System - final work and start-up actions underway

Program to adapt the technological installations to BAT Conclusions

At the Głogów metallurgical plant, an installation was brought online for the reduction of impurities in process gases from the converter furnaces and gases arising from the drainage of copper and slag from the Głogów 2 flash furnace. All of the tests of guarantee parameters for the constructed installation meet the required BAT conclusions.

Modernisation of Głogów I Tankhouse

- Completion of main work on replacing the roof undercarriage (300 m long and 105 m wide), renovation of walls, lighting installation replaced. The water drainage installation was also modernised.
- Final work is underway

Anti-collision operator support system

- Project completed in all three mines
- The system is installed in 1 292 mining machines. The project included the construction of testing equipment, synchronisation gates, data readout units from the machines and 20 081 tags on miner lamps.
- The system supports workplace safety

Energy Development Program, including RES

Actions in 2021



Development of renewable energy sources

- Further permits are in the process of being obtained and design work is underway on the Obora Sandpit and HM Głogów I-III¹⁾ PV sites
- An analysis of the connection possibilities for the EPV HM Głogów I-III site was prepared
- Work is being finalised on developing a PV plant at the Cedynia Wire Rod Plant
- Preparatory work commenced on another two PV power plants
- The Company actively expressed its opinions as regards municipal plans and studies
- A structure was prepared in terms of acquiring external energy generation sources
- 2 preliminary offers were submitted to acquire wind farms
- An agreement was signed to develop nuclear power based on SMR technology
- Preparatory work is underway to submit applications for the construction of offshore wind farms



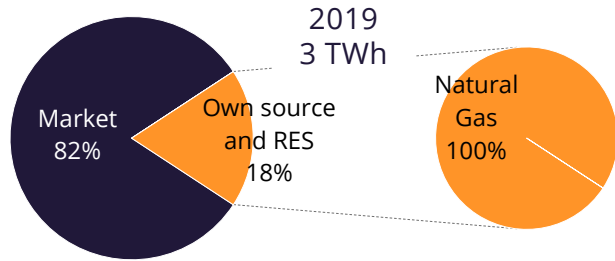
Optimisation and development of conventional sources

- In 2020 two gas-fired turbines at the gas-steam block in Głogów underwent simultaneous pilot start-up
- On this basis analytical work commenced aimed at enabling continuous parallel generation

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.

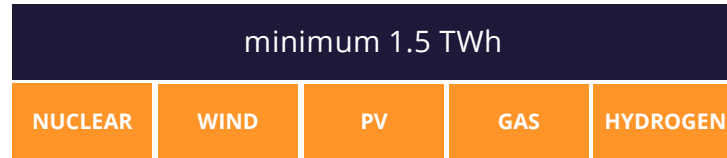
2019:



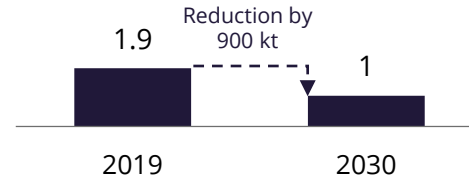
2020:

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

Key elements of the Strategy advanced in 9M 2021



Production

- Stable copper production from domestic assets (accrued production for 9M 2021: mined production 335.8 kt; metallurgical production 440.1 kt)
- Stable copper production from international assets (accrued production for 9M 2021: Sierra Gorda 78.4 kt (55% interest); Robinson 42 kt; Carlota 4.1 kt; Franke 7.8 kt; Sudbury Basin 1.4 kt)
- Continuation of projects aimed at automatization under KGHM 4.0
- Actions aimed at increasing power generation from own sources, incl. RES (wind farms, solar) and SMR nuclear power (a letter of intent on establishing a „Lower Silesia Hydrogen Valley“)



Development

- Continuation of the Deposit Access Program (sinking of GG-1 shaft, selection of contractors to build GG-2 shaft)
- Continued advancement of the Źelazny Most Tailings Storage Facility (97% of physical work completed)
- Construction of the Tailings Segregation and Thickening Station (75% of work completed on Stages 1 & 2)
- Continuation of exploration projects in Poland
- Continuation of development projects in the International assets (Victoria, SG Oxide)
- 15.6% of KGHM's need for electricity was supplied by its own generating sources; development of RES
- Continuation of work aimed at building a second Upcast line at the Cedynia wire rod plant



Innovation

- Continuation of the CuBR venture and the Implementation Doctorates Program
- Advancement of initiatives related to testing EV mining machinery.
- Continuation of projects subsidised under Horizon 2020 and KIC Raw Materials
- Actions involving intellectual property (trademarks, patents)



Efficient Organisation

- Continuation of digital transformation under the KGHM 4.0 Program
- Optimisation of the international assets portfolio
- Work on improving support processes efficiency
- Actions undertaken to increase the participation of Group subsidiaries in enhancing KGHM's value



People and the Environment

- Continuation of the Program to adapt the Company's metallurgical installations to BAT Conclusions for the non-ferrous metals industry and to restrict emissions of arsenic (BATAs)
- Continuation of the Occupational Health and Safety Program (LTIFR: 5.2; TRIR: 0.66)
- Completion of the project to implement a mine machinery anti-collision system – 100% of project work completed



Financial Stability

- Optimisation of the financing structure – more efficient liquidity management
- Basing the Group's financing structure on long-term instruments
- Optimisation of the receivables recovery period and the payables payment period
- Effective market and credit risk management in the KGHM Group

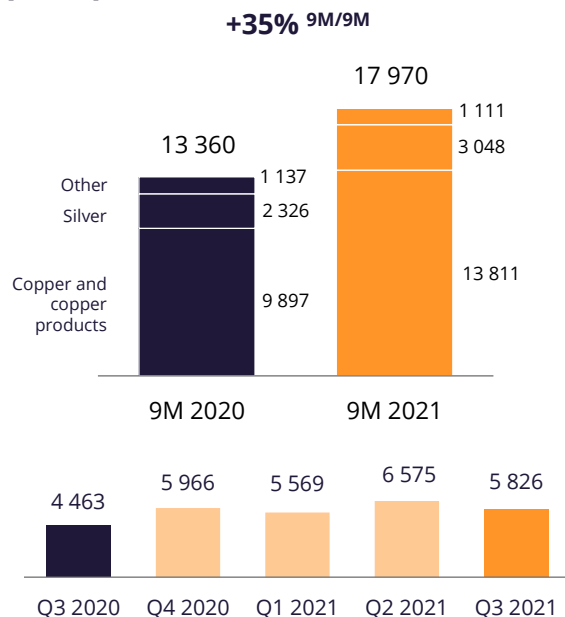
Supporting slides

KGHM Polska Miedź S.A.

Sales revenue

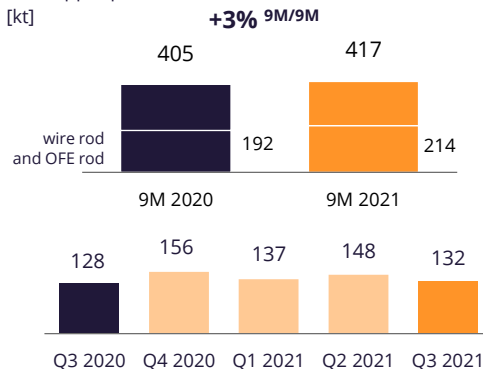
KGHM Polska Miedź S.A.

Revenues from contracts with customers
[mn PLN]

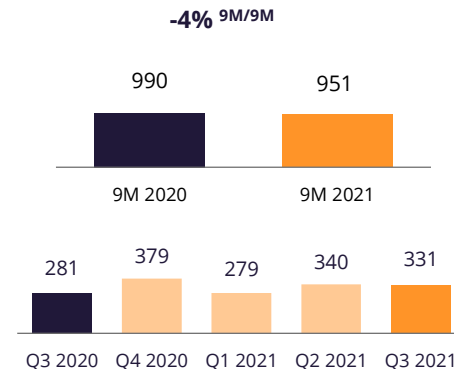


Higher revenues from contracts with customers by PLN 4 610 million (+35%) in 9M 2021 compared to the corresponding period of 2020, mainly due to higher metals prices (copper +57%, silver +34%)

Sales of copper and copper products
[kt]

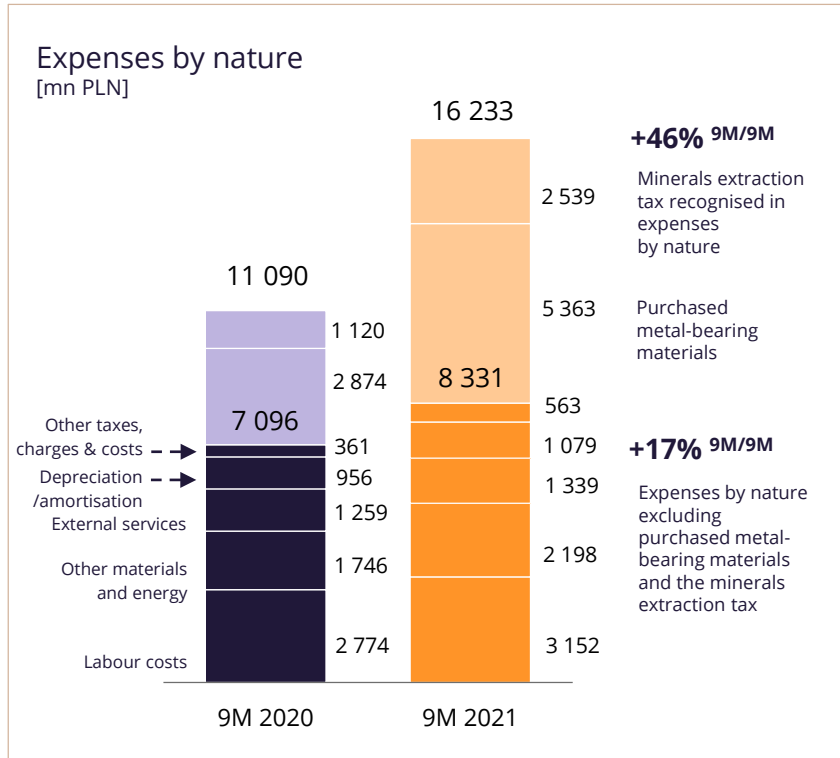


Silver sales
[t]



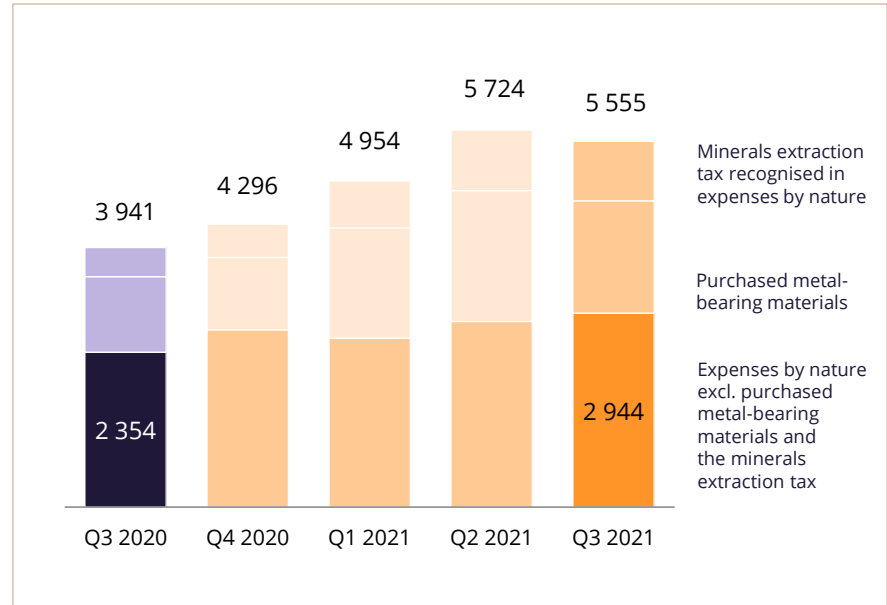
Expenses by nature

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)

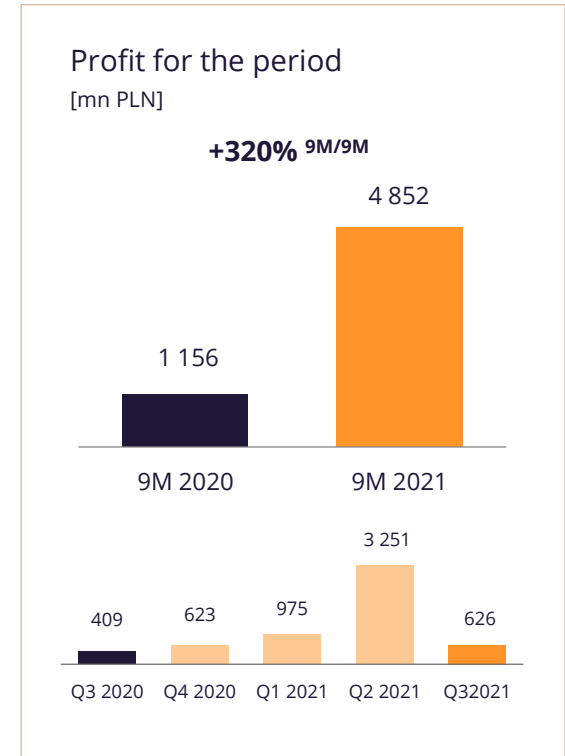
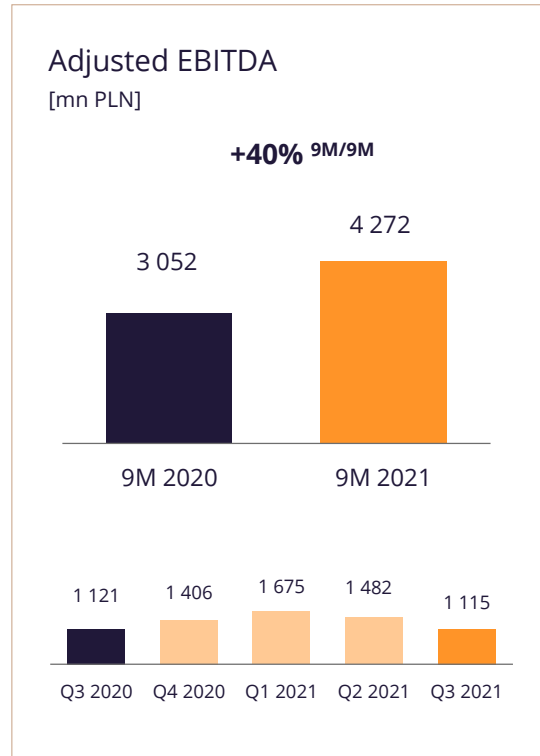


EBITDA and profit for the period

KGHM Polska Miedź S.A.

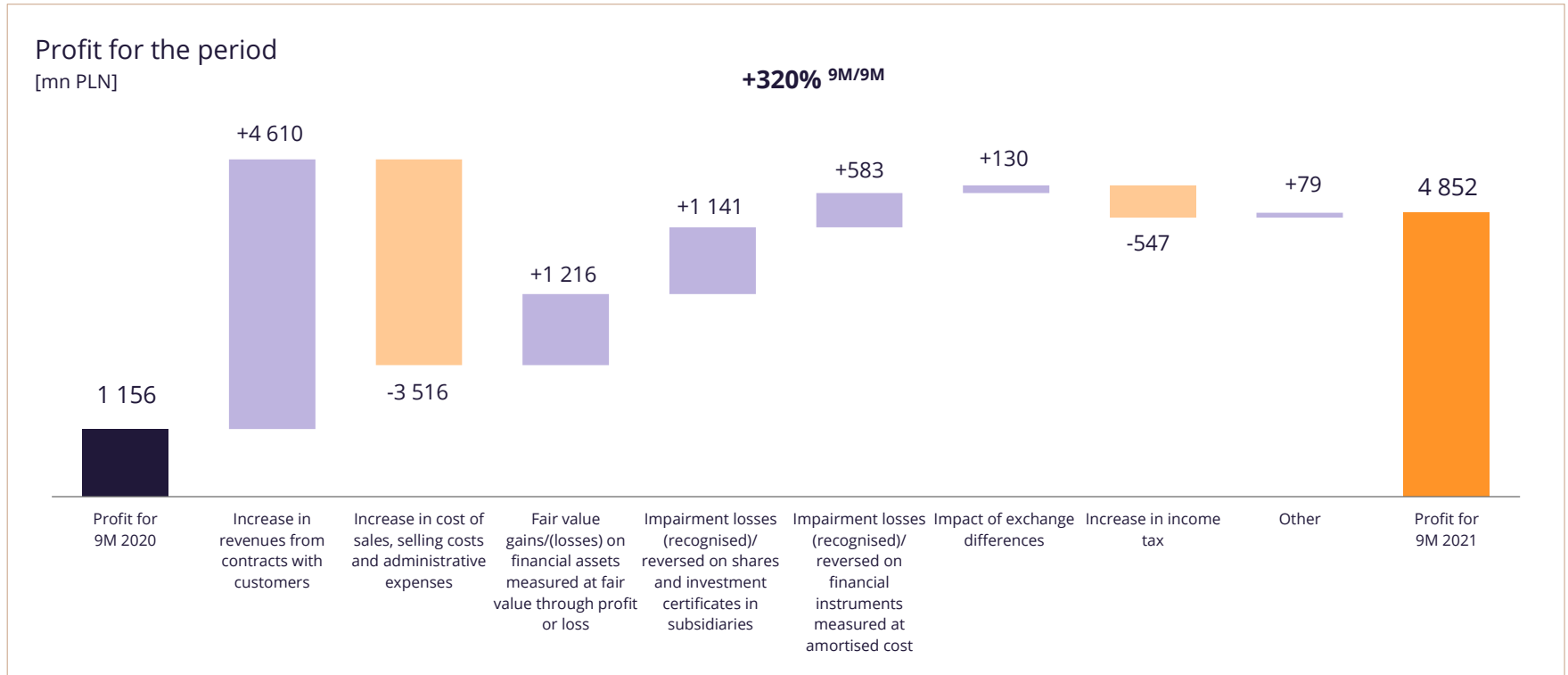
Higher EBITDA, higher net profit

- EBITDA higher by 40% versus 9M 2020
- Higher net profit by PLN 3 696 mn (+320%) than in 9M 2020, mainly due to more favourable macroeconomic conditions (higher operating profit) and the valuation of financial assets



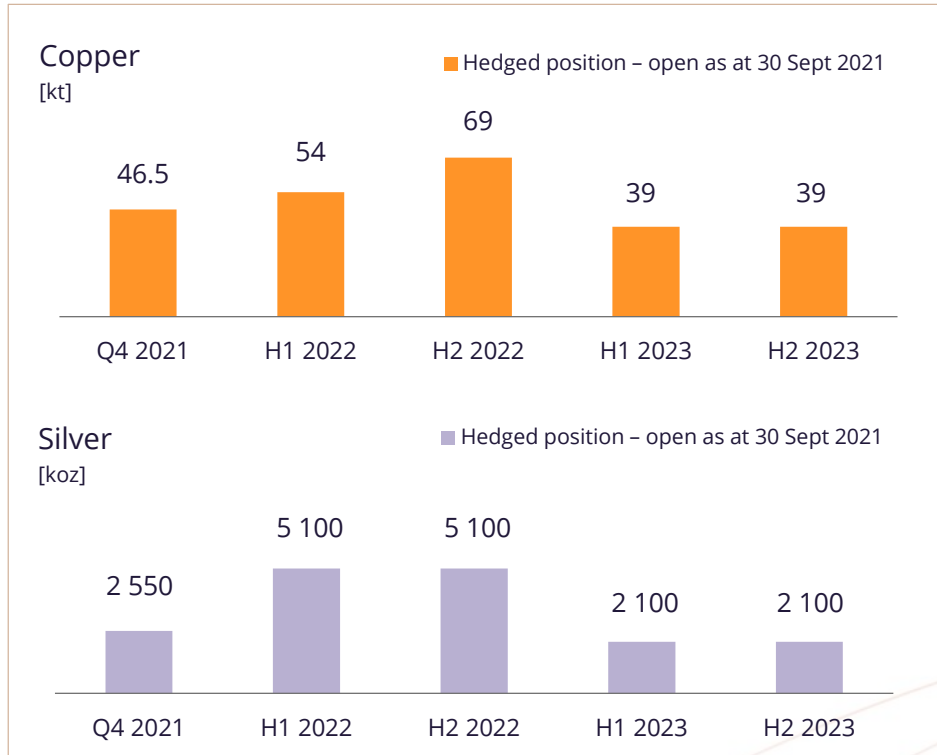
Profit for the period

KGHM Polska Miedź S.A.



Market risk management

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



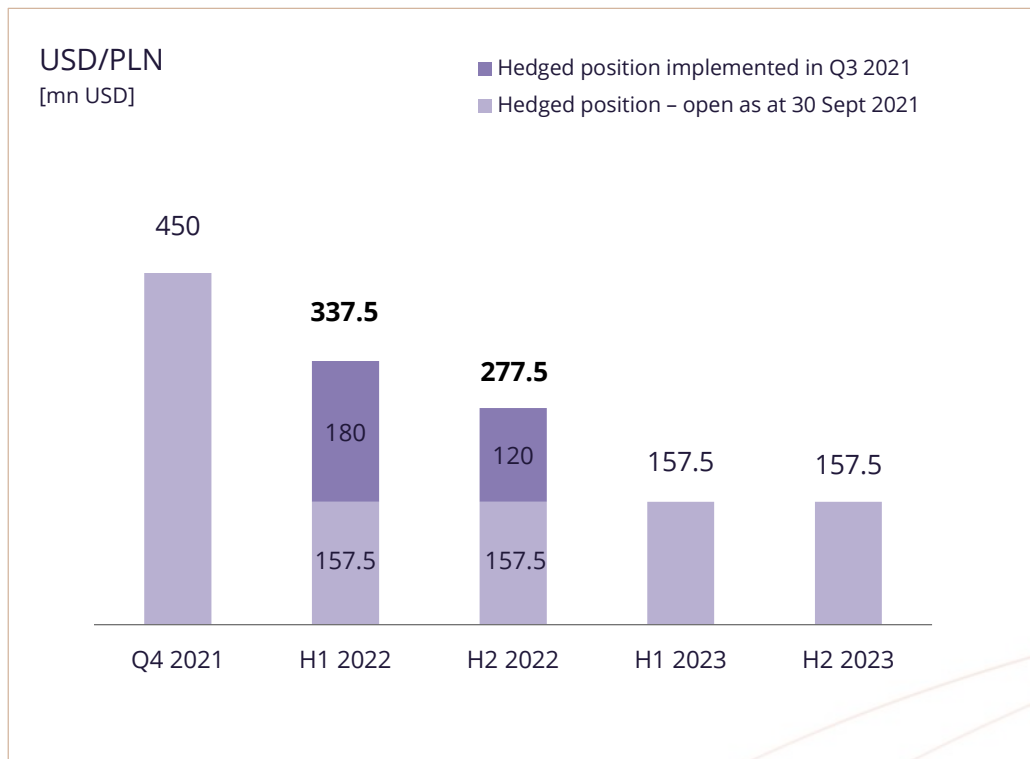
At the end of the third quarter of 2021 the Parent Entity recorded a result on derivatives* and hedges in the amount of -PLN 1 506 million:

- -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:

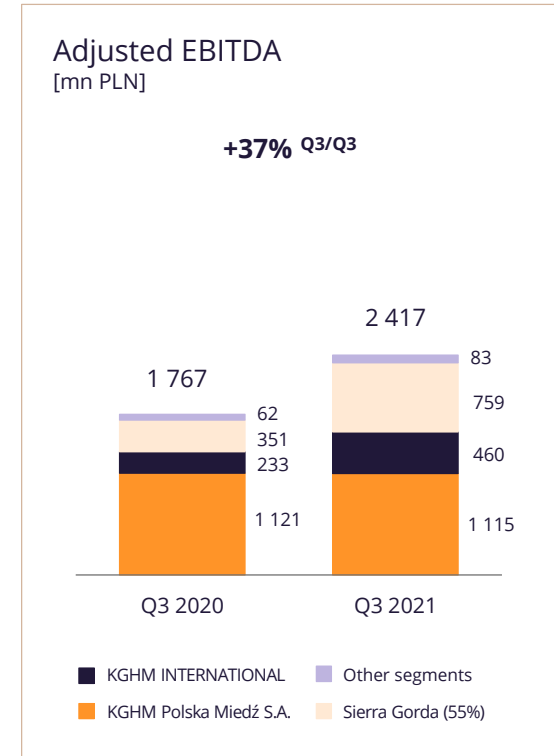
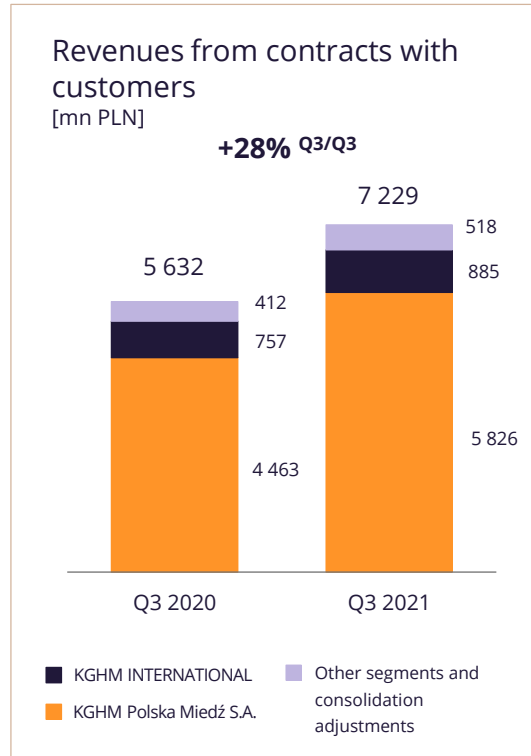
- Put options were purchased for USD 180 million of planned revenues from sales, with maturities falling from January to June 2022
- In addition, collar strategies were implemented for the notional amount of USD 120 million with maturities falling from July 2022 to December 2022
- In Q3 2021 there were 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

Revenues and EBITDA in Q3 2021

KGHM Group

Higher EBITDA of the KGHM Group by PLN 650 million (q/q) mainly due to more favourable metals prices, broken down by segment as follows:

- **KGHM Polska Miedź S.A.**
(-PLN 6 mn, -1%)
- **Sierra Gorda**
(+PLN 408 mn, +116%)
- **KGHM INTERNATIONAL**
(+PLN 227 mn, +97%)





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