

60 YEARS
KGHM



THE FUTURE IS MADE
OF COPPER

**Ordinary (Annual) General Meeting
KGHM Polska Miedź S.A.**

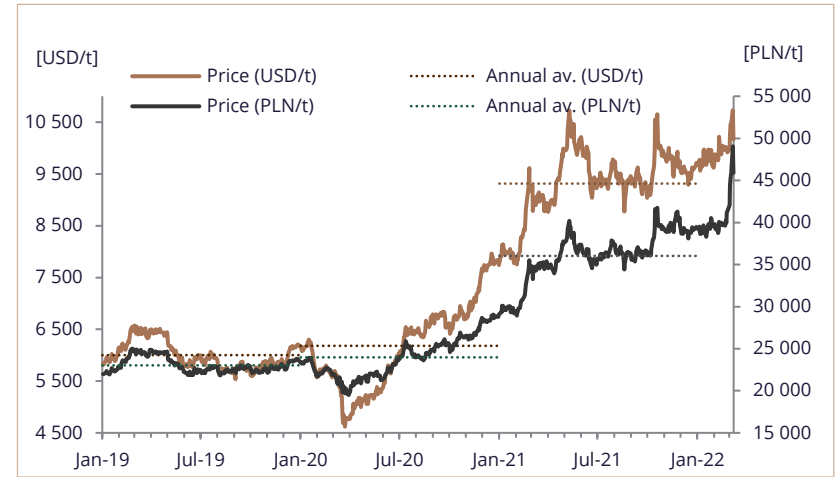
Lubin, 21 June 2022

Macroeconomic environment

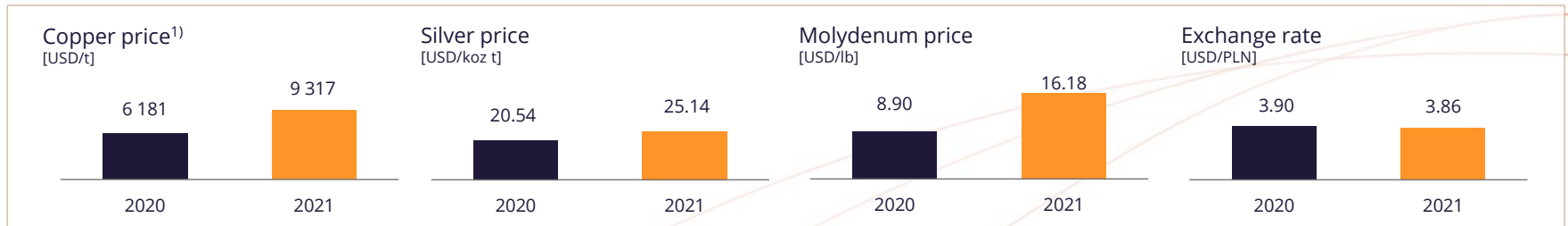
Commodities and currencies prices

Copper prices in 2021 recorded a historic record of 10 724 USD/t, with an average price of 9 317 USD/t in 2021. Remaining at the center of attention were the pandemic, the condition of the Chinese economy and the *green transformation*.

- The average price of copper in 2021 was 51% higher than in the corresponding period of 2020, while the average silver price in 2021 rose by 22% in the same corresponding period.
- The average annual price of molybdenum in 2021 was 82% higher compared to the average recorded in the prior year.
- The average price of copper in PLN was the highest in history and amounted to over PLN 36 thousand, or 50% higher than in 2020, with a slight strengthening of the PLN to the USD (by approx. 1%).



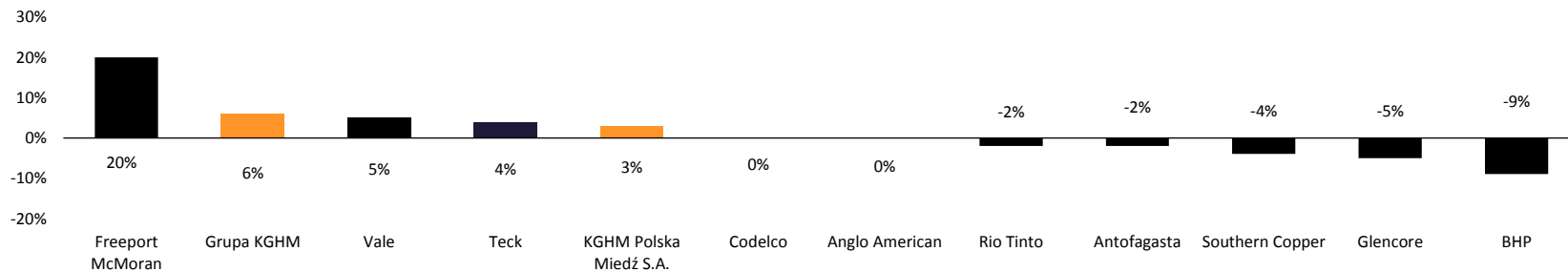
Source: Thomson Reuters, KGHM Polska Miedź S.A.



2 1) The average cash settlement price of copper

The production of miners in 2021

Copper production by miners, 2021 vs 2020



Source: financial reports for 2021, Cochilco, KGHM Polska Miedź

Summation of 2021 in the KGHM Group

Main macroeconomic factors and aspects of the Group compared to 2020

Macroeconomic environment¹⁾

+51%

Copper price

+22%

Silver price

-1.0%

Weaker USD vs the PLN

Production and C1 cost

+6.3%

Copper production

+1%

Silver production

+23%

C1 cost

Financial results

+26%

increase in revenues to
PLN 29 803 mn

+56%

increase in EBITDA²⁾ to
PLN 10 327 mn

1) Macroeconomic data – average for the period
2) Adjusted EBITDA

Employee safety as a strategic priority for the KGHM Group

2021



Safety and development

- ISO 45001:2018

Occupational Health and Safety Management System Certificate

- Leader's Gold Card of Workplace Safety

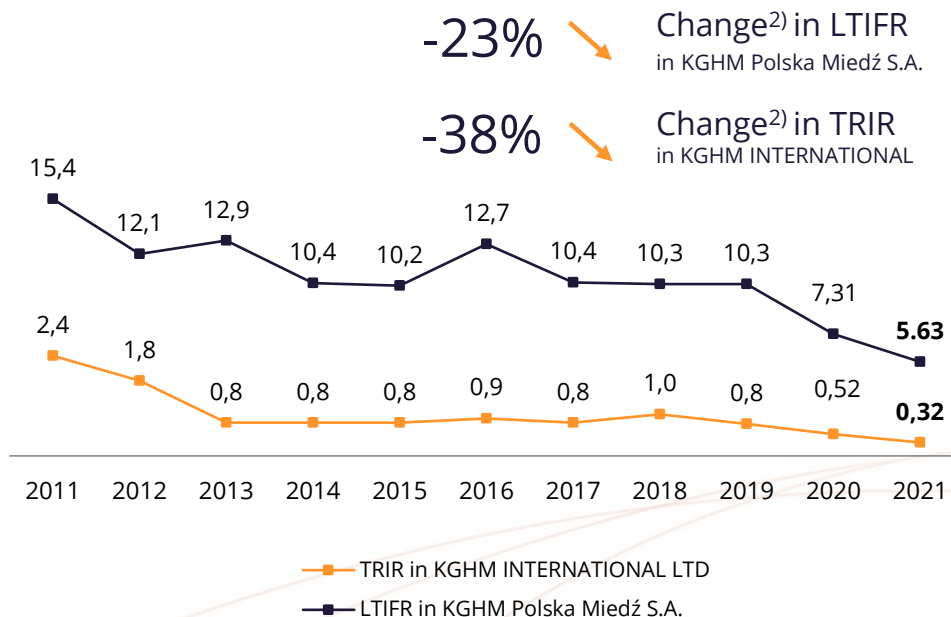
A decrease of 23% (y/y) in the number of recognized accidents at work from 213 to 165 registered at the end of 2021

- Historically-low accident ratio

Once more KGHM's employees met the challenge.

In 2021 we again achieved excellent results in Occupational Health and Safety. Despite the threat caused by the SARS CoV-2 virus pandemic, thanks to the mutual efforts and commitment of our employees, the number of workplace accidents **decreased from 213 in 2020 to 165 at the end of 2021**. The main decrease was in accidents caused by human error.

Accident ratios¹⁾

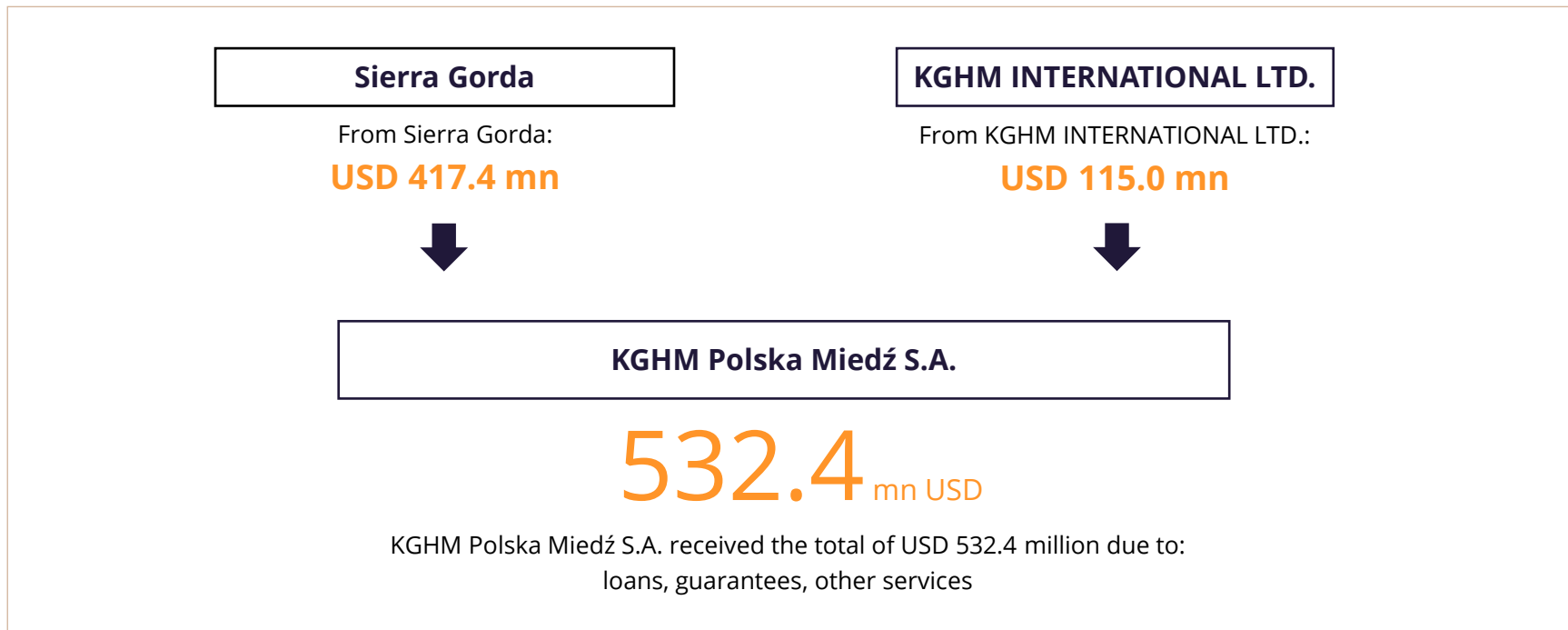


1) LTIFR (Lost Time Injury Frequency Rate); TRIR (Total Recordable Incident Rate) calculated using accepted methodology as the number of accidents at work meeting the conditions of registration as defined in the International Council on Mining & Metals standard, in total for the employees of KGHM INTERNATIONAL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

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

Cash flow within the Group in 2021 Proceeds to KGHM Polska Miedź S.A.

The International Assets paid USD 532.4 million to KGHM Polska Miedź S.A.*



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

Key elements of the Strategy advanced in 2021



Production

- Stable, uninterrupted production maintained in Poland and abroad despite the pandemic.
- Stable copper production from the domestic assets: mined production 442.6 kt; metallurgical production 577.6 kt.
- Stable payable copper production from the international assets: Sierra Gorda 104.4 kt (55%); Robinson 53.6 kt; Carlota 5.5 kt; Franke 10.7 kt; Sudbury Basin 1.9 kt.
- Continuation of projects aimed at automatization under KGHM 4.0.



Development

- Continuation of the Deposit Access Program (sinking of GG-1 shaft, selection of contractor to build the GG-2 shaft).
- Continued development of the Żelazny Most Tailings Storage Facility (99% of physical work completed).
- Continuation of exploration projects in Poland and development projects in the international assets (Victoria, SG Oxide).
- 18.7% of KGHM's need for electricity was supplied by its own generating sources.
- Advancement of actions connected with increasing Energy generation from own sources, incl. RES; development of hydrogen technology (founding of Lower Silesia Hydrogen Valley) and nuclear (SMRs - agreement with NuScale, USA).
- Continuation of work aimed at building a second Upcast line at the Cedynia wire rod plant.



People and the Environment

- Continuation of the Program to adapt the Company's production installations to BAT conclusions for the nonferrous metals industry and to restrict emissions of arsenic (BATAs).
- Continuation of the Occupational Health and Safety Program (LTIFR: 5.63; TRIR: 0.32).
- Adoption of the KGHM Climate Policy.
- Conclusion of a project to implement a mine machinery anti-collision system - 100% completed.



Efficient Organisation

- Continuation of digital transformation under the KGHM 4.0 Program.
- Optimisation of the international assets portfolio.
- Actions aimed at increasing the participation of Group companies in building the value of KGHM.



Innovation

- Continuation of R&D projects under the CuBR venture and the Implementation Doctorates Program.
- Advancement of initiatives related to testing EV mining machinery.
- Continuation of projects subsidised under the Horizon Europe Framework Program and KIC Raw Materials.
- Activities involving intellectual property (trademarks, patents for inventions).
- Development of IT tools supporting management as regards R&D and Knowledge Management in the KGHM Group.



Financial Stability

- Optimisation of the financing structure - more efficient management of liquidity.
- Basing the KGHM 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.
- Development and commencement of implementation of an integrated controlling model for the KGHM Group.

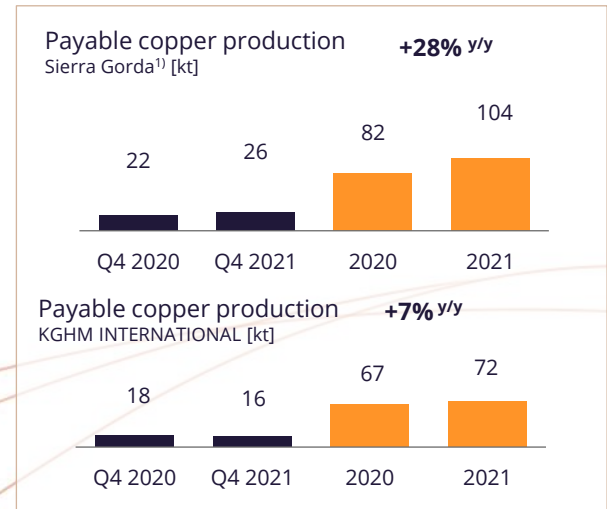
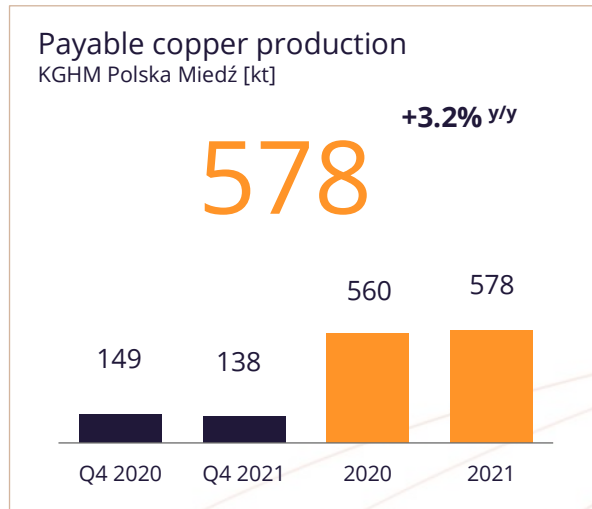
Key production indicators of the KGHM Group

2021

Payable copper production
by the KGHM Group
higher by 6.3% (y/y)

754 +6.3% y/y
[kt]

- KGHM Polska Miedź:
higher production from
purchased copper-bearing
materials
- Sierra Gorda:
higher recovery, higher
copper content in ore and
higher ore throughput
- KGHM INTERNATIONAL:
higher production by the
Robinson mine



Key financial indicators of the KGHM Group

2021

Substantially higher adjusted EBITDA for the KGHM Group compared to 2020

Higher adjusted EBITDA compared to 2020 (+PLN 3 704 mn; +56%), of which by segment:

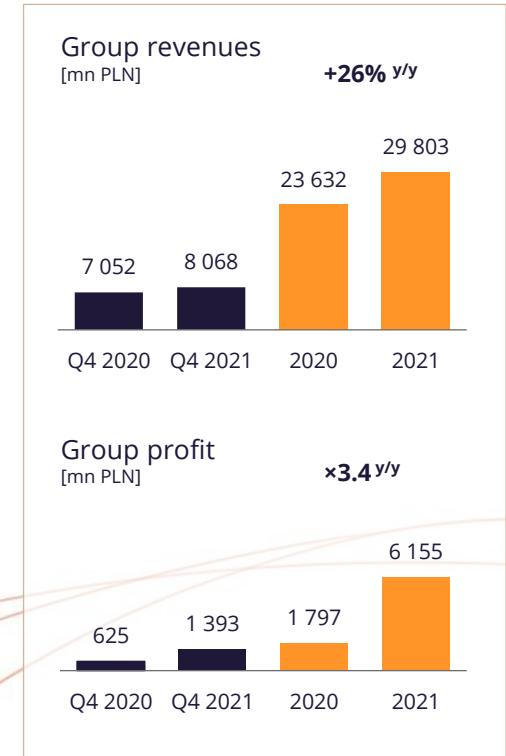
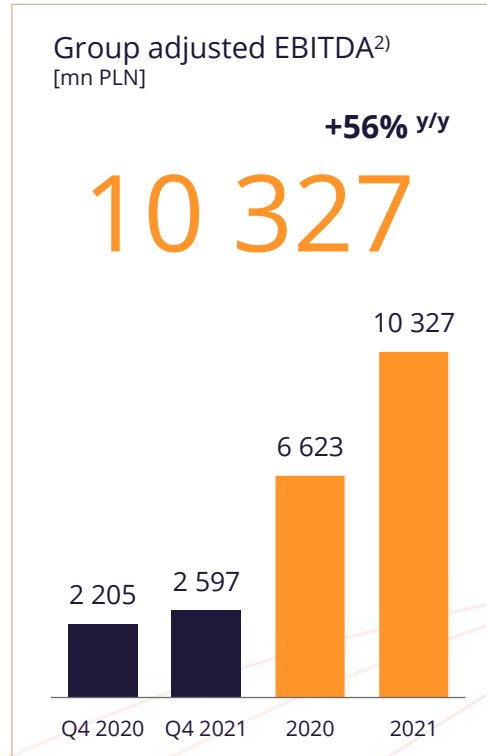
- KGHM Polska Miedź +PLN 1 016 mn – higher copper prices
- Sierra Gorda¹⁾ +1 821 mn PLN – mainly higher revenues from copper sales due to higher prices and a higher sales volume
- KGHM INTERNATIONAL +PLN 732 mn – higher copper prices

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 4 358 mn (a more than 3.4-times increase) than in 2020.



1) On a 55% basis

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

Financial results

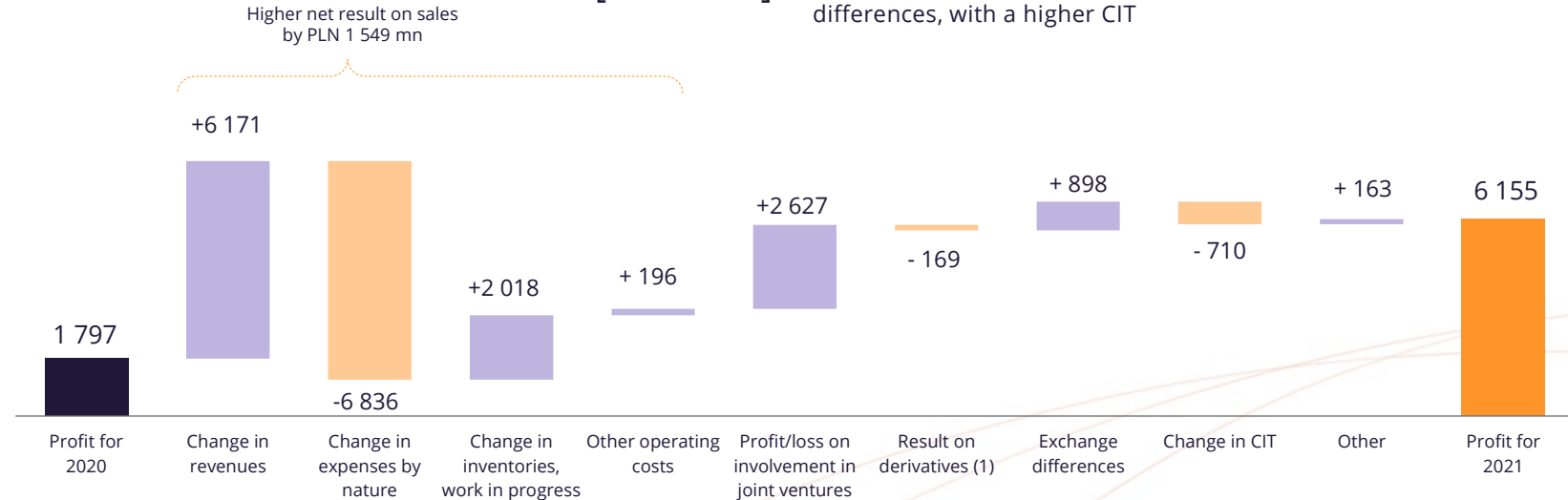
KGHM Group

Profit for the period **x3.4 y/y**
[mn PLN]

6 155
[PLN mn]

consolidated net profit for 2021

Higher KGHM Group profit by PLN 4 358 million (3.4-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



Strategy – actions to protect our climate



Circular Economy

Smelting and refining development with the utilisation of waste as a resource

- Every year, KGHM's metallurgical plants generate 650-700 thousand tonnes of mastic slag –all of which is processed into a full-fledged product, for example in road building
- Over the last 10 years, KGHM Metraco has utilised around 10 million tonnes of slag -the same amount of this material did not need to be acquired from natural deposits
- Material from the metallurgical plants also found a use in the construction of the Southern Quarter of the Zelazny Most Tailings Storage Facility



Scrap

Utilisation of scrap

- Total production of anode copper at the Legnica Copper Smelter and Refinery in 2021 amounted to 167.6 thousand tonnes, including 58.8 thousand tonnes of production by the RCR furnace
- In 2020 a total of 96 thousand tonnes of scrap was processed at the Legnica Copper Smelter and Refinery into valuable copper



Electromobility

Electric vehicles and low-emission mining machinery

- Proces inwestycyjny zakupu maszyn z silnikami niskoemisyjnymi według normy Stage IV i Stage V (ok. 12% to maszyny niskoemisyjne)
- Tests of electric battery-powered mining machinery (i.e. transport vehicles, bucket loaders)



RES

Energy from own sources and RES

- 18,70% of the total amount of energy consumed by KGHM from internal energy generating source
- On September 23, 2021, KGHM signed an agreement on preparations for the implementation of an investment as regards to the construction of nuclear energy sources (SMR) with NuScale Power LLC
- Work continued on developing energy from RES (by 2030, 50% of energy from own sources and RES)



Reducing emissions

Lower metallurgical emissions

- Actions to adapt installations to BAT conclusions for the nonferrous metals industry together with the restriction of arsenic emissions
- The parameters achieved thanks to a broad range of investments remain at substantially better levels than is required by law

A rationale and responsible investment program

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

CAPEX execution in key projects

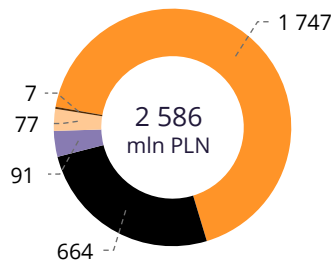


2 586 mn PLN
CAPEX execution in 2021

2 853 mn PLN
CAPEX target for 2021

By area

- Mining
- Metallurgy
- Other activities
- Leasing IFRS 16
- Development - uncompleted



Comparison: CAPEX and budget execution in 2020

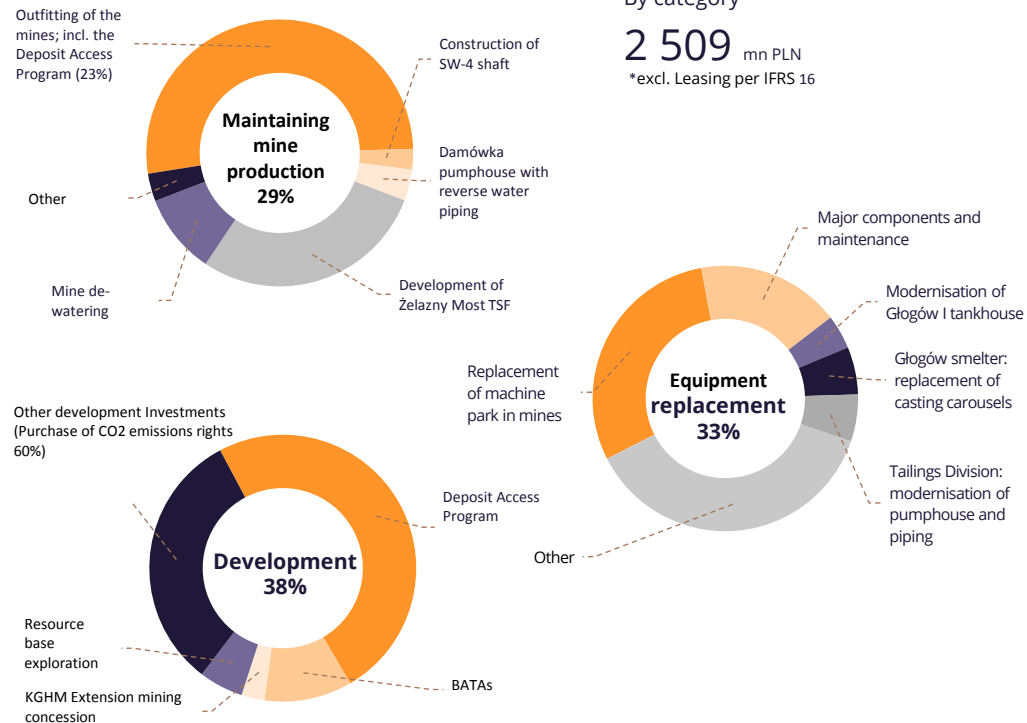


2 480 mn PLN
CAPEX execution in 2020

2 250 mn PLN
CAPEX target for 2020

By category

2 509 mn PLN
*excl. Leasing per IFRS 16



We care, we act, we protect

We effectively protect the health and safety of our employees, actively support our volunteers and are involved in assisting refugees from Ukraine.

PANDEMIC



- Vaccinations
- Educational programs
- Combatting depression



AID FOR UKRAINE



- Transports of medical supplies
- Overnight accommodations for those in need
- Help in transporting and feeding refugees
- Legal, psychological and medical assistance



„Warsaw Stock Exchange’s Best Practices for Listed Companies 2021” („DPSN 2021”)



By Resolution No. 13/1834/2021 of March 29, 2021, the Exchange Supervisory Board adopted new corporate governance rules for companies listed on the WSE Main Market - "Best Practices of WSE Listed Companies 2021" (Best Practices 2021, DPSN2021). This is another version of the set of corporate governance rules applicable to companies listed on the WSE Main Market since 2002.

Date of initial information on the application by KGHM
of the principles contained in the Code of Best Practice
for WSE listed companies in 2021:

3 September 2021

**Some of the principles included in the "DPSN 2021" code
are addressed directly to the Company's shareholders.**

**General principles and the goals which WSE Listed
Companies should pursue are expressed in Chapter IV of
"DPSN 2021" ("General Meeting and Shareholder
Relations")**

- The management board of a listed company and its supervisory board should encourage shareholders to become involved in the company's affairs, primarily through active, personal or proxy participation in the general meeting.
- The general meeting should respect the rights of all shareholders and should strive to ensure that the resolutions adopted do not infringe the legitimate interests of individual groups of shareholders.
- Shareholders participating in the general meeting exercise their rights in a manner that does not violate best practice. The participants of the general meeting should come to the general meeting prepared.

In relation to the rules contained in "DPSN 2021", the „comply or explain” rule applies.

An incidental breach of a principle, despite the declaration of its permanent application previously submitted, obligates a company to immediately announce this fact.

Selected principles addressed to the Company's Shareholders, the application of which has been declared by KGHM Polska Miedź S.A.

2.3.

- **At least two members of the supervisory board meet the criteria of being independent** referred to in the Act of 11 May 2017 on Auditors, Audit Firms and Public Supervision, and **have no actual and material relations** with any shareholder who holds **at least 5%** of the total vote in the company.

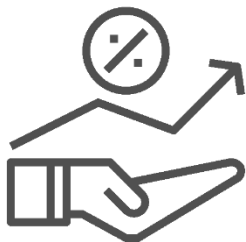
4.9.
4.9.2.

- If the general meeting is to appoint members of the supervisory board or members of the supervisory board for a new term of office:
- **candidates for members of the supervisory board make a declaration concerning fulfilment of the requirements for members of the audit committee** referred to in the Act of 11 May 2017 on Auditors, Audit Firms and Public Supervision and having actual and material relations with any shareholder who holds at least 5% of the total vote in the company.

4.10.

- **Any exercise of the rights of shareholders** or the way in which they exercise their rights **must not hinder the proper functioning** of the governing bodies of the company.

Profit allocation for 2021 – the Management Board recommendation



the appropriation of profit for 2021 in
the amount of

PLN 5 169 153 267.61

As a dividend for shareholders

PLN 600 000 000.00

(PLN 3.00 per share)

To the Company's reserve capital

PLN 4 569 153 267.61

the Management Board proposal:

- a dividend date of 7 July 2022
- a dividend payment date of 14 July 2022

The final decision regarding the appropriation of KGHM Polska Miedź S.A.'s profit for 2021 will be made by the Ordinary General Meeting of KGHM Polska Miedź S.A.



KGHM Polska Miedź S.A.

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