

Layers of possibilities



Results of the Group for
the 4th quarter and the full year 2019

18 March 2020

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Agenda



1. Key issues



2. Sustainable development of the KGHM Group



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.

Summation of 2019 in the KGHM Group

Main events and factors affecting the results of the Group¹⁾

Macroeconomic environment

-8%

Lower copper price

+3%

Higher silver price

+6%

Stronger USD vs the PLN

Production and C1 cost

+11%

Higher copper production

+18%

Higher silver production

-6%

Lower C1 cost

Financial results

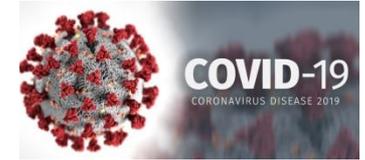
+11%

Higher revenues:
PLN 22 723 million

+5%

Higher EBITDA:
PLN 5 229 million

Actions by the KGHM Group re: COVID-19¹⁾



Additional production/ actions within the KGHM Group

- Antibacterial lotion (NITROERG)
- Single-use masks (KGHM Zanam)
- COVID presence tests (CBJ)
- Providing buildings for quarantine use (Interferie)
- On-line medical advice (MCZ)

Cooperation with local authorities and the government

- Purchase and transportation of equipment and protective kit from China with a total value of USD 15 mn²⁾
- Providing masks to the District Office and the Health Ministry
- Purchase of equipment and protective kit for hospitals (KGHM Foundation)

Preventive measures for local communities

- Announcements to local communities about preventive measures
- Contact with local crisis teams
- Volunteers helping seniors

Preventive measures for employees

- 24/7 infoline and email
- Trips abroad halted, domestic travel restricted
- Halting of employee off-time (OHS and management staff)
- Work at home for employees 65+
- Intensive communication with all employee groups (TV, magazines, intranet)
- Updated informational posters for employees
- Announcements to management staff
- Temporary halt to sobriety testing
- Body temperature control
- Preparation of the Group to mobile work
- Ensuring hygienic and protective materials

1) Actions taken by the KGHM Group in Poland up to the publication of the annual report, i.e. up to March 17, 2020

2) Air transport of equipment and protective kit at the end of March and early April 2020 with a total value of USD 15 million, i.e. approx. PLN 60 million (funded by KGHM Polska Miedź S.A.)



Key issues and advancement of targets

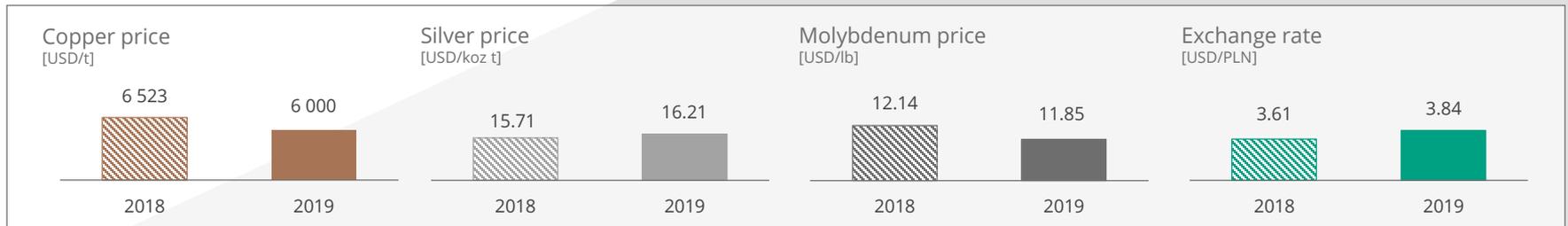
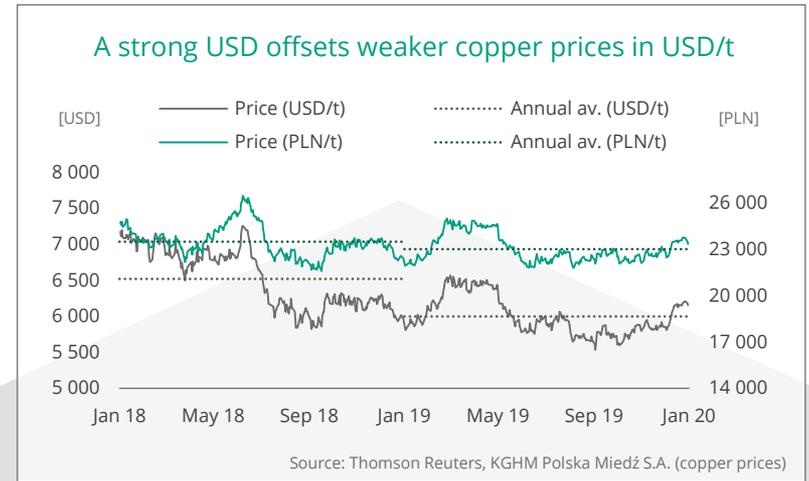


Macroeconomic environment

Commodities and currencies prices

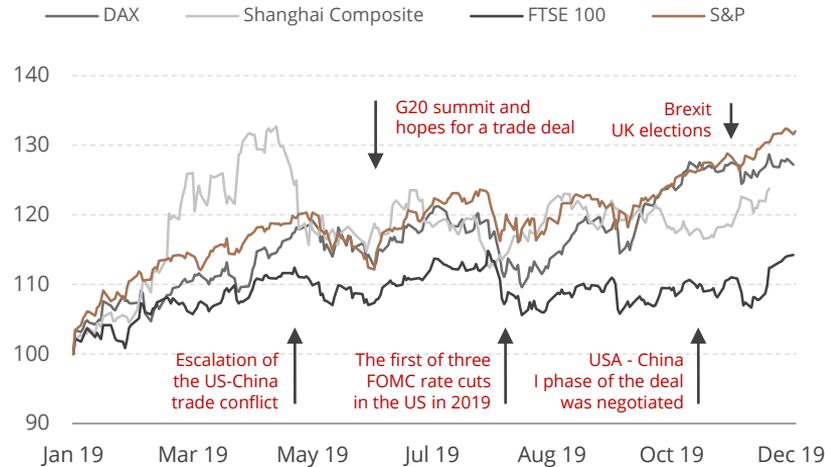
The average PLN-expressed copper price since the start of the year at levels similar to prior year

- Despite the significant increase in the copper price in the last months of the year the average USD-expressed copper price in 2019 amounted to 6 000 USD/t and was lower by 8% compared to the previous year, alongside a higher silver price by approx. 3% and a lower molybdenum price by more than 2%
- The average annual copper price in PLN was 2.1% lower than in 2018, while the decrease in the USD-expressed copper price was partly mitigated by the weakening of the USD/PLN exchange rate
- The main factors affecting metals prices in the past year were mainly aspects of the on-going uncertainty in the global economy (US-China trade conflict, Brexit, political tensions in the Middle East)

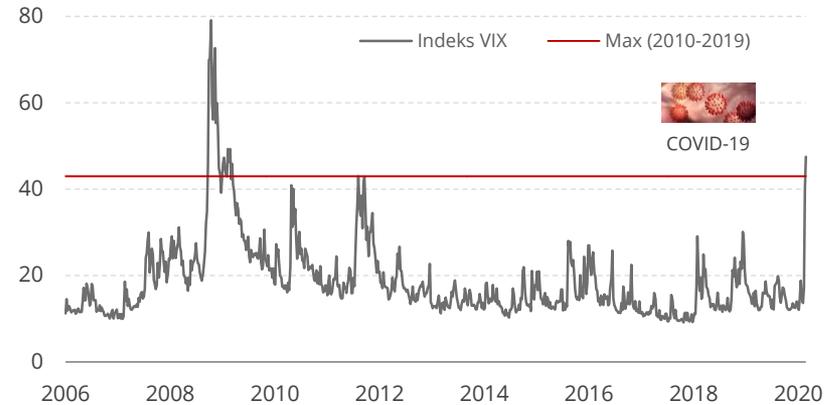


Record high level of uncertainty in the global economy

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



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



Source: Bloomberg, KGHM Polska Miedz

- In 2019, there was a continuation of the reduction in global economic growth forecasts published by the International Monetary Fund (IMF); the accrued revision for 2020 in the period from January 2019 to January 2020 amounted to -0.2 percentage points globally
- In July, the US Federal Reserve (Fed) began a series of three interest rate cuts by a total of 75bp by loosening monetary policy, and in the second half of the year the Fed began a quantitative intervention providing liquidity to the interbank Repo market
- In 2019, the news on the US-China trade conflict gave the financial markets a boost; the first phase of the trade agreement negotiated at the end of 2019, signed in January 2020, pushed stock prices to historically high levels

Key production indicators

2019

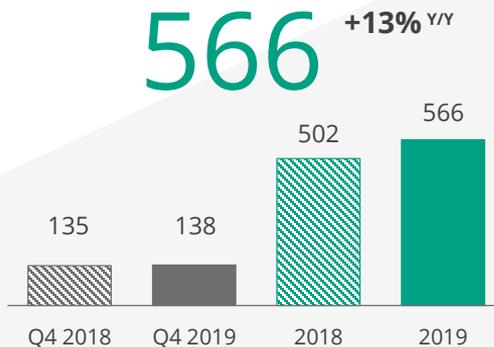
Payable copper production
by the KGHM Group
higher by 11% (y/y)

702

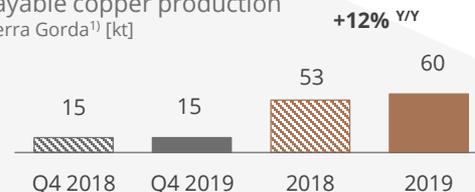
+11% Y/Y
[kt]

- **KGHM Polska Miedź** – higher availability of production equipment
- **Sierra Gorda** – higher extraction and processing, as well as higher copper ore grade
- **KGHM INTERNATIONAL** – lower production by the Franke mine and in the Sudbury Basin

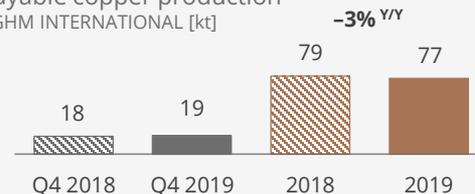
Payable copper production
KGHM Polska Miedź [kt]



Payable copper production
Sierra Gorda¹⁾ [kt]



Payable copper production
KGHM INTERNATIONAL [kt]



Key financial indicators

2019

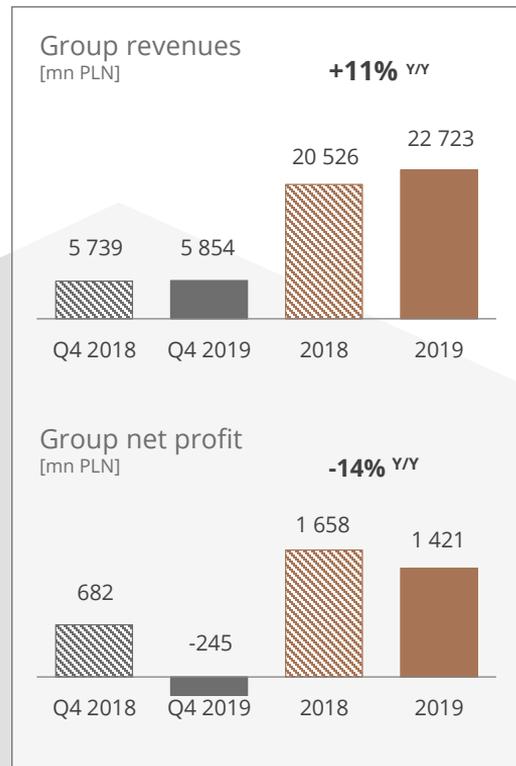
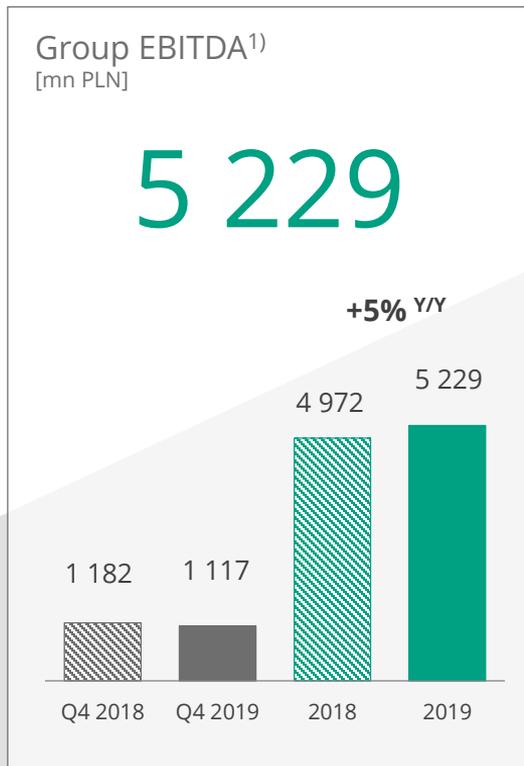
Higher revenues and EBITDA by the KGHM Group with lower net profit

Higher Group revenues by PLN 2.2 bn

- Growth in all of the Group's segments – with the main increase in KGHM Polska Miedź S.A. (+12%)
- Impacted by an increase in the volume of sales of copper, gold and silver and a more favourable exchange rate, alongside lower copper prices

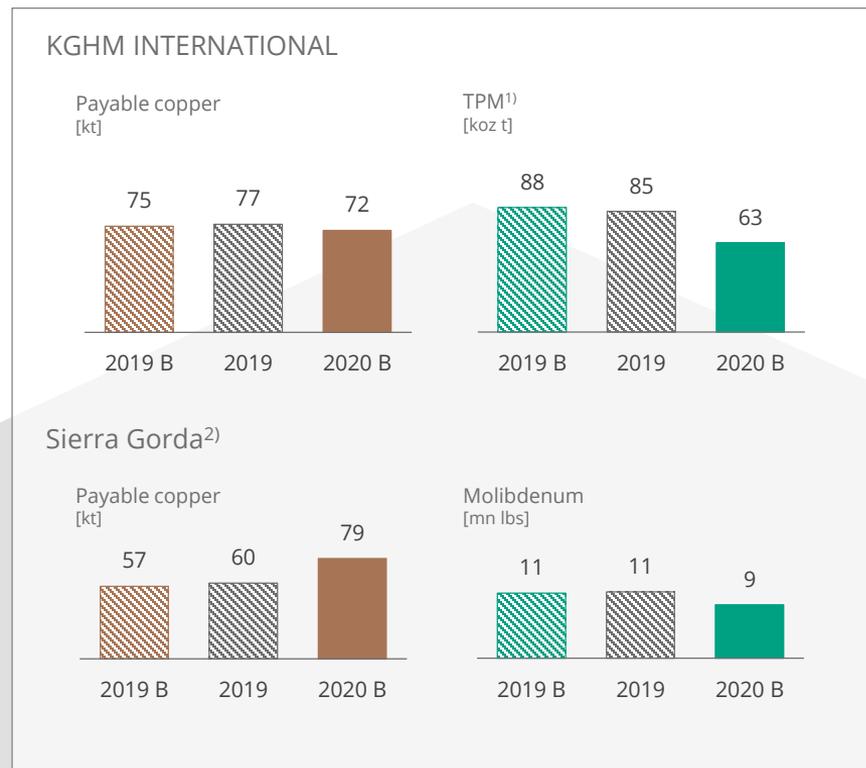
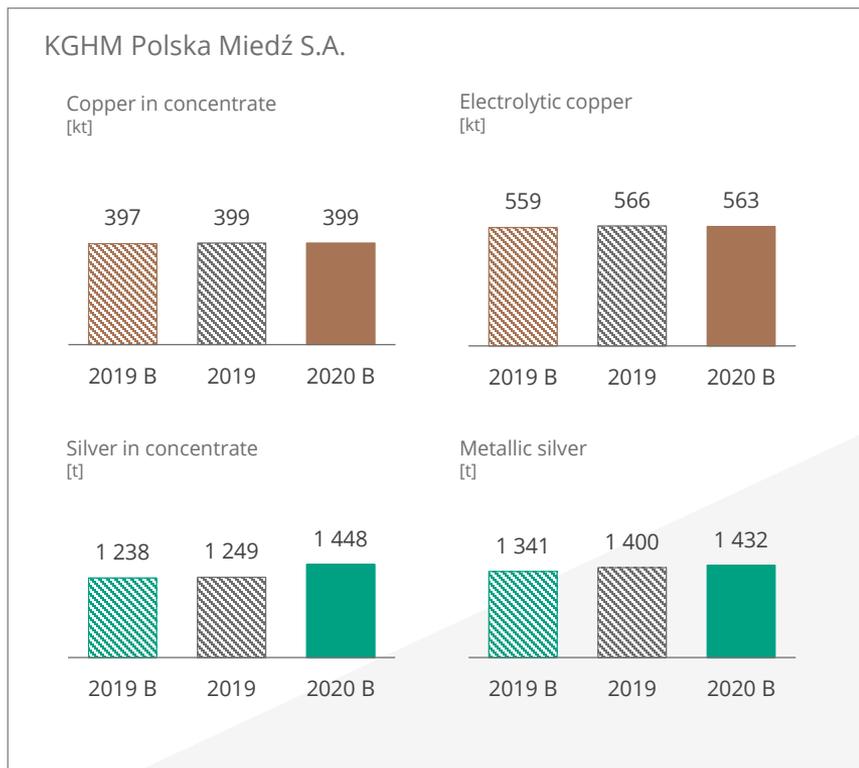
Lower net profit by PLN 237 million

- Deterioration of operating result and a lower result on involvement in joint ventures accounted for using the equity method



Budget 2020

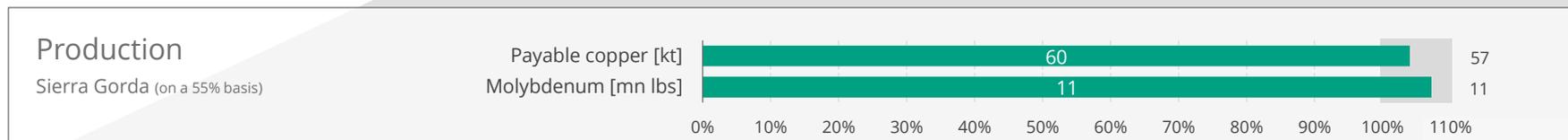
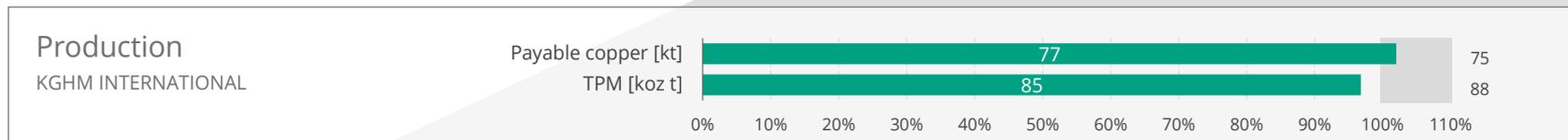
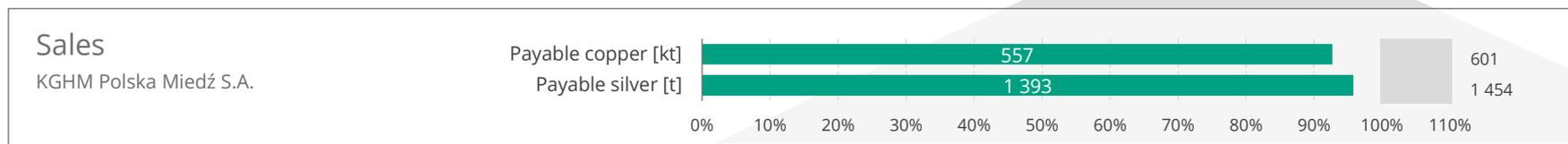
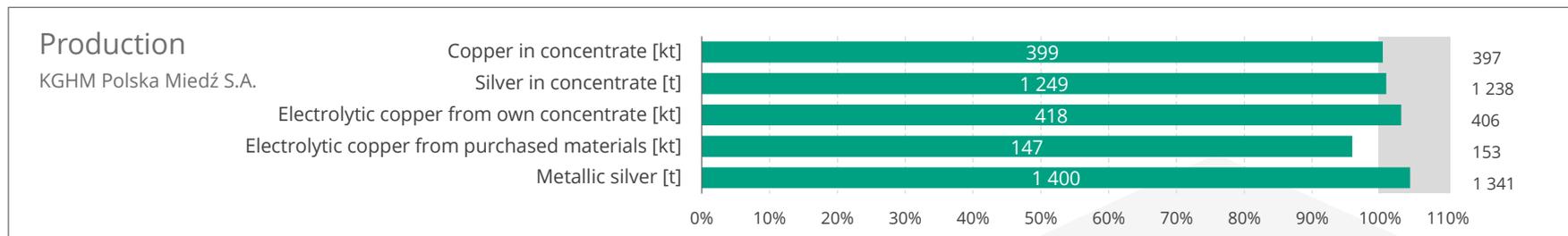
Main production assumptions for KGHM Group versus budget and realisation 2019



Production and sales in 2019

Execution of annual targets

2019E
Budget



Stable and safe financial situation of the KGHM Group

2019E
Budget

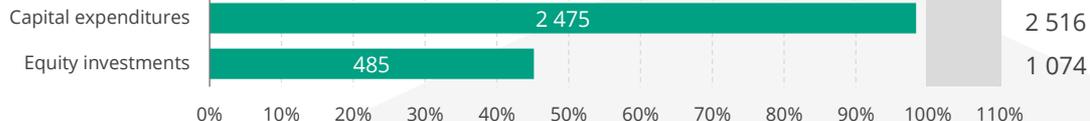
Total unit production cost

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



Investments

KGHM Polska Miedź S.A.²⁾
[mn PLN]



Financial leverage of the KGHM Group

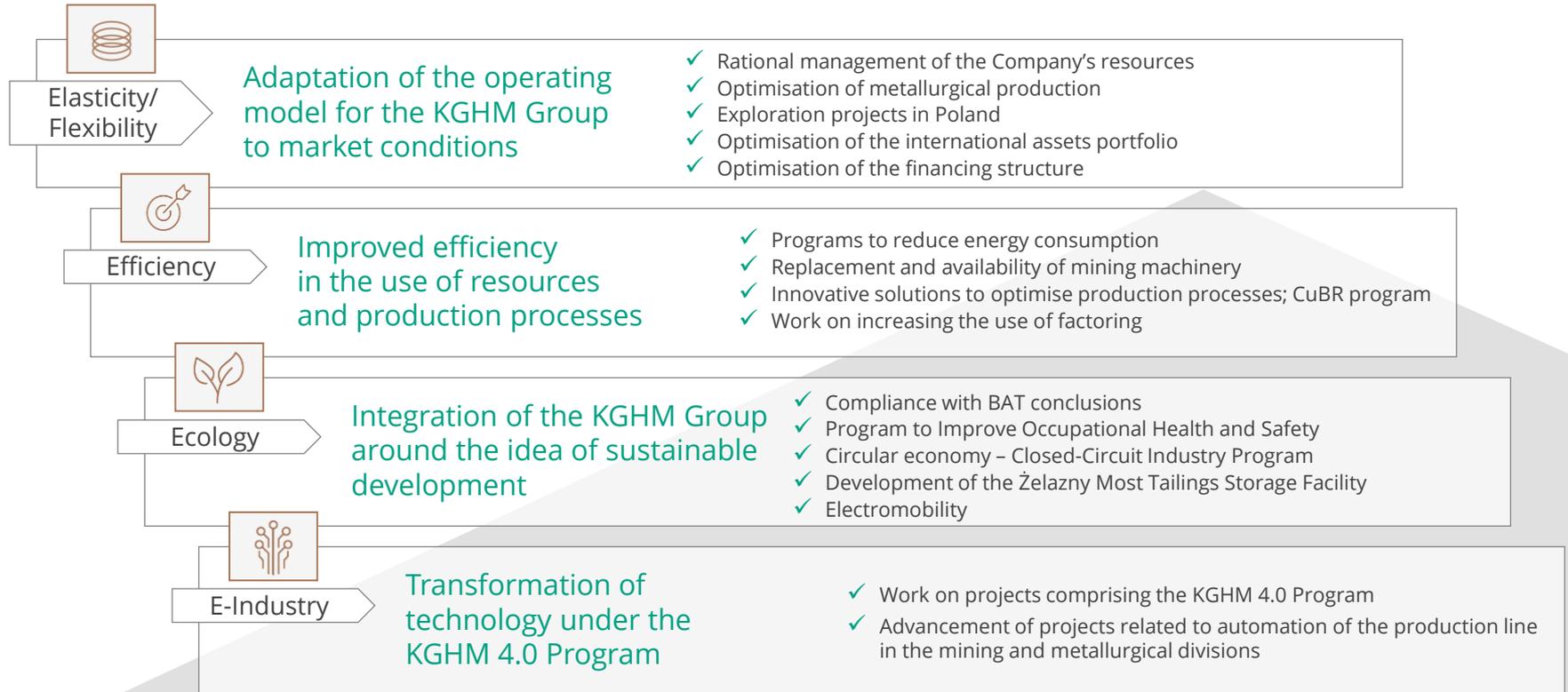
[Net debt / adjusted EBITDA]³⁾



- 1) Sum of costs of extraction, flotation and metallurgical processing per cathode, together with support functions and cathode selling costs, adjusted by the value of inventories of half-finished products and work in progress, less the value of anode slimes and divided by the volume of electrolytic copper production from own concentrates
- 2) Capital expenditures – excluding development work – uncompleted; Equity investments – incl. loans – acquisition of shares and investment certificates of subsidiaries and loans granted, excluding the purchase of investment certificates related to restructurisation of FIZAN funds in 2019
- 3) Adjusted EBITDA for the 12 months ended 31 Dec 2019, excluding EBITDA of the joint venture Sierra Gorda S.C.M.
- 4) Level of net debt/EBITDA ≤ 2 related to the Financial Liquidity Policy adopted by the Company and is not part of the budget assumptions of KGHM for 2019

Consistent advancement of the strategy

Key areas – 4E





Sustainable development of the KGHM Group



Copper production: emissions and impact on climate transformation

Arguments for using copper as a carbon-neutral metal

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

CIRCULAR ECONOMY

A circular metal: Close to **50%** of copper produced in the EU is obtained through recycling

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

ENERGY TRANSITION AND DIGITISATION

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



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

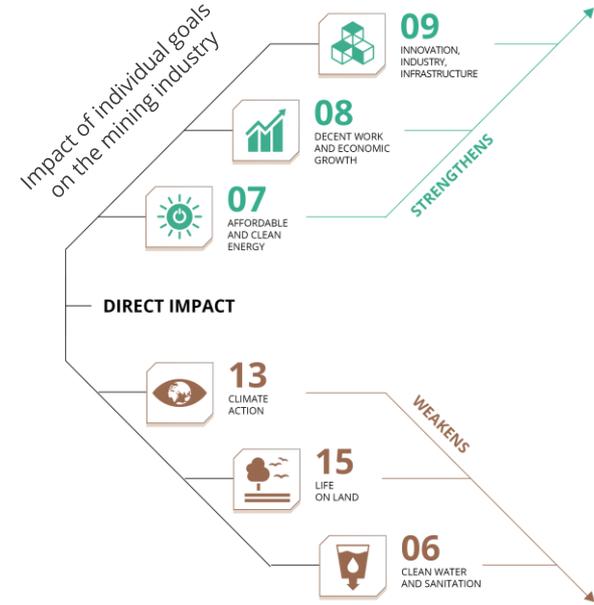


Sustainable development of the raw materials industry

– a global challenge of the modern world

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

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



FTSE4Good



European Technology Platform
on Sustainable Mineral Resources

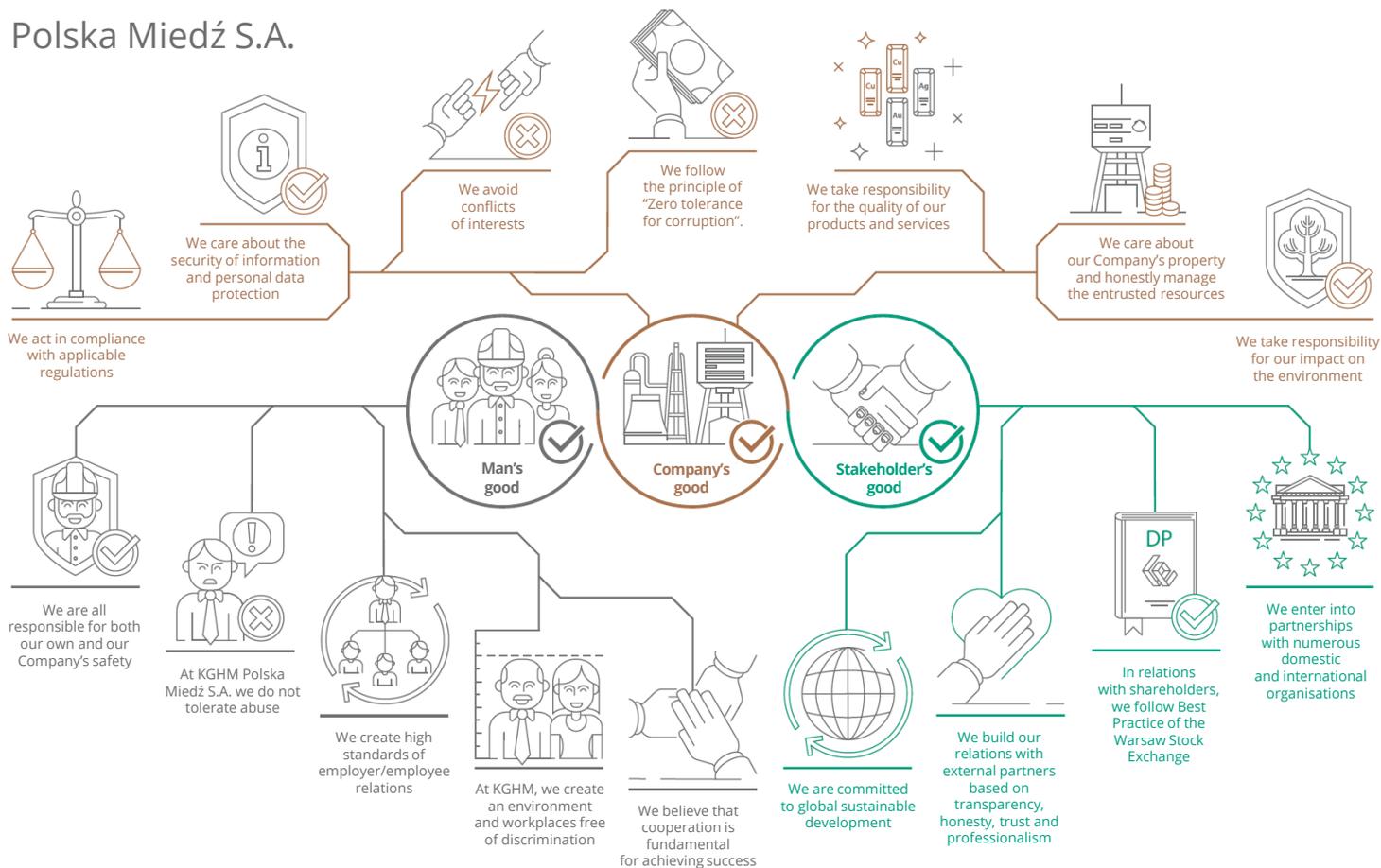
Sustainable value chain

Responsible Supply Chain Policy of the KGHM Group



Ethical Standards

KGHM Polska Miedź S.A.



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

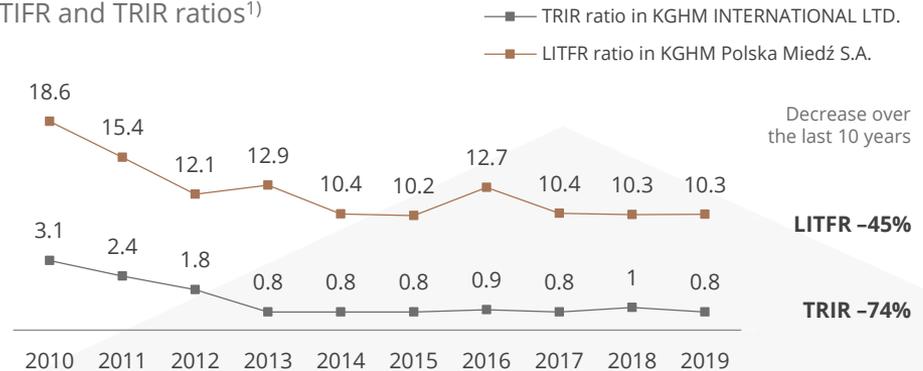
Strategy for 2019 – 2023



People and the Environment

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

LTIFR and TRIR ratios¹⁾



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

TRIR 2019:

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

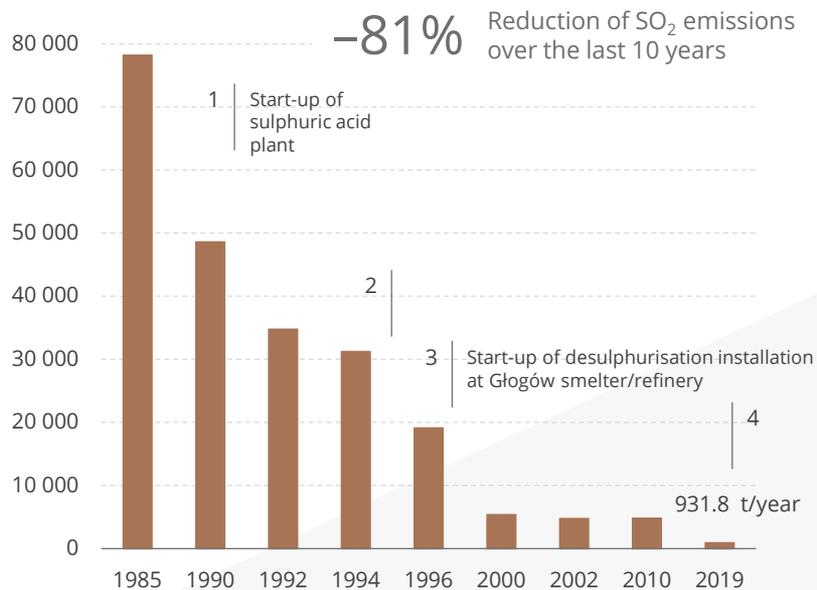
1) LTIFR (Lost Time Injury Frequency Rate); TRIR (Total Recordable Incident Rate) calculated using accepted methodology as the number of accidents at work meeting the conditions of registration as defined in the ICMM (International Council on Mining & Metals) standard, in total for the employees of KGHM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

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

SO₂ and dust emissions¹⁾

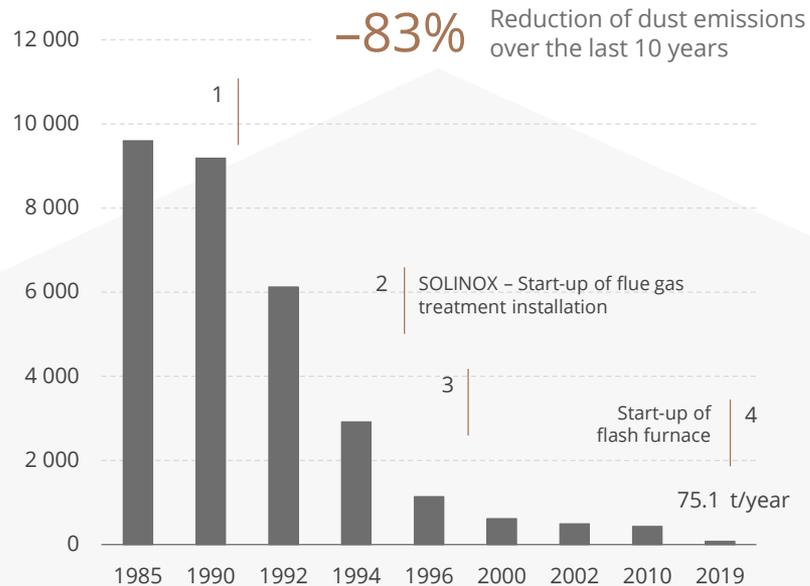
SO₂ emissions by KGHM Polska Miedź S.A.

[t/year]



Dust emissions by KGHM Polska Miedź S.A.

[t/year]

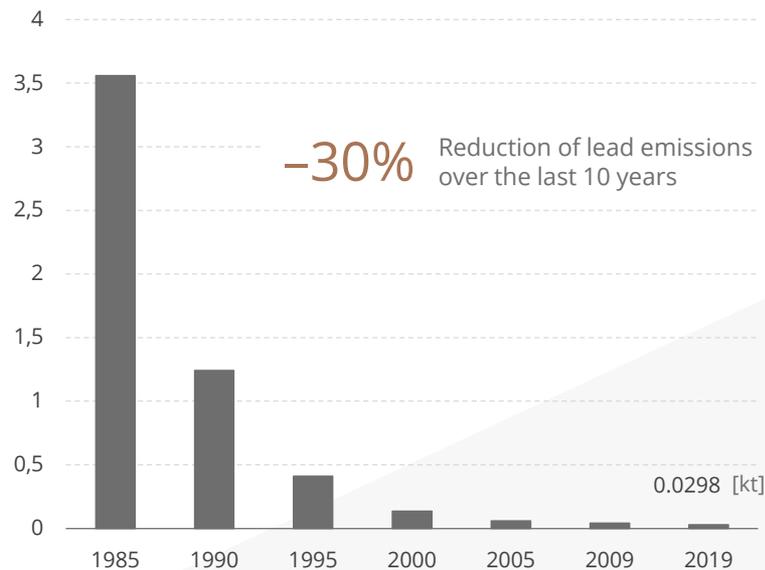


Emissions by the divisions of KGHM Polska Miedź S.A.

Lead and copper emissions

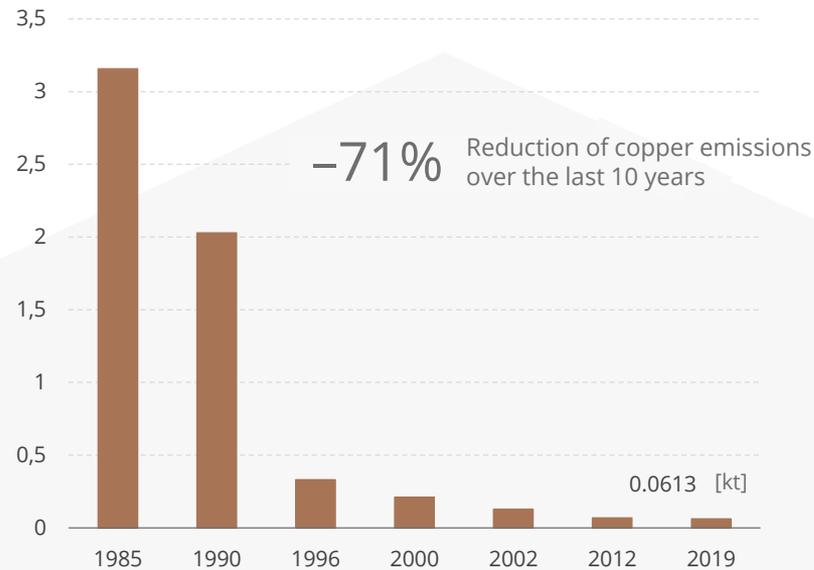
Lead emissions by KGHM Polska Miedź S.A.

[kt]



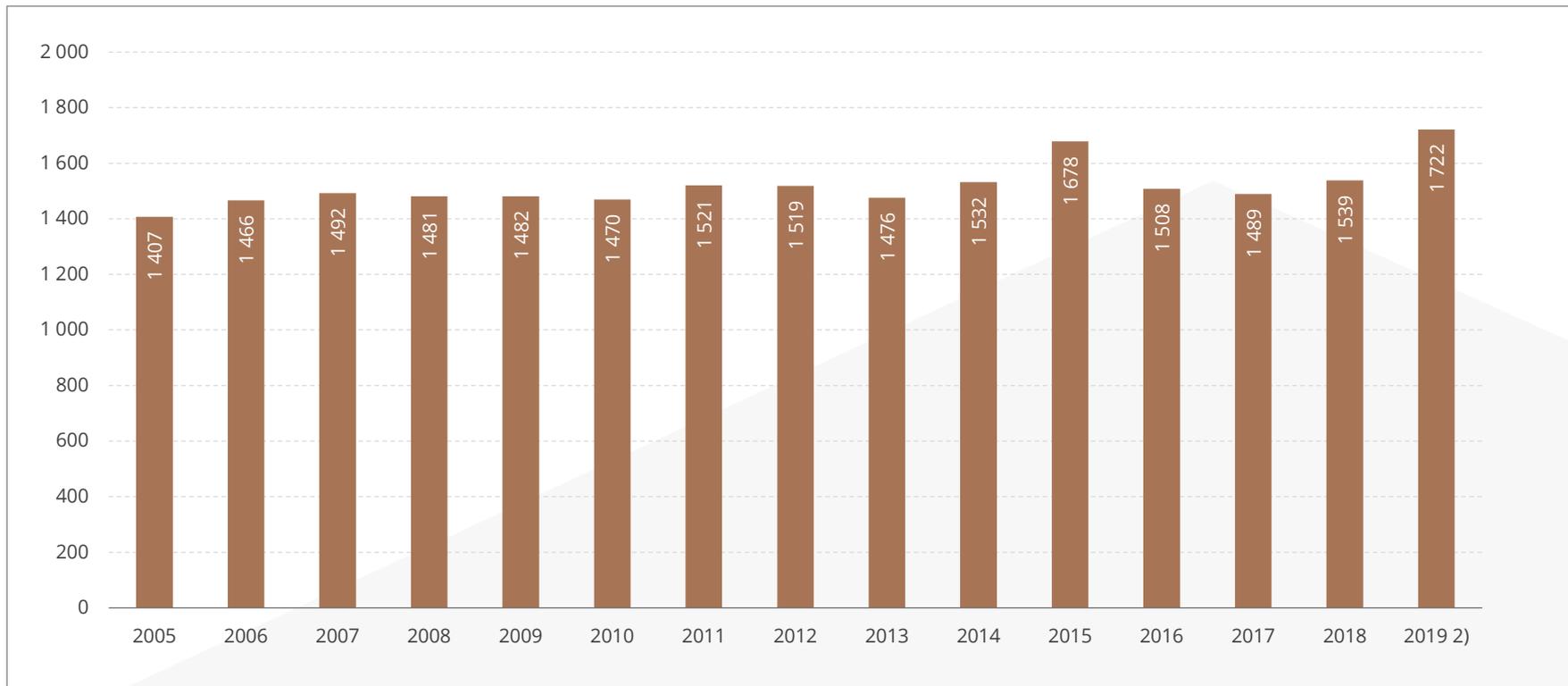
Copper emissions by KGHM Polska Miedź S.A.

[kt]



CO₂ emissions by KGHM Polska Miedź S.A.

ETS¹⁾ direct emissions + nonETS [kt CO₂]



ESG - a new dimension of sustainable development

in the field of reporting environmental, social and corporate activities

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

Environment

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

Social

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

Governance

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



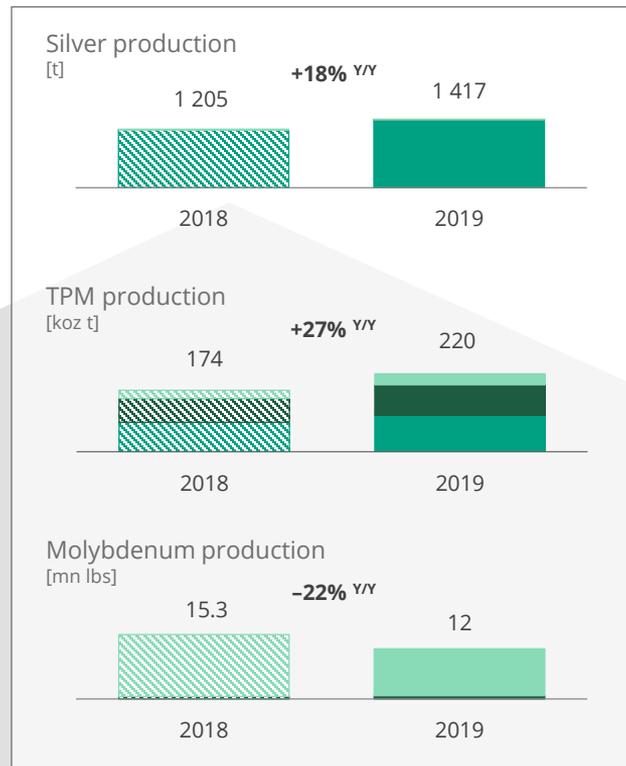
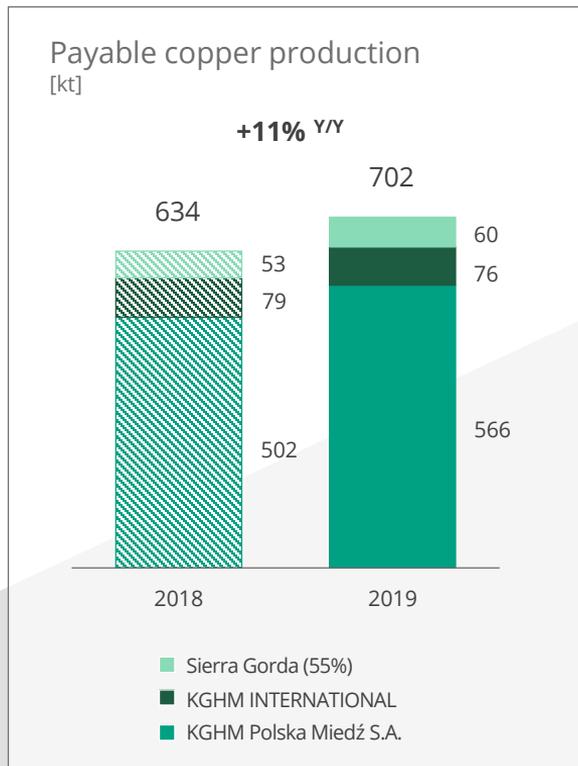
Production results of the KGHM Group by segment



Metals production

KGHM Group

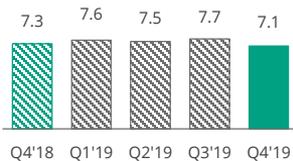
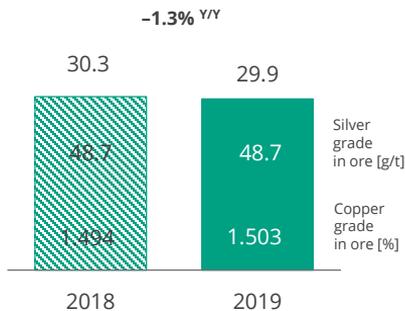
- Production of electrolytic copper exceeded the target set for KGHM Polska Miedź due to improved availability of production equipment, incl. the proper functioning of the copper concentrate roasting installation
- Lower production by KGHM INTERNATIONAL due to lower production by the Sudbury Basin and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



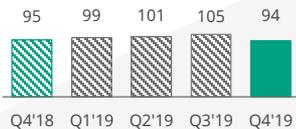
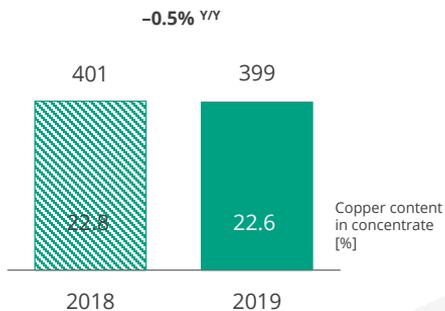
Production results

KGHM Polska Miedź S.A.

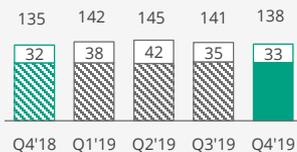
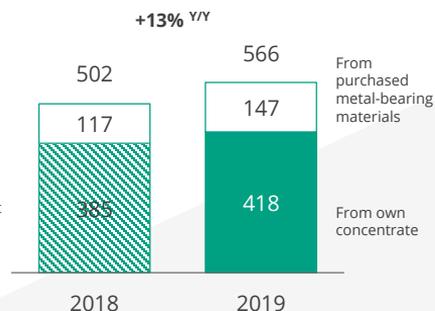
Ore extraction
[mn t dry weight]



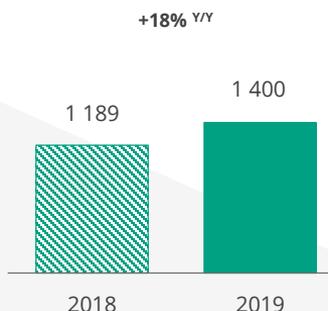
Production of copper
in concentrate [kt]



Electrolytic copper
production [kt]



Metallic silver
production [t]



- Higher production y/y due to higher concentrate processing thanks to the work of the copper concentrate roasting installation
- Higher production due to better availability of charge materials thanks to higher processing of concentrate

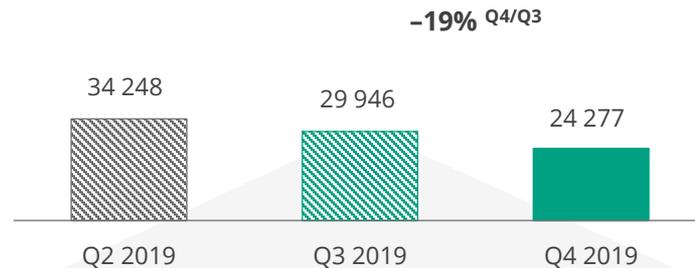
Change in inventories

KGHM Polska Miedź S.A.

Inventories of copper in concentrate at the smelters

amount of Cu [t]

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



Inventories of copper anodes at the smelters

amount of Cu [t]

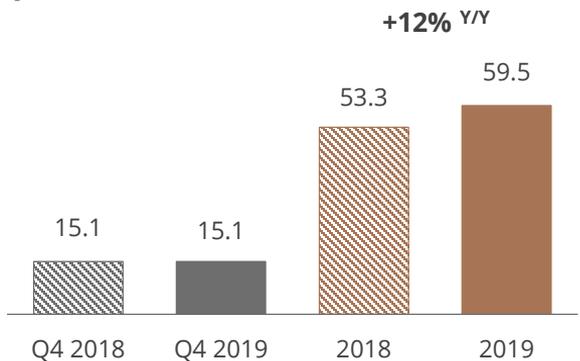
- The decrease in copper anodes inventories resulted from the adopted production plan and from higher electrolytic copper production



Production results

Sierra Gorda¹⁾

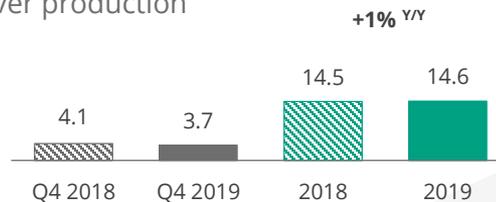
Payable copper production
[kt]



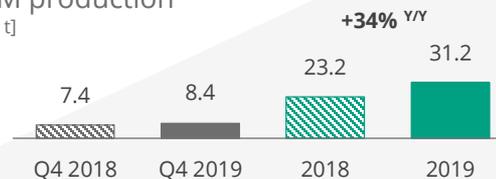
Higher-than-planned copper production after the four quarters of 2019

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

Silver production
[t]



TPM production
[koz t]



Molybdenum production
[mn lbs]

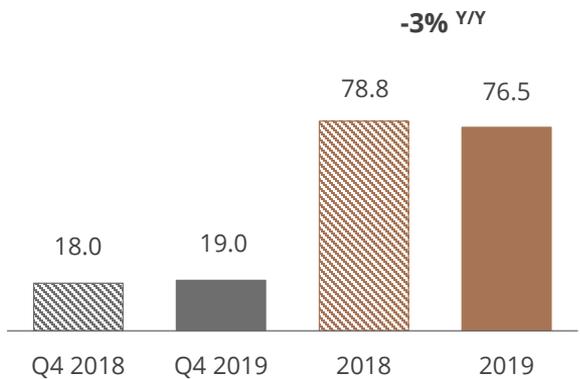


- Higher copper, silver and gold production due to higher extraction by the Sierra Gorda mine
- Lower molybdenum production due to extraction in areas with lower molybdenum content compared to ore extracted in prior years

Production results

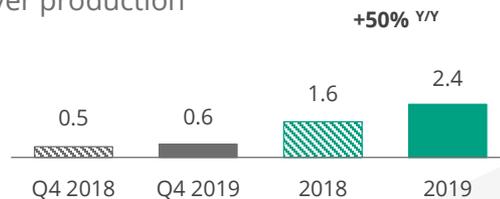
KGHM INTERNATIONAL

Payable copper production
[kt]

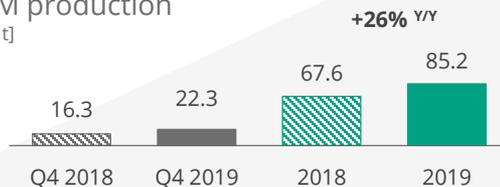


- Lower production due to lower copper ore grade in the Sudbury Basin (a change in the area being mined) and at the Franke mine (due to the nature of the orebodies)

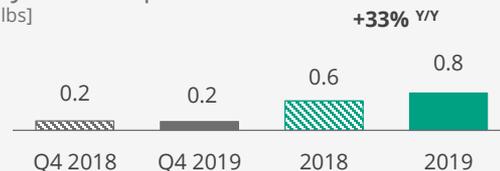
Silver production
[t]



TPM production
[koz t]



Molybdenum production
[mn lbs]



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

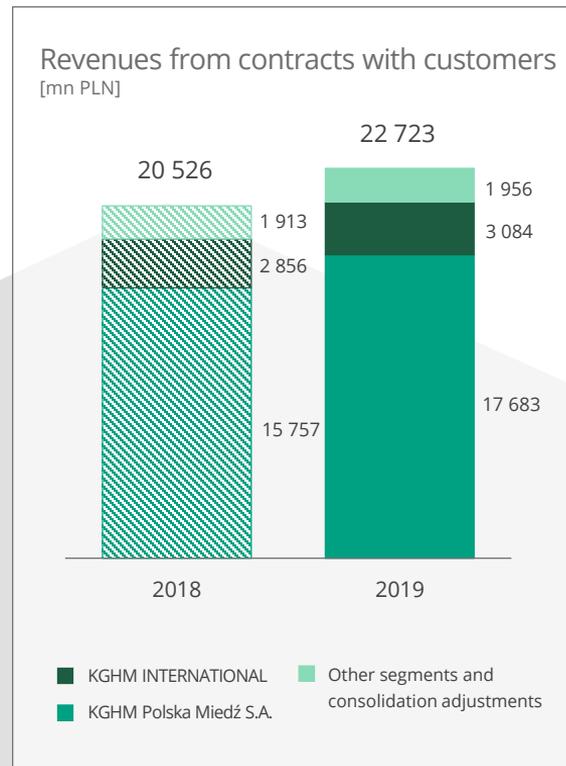
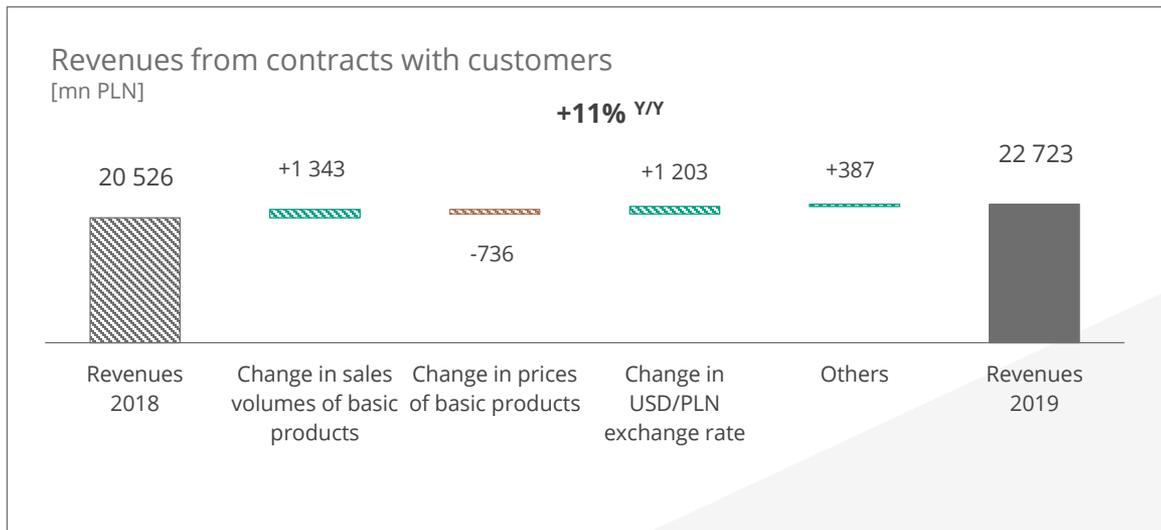


Financial results of the Group



Group sales revenue

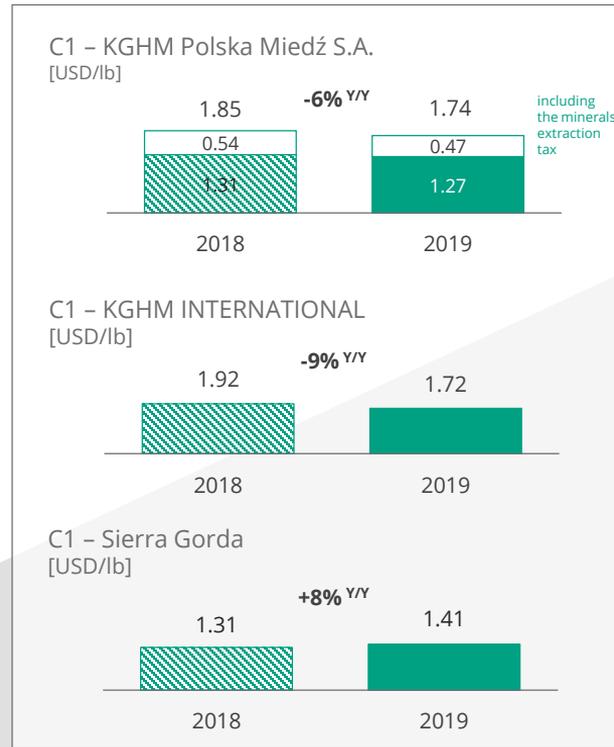
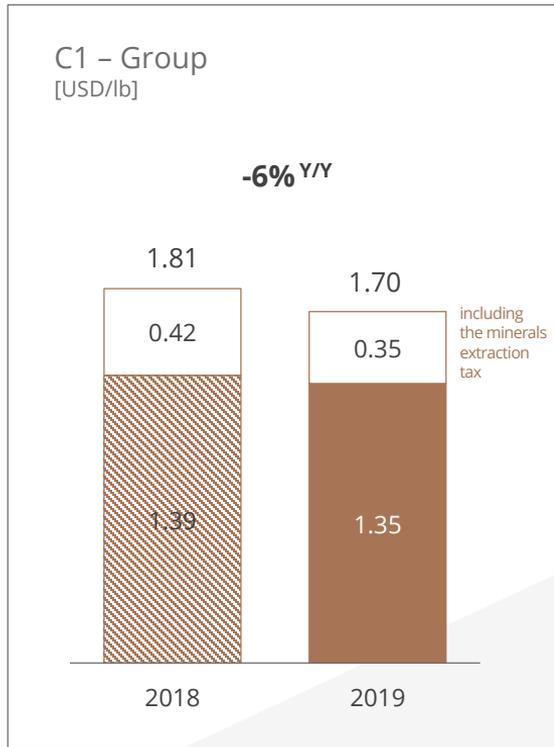
2019



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

C1 unit cost¹⁾

KGHM Group



- The decrease in C1 cost in KGHM Polska Miedź S.A. was mainly due to a weakening of the PLN vs the USD by 6% and a lower MET
- The 10% decrease in this cost in KGHM INTERNATIONAL was due among others to lower operating costs and higher revenues from the sale of associated metals (which decrease this cost)
- The 8% increase in C1 cost in Sierra Gorda was due to a lower volume of sales of molybdenum (lower Mo grade in ore), and consequently lower by-product credit revenues which are deducted when calculating C1 cost

Operating results

KGHM Group

Change in adjusted EBITDA¹⁾

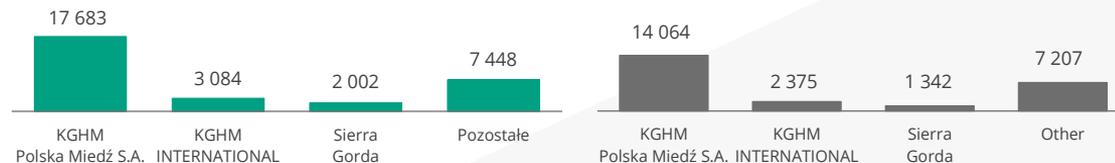
[mn PLN]

+5% Y/Y



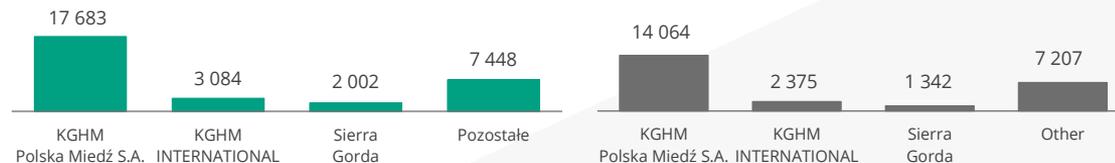
Operating income by segment

[mn PLN]



Costs by segment²⁾

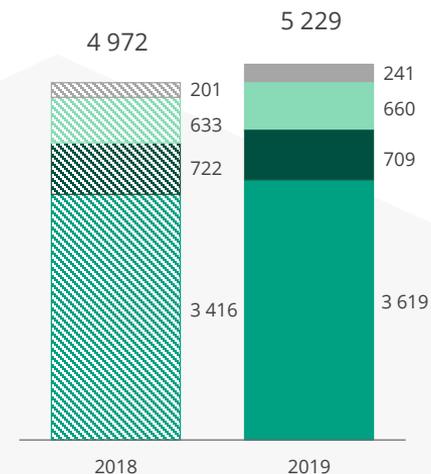
[mn PLN]



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

Skorygowana EBITDA

[mln PLN]



■ KGHM INTERNATIONAL
■ KGHM Polska Miedź S.A.
■ Pozostałe segmenty
■ Sierra Gorda (55%)

Financial results

KGHM Group

Profit for the period

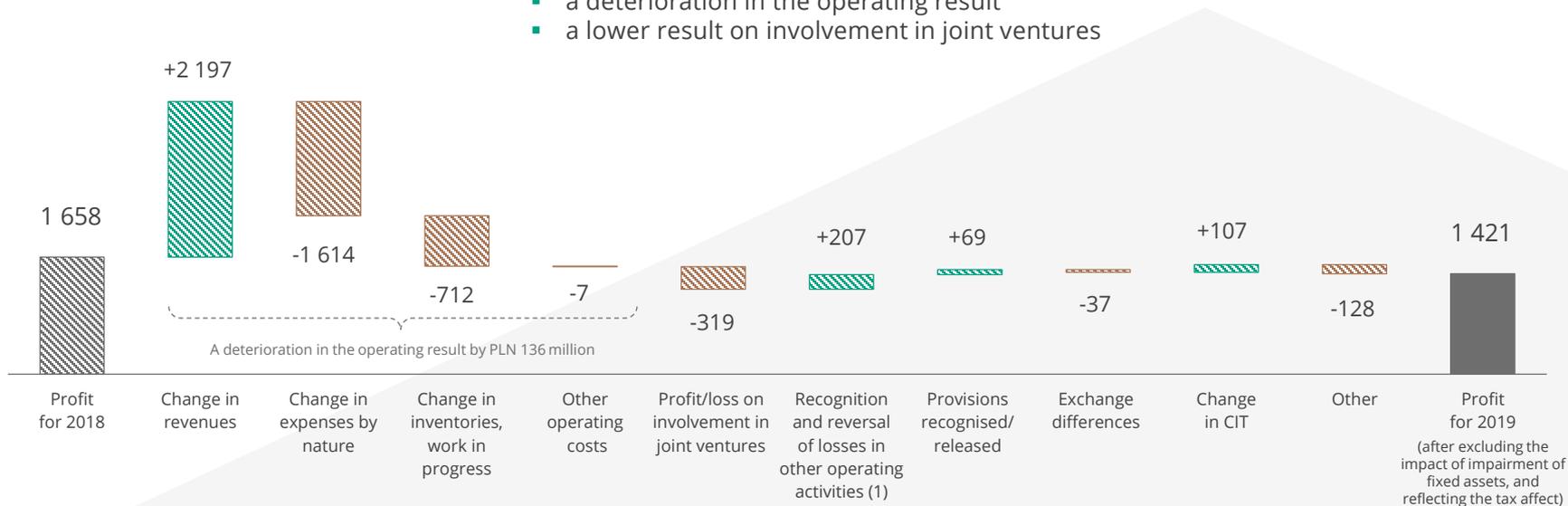
[mn PLN]

-14% Y/Y

1 421 million PLN consolidated net profit in FY2019

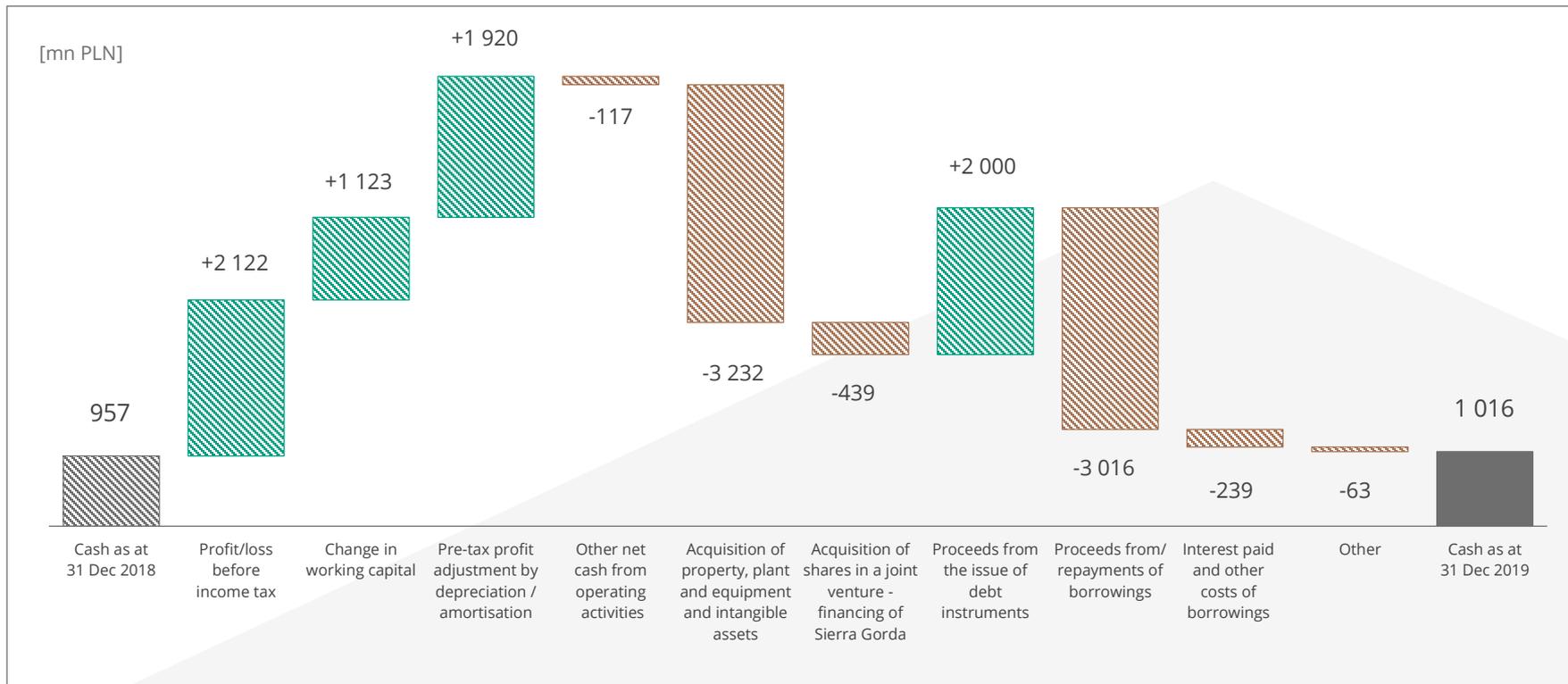
The decrease in net profit by the Group by PLN 237 million (-14%) was mainly due to:

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



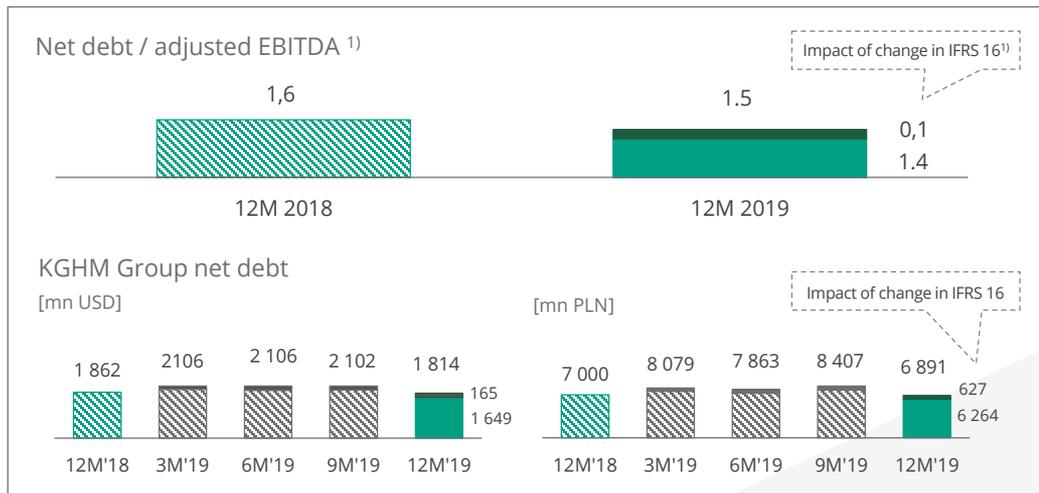
Cash flow

KGHM Group



Net debt of the KGHM Group

As at the end of Q4 2019



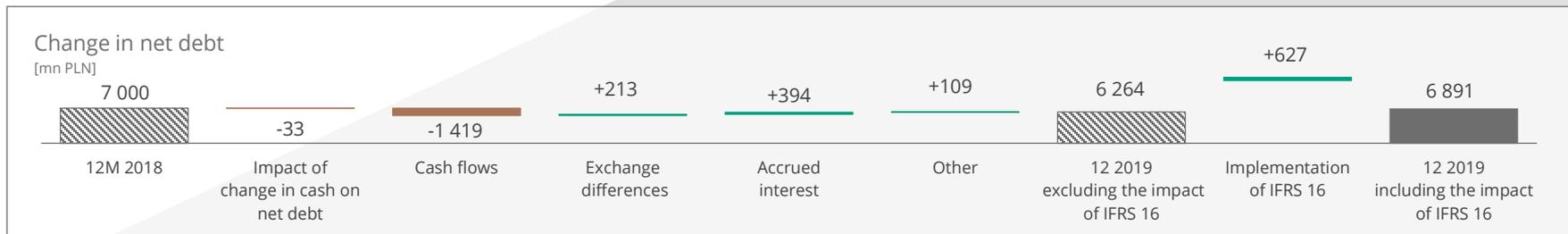
Main factors affecting interest-bearing debt in the 12 months of 2019

(Increases in debt)

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

(Decreases in debt)

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





KGHM
POLSKA MIEDŹ

Advancement of development initiatives



Selected development projects



Deposit Access Program



Concentrate roasting installation



Copper scrap processing furnace at the Legnica Copper Smelter and Refinery



Expansion of the Źelazny Most Tailings Storage facility: the Southern Quarter



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

A consistent and rational investment program

Capital expenditures by KGHM Polska Miedź S.A. in 2019

Main projects financed in 2019

Deposit Access Program

- Individual projects in the categories of maintaining mine production and development with respect to mining (48.1 km of underground workings built), mine shafts (GG-1 deepened to 1099.3 m), air conditioning and power-related infrastructure projects, were systematically implemented.

Copper concentrate roasting installation

- The installation was successfully commissioned and brought on-line at the Głogów Copper Smelter and Refinery. Since the start on continuous operations of the installation (Jan 2019) 79 kt of roasted concentrate have been produced.

RCR furnace at the Legnica Copper Smelter and Refinery

- The installation was successfully commissioned and brought on-line at the Legnica Copper Smelter and Refinery. Guarantee parameters achieved. The RCR furnace operates within the core production line of the Legnica Copper Smelter and Refinery. The casting of copper scrap in the RCR furnace enabled the achievement, in 2019, for the first time in the historia of HM Legnica, of combined casting of scrap and smelting of copper-bearing materials in the anode furnaces and in the RCR furnace at the level of 26 kt.

Development of the Żelazny Most Tailings Storage Facility

- Individual phases of the work to build the facility's southern quarter advanced according to plan (as at 12.2019, 59% of the total material scope of work had been accomplished). Work is also underway on constructing the tailings segregation and thickening station (as at 12.2019, 49% of the total material scope of work had been accomplished).

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

- Under the Program, projects are being advanced at the Głogów and Legnica Copper Smelters/Refineries. In 2019 work was completed on sealing the conveyor belts and belt pulling stations at the Głogów facility and modernisation of the dedusting unit for the shaft furnaces at the Legnica facility. Testing of a gas desulphurisation installation for the Kaldofurnace began.

2 516 mn PLN

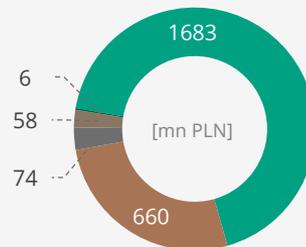
CAPEX budget target for 2019

2 670 mn PLN

CAPEX budget target for 2018

by area

- Mining (68%)
- Metallurgy (27%)
- Other activities (3%)
- Leasing IFRS 16
- Development work - uncompleted



2 481 mn PLN

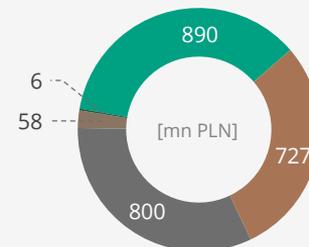
CAPEX execution in 2019

2 132 mn PLN

CAPEX execution in 2018

by category

- Replacement (36%)
- Maintaining mine production (29%)
- Mine development (32%)
- Leasing IFRS 16
- Development work - uncompleted

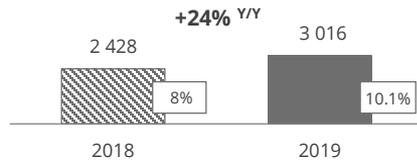


Role of Deep Głogów (GGP) in maintaining output in Poland

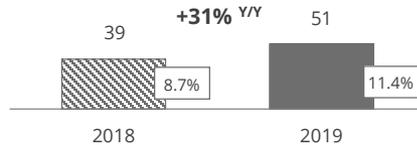
Deposit access program in KGHM's concessioned areas

Increasing share of production from GGP in total production in Poland

Ore extraction dry weight from GGP [kt]



Amount of copper in ore [kt]

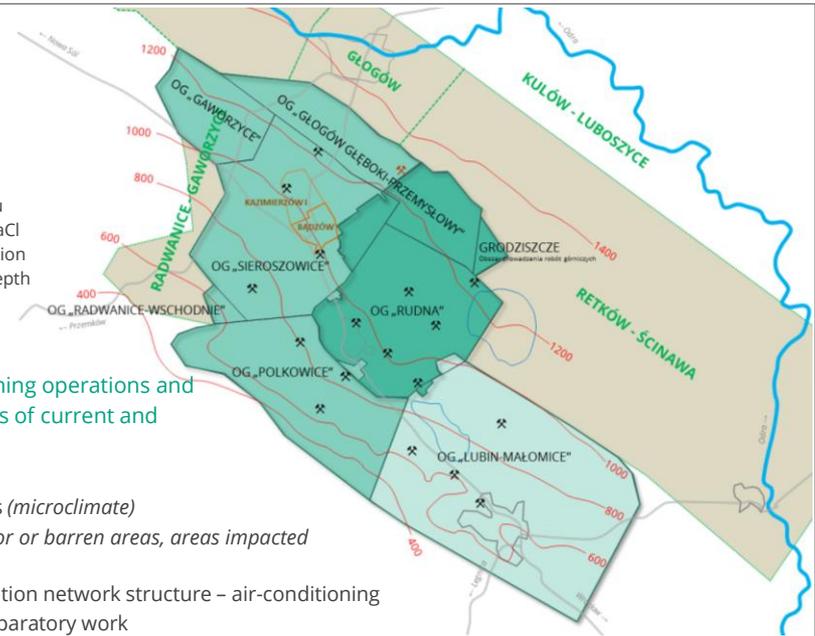


Amount of silver in ore [t]



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
- Difficult working conditions (*microclimate*)
- High deposit variability (*poor or barren areas, areas impacted by faults*)
- Development of the ventilation network structure – air-conditioning
- Substantial access and preparatory work
- Development of the underground infrastructure (*conveyors, power/gas/water, power grid, etc.*)
- Shorter effective working time (*increased distance from the shafts*)
- Impact of natural hazards

Pro-ecological investments and environmental fees

KGHM Group



Over
229
million PLN

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

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

Selected actions to reduce environmental impact and environmental fees in 2019

PLN 3.3 million

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

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

Selected environmental investments¹⁾:

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

PLN 0.3 million

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

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

Selected environmental investments:

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

BATAs program

Selected environmental investments:

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

Pro-ecological investments and environmental fees

KGHM INTERNATIONAL

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

PLN 28 million

Robinson Mine (USA)

including PLN 3 million due to environmental permits held

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

PLN 5 million

Carlota Mine (USA)

→ Activities were mainly related to mine decommissioning and environmental monitoring

PLN 1 million

Sudbury Basin (Canada)

→ In the Sudbury Basin mines activities focused on environmental monitoring

PLN 6 million

Franke Mine (Chile)

→ Activities focused on acquiring required permits and environmental monitoring



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

Energy development program



Renewable energy sources development

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



Optimisation and development of gas fired units

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



R&D of alternative options

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



Competence building

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

First photovoltaic projects

Design phase

PV¹⁾ 1. HMG

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

PV 2. Piaskownia Obora

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



Pre-design phase

3. Wierzba I

16 MWp²⁾ at the willow³⁾ plantation

4. Wierzba II

50 MWp at the willow plantation

5. Konrad

30 MWp at the former Konrad Mine

Layers of possibilities



Results of KGHM Polska Miedź S.A.
for the 4th quarter and the full year 2019

18 March 2020



Supporting slides

KGHM Polska Miedź S.A.



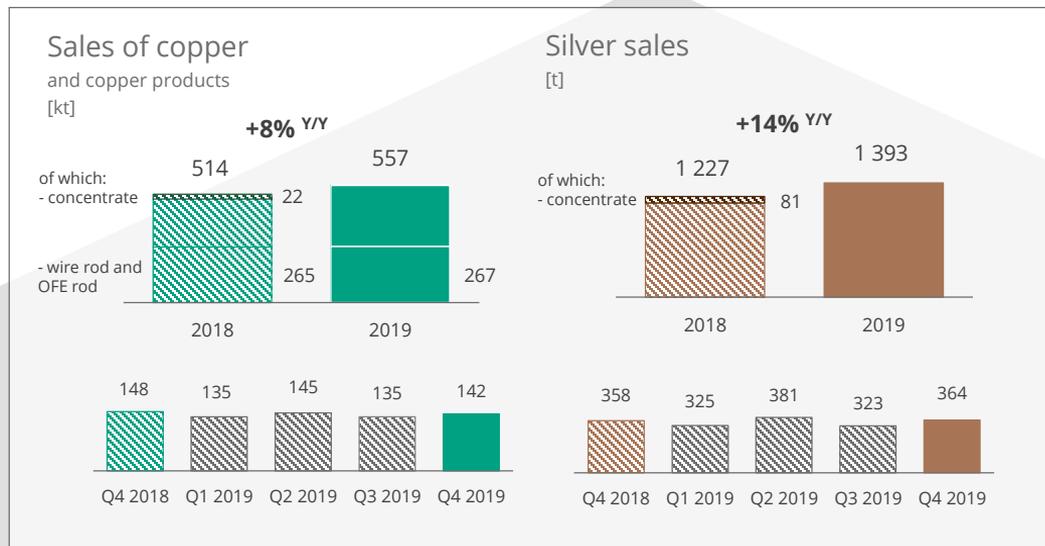
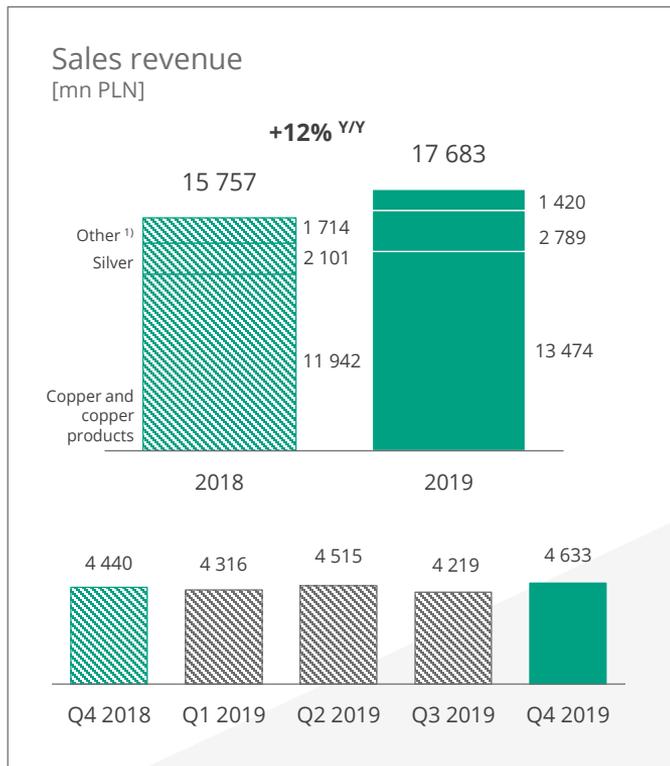
Sales revenue

KGHM Polska Miedź S.A.

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

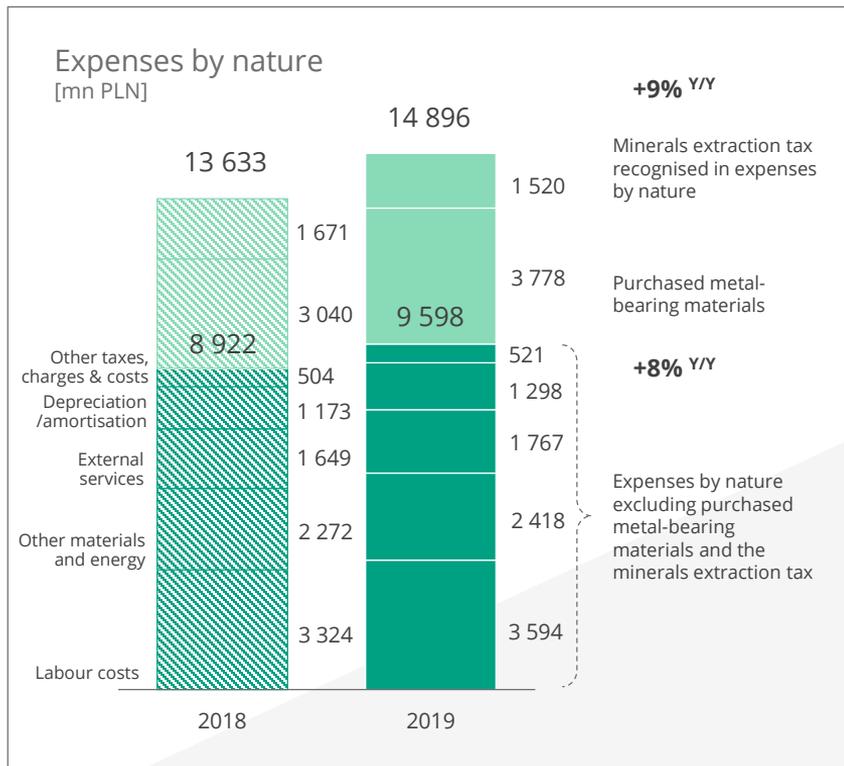
- higher sales volumes (copper by 8% and silver by 14%)
- a more favourable USD/PLN exchange rate (+6%) and silver (+3%)

alongside less favourable prices of copper (-8%)

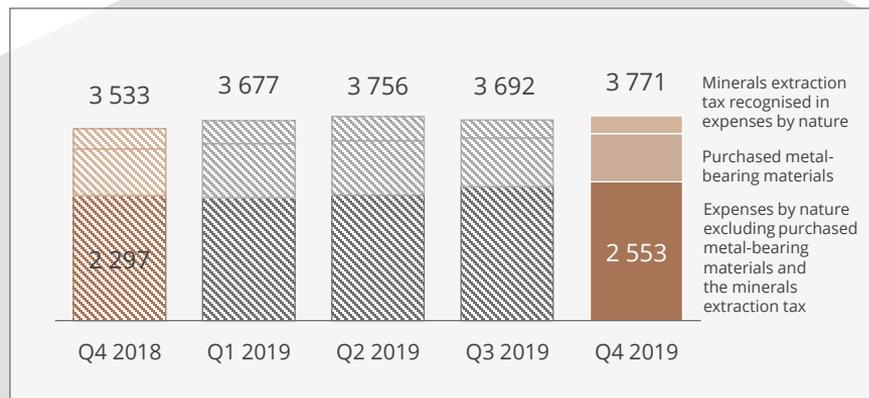


Expenses by nature

KGHM Polska Miedź S.A.



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

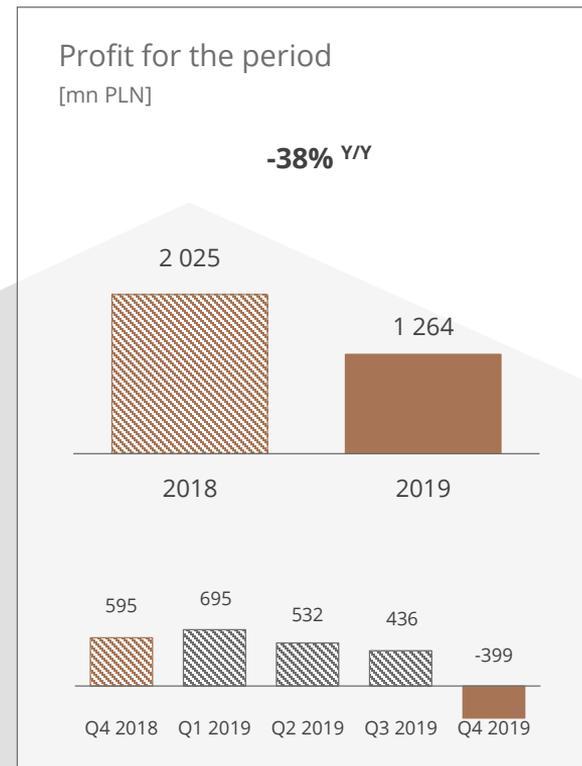
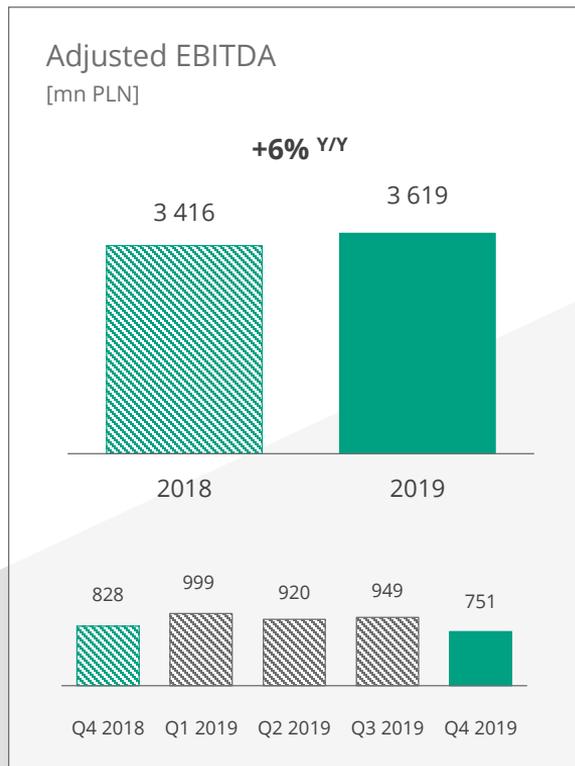


EBITDA and profit for the period

KGHM Polska Miedź S.A.

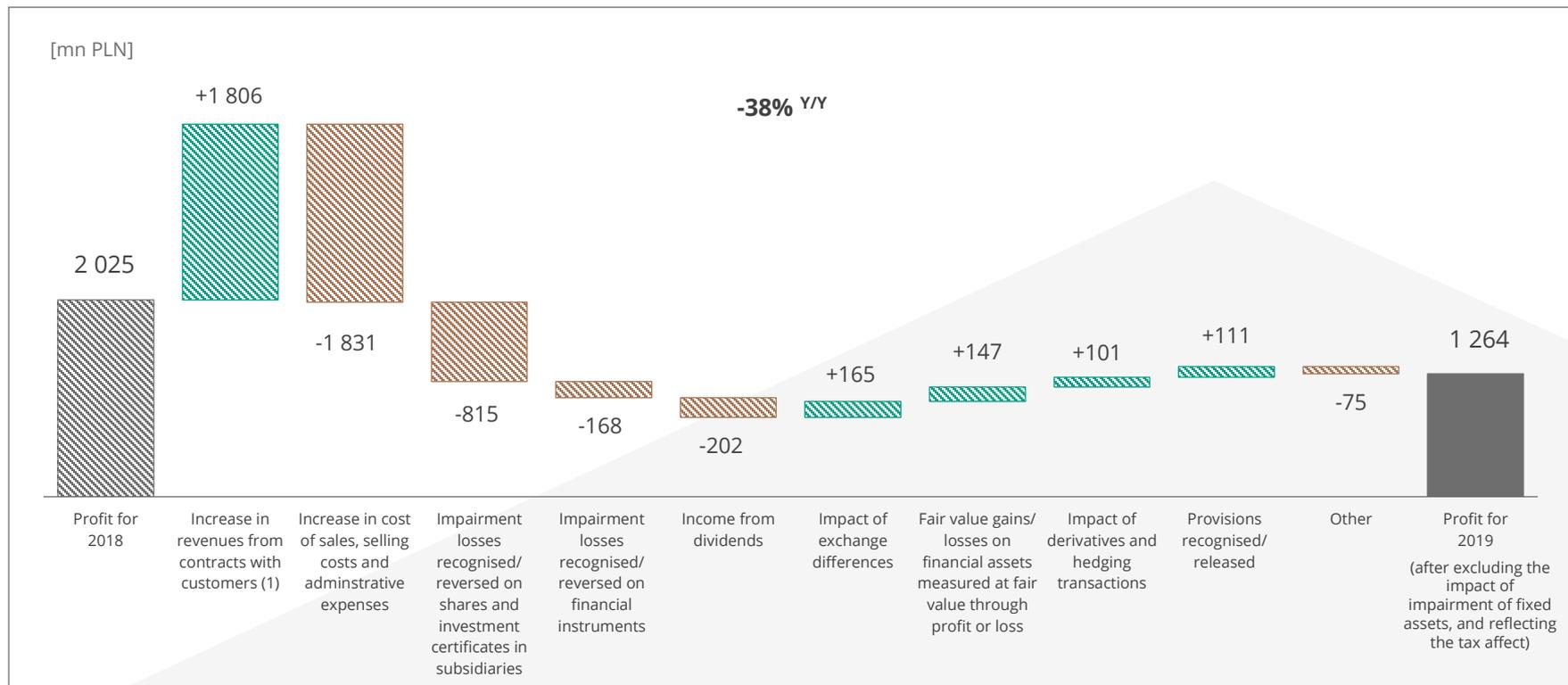
Higher standalone EBITDA with lower net profit

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



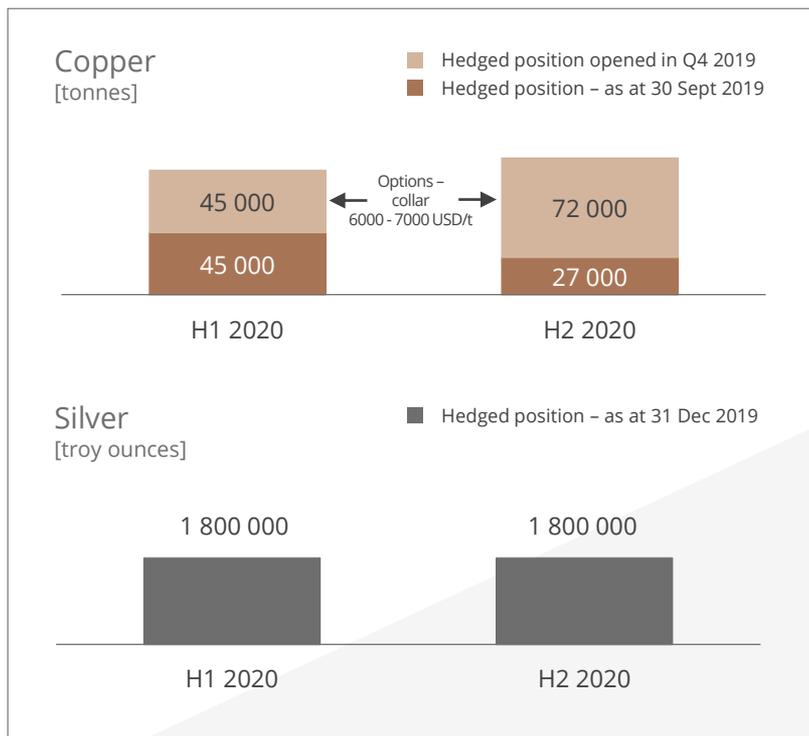
Profit for the period

KGHM Polska Miedź S.A.



Market risk management

Hedged positions on the copper and silver markets (as at 31 Dec 2019)

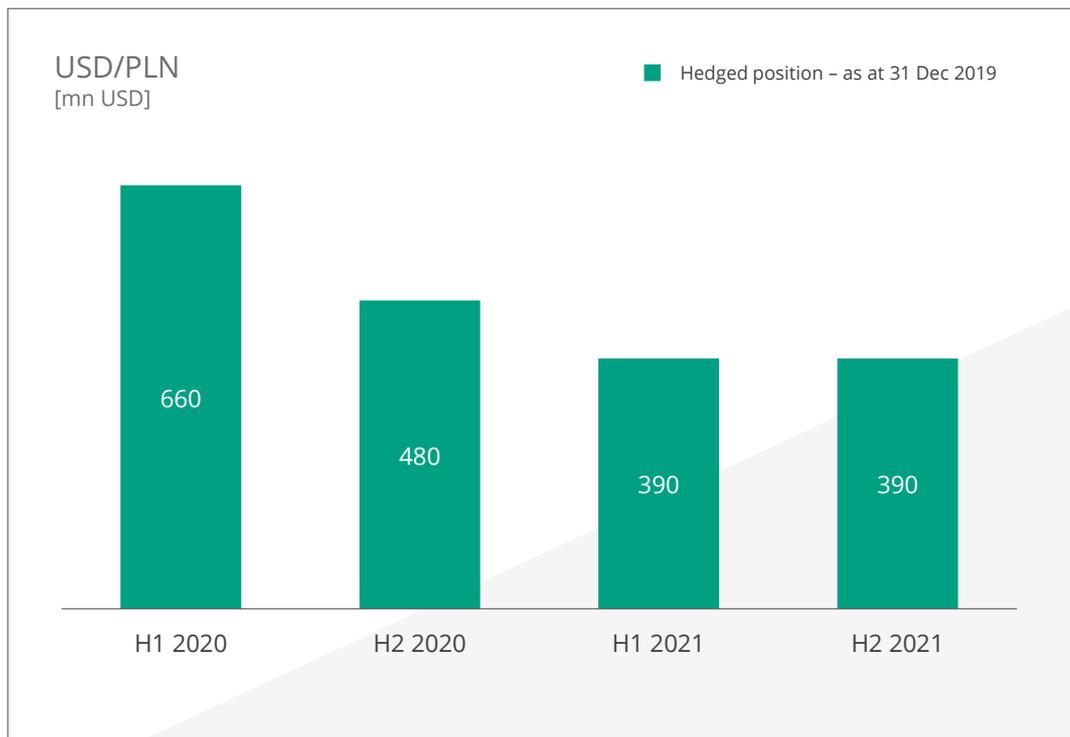


In 2019, KGHM Polska Miedź S.A. recorded a result on derivatives and hedges in the amount of PLN 100 million, of which:

- PLN 245.4 million adjusted revenues from contracts with customers (transactions settled to 31 December 2019)
 - -PLN 1.4 million adjusted interest on borrowings
 - PLN 122.3 million decreased the result on other operating activities
 - PLN 21.5 million decreased the result on finance activities
- The fair value of derivatives in KGHM Polska Miedź S.A. as at 31 December 2019 amounted to PLN 223 million
 - The revaluation reserve on cash flow hedging instruments as at 31 December 2019 amounted to -PLN 182.8 million

Market risk management

Hedged positions on the currency and interest rate markets (as at 31 Dec 2019)



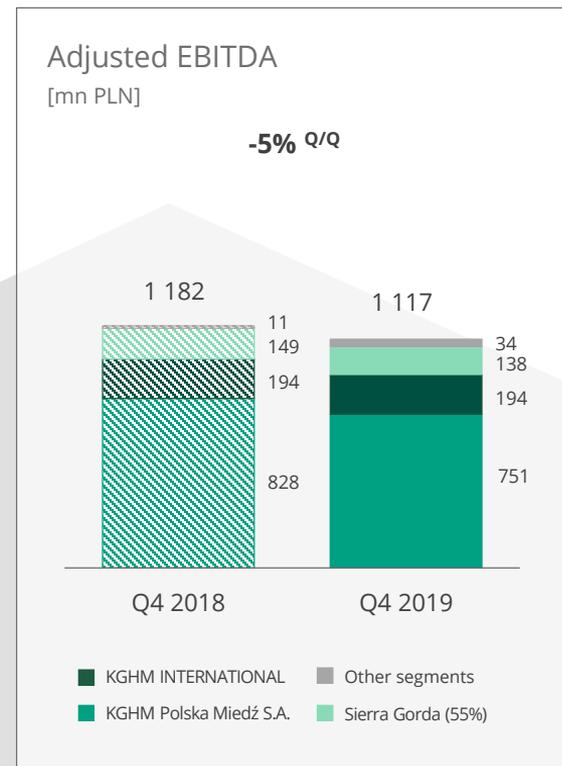
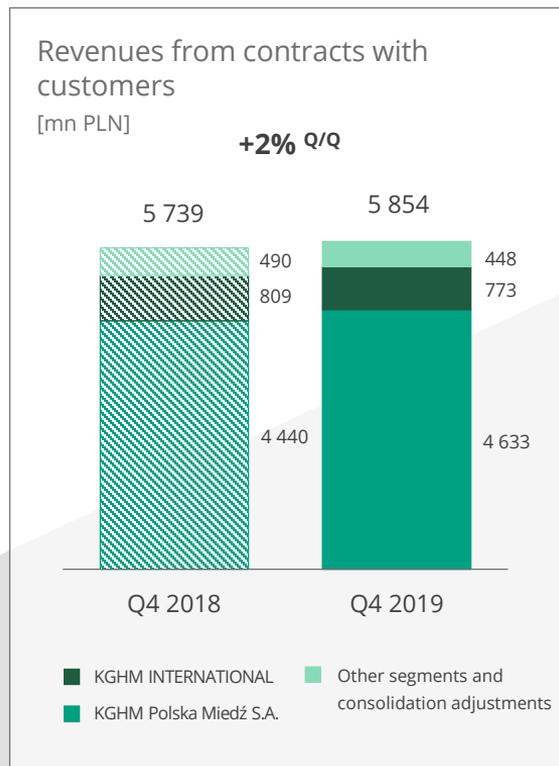
- As at December 31, 2019 the Parent Entity held open CIRS (*Cross Currency Interest Rate Swap*) transactions with a notional amount of PLN 2 billion, hedging against risk related to the issuance of bonds denominated in PLN with variable interest rates
- In addition, as at December 31, 2019 the Parent Entity held open derivatives CAP positions on the interest rate market for 2020 as well as borrowings with a fixed interest rate

Additional information

Group revenues and EBITDA in Q4 2019

KGHM Group EBITDA lower by 5% (q4/q4)

- KGHM Polska Miedź S.A.**
 (-PLN 77 mn; -9%) – a decrease mainly due to higher costs and lower copper prices
- KGHM INTERNATIONAL** at the level recorded in Q4 2018
- Sierra Gorda** (-PLN 11 mn; -7%) – primarily due to extraction in areas with lower molybdenum grade, resulting in lower production; the moly price was also lower



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