

Dear Stakeholders,

Higher payable copper production (+11 percent), record silver production (+18 percent), 11 percent higher revenues earned by the Group and 5 percent higher EBITDA, as well as the start of new investments in our Divisions – that is how we closed 2019.

I hereby present you with our results with satisfaction, which is all the greater as the past year was not an easy one. Falls in the copper price (-8 percent as compared to 2018), the trade conflict between the USA and China, concerns related to the United Kingdom leaving the European Union – all of which meant that we had to work under difficult macroeconomic conditions. However, we perceive such difficulties as challenges, which represent a test of our abilities and the effectiveness of our management.

A key to achieving our plans was the consistency with which we advanced the strategy adopted in December 2018. In developing this document we took into account the four pillars of our actions: Flexibility, Efficiency, E-industry and Ecology. This is the foundation of the modern commodities sector. Efficient management, an appropriate hierarchy of goals consistent with the nature of the market and business trends enabled us to achieve our investments and improve production parameters. We advanced very ambitious targets, which have a positive impact on the stability and development of the KGHM Group. We are working to achieve a strong leadership position in the commodities sector.

KGHM Polska Miedź is a company of crucial importance for the Polish economy. Our resources guarantee us that we will be able to continue mining in Poland at the current level for the next 40 years, while the concessions we are endeavouring to obtain will extend this time even further. Our mining and ore processing activities are conducted in a sustainable and rational manner, reflecting in this regard global trends. Europe strives to achieve climate neutrality, and copper is a key resource to make this idea a reality. This metal produced by KGHM is developing innovative sectors of the economy, including solutions which improve energy efficiency.

In 2019 we optimised our financing structure. We expanded the use of factoring to secure financial liquidity, and we switched to long-term financing by, among others, commencing a bond issue program. The interest shown in the issue in June demonstrated the attractiveness of our assets.

Copper is a raw material which is indispensable in climate transformation. We are engaged in creating and implementing solutions which reduce our environmental impact. During the past year we intensified work on projects involving renewable energy sources, we developed the Circular Economy and were engaged in developing Electromobility.

In terms of investments advanced in the Copper Belt, the year 2019 was exceptionally intensive. We advanced the construction of individual stages of the project concerning the Southern Quarter of the Żelazny Most Tailings Storage Facility on schedule as well as construction of the tailings segregation and thickening station utilising our own technology and materials.

We continued the Deposit Access Program, deepened the GG-1 shaft where the surface-based central air conditioning system is being built and advanced mining projects by among others advancing stage 2 of exploration and development work in the Retków- Ścinawa region.

Careful analysis and consistent management which is concentrated on the rational utilisation of resources, not only raw materials but also infrastructural and technological, require certain steps. For many years we have been dealing with the decreasing efficiency of the oldest of KGHM's mines, ZG Lubin. The L-VI shaft opened in October 2019 represents a new chapter for this Division and a chance to optimise production processes while at the same time maintaining the highest standards of safety for our employees.

We also invested in metallurgy. We successfully brought a new copper concentrate roasting facility into operation at the Głogów Copper Smelter and Refinery, and in June 2019 we commissioned the largest investment in the history of the Legnica Copper Smelter and Refinery. The Revolving Casting-Refining (RCR) furnace which commenced operations is the only one of its kind in Poland aimed primarily at the processing of copper scrap. This installation, with a capacity of 300 tonnes, is raising the Company's efficiency and increasing copper production. The RCR also meets the highest environmental standards, assured among others by a modern installation for treating process gases.

We optimised our portfolio of international assets, concentrating on key projects. At the historically challenged Sierra Gorda project we substantially improved operating results. As a result of higher ore extraction and processing, Sierra Gorda ended 2019 with payable copper production 4 percent higher than planned in the budget and 12 percent higher than in 2018.

The heart of KGHM beats in Lower Silesia, and we make substantial efforts to develop good, neighbourly relations within this environment. Last year we supported local municipalities and their citizens not only through tax flows but also by initiating programs promoting health, such as in Głogów and Legnica. We began programs to support families and actions associated with sustainable development.

In KGHM we are especially concerned with the questions of environmental protection and employee safety. We have an active Program to Improve Occupational Health and Safety, we seek non-standard solutions and innovative technology, and we are continuing dialogue with representatives of the trade unions.

At this point I would like to express my appreciation to our employees for their hard and diligent work on behalf of developing the Company and the KGHM Group. The engagement of all of our employees makes us a single team, one which competes for the highest laurels in the international leagues.

I also wish to thank our shareholders and customers for the trust you have placed in us. I especially wish to thank our local communities for our good relationships and joint initiatives on behalf of developing the regions in which we mutually operate.

Dear Stakeholders, we expect that 2020 may be a difficult one for the industry. Adding to the challenges raised by the tariff wars between global players and higher energy prices is that of the coronavirus epidemic, which is already having a significant impact on the world's markets, and not only those of commodities. Despite the not-always-friendly macroeconomic environment, we do not intend to slow down. We wish not only to maintain our position as a sector leader but to improve on it. Aiding in this regard are our investments: rational, but courageous.

On behalf of the Management Board of KGHM Polska Miedź S.A. I hereby present the Annual Report of the Company and of the KGHM Polska Miedź S.A. Group for 2019. I also encourage you to familiarise yourselves with the Non-Financial Report for 2019, which contains data and indicators regarding the KGHM Polska Miedź S.A. Group and KGHM Polska Miedź S.A.

Respectfully yours,

Marcin Chludziński

President of the Management Board

KGHM Polska Miedź S.A.

Lubin, 16 March 2020