

Layers of possibilities



Results of the Group
for the first nine months of 2020

Lubin, 18-19 November 2020

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Agenda



1. KGHM Group in the fight with the coronavirus



2. Macroeconomic situation and execution of main targets



3. Production results of the KGHM Group by segment



4. Financial results of the KGHM Group



5. Advancement of development initiatives



6. Supporting slides – KGHM Polska Miedź S.A. and sustainable development

We care, we act, we protect

Effectively fighting the spread of the coronavirus



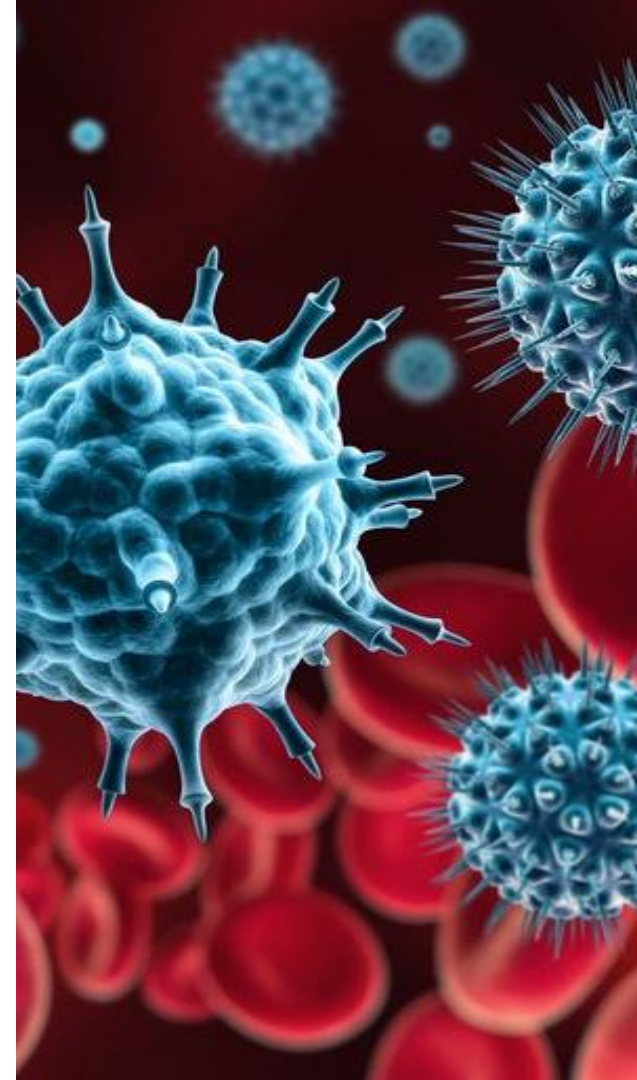
- COVID-19 unit at the hospital MCZ
- Help for seniors
- Home office and restricted contacts
- Protective procedures



- Thermal cameras
- NITROSEPT disinfectant liquid
- Disinfection and masks in common-use areas and during transport
- Personal safety measures when travelling into/out of the mines



- Numerous communication channels
- Continuous announcements on internal procedures and sanitary services guidelines
- Billboards, educational films, handouts, newspapers and company TV
- Special Infolines for employees





Key issues and execution of main targets



Summation of the first 9 months of 2020 in the KGHM Group

Main macroeconomic factors and aspects of the Group in the age of the COVID-19 pandemic compared to the first 9 months of 2019

Macroeconomic environment¹⁾

-3%

Copper price

+22%

Silver price

+3%

Stronger USD vs the PLN

Production and C1 cost

-1.7%

Copper production

-3%

Silver production

-6%

C1 cost

Financial results

-2%

Change in revenues to
PLN 16 580 mn

+7%

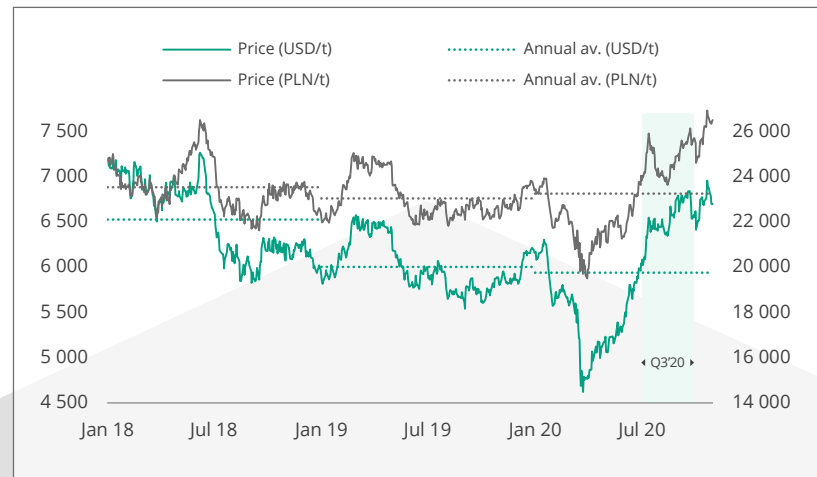
Change in EBITDA to
PLN 4 418 mn

Macroeconomic environment

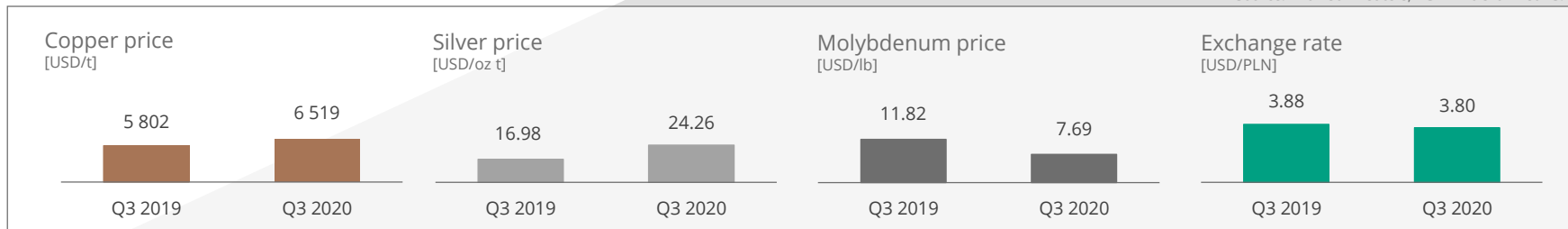
Commodities and currencies prices

The copper price rose substantially in the third quarter, approaching the peaks of 2018, while silver remained at a high level

- The average price of copper in the third quarter of 2020 was more than 12% higher, with molybdenum lower by nearly 35% compared to the corresponding prior-year period
- The average price of silver in the third quarter of 2020 was nearly 43% higher than a year earlier
- The average price of copper in PLN was 10% higher than in the third quarter of 2019, while the impact of the USD-denominated copper price was somewhat offset by the strengthening of the USD/PLN exchange rate



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



Precious metals prices rose sharply from the move back to safe haven investments, reaching historic (gold), or multi-year (silver) highs

Silver and gold rose sharply at the start of Q3, thereafter staying at high levels



The gold to silver ratio of such importance to markets returned to its multi-year average



- The price of silver, which at the start of the Covid-19 pandemic was far behind that of gold, made up for these losses in the third quarter, and in recent weeks stabilised at below-peak levels, but still at high historic levels
- The gold/silver ratio, after reaching record highs in March and April, returned to its average level from recent years
- Factors supporting precious metals prices in recent months are mainly the following: negative real interest rates in the main global economies, the weakening of the USD, and the unconventional monetary policy of the main central banks

2020 a rollercoaster for the copper price

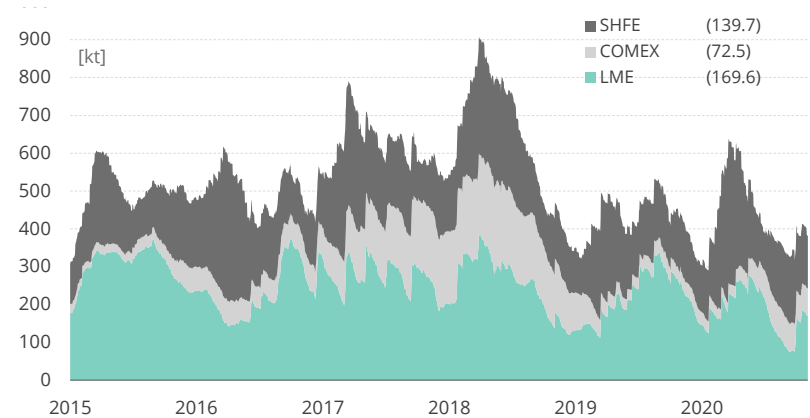
Metal inventories were also quite volatile in recent months

In 2020 copper prices recorded their lowest levels in 4 years and their highest since 2018



- The closure of economies in the 1st and 2nd quarters lead to a collapse in the copper price and to a spurt in metal inventories
- The opening of the Chinese economy and its rapid return to equilibrium along with subsequent thaws in other parts of the world had a positive impact on the price of the red metal
- In the 3Q the higher demand seen in the record import of copper to China supported copper prices

Copper inventories in official market warehouses rose in recent weeks



Source: Bloomberg, KGHM Polska Miedź

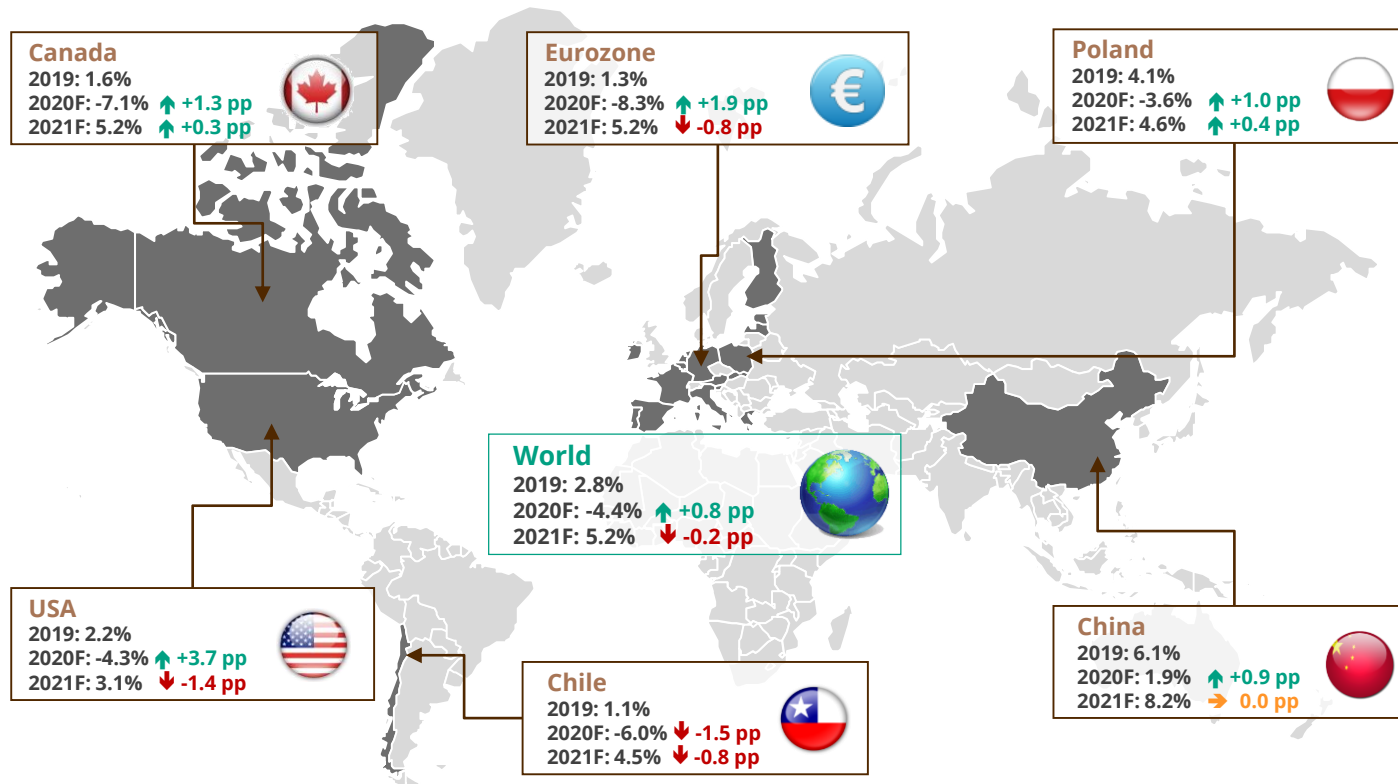
- Inventories in official warehouses are at a relatively low level, although recently there has been a clear increase
- The relatively low physical premiums and high long net positions of investors on COMEX and the LME suggest that prices are supported to a large extent by investment demand

In Q3'20 economic activity improved substantially vs the first half of 2020

Industrial PMI began to improve in June and in most countries continued to grow to the end of the third quarter

	Oct-17	Nov-17	Dec-17	Jan-18	Feb-18	Mar-18	Apr-18	May-18	Jun-18	Jul-18	Aug-18	Sep-18	Oct-18	Nov-18	Dec-18	Jan-19	Feb-19	Mar-19	Apr-19	May-19	Jun-19	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Sep-20	
USA (ISM)	58.8	58.1	59.1	59.2	60.6	58.9	58.4	59.0	59.9	58.2	60.8	59.3	58.5	58.8	55.0	55.5	54.1	54.6	53.4	52.3	51.6	51.3	48.8	48.2	48.5	48.1	47.8	50.9	50.1	49.1	41.5	43.1	52.6	54.2	56.0	55.4	
USA (PMI)	53.9	55.1	55.5	55.3	55.6	56.5	56.4	55.4	55.3	54.7	55.6	55.7	55.3	53.8	54.9	53.0	52.4	52.6	50.5	50.6	50.4	50.3	51.1	51.3	52.6	52.4	51.9	50.7	48.5	36.1	39.8	49.8	50.9	53.1	53.2	53.4	
Canada	54.4	54.7	55.9	55.6	55.7	55.5	56.2	57.1	56.9	56.8	54.8	53.9	54.9	53.6	53.0	52.6	50.5	49.7	49.1	49.2	50.2	49.1	51.0	51.2	51.4	50.4	50.6	51.8	46.1	33.0	40.6	47.8	52.9	55.1	56.0	55.5	
Mexico	52.4	51.7	52.6	51.6	52.4	51.6	51.0	52.1	52.1	50.7	51.7	50.7	49.7	49.7	50.9	52.6	49.8	50.1	50.0	49.2	49.8	49.0	49.1	50.4	48.0	47.1	49.0	50.0	47.9	35.0	38.3	38.6	40.4	41.3	42.1	43.6	
Brazil	53.5	52.4	51.2	52.2	53.4	52.3	50.7	49.8	50.5	51.1	51.9	51.1	52.7	52.6	52.7	53.4	52.8	51.5	50.2	51.0	49.9	52.5	53.4	52.2	52.9	50.2	51.0	52.3	48.4	36.0	38.3	51.6	58.2	64.7	64.9	66.7	
Eurozone	60.1	60.6	59.6	58.6	56.6	56.2	55.5	54.9	55.1	54.6	53.2	52.0	51.8	51.4	50.5	49.3	47.5	47.9	47.7	47.6	46.5	47.0	45.7	45.9	46.9	46.3	47.9	49.2	44.5	33.4	39.4	47.4	51.8	51.7	53.7	54.8	
Germany	62.5	63.3	61.1	60.6	58.2	58.1	56.9	55.9	56.9	55.9	53.7	52.2	51.8	51.5	49.7	47.6	44.1	44.4	44.3	45.0	43.2	43.5	41.7	42.1	44.1	43.7	45.3	48.0	45.4	34.5	36.6	45.2	51.0	52.2	56.4	58.2	
France	57.7	58.8	58.4	55.9	53.7	53.8	54.4	52.5	53.3	53.5	52.5	51.2	50.8	49.7	51.2	51.5	49.7	50.0	50.6	51.9	49.7	51.1	50.1	50.7	51.7	50.4	51.1	49.8	43.2	31.5	40.6	52.3	52.4	49.8	51.2	51.3	
Italy	58.3	57.4	59.0	56.8	55.1	53.5	52.7	53.3	51.5	50.1	50.0	49.2	48.6	49.2	47.8	47.7	47.4	49.1	49.7	48.4	48.5	48.7	47.8	47.7	47.6	46.2	48.9	48.7	40.3	31.1	45.4	47.5	51.9	53.1	53.2	53.8	
Spain	56.1	55.8	55.2	56.0	54.8	54.4	53.4	52.9	53.0	51.4	51.8	52.6	51.1	52.4	49.9	50.9	51.8	50.1	47.9	48.2	48.8	47.7	46.8	47.5	47.4	48.5	50.4	45.7	30.8	38.3	49.0	53.5	49.9	50.8	52.5		
Netherlands	62.4	62.2	62.5	63.4	61.5	60.7	60.3	60.1	58.0	59.1	59.8	57.1	56.1	57.2	55.1	52.7	52.5	52.0	52.2	50.7	50.7	51.6	51.6	50.3	49.6	48.3	49.9	52.9	50.5	41.3	40.5	45.2	47.9	52.3	52.5	50.4	
Austria	61.9	64.3	61.3	59.2	58.0	58.0	57.3	56.6	56.8	56.4	55.0	53.8	54.9	53.9	52.7	51.8	50.0	49.2	48.3	47.5	47.0	47.9	45.1	45.5	46.0	46.0	49.2	50.2	45.8	31.6	40.4	46.5	52.8	51.0	51.7	54.0	
Ireland	58.1	59.1	57.6	56.2	54.1	55.3	55.4	56.6	56.3	57.5	56.3	54.9	55.4	53.5	52.6	54.0	53.9	52.5	50.4	49.8	48.7	48.6	48.7	49.5	51.4	51.2	45.1	36.0	39.2	51.0	57.8	52.3	50.0	50.3			
UK	58.2	55.7	55.2	55.3	54.8	53.8	54.3	54.0	53.9	52.9	53.7	51.1	53.3	54.3	52.8	52.1	55.1	53.1	49.4	48.0	48.0	47.4	48.3	49.6	48.9	47.5	50.0	51.7	47.8	32.6	40.7	50.1	53.3	55.2	54.1	53.7	
Greece	52.2	53.1	55.2	56.1	55.0	52.9	54.2	53.5	53.5	53.9	53.6	53.1	54.0	53.8	53.7	54.2	54.7	56.6	54.2	52.4	54.6	54.9	53.6	53.5	54.1	53.9	54.4	56.2	42.5	29.5	41.1	49.4	48.6	49.4	50.0	48.7	
Poland	54.2	55.0	54.6	53.7	53.7	53.9	53.3	54.2	52.9	51.4	50.5	50.4	49.5	47.6	48.2	47.6	48.7	49.0	48.8	48.4	47.4	48.8	47.8	45.6	46.7	48.0	47.4	48.2	42.4	31.9	40.6	47.2	52.8	50.6	50.8	50.8	
Czech Rep.	58.7	59.8	59.8	58.8	57.3	57.2	56.5	56.8	55.4	54.9	54.4	52.5	51.8	49.7	49.0	48.6	47.3	46.6	46.6	45.9	43.1	44.9	44.9	45.0	43.5	43.6	45.2	46.5	41.3	35.1	39.6	44.9	47.0	49.1	50.7	51.9	
Turkey	52.9	54.9	55.7	55.6	51.8	48.9	46.4	46.8	49.0	46.4	42.7	44.3	44.7	44.2	44.2	46.4	47.2	46.8	45.3	47.9	46.7	48.0	50.0	49.0	49.5	49.5	51.3	52.4	48.1	33.4	40.9	53.9	56.9	54.3	52.8	53.9	
Russia	51.5	52.0	52.1	50.2	50.6	51.3	49.8	49.5	48.1	48.9	50.0	51.3	52.6	51.7	50.9	50.1	52.8	51.8	49.8	48.6	49.3	49.1	46.3	47.2	45.6	47.5	47.9	48.2	47.5	31.3	36.2	49.4	48.4	51.1	48.9	46.9	
Asia	52.0	52.4	52.1	51.8	50.8	51.6	51.4	52.0	51.5	51.5	51.4	51.1	50.9	50.3	50.2	50.0	50.6	50.6	49.8	49.9	49.8	49.7	49.6	49.6	50.5	51.0	50.7	42.0	42.6	42.7	47.2	48.6	50.6	51.5	52.4		
China (Caixin)	50.8	51.5	51.5	51.6	51.0	51.1	51.1	51.0	50.8	50.6	50.0	50.2	49.7	48.3	49.9	50.8	50.2	50.2	49.4	49.9	50.4	51.4	51.7	51.8	51.5	51.1	40.3	50.1	49.4	50.7	51.2	52.8	53.1	53.0	53.6		
China	51.6	51.8	51.6	51.3	50.3	51.5	51.4	51.9	51.5	51.2	51.3	50.8	50.2	50.0	49.4	49.5	49.2	50.5	50.1	49.4	49.4	49.7	49.5	49.8	49.3	50.2	50.2	50.0	35.7	52.0	50.8	50.6	50.9	51.1	51.0	51.5	
Japan	53.6	54.0	54.8	54.1	53.1	53.8	52.8	53.0	52.3	52.5	52.5	52.9	52.2	52.6	50.3	48.9	49.2	50.2	49.8	49.3	49.4	49.3	49.5	49.4	48.9	48.4	48.8	47.8	44.8	41.9	39.6	44.8	40.1	45.2	47.2	47.7	48.7
India	52.6	54.7	52.4	52.1	51.0	51.6	51.2	53.1	52.3	51.7	52.2	53.1	54.0	53.2	53.9	54.3	52.6	51.8	52.7	52.1	52.5	51.4	51.4	50.6	51.2	52.7	53.3	54.5	51.8	27.4	30.8	47.2	46.0	52.0	56.8	58.6	
Indonesia	50.4	49.3	49.9	51.4	50.7	51.6	51.7	50.3	50.5	51.9	50.7	50.5	50.4	51.2	49.9	50.1	51.2	51.4	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	
Malaysia	52.0	49.9	50.5	49.9	49.5	48.6	47.6	49.5	49.7	51.2	51.5	49.2	48.2	46.8	47.9	47.6	47.2	49.4	48.8	47.8	47.6	47.4	47.9	49.3	49.5	50.0	48.8	48.5	48.4	31.3	45.6	51.0	50.0	49.3	49.0	49.3	
Taiwan	59.3	59.6	59.9	59.0	55.3	54.8	53.4	54.5	53.1	53.0	50.8	48.7	48.4	47.7	47.5	46.3	49.0	48.2	48.4	45.5	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	53.2	55.1	
Thailand	50.1	50.0	50.0	50.6	48.9	49.4	51.8	49.6	50.0	50.3	49.9	49.4	50.2	50.3	49.6	49.7	50.3	50.3	50.6	50.6	49.4	49.8	50.1	49.5	49.7	51.2	49.6	49.7	46.4	35.8	41.3	42.5	45.3	50.0	49.6	51.1	
South Korea	51.2	49.9	50.7	50.3	49.1	48.4	48.9	49.8	48.3	49.9	51.3	51.0	48.6	49.8	48.3	47.2	48.8	50.2	48.4	47.5	47.3	49.0	48.0	48.4	49.4	50.1	49.8	48.7	44.2	41.6	41.3	43.4	46.9	48.5	49.8	51.2	

Economic growth forecasts by the IMF in October 2020



Key production indicators

9M 2020

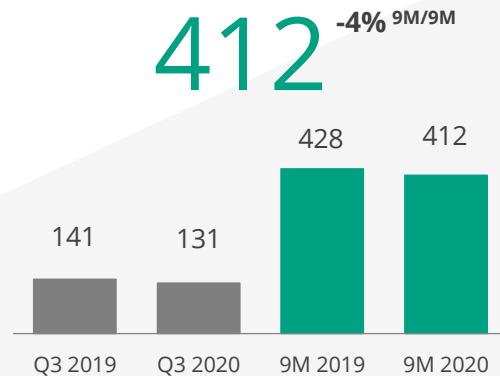
Payable copper production
by the KGHM Group
lower by 1.7% 9M/9M

521

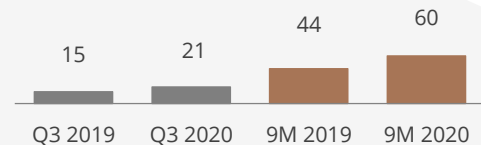
-1.7% 9M/9M
[kt]

- **KGHM Polska Miedź** – restricted supply of copper scrap in H1 2020 and a maintenance shutdown at the Głogów I Smelter/Refinery
- **Sierra Gorda** – higher ore throughput, higher copper content in ore
- **KGHM INTERNATIONAL** – lower production in the Sudbury Basin mainly due to the production suspension in Morrison after Q1 2019, and in the Robinson and Franke mines

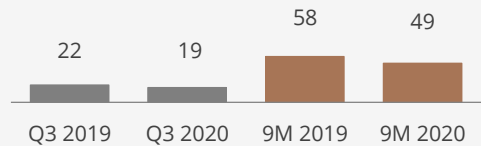
Payable copper production
KGHM Polska Miedź [kt]



Payable copper production
Sierra Gorda¹⁾ [kt]



Payable copper production
KGHM INTERNATIONAL [kt]



Key financial indicators

9M 2020

Record quarterly adjusted Group EBITDA (+PLN 306 million)

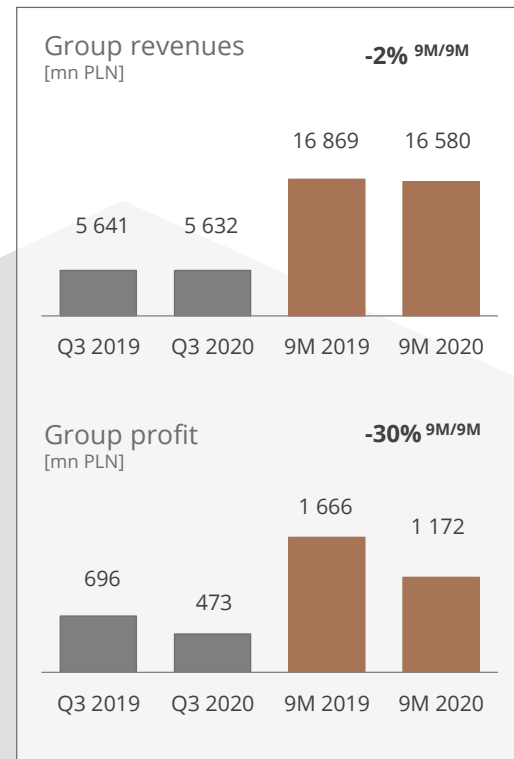
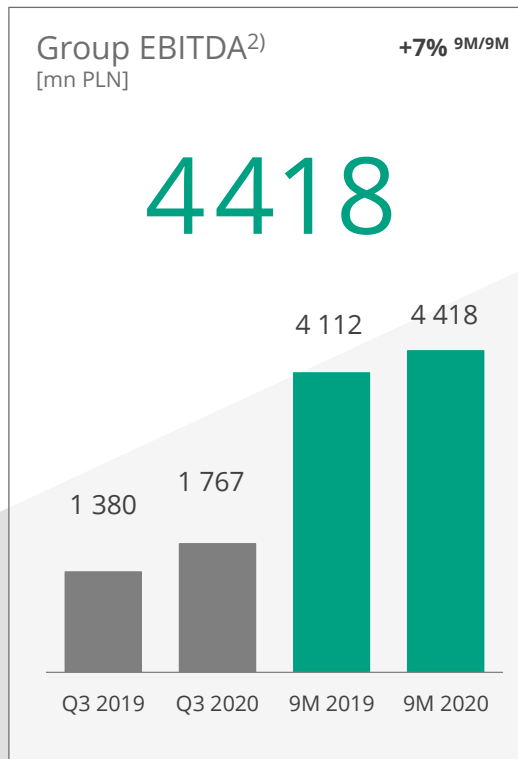
- Higher in KGHM Polska Miedź (+PLN 184 mn; +6%)
- Higher EBITDA of Sierra Gorda by 46% (USD 62 mn)¹⁾, mainly thanks to improved mine operating parameters and to the implemented optimisation and savings programs
- KGHM INTERNATIONAL: lower EBITDA (USD 33 mn) despite the implemented savings and restructurisation programs, mainly due to the suspension of work on the Woodsmith project (DMC) and to lower quality ore mined by Franke

Lower Group revenues

- Impact of lower copper prices with a favourable exchange rate

Lower Group profit

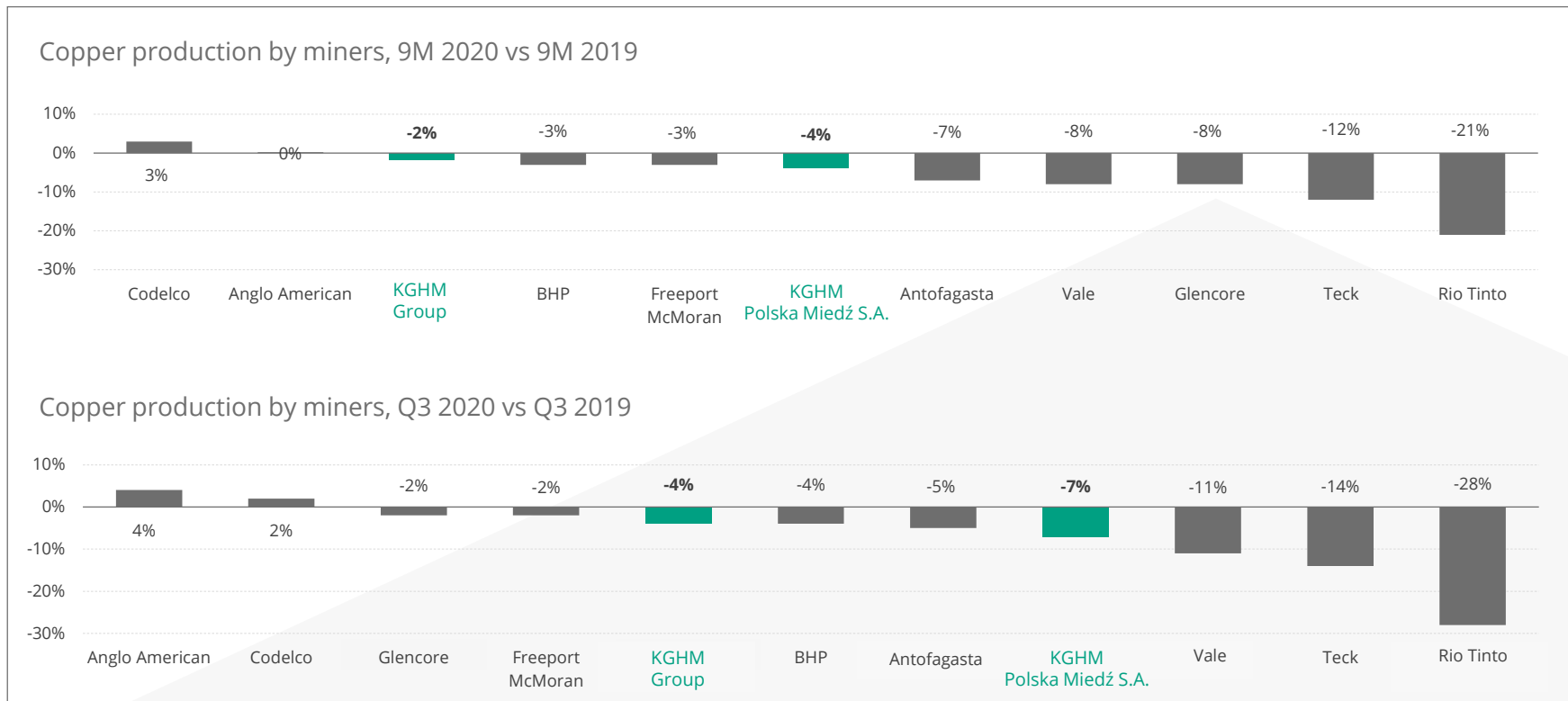
- A lower result on sales, lower result on exchange differences and on the measurement and realisation of hedging transactions



1) On a 55% basis

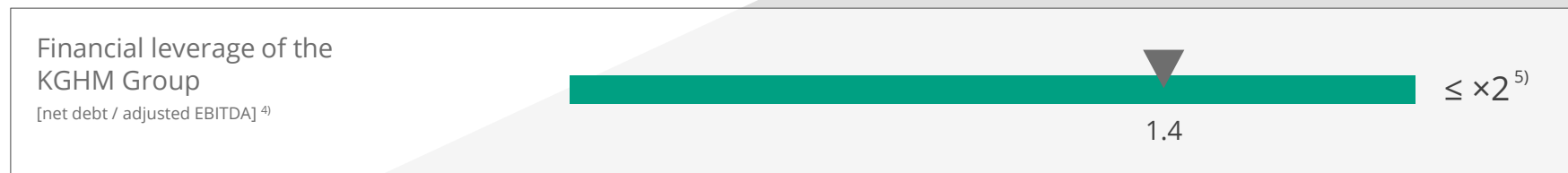
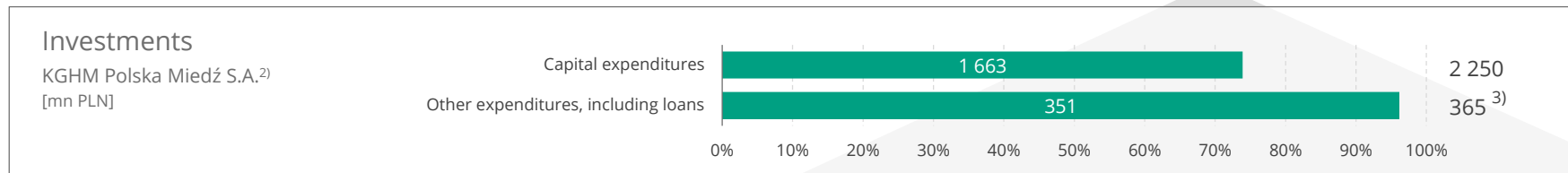
2) Sum of segments; adjusted EBITDA = EBITDA (profit/loss on sales + depreciation/amortisation) adjusted by impairment losses/reversals of impairment losses on non-current assets

The production of miners in Q3 2020, as at the start of the year, was mostly lower



The financial situation of the KGHM Group remains stable and safe

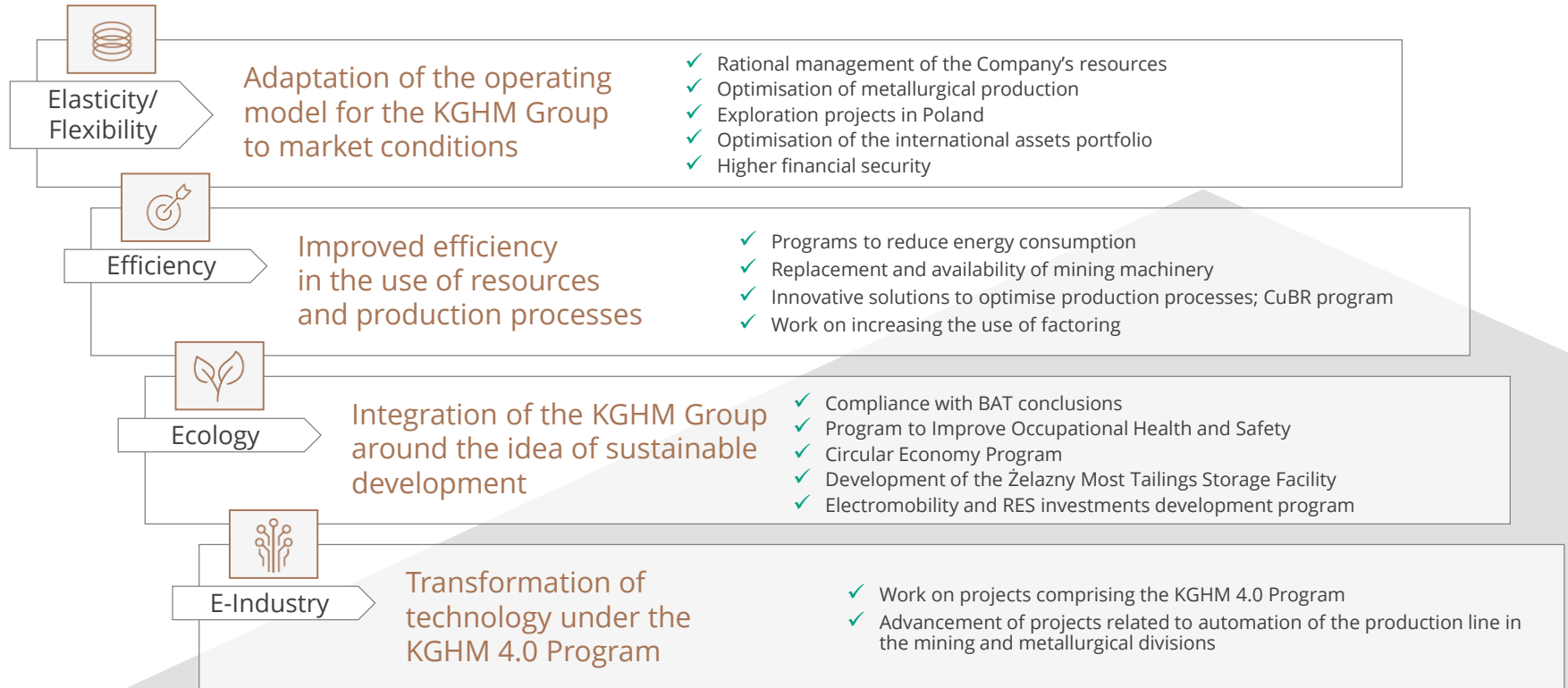
2020
Budget



- 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 development work – uncompleted; Other expenditures – acquisition of shares and investment certificates of subsidiaries and associates and loans granted
- 3) Reflects an adjustment of assumptions pursuant to regulatory filing 9/2020 dated 12 May 2020
- 4) Adjusted EBITDA for 12 months, to the end of the reporting period, excluding EBITDA of the joint venture Sierra Gorda S.C.M.
- 5) 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 2020

Consistent advancement of the strategy

Key areas – 4E





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

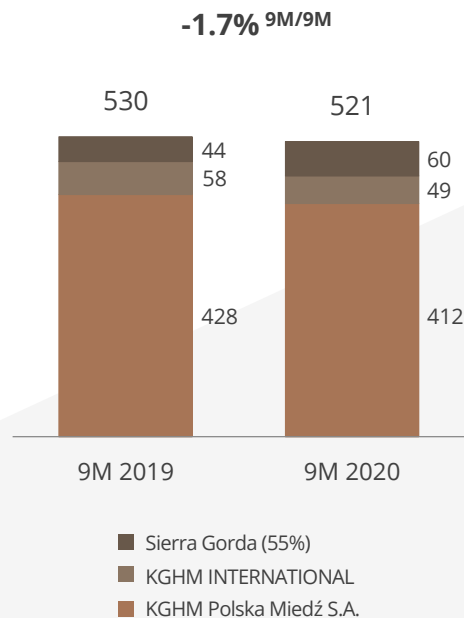


Metals production

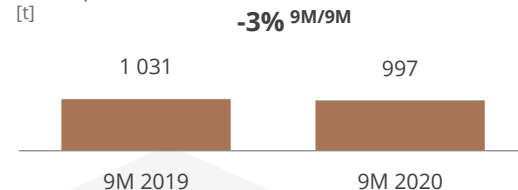
KGHM Group

- Slightly lower production of electrolytic copper by KGHM Polska Miedź S.A. due to a restricted supply of copper scrap in the first half of 2020 and due to the maintenance shutdown at the Głogów I Smelter/Refinery
- Lower copper production by KGHM INTERNATIONAL due to lower production by the Sudbury Basin mainly due to the production suspension at Morrison after Q1 2019, and by the Robinson and Franke mines due to the processing of lower quality ore (a transition zone in Robinson, higher carbonates content in Franke)
- Higher copper production by the Sierra Gorda mine due to extracting higher copper grade ore and higher extraction
- Lower molybdenum production both by Sierra Gorda (extraction of ore with a lower Mo grade and lower recovery), and by Robinson (extraction from a low-quality transitional zone)

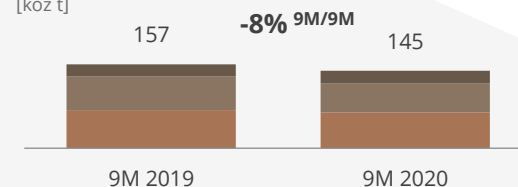
Payable copper production [kt]



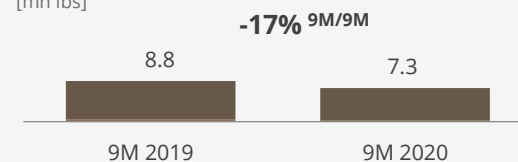
Silver production [t]



TPM production¹⁾ [koz t]



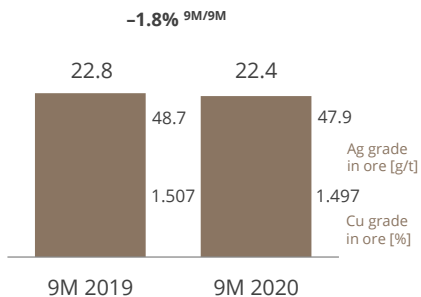
Molybdenum production [mn lbs]



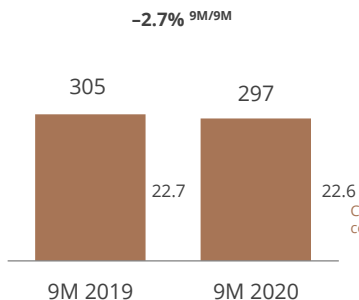
Production results

KGHM Polska Miedź S.A.

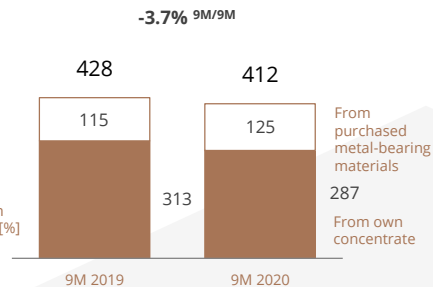
Ore extraction
[mn t dry weight]



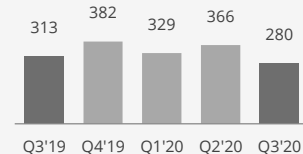
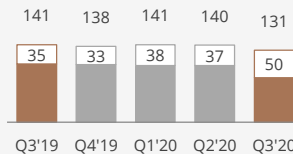
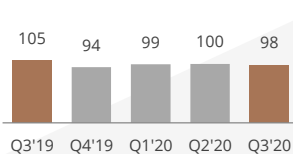
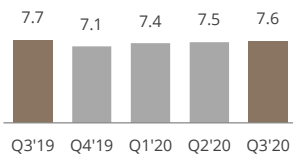
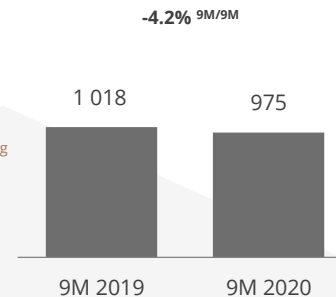
Production of copper
in concentrate [kt]



Electrolytic copper
production [kt]



Metallic silver
production [t]



- Ore extraction results from areas selected for mining

- Mined copper production

- Lower production due to a restricted supply of copper scrap in the first half of 2020 and to the several-weeks' maintenance shutdown at the Głogów I Smelter/Refinery

- Lower production due to lower silver content in charge materials

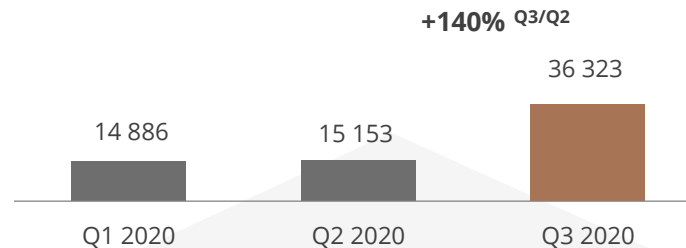
Change in inventories

KGHM Polska Miedź S.A.

Inventories of copper in concentrate at the smelters

amount of Cu [t]

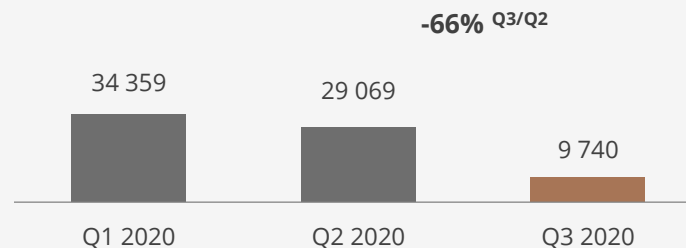
- An increase in concentrate inventories at the copper smelters due to the maintenance shutdown at the Głogów I smelter
- In subsequent quarters these concentrate inventories will be successively consumed



Inventories of copper anodes at the smelters

amount of Cu [t]

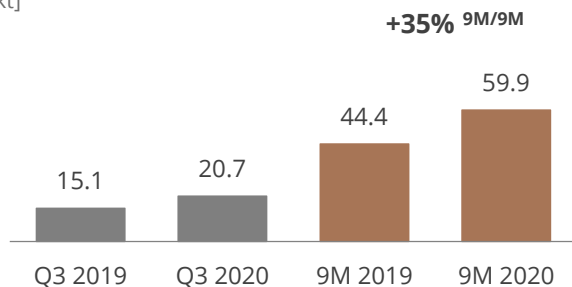
- The decrease in copper anode inventories results from their consumption in the third quarter of 2020 during the maintenance shutdown at the Głogów I smelter



Production results

Sierra Gorda¹⁾

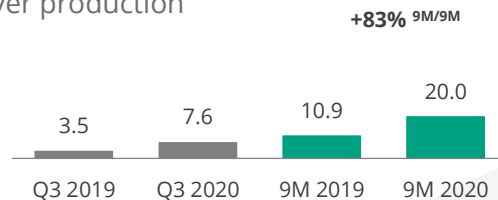
Payable copper production
[kt]



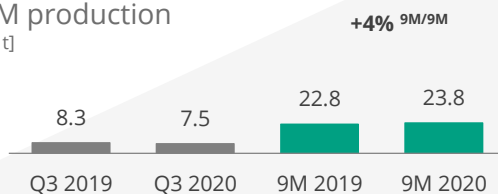
Higher than expected copper production after the first 9M of 2020

- Higher payable copper production after the first 9M of 2020 versus the corresponding period of 2019 due to higher processing of ore
- During the first 9 months of 2020 ore with a higher copper content was extracted compared to the same period of 2019

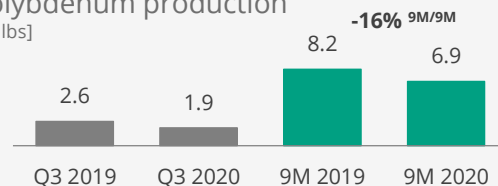
Silver production
[t]



TPM production
[koz t]



Molybdenum production
[mn lbs]



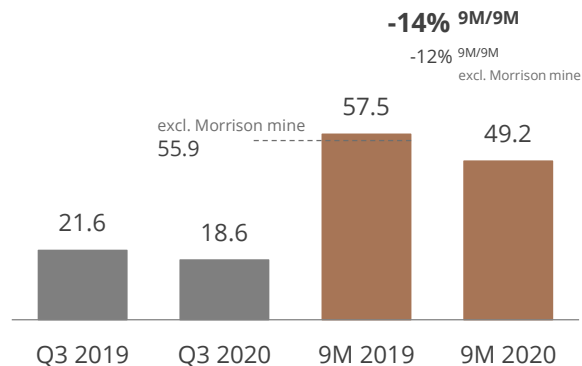
- Higher extraction by the Sierra Gorda mine lead to higher production of copper, silver and gold in the first 9M of 2020 versus the corresponding period of 2019
- Lower molybdenum production due to extraction in areas with lower molybdenum content compared to ore extracted in prior periods; this factor was partially offset by higher ore throughput

Production results

KGHM INTERNATIONAL

Payable copper production

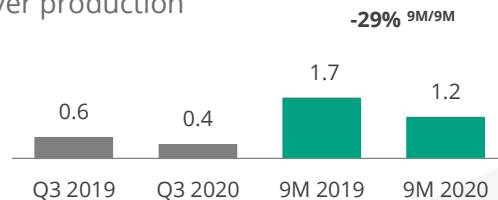
[kt]



- Lower production in the Sudbury Basin (lower extraction mainly due to the production suspension at Morrison after Q1 2019, and lower copper content in ore), in the Robinson mine (extraction from a low-copper-grade transitional zone, lower equipment availability) and in the Franke mine (lower copper content in ore and lower recovery)

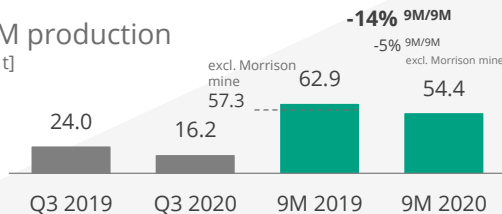
Silver production

[t]



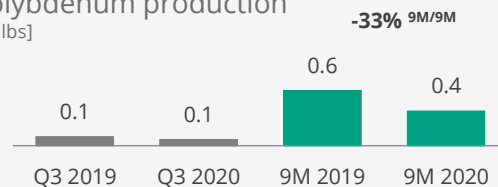
TPM production

[koz t]



Molybdenum production

[mn lbs]



- Lower silver production in the Sudbury Basin due to lower extraction and lower silver content in ore
- Lower gold production by the Robinson mine (mining from a poor-quality transitional zone until Q1 2021) and lower TPM production in the Sudbury Basin (lower extraction, lower gold and platinum content)
- Lower molybdenum production by the Robinson mine due to mining from a poor-quality transitional zone

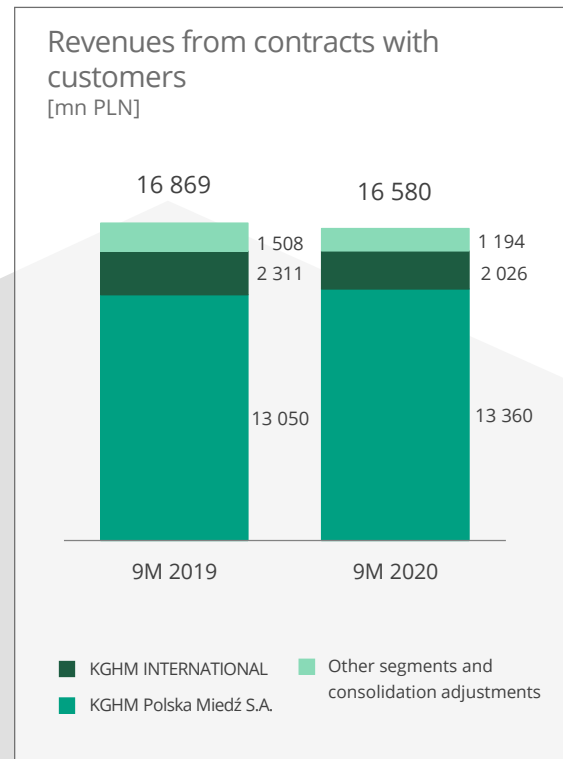
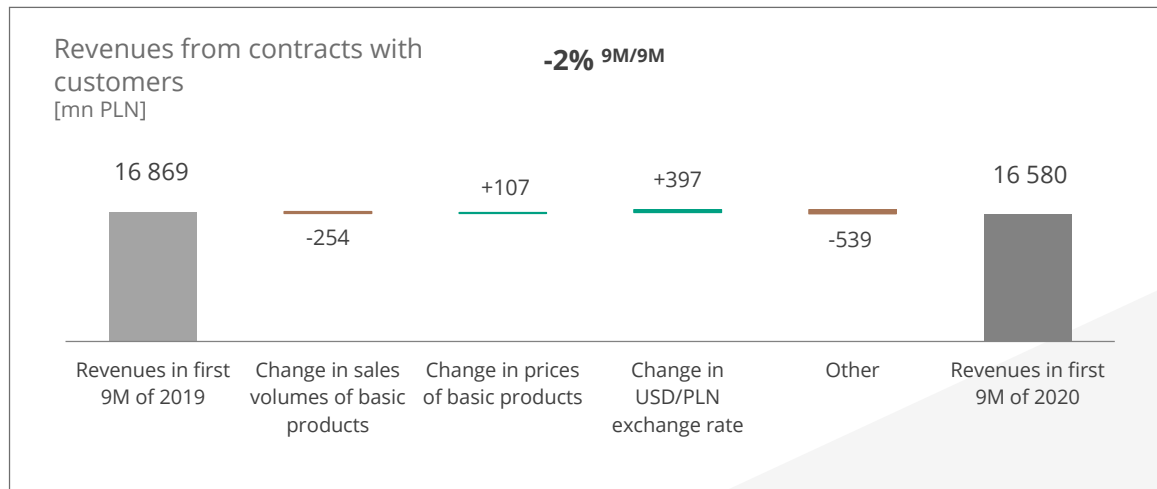


Financial results of the Group



Group sales revenue

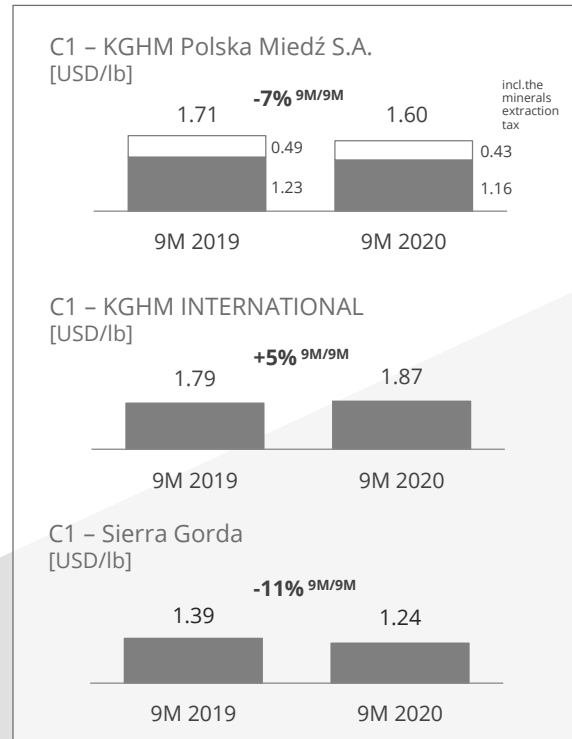
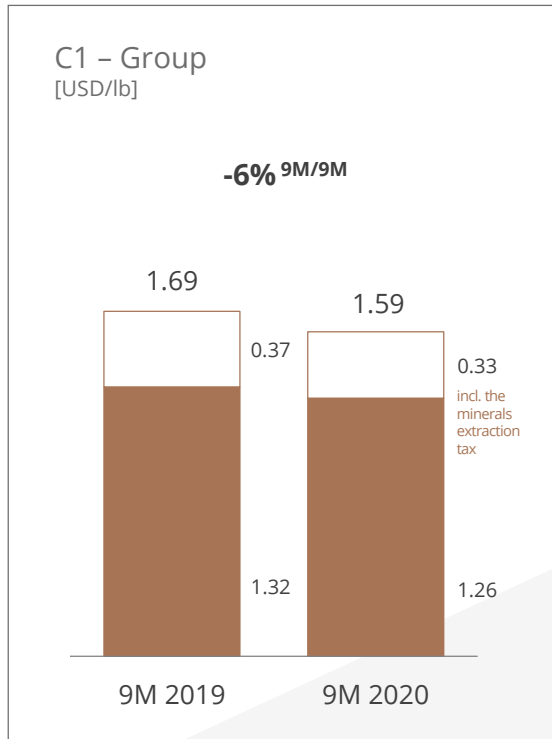
9M 2020



- Lower revenues by PLN 289 mn (-2%) versus the corresponding prior period of 2019, including due to lower revenues in KGHM INTERNATIONAL LTD. by PLN 285 mn due to the suspension of work by DMC on the Woodsmith (formerly Sirius) project, partially offset by higher revenues from sales of metals versus the corresponding period of 2019

C1 unit cost¹⁾

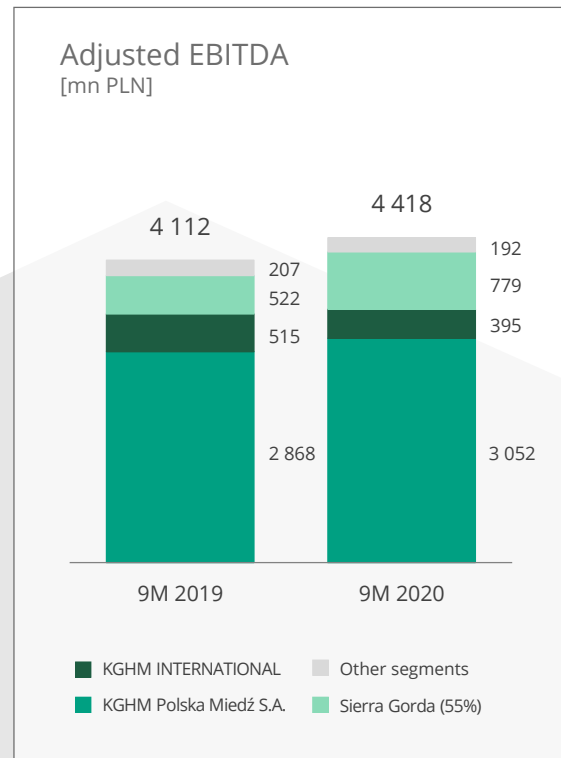
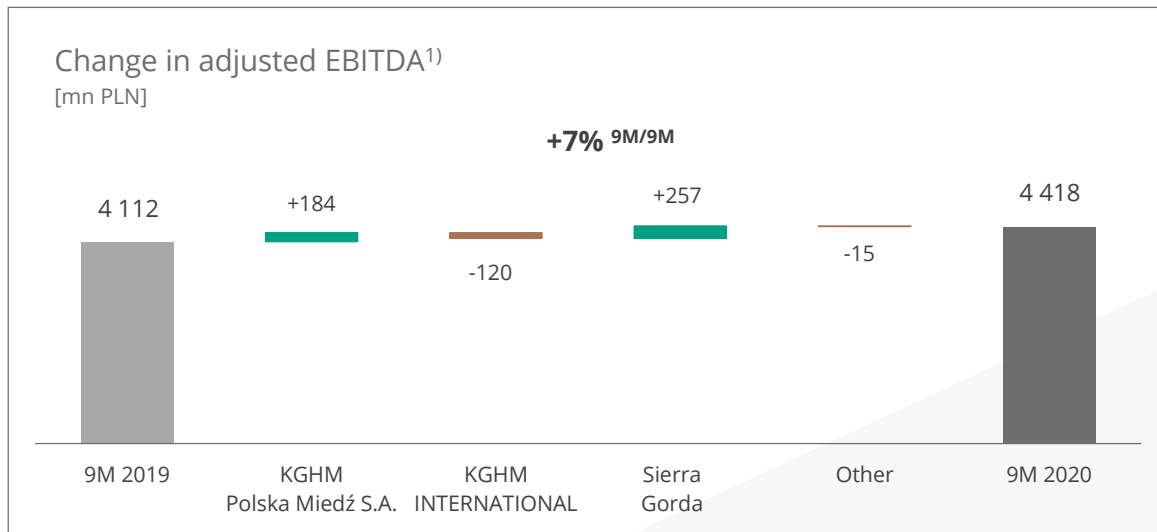
KGHM Group



- The decrease in C1 cost versus the first 9M of 2019 was due to the savings program, the weakening of the PLN vs the USD and to a lower minerals extraction tax charge
- The increase in C1 by 5% in KGHM INTERNATIONAL was due to higher mine operating costs, which was partially offset by a higher copper sales volume and by higher revenues from sales of associated metals
- The decrease in C1 cost in Sierra Gorda by 11% was due to a higher copper sales volume, lower fuel and energy prices and to reduction of certain categories of costs, including external services (improvement was achieved with lower revenues from sales of associated metals), and to advancement of the CAPEX and OPEX savings program

Operating results

KGHM Group



- Record quarterly adjusted Group EBITDA (+PLN 306 mn) due to higher results of Sierra Gorda (+PLN 257 mn; +49%) and KGHM Polska Miedź (+PLN 184 mn; +6%)

Financial results

KGHM Group

Profit for the period
[mn PLN]

-30% 9M/9M

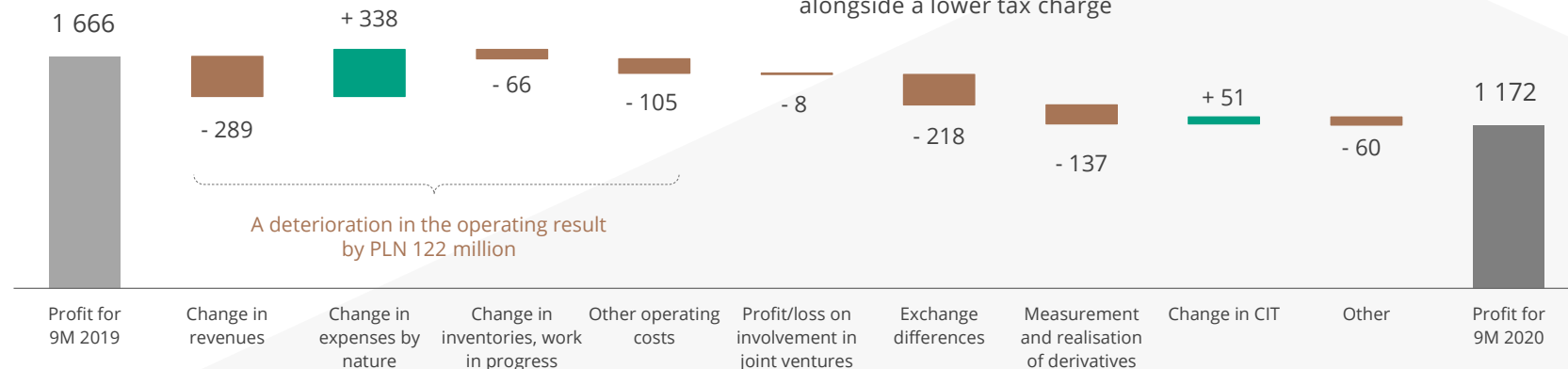
1 172
[PLN mn]

consolidated net profit for the first 9 months of 2020

Group profit for the period lower by PLN 494 million (-30%) mainly due to:

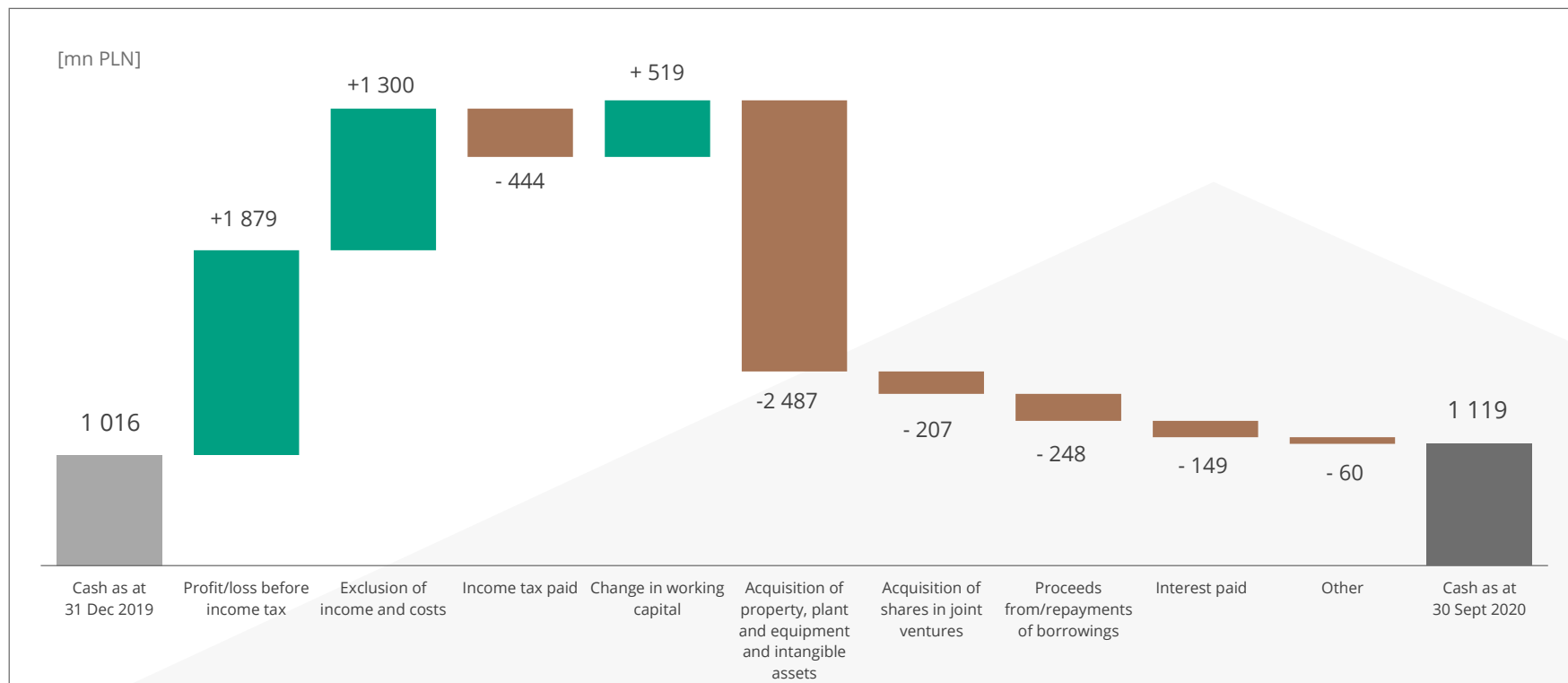
- a lower result on operating activities
- a lower result on exchange differences
- a lower result on the measurement and realisation of derivatives

alongside a lower tax charge



Cash flow

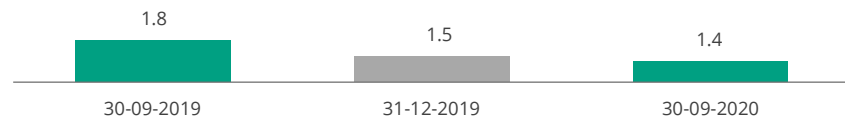
KGHM Group



Net debt of the KGHM Group

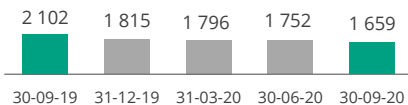
As at the end of Q3 2020

Net debt / adjusted EBITDA

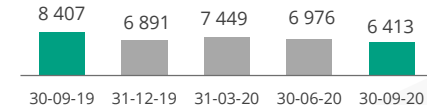


KGHM Group net debt

[mn USD]



[mn PLN]



Main factors affecting interest-bearing debt in the first 9 months of 2020

(Increases in debt)

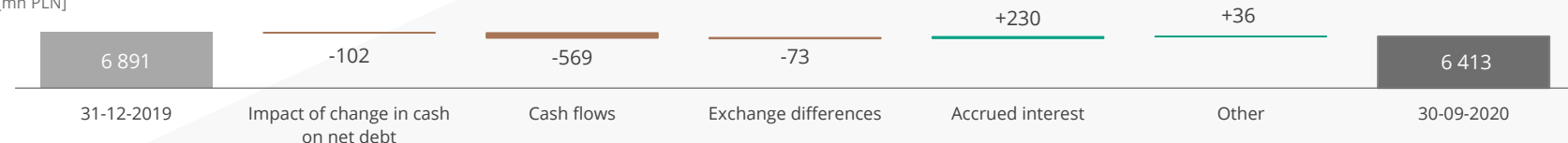
- Cash expenditures on property, plant and equipment (PLN 2 487 mn)
- The minerals extraction tax (PLN 1 120 mn)
- Equity increase in Sierra Gorda (PLN 216 mn)
- Borrowing costs recognised in cash flow (PLN 149 mn)
- An increase in inventories (higher by PLN 76 mn)
- An increase in trade and other receivables (higher by PLN 16 mn)

(Decreases in debt)

- Positive cash flow from operating activities, excluding the change in working capital and the minerals extraction tax (PLN 3 795 mn)
- An increase in trade and other payables, incl. trade liabilities transferred to the factor (higher by PLN 671 mn)
- Positive exchange differences (a decrease in PLN-denominated debt by PLN 73 mn)

Change in net debt

[mn PLN]





Advancement of development initiatives



A consistent and responsible investment program

Capital expenditures by KGHM Polska Miedź S.A. for the first 9 months of 2020



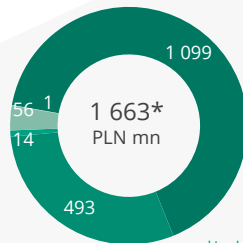
CAPEX execution in 9M 2020

by area

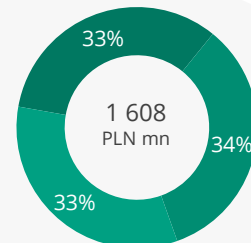
- Mining (66%)
- Metallurgy (30%)
- Other activities (1%)
- Leasing IFRS 16 (3%)
- Development - uncompleted

by category

- Replacement (33%)
- Maintaining mine production (34%)
- Mine development (33%)



*incl. Leasing IFRS 16



CAPEX and budget after the first 9 months of 2019



1 611 mn PLN
CAPEX execution in 9M 2019

2 516 mn PLN
CAPEX budget target for 2019

Selected development projects

CAPEX execution for the first 9 months of 2020

PLN 328 mn

Deposit Access Program

- ▶ 30.1 km of tunneling were excavated
- ▶ The GG-1 shaft reached a depth of 1 210.1 m
- GG-2 „Odra” shaft – changes made to planning documentation, talks carried out with property owner
- Gaworzyce shaft – the spatial plan was handed over; actions continue regarding siting of the shaft

PLN 242 mn

Development of Źelazny Most Tailings Storage Facility – Southern Quarter

- ▶ Southern Quarter – work advancing on schedule, 85% of the planned work has been completed
- Tailings Segregation and Thickening Station – work continues on building internal installations for the hall, 73% of the planned work has been completed

PLN 8.6 mn

KGHM 4.0 Program

- ▶ CRM system implemented – system handed over for use
- Phase II of implementation of the CMMS system commenced
- For projects related to the National Cyber Security System and enhancing IT security in the KGHM Group, the scope of integration of the SIEM system with the IT systems of the industrial infrastructure in all of the divisions of KGHM was increased

PLN 76 mn

Program to adapt the technological installations to BAT Conclusions

- ▶ Głogów Smelter/Refinery: construction and start-up of the de-leaded slag transport installation completed, enabling its processing by the flash furnace and of bypass gases in the piping system of the flash furnace; in other projects, construction/assembly work is underway
- Legnica Smelter/Refinery: design work performed, pre-fabricated parts received, executory documentation, work underway to obtain administrative decisions

PLN 14.2 mn

Exploration projects

- ▶ – in the following concessions:
 - „RETKÓW-ŚCINAWA”: geological documentation being developed for a section separated from the Retków-Ścinawa and Głogów concession
 - „GŁOGÓW”: terrain restoration underway after final drillings
 - „PUCK”: work carried out to prepare for sinking of another drillhole



New Development Programs

Work carried out on Investment Phase of new development projects under Strategic Programs:

- Construction of a Solar Power Plant – Energy Development Program – two projects begun – a terrain use concept developed
- Construction of a CuOFE+alloy production line - Program to Extend the Value Chain, under the program to Intensify Production of Oxygen-Free Copper at Cedynia – project documentation prepared for the installation

Energy Development Program, including RES

Activities in 9M 2020



Development of renewable Energy sources

- A contractor was selected for the project „Design for a PV power plant together with obtaining a construction permit” for the Obora Sandpit and HM Głogów I-III sites¹⁾
- The terrain use concept adopted foresees an increase in installed capacity to:
 - 8 MWp from 5 MWp for the Obora Sandpit
 - 6.5 MWp from 4 MWp for the HM Głogów I-III site
- Applications were submitted to alter the urban planning documentation to enable the siting of a PV installation with a capacity of over 100 kW on terrain belonging to KGHM in:
 - The Lubin municipality with a potential installed capacity of approx. 20 MWp
 - The Warta Bolesławiecka municipality for a site with a potential of over 50 MWp



Optimisation and development of conventional sources

- The simultaneous pilot start-up of two gas-fired turbines at the gas-steam block in Głogów by 19 July 2020
- This increase in electricity production by approx. 16 GWh, resulted in:
 - A lower cost to obtain power by approx. PLN 1.8 mn
 - Avoiding CO₂ emissions by more than 4 kt

The first photovoltaic power plants projects

PVPP Piaskownia Obora

Installed power 8 MW
Estimated production 8.5 GWh



Projected avoided emissions over 25 years:

- CO₂ more than 80 kt
- SO_x more than 70 tonnes
- NO_x more than 70 tonnes
- CO more than 30 tonnes
- PM more than 4 tonnes

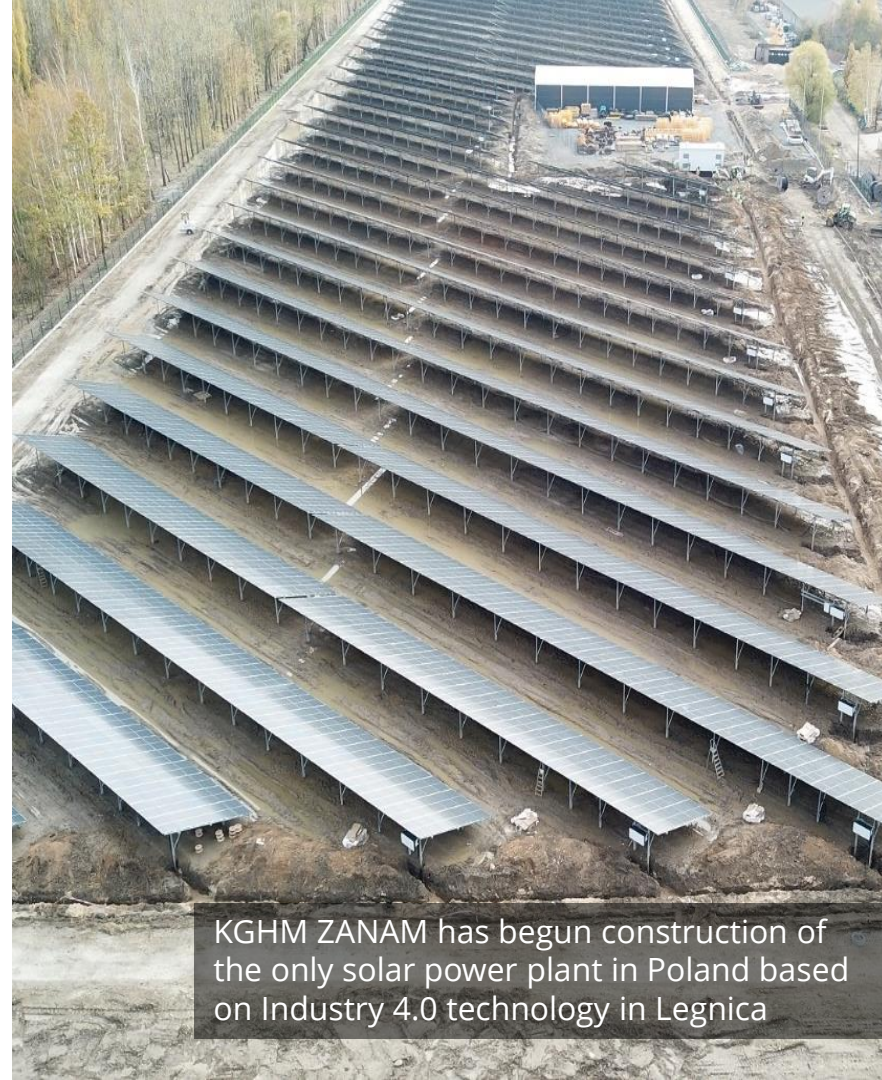
PVPP HMG I-III complex

Installed power 6.5 MW
Estimated production 6.9 GWh



Projected avoided emissions over 25 years:

- CO₂ more than 70 kt
- SO_x more than 60 tonnes
- NO_x nearly 60 tonnes
- CO more than 25 tonnes
- PM more than 3 tonnes



KGHM ZANAM has begun construction of the only solar power plant in Poland based on Industry 4.0 technology in Legnica



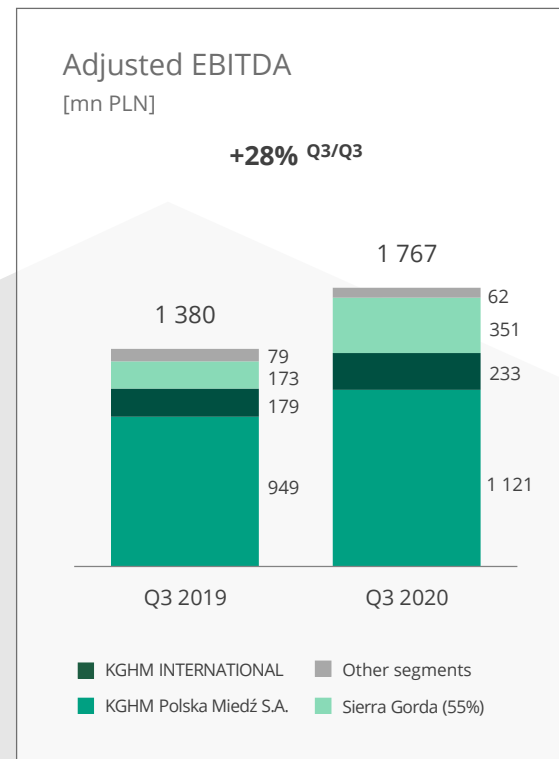
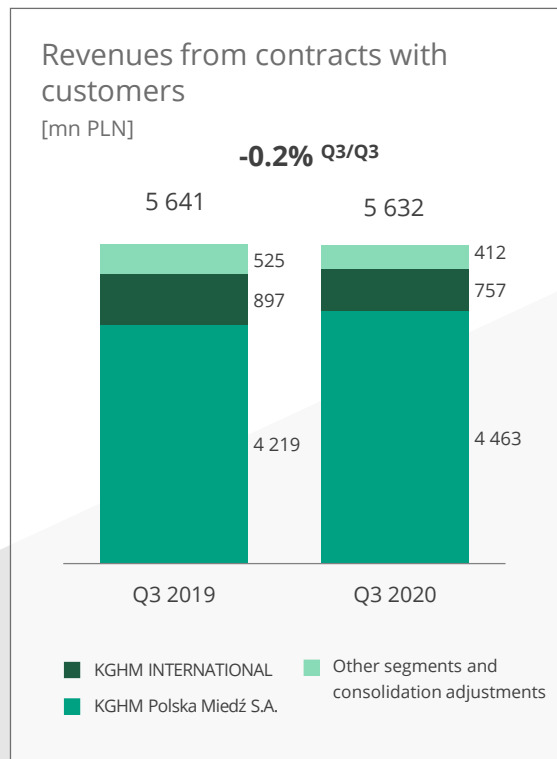
Supporting slides



Group revenues and EBITDA in Q3 2020

Higher EBITDA Q3/Q3 by PLN 387 million due to Sierra Gorda and KGHM Polska Miedź S.A.

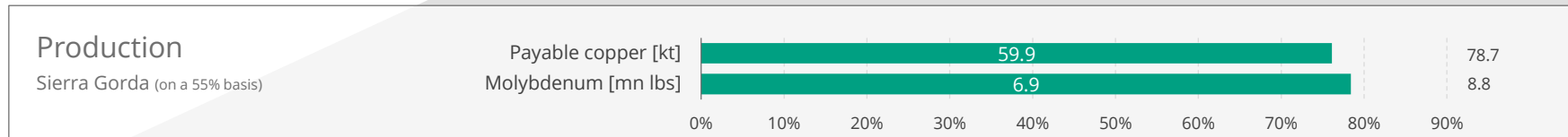
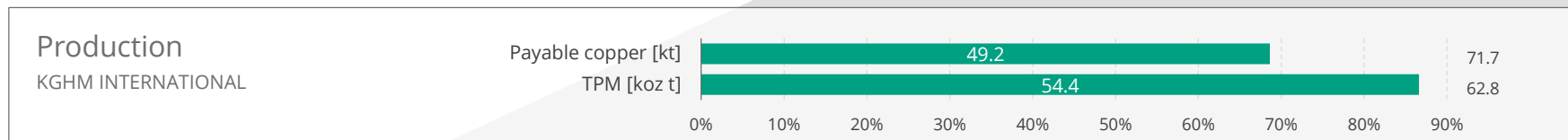
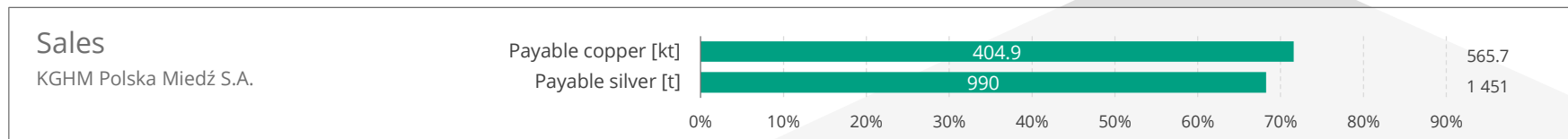
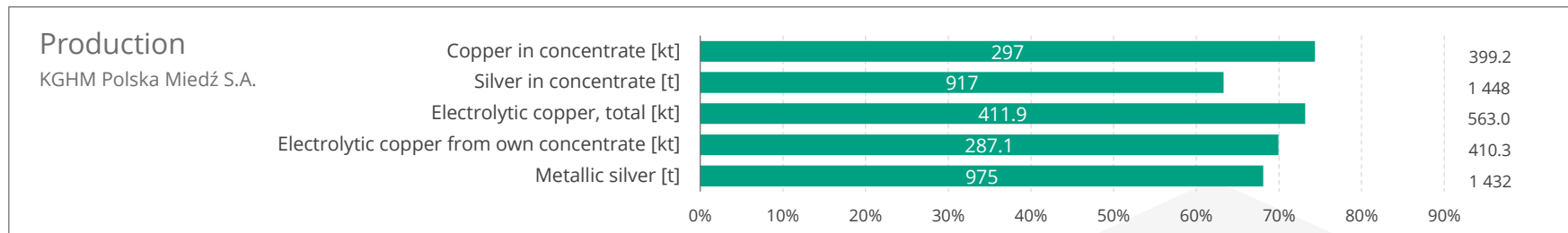
- **KGHM Polska Miedź S.A.**
(+PLN 172 mn; +18%)
– an increase thanks to favourable metals prices
- **Sierra Gorda**
(+PLN 178 mn; +103%)
- **KGHM INTERNATIONAL**
(+PLN 54 mn; +30%)



Production and sales in the first 3 quarters of 2020

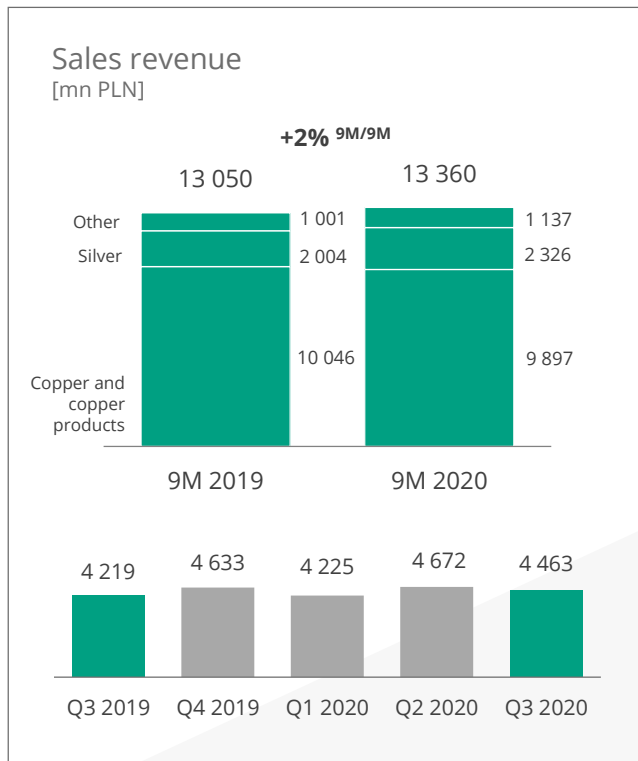
Execution of annual targets

2020
Budget



Sales revenue

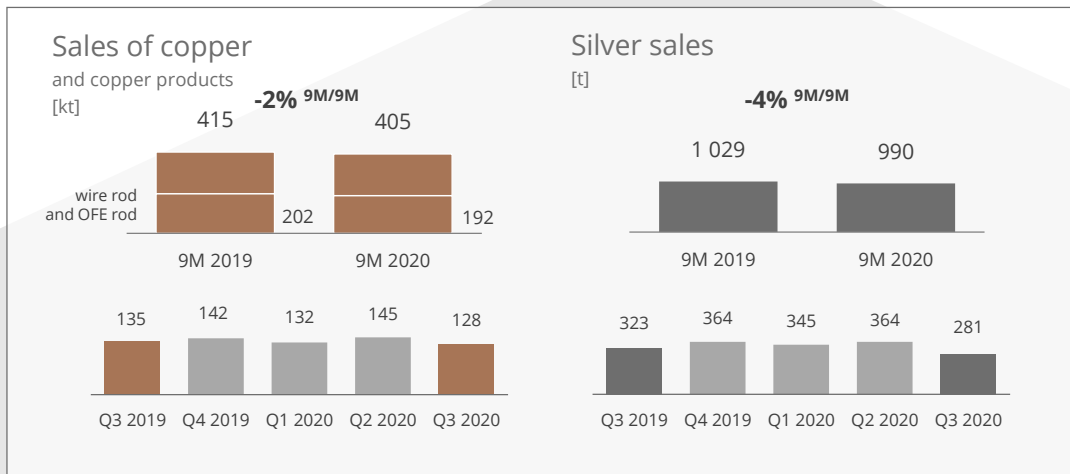
KGHM Polska Miedź S.A.



Higher revenues from sales by PLN 310 mn (+2%) in the first 9M of 2020 compared to the first 9M of 2019, due to:

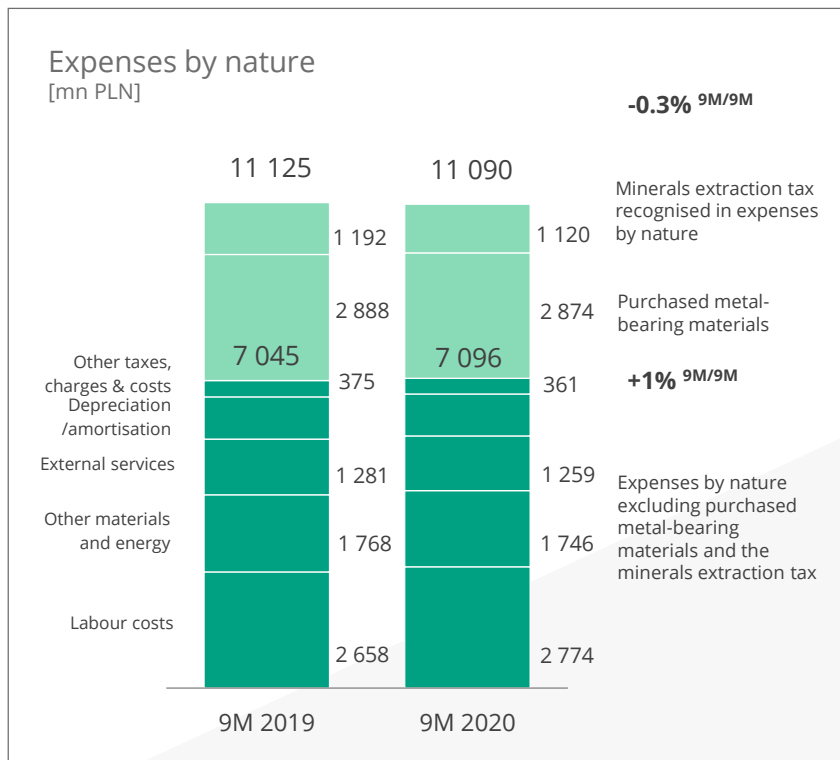
- a higher adjustment to revenues from hedging by PLN 160 million
- a more favourable USD/PLN exchange rate (+3%) and
- higher prices of silver (+22%) and gold (+27%)

alongside less favourable copper prices (-3%) and lower sales volumes of copper (-2%), silver (-4%) and gold (-2%)

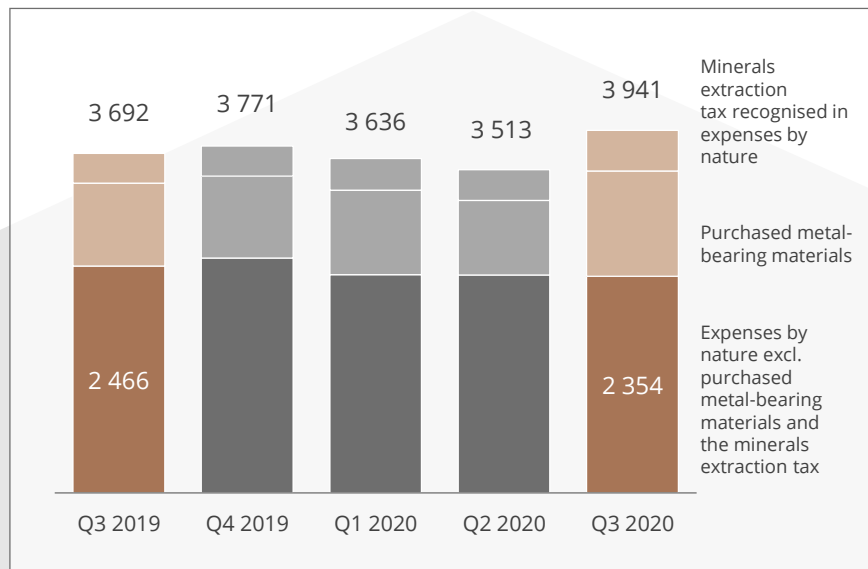


Expenses by nature

KGHM Polska Miedź S.A.



Expenses by nature decreased by PLN 35 million y/y

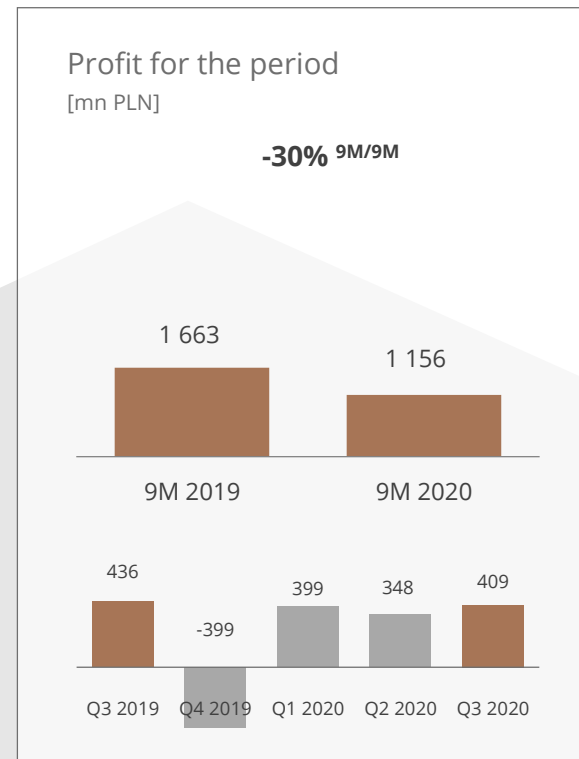
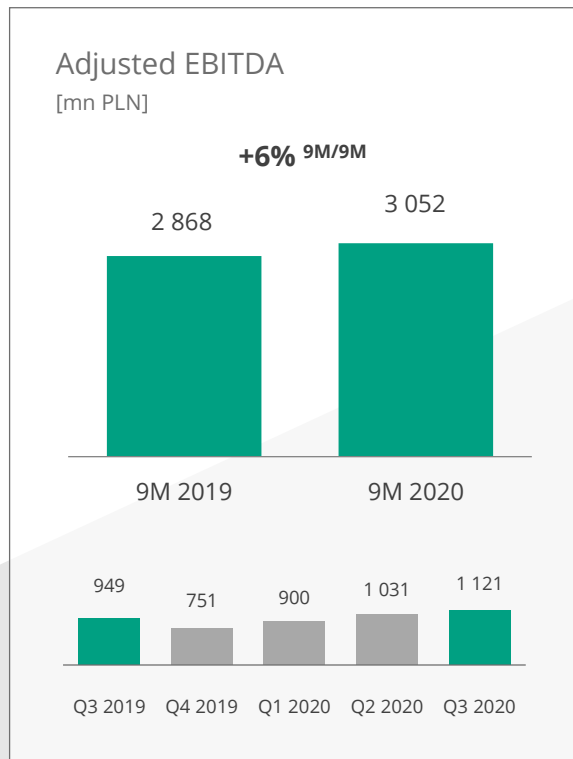


EBITDA and profit for the period

KGHM Polska Miedź S.A.

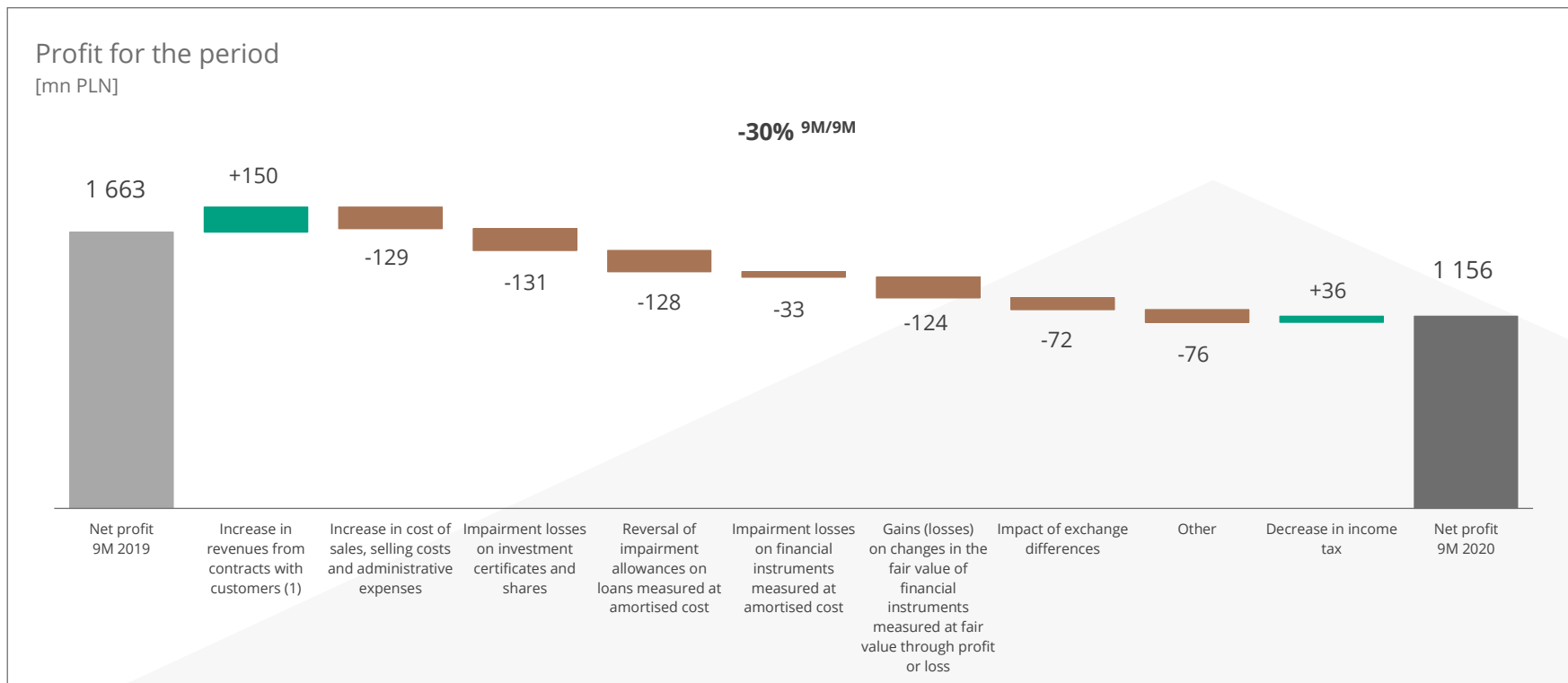
Higher EBITDA with lower net standalone profit

- EBITDA higher by 6% vs the corresponding period of 2019
- Lower net profit of PLN 494 mn (-30%) than in the first 9M of 2019 mainly due to a change in the measurement of financial assets



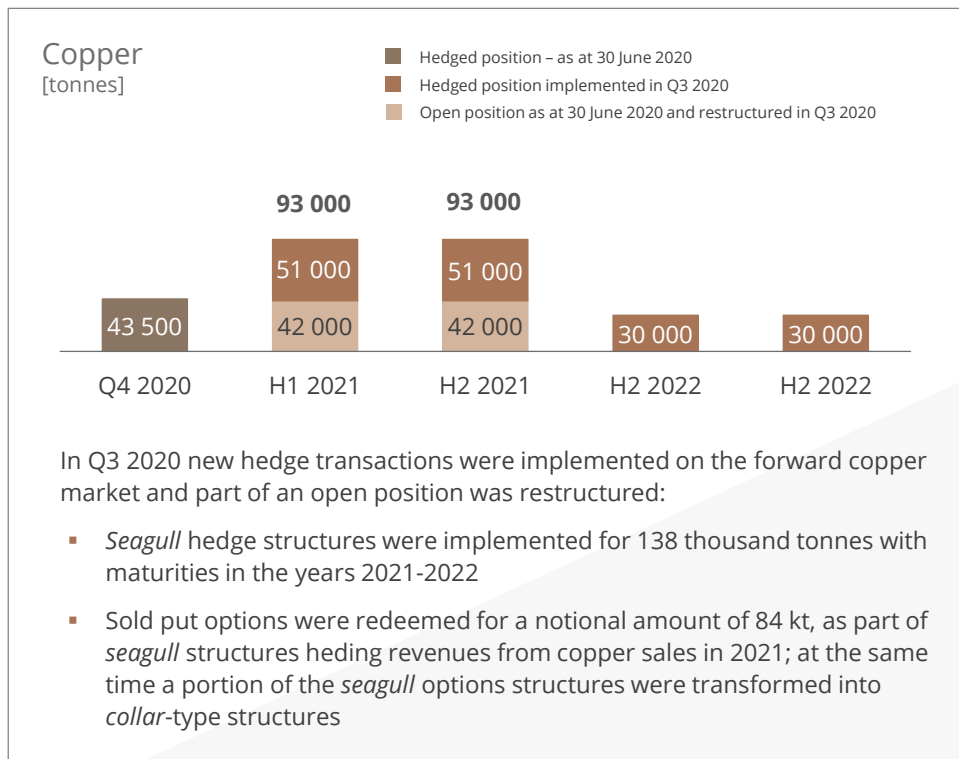
Profit for the period

KGHM Polska Miedź S.A.



Market risk management

Hedged position on the copper market (as at 30 September 2020)



At the end of Q3 2020 KGHM Polska Miedź S.A. recorded a result on derivatives and hedges in the amount of PLN 120 million:

- PLN 330 million adjusted revenues from contracts with customers (transactions settled to 30 September 2020)
- PLN 203.4 million decreased the result on other operating activities
- PLN 6.4 decreased the result on finance activities

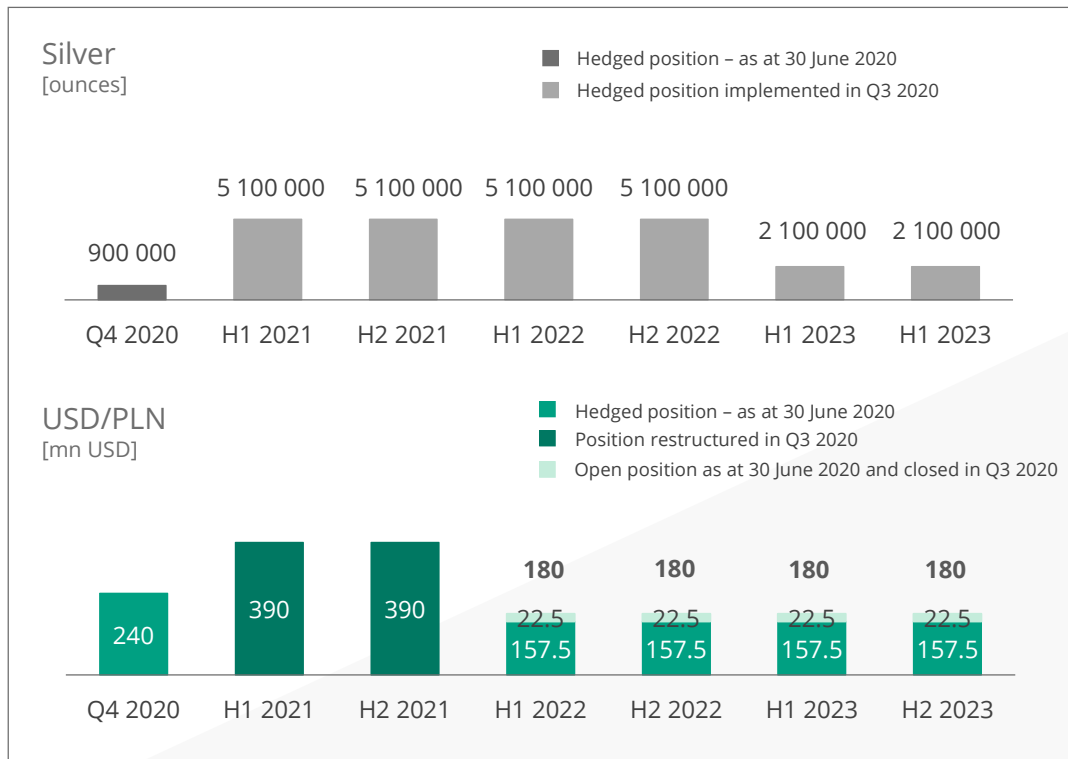
The fair value of open derivatives in KGHM Polska Miedź S.A. as at 30 September 2020 amounted to PLN 131 million*

The revaluation reserve on cash flow hedging instruments as at 30 September 2020 amounted to -PLN 341 million

* excludes embedded instruments

Market risk management

Hedged positions on the silver, currency and interest rate markets (as at 30 September 2020)



In Q3 2020 part of a hedged position on the currency market was restructured:

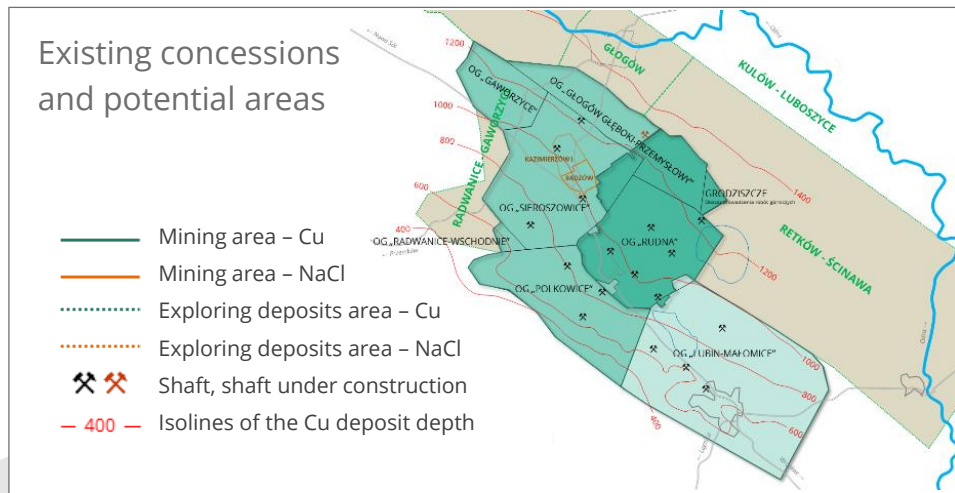
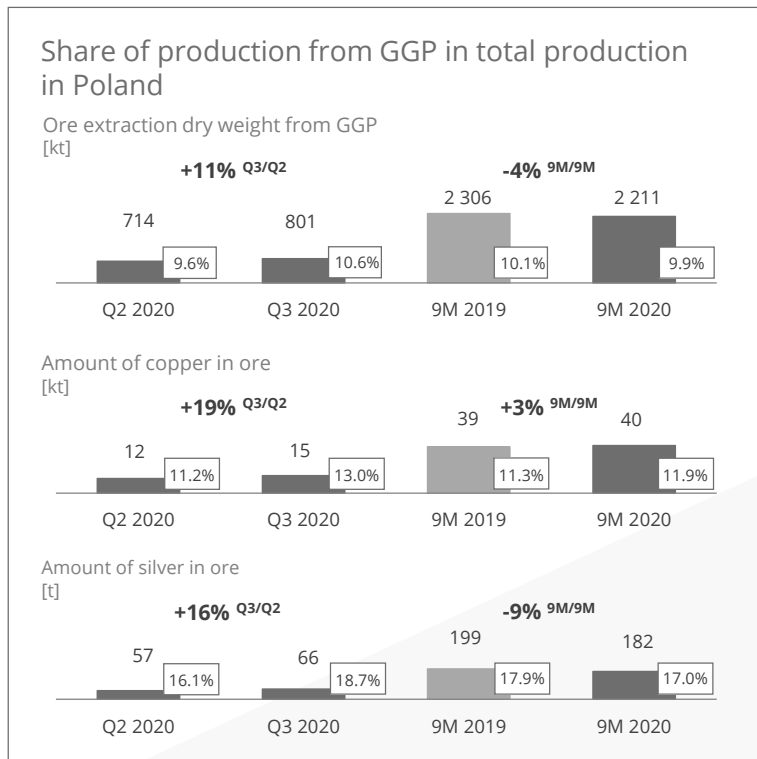
- *Seagull* structures were closed for a notional amount of USD 90 million with maturities in 2022-2023
- Solf call options were redeemed with strike prices of USD/PLN 4.30 and 4.40 for a total notional amount of USD 780 million, being part of the previously opened *seagull* structures hedging revenues from sales in 2021 – at the same time these structures were transformed into *put spread* structures

In Q3 2020 revenues from sales of silver were hedged for a total notional amount of 24.6 million ounces for the years 2021-2023

As at 30 September 2020 the Parent Entity held open CIRS (Cross Currency Interest Rate Swap) transactions for the total notional amount of PLN 2 billion

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

Deposit access program in KGHM's concessioned areas



- The increase in ore extraction (+11%), as well as copper content (+19%), quarter-to-quarter (Q3/Q2) in the GGP area was due to a higher amount of development work in Q3 2020 compared to Q2 2020, as well as to the substantially higher share of development work in the orebody than in barren rock



Sustainable development



Copper production: emissions and impact on climate transformation

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

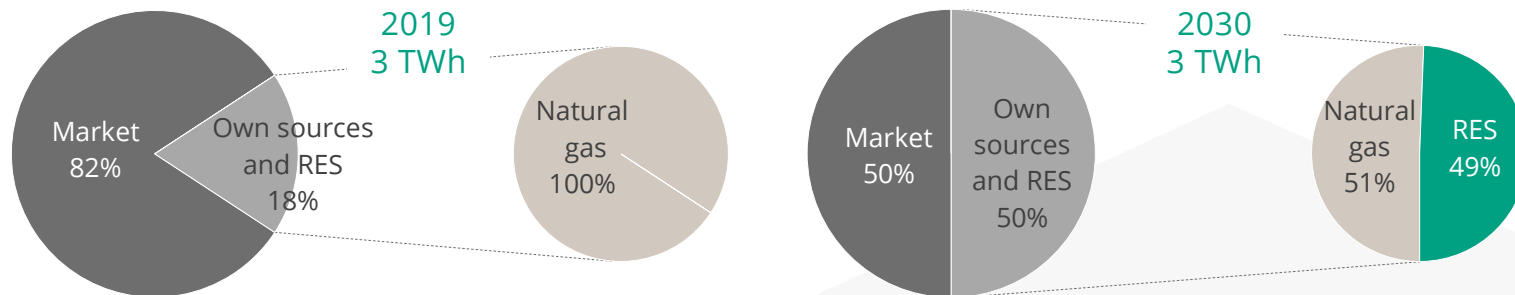


While adding 0.4% GHG, copper contributes to reducing ~75% of emissions in EU society



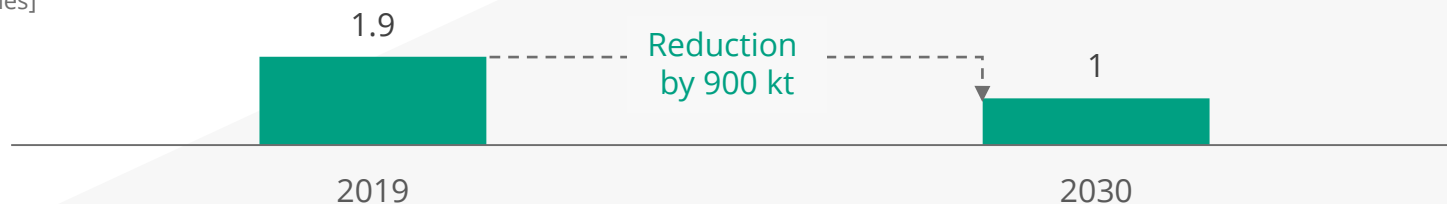
By 2030 the increase in share of RES will lead to a substantial reduction in CO₂ emissions

Share of power source in supplies



Estimated CO₂ emissions from electricity consumption

[mn tonnes]

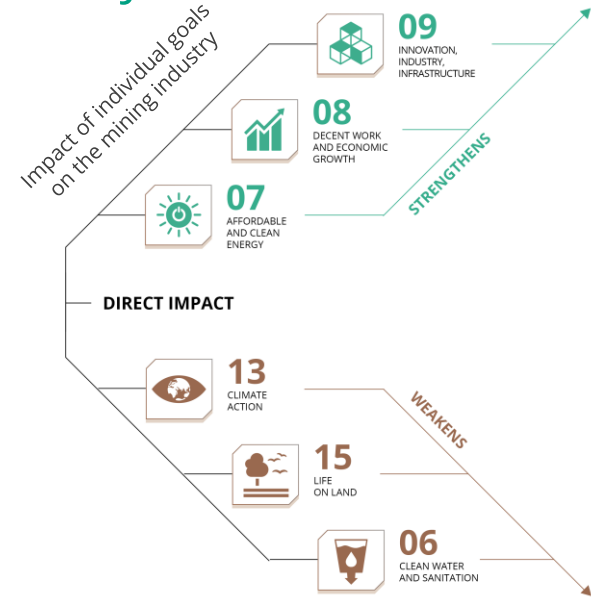


Sustainable development of the raw materials industry

– 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](#) Index Series. 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](#). In 2020 KGHM for the first time in its history chose to participate in the [CDP](#) Climate questionnaire, while the metallurgical facilities of KGHM announced their intent to undergo review by the [Copper Mark](#) program.



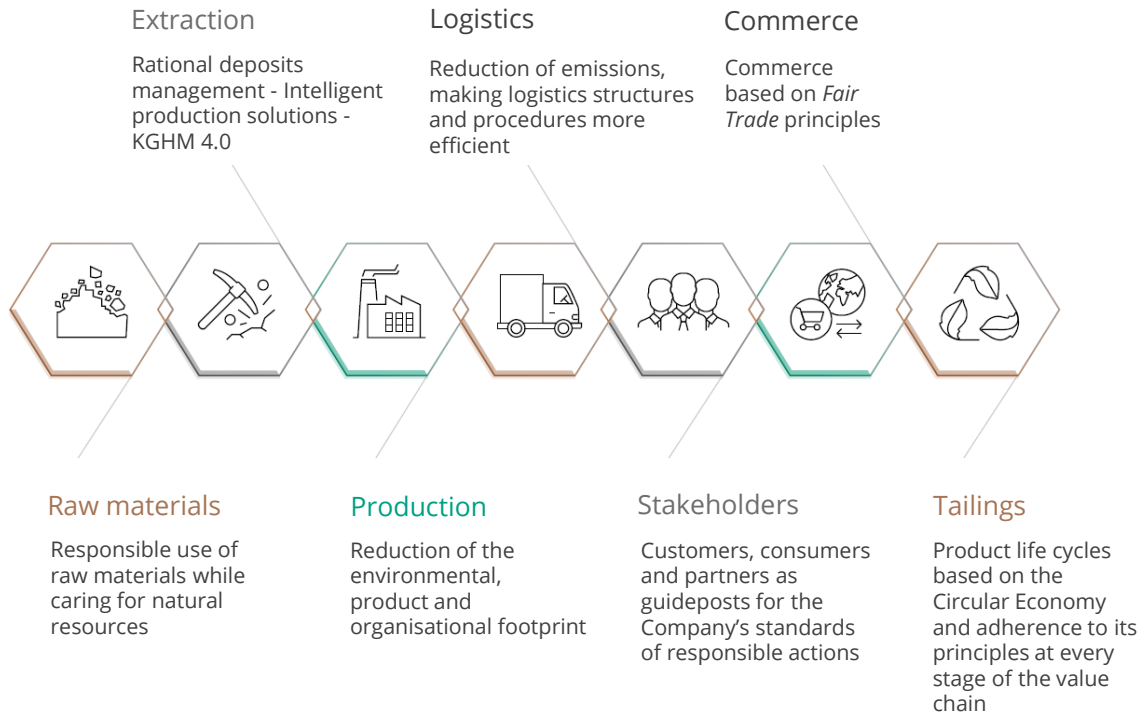
FTSE4Good



European Technology Platform
on Sustainable Mineral Resources

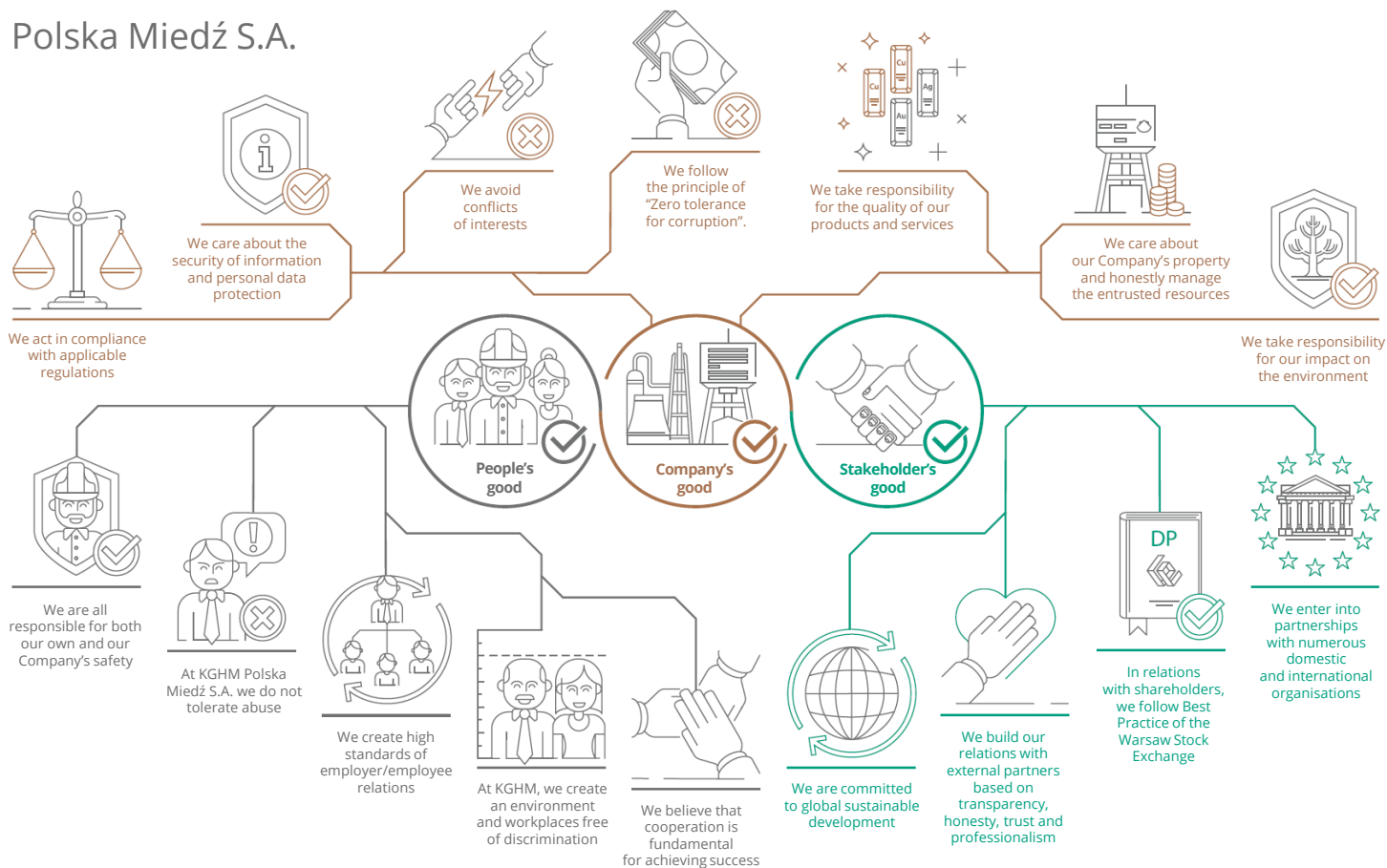
Sustainable value chain

Responsible Supply Chain Policy of the KGHM Group



Ethical Standards

KGHM Polska Miedź S.A.



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