

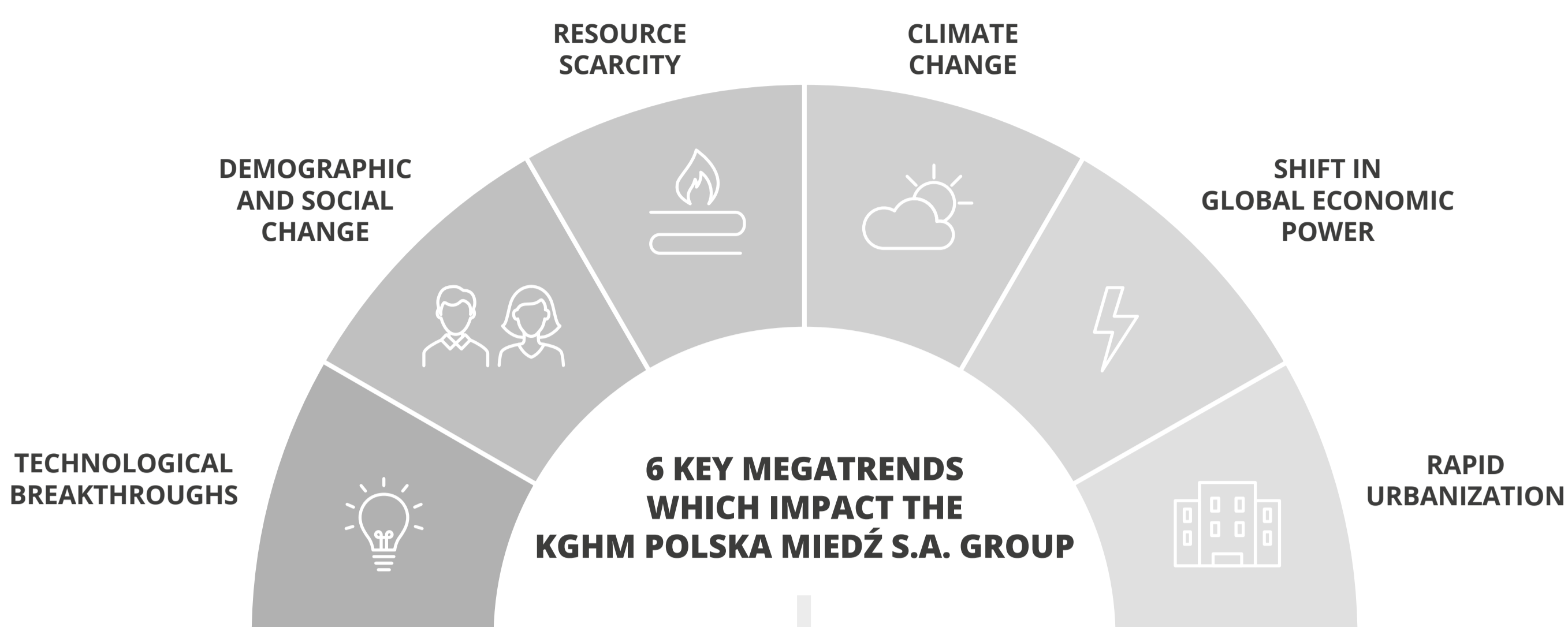
# NEW STRATEGY

## OF KGHM POLSKA MIEDŹ S.A.



The KGHM Polska Miedź S.A. Group has reviewed its strategy to adjust the development directions to the current market environment and the Group's requirements

### STRATEGIC DIRECTIONS



**4 strategic directions for KGHM's development were indicated as a result of the analysis of global megatrends**

ELASTICITY/FLEXIBILITY	EFFICIENCY	ECOLOGY	E-INDUSTRY
<ul style="list-style-type: none"> <li>→ INDUSTRY 4.0</li> <li>→ DIGITALISATION</li> <li>→ ELECTROMOBILITY</li> </ul>	<ul style="list-style-type: none"> <li>→ INCREASE IN COMPETITIVENESS</li> <li>→ INDUSTRY 4.0</li> </ul>	<ul style="list-style-type: none"> <li>→ FOCUS ON ECOLOGICAL PRODUCTION</li> <li>→ CIRCULAR ECONOMY</li> <li>→ DEVELOPMENT OF PRO-ECOLOGICAL REGULATIONS</li> <li>→ ELECTROMOBILITY</li> </ul>	<ul style="list-style-type: none"> <li>→ ROBOTISATION</li> <li>→ INDUSTRY 4.0</li> <li>→ SOCIETY BASED ON KNOWLEDGE</li> <li>→ DIGITALISATION</li> </ul>

### STRATEGIC PRIORITIES

- #1 Higher production
- #2 Energy independence
- #3 International assets 2.0
- #4 Long-term financial strategy
- #5 Ecosystem Innovation for KGHM
- #6 Technologies of the future
- #7 New quality safety and development

### STRATEGIC GOALS

Strategy in practice – selected key operating initiatives

AREA	MAIN TARGET	SELECTED EFFECTIVENESS MEASURES		
<b>PRODUCTION</b>	Maintenance of <b>cost-effective</b> domestic and foreign production	450 kt Level of production in Poland of mined Cu in ore with an annual C1 cost not higher than <b>3800 USD/t</b> in the years 2019-2023	540 kt Average yearly metallurgical production in the years 2019-2023	130 kt Yearly average of daily ore processing in Sierra Gorda from 2020
<b>DEVELOPMENT</b>	Increased <b>efficiency and flexibility</b> of the KGHM Group in managing its Polish and international assets	35% Level of metallurgical production from purchased copper-bearing materials, including scrap, to 2030	10% An increase in the share of highly processed copper products in the Group's total sales by the end of 2030	50% Amount by which the needs of KGHM Polska Miedź for electricity from its own sources of energy generation and renewable energy sources will be satisfied by the end of 2030
<b>INNOVATION</b>	Increase the <b>efficiency</b> of the KGHM Group through innovation	1% ↑ Increase expenditures on innovation and R&D work to the level of 1% of KGHM Polska Miedź S.A.'s revenues by 2023	100% Ensure that all of the innovation projects are realised, pursuant to the rules of a coherent model of innovation management and research and development work (R&D) in the KGHM Group, in the years 2019-2023	75% Level of funds for R&D and innovation in the years 2019-2023 to meet the challenges faced by KGHM Polska Miedź S.A. in the Core Business
<b>FINANCIAL STABILITY</b>	Ensure long-term <b>financial stability</b> and the development of mechanisms supporting further development	 Basing of the Group's financing on long-term instruments	 Shorter cash conversion cycle	 Efficient management of market and credit risk by the KGHM Group
<b>EFFICIENT ORGANISATION</b>	Implementation of systemic solutions aimed at <b>increasing the KGHM Group's value</b>	from 2022 Ensure long-term financial stability and the development of mechanisms supporting further development	20% Increase in the efficiency of support functions as a result of centralisation and digitalisation of key back-office processes by 2023	80% Minimum level of achievement of key strategic targets and of the yearly goals assigned to them, in each of the years the strategy is in force
<b>PEOPLE AND THE ENVIRONMENT</b>	Growth based on the idea of <b>sustainable development and safety</b> as well as enhancing the Group's image of social responsibility	20% Minimum level of annual improvement of LTIFR (Polish assets) and TRiR (International assets)	20% Maintain a participation budget at the level of 20% of the amount of deductions from the minerals extraction tax by 2020	70% Level of commitment and satisfaction of the KGHM Group's employees based on measures defined during implementation, by 2023