

Layers of possibilities



Results of the KGHM Group
for the 1st half of 2020

Lubin, 19-20 August 2020

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Agenda



1. KGHM Group in the fight with the coronavirus



2. Key issues 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

Efforts to fight the spread of the coronavirus



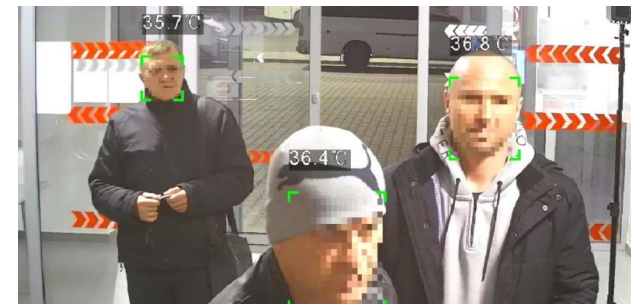
- Restricting contact
- Isolation of key positions
- Home office
- Coordinated quick reaction procedures



- Thermal cameras
- NITROSEPT disinfectant liquid
- Disinfection of common-use areas
- Personal and group protective gear





- Numerous communication channels
- Billboards, educational films, handouts, newspapers
- Infoline for employees





KGHM PROCEDURES

KGHM introduced procedures pursuant to the guidelines of the state health inspectorate & the Ministry of Health

 If you are subjected to quarantine restrictions, [inform your employer](#) and obey all rules of the health authorities

 If a KGHM employee's infection by the coronavirus is CONFIRMED, persons with whom the employee [had contact](#) are required to [undergo a 14-day quarantine](#)

 If we CONFIRM an employee's illness, we [request that you inform those \(both contacts\)](#) with whom the infected person was in recent contact

 [Employees to whom](#) employees who have had contact with an infected person are offered [technical support](#)



Key issues and execution of main targets



Summation of the first half of 2020 in the KGHM Group

Main events and factors affecting the results of the Group¹⁾ in the age of the COVID-19 pandemic

Macroeconomic environment

-11%

Copper price

+9%

Silver price

+5.5%

Stronger USD vs the PLN

Production and C1 cost

-0.3%

Copper production

-1%

Silver production

-10%

C1 cost

Financial results

-2%

Revenues:
PLN 10 948 mn

-3%

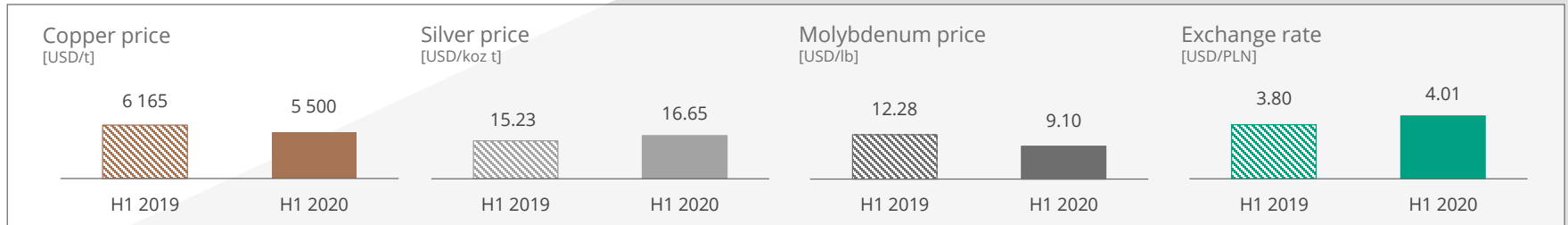
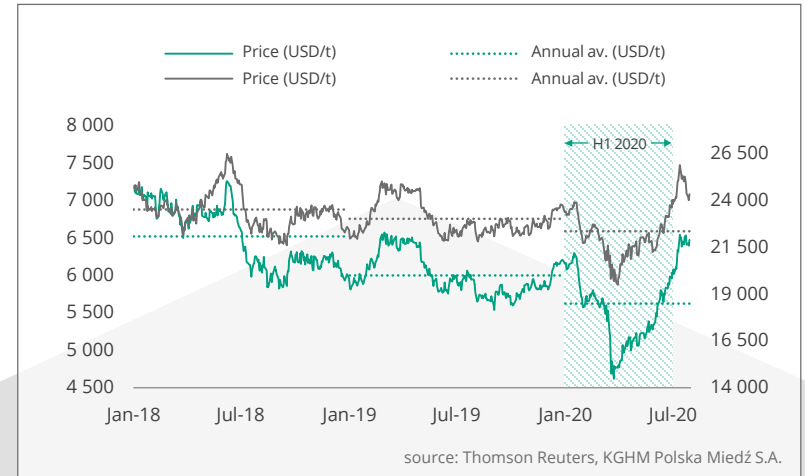
EBITDA:
PLN 2 651 mn

Macroeconomic environment

Commodities and currencies prices

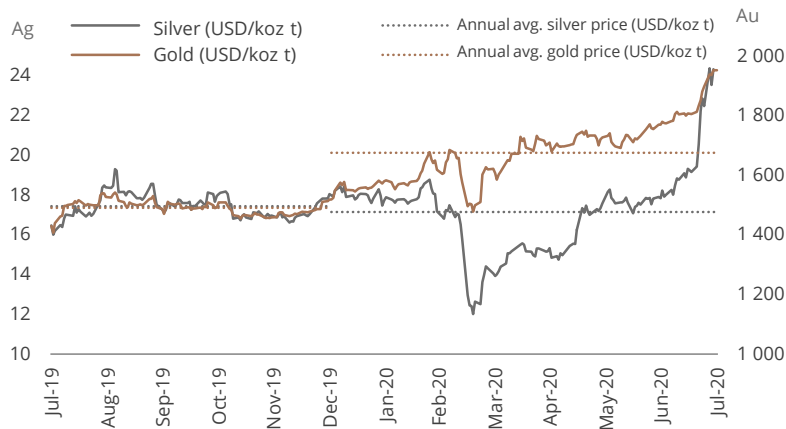
Despite the outbreak of the COVID-19 pandemic the copper price returned to its level at the start of the year, while silver recorded its highest rise since the start of 2013

- The outbreak of the epidemic in China, which is the largest consumer of many commodities, led to a downturn in prices on this market in February and March 2020. In April the prices of most commodities again began to rise. Despite this, the average price of copper in the first half of 2020 was lower by nearly 11%, and molybdenum by nearly 26% compared to the corresponding prior-year period.
- The prices of precious metals likewise fell sharply initially, but relatively quickly made back their losses on a wave of flight towards safe assets. The average price of silver in the first half of 2020 was 9% higher than a year earlier.
- The average price of copper in PLN was 6.2% lower than in the first half of 2019. The decrease in the USD-denominated price of copper was partially offset by the weakening in the USD/PLN exchange rate.

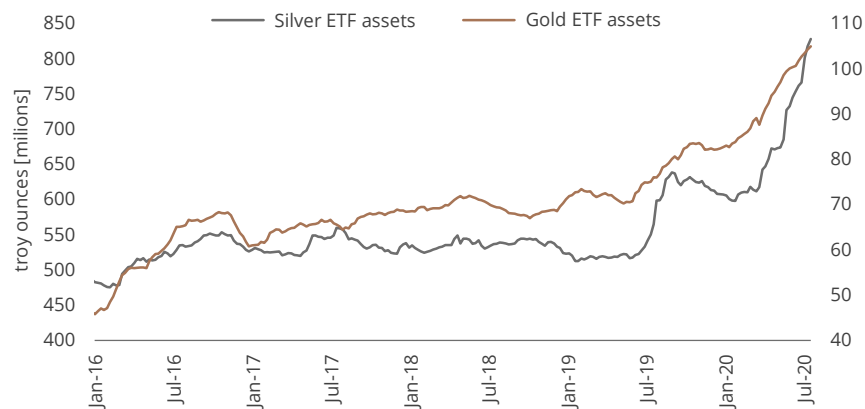


Higher precious metals prices due to investor flight towards safe assets. A greater scope of quantitative easing by central banks.

The change in silver prices had matched that of gold by the start of the second half of the year



The appreciation in the assets of ETFs since June 2019 by 59% (for silver) and 45% (for gold) attests to the high demand for precious metals



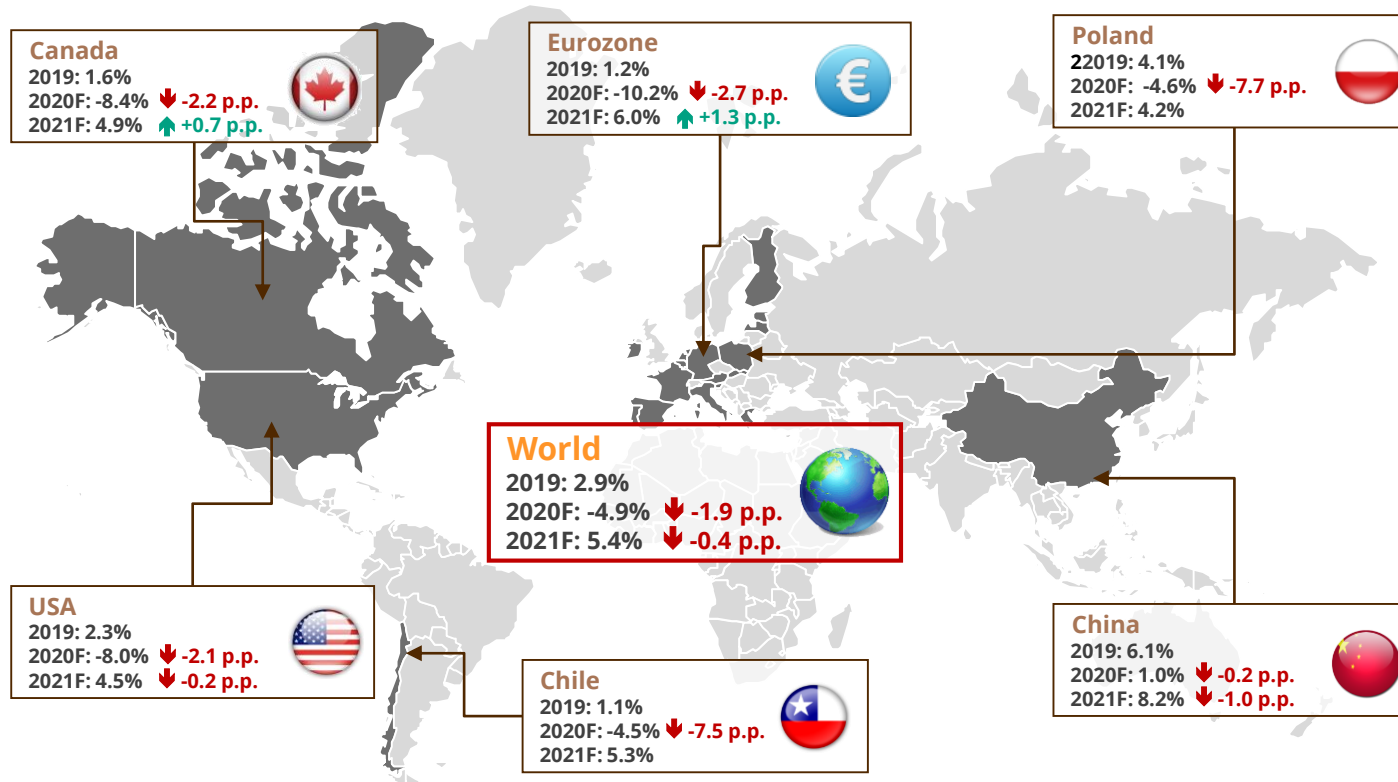
- The COVID-19 epidemic emerged in China at the end of 2019 and morphed into a global pandemic in the first quarter of 2020. The world then witnessed a wave of staunch reactions by governments to the spread of the disease, in the form of economic lockdowns and social isolation. This affected demand for metals, whose prices were not helped even by the signing of the agreement ending the first phase of trade negotiations between the USA and China.
- Economic unfreezing in the second quarter of 2020, combined with the strength of the monetary impulse by central banks and the fiscal one by governments, lead to heightened demand for commodities, in particular for precious metals like gold and silver.
- The price of gold, traditionally considered to be an asset which retains its value during crises, rose in the first half of 2020 to historically high levels.

Economic activity in H1 2020 at record lows in most countries

An improvement in PMI numbers in June 2020

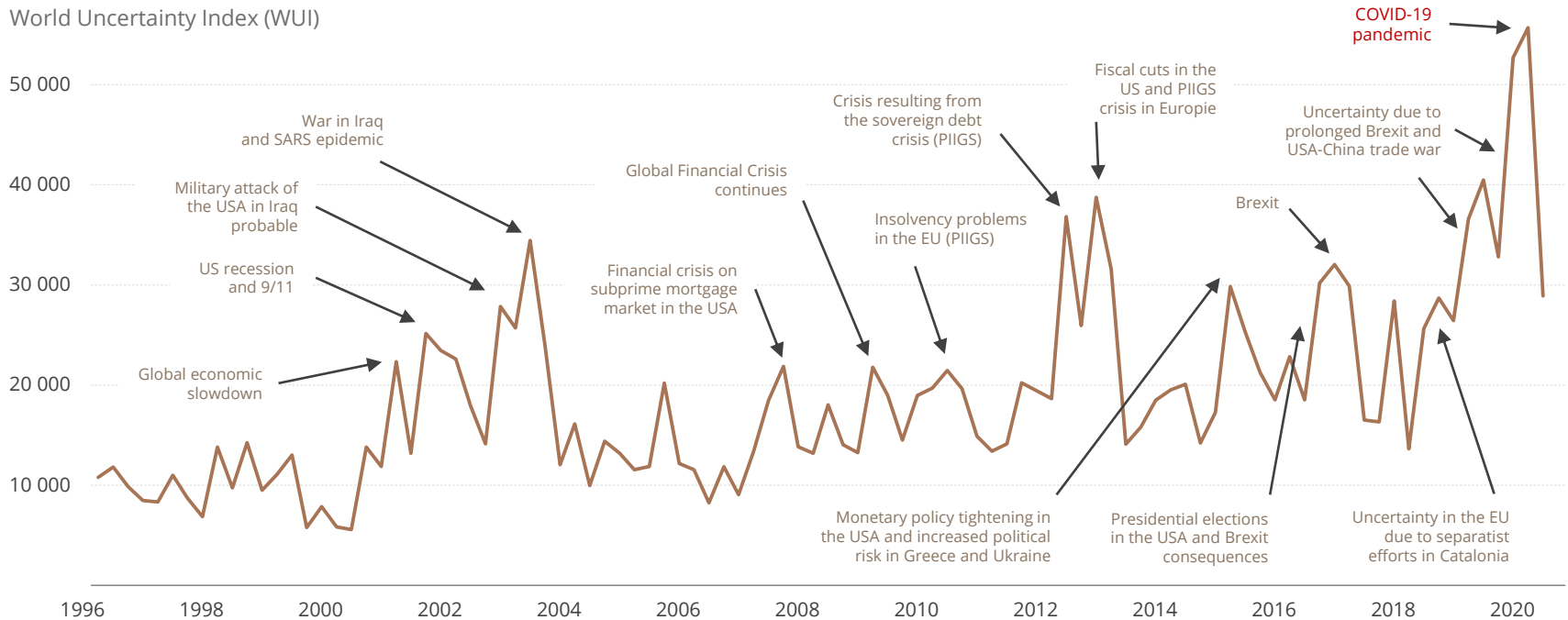
| | Jan-18 | Feb-18 | Mar-18 | Apr-18 | May-18 | Jun-18 | Jul-18 | Aug-18 | Sep-18 | Oct-18 | Nov-18 | Dec-18 | Jan-19 | Feb-19 | Mar-19 | Apr-19 | May-19 | Jun-19 | Jul-19 | Aug-19 | Sep-19 | Oct-19 | Nov-19 | Dec-19 | Jan-20 | Feb-20 | Mar-20 | Apr-20 | May-20 | Jun-20 |
|-----------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| USA (ISM) | 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 |
| USA (PMI) | 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 |
| Canada | 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 |
| Mexico | 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 |
| Brazil | 53,2 | 53,4 | 52,3 | 50,7 | 49,8 | 50,5 | 51,1 | 50,9 | 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 |
| Eurozone | 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 |
| Germany | 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 |
| France | 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 |
| Italy | 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 |
| Spain | 56,0 | 54,8 | 54,4 | 53,4 | 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 |
| Netherlands | 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 | 50,3 | 49,6 | 48,3 | 49,9 | 52,9 | 50,5 | 41,3 | 40,5 | 45,2 | 47,9 | |
| Austria | 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 |
| Ireland | 56,2 | 54,1 | 55,3 | 55,4 | 56,6 | 56,3 | 57,5 | 56,3 | 54,9 | 55,4 | 54,5 | 52,6 | 54,0 | 53,9 | 52,5 | 50,4 | 49,8 | 48,7 | 48,6 | 48,7 | 50,7 | 49,7 | 49,5 | 51,4 | 51,2 | 45,1 | 36,0 | 39,2 | 51,0 | 57,3 |
| UK | 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 |
| Greece | 56,1 | 55,0 | 52,9 | 54,2 | 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 | |
| Poland | 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 |
| Czech Rep. | 58,8 | 57,3 | 57,2 | 56,5 | 56,8 | 55,4 | 54,9 | 53,4 | 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 |
| Turkey | 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 |
| Russia | 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 | 47,2 | 47,2 | 45,6 | 47,5 | 47,9 | 48,2 | 47,5 | 31,3 | 36,2 | 49,4 | 48,4 |
| Asia | 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 | 41,9 | 42,7 | 42,9 | 47,4 | 48,7 | |
| China (Caixin) | 51,6 | 51,0 | 51,1 | 51,1 | 51,0 | 50,8 | 50,6 | 50,0 | 50,1 | 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 |
| China | 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 |
| Japan | 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 | 48,9 | 48,4 | 48,9 | 48,4 | 48,8 | 47,8 | 44,8 | 41,9 | 38,4 | 40,1 | 45,2 |
| India | 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 | 55,3 | 54,5 | 51,8 | 27,4 | 30,8 | 47,2 | 46,0 |
| Indonesia | 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 | 50,4 | 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 |
| Malaysia | 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 | 47,4 | 47,9 | 49,3 | 49,5 | 50,0 | 48,8 | 48,5 | 48,4 | 31,3 | 45,6 | 51,0 | 50,0 | |
| Taiwan | 56,0 | 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 |
| Thailand | 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 |
| South Korea | 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 |

Economic growth forecasts by the IMF in June 2020¹⁾



The coronavirus pandemic overlapped a series of events which increased uncertainty in the world's economies

World Uncertainty Index (WUI)



The WUI is computed by counting the percent of word “uncertain” (or its variant) in the Economist Intelligence Unit country reports. The WUI is then rescaled by multiplying by 1,000,000. A higher number means higher uncertainty and vice versa. For example, an index of 200 corresponds to the word ,uncertainty’ accounting for 0.02 percent of all words, which—given the EIU reports are on average about 10,000 words long—means about 2 words per report.

Source: Ahir, H, N Bloom, and D Furceri (2018), “World Uncertainty Index”, Stanford mimeo, KGHM; WUI for the period Q1 1996 to Q2 2020

Key production indicators

H1 2020

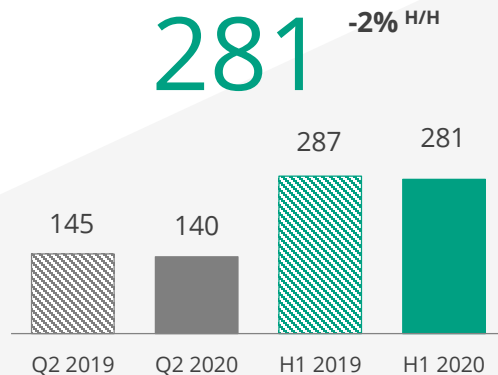
Payable copper production
by the KGHM Group
lower by 0.3% h/h

351

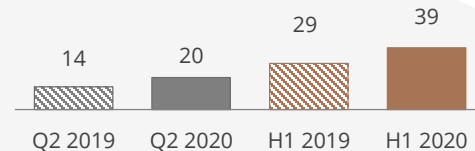
-0.3% H/H
[kt]

- **KGHM Polska Miedź** – lower processing of own concentrate and the build-up of anode inventories due to the planned maintenance shutdown in Q3 2020 of the Głogów I Smelter/Refinery
- **Sierra Gorda** – higher ore throughput, higher copper content in ore
- **KGHM INTERNATIONAL** – lower production in the Sudbury Basin and in the Robinson and Franke mines

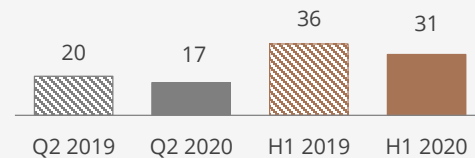
Payable copper production
KGHM Polska Miedź [kt]



Payable copper production
Sierra Gorda¹⁾ [kt]



Payable copper production
KGHM INTERNATIONAL [kt]



Key financial indicators

H1 2020

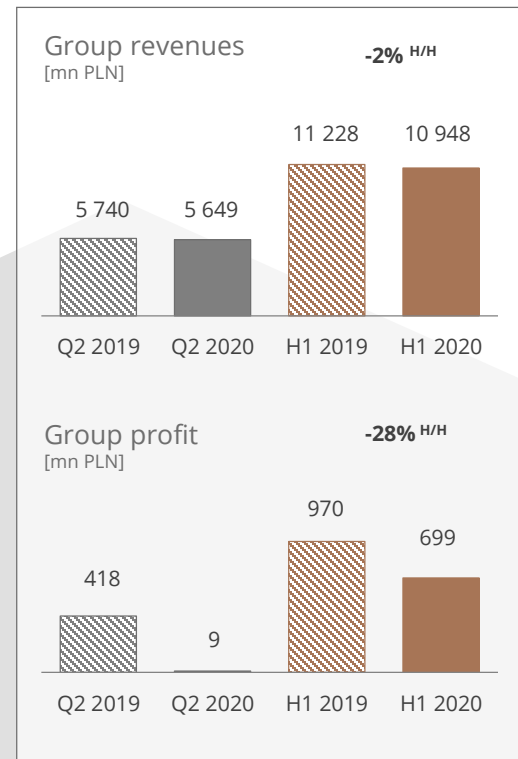
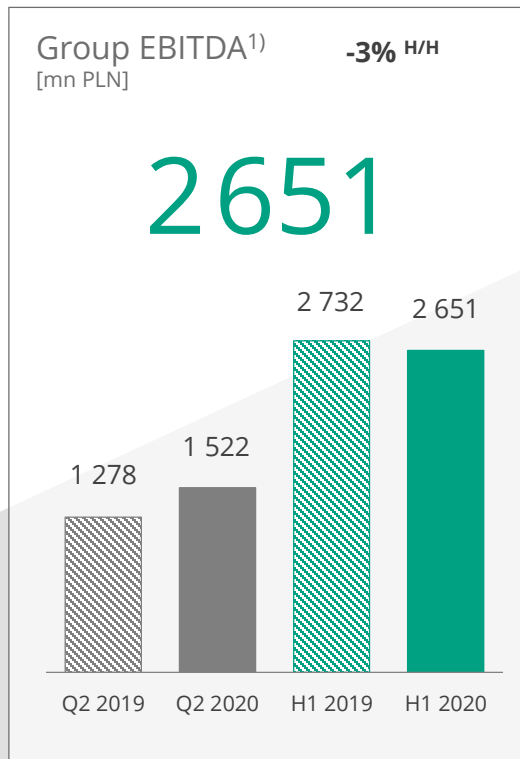
Net profit of the KGHM Group lower by 28%

Group revenues lower by PLN 280 mn

- Lower revenues in the segments KGHM International and Other segments
- Impact of lower copper prices and a more favourable exchange rate

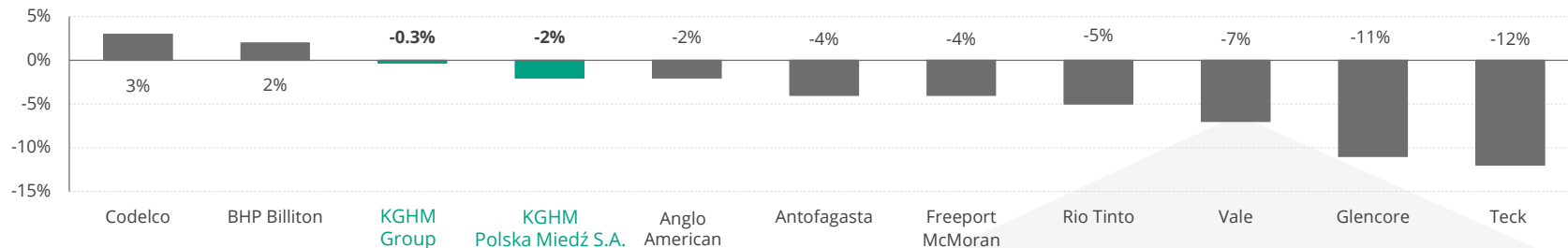
Net profit lower by PLN 271 mn

- A lower operating result and a higher share in the losses of joint entities accounted for using the equity method

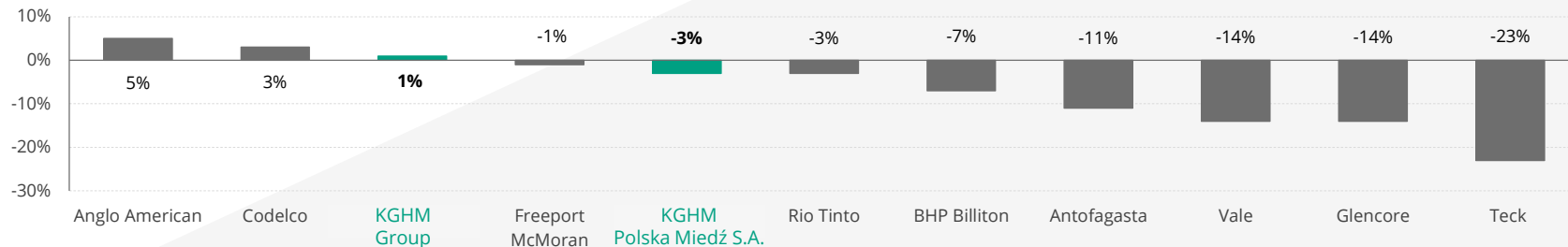


The production of miners in the first half was under heavy pressure

Copper production by miners, H1 2020 vs H1 2019



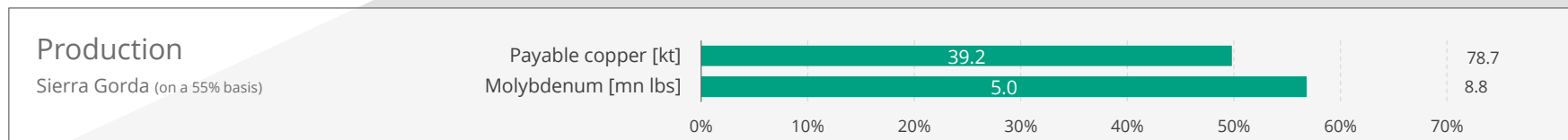
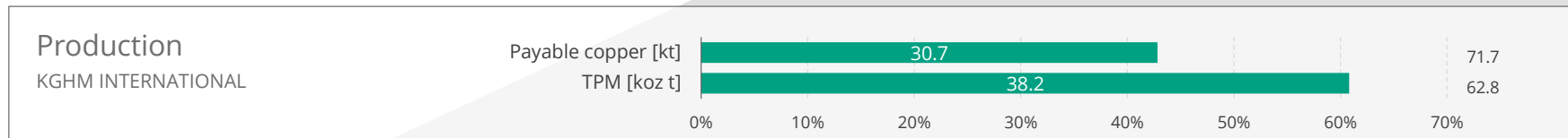
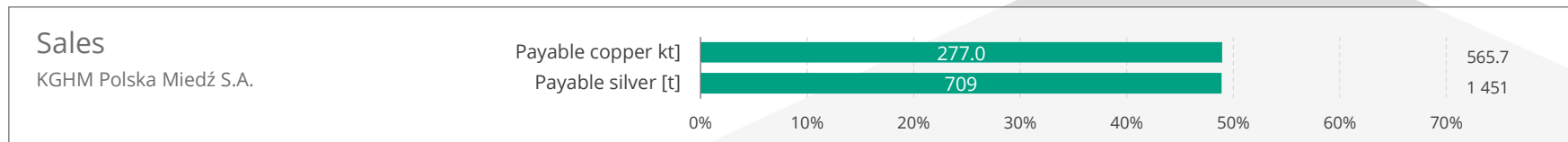
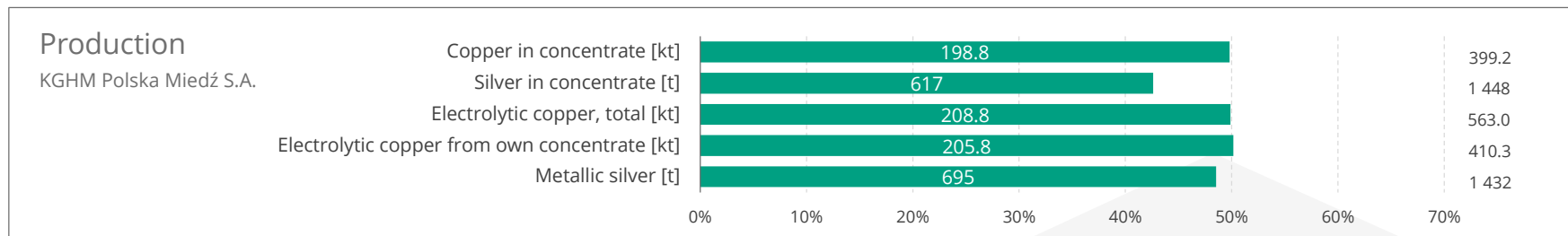
Copper production by miners, Q2 2020 vs Q2 2019



Production and sales in H1 2020

Execution of annual targets

2020
Budget



The financial situation of the KGHM Group remains stable and safe

2020
Budget

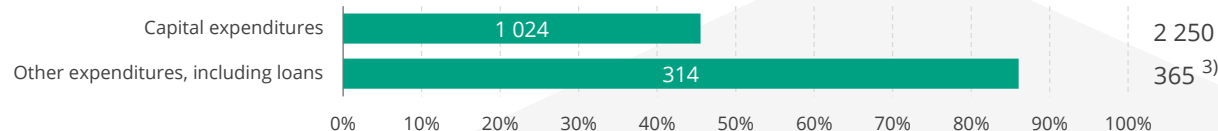
Total unit production cost

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

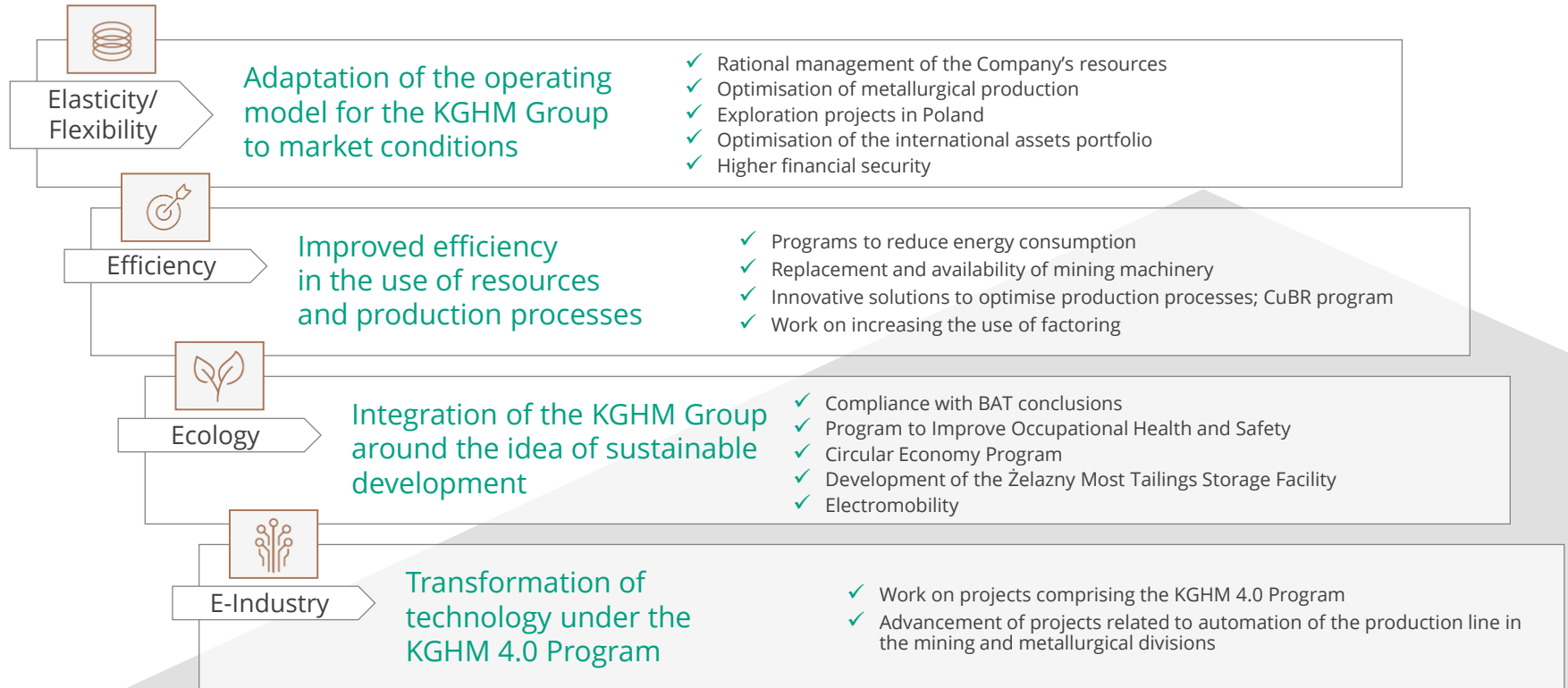
[net debt / adjusted EBITDA]⁴⁾



- 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





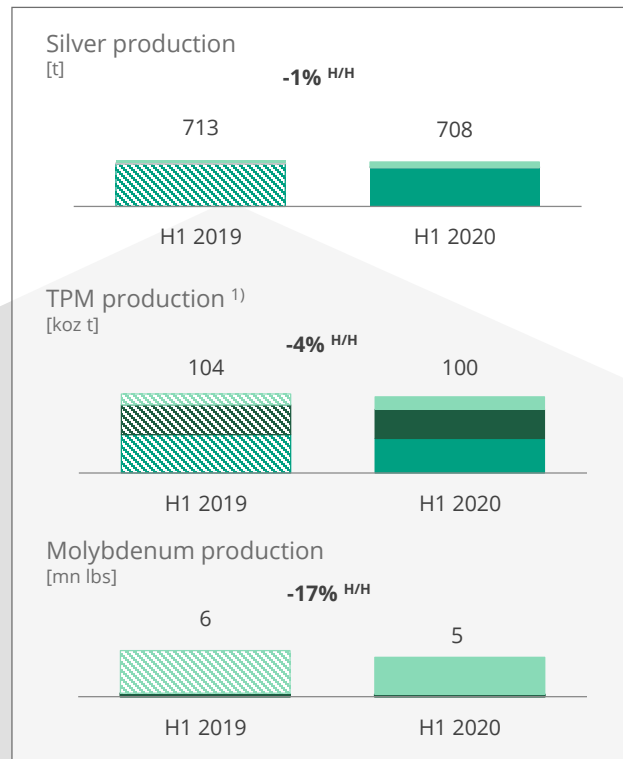
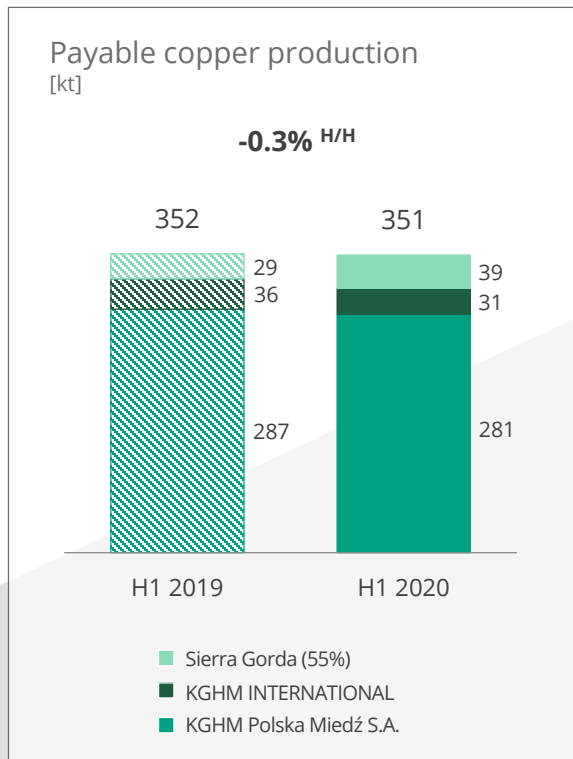
Production results of the **KGHM** Group by segment



Metals production

KGHM Group

- Slightly lower production of electrolytic copper by KGHM Polska Miedź S.A. due to lower processing of own concentrate and the build-up of anode inventories due to the planned maintenance shutdown in Q3 2020 of the Głogów I Smelter/Refinery
- Lower copper production by KGHM INTERNATIONAL due to lower production by the Sudbury Basin and by the Robinson and Franke mines
- Higher copper production by the Sierra Gorda mine due to extracting higher copper grade ore and higher throughput
- 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 until Q1 2021)

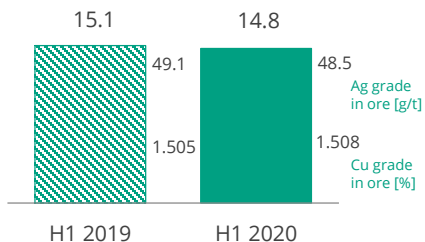


Production results

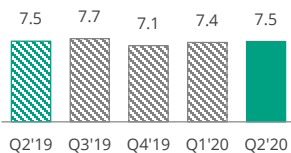
KGHM Polska Miedź S.A.

Ore extraction
[mn t dry weight]

-2.0% H/H



H1 2019 H1 2020

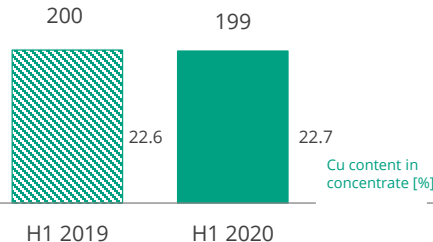


Q2'19 Q3'19 Q4'19 Q1'20 Q2'20

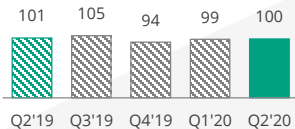
- Ore extraction results from areas selected for mining

Production of copper
in concentrate [kt]

-0.7% H/H



H1 2019 H1 2020

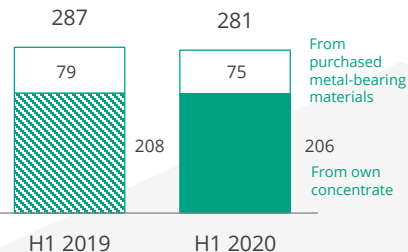


Q2'19 Q3'19 Q4'19 Q1'20 Q2'20

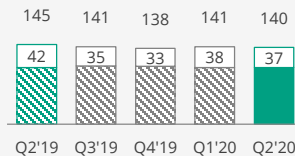
- Mined copper production

Electrolytic copper
production [kt]

-2.1% H/H



H1 2019 H1 2020

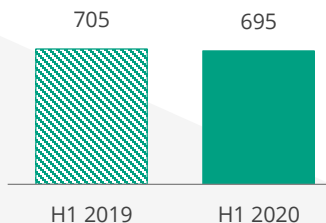


Q2'19 Q3'19 Q4'19 Q1'20 Q2'20

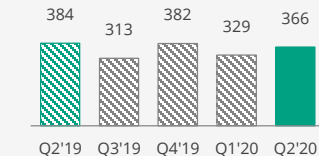
- Half-year production in line with targets; Production achieved in H1 2020 vs H1 2019 related to the availability of charge materials on the market

Metallic silver
production [t]

-1.4% H/H



H1 2019 H1 2020



Q2'19 Q3'19 Q4'19 Q1'20 Q2'20

- Lower production due to lower mineral grade in ore

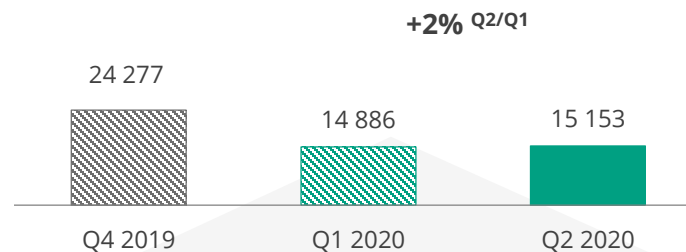
Change in inventories

KGHM Polska Miedź S.A.

Inventories of copper in concentrate at the smelters

amount of Cu [t]

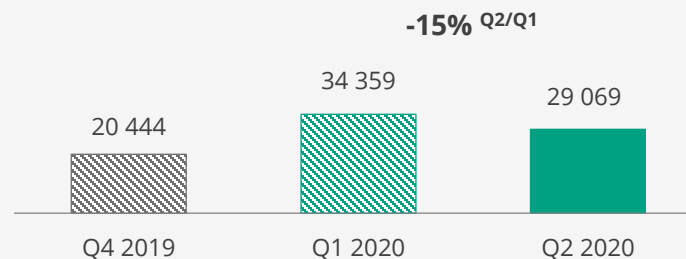
- Slight rise in concentrate inventories due to the start of the planned maintenance shutdown at the Głogów I smelter



Inventories of copper anodes at the smelters

amount of Cu [t]

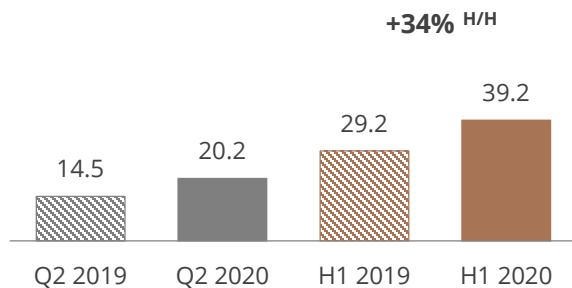
- A higher level of anodes due to the build-up of anode inventories which will be consumed in Q3 2020 during the 10-week maintenance shutdown at the Głogów I smelter (commenced in June)



Production results

Sierra Gorda¹⁾

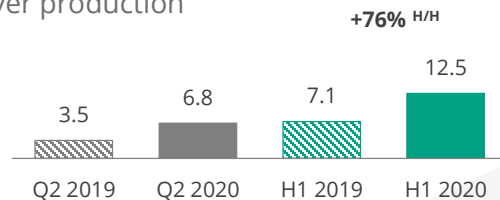
Payable copper production
[kt]



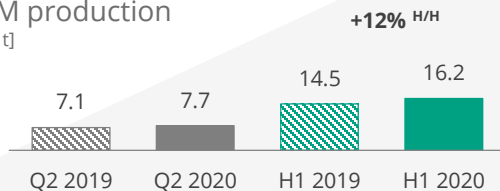
Higher than expected copper production after the first 6M of 2020

- Higher payable copper production in H1 2020 compared to H1 2019 due to higher extraction and ore throughput
- In H1 2020 ore with a higher copper content was extracted compared to H1 2019

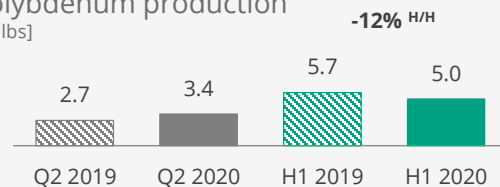
Silver production
[t]



TPM production
[koz t]



Molybdenum production
[mn lbs]

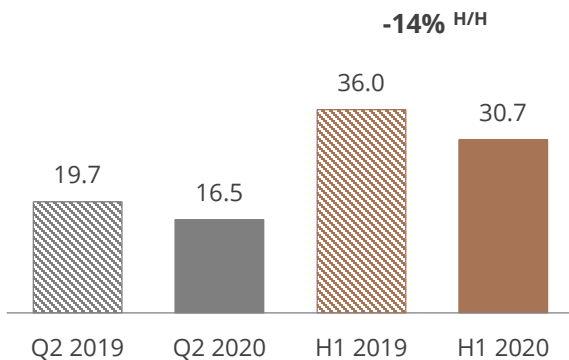


- Higher extraction by the Sierra Gorda mine lead to higher production of copper, silver and gold
- Lower molybdenum production due to extraction in areas with lower molybdenum content compared to ore extracted in prior periods

Production results

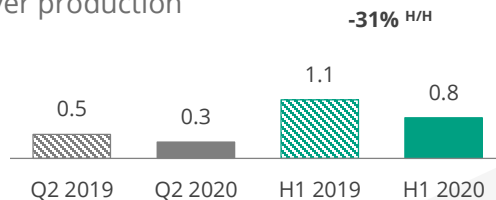
KGHM INTERNATIONAL

Payable copper production
[kt]

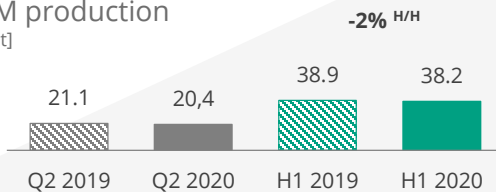


- Lower production in the Sudbury Basin (lower extraction and lower copper content in ore), in the Robinson mine (extraction from a low-copper-grade transitional zone, lower recovery) and in the Franke mine (lower copper content in ore and lower recovery)

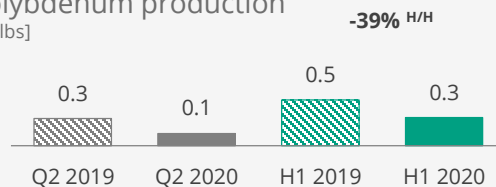
Silver production
[t]



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), which was not offset by higher TPM production in the Sudbury Basin
- Lower molybdenum production by the Robinson mine due to mining from a poor-quality transitional zone until Q1 2021

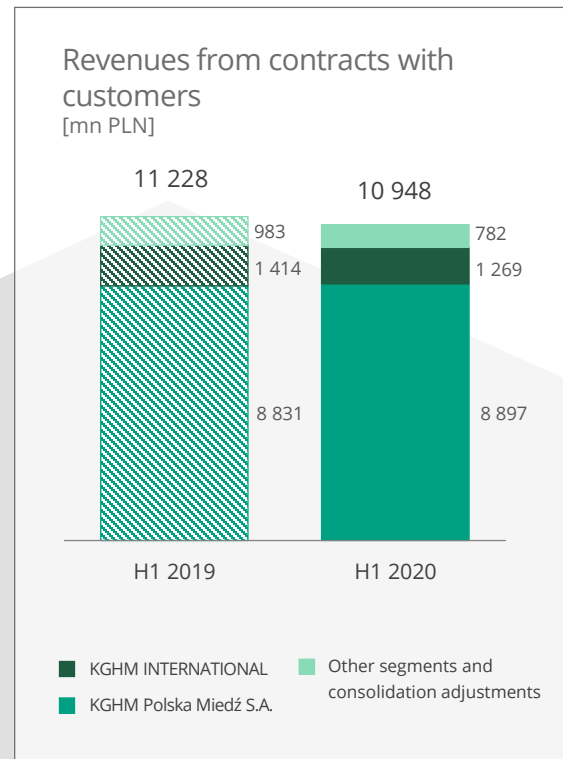
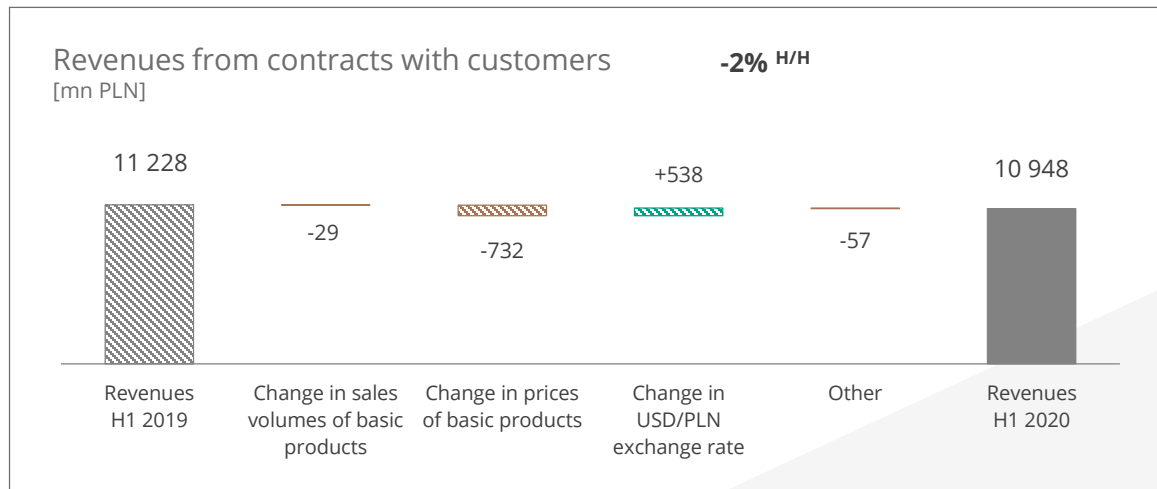


Financial results of the Group



Group sales revenue

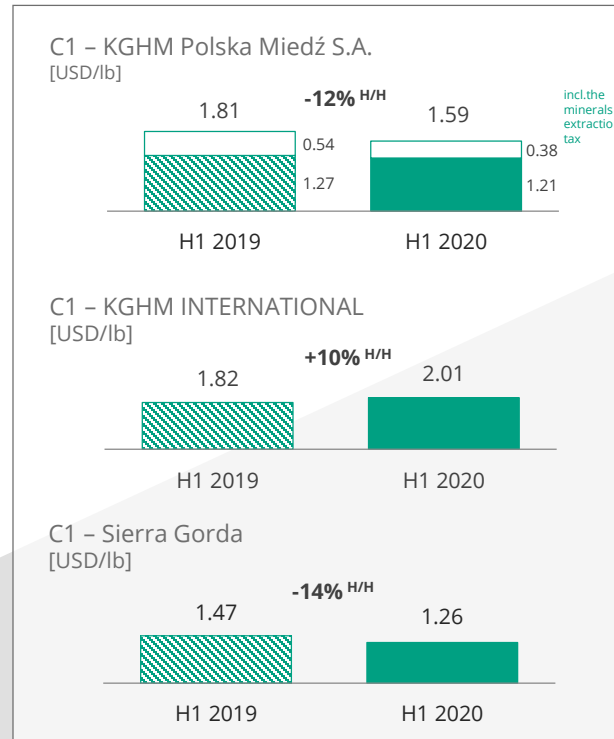
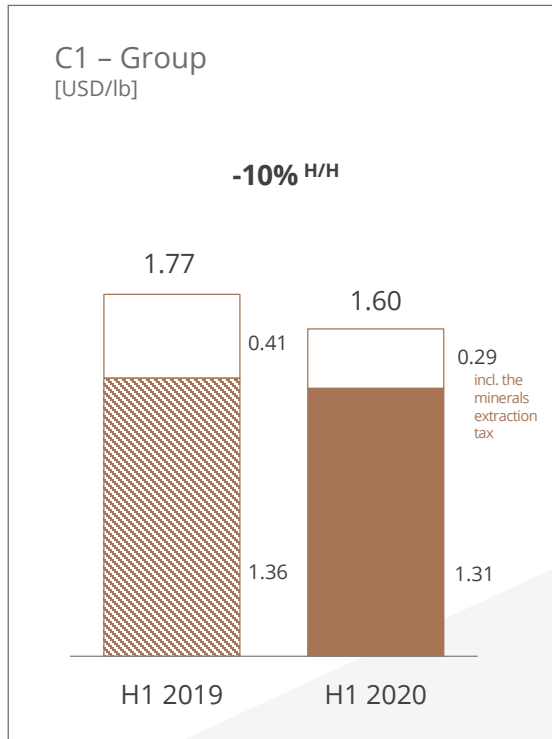
H1 2020



- Lower revenues by PLN 280 million (-2%) versus the corresponding period of 2019, including lower revenues of KGHM INTERNATIONAL by PLN 145 million and of other segments by PLN 148 million
- Lower revenues in KGHM INTERNATIONAL mainly due to lower copper prices and lower revenues achieved by companies operating under the DMC brand

C1 unit cost¹⁾

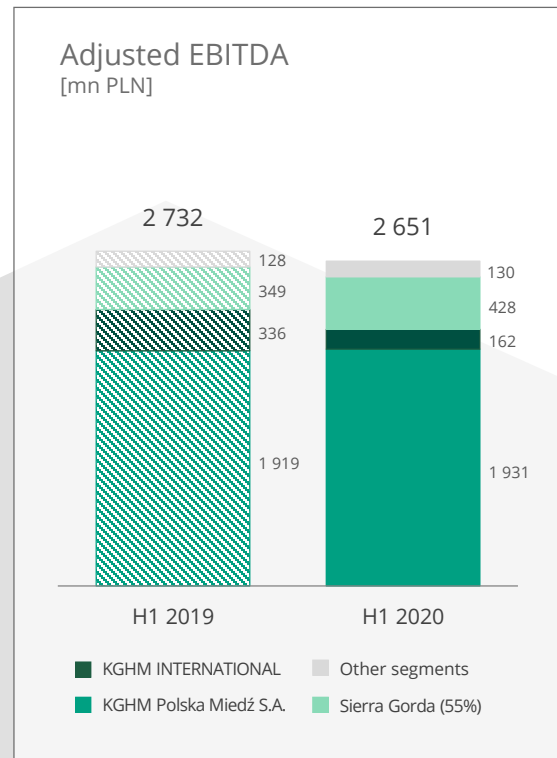
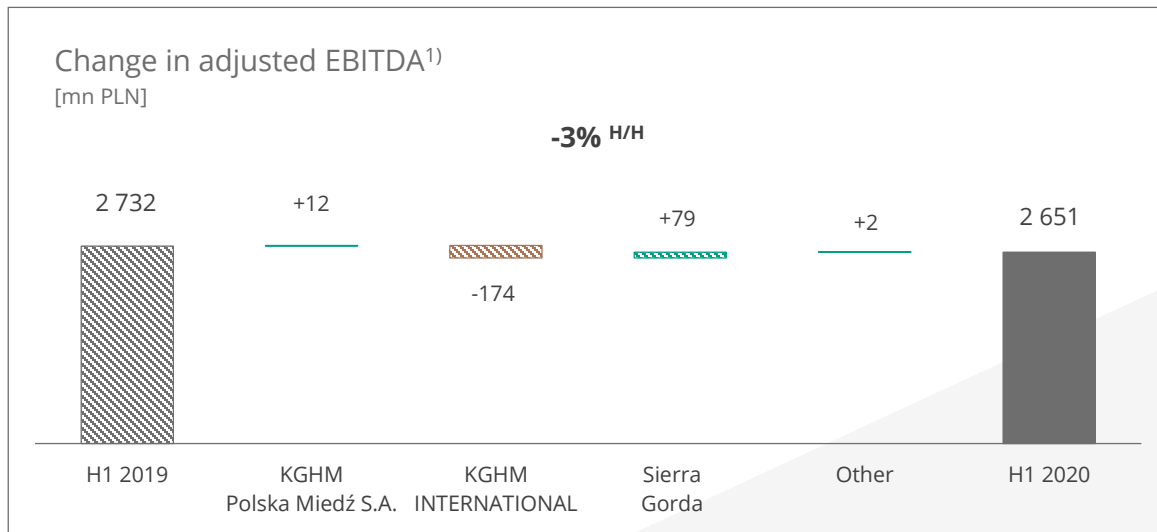
KGHM Group



- The decrease in C1 cost in KGHM Polska Miedź S.A. by 12% versus the first half of 2019 was mainly due to a weakening of the PLN vs the USD and to a lower minerals extraction tax
- The increase in C1 by 10% in KGHM INTERNATIONAL was due to higher operating costs and to a lower sales volume and the measurement of inventories
- The decrease in C1 cost in Sierra Gorda by 14% was due to lower operating costs with a higher copper sales volume

Operating results

KGHM Group



- Lower adjusted EBITDA of the Group (-PLN 81 mn) due to the lower result of KGHM INTERNATIONAL (-PLN 174 mn; -52%)

Financial results

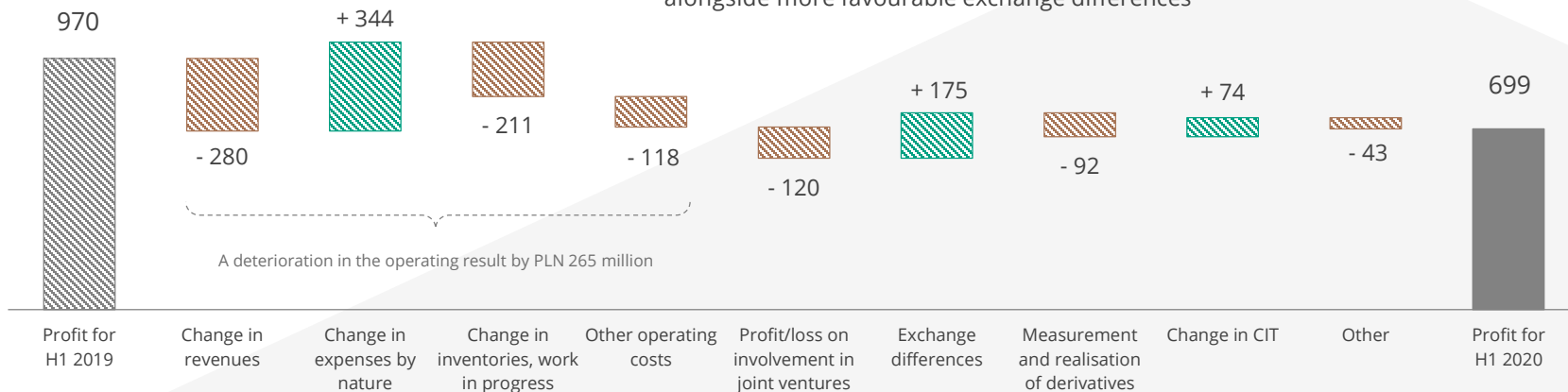
KGHM Group

Profit for the period **-28% H/H**
[mn PLN]

PLN 699 million consolidated net profit for H1 2020

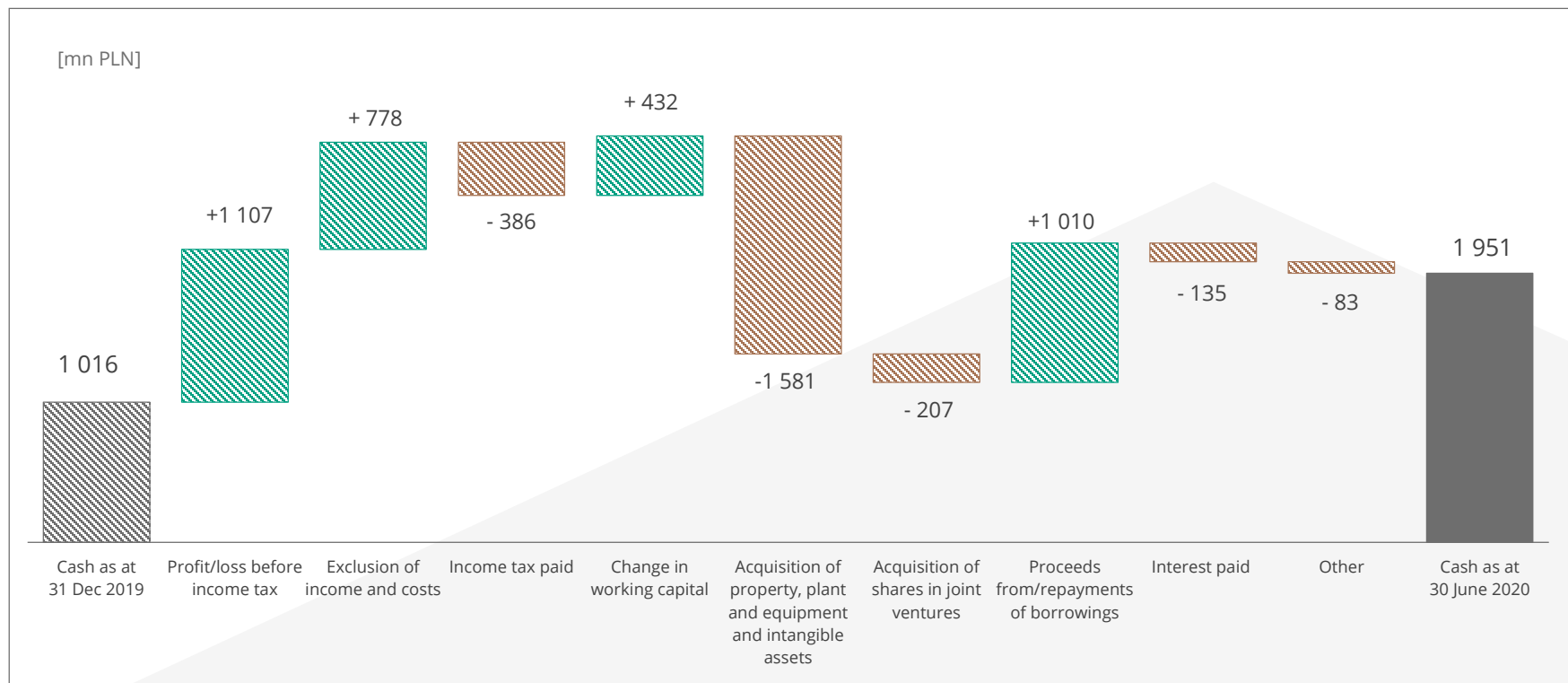
Group profit for the period lower by PLN 271 million (-28%) mainly due to:

- a lower result on operating activities
- a lower result on involvement in joint ventures
- a lower result on the measurement and realisation of derivatives alongside more favourable exchange differences



Cash flow

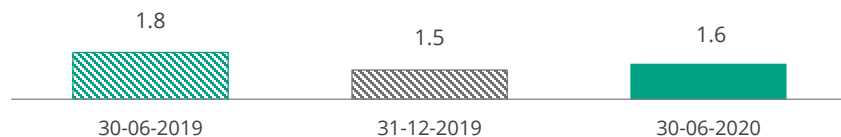
KGHM Group



Net debt of the KGHM Group

As at the end of Q2 2020

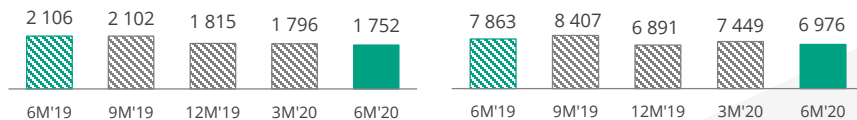
Net debt / adjusted EBITDA



KGHM Group net debt

[mn USD]

[mn PLN]



Main factors affecting interest-bearing debt in the first 6 months of 2020

(Increases in debt)

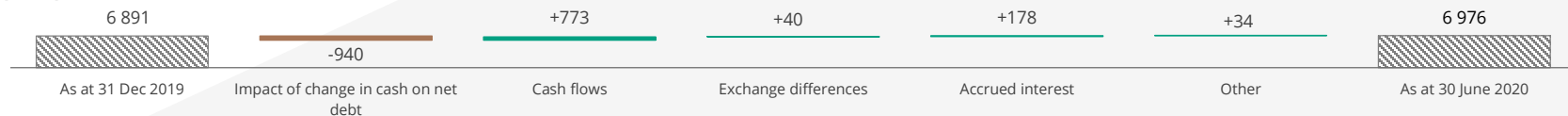
- Cash expenditures on property, plant and equipment (PLN 1 582 mn)
- The minerals extraction tax (PLN 678 mn)
- Equity increase in Sierra Gorda (PLN 207 mn)
- An increase in trade and other receivables (higher by PLN 135 mn)
- Borrowing costs recognised in cash flow (PLN 135 mn)
- Negative exchange differences (an increase in PLN-expressed debt by PLN 40 mn)

(Decreases in debt)

- Positive cash flow from operating activities, excluding the change in working capital and the minerals extraction tax (PLN 2 251 mn)
- An increase in trade and other payables, incl. trade liabilities transferred to the factor (higher by PLN 322 mn)
- A decrease in inventories (lower by PLN 171 mn)

Change in net debt

[mn PLN]





Advancement of development initiatives



A consistent and rational investment program

Capital expenditures by KGHM Polska Miedź S.A. for the first two quarters of 2020



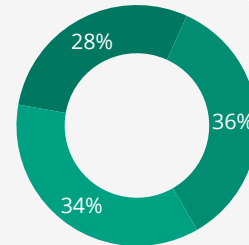
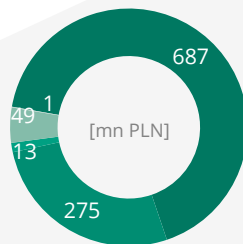
CAPEX execution in H1 2020

by area

- Mining (67%)
- Metallurgy (27%)
- Other activities (1%)
- Leasing MSSF 16 (5%)
- Development - uncompleted

by category

- Replacement (28%)
- Maintaining mine production (36%)
- Mine development (34%)



CAPEX and budget in H1 2019



1 020 mn PLN
CAPEX execution in H1 2019

2 516 mn PLN
CAPEX budget target for 2019

Selected development projects

CAPEX execution in H1 2020

193 mn PLN

Deposit Access Program

- ↳ 20.4 km of tunneling were excavated
- ↳ The GG-1 shaft reached a depth of 1166.5 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 begun regarding siting of the shaft

151 mn PLN

Development of Żelazny Most Tailings Storage Facility – Southern Quarter

- ↳ Southern Quarter – work advancing on schedule, 80% of the planned work has been completed
- ↳ Tailings Segregation and Thickening Station – work continues on building internal installations for the hall, 66% of the planned work has been completed

6.8 mn PLN

KGHM 4.0 Program

- ↳ The project „Locating persons and machines in the underground mines” was advanced at the Polkowice-Sieroszowice mine with access assured to broadband data transmission at the working faces of the mines
- ↳ Pilot phase of a CMMS completed in sections of the Metallurgical Plants, Concentrators and Tailings Divisions, stage two of implementation commenced
- ↳ Work begun on a project to implement a system to monitor the diesel fueling process
- ↳ Business testing completed on a CRM system

55 mn PLN

Program to adapt the technological installations to BAT Conclusions

- ↳ Głogów Smelter/Refinery: construction and assembly work on most projects, testing performed on the Kaldos furnace gases desulphurisation installation
- ↳ Legnica Smelter/Refinery: design work performed, pre-fabricated parts received, executory documentation, work underway to obtain administrative decisions

12.5 mn PLN

Exploration projects

- ↳ – in the following concessions:
 - ↳ „RETKÓW-ŚCINAWA”: work completed on a drillhole, restoration work carried out, geological documentation developed
 - ↳ „GŁOGÓW”: work begun on sinking the S-839 drillhole
 - ↳ „PUCK”: work begun to prepare for sinking of another drillhole



New Development Programs

- ↳ Work begun on Investment Phase of new development projects under Strategic Programs:
 - ↳ Construction of a Solar Power Plant – Energy Development Program
 - ↳ Hybrid Smelter Program at Legnica Plant
 - ↳ 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

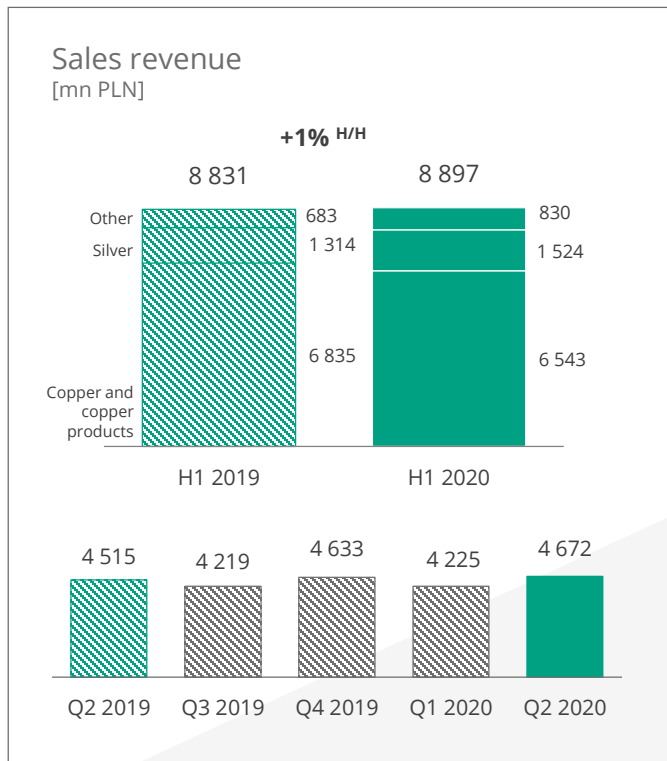


Supporting slides



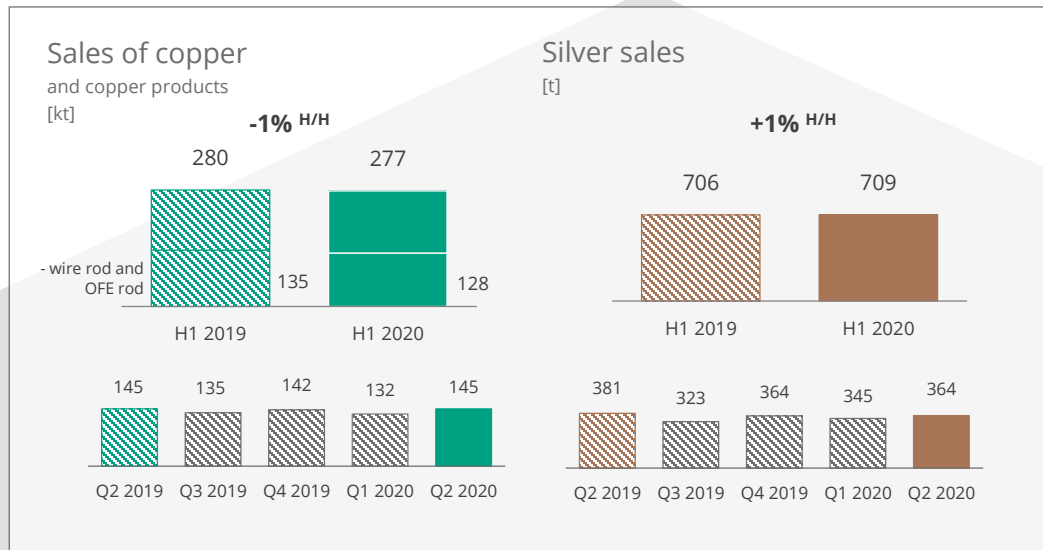
Sales revenue

KGHM Polska Miedź S.A.



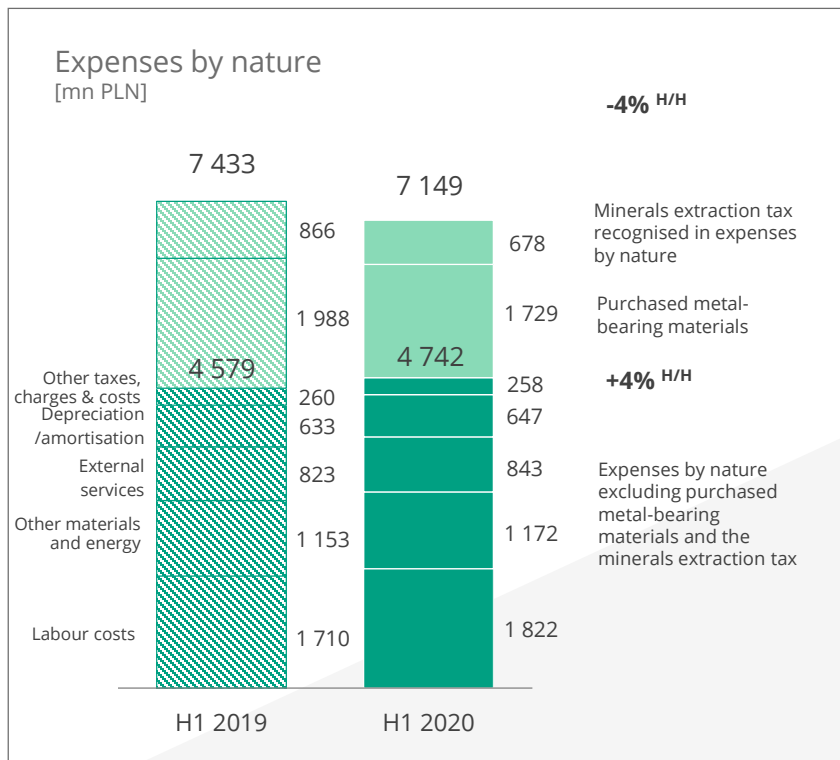
Higher revenues from sales by PLN 66 million (+1%) in H1 2020 compared to H1 2019 due to :

- a more favourable USD/PLN exchange rate (+6%) and
- higher prices of silver (+9%) and gold (+26%) alongside less favourable copper prices (-11%)

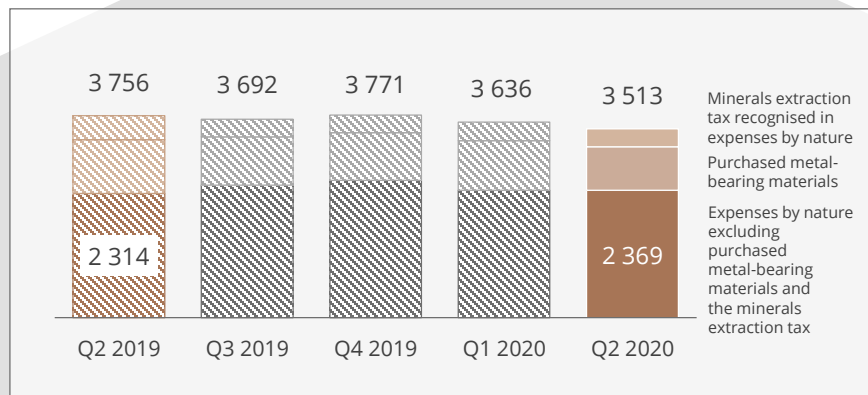


Expenses by nature

KGHM Polska Miedź S.A.



- Expenses by nature were lower by PLN 284 million (4%) mainly due to lower costs of consumption of purchased metal-bearing materials by PLN 259 million and a lower minerals extraction tax charge by PLN 188 million
- Expenses by nature, excluding purchased metal-bearing materials and the minerals extraction tax, were higher versus the prior year by PLN 163 million, or 4%, mainly due to higher labour costs (+PLN 112 million)

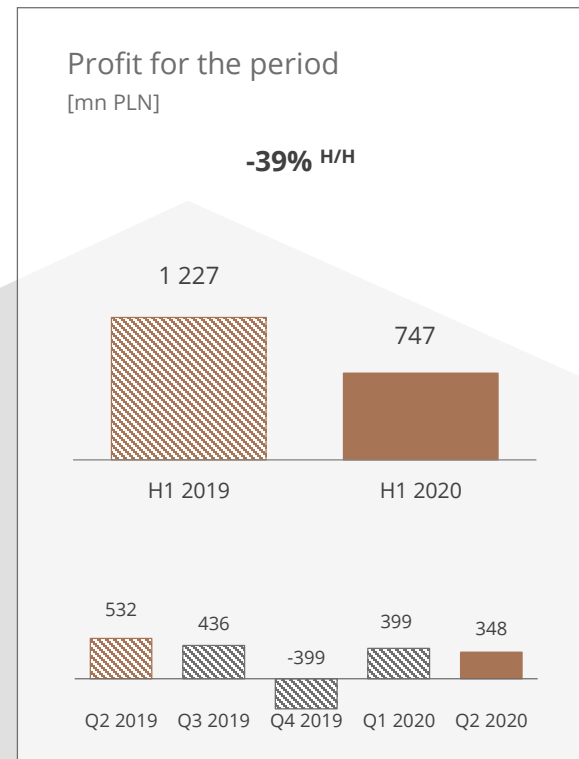
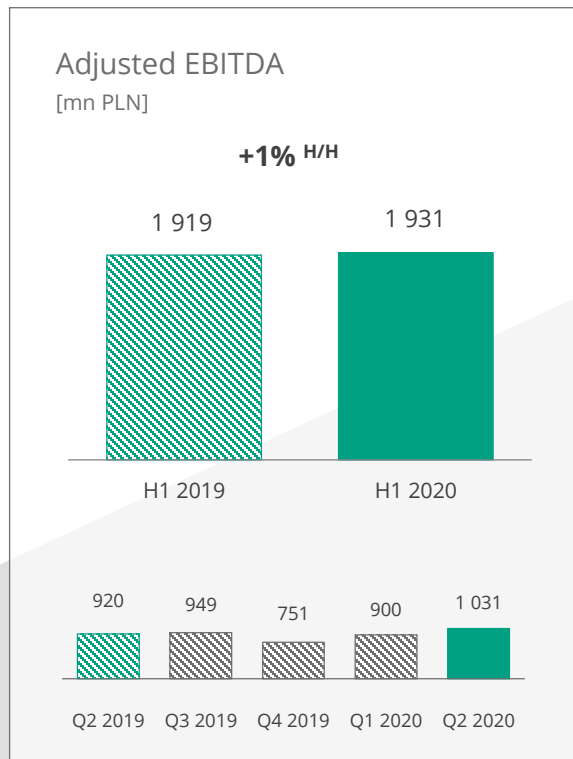


EBITDA and profit for the period

KGHM Polska Miedź S.A.

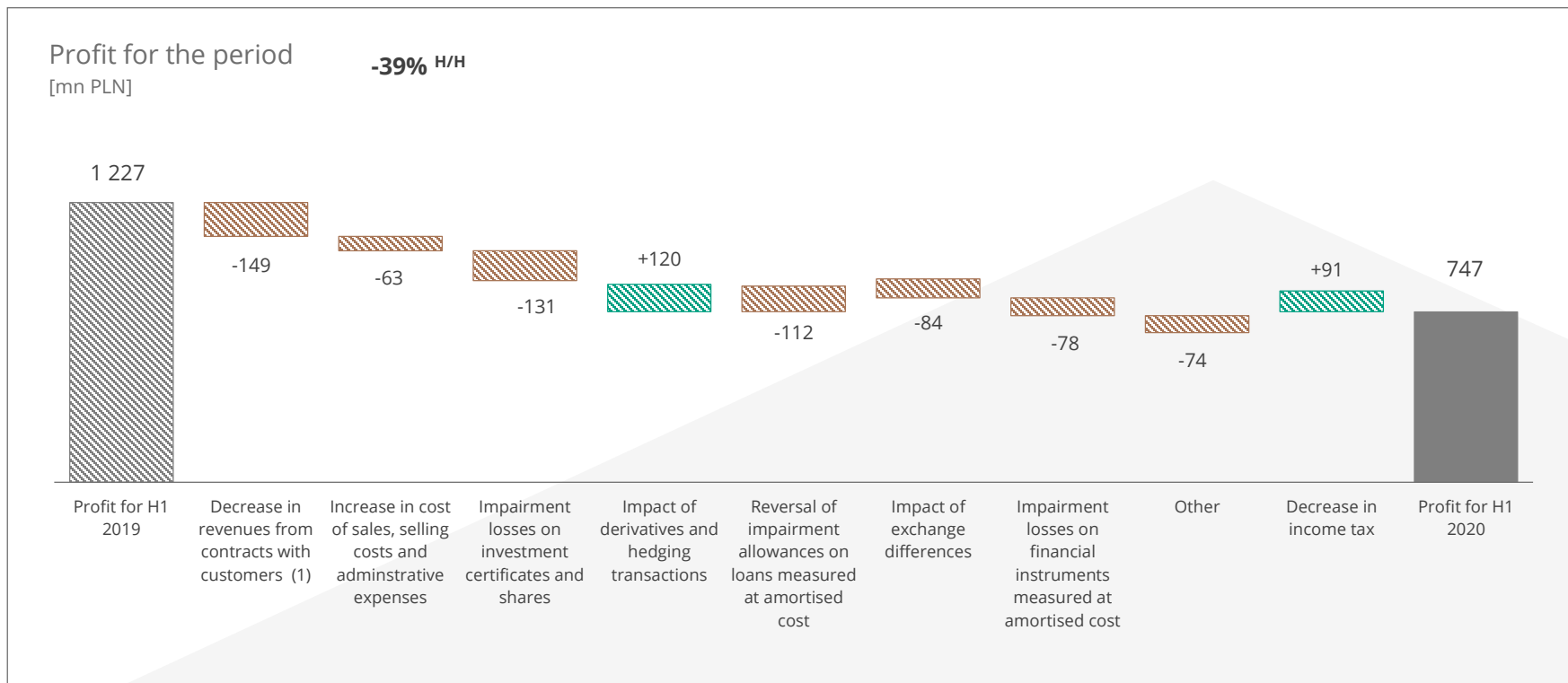
Similar EBITDA with lower net profit

- EBITDA at a similar level to that achieved in H1 2019
- Lower net profit of PLN 480 million (-39%) than in H1 2019, mainly due to a change in the measurement of financial assets



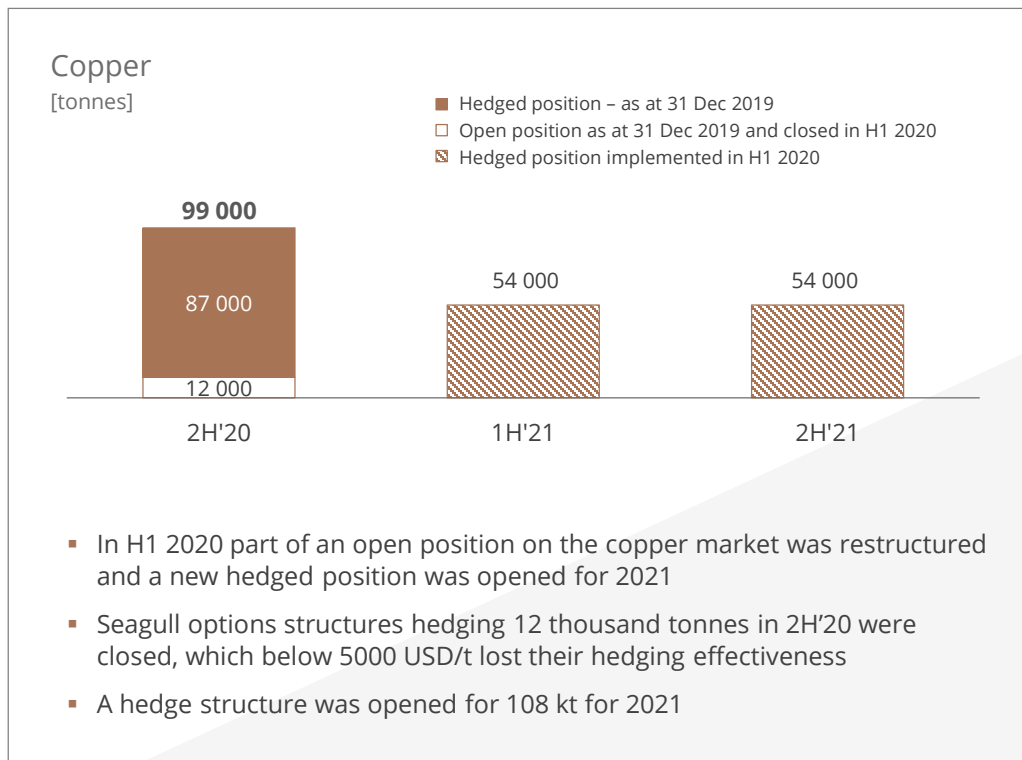
Profit for the period

KGHM Polska Miedź S.A.



Market risk management

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



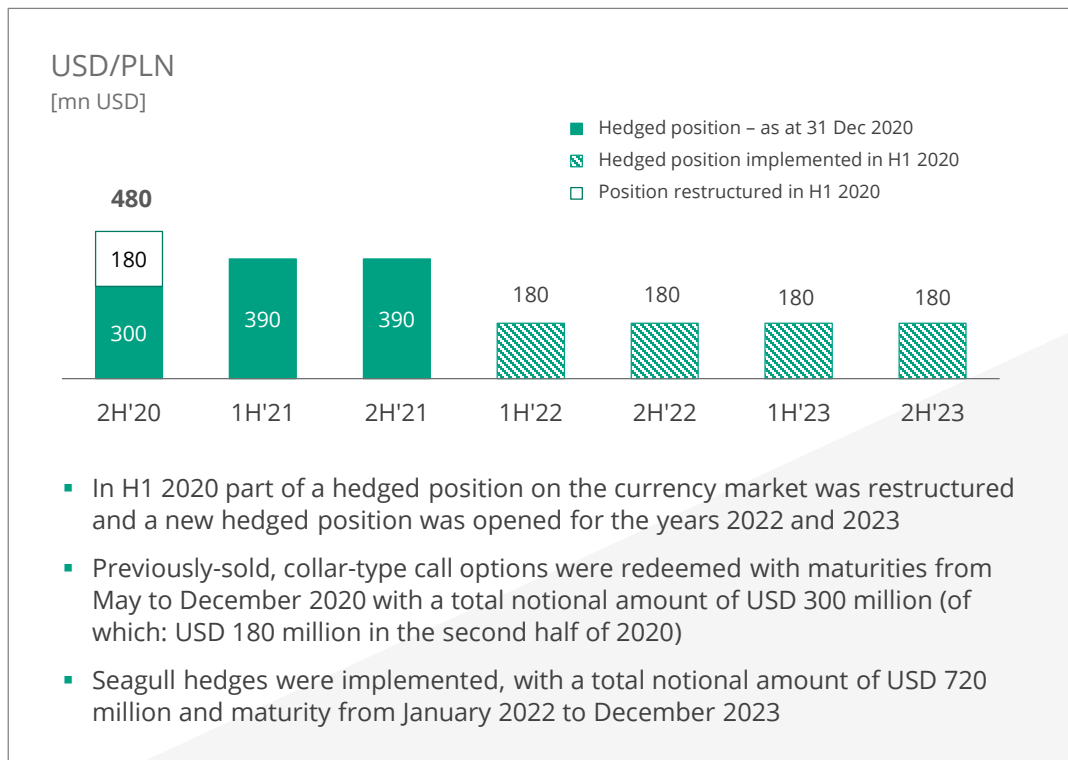
In 1H 2020 KGHM Polska Miedź S.A. recorded a result on derivatives* and hedges in the amount of PLN 175 million:

- PLN 292 million adjusted revenues from contracts with customers (transactions settled to 30 June 2020)
- PLN 109 million decreased the result on other operating activities
- PLN 8 million decreased the result on finance activities
- The fair value of derivatives in KGHM Polska Miedź S.A. as at 30 June 2020 amounted to -PLN 213 million*
- The revaluation reserve on cash flow hedging instruments as at 30 June 2020 amounted to -PLN 515 million

* excludes embedded instruments

Market risk management

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



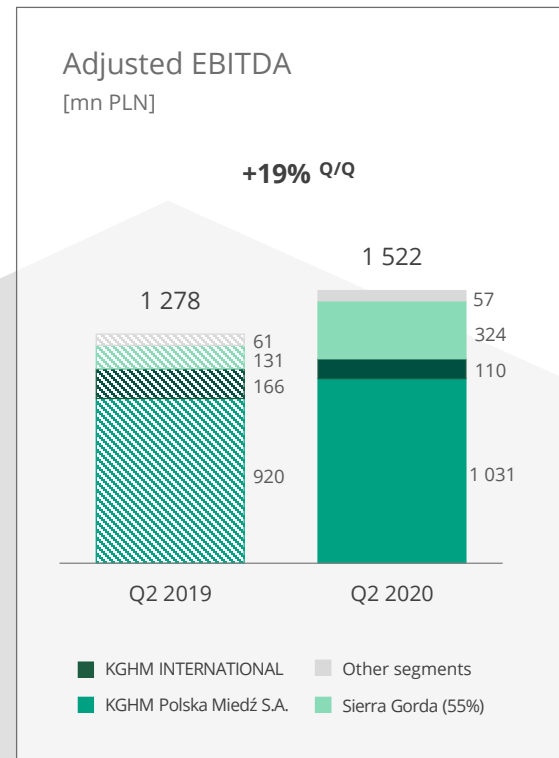
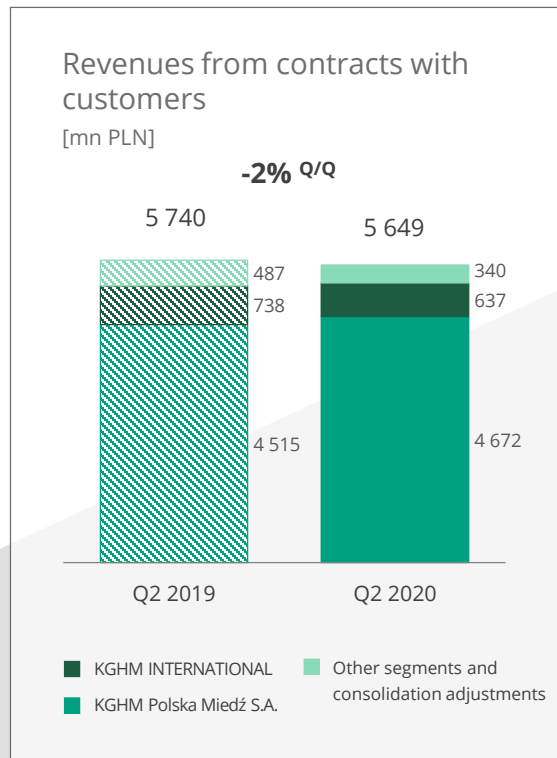
- At the end of the first half of 2020, a hedged position existed for 1.8 mn troy ounces of silver in H2 2020
- As at 30 June 2020 the Parent Entity held open CIRS (Cross Currency Interest Rate Swap) transactions for the total notional amount of PLN 2 billion, hedging against market risk related to the issue of bonds in PLN with a variable interest rate
- In addition, as at 30 June 2020 the Parent Entity held open CAP derivative transactions on the interest rate market for 2020 as well as bank and other loans bearing fixed interest rates

Additional information

Group revenues and EBITDA in Q2 2020

Higher EBITDA Q2/Q2 by PLN 244 thanks to Sierra Gorda and KGHM Polska Miedź S.A.

- KGHM Polska Miedź S.A.**
 (+PLN 111 mn, +12%)
 – higher thanks to a more favourable exchange rate and to the adjustment of revenues from hedging transactions alongside lower copper prices
- KGHM INTERNATIONAL**
 (-PLN 56 mn, -34%)
- Sierra Gorda**
 (+PLN 193 mn; +147%)

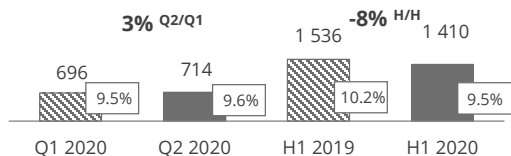


Role of Deep Głogów (GGP) in maintaining output in Poland

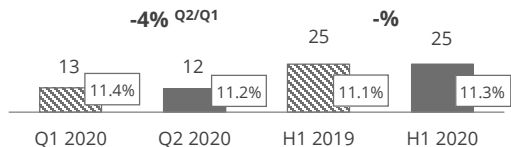
Deposit access program in KGHM's concessioned areas

Share of production from GGP in total production in Poland

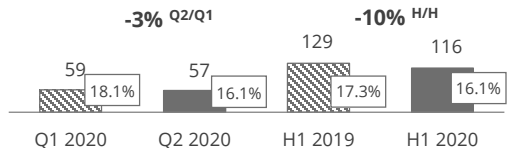
Ore extraction dry weight from GGP [kt]



Amount of copper in ore [kt]

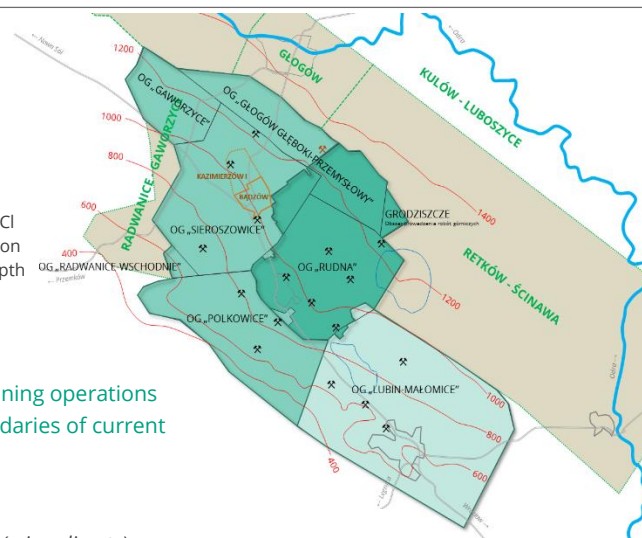


Amount of silver in ore [t]



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



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

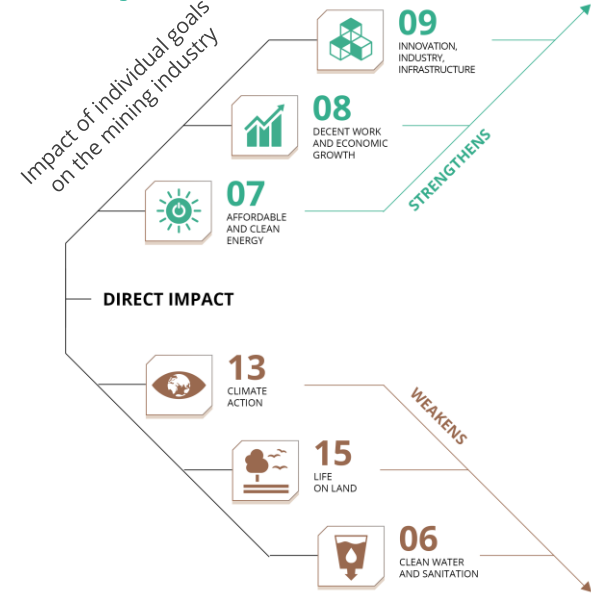


Sustainable development of the raw materials industry

– 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](#)).



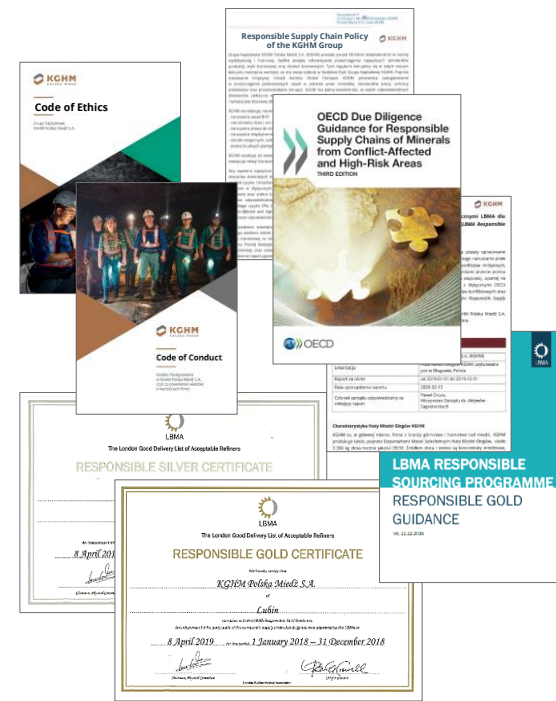
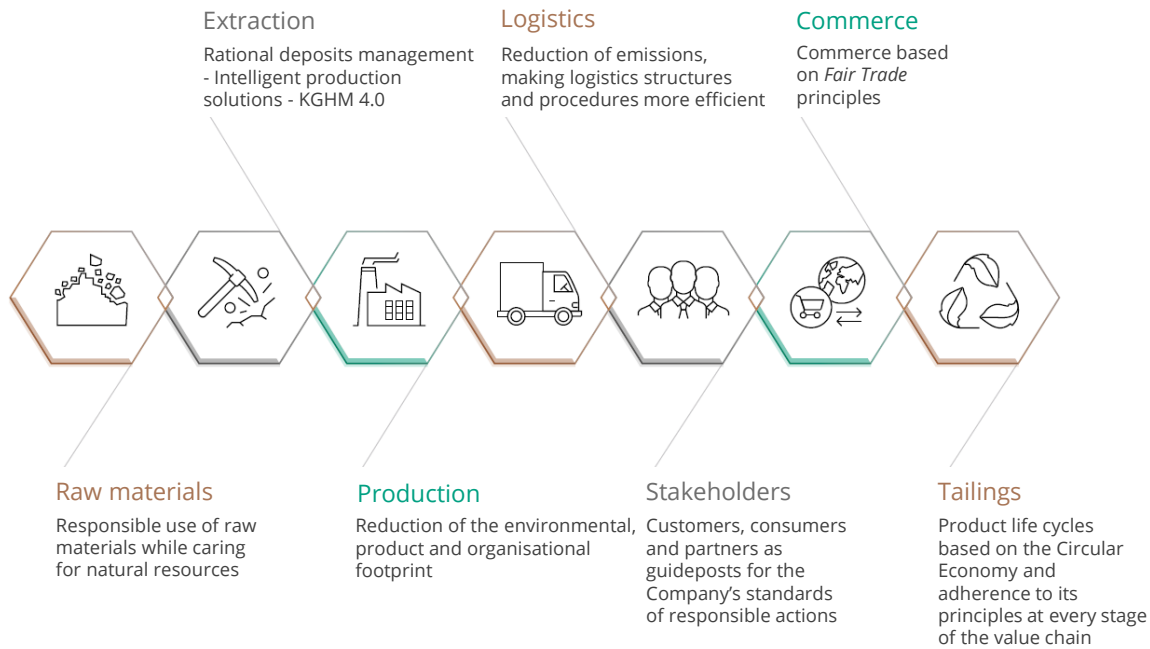
FTSE4Good



European Technology Platform
on Sustainable Mineral Resources

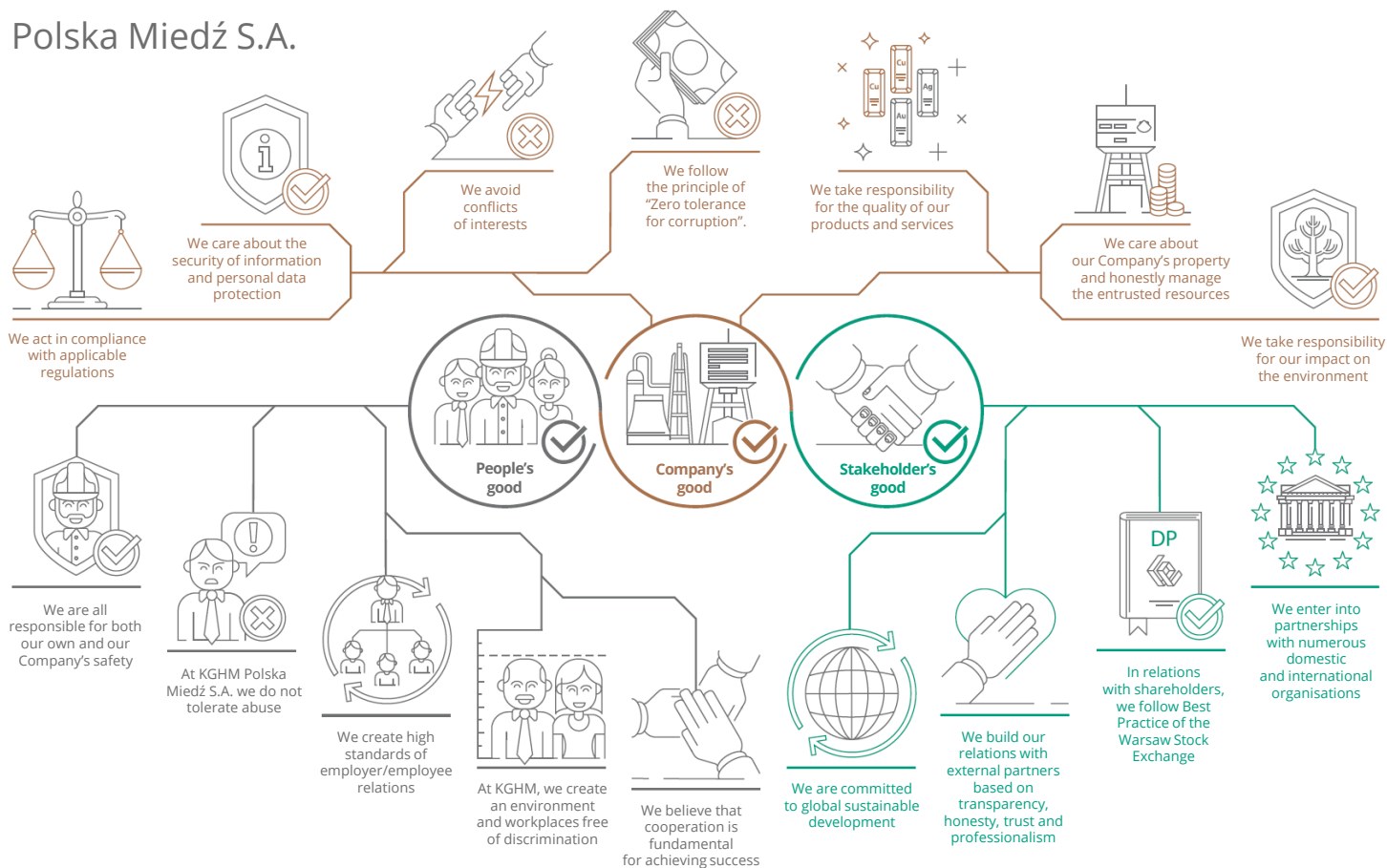
Sustainable value chain

Responsible Supply Chain Policy of the KGHM Group



Ethical Standards

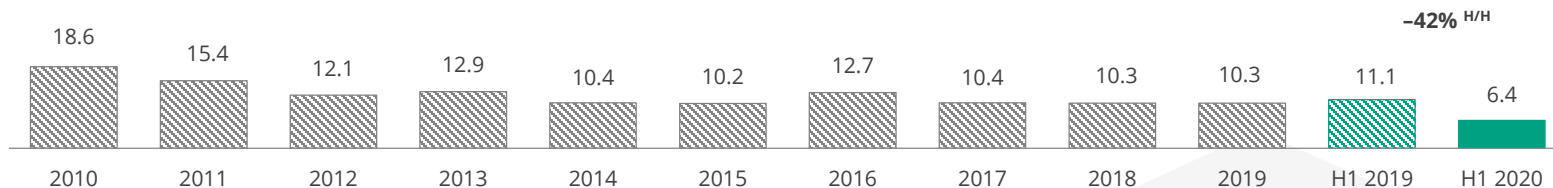
KGHM Polska Miedź S.A.



Safety

Our priority

LTIFR ratio in KGHM Polska Miedź S.A.

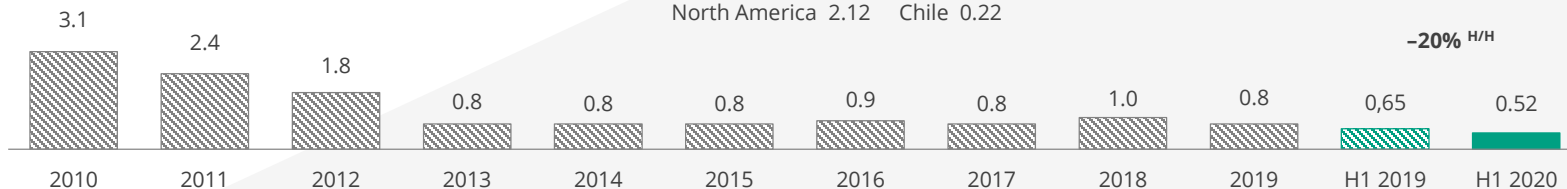


In the first half of 2019 the LTIFR¹⁾ ratio was impacted by a large number of injuries sustained due to natural causes which occurred in January 2019 in the Rudna mine – rock tremors which affected the mines (36 persons injured)

TRIR ratio in KGHM INTERNATIONAL LTD.

H1 2020:

North America 2.12 Chile 0.22



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

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