

60 YEARS
KGHM



THE FUTURE IS MADE
OF COPPER



Results of the KGHM Group for the first half of 2021

Lubin, 17-18 August 2021

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Agenda



1. Responsible production –
KGHM's metallurgical plants
with the Copper Mark certificate



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.

We produce copper responsibly

Achievements in 2021:



- The Głogów and Legnica smelter/refineries were certified by **The Copper Mark** – an international program providing a credible assurance framework to promote responsible production practices
- Expanded environmental reporting through the **CDP Climate Change** questionnaire, now including GHG¹⁾ Scope 3 emissions and climate risks – further data to be added following publication of the Climate Policy

Underway:



- Intensive work commenced on the **KGHM Climate Policy** which will comprise among others GHG reduction targets

Based on analyses carried out for the purposes of the Climate Policy, further means to improve the management of emissions and their reduction will be identified

The granting of The Copper Mark, participation in the CDP project, continued presence in the FTSE4Good index series and the ongoing work on the Climate Policy are expressions of the Company's sense of accountability for the environment and society.

These endeavours also serve to mobilise and commit us to even greater efforts to reduce our impact on the environment.

It's worth getting vaccinated

We are effectively fighting the spread of the COVID-19 virus and fulfilling the expectations of KGHM's employees and of society



ASSISTANCE

In all of KGHM's Divisions information/registration points were set up to help employees register for vaccinations. Teams of experts also assisted with minor problems and answered questions about the registration system as well as about the details of the vaccination process.

ENCOURAGEMENT

Every vaccinated employee of KGHM Polska Miedz S.A. can take part in a competition with prizes of up to **PLN 10 000**. One simply has to answer the question „What for you was the deciding factor in getting vaccinated against COVID-19?“. The competition will last 12 weeks. Each week has a prize of 30 vouchers of PLN 500 and a cash prize of PLN 5 000. The total amount of prizes to be won is **PLN 250 000**.

VACCINATIONS

Vaccinations directly at the workplace – available both to employees and to citizens of local communities. In cooperation with the local hospital MCZ we have organised local vaccination points where anyone who wishes can be vaccinated against COVID-19 by selecting the particular vaccine desired. Since the end of July more than **660 persons** have taken advantage of this offer.



Employee safety as a strategic priority for the KGHM Group

H1 2021



Safety and development

- **ISO 45001:2018**

Granting of an Occupational Health and Safety Management System Certificate

- **Leader's Gold Card of Workplace Safety**

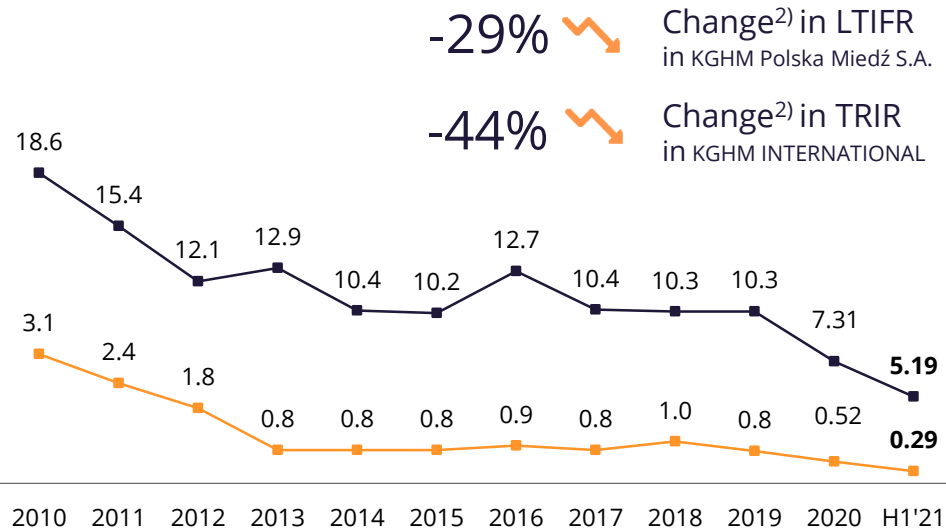
A 19% (h/h) decrease in the number of recognized accidents at work from 95 to 77 registered at the end of H1 2021

- **Historically-low accident ratio**

Thanks to the outstanding behaviour and commitment of all employees

— TRIR in KGHM INTERNATIONAL LTD
 — LTIFR in KGHM Polska Miedź S.A.

Accident ratios¹⁾



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 International Council on Mining & Metals standard, in total for the employees of KGHM INTERNATIONAL LTD., KGHM Chile SpA and Sierra Gorda S.C.M. and sub-contractors for these entities, per 200 000 worked hours

2) Average accident rate for H1 2021 compared to the average for 2020

Macroeconomic situation and execution of main targets

Summation of H1 2021 in the KGHM Group

Main macroeconomic factors and aspects of the Group compared to H1 2020

Macroeconomic environment¹⁾

+65%

Copper price

+59%

Silver price

-6%

Weaker USD vs the PLN

Production and C1 cost

+8.6%

Copper production

-5%

Silver production

+18%

C1 cost

Financial results

+32%

Increase in revenues to
PLN 14 506 mn

+100%

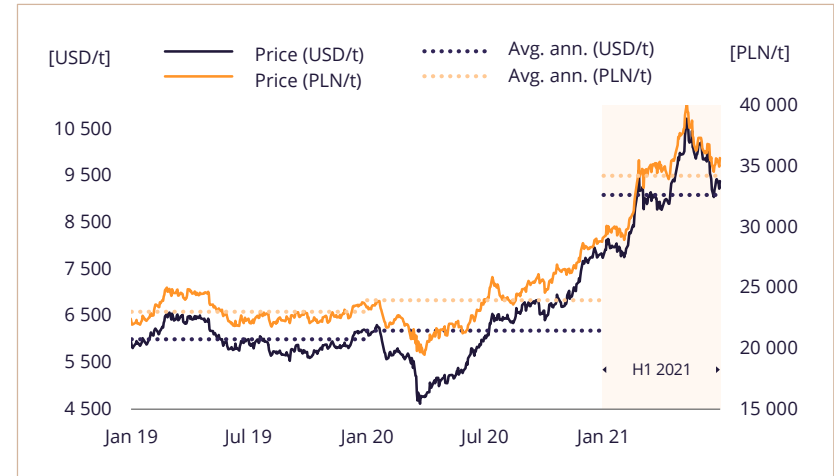
Increase in EBITDA²⁾ to
PLN 5 313 mn

Macroeconomic environment

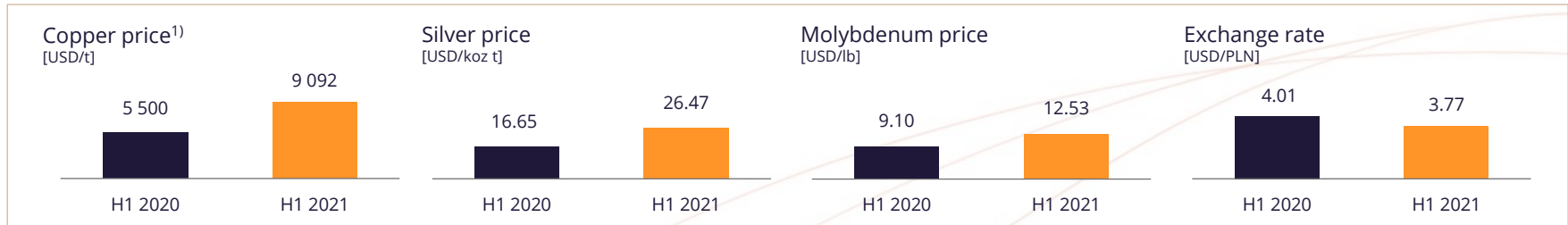
Commodities and currencies prices

Copper prices reached a historic daily fixing maximum on 10 May of 10 724.5 USD/t. The average copper price amounted to over 9 000 USD/t.

- The average price of copper in the first half of 2021 was higher by 65%, and molybdenum by nearly 38% compared to the comparable period of 2020
- The average price of silver in the first half of 2021 was 59% higher than in the first half of 2020
- The average price of copper in PLN was nearly 56% higher than in the first half of 2020, while the impact of the USD-denominated copper price increase was offset by the appreciation of the USD/PLN exchange rate (a decrease by -6% y/y)



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

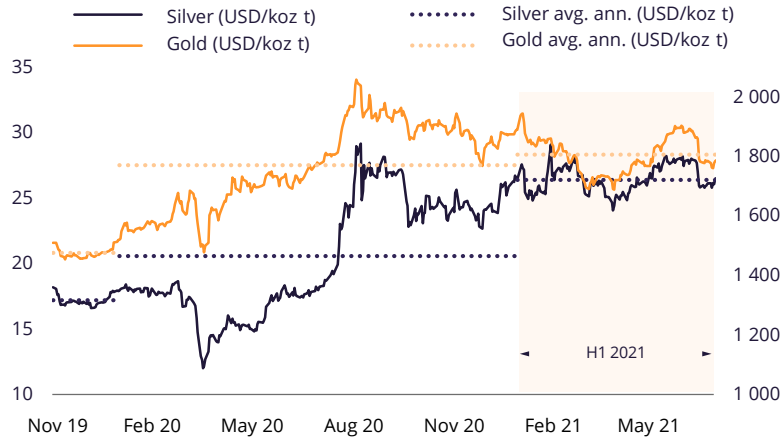


1) The average *cash settlement* price of copper

Precious metals prices in H1 2021

The first half of 2021 was a calm time for these metals compared to the price volatility of 2020

Silver in H1 2021 remained stably above 25 USD/koz t



After the volatility of 2020 the gold/silver ratio fell below the long term average



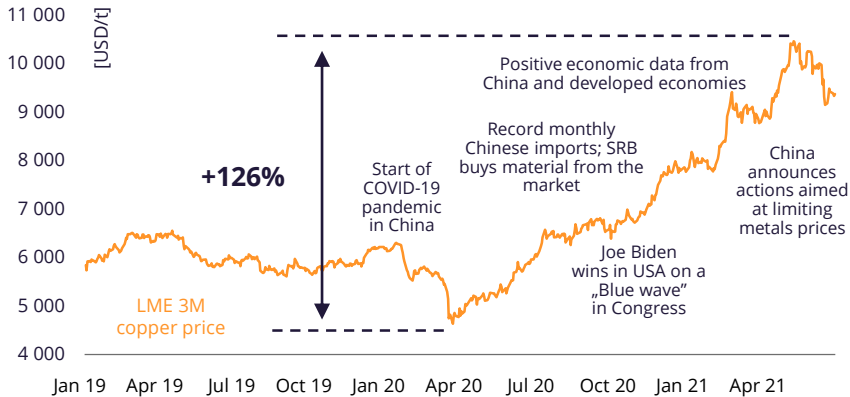
Source: Bloomberg, KGHM Polska Miedź

- The price of gold found support around 1 700 USD/koz t, and following a bounce from this level returned to around 1 800 USD/koz t. Silver similarly in the first half of 2021 found support at 24 USD/koz t, after which it remained at approx. 26 USD/koz t.
- The important gold/silver ratio – indicating the over-valuation or under-valuation of gold to silver – after reaching record levels in the first half of 2020, decreased and remains below its 5-year average
- In the first half of 2021 institutional demand for silver, mainly seen in the inflow of funds to ETFs, was lower than private demand, expressed in the demand for silver coinage in the form of *Silver Eagles*, which appreciated by 67.6% y/y

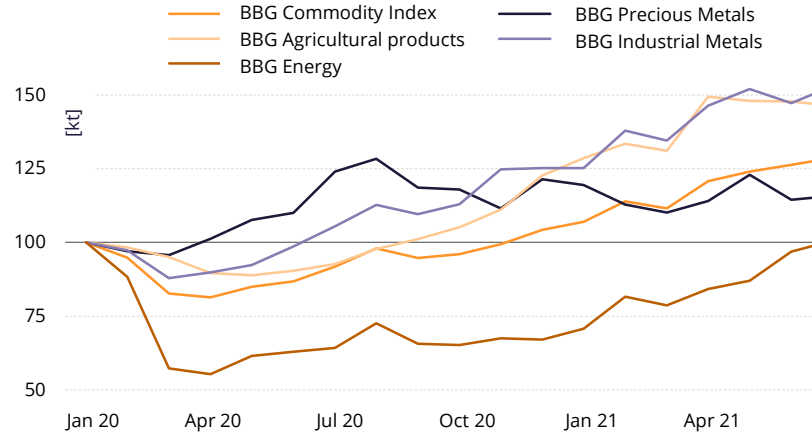
Copper prices more than double that of the minimum in spring 2020

Commodities price index already 25% higher than prior to the pandemic

Over the course of 12 months the copper price rose by 126% and reached a historic maximum on 10 May



The industrial metals price index has risen by more than 50% since the start of 2020



Source: Bloomberg, KGHM Polska Miedź

- In Q1 2020, as a result of the collapse caused by the COVID-19 pandemic, prices reached a multi-year minimum
- The victory of Joe Biden and the Democrats in the USA in Q4 2020 and purchases of the metal by China's Strategic Reserves Agency supported the rise in copper prices
- The creation of effective vaccines against the coronavirus and the start of vaccination campaigns at the end of 2020 gave an additional impulse to the red metal

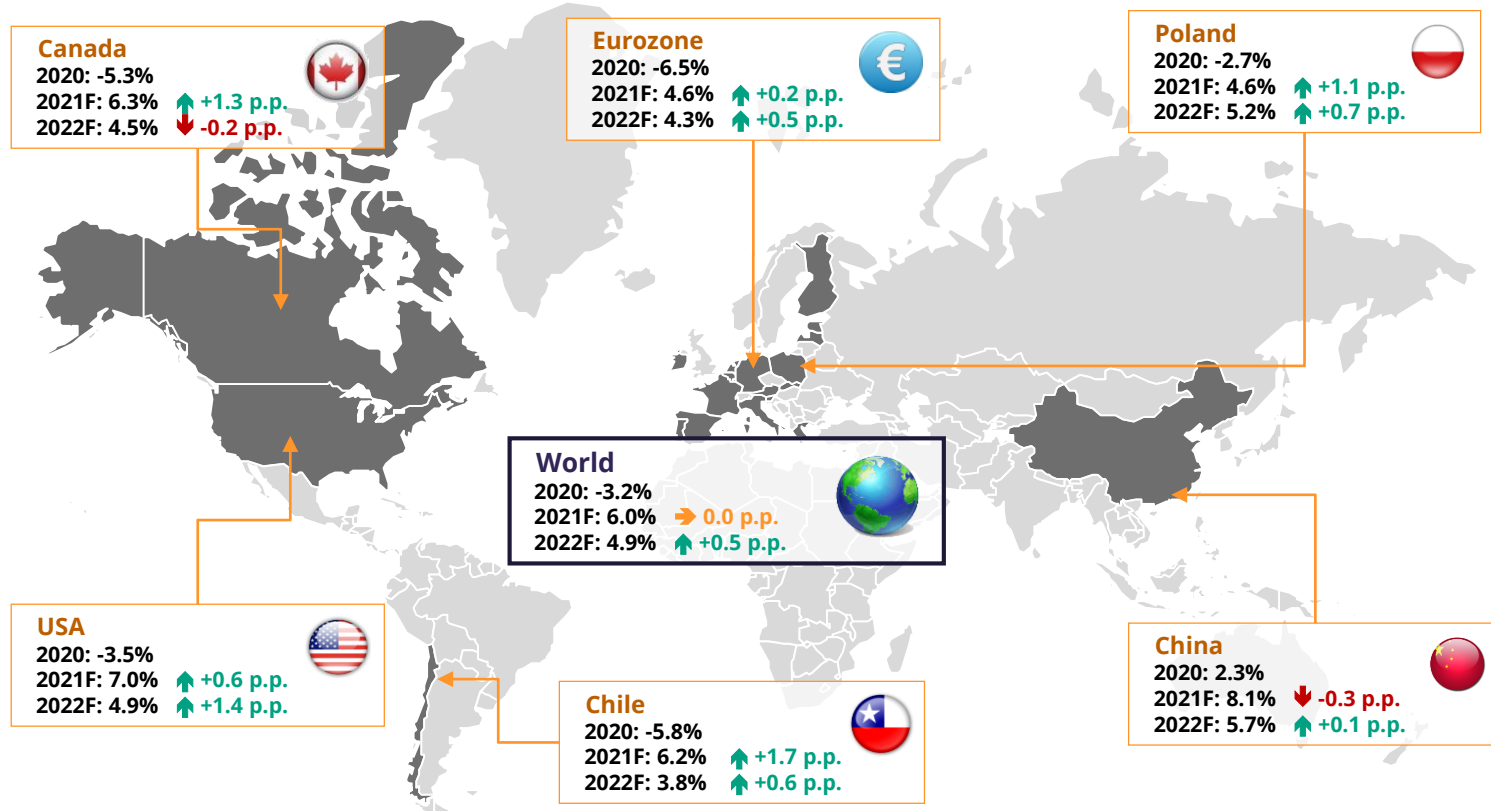
- The Bloomberg commodities prices index at the end of June 2021 reached its highest level in nearly 8 years
- Most commodities price indices made up the losses incurred during the pandemic by the end of the first half of 2021
- Because of the fall in the price of crude oil, the largest losses were incurred by the Energy index (up to -50%), but it also returned to the level from the start of 2020

Higher economic activity in H1 2021 especially in the eurozone

Industrial PMI in the USA and Europe rose above 60. Average Industrial PMI in the eurozone was 63.4. In China meanwhile forward indicators fell slightly in June.

	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	Oct-20	Nov-20	Dec-20	Jan-21	Feb-21	Mar-21	Apr-21	May-21	Jun-21	Jul-21	
USA (ISM)	59.5	58.3	58.7	54.8	55.7	54.2	55.3	53.6	52.2	51.3	51.0	48.4	48.3	48.3	48.2	47.7	51.1	50.3	49.7	41.7	43.1	52.2	53.7	55.6	55.7	58.8	57.7	60.5	58.7	60.8	64.7	60.7	61.2	60.6	59.5	
USA (PMI)	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	56.7	57.1	59.2	58.6	59.1	60.5	62.1	62.1	63.4	
Canada	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	55.8	57.9	54.4	54.8	58.5	57.2	57.0	56.5	56.2	
Mexico	51.7	50.7	49.7	49.7	50.9	52.6	49.8	50.1	50.0	49.2	49.8	49.0	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	43.7	42.4	43.0	44.2	45.6	48.4	47.6	48.8	49.6		
Brazil	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	64.7	64.9	66.7	64.0	61.5	56.5	58.4	52.8	52.3	53.7	56.4	56.7	
Eurozone	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	53.8	55.2	54.8	57.9	62.5	62.9	63.1	63.4	62.8	
Germany	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	57.8	58.3	57.1	60.7	66.6	66.2	64.4	65.1	65.9	
France	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	49.6	51.1	51.6	56.1	59.3	58.9	59.4	59.0	58.0	
Italy	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	51.5	52.8	55.1	56.9	59.8	60.7	62.3	62.2	60.3	
Spain	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	49.8	51.0	49.3	52.9	56.9	57.7	59.4	60.4	59.0	
Netherlands	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	54.4	58.2	58.8	59.6	64.7	67.2	69.4	68.8	67.4	
Austria	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	51.7	53.5	54.2	58.3	63.4	64.7	66.4	67.0	63.9	
Ireland	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	52.3	50.0	50.3	52.2	57.2	51.8	52.0	57.1	60.8	64.1	64.0	63.3	
UK	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	55.6	57.5	54.1	55.1	58.9	60.9	65.6	63.9	60.4	
Greece	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	42.3	46.5	50.0	49.4	51.8	54.4	58.0	58.6	57.4	
Poland	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	50.8	51.7	51.9	53.4	54.3	57.3	57.2	59.4	57.6	
Czech Rep.	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	44.9	45.0	43.3	43.6	45.2	46.5	41.3	35.1	39.6	44.9	47.0	49.1	50.7	51.9	53.9	57.0	57.0	56.5	58.0	58.9	61.8	62.7	62.0
Turkey	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	51.4	50.8	54.4	51.7	52.6	50.4	49.3	51.3	54.0	
Russia	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	46.3	49.7	50.9	51.5	51.1	50.4	51.9	49.2	47.5	
Asia	51.3	51.1	51.0	50.6	50.4	50.1	50.6	50.4	50.2	49.8	50.0	49.7	49.9	49.3	50.0	50.5	50.9	43.7	50.0	42.0	42.6	47.4	48.7	50.6	51.7	52.4	52.5	52.7	52.6	52.4	53.0	52.9	51.8	50.8	51.0	
China (Caixin)	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	53.1	53.0	53.6	54.9	53.0	51.5	50.9	50.6	51.9	52.0	51.3	50.3	
China	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	51.4	52.1	51.9	51.3	50.6	51.9	51.1	51.0	50.9	50.4	
Japan	52.5	52.9	52.2	52.6	50.3	48.9	49.2	50.2	49.8	49.3	49.4	49.4	49.3	48.9	48.4	48.8	48.8	47.8	44.8	41.9	38.4	40.1	45.2	47.2	47.7	48.7	49.0	50.0	49.8	51.4	52.7	53.6	53.0	52.4	53.0	
India	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	52.0	56.8	58.9	56.3	56.4	57.7	57.5	55.4	55.5	50.8	48.1	55.3	
Indonesia	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	50.8	47.2	47.8	50.6	51.3	52.2	50.9	53.2	54.6	55.3	53.5	40.1	
Malaysia	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	48.5	48.4	49.1	48.9	47.7	49.9	53.9	51.3	39.9	40.1	
Taiwan	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	55.2	55.1	56.9	59.4	60.2	60.4	60.8	62.4	62.0	57.6	59.7	
Thailand	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	50.7	52.3	48.5	47.2	49.2	49.7	46.4	48.9	48.0	
South Korea	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	52.9	52.9	53.2	55.3	55.3	54.6	53.7	53.9	53.0	

Economic growth forecast of the IMF from July 2021



Key production indicators

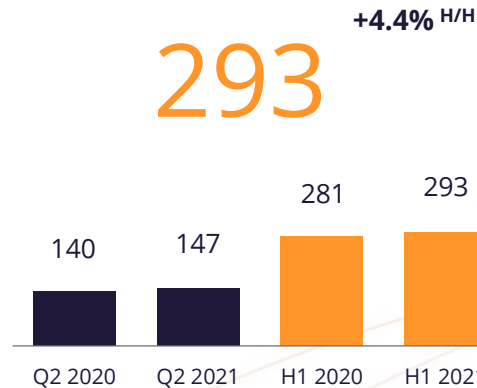
H1 2021

Payable copper production
by the KGHM Group
higher by 8.6% (h/h)

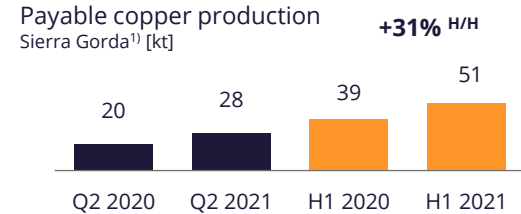
381 +8.6% H/H
[kt]

- KGHM Polska Miedź:
higher production from
purchased copper-bearing
materials due to higher
availability of production lines
- Sierra Gorda:
higher recovery and higher
copper content in ore
- KGHM INTERNATIONAL:
higher production by the
Robinson mine

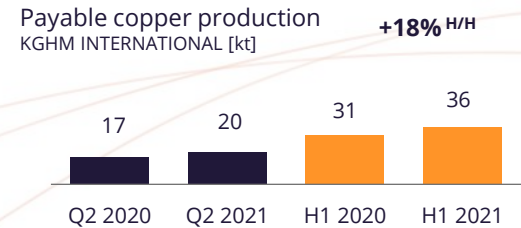
Payable copper production
KGHM Polska Miedź [kt]



Payable copper production
Sierra Gorda¹⁾ [kt]



Payable copper production
KGHM INTERNATIONAL [kt]



Key financial indicators

H1 2021

Doubled adjusted EBITDA for the KGHM Group compared to H1 2020

Higher adjusted EBITDA compared to H1 2020 (+PLN 2 662 mn; +100%), of which by segment:

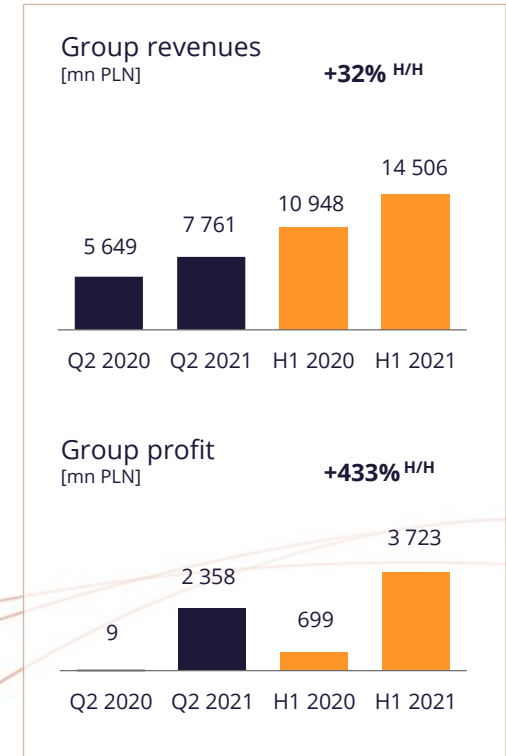
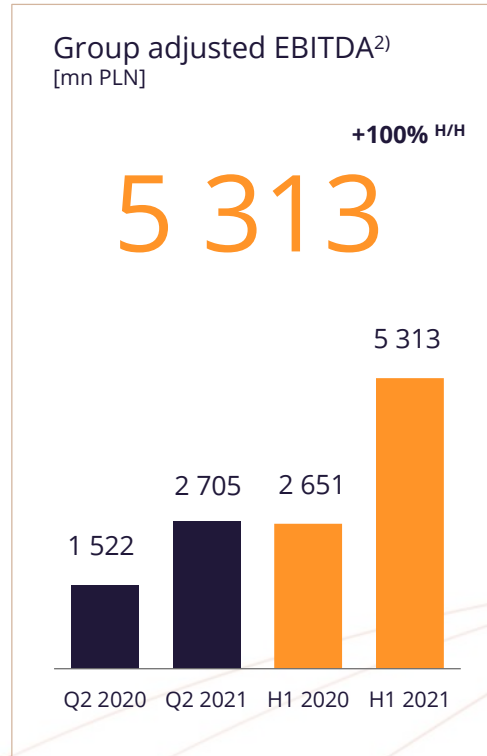
- KGHM Polska Miedź +1 226 mn PLN – higher copper prices
- Sierra Gorda¹⁾ +PLN 1050 mn – mainly higher revenues from copper sales due to higher prices and a higher sales volume
- KGHM INTERNATIONAL +PLN 371 mn – higher copper prices and lower basic operating costs, excluding depreciation/amortisation

Higher Group revenues

- Impact of higher metals prices

Higher Group profit for the period

- Improvement in EBITDA and reversal of impairment on loans aided in achieving a profit higher by PLN 3 024 mn (5.3-times) than in H1 2020

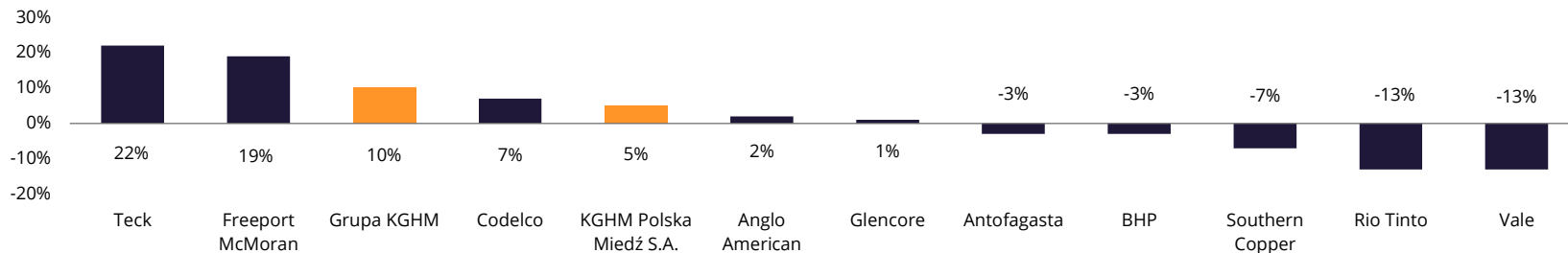


1) On a 55% basis

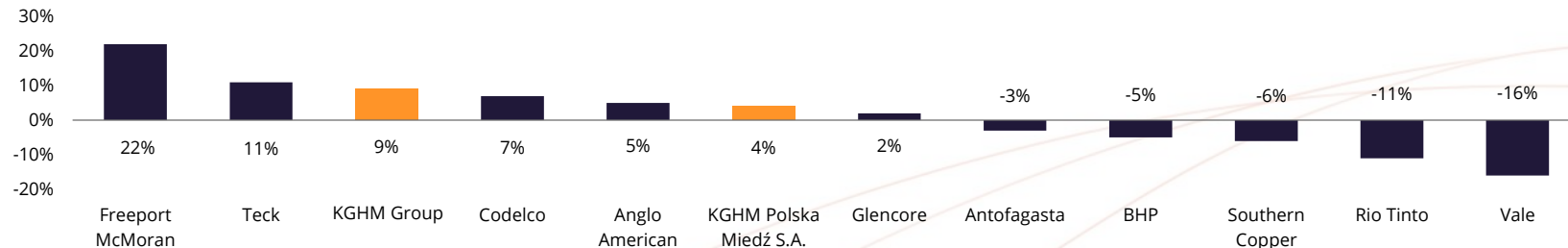
2) Sum of segments; adjusted EBITDA = profit/loss on sales + depreciation/amortisation adjusted by impairment losses/reversals of impairment losses on non-current assets

The production of miners in H1 2021

Copper production by miners, Q2 2021 vs Q2 2020



Copper production by miners, H1 2021 vs H1 2020



The financial situation of the KGHM Group remains stable and safe

2021
Budget

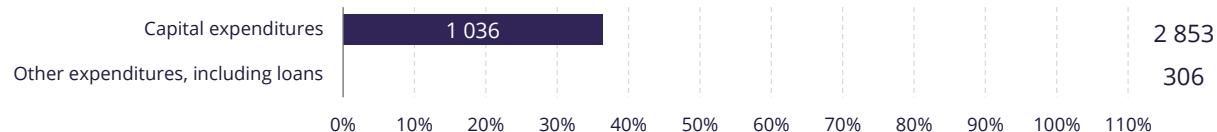
Total unit production cost

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



Investments

of KGHM Polska Miedź S.A.²⁾
[mn PLN]



Liquidity of the KGHM Group

[net debt / adjusted EBITDA]³⁾

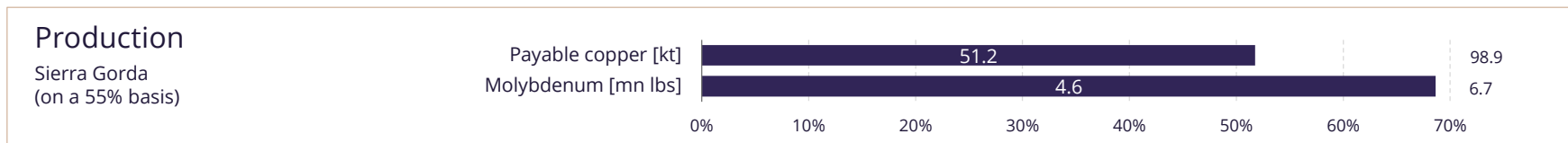
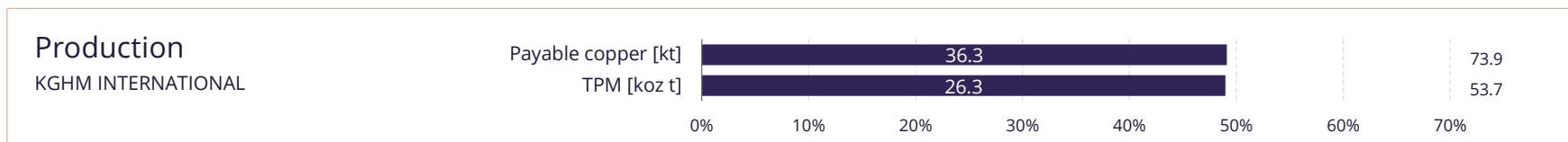
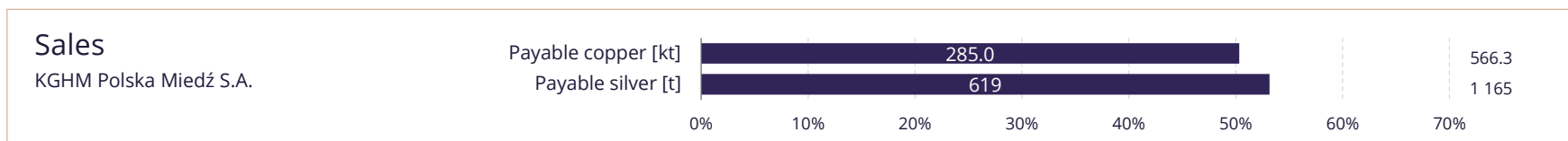
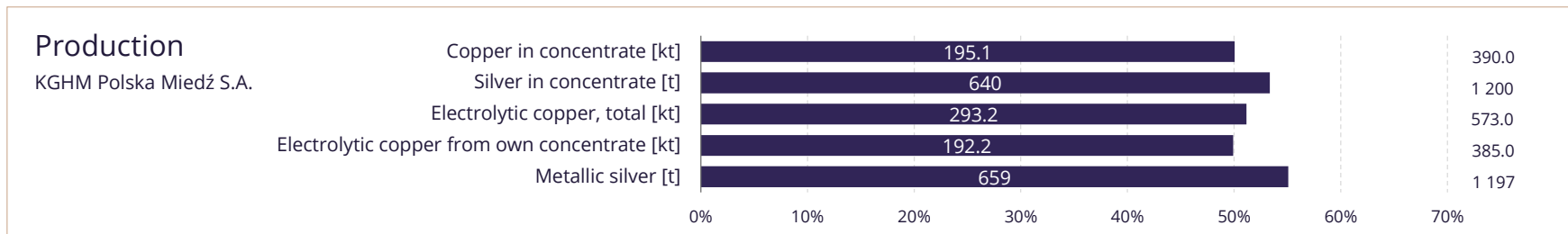


- 1) Sum of costs of extraction, floatation and metallurgical processing per cathode, together with support functions and cathode selling costs, adjusted by the value of inventories of half-finished products and work in progress, less the value of anode slimes and divided by the volume of electrolytic copper production from own concentrates
- 2) Capital expenditures – excluding costs of borrowing, leasing per IFRS 16 unrelated with an investment project and development work – uncompleted; Other expenditures – acquisition of shares and investment certificates of subsidiaries and associates and loans granted
- 3) Adjusted EBITDA for 12 months, to the end of the reporting period, excluding EBITDA of the joint venture Sierra Gorda S.C.M.
- 4) Level of net debt/EBITDA ≤ 2 related to the Financial Liquidity Policy adopted by the Company and is not part of the budget assumptions of KGHM for 2021

Group production and sales in H1 2021

Execution of annual targets

2021
Budget

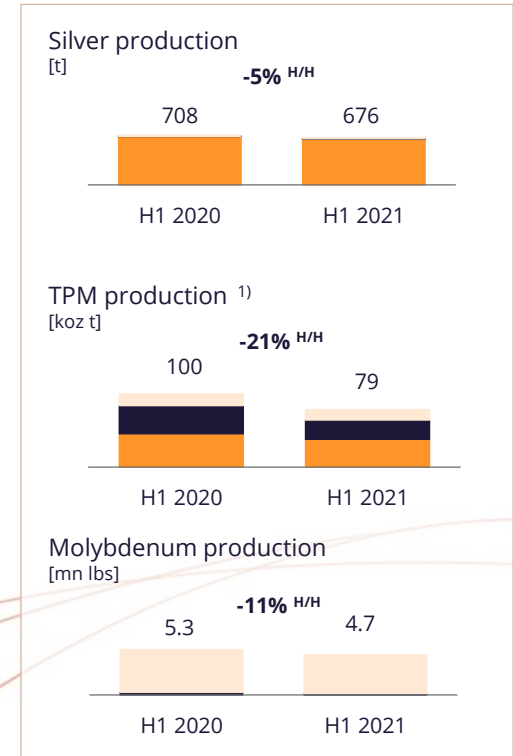
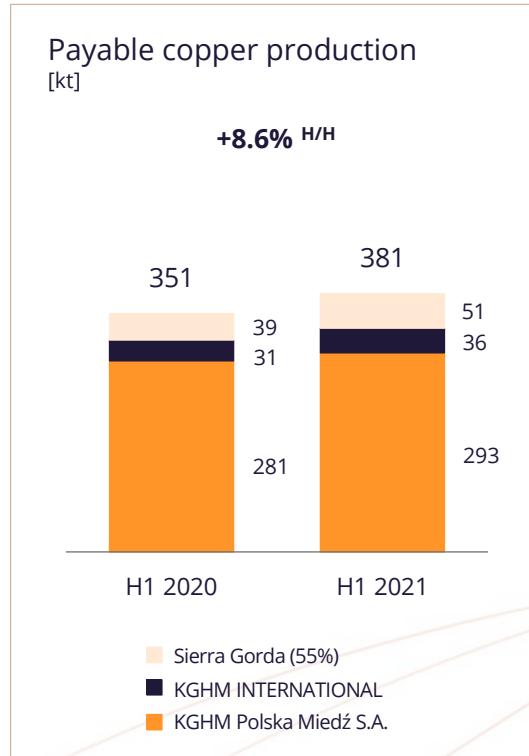


Production results of the KGHM Group by segment

Metals production

KGHM Group

- Higher production:
 - by KGHM Polska Miedź due to higher production from purchased copper-bearing materials
 - by KGHM INTERNATIONAL due mainly to higher production by the Robinson mine
 - by the Sierra Gorda mine due to higher recovery and higher copper content in ore
- Lower production of silver by KGHM Polska Miedź due to the lower availability of purchased silver-bearing materials
- Lower production of TPM by KGHM Polska Miedź, the Sudbury Basin and Sierra Gorda
- Lower production of molybdenum by Sierra Gorda (lower molybdenum content in ore, which was not offset by higher recovery) and by the Robinson mine (mining of ore with a lower molybdenum grade and lower recovery)

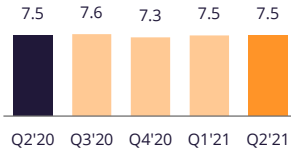
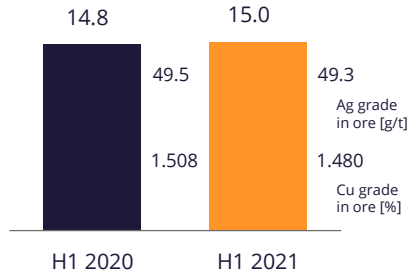


Production results

KGHM Polska Miedź S.A.

Ore extraction
[mn t dry weight]

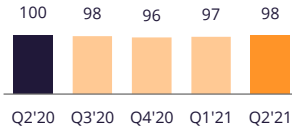
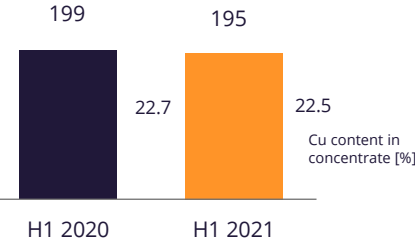
+1.4% H/H



- Ore extraction results from areas selected for mining

Production of copper
in concentrate [kt]

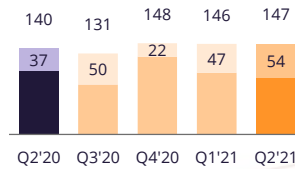
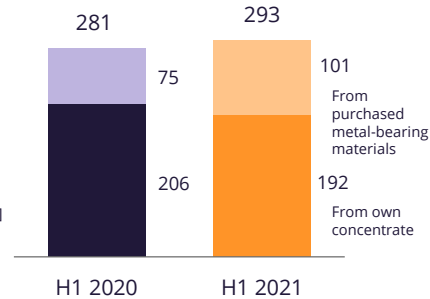
-1.9% H/H



- Production of copper in concentrate resulting from volume of production and copper content

Electrolytic copper
production [kt]

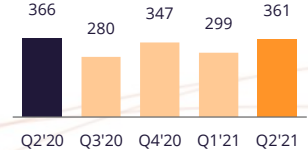
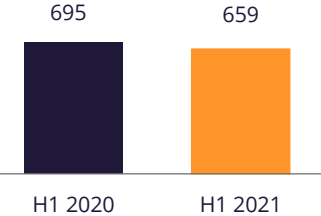
+4.4% H/H



- Higher production of electrolytic copper due to higher availability of production lines

Metallic silver
production [t]

-5.1% H/H

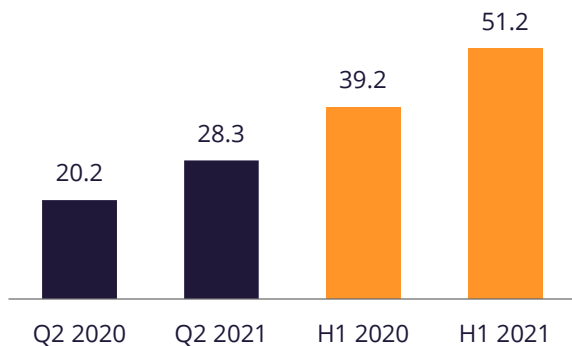


- Lower production due to the lower availability of purchased silver-bearing materials

Production results

Sierra Gorda¹⁾

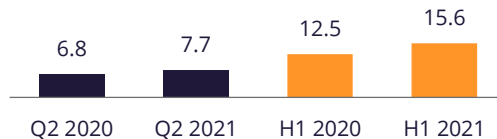
Payable copper production [kt] **+30% H/H**



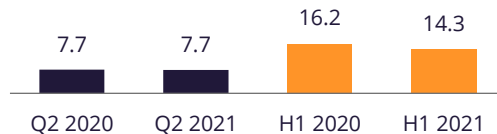
Higher copper production in H1 2021 versus H1 2020

- Higher copper production in H1 2021 versus H1 2020 thanks to higher copper content in mined ore and higher metal recovery

Silver production [t] **+25% H/H**



TPM production [koz t] **-12% H/H**



Molybdenum production [mn lbs] **-8% H/H**

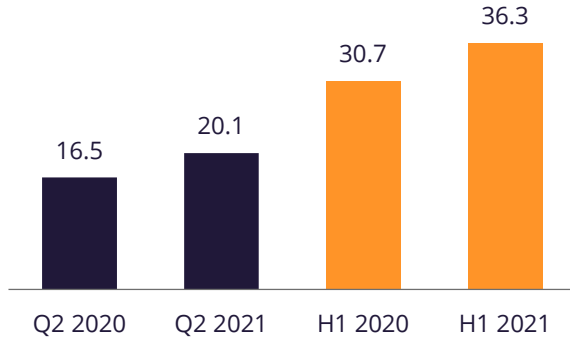


- Higher silver production in H1 2021 versus H1 2020 due to higher silver content in mined ore
- Lower TPM production in H1 2021 versus H1 2020 due to lower precious metals content in mined ore
- Lower molybdenum production due to extraction in areas with lower molybdenum content

Production results

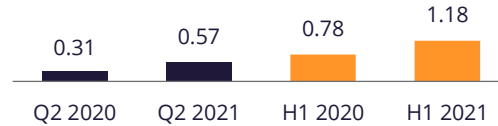
KGHM INTERNATIONAL

Payable copper production [kt] **+18% H/H**

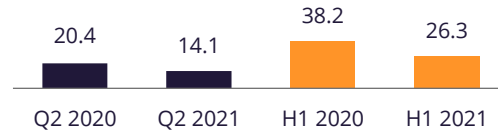


- Higher production due to increase by the Robinson mine (mining of higher-grade ore and higher recovery)

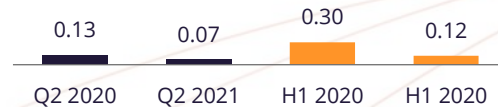
Silver production [t] **+51% H/H**



TPM production [koz t] **-31% H/H**



Molybdenum production [mn lbs] **-59% H/H**

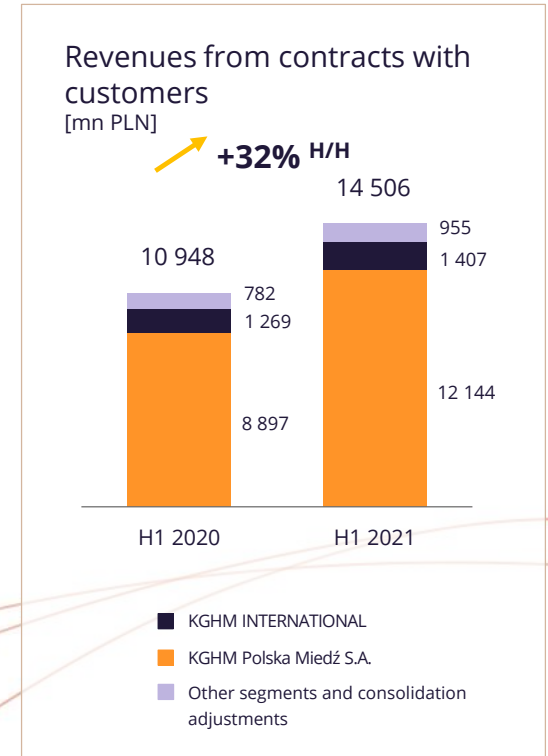
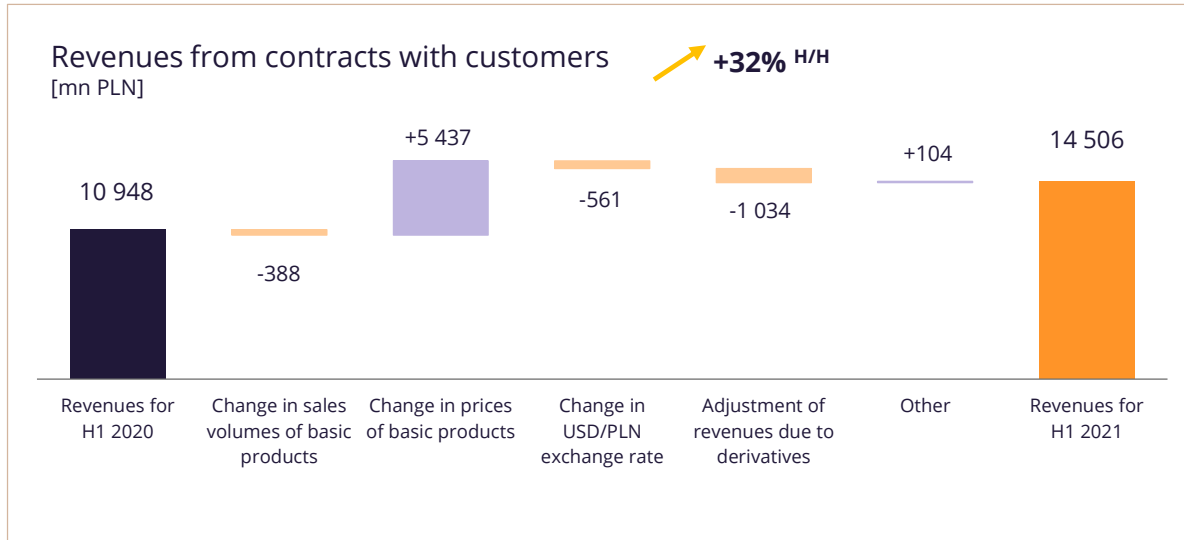


- Higher silver production by the Sudbury Basin due to higher silver content in ore
- Higher gold production by the Robinson mine (higher recovery) did not offset lower TPM production by the Sudbury Basin (lower extraction, lower TPM content in ore)
- Lower molybdenum production by the Robinson mine due to extraction in areas with lower molybdenum content and lower recovery

Financial results of the Group

Group sales revenue

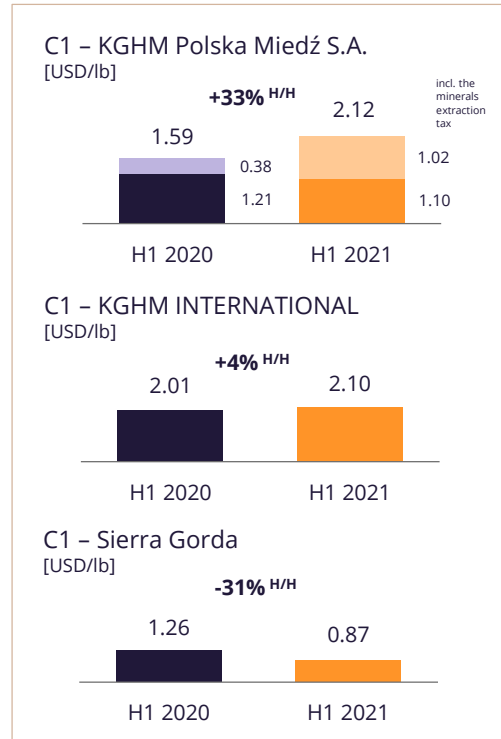
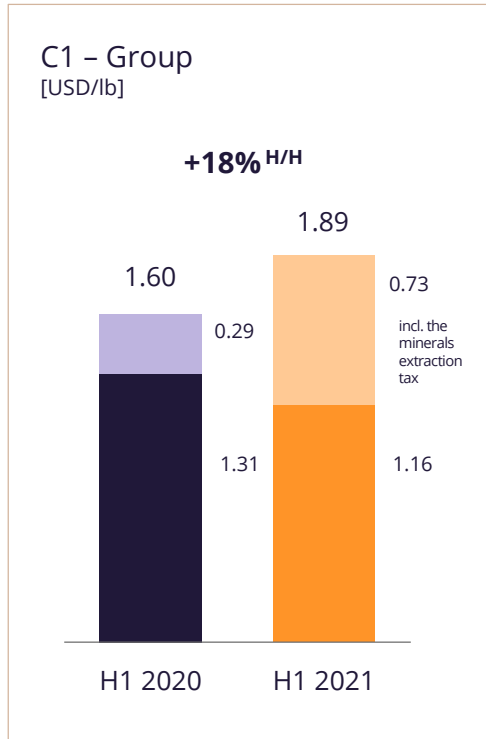
H1 2021



- Higher revenues by PLN 3 558 million (+32%) versus H1 2020 due to higher prices for basic products, partially offset by an adjustment of revenues due to derivatives, a lower sales volume and a less favourable USD/PLN exchange rate

C1 unit cost¹⁾

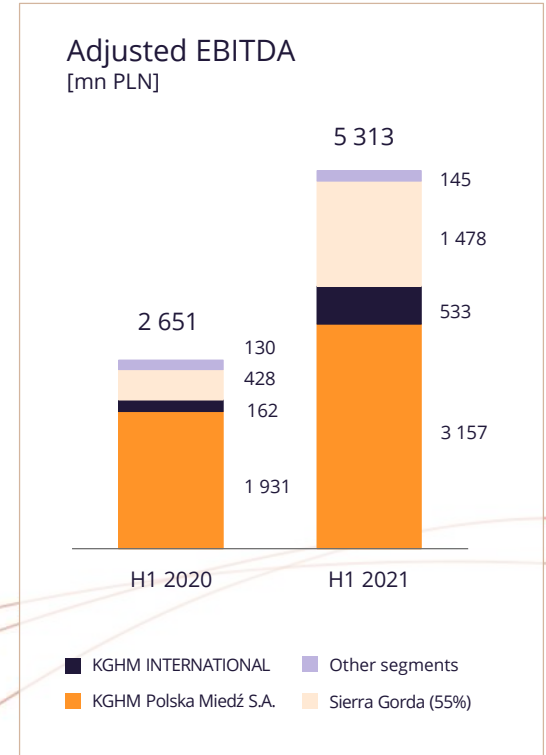
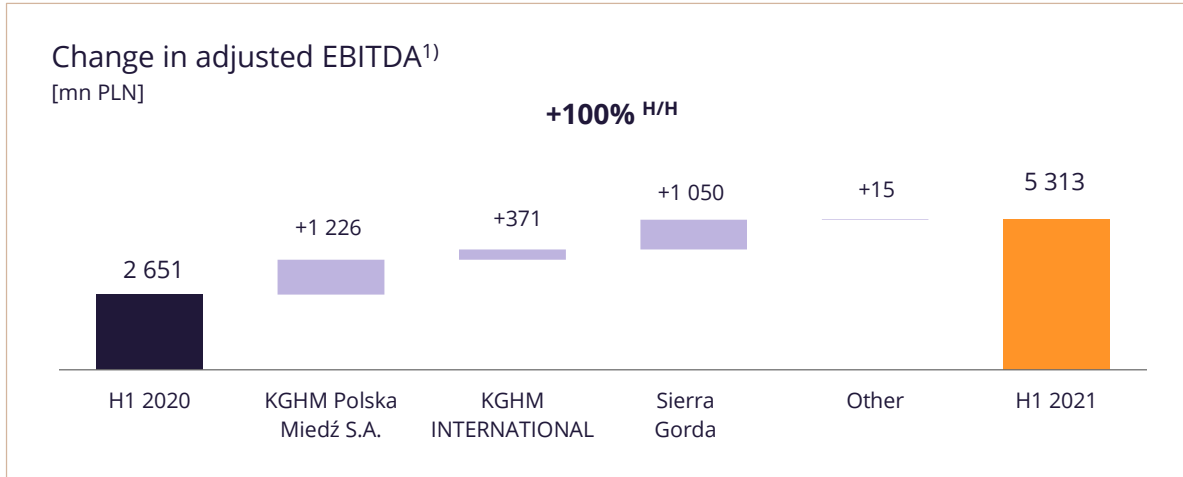
KGHM Group



- The increase in C1 cost in KGHM Polska Miedź by 33% versus H1 2020 was mainly due to an increase in the minerals extraction tax charge (C1 excluding this tax was lower by 9% mainly due to higher valuation of by-products, i.e. silver and gold)
- The increase in C1 by 4% in KGHM INTERNATIONAL versus H1 2020 was due to a lower copper sales volume and lower revenues from sales of associated metals
- The decrease in C1 cost in Sierra Gorda by 31% compared to the prior year was due to higher revenues from sales of associated metals as well as higher production and sales of copper

Operating results

KGHM Group



Higher adjusted EBITDA versus H1 2020 by PLN 2 662 million due to higher adjusted EBITDA by the following segments:

- KGHM Polska Miedź S.A. (+PLN 1 226 million)
- Sierra Gorda (+PLN 1 050 million)
- KGHM INTERNATIONAL (+PLN 371 million)

Financial results

KGHM Group

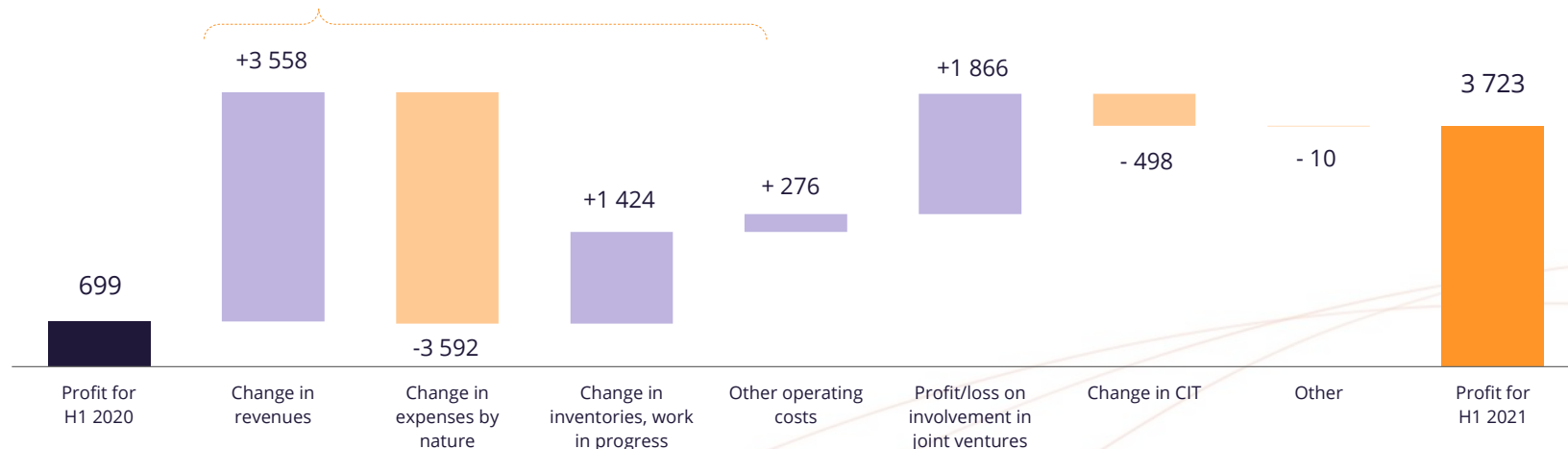
Profit for the period **+433% H/H**
[mn PLN]

3 723
[million PLN]

consolidated net profit for H1 2021

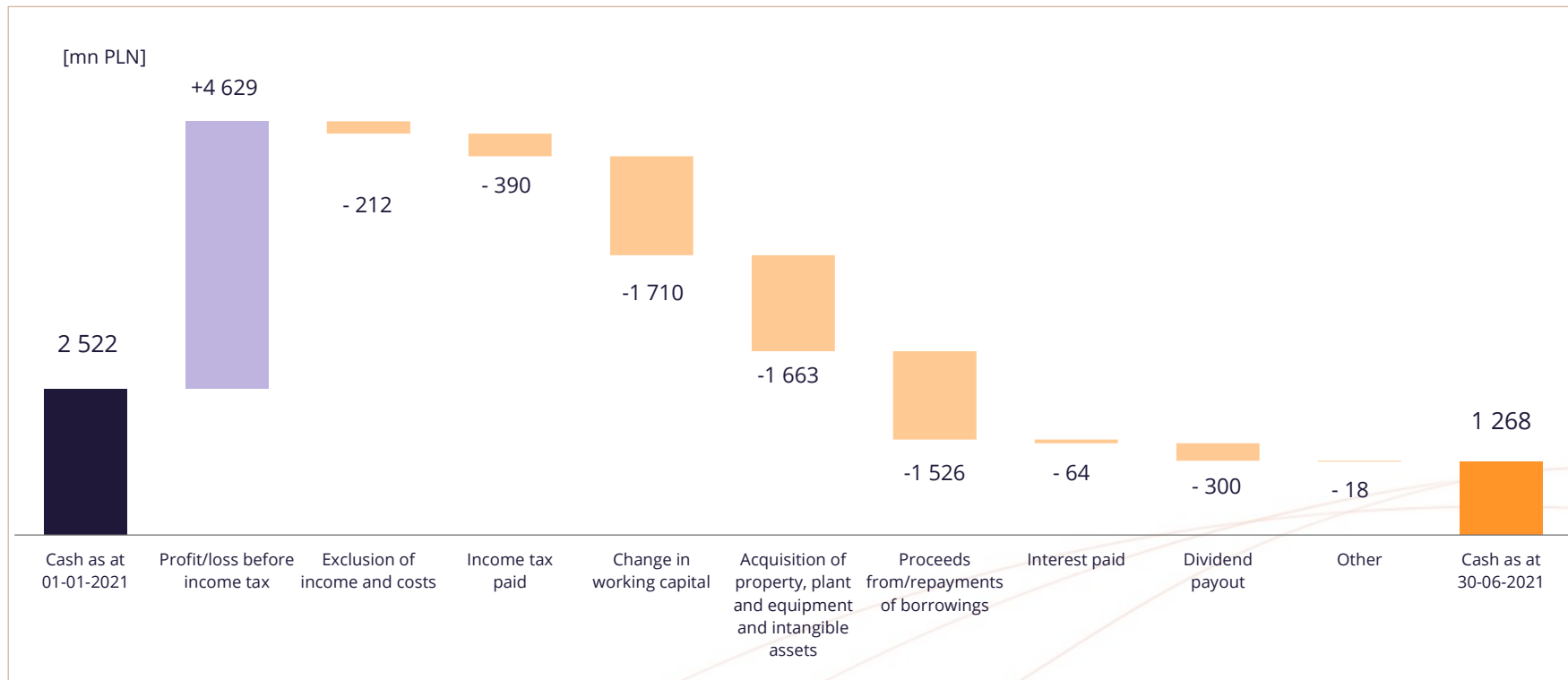
Higher Group profit by PLN 3 024 million (5.3-times) mainly due to an improved net result on sales with a higher CIT

Higher net result on sales by
PLN 1 666 mln



Cash flow

KGHM Group



Advancement of development initiatives

A rationale and responsible investment program

Capital expenditures by KGHM Polska Miedź S.A. in H1 2021



1 036 mn PLN

CAPEX execution in H1 2021

2 853 mn PLN

CAPEX target for 2021

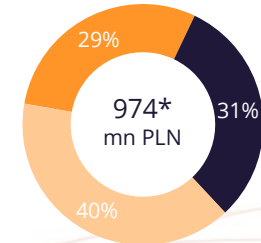
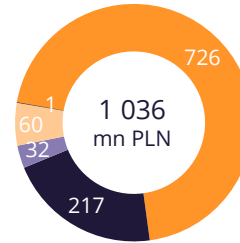
CAPEX execution in H1 2021

by area

- Mining
- Metallurgy
- Other activities
- Leasing IFRS 16
- Development - uncompleted

by category

- Replacement
- Maintaining mine production
- Development



*excl. Leasing per IFRS 16

Comparison: CAPEX and budget execution in H1 2020

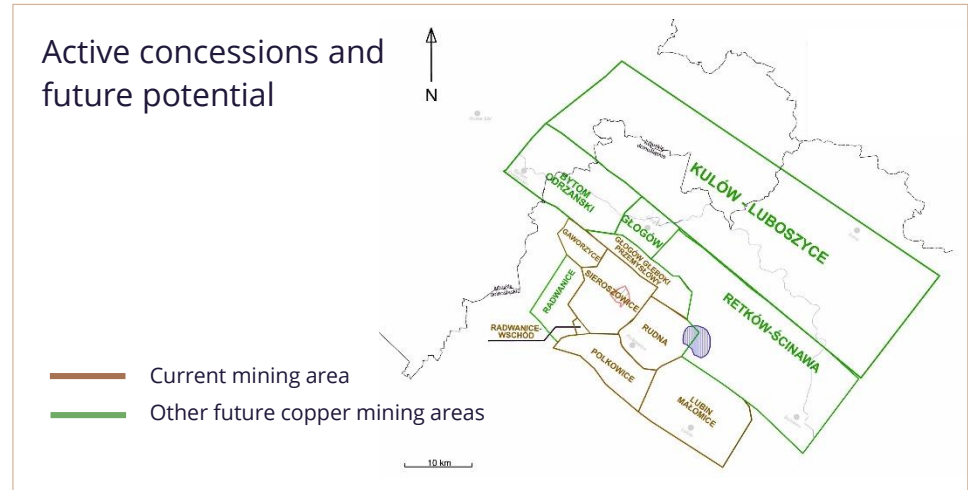
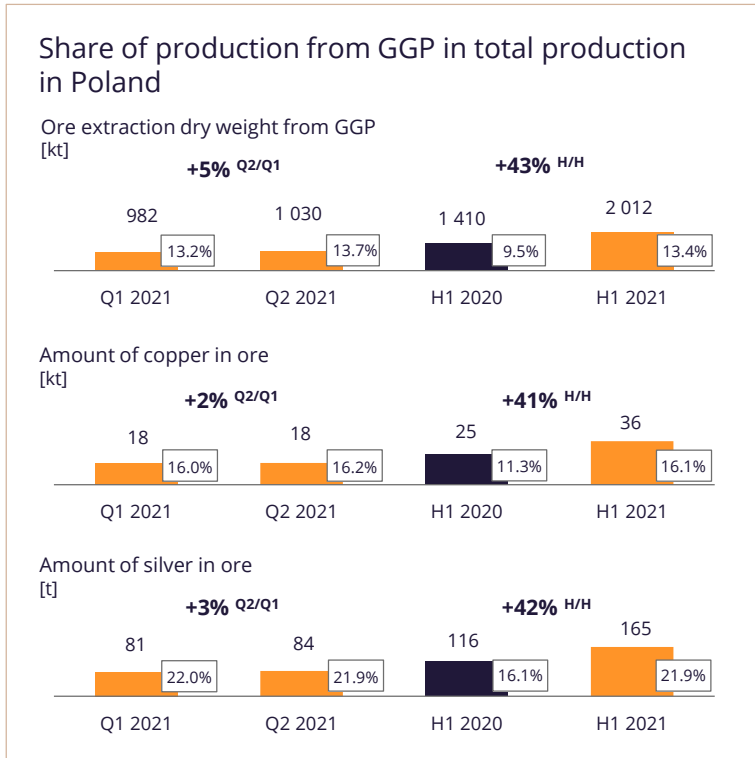


1 025 mn PLN
CAPEX execution in H1 2020

2 250 mn PLN
CAPEX budget target for 2020

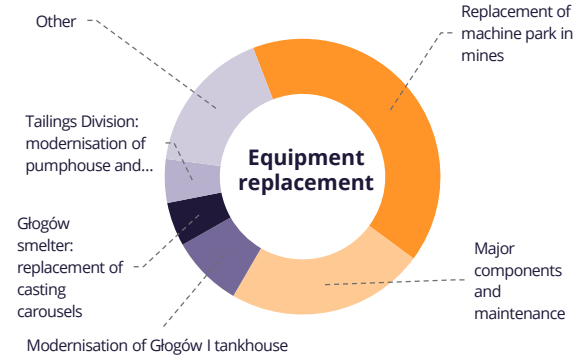
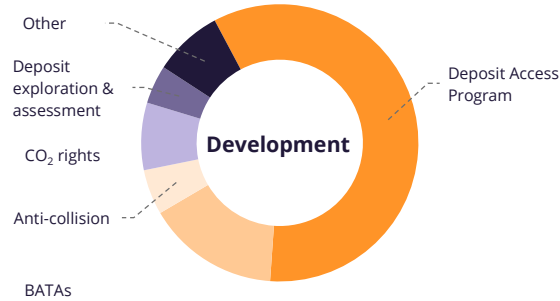
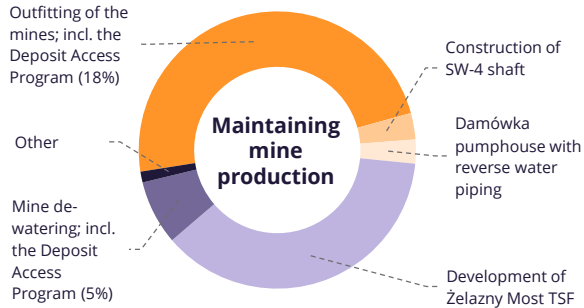
Role of Deep Głogów (GGP) in maintaining output in Poland

Deposit access program in KGHM's concessioned areas



- The increase in ore extraction (+43%), as well as copper content (+41%), H1 2021 versus H1 2020 in the GGP area was due to a higher amount of development work in H1 2021 compared to H1 2020, as well as to the substantially higher share of development work in the orebody than in barren rock
- Planned start, pursuant to the concessions held, exploration work (searching for and assessing deposits) in the Bytom Odrzański area, as well as exploration of the Kulów-Luboszyce area

CAPEX execution in key projects



Development of Żelazny Most Tailings Storage Facility

- Completion of Stage 1 of construction of the Southern Quarter, operating permit obtained
- Work continues on building the Southern Quarter: 93% completed (89% of Stage 2, 83% of Stage 3)
- Continuation of work on the Tailings Segregation and Thickening Station – in total 72% (97% of Stage 1, 40% of Stage 2)

Deposit Access Program

- GG-1 shaft – sunk to 1231.2 meters
- GG-2 „Odra” shaft – spatial plan published; land purchased; procedures started on sinking drillholes for the shaft;
- 22.4 km of tunneling completed
- Central Air Cooling System – work on building the cooling building (99%), power building (99%), installation-assembly work (98%) and work on building the first part of surface piping (99%)

Program to adapt the technological installations to BAT Conclusions

- At the Głogów metallurgical plant, the installation for the transport of de-leaded slag was settled and brought on-line along with a warehouse and storage area for lead-bearing materials; in other projects intensive construction and assembly work is underway, operations commenced

Modernisation of Głogów I Tankhouse

- Assembly of new roof undercarriage – 12 stages completed, with 2 close to completion (over 90%) on a further 2 stages over 60% completed
- Work underway on tankhouse walls (disassembly of old tiles, cleaning/painting of walls, assembly of new windows and sidewall tiling) – over 80% completed on 20 stages
- Other work on the entire facility: deliveries 99%, other work on the entire facility 71%
- Fire safety – R01 documentation delivered to the Division, completion of deliveries by the Contractor

Energy Development Program, including RES

Actions in 2021



Development of renewable Energy sources

- Further permits are in the process of being obtained and design work is underway on the Obora Sandpit and HM Głogów I-III¹⁾ PV sites
- An analysis of the connection possibilities for the EPV HM Głogów I-III site was prepared
- Work commenced on developing a PV plant at the Cedynia Wire Rod Plant
- Analysis is underway on the possibility of land already owned in terms of developing PV plants
- The Company actively expressed its opinions as regards municipal plans and studies
- A structure was prepared in terms of acquiring external energy generation sources
- The possibility of acquiring 4 external sources is currently being reviewed at the preliminary stage



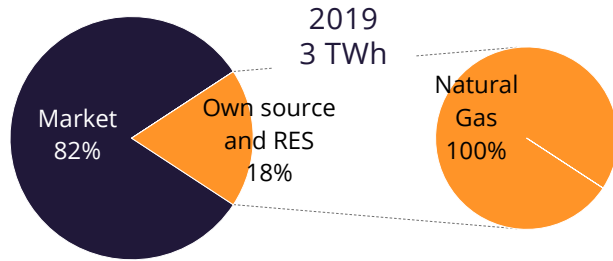
Optimisation and development of conventional sources

- In 2020 two gas-fired turbines at the gas-steam block in Głogów underwent simultaneous pilot start-up
- This increase in electricity production by approx. 16 GWh, resulted in a lower cost to obtain power by approx. PLN 1.8 mn and the avoidance of more than 4 kt of CO₂ emissions
- On this basis analytical work commenced aimed at enabling continuous parallel generation

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

Share of power source in supplies to KGHM Polska Miedź S.A.

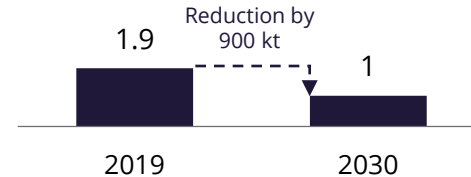
2019:



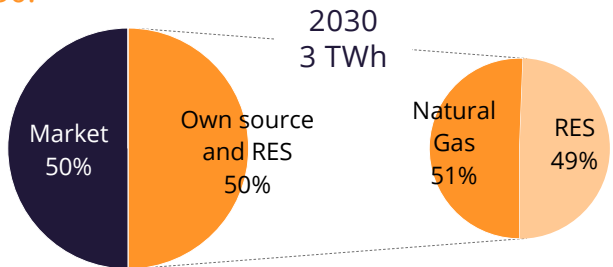
2020:

Own generation sources covered 22.42% of KGHM's total power needs in 2020 (almost 1.5% more than in 2019)

Estimated CO₂ emissions due to electricity consumption [mn tonnes]



2030:



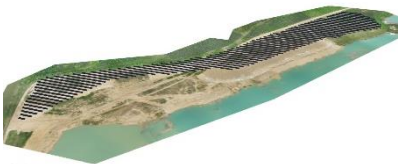
100% of electricity to be generated **by RES** in the **Sierra Gorda mine** from 2023

Implementation of the „Development of Energy generation, incl. RES“ Program alongside changes in the national energy system structure will enable the avoidance of approx. 900 kt of CO₂ annually

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



3.14 MW
power

The first solar power plant in Poland based on Industry 4.0 technology built by KGHM ZANAM in Legnica

Key elements of the Strategy advanced in H1 2021



Production

- Stable copper production from domestic assets (mined production 220.9 kt; metallurgical production 293.2 kt)
- Stable copper production from international assets (Sierra Gorda 93.1 kt; Robinson 27.7 kt; Carlota 2.5 kt; Franke 5 kt; Sudbury Basin 1 kt)
- Continuation of projects aimed at automatization



Development

- Continuation of the Deposit Access Program (GG-1 shaft – completion of work on tubing construction in the shaft)
- Continued advancement of the Żelazny Most Tailings Storage Facility project (over 90% of work completed)
- Continuation of exploration projects in Poland
- 17.9% of KGHM's need for electricity was supplied by its own generating sources; development of RES
- Continuation of work aimed at building a second Upcast line at the Cedynia wire rod plant (production of OFE copper)



Innovation

- Continuation of the CuBR venture and the Implementation Doctorates Program
- Advancement of R&D work
- Advancement of initiatives related to testing EV mining machinery
- Continuation of projects subsidised under KIC Raw Materials and Horizon 2020
- A „CuValley Hack” Hackathon was held



Efficient Organisation

- Enhanced Energy efficiency
- Continuation of digital transformation under the KGHM 4.0 Program
- Optimisation of the international assets portfolio
- Work on improving support processes efficiency



People and the Environment

- Actions to adapt to BAT Conclusions (incl. the BATAs Program dedicated to restricting emissions of arsenic)
- Continuation of the Occupational Health and Safety Program (LTIFR: 5.19; TRIR: 0.29)
- Implementation of a mine machinery anti-collision system (85% of project work completed)
- Intensification of actions to fight COVID-19 (generally-available vaccinations for employees)



Financial Stability

- Effective use of factoring
- Optimisation of the financing structure
- Basing the Group's financing structure on long-term instruments
- Effective market and credit risk management in the KGHM Group
- Annex signed to a loan agreement with the European Investment Bank (PLN 440 mn). The additional amount will be a potential reserve, which can be utilised to finance the Company's investment projects.

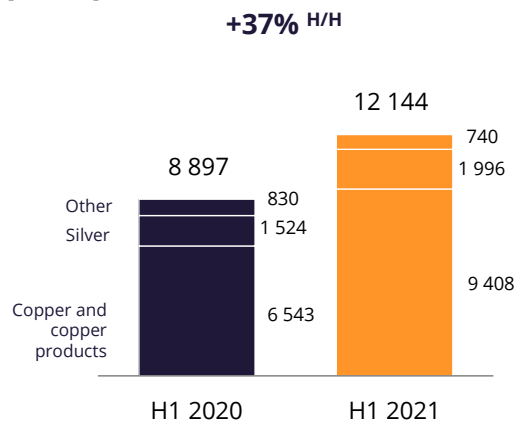
Supporting slides

KGHM Polska Miedź S.A.

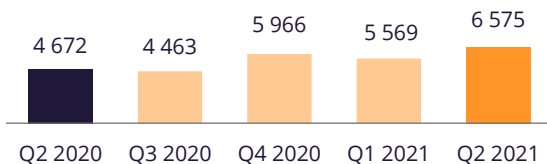
Sales revenue

KGHM Polska Miedź S.A.

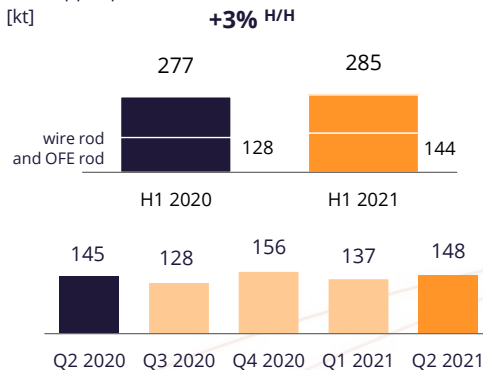
Revenues from contracts with customers
[mn PLN]



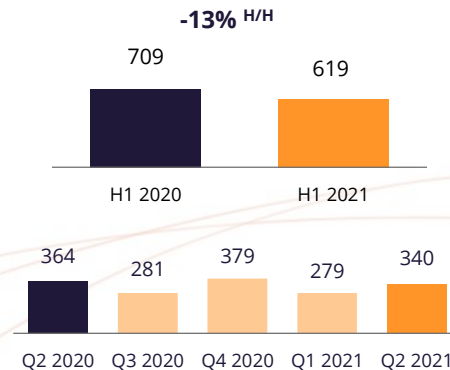
Higher revenues from contracts with customers by PLN 3 248 million (+37%) in H1 2021 compared to H1 2020 mainly due to higher metals prices (copper +65%, silver +59%)



Sales of copper and copper products
[kt]

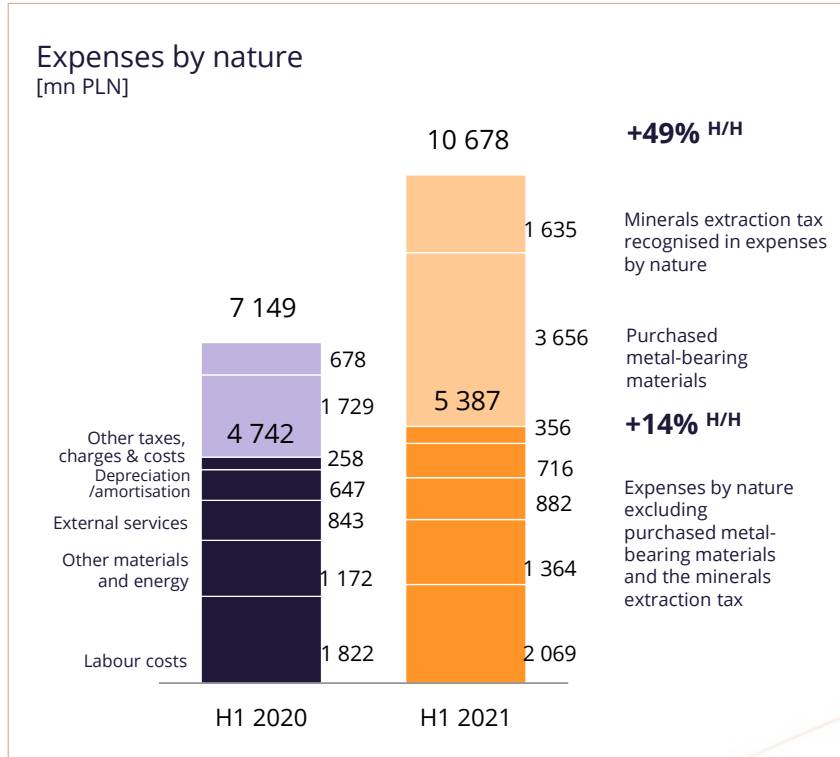


Silver sales
[t]

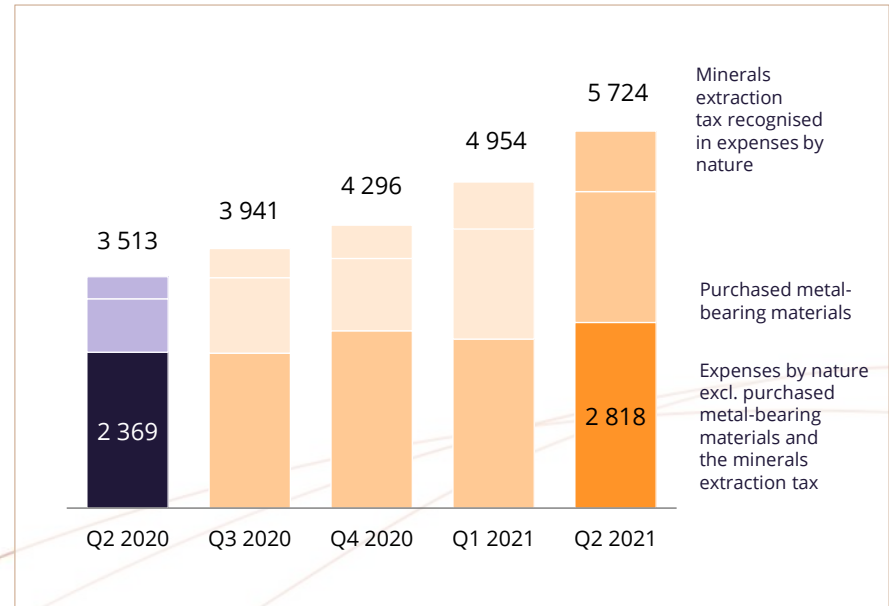


Expenses by nature

KGHM Polska Miedź S.A.



Expenses by nature higher by PLN 3 529 million, H/H

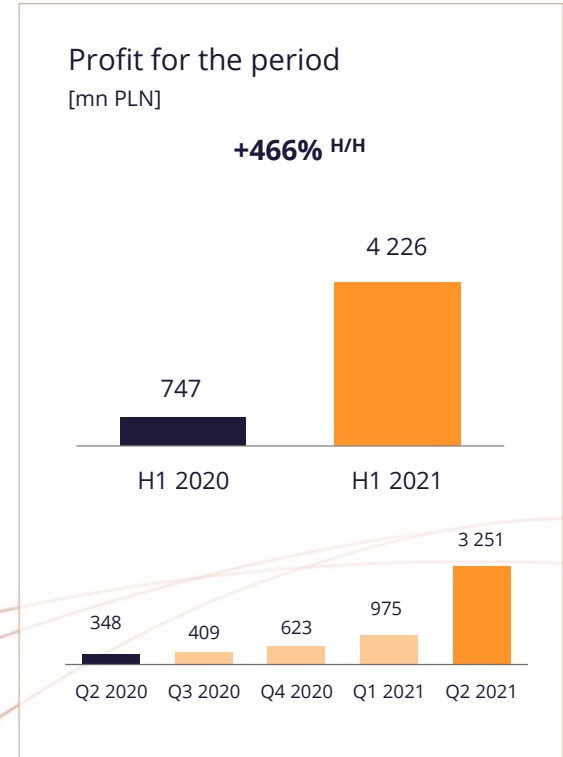
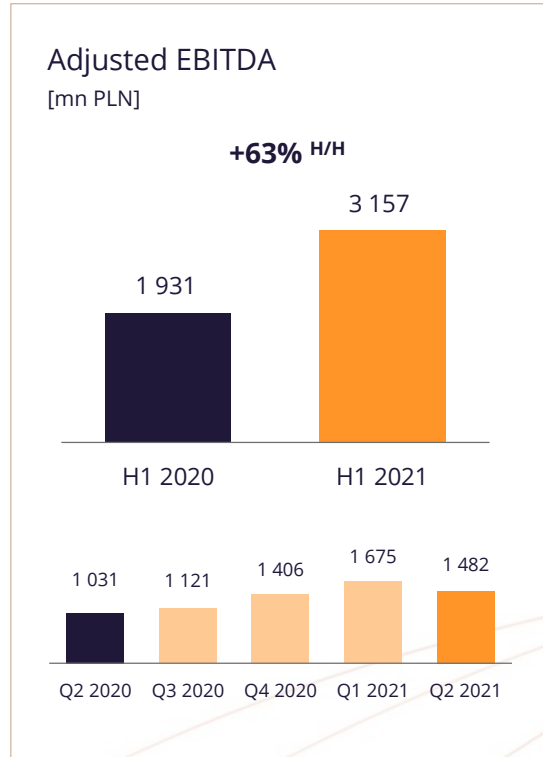


EBITDA and profit for the period

KGHM Polska Miedź S.A.

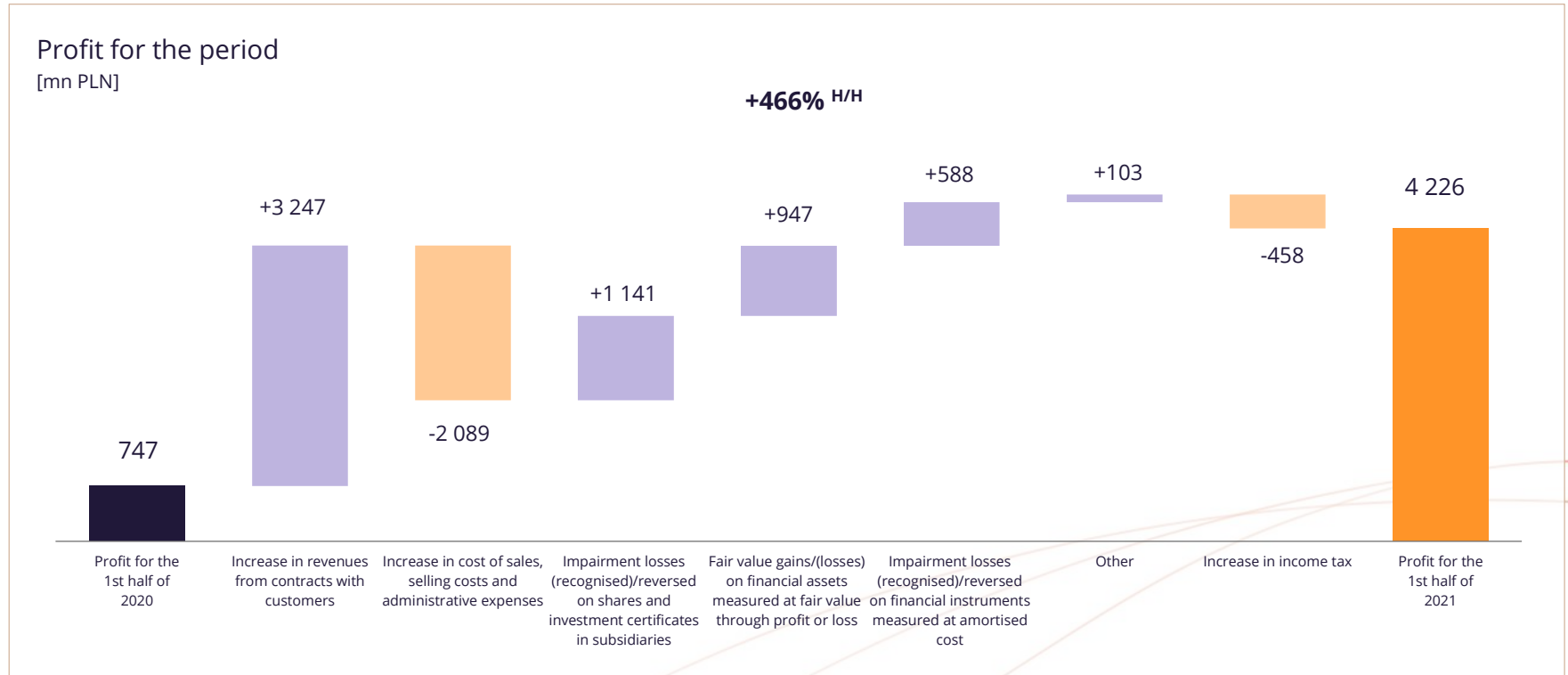
Higher EBITDA, higher net profit

- EBITDA higher by 63% versus H1 2020
- Higher net profit by PLN 3 479 mn (+466%) than in H1 2020 mainly due to more favourable macroeconomic conditions (higher operating profit) and the higher valuation of financial assets



Profit for the period

KGHM Polska Miedź S.A.

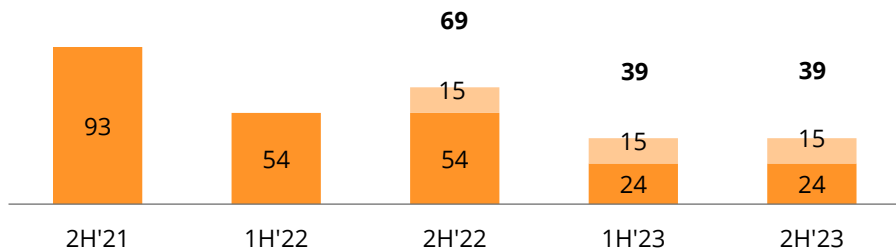


Market risk management

Hedged position on the copper market (as at 30 June 2021)

Copper
[kt]

■ Hedged position – open as at 31 Dec 2020
■ Hedged position implemented in H1 2021



In the first half of 2021 a seagull strategy was implemented for the period from July 2022 to December 2023 for a total of 45 thousand tonnes of copper.

An open position in derivatives on the copper market was also restructured:

- Call options were purchased for the period from March to December 2021 for the total notional amount of 155 kt, opening participation in potential further copper price rises for the seagull and corridor structures held
- The level of execution of structures hedging revenues from copper sales for the period from October to December 2021 for a total volume of 25.5 kt was raised

In the first half of 2021 the Parent Entity recorded a result on derivatives* and hedges in the amount of -PLN 936 million:

- -PLN 742 million adjusted revenues from contracts with customers (transactions settled to 30 June 2021)
- PLN 173 million decreased the result on other operating activities
- PLN 21 million decreased the result on finance activities

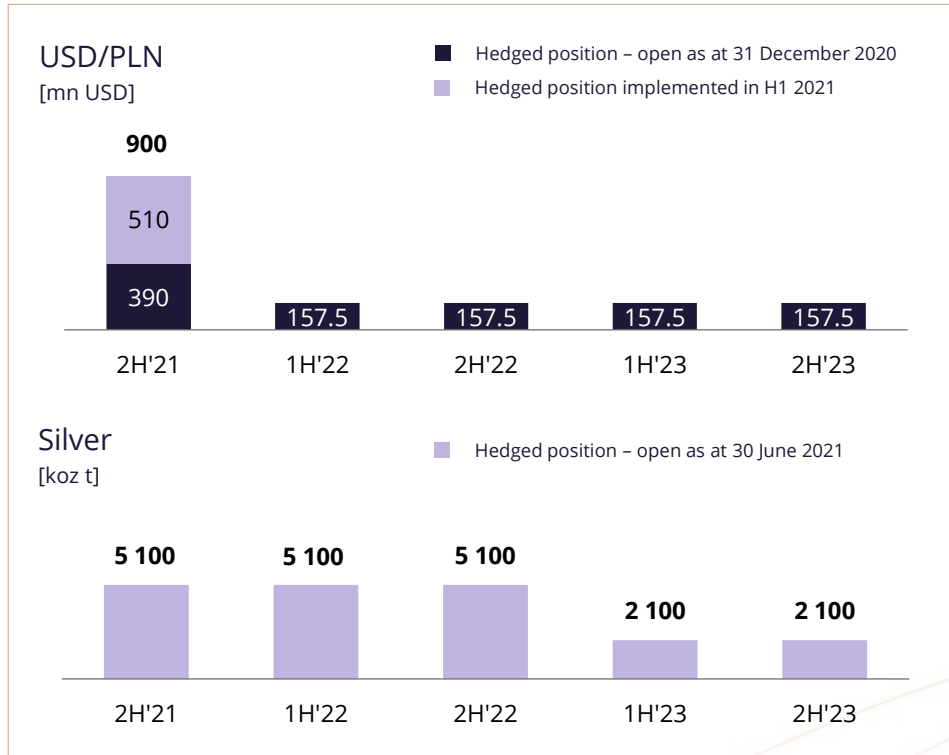
The fair value of open derivatives in KGHM Polska Miedź S.A. as at 30 June 2021 amounted to -PLN 1 463 million*

The revaluation reserve on cash flow hedging instruments as at 30 June 2021 amounted to -PLN 2 176 million

* excludes embedded instruments

Market risk management

Hedged positions on the currency, silver and interest rate markets (as at 30 June 2021)



In the first half of 2021 transactions were implemented on the forward currency market:

- Put options were purchased with maturities falling from February to December 2021 for the total notional amount of USD 870 million. These transactions were not designated as hedge instruments.
- Previously-sold put options were redeemed with a strike price of USD/PLN 3.20 for the notional amount of USD 495 million for the period from February to December 2021

A position on the forward silver market for the period from July 2021 to December 2022 was restructured. A portion of the notional, previously sold put options (11.7 million troy ounces) and call options (5.1 million troy ounces) embedded in seagull hedge structures was redeemed, while the level of execution of sold call options for 2022 (6.6 million troy ounces) was raised.

In the first half of 2021 there were no transactions entered into on the forward interest rate market.

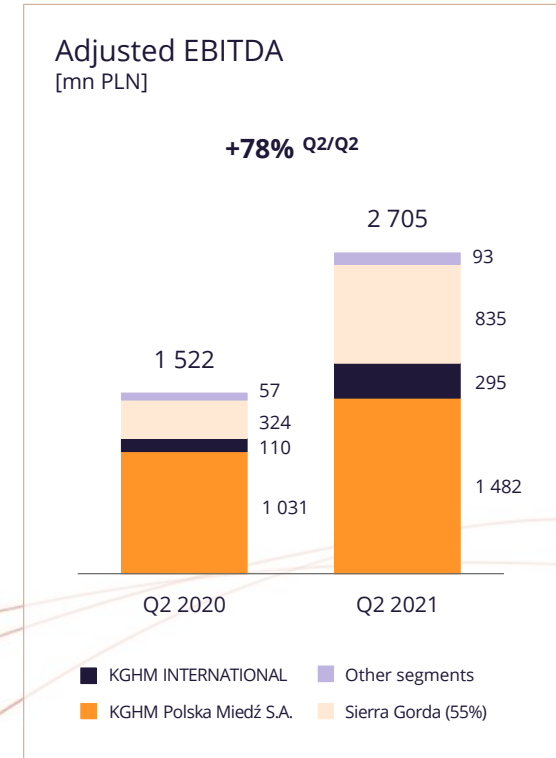
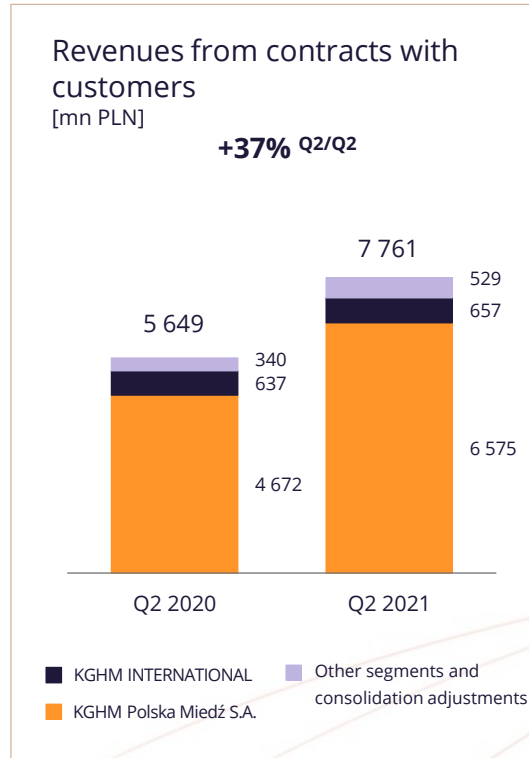
As at 30 June 2021 the Parent Entity held open CIRS (Cross Currency Interest Rate Swap) transactions for the notional amount of PLN 2 billion.

Revenues and EBITDA in Q2 2021

KGHM Group

Higher EBITDA of the KGHM Group by PLN 1 183 mn (Q/Q) mainly due to more favourable metals prices, broken down by segment as follows:

- **KGHM Polska Miedź S.A.**
(+PLN 451 mn, +44%)
- **Sierra Gorda**
(+PLN 511 mn, +158%)
- **KGHM INTERNATIONAL**
(+PLN 185 mn, +168%)





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