

Layers of possibilities



Results of the KGHM Group
for the first half of 2023

Lubin, 18 August 2023

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Agenda



1. Strategy of the KGHM Polska Miedź S.A. Group



2. KGHM's commitments towards the environment and climate



3. Key issues and execution of main targets



4. Production results of the KGHM Group by segment



5. Financial results of the KGHM Group



6. Advancement of development initiatives

Actions in support of families and CSR

244

employees of KGHM joined the CUdowni Rodzice (Wonderful parents) of KGHM program



V

edition of Two Hours for a Family/Person in KGHM

29

Subsidised programs under the KGHM Academy



Beneficiaries:

More than 800

participants in sport-related meetings for parents

More than 4 000

beneficiaries of preventative programs (students, teachers and parents)

More than 10 000

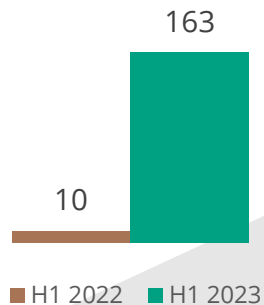
took advantage of indirect and direct assistance under the 2nd edition of the Depression Prevention Program in the Copper Basin

Actions by KGHM's employee volunteers

WOLONTARIAT



Number of volunteer projects



163

actions involving volunteers



1 229

employee volunteers took part in actions

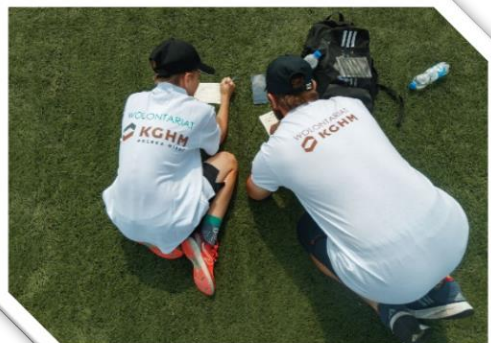


5 269

hours dedicated to advancing volunteer projects

Actions by KGHM's employee volunteers

WOLONTARIAT



Variety of actions:

50 involving science and education

35 involving culture and traditions

31 involving health and safety

27 involving ecology

10 involving sport and recreation

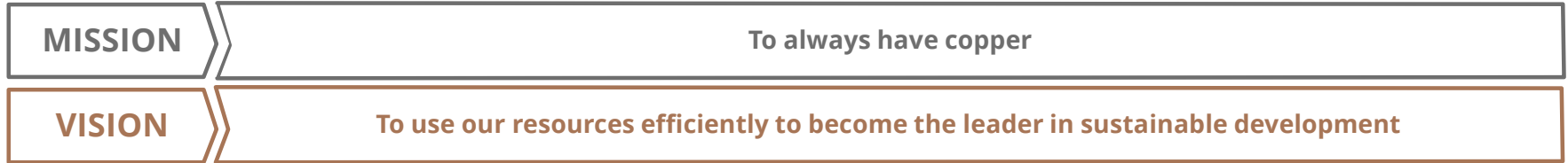


Information on the impact of Russia's aggression against Ukraine on the functioning of the Company and the KGHM Group

- The geopolitical situation related to the direct aggression of Russia against Ukraine and the implemented system of sanctions at the present time is not restricting the operations of KGHM Polska Miedź S.A. or other Group companies, while the risk of interruptions to the continuity of the activities of the Company and the KGHM Polska Miedź S.A. Group in this regard continue to be estimated as low.
- The key risk factors which are impacted by the war in Ukraine were analysed in depth by the ongoing monitoring of selected information as regards production, sales, the supply chain and the management of personnel and finances, in order to support the process of verifying the current financial and operational condition of the KGHM Polska Miedź S.A. Group.
- In KGHM Polska Miedź S.A. as well as in all international mines of the KGHM Polska Miedź S.A. Group and Sierra Gorda S.C.M., no production stoppages which would have been directly attributable to the war in Ukraine were recorded.
- Russia's aggression against Ukraine also has an impact on food security, high prices of energy and the Producer Price Index, as well as problems with access to synthetic fertilizers. The Parent Entity continuously monitors the international economic situation in order to assess its potential negative impact on the KGHM Polska Miedź S.A. Group and to take anticipative actions to mitigate this impact.
- Despite the high inflation observed in the global economy, resulting in the tightening of the monetary policy, the demand for the Company's key products did not deteriorate significantly in the first quarter of 2023. In the second quarter of 2023, however, a decrease in demand was observed for copper rod and wire as compared to the first quarter of 2023 due to shutdowns globally in construction and energy as well as the general slowdown in the European economy, which is reflected in a decrease in orders from end users.
- In terms of the availability of capital and the level of debt, KGHM Polska Miedź S.A. holds no bank loans drawn from institutions threatened with sanctions.
- In terms of other companies of the KGHM Polska Miedź S.A. Group, the situation in Ukraine in the first half of 2022 did not have a substantial impact on the operating results generated by these entities.

Strategy of the KGHM Group to 2030 with an outlook to 2040

While the mission and vision of KGHM remain unchanged, the strategic directions were expanded to include a fifth element – Energy, to reflect changes in the overall environment.



Key elements of the Strategy advanced in the first half of 2023



Flexibility

- Continuation of the Hybrid Legnica Smelter and Refinery Strategic Program (including advancement of the concept for the Legnica Smelter and Refinery Scrap Turnover Base).
- Continuation of actions to extend the value chain of the Company.
- Continuation of exploration projects in Poland with respect to exploring for and evaluating copper ore and other deposits.
- Continuation of development projects in the international assets.
- Focus on financial stability: basing the Group's financing structure on long-term instruments, shortening the cash conversion cycle, management of market and credit risk in the Group.



Efficiency

- Production of copper from the domestic assets (mined – 228.2 thousand tonnes; metallurgical – 295.8 thousand tonnes).
- Production of payable copper from the international assets (Sierra Gorda 40.1 thousand tonnes (55%); Robinson 10.5 thousand tonnes; Carlota 1.9 thousand tonnes; the Sudbury Basin 3.1 thousand tonnes). The Sierra Gorda mine is operating exclusively on power provided by RES.
- Continuation of the Deposit Access Program – in June 2023 underground workings from the Rudna mine broke through to the GG-1 shaft at the depth of 1348 meters. The GG-1 enables access to new areas in the copper deposit and prolongation of the life of the Polkowice-Sieroszowice and Rudna mines. In the first half of 2023, 19.1 kilometers of tunnelling were excavated in the Rudna and Polkowice-Sieroszowice mines. All of the work carried out under the Mine Projects Group enables the successive opening of new mining areas.
- Continued development of the Żelazny Most Tailings Storage Facility (development of the Southern Quarter and of the Tailings Segregation and Compacting Station continues to be advanced). Tailings are being deposited in the Southern Quarter along with the raising of the dam.
- Exploration projects in Poland (concessions involving exploring for and evaluating copper ore deposits) as well as other concessions involving exploration and evaluation, including the Puck project.
- R&D initiatives are underway to enhance the efficiency of the Company's core production business.
- Advancement of actions involving intellectual property of the Company.



Ecology, safety and sustainable development

- Under the Program to adapt the technological installations of the Company to the requirements of BAT conclusions for the nonferrous metals industry and to restrict emissions of arsenic (BATAs), 3 projects were advanced in the Głogów and Legnica Copper Smelters/Refineries, incl. start-up of an installation to remove particulates containing mercury and arsenic from SOLINOX installation gases (HM Legnica).
- Advancement of work involving the Environmental Policy and pro-environmental activities, including: analyses made of the environmental and carbon footprints for products of KGHM Polska Miedź S.A., Scope 1 and 2 greenhouse gas emissions by the KGHM Group in 2022 were calculated.
- Continuation of the Occupational Health and Safety Improvement Program (LTIFR: 4.28; TRIR: 0.43%).



E-industry









- Continuation of projects to automate the production lines of the Mining Divisions of the Company (including, among others, initiatives connected with testing electric battery-powered mining machinery).
- Continuation of digital transformation under the KGHM 4.0. Program.



Energy

- Development of energy generation projects from RES and continuation of the SMR project to increase electricity generation from own sources.
- Submission of an application to issue technical connection conditions for a RES project being advanced on Company terrain – requested power of 88 MW.
- Submission by the Company to the Ministry of Climate and the Environment (April 2023) of an application to issue a fundamental decision for the project to build a small modular reactor power plant (SMR) in Poland, and its acceptance.
- 17.39% of the Company's need for electricity was met by its own internal sources.









Advancement of key strategic performance indicators in the first half of 2023

Strategy pillar	Strategic measure of success (strategic KPI)	2020 (base year)	Goal 2030	H1 2023
Core business	 Domestic copper production	approx. 560 kt of electrolytic copper	~600 thousand tonnes of electrolytic copper (including production based on a higher amount of purchased materials and copper from recycling).	295.8 kt
	 International copper production	approx. 150 kt of payable copper	Higher production by the international assets of KGHM by extending their life-of-mine, developing assets in the mine projects portfolio held and increasing the resource base thanks to advancement of the International Exploration Strategy.	55.5 kt
	 Silver production	approx. 1 320 tonnes of silver (top three)	Maintain the position amongst the world's top-three producers of silver (approx. 1200 tonnes of silver annually).	712 tonnes
	 Profitability	8.5% ¹⁾	10.2% ¹⁾	10.4% ¹⁾
	 Cost competitiveness	4 th decile	3rd decile	n/a ²⁾
New activities	 Energy produced	694 GWh (22% of consumption)	Min. 50% of consumption (approx. 1.5 TWh)	272.7 GWh (~17.39% of consumption)
	 Reduction in estimated CO₂ emissions resulting from electricity consumed	~1.6 mn tonnes of eCO ₂	1.0 mln tonnes of eCO ₂	n/a ²⁾
	 Diversification of the commercial offer in terms of metals	2%	10%	2.3%

¹⁾ Average ROCE from the last 3 years.

²⁾ Not applicable. This indicator is measured on a yearly basis.

Advancement of key strategic performance indicators in the first half of 2023

Strategy pillar	Strategic measure of success (strategic KPI)	2020 (base year)	Goal 2030	H1 2023
Supporting activities	 Recycling of scrap	Approx. 124 kt of copper scrap	~350 kt of copper scrap	78.7 kt
	 Revenues from sales on foreign markets of selected Group companies	Base year 2020 Base year=100% Revenues from sales on foreign markets in the base year 2020.	147% vs base year for the companies Zanam, Nitroerg, PeBeKa 163% vs base year for the company DMC	116% vs base year for the companies: ZANAM, NITROERG, PeBeKa 146% vs base year for the company DMC
Health	 LTIFR	7.31	aiming at 0 accidents	4.28
	 TRIR	0.52	aiming at 0 accidents	0.43
	 Level of support for the area of Health carried out by the KGHM Polska Miedź Foundation	Approx. PLN 11.5 mn ¹⁾	Approx. PLN 7 mn	PLN 9.3 mn (combined for institutions and individuals)
Prosociality	 Support for the fair transformation of the mining sector	n/a	Potential employment of approx. 500 miners annually	n/a ²⁾
	 Number of volunteer projects advanced	25	30	163 (incl. 35 projects in the KGHM Group)
	 Level of support for the arts, sport and health	Approx. PLN 38.5 mn ¹⁾	Approx. PLN 48 mn	PLN 45.1 mn

¹⁾ Due to the epidemic situation, the area „Health and safety” of the KGHM Polska Miedź Foundation in 2020 was a particular priority, which is why subsidies in this regard in the base year were substantially higher.

²⁾ Not applicable. Advancement of this indicator was suspended. The EU's energy policy against the backdrop of the war in Ukraine and the approaching energy crisis is forcing countries to make further use of coal-based power sources.

KGHM's efforts towards energy transformation

KGHM Polska Miedź S.A. aims at permanently increasing the share of renewable energy sources and in-house generation to meet its energy needs

COMPETITIVE ADVANTAGES

Climate Policy



Access to copper and precious metals is a critical component if the plan to achieve climate neutrality by 2050 by the largest western economies is to succeed.

Development of RES and EV markets



Technologies used by the renewable Energy market and by the electric vehicles sector are far more metals-intensive than the traditional power and transportation sectors.

Cost-efficient resources



Easily-accessible resources of metals, located in safe jurisdictions, are rapidly being exhausted; KGHM is the sole copper producer from its own mined resources on a large scale within the European Union.

ACTIONS UNDERTAKEN

- ✓ KGHM has its own low-emissions, natural gas-powered energy generation sources.
- ✓ The Company is currently advancing further investments to increase electrical power generation using nitrogen-enriched natural gas.
- ✓ KGHM plans to build a small modular light water nuclear unit with a capacity of up to 500 MW by 2030. In 2021, KGHM Polska Miedź S.A. established a Nuclear Energy Department and in February 2022 a contract was signed with NuScale Power, LLC ("NuScale") to commence work on implementing the SMR technology in Poland. On 7 April 2023 another application was submitted to the State Atomic Agency on the issuance of a General Opinion regarding the methodology of the safety analysis of the NuScale reactor technology. On 15 June 2023 an application was submitted through the Ministry of Climate and Environment for subsidising of project work related to the SMR investment under the Phoenix Program organised by the US State Department.
- ✓ Currently, photovoltaic power plant projects are being carried out in the areas owned by KGHM, i.e. at the Głogów Copper Smelter and Refinery and at the Cedynia Copper Wire Rod plant, next to the Tailings Plant and in the Obora Sandpit area. Other projects are also being prepared on KGHM's own land. In June 2023 the Company submitted an application to issue connection conditions for designed power capacity of 88 MW.
- ✓ The Company is also active on the M&A market for renewable energy sources and is engaged in several due diligence and valuation processes for assets that are available for purchase.

Climate neutrality by 2050

Achieving climate neutrality by 2050 is the overriding goal of the Climate Policy of KGHM Polska Miedź S.A. Intermediate goal – the reduction of total Scope 1 and Scope 2 emissions by 2030 by 30%¹⁾



Main goals of decarbonisation:

- 1 Reduce indirect emissions (Scope 2):**
 - Develop internal zero-emission and low-emission sources
 - Improve energy efficiency in the production divisions and enhance the efficiency of technological processes
 - Purchase RES energy under PPA contracts
- 2 Gradually reduce direct emissions (Scope 1):**
 - Initial implementation of electromobility projects

Main goals of decarbonisation:

- 1 Total reduction of indirect emissions (Scope 2):**
 - Power and heat solely from zero-emission sources (mainly conversion to internal zero-emission sources)
- 2 Maximum reduction of direct emissions (Scope 1):**
 - Electromobility
 - Implementation of advanced production technology
 - Utilisation of CCU and CCS technology²⁾
- 3 Potential offset of other emissions**

Details regarding capital expenditures on actions to restrict greenhouse gas emissions will be included and announced as part of the Decarbonisation Program of the KGHM Group

Seizing opportunities arising from the energy transformation

The Climate Policy is a significant step towards seizing opportunities, and as a result ensuring that long-term value is enhanced



Support of the transformation to a low-carbon economy

Diversification and efforts towards **sustainable development** through building own power capacity from low-emission sources (construction and acquisition of PV and wind power plants, and in the long term the use of SMRs), is one of the main Pillars of the adopted Strategy of the KGHM Polska Miedź S.A. Group to the year 2030 with an outlook to 2040, and one of its elements is for KGHM Polska Miedź S.A. to achieve the position of one of the **leading producers of environmentally-friendly electricity** supporting Poland's energy transition.



Strategic investments compliant with ESG

In the course of operationalization of the **Business Strategy** and taking into account **ESG** elements and climate-related factors, **each of the strategic initiatives was further assessed**. Impacts were examined in the negative, neutral or positive category: on Scope 1 and 2 greenhouse gas (GHG) emissions, on ESG image divided into three categories: environment, society and corporate governance and impact on mitigating risks and supporting climate opportunities according to the TCFD (Task Force on Climate-Related Financial Disclosures).



Reducing emissions - a competitive advantage

KGHM monitors and calculates **Scope 1, 2 and 3 emissions**.

Data on Scope 1, 2 and 3 emissions by the entire KGHM Group in 2022 were published among others in the CDP Climate report and are available on the KGHM corporate website in the ESG section ([ESG | KGHM Corporate Website](#)) in the file called [Scope 1, 2, 3 GHG emissions](#).



Stakeholder expectations

KGHM, in order to satisfy rising stakeholder expectations as to protection of the climate, is strengthening the **transparency of the message** and the regularly-published **non-financial disclosures** – both in terms of KGHM's impact on the climate as well as the Company's adaptation to climate change. KGHM engages in continuous cooperation and dialogue with local communities and governments.

Selected ESG Policies and procedures in KGHM Polska Miedź S.A.

Environment

- Environmental Policy
- Climate Policy

Society

- Code of Ethics
- Code of Conduct
- Organisational Health and Safety Policy in KGHM Polska Miedź S.A.
- Responsible Supply Chains Policy
- Declaration of Diversity
- Human Rights Policy

Governance

- Tax Policy (new)
- Management Systems - ISO
- Energy Policy
- Remuneration Policy
- Competition Rights Policy
- Procurement Policy
- Procedure on counteracting money laundering and prevention of fraud and extortion in trading transactions regarding the sale of products and the procurement of ore and copper-bearing materials
- Anti-corruption Policy
- Privacy Policy and Personal Data Processing Policy

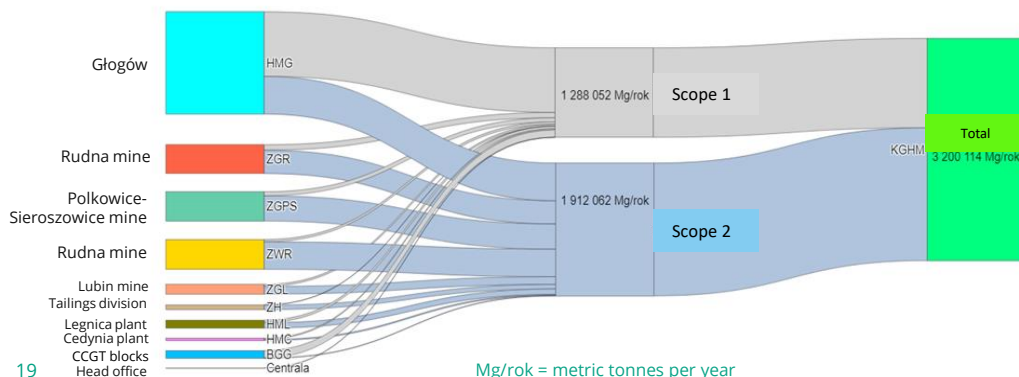


Greenhouse gas emissions (Scope 1 and Scope 2) by KGHM Polska Miedź S.A.

Greenhouse gas emissions by KGHM Polska Miedź S.A. [tonnes of eCO₂]

	2022	2021	2020 (base year)	Change	Change (%)	Change Y/Y	Change Y/Y (%)
Scope 1	1 288 052	1 457 899	1 413 129	-125 077	-8.9%	-169 847	-11.7%
Scope 2	1 912 062	1 651 717	1 617 217	+294 845	+18.2%	+260 345	+15.8%
Total emissions (Scope 1 + 2)	3 200 114	3 109 616	3 030 346	+169 768	+5.6%	+90 498	+2.9%

- Comparing emissions for 2022 to the base year, we can see a small increase of 5.6% in total Scope 1 and 2 emissions.
- Scope 1 emissions, despite the increase in electrolytic copper production, decreased by 8.9%. Scope 2 emissions meanwhile were higher due to higher electricity consumption.

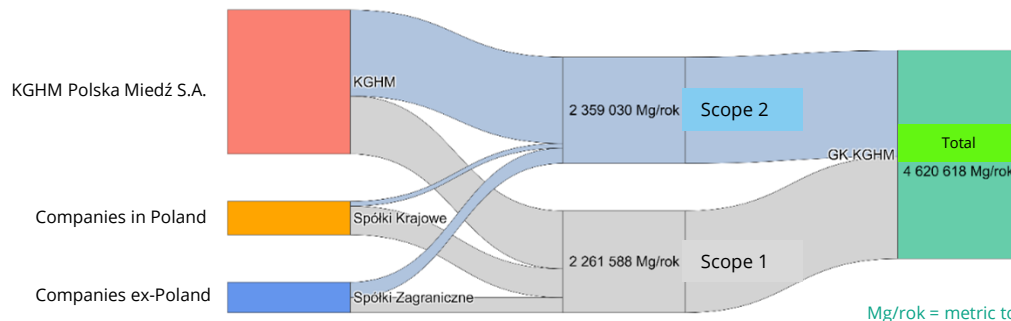


In 2022 Scope 1 and 2 greenhouse gas emissions by KGHM Polska Miedź S.A. amounted in total to around 3.2 million tonnes of eCO₂ (equivalent tonnes of carbon dioxide) of which around 40% were Scope 1 emissions and 60% were Scope 2 emissions.

Greenhouse gas emissions (Scope 1 and Scope 2) by the KGHM Polska Miedź S.A. Group

Greenhouse gas emissions by the KGHM Polska Miedź S.A. Group in 2022 [tonnes of eCO₂]

	KGHM Polska Miedź S.A.		Companies in Poland		Companies ex-Poland		Group	
	2021	2022	2021	2022	2021	2022	2021	2022
TOTAL EMISSIONS (Scope 1 + 2)	3 109 616	3 200 114	862 797	742 119	794 136	678 385	4 766 550	4 620 618
Change Y/Y		+90 498 +2.9%	-120 678 -14.0%		-115 751 -14.6%		-145 932 -3.1%	
SCOPE 1 – Direct emissions	1 457 899	1 288 052	623 757	636 416	358 611	337 120	2 440 267	2 261 588
SCOPE 2 – Indirect emissions	1 651 717	1 912 062	239 040	105 703	435 525	341 265	2 326 283	2 359 030
<i>Incl. indirect emissions related equivalently to consuming heat:</i>	0	0	4 917	2 957	0	0	4 917	2 957
<i>Incl. indirect emissions related equivalently to consuming electricity:</i>	1 651 717	1 912 062	234 123	102 746	435 525	341 265	2 321 366	2 356 073



In 2022, Scope 1 and 2 greenhouse gas emissions by the KGHM Polska Miedź S.A. Group amounted in total to 4.6 million tonnes of eCO₂, of which around 69% is attributable to the Parent Entity. Comparing emissions year to year, we can see a decrease in total emissions by 3.1%.

Scope 3 greenhouse gas emissions by KGHM Polska Miedź S.A.

In 2022 Scope 3 emissions were calculated for KGHM Polska Miedź S.A. and for the entire KGHM Group.

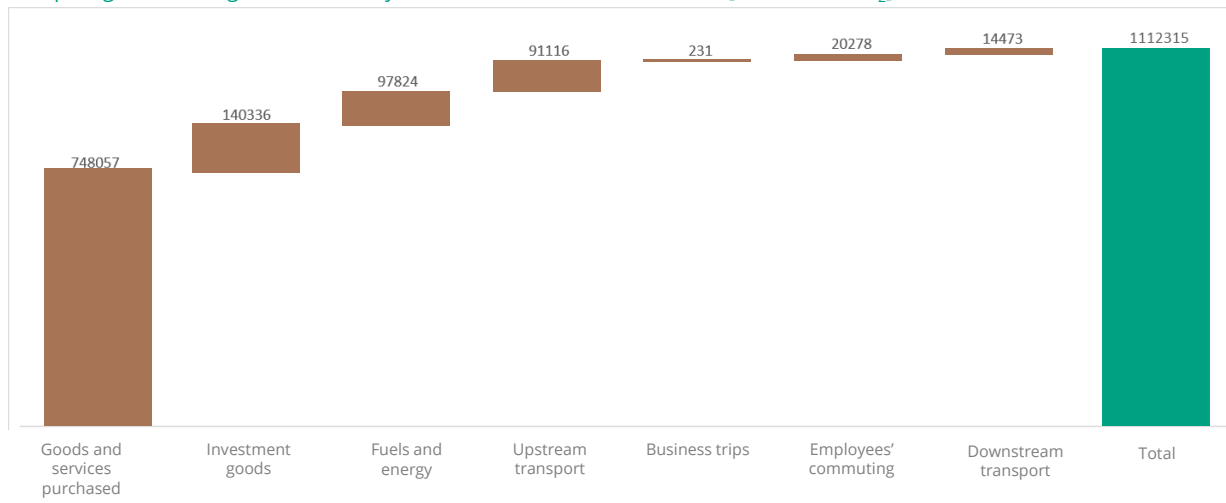
The balance of Scope 3 emissions included the following emissions categories:

- upstream activities: goods and services purchased, investment goods, activities related to the use of fuels and energy not included in Scopes 1 or 2 of the balance, transport and distribution of input streams, business trips, employees' commuting to and from work,
- downstream activities: transport of output streams.

Emissions for the category of waste generated in production processes, related to their transport and treatment, were included as emissions related to purchased services, including waste collection and transport.

Emissions associated with both the lease of assets from external companies and the lease of assets to external companies, due to their limited extent, are insignificant in the balance of greenhouse gases under analysis. The franchise category for output streams does not apply to companies of the KGHM Polska Miedź S.A. Group.

Scope 3 greenhouse gas emissions by KGHM Polska Miedź S.A. in 2022 [tonnes of eCO₂]



Scope 3 greenhouse gas emissions by the KGHM Polska Miedź S.A. Group

Scope 3 greenhouse gas emissions by the KGHM Polska Miedź S.A. Group in 2022 [tonnes of eCO₂]

	KGHM Polska Miedź S.A.	Companies in Poland	Companies ex-Poland	Group
SCOPE 3 – total	1 112 315	339 205	397 473	1 848 993
Goods and services purchased	748 057	107 160	275 255	1 130 472
Investment goods	140 336	108 778	31 073	280 187
Fuels and energy not included in Scopes 1 and 2	97 824	82 570	76 334	256 728
Transport and distribution - upstream	91 116	23 307	8 101	122 524
Business trips	231	144	-	375
Employees' commuting	20 278	17 246	6 710	44 234
Transport of output streams - downstream	14 473	-	-	14 473

Employee safety as a strategic priority for the KGHM Group



Safety and development

ISO 45001:2018

We operate in Compliance with the issued Occupational Health and Safety Management System Certificate.

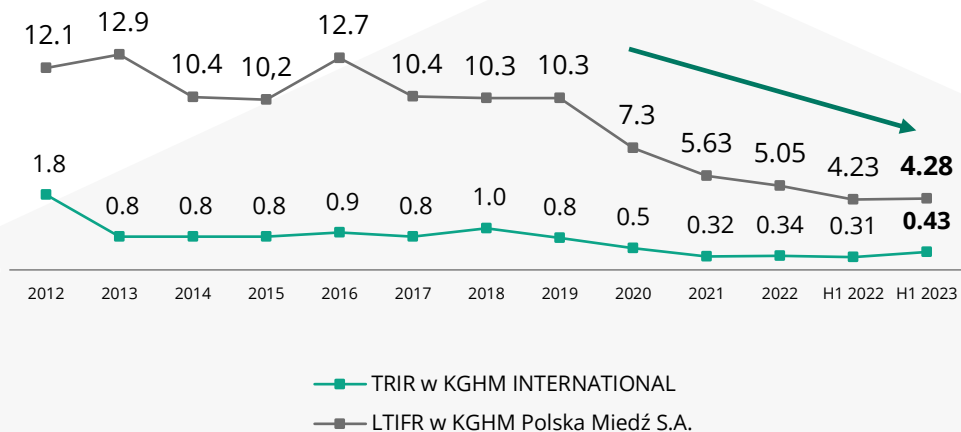
Leader's Gold Card of Workplace Safety

A decrease of 9.7% (y/y) in the number of recognized accidents at work from 165 in 2021 to 149 registered at the end of 2022.

Good accident statistics

In the first half of 2023 the number of recorded workplace accidents in KGHM Polska Miedź S.A. was slightly higher by 2 versus the corresponding period of 2022 (65 vs 63). Most of these events in KGHM are light injuries, leading to a short-term incapacity to work. In KGHM's entities in Canada, the United States and Chile, 14 accidents were recorded in the first half of 2023, or an increase of 4 events versus the corresponding period of 2022.

Accident rates in H1 2023 vs H1 2022



- 1) LTIFR (Lost Time Injury Frequency Rate) – accident rate for the employees of KGHM Polska Miedź S.A., being the number of accidents per million hours worked, calculated in accordance with Polish rules regarding accidents statistics.
- 2) 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.



Key issues and execution of main targets

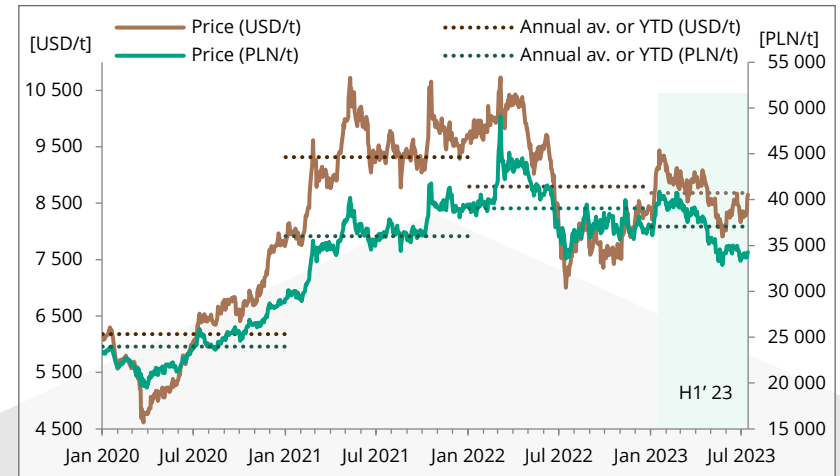


Macroeconomic environment

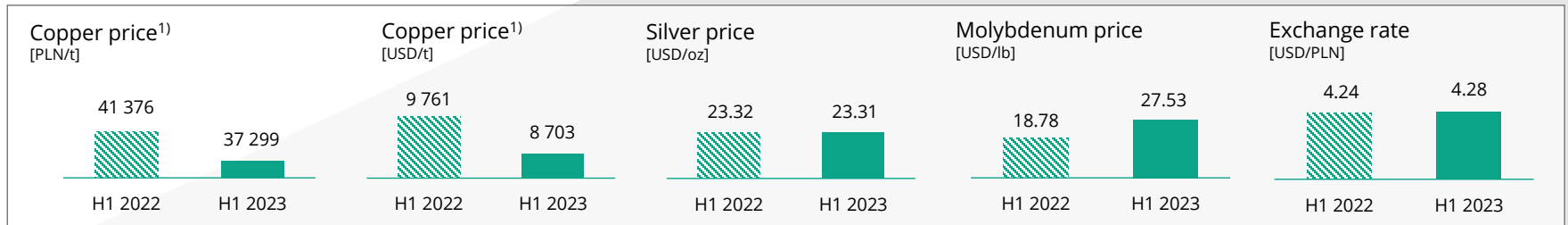
Commodities and currencies prices

Copper prices in H1 2023 ranged between 7 910 and 9 436 USD/t. Initially, sentiment was characterised by a hope for higher demand by China following the post-covid reopening of the economy, yet when data from China failed to meet these expectations, the price of the metal was held between 8 000 – 8 500 USD/t.

- The average price of copper in the first half of 2023 was 8 703 USD/t, or 11% lower than in the corresponding period of 2022. Meanwhile the average silver price remained near its average in H1 2022.
- The average price of molybdenum in the first half of 2023 was 47% higher compared to the average price recorded in the prior year.
- In H1 2023 the average PLN to USD exchange rate was near the level recorded in H1 2022. Consequently, the change in the average price of copper expressed in PLN was similar to the change in the price of copper expressed in USD. The average PLN-denominated price of copper in H1 2023 amounted to 37 299 PLN/t.



Source: Refinitiv, KGHM Polska Miedź S.A.

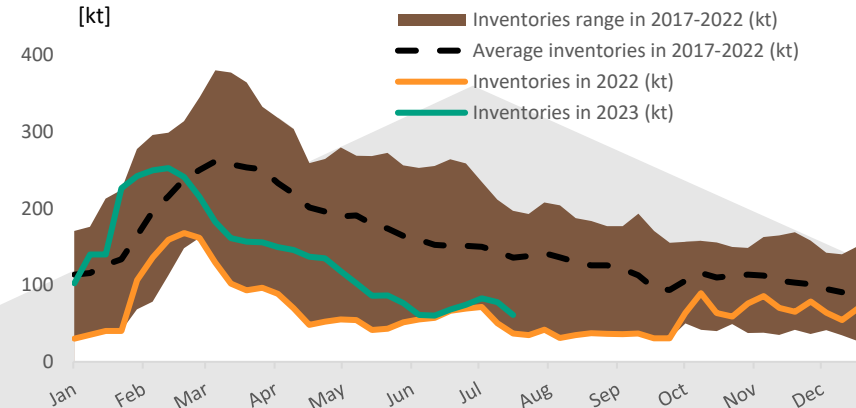
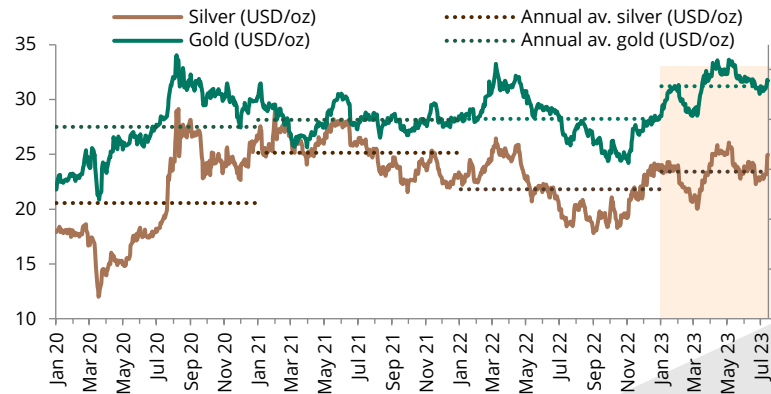


Precious metals prices and the copper market in H1 2023

Precious metals were impacted by volatile expectations about the further development of interest rates in the USA

The prices of gold and silver fluctuated due to uncertainty regarding the path of inflation, and as a result of fluctuating expectations as to future Fed decisions.

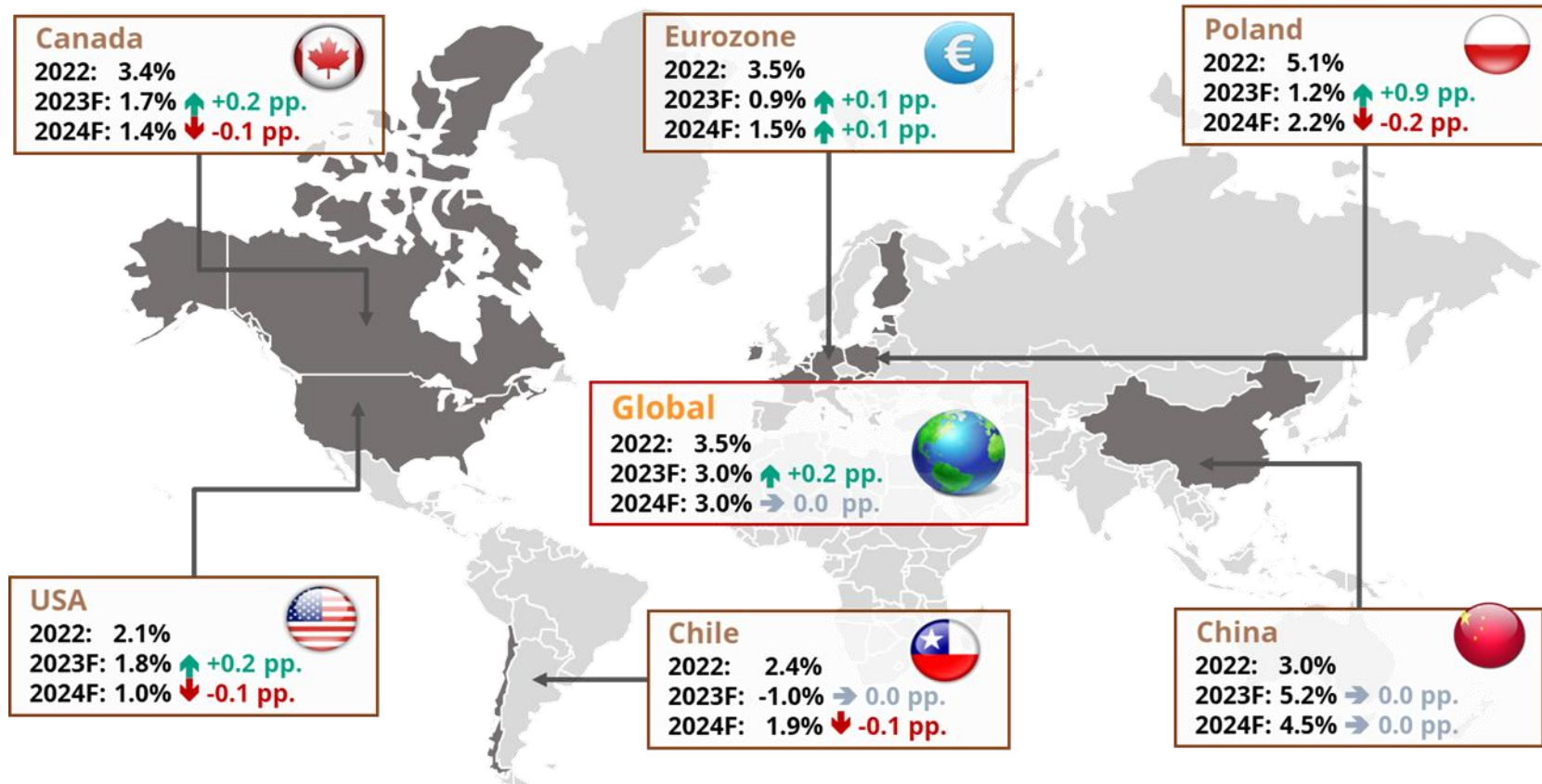
Copper inventories on the market in Shanghai rose before the Chinese New Year, but in subsequent months fell to levels near the minimum of the period since 2017.



- The average price of gold in the first half of 2023 amounted to 1 932 USD/oz and rose by 3% above the average price in the corresponding period of 2022. The average price of silver in the first quarter of 2023 amounted to 23.31 USD/oz and remained very similar to the price in the first half of 2022.
- The price of gold in PLN was 4% higher, and silver 1% higher than in H1 2022.
- Copper inventories on the market in Shanghai, after record low levels in 2022, rose at the start of the year in the vicinity of their 5-year highs, while in the second quarter they gradually eased, returning to their minimums of 2022. The weakening of the yuan versus the USD reduced the attractiveness of metal imported to China, with higher utilisation of internal inventories (destocking). The Chinese Economy failed to meet the hopes for a quick post-Covid-19 rebound, with the property market still being in decline and demand for copper mainly coming from the construction of power infrastructure.

Source: Bloomberg, KGHM Polska Miedz S.A.

IMF World Economic Outlook – July 2023



Summation of H1 2023 in the KGHM Group

Main macroeconomic factors and aspects of the Group compared to H1 2022

Macroeconomic environment¹⁾

-11%

Copper price

-/-

Silver price

+1%

Stronger USD vs PLN

Operating results

+2.0%

Increase in extraction of ore,
dry weight in KGHM Polska Miedź S.A.

+1.7%

Production of
copper in concentrate
by KGHM Polska Miedź S.A.

+4.5%

Production of metallic silver
by KGHM Polska Miedź S.A.

+41.1%

Production of gold
by KGHM Polska Miedź S.A.

Indicators

+21.3%

Higher CAPEX execution
by KGHM Polska Miedź S.A.

-1%

slight decrease in revenues to
PLN 17 757 mn

0.9

Debt
(Liquidity indicator measured as net
debt to adjusted EBITDA)

Summation of H1 2023 in the KGHM Polska Miedź S.A. Group

Basic measures of the H1 2023 results

KGHM Group	17 757 mn PLN Revenues	3 148 mn PLN Adjusted EBITDA	401 mn PLN Profit
KGHM Polska Miedź S.A.	15 510 mn PLN Revenues	2 225 mn PLN Adjusted EBITDA	1 207 mn PLN Profit



Advancement of development initiatives



A rationale and responsible investment program

Capital expenditures by KGHM Polska Miedź S.A. in H1 2023



1 369 mn PLN
(+21% vs H1 2022)

CAPEX execution in H1 2023

3 250 mn PLN
CAPEX target for 2023

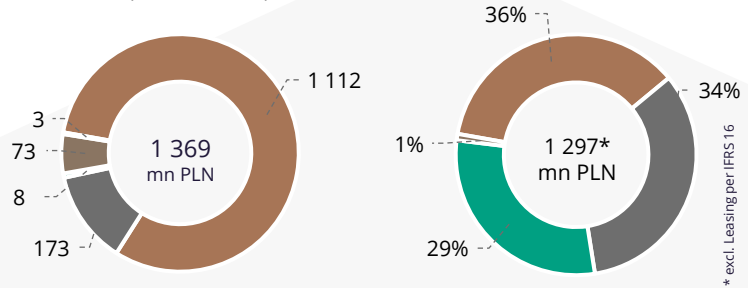
CAPEX execution in H1 2023

by area

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

by category

- Replacement
- Maintaining mine production
- Development (incl. R&D)
- Adaptation projects



Comparison: CAPEX and budget execution in 2022



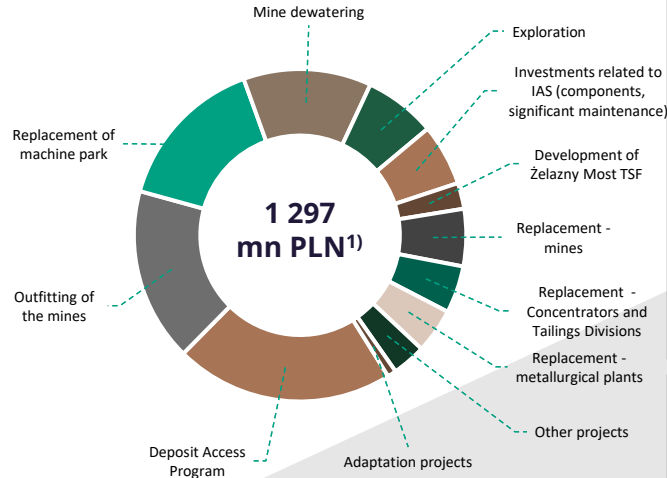
1 129 mn PLN
CAPEX execution H1 2022

2 835 mn PLN
CAPEX budget target for 2022

CAPEX execution in key investments

Deposit Access Program

- GG-1 shaft – On 14 June 2023 a technical connection was made between the GG-1 shaft and underground workings of the Rudna mine. Work is underway to prepare the shaft to assume its initial function as a ventilation shaft (transitional period). Design work is underway for the final facilities required to support the shaft's ultimate function as a material and personnel transport shaft.
- GG-2 „Odra” shaft – Work is underway on sinking headway workings. An agreement was signed aimed at providing necessary facilities to begin shaft sinking along with freezing of the rockmass and design work.
- „Retków” shaft – Grębocice municipality moving forward with changes to the SUIKZP²; talks underway with the municipality regarding changes to the MPZP³ for the site where the Retków shaft complex will be built.
- Municipality moving forward with changes to the SUIKZP and MPZP for the site where the shaft complex will be built.
- 19.1 kilometers of tunnelling were excavated.
- Power and related projects (UUGO SW-4) – preparations made to commence stage 1 working trials, i.e. to achieve capacity of 6m³/min. The trials commenced on 16 June 2023.
- Central Air Cooling System (SKC) – the Surface-based Air Conditioning Station (PSK) operating with a nominal capacity of 33MW. The process is underway of obtaining an operating decision for the co-generation container units along with technical infrastructure. The first part of the Ice Water Transportation System is operating properly. Construction continues on building part 2 of the System. The commissioned SKC enables work under proper climate conditions in the development and operating regions of Deep Głogów sections of the Polkowice-Sieroszowice and Rudna mines. Further expansion of the SKC will increase the scope of mining work.



Program to adapt the technological installations to BAT Conclusions

- Głogów Copper Smelter and Refinery:
 - The installation to reduce dusting at the concentrates loaders of Głogów II was brought on-line;
 - Documentation was developed to construct the installation to improve working conditions in the crude lead production hall in the Lead Section; handover of documentation planned in August 2023;
- Legnica Copper Smelter and Refinery:
 - The installation to remove particulates containing mercury and arsenic from process gases of the SOLINOX installation was brought on-line except for the calomel filtration unit – optimisation work;

Replacement of machine park

- 119 mine machines were purchased and supplied to the three mines: 13 to Lubin; 46 to Rudna; 60 to Polkowice-Sieroszowice

Development of Żelazny Most Tailings Storage Facility

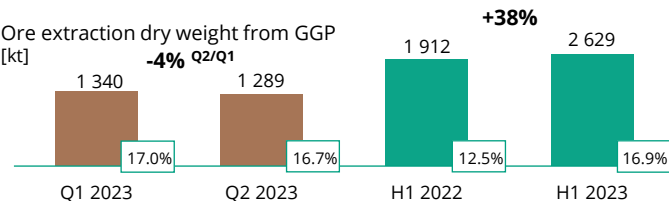
- Stages 1, 2 & 3 of construction of the Southern Quarter were completed. Operating permit received. A tailings slimes management agreement was signed and work commenced. A causeway was built (to a crown height of 158 m a.s.l.), enabling the deposition of compacted, small-grain tailings. The causeway is being developed (to a crown height of 163 m a.s.l.) and the Crown Formation Area BC is being sealed, enabling the further deposition of compacted tailings.
- Work continues on the Tailings Segregation and Compacting Station – 96% completed. Stage 1 completed - hydrocyclones. In terms of Stage 2 – construction of compactors – 93% of work was completed. The compactors were assembled and underwent operational trials, together with a flocculants station.
- The process of large-grain tailings segregation and compacting is underway for the purpose of deposition in the Southern Quarter.
- The deposition of compacted (de-watered) tailings enables the return (i.e. re-utilisation) of significant amounts of water into processing and around 5-times less water needing to be stored in the Southern Quarter.

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

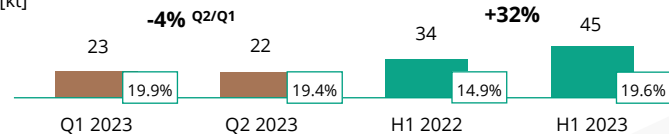
Deposit access program in KGHM's concessioned areas

Share of production from GGP in total production in Poland

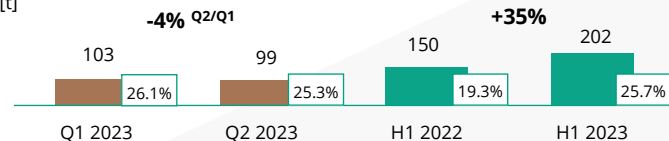
Ore extraction dry weight from GGP [kt]



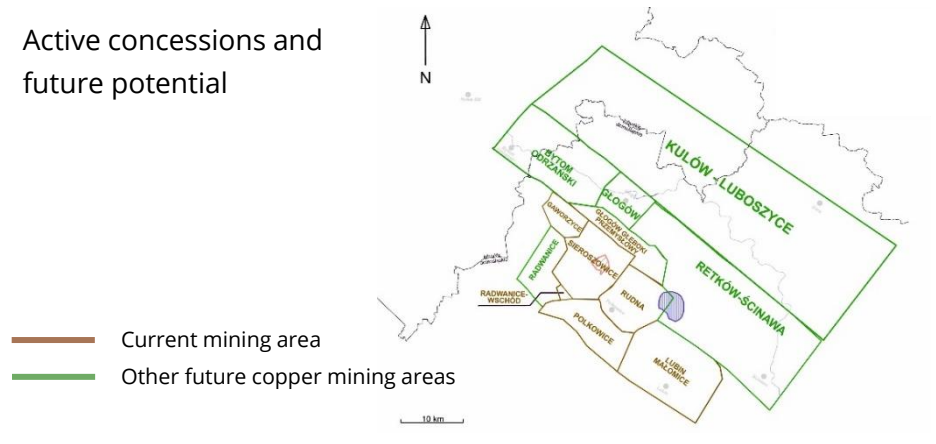
Amount of copper in ore [kt]



Amount of silver in ore [t]



Active concessions and future potential



Ore extraction, as well as the amounts of copper and silver in ore, quarter to quarter (Q2 2023/Q1 2023) was lower by 4% due to a higher scope of stripping work as well as due to geological-mining conditions.

The share of production from the GGP area in domestic production in the first half of 2023, in comparison to H1 2022, remained in a rising trend of more than 35%.

Energy Development Program, including RES | major events in H1 2023



Development of solar energy

- A broad array of design work was performed on the HMG I-III¹⁾ photovoltaic power plants complex at the Głogów Copper Smelter and Refinery, aimed at obtaining building permits.
- The municipal area management plan (MAMP) for the Obora Sandpit project was approved, which enabled design work to commence aimed at preparing an application for a technical connection conditions decision, with planned designed power of 50 MW.
- An agreement was signed with a contractor to prepare design documentation for the Cedynia photovoltaic power plant, who was selected through tender proceedings.
- The actions undertaken to build the „Tarnówek”, „Kalinówka” and „Polkowice” photovoltaic power plants enabled a design documentation contractor to be selected by means of tender proceedings. Pursuant to the proceedings assumptions, one contractor was selected which will prepare the requisite documentation in the process of preparing the investment for the three photovoltaic power plant farms aimed at achieving ready-to-commence status.
- A project was created to build a photovoltaic power plant on the grounds of liquidated shafts of the Lubin mine, and the process of preparing the investment commenced.
- The Company submitted an application to issue a technical connection conditions decision for a RES project being advanced on Company terrain with designed power of 88 MW.
- Further localisation projects were assessed (Feasibility Study, MAMP) to secure the possibility of advancing the RES investment on KGHM terrain.



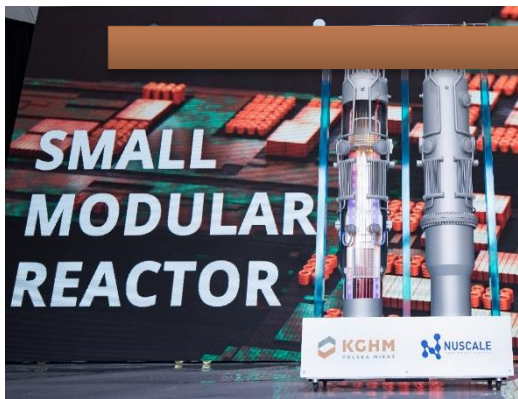
Development of wind energy

- KGHM continued its cooperation with Total Energies Renewables SAS in terms of off-shore wind farms. The Ministry of Infrastructure conducted proceedings regarding the off-shore sites applied for by Total Energies (together with KGHM). The special purpose Company of Total Energies did not achieve the minimum required qualifications. In view of this, KGHM undertook action aimed at summarising its action as regards offshore wind power.
- As a result of liberalisation of the distance law in the first quarter of 2023, containing clauses enabling a reduction in the absolute distance for siting wind turbines from housing to 700 m, KGHM commenced a review of the possibilities of advancing on-shore wind power projects, including the signing of an Agreement with the Company Energetyka regarding the transfer of project documentation and proprietary asset rights to the Radwanice-Zukowice project aimed at renewing appropriate project work.



Acquiring projects from the market (M&A)

- Analysis was conducted of the market environment in terms of potential acquisitions of companies with RES projects (solar and wind farms).
- KGHM submitted preliminary non-binding offers to selected investors (developers) for the purchase of shares of companies with RES projects: those at the ready-to-build stage as well as those built by the seller and are ready for commercial operation (so-called commercial operation date projects).
- During the reporting period the Company advanced a broad range of action and tasks involving engagement in RES acquisition processes, however due to the sensitive nature of the data and information generated during such processes, KGHM is not yet in a position to be able to disclose their details.



Development of nuclear energy

- KGHM continued its cooperation with NuScale Power, LCC, the supplier of the SMR technology, under an Early Works Agreement.
- On 7 April 2023 another application was submitted to the State Atomic Agency on the issuance of a General Opinion regarding the methodology of the safety analysis of the NuScale reactor technology.
- Jointly with the company Przedsiębiorstwo Energoprojekt-Katowice, work continued on analysing specific sites for the SMR installation under the second stage of preparing a preliminary siting report.
- Public opinion research commenced regarding potential sites for the SMR installation.
- On 13 April 2023 the Company submitted an application to the Minister of Climate and Environment to issue a fundamental decision provided for in art. 3a of the nuclear law (the decision represents the first administrative permit required to advance the investment). The Company received the decision in June 2023.
- On 15 June 2023 an application was submitted through the Ministry of Climate and Environment for subsidising of project work related to the SMR investment under the Phoenix Program organised by the US State Department.



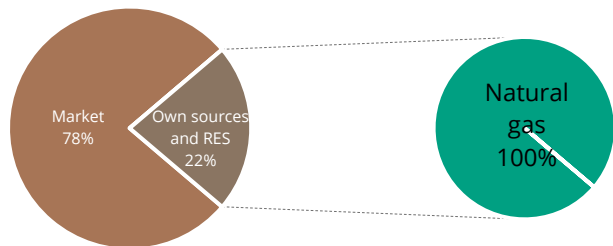
Ensuring energy security in KGHM

- The Natural Gas-Steam (CCGT) blocks of the Head Office ensured energy security for the Core Production Business as regards the supply of power to the Polkowice-Sieroszowice and Rudna mines as well as to the Głogów Copper Smelter and Refinery in the case of a blackout of the National Energy System as well as the supply of cogenerated heat for the production needs of the metallurgical plants.
- KGHM Polska Miedź S.A. as a corporate whole (meaning all of its facilities and equipment) is protected against the potential introduction of restrictions in the supply and off-take of electricity by a Decision of the President of the Energy Regulatory Office dated 25 May 2023 confirming the consolidated plan of restrictions for the period from 1 June 2023 to 31 May 2024 and confirming the Company's exemption in this regard.

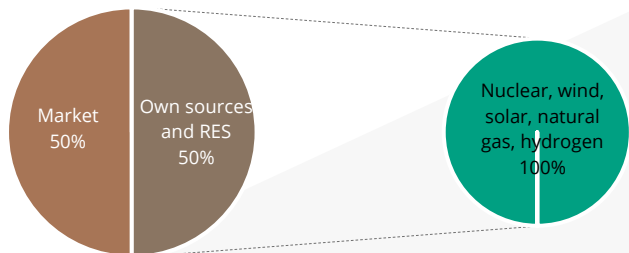
By 2030 the increase in share of RES will lead to a substantial reduction in CO₂ emissions

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

2020 – base year (2.9 TWh):



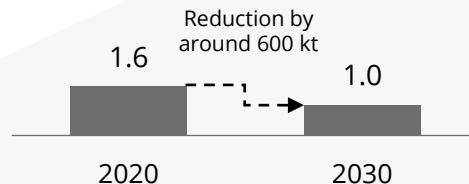
2030 - goal:



H1 2023:

Own generation sources, including RES, covered 17.39% of KGHM Polska Miedź S.A.'s total power needs in H1 2023.

Estimated CO₂ emissions due to electricity consumption
[mn tonnes]



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



100% of electricity generated by RES in the **Sierra Gorda mine** since January 2023

1) In H1 2023 lower power generation by the CCGT units compared to the base year 2020 in a similar manner was due to shut down the CCGT block in Polkowice due to unfavourable macroeconomic conditions, which meant that the price of electricity generated by the block was higher than possible in terms of purchasing energy from the market. The Company Energetyka provided an alternate source of heating from carbon-based sources during the block's shutdown

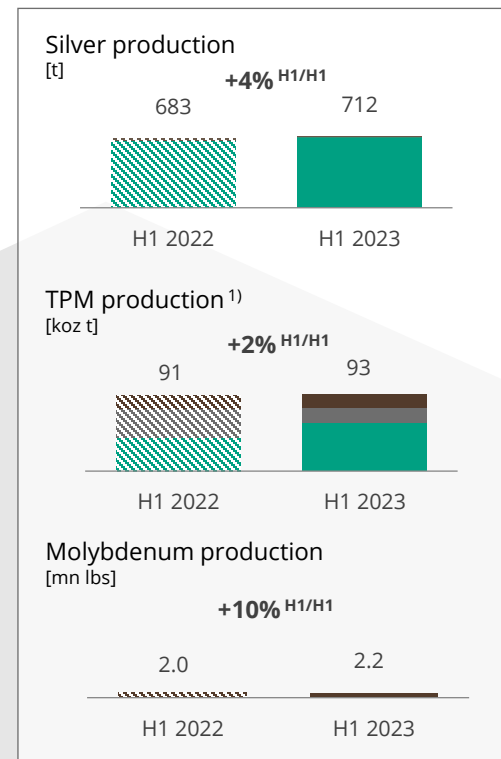
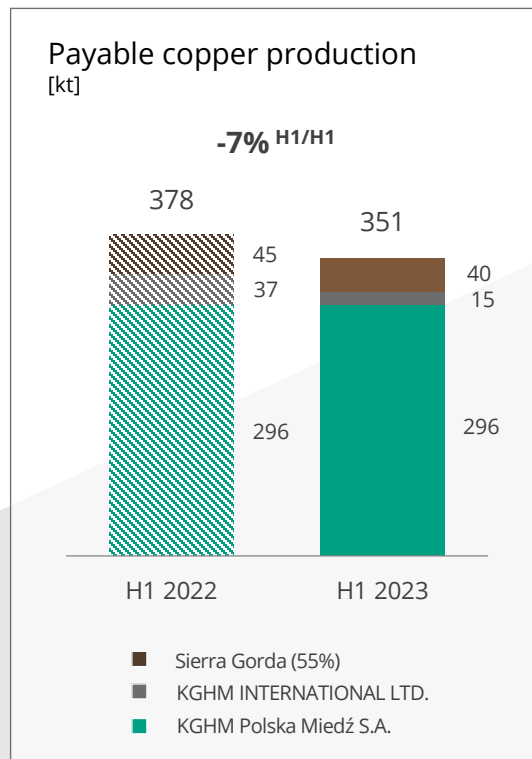


Production results of the KGHM Group by segment

Metals production

KGHM Group

- Higher production of copper in concentrate by KGHM Polska Miedź S.A.
- A similar level of payable copper production by KGHM Polska Miedź S.A.
- Higher silver production by KGHM Polska Miedź S.A.
- Higher gold production by KGHM Polska Miedź S.A.
- Higher molybdenum production by Sierra Gorda
- Lower payable copper production by Sierra Gorda due to lower copper content in ore
- Lower payable copper production by KGHM INTERNATIONAL LTD. due to work in a transition zone with lower copper content in the Robinson mine

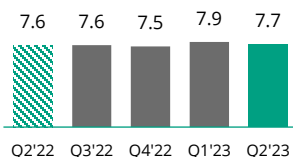
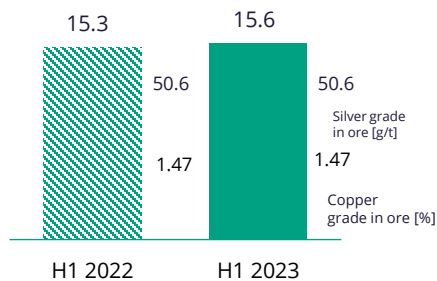


Production results

KGHM Polska Miedź S.A.

Ore extraction
[mn t dry weight]

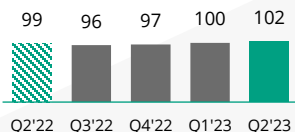
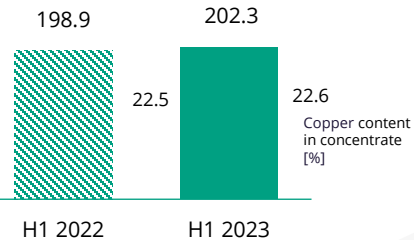
+2.0% H1/H1



- Ore extraction results from areas selected for mining

Production of copper
in concentrate [kt]

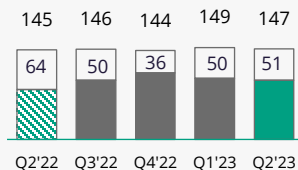
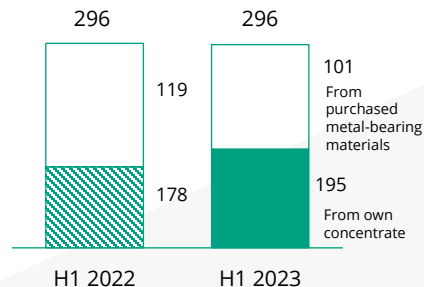
+1.7% H1/H1



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

Electrolytic copper
production [kt]

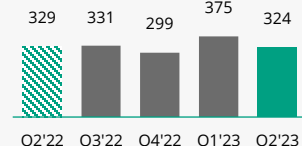
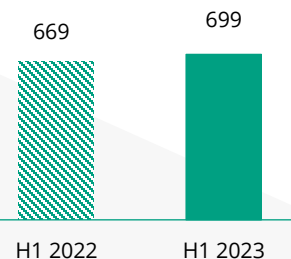
-/- H1/H1



- Electrolytic copper production at the same level as in H1 2022

Metallic silver
production [t]

+4.5% H1/H1

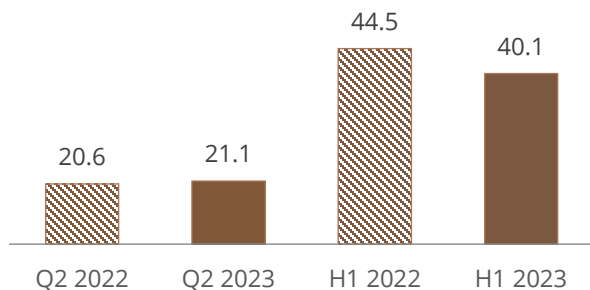


- Higher production due to the higher availability of charge materials

Production results

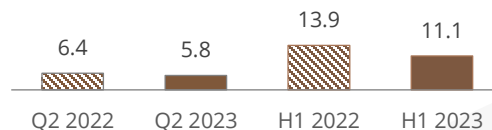
Sierra Gorda¹⁾

Payable copper production [kt] **-10% H1/H1**

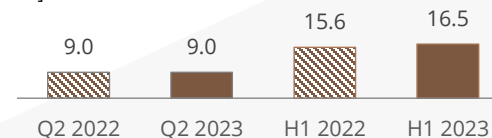


- Lower payable copper production in H1 2023 compared to H1 2022 due to the mining of ore with lower copper content and lower recovery

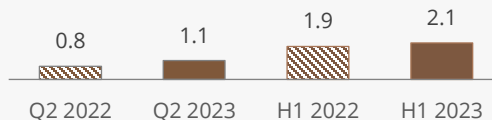
Silver production [t] **-20% H1/H1**



TPM production [koz t] **+6% H1/H1**



Molybdenum production [mn lbs] **+11% H1/H1**

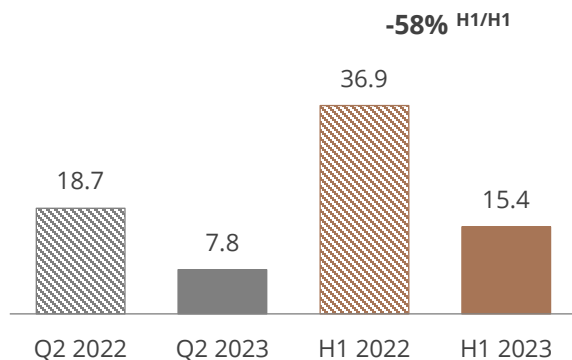


- The volume of precious metals production derived from the content of these metals in mined ore
- The increase in molybdenum production was due to extraction from areas with higher molybdenum content compared to ore mined in the prior year.

Production results

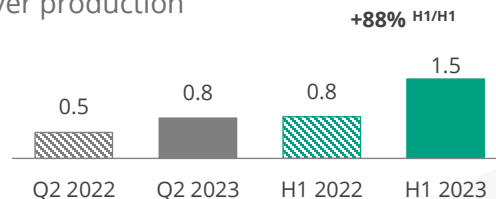
KGHM INTERNATIONAL LTD.

Payable copper production [kt]

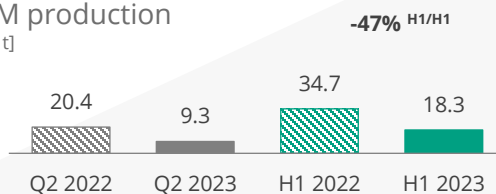


Lower production by the Robinson mine mainly due to mining of a low copper-grade transition zone and lower recovery due to the high content of acid-soluble copper and zinc. The lower production by KGHM INTERNATIONAL was also due to the inclusion in H1 2022 of production by the Franke mine, which was sold in April 2022. Higher production was recorded by the McCreedy mine (Sudbury Basin) – higher extraction of copper-rich ore.

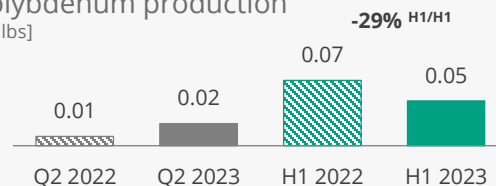
Silver production [t]



TPM production [koz t]



Molybdenum production [mn lbs]



- Higher silver production by the Sudbury Basin due to higher silver content in ore and higher ore extraction volume
- Lower gold production by the Robinson mine (lower recovery, lower extraction from ore with lower gold grade), which was not offset by higher TPM production by the Sudbury Basin (higher TPM content in ore, higher extraction)
- Lower molybdenum production by the Robinson mine due to mining in a low-quality transition zone

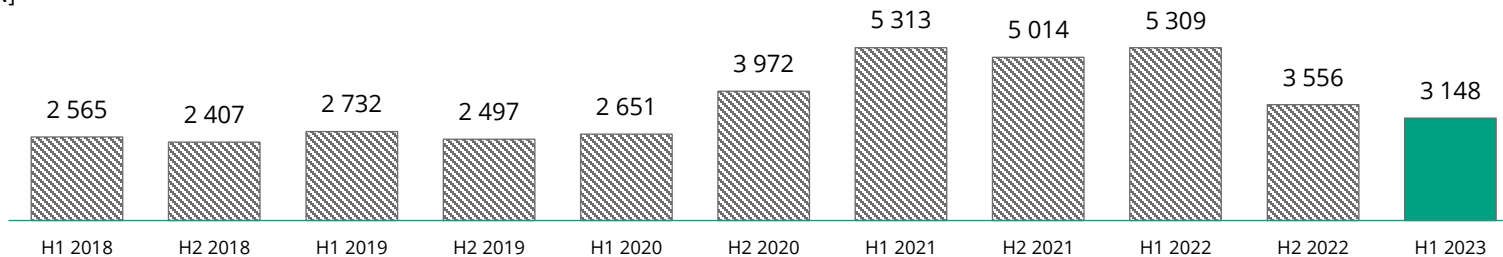


Financial results of the Group

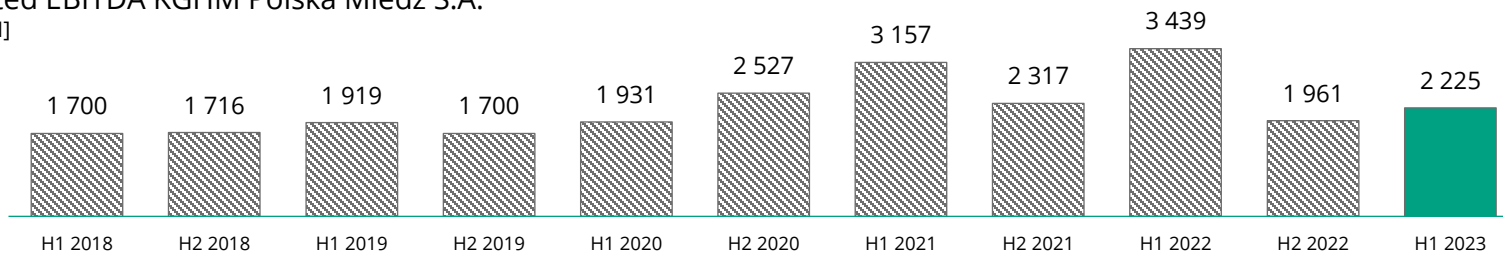


Key financial indicators

Group EBITDA adjusted ¹⁾
[mn PLN]



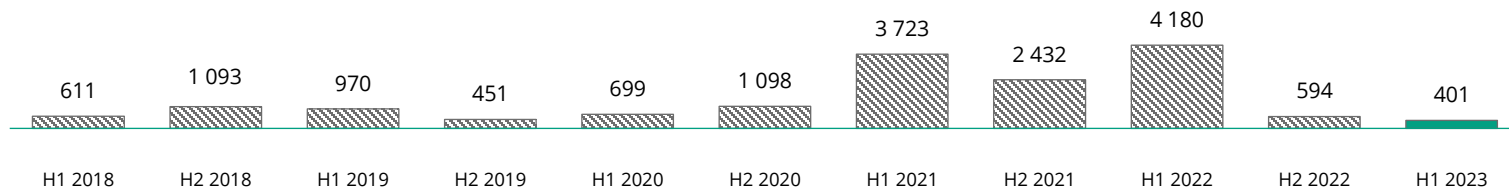
Adjusted EBITDA KGHM Polska Miedź S.A.
[mn PLN]



Key financial indicators

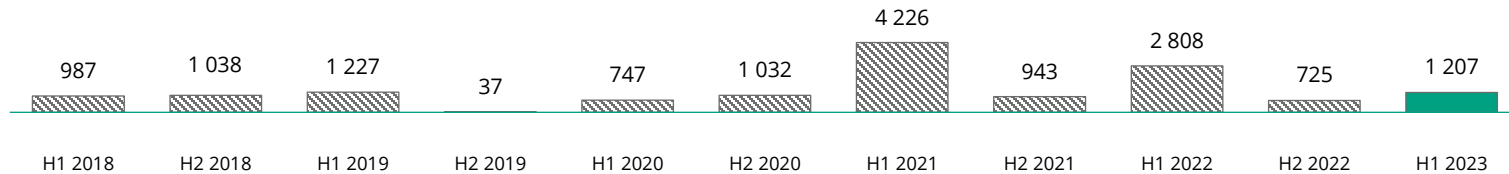
Profit for the period - Group

[mln PLN]



Profit for the period - KGHM Polska Miedź S.A.

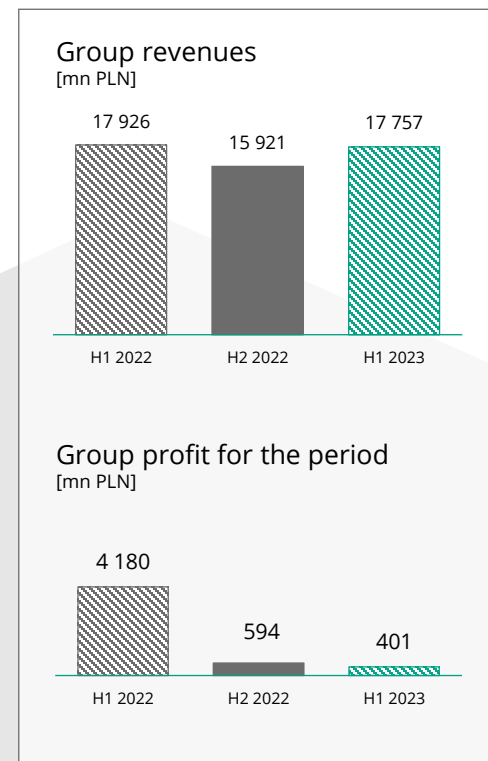
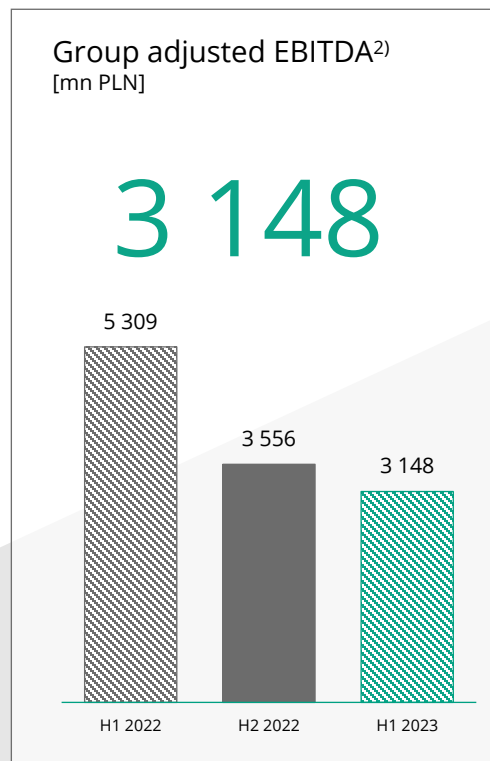
[mn PLN]



Key financial indicators of the KGHM Group

H1 2023

Lower copper prices were caused by the global economic slowdown and, in the case of profit for the period, negative exchange differences reduced the KGHM Group's results.

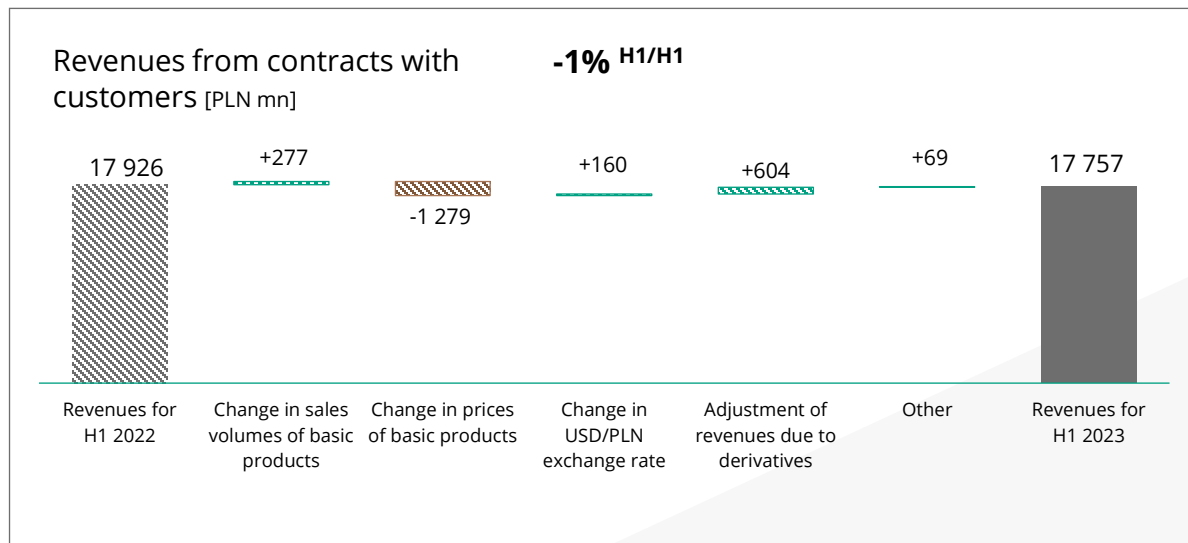


1) On a 55% basis

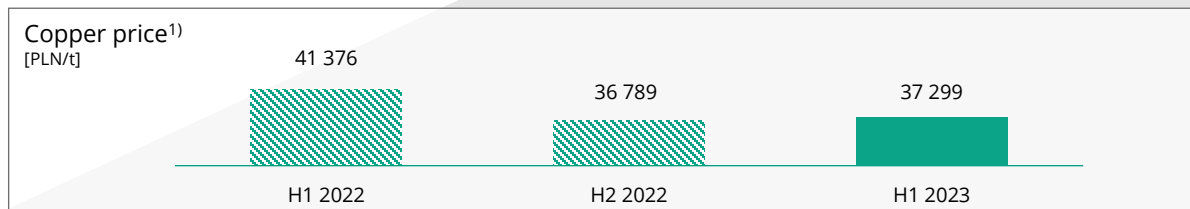
2) Sum of segments; adjusted EBITDA = EBITDA (profit/loss) on sales + depreciation/amortisation) adjusted by impairment losses on non-current assets

Group sales revenue

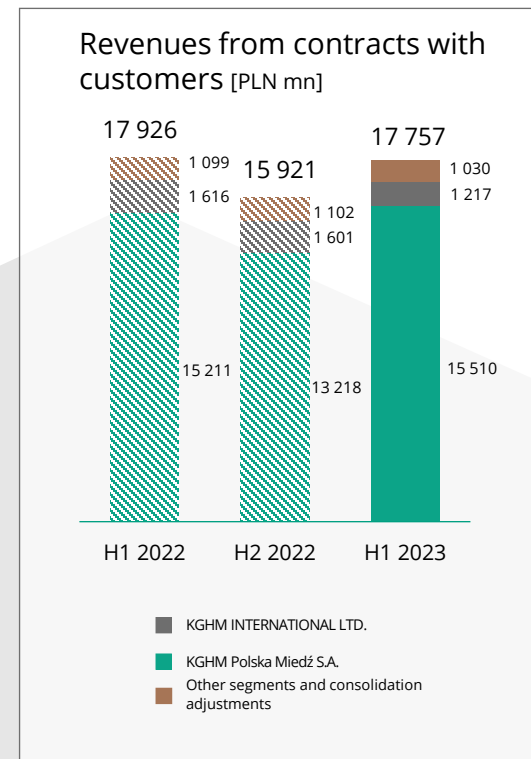
H1 2023



Lower revenues by PLN 169 million (-1%) compared to H1 2022 mainly due to lower copper prices



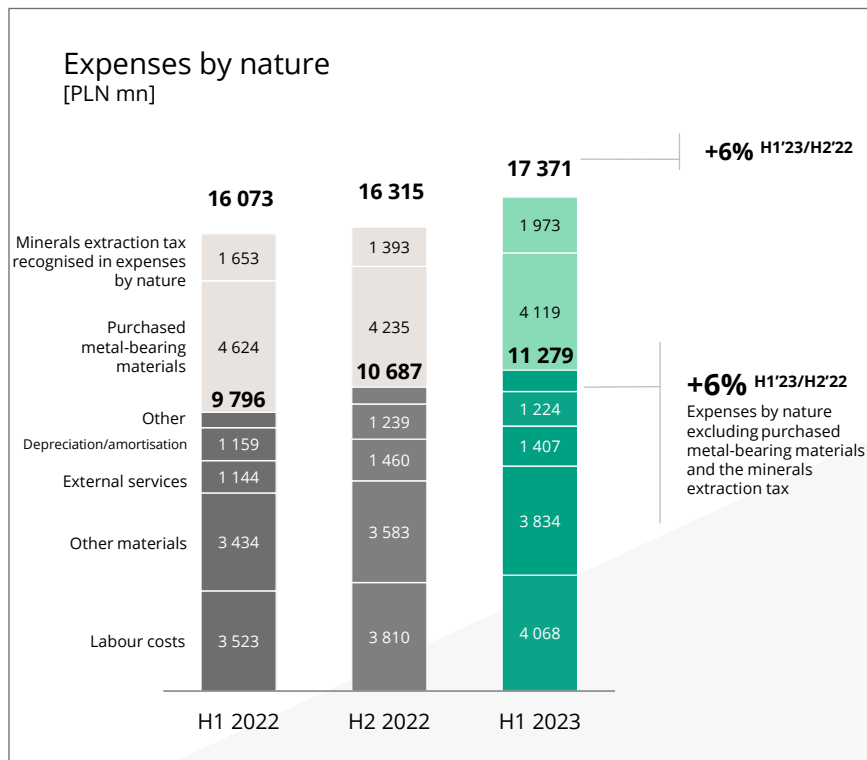
1) Average cash settlement price of copper



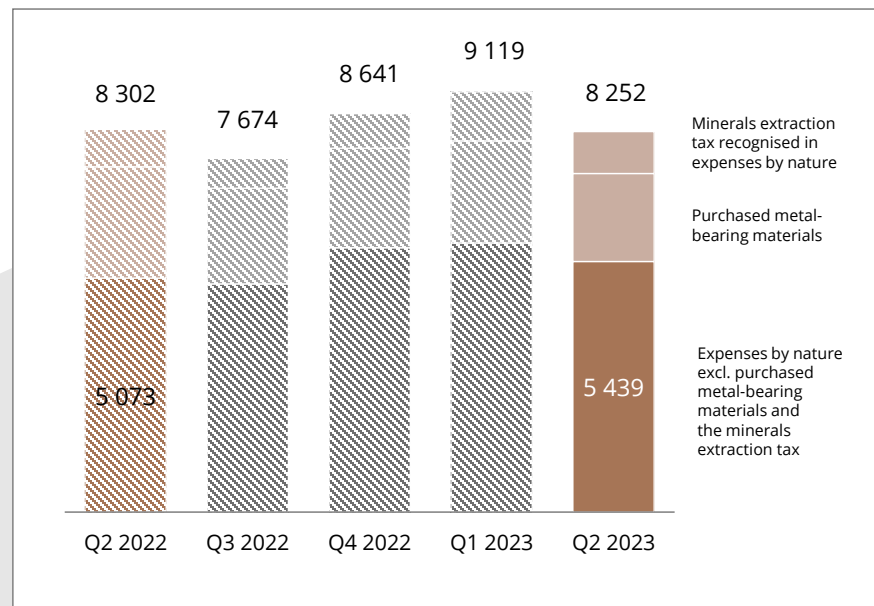
- KGHM INTERNATIONAL LTD.
- KGHM Polska Miedź S.A.
- Other segments and consolidation adjustments

Expenses by nature

Group

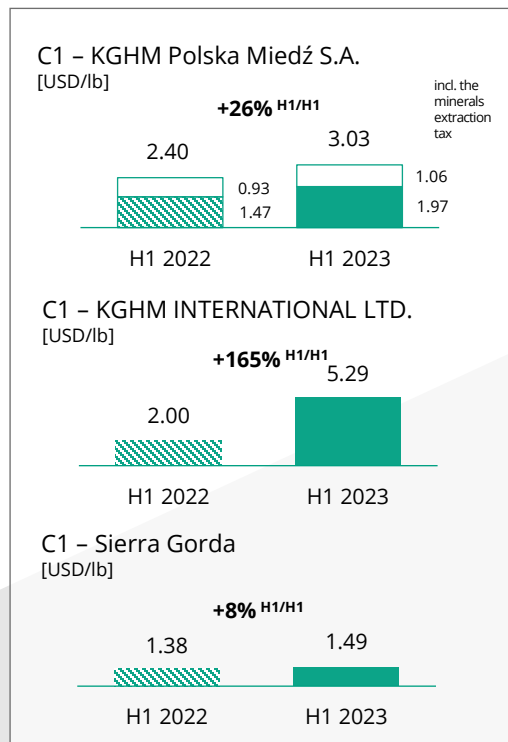
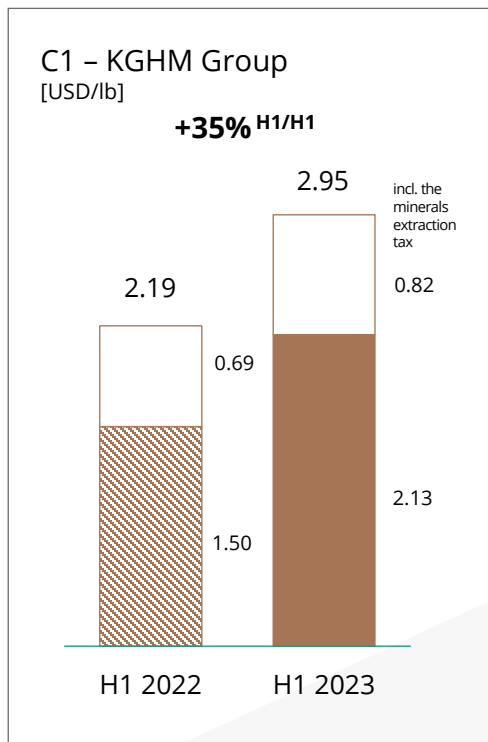


Cost pressures in the KGHM Group due to global inflation



C1 unit cost ¹⁾

KGHM Group



- The increase in C1 cost in KGHM Polska Miedź by 26% compared to H1 2022 was mainly due to higher costs of materials, fuels and energy, and labour costs
- The more-than-doubling of C1 cost in KGHM INTERNATIONAL LTD. was due to a drop in sales and higher costs at the Robinson mine, which in the first quarter was engaged in mining from a transition zone, characterised by lower copper content. Stripping costs were significantly lower.
- The increase in C1 cost in Sierra Gorda by 8% compared to the first half of 2022 was mainly due to a lower volume of copper sold due to the processing of ore with lower copper content

Financial results

KGHM Group

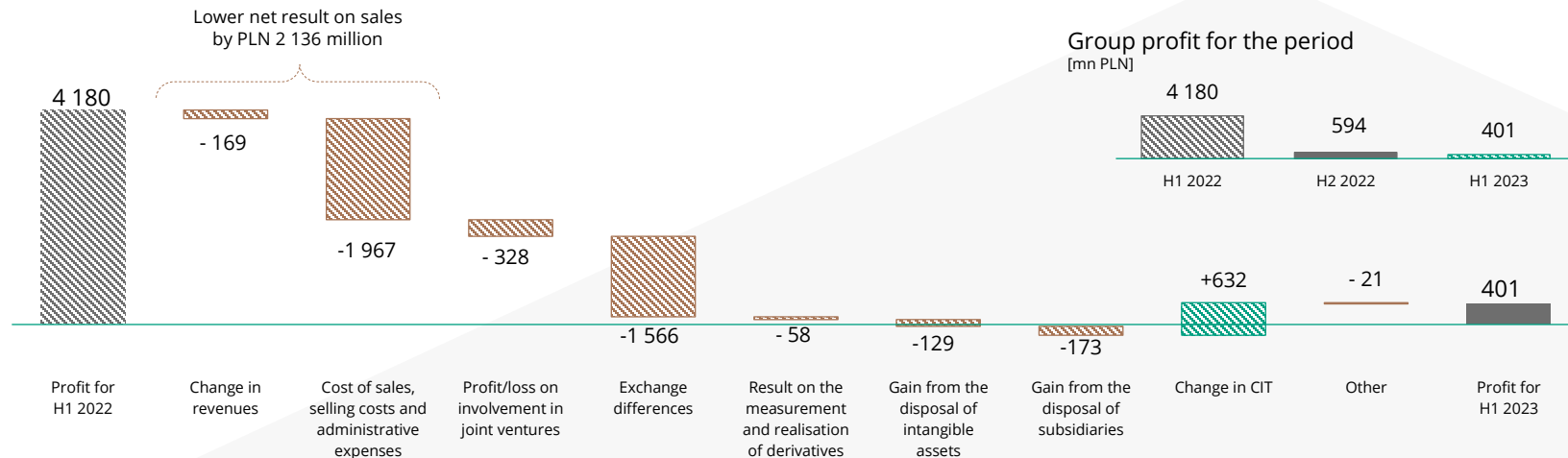
Profit for the period

[PLN mn]

401
[PLN mn]

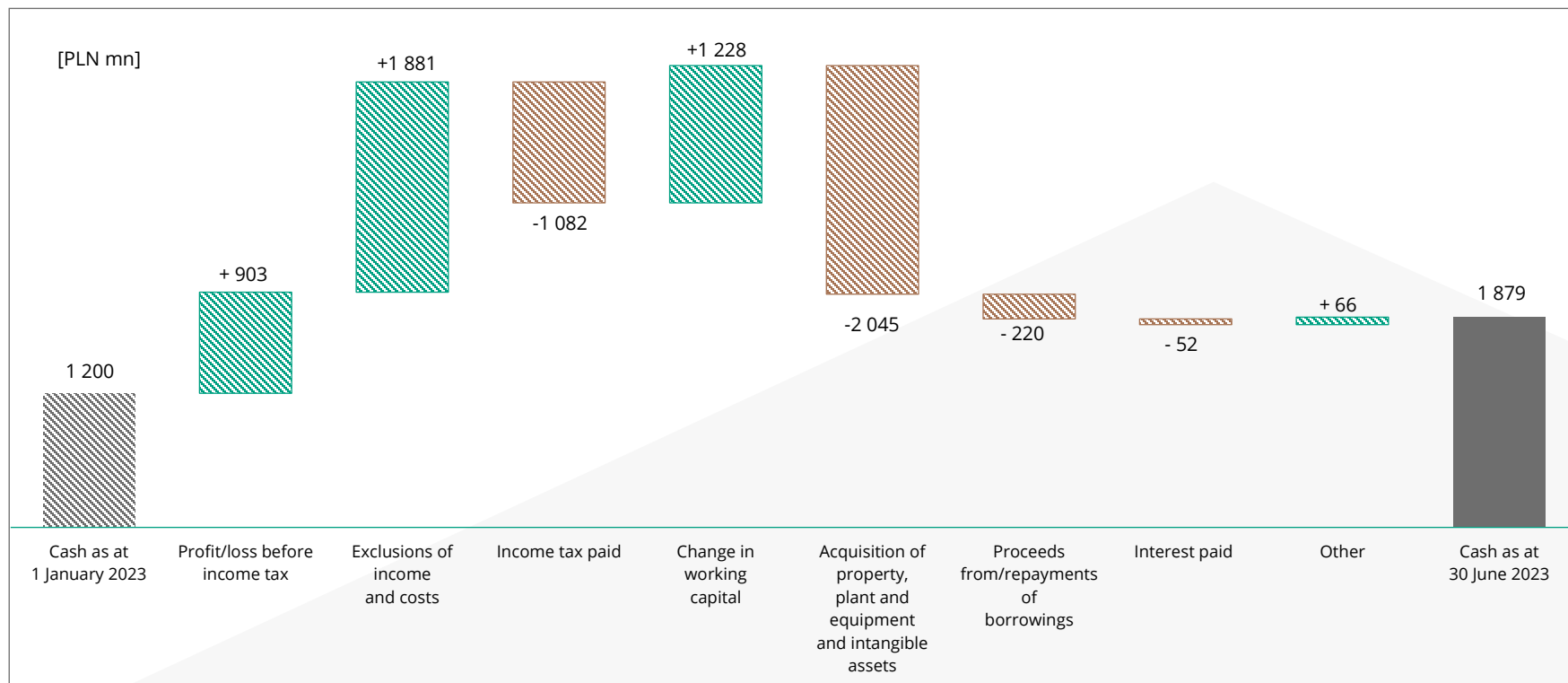
consolidated net profit in the first half of 2023

Lower KGHM Group profit mainly due to a lower result on basic operating activities and a very large impact of exchange differences as well as exchange differences, as well as a lower reversal of impairment of loans (result on joint ventures)



Cash flow

KGHM Group



Net debt of the KGHM Group

As at the end of Q2 2023

Main factors affecting net debt in 2023

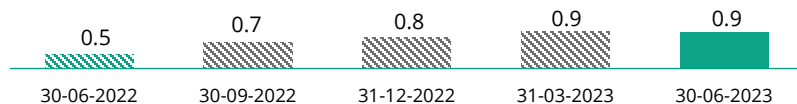
Increases in debt

- Cash expenditures on property, plant and equipment (PLN 2 060 mn)
- The minerals extraction tax (PLN 1 973 mn)
- Change in inventories (higher by PLN 141 mn)
- Interest paid and other debt-related costs recognised in cash flow financing activities (PLN 52 mn)

Decreases in debt

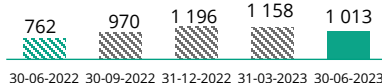
- Positive cash flow from operating activities, excluding the change in working capital and the minerals extraction tax (PLN 3 670 mn)
- Change in trade and other payables, incl. trade liabilities transferred to the factor (higher by PLN 1 252 mn)
- Positive exchange differences (lower net debt expressed in PLN by PLN 235 mn)
- Change in trade and other receivables (lower by PLN 122 mn)
- Interest received (PLN 68 mn)

Net debt / adjusted EBITDA

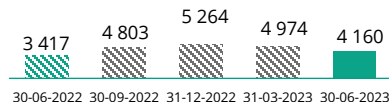


KGHM Group net debt

[USD mn]

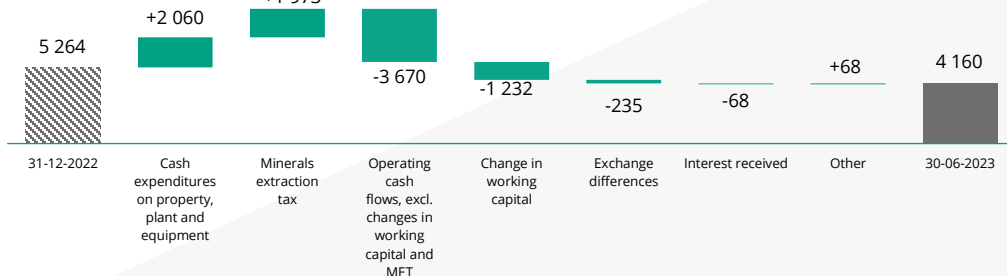


[PLN mn]



Change in net debt

[PLN mn]

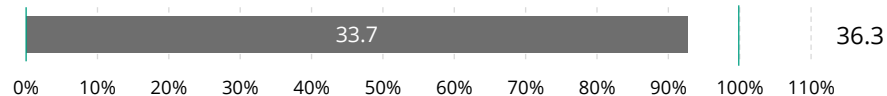


The financial situation of the KGHM Group remains stable and safe

2023
Budget

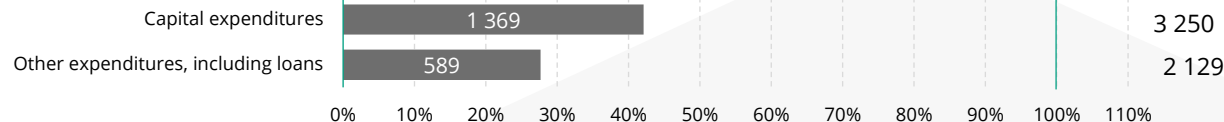
Total unit production cost

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



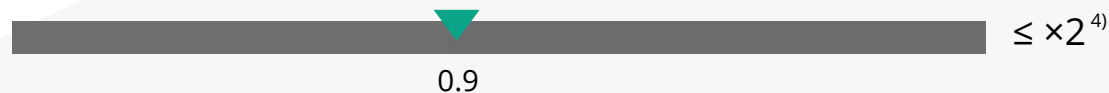
Investments

KGHM Polska Miedź S.A.²⁾
[PLN mn]



Liquidity of the KGHM Group

[net debt / adjusted EBITDA]³⁾

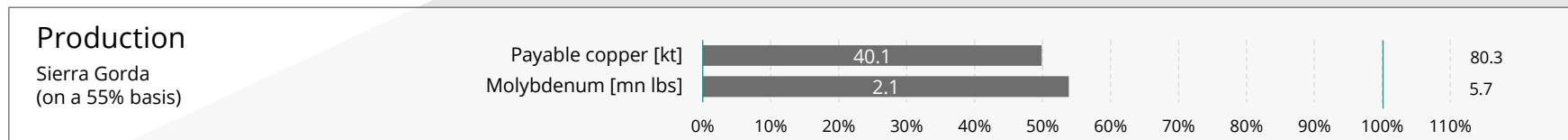
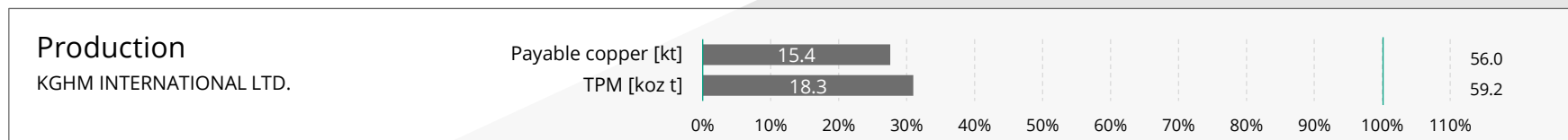
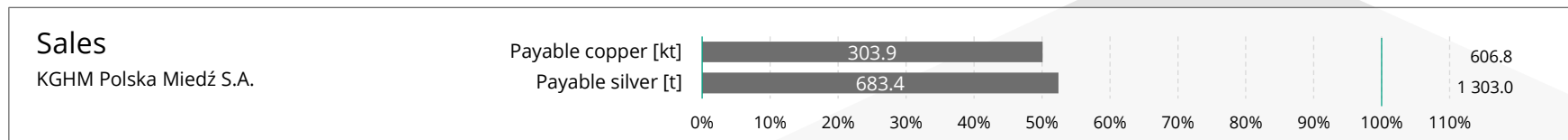
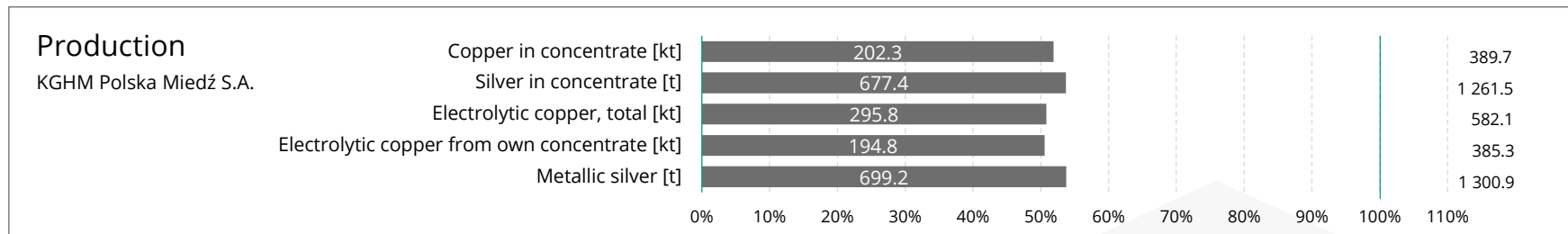


- 1) Sum of costs of extraction, floatation and metallurgical processing per cathode, together with support functions and cathode selling costs, adjusted by the value of inventories of half-finished products and work in progress, less the value of anode slimes and divided by the volume of electrolytic 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 2023

Group production and sales in H1 2023

Execution of annual targets

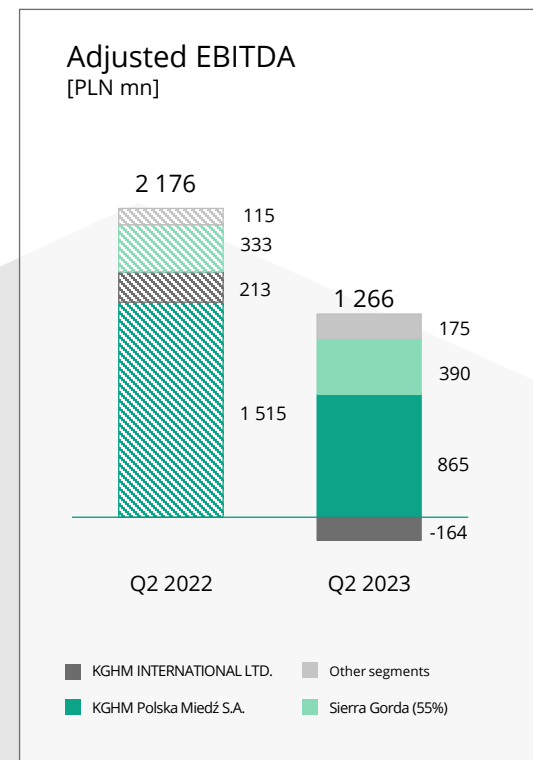
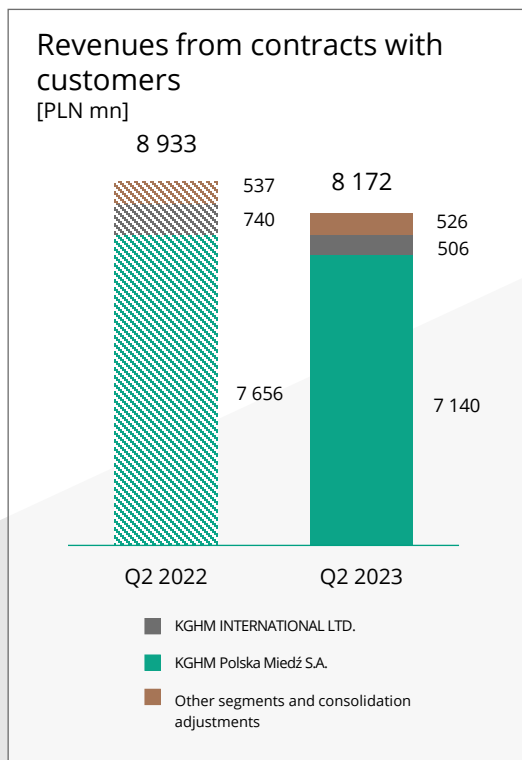
2023
Budget



Revenues and EBITDA in Q2 2023

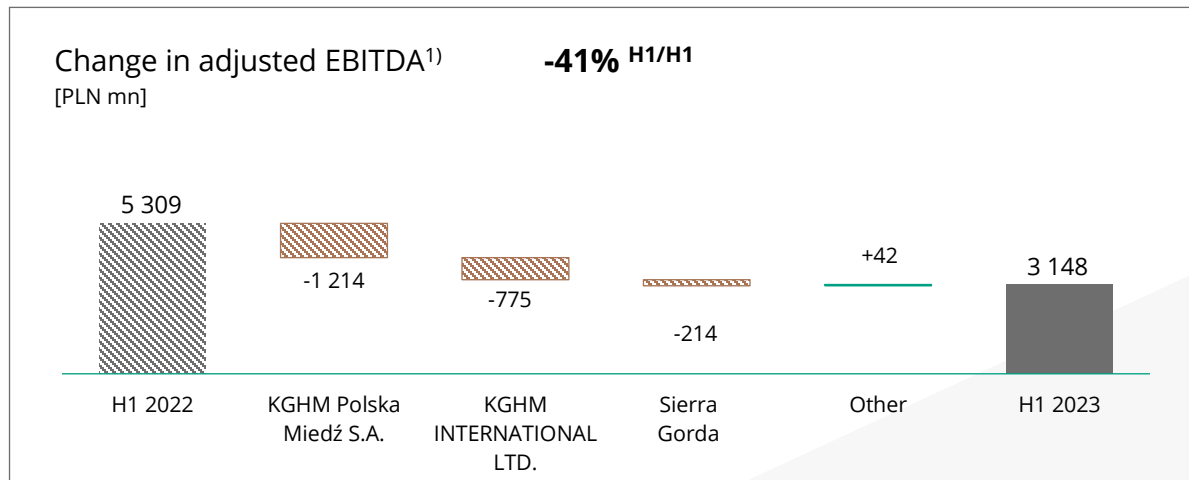
KGHM Group and operating segments

Lower adjusted EBITDA compared to Q2 2022 by PLN 910 million, mainly due to lower copper prices and a less-favourable exchange rate

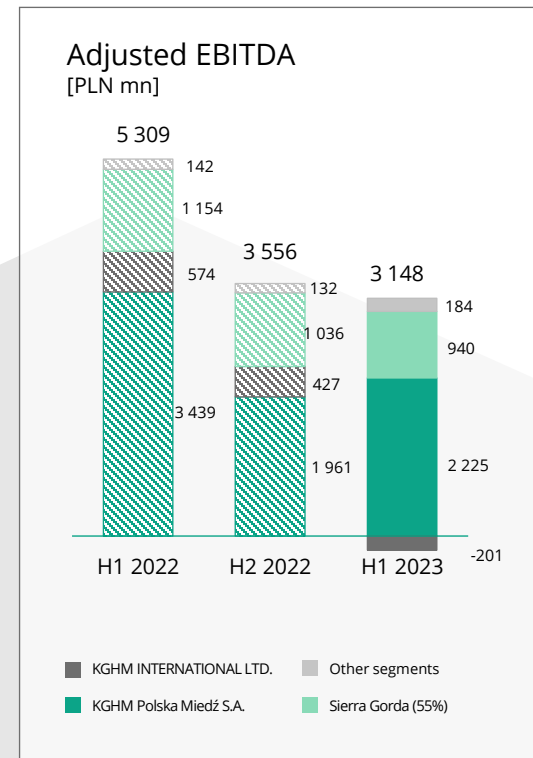


Operating results

KGHM Group



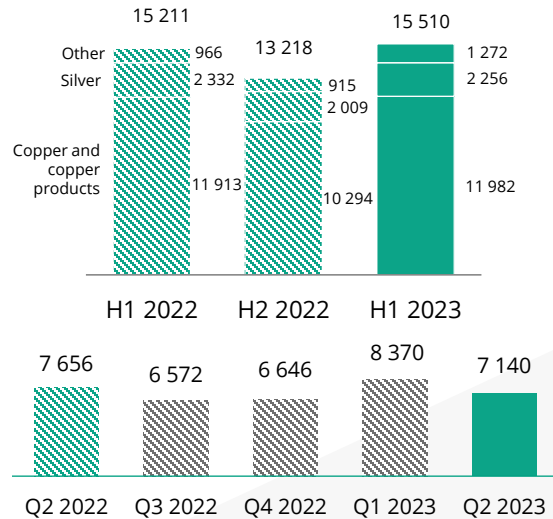
A decrease in adjusted EBITDA compared to H1 2022 mainly due to substantially lower copper prices alongside cost pressures.



Sales revenue

KGHM Polska Miedź S.A.

Revenues from contracts with customers
[mn PLN]

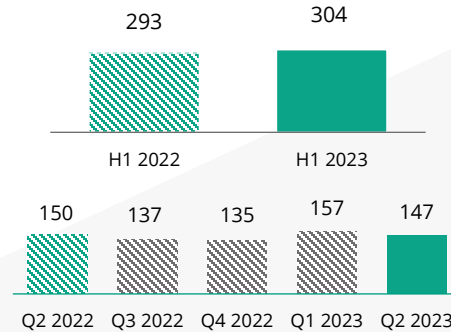


Higher revenues from contracts with customers by PLN 299 million (+2%) in H1 2023 compared to H1 2022, mainly due to: a higher volume of copper and gold sales, more favorable adjustment of revenues due to hedging transactions and a higher USD/PLN exchange rate (+1%) with lower realised prices of copper and copper products

Sales of copper

and copper products
[kt]

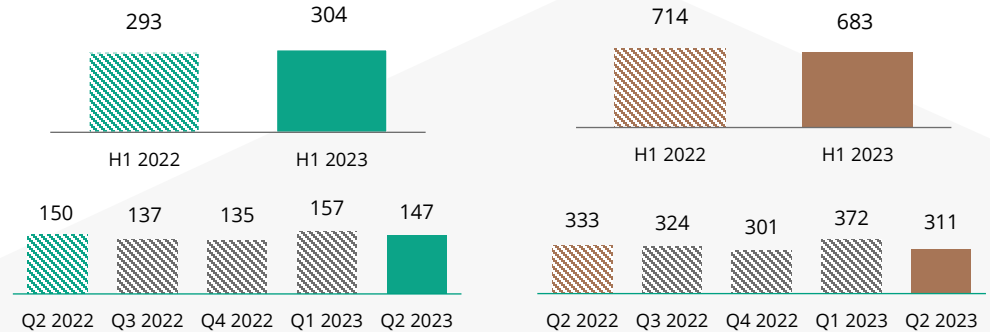
+4% H1/H1



Silver sales

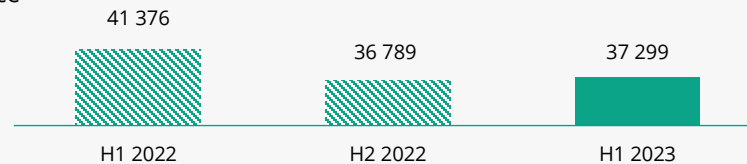
[t]

-4% H1/H1



Copper price¹⁾

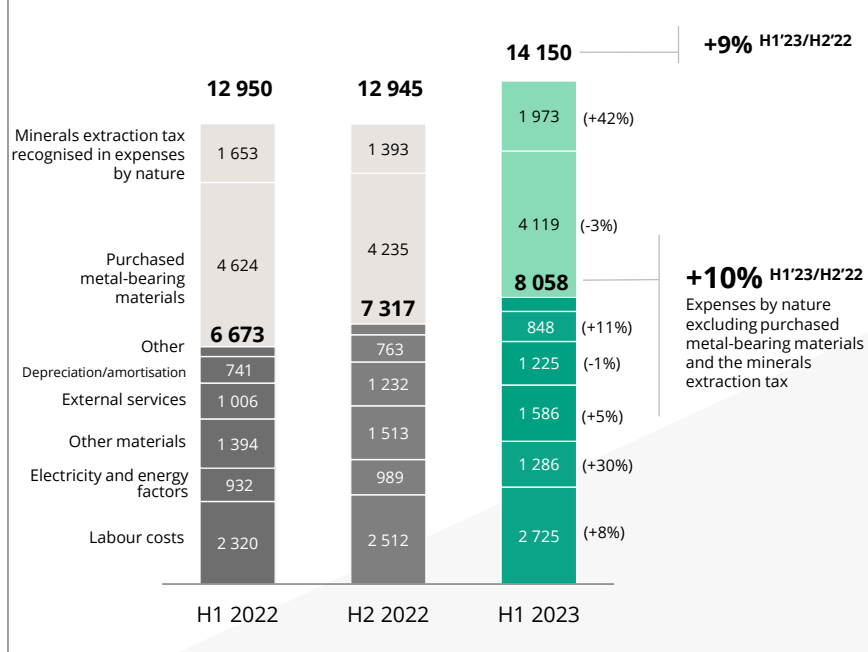
[PLN/t]



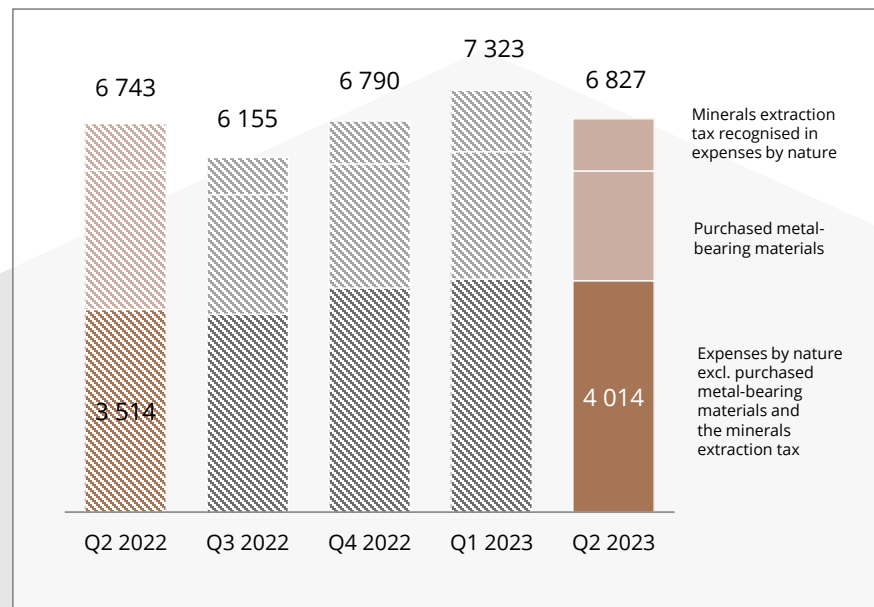
Expenses by nature

KGHM Polska Miedź S.A.

Expenses by nature
[PLN mn]



Expenses by nature of the Company
higher by PLN 1 205 million H1'23/H1'22

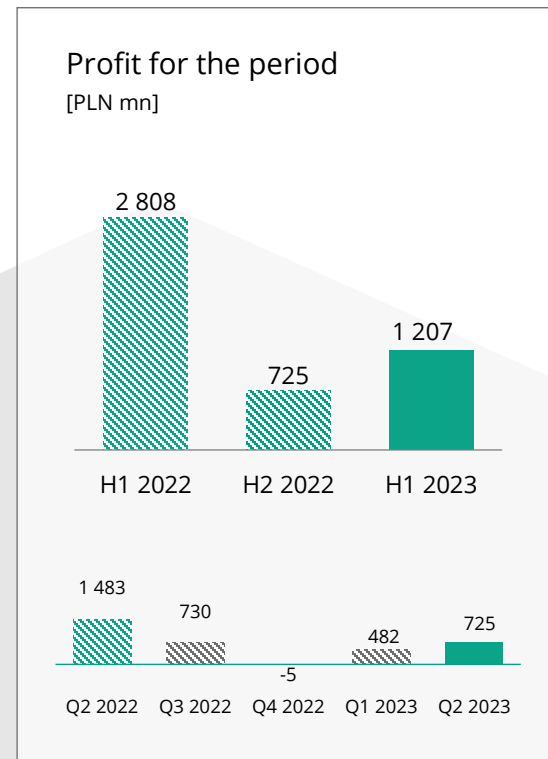
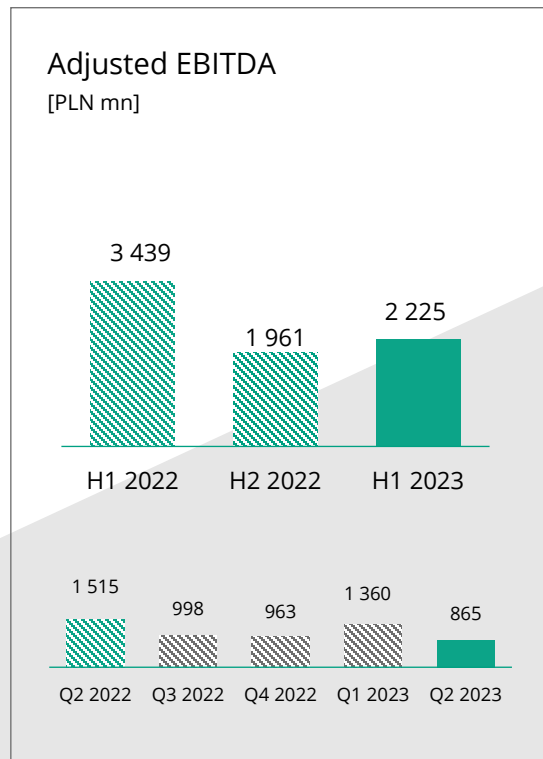


EBITDA and profit for the period

KGHM Polska Miedź S.A.

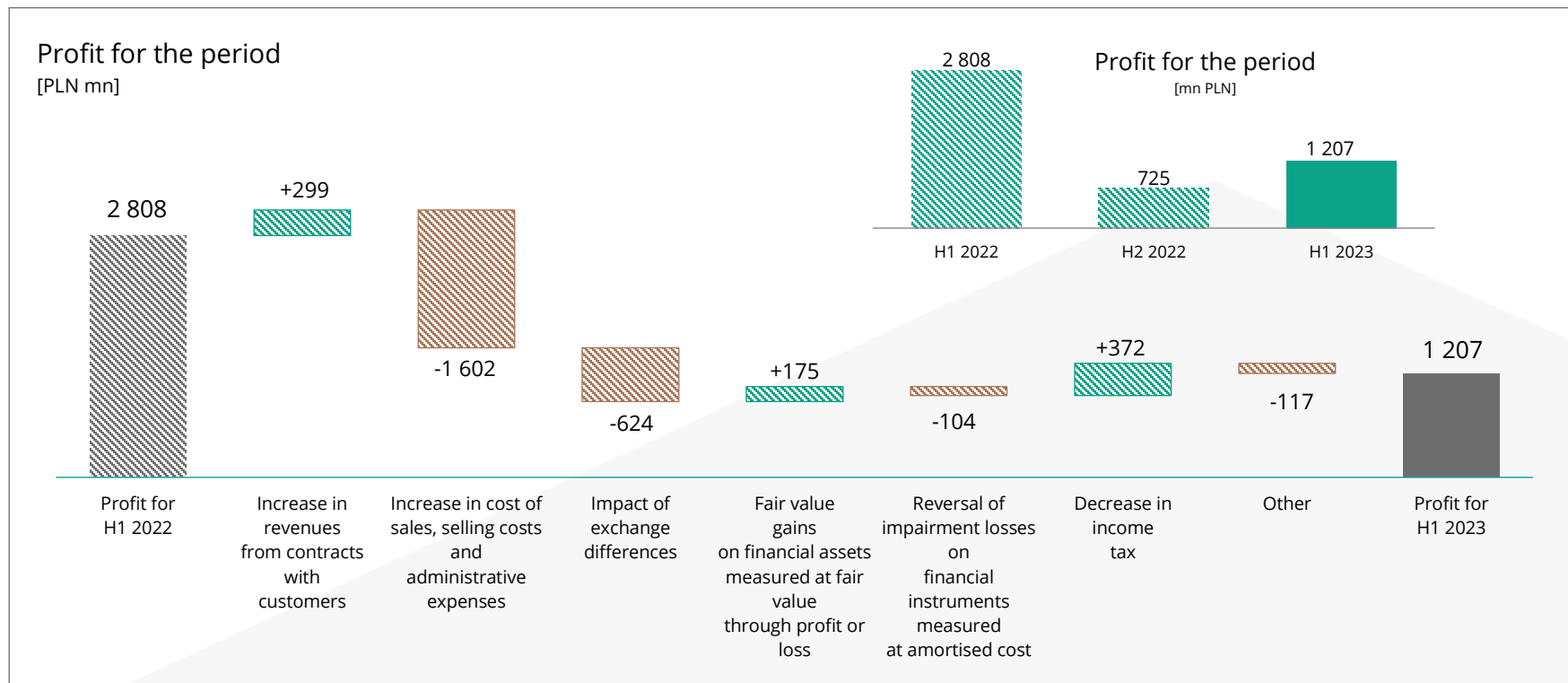
EBITDA and profit for the period

- EBITDA lower versus H1 2022 due to lower copper prices and global inflationary pressure
- Profit for the period lower versus H1 2022 mainly due to a lower operating result and a very large impact of exchange differences



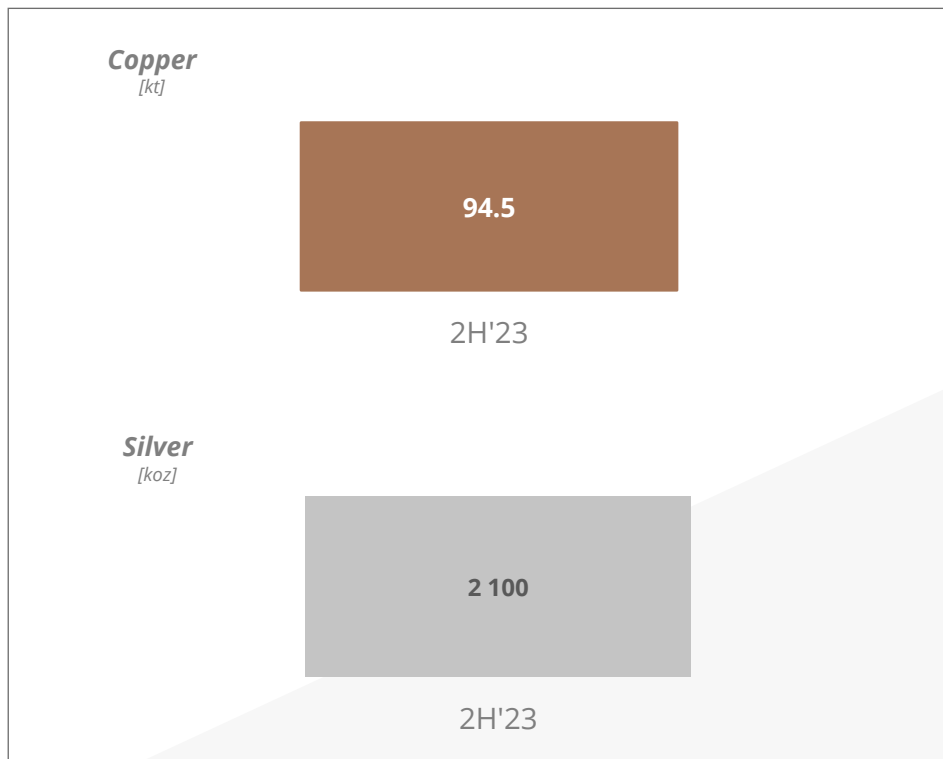
Profit for the period

KGHM Polska Miedź S.A.



Market risk management

Hedged position on the copper and silver markets (as at 30 June 2023)



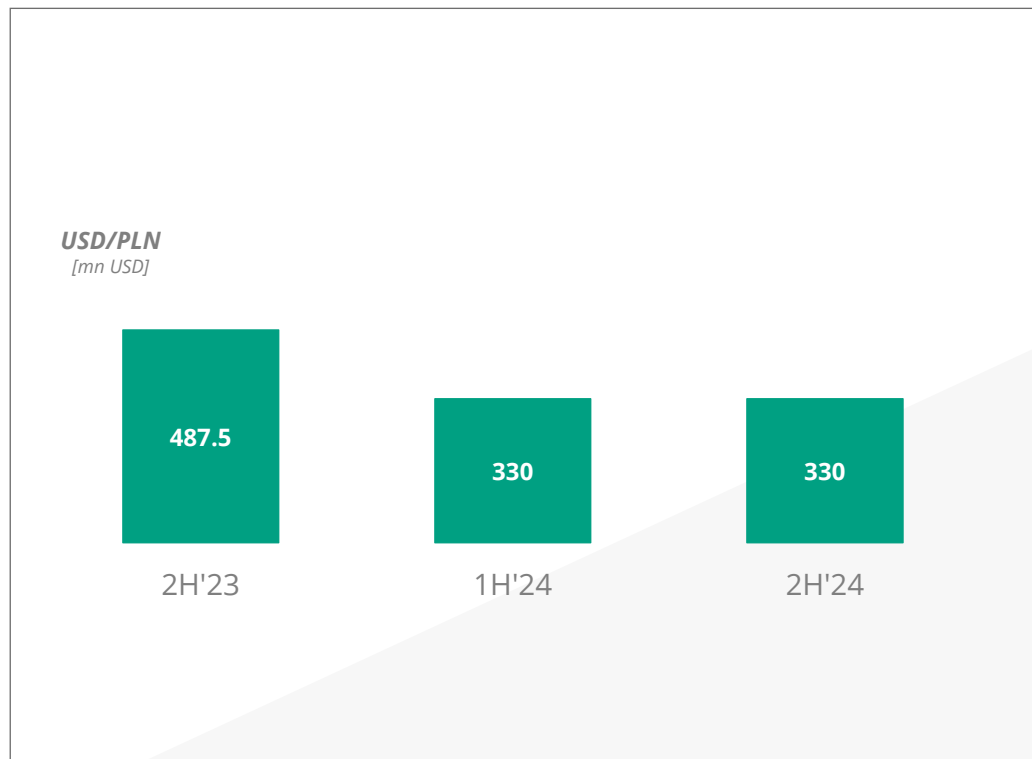
At the end of H1 2023 the Parent Entity recorded a result on derivatives* and hedges in the amount of PLN 164 million:

- +PLN 227 mn adjusted revenues from contracts with customers (transactions settled to 30 June 2023),
 - PLN 109 mn decreased the result on other operating activities
 - PLN 46 mn increased the result on financing activities.
- The fair value of open derivatives in KGHM Polska Miedź S.A. as at 30 June 2023 amounted to PLN 410 mn*.
 - The revaluation reserve on cash flow hedging instruments as at 30 June 2023 amounted to PLN 707 mn (excluding the tax effect).
 - In H1 2023 the Parent Entity did not enter into derivatives transactions on the forward copper and silver markets.

* excludes embedded instruments

Market risk management

Hedged position on the currency market (as at 30 June 2023)



- In H1 2023 the Parent Entity restructured an open position on the currency market. Part of a collar options structure hedging revenues from sales in the period from July 2023 to December 2024, in the total notional amount of USD 990 million, was closed, which led to positive cash inflow of approx. PLN 533 million.
- Also restructured was a collar options structure hedging revenues from sales in 2024 in the notional amount of USD 660 million into a put spread structure, which enables full participation in potential increases in the USDPLN exchange rate.
- In H1 2023 the Parent Entity did not enter into transactions hedging forward interest rates.
- As at 30 June 2023 the Parent Entity held open CIRS (Cross Currency Interest Rate Swap) transactions for the notional amount of PLN 2 billion.

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