

Information on the results of the conducted tests for impairment

1. Results of the tests for impairment of Investment Certificates of Closed-End, Non-Public Investment Funds Assets and their portfolio companies

The restrictions related to COVID-19 resulted in a decrease in revenues in 2020 in spa companies and in hotel companies within the portfolio of the KGHM VI FIZAN and KGHM VII FIZAN funds (hereafter: Funds), and their property, plant and equipment and intangible assets did not generate the expected cash flows. With respect to the separate financial statements of KGHM Polska Miedź S.A., this was an indication to perform impairment testing of the Funds' Investment Certificates, and in the consolidated financial statements of the KGHM Polska Miedź S.A. Group it was an indication to perform impairment testing of the property, plant and equipment and intangible assets of the portfolio companies of the Funds.

For the separate financial statements of KGHM Polska Miedź S.A., the recoverable amount of the Funds' Investment Certificates which were tested was determined by analysing the net assets of the Funds' Investment Certificates, taking into account an analysis of the discounted cash flows generated by selected portfolio companies operating in the spa and hotel sectors, which were adjusted by net debt, and for the shares of the company listed on the WSE the share price and control premium were included.

For the consolidated financial statements of the KGHM Polska Miedź S.A. Group, the recoverable amount of the tested property, plant and equipment and intangible assets of selected portfolio companies operating in the spa and hotel sectors was determined by analysing the discounted forecasted cash flows generated by cash generating units, which were adjusted by a change in the working capital and on the basis of an analysis of valuation reports of selected hotel companies, prepared by property appraisers.

With respect to the separate financial statements of KGHM Polska Miedź S.A. for the financial year ended 31 December 2020, the tests performed indicated:

- justification for the recognition of an impairment loss on the investment in the Investment Certificates of KGHM VII FIZAN in profit or loss for the fourth quarter of 2020 in the amount of PLN 10 million, which together with impairment losses recognised in profits or losses for previous quarters of 2020 gives a total impairment loss for 2020 in the amount of PLN 44 million;
- no basis to change the impairment loss on the investment in the Investment Certificates of KGHM VI FIZAN, recognised in the profit or loss for the first quarter of 2020 in the amount of PLN 12 million.

With respect to the consolidated financial statements of the KGHM Polska Miedź S.A. Group for the financial year ended 31 December 2020, the performed tests indicated justification for the recognition in the profit or loss for the fourth quarter of 2020 of an impairment loss in the amount of PLN 23 million on the carrying amount of the property, plant and equipment and intangible assets of spa companies within the portfolio of KGHM VII FIZAN, and together with impairment losses recognised in profits or losses for previous quarters of 2020 gives a total impairment loss on the carrying amount of property, plant and equipment and intangible assets of spa companies in the amount of PLN 94 million.

2. Results of the test for impairment of POL-MIEDŹ TRANS Sp. z o.o.

As at 31 December 2020, due to indications of the possibility of changes in the recoverable amount of the capital commitment in the shares of POL-MIEDŹ TRANS Sp. z o.o. and the possibility of changes in the recoverable amount of property, plant and equipment and intangible assets of the company POL-MIEDŹ TRANS Sp. z o.o., impairment testing of these assets was performed. The key indication to perform tests was a loss for 2020, deviating from the financial results assumed for that period.

For the purpose of estimating the recoverable amount, in the conducted tests the value in use of the shares of POL-MIEDŹ TRANS Sp. z o.o. and the value in use of the property, plant and equipment and intangible assets of POL-MIEDŹ TRANS Sp. z o.o. were measured using the DCF method, i.e. the method of discounted cash flows.

With respect to the separate financial statements of KGHM Polska Miedź S.A. for the financial year ended 31 December 2020, the results of the conducted test did not indicate a need to recognise an impairment loss on the shares of POL-MIEDŹ TRANS Sp. z o.o.

With respect to the consolidated financial statements of the KGHM Polska Miedź S.A. Group for the financial year ended 31 December 2020, the results of the conducted tests did not indicate a need to increase the impairment loss recognised on the property, plant and equipment and intangible assets as at 30 June 2020 in the amount of PLN 21 million.

3. Results of the test for impairment of WPEC w Legnicy S.A.

Due to indications of the possibility of changes in the recoverable amount of the property, plant and equipment and intangible assets of the company WPEC w Legnicy S.A., impairment testing of these assets was performed. For the purpose of estimating the recoverable amount, in the conducted test the fair value of the property, plant and equipment and intangible assets of the company, decreased by selling costs, was measured using the DCF method, i.e. the method of discounted cash flows.

With respect to the consolidated financial statements of the KGHM Polska Miedź S.A. Group for the financial year ended 31 December 2020, the conducted test indicated justification for the recognition of an impairment loss in the amount of PLN 41 million on the carrying amount of the property, plant and equipment and intangible assets of WPEC w Legnicy S.A. The results of the test have no impact on the separate financial statements of KGHM Polska Miedź S.A.

4. Results of the test for impairment of the Franke mine

For the purpose of the conducted tests, the recoverable amount of the Franke mine was determined on the basis of the analysis of discounted cash flows, which took into account, among others, the forecasted copper price path updated by market factors, risk assessment expressed in the discount rate, verified technical and economic parameters with respect to mine life, production volumes, the size of the deposits, operating costs and investment expenditures.

The copper price path was adopted on the basis of long-term forecasts available from financial and analytical institutions. A detailed forecast for the period 2021-2023, in which currently mining operations are planned assuming copper prices is 6 300 – 6 500 USD/t (2.86 – 2.95 USD/lb). The copper price forecast for the period 2021 – 2023 has changed as compared to the copper price

forecast adopted for the tests conducted as at 31 December 2019 of 6 100 – 6393 USD/t (2.77 – 2.90 USD/lb).

Key technical and economic assumptions adopted for testing are presented below:

CGU Franke	Assumptions for the test as at 31 December 2020 *	Assumptions for the test as at 31 December 2019*
Mine life (years)	3 years	4 years
Copper production during mine life (kt)	29	76
Average operating margin during mine life	3%	29%
Capital expenditures to be incurred during mine life (mn USD)	5	62

*Adopted assumptions comprise the period from 2021 to the end of mining operations

The extraction of sulphide ore was excluded from the plans. After completion of additional analyses, the decision whether to include in the plans the extraction of sulphide ore will be reassessed.

With respect to the consolidated financial statements of the KGHM Polska Miedź S.A. Group for the financial year ended 31 December 2020, as a result of the conducted test an impairment loss was recognised on the CGU Franke in the amount of PLN 45 million on the carrying amount of property, plant and equipment.

The amounts presented above are estimates and may be subject to change. The final results of the testing will be presented in the separate and consolidated financial statements for 2020, the publication of which is planned for 24 March 2021.

Legal basis: Art. 17 (1) of MAR (Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse (market abuse regulation) and repealing Directive 2003/6/EC of the European Parliament and of the Council and Commission Directives 2003/124/EC, 2003/125/EC and 2004/72/EC (Official Journal of the European Union dated 12 June 2014, no. L 173/1)