



14 May 2021

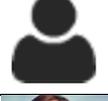
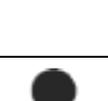
Investor chat with KGHM Polska Miedź S.A.

Link to chat (in Polish): <https://strefainwestorow.pl/artykuly/czaty-inwestorskie/20210514/wyniki-finansowe-kgm-polska-miedz>

On Friday, 14 May 2021 an investor chat was held with the CFO of KGHM Polska Miedź S.A., Mr. Andrzej Kensbok. During the chat we talked about the financial results for the first quarter of 2021. Investors also posed questions about the situation on the metals market, payable copper production and the dividend payout.

320 people participated in the chat, during which the CFO answered more than 20 questions.

Following is the transcript of the chat.

	<p>Janusz Maruszewski Hello and welcome to our investor chat with the CFO of KGHM Polska Miedź, Mr. Andrzej Kensbok. The chat is open and please feel welcome to ask questions!</p>
	<p>Andrzej Kensbok Hello, welcome to this chat and please ask your questions.</p>
	<p>Guest It is appreciated that you continue the tradition of meetings with investors☺ Regards. Shareholder of KGH</p>
	<p>Andrzej Kensbok Of course, I am and remain at your disposal.</p>
	<p>Inwestor Hello, where do such revenues in the Group in Q1 come from?</p>
	<p>Andrzej Kensbok Higher revenues by 27% vs Q1 2020 to PLN 6.745 million were achieved mainly due to higher prices of copper, silver and TPMs, and despite the offset by an adjustment to revenues due to derivatives, and a less favourable USD/PLN exchange rate.</p>
	<p>Inwestor And one more question, you have reported increased production of copper in the KGHM Group - what are the reasons for that?</p>
	<p>Andrzej Kensbok Copper production in the KGHM Group, which was 6.6% higher (186 thousand tonnes at the end of the first quarter), resulted from the higher availability of feed material, higher availability of production lines, higher recovery and better ore quality. In the operating segment of Polish assets, the mining parameters in the Deep Głogów area had improved. In the case of Sierra Gorda, the higher copper production was related to higher copper content in the mined ore and higher metal recovery.</p>

	<p>Inwestor 33 Hello. I can see better production in Sierra Gorda – could you please explain how you achieved such results?</p>
	<p>Andrzej Kensbok We achieved higher production in Q1 2021 compared to Q1 2020 due to the higher copper content in the mined ore and higher recovery, and thanks to stable ore processing the C1 cost was reduced. The above is also the result of consistently conducted activities aimed at optimizing extraction, processing and the technical availability of machines.</p>
	<p>Inwestor 33 And similarly in KGHM International, as much as 15% more copper and 30% more silver???</p>
	<p>Andrzej Kensbok The increase in copper production in KGHM International was due to higher production in the Robinson mine (higher copper content in the mined ore and higher recovery). Whereas higher silver production in the Sudbury Basin was the result of higher silver content in ore.</p>
	<p>Martyna Will it be possible to watch the General Meeting webcast on the Internet?</p>
	<p>Andrzej Kensbok Yes, on the Company's website at www.kghm.com, in the Investors section, there will be information available about the address of the website, where the real-time webcast of the Company's Annual General Meeting will take place. I would like to remind you that it will take place on June 7, 2021. The link to the webcast of the AGM will also be available in the Investors section. Please watch our corporate website.</p>
	<p>Xbr Hello, I wanted to ask about debt, how did it change in Q1?</p>
	<p>Andrzej Kensbok The Company's net debt remained nearly unchanged from the end of the year 2020 till the end of Q1 2021. As at the end of Q1 it amounted to PLN 5 billion. The nominal value in PLN was also affected by the USD/PLN exchange rate which as at March 31st was 3.92. However, due to a significant increase in adjusted EBITDA, we have a reduction in the debt indicator, measured as the relation of net debt to EBITDA, which fell to 0.8 from 1.7 at the end of the first quarter of 2020 and from 0.9 at the end of 2020.</p>
	<p>Profi Do I see a good net result in KGHM Polska Miedź S.A.?</p>
	<p>Andrzej Kensbok Yes, KGHM PM's net profit was PLN 576 million higher (+144%) than in Q1 2020 due to higher metals prices, a strong operating result, and the USD exchange rate that helped us as well.</p>
	<p>Profi I have a question concerning C1 cost – as far as I remember it increased in all segments? Thank you!</p>

	<p>Andrzej Kensbok C1 in the Group increased (in KGHM Polska Miedź and KGHM International an increase, in Sierra Gorda a decrease). C1 increased in KGHM Polska Miedź by 22% compared to Q1 2020 as a result of a USD 0.50/lb higher minerals extraction tax charge (C1 cost excluding the tax was lower by 13% due to the higher volume of payable copper and the higher valuation of by-products, i.e. silver and gold). C1 increase by 6% in KGHM International compared to Q1 2020 due to a lower volume of copper sales and a decrease in revenues from sales of associated metals. On the other hand, there was a significant decrease in C1 cost in Sierra Gorda by 19% due to higher revenues from molybdenum sales, as well as increased copper production and sales.</p>
	<p>Guest What was behind the decision to sell the mine in Canada? After all, the copper market is growing dynamically and the demand for this raw material will still be high, am I wrong?</p>
	<p>Andrzej Kensbok There is no such decision. The announced decisions concern the Carlota mine (USA) and the Franke mine (Chile).</p>
	<p>Wojtek What do you think about the copper prices in Q1?</p>
	<p>Andrzej Kensbok Copper prices in Q1 2021 continued to increase, approaching 2011 levels, compared to Q1 2020 it was > 50% more. This growth was of course favorable to us.</p>
	<p>Guest Please let me know what the average copper price was in the first quarter of 2021 and what are your expectations for it by the end of 2021? How about the USD/PLN ratio?</p>
	<p>Andrzej Kensbok The average copper price in Q1 2021 amounted to 8.504 USD/t. The Company does not provide forecasts.</p>
	<p>Rafał Irzyński Payable copper production in 1q21 increased by 6.6%. Can these output growth dynamics be maintained in Q2, Q3 and Q4 this year? What are the possibilities (in percentage terms) of increasing production in the coming years?</p>
	<p>Andrzej Kensbok The macroeconomic situation remains very positive and promising for the Group. Similarly, in the case of copper production in the Group, we maintain our budget assumptions, which assume a stable level of payable copper production in Poland and an increase in production in the international assets, primarily in Sierra Gorda.</p>
	<p>Rafał Irzyński By how much might the average labour costs in the KGHM Group increase in 2021 compared to 2020?</p>
	<p>Andrzej Kensbok The increase in labour costs in the entire KGHM Group in 2021 is determined by negotiated basic wage rates growth - namely: in KGHM Polska Miedź this year's wage negotiations resulted in a 5.2% wage increase, and at Sierra Gorda the current agreement is still in force until the beginning of next year.</p>

	<p>Martyna Finally a dividend! Could it have been higher??</p>
	<p>Andrzej Kensbok The Management Board's recommendation regarding the allocation of profit is the result of analysis of the current financial capabilities of the Company in the context of the investment program being implemented and the current and anticipated situation on the metals market. This is in line with the applicable Dividend Policy, which assumes maintaining a balance between the level of dividends paid and the Company's effective investment opportunities. I would like to remind you that the final decision on dividend payout will be made by the General Meeting.</p>
	<p>Guest How might the new concessions and the related investments affect the potential to pay dividends in the coming quarters?</p>
	<p>Andrzej Kensbok We have not changed our Dividend Policy, which assumes that the Management Board will recommend allocation of up to one-third of the Company's net profit for the previous financial year as a dividend, while taking into account the current and anticipated financial situation of the Company and of the Group. As I mentioned earlier, each recommendation requires taking into account the capital and investment needs of the Company and of the Group, and I do not see such needs related to this exploration concession. I emphasize the exploratory nature of the concession, and for greater capital needs, in the potential subsequent activities on this concession, the right time will come.</p>
	<p>Rafał Irzyński What is the reason for such a large increase in Sierra Gorda's EBITDA?</p>
	<p>Andrzej Kensbok In Sierra Gorda we recorded more than a six-fold increase in respect of our 55% interest, or +PLN 539 million, mainly due to higher revenues from copper sales related to the increase in prices and a higher sales volume.</p>
	<p>Guest Is the Management Board taking any actions to reduce the so-called copper tax, which is perhaps the highest in the world?</p>
	<p>Andrzej Kensbok At the moment, there are no special actions in this area, of course, we have our analyses and we are ready for a dialogue, if such circumstances arise. In 2019, the formula for calculating the minerals extraction tax was changed, and therefore since July 2019 the Company has been paying a lower tax, i.e. by approx. 15%.</p>
	<p>Guest What is the production situation at Sierra Gorda?</p>
	<p>Andrzej Kensbok As I have already mentioned, the higher production in Q1 2021 compared to Q1 2020 was due to higher copper content in the mined ore and higher metal recovery, and thanks to stable ore processing there was a reduction in C1 cost. The increase in silver production in Q1 2021 compared to Q1 2020 was due to the higher content of this element in the processed ore. The lower production of TPM in Q1 2021 compared to Q1 2020 was a result of the lower content of precious metals in the mined ore.</p>

	The increase in Mo production was determined by a higher metal recovery compared to the corresponding period in the prior year.
	Guest What is the situation in Sierra Gorda in terms of employee stability?
	Andrzej Kensbok We have very good dialogue with our employees, I have already also mentioned about the applicable wage agreement.
	GR In your opinion, would it not be profitable to repurchase Sumitomo's remaining stake in Sierra Gorda now, looking at what is happening with copper prices and demand?
	Andrzej Kensbok There are no such plans in our Strategy, which we are consistently implementing. We are satisfied with our share in this mine, and we are striving to improve its operational and financial parameters even more.
	Guest Have you had any signs of buyer interest in the Canadian mines?
	Andrzej Kensbok Our Canadian assets are not currently being considered for sale.
	rudation Hello. Is the increased production of copper expected to be maintained in the KGHM Group in the coming quarters?
	Andrzej Kensbok According to our policy, we do not provide forecasts, we are sticking to our budget assumptions and are always happy with the good dynamics of production growth in the Group or in its individual operating segments.
	Andrzej Kensbok Thank you very much for participating in the chat and for all questions asked. I invite you to follow information about our Company and to contact us - https://kghm.com/en/investors
	Janusz Maruszewski We would like to thank everyone for participating in the chat and asking questions, and thank the Vice President for answering them. Best regards, wishing you a good afternoon.