

## Responses to questions raised at the Results Conference for the 3rd quarter of 2020

- 1. What level of capex for Q4, if this year's budget is exceeded (PLN 2.25 bn vs. 1.8 bn PLN after 9M20)?**

**Answer** As of today, we do not expect a significant deviation from the budget assumptions, as can be seen from the results for the third quarter, we are implementing the budget as planned.

- 2. Please comment on the silver production / sales budget, after 9M20 execution of the budget for KGHM Polska is approx. 63% for mined concentrate and 68% for sales?**

**Answer** At the moment we don't expect any substantial deviation from our annual budget targets in terms of production and sales. As we mentioned, sometimes we have to pass through lower-quality areas of the deposit to get to better-quality ore, since as is known, there is nothing such as absolute uniformity of ore quality. There will always be deviations, but it is important to remember that in terms of expanding work in the GGP zone, the copper and silver grades will on average be higher than currently, and as can be seen on slide 44 the ore that we extracted from GGP in the third quarter had almost 19% silver content compared to 16% in the second quarter, so we have reasons to be hopeful.

- 3. How will this year's mined production of silver in concentrate impact next year's expectations by the Management Board in this area? Is this a temporary situation with lower-grade ore for silver, or will this trend continue into next year?**

**Answer** As mentioned above, we don't expect any substantial deviation from our annual budget targets. We have to see the full-year results and assess the geological and mining outlook for the next several quarters before we will be able to share our expectations for 2021. Similarly to what we said about copper, there is no need to worry too much about this trend, that it will just get worse, in terms of silver content in the ore.

- 4. Is the current quarterly production of copper by Sierra Gorda already at an optimum level, or is there room for improvement?**

**Answer** In our strategy we stated that by 2023 we will achieve a minimum average annual level of daily ore throughput of 130 thousand tonnes. We are on track to achieve this. We have to wait until the end of the year to see what average we have achieved and as we said, from 2020 we will substantially increase this throughput. I don't think we have reached an optimum, so we will do everything we can to improve these results.

**5. What is the situation in the Company with employee availability? Do you see any major absenteeism due to quarantines of employees?**

**Answer** No. Thanks to strict sanitary rules throughout the entire Company and Group we have thankfully been able to avoid exceptional absenteeism. This of course could change were the situation to deteriorate, but at the moment we see nothing to indicate the possibility of a problem with lack of employees in our core business operations.

**6. The same question regarding Sierra Gorda, what is the number of employees per shift vs. the state prior to the pandemic?**

**Answer** Similarly as in the case of our other operations, we have not seen a significant problem with the availability of employees at Sierra Gorda due to the pandemic.

**7. Does the Management Board expect that next year the company will receive the first cash flows from Sierra Gorda-KGHM, or could that even happen this year?**

**Answer** If we are talking about this year, then we don't expect any cash transfers back to the owners. We can say that for the remainder of this year we don't anticipate any capital increases from our side, meaning the situation will be as we already announced. Had it not been for the coronavirus and the momentary drop in the copper price that we saw at the beginning of the year, then possibly we would not have had to provide any financial support to Sierra Gorda. But, the coronavirus and the momentary drop in the copper price did lead to a cash call this year, a small one but a cash call nonetheless. In terms of the next few years for Sierra Gorda, we expect that the JV will become financially and operationally independent. The next step will be for it to gradually repay its debt towards those entities unrelated with the company and to repay the loans from the owners. In the third quarter we saw the first positive impact of Sierra Gorda on the consolidated result, so this also supports our positive expectations.

**8. If Sumitomo sells its shares in Sierra Gorda, does the Management Board expect that KGHM will have to take on greater responsibility for the project in a situation where the shares held by Sumitomo went, for example, to a Chinese entity, which until now has concentrated on metallurgy and not necessarily mining?**

**Answer** As we said earlier, we have not altered our strategy towards Sierra Gorda, either in terms of operations or of our stake in the company, and we cannot comment on any potential exit of Sumitomo from the JV.

**9. Have there recently been any similar referential transactions in the sector? If so, can the Management Board provide information about such transactions and their parameters?**

**Answer** Taking into account the excellent level of cooperation to date with Sumitomo, our partner in the project, as well as best practice, we have to be careful so as not to interfere in any way with the process of the potential disposal of Sumitomo's shares in the JV, which that company is currently engaged in. The same applies in our case, any

potential transaction could have an impact on the market value of our interest in the Sierra Gorda S.C.M. JV, and therefore we would prefer not to comment.

**10. Taking into account the current rise in the copper price, what kind of wage increases should we expect in KGHM Polska and Sierra Gorda (5% or in the high single digits)?**

**Answer** Wage increases in KGHM are regulated, the principles being agreed with the unions in the Collective Agreement, they are not tied to the copper price, but mainly to the increase in the average wage in Poland in the industrial sector. In Sierra Gorda, last year we held negotiations with the trade unions. We have a signed document, so we don't expect any sudden negotiations. We have a good, open line regarding such increases and I think that there shouldn't be any surprises.

**11. Please comment on what is behind such a large improvement in costs in KGHMI and Sierra Gorda? Is this improvement something permanent?**

**Answer** This is related to programs which we started last year, mainly involving materials consumption, the whole area of costs and services. Today we have special units which deal with this and that is where the improvement is from. Then Sierra Gorda, apart from the better production situation, there is the matter of costs. Here, under the leadership of Vice President Paweł Gruza, there is a variety of things being done and they have a direct impact on costs. It should be noted here that these are things which we introduced last year, and now we are benefiting from these management decisions.

**12. Will the drop in copper and silver content in ore in the 3Q'20 affect subsequent periods? Is it possible that, given the low metals content, some mine in Poland will become uneconomical?**

**Answer** We understand that the question only pertains to the assets in Poland, not abroad, because in that case we have already mentioned that we are in the course of passing through certain zones in the Robinson mine, a similar situation applies to the Franke mine, where we are dealing with carbonates and this results in a bit lower copper content in ore. But in terms of the assets in Poland, we don't believe that this is some kind of trend which will result in a definitive decrease in ore grade. We have programs which we have been implementing for nearly two years and we want to mine the best, the cleanest ore, to achieve the best results. After the first nine months it's a bit higher than planned and I wouldn't worry about this trend, that it could just get worse, in terms of copper content in ore.

**13. Taking into account the 400 active cases of Covid in the Polish mine and metallurgical assets – do you see any risk that some or all of the operating assets could need to be closed, if the number of cases continues to rise?**

**Answer** We are prepared for all aspects of the problem. There is currently no production risk. We are even dealing with the number of people who are in quarantine or on sick

leave. As of today, we do not see any major problems as reflected in the results for the third quarter, after nine months. It should be added that we have a naturally diversified business, we haven't got one mine but a few and we are counting on the fact that for a moment there could be a break in production in one of the mines, while at the same time other mines are at work. And there have been no such breaks so far, it must be emphasized. We don't have just a single metallurgical plant but several, and this is also natural diversification, which makes it very unlikely, even impossible, that all mining and metallurgical production would stop simultaneously.

**14. Can you provide more details on the additional costs expected to be incurred in connection with the Covid cases in 4Q20 and 2021?**

**Answer** The costs that we have incurred so far for medical supplies and other measures related to combating the pandemic infectious disease have not been significant, although the purchases of sanitary and preventive measures were quite significant. This is largely due to the fact that the prices of metals and the macro-environment in general were increasingly conducive to the company's financial condition and allowed us to take action with related costs sufficient to keep our operations at the expected level.

**15. Due to the increase in debt by USD 200 million of Sierra Gorda in Q2 2020, do you still expect cash injections in Sierra Gorda JV in 2021?**

**Answer** If the macroeconomic environment remains favorable in 2021, as it was in the last two quarters, we do not expect additional Sierra Gorda support in 2021. It should be noted that next year, according to the agreement, the remaining, final installment of the project finance loan should be repaid, USD 50 million compared to USD 250 million funded annually by the owners jointly in previous years.

**16. What Capex can we expect in 2021?**

**Answer** We expect that KGHM will maintain its level of CAPEX, as we have frequently said, at the level of PLN 2 to 2.5 billion. This is a realistic level, which we have been able to stick to for years. I think this is a direction we will be able to maintain in the coming years.

**17. Is the Company worried, from the perspective of potential bankruptcies in 2021, about the estimated double-digit increases in bankruptcy, how well is KGHM protected from the risk of bankruptcy by its clients?**

**Answer** We have been preparing for an economic downturn for a long time. The pandemic came and this downturn happened. While preparing ourselves, we assumed that credit risk would increase during the downturn. As for the actions we have taken some time ago, they are paying off. Basically, when it comes to our past due receivables, they are a fraction of our receivables as we have an excellent credit risk management process. We monitor the situation of our clients and cooperate with insurers, we cooperate with business intelligence agencies so as to monitor the situation of our clients on an ongoing basis.

**18. How do you assess the operational risk of your plants in Poland, do you see the potential for your plants to close if the infection trend continues or does not decline in the near future?**

**Answer** We are prepared for all aspects of the problem. There is currently no production risk. We are even dealing with the number of people who are in quarantine or on sick leave. As of today, we do not see any major problems as reflected in the results for the third quarter, after nine months. It should be added that we have a naturally diversified business, we haven't got one mine but a few and we are counting on the fact that for a moment there could be a break in production in one of the mines, while at the same time other mines are at work. And there have been no such breaks so far, it must be emphasized. We don't have just a single metallurgical plant but several, and this is also natural diversification, which makes it very unlikely, even impossible, that all mining and metallurgical production would stop simultaneously.

**19. What is the level of Sierra Gorda's external debt? Could the Company show this item in the notes every quarter?**

**Answer** Information on the debts of Sierra Gorda towards KGHM is presented in our financial statements in the note *Loans granted to joint ventures (Sierra Gorda S.C.M.)*. Sierra Gorda's full debt position is presented in the JV's financial statements published on the regulatory website of the Government of Chile: <http://www.cmfchile.cl>. In our financial statements, we are only required to provide information relating to our 55% interest in the JV. However, we will consider adding this information to our financial statements if it would be beneficial to our shareholders.

**20. Can we expect a resumption of dividends on profits for 2020, given the relatively low financial leverage in KGHM Polska Miedź S.A.?**

**Answer** We have not changed our Dividend Policy, which stipulates that the Management Board will recommend a dividend payment of up to one third of the standalone net profit earned in the previous financial year, taking into account the current and projected financial situation of the Company and the Group. In particular, the Management Board in its recommendation will take into account the anticipated capital needs of the Company for the implementation of the development program and the safe level of debt in the Group. The final decision on the amount of dividends to be paid is made by the General Meeting of KGHM Polska Miedź S.A.

**21. Could you please provide an update on the future of the Sierra Gorda investment in Chile and information on the potential sale by Sumitomo of its shares?**

**Answer** As mentioned above, we cannot comment on Sumitomo's potential exit from the JV Sierra Gorda. The operating and financial situation of Sierra Gorda is improving from quarter to quarter, therefore we are very optimistic about the future of the mine and we

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**Investor Relations Department**

are consistently advancing the implemented optimisation programs and the goals set for this mine under KGHM's Strategy to the year 2023.