

## Summary of questions raised at the Results Conference for the III quarter of 2021

### 1. What is the share of precious metals in the revenues of KGHM? What share of profit is generated by gold and silver, and by copper?

**Answer** Data on the share of precious metals in the revenues of KGHM Polska Miedź S.A. (the Parent Entity of the Group) for the first 9 months of 2020 are as follows: from the consolidated report for the third quarter of 2021, page 30, Note 3.3 Revenues from contracts with customers of the Group – breakdown by products (first column – consolidated data is in the last column):

Note 3.3 Revenues from contracts with customers of the Group – breakdown by products

	from 1 January 2021 to 30 September 2021				Reconciliation items to consolidated data			Consolidated data
	KGHM Polska Miedź S.A.	KGHM INTERNATIONAL LTD.	Sierra Gorda S.C.M.*	Other segments	Elimination of data of the segment Sierra Gorda S.C.M.	Consolidation adjustments		
Copper	13 811	1 721	2 686	6	(2 686)	(21)	15 517	
Silver	3 048	5	72	-	(72)	-	3 053	
Gold	403	183	152	-	(152)	-	586	
Services	106	300	-	1 636	-	(1 285)	757	
Energy	40	-	-	167	-	(121)	86	
Salt	21	-	-	-	-	25	46	
Blasting materials and explosives	-	-	-	162	-	(64)	98	
Mining machinery, transport vehicles and other types of machinery and equipment	-	-	-	153	-	(125)	28	
Fuel additives	-	-	-	80	-	-	80	
Lead	194	-	-	-	-	-	194	
Products from other non-ferrous metals	-	-	-	80	-	(4)	76	
Steel	-	-	-	470	-	(54)	416	
Petroleum and its derivatives	-	-	-	230	-	(194)	36	
Other merchandise and materials	189	-	-	4 168	-	(4 019)	338	
Other products	158	83	367	338	(367)	(155)	424	
<b>TOTAL</b>	<b>17 970</b>	<b>2 292</b>	<b>3 277</b>	<b>7 490</b>	<b>(3 277)</b>	<b>(6 017)</b>	<b>21 735</b>	

\* 55% of the Group's share in revenues of Sierra Gorda S.C.M.

The percentages presented in the above table in the revenues of KGHM Polska Miedź S.A. are: copper – 77%; silver – 17% ; gold – 2%.

### 2. Capital expenditure on the Victoria project has increased significantly in recent quarters. What will be the scale of expenses in 2022 and what will the work involve?

**Answer** Ladies and gentlemen, capital expenditure on Victoria is comprised of various things and they have various causes. A portion of the ongoing capital expenditure is simply related to compliance with regulatory requirements in place in Canada. The remainder concerns assuring KGHM of continued opportunities and flexibility in the contracts associated with the Victoria project, and this is the intent of the investments carried out this year. However, when it comes to 2022, we are in the process of preparing the budget. In this case, it is difficult to make firm declarations. At this point, we are looking at several options for Victoria's budget for next year. These decisions will be made here, at the level of the Management Board. Therefore, I cannot make precise comments on this question at this point.

- 3. Energy network and natural gas prices for own natural gas-fired power plants, are they hedged for the next year? Also, what will be the scale of cost price hikes with the same production volume at KGHM Polska Miedź S.A.?**

**Answer** Most of the demand for electricity and gas has been set for next year. I would rather not use the word “hedged” because we do not use hedging or derivative instruments when it comes to energy factors, instead, we use forward prices. Hence, it is already done but, of course, we never buy 100%. We have to decide on whether we want to leave a certain part for spot purchases due to the balancing of needs, but also due to the emerging opportunities when it comes to spot purchases. The production of electricity from our own gas-fired or coal-fired units is lower for us than the purchase price from the grid, therefore we have been maximising the production from our own sources. On the other hand, we have also been carrying out an ongoing, rolling analysis of the cost of generating electricity from our gas and coal sources. And there is no such clear answer in this case, because amid the sharp increase in the price of gas, which took place mainly in the last month, the production of electricity from coal sources was cheaper despite the cost of CO2 emission rights. Nevertheless, this is a very dynamic situation. It changes as the price of gas, coal and CO2 change. However, we follow an analytical approach in this regard, and we make decisions on an ongoing basis.

- 4. When will the Management Board announce its decision regarding its right of first refusal for Sierra Gorda?**

**Answer** We are in the process of working out this decision. Full information through regulatory channels will be made available, and you will be informed about the decision.

- 5. Could you please provide an update on the situation related to the changes in the copper mining tax in Chile? When might decisions be made? Do you have any details?**

**Answer** As of today, there are no significant changes. We are waiting for the situation in Chile to clarify. We have been watching developments carefully and, as I said, Sierra Gorda has certain legal and tax safeguards which mean that the effect of these possible changes is deferred in time for Sierra Gorda.

- 6. What scale of growth in salaries and employee bonuses should be expected next year? What are the current demands of the unions?**

**Answer** There is nothing extraordinary in this matter, except what the Collective Agreement stipulates, i.e. salary indexation by 80% of the average salary growth in the industrial sector and a share of the profit in the form of rewards paid to employees. It is difficult to say at the moment what this index will be in the next year, because it is determined and published only after the end of the year. Hence, we cannot make such a forecast yet, but every year we only implement what the Company is obliged to do in the context of the Collective Agreement. If we are able to calculate this index or rather when the Central Statistical Office announces it, we will also be able to forecast it.

- 7. What are the latest levels of orders from Chinese customers and what are their expectations for the demand from China for 2022? To what extent are they afraid of a slowdown in real estate affairs, and to what extent do they see the opportunities resulting from investments in green energy production in China and its transmission? Are customers currently experiencing production constraints related to energy rationing?**

**Answer** This is a good question. Firstly, we have direct contact with the Chinese market through an entity importing cathodes to China. Consequently, through these direct relationships, we do not see any particular slowdown in China. The second source of knowledge is the current situation in the concentrate market, and we see no problems here either. We also see Chinese smelter demand for this raw material. To sum up, we do not see a slowdown in this area.

- 8. What will the Capex related to the adoption of the climate policy be like, other than that related to the construction of the SMRs?**

**Answer** Some of this Capex related to the climate policy has already been annually included in what we do budget-wise. This is the case because these are things that take place regardless of climate policy, yet with regard to the fact that we told ourselves in 2018, for example, that in 2030 50% of our energy would come from renewable sources. Some of these are projects that are yet to be cost-estimated, because many of them are in the experimental phase in terms of how to deal with CO<sub>2</sub>. Following research and development work and testing the applicabilities of these technologies in our operations, the valuation must be made to its fullest. Therefore, it can be said that we know some of the costs and they are consumed basically every year in our capital expenditure, and some will undergo work, especially those technologies that will give us an impact in 2050. It will be subject to continuous research and development work leading to the selection of an applicable solution and afterwards to the valuation of the technology, examining the full financial efficiency in the context of its application in our company.

- 9. When can we expect the Strategy to be refreshed? Will the discount in the copper price be on the same scale in 4Q2021 as in 3Q2021?**

**Answer** Basically, we have already done it. During the Forum in Karpacz, we presented new strategic initiatives related to business development or energy. Those that had not been possible or identified when the Strategy was created in 2018, so this process of updating the Strategy is an on-going process. It happens on a regular basis if new circumstances arise. We also have a specific strategic perspective and if we were to talk about something in the context of updating, it would rather be an extension of this strategic perspective, because some initiatives last not a year, not two, but sometimes 10 years in the case of long investment projects. Including them in this long strategic perspective. This process can also be named an ongoing one.

**10. What is the reason for the excellent result of KGHM INTERNATIONAL in Q3 2021?**

**Answer** Ladies and Gentlemen, I have repeated many times that at the beginning of the COVID-triggered crisis, many cost contracts were re-negotiated, many investments were optimised, which gave rise to a reduction in this cost factor. On the other hand, we managed to maintain and sometimes even increase the production volume. These two factors are accompanied by a third factor in the form of this macroeconomic climate and raw materials prices. And the sum of these three things gives the results that we observe at KGHM INTERNATIONAL and Sierra Gorda. As long as this macroeconomic situation continues, we will be able to enjoy such a financial result from these assets. This year has been very favourable in terms of geology for KGHM INTERNATIONAL, but also for Sierra Gorda to some extent. Next year we will face more stripping challenges at Robinson. But our operations at this point are optimal in terms of managing the approach to the deposits.

**11. Thank you for the general overview of the company's Climate Policy. On page 10 of the presentation you mention that a Decarbonisation Program for the Group will be adopted – when will the details be announced?**

**Answer** Ladies and Gentlemen, the decarbonisation programme will be presented in 2022. And it is then that we will provide these pieces of information that are relevant for investors and in line with our information policy. I would also like to draw your attention to the fact that you can also find a presentation which is a detailed discussion of the climate policy. It is available in the same place where we presented you with – of course – a more detailed presentation than all the slides we have discussed today, because we have not commented on all the details today. I think it is worth clarifying this subject, because these terms and names can get you confused. We were asked about the decarbonisation of the Group. This already-adopted document, which we have in hand, discloses how much we emit as a metallurgical and mining operation. We know what it takes to reach these respective levels in 2030, 2050, to become climate neutral while acting comprehensively and addressing all aspects. We have also been observing what is happening in the companies of the Group in order to incorporate the entire Group into a comprehensive whole while engaging in appropriate actions that will allow this neutrality to be achieved. So, we know the situation in the Parent Company, while in 2022 the companies of the Group will be included.

**12. What level of copper volumes is hedged by options contracts for 2022 and further, and at what average price?**

**Answer** We make hedging transactions in accordance with our hedging policy. These transactions were partially completed last year. Of course, we are continuing this work, and we are also continuing to execute hedging transactions this year. In Q3, I can say that they were primarily corrective in nature. By taking advantage of high prices, we, conventionally speaking, raised the bottom of these option structures in order to obtain protection at the higher price levels. On the other hand, in the case of silver, I can also conventionally say that we opened the top, waiting for possible increases in the price of

silver, which had been an item of discussions for several years, and which took place to some extent. However, the next year is still being analysed. Here, some additional, targeted hedging transactions will be executed. This average level of hedging of the volume from own concentrate next year will probably reach around 35%, but I do not want to give a precise answer right now.

**13. Can you provide some details for which period of 2022 the renovation of the flash smelting furnace is planned? The questions concern Głogów I and Głogów II.**

**Answer** This concerns the Głogów II smelter/refinery and is planned for about 70 days. We have been constantly discussing what period would be optimal. Of course, we want this period to be as short as possible, but it will probably take 70 days. The exact number is still not known. Time will tell.

**14. Have you identified any difficulties in supplying rare metals for metallurgical production due to limited supply from China?**

**Answer** I already mentioned this matter when discussing our investments. Of course, there are some minor perturbations, but we have been in the market for 60 years and, in fact, we have extensively recognised all our needs and those of contractors, as well as cooperation. So, in fact, we are not experiencing it in some permanent way, and this is also confirmed by our ongoing investments and current maintenance that we are advancing on time.

**15. Where are we in terms of the agreement with NuCo and further steps regarding the SMRs in the company? Is 2030 still a viable deadline for the construction of these units? How much will they cost?**

**Answer** We will report the next steps in an appropriate manner, namely the agreement with NuScale on SMRs. Okay, maybe it is not an agreement but rather the letter of intent that has been already announced, i.e. the next important steps, including potential liabilities, or any timeline will be announced in the right mode. As for questions related to overall costs, they have already been raised in the context of questions about the full range of costs related to the energy transformation.

**16. A question in the context of Belarus. Would a possible suspension of natural gas supplies affect the production processes of KGHM in any way? Does KGHM use any other raw materials, elements imported from Belarus?**

**Answer** This situation, which is difficult in terms of state security, does not affect us at all. This is due to the fact that we basically use the natural gas from deposits that are in our vicinity, i.e. in the Lubuskie Province, and we have a slightly different nature of supplying us with gas than other entrepreneurs so the Belarus situation does not affect us. At the moment, I do not know anything of key importance that we need to import from Belarus to Poland, to us, to our business in the context of the safety of ensuring stable production.

**17. Has the period passed when KGHM might have taken advantage of its right of first refusal regarding the shares of Sierra Gorda? Is there anything you can say about this potential decision?**

**Answer** The Management Board had time to announce its decision to the end of November. And it's probably understandable that until such an announcement there will be no comments from the Management Board. You will be provided with full information regarding this decision through ordinary regulatory channels. We are at the moment in the process of reviewing this decision.

**18. What the outlook for 2022 is, taking into account the rising costs, especially of energy. What other major challenges will the company have to face besides energy prices?**

**Answer** When it comes to energy, I think we have already commented a lot on this issue between the lines. You have been observing the hikes in prices or fuels such as natural gas or diesel, which is also important to us, but also in electricity. We know very well what they result from. So, it can be said that it rests with the geopolitical situation and the regulatory environment. What we can affect and what we can respond to is the pursuit of a long-term strategy related to our energy transformation, but also what follows from our climate policy. We do it continually every year, every month and we intend to continue to implement it; while intensifying lots of certain projects and works by completing them faster; while increasing the volume of our own production; while increasing the volume of purchases, but also increasing our internal energy efficiency through technologies that give us results in this area as well as allow us to reduce the intensity of energy use in many places. It is difficult to say how the situation will develop next year, what the costs will be. I think it is sort of a situation where it is difficult to say anything at this moment, because we have always said that the world is changing very dynamically, and it is changing faster and faster. Therefore, no one responsible will probably talk about the changes, whether positive or negative ones, which we also expect very much when it comes to the prices of certain fuels. We are managing as we always have, we keep repeating it. Higher volume of production, we try to maintain cost-effectiveness and undertake and consistently implement initiatives aimed at reducing costs where possible, and this is the way we achieve the financial results that we have presented to you today. And as you can see, given the rising energy prices, I think it is quite good and adequate to the situation.

**19. What will the capex be for the transformation next year and in subsequent years?**

**Answer** As discussed, details regarding the green transformation will be published in the Decarbonization Program.

**20. What are the forecasts for copper prices? What might be the proportions between supply and demand?**

**Answer** We do not publish metals prices forecasts.