

## Summary of questions raised at the Results Conference for the 4<sup>th</sup> quarter of 2020

- 1. What are your further plans regarding the investment of KGHM in the Sierra Gorda mine? Are you still considering the sale of this asset? Do you have any information as to how this process is progressing?**

**Answer:** Sierra Gorda is one of the strategic assets of KGHM. At the moment we do not plan any changes in the level of our capital involvement in this investment. We are focused on what has been so far the most effective for us, which is the permanent effort and involvement in the optimisation of production processes. We believe we have the potential of improving these results with relatively low investment expenditure. We are talking about a very savings-oriented optimisation.

- 2. How is the work on the development of photovoltaic projects progressing? What is the amount of PV power that KGHM maybe plans to put into operation by the end of the year?**

**Answer:** The thing is that the big photovoltaic projects mean a big investment challenge related to their establishment, to the environmental issues, and related to the change of the land development plans. We plan to put into operation a part of our projects. This will involve a higher level of power generating capacity than the one that was already commenced by the Legnica Smelter last year. Additionally, we are progressing with some acquisition projects. So the generating capacity we will end up with by the end of the year is also dependent on the result of the negotiations with our potential contractors.

- 3. At the end of 2020 the debt parameter measured by the relation of net debt to EBIDTA dropped to a low level of 0.9, from the level of 1.5 achieved at the end of 2019. Are there plans of further reduction in the debt and the lowering of this parameter?**

**Answer:** In the context of debt, it is one of our priorities in the area of maintaining the financial stability. This means maintaining the level of debt at a safe level. Are we planning a further decrease? I would say that this parameter is influenced both by the level of debt and the level of EBIDTA. However, this parameter at the level of 0.9 is excellent. We are doing our best to maintain the parameter of debt below the level of 2.0.

- 4. The Management Board planned in the budget for this year to allocate PLN 2.9 billion for the operations in Poland and PLN 0.3 billion on the international assets and Polish supporting operations. Can you provide us with some examples of the projects with the highest planned CAPEX that are going to be executed this year? How much will be spent on pro-ecological and RES projects?**

**Answer:** Increasing these capital expenditures is connected with a certain philosophy regarding such work, which allows us both access to subsequent mining zones and the ability to carry out mining operations on a larger scale. This is our philosophy. Regarding the international matters, as you can see, Sierra Gorda is reaching its result basically owing to optimisation and cost savings. We base our decisions and actions on what we have and, colloquially speaking, we try to get more out of them, to create a wider accessibility of the production assets. Owing to such results, the CAPEX expenditure is lower. And that is how we approach this issue within the Management Board. If we can get more of what we already have, then maybe the investments planned before on such a scale, are simply unnecessary.

We focus on those investments that are directly related to the core business. Of course, invariably, as every year, we have the Deposit Access Program where we want to development a greater scope of development tunneling. Shafts are obviously also included in this programme. The execution of the surface-based air-conditioning unit. In fact, the burden will fall mainly on this investment. However, there is also the finalisation of the extension of the Żelazny Most investment, and also the investments related to the BAT conclusions and environmental protection. We are convinced that we have been presenting these investments in a stable way over the course of many years. As we already mentioned, we always try to adjust flexibly to the current situation. We can allocate funds to those investments which directly impact the production.

**5. The extraction of ore from Deep Głogów in 2020 was +2% year-on-year. Can we expect an increase in production from this deposit in 2021?**

**Answer:** The direction of Deep Głogów is the future of KGHM. We have often mentioned during previous conferences that year by year we will do our best to produce more and more. We are of course following the deposit. The deposit is deeper and deeper exactly in Deep Głogów. I wouldn't like to declare what the future trends could be here. What I can say is that we will gradually increase the amount of the ore produced exactly from these regions.

**6. In 2020 the consumption of electricity for the whole Group increased by 8% with decreasing production of dry ore in Poland. What was the reason for the growth in such an energy intensity? Can we expect continued increases in 2021?**

**Answer:** Generally speaking, despite having a series of programmes focused on reducing energy intensity, we are still analysing what can be done to use a lower and lower amount of energy for the production of copper. Such an increase is often the result of the installations that consume more energy. We would need to analyse in detail the throughputs and the particular technological processes that we have. However, I would not compare here year on year. We can compare the output extraction of the same shafts. This is because we have the same production line, with the concentrators and smelter/refinery throughputs, where the energy consumption is the highest. To sum up, in my opinion such a result is very good. We are of course obliged by the Certificate to use less of this energy every year.

Please bear in mind that we have completed some key investments which also consume more energy. I would also like to stress that the better energy intensity is the feature of all the equipment replacement projects. The decreases here typically reach 7-10% in each replacement investment, in terms of the appetite for energy. However, the investments that we completed in 2020, in fact contributed to the higher consumption.

- 7. In 2020 the KGHM Group recorded a record low LTIRF<sub>KGHM</sub> (Lost Time Injury Frequency Rate KGHM). It was 7.3, meaning a decrease by 29 percent versus 2019 and 61 percent compared to 2010. Is it paradoxically the case that the difficult conditions of the pandemic and the extremely rigid rigours related with it that contributed to the increased safety of personnel? Is it maybe the case that the Management Board is now ‘reaping the benefits’ of its earlier activities such as the implemented, followed and constantly improved procedures?”**

**Answer:** In my opinion safety issues are of such importance to us that we deal with them in every minute. It is not the case that the pandemic helped us in this respect. This is the systemic work performed in accordance with our strategic assumptions aimed at the reduction in the number of accidents at work. This was an immense effort primarily by our production segment.

There was a series of programmes that we implemented. We had the strategic programme – thinking about the consequences. Every year we are looking for a new slogan to fight for the awareness of our employees which will in consequence reduce the amount of accidents at work. I would not agree with the question that was asked. It is not the case that because of the pandemic and the introduced procedures, our safety situation is better. In my opinion this is a long-term process. We started in 2018. We discussed it both in 2019 and 2020. I think it is bearing fruit. I would definitely not link the pandemic rules with the improvement of safety, since these are the two totally different aspects, which however mix in the end.

The pandemic rigours were definitely helpful in the context of our health matters. But as was already stated here, when we compared 2019 and 2020, we noticed the effects at the level up to 30% year-on-year in the context of a reduction in the amount of accidents at work. These are the effects of our constant and persistent work.

- 8. The current prices of copper are optimistic. However, the current COVID situation is unstable, as was the case in 2020. Therefore, are the executed and planned investments at risk? Are you planning to continue for example the photovoltaic projects?**

**Answer:** The state of uncertainty is obviously very high. But bearing in mind that in 2020 we managed to execute all the investments, both in financial and material terms, we see no obstacles to repeat this achievement also this year. We are doing our best to complete all the planned investments. This is a very ambitious budget and that is why we are executing it very consistently. In my opinion, all the tasks, including the farms, will be executed according to the pre-defined schedule and budget.

**9. Is the company planning to pay a dividend on profit earned in 2020, or if not for the year 2020, maybe payment in advance for the year 2021?**

**Answer:** We are moving towards the regulatory due dates when we are obliged to communicate such information. Judging from the economic situation, there is some justification for that to be the case. However, we are still analysing this matter. In due time, we will make the decision and provide some recommendations.

**10. Does KGHM expect a further drop in C1 cost?**

**Answer:** C1 cost undergoes continual analysis and reflection. As you can see, we are able to show that this cost is decreasing. Of course, it is not fully up to us. It is dependent also for example on the tax. However, we are striving to make it lower and lower. It is the subject of our reflection and efforts.

**11. What is the reason for the drop in KGHM's share prices in recent weeks?**

**Answer:** Since the question is short, the answer shall also be concise. However, let me remind you that my own judgements are not allowed to influence investment decisions. Ladies and gentlemen, we try to help you understand the business and build the business and the value of the Company. Please bear in mind the changing environment that we see both on the capital market and on the raw materials market. In the course of the last few days and weeks, we have observed some fluctuations on the share market, raw materials market and additionally on the international exchange market. The shares of KGHM, being strongly correlated with the price of copper, are certainly influenced by the fluctuations in the prices of copper. We have observed this variability in recent weeks and even days. According to the latest comments and analyses, this variability is related basically to the pandemic. In particular, this is the matter of extending lockdowns and the uncertainties related to the possible lockdowns in particular sectors or economies. As a result, the pandemic impacts the prices of raw materials, including the price of our primary raw material – copper. And here there is a certain correlation. In recent days, we have seen the strengthening of the USD. This of course impacts the prices of raw materials. And again, a significant dynamics is being observed here in recent days. Asset prices have been going up and down. Paradoxically, this is also happening in a situation of a reversal of profitability. So there is high volatility.

Sometimes it happens that there are some downturns both on the New York Stock Exchange and the European stock exchanges. This is simply how the business goes. Sometimes we just follow what is currently happening on the stock exchanges. Moreover, please bear in mind that last year, which is the period covered by our conference, our shares increased by 90% and exceeded the historic thresholds in terms of value over PLN 200. That is why we can say that right now the benchmark is really high.

**12. A comment please on the situation of the international assets, the acceleration of work with the starting of the Victoria mine or maybe not. Generally speaking, the situation of the assets in KGHM International.**

**Answer:** We are engaged in certain investments in our Victoria asset. Some of these investments are made because of the regulatory and environmental requirements. Others result from our own willingness to understand the deposit better. And maybe that is how I will conclude my comments on the Victoria asset. Regarding the other assets, as we have already mentioned, we follow a certain procedure, a certain way of thinking and of assessing our international assets. Moreover, as in every other company in our industry, the assets are being assessed and then classified either as strategic or non-strategic ones. Appropriate activities will be undertaken.

**13. What is the reason for KGHM's not participating in the project *Offshore Wind - wind on the sea*, that could significantly change the profile of energy used by the Company, the profile of carbon dioxide or emissions?"**

**Answer:** Regarding the offshore programmes, please bear in mind that KGHM does not have to participate in everything that is going on. There is a bunch of companies that already are interested in such investments. Moreover, we have some closer challenges in the context of energy generation, connected somehow with a kind of philosophy that we have adopted in which believe that it is the best and the most effective for us (including from the perspective of economic and investment effectiveness) to connect the sources of green energy directly to our recipients, meaning to the places where we mine – like the mines or smelters. This in turn provides us with the biggest and the best economic effect. This is what we focus on and what we are trying to find.

**14. Regarding this year's Capex forecast for this year, what are the main items from which the increases result?**

**Answer:** The increase in budget assumptions results mainly from the increase in planned expenditure in the mining area (an increase by approx. 25%) for the implementation of investments in the construction of shafts, development work carried out under the Deposit Access Program and infrastructure for the mines.

**15. How do you rate the possibility of obtaining the first funds from SG in the form of partial repayment of the loan by SG?**

**Answer:** We are satisfied with the current operating results of Sierra Gorda and there is an increased potential to expect the first returns to the JV Owners, however the first thing we may consider is the prospect of interest returns rather than the debt principal.

**16. Yesterday, there was information about possible changes in the taxation of copper and lithium producers in Chile, about 3% royalties. What is the extraction tax mechanism there today? How much of such a tax did SG pay last year?**

**Answer:** To date, Sierra Gorda has not paid any "royalty" tax because no dividends have been paid to the Owners. This is not the only option for recovering the money invested in previous years from the JV - it could also be possible via a debt repayment. Current potential changes in the tax system in Chile are analyzed on an ongoing basis, as well as the optimal form of return on this investment.

**17. How do you view this year's balance on the copper market?**

**Answer:** Experts' opinions on the copper balance this year are not clear. In general, it seems that in response to high prices there is a chance to launch new projects in the industry and intensify production, i.e. increase supply, but much depends on the pandemic situation and progress in vaccination programs, i.e. avoid further production cuts due to the pandemic. At the same time, it is worth remembering that the Green Deal generates a higher demand for copper. It can be said that supply and demand should be in balance this year.

**18. How much copper remains to be mined at the Robinson mine during the mine's lifetime?**

**Answer:** The current life expectancy of the Robinson mine is 9 years. Work is being carried out on an ongoing basis to identify potential possibilities for extending the period of economic exploitation of this mine.

**19. How much energy is KGHM currently being obtained from renewable sources and what is the medium-term goal after completion of planned investments in the field of renewable energy production?**

**Answer:** This year we plan to launch some of our projects. This will be a greater volume of generating capacity than the one that was launched last year at the Legnica metallurgical facility. We are also in the process of acquisition projects, so the power generating capacity with which we will end this year also depends on the outcome of talks with our potential contractors.

**20. Are high copper prices encouraging you to invest more in Sierra Gorda (stage 2), as was considered when building the mine?**

**Answer:** The investment goals implemented so far as respects Sierra Gorda have already started to bring the expected results, and we plan to continue these activities.

**21. How is the current pandemic situation affecting copper prices and what are your forecasts in this regard for the near future?**

**Answer:** The company does not publish forecasts of results or expected metal prices. Nevertheless, experts' opinions on the copper balance this year are mixed. In general, it seems that in response to high prices there is a chance to launch new projects in the industry and intensify production, i.e. increase supply, but much depends on the pandemic situation and progress in vaccination programs, i.e. avoid further production

cuts due to the pandemic. At the same time, it is worth remembering that the Green Deal generates a higher demand for copper. You can say that demand and supply for the current year should be more or less in balance.

**22. What is the progress in the activities of the KGHM office in Brussels to promote green copper and Europe's strategic autonomy in access to this raw material?**

**Answer:** Thanks to our permanent presence in Brussels, we have gained the possibility of continuous and direct contact with both representatives of the EU institutions and European industry organizations. In the era of the rapidly growing number of legal regulations relating to broadly understood climate and environmental protection, as well as the increase in their complexity, this is a particularly important issue. The office enables us to proactively, responsibly and, above all, effectively participate in the process of establishing Community law, in line with the interests of KGHM Polska Miedź S.A. and the non-ferrous metals industry, but also to ensure the economic stability of our region, country and the whole of Europe.

When it comes to activities related to the raw material autonomy of Europe, it is worth paying attention first of all to the European Raw Materials Alliance initiative established by the European Commission in September 2020. Thanks to the work of our Brussels office, we watched this project closely from the very beginning, both following its announcements and taking part in working meetings preceding the formal establishment of ERMA. These activities were an opportunity to present our ideas and expectations regarding the functioning of the alliance. KGHM was also the first Polish member of ERMA, and together with the industry organization Eurometaux and the presidents of 24 other companies from the non-ferrous metals sector, we signed the *Towards a resilient European metals supply for the green and digital transitions* declaration. Currently, together with industry organizations, we are finalizing work on sector recommendations for ERMA.

Seeing the need to activate measures to promote European metal mining, in recent months we have also led to an internal reform of another key industry organization - Euromines. As part of the activities undertaken, a new director was appointed, a person with many years of experience in lobbying in Brussels, including in the copper sector. What is particularly important, after the reform, there was a significant strengthening of the strategic cooperation between Euromines and Eurometaux, including actions to take into account the importance of the European raw materials sector in achieving the goals of the EU's green and digital transformation.

In turn, as part of cooperation with the International Copper Association, we are taking part, among others in developing the Clean Energy Transformation Europe program, through which the European copper sector will seek to increase the use of copper as a raw material enabling a profitable energy transformation.

Our activities in Brussels are cross-sectional. On the one hand, we are involved in a number of initiatives announced as part of the European Green Deal, an example of which are, for example, regulations related to taxonomy and the development of technical criteria for mining (and in the coming years also for copper production), and on the other hand, we take into account the current COVID-19 pandemic and the related crisis, which is manifested, inter alia, in participation in the debate on the strategic autonomy of the EU.

Together with our partners, we propose to use primarily "clean" European raw materials to achieve the objectives of the EGD, to maintain equal conditions of competition both in the global and European context, as well as to unblock EU financing and support for green investments carried out by the domestic industry.

**23. Is Reuters' information about the plans to sell KGHM's assets in the US true? What stage are they at?**

**Answer:** As is usually the case with companies in our industry, assets are assessed and qualified as strategic and non-strategic. We conduct a natural portfolio review in accordance with the adopted procedure and the implemented Strategy.

**24. Can KGHM submit investment projects for support under the National Reconstruction / New Deal Plan, and if so, what investment projects can KGHM submit? How much is the value of these investments currently estimated at?**

**Answer:** A package of several projects under the National Reconstruction Plan was sent to the Ministry of State Assets.

**25. MRPiT proposed an amendment to the so-called distance act, limiting the development of investments in new wind farms. Does KGHM support the liberalization of regulations? Does it consider them necessary for industrial recipients, in particular for its own business?**

**Answer:** We generally support the liberalization of the 10H principle. Transferring decision-making to the level of local governments is a good direction increasing the influence of the local community on its surroundings. Its change will be helpful for industrial recipients on their way to increasing the supply of electricity from RES, in particular in the autumn and spring periods and at night. The wind energy generation profile is complementary to solar energy.

**26. CO<sub>2</sub> emission allowances have increased to EUR 40/t. Is it possible to state how much this increases the costs of purchasing energy and operating the KGHM group?**

**Answer:** KGHM, as one of the largest electricity consumers in the country, has been diversifying its demand for electricity for many years according to an effective strategy developed over the years. Our portfolio includes both long-term as well as medium and

short-term contracts. Of course, as well as all participants of the energy market, we can see a very large increase in the prices of CO<sub>2</sub> emission allowances, which in Poland translate in a very strong way into rapid increases in electricity prices. Recently, due to the great interest in the CO<sub>2</sub> emissions market, inter alia, by investment funds, a significant increase in EUA prices (European Emission Allowance) has been observed. Over the past 12 months, the price of allowances has more than doubled - the current price is approx. EUR 44/t. Nevertheless, despite the sharp increases in the prices of CO<sub>2</sub> emission allowances, we do not expect significant increases in the cost of energy purchases in 2021 compared to 2020, which we closed with the price of electricity at a much lower level than the average selling price of electricity on the competitive market for 2020. (according to information from the President of the Energy Regulatory Office (no. 16/2021)).

**27. On May 27, 2019, the Company carried out an issue of long-term bonds with a nominal value of PLN 2,000 million, under which 5-year bonds were issued in the amount of PLN 400 million with maturity on June 27, 2024 and 10-year bonds in the amount of PLN 1,600 PLN million, maturing on June 27, 2029. What have been the interest costs of servicing these securities so far? How much would the interest expense of the same bank debt be? Does the management board plan to offer further tranches of debt securities?**

**Answer:** Information on bonds issued by KGHM Polska Miedź S.A. is published and available on the Company's website at <https://kg hm.com/en/investors/shares-and-bonds/bonds>. There are currently no plans for a new issue.

**28. The funds obtained from the issue of bonds are intended for "financing general corporate goals", however, in accordance with the agreement with the EBRD, PLN 400 million, obtained from the bank was to be allocated to the energy efficiency program, including investments in energy savings and reduction of CO<sub>2</sub>. Can you provide examples of such implementation?**

**Answer:** In 2020, a number of activities dedicated to optimizing energy consumption and reducing CO<sub>2</sub> emissions were introduced. We have presented information in this regard in the Management Board's Report on the activities of KGHM Polska Miedź S.A. and the KGHM Polska Miedź S.A. Group. for 2020 as well as in the presentation of the results for 2020. Below is a summary of this information.

In 2020, 5 energy efficiency audits were performed for projects with significant potential for energy savings. The Company's Energy Management System (SZE) was adjusted to the new PN-EN ISO 50001: 2018-09 standard and a certificate issued by an authorized body (UDT Cert) was obtained.

KGHM Polska Miedź S.A. in 2020 engaged in a variety of actions aimed at developing renewable energy sources:

- Applications were submitted for amendments to municipal planning documentation for permission for the siting of photovoltaic installations with a capacity of over 100 kW on land belonging to KGHM Polska Miedź S.A. in:
  - the municipality of Lubin with potential installed capacity of around 20 MW,
  - the municipality of Warta Bolesławiecka for sites with potential capacity of more than 50 MW.
- The simultaneous pilot start-up of two gas turbines in the gas-steam block in Głogów producing 16 GWh more of electricity as compared to the initial planned production schedule, which resulted in:
  - Lower power acquisition costs by around PLN 1.8 million,
  - The avoidance of more than 4 thousand tonnes of CO<sub>2</sub> emissions.
- The subsidiary KGHM Zanam S.A. brought a 3.1 MWp photovoltaic power plant on-line.

**29. KGHM Polska Miedź S.A. owns 10% of the shares of PGE EJ 1 Sp. z o.o., which was to be responsible for the construction of the nuclear power plant. According to the letter of intent signed with the State Treasury, the Treasury was to buy back shares in this company (also from other shareholders), but despite the lapse of nearly 6 months, the transaction did not take place. What is the valuation of the shares held by KGHM Polska Miedź and when, according to the management board, will the transaction be completed?**

**Answer:** Information on the sale of shares in PGE EJ 1 sp. z o.o. to the State Treasury was published by the Company in regulatory filing No. 10/2021 dated March 26 2021.

**30. The purchase of the Chilean Sierra Gorda mine - carried out in 2012, i.e. nine years ago - was prepared in a way that was far from being sufficient, which was confirmed in the report of the Supreme Audit Office and until the first quarter of 2018 the mine did not achieve the planned capacity. Sierra Gorda ended the year 2020 with the production of payable copper at the level of 4% higher than assumed in the budget due to the increased volume of ore processing and higher copper yield. Has the Chilean enterprise become a kind of "apple in the eye" of the current Management Board, which noticed in it previously unseen potential and what are its further development plans, if the unit obtains the required production earlier than before the assumed, border year 2023?**

**Answer:** Sierra Gorda is one of KGHM's strategic assets. We focus on what has brought us the best results so far, that is, a permanent effort to optimize production processes. It seems we still have the potential to improve these results with low capital expenditures. We are talking about very cost-effective optimization.

**31. The production of precious metals was 5% higher than budgeted, which is a consequence of the increase in their production in the Robinson mine (USA) and the Sudbury Basin mines (Canada). Does the Management Board intend to "follow the blow" and put more emphasis - and thus - increase investments (infrastructure and other) in the production of precious metals, naturally focusing the main efforts on the production of copper? Are such moves being considered?**

**Answer:** The production of precious metals is a derivative of the electrolytic copper production scale and depends on the type of raw materials used. Moreover, KGHM does not have deposits whose main mineral is such a metal. Therefore, it is not possible to produce them separately from the main product, which is copper. On the other hand, our projects include the Victoria project, which, in addition to copper, contains nickel deposits, and the launch of this project is expected in the future.

**32. Projects related to environmental protection play an important role in KGHM. Last year, KGHM also carried out projects related to energy, including renewable energy. In December 2020, KGHM ZANAM launched the first photovoltaic power plant in the 4.0 technology in Poland. Are the conclusions drawn from the experiences of this year's winter - difficult and severe, causing partial paralysis of the elements of renewable energy infrastructure in Germany and Sweden - being taken into account by the Management Board, because it is well known that KGHM is intensively expanding further solar power plants? If in a few years a similar winter will repeat, will KGHM "run out of electricity"?**

**Answer:** The security of energy supplies is very important to KGHM, which is why we are diversifying its sources. Electricity is supplied from many directions (including the National Power Grid, own gas sources) and, in the future, from own RES. Various scenarios are being reviewed as part of the annual security tests. KGHM is constantly prepared to ensure safe electricity supplies. It is worth adding that the development of solar power plants is by no means intended to cover the needs in the winter. We have our own gas sources (including gas and steam units, gas engines) and further investments in this area are being considered. We do not rely solely on gas and solar power plants to develop our own sources. We are also interested in investments in wind farms, the generation profile of which is complementary to solar power plants. These sources complement each other well.

**33. A question about the process of selling Sumitomo's shares in Sierra Gorda: what information do you have about the stage of the process? What is the timetable for the process of selling the American mines by KGHM?**

**Answer:** As agreed with our partner Sumitomo, we cannot comment on this process. Similarly, when it comes to information only in the media on this matter - we do not comment.

**34. If I understand correctly at KGHM International there were layoffs: How many people lost their jobs? After the Covid threats have ended, will these people have a chance to return to work?**

**Answer:** Average employment in the Group's international companies in 2020 slightly increased compared to 2019 by 57 jobs (+. 2%), while in Sierra Gorda S.C.M. employment decreased by 0.6%, and in the companies of the KGHM INTERNATIONAL LTD. Group there was an increase of 3%.

**35. With regard to silver derivative contracts concluded in 2020, will KGHM consider similar items in 2021?**

**Answer:** The detailed hedging position on all markets is included in the financial statements and in the presentation for the fourth quarter of 2020. In 2021, 10.2 million koz t of silver is currently hedged (as at 31 December 2020).