

Responses to questions raised at the Results Conference for 4Q 2019

1. Any incidents of COVID 19 at any of your operations?

Answer: To date we have had no confirmed cases in any of the plants belonging to the KGHM Group.

2. What is your thinking on dividends this year?

Answer: This isn't a moment for us to make a recommendation, so we are looking very hard at what's happening in the world and our decision will depend a bit upon this. We as the Management Board look favourably on this subject and, while we absolutely do not rule out the possibility, we do have to remain cautious given what is going on around us. There was a question about investments – at the moment we are continuing to sell our products, we have confirmed offtake, our trade relations are fully active and we see no diminishment in demand, but the prices are volatile and that is also something we cannot ignore, so in the near future, the next two months we will see which way the world is headed, in which direction industry is heading and that will also show us how much we will have to re-orient ourselves and whether we will indeed have to re-orient our operations as respects our targets for 2020.

3. How much liquidity, including credit lines, does the company have available?

Answer: In our adopted financial strategy we assumed an enhanced level of financial security and a change in the financing structure, as a result of which this change is to provide diversification of the financing sources and prolongation of the maturities of our liabilities. We advanced the strategy throughout 2019 and it can be said that the most important elements of our financing strategy, based on security, have already been introduced, meaning we have issued bonds and announced this to the market. The value of the bonds is PLN 2 billion and, what is more, the maturity of the main part of these bonds is 10 years, and in the smaller part PLN 400 million, of which PLN 2 million are 5-year bonds. Apart from this we have drawn a loan, as announced to the market, from the bank BGK, which also has a 5+2-year tenure, or together 7 years. At the end of the year, also as announced to the market, we re-financed our syndicated credit and the maturity period on this loan 5+1+1 years, so we have 7 years at our disposal. At the end of 2019 our available lines of credit amounted to PLN 14.5 billion, of which PLN 7.200 billion had been drawn, so we still have a very large part of our available financing to draw on.

4. Are you currently able to sell concentrate from your mines?

Answer: At the moment we haven't had any problems with selling concentrate. In terms of producing concentrate, it is very hard to answer that today. Naturally we are extremely well aware of the gravity of the situation involving the coronavirus, we have prepared scenario analyses and are more or less prepared, but I can tell you that, as of today, at this moment we haven't had a drop in production.

5. How much USD do you expect to put into Sierra Gorda in 2020 based on spot prices?

Answer: Capital expenditures planned for 2020 by KGHM Polska Miedź S.A. amount to PLN 2 250 million, and other expenditures (including Sierra Gorda) PLN 133 million. If Sierra Gorda S.C.M. needs financial support we are prepared, although alternative methods of financing are being considered.

6. Does KGHM expect any restrictions in production in Chile and KGHM International due to potential restrictions imposed by local authorities?

Answer: At the moment we are preparing scenario analyses, we are watching the development of the situation and, depending on whether or not we will impose any production restrictions, of course this will depend on what happens in a particular country.

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7. What has caused the recent drop in the silver price, and should this be taken as a trend change?
Answer: The metals market at present is extremely volatile, and one of the reasons for this is certainly the current pandemic and the associated crisis.
It doesn't appear that the changes on the silver market can be taken as a change in trend. It appears that it's related to the current volatile changes in the market.
One can suppose that the deep falls in the stock market indices around the world have encouraged investors to sell off many assets in a search for liquidity, including precious metals, which in the short term are easy to monetize. The market's reaction is quite volatile, when it stabilizes the precious metals should regain investor interest as a safe haven.
8. Does KGHM have any instruments hedging copper / silver, or is taxation the only natural hedge for the Company?
Answer: KGHM has for many years applied a stable hedging policy. At present the Company has substantial hedged positions on the metals markets, in 2019 KGHM Polska Miedź S.A. implemented transactions hedging the copper price for a total notional amount of 153 kt with maturity from July 2019 to December 2020 (including: 135 thousand tonnes hedging the copper price in 2020), as well as on the silver market with a total notional amount of 3.6 million ounces and maturity falling from January 2020 to December 2020.
At the end of 2019 this represented around 45% of the exposure of KGHM Polska Miedź S.A. There were also options structures on the copper market with hedged positions from 6000 USD/t to 6900 USD/t. Around 8% of silver production was also hedged.
9. Is KGHM considering tightening cooperation with Tauron in the area of renewable energy, since your strategies on this question are very similar? Is KGHM considering the purchase of conventional blocks from Tauron, in order to diversify risk?
Answer: At the moment, in terms of our activities related with with Energetyka, with energy, we are focused on two goals, firstly on our energy security in terms of supply, secondly – and this is equivalent even though being second – is economic efficiency in acquiring energy over the long term, and this economic efficiency is related simply around the world with price, so we are doing everything possible to ensure ourselves of cheaper energy, long term. The renewable energy projects we are discussing today are projects that we want to have above all, where we want to have power for our own use, meaning to produce it in such a way as to have it directly power our network and production plants. In the context of these projects we aren't working with Tauron or with any other power company – we want to advance them ourselves with the help of outside developers. Of course, in terms of other possibilities of course we will consider them, it's a question both of EU regulatory policy as well as the approach to natural gas. Large sources of natural gas which supplement our own energy production are sources of natural gas which are sufficiently good and optimal that in terms of green energy, e.g. solar energy, we don't produce the maximum large volume, we only augment our needs, so sources of natural gas are a perfect supplement. We aren't planning to purchase conventional sources from Tauron or from any other company. If projects appear involving green energy, or natural gas, where we can mutually, effectively engage our capital and are cost effective, then of course we would be open to such possibilities.
10. Since for 2019 you planned PLN 2.5bn plus PLN0.5bn on capex, where does the extra half a billion on capex come from? Repeatable in 2020?
Answer: The budget for KGHM Polska Miedź S.A.'s capital expenditures on property, plant and equipment planned for 2019 amounted to PLN 2 516 million, while other capital expenditures amounted to PLN 1 462 million (including the acquisition of investment certificates related to the restructuring of FIZAN in the amount of PLN 388 million, which will be offset by proceeds arising from it). Other capital expenditures, excluding the restructurisation of FIZAN, amount to PLN 1 074 million. Execution of other capital expenditures amounted to PLN 485 million, most of which was support for Sierra Gorda in the form of capital increases.

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11. Copper, since the start of the global coronavirus epidemic, has remained rather strong – what in the Company's opinion is behind this, and what has to happen for the copper price to follow the trends prevailing for other commodities?

Answer: It appears that copper, compared to other commodities, has clearly stronger fundamentals. Some market commentators confirm believe that this is also related to the fact that investors the return of China to economic normalcy + economic stimulus in that country will stabilise demand for the red metal. It is worth noting that the losses on the copper market have already lasted several weeks and there have already been substantial drops. In the current, highly volatile situation, it is hard to estimate what factors could strengthen the recently observed declines on the copper market. The market situation is turbulent, and especially in the short term we cannot discount volatile reactions on the market.

12. Is the reduction in working capital in 4Q19 sustainable? What is the expectation for WC movements in 2020 assuming copper prices remain at current levels?

Answer: Decidedly yes, since in our financing strategy we planned that, apart from diversification of the sources of financing and prolongation of maturities of these sources, we will increase the importance of factoring and will concentrate on reducing inventories. In fact, the decrease in net working capital is the result of increasing the factoring of receivables, increasing the use of reverse factoring and decreasing inventories, and we intend to continue these actions in the coming years, as this is part of our strategy.

The current changes on the copper market will naturally put pressure on the Company and its financial results. The Company is determined to resist such changes using the resources available.

13. KGHM provided 2020 capex guidance of PLN2.25bn – how much could this be reduced if copper prices continue to decline?

Answer: On a yearly basis we advance investments on the order of PLN 2 billion – 2.5 billion, and some of these investments involve the replacement of equipment, some involve development work and of course, if copper and silver prices remain at low levels for an extended period, naturally in such a situation we would consider deferring the advancement of those investments which need not be executed in the short term. If it doesn't threaten production then of course we could consider it. We are prepared for a variety of scenarios related to reduced capex which do not restrict production, so here we are talking about scenarios for projects which are non-critical and fundamental as well as those which could be easily deferred in time without impacting production, so we are prepared for this.

14. A record cost of goods sold in Poland, +10%/y/y i +11%q/q – is this type of quarterly dynamic to be expected in 2020?

Answer: The main group of costs in general and administrative costs are labour costs, which grew by 8% (higher wage rates and a higher allowance for the annual bonus).

In Q4 the increase in general and administrative costs was due to the recognition of the allowance for the annual bonus (matched to net profit earned), which was entirely recognised under general and administrative costs.

In 2020 a similar level of wage increase is expected.

The increase in selling costs (+7%) is correlated with the increase in sales volumes (+8%) in 2019 versus 2018.

In 2020 selling costs are expected to increase by 2% for copper and 4% for silver.

15. What is the Company's current situation: attendance, production, sales?

Answer: In terms of attendance, we don't see a situation where people are avoiding work *en masse*, quite the contrary, there is substantial mobilization, for which we thank our employees and all of us in these difficult times are simply trying to perform our day-to-day jobs and earn a living, that is the

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behaviour we are seeing. In terms of sales, as I said it remains at normal levels in both January and February, no significant deviations, in March the same situation, which would confirm that the industries which buy our products are also producing, because they need our copper. What the situation will be in a month's time, I don't know, in two months – same thing, we have to see what will transpire and then we will act on it directly and forcefully. In terms of production, we are all aware of the gravity of the situation in which we find ourselves as a manufacturing company. We are holding daily talks with our executive directors, information is coming in every day as to how many people are out sick, how many on delegations, it's under control. It's hard to say what will happen tomorrow or the next day, the situation is highly fluid, but our message to our employees in accordance with our strategy of thinking about the consequences, is to act very responsibly, if anyone feels that they might be infected they should take the appropriate steps; we are watching this. Today, at the present time, there hasn't been a drastic drop, but I'm talking about today and the number of employees at work.

In summation, Roosevelt once said „Do what you can, with what you have, where you are” and that is simply what we are trying to do, by doing proactive things that enhance security, calm people down, but also actions related to the economic situation, for example hedging strategies, which have been and are being engaged in and updated, and this is bringing results. Even today, just after we finish this conference we have another conference call with the directors of our divisions to see what the situation is today and also to talk about plans for the continuity of the operations and what they were supposed to do in the meantime, so we are working on this every day.

16. Because of the coronavirus the government has announced various forms of support for businesses. Is KGHM's management considering requesting them to suspend payment of the minerals extraction tax?

Answer: In terms of the government's relief package of simplifications, subsidies and suspensions, it is a highly complex package for the economy, a package for the difficult times we are facing and I think that, looking at Europe, it is the most comprehensive approach, so it will substantially assist all those who are feeling the impact of the virus and are really feeling it in their pockets, on company accounts, on payments, on the invoices they issue, and this could substantially help in surviving this difficult time. We have also asked them to consider various possibilities and support for business, in terms of suspending various types of instruments, but this will only be a question if we ourselves start to feel a real impact of this crisis, if sales will be lower, if this lower price extends for a longer time, meaning we will be asking such questions more when we actually begin to really experience the crisis in our company's financial results.

17. How is the production of antibacterial liquids to fight the coronavirus epidemic proceeding?

Answer: Nitroerg, a company in the KGHM Group, is commencing production. On Friday the first batch of products will be produced.

18. Is KGHM planning additional actions in this regard apart from those already taken?

Answer: We are observing the needs of our employees, local communities and the entire country. We are looking into possibilities. That is why we have begun the production of single-use masks, we are making our laboratory available to conduct diagnostic tests as well as buildings for quarantine use. If we can do anything else, we will.

19. How would you describe the current situation on the copper market?

Answer: As you can clearly see the situation is difficult and today is unpredictable. Despite this, we remain optimistic and await stabilisation of the situation.

20. What is the situation with the coronavirus in Chile?

Answer: In Chile the situation is that measures have been undertaken to prevent infections in the form of border closures for citizens and non-citizens of Chile, in the form of school closings. We are continuously monitoring the situation there. At the moment the Sierra Gorda project is operating at full

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capacity, with no interruptions to production. There are no recorded infections in the mine, though there are some in the region, meaning the Antofagasta region. There are as yet no substantial risks to production. We are trying to maintain normal operations, to maintain production, but we will have to act in accordance with orders, or changes in public administration, if such occur in the future, and that is something beyond our control. At the moment production continues. That is the situation.

21. What could be the impact of the adoption of the Green Deal in the form being forced by the EC?

Answer: The Green Deal is a very large packet of legislative products involving all of the EU's policies. Amongst its eight areas, the greatest impact on the Company could come from the one involving fighting climate change by reducing greenhouse gas emissions. The European Commission is proposing to reduce net emissions to zero by 2050, while the goal for 2030 (at the moment a reduction of 40%) will be increased to 50-55%. The first of these goals as of today is impossible to quantify – there are still no economically feasible technologies on such a large scale available in the world to enable complete decarbonisation (the capture and storage of carbon dioxide). On the other hand, the tightening of goals for 2030 will mean in practice higher prices for emissions, and therefore indirectly, electricity prices.

22. What is the current situation in the Polkowice-Sieroszowice mine in terms of excess water. What is the future of section G-63, the one that was closed, and what will be the impact of the hydrological problem on production in 2020.

Answer: We have stabilised the water level. Initially the inflow was quite large, but now it has decreased to around 8 square meters per minute. We are analysing a broad range of information and data obtained to date, nonetheless we still are not completely sure of the reasons for this situation on such a scale. We are concentrating on balancing the inflow given the capacity of our de-watering system and we remain focused on further limitation of the inflow by drillholes from the surface.

We are also gathering new information on this event from drillholes made in the mine. Over the course of two months we built a de-watering system - 24 km of piping and 5 expanded pumps. This is the result of good organisation and planning, the management of resources, but above all the commitment of the many people who took part in this endeavour.

23. The President spoke about buying masks from China – does KGHM have a role in this?

Answer: We have a role which includes what we can do in Poland, because decontamination liquid is produced by our company Nitroerg and here I would like to thank our staff, our team. We have begun to produce surgical masks through our companies Mercus and Zanam, and quite rapidly at that. In terms of China we have a long history of cooperation with our Chinese partner, China Minmetals, an excellent relationship, we can count on their assistance. I can say that their help is enormous, tremendous help in terms of supplementary supply and procurement, which are needed in Poland.

24. How is the current business situation different from previous economic collapses, how much earlier did KGHM prepare for such a situation?

Answer: The present situation has a completely different origin and a completely different DNA, because when we look at the previous crisis, it was a crisis related to a financial bubble and virtual money, that's it in brief, and with great simplification we can call the current crisis, potential crisis, recession, slowdown, it's the result of a real threat related to the absence of people at work, interruptions to the supply chain, with lack of supply to industry, which is related to and based on the *just in time* principle, which has ceased to function in these times. With the coronavirus the old principle „maintain inventories and warehouses” has returned, as *just in time* might not work, so this also alters the production philosophy. I'm looking at what's happening in China today, we're assessing it from various points of information, this is our partner, but how the situation is developing is also an important factor and there the situation is that industrial production is returning to strength, people are going back to work and we don't see the effects of the spread of this virus. They are a little bit early in this whole phase of growth and other sources of the crisis, there are also certainly other preventative mechanisms, at least in terms of what is happening today as regards government intervention, it's a

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strong intervention in Poland which is very needed, because the results in the end are the same, meaning fewer industrial orders, less consumer optimism and in such situations there has to be help, support, to help companies survive, so the government's response is highly complex and a response to real demands and needs. On our part we are going to look very hard at this reality and, day by day, both in terms of maintaining production as well as cost discipline and our potential plans that we have this year, and we will, if the need arises, revise them in order to lead the company through these difficult times. We were able to make it safely through the challenges of 2019 and I think that this experience will help us in 2020.

25. Given the present economic situation, will the ecology segment of your strategy be updated?

Answer: The situation is fluid. At the moment we are not updating the strategy, but we cannot rule out changes if there will be justified reasons for it. We do however wish to emphasise that our actions to reduce our environmental footprint have been undertaken for many years.

26. Are you planning to finance Sierra Gorda this year?

Answer: The capital expenditures of KGHM Polska Miedź S.A. planned for 2020 amount to PLN 2 250 million, while other investment expenditures (including Sierra Gorda) amount to PLN 133 million. If Sierra Gorda S.C.M. needs financial support we are prepared to provide it, although alternative methods of financing are being considered.

27. Given the current epidemic-related threat, will work on building KGHM's first solar panel farm start as planned in April or will it be deferred?

Answer: At the moment we have a permit for the project, we are prepared to start physical work on this investment, and we aren't seeing that the companies involved in this work are refraining from providing their services. Of course depending on the circumstances and on scenarios, if it turns out that there is a problem with worker availability, or in three weeks we'll be in a different situation, then things could be different, but I judge the situation based on what I see today. For now there aren't any such signals, and please remember that reality is dynamic and we really don't know how the situation could develop in the short term perspective or the medium term.

28. What are the Management Board's targets for electrolytic copper production in 2020?

Answer: Production continues, at a level sufficient to meet all our commercial obligations. To date we haven't seen any changes in terms of sales volumes or demand. For us this is good information. Sales remain at normal levels. In terms of January, February, no significant deviations, the same in March. This would confirm that the industries which buy from us are producing. What the situation will be in a month or two, who knows. We will react.

29. What do you expect will be the average copper price in 2020 at the moment?

Answer: As you can see the situation is challenging and unpredictable. Despite this, we remain optimistic and await stabilisation of the situation. Were it not for our targets: flexibility, efficiency, and also ecology and e-industry, 2019 would certainly have looked very different, but in a very difficult year we were able to deal with reality. So perhaps we will be better prepared to deal with the realities of 2020, which – as everything is indicating – may be even more challenging.

30. What is the trade relationship of KGHM International with China, taking into account the lifting of tariffs, but also the current situation with the pandemic? (I mean sales from the USA to China)?

Answer: As has already been said, in terms of China we have a long history of cooperation with our Chinese partner, China Minmetals, this is good cooperation, we can count on their help.

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31. Has KGHM asked the government about suspending the minerals extraction tax given the uncertain situation?

Answer: The government's relief package of simplifications, subsidies and suspensions is a good, comprehensive program for these difficult times. We have also asked them to consider various possibilities and support for business, in terms of suspending various types of instruments, but this will only be a question if we ourselves start to feel a real impact of this crisis. If sales drop, if this lower price extends for a longer time, then we will be asking such questions more when we actually begin to really experience the crisis in our company's financial results.