
PRESENTATION OF THE FINANCIAL RESULTS OF THE KGHM POLSKA MIEDŹ S.A. GROUP FOR Q1 2021 FOR ANALYSTS AND JOURNALISTS

13 MAY 2021

LIDIA MARCINKOWSKA-BARTKOWIAK, CHIEF COMMUNICATIONS OFFICER: Ladies and Gentlemen, my name is Lidia Marcinkowska. I would like to welcome you warmly to a conference on the financial results of the Company and the KGHM Polska Miedź S.A. Group for the first quarter of 2021. Once again, we are meeting indirectly via video transmission. This time, however, we are very pleased, because we were the first Company to return with our presentation to the Quotations Room at the Stock Exchange and we hope that it will be possible to hold future presentations together with you, the audience, here in the Quotations Room. The effects of the work of KGHM in the first quarter will be presented and commented on by the Management Board of KGHM, composed of:

Mr Marcin Chludziński, President of the Management Board.

MARCIN CHLUDZIŃSKI, PRESIDENT OF THE MANAGEMENT BOARD: Hello.

Mr Adam Bugajczuk, Vice-President of the Management Board for Development.

ADAM BUGAJCZUK, VICE-PRESIDENT OF THE MANAGEMENT BOARD (DEVELOPMENT): Hello.

Mr Paweł Gruza, Vice-President of the Management Board for International assets.

PAWEŁ GRUZA, VICE-PRESIDENT OF THE MANAGEMENT BOARD (INTERNATIONAL ASSETS): Hello.

And Mr Andrzej Kensbok, Vice-President of the Management Board for Finance.

ANDRZEJ KENSBOK, VICE-PRESIDENT OF THE MANAGEMENT BOARD (FINANCE): Hello.

As usual, we will begin with the Board's commentary on the events of the last quarter. We will then move into a question and answer session. Questions and answers, or – to be precise - those answers which do not fit into the time of today's webcast, will of course appear on the website along with the transcript of today's question and answer session and with the transcript of today's conference. I invite you, which is another of our customs, to ask questions to the e-mail address ir@kghm.com. Ladies and Gentlemen, let's start the conference. I will ask Mr Marcin Chludziński to speak now.

MARCIN CHLUDZIŃSKI, PRESIDENT: Thank you very much. I warmly welcome you to the new composition of the Management Board, following the election for another term. I would like to welcome for the first time Andrzej Kensbok, who serves as Vice-President for Finance. You probably know Adam Bugajczuk, Paweł Gruza and I from previous meetings. We are still waiting

for the selection of the Vice President for Production, so I hope that the next conference will be with the full Board. For the time being, I will be dealing with production issues as well.

Ladies and Gentlemen, it is a beautiful day in May and also very good news for you. It all ties together pretty well for us. As usual, we are opening with a slide that synthesizes the situation after the first quarter. We are in a situation where we have been very well supported by copper prices - 51% higher than in the same period last year. Silver quotations were also 55% higher than in the same period of the previous year. As a result we have financial results, in terms of revenues, that are 27% higher and amount to PLN 6 745 million. Higher EBITDA by 131%, PLN 2 608 million. But also a significant increase in net income. Of course, apart from the fact that we were helped by the prices, it is clear and it has to be stressed that we have maintained, or even slightly increased, mining production and metallurgical production. I'll talk more about that on the next slide. What I would also like to say strategy-wise at the very onset is that despite the good times, when it comes to prices, we assume that we should be very careful about investments and we are doing just that. This year, investments are in full swing. We intend to spend over PLN 3 billion, first and foremost, on opening the deposit, i.e. on maintaining and increasing mining production and, consequently, metallurgical production. This is a priority for us. We're also sorting things out, as we've mentioned already, with regard to going for it with international assets. There was a split between strategic assets and those that are mismatched in terms of scale for our portfolio. At the moment, we want to divest smaller mines. We're looking for clients. Paweł Gruza will talk more about this process later. We are talking about mines and projects in the United States and Chile. Also we have had some very good news in recent days. We have been awarded exploration concessions in the Głogów concession area and other neighbouring concession areas. We are talking about the so-called territory beyond the Oder, that is, where we have not yet reached. This is the Lubuskie Province. We will and we want to explore this deposit as soon as possible. If the conditions that are in these studies that are publicly available are confirmed, we could be looking at (although we're not sure of it yet), a deposit on the order of 20 million tonnes of copper. And it's one of the largest potential deposits in Europe, including this deposit that we already have in production. If all these numbers are confirmed, we will also, of course, proceed with the construction of the mine, the exploitation phase, at the fastest possible pace. However, this must be preceded by what we have the concession for, that is the exploration of the deposit and comprehensive confirmation of all ecological conditions. This is very good information for us, so I think it's worth sharing. We continue to grow significantly in terms of our efficiency, in terms of the Sierra Gorda international project, in terms of our resources in the Deep Głogów deposit, so we are not idle here either.

The macroeconomic environment was very favourable for us in this first quarter. These prices - looking at the COVID period and what was happening in 2020 - were not expected to be this favourable in H1 or in Q3 or Q4, but they are a pleasant surprise.

The Group's copper production in Q1 was higher by 6.6% or 186 000 tonnes. As regards KGHM Polska Miedź S.A., it is 146 000 tonnes. This is also an increase to the same period of almost 4%. As for Sierra Gorda: 23 000 tonnes, also a much higher increase, 21% and KGHM INTERNATIONAL a 15% increase in the first quarter to 16 000 tonnes.

Andrzej Kensbok will talk more about key financial indicators, and Adam Bugajczuk will comment on development and concession issues. Like I said, PLN 2 608 million is the Group's EBITDA. We are talking adjusted EBITDA here. The Group's revenue amounted to PLN 6 745 million, or 27% higher. Net income, PLN 1 365 million, 98% higher than the same period last year. Here we have the production results in terms of metal production and the production of copper across the Group. Looking at the segments, or metals, we see a decrease in silver. This is a matter of the deposit characteristics. That happens periodically. You know that very well. Wherever we are in a good silver deposit, we are able to increase and intensify production, but sometimes it also goes down, especially in relation to last year's results, which were very good and which confirmed our leading position in terms of the largest mining production and our position in terms of the silver producer in the world. We had a record year, so year-on-year, it's a little worse here.

In terms of ore extraction I will leave it without comment for now. I'm going to leave the discussion of Sierra Gorda's results to Paweł, and ask him for a comment. Here we are consistently moving forward in this project. Nothing changes when it comes to our strategy. It's having an effect, it's having an effect on both the scale of production and the financial situation, so it just needs to continue.

PAWEŁ GRUZA, VICE-PRESIDENT OF THE MANAGEMENT BOARD (INTERNATIONAL ASSETS):

Thank you very much. Ladies and Gentlemen, in the lifetime of mines of the Sierra Gorda sort, such good macroeconomic conditions will happen only a few times. It is our responsibility to enter these good macroeconomic conditions with stable production at a high level. This has been achieved despite the COVID situation, which is a challenge both in Poland and abroad. But keeping production at a high level are the things that determine the results we are seeing, and they are very good. I'm not going to quote the numbers that the President took the liberty of quoting. At Sierra Gorda we are also getting ore with better metallurgical parameters and this is generating the numbers we are seeing. At KGHM INTERNATIONAL, a similar situation, both stable, high production at Robinson coupled with better grade, better ore reserves, results in increased production of both copper and silver. Like the President said, we have reviewed our portfolio of mines. We recognized that smaller mines do not fit our portfolio. It seems like an optimal time to review this portfolio. We have begun the divestment process. We have begun the process of discussing with potential interested investors with respect to two of our assets, the Franke and Carlota mines. These are less important assets from the perspective of KGHM as a whole. I think we will have more detailed information on this for you in the half-year results. Thank you.

ANDRZEJ KENSBOK, VICE-PRESIDENT OF THE MANAGEMENT BOARD (FINANCE): Dear Ladies and Gentlemen, with regard to the Group's financial results, I would like to start with the Group's revenue. Just as President Chludziński mentioned, revenue growth of nearly PLN 1 500 million, quarter-on-quarter last year to this first quarter, to PLN 6 745 million. And several factors contribute to this. Obviously, this positive price and volume factor when it comes to copper, but also this negative volume factor when it comes to silver and gold or so-called TPM, this is a total negative impact of about PLN 218 million. Also an exchange rate change. The exchange rate is marginally less in our favour than it was a year ago, so this impact is also negative. And the last factor is the derivative settlement revenue adjustment of minus PLN 389 million. This consists of two elements. The first is the settlement of some derivatives that matured in the first quarter of this year. This is the amount of PLN 266 million. And the second is the contrast with the positive derivative settlement in the first quarter of last year of PLN 123 million. Also the total amount of the difference, quarter to quarter, is PLN 389 million of negative impact on revenues.

The second important factor is our unit cost, or C1. Here we note an increase in this index. The total for the Group went from USD 1.61 per pound to USD 1.82. However, there are also several important factors I would like to mention here. First of all, the favourable factors. It's volume growth, higher silver value and TPMs that reduce that C1 cost in its formula and increased mining and increased molybdenum price at Sierra Gorda as well, working favourably. On the other hand, negative factors include the declining dollar to zloty rate. The lower the rate, the higher the C1 index. But above all, the increased minerals extraction tax. The mechanism of this tax is such that its amount is progressive, depending on the price of the raw material on the market, and the magnitude is applied in relation to the volume of copper extracted. Also this increase in the minerals extraction tax was quite significant. It went from 31 cents per pound to 65 cents per pound. Those elements that we have influence over and that work in our favour, primarily, volume-wise, caused the C1 cost to go down. On the other hand, an inevitable element of the price increase is the increase in the minerals extraction tax, which increased the cost.

Moving on to operating results, compared to the first quarter of 2020 our EBITDA margin, the operating margin, increased by nearly PLN 1 500 million. First of all, the main contributor was KGHM Polska Miedź S.A., PLN 775 million. Sierra Gorda PLN 539 million, so you can already see that this is a very important part of our financial results; and KGHM INTERNATIONAL plus PLN 186 million. Other domestic companies - there is this one more point - at a level of PLN 21 million lower than the same quarter last year. It is still an insignificant element from the point of view that the Group, so to speak, operates throughout the year and the settlements of their results are of greater significance for the whole year, while quarterly settlements are less important here. Very good operating results. When it comes to net profit, first of all one should take note of these first 4 elements of the slide, that is the result increased from PLN 690 million to PLN 1 365 million. And those operational elements, the change in revenue, obviously working in our favour. Change in expenses by nature going down, working against us. On the other hand, these

are mainly costs related to the purchase of third-party inputs, which go in parallel with the market, so we buy them at market prices as well. A positive change in work in progress, or change in inventory, as we may say. This is a change that works positively for two reasons. The first, it is due to the fact that our inventory and work-in-progress is overvalued, under the *Mark to Market* principle. Its value increases with the rising price of stock market commodities. And the second one is the activities of a technological nature and of a phased nature of our production and our sales. That is, building up a technological stock of anode copper. The building up also of a technological stock of so-called anode slimes, i.e. the starting raw material for the production of silver and gold, resulting from technological, repair cycles in the smelters, and also the slow but steady building up of the stock of anode copper in preparation for the overhaul of our refining capacity that is planned for next year. Silver inventory and finished goods inventory at the end of the first quarter has also increased. However, this has more to do with the phasing of sales and the fact that sales occur in certain portions and these portions fell in April rather than March, so it is simply a phase shift. Scrap metal is also worth mentioning. We rely on the purchase of scrap as a international input for copper production. And here we saw an increase in scrap inventory in the first quarter. It was a conscious act. Scrap had good availability in the first quarter. Besides, the value of scrap increases over time. In the case of our purchases, on the other hand, it increases over time with a certain offset from the price at which we purchase. That's why going in with copper scrap reserves during periods of higher prices is financially advantageous for us. In moderation, of course, not in an excessive way. These are the main operational elements. Other elements, i.e. the result on derivatives, is also negative here. This is the second part of that impact. And it is composed of two parts. The first is the accrual measurement of these instruments to fair value. The second is the purchase price, which is the change in the outcome of the derivatives. We both buy and sell them. And this realization in the first quarter was also negative. The total of these two events is approximately PLN 100 million of negative impact on net income. Obviously, the increased profit resulted also in increased CIT tax of about PLN 258 million and other costs which were settled positively, so the net result is PLN 1 365 million.

As far as cash flow is concerned, of course the main element is also this operating profit element, i.e. profit before tax in the indirect method. We have basically averaged the impact of revenue and cost exclusions, but their total sum is also positive, i.e. the non-cash ones at PLN 325 million. The income tax paid decreases our cash flow by PLN 200 million and the change in working capital, which I mentioned earlier, i.e. the increase in inventories and the increase in the value of inventories, has a negative impact of PLN 1 060 million. Next, investments, acquisition of property, plant and equipment. Here we can say that these are net investments. We also introduced divestitures in the first quarter. Two assets were sold, the real estate owned by KGHM Cuprum and our shares in the company PGE EJ 1 sp. z o.o., i.e. Nuclear Power 1. These two transactions settled in the first quarter, they are also included here in this report, as well as repayment of credit, repayment of liabilities, debt reduction in the amount of PLN 1 079 million.

The net effect is that we have increased our cash resources by PLN 1 566 million. The impact of this on the Group's debt is also positive. Our net debt to EBITDA ratio is lower than planned. It is also lower than last year. Our ability to service our USD-denominated debt has improved. Our ability to service PLN debt has also improved. The one element that you may notice is the increase of the nominal value of the debt denominated in PLN from PLN 4 800 million to PLN 5 billion. This is a translational change. It is due to the fact that the settlement of this dollar debt took place on March 31 at a time of a high dollar rate. At the same time, our nominal dollar debt has declined.

MARCIN CHLUDZIŃSKI, PRESIDENT : I will now ask Mr Adam Bugajczuk to continue the threads related to the implementation of development initiatives, with investments.

ADAM BUGAJCZUK, VICE-PRESIDENT OF THE MANAGEMENT BOARD (DEVELOPMENT): Ladies and Gentlemen, in the area of investments and development we consistently implement a rational and responsible investment program. In the first quarter, we spent PLN 447 million, of which 30% was on replacement projects, 29% on maintenance, and 41% on development projects. The amount spent may not be impressive, but as you are well aware, the first quarter is always characterized by lower spending dynamics. However, all the investments are implemented in accordance with the material and financial schedule. As far as the role of the Deep Głogów deposit is concerned, we have been consistently saying for three years that the role of this deposit will systematically grow and the first quarter clearly confirms our thesis that we have growth, very good results both in terms of production, i.e. ore extraction, as well as in terms of copper and silver content. We have impressive growth in terms of quarter-on-quarter growth. Accordingly, dry weight ore extraction was higher by 29%, copper in ore by 39% and silver in ore by 37%. Here, too, we are beginning to expand mining operations. We are confident that we will be able to maintain these good results in the future. As far as the implementation of key investments is concerned, in terms of maintenance and development, we are first of all completing our largest investment project in recent times, i.e. the expansion of the Żelazny Most Tailings Storage Facility. And here we are confident that at our next, second quarter earnings conference, we will be able to communicate to you that we have completed this investment. We are very proud of that, because as you know very well, this last year and a half of working in COVID conditions and maintaining such a large scale investment, with such a large budget, was quite a challenge, but we managed it perfectly, which we are very proud of. When it comes to development projects, the largest share is played by the Deposit Access Program, in which we are successively increasing the program's share in preparing mining areas and subsequent fields for production. We are gradually sinking our GG-1 shaft on schedule. In the first quarter we managed to finalize the purchase of all necessary land for the construction of the new GG-2 shaft. We are also completing and planning to start up the first plants from the surface air-conditioning station under construction at the GG-1 shaft in August. It's also a very large and complicated investment. Here, too, all work is proceeding according to the planned schedule. Of

course, we are implementing and continuing further the program of adjustment to the BAT conclusions. In the first quarter we were able to complete two investments. This year there are still 8 to be completed. We are also slowly completing this year's implementation of all investments related to the BAT conclusions. As regards replacement projects, we are primarily implementing the two-year plan for the modernization of the tankhouse floor at the Głogów I smelter/refinery. Here the progress is satisfactory both in terms of finances and the time schedule. Thank you very much.

MARCIN CHLUDZIŃSKI, PRESIDENT OF THE MANAGEMENT BOARD: In conclusion, it is also worth talking about the thing that is always the subject of questions and discussions at results conferences, namely the dividend. We made a recommendation as a Management Board to the Supervisory Board. The Supervisory Board gave a positive opinion on this recommendation - payment of a PLN 300 million dividend to our shareholders. We considered that the situation of the Company in the COVID year that was quite difficult and yet, as we showed earlier, good in terms of results, gives grounds to pay this dividend. It gave us a basis, that's why we recommended it, so we're waiting for the results and the decision of the General Meeting on that. I'm starting with this recap because it hasn't been mentioned before.

It also has to be said that the financial results are the best results actually since the acquisition of the international assets, that is since 2012. And this is also very good information, because the acquisition also provided us with a tremendous amount of experience as a Company. But maybe the time is also slowly transforming, through the hard work of many people, into a positive situation and these results confirm that. We are also consistently reducing debt, as has been mentioned here. Actually, the net debt to EBITDA ratio indicates this very strongly, but it is also worth saying that apart from the ratio, which is also influenced by the exchange rate to some extent, we repaid over PLN 1 billion of debt in the first quarter of 2021. It is also very important for us to have the ability, high flexibility in this matter and to carry smaller baggage when it comes to debt issues. Capex, the opening of a deposit is a priority for us in terms of production capacity. The opening of a deposit is usually work underground, i.e. tunnelling, and it's air conditioning stations, it's drainage stations, it's all the infrastructure. The very high investment expenditures this year, compared to the recent years, are aimed at being able to plan production more calmly and take advantage of the opportunities the market brings. The latest new concessions, as was mentioned, a development opportunity, a strategic opportunity absolutely for the Company - this is the opening of a completely new area. I would like to point out that these are still exploration concessions, i.e. concessions confirming deposits, and then there's mining. The copper price is favourable, which is very good news. For three years we operated at a time when the copper price was rather unfavourable for us, in fact quite the opposite. So we are glad to be in this situation where it's supporting us positively. But we also have to remember that we live in a very turbulent, changing economic and financial environment all the time. After all, we still live, even though the sun is shining and there is much hope, under

the COVID threat. We're fighting hard to work safely, which we've been able to do, but we're also encouraging people, our employees, to get vaccinated so that we don't have to face this situation in the fall as well. We are also implementing a lot of programs that help people integrate after this rather difficult situation, long-term stress. And both when it comes to psychological assistance, when it comes to rehabilitation assistance, basically to return to work and to some normality, to full activity. Thank you very much.

LIDIA MARCINKOWSKA-BARTKOWIAK, EXECUTIVE DIRECTOR FOR COMMUNICATIONS:

Ladies and Gentlemen, thank you very much to the Management Board for these comments on our record results, in terms of nearly a decade. Just as the President pointed out, we want a return to normality for our employees. Today, we are returning to normality, as the first Company from the WIG20 index we have returned to the Quotations Room and we sincerely hope that the next meetings will also be held in such a real-world dimension, together with the audience. Thank you very much. We will now move to the question and answer session. This Q&A session will traditionally be conducted for you by Janusz Krystosiak, Head of Investor Relations at KGHM. I see some questions have come up for us.

JANUSZ KRYSOŚIAK, DIRECTOR, INVESTOR RELATIONS DEPARTMENT:

Thank you very much. Hello to you. The questions are still coming down. I'll start off a little unusually, with a question I'm going to answer at once. Question from Erste Group: How much was the cost of restructuring of the hedge position in the second quarter. So I will answer right away: today we're talking about first quarter results. We have to wait a bit for any update on the second quarter. Of course, there will be time to talk about trends in the second quarter, so we'll be able to discuss that. Question from mBank, Mr Jakub Szkopek: Sierra Gorda - great first quarter 2021 results. Isn't it worth taking a step forward to think about implementing the second phase of the mine to increase production?

PAWEŁ GRUZA, VICE-PRESIDENT OF THE MANAGEMENT BOARD (INTERNATIONAL ASSETS):

Ladies and Gentlemen, so far we have conducted the process of low-cost optimizations of Sierra Gorda. This has brought those effects visible in this macroeconomic environment we've been in to date. We obviously do have identified options for the development of Sierra Gorda. However, at the moment we are not planning any capital-intensive investments of this kind. That's not to say that we don't have a set of improvements ready that will allow us to increase daily throughput, because that's what it comes down to at Sierra Gorda.

JANUSZ KRYSOŚIAK, DIRECTOR, INVESTOR RELATIONS DEPARTMENT:

Thank you. Another question from Jakub, I presume it will be addressed to Mr Paweł Gruza: The change in mining taxes in Chile; do you have any estimates on how the change might affect Sierra Gorda. A few other questions that I won't read but are in the area of this subject - taxation change in Chile.

PAWEŁ GRUZA, VICE-PRESIDENT OF THE MANAGEMENT BOARD (INTERNATIONAL ASSETS):

Ladies and gentlemen, we are very engaged in this process. We are participating in many expert

groups. Our people are heavily involved. Of course, we have estimates for different variations of this tax. However, the legal situation of this project itself is highly uncertain at this point. Part of the legislative process has been completed. The next phase will open in the Senate. There appears to be a significant legal flaw in this bill, bordering on the unconstitutionality of this bill. Therefore, at this point, communicating this type of estimate or quote, in my opinion, makes no sense. There is another factor that can be mentioned. Well, Sierra Gorda has certain regulations that mitigate the timing of that potential additional charge to our profit and loss statement, to our results. Accordingly, there is no reason for this type of communication on our part at this time. As I say, we are in a process. There appear to be significant legal flaws with this bill. The current proposal makes many mines in Chile unprofitable. It seems that this project will be significantly modified and then we will be able, at a later stage, when this solution will have crystallized, to communicate what impact it will have on Sierra Gorda.

JANUSZ KRYSOŚIAK, DIRECTOR, INVESTOR RELATIONS DEPARTMENT: Thank you very much. Moving on, based on the question of Mr Jakub Szkopek from mBank in the area already raised today, the new concession for Bytom Odrzański and Kulów Luboszyce. Is it possible to say already today what capex would have to be allocated in order to open these deposits, i.e. Bytom Odrzański and Kulów Luboszyce, or is it possible to use the existing infrastructure to open these deposits? And I am also looking at a question in this thread from the Zmiedzi.pl portal: What area is affected, are there any specific dates for work to begin? So the question is: deadlines, the possibility of using the existing infrastructure and Capex, to put it in one thread.

ADAM BUGAJCZUK, VICE-PRESIDENT OF THE MANAGEMENT BOARD (DEVELOPMENT): Ladies and gentlemen, as far as the Capex for the project is concerned, it will only be possible, as mentioned by President Chludziński, after the stage of appraisal of the exploration concession, then we will be able to talk about the Capex to be allocated. However, it should be emphasized that these concessions lie directly in the areas of concessions that we already hold. So those expenses won't be as big as if we had to build a new mine. We will also expand the infrastructure we already have; these expenses will not be as significant as if we had to build the whole technological sequence from the beginning. As regards the deadlines, the concessions have terms of 8 years 10 months for Bytom Odrzański and 7 years 8 months for the Kulów Luboszyce exploration concession. At the moment, we will be performing the work immediately. We will proceed as soon as possible, without delay. Also, I think that after these first drillholes and the first results we will be able to say something about the future and the mining plan.

JANUSZ KRYSOŚIAK, DIRECTOR, INVESTOR RELATIONS DEPARTMENT: Thank you very much. And a question further to President Adam Bugajczuk from the Zmiedzi.pl portal: What is the current situation related to the construction of the GG-2 material and personnel shaft in the Żukowice municipality?

ADAM BUGAJCZUK, VICE-PRESIDENT OF THE MANAGEMENT BOARD (DEVELOPMENT): As I mentioned in the presentation, we have completed the stage of purchasing the necessary land for the implementation of this investment, so in the near future we will begin the implementation of the design work.

JANUSZ KRYSOŚIAK, DIRECTOR, INVESTOR RELATIONS DEPARTMENT: Thank you very much. This question comes from Mr Paweł Puchalski, Santander: KGHM planned to develop its own renewable sources. Is this plan still valid. What are KGHM's plans for renewable energy through 2025/2030, if any? What are the plans?

MARCIN CHLUDZIŃSKI, PRESIDENT OF THE MANAGEMENT BOARD: Indeed, this plan is definitely still standing. These are our strategic assumptions that we have communicated; they are in the process of implementation, at the investment process stage. Let me remind you that's 50% from our own resources, including renewables, from 2030 on. Of course, all of this also depends on how we approach natural gas. For the time being, we do not assume that natural gas in our Strategy is the target fuel in the context of long-term investments. This is also due to the regulatory policy of the European Union, which is still quite sceptical about natural gas as one that can be classified as having no impact on the environment. We are in the course of discussions with bidders. The ways to achieve this goal vary. You can buy projects - finished projects - that are legally prepared but are before the investment phase. Together with other partners you can implement the investment phase and also build your own projects; we do operate in all these areas and paths, including the last one where a part, the beginning is already complete. This year there will be other investments, you can say symbolically started by driving a shovel, but not only symbolically, because these projects last, especially when it comes to photovoltaics, not very long. Some will be started and completed this year, so this investment phase of proprietary projects is also ongoing in addition to potential acquisitions. So we are consistently working on this area.

JANUSZ KRYSOŚIAK, DIRECTOR, INVESTOR RELATIONS DEPARTMENT: Thank you very much. And I think in this climate context of our impact on the environment, Mr Patryk Olszanowski, Nationale-Nederlanden Investment Partners, asks: Do you plan to declare climate neutrality in the near future, as more and more companies in the mining sector are doing?

MARCIN CHLUDZIŃSKI, PRESIDENT OF THE MANAGEMENT BOARD: As for climate neutrality and the mining sector, I find it rather difficult to assume that they actually proclaim climate neutrality; at most they proclaim minimizing environmental impact. This is absolutely something that we do constantly and continuously. I would like to remind you that in the context, for example, of our obligations under BAT, best available technologies, we spend several hundred million PLN annually on environmental investments in many areas, be it metallurgy or mining. So we are continuing to move in the direction that is expected of us. As far as legal requirements are concerned, in terms of EU law or national law which usually follows from EU law, we are also

in compliance with the regulations and standards that apply in Europe. That is why we can function, and because of the fact that more and more is being demanded of this sector in the long term, we have strategies in the context of energy, in the context of own renewable sources, in the context of the acquisition of renewable sources. But also all technologies that can serve to reduce our environmental impact. Both in terms of technology, metallurgy, all kinds of filters, all kinds of installations that reduce our emissions into the air. But also in the context of the impact of underground mining. We are continue testing of different electric solutions and are implementing them, these machines, wherever they prove to be applicable - in the field of electric engines. So it's a broad program of different types of actions that aims not only to work within the framework of the regulations that are already in place and that we are meeting, but also to get ahead of reality and where we can do it today, tomorrow, the day after tomorrow, to make investments that will bring us in line with what's going to happen in the future in terms of regulations.

JANUSZ KRYSOŚIAK, DIRECTOR, INVESTOR RELATIONS DEPARTMENT: Thank you very much. I have a few questions from Mr Łukasz Rudnik from Trigon: Will we see flows from Sierra Gorda to owners (loan repayments) as early as this year? This is for for Vice President Gruza.

PAWEŁ GRUZA, VICE-PRESIDENT OF THE MANAGEMENT BOARD (INTERNATIONAL ASSETS): I think we should not use this opportunity to determine the decisions that will be made. However, as a rule, the financial space of Sierra Gorda is expanding and, obviously, a decision will have to be made as to where this cash flow, this financial surplus, should be directed. And there is also the possibility that Sierra Gorda's various liabilities to its owners will be satisfied.

JANUSZ KRYSOŚIAK, DIRECTOR, INVESTOR RELATIONS DEPARTMENT: Next question from Łukasz: Is KGHM considering diversification in metals, for example platinum, palladium, nickel. I mean mine acquisition of mining projects to mine other green transition metals?

MARCIN CHLUDZIŃSKI, PRESIDENT OF THE MANAGEMENT BOARD: The question is a good one, but our goal is to operate in areas that are natural to us, where we actually have deposits and these metals, so we operate in Poland in very specific geological conditions. Here it is rather difficult to obtain the metals mentioned. Acquisitions, yes, but the main question is: is the peak in prices the best time and place for an acquisition? That is, if we have the highest metal prices, and we do have some, is this the best time to buy projects. I'm afraid not, because that's usually when we buy projects at the highest price. So perhaps we will need to wait with such decisions until other times.

JANUSZ KRYSOŚIAK, DIRECTOR, INVESTOR RELATIONS DEPARTMENT: Thank you. Project Victoria: When can we expect some milestones in this project? Mr Paweł Gruza, please.

PAWEŁ GRUZA, VICE-PRESIDENT OF THE MANAGEMENT BOARD (INTERNATIONAL ASSETS): We are still preparing the project so that it will be possible to take actions, including accounting

ones, consisting in reversing the write-offs originally made. However, here it is a question of negotiating agreements that need to be amended so that we can realistically think about the development of this project.

JANUSZ KRYSOŚIAK, DIRECTOR, INVESTOR RELATIONS DEPARTMENT: Thank you very much. I have one more question addressed to Mr Andrzej Kensbok about cost drivers, cost inflation in the following expenses by nature: energy and wage costs. How do we see the dynamics, the inflation in these cost groups? Very general question. Factors that influence performance in these cost groups.

ANDRZEJ KENSBOK, VICE-PRESIDENT OF THE MANAGEMENT BOARD (FINANCE): We are not free from the inflationary cost pressures that exist throughout the economy. We all know from everyday experience that the prices of energy and fuel are rising, as are wages, and also - and we may not necessarily see this every day, but we do feel it - carbon dioxide emission rights. And here we apply both preventive and anticipatory measures to minimize this impact and to extend in time their possible negative effects. But it is well known that rising costs cannot be completely avoided except by avoiding the consumption of these costly materials. With this in mind, our attention goes towards reducing electricity consumption and reducing fuel consumption. As the President said, we also need to consider changes in the structure of obtaining electricity. On the other hand, these costs obviously had a negative impact on the result, above all, in KGHM S.A., but also partially in other countries, because there is inflationary pressure everywhere. We offset this with increased production efficiency and reduced consumption of the highest-cost components. As for exact figures, we can of course communicate that in a post-conference release.

JANUSZ KRYSOŚIAK, DIRECTOR, INVESTOR RELATIONS DEPARTMENT: Yes, it's about a general look at the factors shaping these two cost groups. Thank you very much. I see that after this grouping of questions into areas, we have one more question for Mr Paweł Gruza: May I ask for information on whether there is any progress in the process of the sale of Sierra Gorda by Sumitomo?

PAWEŁ GRUZA, VICE-PRESIDENT OF THE MANAGEMENT BOARD (INTERNATIONAL ASSETS): This question may be directed to Sumitomo. From our knowledge the process is progressing. It is not our role to comment on this process.

JANUSZ KRYSOŚIAK, DIRECTOR, INVESTOR RELATIONS DEPARTMENT: Thank you very much. And as I mentioned, that was the last question. We exhausted the questions that flowed in through the investor relations mailbox and through our other channels. Thank you very much.

MARCIN CHLUDZIŃSKI, PRESIDENT : Thank you also.

LIDIA MARCINKOWSKA-BARTKOWIAK, EXECUTIVE DIRECTOR FOR COMMUNICATIONS:

Ladies and gentlemen, we will of course answer any questions you may have after the conference, so if you remember anything else or would like some detailed information, we are of course available to you after the conference. Thank you very much and see you next quarter. Goodbye.

Summary of questions raised at the Results Conference for the 1st quarter of 2021

- 1. Why the decision to look for investors for the Franke mine in Chile and Carlota in the USA if we are seeing record copper prices? Will KGHM remain the main shareholder?**

Answer KGHM, just like other companies in the mining industry, periodically reviews its assets portfolio in terms of whether they are suitable to the business model. In our review we decided that some of the mines are not strategic, they are supporting resources. At the same time, we developed procedures for the disposal of this type of asset. We investigated the investor market and waited for the right moment to come up with an offer. It seems like today is the right time to optimize our portfolio. So we started activities aimed at selling two smaller mines with a short life of mine and a size not matching the scale of the Group.

At present, the stage is too early to predict how the transaction will proceed, whether it will be successful and with what effect, e.g. in terms of capital commitment.

- 2. How will the Company's situation change as a result of gaining control over the Bytom Odrzański and Kulów-Luboszyce deposits?**

Answer The area covered by the exploration concession of Bytom Odrzański, along with the Głogów and Retków-Ścinawa concessions which have belonged to the Company since 2013, contain documented deposits which were explored by KGHM from the 1970s to the 1990s. They represent so-called reserve areas for the Company's resource base existing within the area of the current mining concessions and for years have represented a natural direction for the Company's development.

Apart from the area of the documented Bytom Odrzański deposit, in the area of both newly acquired concessions, there are areas with high deposit potential, referred to in the literature as prospective or prognostic deposits, which require preliminary documentation and then further recognition and examination of geological and mining conditions for the purposes of future mining access. We have high hopes that these areas will extend the life of KGHM past 2055.

- 3. What are the planned investments related to them?**

Answer These concessions were granted to our the Company for a period of nearly 9 years (Bytom Odrzański) and nearly 8 years (Kulów Luboszyce). During this time, we will

carry out the designed geological work, mainly consisting in a detailed examination of the potential of the deposits by drilling. This work will be supported by additional research: geophysical, hydrogeological, geotechnical and many others, which will allow for a detailed analysis of these areas in terms of future mining access. The first and most important element of almost every mining investment is to carry out, first of all, thorough and reliable geological works. The results of geological work will be the basis for further analyses and decisions. Investments in the expansion of existing installations or the construction of a new mine (beyond the Odra), along with installations for the production of concentrate, is a business decision that will depend on the abundance and availability of documented deposits. We targeted this development path in the strategy of KGHM.

4. What is the current situation related to the construction of the GG-2 material and personnel shaft in the Żukowice municipality?

Answer We have completed the stage of purchasing the necessary land for the implementation of this investment, so in the near future we will begin the implementation of the design work.

5. Would you consider the sale of other mines of KGHM International if there were potential buyers?

Answer That depends on whether the offer is attractive and whether it is in line with our Strategy.

6. May I ask for information on whether there is any progress in the process of the sale of Sierra Gorda by Sumitomo?

Answer This question may be directed to Sumitomo. From our knowledge the process is progressing. It is not our role to comment on this process.

7. Do you have a stability agreement in Sierra Gorda which would keep taxation/royalties at a stable level if Chile goes forward with the new copper royalties? If so, when does it expire?

Answer Just like most if not all new mining projects, the same is the case for Sierra Gorda which also has such an agreement, but due to the fact that disclosing its details requires consultation with our partner in the JV we cannot provide them at this time.

8. Considering the high price of copper, can you give us some updated information regarding the Sierra Gorda Oxide project? How quickly could the project deliver the first production after approval?

Answer All of the projects in the Group's portfolio are subject to regular review, including the potential timeframes for bringing them into production, but in the case of the Oxide project its advanced nature does not yet allow us to announce specific dates.

9. How much was the cost of restructuring of the hedge position in 2Q'21?

Answer Today we're talking about first quarter results. We have to wait a bit for any update on the second quarter. Of course, there will be time to talk about trends in the second quarter, so we'll be able to discuss that.

10. Sierra Gorda – great first quarter 2021 results. Isn't it worth taking a step forward to think about implementing the second phase of the mine to increase production?

Answer So far we have conducted the process of low-cost optimizations of Sierra Gorda. This has brought those effects visible in this macroeconomic environment we've been in to date. We obviously do have identified options for the development of Sierra Gorda. However, at the moment we are not planning any capital-intensive investments of this kind. That's not to say that we don't have a set of improvements ready that will allow us to increase daily throughput, because that's what it comes down to at Sierra Gorda.

11. The change in mining taxes in Chile; do you have any estimates on how the change might affect Sierra Gorda?

Answer We are very engaged in this process. We are participating in many expert groups. Our people are heavily involved. Of course, we have estimates for different variations of this tax. However, the legal situation of this project itself is highly uncertain at this point. Part of the legislative process has been completed. The next phase will open in the Senate. There appears to be a significant legal flaw in this bill, bordering on the unconstitutionality of this bill. Therefore, at this point, communicating this type of estimate or quote, in my opinion, makes no sense. There is another factor that can be mentioned. Well, Sierra Gorda has certain regulations for foreign investors (e.g. so-called stability agreements) that mitigate the timing of that potential additional charge to our profit and loss statement, to our results. Accordingly, there is no reason for this type of broader communication on our part at this time. As I say, we are in a process. There appear to be significant legal flaws with this bill. The current proposal makes many mines in Chile unprofitable. It seems that this project will be significantly modified and then we will be able, at a later stage, when this solution will have crystallized, to communicate what impact it will have on Sierra Gorda.

12. Is it possible to say already today what capex would have to be allocated in order to open these deposits, i.e. Bytom Odrzański and Kulów-Luboszyce? Is it possible to use the existing infrastructure to open these deposits. Please expand a bit on the subject of the concession for the new deposit in the lubuski voivodeship. What area does it concern, are there already specific dates for the commencement of work related to the opening of this deposit?

Answer As far as the Capex for the project is concerned, it will only be possible, as mentioned by President Chludziński, after the stage of appraisal of the exploration concession, then we will be able to talk about the Capex to be allocated. However, it should be emphasized that these concessions lie directly in the areas of concessions that we already hold. So those expenses won't be as big as if we had to build a new mine. We will also expand the infrastructure we already have; these expenses will not be as significant as if we had to build the whole technological sequence from the beginning. As regards the deadlines, the concessions have terms of 8 years 10 months for Bytom Odrzański and 7 years 8 months for the Kulów Luboszyce exploration concession. At the moment, we will be performing the work immediately. We will proceed as soon as

possible, without delay. Also, I think that after these first drillholes and the first results we will be able to say something about the future and the mining plan.

13. KGHM planned to develop its own renewable sources, is this plan still valid? What are KGHM's plans for renewable energy through 2025/2030, if any?

Answer Indeed, this plan is definitely still standing. These are our strategic assumptions that we have communicated; they are in the process of implementation, at the investment process stage. Let me remind you that's 50% from our own resources, including renewables, from 2030 on. Of course, all of this also depends on how we approach natural gas. For the time being, we do not assume that natural gas in our Strategy is the target fuel in the context of long-term investments. This is also due to the regulatory policy of the European Union, which is still quite sceptical about natural gas as one that can be classified as having no impact on the environment. We are in the course of discussions with bidders. The ways to achieve this goal vary. You can buy projects - finished projects - that are legally prepared but are before the investment phase. Together with other partners you can implement the investment phase and also build your own projects; we do operate in all these areas and paths, including the last one where a part, the beginning is already complete. This year there will be other investments, you can say symbolically started by driving a shovel, but not only symbolically, because these projects last, especially when it comes to photovoltaics, not very long. Some will be started and completed this year, so this investment phase of proprietary projects is also ongoing in addition to potential acquisitions. So we are consistently working on this area.

14. Do you plan to declare climate neutrality in the near future, as more and more companies in the mining sector are doing?

Answer As for climate neutrality and the mining sector, I find it rather difficult to assume that they actually proclaim climate neutrality; at most they proclaim minimizing environmental impact. This is absolutely something that we do constantly and continuously. I would like to remind you that in the context, for example, of our obligations under BAT, best available technologies, we spend several hundred million PLN annually on environmental investments in many areas, be it metallurgy or mining. So we are continuing to move in the direction that is expected of us. As far as legal requirements are concerned, in terms of EU law or national law which usually follows from EU law, we are also in compliance with the regulations and standards that apply in Europe. That is why we can function, and because of the fact that more and more is being demanded of this sector in the long term, we have strategies in the context of energy, in the context of own renewable sources, in the context of the acquisition of renewable sources. But also all technologies that can serve to reduce our environmental impact. Both in terms of technology, metallurgy, all kinds of filters, all kinds of installations that reduce our emissions into the air. But also in the context of the impact of underground mining. We are continue testing of different electric solutions and are implementing them, these machines, wherever they prove to be applicable - in the field of electric engines. So it's a broad program of different types of actions that aims not only to work within the framework of the regulations that are already in place and that we are meeting, but also to get ahead of reality and where we can do it today, tomorrow, the day after

tomorrow, to make investments that will bring us in line with what's going to happen in the future in terms of regulations.

15. Will we see flows from Sierra Gorda to owners (loan repayments) as early as this year?

Answer I think we should not use this opportunity to determine the decisions that will be made. However, as a rule, the financial space of Sierra Gorda is expanding and, obviously, a decision will have to be made as to where this cash flow, this financial surplus, should be directed. And there is also the possibility that Sierra Gorda's various liabilities to its owners will be satisfied.

16. Is KGHM considering diversification in metals, for example platinum, palladium, nickel. I mean mine acquisition of mining projects to mine other "green transition" metals?

Answer The question is a good one, but our goal is to operate in areas that are natural to us, where we actually have deposits and these metals, so we operate in Poland in very specific geological conditions. Here it is rather difficult to obtain the metals mentioned. Acquisitions, yes, but the main question is: is the peak in prices the best time and place for an acquisition? That is, if we have the highest metal prices, and we do have some, is this the best time to buy projects. I'm afraid not, because that's usually when we buy projects at the highest price. So perhaps we will need to wait with such decisions until other times.

17. Project Victoria: When can we expect some milestones in this project?

Answer We are still preparing the project so that it will be possible to take actions, including accounting ones, consisting in reversing the write-offs originally made. However, here it is a question of negotiating agreements that need to be amended so that we can realistically think about the development of this project.

18. A question about cost drivers, cost inflation in the following expenses by nature: energy and wage costs. How do we see the dynamics, the inflation in these cost groups? Very general question. Factors that influence performance in these cost groups.

Answer We are not free from the inflationary cost pressures that exist throughout the economy. We all know from everyday experience that the prices of energy and fuel are rising, as are wages, and also - and we may not necessarily see this every day, but we do feel it - carbon dioxide emission rights. And here we apply both preventive and anticipatory measures to minimize this impact and to extend in time their possible negative effects. But it is well known that rising costs cannot be completely avoided except by avoiding the consumption of these costly materials. With this in mind, our attention goes towards reducing electricity consumption and reducing fuel consumption. As the President said, we also need to consider changes in the structure of obtaining electricity. On the other hand, these costs obviously had a negative impact on the result, above all, in KGHM S.A., but also partially in other countries, because there is inflationary pressure everywhere. We offset this with increased production efficiency and reduced consumption of the highest-cost components.

19. How does the Management Board view the demand for copper in China? There has been information that cable producers in China are having problems with financing working capital (banks are increasing credit) due to the increase in copper prices, and are shutting down some production lines? A substitute for copper in cables could be aluminium, whose price isn't rising as quickly - how does the Management Board assess the risk of substitution?

Answer Rapidly rising prices are a big challenge for the entire copper processing industry operating on a limited processing margin and require the involvement of more and more working capital. Therefore, this is not an issue that only affects cable manufacturers in China. Nevertheless, in recent months, a slowdown in the growth rate of demand for copper in China has been observed - visible mainly in the exceptionally low physical premiums and the growing level of metal inventories in Asia. In addition, some financial institutions see the possibility of a continuation of price increases in the coming periods, which may even deepen the problems with access to working capital. It is worth noting, however, that it is not the price level itself, but its high volatility that causes the greatest problems for entities in the metal industry. Substitution is not a process that starts at any particular price level or price difference for products made of different materials. It is a constant phenomenon, which, however, may increase its intensity under certain price conditions. The large price difference between copper and aluminum actually stimulates discussions about the possible intensification of substitution, but it should be remembered that for many reasons, such as safety, technology and regulation, it is limited in scope. In many applications, the price of metal is much less important than technological parameters, high conductivity or reliability. Environmental protection elements are also becoming more and more important, and in this respect, the production of copper remains less energy-intensive than aluminum, and therefore potentially less damaging to the environment. Therefore, there are elements related to the growing importance of ESG, which are also increasingly important for a growing number of customers. However, it should be remembered that the longer prices remain high, the greater the incentive will be to develop alternative technologies that limit the use of expensive material.