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## PRESENTATION OF THE FINANCIAL RESULTS OF THE KGHM POLSKA MIEDŹ S.A. GROUP FOR THE 4<sup>TH</sup> QUARTER AND THE FULL YEAR 2020 FOR ANALYSTS AND JOURNALISTS

25<sup>TH</sup> MARCH 2021

In December 2018, the Management Board of KGHM Polska Miedź S.A. presented an updated Strategy for the years 2019-2023. This was done in response to the changing macroeconomic environment and the geopolitical situation, which both immensely impact the extraction industry. After a thorough analysis of key global mega-trends, we came up with 4 strategic development directions for KGHM, namely: Elasticity/Flexibility, Efficiency, Ecology and E-industry. These are the strategic priorities and the key achievements of KGHM in those four “4E” areas, that were achieved owing to the consequent implementation of the Strategy both by the Management Board, as well as by KGHM’s employees. We are able to keep the planned, stable level of production thanks to the following investments: the WTR furnace installation, further extension of the Żelazny Most Tailings Storage Facility and the Deposit Access Program. For the first time in our history, we achieved significantly higher throughput capacities of the Sierra Gorda project. In Poland we are consistent in the execution of the energy development program, which foresees the reduction of energy consumption and on the other hand, the creation of our own generation sources. Our plan is that by 2030 we will be able to cover half of KGHM’s energy demand with our own sources, including renewable energy sources. We have already started the first photovoltaic plant. Beyond the borders of our country, we decided to focus on maintenance, integration and financial efficiency.

The results speak for themselves. Our Sierra Gorda mine, after certain changes, is performing better and its production is rising. We are effectively utilising long-term instruments. We are increasing our efficiency thanks to the digitalisation, administration and support of production. We achieved over PLN 2.5 billion net profit. We successfully issued bonds at the level of PLN 2 billion. We increased the efficiency of the external financing. We are investing more in innovation and R&D. We implemented an R&D projects management model. E-industry is our current priority. We are successful in the execution of the KGHM 4.0 programme. Almost 50 projects in all the strategic areas, including safety and logistics. As a result of this, we will have consistent and coherent management of production, with the use of the data.

We have implemented some applications for our employees that are aimed at simplifying the system of work, financial settlements, documentation workflow, reports, recruitment and internship processes. Our Strategy is being implemented on the basis of the ambitious ideas of sustainable development, safety and enhancing social responsibility. We have significantly increased the safety parameters, both in Poland and abroad. We have organised a series of social campaigns in order to support our neighbours, children, families and the elderly. COVID-19 has not changed our Strategy. The human being is always at the center of our interest. We support our employees and the inhabitants of the Copper Basin, as well as organisations and hospitals throughout Poland.

The company Nitroerg from our Group started the production of disinfectants that we could then distribute to all the people in need in all the voivodeships in Poland. Our achievements prove that we work effectively and we consistently reach our goals. We are flexible, effective and ecological. Owing to our flexible Strategy, we are successful in building e-industry and in fuelling the economy.

**LIDIA MARCINKOWSKA-BARTKOWIAK, EXECUTIVE DIRECTOR, COMMUNICATIONS:** Ladies and Gentlemen, we are once again meeting at the conference on the financial results of KGHM and the KGHM Polska Miedź S.A. Group not directly, but via video streaming. It is also the second time that we are presenting our yearly results without any audience here. Still, we have no doubt – in order to guarantee the safety of both the stakeholders and KGHM’s employees, the only right choice is a meeting online.

Both the transparency and the immediate disclosure of our results to the market are very significant for us. That is why we decided not to re-schedule the date of their publication. Additionally, we can say with some pride that we were successful in giving our annual reports to the Polish Financial Supervision Authority in a new format.

Ladies and gentlemen, we have implemented some very restrictive procedures to guarantee the full safety to all the participants of today’s session in the studio. Thus, we are able to communicate with you here in the studio without any protective face masks.

We are going to present to you today our results, regarding both the 4<sup>th</sup> quarter of 2020 and the full year 2020. The results of our work will be presented by the Management Board of KGHM: Mr Marcin Chludziński, President of the Management Board, Professor Katarzyna Kreczmańska-Gigol, Vice-President of the Management Board (Finance), Mr Adam Bugajczuk, Vice-President of the Management Board (Development), Mr Paweł Gruza, Vice-President of the Management Board (International Assets) and Mr Radosław Stach, Vice-President of the Management Board (Production).

Traditionally, we will start with some comments of the Management Board on the events of last year. Then, without further ado, we will start the Q&A session. Let me quickly remind you that all the questions and answers that will exceed the planned time limit of today’s transmission, will be published on our website, together with the full written transcription. This regards the questions that we will not be able to answer today. I also encourage you to ask the questions, traditionally, via our e-mail address: [ir@kg hm.com](mailto:ir@kg hm.com). Ladies and gentlemen, let us start the conference right away. I invite Mr Marcin Chludziński, President of the Management Board to start.

**MARCIN CHLUDZIŃSKI, PRESIDENT & CEO:** Ladies and gentlemen, do you still remember the time of March 2020? It was not that long ago – only a year ago. Empty shelves in shops after all the supplies had been bought. The queues the young generation has never seen before. Do you remember the nervous searches for even one pair of disposable gloves or the sky-high prices of biocides in online shops? Only few months before that we had heard for the first time about a mysterious virus in the Chinese province of Wuhan. Still, no one then even thought that the biggest crisis in the modern world was just around the corner. That there is going to be a pandemic that will literally paralyse life on our planet. Nobody was ready for that – neither our company, nor Poland or the world. All the patterns of crisis management turned out to be insufficient. None of those schemes could predict a calamity of such a scale. There were deserted offices, bureaus and clinics. The borders were closed. Factories stopped their operation. The Poles started to come back home massively – under the “LOT home” action. It was almost like an apocalypse. Back then, no one knew what the future would bring. Now, nobody could even attempt to predict the future for longer than a week. The famous economists fell silent. The media prophets lost their ability to clearly predict the future. Some producers, including in our sector, either stop or drastically reduce their operation. We organise a crisis management team. Our conversations are totally dominated by two topics. Firstly,

the safety of our employees. Secondly, the safety of our production. A large part of business in Poland turns to remote working. In our case, we cannot send thousands of miners to work remotely. We cannot ask our metallurgists to work via social distancing. It is simply technically impossible. After all, every day with continued extraction, production and sales matters. We have to manage in the circumstances of the most drastic lack of information ever. We operate on an increasingly turbulent and only slightly foreseeable market. The safety of our workers is our highest priority. We make thoughtful, but quick decisions. We are the first to implement the thermovision temperature measurement system in all our plants. In mid-March we start the production of biocide liquid in our Nitroerg factories. We implement drastic sanitary procedures at our plants. Most importantly, we ensure our staff that we will do our best to keep their workplaces safe. Copper prices decrease to record low prices – 4600 USD per tonne. We have not observed such a price for the last 10 years. Such a level for a longer period of time means production below the level of profitability. Transport and logistics cease to operate. We are late in deliveries. When the government faces the rapidly-introduced remote education system, we have to face the lowest prices of copper in many years. Then, subsequent lockdowns, bans on travelling abroad, challenges in the logistics of deliveries.

What do we do? Firstly, an effective Strategy. Back in 2018 we assumed that the times of global stability are gone and there is a real rollercoaster ahead of us. Unpredictable volatility of markets and the business environment. Our answer to those circumstances was the assumption of a high flexibility in adjusting and increasing the efficiency of our business. This is very helpful for us in times of a constant fight with the coronavirus.

What is the result? A record high level of safety and continued employment for thousands of people. Secondly, communication. Mostly to our employees. We are currently using all the effective channels of information. We know that successfully reaching the helpline of the Polish National Health Fund is problematic. That is why we introduced a round-the-clock helpline for our employees. We provide answers for any questions or doubts that our managers, miners and their families may raise. We explain the procedures and their justification. At the same time, we educate and explain via the intranet, extranet, dedicated SMS service and our company newspaper. We recommend reliable sources of information. We fight with the omnipresent fake news. When the posters cease to operate, we organise some mobile billboards in front of the gates of our factories. If it is impossible for us to meet with our management staff in person, we prepare for them some weekly guides that are focused on the most common problems of the staff. I personally do my best to be open, sincere and coherent in this communication. Of course, to the extent which is allowed by the total uncertainty of tomorrow.

Thirdly, we radically increase the epidemic safety of our staff. We provide all our employees and their families with the necessary protective measures, right from the very beginning of the epidemic. We measure the temperature of every person who crosses the gates of our factories. We disinfect the rooms, employee buses and the machines on a regular basis. We implement a large amount of tiny, but relevant initiatives. We also introduced the rotary system of work in our offices.

Fourthly and most importantly – we act bravely, we cooperate and we keep ourselves cool. It is rooted in our mining culture, in our DNA. It is the life-saving ethos that orders us to lead the rescue actions effectively, right to the end, but still in a safe manner for every rescuer. And the management of emotions turned out to be effective. Still, even the hardest miners in the situation of constant threat, lasting for several months, can sometimes lose their cool.

Still, this is not everything that we do. We are still determined to help the local community, the region and the organisations all over Poland. Just in March 2020 alone, the most difficult month, we sent 20,000 litres of disinfecting fluid all over the country. We organise several hundred places in temporary hospitals in Lower Silesia. Moreover, for several months, there has been a ward for COVID-19 patients in the hospital of the KGHM Group, the Copper Medical Centre. The KGHM Polska Miedź S.A. Foundation dedicates millions of Polish złoties for hospitals and the services fighting at the forefront. It was not that long ago that the hospitals lacked almost everything – tests, masks, face shields and the respirators. We make it possible to buy the necessary medical equipment, protective measures, the equipment of the laboratories. This is still not everything that we do. We take care of the families and the elderly in the region of Lower Silesia. Our volunteers and the cooperating organisations prepare meals and help to do the shopping. We have observed how the loneliness and the constant uncertainty of tomorrow gradually worsened the well-being of the social groups. There was no other way for us. We help. We organise the telephonic psychological support. And just to let you understand how necessary it was – we planned that 120 available consultations would be enough for at least a week. It turned out that these 120 consultations were fully booked in less than one hour. That is why we try to meet the needs. Right now, we are implementing the next project that is aimed at diminishing the results of depression and of the epidemic that is surely waiting for us in the months to come. We provide psychological support to those that are extremely exhausted. Some of the sources say that the PTSD (post-trauma stress disorder) may be one of the results of the epidemic and it may affect even up to 70% of the population. It was not an easy year. Let's be clear on that. 2020 was dramatic. There was a dramatic drop in GDP in European Union countries and in the whole world. The strongest economies of the globe were literally infected with the virus. Apart from that, we had to deal with the critically overcrowded hospitals, growing frustration and the uncertainty lasting for several months. We are one of the companies in the sector that has been keeping our plans without even one-day of downtime caused by the coronavirus. The production of copper in the entire Group was at the level of 709 thousand tonnes. This was neither a coincidence nor a stroke of luck. This is the result of some key initiatives that until today are the responsibility of the crisis management team. It is the effect of our solidarity work, deliberate decisions, fast reactions and trust.

A year after March 2020, I can proudly say that we are passing the exam. I can grant ourselves grade B, or even risk and grant grade A. For the year 2020, we achieved the highest EBIDTA since the times of the acquisition of the international assets. This EBIDTA was PLN 6.6 billion. The Group's net profit was PLN 1 797 million. The debt ratio dropped from the level of 1.5% to 0.9%, and the cash flow balance increased by over half a billion PLN. Thank you.

**LIDIA MARCINKOWSKA-BARTKOWIAK, EXECUTIVE DIRECTOR, COMMUNICATIONS:** Ladies and gentlemen, I would like to thank our President for these comments. I will now give the floor to Mr Radosław Stach, Vice-President of the Management Board to provide us with the situation in the production sector.

**RADOSŁAW STACH, VICE PRESIDENT OF THE MANAGEMENT BOARD (PRODUCTION):** Ladies and gentlemen, discussing the results of the Group in the area of production, as the President has already underlined, we saw very good production of payable copper at the level of 709 thousand tonnes. Such a result was reached due to both the Polish assets, KGHM International and also due to the very satisfying operation of the Sierra Gorda mine, which significantly increased its production in comparison to 2019. The production of silver, as well as of precious metals and molybdenum

regards both the Polish and international assets. We will refer to them on the next slides. Before I discuss the topics of production in Poland, the situation of the mines, smelters and concentrators, I just wanted to acquaint you with the topic of safety since this is an area on which we have been working both in 2019 and 2020. These effects are visible. We improved safety by almost 30%. It is due to a number of programmes and initiatives that were implemented, but also due to the change of the organisational culture within our plants. This is a common achievement of our employees. We were recognised by the Golden Card for a Safe Work Leader which only proves that our operation is heading into the right direction and that we can look optimistically at the upcoming years of our operation.

When it comes to the production results of the Polish assets, namely extraction, production of electrolytic copper and the production of silver, they are all comparable to the level of 2019. Analysing the particular quarters we can say they are stable. There are no significant changes. It proves that we really dealt well with the difficult moments that 2020 brought. When it comes to the production of silver, which is insignificantly lower, but still on a high level, I would like to remind you that the production at the level of 1400 tonnes in 2019 was a record high. It is obvious that we would also like to achieve such a level in 2020. However, silver is still a by-product metal. We extract 100% of the amount of this metal that we have in our deposit. The result is pertinent and really high, bearing in mind the conditions. In 2020 we implemented a series of projects aimed at enhancing the effectiveness of our machines which in turn was aimed at improving our cost effectiveness, which remains our strategic goal. I would like to tell you about one of our key projects in the area of production which was introduced in 2020. This project was focused on supply chain management and regarded the integration of three processes: planning the material needs, integration of orders to the suppliers and the integrated management of stock. Integration, digitalisation and automation of those processes enabled us – firstly - to observe significant savings in costs and – secondly – to see costs in the area of production in real time. To sum up the year 2020 and the fourth quarter, I would like to say that in this difficult year, as the President has already said, in the situation of market and cost uncertainty, production saw its way through. Production remains on a very good and high level. This is the result of both proper management decisions and the work of all our employees. Thank you.

**LIDIA MARCINKOWSKA-BARTKOWIAK, EXECUTIVE DIRECTOR, COMMUNICATIONS:** Mr President, thank you very much. Now I will give the floor to Vice-President Pawel Gruza, to discuss the area of international assets.

**PAWEŁ GRUZA, VICE PRESIDENT OF THE MANAGEMENT BOARD (INTERNATIONAL ASSETS):** Good morning, ladies and gentlemen. Ladies and gentlemen, the year of 2020 will pass into history. The COVID-19 pandemic seems to have no boundaries. In our jurisdictions abroad, the pandemic situation was also very difficult. Owing to analogous operations to those implemented within Poland, we were able to maintain the continuity of production abroad, which obviously was our priority. Safety of the staff and discipline were the two factors that characterised our mines both in Chile and in North America. Unfortunately, in the mines of our competitors, these steps turned out to be ineffective. Hence, there were some downtimes observed. As I already said, we were able to maintain the continuity of production. We were also able to achieve the very satisfying production results, which you can see, in the Sierra Gorda project. This was due to the operations undertaken in the past, namely the gradual and low-budget optimisation of Sierra Gorda. These results speak for themselves. Regarding the mines of KGHM International, the situation was more difficult. This was

due to both the quality of ore, the level of metal in ore. Here, the lower level of production was not compensated in the year of 2020.

To make the picture of our international assets full, a few words on the financial situation. Having observed the risk of a decline in purchase prices, based on the first half of the year, we introduced a series of extremely significant optimisation initiatives in terms of costs, both CAPEX and OPEX. We also made some difficult decisions in the area of staffing and personnel. This in turn enabled us to significantly reduce costs. Additionally, we restructured procedure KGHM International. In summary, the financial result of the international assets is very positive and, as such, is profitable for the total results of the KGHM Group. Thank you.

**LIDIA MARCINKOWSKA-BARTKOWIAK, EXECUTIVE DIRECTOR, COMMUNICATIONS:** Thank you very much, Mr President. We have already started the topic of finance. I will now give the floor to Professor Katarzyna Kreczmańska-Gigol, Vice-President of the Management Board (CFO) to discuss the topic of finance in a more detailed way.

**KATARZYNA KRECZMAŃSKA-GIGOL, VICE PRESIDENT OF THE MANAGEMENT BOARD (CFO):** Ladies and gentlemen, as President Chłudziński has already mentioned, since the year 2018 we have been preparing ourselves for certain situations that may happen in the global economy. The situations that may result in a kind of recession or that may even lead to a crisis. Unfortunately, business cycles are unrelenting. However, as the President has said, we could not have predicted that the current crisis will be connected with the pandemic. Still, we have been preparing in the field of finance for some worse times to come. It is true that the conditions that we created in the last three years helped us a lot in the most difficult year of 2020. Ladies and gentlemen, regarding the revenues coming from the contracts with our customers, they were 4% higher when compared to the revenues of 2019. Please bear in mind that while 2019 was a good year, 2020 in turn turned out to be a very turbulent year. No one knew what was going to happen the next day.

Ladies and gentlemen, please note that sales revenues from the contracts with our customers are higher by PLN 909 million. When it comes to the unit cost, in such a demanding year, in the Group it decreased by 6% and reached the level of 1.59. Still, please bear in mind that in C1 cost we include the higher cost connected with the copper tax. So assuming that we would eliminate the impact of that tax, the effect of the drop in C1 cost would be even higher.

Ladies and gentlemen, as KGHM Polska Miedź S.A., the Parent Entity, we decreased C1 cost by 7% when compared to 2019. In Sierra Gorda this cost was reduced even more strongly – by 16%. In KGHMI this cost was higher and it remained the only segment with such a higher cost. This was related with the lower volume of copper sales. In part, this negative effect was offset by the higher revenues from the sales of associated metals.

Ladies and gentlemen – EBIDTA. This is usually the most interesting parameter for analysts. It is also the parameter that is particularly significant for us, since it regards our operational activity. In comparison to 2019, EBIDTA was higher by 27%. Please bear in mind that EBIDTA was higher by PLN 839 million in the Parent Entity (KGHM Polska Miedź S.A.) and higher by PLN 686 million in Sierra Gorda. In other segments EBIDTA was lower. Still, these segments are also the companies that were particularly prone to the negative effects of the pandemic. As I already mentioned, we

noticed a lower EBIDTA in KGHMI. This was related basically with the lower volume of sales and the termination of the contract by DMC in Great Britain.

Net profit was higher in 2020 by 26%. What I would like to draw your attention to is the fact that, regarding the Group, the change of revenues has the biggest impact. The revenues were higher by PLN 909 million. We noticed a better result in the involvement in joint ventures. I would also like to mention the topic of expenses by nature, which were higher by PLN 47 million, to a large extent due to labour costs resulting from labour contracts, which we abide by even in times of pandemic. Additionally, we had an increase in the copper tax by PLN 105 million. And the higher depreciation by PLN 49 million. In fact, all these factors were beyond our control. In terms of other activities, we noted a decrease in the cost of external services by PLN 429 million. This in turn, as already mentioned, was the result of the steps undertaken by us. This was basically the cost discipline which we maintained in spite of the hard times.

Now we turn to cash flow. If you have a look at the cash flow, you will see the very positive effect of last year. Let me draw your attention to one particular position – the change in working capital. This is the result of the steps that we have been consistently undertaking since we announced the new Strategy, when we announced our plans to release capital related with our activities, such as the large-scale implementation of factoring services.

A few words about the debt held by KGHM Polska Miedź S.A. Please take a look. Net debt to EBIDTA at the level of 0.9 is a level we are proud of. This is an excellent level, especially when taking into consideration that at the end of 2019, this ratio was at the level of 1.5. Please also take a look at the net debt position. Net debt is lower by almost one billion PLN. Thank you very much.

**LIDIA MARCINKOWSKA-BARTKOWIAK, EXECUTIVE DIRECTOR, COMMUNICATIONS:** Ms Professor, thank you very much for the detailed presentation of the financial results. Let me now give the floor to our Vice-President of the Management Board (Development), Mr Adam Bugajczuk, to provide us with some details on development and investments in KGHM.

**ADAM BUGAJCZUK, VICE PRESIDENT OF THE MANAGEMENT BOARD (DEVELOPMENT):** Ladies and gentlemen, before I go into the detailed description of our results achieved in the segment of investments and development, let me say that my area kept the Company's end up. As a result, we were able to complete all our key investments, both in financial and material scope. It of course contributed to the fantastic results which we achieved as a Company and which were already mentioned by the Members of the Board. When it comes to numbers – we spent PLN 2.48 billion. Please bear in mind that in analytic terms, this division is very proportional and the differences are tiny. Regarding our key development investments, of course this is the further extension of the Żelazny Most Tailings Storage Facility. And here we wanted to show you the stage of our advancement regarding the development of this investment. Secondly, we are basically finishing the investment in the Southern Quarter this year. As of the end of December, it was 88% completed. When it comes to the Tailings Segregation and Thickening Station, which is an element of the extension of the whole facility, currently we are at the level of 78% completion. Regarding the Deposit Access Programme, in mining we completed over 40 kilometres of development tunneling. We succeeded in deepening the GG-1 shaft to the level of 1,231 metres. After all the turbulence that we had with water, we are operating in full accordance with the schedule. In terms of the GG-2 shaft, we were able to negotiate the commercial terms in terms of the purchase of land. Now we will commence

the completion of the administrative requirements. Regarding the tasks related with environmental protection and BAT conclusions, last year we spent PLN 161 million on this area. We managed to complete the key investments both at the Głogów and Legnica Copper Smelter/Refineries.

Let me now quickly discuss the role of processing and deposit development in the Deep Głogów deposit. We have always underlined the crucial significance of this segment. And here you can see a very visible reflection in numbers. Almost all of the basic indicators are higher when compared year-on-year.

Regarding the other investments, still key, though maybe not as spectacular as the extension of Źelazny Most or the preparatory mining works, of course we were able to finance and buy the mining machines which are essential for the completion of our fundamental tasks. The purchase and the development of filter presses, the Damówka pump station, being also an element of the Źelazny Most extension, modernisation of the deduster in the Anode Furnace section, the construction of a waste storage facility site, and also the modernisation of the Tank House at the Głogów Copper Smelter and Refinery. In 2020 we dedicated PLN 186 million on pro-ecological investments. As I already mentioned, PLN 161 million was spent on investments connected with BAT conclusions. The other elements and pro-ecological investments you can see on the graph. Likewise in the case of developing energy generation capacity, including renewable energy sources, we completed some preliminary investments, as the President has already mentioned. We built the first photovoltaic farms at the Legnica Copper Smelter and Refinery. The investments which are aimed at achieving the level of 50% of our own sources of energy, are already in progress, as already mentioned, and which we are consistently advancing as part of our Strategy. This slide provides you with our schedule and with the areas in which we are trying to complete our tasks. Thank you very much.

**LIDIA MARCINKOWSKA-BARTKOWIAK, EXECUTIVE DIRECTOR, COMMUNICATIONS:** Mr Vice President, thank you very much for this detailed presentation regarding the investments. Ladies and gentlemen, we have already provided you with the data on our production and financial results. We have also discussed the situation of our international assets and investments. I would now like to give the floor to Mr President Chludziński for a summary of our operations.

**MARCIN CHLUDZIŃSKI, PRESIDENT & CEO:** Ladies and gentlemen, it was a very difficult time. As we heard and as we discussed, it was not an easy year in the history of this Company, which by the way is celebrating its 60<sup>th</sup> anniversary this year. However noble this age is, it is still not the old age. We are still full of energy and vigor. We need to bear in mind that this pandemic and the threats to our health are still not over. We still have to fight with the potential effects of this situation. It is a constant and persistent struggle. Our crisis teams are adapting our procedures and our ways of operation to the current circumstances. We are very flexible.

Since the current term of the Management Board is drawing to an end, I would like to provide you with some summaries. The new term starts on 15<sup>th</sup> April. I would like to show you what happened over the course of the last 2 years on big numbers and big parameters. To achieve such results, we had to operate in every area, such as savings, processes and their efficiency and logistics. There are hundreds of projects and thousands of people working on the projects. Please bear in mind that we started in 2018. Let's say that our term ends somewhere in the second quarter of 2021. When we started our term, EBIDTA was at the level of PLN 4.972 billion. Now, at the end of our term, EBITDA is at PLN 6.623 billion, an increase of 33%. 15% higher revenues from sales. Now it is PLN



23.623 billion, in 2018 – PLN 20.526 billion. C1 cost is another very important parameter for us. It decreased by 12% in spite of the higher production and as a result – higher tax which is a factor affecting this cost. The drop by 12% in this regard is a very significant drop. A very difficult parameter - net debt to our EBITDA. We struggled a lot to change it. Of course, this parameter is partly dependent on the USD exchange rate and the fact that we are going into debt. Still, it is not the only impact in this regard. There is the change at the level of 44%. This is of course a change for the better – the lowered rate from the level of 1.6 to 0.9. A very crucial change. Copper production – what we do on a daily basis and as we have been saying, we are trying to stabilise the area of copper production, but please note that in spite of the stabilisation, during the last 2 years (or in fact 2.5 years), we have seen an increase from the level of 634 thousand tonnes to 709 thousand tonnes. This is an increase by 12%. These are the big numbers resulting from tens, hundreds of projects and the hard work of thousands of people – the whole Group. I can confidently say that this is a great success of KGHM and the Management Board whose term is drawing to an end. I would like to thank the Management Board since we have come a really long way. However, we are still on this path. And I would like to particularly thank Katarzyna Kreczmańska-Gigol for her presence with us in this journey. Due to her career plans, Katarzyna Kreczmańska-Gigol has completed her relationship with the Management Board with the end of the mandate. Kasia, I would like to thank you very much for the work you've done so far with us. You had and you still have a significant contribution to our joint success.

**KATARZYNA KRECZMAŃSKA-GIGOL, VICE PRESIDENT OF THE MANAGEMENT BOARD (CFO):** Thank you.

**MARCIN CHLUDZIŃSKI, PRESIDENT & CEO:** Ladies and gentlemen, regarding our future, the time is not over, at least for now. Of course, not everything is up to us. Still, we have many challenges. In spite of the pandemic challenge, strategically we will have to face the ESG challenge and the regulatory challenge related to sustainable development and the carbon footprint. In 2021 we will start the comprehensive construction of the strategy that will assess the impact of ESG on our investments and our operational model in the strategic and long-term perspective. This year we also plan to review our Strategy to detect some areas that need to be updated or changed, especially in the context of the global situation. As I already mentioned, our strategy is flexible, as we planned beforehand. However, sometimes there is a need to come to a stop and review things. This year is such a moment. We are still advancing the projects and the investment expenditures which are essential from the perspective of production. Still, the outlook is very positive. We are in a very good position regarding copper in macroeconomic terms. We assume that demand will increase, not decrease. That is why we want and we need to invest to produce as much copper and silver as possible. Of course, there is the matter of other business projects and the other areas of our operations. We are increasingly interested in the topic of the biocidal features of copper and silver and also in the biotechnology related to this aspect. These are also areas that are interesting for us in the investment context. We are facing a lot of work as there are numerous challenges here. Still, we would like to use the opportunities that the market brings to the fullest. Thank you very much.

**LIDIA MARCINKOWSKA-BARTKOWIAK, EXECUTIVE DIRECTOR, COMMUNICATIONS:** Ladies and gentlemen, I can see here one more thing, quite unique for the financial results, but undoubtedly well-earned from the point of view of our CFO. It is in fact really an extraordinary situation. We are holding our financial results conference at the time when the term of one Management Board finishes on 15<sup>th</sup> April, and the term of another Management Board starts on 16<sup>th</sup> April. Thank you very much.

Ladies and gentlemen, this is not the end of our webcast. We will now go to the Q&A session. As usual, this part of our meeting will be conducted by Mr Janusz Krystosiak, the Director of the Investor Relations Department. I would like to remind you that you can send your questions to our email address: [ir@kgmh.com](mailto:ir@kgmh.com). Based on our experience, we tend to get a lot of questions on the fly, once the Q&A session, that is limited in time, has already started. Let me kindly remind you that for this reason, we will provide you with our answers via our website. All the questions and answers that we will be able to discuss during today's webcast, together with their written transcript, will be published on our website in a couple of days. Ladies and gentlemen, let me give the floor to Mr Janusz Krystosiak, the Director of the Investor Relations Department.

**JANUSZ KRYSTOSIAK, DIRECTOR, INVESTOR RELATIONS DEPARTMENT:** Thank you very much. Good morning, ladies and gentlemen. As our Communications Director has already mentioned, we have a lot of questions. They are coming as we speak. I am still trying to organise these questions in some groups of issues, so there is no point in reading the questions one by one. The first question from the set of questions regarding our Sierra Gorda mine. '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?'. I will now give the floor to Mr President Paweł Gruza to answer this question.

**PAWEŁ GRUZA, VICE PRESIDENT OF THE MANAGEMENT BOARD (INTERNATIONAL ASSETS):** Thank you for this question. As we already said, 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.

**JANUSZ KRYSTOSIAK, DIRECTOR, INVESTOR RELATIONS DEPARTMENT:** Thank you very much. Now a question from Ms Justyna Piszczatowska, Green-news.pl: '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?'

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

**JANUSZ KRYSTOSIAK, DIRECTOR, INVESTOR RELATIONS DEPARTMENT:** Thank you very much. Now we have a question from Mr Tomasz Brzeziński, Cleanerenergy. The question is to our CFO. '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?'

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**KATARZYNA KRECZMAŃSKA-GIGOL, VICE PRESIDENT OF THE MANAGEMENT BOARD (CFO):** 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. Thank you.

**JANUSZ KRYSOŚIAK, DIRECTOR, INVESTOR RELATIONS DEPARTMENT:** Thank you very much. The next question is also from Mr Tomasz Brzeziński. The question relates to our budget in terms of investment expenditure. '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?'

**MARCIN CHLUDZIŃSKI, PRESIDENT & CEO:** Let me make some introduction in this respect and then I will give the floor to Mr Adam Bugajczuk. 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. Adam – a few words please on the scope of investment.

**ADAM BUGAJCZUK, VICE PRESIDENT OF THE MANAGEMENT BOARD (DEVELOPMENT):** Yes, thank you. As the President has already said, 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 develop 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.

**JANUSZ KRYSOŚIAK, DIRECTOR, INVESTOR RELATIONS DEPARTMENT:** Thank you very much. Mr Jakub Szkopek, mBank, asks: '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?'. This is a question about the dynamics. Of course, we do not know the dynamics yet. Still, I will give the floor to our President for some comments here.

**MARCIN CHLUDZIŃSKI, PRESIDENT & CEO:** 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.

**JANUSZ KRYSOŚIAK, DIRECTOR, INVESTOR RELATIONS DEPARTMENT:** Thank you very much. And the second question from Mr Jakub Szkopek. '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?'. And there is also the question about how this parameter looks this year.

**RADOSŁAW STACH, VICE PRESIDENT OF THE MANAGEMENT BOARD (PRODUCTION):** 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.

**ADAM BUGAJCZUK, VICE PRESIDENT OF THE MANAGEMENT BOARD (DEVELOPMENT):** In addition to that, 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.

**JANUSZ KRYSOŚIAK, DIRECTOR, INVESTOR RELATIONS DEPARTMENT:** Thank you very much. We now have a question on the topic of safety. I will not directly point to the author of the question. But let me read it quickly. '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?'

**MARCIN CHLUDZIŃSKI, PRESIDENT & CEO:** 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. I think it would be good if Radek provided us with some comments on our benefits of the implemented initiatives.

**RADOSŁAW STACH, VICE PRESIDENT OF THE MANAGEMENT BOARD (PRODUCTION):** 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.

**MARCIN CHLUDZIŃSKI, PRESIDENT & CEO:** 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.

**JANUSZ KRYSOŚIAK, DIRECTOR, INVESTOR RELATIONS DEPARTMENT:** Thank you very much. We have a question from Mr Jacek Saja, Radio Plus-Legnica. The question is to Vice President Adam Bugajczuk. '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?'

**ADAM BUGAJCZUK, VICE PRESIDENT OF THE MANAGEMENT BOARD (DEVELOPMENT):** As we have already repeatedly mentioned today, 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.

**JANUSZ KRYSOŚIAK, DIRECTOR, INVESTOR RELATIONS DEPARTMENT:** There are some questions regarding the dividend for the year 2020. One of the questions already included the scenario: 'If not for the year 2020, maybe payment in advance for the year 2021?'. I smile a little bit here as a guardian of information. I know there is still no recommendation by the Management Board, but please, provide us with some comments in this regard.

**MARCIN CHLUDZIŃSKI, PRESIDENT & CEO:** This is in fact a kind of ever-present question in the course of our results conferences. It is no surprise for me, since we recently have not paid the dividend. That is why I fully understand this question. Let me answer this way. 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.

**JANUSZ KRYSOŚIAK, DIRECTOR, INVESTOR RELATIONS DEPARTMENT:** Thank you very much. There is a question from Ms Kamila Wajszczuk, ISBnews: 'Does KGHM expect a further drop in C1 cost?'. It is a general question. There is no period of time specified in the question.

**MARCIN CHLUDZIŃSKI, PRESIDENT & CEO:** What I can say is that we are constantly analysing and reflecting on the parameter of C1 cost. 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.

**JANUSZ KRYSOŚIAK, DIRECTOR, INVESTOR RELATIONS DEPARTMENT:** Thank you very much. Now the question from Lubin24.info. If you would allow me, I will answer this question myself. I assume this is a question to the representative of the investor relations department. 'What is the

reason for the drop in KGHM's share prices in recent weeks?'. 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.

**MARCIN CHLUDZIŃSKI, PRESIDENT & CEO:** Let me add something in this respect. As Janusz has already said, 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.

**JANUSZ KRYSOŚIAK, DIRECTOR, INVESTOR RELATIONS DEPARTMENT:** Thank you very much. Now maybe a question from Mr Paweł Puchalski, Santander. I will add maybe one more question from Mr Puchalski here. “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”.

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

**JANUSZ KRYSOŚIAK, DIRECTOR, INVESTOR RELATIONS DEPARTMENT:** Thank you very much. I promised to ask one more question from Mr Paweł Puchalski: “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?”.

**MARCIN CHLUDZIŃSKI, PRESIDENT & CEO:** 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.

**JANUSZ KRYSOŚIAK, DIRECTOR, INVESTOR RELATIONS DEPARTMENT:** Thank you. Ladies and gentlemen, I'm scanning through the questions now. It seems that the topics are starting to repeat themselves. If there are any questions that we left without an answer, as my colleague has already said, we can ensure you that the answers to such questions will be provided and put on our website at our earliest convenience. Thank you.

**LIDIA MARCINKOWSKA-BARTKOWIAK, EXECUTIVE DIRECTOR, COMMUNICATIONS:** Ladies and gentlemen, it is obvious that we could discuss matters concerning KGHM for hours. It is not only our job, but also our passion. Still, we have been broadcasting for 70 minutes now and we wouldn't want to overtax your patience. Thank you very much for your attention. Thank you for all the questions. Let me thank you on my own behalf but also on behalf of Director Krystosiak and of course, on behalf of the Management Board. For now I also invite you to join the conference for the next quarter. Goodbye.

## 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 develop 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 Źelazny 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

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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://kgm.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.

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**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).