Summary of questions raised at the Results Conference for the 3rd quarter of 2022

1. **Good afternoon. Mariusz Marszałkowski, BiznesAlert. I have questions, two questions in fact. The first about the investment matters that were discussed by the President. And I have two questions here. The first one: will KGHM continue to pursue the investment in SMRs, small modular reactors – that was one of the main investment project announced by KGHM in the recent ten or so months. The other question in the investment area: what is going on with the Baltic wind farms, in which KGHM was to participate. The second question concerns Sierra Gorda. I am curious about the situation of that mine and the future of this investment in the context, I'd say political context, namely the problems related to the Chilean government and the various plans regarding taxation, nationalization etc. Thank you.**
   Answer: Perhaps I will begin. Obviously, there is the cost pressure that we've mentioned many times during today's meeting. I believe that it strongly supports KGHM's involvement in energy projects. This is quite obvious and justified, even though these are long-term projects. The finalization is still very far, especially in the case of the SMR project you mentioned – at present it is not even an investment project. Today, it is a R&D project. It is a project that we are implementing together with our partner. We will continue it. Naturally, we will analyze this project in terms of its profitability after the R&D phase is completed. But certainly, KGHM's involvement in energy projects, both the nuclear project and RES projects, whether offshore or photovoltaics, is justified, and the strategic objective in the strategy that was adopted and published in January that we want to cover at least 50% of our needs with energy from our own sources by 2030, I believe is right. Especially in the context of what we're talking about, including within the Company and also today during this meeting and the impact of energy costs on the C1 cost. So energy projects are and will remain important to us.
   Regarding the draft that was assumed that the mines in Chile would be nationalized, the proposal was not included in the final draft of the constitution and the draft constitution itself was rejected. When it comes to taxes, we are secured with guarantees until 2029. The earlier proposals, the first one and the second one, they have already been softened and are currently being discussed. Sierra Gorda is also participating in that discussion.

2. **Good afternoon. Robert Maj, Ipopema Securities. Perhaps if we are talking about energy costs then what is the price at which you have secured energy for 2023. And one more question from me. There is a new Management Board in the company and perhaps you could say something about the dividend payment next year from the 2022 profit. What should the market expect and what should the shareholders expect. Thank you very much.**
   Answer: To answer your second question, we are not changing anything in the dividend policy. We aren't changing it in any way whatsoever. The rules are clear. We are prepared

for it and the decisions will be made in due course, but we do not envisage any changes in this respect.

Regarding energy, we are looking at two energy carriers here: electricity and gas. Both are equally as important for us. Regarding electricity then, as we said three months ago, the situation has not changed significantly since then. We have secured about 30% of the volume of electricity for the coming year. However the forward transactions that are currently available and that were available over many, many months recently, are prohibitively priced. This is why we are not buying electricity for the next year at these prices, similarly to many other energy-intensive companies in Poland. Our vision for the development of electricity prices is that ultimately they will be lower next year than what was and still is available in forward transactions. This is connected primarily with the regulation governing the balancing market and also the abolishment of the exchange obligation, which has just been announced or is soon going to come into effect. Regarding the second thing, the whole energy system is perhaps slightly less aware of its impact. We expect this impact to be rather positive, in the sense that it will drive reduction or increased possibility of bilateral contracting of electricity. On the other hand, the impact of the changed formula of the balancing market is not fully known. We believe however that it will increase stability and make next year's costs closer to the spot levels that we've had recently or that we currently have. This is why we can clearly see sort of a support, sort of balancing of supply and demand. And since we are balancing mainly on the domestic market, we are assuming this will be beneficial for us and while we are not planning to use the balancing market to a greater extent, we are still using this market just as any other large enterprise and perhaps the share of this market in our purchases may increase slightly, which will cause a certain leveling out of the energy price increases expected by energy producers in the coming year. So since I cannot state exactly the price at which we have bought that 30% for the next year, I can say that what we are seeing is the real prices, the energy prices that we will pay next year, that are lower than the prices currently available in forward transactions. The situation is similar with gas – we had a much smaller position hedged the last time that we talked three months ago. Since that time, those who follow the market are aware that the market decreased to some extent. We have benefited from these decreases and concluded forward transactions for the next year. Right now we have hedged about 40% of gas. As my colleagues mentioned before, we are continuing our efforts to reduce consumption; a physical, real reduction of consumption of natural gas next year and as a result, the current estimate of 40% may become 45 or more percent if the gas consumption drops. So we have a feeling that we are more on a safer side in terms of costs of natural gas. Regarding energy costs, we perceive both legislative changes as beneficial for the market and also for us as a large electricity buyer, but I believe they are also favorable generally for all players on the energy market.

3. **Good afternoon. Tomasz Brzeziński, Cleaner Energy. Since we are talking about energy, the energy from own production covers about 11% of consumption. This is still a far cry from the 50% declared in the 2020-2030 strategy. Does the Management Board plan on accelerating the path towards the level indicated in that document and if so then how. In addition to the construction of your own photovoltaic farms, are you interested in acquiring such installations? The report notes that you are negotiating an acquisition of wind farms.**
   Answer: Ladies and gentlemen, so first of all, it was not an accident that this goal was set in the strategy. Of course, I have not been long at KGHM and the strategy was adopted in January, but I do know that the 2030 date was not accidental. By 2030, KGHM assumes that it will obtain at least 50% of its energy from its own sources, but this growth does not have to be linear. This means that we want to have at least 50% in 2030 and this is our approach; this is how we will approach the various types of own sources. This obviously includes both the nuclear project as well as renewables projects. But when it comes to renewables, we obviously want to be active in all the areas. Offshore is important for us and that is where we were active by submitting the appropriate applications. Photovoltaics is also important and you are obviously right: it is not only our own construction projects but also potentially acquisitions. We are conducting analyses in all those areas.
   A small caveat to the President's statement: that 11% was due to the fact that this year we just turned off the Combined Cycle Units when natural gas prices reached PLN 1 thousand and above – simply because it was cheaper to buy electricity on the market, to put it bluntly. But now, when the price fell to the level of 500-600, we turned them on again and we are producing electricity again. Our electric power capacity is equivalent to more or less 22-23% of our consumption and that's how it was in previous years, historically. So this is only due to the very high energy prices at the end of last year and in the first 3 quarters of this year. But now self-production is back and at much higher levels.

4. **In November, you signed the first PPA to purchase energy from a third party photovoltaic power station. Do you intend to continue this practice in the coming months and periods? Or is it just an experiment that you want to take a closer look at?**
   Answer: It is an experiment that we intend to continue. Everything depends, because you know how that PPA market works, right? The bidders come and say: you have to buy it anyway because you need to fulfill your green targets, so we will offer you a price above the market. So, to say it delicately, we don't use these offers.

5. **So my understanding is that this partner did not make a "take it or leave it" offer, but offered reasonable pricing conditions?**
   Answer: We are looking for partners who really want to work together in the long run and have, I would say, a long-term horizon. And they also appreciate the certain stability of relations that we offer, safety of a contract with KGHM, the elements that not all

electricity offtakers can offer. So those are the suppliers that we want to work with. As you can imagine, such suppliers are not in the majority. But we are searching and the market knows it already, so these offers that are just unacceptable are slowly phased out and we are starting to talk to suppliers who think similarly as we do.

6. **We are talking here about the contract that you concluded with the Solartechnik project of the FAMUR Group. Do you intend to continue cooperation with that company? They have a 2 gigawatt portfolio.**
   Answer: I'm afraid that this question goes into excessive detail.

7. **But as I understand, this company meets the criteria that you specified? A responsible supplier, expecting reasonable price for the energy it supplied.**
   Answer: I believe we should not assess these elements here, whether our business partner does or does not satisfy them.

8. **Can you say a bit more about the wind projects that you are looking into? What is the capacity? Are the projects ready for construction? Or just on paper, for example with a won auction.**
   Answer: We are at such a stage that at this moment I believe we should not, even due to our negotiation capacity, disclose any such details. The time has not come yet.

9. **But I believe we would like to know whether it is operational or on paper only, and at what capacity?**
   Answer: So let me go back. Our goal is not specific transactions. Our strategic goal and therefore a goal for the coming years, is to increase energy production from our own sources. Therefore, from our point of view and from the point of view of the strategy, it makes no big difference whether it will be acquired or whether we will build it in due time. What counts is profitability and the efficiency of such a process.

10. **Mr. Paweł Puchalski, Santander is asking: is it the belief of the Management Board that the Parent Company's projected cost increase in 2023 in the low teens of % year over year is realistic? What will the Company's greatest cost challenges be in 2023?**
    Answer: Perhaps I will start. It is difficult for us – because we are not forecasting – to quantify the cost increase, especially that we are currently in the budgeting process and in just a moment we will know more. But I will ask Mr. President to discuss the challenges and give his comments on cost increases and generally on cost pressures.
    In response to the question, your analysts obviously know us very well. You are also perfectly aware of the inflation situation in Poland. And I also believe that everyone is familiar with the so-called second round inflation. Certain expectations of increases which have not yet been realized but which drive the inflation. It applies to costs, transaction prices as well as salaries and labor. And that is the area which we are tackling, I think successfully. I believe that our understanding of the real inflationary drivers and those inflationary expectations is good. Also, I am making an assumption that our negotiating

and contracting capability will allow us to keep cost increases below inflation, below the official level. And which areas are those? We must honestly say: all of them. Energy has already grown a lot this year and we assume that it will not grow that much until next year. Of course, it will certainly grow a little more in our cost share. As for the salary budget, that is regulated by our collective bargaining agreement, and here I would say there is no room for great flexibility. Of course, we are looking very carefully at the personnel, at the FTEs, together with President Marek Świder – we are looking at it in great detail. But we do not intend to challenge or amend the collective bargaining agreement in any way whatsoever. And others: steel, chemicals, third-party services – we more or less know what the prices are in the market. Some of them are growing faster, others slower, but we notice these changes. So, we are subject to inflation just as any other business in Poland. And we counter it with equal firmness, or perhaps with greater firmness, than other businesses.

11. **Mr. Paweł also asked about the dividend?**
    Answer: But we have already discussed our approach to the potential dividend recommendation from the Management Board. So we will wait for just a bit more.

12. **Mr. Tomasz Jóźwiak. Zmiedzi portal: what is the progress status of the GG1 shaft and are there any new projects within the framework of the deposit access program.**
    Answer: As far as the GG1 shaft is concerned, the work has reached the bottom of the shaft, which is 1351 meters; the shaft was accepted yesterday; the shaft pipe, the shaft pit was accepted.

13. **Thomson Reuters: what is included in the Company's investment tasks planned for 2023? Acqusitions? Development of current entities?**
    Answer: We are currently at the stage of developing the 2023 budget. As I have said, even twice, investments will be an important element of the budget. So you are very well informed about the investments, because this is what today's conference showed, but also the conferences and the numbers for previous years and quarters. The investments include three main groups and this is something that cannot be changed: maintenance, replacement and development. We can and we obviously will discuss the proportions and this is the discussion that we are engaged in today – how these investment projects will be handled. Right now, development investments account for more or less one third, and the rest is replacement and maintenance. These expenditures have been and will be high. KGHM is a company that invests a lot and I would personally want this to be our focal point. This is my view, but the work on the budget is currently ongoing. The budget must of course be consistent with KGHM's strategy. The key projects in KGHM's strategy to be implemented in the nearest term, such as the deposit access program that has just been mentioned in a question, which is very important to us. It is a program of key importance for our core business. And that is, as I said in the beginning, something that we need to focus on. So that will certainly be one of the investment axes of our budget.

14. **A question from Thomson Reuters: What can be expected from the strategic review in terms of macro and security. What will the conclusions, decisions or changes be in these areas?**
    Answer: And obviously, before I give the floor to the President, I will say that it is too early for any conclusions, decisions and changes. Even in a situation when the Management Board is not announcing today any changes or updates, a review. Not to take away from what you have to say, the floor is yours, Mr. President. Well, you have actually answered this question. Let me add my two cents. Ladies and gentlemen, if we wanted to change the strategy, we would have simply announced it today. What we are saying is that the Management Board is changing. You are fully aware of it and we have already said today that the Management Board is not fully manned today. But it will be and it is very important that it happens as soon as possible. There will be new Management Board members responsible for very important areas. There will be a new Vice-President in charge of development, there will be a new Vice-President in charge of international assets. It seems quite obvious to me that when we reconstruct half of the Management Board, we must review our strategy and we will review our strategy and the review will tell us whether it needs to be changed. And if it does then to what extent. But first: "if". We have no answer to this question today. I cannot give you any such answer today, to any extent. But when the Management Board is fully established, we will commence that process and as soon as we complete it, we will obviously announce what came out of it.

15. **Thomson Reuters: When, more or less, do you expect the Management Board to be established?**
    Answer: This is obviously up to the Supervisory Board and it is difficult for us to comment such decisions – the decisions of the supervisory body made in due course after announcing competitions etc.

16. **Mr. Łukasz Rudnik: is the poor production in Robinson a one-off or will it continue for the coming quarters?**
    Answer: As I have mentioned, we are working in a different phase of the deposit block model and we are currently preparing plans for the next year. Then I will be able to answer this question because the deposit model will show us everything about production plans for the next year.

17. **Good afternoon. Monika Borkowska, Interia. I would like to ask you about the economic conditions – it seems that the next year will be quite a challenge. You have hinted that November is looking quite good, even though the situation in China is far from the best. How do you see the prospects for the coming quarters, for the coming periods. Is there really a difficult year ahead of us?**
    Answer: This is a question that I believe many people are asking right now. The way we see it however is that there is some expectation of an economic recovery in China, and this expectation seems to be reasonable. This is not the recovery that everyone would

expect, the immediate recovery after the new chairman is elected, but still it is noticeable. However there are signals that lending activity would be increased towards the real estate market, that infrastructural investments would be accelerated, mainly those associated with the green transformation in China. This also includes the construction of power routes, power lines. This would provide solid support to demand for copper from, I would say, investment funds. On the other hand, we can see that the situation in the USA and in Europe is shaky, but in no way catastrophic. Also, the talk of interest rate increases is getting quieter. But we do see a return to asset purchases in international markets. So that would be, I would say, a mixed message. Obviously, when we talk to large funds, their view is not changing and ours is similar as well. That is, next year will certainly be difficult, it will be a year that requires hard work and a very strong focus on costs and on ensuring secure revenues. However the following years are expected to be good, that is years of return to good economic conditions. The psychological and financial aspect of demand for raw materials is there. There is a hunger, a need for economic development in many countries, and this will certainly support demand in the coming years. As we move on to the copper market, we can see that certain mining projects that were launched a few years ago, when the price of copper began to rise, they will start opening next year. However in the following years mining projects are more likely to close and there is no pipeline for new projects, new mines or new mining areas. So our opinion coincides also with the analysts' assessment that the following years, especially 2024 and maybe 2025, will be again the years of excessive demand and undersupply of copper globally, which should cause a reversal of the price trend. This answer may be quite long, but this is, more or less, how we see the situation. That is, difficult in the short term and optimistic in the long term. I would like to add something briefly. Very briefly. Ladies and gentlemen, we are repeating the word stability here, because it is indeed the main determinant of our functioning. Stability of production and a stable foundation for the operation of our company. We should remember that in recent years we have already had copper significantly below USD 5 thousand per ton and significantly above USD 10 thousand per ton. KGHM is a stable company, and it has stable operations with active use of hedging instruments. We are obviously noticing the cost pressures. However, as we've already mentioned, in my opinion the 13% increase in the C1 cost is lower than what could potentially have resulted from the macroeconomic conditions. So we are betting very heavily on stability. Even though this cost pressure is strong, and that is why, when I listed the challenges or tasks for the near future at the beginning, I very strongly emphasized that at present our attention is focused on preparing the 2023 budget.

18. **Marszałkowski Mariusz, BiznesAlert. Also regarding the near future, the next year. Next year, the contract for the supply of copper cathodes to China ends. Are you holding talks with the Chinese partners about extending this contract and if you are, can you disclose any details?**
    Answer: I'm not sure if we want to talk about the status of negotiations with our business partners. We are assessing contracts also in terms of the size of the contract, significance and we would much prefer to inform you in due course after a contract is signed with a partner in the context of the size of delivery.