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## PRESENTATION OF FINANCIAL RESULTS OF THE KGHM POLSKA MIEDŹ S.A. GROUP

FOR Q4 AND 2023

25 APRIL 2024

**JANUSZ KRYSIOSIAK, DIRECTOR, INVESTOR RELATIONS DEPARTMENT:** I would like to welcome you and all our guests in Warsaw and all those who are following the broadcast of the meeting through the website. Today's meeting is devoted to discussing the operating and financial results of the KGHM Group for the latest period, i.e. 2023, published yesterday. It is also an opportunity to talk to the new KGHM Management Board about its vision, the development of the KGHM Group, its plans and the current standing of the Group entities. I would like to introduce the members of the Company's Management Board. Mr. Andrzej Szydło - President of the Management Board of KGHM Polska Miedź S.A., Mr. Zbigniew Bryja - Vice President of the Management Board for Development, Mr. Piotr Krzyżewski - Vice President of the Management Board for Financial Affairs, Mr. Mirosław Laskowski - Vice President of the Management Board for Production, and Mr. Piotr Stryczek - Vice President of the Management Board for Corporate Affairs. My name is Janusz Krystosiak and I have the pleasure of chairing today's meeting. I invite you to a Q&A session after the presentation part. I would like to ask the President to take the floor.

**ANDRZEJ SZYDŁO, PRESIDENT OF THE MANAGEMENT BOARD:** Good afternoon. Ladies and Gentlemen, before we present and hopefully discuss in a good atmosphere KGHM's results for 2023, let me say a few words of a general nature about the Company. KGHM has several advantages over other metal producers. Maybe not necessarily huge advantages, but a few special characteristics. The first is the people and their experience because the history of KGHM goes back more than 60 years. The first of May will mark 63 years of KGHM's operations in the market. The second feature of KGHM is that it has its own copper deposits. The third, very important thing is that we are an integrated core production line. Many metal producers only have deposits and ore enrichment plants. They do not have a complete value creation chain. We have very modern metallurgy, we are a complete core production line. This is an unquestionable advantage. Ladies and Gentlemen, Director Krystosiak introduced us, but let me say a few more words about the Management Board. You will probably have questions. We are a new Management Board, working

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together for a month and a half. However, what I would like to point out is that it is an honor for me to work in such a group. First of all, I never dreamed of being the president of KGHM, but that's less important. But I also never dreamed of such a composition of the Management Board. There are two mining managers among us. Yes, I can say that now, not miners. Albeit colloquially miners. For me, it is an honor to work with President Bryja and President Laskowski because for many years I have observed them as directors of mines, as, one could say, my mentors. Mr. Krzyżewski has been with us the shortest, but let me also say a few words on this occasion. Sometimes I am appalled by the speed at which he is learning this Company, in a positive sense. I am not afraid that, in terms of knowledge, even if he has deeper knowledge than us, it will only be very good. Mr. Stryczek, Vice President for Corporate Affairs, is a man of great experience when it comes to management. In addition, he's a man I have known for many years and, one could say, a friend. This is in reference to the advantages or characteristics of KGHM that I mentioned at the beginning. Let me turn perhaps to what is most important before presenting the results. KGHM is a company with more than 60 years of history, as I mentioned before. I have long wondered whether to try to look for any analogy. I used to play chess, I was a chess player, although not an outstanding one, and at KGHM we often use the term "life of mine". KGHM, I think, and I am convinced, is somewhere in the middle of mining operations. Yes, by analogy to chess, we are in the middle stage of the game. That is, there is still a great deal of play ahead, very complicated play, in a very volatile environment. Just like the environment we had to deal with in 2023. There are still a great many figures on the chessboard. Someone who would like to say about KGHM that it is a company that has been operating for 60 years and one should see its end, I think they should verify their views on this subject because there are still several decades of mining of own resources ahead of KGHM, with the prospect of development of the company because, let me mention, there are many companies, even in Europe, I will not name any names, that use only purchased materials in their mining production. KGHM currently produces two-thirds of its domestic output from its own resources, i.e. its own concentrates and, before that, its own ore. Again, by analogy with a chess game. As the Management Board, we are looking at the moment at the company, we are evaluating it and we are planning our actions not in the perspective of one year or even five years. You have to look at KGHM's perspective in the future, long term. Of course, realistic investment plans or strategies are built for 5, 10, 15 years ahead because there are too many

uncertain, unknowable factors. However, we are undoubtedly looking very much to the future. What this company is experiencing, in the middle phase of its life, is again like most mining companies, naturally increasingly difficult mining conditions. There are a number of metal producers with open-pit mining operations. KGHM has underground mines in its domestic portfolio. And in a way, it is natural to expect that mining operations, without even looking at the macro environment, will be operations that are not getting easier. It's not going to get shallower and shallower, it's just going to get deeper and deeper. The haulage routes will get increasingly longer, not shorter. The thickness of the deposit, this is up for discussion, depends on the future mining areas, but rather you need to prepare for a lower one, and everything is naturally related to the cost of ventilation, air conditioning and electricity consumption. Our main task at the moment, this is how we see our role as the new Management Board, is to reverse in the long term the natural trend of rising costs in the mining area, which applies to all manufacturers. In addition, as KGHM has decades of unique experience in metallurgy, we must also look for areas to optimize in this respect. So as to balance out any fluctuations in costs also in those areas where there are no natural cost drivers. We have already had time to review KGHM's strategy in effect for the time being. Seeing the strategy as long-term goals, we will work on the strategy, on updating it, with a focus on KGHM's core business i.e. metal production. The main objective of our strategy, which I am sure we will discuss and fine-tune in the near future, will be projects and management actions that will allow us to execute efficiency projects related to our core business in a hard-headed fashion, projects for which the NPV is definitely positive. This is a prerequisite to support the core business of metal production. We will inform you of the details when we are ready. Now only a mention of this topic. Ladies and Gentlemen, let's move on to the results of 2023. The results will be commented on in more detail by individual board members. What we can say about 2023, a year that was no longer post-pandemic, but actually a year where the macroeconomic environment was affected by the war in Europe. But the effects of the pandemic period are still there. They have not disappeared. What could be seen especially in the first year after and during the pandemic was highly volatile macroeconomic conditions. The levels of the so-called PPI, Producer Price Index, have been unprecedentedly high compared to some stable period in the past, let's take for example the last 10 years, which has been linked to the prices of industrial operation, generally speaking. At the moment we have a slight downward trend when it comes to

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inflation, both consumer and industrial. However, we are talking about 2023 today, which is why I mention it. For KGHM, the exchange rate and the strengthening of the zloty against the dollar in Q4 were not necessarily the best factors. But also throughout 2023, the exchange rate was lower compared to 2022. On the slide we are presenting, we are comparing 2023 and the results against 2022. Copper prices expressed in U.S. dollars were 4% lower on average, but already when we look at prices expressed in Polish zlotys at a level that was 9% lower in the comparable period of 2022. The situation is a little different when it comes to silver prices, 7% higher than in 2022 in dollars, but only 2 percentage points higher than in 2022.

Briefly about our operating results. Dry-weight ore output at 30.4 million tonnes and slightly down from 30.5 in 2022. This did not translate into production of copper in concentrate. This figure is 0.7% higher in relation to 2022 due to slightly higher metal content in the concentrate. Production of metallic silver in 2023 reached record levels, above 1,400, exactly 1,403.3 tonnes of metallic silver produced in 2023. Metallic gold production was 27.1% higher. Capital expenditures at KGHM Polska Miedź S.A. were 21% higher than in 2022, in relation to the plan a slight underperformance of less than 2%. As for the decline in revenue in absolute terms, minus PLN 380 million and 1% lower revenue compared to 2022, with a safe level of debt, which you see at 1.1 - a ratio measured by net debt to EBITDA. Let me start perhaps with KGHM Polska Miedź S.A. Revenues of PLN 29,084 million. Adjusted EBITDA of PLN 3,563 million. The net result (we'll probably talk about it later and the results will be commented on by Mr. Krzyżewski) - minus PLN 1,153 million. On a consolidated basis, PLN 33,467 million, similar to the previous year. EBITDA at PLN 5.3 billion. Net result minus PLN 3,691 million. A few words by way of introduction about the production. President Laskowski will discuss this in more detail. The KGHM Group's payable copper production was 711,000 tonnes, 3% lower than in 2022. This is attributable mainly to the results at KGHM INTERNATIONAL and Sierra Gorda, which should be treated separately.

This lower production at KGHM INTERNATIONAL and Sierra Gorda was compensated in part by domestic production, which amounted to 592,000 tonnes of metallic copper. It was 1% higher than in 2022 and was, in fact, the record production KGHM Polska Miedź S.A. recorded in Poland. I have already mentioned the lower results at KGHM INTERNATIONAL, 13% lower production at Sierra Gorda due to lower metal content in the deposit. Production at KGHM INTERNATIONAL, with the Robinson mine as the main asset influencing the production level, down 29%. We will also

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comment on it for you, if necessary. Such production resulted from both metal content and machinery availability in Q1 2023. Now, maybe, President Laskowski, please.

**JANUSZ KRYSOŚIAK, DIRECTOR, INVESTOR RELATIONS DEPARTMENT:** Thank you very much, Mr. President. Before we move on to discuss the operating results by segment, let me remind you that traditionally there will be an opportunity to ask questions during the conference here in the room, after the presentation part, of course, and throughout our meeting there is an opportunity to send questions to us by email to the dedicated address on the website, and also to our mailbox [ir@kgmh.com](mailto:ir@kgmh.com). After the presentation session, we will move on to a Q&A session. And now I will ask Mr. Mirosław Laskowski - Vice President of the Management Board for Production - to take the floor. We will discuss the production results from the Poland and international segments.

**MIROŚLAW LASKOWSKI, VICE PRESIDENT OF THE MANAGEMENT BOARD (PRODUCTION):** In principle, I can say, Andrzej, that you've already taken me out of my presentation, because you've covered all the basic information about our three primary locations, that is, KGHM Polska Miedź S.A., Sierra Gorda and KGHM INTERNATIONAL. However, I will go into the detailed slides that will show the volume of production in these particular three locations. Before I discuss this, a few words of commentary when it comes to the production results in 2023 against the budgeted target. In the Polish assets the results were above budget. Sierra Gorda, you could say, was on target. However, in KGHM INTERNATIONAL, mainly as a result of problems at the Robinson mine, there was a large deviation to the downside.

Now let me return to the presentation of the results in each location. In Poland, the results were at a very good level. It is important to highlight the fact that electrolytic copper production and silver production were at historically highest levels recorded in the 60-year history of Polish copper.

As for Sierra Gorda, I have already mentioned that the results are in line with the budget. Nevertheless, below 2022 by nearly 13%. But this production volume resulted from the extraction of ore from places with lower copper content. In contrast, molybdenum production at Sierra Gorda was markedly above 2022. Which is the consequence of exactly the same factor, i.e. higher molybdenum content in the extracted ore. This is the slide discussing Sierra Gorda. I'm moving on

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to our third location, which is KGHM INTERNATIONAL. Here, we recorded a nearly 30% year-on-year decline in production. The Robinson mine, the problems already mentioned, related to the machinery fleet, mainly haulers, as well as the quality of the deposit - the effects of mining the ore in the so-called transition zone with a lower copper content and a large amount of clay elements causing certain processing problems. The fourth quarter of 2023 and the first quarter of 2024 show that we are already done with it at the Robinson mine and production tasks will be carried out as planned. This result, minus 29% year-on-year, is also attributable to a high 2022 base. In our assets, at KGHM INTERNATIONAL, until April 2022 we owned the Franke mine. Hence, this production in 2022 and this higher base to which we refer in 2023. That, in a nutshell, is the key information on production volumes at our three locations.

**JANUSZ KRYSOŚIAK, DIRECTOR, INVESTOR RELATIONS DEPARTMENT:** Thank you very much. Now I will ask the Vice President for Development, Mr. Zbigniew Bryja.

**ZBIGNIEW BRYJA, VICE PRESIDENT OF THE MANAGEMENT BOARD (DEVELOPMENT):** Ladies and Gentlemen, the implementation of the investment plan for physical investments in 2023 was at a very high level, 98%. Compared to the target of PLN 3,250 million, the actual figure was PLN 3,196 million. The PLN 3,474 million shown here is the value of execution of the material plan, plus borrowing costs, leases and R&D. It's interesting to see the first of the pie charts on the left, which illustrates in which areas these investments were mainly going on. So, what the President noted in his introduction, we are in the middle of the development of our Company, in the middle of the consumption of our deposit, and for the mining industry this is quite an important period because it ends what has been obtained in the first period. We are preparing to recreate the assets, open up more areas and allow the mining until the end. In addition, now a period comes when modernization and restoration of facilities that have already decapitalized in large part take place. So more than 3/4 of the plan, out of PLN 3,474 million, PLN 2,689 million is mining alone. The rest is metallurgy, other kinds of costs, research work and so on. This is the left chart, while the right chart shows the specific areas to which this money was dedicated. 41% is replacement. i.e. keeping the productive assets in an undeteriorated or even better condition. The next item, 32%, is maintenance investments. They serve to maintain the production at the level established in the

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approved production plan. Then there are development projects, and here we are talking about both underground mining, i.e. galleries, access works and outfitting new mining areas, but also surface exploration, prospecting, and documenting deposits in the surroundings. This is the next item, or 25%, as can be seen from the pie chart. Other matters include adaptation projects, that is, bringing the Company's operations into compliance with the requirements following from the law and applicable standards and other regulations. These are small amounts, in total, as they account for only 2% in this breakdown. On the next slide, we can already see the implementation of the material scope within specific key investment projects. As I mentioned in the first part, the deposit access program, the so-called PUZ, represents the largest figure here, the largest item, where 626 million has been booked. Here we have major expenses related to the four shafts that we have in various stages of accessing and mining at the moment. The GG-1 shaft is a shaft that has been drilled since 2010, the construction started in 2010. It's sinking has been completed, and last year the ventilation connection with underground workings was made. The central 33 megawatt air conditioning station has been completed. It's a very modern station. We can boast to the world, because the engineering solutions are simply wonderful. 21st century-worthy solutions. The next shaft, GG-2, is a shaft where we are currently completing exploratory boreholes in the axis of the subsequently constructed shaft. It is a shaft at a distance of about 6 kilometers from the Głogów Smelter, north of today's areas. At the moment, studies and works are underway in the municipalities to amend municipal documents, the local zoning plans or studies. The next item is the Retków shaft, a shaft of great interest to us. At the moment you can't see it here, I don't have a map, but it is a shaft on the edge of the Głogów Głęboki Przemysłowy (Deep Głogów) area. This is an area located north of the existing Polkowice-Sieroszowice and Rudna mines. A shaft that will give us very good ventilation, still not bad deposit opportunities, and in terms of transport distances and access to our main mining shafts, the distance is excellent. It will give us a future and mining in the area of the future Retków Ścinawa deposit, and even, if there is such a possibility, further in the direction of Kulów Luboszyce. The last of the shafts listed here is the Gaworzyce shaft. At the moment, work is underway on the planning documents in the municipality, so the stage is still very early. As you can see, we have four shafts, so to speak, on the table at the moment. Starting with the first shaft, which is connected, this year we will start installing rigid reinforcement in the shaft, so this is, again, a job for about one and a half to two years. A mighty

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job. But really, it is a shaft that will give us a breather at this level. It's hot there, it's far from everywhere. Simply put, this is the shaft everyone has been waiting for. This shaft has enabled us, you'll see on the next slide, to improve mining in the Deep Głogów region and air quality for the seven mining sections working there. The next shafts are also shafts we are looking forward to. As I say, they are at different phases of preparation. We will want to build at least two shafts overlapping, always in parallel. So, after outfitting the first shaft, they will start on the second. The first shaft is currently being outfitted. They are starting on the third one. And in this way, we would like to be building at least two shafts in parallel at all times. This is a very significant, very important program and, besides, it should be mentioned, because it is also a not inconsiderable amount, at that time about 40 km of access pits were built underground, because the deposit access work is classified as "capital" outlays, i.e. major overhauls. The most important of these are the shafts, but also the main bundles of workings that cut through the deposits. Another big item is the mining area outfitting. The areas cut by development tunnels must be outfitted. Vehicle stations, ventilation, conveyor belts, transport, conveyors, haulage points, and so on and so forth, the whole infrastructure. A very large item, PLN 589 million last year. Replacement of machinery fleet, PLN 475 million. Last year we purchased 256 motor vehicles of various types. 32 more vehicles than in 2022. At the Company we have adopted a policy that provides for replacement of the entire machinery fleet approximately every five years. Of course, gradually, by segment, but we are not going down the road of major overhauls because it has been determined that this is not cost-effective, so to speak, in terms of the longer life of the machines. It is more profitable for us to purchase machines of adequate quality, which we gradually replace after five years. This is, of course, about the main mining machinery. Auxiliary machines can run longer, have shorter mileage. Another big item, mine drainage. A large mine drainage program. The mines are going deeper and deeper. Not only that, the slope of the deposit is unfavorable, because it is in the north, northwest direction, so the water adds up, accumulates. We have to deal with this situation. Hence, we are expanding the large pump chamber for the main drainage in the SW-4 shaft area. This is the shaft of the Sieroszowice mine. Hence the large item, as we spent more than PLN 239 million last year on this item alone. Another issue, exploration, that is, drilling and prospecting on the edge of the deposits currently being mined, but we also have in mind the Puck deposit. This is a deposit of magnesium and potassium salts, located near Władysławowo. Study work is underway.



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A feasibility study is being prepared at the moment. Following the approval of the documentation. We have a very good relationship with local municipalities, with businesses. The port is counting on our presence because they have, say, a chance to expand the port, rail lines and so on. The deposit is interesting. If the business case is there it is not impossible that we will undertake to build this mine, because we have mining competence. Although it's slightly different mining, but it's still mining. If not, there is no problem with this type of raw material, we can find someone for a joint venture, and it's even possible to sell the deposit if it is not in line with our further core business. Many of the other items listed here in smaller segments are items that occur, well, I won't say as a matter of routine, but consistently, every year. Namely, systematic overhaul of the metallurgical plants, Ore Enrichment Plant, mine replacement work. So these are also purchases of equipment that is aging and has to be replaced or renewed every few years. And, of course, adaptation projects, PLN 86 million, this is not a big item, but in this item we have the purchase of CO<sub>2</sub> emission allowances; these amount to PLN 50 million. So much for this slide. The last slide, I mentioned the Retków shaft, the Deep Głogów deposit, this is an elongated structure above the Polkowice and Sieroszowice mine, ending in the corner with this blue reservoir. This is how it can be presented differently. It is quite a large deposit, the beginning of mining - miners entered the first galleries from Rudna in 2004. Mining began here in 2014.

At the moment, seven mining sections are working there, six from the Rudna mine and one from the Polkowice-Sieroszowice mine. And the work went on in very difficult temperature conditions until the connection of the GG-1 shaft, whose construction lasted for quite a long time, because, as I say, the start was in 2010 and the ventilation connection was made last year. We can see in the charts to the left that despite quarter-on-quarter looking slightly worse in terms of dry weight ore production, as well as in Cu production in ore and silver production in ore, the year-on-year total looks better.

No new mining section was created there at all. Simply put, the ventilation, temperature conditions have improved enough that the productivity of these divisions has increased, and we look forward to further increases in productivity in this region. The construction of a new shaft, in a corner there somewhere near that blue section, it's the Retków shaft that I'm talking about, will allow us to proceed with the mining of the Retków Ścinawa deposit further down the road. And this is a section of great interest to us because it is, so to speak, part of the deposit in front of the Odra

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River, and here in this section up to the Odra River we are still looking for any resources that could be mined with the existing infrastructure. I look forward to answering questions. It is all from me. Thank you very much.

**JANUSZ KRYSOŚIAK, DIRECTOR, INVESTOR RELATIONS DEPARTMENT:** Thank you very much. There are still two segments of our business left to discuss. Now I will ask Mr. Piotr Stryczek - Vice President for Corporate Affairs - operations of Polish companies, other companies and the aforementioned corporate area. The floor is yours.

**PIOTR STRYCZEK, VICE PRESIDENT OF THE MANAGEMENT BOARD (CORPORATE AFFAIRS):** Ladies and Gentlemen, the Group, which I have the honor of overseeing, consists of 34 domestic entities. Of these, 6 entities in the so-called core business, namely our subsidiaries PeBeKa, ZANAM, Metraco, Mercus, Energetyka and NITROERG. Nearly 13,000 people employed by the Group. At the moment, we have begun to review the strategies of the various entities. Our ambition is for the so-called core entities I mentioned earlier, colloquially speaking, to be tailor-made for the core production line. We would like, or our ambition is, to present the strategy for the various entities in the Group to the supervisory authorities for approval by the end of the year, and we would probably like to present this strategy for the Group to you once this process is completed. We have also begun a review of personnel, both supervisory and managerial, in Group companies. We would very much like both of these supervisory bodies and management boards to be professionalized. In recent years, we have seen a lack of this professionalization in certain areas. Competitions in some companies are already underway, in some they have come to an end. The processes are hopefully transparent and, as I emphasize, conducted in a professional manner. A new Management Board was appointed yesterday at Energetyka and Metraco. I hope that by the end of May we will have completed the process of professionalizing, as I said, of these management boards. From me, that's it for now.

**JANUSZ KRYSOŚIAK, DIRECTOR, INVESTOR RELATIONS DEPARTMENT:** Thank you very much. After the presentation of our business segments, I will ask Mr. Piotr Krzyżewski - Vice President of the Management Board for Financial Affairs, CFO of the KGHM Group - to summarize the financial

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results of the Group and the companies for the past year 2023. The floor is yours.

**PIOTR KRZYŻEWSKI, VICE PRESIDENT OF THE MANAGEMENT BOARD (CFO):** Good afternoon. Last but not least, as they say. Let's take a look at the three key parameters that accompanied us in 2023. The first is revenues in the Group. We can see a year-on-year decline of 1 percentage point. However, if we look at segments, we saw a 2% increase in the segment KGHM Polska Miedź S.A.. At KGHM INTERNATIONAL, this decline on the revenue side was 24%. This stems from what my colleagues here have talked about, the impact of the Robinson mine and those problems that ended in Q3. We will also see this in a moment through the prism of C1 at KGHM INTERNATIONAL. And we'll also see what happens in Q4 that we return to normal production levels and thus normalize costs. Net result, in the red, 3.7 billion, in the Group. Mainly caused by a non-cash event, related to a write-down. About that in more detail in a moment. And the third measure, the key one, Group EBITDA of PLN 5.3 billion versus PLN 9 billion. Down 41% year-on-year. Here, of course, there were two drivers. On the one hand, the revenue driver, which worked negatively, and on the other hand, the cost driver, which also affected EBITDA. We'll get to the details in a moment. If we now look at the bridge and the transition between 2022 and 2023 in terms of revenue, the key element that affected revenue was volume. It had a positive effect. If we look at the middle of this indicator, well, here in the KGHM Polska Miedź S.A. segment, we recorded an increase in revenue of PLN 1.1 billion. On the other hand, the revenue component on the KGHM INTERNATIONAL side had a negative effect, it was a drop of PLN 450 million. A small net impact, but important to highlight, change in prices. Negative effect year-on-year, the price of copper, a decline of 4%. On the other hand, in the other direction, silver prices rose by 7, gold by 8, molybdenum by 32. Their net contribution to revenues was PLN 6 million. The biggest impact was due to the exchange rate. The dollar - zloty exchange rate in 2022, the average rate for the whole year was 4.66. By 2023, that average was at 4.20. Impact on revenue of more than PLN 1.8 billion. This was offset to some degree by the revenue generated from hedging. Here you just have to keep in the back of your mind that these revenues are shown in a split layout, so we only refer to the revenue part. Now, if we look at the cost part, year-on-year expenses by nature in the Group grew by 13%. If we convert this into an amount, it is PLN 4.2 billion. Of which it should be noted here that the largest item is write-downs. This is the amount of PLN 3.1 billion. Now if we would like to approach expenses by

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nature and exclude those components of expenses by nature that depend on prices and the exchange rate, the year-on-year increase in these costs is 9%. The largest categories worth highlighting here are external services, which have increased for us, as well as labor costs. If we now look at C1 unit costs, they have increased in the Group from 2.22 to 2.87. This is an increase of 30%. If we look at the growth rate, of course it is the largest in KGHM INTERNATIONAL, but it is as my colleagues here have already said, a large part of this growth was due to the Robinson mine. When you look at C1 for Q4, it is already normalized at 2.22. This also shows that production and mining results have normalized and returned to standard. If, on the other hand, we look at KGHM's costs and C1 growth, that growth is at 25%.

However, again, if we want to go inside this increase and look at the main sources of this increase, 7 percent of this increase is caused by the change in the exchange rate. That is, we are already talking about an 18% increase. Now if we take into account the fact that we temporarily observed a lower minerals extraction tax charge in 2022 as part of the discount that appeared as a one-off in that year, which did not occur in 2023, it has an impact of 6 percent on the ratio. So the C1 increase after excluding these two elements was 12%. As a reminder, the Central Statistics Office inflation for 2023 was, as far as I remember, 11.4%, where energy factors grew by almost 20%. C1 for Sierra Gorda grew by 12% year-on-year. If we look at the financial results, the main element that made the result light up in the red is, of course, the write-downs. They are non-cash in nature. The second element is lower EBITDA, both in the KGHM Polska Miedź S.A. segment, that is, PLN 1.9 billion and PLN 1.2 in KGHM INTERNATIONAL. And a positive contribution from the other segments, but this is an amount of less than PLN 100 million. In the bridge, we also see other amounts worth mentioning. Here, the amount of PLN 700 million, this is a reversal of the element that we had to deal with in 2022. It was a write-down on Sierra Gorda loans. Again, the element that had a negative impact was the exchange rate, which I mentioned. In the other direction, due to the write-downs, we have a change in income tax. It is in two dimensions. The impact is both on current tax and deferred tax. In the other items here we can see one-offs which occurred in 2022, and these are the transactions that were also mentioned. It was related to the disposal of the assets of Interferie, Franke, that is PLN 179 million, and the recognition of the result on this transaction, which took place in 2022 and also the transaction related to the Oxide project, the disposal of assets, more than PLN 130 million.

I think a topic that also raised a lot of questions and appeared in the media space was the issue regarding write-downs. Ladies and Gentlemen, first of all, we are a listed company, operating in many markets, but most importantly, we are a company that operates under international accounting standards. IFRS 36 clearly defines the indications and when there are indications for testing. The indications that were the trigger mechanism in December, during the start of the auditor's examination, were that the Company's capitalization had fallen below its balance sheet net asset value. When we joined in March, on 6 March, the Company was already in the course of closing the reports, as well as in the course of testing. It's not a matter of these tests appearing after we showed up. Here, the Company, as regards these tests, regularly worked with the auditor, so to speak. The auditor, ensuring due diligence, also forced the Company to conduct this testing. The effects of this testing can be seen. What are they caused by? The key element, this must be said, comes from C1, if you look at recent years. C1 was increasing in a very dynamic way, which led to costs rising or, as the President said, we have increasingly high costs associated with mining, accessing new deposits.

This is reflected in the tests. On the other hand, at the same time one needs to say what we also tried to convey to you in the notes to the report. As you can see, our model is very sensitive to variables - such as the dollar to zloty exchange rate and, of course, the prices. It cannot be ruled out that there will be further periods in the near future, and we will study them and carry out such tests. It is possible that these tests will be reversed. But those external factors that arise can have an impact. A short shift here, showing how the tests affected our structure and our assets from the standpoint of the standalone and consolidated statements. This, too, has an impact on the asset base. This asset base varies, so these test results are reflected accordingly. Of course, this also has an impact on deferred taxes, both at the standalone and consolidated levels. The final element, cash flow. At the end of the year, we recognized more than PLN 500 million more cash balance than at the end of 2022. Here, the positive element was the change in the cash flows on operating activity. PLN 3.7 billion, that's EBITDA. PLN 3.7 billion, this is also freed up working capital. PLN 1.6 billion, that's income tax. In total, that's plus PLN 6 billion. In the other direction, this is the investment part. Here we have both investments at the level of the domestic segment, i.e. PLN 3 billion. KGHM INTERNATIONAL - PLN 1 billion. Other segments PLN 600-700 million. As a result, we closed the year with a cash balance of PLN 1,729 million in December. Thank you.

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**JANUSZ KRYSOŚIAK, DIRECTOR, INVESTOR RELATIONS DEPARTMENT:** Thank you very much for this part of our meeting. We now move on to the Q&A session. Questions from the floor from you and questions that I will read from dedicated mailboxes. I can already see the first question from the floor. I will, of course, ask you to introduce yourselves.

Over to you.

**PAWEŁ PUCHALSKI** Hello. Paweł Puchalski, Santander Biuro Maklerskie. First of all, I wanted to ask about CAPEX. We heard a lot in this presentation about the need to invest in new shafts. There was a nice map there, where the current deposits are roughly 1/3 and the new deposits are 2/3 of these new areas. We know very well that after 60 years, mines simply lose the capability to produce at the old levels. So my question, wouldn't it be simpler to say that, I don't know - in the next 10 years we have to build a dozen or so shafts in order to keep the level of mining unchanged and we have to spend, I don't know - 10-20 billion zlotys on that? This is a general question. And as for the details, you show that in the Parent Company you were on plan with CAPEX and overall you show, I think, PLN 4,100 full-year CAPEX.

But in the Management Report I read that in the Parent Company it was over PLN 3 billion, that in KGHM INTERNATIONAL, it was 1 billion, that in the "other" category, it was 600 million, and one acquisition. So the total of this CAPEX is, if I count on my fingers, close to PLN 5 billion, not PLN 4,100. And I'm asking this simply to know how to approach the guidance of PLN 4 billion for this year. Is it going to be 4, or is it going to be 5, only something is not included? So one general question and one specific question.

**ANDRZEJ SZYDŁO, PRESIDENT OF THE MANAGEMENT BOARD:** Let me start, in very general terms, with an answer to the first question, about the new shafts and, in a sense, the change in the mining. This has always been on the minds of the managers of this Company, and it is always a question that every company, such as ours, asks how to mine the deposit? Of course, we already have a certain starting point defined here. That is, we have our mining infrastructure, and it is not just a matter of the location of the shafts that you mentioned, and I think you rather meant mining shafts.

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It is important to remember that as regards the location of mining, we are not talking about only the location of the operations, but also the location of processing and depositing waste. Of course, the most convenient situation is to have multiple shafts, but one should keep in mind the huge capital expenditures in the construction of mining shafts and the construction of ore enrichment plants located, in the most advantageous option, next to these shafts. Probably, when I give the floor to President Bryja, he, or Mr. Laskowski, will supplement this very extensively. Two excellent miners. I just mention this by way of introduction. However, what I would like to emphasize, with this question we should ask ourselves, is, what next? Next, it is imperative to implement projects, consistent with the strategy, to at least offset if not reverse the trend of naturally rising costs. This is the subject of our discussions (and we meet very often) and our intensive work. Not necessarily the construction of KGHM 2.0, whatever we want to call it. But managing this deposit in such a way as to obtain copper as cheaply as possible and in the long term. President Laskowski.

**MIROSLAW LASKOWSKI, VICE PRESIDENT OF THE MANAGEMENT BOARD (PRODUCTION):**

Zbyszek, I'll give you the floor in a moment. But if we're talking about the development of mining here in Poland, at KGHM Polska Miedź S.A, it's based as of today on active mining shafts and mining centers understood as ore enrichment plants. And in the concession areas that we have been granted at the moment, we are talking about the fact that three more shafts need to be built so that this mining can be carried out in the concession areas that we have as of today.

**ZBIGNIEW BRYJA, VICE PRESIDENT OF THE MANAGEMENT BOARD (DEVELOPMENT):**

My colleague has already presented my arguments here. I will elaborate on them. I have been known to speak a little longer than the President. Namely, it's true that we've had the mining centers in the same places for years. So the shafts, be it Rudna, Polkowice or Sieroszowice, these are the shafts at the level of about 1,100 meters depth, where we conduct mining. All the shafts we build to the north and northwest are ventilation shafts. Even if there is a personnel transport shaft, materials and personnel transport shaft, then also, let's say, an air input shaft. These are shafts that are intended for air input or output. Mainly the supply of air. According to our plans for the development of the deposit, and we have such plans, for the moment, until 2055, these three shafts are enough, and they satisfy the demand for air in these areas. We don't need to build a

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dozen shafts. As a reminder, the GG-1 shaft, which I mentioned during my presentation, is KGHM's 31st shaft. We have three shafts left to build. In addition to the concession areas you see here on the map, the Odra River is a certain boundary for us. The deposits we identify on the other side are the Kulów-Luboszyce deposit, or if we get the concession by a court ruling for Bytom Odrzański, these are deposits partly already across the Odra River. So we are aware that if we undertake to mine, if there is a need of the country, technology, technique and the world for our copper, there will have to be a new mine and new shafts there. Until then, we have an excellent training ground to perfect the technology. We need to have new technology, both for conducting mining works, as well as machinery, transportation, air conditioning and in many other areas, communications, control, automation of processes, so that we already have these technologies practiced when we make a conscious decision to build a mine across the Odra. And now the deposit development program, as I said, the deposit development plan, the so-called PZZ, talks about 2055. I assume it will be longer. And furthermore, as every miner knows, when you leave you eliminate the pillars behind you, the areas that are currently protected. So it will be much longer. So it's not that it's a dozen shafts, that it's actually 10 years. No. We can easily talk about another 30-40 years of mining in the region.

**PAWEŁ PUCHALSKI:** Sorry for asking a layman's question. But, if you could show this map, I think it was on the Deep Głogów slide, because to a layman it seemed, and he was always told, that one of the key things is the distance of transport of copper or the copper rock there, but also the miners to the mining site. So as I'm looking at this map, it seems to me that these distances from the current ones to the shafts that were...

**MIROŚLAW LASKOWSKI, VICE PRESIDENT OF THE MANAGEMENT BOARD (PRODUCTION):** I will answer you briefly right away. The GG-1 shaft, which is under construction at the moment, will be a material and personnel transport shaft, and so will be a new shaft with the same function. This is to shorten the transport of mining crews to their workplaces.

**ZBIGNIEW BRYJA, VICE PRESIDENT OF THE MANAGEMENT BOARD (DEVELOPMENT):** However, as for the transport of ore, as I said, it will be carried out to the existing mining shafts. It is belt-



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conveyor transport, so we only minimize the section of wheel haulage between the working faces and the first transfer point. Then it goes by belt and here we can extend these routes. We are very much constrained by the time it takes crews to get to the working faces, and we will be shortening that.

**PIOTR KRZYŻEWSKI, VICE PRESIDENT OF THE MANAGEMENT BOARD (CFO):** And now, Zbyszek and Mirek, maybe you could present it from the financial side.

**ZBIGNIEW BRYJA, VICE PRESIDENT OF THE MANAGEMENT BOARD (DEVELOPMENT):** Just one more word, to conclude. One shaft, currently costs PLN 2.5 billion, more or less. At the time I was planning the R-11 shaft in Rudna more than 25 years ago, it was PLN 600 million. Now it's history. Today it's PLN 2.5 billion. This is how the prices look today.

**ANDRZEJ SZYDŁO, PRESIDENT OF THE MANAGEMENT BOARD:** The gentleman probably asked about the so-called mining centers. To these amounts that have been mentioned here, one would have to add the huge expense of locating, transporting the ore on the surface to the existing Ore Enrichment Plants and this is also a considerable matter, so it is out of the question. And in addition to that, we still have tailings storage.

**PIOTR KRZYŻEWSKI, VICE PRESIDENT OF THE MANAGEMENT BOARD (CFO):** Now for the finance side. What was also said here in terms of updating the strategy. What is this strategy update? These are the two models. One model, this is a five-year model, the other is LOM, or life of mine. We are just running different scenarios on these models at the moment, throwing in different CAPEX figures, focusing primarily on what Andrzej said here. On this CAPEX which carries operating leverage. Because this CAPEX can, so to speak, break this downward curve and allow us to generate additional results, to enlarge the margin base. Both in this short term, where the granularity of this model is very high, and also when we talk about new deposits or approaches to new resources, so we also test this using the LOM model. When this work is finished, we will certainly share the results with you, too, and this too will then be backed up and by figures, as well as by the resource base, the exploration. So this will already be a detailed analysis.

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**PAWEŁ PUCHALSKI:** And also the question if you spent PLN 4.1 billion or PLN 5 billion last year?

**PIOTR KRZYŻEWSKI, VICE PRESIDENT OF THE MANAGEMENT BOARD (CFO):** Well. Exactly as I showed on this slide, PLN 3 billion exactly, that was CAPEX in the KGHM S.A. segment. PLN 1 billion in INTERNATIONAL. Only here you won't see that, it will be after the cash flows. However, these PLN 600 million, PLN 680 million, this segment "other" are our companies, of course. And also what Piotr mentioned here. At the moment, while revising our strategy, we are also revising the strategies of our companies, so we will also come back with an answer as to what CAPEX is foreseen there, and what effect it will have, because let's be honest, there this CAPEX should also contribute to a better cost structure in the part where there are services provided to us. So that, too, should have an impact on our long-term model.

**PAWEŁ PUCHALSKI:** In that case, some follow-up, sorry for that. Because I understand that in KGHM there is PLN 3 billion and a bit, and in the companies there is approx. PLN 600 million that will improve KGHM S.A. So perhaps, after all, you should show this CAPEX of PLN 600 million in the Parent Company? Because it translates directly into the results of the Parent Company.

**PIOTR STRYCZEK, VICE PRESIDENT OF THE MANAGEMENT BOARD (CORPORATE AFFAIRS):** This is just one opinion, I could say. At the moment we are in the process of approving the financial statements in each entity. We will certainly be happy to get back to you on this. However, today we should not yet deliberate on this subject until the relevant corporate bodies have approved our financial statements.

**PIOTR KRZYŻEWSKI, VICE PRESIDENT OF THE MANAGEMENT BOARD (CFO):** If we have investments in, for example, our company X, and of course, this CAPEX may in some part be for our use, but these companies also operate commercially in the market. So from this point of view, it seems to me that such a presentation is appropriate. We don't run away from this presentation, we show it. Of course, we can speak here, and we show that this CAPEX consists of precisely these three segments that are presented.

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**PAWEŁ PUCHALSKI:** One more additional question. If this is how you show it, it is nice to show a small CAPEX in the Parent Company, then the question is different. If there is PLN 600 million CAPEX in companies other than KGHM S.A., and PLN 300 million and a bit of EBITDA is being generated there, I understand the new Management Board is deciding to immediately sell all that baggage, which is making a PLN 300 million cash loss for last year?

**PIOTR KRZYŻEWSKI, VICE PRESIDENT OF THE MANAGEMENT BOARD (CFO):** I don't quite understand where this diagnosis comes from. Because it would also be necessary, in my opinion, to analyze each such CAPEX. I understand that, as a rule, it should have a positive NPV. It seems that such a statement is too simple.

**PAWEŁ PUCHALSKI:** No, no. I'm looking at EBITDA "other", CAPEX "other", EBITDA "other" of about PLN 300 million, CAPEX "other" of about PLN 600 million.

**PIOTR KRZYŻEWSKI, VICE PRESIDENT OF THE MANAGEMENT BOARD (CFO):** Yes. Only now you would also have to answer this question in what timeframe this CAPEX refers to, what kind of projects, what kind of investments these are. I am able to imagine many scenarios here. But of course, I think we can discuss this topic somewhere. But here, without going into the details of the individual projects, it seems that this view is too simple.

**JANUSZ KRYSOŚIAK, DIRECTOR, INVESTOR RELATIONS DEPARTMENT:** We still have to take into account, sorry Mr. President, that we are looking at consolidated data and we are also commenting on the standalone CAPEX of the companies in the "other: segment. So here, I guess, we need a longer analytical and financial discussion. The floor is yours.

**ANDRZEJ SZYDŁO, PRESIDENT OF THE MANAGEMENT BOARD:** One more thing. We can't look at CAPEX over a one-year period, because you are looking at it that way - over a one-year period.

**JANUSZ KRYSOŚIAK, DIRECTOR, INVESTOR RELATIONS DEPARTMENT:** Thank you very much. I

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see Mr. Robert Maj, Ipopema. Over to you.

**ROBERT MAJ:** Robert Maj, Ipopema Securities brokerage house. I have a question about the dividend, because this is something that the market is very much intrigued by at the moment. What will the dividend be, despite the net loss at the standalone level? This is the first question. The second question is what price of copper do you use in your calculations for these positive NPVs per project, which you mentioned must be highly positive, these NPVs, and how does the Victoria project, or Sierra Gorda 2, the expansion of this mine in Chile, slash Oxide, rank here. Are these projects with your copper price assumptions highly positive and will they continue? Thank you.

**JANUSZ KRYSOSIAK, DIRECTOR, INVESTOR RELATIONS DEPARTMENT:** I think that, as for the individual price paths, I don't know if such levels will be revealed. With the testing, of course, yes. But, of course, it's probably a slightly different approach used for testing and a different one for budgeting. Over to you, President Piotr Krzyżewski.

**PIOTR KRZYŻEWSKI, VICE PRESIDENT OF THE MANAGEMENT BOARD (CFO):** Regarding the first question on the dividend. The Company's policy is unchanged and we maintain the level laid down in the dividend policy. Of course, the write-down was of a non-cash nature, but Ladies and Gentlemen, we are at this very moment analyzing key investment expenditures, including OPEX. And we will get back to you here immediately with information on whether and what room there is for a dividend. In the coming weeks, I assume, we will inform you about it. As regards the NPVs, then, as the Director said here, these are from behind the scenes, we use our models. We rely, frankly, in a large part on analyses and average values that come from the market, so it's also largely we take analyses that are presented by investment banks, plus some of our own outlook. So, from behind the scenes, this is, kind of, our business. You can also see in our explanatory notes, as regards the tests. There, we provided the details of how the testing process went, what values were adopted. In terms of the Victoria project itself, the Victoria project is in the advance exploration phase. The CAPEX of this project is quite significant, and here in the coming weeks we will be making decisions in terms of investing in this project and how we would like to continue to

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run this asset.

**ANDRZEJ SZYDŁO, PRESIDENT OF THE MANAGEMENT BOARD:** A couple of words more about Victoria. We are not pressing some kind of brake to slow down with the implementation of the construction of the exploration shaft. However, we need to enter into talks with partners or restart them, or to be honest, start them again, start talks about the offtake agreement regarding the Victoria mine. Right now it's too early to talk about details. As for the leaching of oxide ore from the Sierra Gorda mine outlays associated with the SX-EW project, as I discussed with Director Jaśkowski, we can't look too far ahead here either. However, as far as Sierra Gorda is concerned, there are two projects. One project, the construction of a fourth line with an execution time of about three years, and the other one, the development of oxide ore from stripping and the construction of an SX-EW plant.

Ladies and Gentlemen, capital expenditures at KGHM INTERNATIONAL to date have been high. We must first secure the possibility of effective financing and analyze these projects in terms of prioritizing the best rates of return. Nothing is overlooked here.

**JANUSZ KRYSOŚIAK, DIRECTOR, INVESTOR RELATIONS DEPARTMENT:** Thank you very much. Go ahead and in a moment we'll move on to questions from the Internet.

**JAKUB SZKOPEK:** Jakub Szkopek, Erste. A question for the President, because you actually started this meeting with statements which we as investors are very happy about, that is, that you will take care of the spending regime, of the costs. You also talked about looking at the strategy at some point. This is my question. If you could give some color here. How will you take care of this spending regime? Because it's particularly interesting for us as investors.

**ANDRZEJ SZYDŁO, PRESIDENT OF THE MANAGEMENT BOARD:** I don't know what color you are talking about, but I understand that a warmer one. In terms of costs, of course, the cost regime will be a priority for us. I'll get ahead of the question, you'll probably ask about salary costs in a moment.

Because this is a serious cost element. But we rather see it through the prism of implementing

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efficient projects so that these costs in the area of energy, for example (this is a very large item), to implement such projects and obtain energy firstly cheaper, secondly, to ensure the safety of the core production line. Besides, I think there is a lot of work to be done in the area of renewable energy. I would not like to go into the segments of this energy question here now at this stage. It is known that KGHM cannot base its own sources on one type, one kind. We need to diversify. Due to safety reasons, to mention one thing, but also due to the characteristics of PV, wind power, or other so-called semi-conventional sources, or CCGT, or ... I stopped a bit, but nuclear power. We are considering it, but this is not a direction in which the market is ready to meet KGHM's needs. That's how I see it.

**PIOTR KRZYŻEWSKI, VICE PRESIDENT OF THE MANAGEMENT BOARD (CFO):** This is, again, from the perspective of 2024, because I understand that this is also probably of great interest to you. I can confidently say that these positive effects that the President is talking about here will be visible, probably already in Q1, mainly on the energy side. We actively manage purchases of energy, gas, CO<sub>2</sub>, so it's as if they were included in hedging as well, so we manage this item. We are also introducing these measures at the level of utilization of the infrastructure that we have, that is, we are lowering, for example, the operation of gas-fired units by opening up and buying energy from the balancing market or spot market from TGE on weekends, which is close to zero or negative. So we are the beneficiary of these movements. You will see this in the upcoming results that we will be presenting. This is a positive element. We are also looking for savings on materials, on material consumption. So in these individual items we have different projects that we will be implementing. The effects of this should become visible in the coming quarters.

**JAKUB SZKOPEK:** Thank you very much. One last question, it will probably go very quickly. Slide 61 shows that you practically have only the dollar hedge open for this year, at least as at 1 January 2024. I understand that in Q4 you did not hedge anything on copper, on silver? You had an open position at the beginning of the year, so presumably the Company is taking full advantage of these recent increases?

**PIOTR KRZYŻEWSKI, VICE PRESIDENT OF THE MANAGEMENT BOARD (CFO):** Exactly. The USD-

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PLN hedge, this is about 15% of the exposure with this hedge. This position is, of course, being consistently settled, in accordance with hedge accounting. And we have leveraged the whole movement that could be seen in recent times, if we are talking about metals here.

**JANUSZ KRYSOŚIAK, DIRECTOR, INVESTOR RELATIONS DEPARTMENT:** Thank you very much. Now, as promised, questions from the Internet, and here both Presidents have already touched upon energy issues.

I have three questions, which we'll combine into one energy issue. Please forgive me, but I will translate it and combine two of them in Polish. With the changes in the Management Board, could the changes result in a change in the approach to the financing and ownership structure of renewable energy projects? In particular, I am speaking about the SMR project. Then, Bank of America asks: is the new management team as committed to nuclear power plants as the previous management team? Would you reconsider your commitment, here an interesting term, changing that commitment from a builder to a "cornerstone customer"? A bit humorous. And a general question about the intentions regarding energy projects. So three questions in one thread.

**ANDRZEJ SZYDŁO, PRESIDENT OF THE MANAGEMENT BOARD:** I will try to handle it, although I don't know if these questions are asked accurately. Ladies and Gentlemen, KGHM was and is interested in energy projects of any kind that will have a positive effect on the core business. This is, as it were, the foundation and the condition. There are no energy projects built for the sake of energy projects alone. Core business, meaning metal mining and production. Energy at KGHM should play a subservient role in the conduct of the core business. At least as long as we have such a long prospect of mining the deposits. I will go, perhaps, in detail to SMRs and MMRs. This is where different terminology comes into play. The so-called small nuclear power industry for diversification and capacity compensation is a very attractive direction. With that said, it is important to remember that the permit process, the process of potentially building small reactors, or nuclear microreactors, is a process stretched over many years. There was relatively little time to review the technology. I'm talking about our activities over a period of a month and a half. However, there was enough time to answer the question: should we line up and run for these technologies blindly, as it were? The answer is clear, no. There was a bit of a rivalry going on

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between state-owned companies in this area as to who would have small nuclear reactors faster. The problem is that this product is not readily available on the market and probably won't be for some time yet, ready to use. And secondly, at KGHM we look at it very soberly. The best location arrangement is to locate the sources of electricity generation as close as possible to our technological facilities, as close as possible to the places where we consume electricity. There is an additional aspect on top of this, the potential cogeneration, that is, the production of process heat where we need to produce it consuming fuels. One could talk about this subject for a very long time. We are very, very open. We are not backing away from thinking about small nuclear reactors or microreactors. However, we seem to be ahead of the market in these expectations of ours. That is to say, at the moment I do not see any entity on the market that would be able to offer us an EPC contract for the construction of small nuclear reactors in the next five years. If such an entity appears, we will immediately enter into talks. However, it seems that the actions taken so far should not be assessed negatively. You have to make a kind of pit stop, look around, open up to the market and we are really very interested. Of course, the basic priority is that it must be cost-positive for the core business.

**PIOTR KRZYŻEWSKI, VICE PRESIDENT OF THE MANAGEMENT BOARD (CFO):** In terms of financing the entire energy industry, there are maybe four points. The first point is what kind of consumption profile we have. This we know, because, of course, we have our own manufacturing sources, we have our consumption profile. The second point we have to go through is the mix we would like to acquire from the market. Of course, the profile of photovoltaics is different from wind, and here too we have already counted how much we should purchase in each area. Of course, here we have two categories again, that of our "own projects", on our own land, and of M&A type acquisitions.

And the last point, probably a key one, and here too we have already started talks with the financial sector, is the question of building an entire financing structure that would be dedicated to such projects, which of course have a specified rate of return, a specified lifespan, so that it would all be properly placed. What the President just said, that we should not compete between projects, between mining CAPEX and CAPEX for the energy transition. All projects are viewed, so to speak, according to certain rules and assessments. However, they too must have their sources of funding.



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**ANDRZEJ SZYDŁO, PRESIDENT OF THE MANAGEMENT BOARD:**

And a hierarchy when it comes to efficiency.

**JANUSZ KRYSOŚIAK, DIRECTOR, INVESTOR RELATIONS DEPARTMENT:** Thank you very much. Somebody under the pseudonym Szczyrek is asking a question about the plans regarding optimization of metallurgy. Are there any plans to optimize metallurgy?

**ANDRZEJ SZYDŁO, PRESIDENT OF THE MANAGEMENT BOARD:** I guess I'm the one who has to answer that question. Ladies and Gentlemen, in 2016 we completed a major modernization, in fact the construction of a new technology at the Głogów I Copper Smelter/Refinery. Everyone forgot a little about this project because it took off, we launched it within one day, which does not happen. And in fact, in this way, after the change of technology at the Głogów I Copper Smelter, this smelter seems to be almost complete, and we do not foresee any further fundamental modernization in the area of pyrometallurgy at the Głogów Copper Smelter/Refinery. The Legnica Copper Smelter/Refinery is in a gradual and very controlled way becoming a smelter that is taking over a large part of secondary copper processing. In addition a program related to the construction of a scrap casting-refining unit has been implemented. In the area of metallurgy, we have some work to do in the area of electrorefining, both at the Głogów Smelter/Refinery and the Legnica Smelter/Refinery, in view of the prospect of KGHM's operation for a few more decades. But in general, to cut a long story short, in the area of metallurgy we don't have any over-inflated CAPEX needs. Ultimately, of course, you have to think about electrorefining and pyrometallurgy. The Głogów Copper Smelter/Refinery already has close to, let me count, 45 years of experience in operation of the single-stage flash process. As for the Głogów I Copper Smelter/Refinery, the same technology is used, only on a larger scale. Experience of 10 years soon, 8 years at the moment, without any big problems. Here, too, we are already very committed and no revolution is to be expected.

**MIROSŁAW LASKOWSKI, VICE PRESIDENT OF THE MANAGEMENT BOARD (PRODUCTION):**

Being in charge of production at KGHM Polska Miedź S.A., as well as the metallurgy area, I will only say, Andrzej I can't add any new color to your answer.

**JANUSZ KRYSOŚIAK, DIRECTOR, INVESTOR RELATIONS DEPARTMENT:**

Thank you very much. A quick question, a request from UBS, sorry, here we have already discussed it. After a strong decline in production at KGHM INTERNATIONAL last year, what is the outlook for 2024? Here the regulator, the gatekeeper of information, is getting involved - we have volume data reported for Q1 2024. And in terms of forecasting, we have a prudential policy. Over to you.

**MIROSŁAW LASKOWSKI, VICE PRESIDENT OF THE MANAGEMENT BOARD (PRODUCTION):**

Production volumes in Poland and at our all locations for 2024, Q1 in line with and even above budget.

**JANUSZ KRYSOŚIAK, DIRECTOR, INVESTOR RELATIONS DEPARTMENT:**

Thank you very much. How about questions from the floor now? There are some questions. The floor is yours.

**JANUSZ MARUSZEWSKI:**

Thank you. Janusz Maruszewski, Strefa Inwestorów, editor. I wanted to ask about this strategy review. As part of the strategy review to date, do you see any more risks regarding the write-downs, or do you see any aspects that would carry some positive write-downs, reversals of write-downs?

**JANUSZ KRYSOŚIAK, DIRECTOR, INVESTOR RELATIONS DEPARTMENT:**

Before I give the floor to the Presidents, let me mentioned here that we communicate the indications in the appropriate manner, in the form of a current report.

**ANDRZEJ SZYDŁO, PRESIDENT OF THE MANAGEMENT BOARD:**

We are not in a position to answer at the moment, it would be speculation. However, in terms of CAPEX, you asked?

**JANUSZ MARUSZEWSKI:**

I also wanted to ask about CAPEX. As for the sources of its financing this

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year and during the implementation, as it were, of these assumptions for the whole of these several years ahead, are you also considering in some way the capital market, some bond issues or green bonds, are you considering something like that?

**ANDRZEJ SZYDŁO, PRESIDENT OF THE MANAGEMENT BOARD:** I will answer as briefly as I can that we do not rule out anything.

**JANUSZ MARUSZEWSKI:** One last question. Do you see a risk of any downtimes in Poland, as was the case last year, or abroad, in terms of the Company's assets?

**ANDRZEJ SZYDŁO, PRESIDENT OF THE MANAGEMENT BOARD:** This question actually concerns metallurgy. We have a standard, maintenance downtime this year, scheduled for the Głogów I Copper Smelter/Refinery. After many years in metallurgy, we have reached the periods of 4 years between major maintenance and overhaul downtimes. If we look at the calendar in 2016, we started up the flash furnace at Głogów I on 16 October. So in 2020 there was downtime number one, and in 2024 downtime number two at the Głogów Copper Smelter/Refinery. I paused for a moment because I remembered that until the so-called main downtimes at the Głogów II Copper Smelter/Refinery, which was put into operation in 1978, it took us more than 20 years to reach the two-year intervals between overhauls. And now we actually have the first four-year one. This probably speaks for itself as to the extent to which we have been able to use the experience of a similar smelter in Głogów I. So, we neither anticipate nor would like to anticipate any other events.

**JANUSZ KRYSOŚIAK, DIRECTOR, INVESTOR RELATIONS DEPARTMENT:** I'll take the liberty to add that there was a small scheduled overhaul downtime at the Precious Metals Plant, but this is what I'm emphasizing, that we are going according to the maintenance shutdown plan. Thank you very much. Just to supplement it, to be fair to all authors of the questions, trying to group questions into threads, UBS asks about dividends and about guidance for 2024, budgets. We talked about the dividend, we published the budget, so I think that we will not add anything new here. The budget for 2024, I'll give a call to our colleague at UBS.

Looking quickly, maybe I'll give the floor to someone from the audience. Here you go Paweł.

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**PAWEŁ PUCHALSKI:** Paweł Puchalski, Santander, once again. I wanted to sum things up. I understand that the Management Board upholds the plan to produce 50% of its energy from its own sources? Second, from what I've heard, the sources should be close to the plants. I understand that participation in an offshore project is not an option? And one more little thing on the subject of Sierra Gorda. There, in Q4, costs increased very sharply, and I would be interested to know whether this is some, I don't know, one-off realignment for the whole year, or the level of costs from Q4, will it continue in the next quarters of this year and future years?

**ANDRZEJ SZYDŁO, PRESIDENT OF THE MANAGEMENT BOARD:** Then maybe we'll start with that energy, with 50% in the strategy. Indeed, KGHM has a provision in its strategy over the period until 2030 to generate 50% of its electricity from its own sources. Let me remind you that at KGHM we use about 3 terawatt-hours per year. I don't want to say, God forbid, that this is some unrealistic magnitude. We are working to update the strategy. Of course, it would be very good if it were 50% by 2030. It's just that, as I said about small or micro nuclear reactors, it's likely that in this area, coverage from own sources will be problematic. And relying on PV or offshore alone is not out of the question, provided that it brings a positive effect to President Laskowski in his production tasks, that is, he will have cheaper energy. However, I said nothing of the sort that offshore is not an option. Of course, it would be preferable to locate sources close to electricity consumption sites, also for the sake of cogeneration, which is very important. It's the preferred location, but that doesn't mean the only one, and KGHM has no intention of locking itself within its own locations when it comes to generation facilities.

As for Q4, Piotr?

**PIOTR KRZYŻEWSKI, WICEPREZES ZARZĄDU DS. FINANSOWYCH/VICE PRESIDENT OF THE MANAGEMENT BOARD (CFO):** Yes, yes. The observed increase in OPEX in Sierra Gorda in Q4 was of a temporary nature. It has remained at this level. However, we should not see such a high growth rate of these costs in future periods. So we should maintain a stable level thereafter. However, it has to be said that we have also seen a certain level of inflation in Chile, and it has affected this asset as well.

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**JANUSZ KRYSOŚIAK, DIRECTOR, INVESTOR RELATIONS DEPARTMENT:** Thank you very much. I saw there was a question here. Can I have the microphone please? I'll answer quickly myself, let me answer the question myself. Not the one that hasn't been asked yet, which I see on the Internet - what is the planned percentage of net revenue in Q1 2024? We cannot answer that. This is already guidance. We do not do forecasts. We are closing Q1 financially, operationally in a moment. For now, we only know the volumes, so we won't do forecasts. And the same author asks about dividends. So again, repetition. There you go, now a question from the floor.

**QUESTION FROM THE FLOOR:** A question, what does the Management Board think about today's announced acquisition of Anglo American by BHP? What impact will this have on the copper market in general, in particular on what may be happening in copper assets around the world?

**ANDRZEJ SZYDŁO, PRESIDENT OF THE MANAGEMENT BOARD:** Sir, the Management Board of Polska Miedź would not want to comment on the acquisitions of two very, very important players in this market. Will this have any significant impact on the copper market? I don't think so. Actually, the question could be reversed, why should it have? We can try to read this as a positive signal for copper prices, seen through the eyes of the buyer, but perhaps I'm already going too far, because I would say something about an entity that I don't manage, and I shouldn't do this.

**JANUSZ KRYSOŚIAK, DIRECTOR, INVESTOR RELATIONS DEPARTMENT:** Thank you very much. Do we still have questions? I have already looked at the available sources and do not see any questions from the Internet. Paweł, over to you.

**PAWEŁ PUCHALSKI:** Continuing the M&A theme. If you had an offer today like the one KGHM had, I don't know if it was a year or a year and a half ago, to acquire 40% in the Sierra Gorda project, would you take it or not? And, since I have a microphone, this is the last question on my part. I heard what the Management Board said about energy costs. We know where the price of silver is. Does the Board intend to revise downward the guidance for 2024 costs soon?

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**ANDRZEJ SZYDŁO, PRESIDENT OF THE MANAGEMENT BOARD:** The first question is very difficult because we are talking about something that has taken place. Sumitomo sold a 45% stake to South32 in 2022, and of course, it has to be said yes, any such decision involves many different aspects to consider. One can consider whether, when Sumitomo (I will speculate a bit here, but very safely), when Sumitomo was selling its 45%, should KGHM have bought it? We keep on talking about the past tense, about something that has already taken place, certain decisions have been made.

KGHM did not buy a 45% stake in Sierra Gorda. One might as well ask the question, I repeat, ask the question, should KGHM then sell its 55%? What was the copper price at that time, what was the outlook for the copper price, should one sell on the upside? Sir, I am not able to meet your expectations. In a word, I confess, I don't know.

**PIOTR KRZYŻEWSKI, VICE PRESIDENT OF THE MANAGEMENT BOARD (CFO):** As for the second question, please look at the fact that this particular parameter of energy, which up to now has been historically quite stable, natural gas, in recent times has been showing really high volatility. And now changing the budget and the guidance for us based on such a volatile indicator, I don't think it would make sense in view of the fact that on the other side of revenues we also have volatility of both the USD-to-PLN exchange rate and metal prices. So from that point of view, I think we should stay at that level. However, these are the elements that we will certainly be working on intensively now to look for that operational leverage that we talked about here.

**JANUSZ KRYSOŚIAK, DIRECTOR, INVESTOR RELATIONS DEPARTMENT:** Thank you very much. I see that we have no questions, and we have time constraints. Thank you very much for today's meeting and I already invite you to the next one planned for mid-May, when we will publish the KGHM Group's financial results for Q1 2024. We are available for you to contact, both the investor relations team and the communications team. We are available on phone numbers provided in the contacts, and at dedicated email addresses. Thank you very much, thank you to Management Board Members, and see you later, goodbye.

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## Summary of questions asked during the Q4 and full year 2023 earnings conference call

- 1. Hello. Paweł Puchalski, Santander Biuro Maklerskie. First of all, I wanted to ask about CAPEX. We heard a lot in this presentation about the need to invest in new shafts. There was a nice map there, where the current deposits are roughly 1/3 and the new deposits are 2/3 of these new areas. We know very well that after 60 years, mines simply lose the capability to produce at the old levels. So my question, wouldn't it be simpler to say that, I don't know - in the next 10 years we have to build a dozen or so shafts in order to keep the level of mining unchanged and we have to spend, I don't know - 10-20 billion zlotys on that? This is a general question. And as for the details, you show that in the Parent Company you were on plan with CAPEX and overall you show, I think, PLN 4,100 full-year CAPEX. But in the Management Report I read that in the Parent Company it was over PLN 3 billion, that in KGHM INTERNATIONAL, it was 1 billion, that in the "other" category, it was 600 million, and one acquisition. So the total of this CAPEX is, if I count on my fingers, close to PLN 5 billion, not PLN 4,100. And I'm asking this simply to know how to approach the guidance of PLN 4 billion for this year. Is it going to be 4, or is it going to be 5, only something is not included? So one general question and one specific question.**

**Answer** Let me start, in very general terms, with an answer to the first question, about the new shafts and, in a sense, the change in the mining. This has always been on the minds of the managers of this Company, and it is always a question that every company, such as ours, asks how to mine the deposit? Of course, we already have a certain starting point defined here. That is, we have our mining infrastructure, and it is not just a matter of the location of the shafts that you mentioned, and I think you rather meant mining shafts. It is important to remember that as regards the location of mining, we are not talking about only the location of the operations, but also the location of processing and depositing waste. Of course, the most convenient situation is to have multiple shafts, but one should keep in mind the huge capital expenditures in the construction of mining shafts and the construction of ore enrichment plants located, in the most advantageous option, next to these shafts. Probably, when I give the floor to President Bryja, he, or Mr. Laskowski, will supplement this very extensively. Two excellent miners. I just mention this by way of introduction. However, what I would like to emphasize, with this question we should ask ourselves, is, what next? Next, it is imperative to implement projects, consistent with the strategy, to at least offset if not reverse the trend of naturally rising costs. This is the subject of our discussions (and we meet very often) and our intensive work. Not necessarily the construction of KGHM 2.0, whatever we want to call it. But managing this deposit in such a way as to obtain copper as cheaply as possible and in the long term. President Laskowski. Zbyszek, I'll give you the floor in a moment. But if we're talking about the development of mining here in Poland, at KGHM Polska Miedź S.A, it's based as of today on active mining shafts and mining centers understood as ore enrichment plants. And in the concession

areas that we have been granted at the moment, we are talking about the fact that three more shafts need to be built so that this mining can be carried out in the concession areas that we have as of today.

My colleague has already presented my arguments here. I will elaborate on them. I have been known to speak a little longer than the President. Namely, it's true that we've had the mining centers in the same places for years. So the shafts, be it Rudna, Polkowice or Sieroszowice, these are the shafts at the level of about 1,100 meters depth, where we conduct mining. All the shafts we build to the north and northwest are ventilation shafts. Even if there is a personnel transport shaft, materials and personnel transport shaft, then also, let's say, an air input shaft. These are shafts that are intended for air input or output. Mainly the supply of air. According to our plans for the development of the deposit, and we have such plans, for the moment, until 2055, these three shafts are enough, and they satisfy the demand for air in these areas. We don't need to build a dozen shafts. As a reminder, the GG-1 shaft, which I mentioned during my presentation, is KGHM's 31st shaft. We have three shafts left to build. In addition to the concession areas you see here on the map, the Odra River is a certain boundary for us. The deposits we identify on the other side are the Kulów-Luboszyce deposit, or if we get the concession by a court ruling for Bytom Odrzański, these are deposits partly already across the Odra River. So we are aware that if we undertake to mine, if there is a need of the country, technology, technique and the world for our copper, there will have to be a new mine and new shafts there. Until then, we have an excellent training ground to perfect the technology. We need to have new technology, both for conducting mining works, as well as machinery, transportation, air conditioning and in many other areas, communications, control, automation of processes, so that we already have these technologies practiced when we make a conscious decision to build a mine across the Odra. And now the deposit development program, as I said, the deposit development plan, the so-called PZZ, talks about 2055. I assume it will be longer. And furthermore, as every miner knows, when you leave you eliminate the pillars behind you, the areas that are currently protected. So it will be much longer. So it's not that it's a dozen shafts, that it's actually 10 years. No. We can easily talk about another 30-40 years of mining in the region.

- 2. Sorry for asking a layman's question. But, if you could show this map, I think it was on the Deep Głogów slide, because to a layman it seemed, and he was always told, that one of the key things is the distance of transport of copper or the copper rock there, but also the miners to the mining site. So as I'm looking at this map, it seems to me that these distances from the current ones to the shafts that were...**

**Answer** I will answer you briefly right away. The GG-1 shaft, which is under construction at the moment, will be a material and personnel transport shaft, and so will be a new shaft with the same function. This is to shorten the transport of mining crews to their workplaces. However, as for the transport of ore, as I said, it will be carried out to the existing mining shafts. It is belt-conveyor transport, so we only minimize the section of wheel haulage between the working faces and the first transfer point. Then it goes by belt and here we can extend these routes. We are very much constrained by the time it takes crews to get to the working faces, and we will be shortening that.



Just one more word, to conclude. One shaft, currently costs PLN 2.5 billion, more or less. At the time I was planning the R-11 shaft in Rudna more than 25 years ago, it was PLN 600 million. Now it's history. Today it's PLN 2.5 billion. This is how the prices look today. The gentleman probably asked about the so-called mining centers. To these amounts that have been mentioned here, one would have to add the huge expense of locating, transporting the ore on the surface to the existing Ore Enrichment Plants and this is also a considerable matter, so it is out of the question. And in addition to that, we still have tailings storage.

Now for the finance side. What was also said here in terms of updating the strategy. What is this strategy update? These are the two models. One model, this is a five-year model, the other is LOM, or life of mine. We are just running different scenarios on these models at the moment, throwing in different CAPEX figures, focusing primarily on what Andrzej said here. On this CAPEX which carries operating leverage. Because this CAPEX can, so to speak, break this downward curve and allow us to generate additional results, to enlarge the margin base. Both in this short term, where the granularity of this model is very high, and also when we talk about new deposits or approaches to new resources, so we also test this using the LOM model. When this work is finished, we will certainly share the results with you, too, and this too will then be backed up and by figures, as well as by the resource base, the exploration. So this will already be a detailed analysis.

**3. And also the question if you spent PLN 4.1 billion or PLN 5 billion last year?**

**Answer** Well. Exactly as I showed on this slide, PLN 3 billion exactly, that was CAPEX in the KGHM S.A. segment. PLN 1 billion in INTERNATIONAL. Only here you won't see that, it will be after the cash flows. However, these PLN 600 million, PLN 680 million, this segment "other" are our companies, of course. And also what Piotr mentioned here. At the moment, while revising our strategy, we are also revising the strategies of our companies, so we will also come back with an answer as to what CAPEX is foreseen there, and what effect it will have, because let's be honest, there this CAPEX should also contribute to a better cost structure in the part where there are services provided to us. So that, too, should have an impact on our long-term model.

**4. In that case, some follow-up, sorry for that. Because I understand that in KGHM there is PLN 3 billion and a bit, and in the companies there is approx. PLN 600 million that will improve KGHM S.A. So perhaps, after all, you should show this CAPEX of PLN 600 million in the Parent Company? Because it translates directly into the results of the Parent Company.**

**Answer** This is just one opinion, I could say. At the moment we are in the process of approving the financial statements in each entity. We will certainly be happy to get back to you on this. However, today we should not yet deliberate on this subject until the relevant corporate bodies have approved our financial statements. If we have investments in, for example, our company X, and of course, this CAPEX may in some part be for our use, but these companies also operate commercially in the market. So from this point of view, it seems to me that such a presentation is appropriate. We don't run away from this presentation, we show it. Of course, we can speak here, and we show that this CAPEX consists of precisely these three segments that are presented.

5. **One more additional question. If this is how you show it, it is nice to show a small CAPEX in the Parent Company, then the question is different. If there is PLN 600 million CAPEX in companies other than KGHM S.A., and PLN 300 million and a bit of EBITDA is being generated there, I understand the new Management Board is deciding to immediately sell all that baggage, which is making a PLN 300 million cash loss for last year?**

**Answer** I don't quite understand where this diagnosis comes from. Because it would also be necessary, in my opinion, to analyze each such CAPEX. I understand that, as a rule, it should have a positive NPV. It seems that such a statement is too simple.

6. **No, no. I'm looking at EBITDA "other", CAPEX "other", EBITDA "other" of about PLN 300 million, CAPEX "other" of about PLN 600 million.**

**Answer** Yes. Only now you would also have to answer this question in what timeframe this CAPEX refers to, what kind of projects, what kind of investments these are. I am able to imagine many scenarios here. But of course, I think we can discuss this topic somewhere. But here, without going into the details of the individual projects, it seems that this view is too simple.

We still have to take into account, sorry Mr. President, that we are looking at consolidated data and we are also commenting on the standalone CAPEX of the companies in the "other" segment. So here, I guess, we need a longer analytical and financial discussion. The floor is yours.

One more thing. We can't look at CAPEX over a one-year period, because you are looking at it that way - over a one-year period.

7. **Robert Maj, Ipopema Securities brokerage house. I have a question about the dividend, because this is something that the market is very much intrigued by at the moment. What will the dividend be, despite the net loss at the standalone level? This is the first question. The second question is what price of copper do you use in your calculations for these positive NPVs per project, which you mentioned must be highly positive, these NPVs, and how does the Victoria project, or Sierra Gorda 2, the expansion of this mine in Chile, slash Oxide, rank here. Are these projects with your copper price assumptions highly positive and will they continue? Thank you.**

**Answer** I think that, as for the individual price paths, I don't know if such levels will be revealed. With the testing, of course, yes. But, of course, it's probably a slightly different approach used for testing and a different one for budgeting. Over to you, President Piotr Krzyżewski.

Regarding the first question on the dividend. The Company's policy is unchanged and we maintain the level laid down in the dividend policy. Of course, the write-down was of a non-cash nature, but Ladies and Gentlemen, we are at this very moment analyzing key investment expenditures, including OPEX. And we will get back to you here immediately with information on whether and what room there is for a dividend. In the coming weeks, I assume, we will inform you about it. As regards the NPVs, then, as the Director said here, these are from behind the scenes, we use our models. We rely, frankly, in a large part on analyses and average values that come from the market, so it's also largely we take analyses that are presented by investment banks, plus some of our own outlook. So, from behind

the scenes, this is, kind of, our business. You can also see in our explanatory notes, as regards the tests. There, we provided the details of how the testing process went, what values were adopted. In terms of the Victoria project itself, the Victoria project is in the advance exploration phase. The CAPEX of this project is quite significant, and here in the coming weeks we will be making decisions in terms of investing in this project and how we would like to continue to run this asset.

A couple of words more about Victoria. We are not pressing some kind of brake to slow down with the implementation of the construction of the exploration shaft. However, we need to enter into talks with partners or restart them, or to be honest, start them again, start talks about the offtake agreement regarding the Victoria mine. Right now it's too early to talk about details. As for the leaching of oxide ore from the Sierra Gorda mine outlays associated with the SX-EW project, as I discussed with Director Jaśkowski, we can't look too far ahead here either. However, as far as Sierra Gorda is concerned, there are two projects. One project, the construction of a fourth line with an execution time of about three years, and the other one, the development of oxide ore from stripping and the construction of an SX-EW plant.

Ladies and Gentlemen, capital expenditures at KGHM INTERNATIONAL to date have been high. We must first secure the possibility of effective financing and analyze these projects in terms of prioritizing the best rates of return. Nothing is overlooked here.

- 8. Jakub Szkopek, Erste. A question for the President, because you actually started this meeting with statements which we as investors are very happy about, that is, that you will take care of the spending regime, of the costs. You also talked about looking at the strategy at some point. This is my question. If you could give some color here. How will you take care of this spending regime? Because it's particularly interesting for us as investors.**

**Answer** I don't know what color you are talking about, but I understand that a warmer one. In terms of costs, of course, the cost regime will be a priority for us. I'll get ahead of the question, you'll probably ask about salary costs in a moment.

Because this is a serious cost element. But we rather see it through the prism of implementing efficient projects so that these costs in the area of energy, for example (this is a very large item), to implement such projects and obtain energy firstly cheaper, secondly, to ensure the safety of the core production line. Besides, I think there is a lot of work to be done in the area of renewable energy. I would not like to go into the segments of this energy question here now at this stage. It is known that KGHM cannot base its own sources on one type, one kind. We need to diversify. Due to safety reasons, to mention one thing, but also due to the characteristics of PV, wind power, or other so-called semi-conventional sources, or CCGT, or ... I stopped a bit, but nuclear power. We are considering it, but this is not a direction in which the market is ready to meet KGHM's needs. That's how I see it.

This is, again, from the perspective of 2024, because I understand that this is also probably of great interest to you. I can confidently say that these positive effects that the President is talking about here will be visible, probably already in Q1, mainly on the energy side. We actively manage purchases of energy, gas, CO<sub>2</sub>, so it's as if they were included in hedging as well, so we manage this item. We are also introducing these measures at the level of utilization of the infrastructure that we have, that is, we are lowering, for example, the

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operation of gas-fired units by opening up and buying energy from the balancing market or spot market from TGE on weekends, which is close to zero or negative. So we are the beneficiary of these movements. You will see this in the upcoming results that we will be presenting. This is a positive element. We are also looking for savings on materials, on material consumption. So in these individual items we have different projects that we will be implementing. The effects of this should become visible in the coming quarters.

- 9. Thank you very much. One last question, it will probably go very quickly. Slide 61 shows that you practically have only the dollar hedge open for this year, at least as at 1 January 2024. I understand that in Q4 you did not hedge anything on copper, on silver? You had an open position at the beginning of the year, so presumably the Company is taking full advantage of these recent increases?**

**Answer** Exactly. The USD-PLN hedge, this is about 15% of the exposure with this hedge. This position is, of course, being consistently settled, in accordance with hedge accounting. And we have leveraged the whole movement that could be seen in recent times, if we are talking about metals here.

- 10. Thank you very much. Now, as promised, questions from the Internet, and here both Presidents have already touched upon energy issues. I have three questions, which we'll combine into one energy issue. Please forgive me, but I will translate it and combine two of them in Polish. With the changes in the Management Board, could the changes result in a change in the approach to the financing and ownership structure of renewable energy projects? In particular, I am speaking about the SMR project. Then, Bank of America asks: is the new management team as committed to nuclear power plants as the previous management team? Would you reconsider your commitment, here an interesting term, changing that commitment from a builder to a "cornerstone customer"? A bit humorous. And a general question about the intentions regarding energy projects. So three questions in one thread.**

**Answer** I will try to handle it, although I don't know if these questions are asked accurately. Ladies and Gentlemen, KGHM was and is interested in energy projects of any kind that will have a positive effect on the core business. This is, as it were, the foundation and the condition. There are no energy projects built for the sake of energy projects alone. Core business, meaning metal mining and production. Energy at KGHM should play a subservient role in the conduct of the core business. At least as long as we have such a long prospect of mining the deposits. I will go, perhaps, in detail to SMRs and MMRs. This is where different terminology comes into play. The so-called small nuclear power industry for diversification and capacity compensation is a very attractive direction. With that said, it is important to remember that the permit process, the process of potentially building small reactors, or nuclear microreactors, is a process stretched over many years. There was relatively little time to review the technology. I'm talking about our activities over a period of a month and a half. However, there was enough time to answer the question: should we line up and run for these technologies blindly, as it were? The answer is clear, no. There was a bit of a rivalry going on between state-owned companies in this area as to who would have small nuclear reactors faster. The problem is that this product is not readily available on the market and probably won't be for some time yet, ready to use. And secondly, at

KGHM we look at it very soberly. The best location arrangement is to locate the sources of electricity generation as close as possible to our technological facilities, as close as possible to the places where we consume electricity. There is an additional aspect on top of this, the potential cogeneration, that is, the production of process heat where we need to produce it consuming fuels. One could talk about this subject for a very long time. We are very, very open. We are not backing away from thinking about small nuclear reactors or microreactors. However, we seem to be ahead of the market in these expectations of ours. That is to say, at the moment I do not see any entity on the market that would be able to offer us an EPC contract for the construction of small nuclear reactors in the next five years. If such an entity appears, we will immediately enter into talks. However, it seems that the actions taken so far should not be assessed negatively. You have to make a kind of pit stop, look around, open up to the market and we are really very interested. Of course, the basic priority is that it must be cost-positive for the core business.

In terms of financing the entire energy industry, there are maybe four points. The first point is what kind of consumption profile we have. This we know, because, of course, we have our own manufacturing sources, we have our consumption profile. The second point we have to go through is the mix we would like to acquire from the market. Of course, the profile of photovoltaics is different from wind, and here too we have already counted how much we should purchase in each area. Of course, here we have two categories again, that of our "own projects", on our own land, and of M&A type acquisitions. And the last point, probably a key one, and here too we have already started talks with the financial sector, is the question of building an entire financing structure that would be dedicated to such projects, which of course have a specified rate of return, a specified lifespan, so that it would all be properly placed. What the President just said, that we should not compete between projects, between mining CAPEX and CAPEX for the energy transition. All projects are viewed, so to speak, according to certain rules and assessments. However, they too must have their sources of funding.

And a hierarchy when it comes to efficiency.

**11. Thank you very much. Somebody under the pseudonym Szczyrek is asking a question about the plans regarding optimization of metallurgy. Are there any plans to optimize metallurgy?**

**Answer** I guess I'm the one who has to answer that question. Ladies and Gentlemen, in 2016 we completed a major modernization, in fact the construction of a new technology at the Głogów I Copper Smelter/Refinery. Everyone forgot a little about this project because it took off, we launched it within one day, which does not happen. And in fact, in this way, after the change of technology at the Głogów I Copper Smelter, this smelter seems to be almost complete, and we do not foresee any further fundamental modernization in the area of pyrometallurgy at the Głogów Copper Smelter/Refinery. The Legnica Copper Smelter/Refinery is in a gradual and very controlled way becoming a smelter that is taking over a large part of secondary copper processing. In addition a program related to the construction of a scrap casting-refining unit has been implemented. In the area of metallurgy, we have some work to do in the area of electrorefining, both at the Głogów Smelter/Refinery and the Legnica Smelter/Refinery, in view of the prospect of KGHM's operation for a few more decades. But in general, to cut a long story short, in the area of

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metallurgy we don't have any over-inflated CAPEX needs. Ultimately, of course, you have to think about electrorefining and pyrometallurgy. The Głogów Copper Smelter/Refinery already has close to, let me count, 45 years of experience in operation of the single-stage flash process. As for the Głogów I Copper Smelter/Refinery, the same technology is used, only on a larger scale. Experience of 10 years soon, 8 years at the moment, without any big problems. Here, too, we are already very committed and no revolution is to be expected. Being in charge of production at KGHM Polska Miedź S.A., as well as the metallurgy area, I will only say, Andrzej I can't add any new color to your answer.

- 12. Thank you very much. A quick question, a request from UBS, sorry, here we have already discussed it. After a strong decline in production at KGHM INTERNATIONAL last year, what is the outlook for 2024? Here the regulator, the gatekeeper of information, is getting involved - we have volume data reported for Q1 2024. And in terms of forecasting, we have a prudential policy. Over to you.**

**Answer** Production volumes in Poland and at our all locations for 2024, Q1 in line with and even above budget.

- 13. Thank you. Janusz Maruszewski, Strefa Inwestorów editor. I wanted to ask about this strategy review. As part of the strategy review to date, do you see any more risks regarding the write-downs, or do you see any aspects that would carry some positive write-downs, reversals of write-downs?**

**Answer** Before I give the floor to the Presidents, let me mentioned here that we communicate the indications in the appropriate manner, in the form of a current report. We are not in a position to answer at the moment, it would be speculation. However, in terms of CAPEX, you asked?

- 14. I also wanted to ask about CAPEX. As for the sources of its financing this year and during the implementation, as it were, of these assumptions for the whole of these several years ahead, are you also considering in some way the capital market, some bond issues or green bonds, are you considering something like that?**

**Answer** I will answer as briefly as I can that we do not rule out anything.

- 15. One last question. Do you see a risk of any downtimes in Poland, as was the case last year, or abroad, in terms of the Company's assets?**

**Answer** This question actually concerns metallurgy. We have a standard, maintenance downtime this year, scheduled for the Głogów I Copper Smelter/Refinery. After many years in metallurgy, we have reached the periods of 4 years between major maintenance and overhaul downtimes. If we look at the calendar in 2016, we started up the flash furnace at Głogów I on 16 October. So in 2020 there was downtime number one, and in 2024 downtime number two at the Głogów Copper Smelter/Refinery. I paused for a moment because I remembered that until the so-called main downtimes at the Głogów II Copper Smelter/Refinery, which was put into operation in 1978, it took us more than 20 years to reach the two-year intervals between overhauls. And now we actually have the first four-year one. This probably speaks for itself as to the extent to which we have been able to use

the experience of a similar smelter in Głogów I. So, we neither anticipate nor would like to anticipate any other events.

I'll take the liberty to add that there was a small scheduled overhaul downtime at the Precious Metals Plant, but this is what I'm emphasizing, that we are going according to the maintenance shutdown plan. Thank you very much. Just to supplement it, to be fair to all authors of the questions, trying to group questions into threads, UBS asks about dividends and about guidance for 2024, budgets. We talked about the dividend, we published the budget, so I think that we will not add anything new here. The budget for 2024, I'll give a call to our colleague at UBS.

Looking quickly, maybe I'll give the floor to someone from the audience. Here you go Paweł.

- 16. Paweł Puchalski, Santander, once again. I wanted to sum things up. I understand that the Management Board upholds the plan to produce 50% of its energy from its own sources? Second, from what I've heard, the sources should be close to the plants. I understand that participation in an offshore project is not an option? And one more little thing on the subject of Sierra Gorda. There, in Q4, costs increased very sharply, and I would be interested to know whether this is some, I don't know, one-off realignment for the whole year, or the level of costs from Q4, will it continue in the next quarters of this year and future years?**

**Answer** Then maybe we'll start with that energy, with 50% in the strategy. Indeed, KGHM has a provision in its strategy over the period until 2030 to generate 50% of its electricity from its own sources. Let me remind you that at KGHM we use about 3 terawatt-hours per year. I don't want to say, God forbid, that this is some unrealistic magnitude. We are working to update the strategy. Of course, it would be very good if it were 50% by 2030. It's just that, as I said about small or micro nuclear reactors, it's likely that in this area, coverage from own sources will be problematic. And relying on PV or offshore alone is not out of the question, provided that it brings a positive effect to President Laskowski in his production tasks, that is, he will have cheaper energy. However, I said nothing of the sort that offshore is not an option. Of course, it would be preferable to locate sources close to electricity consumption sites, also for the sake of cogeneration, which is very important. It's the preferred location, but that doesn't mean the only one, and KGHM has no intention of locking itself within its own locations when it comes to generation facilities.

As for Q4, Piotr?

Yes, yes. The observed increase in OPEX in Sierra Gorda in Q4 was of a temporary nature. It has remained at this level. However, we should not see such a high growth rate of these costs in future periods. So we should maintain a stable level thereafter. However, it has to be said that we have also seen a certain level of inflation in Chile, and it has affected this asset as well.

- 17. What is the planned percentage of net revenue in Q1 2024? We cannot answer that.**

**Answer** This is already guidance. We do not do forecasts. We are closing Q1 financially, operationally in a moment. For now, we only know the volumes, so we won't do forecasts.

- 18. A question, what does the Management Board think about today's announced acquisition of Anglo American by BHP? What impact will this have on the copper**

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**market in general, in particular on what may be happening in copper assets around the world?**

**Answer** Sir, the Management Board of Polska Miedź would not want to comment on the acquisitions of two very, very important players in this market. Will this have any significant impact on the copper market? I don't think so. Actually, the question could be reversed, why should it have? We can try to read this as a positive signal for copper prices, seen through the eyes of the buyer, but perhaps I'm already going too far, because I would say something about an entity that I don't manage, and I shouldn't do this.

**19. Continuing the M&A theme. If you had an offer today like the one KGHM had, I don't know if it was a year or a year and a half ago, to acquire 40% in the Sierra Gorda project, would you take it or not? And, since I have a microphone, this is the last question on my part. I heard what the Management Board said about energy costs. We know where the price of silver is. Does the Board intend to revise downward the guidance for 2024 costs soon?**

**Answer** The first question is very difficult because we are talking about something that has taken place. Sumitomo sold a 45% stake to South32 in 2022, and of course, it has to be said yes, any such decision involves many different aspects to consider. One can consider whether, when Sumitomo (I will speculate a bit here, but very safely), when Sumitomo was selling its 45%, should KGHM have bought it? We keep on talking about the past tense, about something that has already taken place, certain decisions have been made.

KGHM did not buy a 45% stake in Sierra Gorda. One might as well ask the question, I repeat, ask the question, should KGHM then sell its 55%? What was the copper price at that time, what was the outlook for the copper price, should one sell on the upside? Sir, I am not able to meet your expectations. In a word, I confess, I don't know.

As for the second question, please look at the fact that this particular parameter of energy, which up to now has been historically quite stable, natural gas, in recent times has been showing really high volatility. And now changing the budget and the guidance for us based on such a volatile indicator, I don't think it would make sense in view of the fact that on the other side of revenues we also have volatility of both the USD-to-PLN exchange rate and metal prices. So from that point of view, I think we should stay at that level. However, these are the elements that we will certainly be working on intensively now to look for that operational leverage that we talked about here.