

Responses to questions raised at the Results Conference for H1 2024

- 1. Good afternoon, Paweł Puchalski, Santander. I have a few questions. The first one relates to OPEX, and in particular HR costs, because they grew by 1-2% in Q2 and the entire H1 2024, year over year. While I seem to remember that the annual pay rise was to be about 9% plus a few one-off raises. Could I ask if we should expect a strong growth in pay rises y/y in H2? What I mean here are costs recognized in the profit and loss statement.**

Reply Paweł, HR costs arise from the negotiated Collective Labour Agreement. In other words, the Collective Labour Agreement does not change and its provisions obligate the parties to agree the pay rise ratio. This ratio has been agreed and for the current year it is at a very good level for our employees, i.e. 9.2%. Furthermore, we have agreed on a certain incentive reassignment system for some employees in the Group. If we compare last year's pay costs to this year's, then on an annual basis we anticipate this increment to be at this level. Of course, it is hard here to make quarter-on-quarter comparisons, because these agreements are made at different times. Also, the amounts of annual results-linked bonuses vary. So it is individual years that should be commented on, rather than periods of the year that may have different contexts. I don't know, perhaps Vice President Krzyżewski will elaborate on that.

Yes, Paweł, I do understand that your question arises most likely from the profit and loss statement. If we look at this item in more detail, we should also take into account the re-measurement of the actuarial provision write-down, which is PLN 89 million for future employee benefits. It is simply a re-valuation and it has had a positive impact, reducing the value of this item. At the same time, as our President has said, we have disclosed all pertinent elements here and we have no expectations whatsoever regarding this item.

- 2. Right, so I have two more questions. One relates specifically to the presentation. When the President was discussing the slide about Deep Głogów, I heard that in Q2 and H1 we see this strong growth, however a number of those sections have been in operation since Q3 of the previous year, and you said that in the quarters to come in fact there will be nothing more to talk about, as the picture will stabilize. Does it mean that in Q2 the Company has reached its target output from Deep Głogów and there will simply be no more growth of output volumes from this particular field? That is my first question. And - as I am by the microphone - the second question. Of course it relates to CAPEX, as on the one hand I hear that you have to invest a lot in the new shafts and that's evident. On the other hand, however, I hear that savings in OPEX are possible, but only if you invest more. Thirdly, Madam Minister said recently that you need from PLN 1.2 to 1.5 billion**

additional CAPEX for a desalination plant. Should I infer from all of this that next year's CAPEX will be significantly higher than this year's?

Reply As regards Deep Głogów, the intention of what I said was the following. Air ventilation of these seven extraction sections has made it possible for the crews to work, so to say, in higher numbers and in a full week. As regards the future days and productivity achieved by these operational sections, they should not change much, because they have reached a [target] level of productivity for this level of staffing and equipment available. Productivity in Deep Głogów may still go up if we open another mining section there. With a new operational section there, the productivity of this field will increase as well. Anyway, we do not treat the Deep Głogów sections as a separate mine, a separate area. There are six sections of Rudna and this production is included in Rudna's volumes. One section belongs to Sieroszowice, and its production is included in the Sieroszowice numbers.

3. If you let me ask an additional question then: so when is KGHM planning to open a new section in Deep Głogów

Reply The opening of a new mining section in this area depends on the preparatory work done. The operating sections need to be contoured, receive installations and air conditioning, and electricity, and water, and all other utilities. Therefore, at the present stage of crosscuts and installation connections, we are not able to start another section there.

4. Thank you. Could you still address the CAPEX question please.

Reply As regards CAPEX, let me offer a comment here, so it will not be a direct answer to your question; I am sorry, but I will address it in more general terms. The amount of PLN 3.5 billion is the capital expenditures that KGHM has to incur to maintain a certain status quo and a certain level of mining output volumes, under current conditions, which are somewhat more difficult than, for example, five years ago. However, this level of investment will not secure long-term development of the Company. This level is not satisfactory to us, as it cannot ensure KGHM's long-term operation over the next 30 years and more, more, with the emphasis on "more". Some investment projects take a very long time and must be planned in advance, sufficiently early in order not to be exposed to the time running out later. This applies, among others, to opening new mining areas and ensuring the desired working conditions there. So undoubtedly we will seek to grow our efficiency in parallel with the generation of cash from operating activities, but we are also aware that capital expenditures will have to grow to ensure the long-term development of this Company and start investment projects early enough to secure stable mining output on the one hand, and safe functioning on the surface on the other, together with proper disposal of mining waste. We expect an increase in capital expenditures in the future. We are working intensively on KGHM's Strategy with the fundamental assumption that our core production line is the priority. And of course with the ambition for this core production business to be matched with efficiency

focused projects which will reduce its costs, such as energy; however, these steps must come in the correct sequence, so first of all investments in the core production line, to work the deposit to the last available tonne, within, of course, a time horizon of many, many years. Up to the last tonne of copper, the last kilogram of silver, of gold. That is the most general answer I can give. Capital expenditures will be growing.

- 5. Good afternoon, Łukasz Rudnik, Trigon Brokerage House. I would like to still follow up on CAPEX. We have PLN 4 billion over the entire year, PLN 1.5 billion after H1, which leaves about PLN 2.5 billion for H2. This additional PLN 1 billion in H2, what will it fund in H2 vs. what you have already funded in H1? And by the way of a comment, could you elaborate on the salt works plant, will there be a final decision in this respect any time soon? And when will you be able to present to us information on surplus CAPEX accumulated over five years, because, as I understand, the maintenance CAPEX is PLN 3.5 billion. And the question: in the time horizon of 2025, 2030 or 2029, will this cumulative surplus CAPEX be PLN 5 billion, PLN 10 billion - of course with the intention to secure future stability or higher output volumes and keeping expenses by nature at the current level?**

Reply Perhaps let me start; I don't know if this will be a full answer, perhaps if not, my colleagues will add more information. When it comes to capital expenditures, you should not assess probability relative to the passage of time, because CAPEX is not spent proportionately to the time elapsed. On the other hand, we see no threats that would in any significant way prevent us from performing the CAPEX plan. This is my answer to the first question. I really do not feel comfortable to quote any numbers regarding the future. I did say that capital expenditures will be growing, and besides the restoration and maintenance CAPEX we are building the Strategy, which sets out a hierarchy of the projects. However, I would not like to be too detailed as to what the level of capital expenditures is going to be in five years' time - PLN 5-10 billion... It can also change depending on which stage is achieved by these investment projects. Undoubtedly the time to start intensive work in this respect is now. As regards the salt works plant, it is a highly likely investment project of adaptive nature. It is not about salt production business, but rather about increasing the safety margin in the context of mining waters which has emerged in the recent years. Some measures in this regard are already being taken and we have worked on this very intensively over recent months in order to prevent excessive salinity of the Odra River. The salt works plant will most likely be an investment project that will go into implementation, however we first would like to make sure that its size is right, that the installation will be neither too big nor too small, and meets the right parameters as regards the input salinity.

To add to our President's answer. Speaking directly, at present we are modelling various scenarios, within the framework of the update to the Strategy currently under

preparation. All these aspects will be addressed there. Moreover, the salt works plant is not, so to say, a stand-alone business, but rather an element of a more general water management system in our Company. We will definitely present this information to you, on specific numbers and with a timeline - which CAPEX projects will be performed and to what effect, so if I could ask you for some more time. As we said, the Strategy is being prepared and should be ready by the end of the year, but we are working on it on our own, we are updating it, changing, as well as doing modelling. So we will also be able to present such a financial model to you in due course.

- 6. My next question pertains to the Victoria project. Quarter over quarter, the level of capital expenditure on this project was a bit lower. Given the current prices of nickel, is there any chance that - I don't know - you will declare a final decision regarding this investment, or will it be postponed? Or else could some CAPEX speed up things there in the nearest future? If I could ask for a brief commentary on the Victoria mine project?**

Reply Ladies and Gentlemen, as you said, we are faced with a major decision in respect of the Victoria project, which in this first phase is called Advanced Exploration. I think that within weeks, perhaps a month, we will take a decision in this regard, so we will be briefing you on that topic. Including the various financing scenarios for this venture.

- 7. Two more questions on my part. The first one is related to copper having been included in the list of critical, strategic resources of the European Union. What does it mean for you? I don't know, any non-reimbursable grants, low interest rate loans? Have you applied for any such measures to the European Commission, yet? Or is it that now copper is on the list, but it in fact entails nothing, yet, no favorable financial instruments for you?**

Reply I may answer this question in a somewhat indirect manner. It is not really clear what positive results there will be arising from copper having been included in the critical metals list. There will be positive results for sure. I think they could be positive also in the sense of a change of perspective, some modification in the context of the fact that significant copper resources in Europe are located only in Poland. So perhaps there will be some positive changes. We are now reflecting with our shareholder, with the Ministry of Finance, how to ensure long-term functioning of KGHM also in the aspect of the minerals extraction tax, which is a material cost item for KGHM. I would see this more through the lens of a more favorable atmosphere around copper and KGHM, rather than through the lens of grants or any other kinds of assistance or support.

- 8. And my last question concerns EBITDA in the remaining companies of the Group in Poland. Their EBITDA in Q2 was PLN 184 million. It was significantly better than in Q1. Have there been any one-off events? Or is it a level that is sustainable in future periods? Indeed, I think there is a factor at play here that seems to have defied the market consensus. Could you indicate which companies are**

responsible for this positive effect? Is it sustainable? Or has there been a one-off event?

Reply I will answer this question if I may. It is a question touching upon many themes. First, as you know, and as we have promised, we are completing the process of staff replacement, both at the supervision, as well as the managerial level. I see it as one factor of influence, a long-term one, just what you asked about. We seek professionalism of these personnel and experience. This is my first point. Secondly, the broad process of cost optimization also had a significant effect on this outcome. And thirdly, these are events related to factors such as energy and gas prices that Vice President Krzyżewski mentioned earlier. Another factor is optimization related to the recruitment process. We are trying to optimize these costs as well. If you are asking about positive events in the companies, this would be primarily in the company Metraco, as well as Zanam and Nitroerg. Thank you.

- 9. Thank you very much. Perhaps now we can give an opportunity to answer the questions flowing into our inboxes, i.e. the questions asked via the Internet. Here comes the first one: Mr. Jakub Szkopek from Erste, who is not with us here today. He sends two questions. The first one regards the Victoria project. The Management Board have already answered this one. We would just go again through a discussion of the development and CAPEX planned for the Victoria project. The second question of Jakub is a request for an update on the modernization plans for the metallurgical lines in the current year: for the Głogów Smelter and Refinery, and the Precious Metals Plant. Any changes planned as regards downtimes?**

Reply The planned progress on the Precious Metals Plant core production line will not be subject to any fundamental changes. However, the overhauls are not carried out in an annual cycle. As a result, we have downtimes in various times during the year. No technological changes are expected on these lines.

- 10. Dan Major, UBS. Could you give an update on the project of a fourth line in Sierra Gorda?**

Reply Ladies and Gentlemen, it is my pleasure - as it is a rotating function - that we as KGHM are currently chairing the Owners Council in Sierra Gorda. At present, this project is undergoing analysis, and a pre-feasibility study is being prepared. So we will take a decision together with our partner, South32, as regards this investment as well as others, such as Oxide. We will surely brief you when we can. Nevertheless, now our priority is to improve the operations of this asset, to simply achieve budget plans and the implications of the block model.

- 11. One more question from Mr. Daniel Major. The new Management Board has been in office for 4-5 months. Can you indicate anything about the strategic review of KGHM's operations, in particular in the context of a potential disposal of the foreign assets or the option of financing renewable energy sources in the future?**

Reply Undoubtedly, the foreign assets are in need of certain restructuring. They produce approximately 20% of KGHM's copper. However, currently we do not envisage any fundamental acquisitions or divestments of foreign assets in the near future. If at all, it may concern the assets in the Sudbury Basin, some of the ones too small for KGHM or those that do not generate positive cashflows. It is more about streamlining these assets, trimming off those that are not needed and focusing on the optimization of the core ones, i.e. the Robinson mine and the already mentioned Victoria Project. We have to take an unequivocal decision rather than make successive injections of CAPEX in the near future, but also, in close cooperation with South32, we will have to have a very close look at and optimize operations at Sierra Gorda, which - we hope - will allow us to generate positive cashflows from the viewpoint of either a fourth line or the Oxide project; however we rather don't want to finance these projects through more shareholder loans.

12. Thank you very much. Continuing with the questions asked via the Internet from abroad, we have Bank of America, Mr. Paul Kirjanovs. These questions concern the INTERNATIONAL segment. KGHM INTERNATIONAL posted higher profitability in Q2. How sustainable is this trend? How sustainable can it be in the future? And how should we see the remaining part of the year in the INTERNATIONAL segment?

Reply Ladies and Gentlemen, as we have already said: if we look at Robinson and the tasks faced by this mine, as well as the preparations to enter new mining areas, we feel comfort about the fact that we have done enough stockpiling for production, so the mine is prepared for a long-term process as well as generating regular results. That is the guiding theme for us as the Management Board. We do not seek to generate above-standard short-term results because we happened to come across a higher grade in this area. What we are trying to do is to blend, optimize recovery, optimize passage routes, and maintenance; if we have a very efficient mine, then the percentage points we trim off translate into measurable millions of additional results. These are the activities we are focusing on now. Thank you.

Let me only add that what is the most important is stability, i.e. stockpiling of ore which will allow us later to compose an optimum processing mixture. So to say: you cannot lick off the butter from your bread, because what you will be left with is dry bread alone, which you have to eat stale. It has happened before. We hope to prevent such situations in the future; we want to stabilize the production by composing the ongoing stockpiles in such a way as to optimize processing.

13. A question from Łukasz Prokopiuk, BOŚ. How can the Company explain the major growth of copper stocks on the LME, COMEX or Shanghai? And how do you see the copper market prospects by the end of the year?

Reply I immediately volunteer to answer, because I like this question very much. KGHM is a large copper producer; however, if we were a producer which floods supply in 60%,

then we could comment on the stocks on the Shanghai Exchange or LME. Indeed, KGHM is a large, one of the largest copper producers in the world, yet in the context of total supply - not so much large, with a share of a few percent. We don't want to comment on stocks. Of course, the smaller the stock on exchanges, the stronger the likelihood of higher prices, so large stocks may indicate some kind of cooling down in terms of economy's demand, a slowdown. In a way it does worry us, but we shall not comment. We do not feel responsible for these stocks.

Ladies and Gentlemen, this last quarter was a time of dynamic changes. The volatility of the copper market and prices is very high. Yet let us also look at who we are and where we want to be. We are a long-term asset, which sets out our path quite clearly, and we can see objectively that the demand for copper will be growing. Supply-wise, it is a reflection of the fact that copper is a strategic mineral. Only time will show what the effects will be. I think that a test which will come the soonest is Rio Tinto with Serbia. We will see what lithium means for the European Union from this point of view. It will be a good kind of check I think. Whereas from the viewpoint of our assets, our approach is long-term and we can see that copper is going to be a rare resource, the demand for which will be growing. As you have heard here, creation of supply, on the other hand, construction of new mines - these are multi-billion, very long-term, and know-how intensive projects. And we can also see that these new projects contemplated here and there are very few, so the supply will be very limited.

14. I now have the last question. In the conversations after the results were published there was a recurring theme of hedging, both of metals prices as well as energy and foreign exchange rates. Could I ask you, Mr. President, for a commentary? Thank you.

Reply Of course. Ladies and Gentlemen, as you can see in the Note to the financial statements, in the last quarter we concluded a transaction for nearly 30 thousand tonnes of copper. The hedging period is from July 2024 to December 2025. Similarly, we have a transaction on silver - over 3 million troy ounces. And the period is also from July 2024 to December 2025. So from this perspective, we do have a hedging policy. The Management Board analyses it regularly. However, the transactions that we will want to communicate to the market will be implemented in successive steps, so you should see it in our reports for successive periods. Definitely we do not want any surprises, neither for ourselves nor for you, with any transactions, so we observe [the market] and implement [transactions as needed]. As I said before, you do understand, Ladies and Gentlemen, what our long-term approach to resources is, and it will be reflected in our hedging structure. As regards energy prices, please allow me not to comment. We are hedged, this I can assure you of. And I think the result of Q2 does confirm it to some extent. We have also issued mandates in respect of new transactions, so it is work in progress. Objectively we seem to be the largest industrial participant of the energy exchange. So we don't want to disclose this information in case it could disrupt the market. I think all of us in energy-intensive sectors in Poland have enough volatility and problems to deal with. But it is a particularly important area for us. You can see the

effects after the last quarter, and definitely we will continue to closely follow the gas, energy and CO₂ markets.

15. Thank you very much. And here I have the last of the last questions, one more has just come in from Radio Plus Legnica. Mr. Jacek Saja. What is the completion date for the modernization of the Electrorefining Section in the Legnica Copper Smelter and Refinery? What is the capital expenditure on these investments and will the starter sheets technology have an impact on increasing the production of the Legnica Smelter and Refinery?

Reply Frankly, I don't remember exactly, but there is surely one thing we need to do as regards this investment project. We must have a look at these capital expenditures that are currently planned, because they seem to be very, very hard to meet. So we are analyzing this issue and I have spoken with the persons in the Company in charge of this project. What we definitely do not want is to go over the planned CAPEX. As regards the completion date, the analysis of this project and certain decisions that we will take in the nearest future may also have an impact on this date. I may not be specific enough here, and I do admit that this project, albeit the development project of the Legnica Copper Smelter and Refinery and a very important one for this plant, has not been among the top priorities on our agenda, while we have been dealing with other very important issues. But we will provide a reply to this question. I think we should realistically complete the analysis of the project within a month or two.