

List of questions asked at the results conference for H1 2023

1. What is the plan for operations, international assets? It looks like a loss of money at the EBITDA level. Is that permanent? Will you close the mine down?

Answer Of course, as I mentioned, we are in a transition zone. As the name suggests, it is not for the lifetime of the mine. It is a transitional zone. Later this year we will get to the ore itself. We will start proper blending, blending our ore. This will improve both the throughput and the yields achieved at Robinson. So it is definitely a temporary situation. The plan is to increase the availability of mining machinery. We are making the relevant CAPEX decisions in this regard to replace the machinery fleet. We also intend to support Robinson with our Polish know-how. We are preparing a group of engineers that will probably support our Robinson Mine. We also intend to introduce in the future a debottlenecking project along the lines of Sierra Gorda, which will improve efficiency and successively increase production capacity at Robinson. Also, we are conducting intensive exploration. At the moment, we are in the Ruth West 5 transition zone and the lifetime of the mine is projected to 2035. Already today we can say that we have strong reasons to believe that, based on the results of exploration, we will be able to extend the life of the mine to 2039, thanks to the Liberty and Veteran pits. And having said that, we have also started exploration for copper-bearing minerals in an adjacent area called Lane Valley. Therefore, as I mentioned, the lifetime of the mine is much longer. This transition zone will eventually pass. Of course, we have a plan, both financially and technically, to increase efficiency and increase production as well as, eventually, the profitability of the Robinson Mine in the future.

2. Can you indicate when KGHM may agree to develop or further develop (1) the Victoria project (2) the fourth line of Sierra Gorda? How much additional copper production do you envisage in the fourth Sierra Gorda line?

Answer We have plans to make a decision when it comes to the fourth line by the end of the year. Of course, we need to take it together with our partners from South32. In this regard, we are still actively analyzing the NPV, regarding the increase in production, and development of C1 costs due to this investment. In this regard, we are giving ourselves time until the end of the year. The same is true of the Victoria project. However, we, as a responsible Management Board, have analyzed this project thoroughly. We analyzed it coming to the conclusion that it has certain risks that we need to mitigate before making such a decision. This is what we are actively working on at the moment. Perhaps this decision will be ready by the end of the year, but this of course depends on current events and the results of our analysis.

3. A question about the level of metallurgical premiums in Europe. After the Boliden metallurgical facility accident, can you see an increase in the metallurgical premium in the market? Can you say anything about the scale of this increase.

Answer We have been dealing with increases in the treatment and refining premium since the fourth quarter of 2022. The main reason is the influx of copper concentrates from new mining projects, for example Quebrada Blanca and Quellaveco, or the third phase of Salobo. On the other hand the increase in smelting and refining capacity over the next several months is insignificant. This means that we will see a certain surplus in copper concentrates which will lead to higher TC/RCs. The benchmark for 2023 rose to 88/8.8 (88 USD/t of concentrate and 8.8 cents per pound of payable copper) from a level of 65/6.5 a year earlier (the higher the premium rises, the better for the smelters). At the same time the current situation in China (lower demand for copper) is also driving spot prices higher compared to the situation in prior years, with recent transactions at a level of approx. 90/9-100/10. The situation in Boliden will certainly not facilitate the return of TC/RC premiums to levels seen in recent years, though on the other hand it has been the refineries, and not the smelters, which have suffered the most. Boliden still intends to process concentrates and to sell copper anodes (instead of copper cathodes). Changes in TC/RC premiums levels over the next 2 years (i.e. to 2025), might be connected among others with the degree of advancement of new metallurgical projects such as Adani in India, the construction of smelting capacity in Indonesia, Kamoanga in Congo or new projects in China. Their completion should naturally increase concentrates supply and at the same time may lead to a drop in TC/RC premiums.

4. What exactly is the reason for Sierra Gorda's EBITDA decline of as much as 29% q/q? Is this Sierra Gorda's new level of profitability for the next quarters?

Answer The KGHM Group maintained safe production results. Looking in detail: at KGHM Polska Miedź S.A., we achieved a higher production level of copper in concentrate, a level of production of payable copper similar to that of last year, and higher production of silver and gold. As regards Sierra Gorda, we have been talking about the level of payable copper production at Sierra Gorda for a long time - the production level planned for 2023 has to do with the location in the deposit and the work schedule, which predicted that the copper content of the ore would be lower than the peak recorded several years ago. Such levels will still occur in the future. Much lower payable copper production at KGHM INTERNATIONAL LTD., on the other hand, is mainly due to the mining of a transition zone with lower copper content at the Robinson Mine. In the first half of the year, the Group recorded higher molybdenum production at Sierra Gorda and higher copper and silver production in the Sudbury Basin. One of the main challenges currently facing Sierra Gorda is the proper preparation and confirmation of assumptions in the fourth line project, which could aim to increase the plant's capacity to as much as 160,000 tonnes per day. Currently, the project is in the analysis phase, and further steps and decisions are, of course, and will be consulted with our Sierra Gorda Project Partner, i.e. South32.

- 5. The increase in C1 cost from Poland's own deposits rose to more than PLN 35,000/t, or by 10% quarter-on-quarter in Q2 2023 - is such an increase to be expected in the successive quarters?**

Answer The increase in the cost of C1 at KGHM Polska Miedź S.A. relative to H1 2022 is mainly due to higher costs of materials, fuel and energy and labor costs. The US dollar exchange rate and the price of silver are also important factors. The recently observed decreases in the price of energy carriers may not necessarily translate into a decrease in the level of C1, as the above-mentioned positive effect may be limited by the strengthening of the Polish zloty or a decrease in the price of silver.

- 6. How much will KGHM spend on arms and ammunition production?**

Answer At the end of July this year, KGHM Group companies signed an agreement on strategic cooperation with PGZ Group companies. The signed agreement specifies possible areas of joint activities, including in the implementation of research and development, production and commercial projects. The ammunition and missile area has been identified as a priority. The declaration of cooperation between ourselves and PGZ is a response to the current geopolitical situation and the dynamics of orders in the armaments area, including the establishment of the government's National Ammunition Reserve program. The cooperation will be between subsidiaries that currently cooperate with the armaments sector or show potential for such cooperation.