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**PRESENTATION OF FINANCIAL RESULTS OF THE  
KGHM POLSKA MIEDŹ S.A. GROUP  
FOR H1 2022**

**18 AUGUST 2022**

**LIDIA MARCINKOWSKA-BARTKOWIAK, EXECUTIVE DIRECTOR, COMMUNICATIONS:** Ladies and Gentlemen, let me welcome you warmly at the conference devoted to the financial performance of KGHM and the KGHM Group for H1 2022. Let me welcome everyone to the Warsaw Stock Exchange Trading Floor and, of course, the audience of our online broadcast. The effect of KGHM's operations over the first six months of this year will be discussed by the KGHM Management Board composed of: Mr Marcin Chłudziński, President of the Management Board.

**MARCIN CHŁUDZIŃSKI, PRESIDENT OF THE MANAGEMENT BOARD:** Good afternoon.

**LIDIA MARCINKOWSKA-BARTKOWIAK, EXECUTIVE DIRECTOR, COMMUNICATIONS:** Mr Andrzej Kensbok, Vice President of the Management Board (Finance).

**ANDRZEJ KENSBOK, VICE PRESIDENT OF THE MANAGEMENT BOARD (CFO):** Good afternoon.

**LIDIA MARCINKOWSKA-BARTKOWIAK, EXECUTIVE DIRECTOR, COMMUNICATIONS:** And Mr Adam Bugajczuk, Vice President of the Management Board (Development).

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

**LIDIA MARCINKOWSKA-BARTKOWIAK, EXECUTIVE DIRECTOR, COMMUNICATIONS:** Mr Marek Świder, Vice President of the Management Board (Production), who also fulfills management responsibilities in the area of external assets, is absent today for health reasons. We will certainly discuss and comment on this area for you, but I need to make a reservation that if there are any particularly detailed questions, we will write them down and answer them in writing as soon as possible so that we can be sure that the answers in this area are precise. I hope we'll manage to answer all your questions. Let's begin as usual, from the Management Board's comment on the events of the past half year and then we'll move on to the Q&A session. The questions and answers from the chat that we will not be able to answer in today's broadcast will be posted on our website,

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along with the transcript of today's Q&A session. Let me remind you that you can send your questions to the email address: [ir@kghm.com](mailto:ir@kghm.com). Ladies and Gentlemen, let the conference begin. President Marcin Chludziński has the floor.

**MARCIN CHLUDZIŃSKI, PRESIDENT OF THE MANAGEMENT BOARD:** Good afternoon again. I'd like to welcome you all on this August day, hot and peculiar in terms of weather conditions. The last time we met for a presentation of results, I said then that we believed, knew and were convinced that the trend related to the demand for copper due to urbanization, global population growth, digital technology, green energy was an upward trend and that it favoured copper in the long run. But I said also that the, let's say, economic reality on the macro scale and in the tactical dimension might be not so much surprising as non-linear, which means that it might change, which, however, does not reverse the general trend. And a bit of this can be seen after H1 2022. Given what we're experiencing, the H1 performance is good as regards both the EBITDA result, which we virtually maintained compared to the previous year, and the net result, net profit, which is definitely higher, by 12%, than in the corresponding period of the previous year, it amounts to PLN 4 billion 180 million after H1 2022. Why am I saying that what we experienced in H1 influenced that? You see, I'm sure you're observing the situation in China, the zero Covid policy, this also results in a little lower industrial production, but also lower Chinese export. You can also see the cost situation, because we cannot ignore that either, when it comes to both prices of electricity and prices of fuels, such as natural gas, which affects us. Generally, it can be said, likewise the interpreted symptoms of a certain economic slowdown or at least question marks, which are emerging in the world. And, looking at these cost-related factors, which depend on the geopolitical situation, on the situation in the commodities market, such as natural gas or coal, all this affects our performance, but at the same time it is, we can say, a satisfactory performance, a very good one given the circumstances. We also take into account, looking at the macroeconomic situation, that the post-election situation in China, because it needs to be mentioned that there will be elections soon, but also the stimulation policy and the policies of China and other countries, might result in the maintenance of the levels of both export and industrial production, and perhaps reversal of some trends. This could be a positive trend, this is what we are counting on. But our approach to that is very cautious. Just like our approach has been in general, to the management of this Company, for four years. This means that in times of high optimism we prepare for times

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of higher pessimism in case they come. At the same time, we test the waters and look at the developments across the globe. This, however, does not invalidate the trend I've mentioned, that is the long-term trend related to raw materials, such as copper, silver, rare raw materials. The trend is still valid, it exists and is an unchanging trend. When presenting the financial and production results, which you will hear in a moment, I feel that we're sailing on the sea as flexibly and cleverly as possible and are doing our best in the circumstances we're experiencing. And let me note that the recent period has been probably the most dynamic one in terms of certain turbulences, in terms of accumulation of phenomena for many, many years. From trade wars, to very low commodity prices in times of Covid and the beginning of the Covid situation, to the two-year Covid situation, difficult working conditions, to another crisis and further question marks concerned with the conflict in Ukraine, disrupted supply chains virtually for the whole prolonged time of Covid but also later, at the beginning of the Ukrainian, Ukrainian-Russian, conflict, so this, so to speak, global, macroeconomic, geopolitical rollercoaster is something we've got used to living with, but at the same time we're expected to act cautiously and cleverly, and this is what we're trying to do and this is where the results we're presenting to you come from. Let me give the floor to Andrzej Kensbok.

**ANDRZEJ KENSBOK, VICE PRESIDENT OF THE MANAGEMENT BOARD (CFO):** Good afternoon. Ladies and Gentlemen, I will represent today the areas of finance, production and external assets. I will, of course, do my best to answer questions and present everything in as much detail as possible. But if there are any issues I or my colleagues here will not be able to answer, we will certainly prepare such answers as soon as possible. Moving on to subject-matter issues, production was good, stable in H1. We implemented virtually all production plans, which I will discuss more extensively in a moment, as regards KGHM Polska Miedź and KGHM INTERNATIONAL. When it comes to Sierra Gorda, production slightly decreased there, in particular in Q2, but I'll tell you more about it in a moment. As for payable copper sales, they follow the plan. In H1, silver sales were slightly ahead of the plan, which also reflects slightly better silver production and mining results. I'll say more about Sierra Gorda in a moment. Metal production. Payable copper production is, as I've mentioned, virtually the same as the last year's result, the difference is only one per cent year over year, which is a combination of two factors. One is a higher, slightly higher than planned, copper production in Poland in the mining, processing and

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metallurgical segments, and slightly higher production in our Robinson mine in the United States and other mines. Let me remind you here that we didn't include the production from the Franke mine in the budget and it's not reflected in the results either. But the comparison half-year to half-year, despite the fact that production of the Franke mine existed in H1 last year, it didn't exist in H1 this year. The production is insignificantly higher, and this is due to the good performance of the Robinson mine. But when it comes to the Sierra Gorda mine, we had there, oh, I'm sorry, because there's a slide dedicated to that, so perhaps I'll say more in a moment. Silver production is higher than planned and this results mostly from a higher content of silver in the ore. It also comes as no surprise what I'm going to say, that is that we plan silver mining and production in a conservative manner bearing in mind that we don't optimize extraction in terms of silver content in the ore. We optimize extraction, that is accessibility of working faces, mining of the working faces for copper content. And silver is derivative of that production. It results from what is found in the working faces, in the extraction areas with the highest copper content. This year, there's slightly more silver. Precious metal production is also above the plan and here we have primarily the contribution of KGHM INTERNATIONAL, that is the Robinson mine, also a higher content of precious metals in the ore and a higher recovery, which we're happy about, and it can be said that, in terms of its precious metal production volume, the Robinson mine virtually caught up with the precious metal production volume in Poland. And now, Polska Miedź's production performance. We have a slight exceedance on extraction, so the mines can actually be said to have worked properly. Our processing plants, concentration operations also worked properly. Increased accessibility of copper in the ore is reflected here. Electrolytic copper production is higher than in H1 last year, but it is achieved mainly due to the processing of purchased materials and, to a lesser extent, the processing of own concentrates. We have two factors that have contributed to that. One factor is that we had planned the increase in purchased materials and this went well, I mean scrap purchases went particularly well. Concentrate purchases according to plan, taking into account logistics problems in January, February, related to the stormy weather that occurred at that time in the world and in Poland, but, I would say, according to plan. And the other factor is lower consumption of own concentrates, which is caused by two factors in fact. We're still analysing the situation, but one factor is that we increased concentrate inventory for the purpose of the overhaul of the Głogów 2 Copper Smelter and Refinery and therefore we processed higher

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quantities of purchased materials in other metallurgical facilities. And the other factor is that we actually entered this year with anode inventory, which we had and which we maintained at a high level due to the overhaul of the Głogów 2 Copper Smelter and Refinery and the inventory was also comprised mainly of purchased materials. Now, when analysing the structure of our anode inventory, we can see that it has changed, our inventory is made of own concentrates and purchased materials more or less fifty-fifty. We're planning to improve this structure when it comes to both feedstock in the furnaces and consumption of anodes in the refining process by the end of the year. And what we count on here is that the production area will make up for the difference by the end of the year and we will restore the own concentrates to purchased materials ratio assumed in the budget. This is obviously related to profitability; as we perfectly know, the profitability of own concentrates is higher than that of the processing of purchased materials. This is also somewhat related to the global situation. Purchased materials, that is primarily scrap, were less available in H1 this year, the competition for scrap was fierce in the world and it still is so. The competition is of course enhanced by the whole industry and prices. I mean, the high prices also resulted in accelerated purchases of scrap, which is a bit of a paradox, but still a fact. Now, the prices have fallen, but the availability of scrap has slightly decreased. It can be said that the businesses trading in scrap are probably waiting, but they won't be waiting too long and the position is, let's say, these are phase, temporary changes, they have no significant influence on annual results. I've already mentioned silver production, it is slightly higher due to better extraction. Now, moving on to Sierra Gorda's production results. The drop is noticeable as compared to H1 of the previous year. There's a combination of several factors here. One is that lower production was planned for this year, because we knew that Sierra Gorda commenced the mining of pushbacks with a smaller copper content. Another factor, which was not planned but which has become a reality, is that the copper content, the head grade in the pushbacks that are being extracted is slightly lower than what was assumed in the budget. This deviation is consistent with the geological standards, consistent with the standards that are adopted for extraction of open-pit mines, but unfortunately going in the wrong direction. This also has an effect I would call a contrasting one, because, last year, we mined pushbacks with a slightly higher copper content, in turn, than assumed in geological studies. It can be said that we have both the effect of contrast and the complex effect of lower grade in extraction areas. The second factor, which occurred

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mainly in Q2, at the end of Q2, was certain prolonged maintenance shutdowns, including in particular that of a crusher in Sierra Gorda; the crusher has been commissioned, it's working well, and the failure of the belt conveyor has also been repaired. On that occasion, the support structure was reinforced there, drive drums were reinforced. Generally, Sierra Gorda has come away rather unscathed from that, but it has lost a bit on its processing. Therefore, when we sum up this situation as a temporary state, the grade will obviously not return to higher levels until we commence new pushbacks, but the temporary issues, ones related to failures or downtimes, are already behind us and here, when talking to the management staff of Sierra Gorda, we can see that both the July and the August performance is higher, better. We are also being informed that the facility is making an effort to simply make up for some of the processing losses now, in H2. And the July results and the preliminary results of the initial weeks of August can be said to indicate that they are really doing well. KGHM INTERNATIONAL's copper production result year over year improved, even if not significantly. This is related above all to the good operation of the Robinson mine. And what deserves special attention is the greater extraction of TPMs, that is gold, platinum and palladium, which are particularly important for KGHM INTERNATIONAL's performance. The good news is one we mentioned last year and at the beginning of this year. We are repatriating funds, repaying successive loan tranches. This year, in the first half, we repaid USD 193 million from Sierra Gorda. We're preparing a cash flow forecast, looking at whether we will be able to make subsequent repayments by the end of the year. One way or another, we're seeing to that and where it's not necessary to keep cash abroad, we make repayments and reduce the indebtedness level. Moving on directly to financial performance, the Group's revenues are 24% higher half-year to half-year and there are a few important factors here. One is the increase in the volume of sales of the basic metals by PLN 535 million. And I want to emphasize here that we often say that our priority is to ensure that KGHM operates in a stable, predictable and safe manner, that there are no downtimes, reductions, changes, serious disruptive situations. And we've managed to avoid that. We produce in a stable, predictable manner, we're able to understand our production and sales volume as well as our customers' situation. This is essential in the context of what President Chludziński said. It's true that there's a slowdown in China, but we are not experiencing that in the context of orders for our cathodes from China. They are coming all the time just as planned. A trend noticeable in Europe is that, on the one hand, some customers are

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withholding or slowing down deliveries of copper, but other customers are accelerating deliveries of copper and, in colloquial terms, asking for more. So the situation is a bit mixed. It's clear that there are sectors for which the present situation is favourable, and works great for them. There are sectors where the current situation is causing a certain slowdown. As of now, we have seen that these phenomena are cancelling each other out and aren't affecting KGHM's capability to sell and generate revenue. But we're looking at the situation very, very closely. We talk to the customers, banks, institutions which have a good sense of the market in order to get an insight into whether the risk is real. Even if the recession materialises, because, aside from forecasts, it has not been fully materialising yet, and luckily so, but will it result in a decreased demand for copper then? We don't see that today and we don't forecast any sudden situations until the end of the year. The second factor is changes in prices. We had higher copper prices in H1 this year in relation to H1 last year. We realise that this cannot last forever, and we were painfully reminded of that in June, July this year, and this has continued to this day. But I will tell you about that in a moment. And, of course, a more favourable foreign exchange rate, although this is a mixed message for the economy, but the Polish zloty weakened in H1 this year with respect to the dollar and euro, which resulted in our case, as we make settlements, sell 90%, I think, in the USD, in revenue growth by PLN 1 billion 800 million. Another component is the adjustment of revenues from derivatives. Also, a brief moment of history, as you remember, last year – the result of the settlement of our derivatives was around minus PLN 2 billion. This year, the negative settlement has continued, but is much smaller. Therefore, half-year to half-year, we disclose here a positive impact of a lower negative settlement of hedging transactions. So these can be said to be the main factors that affected revenues. Moving on, the C1 cost increased, it is 16% half-year to half-year in the Group. In KGHM Polska Miedź S.A., the increase was 13%, the majority of which was an increase in the cost of materials and energy, so to speak, accumulatively, or expenses by nature – this is the first, primary factor. In KGHM INTERNATIONAL, it decreased, it can be said to have remained at the same level. But there's a high percentage rise in Sierra Gorda. Sierra Gorda was the leader in terms of low C1 cost and the cost went up from 0.87, or 87 cents per pound to 1.38 USD per pound – this is an increase by 59%. And here it is primarily cost factors. Operating costs, it can be said, on the whole, but mainly energy costs. The electricity cost rose by 84% year over year and despite certain savings in consumption, the price paid for electricity was the main

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contributor. The other one was the cost of diesel fuel. Diesel fuel increased in Chile by 58% year over year. Another thing to be mentioned – blasting materials, they increased by 40% year over year. Chile was particularly painfully affected by the rises in energy and energy carriers. The other factor in Sierra Gorda is the considerably smaller share of molybdenum in mining than last year, this also, obviously, as an associated metal, or shortage of the associated metal, causes a higher C1 cost. Here, we can see some factors that are more permanent, more stable, and others, which are variable. We're working very intensively on some of them, for example the conclusion of new electricity supply contracts, which will, in our opinion, bring certain savings in the future. We also take into account that the share of molybdenum in extraction will be higher in the years to come and we'll be able to return to the C1 cost levels similar to or slightly exceeding one dollar per pound. KGHM's operating results can be said to have remained unchanged half-year to half-year, PLN 5 billion 309 million in H1 this year. The main positive contributor here is the parent company, KGHM Polska Miedź. We can say that the revenue increase, more favorable foreign exchange rate, higher sales volume, lower, negative, adjustment of revenues in respect of hedging transactions, accompanied by cost increase, overall resulted in a positive contribution to the increase or the increase in EBITDA, the case is similar in KGHM INTERNATIONAL. Sierra Gorda, in turn, contributed negatively, that is minus PLN 324 million half-year to half-year. And here a little bit different factors are at play. One of the factors is the simultaneous price decrease at the end of Q2 and the cost increase. And the second significant factor I've mentioned is the drop in the sales volume by 9%, which is an equivalent of approx. PLN 100 million in impact on EBITDA. But there's also a third factor, which we don't discuss too often, but, in anticipation, I'd like to mention it now, is the mechanism of valuing open transactions, the so-called mark to market mechanism. And sometimes we mention this MTM mechanism, and, so to speak, its overall impact is normally small or negligible, but now, at the closing of H1, the impact turned out to be very big. And there are two reasons here. One is that when developing its financial policy 10 years ago, Sierra Gorda included the principle that the mark to market settlement is recognised as a portion of revenues and expenses from basic operating activities, while KGHM Polska Miedź S.A. reports this under other revenues and expenses, which means that it's not included in the calculation of EBITDA, and so this makes our operating result in Chile fluctuate, but does not make our operating result in Poland fluctuate. And the other reason is that the mark to market calculated for Chile is in fact much

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higher than for Poland, because that unsettled transaction volume is much higher, because Chile trades virtually 100% with China, on transactions maturing in 3 months or sometimes even 4 months. And hence the unsettled transaction volume is significantly higher. We say that all transactions in KGHM Polska Miedź S.A. are settled on a quarterly basis. It has a small portion of transactions carried forward from one to the next quarter and calculated by means of the MTM mechanism. But in Chile, the volume is very high. And another factor is that there was a plunge in prices, we can say, in June, and the drop was from USD 10 thousand at the beginning of June to around USD 8,200 at the end of June, as at 30 June. And this is the price, because the rule is that the closing price is taken as at the last day of the month for which MTM was calculated. So, let's say it is a coincidence of several factors. We estimate that the impact on EBITDA of approx. USD 100 or maybe 120 million is the MTM settlement. But it's a phase, so it will flatten in successive months along with the settlement of the transactions on a real basis. And we didn't note that before, because the price trends were slow. And when a trend is slow, its impact is low. When a fluctuation is sudden, upwards or downwards, the impact can be said to be high. There is also a contrasting factor here, since the trend was upward in H1 last year and the transactions that were not closed as at the end of H1 last year were settled with a positive MTM, which contributed to H1 last year. So there's a kind of a comparative issue here. And what else can be said about EBITDA, there were some questions, in H1 this year, about increasing the provision for the remuneration budget related to the predicted higher and better financial performance, which we're actually talking about today. And increasing this provision caused a certain reduction in the expected EBITDA profit in H1 this year. Moving on to net financial performance – historically, the highest net result, but we know this is no reason to be happy. We're acting conservatively, we're showing you our actions, which are not intended to maximize the result, they are intended to ensure a stable and predictable operation of the Company. But we can say that the main factors here, the main drivers here, are the change in revenues combined, coupled, with the change in costs. The change in costs is the combination of both increased consumption of purchased materials, which cost more, and expenses by nature, increased expenses by nature. I can also say, in anticipation of questions, that our expenses by nature increased in two areas. These are costs of materials and costs of energy. And the costs of materials rose twice as much as the costs of energy did. The impact of the cost of materials is significant, indeed. So, it's first of all steel, blasting materials, tires, all other

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components we use for production. Grinding media, prices of grinding media soared after the outbreak of the war in Ukraine, they became a substantial cost element. So here, costs of materials increased much more than costs of energy. Obviously, costs of energy rose, too, but we estimate this at around PLN 330 or 350 million year over year or half-year to half-year, but we're trying to counteract that where possible. This year is still relatively well secured when it comes to electricity. As for natural gas, we're taking actions to reduce natural gas consumption and, as we've mentioned, we have stopped producing heat and electricity in the combined cycle units in Polkowice. We're fulfilling our obligation to supply district heat through a coal-fired power station. But, as a result, we don't incur the cost of natural gas purchases, we have also intentionally not been using the RCR furnace, the Revolving Casting-Refining furnace in the Legnica Copper Smelter and Refinery. This is also our second largest place in terms of natural gas consumption and this is how we're reducing our natural gas consumption this year. We estimate that we will go down from the planned consumption of around 2.5 conversion terawatt hours to below 2 or perhaps this will be somewhere between 1.8 and 1.9 terawatt hours. So we're trying to save not so much on the price, because this is impossible in this situation, as on consumption. Unfortunately, the savings on consumption are limited. We are bound by a contract with the take or pay clause, so we cannot completely stop consuming the gas. But to the extent to which the contract is flexible, we've reduced gas consumption. Another important factor, the result of involvement in joint ventures minus PLN 747 million, this is good news, because it means that we reversed impairment losses on our international assets in terms of both company valuations and loans, in the amount of PLN 1 billion 100 million compared to 1 billion 800 million, which we reversed in H1 last year. Therefore, it can be said that we reversed less than in H1 last year and this is why it is in the red in the comparative waterfall, but the good news behind it is that given the present macro structure and the current mining and production forecast, we can, which is obviously confirmed by the audit findings, restore the values, that is reverse the values on the shares of our investment vehicles and on loans, which is reflected in this year's performance. The positive effect of the foreign exchange rate, it is a bit of a reversal of the situation I described in the case of copper, because we calculated our balance using the exchange rate as at the last day of H1 and here the impact is PLN 838 million in the black. The profit on the disposal of subsidiaries – we've talked about that already, we sold the Franke mine as well as Interferie and Interferie Medical Spa. It is a positive effect, in

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particular when selling the Franke mine, we also recorded a positive impact of exchange differences, and the impact is not accrual-based, it is an actual, cash effect, we simply transferred money at a better exchange rate, in colloquial terms. Cash flows – this is the last slide, I think, I'm sorry, I've rushed a bit today, but when it comes to cash flows, we have one important point I wanted to discuss, and this is the change in the working capital. This is that minus PLN 1 billion 431 million. And, we can say, it is as if a consolidated effect of the increase in inventories, that is the inventories increased there by approx. PLN 6.5 billion, to PLN 7 billion 800 million. And here, this is mainly the increase in the inventories of materials, production materials. We've mentioned that we consciously increased the inventories of materials to avoid interruptions, downtimes in production, which was related to the outbreak of the war in Ukraine. And the increase occurred. Its effect was that the operation of KGHM stabilized, there were no interruptions, no situations where something happens, deactivates, we cannot produce due to shortages, downtimes in seaports, or delivery failures. But we can see now that although the war situation continues, the situation concerned with supply is stabilising. Markets found their alternative sources and we've just now commenced the reduction of the inventory of materials to the planned level. We've also begun a highly intensive review of savings related to purchases, related to contracts on the purchase of materials and services. A task team was appointed, it has commenced its work by the Management Board's decision and it will review the issues concerned with deviations in consumption, the issues concerned with contracts and clauses, if any, which were included there as a result of the outbreak of the war, but it will also review inventories and restore the normal situation. Another element is the increase in inventories of semi-finished products and here, this was also our intentional action, we've considerably increased the inventory of the anode material in preparation for downtimes in the Głogów 2 Copper Smelter and Refinery. And at the same time we maintained the production of electrolytic copper, which required a substantial increase in the inventory, in popular terms, of anode. We've also increased the cathode inventory at the Cedynia Wire Rod Plant a bit, while being aware that Cedynia is working virtually continuously, the demand for wire rod is very high, and here, trying to meet the demand, we've also built up inventory of copper cathode. Additionally, our trade payables and receivables have increased, but they offset each other, this is related partly to the rise in prices of copper and prices of the materials we buy and a certain extension of the due dates for payments both from our customers and to our

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suppliers. These factors virtually set off against each other. The Group's outstanding debt – there's not much to be said here in fact. The outstanding debt is normal. We have not taken any actions to repay or incur significant debt, these are more of natural movements concerned with cash flows, we're on the safe side when it comes to our loan agreements. We've concluded a few small agreements of the kind to improve the flexibility and availability, for example the daily one, to reduce our financing costs. We don't use factoring, or use it to a small extent and only where it is associated with securing payments with respect to more prominent customers, such as China Minmetals. We avoid factoring simply to avoid financing costs. This is all from me. Of course, I'm at your disposal if you have any questions.

**LIDIA MARCINKOWSKA-BARTKOWIAK, EXECUTIVE DIRECTOR, COMMUNICATIONS:** I'd like to ask President Bugajczuk for a brief comment on our investments.

**ADAM BUGAJCZUK, VICE PRESIDENT OF THE MANAGEMENT BOARD (DEVELOPMENT):** Good afternoon. As regards investments, I have positive and very good information, because the performance at the level of PLN 1 billion 129 million is almost 100 million higher than in the corresponding period year to year and with a similar Capex, so this is very optimistic information given the difficult circumstances. Especially at the beginning, when the war broke out. The individual investments, the main ones, we actually, when it comes to the Deposit Access Program, when it comes to the GG1 shaft, we're finishing sinking and will be preparing for connecting with the relevant corridors. When it comes to the Retków shaft, we've come to a preliminary agreement with the Grębocice municipality, so we're going to finalise the agreement. The GG2 Odra shaft – we're going to do the first boring by the end of this year. The progress is equally good when it comes to the main dewatering pumping stations. We've really accelerated the works and as of today no crucial project is at risk in terms of the physical or financial schedule. We've completed new projects as regards the BAT conclusions. This year, 4 more will be completed, so there's going to be one project for the next year and we'll have all tasks completed. As regards the tailings storage facility, waste is already being deposited in the Southern Quarter, so everything is going according to the schedule we assumed. And I will return here to the slide where we always present you the role of the Deep Głogów deposit. The production was at a similar level, but the small decrease arises from the fact that we had the phase of penetration through rock in H1, and hence a smaller content of metals. But, as you can see, when it comes to the amount of ore extracted,

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these are comparable volumes and here the pace of the work is as planned. Thank you.

**MARCIN CHLUDZIŃSKI, PRESIDENT OF THE MANAGEMENT BOARD:** Ladies and Gentlemen, in summary, as I've mentioned, we've been on an economic and geopolitical rollercoaster for the past, quite intensive 4 years, but, as you can see from the results, we've stayed on track. And we're able to show very good financial performance in these difficult times and this difficult period. One more word of a comment on the projects that are very important for us. The projects related to energy transition. After the announcements concerned with nuclear power, SMR technologies, we've gone one step further, a major one, meaning that we've submitted an application for the technical assessment and technology assessment to the National Atomic Energy Agency. This is the first formal step preceding further steps, that is location determination ones and building permits. You can see what's going on in the energy market, commodity markets, nuclear power is the only logical comprehensive response to the needs of heavy industry in Europe and we're simply following this path and this direction. Amendments to the regulations regarding the location of wind farms concerned with the issue of distance is also something that unlocks our potential projects, where we have our locations for such projects, so we're going back to the matters that were put aside for some time for regulatory reasons. But this is good information, because it opens our path there, too. We're still in the process of resolving licencing issues and concessions connected with offshore projects on the Baltic Sea. So, we're responding to this main, from the time perspective, cost challenge with our actions by seeking and striving for a strategic solution of this issue. These are not projects for one year. Nuclear power, as we all know, is a topic for 5-10 years, I'm talking about individual construction stages. But the period is certainly shorter than with large, standard projects, large nuclear units, so this gives us greater flexibility for the whole energy sector in Poland faster, and the flexibility is associated with a potential large nuclear unit, which is also necessary and indispensable. Ladies and Gentlemen, we're already in the second half of the year. We're looking at the world, but we're not getting too much attached to short-term trends, we believe in long-term trends and are trying, as we normally do, to act flexibility in the context of what the macroeconomic reality brings us. On this occasion, I'd like to warmly thank Vice President Adam Bugajczuk for his work of almost 4 years. He was responsible for the investment process, and for the procurement policy, and we have achieved considerable acceleration of project development in both areas, but also changes in procurement policies,

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which enable us to buy more efficiently. Adam, I'd like to thank you very much for those 4 years. As of the end of August, Adam is leaving the Company in the sense of working on the Management Board. Thank you and I wish you all the best in the further stages of your professional life. Thanks. Thank you all.

**LIDIA MARCINKOWSKA-BARTKOWIAK, EXECUTIVE DIRECTOR, COMMUNICATIONS:** Thank you for the comment on the results. Let's move on to the Q&A session, which will be hosted by Janusz Krystosiak, head of KGHM's investor relations. And, emphasising our flexibility, I need to apologise to you, because President Chludziński will have to go to other duties soon, but of course there are many of us at your disposal to answer as many of your questions as possible. Today and probably in the coming weeks is the time when we're having lots of projects. Janusz, the floor is yours.

**JANUSZ KRYSOSIAK, DIRECTOR, INVESTOR RELATIONS DEPARTMENT:** Thank you very much and good afternoon to everyone. I'll start with the question asked by the Bank of America; I'm sorry for my syntax, but I'm going to interpret it quickly. Bank of America. Mr Jason Fairclough: "Could you please discuss the present situation as regards contracting energy for the coming years? Spot prices are a multiple of the price levels in 2020–2021." I presume that the question is addressed to President Andrzej Kensbok.

**ANDRZEJ KENSBOK, VICE PRESIDENT OF THE MANAGEMENT BOARD (CFO):** Ladies and Gentlemen, we made a change as of the beginning of this year. I'll begin with an administrative change we made. Namely, we merged the area hedging the prices of electricity, gas, and ETSs with the Risk Department, which is in charge of hedging prices of metals and currency. So, our approach to all markets is comprehensive now. We appointed a Team, which analyses the energy situation in markets, in exchanges, in Europe and makes decisions on an ongoing basis. The Team works on a weekly basis. Analyses and decisions are weekly. It can be said that we can see now that spot prices are considerably higher than they used to be. I'd give my right arm to whoever tells me what the future will be like, especially as regards gas, because when it comes to electricity, there are no factors indicating that electricity could decrease. So we decided, or the Team decided, to hedge the price for the next year on a rolling basis, in small portions, and, for quite a long time now, apart from the securities we bought earlier for 2023, we've been additionally securing 2023 gradually, while looking at how prices change and by increasing the electricity price security level. As regards

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natural gas prices, there are more factors that might influence them. Europe is starting to restore its supply sources after the introduction of restrictions, so to speak, because this is not an embargo yet, on Russian natural gas. Other effective directions are beginning to emerge, ideas about the construction of natural gas pipelines or additional natural gas terminals are also beginning to emerge. Inventories or storage sites in France and in Germany are beginning to fill. We assume that those factors were, so to speak, factors that contributed most to the rapid rise in natural gas prices. Also, there was an outage of one of the American LNG export terminals. All these aspects can be said to be in the final phase at the moment. And if natural gas availability improves in Europe, we have a cautiously optimistic vision that the price, the current spot price, will not remain at this level, that it will be a bit lower. We have some hedges made for the next year. But for us, the main factor we take into consideration is the capability to act flexibly when it comes to the consumption level. And this is where we see our response potential. On the other hand, we have, and this needs to be made clear, high coal supplies. And we're talking not only about contracted coal, but also about already stocked coal. And hence, Energetyka, our company that produces heat for local municipalities, has enough coal in storage to meet generation needs, so-called disposable coal that is required for heating in this heating season, as well as secure contracts and ongoing deliveries of coal, so here the situation of, so to speak, equivalence of coal for natural gas is possible for us. We are also considering the possibility of ceasing the consumption of natural gas in Głogów in our combined cycle units in Głogów, in the future. This is still an open question, as I've mentioned, we're also negotiating issues such as take or pay with PSE and will see the effect. With respect to ETS allowances, we can say that we have them safely hedged for this year and the next year, so we don't expect any major movements here. A few small transactions have also been concluded this year, so we have CO<sub>2</sub> emission allowances secured and we are just using them this year.

**JANUSZ KRYSOŚIAK, DIRECTOR, INVESTOR RELATIONS DEPARTMENT:** Thank you very much. If you don't mind, before I give the floor to all of you present here today, I have a few topics revolving around the issue of working capital. And here, I have a few questions, for example, Mr Dan Major asks about the working capital, I'd like to ask President Andrzej Kensbok to answer, and the question is: "KGHM continued to build working capital in Q2 2022 despite the completion of the overhaul of the metallurgical plant in Poland, the total building of the working capital

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amounted to over PLN 4 billion over the past 18 months. Do you expect a complete reversal of this configuration? What can we expect in H2 2022?" I quoted the question asked by UBS. As I've mentioned, there are several similar questions about working capital. President Kensbok, will you please answer it?

**ANDRZEJ KENSBOK, VICE PRESIDENT OF THE MANAGEMENT BOARD (CFO):** To answer it briefly, yes, we want to reverse the trend, but I can't declare whether it will be a complete reversal. But the trend will be reversed technologically, because we're going to consume the anode inventory that has been built up. One correction here, the overhaul ended in July and, of course, then there is the start-up and so on, so we can say that the overhaul had not been finished at the end of June, it still continued and the production was based on the inventory. But, of course, we're going to reverse the trend in inventories of materials. I have already mentioned that, even though the war continues, supply chains are starting to look more predictable, I mean they are more predictable, and therefore we can afford to work on smaller inventories of materials.

**JANUSZ KRYSOSIAK, DIRECTOR, INVESTOR RELATIONS DEPARTMENT:** Thank you very much. Are there any questions from the floor? There you are, Paweł. Yes, the floor is yours.

**PAWEŁ PUCHALSKI, SANTANDER:** Good afternoon. So, perhaps, I've heard the questions asked, so to be more specific. There was a question about hedging. To put it in the simplest possible terms: What is the percentage of electricity you have hedged for the next year and at what price?

**ANDRZEJ KENSBOK, VICE PRESIDENT OF THE MANAGEMENT BOARD (CFO):** Currently, the situation continues to be volatile, but we can say that we have a fixed price for between 25% and 30% of the electricity volume for the next year, but the price varies, because some of it was fixed a year ago, some – at the beginning of this year, and some – now in those rolling transactions.

**PAWEŁ PUCHALSKI, SANTANDER:** Thank you. My second question also refers to what was said about natural gas, because you're saying that you've refrained from production from natural gas and shifted to producing heat from coal. So, the question, because I understand that you have stored coal: For how long will you have enough of this coal? I'm not asking about the contracted coal, because it can cost any price. I'm asking for how long you will have enough coal if the delivery doesn't come.

**ANDRZEJ KENSBOK, VICE PRESIDENT OF THE MANAGEMENT BOARD (CFO):** I can't give a precise



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answer, but the inventory will be enough for this heating season. But I would need to check it to answer precisely.

**PAWEŁ PUCHALSKI, SANTANDER:** Alright, this is good enough for me. And now my questions. I understand that you're in line with the budget, in general terms. And now, more specifically, I'm not asking about volumes this time. This time, I'd like to know whether you're also in line with the cost of PLN 26.5 thousand, because, I don't know, I don't think there was an adjustment in the semi-annual report, so I'd like to know what you think about your cost of 26.5, which was declared for this year in January.

**ANDRZEJ KENSBOK, VICE PRESIDENT OF THE MANAGEMENT BOARD (CFO):** We're in line with the budget, we're not preparing a new budget, but the total cost will be higher this year. So, the price factor is still at play here, and the factor related to the exchange rate of the Polish zloty, which offsets costs. So, we're obviously taking these two factors into account. But there has been no decision to prepare a new budget.

**PAWEŁ PUCHALSKI, SANTANDER:** Alright, I have also a question about cash flow in Q2, questions about the working capital have already been asked, and I have a question about tax, because a high tax has been paid there. And I'd like to make sure whether it was a tax paid for the past or it is a tax paid in the present and it will be set off against a much lower tax paid, for example, in H2 2022. I want to know whether it is the current situation and that we're calculating from that point.

**ANDRZEJ KENSBOK, VICE PRESIDENT OF THE MANAGEMENT BOARD (CFO):** I'm glancing at our Chief Accountant, but I'll try to answer as precisely as I can – yes, it is a tax related to our last year's profit. And we're establishing a current provision for this year's profit.

**PAWEŁ PUCHALSKI, SANTANDER:** Alright.

**ANDRZEJ KENSBOK, VICE PRESIDENT OF THE MANAGEMENT BOARD (CFO):** So the cash out of Q2 was associated with the payment of CIT for the previous year.

**PAWEŁ PUCHALSKI, SANTANDER:** Alright. The last question, because I know you're establishing, you've increased the provision, you have higher net profit, so the provision for employee bonuses is higher. I understand that all stakeholders, it is the right word, will be treated equally and you, as we're sitting here, looking at each other, can declare that you will propose 30% of net profit to be

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distributed as a dividend.

**ANDRZEJ KENSBOK, VICE PRESIDENT OF THE MANAGEMENT BOARD (CFO):** Our Collective Labour Agreement remains unchanged and I think many people are familiar with it, so our conduct is compliant here with the Collective Labour Agreement and we're also remaining compliant with our dividend policy.

**PAWEŁ PUCHALSKI, SANTANDER:** Thank you very much.

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

**MARCIN CHLUDZIŃSKI, PRESIDENT OF THE MANAGEMENT BOARD:** I'm sorry, I'm afraid I need to go to another meeting. The Management Board is staying longer and we're at your disposal here both after the conference and now, during the Q&A session. Thank you very much and goodbye.

**JANUSZ KRYSOSIAK, DIRECTOR, INVESTOR RELATIONS DEPARTMENT:** Thank you, President Chludziński.

**FRANCISZEK WAJDZIK, RADIO TOK FM:** Good afternoon. Could I ask for a comment on the results of the inspection performed by Piotr Borys from the Civic Coalition, who found that the salt water went to the Oder River from the KGHM Tailings Division in Głogów? Thank you.

**LIDIA MARCINKOWSKA-BARTKOWIAK, EXECUTIVE DIRECTOR, COMMUNICATIONS:** Well, perhaps I will take over the question, because it actually does not concern financial or production results, but is related more to CSR. Ladies and Gentlemen, inspections are carried out in various manners, that one was, I would say, very cautious and superficial, I mean, there were not too many data there. Perhaps I'll just refer to several facts in my comments. Our water discharge, any water discharge, takes place in Głogów. It is over 100 km downstream from Oława, where the contamination was discovered. This is the first thing. Unfortunately, despite our innovations, we cannot pump water so far up a river. The second thing, in July and in August this year, that is from 1 July to 10 August, our water discharge was exceptionally low. In July, it was approx. 12% of what was discharged in July last year. In August, it was also not much. It was also considerably less than the maximum provided for in our water permit. We, of course, comply with all standards. Also, for your information, every discharge, literally every single discharge is examined every day both at

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the point of discharge and 500 meters down the river. So we, so to speak, cannot respond to what Mr Borys says, but this is certainly a bit inaccurate.

**PAWEŁ BIEDRZYCKI, STREFA INWESTORÓW:** I have two questions. One is about what was said over a year ago, that there were some signals sent that KGHM is going to dispose of international assets. Is anything still going on about that or not? And the other issue is obviously the minerals extraction tax. At one moment, signals were sent that, due to the planned investments, for example in energy transition, something positive might happen here, to benefit KGHM of course, and is anything known about this area, is anything going on? Thank you.

**JANUSZ KRYSOSIAK, DIRECTOR, INVESTOR RELATIONS DEPARTMENT:** Thank you very much. President Kensbok?

**ANDRZEJ KENSBOK, VICE PRESIDENT OF THE MANAGEMENT BOARD (CFO):** As regards the minerals extraction tax, it has been significantly reduced this year. I need to make a reservation here that it is a minerals extraction tax and not a copper tax, as it's sometimes interpreted. And this is naturally a question to the Minister of Finance and the budget law that is to be drawn up soon, but we're presenting arguments that a reduced minerals extraction tax would have a positive effect on KGHM's cash flow, and it would make it easier for us to push through the energy transition, and I think that this argument is being acknowledged by many people. But we don't know whether it will be reflected in the budget law, we're trying to raise this argument, of course. I'm sorry, remind me of the first question, please.

**LIDIA MARCINKOWSKA-BARTKOWIAK, EXECUTIVE DIRECTOR, COMMUNICATIONS:** International assets.

**ANDRZEJ KENSBOK, VICE PRESIDENT OF THE MANAGEMENT BOARD (CFO):** International assets. We sold the Franke mine, the sale was effectively carried out, it was quite a complex transaction. But it was successful. We have also one other asset, actually, a group of assets of mines in the Sudbury Basin, which are being reclassified to the "held for sale" category. And because the so-called legacy system, the system we inherited, of ownership and corporate structure, is extremely complex when it comes to who owns whom and where various historical assets that KGHM purchased along with the purchase of Quadra are parked. We're organising the ownership structure, when it becomes organised, the asset will also, as a group of small mines in

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the Sudbury Basin, be held for sale, because the market as it expects that it wouldn't want to focus on each small mining company, but would prefer to look at it as a whole. This might arouse interest in large mining players located in the neighbourhood. We also announced the commencement of the process of selling the Carlota mine in the United States, the process ended without the submission of binding proposals by bidders. We're wondering whether we should repeat the process, whether the situation has changed enough to enable us to repeat the process of selling the Carlota mine. The decision has not been made yet, but it is an asset that is held for sale in the medium term. And in Poland, we sold our hotel assets, we don't have much in common with hotel activities, entities specialised in this area are able to estimate the potential better and make more accurate investments and manage more effectively in terms of operation, so we decided to sell here.

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

**DANIEL CZYŻEWSKI, ENERGETYKA24.COM:** I have a question for President Kensbok about ETSS. How much in advance does KGHM buy emission allowances and until when exactly are they secured for the moment?

**ANDRZEJ KENSBOK, VICE PRESIDENT OF THE MANAGEMENT BOARD (CFO):** So, I think I'll ask my colleagues to prepare a more precise answer and send it to you. My conservative answer is that we concluded our basic ETS purchase transactions last year and they cover virtually two years, this and the next one. We've concluded certain adjustment transactions this year taking advantage of the temporary ETS price drops. And now we're actually looking at the developments, we're also looking at the political dialogue on ETSS, on whether speculation will be permitted in that market or not, and how this will influence ETS prices. But this year, we're simply redeeming the ones we have. We, as an energy-intensive enterprise, had and still have an allocation of free ETSS, which we also use. But we'll send you a precise answer when, at what price, all we can tell you.

**JANUSZ KRYSOŚIAK, DIRECTOR, INVESTOR RELATIONS DEPARTMENT:** That's right. Thank you very much. All answers to the questions will naturally be posted on the website together with our transcript. In the meantime, perhaps a quick question from the Internet. A question from Morgan Stanley, Mr Ioannis Masvoulas, in this set of questions, I can see we've already discussed the minerals extraction tax, the issues of exposure to gas. I have a question about nuclear reactors.

As regards the CAPEX budget of USD 1.5–2 billion on nuclear reactors: when do you expect to start spending high amounts and for how many years? Are you planning to finance it with your own financial capacity, your own balance, or are you looking for prospective JVs?

**ANDRZEJ KENSBOK, VICE PRESIDENT OF THE MANAGEMENT BOARD (CFO):** We've already answered this question multiple times. The situation is that this year we're spending funds only on so-called early work, the preparatory activities, on the preparation, in the first place, of the document we're submitting to the National Atomic Energy Agency. It's a very extensive, comprehensive, very specific document and its preparation, together with other accompanying elements, costs money. So, this is what we're focusing on in the first place. Successive stages are provided for in the Nuclear Law, which will require location determination decisions and so on. When we have it, we can start thinking of financing some preparatory work or primary financing. It's much too soon to talk about that, but we've commenced a dialogue with financial institutions, we've commenced a dialogue with consultants, also with market regulators in Poland. In a few weeks, there will be the first meeting of an initiative group, which will commence a dialogue on how small modular reactors can be most efficiently financed in Poland compared to how they are financed in other European countries, non-European countries, how this should look from the viewpoint of risk appetite or balance sheet risk of a company like ours. What are the possibilities to receive State Treasury aid, guarantees, other sources of financing? This dialogue is just beginning, but we're certainly approaching it with due diligence and want to benchmark with other countries and other businesses, but also understand the financial institutions's appetite for financing nuclear reactors and the approach of consulting companies and market regulators, such as KNF or NBP.

**JANUSZ KRYSOSIAK, DIRECTOR, INVESTOR RELATIONS DEPARTMENT:** Thank you very much. Having analysed the questions I've received, the ones sent, I can say most or perhaps all of the topics have been discussed. So, in brief: we have already talked about energy, working capital, energy mix, hedging, and I can't see any new questions sent online. I can see we have a question from the room, the floor is yours. Please introduce yourself as well.

**MARCIN TRONOWICZ, SERWIS WGOSPODARCE.PL:** A question about KGHM INTERNATIONAL. What is INTERNATIONAL's share in the entire Group's extraction? And a question specifically about

Sierra Gorda. Is mining in Sierra Gorda profitable, what are the results, the net result, revenues, possibly outlook for the successive quarters of the half year.

**JANUSZ KRYSOŚIAK, DIRECTOR, INVESTOR RELATIONS DEPARTMENT:** Thank you, I'll perhaps show the slide with results in the meantime. As I understand, you're asking about the INTERNATIONAL segment, aren't you?

**MARCIN TRONOWICZ, SERWIS WGOSPODARCE.PL:** Yes, I am.

**JANUSZ KRYSOŚIAK, DIRECTOR, INVESTOR RELATIONS DEPARTMENT:** Let's perhaps begin with production results.

**ANDRZEJ KENSBOK, VICE PRESIDENT OF THE MANAGEMENT BOARD (CFO):** KGHM INTERNATIONAL's production is around 10% of the Group's production. Both INTERNATIONAL and Sierra Gorda are profitable and have positive cash flows. As I've mentioned, historically, things were changeable as regards profitability. We know that Sierra Gorda was unprofitable, a return to the past a bit. We made significant investments there in the so-called bottlenecking program, of increasing daily and annual capacities. After the full parameters adopted in the bottlenecking program were achieved, in accordance with the assumptions, Sierra Gorda became profitable. The profitability continues, but, as I've mentioned, it's lower than expected from various operational and non-operational factors, but it is still a profitable and promising entity, which manifested itself, among others, in the valuation and readiness to buy 45% of the entity by South32, an Australian mining group, which completed the transaction at the turn of this year and is our new JV partner.

**JANUSZ KRYSOŚIAK, DIRECTOR, INVESTOR RELATIONS DEPARTMENT:** Thank you very much. Naturally, I'd like to invite you to a broader discussion, Mr Piotr Dura, Executive Director for International Assets, is with us today, as well as Executive Directors in the individual areas in the Polish production are with us today. The Director responsible for nuclear energy is with us today. Our colleagues from finance are with us today, so if we haven't managed to fully answer your questions in individual aspects or you need more extensive clarifications, feel invited to take part in the discussion. I confirm that I have no new questions. Director Marcinkowska-Bartkowiak?

**LIDIA MARCINKOWSKA-BARTKOWIAK, EXECUTIVE DIRECTOR, COMMUNICATIONS:** Yes. I'd also like to remind you that the transcript with all questions and answers which might still be asked on the chat, because sometimes they are asked after the conference, can be found as soon as

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possible on our website. Of course, we'll prepare them as precisely as possible. Thank you all very much. And I'd like to thank also the audience of our online broadcast.

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

**ANDRZEJ KENSBOK, VICE PRESIDENT OF THE MANAGEMENT BOARD (CFO):** Thank you very much.

**JANUSZ KRYSOSIAK, DIRECTOR, INVESTOR RELATIONS DEPARTMENT:** Thank you, goodbye.

## Summary of questions raised at the Results Conference for the 1st half of 2022

### **1. Could you please discuss the present situation as regards contracting energy for the coming years? Spot prices are a multiple of the price levels in 2020–2021.**

**Answer:** Ladies and Gentlemen, we made a change as of the beginning of this year. I'll begin with an administrative change we made. Namely, we merged the area hedging the prices of electricity, gas, and ETs with the Risk Department, which is in charge of hedging prices of metals and currency. So, our approach to all markets is comprehensive now. We appointed a Team, which analyses the energy situation in markets, in exchanges, in Europe and makes decisions on an ongoing basis. The Team works on a weekly basis. Analyses and decisions are weekly. It can be said that we can see now that spot prices are considerably higher than they used to be. I'd give my right arm to whoever tells me what the future will be like, especially as regards gas, because when it comes to electricity, there are no factors indicating that electricity could decrease. So we decided, or the Team decided, to hedge the price for the next year on a rolling basis, in small portions, and, for quite a long time now, apart from the securities we bought earlier for 2023, we've been additionally securing 2023 gradually, while looking at how prices change and by increasing the electricity price security level. As regards natural gas prices, there are more factors that might influence them. Europe is starting to restore its supply sources after the introduction of restrictions, so to speak, because this is not an embargo yet, on Russian natural gas. Other effective directions are beginning to emerge, ideas about the construction of natural gas pipelines or additional natural gas terminals are also beginning to emerge. Inventories or storage sites in France and in Germany are beginning to fill. We assume that those factors were, so to speak, factors that contributed most to the rapid rise in natural gas prices. Also, there was an outage of one of the American LNG export terminals. All these aspects can be said to be in the final phase at the moment. And if natural gas availability improves in Europe, we have a cautiously optimistic vision that the price, the current spot price, will not remain at this level, that it will be a bit lower. We have some hedges made for the next year. But for us, the main factor we take into consideration is the capability to act flexibly when it comes to the consumption level. And this is where we see

our response potential. On the other hand, we have, and this needs to be made clear, high coal supplies. And we're talking not only about contracted coal, but also about already stocked coal. And hence, Energetyka, our company that produces heat for local municipalities, has enough coal in storage to meet generation needs, so-called disposable coal that is required for heating in this heating season, as well as secure contracts and ongoing deliveries of coal, so here the situation of, so to speak, equivalence of coal for natural gas is possible for us. We are also considering the possibility of ceasing the consumption of natural gas in Głogów in our combined cycle units in Głogów, in the future. This is still an open question, as I've mentioned, we're also negotiating issues such as take or pay with PSE and will see the effect. With respect to ETS allowances, we can say that we have them safely hedged for this year and the next year, so we don't expect any major movements here. A few small transactions have also been concluded this year, so we have CO2 emission allowances secured and we are just using them this year.

- 2. KGHM continued to build working capital in Q2 2022 despite the completion of the overhaul of the metallurgical plant in Poland, the total building of the working capital amounted to over PLN 4 billion over the past 18 months. Do you expect a complete reversal of this configuration? What can we expect in H2 2022?**

**Answer:** To answer it briefly, yes, we want to reverse the trend, but I can't declare whether it will be a complete reversal. But the trend will be reversed technologically, because we're going to consume the anode inventory that has been built up. One correction here, the overhaul ended in July and, of course, then there is the start-up and so on, so we can say that the overhaul had not been finished at the end of June, it still continued and the production was based on the inventory. But, of course, we're going to reverse the trend in inventories of materials. I have already mentioned that, even though the war continues, supply chains are starting to look more predictable, I mean they are more predictable, and therefore we can afford to work on smaller inventories of materials.

- 3. What is the percentage of electricity you have hedged for the next year and at what price?**

**Answer:** Currently, the situation continues to be volatile, but we can say that we have a fixed price for between 25% and 30% of the electricity volume for the next year, but the price varies, because some of it was fixed a year ago, some – at the beginning of this year, and some – now in those rolling transactions.

- 4. My second question also refers to what was said about natural gas, because you're saying that you've refrained from production from natural gas and shifted to producing heat from coal. So, the question, because I understand that you have stored coal: For how long will you have enough of this coal? I'm not asking about the contracted coal, because it can cost any price. I'm asking for how long you will have enough coal if the delivery doesn't come.**

**Answer:** I can't give a precise answer, but the inventory will be enough for this heating season.

- 5. I understand that you're in line with the budget, in general terms. And now, more specifically, I'm not asking about volumes this time. This time, I'd like to know whether you're also in line with the cost of PLN 26.5 thousand, because, I don't know, I don't**



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**think there was an adjustment in the semi-annual report, so I'd like to know what you think about your cost of 26.5, which was declared for this year in January.**

**Answer:** We're in line with the budget, we're not preparing a new budget, but the total cost will be higher this year. So, the price factor is still at play here, and the factor related to the exchange rate of the Polish zloty, which offsets costs. So, we're obviously taking these two factors into account. But there has been no decision to prepare a new budget.

- 6. Alright, I have also a question about cash flow in Q2, questions about the working capital have already been asked, and I have a question about tax, because a high tax has been paid there. And I'd like to make sure whether it was a tax paid for the past or it is a tax paid in the present and it will be set off against a much lower tax paid, for example, in H2 2022. I want to know whether it is the current situation and that we're calculating from that point.**

**Answer:** It is a tax related to our last year's profit. And we're establishing a current provision for this year's profit. So the cash out of Q2 was associated with the payment of CIT for the previous year.

- 7. The last question, because I know you're establishing, you've increased the provision, you have higher net profit, so the provision for employee bonuses is higher. I understand that all stakeholders, it is the right word, will be treated equally and you, as we're sitting here, looking at each other, can declare that you will propose 30% of net profit to be distributed as a dividend.**

**Answer:** Our Collective Labour Agreement remains unchanged and I think many people are familiar with it, so our conduct is compliant here with the Collective Labour Agreement and we're also remaining compliant with our dividend policy.

- 8. Could I ask for a comment on the results of the inspection performed by Piotr Borys from the Civic Coalition, who found that the salt water went to the Oder River from the KGHM Tailings Division in Głogów.**

**Answer:** Ladies and Gentlemen, inspections are carried out in various manners, that one was, I would say, very cautious and superficial, I mean, there were not too many data there. Perhaps I'll just refer to several facts in my comments. Our water discharge, any water discharge, takes place in Głogów. It is over 100 km downstream from Oława, where the contamination was discovered. This is the first thing. Unfortunately, despite our innovations, we cannot pump water so far up a river. The second thing, in July and in August this year, that is from 1 July to 10 August, our water discharge was exceptionally low. In July, it was approx. 12% of what was discharged in July last year. In August, it was also not much. It was also considerably less than the maximum provided for in our water permit. We, of course, comply with all standards. Also, for your information, every discharge, literally every single discharge is examined every day both at the point of discharge and 500 meters down the river. So we, so to speak, cannot respond to what Mr Borys says, but this is certainly a bit inaccurate.

- 9. I have two questions. One is about what was said over a year ago, that there were some signals sent that KGHM is going to dispose of international assets. Is anything still going on about that or not? And the other issue is obviously the minerals extraction tax. At one moment, signals were sent that, due to the planned investments, for example in energy**

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**transition, something positive might happen here, to benefit KGHM of course, and is anything known about this area, is anything going on.**

**Answer:** As regards the minerals extraction tax, it has been significantly reduced this year. I need to make a reservation here that it is a minerals extraction tax and not a copper tax, as it's sometimes interpreted. And this is naturally a question to the Minister of Finance and the budget law that is to be drawn up soon, but we're presenting arguments that a reduced minerals extraction tax would have a positive effect on KGHM's cash flow, and it would make it easier for us to push through the energy transition, and I think that this argument is being acknowledged by many people. But we don't know whether it will be reflected in the budget law, we're trying to raise this argument, of course.

International assets. We sold the Franke mine, the sale was effectively carried out, it was quite a complex transaction. But it was successful. We have also one other asset, actually, a group of assets of mines in the Sudbury Basin, which are being reclassified to the "held for sale" category. And because the so-called legacy system, the system we inherited, of ownership and corporate structure, is extremely complex when it comes to who owns whom and where various historical assets that KGHM purchased along with the purchase of Quadra are parked. We're organising the ownership structure, when it becomes organised, the asset will also, as a group of small mines in the Sudbury Basin, be held for sale, because the market as if expects that it wouldn't want to focus on each small mining company, but would prefer to look at it as a whole. This might arouse interest in large mining players located in the neighbourhood. We also announced the commencement of the process of selling the Carlota mine in the United States, the process ended without the submission of binding proposals by bidders. We're wondering whether we should repeat the process, whether the situation has changed enough to enable us to repeat the process of selling the Carlota mine. The decision has not been made yet, but it is an asset that is held for sale in the medium term. And in Poland, we sold our hotel assets, we don't have much in common with hotel activities, entities specialised in this area are able to estimate the potential better and make more accurate investments and manage more effectively in terms of operation, so we decided to sell here.

**10. A question for President Kensbok about ETSS. How much in advance does KGHM buy emission allowances and until when exactly are they secured for the moment.**

**Answer:** My conservative answer is that we concluded our basic ETS purchase transactions last year and they cover virtually two years, this and the next one. We've concluded certain adjustment transactions this year taking advantage of the temporary ETS price drops. And now we're actually looking at the developments, we're also looking at the political dialogue on ETSS, on whether speculation will be permitted in that market or not, and how this will influence ETS prices. But this year, we're simply redeeming the ones we have. We, as an energy-intensive enterprise, had and still have an allocation of free ETSS, which we also use. But we'll send you a precise answer when, at what price, all we can tell you.

**11. I have a question about nuclear reactors. As regards the CAPEX budget of USD 1.5-2 billion on nuclear reactors: when do you expect to start spending high amounts and for how many years? Are you planning to finance it with your own financial capacity, your own balance, or are you looking for prospective JVs.**

**Answer:** We've already answered this question multiple times. The situation is that this year

we're spending funds only on so-called early work, the preparatory activities, on the preparation, in the first place, of the document we're submitting to the National Atomic Energy Agency. It's a very extensive, comprehensive, very specific document and its preparation, together with other accompanying elements, costs money. So, this is what we're focusing on in the first place. Successive stages are provided for in the Nuclear Law, which will require location determination decisions and so on. When we have it, we can start thinking of financing some preparatory work or primary financing. It's much too soon to talk about that, but we've commenced a dialogue with financial institutions, we've commenced a dialogue with consultants, also with market regulators in Poland. In a few weeks, there will be the first meeting of an initiative group, which will commence a dialogue on how small modular reactors can be most efficiently financed in Poland compared to how they are financed in other European countries, non-European countries, how this should look from the viewpoint of risk appetite or balance sheet risk of a company like ours. What are the possibilities to receive State Treasury aid, guarantees, other sources of financing? This dialogue is just beginning, but we're certainly approaching it with due diligence and want to benchmark with other countries and other businesses, but also understand the financial institutions's appetite for financing nuclear reactors and the approach of consulting companies and market regulators, such as KNF or NBP.

- 12. A question about KGHM INTERNATIONAL. What is INTERNATIONAL's share in the entire Group's extraction? And a question specifically about Sierra Gorda. Is mining in Sierra Gorda profitable, what are the results, the net result, revenues, possibly outlook for the successive quarters of the half year.**

**Answer:** KGHM INTERNATIONAL's production is around 10% of the Group's production. Both INTERNATIONAL and Sierra Gorda are profitable and have positive cash flows. As I've mentioned, historically, things were changeable as regards profitability. We know that Sierra Gorda was unprofitable, a return to the past a bit. We made significant investments there in the so-called bottlenecking program, of increasing daily and annual capacities. After the full parameters adopted in the bottlenecking program were achieved, in accordance with the assumptions, Sierra Gorda became profitable. The profitability continues, but, as I've mentioned, it's lower than expected from various operational and non-operational factors, but it is still a profitable and promising entity, which manifested itself, among others, in the valuation and readiness to buy 45% of the entity by South32, an Australian mining group, which completed the transaction at the turn of this year and is our new JV partner.

- 13. At yesterday's conference there was some information given that the Company has secured around 25-30 percent of its energy needs for 2023 in terms of pricing. Does that 25-30 percent include 12.95 percent of general consumption from own sources?**

**Answer:** No. That 25-30% of secured electricity needs is in respect of power purchased to meet the Company's internal needs and only refers to the percentage amount of energy for KGHM's internal purposes purchased from the market. If KGHM consumes 100% of its energy, and internal generation is for example 13% of consumption, then that 25-30% secured refers to the difference in the aforementioned percentages (meaning only purchases).