

Response to questions submitted by shareholders pursuant to Article 428 § 5 of the Commercial Company Code

Shareholder questions – original spelling*

1. What was the management board guided by when it framed the profit distribution resolution? (...) as I understand things, we have nearly PLN 1.5 billion in profit for the past year to be distributed. (...) 30% of that profit would be approximately PLN 500 million (...). In other words, we have approximately PLN 500 million in profit that should be disbursed in the form of a dividend according to the policy. In your justification you argue that we have a loan from PFR, meaning that we cannot distribute dividends on account of formal reasons. Except that according to the reports, the outstanding balance on the PFR loan is roughly PLN 180 million, say roughly PLN 200 million. It is not intelligible to me that you, the management board, and subsequently the supervisory board, invoke these formal provisions and block the dividend, which is higher than the formal reason blocking the dividend. If then 30% of the profit totaling PLN 1.5 billion is roughly PLN 500 million, and the dividend is blocked by a loan totaling roughly PLN 200 million... what stands in the way of using the PLN 500 million, which the Company should normally pay out in the form of a dividend in accordance with the dividend policy to amortize the PLN 200 million loan and allocate PLN 300 million to pay as a dividend? (...) why has the management board justified this resolution in such a way, whereby the dividend policy is formally blocked, where it could calmly amortize the debt and pay out the remainder as a dividend of at least 30%.*

In framing the motion to the Shareholder Meeting on distributing the net earnings of Jastrzębska Spółka Węglowa S.A. for 2023, the Management Board was guided by the generally applicable legal regulations and the Code of Best Practices for WSE-Listed Companies 2021. Moreover, according to the Company's adopted dividend policy defined on page 59 of the JSW S.A. prospectus, it is pointed out that the Company's dividend policy depends on current operating results, cash flows, financial standing and capital requirements, general economic conditions as well as legal, tax, regulatory and contractual restrictions pertaining to dividend payments and on other factors which the Management Board considers important, and will be subject to changes aimed at adapting it to the above factors.

The policy invoked above points out that it is the Company's intention to recommend the distribution of a dividend of at least 30% of the consolidated net profit for a given financial year (the consolidated net profit in 2023 was PLN 997.1 million) to the Shareholder Meeting; however, the provisions of the Liquidity Loan and Preferential Loan Agreements concluded by Jastrzębska Spółka Węglowa S.A. with the Polish Development Fund in 2020 under the Governmental Program entitled "Polish Development Fund's Financial Shield for Large Companies" imposed a restriction in this area on the Company's Management Board, enumerating the payment of a dividend as a case of default of the contractual conditions.

The current level of interest rates in relation to the fixed, low interest rate on PFR loans makes it unprofitable for the Company to repay early a debt that carries a very low interest rate.

2. (...) in your opinion, did the Company's financial position in 2023 justify nearly doubling the spend to support sports from PLN 21 million to PLN 39 million on a year on year basis?*

Every year the sponsoring budget is aligned to the Company's financial result. JSW S.A. considers sponsoring activity to be an area forming the foundation of which its brand image rests.

Sport plays a very important role in JSW S.A.'s sponsorship activity. On one hand, as the largest employer in the region, the largest coking coal producer in the European Union and as a Polish company, JSW S.A. feels responsible for supporting disciplines that exert a positive impact on the inhabitants of the region where it operates. On the other hand, it appreciates how important it is to promote sports and a healthy and active lifestyle. By combining these two approaches, JSW S.A. has for years backed those disciplines that best reflect the nature of the company and generate a positive buzz among fans. That's why it made the decision to sponsor areas of sports such as volleyball, ice hockey, football and women's handball.

3. I would ask that you state more precisely which contractual commitments executed by JSW pertain to recommending... prohibiting a profit distribution recommendation by paying dividends and what sanctions these contracts contemplate in the event that such a recommendation is given by the management board? In particular, I am interested to learn whether the PFR loan contemplates a ban on giving such a recommendation and what the sanctions are for violating that ban, or generally a ban on paying dividends and whether this contract contemplates any sanctions whatsoever in the event the Company pays a dividend. Or, is it the case that the issue does not pertain to a ban on recommending a dividend payout, only to clauses set forth there stipulating a ban on paying dividends and what sanctions that contract contemplates in such a situation, if it contemplates any at all?*

Both the SLL Finance Contract and the PFR Loan Agreement contain provisions pertaining to the rules for paying dividends. The SLL Finance Contract does not prohibit the payment of dividends if the borrower's financial standing is good and the conditions for recommending the payment of dividends have been met. However, pursuant to the PFR Loan Agreements, a Management Board recommendation to pay dividends constitutes an event of default. Similarly, the ratification by the Shareholder Meeting of a dividend payout constitutes an event of default, insofar as an agreement is not reached with PFR.

4. I would ask for information on how much the Company earned in 2023 on the funds amassed on its savings accounts, term deposits, the Closed-End Investment Fund and other funds. I would ask for information pertaining to the specific amount and also to stating the interest rate achieved.*

The standalone financial statements of Jastrzębska Spółka Węglowa S.A. for the financial year ended 31 December 2023 in note 3.6 contain information pertaining to interest income.

The level of interest on term deposits is negotiated separately with the banks in each case. Funds are invested with the bank presenting the best offer while giving consideration to liquidity needs.

As at 31 December 2023, the value of the Investment Certificates in the JSW Stabilization FIZ totaled PLN 5,566.0 million, which means an increase by PLN 672.4 million as compared to the balance as at 31 December 2022. Detailed information is available in the standalone financial statements of Jastrzębska Spółka Węglowa S.A.

5. What were the amounts and what was the actual interest rate giving consideration to all the fees and other associated expenses (...) also in terms of the costs related to establishing collateral for these liabilities.*

The standalone financial statements of Jastrzębska Spółka Węglowa S.A. for the financial year ended 31 December 2023 in note 5 contain information pertaining to debt and the conditions on which the debt was extended. Note 3.6 presents interest expenses. Financing costs are set at a market level.

6. Item 4.14 of the document entitled best practices of WSE-listed companies presents specific situations in which the Company can retain all of the profit. Please indicate which specific reasons in that item 4.14 justify the motion to retain all of the 2023 profit and profits carried forward in JSW.*

Item 4.14 of the Code of Best Practice for WSE Listed Companies 2021 as invoked above presents a situation in which the payment of dividends would materially increase the risk of covenants stemming from loan agreements binding upon the Company among the possible causes enumerated there for retaining all of the profits.

7. (...) has the management board undertaken any efforts to verify the decision made by the previous management board?*

After taking into account the circumstances affecting the Company's operation, the Management Board issues recommendations pertaining to dividends. The decision on paying dividends is the sole power of the Company's Shareholder Meeting.

8. Does the management board intend to investigate the issue of paying bonuses to employees worth hundreds of millions of PLN two days prior to the parliamentary elections?*

The conclusion of the agreement with the trade unions ended the collective dispute initiated by the Representative Trade Union Organizations on 1 August 2023 and defused the possibility of further possible escalation of the conflict between the Company and the trade unions.

9. Does the management board intend to investigate the justification for burdening the Company with the obligation, unheard of thus far in the Polish legal system, of remitting a retroactively assessed tax for a previously closed financial year, referred to as the solidarity tax and has the Management Board checked whether the Company analyzed at all whether the regulations imposing this tax were implemented correctly and whether the Company procured a legal analysis on this subject matter?*

JSW S.A. is a business entity, a commercial law company, which operates on the basis of generally applicable laws enacted by authorized bodies. As of now, the current Management Board has not made a decision on procuring a legal analysis on this subject matter.

10. If a law were to take force today that would stipulate that members of management boards and supervisory boards who earned more than PLN 50 thousand last year have to pay an additional 20% tax, would you as the President of the Management Board consent to remit that tax, or would you rather enter into litigation contending that this tax does not comply... was imposed in violation of the law?*

The Management Board does not comment on statements that do not pertain to the Company's operations.

11. (...) was the contract mentioned many times an adhesion contract and was it possible to alter its contents so as not to place the management board in a situation (...) I do not know whether this would be a fitting term, a complete or partial deadlock?*

The basic economic terms and conditions of the SLL financing agreement, in terms of the level of commissions and fees, the term of financing, as well as covenants, obtained in the negotiations are within market levels and ranges, and should be assessed as the best possible terms available to the Company. The agreement is subject to justified modifications – in the event both parties consent to that.

12. (...) what steps did the management board take to curtail costs in 2023? In the sense what did the management board do to reduce those costs so that the Company could function (...) more easily?*

The Company is conducting many measurable activities to reduce various line items of its operating expenses. Having regard for the specific nature of production processes and the related energy intensity, several large-scale projects are being conducted in this area with the purpose among other things of striving to achieve a balance between electricity consumption and its own generation. The Methane Emissions Reduction Program (MERP) is one of the pillars of the environmental strategy adopted by the Company. It aims to increase the efficiency of methane drainage to 50% and the use of 95% of the captured methane to generate electricity and heat. This program covers all JSW mines and is related to underground works and further investments in cogeneration systems alike. Increasing methane capture will precipitate financial benefits related to our own production of energy and the sale of methane. In 2023, as part of the MERP Program projects were run to build cogeneration systems, modernize or build methane drainage stations and enhance the efficiency of methane drainage.

In 2023 on level 1000 of the Pniówek Mine, a new recycled material refurbishment chamber was built. The roadway support recovered in this chamber was originally targeted to become scrap. It has been recovered and is being used again, which is contributing to reducing the costs of materials. This technologically advanced machine makes it possible to refurbish approx. 420 running meters of roadway support with a total weight of 13.4 tons per day.

The process of merging the underground mining pits of the Knurów-Szczygłowice mine with the Budryk mine is a major effort contributing to future cost rationalization and optimization. This merger serves as an alternative to sinking a shaft in the Budryk mine. Its purpose is to enhance the effectiveness of working time by improving the climate conditions in the mines, streamlining the transportation of people and winnings and cutting costs. Additionally, one should list other projects with the purpose of optimizing the costs of JSW S.A.'s mines: building a central air conditioning system (for the purpose of extending working time), reactive power compensation (optimizing the costs of electricity consumption) and optimizing the ventilation grid.

Among the projects in progress in JSW Koks S.A. one should list the modernization of coke oven battery no. 4 in the Przyjaźń Coking Plant involving a switch in the system for coke oven battery charging from top charging to stamp charging. The use of stamp charging technology instead of top charging will make it possible to reduce the percentage of hard coking coal grades in the feedstock blend at the expense of increasing the percentage of semi-soft coal grades.

This will also contribute to growing the coke production volume (including blast-furnace coke output), which will as a result affect the unit cost of coke production.

In 2023, an investment was also run to build a power unit at the Radlin Coking Plant powered with gas obtained in the coal coking process. After commissioning the power unit, it will be used to produce electricity and heat to cover its own needs and for external offtakers (sales).

13. (...) what steps has the management board taken to pay a dividend of at least 30% based on the dividend policy and the code of best practice, as it states that there is such a clause in item 4.14 and that standard is applied by JSW.

Companies should strive to distribute their profits by paying out dividends. How then exactly... what steps has the management board taken, what actions has it taken for the Company to strive to distribute its profits by paying out dividends?*

The Company has made a written inquiry to PFR regarding the possibility of paying dividends and PFR has responded stating that a dividend payment would constitute an event of default.

14. How do you see the sense of Jastrzębska Spółka Węglowa operating on the stock exchange? (...) does the management board intend at this time to alter its approach to the capital market, to the operation of Jastrzębska Spółka Węglowa on the stock exchange and to caring about its fair valuation?*

The Company is listed on a regulated market, and the valuation of its shares is driven by market mechanisms and depends on individual decisions made by investors. The JSW S.A. Management Board conducts transparent, open and reliable communication with all capital market participants. Communication standards are based on respecting the principles of common and equal access to information while ensuring compliance with the law.

15. (...) shouldn't the management board state at this time and make a clear declaration (...) as this is very important information for the capital market, that at this time if the Company is not turning a profit, the trade unions cannot count on receiving any pay hikes or one-off bonuses. There is no source from which this could be funded. Shouldn't the management board simply make such a declaration to soothe the capital market? Shouldn't the management board give a clear declaration what talks pertaining to future demands will look like if the Company fails to produce income?*

Despite entering into the Salary Agreement on 20 June 2024, the employee payroll fund planned for 2024 is roughly PLN 93 million lower than the fund's actual spend in 2023.

16. (...) how do you assess the 2023 financial statements, what is the Company's standing as you look at the numbers, considering how much own funds the Company has in the closed-end investment fund and the profit it generated?*

In 2023 the Group generated a net profit of PLN 997 million. The Company has substantial funds set aside in the Stabilization Fund. When analyzing the company's 2023 balance sheet one may say that the Company's profitability ratios and liquidity ratios are at safe levels.

However, it is not possible to assess the state of the Company solely by analyzing its balance sheet as prepared last year. The considerable decline in market prices, enormous investment needs, the high increase of operating expenses that transpired in 2022 and 2023 and the pending decarbonization processes in the steel industry are contributing to the emergence of operational and strategic risks whose mitigation is currently the largest challenge faced by the Company's new Management Board.

17. (...) do other agreements also contain such clauses, I don't know say in electricity or water supply agreements? Perhaps they also contain such clauses?*

The agreements executed by the Company for the supply of the utilities used by JSW S.A. contain standard clauses for these types of agreements. They do not contain any clauses that would block the payment of dividends.

18. I would like to ask about how serious the CEO is, as two months ago, roughly 1.5 months ago he clearly stated in a report that Jastrzębska Spółka Węglowa will pay a dividend next year if such a possibility exists. In that very same sentence and in this context he said that it is probable that this year he would reach out to PFR to pay out money. After that, we received ... SLL in point of fact. After that we received information that such a legal option does not exist because the loan contains a paragraph obligating the management board to refrain from recommending a dividend.*

In Current Report No. 9/2023, dated 12 April 2023, regarding the execution of a Syndicated Loan Agreement for Sustainability-Linked Loan financing, the Company reported that "The agreement provides for standard restrictions for this type of financing, including permitted transactions, permitted disposal, permitted debt and collateral". The provisions regarding not recommending dividend payments for a certain period following a disbursement from the FIZ are standard for JSW S.A. and have also been used in other financing agreements entered into in the past.

The Issuer informed the market about the SLL agreement provision in question in Current Report No. 28/2024 dated 4 June 2024, as it was only on that date, after the JSW S.A. Management Board decided to redeem the FIZ certificates, that the provision became relevant to the evaluation of JSW S.A.'s securities.

19. If in fact this management board is different from the ones that served over the last dozen or so years and the previous management boards, and if in fact it somehow cuts costs in a miraculous manner, then what certainty do we have that (...) it will not allow the government to extract this money from the Company through some resolution or para-tax to fleece us as minority shareholders yet again? (...) Will we finally have a serious CEO, or will money once again be siphoned off left and right?*

The Management Board does not comment on statements that do not pertain to the Company's operations.

20. I would like to ask about the clause that is being raised here pertaining to the restrictions on the SLL loan. Is it not perchance the case that this loan agreement defines a certain safety buffer that must stay in place in the closed-end investment fund and is that not perchance PLN 850 million?*

Information about the required balance of the “Cash Buffer” in the context of funds invested in the closed-end investment fund is set forth in JSW S.A.’s standalone financial statements for 2023 (note 6.6).

The funds invested in investment certificates are an important part of the “Cash Buffer” (but they are not the only one), i.e. the obligation ensuing from the Syndicated Finance Agreement of 12 April 2023. The required balance of the Cash Buffer is PLN 750.0 million excluding the funds disbursed as part of the Revolving Loan under the above-mentioned agreement.

21. (...) is there any restriction in respect of this fund? I grasp things as following (...) the Company has an enormous amount of money in the fund that exceeds its capitalization. Now let’s assume that the Company’s financial position is sound in the sense that we constantly post financial results in the black. The money kept in that fund will grow and expand. Let’s assume that this amount swells to PLN 10 billion. Is there an upper limit or cap on the fund, or can it grow to infinity?*

One of the important actions that JSW S.A. took to prevent potential threats related to the deterioration of liquidity was the establishment of the Closed-End Investment Fund (“FIZ”). By providing stabilization support for current liquidity and curtailing the impact exerted by the coal and coke price volatility risk this fund guarantees that the Group will be able to continue its operating and investing activity.

Contributions to the Fund are made according to the rules prescribed by internal procedures. The value of each contribution to the Fund depends on the Company’s financial capabilities and its financial surpluses. A liquidity analysis precedes any contribution, followed by separate decisions of the Management Board, Supervisory Board and Shareholder Meeting. Moreover, the consent of the Fund’s Investor Meeting is required in each case to issue new Investment Certificates.

The liquidity position and where the Company is in the market cycle and the time for which the Fund was established define the maximum amount of funds invested in the Fund.

During the period of operation of the Closed-end Investment Fund the Shareholder Meeting has made several decisions to make contributions to the Fund:

- *on 18 January 2018 – by the power of resolution no. 4 the Extraordinary Shareholder Meeting gave consent to acquire series A investment certificates for PLN 1.5 billion;*
- *on 7 December 2018 – by the power of resolution no. 3 the Extraordinary Shareholder Meeting gave consent to acquire series B and subsequent series investment certificates for PLN 1.0 billion;*
- *on 3 June 2022 – by the power of resolution no. 5 the Ordinary Shareholder Meeting gave consent to acquire series D and subsequent series investment certificates for a total target amount of PLN 5.0 billion – contributions totaling PLN 3.5 billion have been made to the Fund; contributions for another PLN 1.5 billion can still be made to the Fund.*

It should also be pointed out that in 2020 investment certificates were retired for a total amount of approximately PLN 1.4 billion.

The duration of the Closed-end Investment Fund has been extended until 30 December 2027.

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22. (...) has the management board considered the establishment of a dividend fund to bypass the formal obstacles to recommending a dividend payout?

The JSW S.A. Management Board has not considered the establishment of a “dividend fund” thus far. At the same time, the Management Board would like to underscore that the decision to pay dividends is one of the sole powers of the Shareholder Meeting.

23. (...) has the management board thought about or considering adopting an employee bonus policy that would involve the Company conducting a share buyback, or issuing shares and then awarding a bonus by awarding shares, not cash to employees? Do the clauses of the SLL loan contain an item that would prohibit Jastrzębska Spółka Węglowa from conducting a share buyback?*

The JSW S.A. Management Board has not considered the adoption of an incentive program based on employee stock ownership thus far. The SLL Finance Agreement does not contain a ban against JSW S.A. conducting a share buyback.

24. (...) shouldn't the management board curtail the spending of funds outside the operation of Jastrzębska Spółka Węglowa such as providing grants to sports, cultural and church institutions? (...) are amounts on the order of PLN 50 million not excessive at a time when Jastrzębska Spółka Węglowa is not turning a profit?*

Every year the sponsoring budget is aligned to the Company's financial result. JSW S.A. considers sponsoring activity to be an area forming the foundation of which its brand image rests.

Sport plays a very important role in JSW S.A.'s sponsorship activity. On one hand, as the largest employer in the region, the largest coking coal producer in the European Union and as a Polish company, JSW S.A. feels responsible for supporting disciplines that exert a positive impact on the inhabitants of the region where it operates. On the other hand, it appreciates how important it is to promote sports and a healthy and active lifestyle.

In addition, other efforts to act for the benefit of local communities are the foundation of being a good neighbor, and this is something we as a company care about a lot. Local communities are in fact the entities that award us what are referred to as an operating license. For years JSW has paid special attention to supporting children and youth. It tries to support interesting, innovative and effective solutions in the area of education, health, ecology, culture and sports. In 2023 nearly 1.2 thousand children aged 5 to 12 took part in workshops organized as part corporate social responsibility projects. 42 thousand people from local communities participated in various types of events, picnics and shows. 250 children from impoverished families received physical gifts provided as part of JSW for Children, while 120 children from three orphanages went on camps and school breaks thanks to JSW S.A.

25. (...) what are the Company, management board and CEO doing to encourage people and retail investors to invest in JSW's shares?*

The Management Board operates on the basis of the applicable law and takes pertinent action in the Company's interest. Moreover, the Management Board manages the affairs of JSW S.A. and the Group, lays out the directions for growth and identifies the strategic areas on which the JSW Group will focus to facilitate its long-term development and the creation of added value for shareholders.

The Company's Management Board is constantly pursuing measures to enhance the attractiveness of its investment potential by placing special emphasis on transparency and active communication with stakeholders. The Company regularly publishes financial reports and other important information regarding its operation (e.g. production reports, IR Newsletter); events are also held to give investors the opportunity to pose their questions and obtain direct responses (results conferences, retail investor day and investor chats).

Moreover, the Company has implemented a number of facilities to obtain access to investment information by extending the investor relations tab. It utilizes easy-to-use on-line tools giving stakeholders the ability to track and analyze the Company's results (e.g. fact sheet, interactive analytical tool, share price alerts, investment calculator). The Management Board also invests in CSR activity and cares about building positive relations with the local community.

26. Can you assess these financial statements as an expert on whether the Company, when looking at these data, is in a sound financial position, or is it in a bad position?*

In 2023 the Group generated a net profit of PLN 997 million. The Company has substantial funds set aside in the Stabilization Fund. When analyzing the company's 2023 balance sheet one may say that the Company's profitability ratios and liquidity ratios are at safe levels.

However, it is not possible to assess the state of the Company solely by analyzing its balance sheet as prepared last year. The considerable decline in market prices, enormous investment needs, the high increase of operating expenses that transpired in 2022 and 2023 and the pending decarbonization processes in the steel industry are contributing to the emergence of operational and strategic risks whose mitigation is currently the largest challenge faced by the Company's new Management Board.

27. (...) when the Company took out the PFR loan, as we all know, that loan was under a governmental program. Thousands of Polish companies took out such loans. This was due to the COVID situation. Generally, the economy stalled and all companies were not operating too well financially. Here, when discussing the SLL Loan I would like to point out and recall that this loan was signed when Jastrzębska Spółka Węglowa (...) the loan was signed with these clauses relating to the dividend, which is the main subject here (...) was signed when Jastrzębska Spółka Węglowa held the largest amount of financial resources in its history, nearly PLN 9 billion. In other words, there was no argument being made here that the Company was facing a difficult situation or that it had not been capable of finalizing this from its own funds (...)*

The signed financing agreement is part of the financial management of the Company and the JSW Group and is intended to provide funds for working capital and investment financing, including projects resulting from the environmental strategy; it is also aimed at ensuring the correct structure of asset financing and maintaining liquidity in the long-term horizon (which is very important in terms of the cyclical nature of operations). Maintaining a safe asset financing structure is part of the JSW and JSW Group's Strategy, where holding long-term financing sources is one of the methods of achieving this target. Negotiating a long-term loan agreement in deteriorating market conditions would be difficult or impossible. Therefore, the Management Board's advance measures to enhance these sources for more difficult times are proper and confirm the strategic approach to liquidity risk management.