



Investor chat of KGHM Polska Miedź S.A.



INVESTOR CHAT

Mateusz Wodejko

Vice President of the Management Board (Finance)



**17th November
2023**



13:00



Link to the original chat (in Polish): [KGHM investor chat](#)

On Friday, 17th November 2023 an investor chat was held with the CFO of KGHM Polska Miedź S.A., Mr. Mateusz Wodejko. During the chat we talked about the financial results for the third quarter of 2023.

Please feel free to read through the chat.

Following is the transcript of the chat.

	<p>Janusz Maruszewski Hello and welcome to our investor chat with the CFO of KGHM, Mr. Mateusz Wodejko. The chat is open, we invite you to follow the discussion and to ask questions!</p>
	<p>Mateusz Wodejko Good afternoon, welcome to our investor chat related to the financial results for the third quarter of 2023. In the discussed period production of copper and silver by the KGHM Polska Miedź S.A. Group was at and above the levels set in the budget targets for 2023. As regards the operational and financial results, they are at a good level, compared to the corresponding period of 2022, which were characterised by a different economic base. These results are mainly due to the efforts undertaken by the Management Board in terms of optimisation and cost discipline. During our meeting today, I will provide more details and answer your questions. Please feel free to ask questions.</p>
	<p>Inwestor33 Do you already know the location of the SMR?</p>
	<p>Mateusz Wodejko As for the progress of work on this project, as we announced, this year the Ministry of Climate and Environment issued the basic decision for KGHM regarding the construction of a power plant based on small modular reactor (SMR) technology in Poland. This</p>

	<p>means that the copper giant has received official state approval for the planned investment in accordance with the assumptions and concept presented by the company. It should be emphasized that KGHM is at the stage before taking the investment decision, which will be made in the longer term, in the event of positive results of technical and financial analyses and after the implementation of SMR technology in one of the countries with extensive experience in nuclear energy (the so-called Next of a Kind approach). We will inform you about the details.</p>
	<p>Inwestor33 Is the lower EBITDA value due to a change in the calculation method?</p>
	<p>Mateusz Wodejko As at 30 September 2023, the Company redefined adjusted EBITDA in order to standardize the calculation and presentation of this parameter in each segment. The amendment includes replacing the depreciation/amortisation parameter in the "sales result + depreciation/amortisation" from the item "depreciation/amortisation in cash flow" to "depreciation in expenses by nature". When discussing the trend in y/y EBITDA, a number of factors contributed to its decline, i.e. a lower USD/PLN exchange rate, a lower copper price in USD (and even more in PLN) combined with cost pressure resulting from, among others, the price levels of energy factors. We cannot forget about the salary pressure that affects the level of services costs, including development work and broadly understood maintenance services. The temporary deterioration of production parameters at the level that KGHM INTERNATIONAL reported also affected the level of consolidated EBITDA. Despite these challenges, EBITDA performance is satisfactory because it allows us to maintain a stable financial situation in difficult macroeconomic conditions.</p>
	<p>Guest Securing the energy supplies at a reasonable cost is a strategic issue for KGHM and its shareholders in the medium and long term. What is the current situation of the SMR project, given the recent turbulence surrounding the project's partner, Nuscale?</p>
	<p>Mateusz Wodejko KGHM Polska Miedź S.A., taking into consideration the guidelines of the International Atomic Energy Agency in Vienna and the OECD's Nuclear Energy Agency in Paris, intends to select the best reactor technology for its SMR project (in terms of economics, the environment and safety) in accordance with best global standards, while at the same time adhering to the principles of transparency and competitiveness. In light of the above, the termination of the project to build a VOYGR-6™ nuclear power plant in the United States under the Carbon Free Power Project has no material impact on the SMR nuclear project being advanced at this stage by KGHM Polska Miedź S.A., regardless of the supplier of the technology and without reservation of exclusivity. The preliminary agreement entered into with NuScale Power, LLC on 14 February 2022 provided KGHM with access to technical data of the supplier of the technology, which was needed, among others, to initiate the process of selecting a target reactor technology.</p>
	<p>drwook Good morning, does the Company intend to increase the dividend level, and if so, by how much? Does the low USD/PLN exchange rate support the Company's results or is it the opposite? When will we see the Company's share price increase after many months of consolidation?</p>
	<p>Mateusz Wodejko As regards the dividend, the dividend policy of KGHM, wherein the assumptions regarding the possibility of paying dividends have been defined, is still in force. We are</p>

	<p>in the course of the financial year and after its completion and the final assessment of the Company's financial capabilities, in the context of the investment program that has been implemented, as well as the current situation on the metals market, we will start the process of internal discussions on the level of the dividend and dialogue with the market about the possibility of its payment. Undoubtedly, our recommendation, as the Management Board, about the distribution of profit, will certainly be the result of ongoing analyses with simultaneous consideration of the balance between the level of dividend paid out and the Company's effective investment opportunities. I would also like to remind you that the final decision on the payment of dividends is taken by the Ordinary General Meeting. Generally and in accordance with the principles of best practice, the Company does not share forecasts, including the potential price development of our products. As for the impact of the USD on the PLN exchange rate, the dollar exchange rate is important for the Company due to the fact that most of the revenues are denominated in USD, and in the income statement we also recognize the effects of changes in the valuation of foreign currency assets and liabilities, the main items of which are loans granted and financial liabilities.</p>
	<p>Pasjonat Have you thought about creating a design and minting your own silver bullion coins?</p>
	<p>Mateusz Wodejko Starting the production of small bars requires appropriate machinery and distribution channels – we are in the process of such analysis. There are no final decisions at this stage.</p>
	<p>Adam Krawczyk Good morning, please let me know what is the situation regarding KGHM's cooperation with the French company TotalEnergies and its entry into the offshore wind sector?</p>
	<p>Mateusz Wodejko As a result of liberalisation of the distance law in the first quarter of 2023, containing clauses enabling a reduction in the absolute distance for siting wind turbines from housing to 700 m, KGHM commenced a review of the possibilities of advancing onshore wind power projects, including the signing of an Agreement with the Company Energetyka regarding the transfer of project documentation and proprietary asset rights to the Radwanice-Żukowice project aimed at renewing appropriate project work. A detailed site analysis is being developed which will reflect current sector regulations, upon which continuation of the project is contingent. As regards TotalEnergies, their SPVs did not meet the necessary qualification minimums. With the above in mind, KGHM took steps to summarize activities in the area of offshore wind.</p>
	<p>Guest How would you summarize the third quarter results in relation to your goals and expectations? Are you satisfied with them?</p>
	<p>Mateusz Wodejko As for the third quarter itself, we are pleased that the Company coped with the difficult situation in the global economy.</p>
	<p>Guest Please update the situation with SMR - what are the next steps?</p>

	<p>Mateusz Wodejko I have tried to answer this question before.</p>
	<p>Radek What will cooperation with PGZ Group companies look like and are there any activities already carried out together?</p>
	<p>Mateusz Wodejko The agreement between KGHM and PGZ Group companies defines possible areas of joint activities in the implementation of research and development, production, and commercial projects, among others. The ammunition and missile area has been identified as a priority. The copper produced by KGHM is a strategic raw material of the future, used, among others, in solutions that enable the energy transition. The red metal is also of key importance to independence and raw material security, while copper is used to manufacture ammunition casings. We hope that the above agreement will contribute to further intensification of our cooperation, which has been ongoing for a long time.</p>
	<p>Radek To what extent can photovoltaic power plants reduce energy costs and at what stage are these works - they have been indicated as one of the important investments, so when can the costs incurred be recouped?</p>
	<p>Mateusz Wodejko Among all the electricity production technologies considered, it can be said that PV is currently one of the cheapest and most ecological. In the third quarter of this year, inter alia:</p> <ul style="list-style-type: none"> • an internal Technical Connection Conditions Decision was issued for the Obora Sandpit PV project to connect to the network of KGHM with total capacity of 50 MW. Procedures are underway to agree the possibilities of connection of such capacity to the network of OSD Tauron Dystrybucja S.A. An application was submitted for the issuance of an Environmental Impact decision to the Lubin Mining Office, based on which the Office commenced administrative proceedings. • the Company submitted an application to issue a technical connection conditions decision for a RES project being advanced on Company terrain with designed power of 88 MW. Tauron recognised the application as complete, and commenced analysis of the impact of the connection of the planned PV farm to its network; • administrative proceedings commenced, including for a building permit and an announcement of intent to build a cable network for the HMG I-III photovoltaic power plants complex at the Głogów Copper Smelter and Refinery; • design work is underway in respect of the Cedynia, Tarnówek, Kalinówka and Polkowice photovoltaic power plants, under an agreement signed with general contractors. • a preliminary contingent agreement was signed for the purchase solar power farm projects with a combined capacity of approx. 47 MW; • work was underway on the preliminary contract for the purchase of a PV project with a capacity of up to 20 MW.
	<p>Guest What impact may further strengthening of the PLN have, especially against the USD, on the results of subsequent quarters?</p>
	<p>Mateusz Wodejko As regards the impact of the USD to PLN exchange rate, the dollar exchange rate is important for the Company due to the fact that most of the revenues are denominated</p>

	<p>in USD, and in the income statement we also recognize the effects of changes in the valuation of foreign currency assets and liabilities, the main items of which are loans granted and financial liabilities.</p>
	<p>Adam Good afternoon, do your plans related to renewable energy include acquisitions of entities from this sector? Can the Management Board provide any details in this scope? Are any acquisitions planned by the end of the year, or is this a topic for 2024?</p>
	<p>Mateusz Wodejko I have already referred to the acquisition of PV companies this year in the above question. We are analyzing subsequent projects, potential acquisitions depend on price attractiveness and fitting into our energy model.</p>
	<p>Guest What does the situation look like in the current quarter? Do you see any signs of recovering demand for copper?</p>
	<p>Mateusz Wodejko It is too early to draw clear conclusions regarding the maintenance or increase in demand for copper in the current quarter. In China (which accounts for half of copper consumption), despite lower economic growth and problems in the construction sector, we are observing an increase in demand for copper, generated primarily by the broadly understood energy transformation. The dynamics of changes in demand for copper in the following quarters will be determined by maintaining (strengthening) the above-mentioned trend of energy transformation in China, Europe and the United States and on the pace of return of developed economies to the path of economic growth.</p>
	<p>Guest How is work on preparation for the construction of the Saltworks progressing? What was achieved in the last quarter?</p>
	<p>Mateusz Wodejko Analytical work is currently underway and at this stage it is too early to assess the results of this work.</p>
	<p>Guest How do you assess the situation in terms of energy costs in the past quarter and what trends do you expect in this respect in the coming quarters? Are you preparing for an increase in energy costs?</p>
	<p>Mateusz Wodejko Based on futures contracts for the purchase of electricity and gas, it seems that the peak of energy costs is behind us. I would prefer to avoid forecasting the situation for the future which is in line with our responsible policy.</p>
	<p>Mateusz Wodejko Thank you very much for participating in the chat and for all questions asked. I also invite you to follow the Company's information and contact us via our website Investors KGHM Corporate Website</p>
	<p>Janusz Maruszewski We would like to thank everyone for participating in the chat and for the questions asked, and to our guest for answering them. Greetings and have a nice afternoon and weekend!</p>