



## INVESTOR CHAT OF KGHM POLSKA MIEDŹ S.A.



## INVESTOR CHAT

**Piotr Krzyżewski**  
Vice President of the Management Board (Finance)





12.00 p.m.











Link to the original chat (in Polish): [Investor chat with the CFO of KGHM: "The improvement in results is the outcome of implementing a number of optimization activities, including effective cost management" \(strefainwestorow.pl\)](https://strefainwestorow.pl)










On Monday, 19th August 2024 an investor chat was held with the CFO of KGHM Polska Miedź S.A., Mr. Piotr Krzyżewski. During the chat we talked about the financial results for the first half of 2024 and further development plans.














530 people participated in the chat and the CFO responded to 24 questions. Please feel free to read through the chat.












Following is the transcript of the chat.








	<p><b>Janusz Maruszewski</b> Hello and welcome to our investor chat with the CFO of KGHM Polska Miedź S.A., Mr. Piotr Krzyżewski. The chat is open, we invite you to follow the discussion and to ask questions.</p>
	<p><b>Piotr Krzyżewski</b> Good afternoon, welcome to our investor chat related to the financial results for the first half of 2024. The KGHM Group ended the discussed period with a profit of PLN 1 074 million, or a substantial, 2.7-times increase compared to PLN 401 million earned in the corresponding period of 2023. Consolidated adjusted EBITDA amounted to PLN 4 208 million, or an increase by 35.4 percent year-to-year. Such a substantial improvement in the results is the result of advancement of a variety of optimisation actions, including the effective management of costs and higher production efficiency. During our meeting</p>

	<p>today, I will answer the issues you are interested in and possibly provide more details. Please feel free to ask questions.</p>
	<p><b>Barbara</b> You have recently carried out another bond issuance program. Is there a plan for further issues? Or maybe you intend to issue bonds for individual investors?</p>
	<p><b>Piotr Krzyżewski</b> On the basis of results of the book building process (PLN 1 billion), concluded on 14 June 2024, the Management Board of KGHM Polska Miedź S.A. adopted a resolution on the issuance of C series bonds ("Bonds") on the Polish market under the bonds issuance program, taking advantage of the favorable prospects of the market and the Company, up to the maximum amount of PLN 4 000 000 000. As I mentioned during our results conference, we are considering further issuances. At present, we do not have a plan to issue bonds directed to individual investors, we will announce our decisions.</p>
	<p><b>DZ</b> Are you satisfied with the results and do you still see potential for further cost reductions and profit growth?</p>
	<p><b>Piotr Krzyżewski</b> We closed the second quarter with good results, the result of a new management approach to key issues for KGHM. We seek the opportunities to reduce costs and increase profits. As the CEO had mentioned, we face challenges connected not only with reversing the trend of naturally-rising mining costs, but also higher costs of air cooling and transport logistics. To meet these challenges we need a responsible financing model.</p>
	<p><b>Barbara</b> What about silver bars? Is there any progress?</p>
	<p><b>Piotr Krzyżewski</b> Currently, our activities are focused on starting up the infrastructure (appropriate machinery and distribution channels) necessary for the production of cast gold and silver bars in the Głogów Copper Smelter and Refinery. The company is in the process of launching technology enabling the production of smaller silver and gold bars that meet the requirements of the investment market of individual clients (smaller bar sizes, repeatable weight, appropriate packaging, etc.). Work is underway on implementing the company's sales policy for these products - sales will start at the turn of the third and fourth quarters this year.</p>
	<p><b>Investor 33</b> Good results for the half-year - will there be a dividend for 2024? Any forecast?</p>
	<p><b>Piotr Krzyżewski</b> KGHM's Dividend Policy is in force in an unchanged form. We are in the course of a financial year and upon its closing we will make an assessment of the Company's financial capabilities and begin the decision-making process.</p>
	<p><b>Investor</b> Good afternoon, what percentage of energy consumption are your own sources?</p>
	<p><b>Piotr Krzyżewski</b> Own generation sources in the first half of 2024, including RES, covered 21.29% of KGHM Polska Miedź S.A.'s total power needs in all of KGHM's Divisions.</p>

	<p><b>Jacek</b> Why is the Company changing its adopted strategy and what will be key in the new strategy? What can we, as investors, expect from the new strategy?</p>
	<p><b>Piotr Krzyżewski</b> As we mentioned during our last results conferences and meetings with you during the last investor chat, we are in the process of strategy review. We focus mainly on mining, processing, metallurgy and broadly understood energy, including renewable energy. Our goal is to adapt the strategy to changing conditions in mining and the environment, to take advantage of opportunities and mitigate threats. The direction is to improve production efficiency, optimize processes and reduce costs. New areas of extraction must be accompanied by investments related to the deposits access and infrastructure. We will inform the market about the details upon completion of the work.</p>
	<p><b>D. K.</b> Does the company intend to decrease its debt? Does the company intend to increase dividends or maybe conduct a share buyback?</p>
	<p><b>Piotr Krzyżewski</b> According to KGHM's Financial Liquidity Management Policy, one of its goals is to maintain the level of the net debt/EBITDA ratio not higher than 2, which is perceived as a rational and safe level of financial leverage. As regards the dividend payout, the dividend policy of KGHM is still in force in an unchanged wording. The Company's liquidity situation is influenced not only by the level of external financing but also by the situation with working capital, the generated cash result from core business, etc.</p>
	<p><b>Guest</b> When will we see an update of the strategy? At what stage is it? Are you willing to dispose of any international assets?</p>
	<p><b>Piotr Krzyżewski</b> As I mentioned earlier, we are at an advanced stage of reviewing the strategy, we intend to inform the market of the key elements of the strategy by the end of this year. As regards the international assets, we have no plans to dispose of them at the moment.</p>
	<p><b>Guest</b> Congratulations on a successful Q2 2024. Can you explain the reasons for the better results than the market expectations? Do you see further possibility for optimization that would allow you to beat the consensus?</p>
	<p><b>Piotr Krzyżewski</b> Thank you on behalf of the Management Board and the Company. The better-than-expected results of the second quarter in the KGHM Group are firstly, cost discipline. Secondly, the good operating result of KGHM INTERNATIONAL LTD. and stronger positive contribution of the "Other" segment. As I said during the results conference, first of all we implemented optimization projects, which in principle did not require capex. After exhausting these possibilities, we will start projects that are already related to the allocation of the Company's resources, including financial ones. These activities will also be addressed in our Strategy.</p>
	<p><b>Guest</b> Can this improvement in performance be sustained?</p>

	<p><b>Piotr Krzyżewski</b> We hope so and we are striving for this.</p>
	<p><b>Guest</b> How big a customer is German industry for KGHM? To what extent might the German market complications affect the demand for the KGHM's products?</p>
	<p><b>Piotr Krzyżewski</b> At the end of 2023, approximately 18% of the consolidated sales revenue of the KGHM Group went to the German market. One of the solutions to ensure the security of trade is the appropriate diversification of sales - both in terms of product and geographical distribution - or customer diversification. Therefore, we believe that the risk is low.</p>
	<p><b>JB</b> In how many quarters will KGHM be able to pay more than PLN 5 of dividend if the average copper price remains at 9,500 USD/t?</p>
	<p><b>Piotr Krzyżewski</b> The company does not comment on forecasts.</p>
	<p><b>Bartosz</b> What major directions of CAPEX spending does the Management Board foresee? - in the context of the strategy revision.</p>
	<p><b>Piotr Krzyżewski</b> It will definitely include: mining, metallurgy, energy, including renewable energy. All projects implemented will take into account environmental aspects.</p>
	<p><b>Bartosz</b> How much of the PLN 1.5 billion needed to finance the desalination plant (according to information from Minister Mrs. Hennig-Kloska) will go to KGHM?</p>
	<p><b>Piotr Krzyżewski</b> We commenced the development of a feasibility study on the construction of an evaporated salt plant. As regards the amounts as well as results and financing sources, we will let the market know upon completion of this phase.</p>
	<p><b>Guest</b> What outlook do you see for the copper market until the end of 2024? Do you have any assumptions about the supply and demand and thus resulting price levels?</p>
	<p><b>Piotr Krzyżewski</b> We remain optimistic about copper demand in the long term. In the short term, there are always fluctuations in the demand/supply relationship caused by, among others, fluctuations in production levels, problems in individual economies. In the longer term, the market expects a shortage of copper production due to growing global demand for copper.</p>
	<p><b>Guest</b> In recent months, the Polish zloty has strengthened significantly against the dollar. How unfavorable is this trend for the company? What if it continues?</p>
	<p><b>Piotr Krzyżewski</b> Due to the market risk related to changes in exchange rates, we apply hedging strategies using derivatives. In terms of H1'24 versus H1'23, we noted an increase in the</p>

	adjustment of revenues from hedging transactions by +PLN 57 million to the amount of PLN 284 million.
	<b>Investor</b> Is this a lasting trend of increasing copper production at KGHM INTERNATIONAL LTD.?
	<b>Piotr Krzyżewski</b> Payable copper production at KGHM INTERNATIONAL LTD. in first half of 2024 increased by 90% compared to H1 2023. The production increase is a result of higher copper production by the Robinson mine. As the Management Board, we look at this asset in the long term, which should result in maintaining the assumed levels of production and profitability. Our goal is not to surprise with changes in the approach to this asset, but to develop it and consistently build its value.
	<b>Investor 33</b> What is the production level in Sierra Gorda? Is it better than last year?
	<b>Piotr Krzyżewski</b> Production in the Sierra Gorda mine H1'24/H1'23 was lower by 4.4 thousand tonnes, mainly due to lower copper content in ore by approx. 10% and lower recovery by approx. 3%, which was partially compensated by higher processing by 5%. Sierra Gorda is a larger asset than Robinson and similar challenges, related to, among others, the geology of the deposit, require more intensive management and capital actions in this mine. By the end of this year we wish to get closer to the budget assumptions.
	<b>Guest</b> Will the issued bonds be placed on the Catalyst secondary market, so that they can be traded?
	<b>Piotr Krzyżewski</b> Yes, the bonds will debut on the Catalyst market.
	<b>Bartosz</b> Sales to Germany fell by one third. What are the reasons for this, opportunities of this trend reversal, and what is the significance of that to the Company?
	<b>Piotr Krzyżewski</b> This is not a trend, we actively manage our sales, its structure at the geographical and individual contractors level.
	<b>PiotrL</b> What are KGHM's forecasts for copper prices?
	<b>Piotr Krzyżewski</b> In accordance with the information policy, the Company does not publish financial forecasts. As I mentioned earlier, in the long term, our outlook for copper demand and price is positive.
	<b>Guest</b> Are you considering the issuance of bonds to individual investors in subsequent issues?

	<p><b>Piotr Krzyżewski</b> At present, we are not planning to issue bonds to individual investors, we will inform you about our decisions.</p>
	<p><b>Guest</b> Does the Company have to prepare a Climate Neutrality Plan or similar document that outlines its path to zero CO<sub>2</sub> emissions - if so, what are the financial implications (current and long-term, i.e. limiting the number of EUAs, etc.)?</p>
	<p><b>Piotr Krzyżewski</b> According to the ESRS requirements, the Company must disclose its plan for transitioning to a sustainable economy in order to limit global warming to 1.5°C in line with the Paris Agreement. This plan has to include, among others, emission reduction targets, investments in decarbonisation and an assessment of risks related to emissions from key assets. It is important that this plan be an integral part of the Company's business strategy and financial planning. It is important that in subsequent reporting years, this information needs to be systematically included in current and future financial analyses. The development of a transformation plan will also be required by regulations - the Corporate Sustainability Due Diligence Directive (CSDDD, 2027).</p>
	<p><b>Guest:</b> Does the Company plan projects implemented in the project finance model, etc.?</p>
	<p><b>Piotr Krzyżewski</b> As one of the potential financing options, yes.</p>
	<p><b>Piotr Krzyżewski</b> 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 <a href="#">Investors   KGHM Corporate Website</a>.</p>
	<p><b>Janusz Maruszewski</b> We would like to thank everyone for participating in the chat and for the questions asked, and to our guest for answering them. Best regards, and have a nice afternoon!</p>