



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): [Improving production efficiency, optimizing processes and searching for new mining areas will be our main priorities - investor chat with the CFO of KGHM](#)









On Friday, 26th April 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 full year 2023 and further development plans.








650 people participated in the chat, and Mr. Piotr Krzyżewski responded to nearly 20 questions.








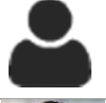

Please feel free to read through the chat.








Following is the transcript of the chat.

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|  | <p>Janusz Maruszewski Hello and welcome to our investor chat with the CFO of KGHM, Mr. Piotr Krzyżewski. The chat is open, we invite you to follow the discussion and to ask questions!</p> |
|  | <p>Piotr Krzyżewski Good afternoon, welcome to our investor chat related to the financial results for the fourth quarter and the full year 2023. In the discussed period, despite a difficult macroeconomic environment, volatile commodities prices and high cost pressures, in KGHM we advanced projects in 2023 whose goal was to strengthen the Group's productivity and efficiency. We have published solid operating results. Consolidated revenues of the KGHM Group for 2023 amounted to PLN 33.5 billion, adjusted EBITDA nearly PLN 5.4 billion, while equity of the Group reached PLN 26.8 billion.</p> |

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| | <p>During our meeting today, I will provide more details and answer your questions. Please feel free to ask questions.</p> |
|  | <p>Guest Good afternoon, is there any work being carried out to introduce the production of silver bullion coins?</p> |
|  | <p>Piotr Krzyżewski Currently, our activities are focused more on providing and commissioning the infrastructure (appropriate machine park and distribution channels) necessary for the production of cast gold and silver bars in the Głogów Copper Smelter and Refinery.</p> |
|  | <p>Guest How do you assess the beginning of this year for the copper market? Is the situation positive for KGHM?</p> |
|  | <p>Piotr Krzyżewski Considering that the copper price has once again exceeded USD 10 000 per tonne, it is clear that the outlook for this year is quite positive for producers of the red metal. However, there are signals that at least part of the recent increases (difficult to estimate in terms of scale) can be attributed to speculative capital that took a position on copper due to fundamental signals (especially mine supply problems and announcements of reduced production by Chinese smelters as well as hopes for an increase in demand in China, but also in Western economies). However, our task is to keep our production costs under control to maximize the benefits of good market conditions.</p> |
|  | <p>Guest What will the dividend payout look like in the face of the recorded net loss?</p> |
|  | <p>Piotr Krzyżewski As regards the dividend payout, the dividend policy of KGHM is still in force in an unchanged wording, which provides for the maximum proposed amount of dividend up to one third of the Company's standalone result. From a legal point of view, the recorded net loss does not exclude the possibility of paying a dividend. The Management Board of KGHM is currently analyzing the financial situation and capital needs of the parent entity and the entire KGHM Group. The final decision on the payment of dividends is of course taken by the Ordinary General Meeting.</p> |
|  | <p>Inwestor33 You have mentioned updating the strategy at the results conference - when can we expect more information? Thank you for the answers.</p> |
|  | <p>Piotr Krzyżewski According to the issues we talked about yesterday during the results conference, from the first days of appointing the new Management Board, we have been working not only to maintain KGHM's position among the leaders in copper and silver production, but above all to strengthen this status. We intend to adhere to our corporate roots and focus on what we know best - the extraction and processing of natural raw materials. In the nearest future, we will review the strategy to adapt it to the changing market conditions and our development goals. Analyses of our projects are already underway. Our goal is to maximize their potential. Improving production efficiency, optimizing processes and searching for new mining areas will be our main priorities. All decisions will be made in a responsible and thoughtful manner, always keeping in mind the long-term success of KGHM and the well-being of our Stakeholders. Without the copper, silver and other metals that we produce, there would be no modern, technologically advanced economy</p> |

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| | that meets the latest safety standards. This is a potential opportunity that we intend to take advantage of. |
|  | Inwestor x1 Will the new Management Board continue the investments in renewable energy? |
|  | Piotr Krzyżewski In Poland, we have a total of several hundred companies that consume together 35 TWh per year, i.e. over 20 percent of the entire electricity consumption in Poland - this includes, among others, mines along with nitrogen, chemical and metallurgical plants. The mining sector, including KGHM, is particularly energy-intensive. KGHM is the second-largest consumer of electricity in Poland. Therefore, just like other large mining companies (among others due to energy costs), we are focused on our own energy transformation program. We are carrying out solar power plant projects on Company land (at the Głogów Copper Smelter and Refinery, the Cedynia Wire Rod Plant, the Tailings Division and at the Obora Sand Pit), and are preparing additional projects which will arise on land belonging to KGHM, though we are also active on the M&A market in terms of RES, and are engaged in a variety of due diligence processes as well as valuations of assets available for sale. It is worth noting that since January 2023, one hundred percent of the electricity consumed by the Sierra Gorda mine comes from renewable energy sources (RES). As we indicated, the strategy and projects are currently being reviewed - likewise in this area. As soon as we complete the analyses, we will inform you about our further plans. A key element of the strategy will be ensuring financing for these projects. |
|  | Inwestor33 The second question about the dividend - do you see any chance of disbursing profits for shareholders? |
|  | Piotr Krzyżewski As I have already mentioned, the Management Board is in the analysis process and at present we are working on preparing the Management Board's recommendations. We are also waiting for the date of the General Meeting, which will take the final decision on the distribution of profit. We will provide you with all information on this subject on an ongoing basis. |
|  | KM What CAPEX has been predicted for this year and to what extent is this financing secured? |
|  | Piotr Krzyżewski KGHM Polska Miedź S.A. assumed capital expenditures on property, plant and equipment for 2024 (excluding borrowing and leasing costs as well as expenditures on uncompleted development work) in the amount of PLN 4.1 billion, while other capital expenditures amount to PLN 1.5 billion. The Company has its own financing sources as well as external ones to finance our expenses. An element of the current analysis is also a review of the effectiveness of individual CAPEX expenditures. |
|  | KM What is the cost situation in Chile, has the cost pressure slowed down? |

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|  | <p>Piotr Krzyżewski</p> <p>In the year 2023 the C1 cash cost in Sierra Gorda amounted to 1.50 USD/lb, 12 percent above the level recorded in the corresponding period of the last year, which mainly results from the increase in costs of external services and labour, given the drop in the volume of copper sales, which were characterised by lower copper content than in 2022. At the same time, I would like to point out that the change in the C1 cost is largely influenced, apart from costs, by the volume of production of payable copper and accompanying metals in a given period, being the result of the amount of processed ore, recovery and metal content in the processed ore.</p> |
|  | <p>Inwestor33</p> <p>Good afternoon, I wanted to ask about the plans to build a nuclear plant. Is this investment at risk?</p> |
|  | <p>Piotr Krzyżewski</p> <p>KGHM is interested in energy projects, but those that will bring positive effects for our core business, i.e. the production and mining of metals. At least, as long as the prospect of mining our deposits is so long. Nuclear energy for the purpose of diversification and power compensation is an attractive direction, but it needs to be kept in mind that the construction of a SMR or MMR is an undertaking that will take many years.</p> |
|  | <p>Anonymous</p> <p>Good morning. During yesterday's conference, one could get the impression that the management does not see the need, there is no pressure to invest in renewable energy sources, but only to invest in projects that will strictly support its energy-intensive business. What about the decarbonization program? How does the company want to be competitive versus foreign competition?</p> |
|  | <p>Piotr Krzyżewski</p> <p>Just to be clear, the Climate Policy of KGHM Polska Miedź S.A. is still valid and being advanced, as shown by our acquisitions of RES projects in recent quarters. However, as a newly-appointed Management Board we have an obligation to our stakeholders to review the existing strategy and to make any changes that we feel are justified and warranted, and which satisfy both the company's business needs and market and regulatory expectations. For example a number of our customers continue to seek greater actions towards decarbonisation of our operations. Towards that end we have announced that our Decarbonisation Program is expected to be published by the end of this year, and should help to demonstrate how the company is responding to our competition and the expectations of our stakeholders, including our customers and shareholders.</p> |
|  | <p>Guest</p> <p>Is there still any chance to reduce the cost of C1, given the decline in gas and electricity prices?</p> |
|  | <p>Piotr Krzyżewski</p> <p>Active management of energy purchases and the continuation of the observed market trend should result in C1 declines in the following quarters. However, there are other factors shaping the C1 indicator, and the full picture will be the result of these factors.</p> |
|  | <p>Mariusz</p> <p>Are there any current talks on changes to the minerals extraction tax?</p> |
|  | <p>Piotr Krzyżewski</p> <p>Any potential minerals extraction tax relief will be used effectively by the Company in accordance with its capital allocation model, including its capital needs related to the</p> |

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| | <p>maintenance and development of operations that build shareholder value and the future of the entire KGHM Group.</p> |
|  | <p>Guest Yesterday, the Management Board talked about announcing a new strategy. When can we expect this and what exactly does it mean?</p> |
|  | <p>Piotr Krzyżewski We would like to present the conclusions of the strategy review to you by the end of this year, but, as I mentioned earlier, we are working not only to maintain the KGHM Group's position among the leaders in copper and silver production, but above all to strengthen it. We intend to focus on the extraction and processing of natural raw materials. Improving production efficiency, optimizing processes and searching for new mining areas will be our main priorities.</p> |
|  | <p>Guest Can you provide more details on the improving copper production at KGHM INTERNATIONAL LTD.? What can reinforce this trend?</p> |
|  | <p>Piotr Krzyżewski For most of 2023, the Robinson mine operated in a so-called transitional zone, characterised by a relatively low quality of ore, resulting in lower recovery and copper content in concentrate. This factor was the main reason for the decrease in copper production by KGHM INTERNATIONAL LTD. The situation improved decisively in the fourth quarter of 2023. The increase in copper content in the deposit being mined by Robinson led to a substantial increase in payable copper production. As for this year, we expect continued work in the deposit with good copper content.</p> |
|  | <p>Pytek Why in the first quarter of this year when there is an increase in the price of copper, there is no increase in sales, but a decrease? Can you count on good profits and taking advantage of the good copper streak?</p> |
|  | <p>Piotr Krzyżewski In the parent entity of KGHM, the decrease in sales in March 2024 was due to lower production of electrolytic copper in the first quarter of 2024 compared to the first quarter of quarter of 2023. In the period January-March 2024 copper sales were higher by 1.9 thousand tonnes compared to the corresponding period of 2023. The sales volume is also determined by the shipping schedule with customers. At the level of the KGHM Group, the quarter-on-quarter decline in sales was, however, small. It can be added that the sale of copper in various forms is carried out in accordance with the formula agreed between the parties, based on the average copper exchange quotations from a specific so-called quotation period.</p> |
|  | <p>Anonymous Does the company have a sustainable development policy or an ESG strategy? Where can I read about the management's KPIs related to, for example, CO₂ emission reduction goals or reduced water usage? Does KGHM participate in international initiatives fighting climate change? I extend my sincere gratitude in advance for your substantive responses. The capital market rejoices in the recent changes and perceives an opportunity for sound management of the company by experts from the metals and mining industry.</p> |

**Piotr Krzyżewski**

Even prior to our announcement of a Climate Policy in 2022, KGHM Polska Miedź S.A. has been working diligently to decrease its impact on the environment and to be a good neighbour to its local communities. Nonetheless, given the increase in attention in recent years on companies increasing their level of sustainability, we have responded by increasing both our actions and our reporting of how the company is striving to optimise its sustainable approach to its operations. Among others last year we created a new ESG unit dedicated to driving sustainability issues in the KGHM Group and tasked with developing an ESG Policy. We are also involved directly and indirectly in numerous international organisations which are tackling sustainability issues, especially in the copper mining and processing sector, and with them are working to both increase the supply of metals needed for the green transformation as well as ensuring that the associated environmental impact from that production is as minimal as possible.

**Piotr Krzyżewski**

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](#)

**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. All the best, and have a nice afternoon and weekend!