



Investor chat of KGHM Polska Miedź S.A.



INVESTOR CHAT

Mateusz Wodejko

Vice President of the Management Board (Finance)



**21st August
2023**



14:00



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

On Monday, 21st August 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 first half of 2023. Investors also posed questions about the dividend policy, ongoing investments and constructing an SMR plant.

435 people participated in the chat, and the Vice President responded to nearly 20 questions. 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 first half of 2023. In the discussed period, amid a changing macroeconomic situation on global markets, the KGHM Group maintained a safe production level as well as financial results. The first half of this year primarily involved a consistent implementation of planned business ventures, in compliance with an ambitious Capex. During our meeting today, I will provide more details and answer Your questions. Please feel free to ask questions.</p>

	<p>Inwestor33 Good afternoon, I would like to ask about the dividend. Will you consider disbursing any dividend for 2023 despite rather poor half-year results?</p>
	<p>Mateusz Wodejko The dividend policy of KGHM, wherein the assumptions regarding the possibility of paying dividends have been defined, is still in force. We are in the middle 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.</p>
	<p>Inwestor33 Second question about nuclear power. Do you already know the location of the plant?</p>
	<p>Mateusz Wodejko As regards the progress of work on this project, in July this year the Ministry of Climate and Environment granted us the basic decision regarding the construction of a small modular nuclear power plant (SMR) in Poland. Therefore, it can be said that we have received an official approval from the State for the planned investment in accordance with the assumptions and concept presented by the Company. The basic decision is the first decision in the system of administrative permits for investments in nuclear power facilities in Poland that an investor may apply for. Obtaining it entitles KGHM to apply for a number of further administrative arrangements, such as e.g. a location decision or building permit. We will inform you about the details.</p>
	<p>Inwestor33 And the last question about a trip to the KGHM mine. Will there be a chance this year?</p>
	<p>Mateusz Wodejko Thank you for your interest in this form of communication. Investor's Days, during which we create the opportunity to see our mines, is one of the activities that supports our dialogue with the capital market. We organize such events on a regular basis. The goal of these projects is to familiarise investors with the functioning of KGHM's major operational facilities, as well as with the current operating and financial results of the KGHM Group, the advancement of the strategy and macroeconomic conditions. We will announce such investor events via our website and the IR Newsletter.</p>
	<p>Rafał Irzyński What is the assumed maximum level of potential spending on the acquisition of RES projects?</p>
	<p>Mateusz Wodejko Obtaining a certain level of energy from RES will be a mix of acquisitions and own development. We hope for a significant share of the latter one, which is why today it is difficult to determine the total level of expenditures on acquisitions. The intention is to acquire such projects in the most effective way.</p>

	<p>Rafał Irzyński What are the most important drivers of C1 cost growth in Poland? Does the pressure on C1 cost growth continue in the following months of the second half of this year?</p>
	<p>Mateusz Wodejko The increase in C1 cost in KGHM Polska Miedź S.A. in relation to H1 2022 is mainly due to higher costs of materials, fuels and energy as well as labour costs. The exchange rate of the US dollar and the price of silver are also important. The recently observed decreases in the prices of energy carriers do not necessarily translate into a decrease in the level of C1 cost, since the above-mentioned positive effect may be limited by the strengthening of the PLN or a fall in silver prices.</p>
	<p>Mac What are the main reasons for such a large decrease in net profit in the first half of 2023, how is the Company prepared for large drops in copper prices due to the financial crisis in China?</p>
	<p>Mateusz Wodejko The decrease in the net result compared to H1 2022 was due to the following factors: an increase in the costs of basic operating activities (-PLN 1.967 million), the negative impact of exchange differences (-PLN 1 566 million) and a lower level of reversals of impairment on loans granted to a joint venture (-PLN 301 million), which in total accounted for over 90% of the overall decrease in net profit. The Company uses hedging transactions, while maintaining financial security.</p>
	<p>MixCD Production in Poland compensates for Canada! Why were KGHM International and Sierra Gorda so weak?</p>
	<p>Mateusz Wodejko. As I emphasized at the beginning, the KGHM Group maintained safe production results. Looking in detail at KGHM Polska Miedź S.A., we achieved: higher production of copper in concentrate, production of payable copper close to last year's result, and higher production of silver and gold. As regards Sierra Gorda, we have been talking about the level of payable copper production in Sierra Gorda for a long time - the level of extraction planned for 2023 is related to the location in the deposit and the work schedule, which anticipated for the copper content in the ore to be lower than the peak recorded several years ago. Such levels will appear again in the future. The much lower production of payable copper in KGHM INTERNATIONAL LTD. is mainly due to the exploitation of a transition zone with a lower copper content in the Robinson mine. In the first half of the year, the Group recorded higher molybdenum production in Sierra Gorda and higher production of copper and silver in the Sudbury Basin.</p>
	<p>Mac Where does KGHM intend to sell evaporated salt, which is going to be produced at the Głogów Copper Smelter and refinery?</p>
	<p>Mateusz Wodejko As far as this investment is concerned, we are starting to prepare a feasibility study for the construction of a modern Saltworks plant. This is a commercial and environmentally friendly investment project. It will reduce the salinity of KGHM's process water and produce environmentally neutral water that is free of salt and contaminants. In addition, up to one million tonnes of evaporated salt will be produced annually, as well as nearly 70,000 tonnes of fertilizers for agriculture. At the moment, we are at the stage of analysis, we will inform you about the next steps in the project.</p>

	<p>Mac How many years is the operation of the Żelazny Most reservoir planned for after its expansion?</p>
	<p>Mateusz Wodejko Currently, the Żelazny Most Tailings Storage Facility can operate for about another two decades, while the Company is already working on solving the issue of waste management after the end of the period of deposition in the current facility.</p>
	<p>MixCD Do you really want to enter the arms industry?</p>
	<p>Mateusz Wodejko At the end of July this year, companies from the KGHM Group signed an agreement on strategic cooperation with companies from the PGZ Group. The signed agreement defines possible areas of joint activities, e.g. in the implementation of research and development, production and commercial projects. The ammunition and missile area was indicated as a priority. The declaration of cooperation between ourselves and PGZ is a response to the current geopolitical situation and the dynamics of order fulfillment in the defense sector, including the establishment of the Polish government program - National Ammunition Reserve. The cooperation will take place among subsidiaries that currently cooperate with the defense sector or show such potential.</p>
	<p>Adam How much of the energy consumed can come from RES this year? What does it look like now and what will it look like at the end of the year?</p>
	<p>Mateusz Wodejko In accordance with the assumptions of the Strategy, KGHM intends to constantly develop energy sources, including renewable energy. In the first half of 2023, 17.39% of KGHM's demand for energy came from its own sources, including RES, and amounted to 272.7 GWh. The company is assessing RES assets available for acquisition. Moreover, in H1 2023, the Company submitted an application to issue connection conditions for a RES project with a power capacity of 88 MW. Other RES projects are also being prepared by KGHM. It is worth mentioning that our Chilean mine, Sierra Gorda, has been operating since the beginning of 2023 solely on the basis of electricity from a photovoltaic installation.</p>
	<p>Guest How did costs increase in individual segments and what impact did they have on the result? Do you anticipate further cost increases this quarter?</p>
	<p>Mateusz Wodejko I have already mentioned the factors of cost growth, both in terms of operating costs and expenses by nature, for details please refer to our recent periodic report and presentation of the results, available at www.kghm.com.</p>
	<p>Guest What challenges are the management board currently facing in connection with the Sierra Gorda mine?</p>
	<p>Mateusz Wodejko Currently, one of the main challenges facing Sierra Gorda is the proper preparation and confirmation of the assumptions in the project for a fourth processing line, the purpose of which may be to increase the processing capacity of the plant up to 160,000 tonnes per day. At present, the project is in the analysis phase, and further steps and decisions</p>

	are, of course, and will be consulted with our Partner from the Sierra Gorda Project, i.e. South32.
	Guest What are the most important investments this year?
	<p>Mateusz Wodejko</p> <p>Investment projects planned and approved for advancement in 2023 support the achievement of strategic goals in all areas of the Strategy. Maintaining cost-effective domestic production is possible by continuing and bringing into operation key investments, such as:</p> <ul style="list-style-type: none"> - outfitting the mines along with the construction of conveyor belts; - replacement of mining machinery; - construction of mine de-watering systems; - construction of air cooling systems; - construction of the Tailings Segregation and Compacting Station at the Źelazny Most Tailings Storage Facility; - modernisation and renovation during the maintenance shutdown of the Legnica Copper Smelter and Refinery. <p>Taking into consideration the development of KGHM Polska Miedź S.A. by enhancing the efficiency and flexibility of the KGHM Group in terms of its Polish assets, the following investments were advanced:</p> <ul style="list-style-type: none"> - the Deposit Access Program (Deep Głogów along with access and development tunnels), - exploring for and evaluating deposits in areas under exploration concessions, - development of the Źelazny Most Tailings Storage Facility above a crown height of 195 m a.s.l., - project documentation for the Hybrid Legnica Smelter and Refinery, - work on the realisation of photovoltaic power plants
	Guest Is the gas cleaning installation in Legnica already operational?
	<p>Mateusz Wodejko</p> <p>Yes, the aforementioned installation for removing dust containing mercury and arsenic from the process gases of the SOLINOX installation at the Legnica Copper Smelter and Refinery was commissioned at the end of May 2023.</p>
	Darek What pro-environmental measures will the Company implement in this half-year?
	<p>Mateusz Wodejko</p> <p>In 2022, the Company spent about PLN 250 million on pro-environmental investment projects. The Company advanced the work involving the Environmental Policy and pro-environmental activities, including analyses made of the environmental and carbon footprints for products of KGHM Polska Miedź S.A., also Scope 1 and 2 greenhouse gas emissions by the KGHM Group in 2022 were calculated. The aforementioned data can be found at our corporate website at ESG KGHM Corporate Website.</p> <p>Besides the SOLINOX installation by the Legnica Copper Smelter and Refinery, other investments at the Głogów Copper Smelter and Refinery were carried out under the BATAs Program, such as an installation to reduce dusting at the concentrates loaders of Głogów II which was brought on-line, and documentation was developed to construct</p>

	<p>an installation to improve working conditions in the crude lead production hall in the Lead Section. The handover of documentation is planned in August 2023. In the subsequent six months we intend to continue our activities and pro-ecological investments, which we will inform you about on our News and press releases page 1 KGHM Polska Miedź press office.</p>
	<p>Guest Did the dynamic changes in the USD have an impact on the net debt expressed in PLN since the beginning of the year? In what currency does the Company intend to incur debt in the second half of the year?</p>
	<p>Mateusz Wodejko Strengthening of the PLN in the first half of this year translated into a decrease in net debt expressed in PLN by over PLN 200 million. The Company intends to continue its current approach, incurring debt mainly in USD, i.e. in the currency that is the basis for our commercial contracts.</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 guests for answering them. Greetings and have a nice afternoon.</p>