



Investor chat of KGHM Polska Miedź S.A.



INVESTOR CHAT

Mateusz Wodejko
Vice President of the Management Board
(Finance)



**24 MARCH
2023**



12:00












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




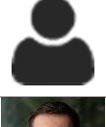





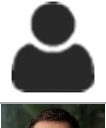

On Friday, 24th March 2023 an investor chat was held with the CFO of KGHM Polska Miedź S.A., Mr. Mateusz Wodejko. During the chat we talked about the financial results for the fourth quarter of 2022 and the full year of 2022. Investors also posed questions about the situation on the commodities market, dividend policy and SMR technology.













325 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 Hello, welcome to our investors' chat concerning the financial results of the fourth quarter and the full year of 2022. In the discussed period, which was characterized by volatility and an unstable macroeconomic situation, the KGHM Group recorded an increase in revenues, and we also achieved a strong operating result and stable production. Consolidated revenues of KGHM Group in 2022 amounted to PLN 33.8 billion, which is higher by 13.6% than in 2021. Net profit for the previous year amounted to PLN 4.8 billion, and adjusted EBITDA was at the level of PLN 8.9 billion. In 2022, the KGHM Group recorded stable copper production from domestic assets (mining production 442.7 thousand tonnes in ore, smelting production 586 thousand</p>

	<p>tonnes) and international assets (Sierra Gorda 90.8 thousand tonnes (on a 55% basis); Robinson mine 46.8 thousand tonnes; Carlota mine 4.1 thousand tonnes; Franke mine 2.8 thousand tonnes; Sudbury Basin 2.5 thousand tonnes). Please be reminded that the Franke mine was sold in April 2022.</p> <p>During our meeting today, I will answer your questions. Feel free to ask questions.</p>
	<p>Michał 01 Will KGHM really invest in and build nuclear reactors?</p>
	<p>Mateusz Wodejko One of the important projects which will bring the Company closer to achieving energy independence is the implementation of small nuclear power reactor technology (SMR - Small Modular Reactor). In 2021, KGHM Polska Miedź S.A. established a Nuclear Energy Department and in February 2022 a contract was signed with NuScale Power, LLC ("NuScale") to commence work on implementing the SMR technology in Poland. NuScale's design of the reactor is based on the well-known concept of small high-pressure light water reactors, whereas its modular, integrated form enables the structure to be simplified and construction costs reduced. At present, NuScale's technology is undergoing formal assessment for compliance with the Polish nuclear safety and radiological protection requirements by the President of the State Atomic Energy Agency as part of the so-called General Opinion procedure. The General Opinion procedure was initiated by the Company in July 2022 and the outcome will be probably known this year.</p>
	<p>Daniel_b Good afternoon. What is the status of your investment in offshore projects?</p>
	<p>Mateusz Wodejko We are in the process of reviewing the possibility of acquiring a wide spectrum of RES projects, both as a result of acquisitions and participation in the design/investment process.</p>
	<p>Daniel_b Do you know when the General Meeting will be held?</p>
	<p>Mateusz Wodejko At the moment, there is no date for convening the Ordinary General Meeting. It should take place within six months after the end of each financial year. We will inform you about the planned date in a regulatory filing. Please follow our corporate website.</p>
	<p>Daniel_b Today at the results conference you spoke about collecting information about the possible location of the nuclear plant. When will you share the details?</p>
	<p>Mateusz Wodejko As I mentioned during yesterday's meeting/webcast, we are in the process of working and collecting data, including in terms of a potential location. We will provide you with details in due course.</p>
	<p>Guest Good afternoon. What is the reason for such a large loss in the fourth quarter?</p>

	<p>Mateusz Wodejko As regards the net result, in Q4 2022, the KGHM Group recorded a loss of PLN -493 million, mainly due to exchange rate differences, which were positive for Q4 2021 and negative in Q4 2022.</p>
	<p>Guest Good afternoon. What price of copper is assumed in the budget? You forecast the cost of producing a tonne of copper at over USD 8,000/t, so production in Poland is on the verge of profitability.</p>
	<p>Mateusz Wodejko In accordance with our Disclosure Policy, we do not publish forecasts of financial results and price paths. What we can share are the published selected elements of KGHM's budget for 2023.</p>
	<p>Guest Electricity and gas prices fell dramatically on the stock exchanges. Did KGHM contract electricity and gas last year at record high prices or at current exchange rates?</p>
	<p>Mateusz Wodejko We look at the purchase of energy factors as a whole, due to the diversity of energy sources used by the KGHM Group. We secured a certain volume of electricity and gas mainly in the fourth quarter of last year. We are currently purchasing gas and electricity, implementing the above-mentioned forward contracts and spot purchases, which predominate in the entire basket of energy carriers.</p>
	<p>Guest Do you uphold your dividend policy, i.e. allocating one-third of the profit to dividends? According to the profits for 2022, it gives a dividend of PLN 7-8 per share, right?</p>
	<p>Mateusz Wodejko As I mentioned, at the moment we have neither the Management Board's recommendation nor the date of the General Meeting, which takes the final decision on the distribution of the profit. We will keep you updated on any information on this subject.</p>
	<p>Adam How far can the deadlines for full decarbonization of the KGHM Group in its climate goals be shifted by the international situation?</p>
	<p>Mateusz Wodejko In the regulatory filing No. 5/2023 dated 8 March 2023, the Management Board of KGHM Polska Miedź S.A. announced that it adopted a resolution on updated wording of the "Climate Policy of KGHM Polska Miedź S.A.". The date of setting the climate targets for the KGHM Group from the first half of 2023 to the end of 2024 was changed. The decision on shifting this date was due to the highly volatile situation on the energy markets, the unforeseeable global economic situation and the overall impact of Russia's aggression on Ukraine on the international situation.</p>
	<p>Marek How does the company assess the situation on the copper market, especially in the context of unblocking the Chinese economy?</p>
	<p>Mateusz Wodejko We hope that the expected increase in economic activity in China will translate into maintaining and increasing copper prices. Of course, it is difficult to predict the likelihood of such a scenario.</p>

	<p>Anonim P. How does KGHM evaluate the new EU industrial strategy? I mean the so-called "Net Zero Industry Act"?</p>
	<p>Mateusz Wodejko We are analyzing the assumptions of this act presented by the European Commission.</p>
	<p>Guest What costs related to sales increased the most in 2022, that despite the increase in revenues, the profit on sales decreased. Will these costs continue to increase this year?</p>
	<p>Mateusz Wodejko The increase in costs is mainly related to the increase in the cost of materials, fuels and energy. Details are presented in the published financial statements for 2022 (standalone and consolidated) in note 4.1. In accordance with our disclosure policy, we do not present forecasts.</p>
	<p>Marek Will the downward trends in the production of Sierra Gorda continue to deepen, what are your expectations regarding the C1 cost of this mine?</p>
	<p>Mateusz Wodejko The plan for 2023 assumes a lower level of production than in the previous year, while the production results should be viewed in a long-term perspective. The long-term block-model is based on the characteristics of the deposit and available technological solutions, which we are constantly improving. Vice President Mirosław Kidoń talked more extensively on this subject during yesterday's results conference. The conference recordings are available on the KGHM corporate website.</p>
	<p>Marek Can repayments of loans from Sierra Gorda be expected this year? How will this affect the financial situation of the Group?</p>
	<p>Mateusz Wodejko We are very pleased that in recent years the Sierra Gorda mine has started to repay its debt to the Owners and it is our intention that this process be continued. However, the ability to do so is closely related to the macroeconomic situation, as well as the financial and operating condition of the mine, since such factors have a significant impact on decisions whether and how much the mine can repay in a given year.</p>
	<p>Marek How do you assess the cost pressure in the area of KGHM's operations in Poland for 2023?</p>
	<p>Mateusz Wodejko We would like to say that the worst is behind us, but 2023 will definitely be a challenge. We continue to face strong cost pressure, practically in every area of our activity. We are implementing savings initiatives.</p>
	<p>Majk How does the Group intend to achieve energy independence at the level of 50% by 2030?</p>
	<p>Mateusz Wodejko We already have significant production assets, the potential of which can satisfy more than 20 per cent our electricity needs. We recognize the possibilities of obtaining a wide spectrum of RES projects, both as a result of acquisitions and participation in the design/investment process. We are also working on the SMR project.</p>

	<p>Majk What percentage of the energy consumed comes from RES (own production and purchased)?</p>
	<p>Mateusz Wodejko We are currently working on increasing the share of renewable energy in our energy mix. According to the latest information, in 2023 KGHM will be the recipient of energy from the new Żuki Solar Power Plant in the Wielkopolskie Voivodship, which is over 5.3 GWh with nearly 10,000 photovoltaic modules.</p>
	<p>Guest Good afternoon. What stage are the Sudbury nickel mining projects in Canada at? What is the target share of the planned nickel mining in the Company's revenue?</p>
	<p>Mateusz Wodejko Work continues on the project site related to the advanced exploration stage.</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 – 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. Greetings and have a nice afternoon!</p>