

# Layers of possibilities



Results of the KGHM Group for the first quarter  
of 2023

Lubin, 18 May 2023

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# Agenda



1. Strategy of the KGHM Polska Miedź S.A. Group



2. KGHM's commitments towards the environment and climate



3. Key issues and execution of main targets



4. Production results of the KGHM Group by segment



5. Financial results of the KGHM Group



6. Advancement of development initiatives



7. Supporting slides – KGHM Polska Miedź S.A.

## Pro-family action and CSR

# 156

Employees of KGHM joined the CUdownni Rodzice (Wonderful parents) of KGHM program

# 4<sup>th</sup>

Edition of Combatting Depression Week in KGHM

# 14

subsidised preventative programs for students, teachers and parents under the KGHM Academy



Beneficiaries:

## More than 400

participants in sport-related meetings for parents

## More than 1000

beneficiaries of preventative programs (students, teachers and parents)

## More than 250

 subsidised

consulting hours in the area of mental health

# Information on the impact of Russia's aggression against Ukraine on the functioning of the Company and the KGHM Group

- The geopolitical situation related to the direct aggression of Russia against Ukraine and the implemented system of sanctions at the present time is not restricting the operations of KGHM Polska Miedź S.A. or other Group companies, while the risk of interruptions to the continuity of the activities of the Company and the KGHM Polska Miedź S.A. Group in this regard continue to be estimated as low.
- Work was continued in terms of ensuring ICT security due to the war in Ukraine and the Charlie CRP alarm level (involving cyberspace threats) at a country-wide level. Thanks to this there were no interruptions recorded in the business operations of the KGHM Group, and security processes were supported.
- In KGHM Polska Miedź S.A. as well as in all international mines of the KGHM Polska Miedź S.A. Group and Sierra Gorda S.C.M., no production stoppages which would have been directly attributable to the war in Ukraine were recorded.
- Russia's aggression against Ukraine also has an impact on food security, high prices of energy and the Producer Price Index, as well as problems with access to synthetic fertilizers. The Parent Entity continuously monitors the international economic situation in order to assess its potential negative impact on the KGHM Polska Miedź S.A. Group and to take anticipative actions to mitigate this impact.
- Despite the high inflation observed in the global economy, resulting in the tightening of the monetary policy, the demand for the Company's key products did not deteriorate significantly in the first quarter of 2023.
- In terms of the availability of capital and the level of debt, KGHM Polska Miedź S.A. holds no bank loans drawn from institutions threatened with sanctions.
- Evaluation of the key categories of risk which are impacted by the war in Ukraine underwent detailed analysis by the ongoing monitoring of selected information in the areas of production, sales, supply chains, personnel management and finance, in order to support the process of reviewing the current financial and operating situation of the KGHM Polska Miedź S.A. Group. As a result, the aforementioned threats did not have a substantial negative impact on the Group's operations and finally did not cause deviation in the achievement of the budget assumptions for the first quarter of 2023.





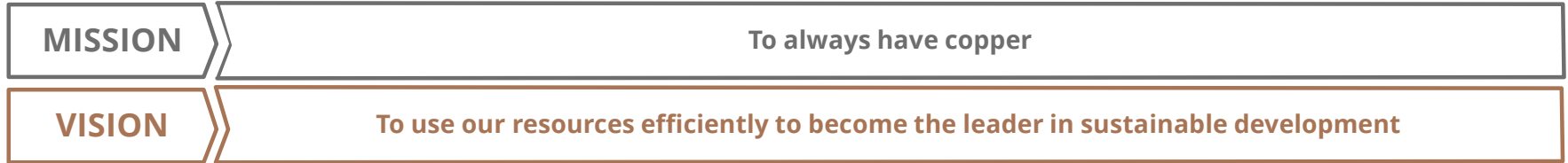
# Strategy of the KGHM Polska Miedź S.A. Group

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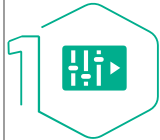
# Strategy of the KGHM Group to 2030 with an outlook to 2040

While the mission and vision of KGHM remain unchanged, the strategic directions were expanded to include a fifth element – Energy, to reflect changes in the overall environment.





# Key elements of the Strategy advanced in Q1 2023



## Flexibility

- Continuation of the Strategic Program Hybrid Legnica Smelter and Refinery.
- Continuation of actions involving extension of the value chain of KGHM.
- Continuation of exploration projects in Poland with respect to exploring for and evaluating copper ore deposits.
- Continuation of development projects in the international assets.
- Focus on financial stability: basing the KGHM Group's financing structure on long-term instruments, shortening the cash conversion cycle, management of market and credit risk in the KGHM Group.



## Efficiency

- Stable production of copper from the domestic assets (mined 114.6 thousand tonnes; metallurgical 149 thousand tonnes).
- Production of payable copper from the international assets (Sierra Gorda 18.9 thousand tonnes (55%); Robinson 5.3 thousand tonnes; Carlota 0.7 thousand tonnes; Sudbury Basin 1.6 thousand tonnes). The Sierra Gorda mine is operating exclusively on power provided by Renewable Energy Sources.
- Continuation of the Deposit Access Program (sinking of the GG-1 shaft concluded upon reaching a depth of 1 348 meters, an agreement was signed with a contractor to build the GG-2 shaft).
- Continued development of the Żelazny Most Tailings Storage Facility (95% of the physical scope of work for the Southern Quarter completed and 93% of the physical scope of work on the Tailings Segregation and Compacting Station. Tailings are being deposited in the Southern Quarter).
- R&D initiatives are underway to enhance the efficiency of the core production business.
- Continued advancement of projects under the Horizon Europe and KIC Raw Materials Programs, and submission of applications for the subsidizing of new initiatives.
- Advancement of actions involving intellectual property of KGHM.



## Ecology, safety and sustainable development

- Continuation of the Program to adapt the Company's production installations to BAT conclusions for the nonferrous metals industry and to restrict emissions of arsenic (BATAs).
- Advancement of work involving environmental policy and pro-environmental activities.
- Continuation of the Occupational Health and Safety Improvement Program (LTIFR: 4.99; TRIR: 0.12).
- KGHM, as the only Company in Poland, was ranked 150th in the prestigious ranking Carbon Clean 200™ for 2022 - companies acting on behalf of the climate.



## E-industry











- Continuation of projects to automate the production lines of the Mining Divisions of KGHM (including initiatives connected with testing electric battery-powered mining machinery).
- Continuation of digital transformation under the KGHM 4.0. Program.



## Energy

- Development of energy from RES and continuation of the SMR project to increase power generation from own sources.
- Submission by KGHM to the Ministry of Climate and the Environment (April 2023) of an application to issue a fundamental decision for the project to build a small modular reactor power plant (SMR) in Poland.
- Commencement by KGHM and TAURON Polska Energia S.A. of work on defining the joint scope of development of the Pre-feasibility Study for the SMR project.
- 15.69% of KGHM's need for electricity was met by its own internal sources.

# Key performance indicators for the updated Strategy of the KGHM Group for the years 2022-2030 – advancement in the first quarter of 2023

	2020 (base year)	Q1 2023	2030
 <b>Core business</b>	 Domestic copper production	approx. 560 kt of electrolytic copper ➤ <b>149 thousand tonnes</b> of electrolytic copper	➤ <b>~ 600 thousand tonnes of electrolytic copper</b> (including production based on a higher amount of purchased materials and copper from recycling).
	 International copper production	approx. 150 kt of payable copper ➤ <b>27 thousand tonnes</b> of payable copper	➤ <b>Higher production</b> by the international assets of KGHM by extending their life-of-mine, developing assets in the mine projects portfolio held and increasing the resource base thanks to advancement of the International Exploration Strategy.
	 Silver production	approx. 1 320 tonnes of silver (top three) ➤ <b>381 tonnes</b> of silver	➤ <b>Maintain the position</b> amongst the world's top-three producers of silver (approx. 1200 tonnes of silver annually).
	 Profitability	8.5% <sup>1)</sup> ➤ <b>11.0%</b> (ROCE for last 3 years, i.e. for the period Q1 2020 – Q1 2023)	➤ <b>10.2%<sup>1)</sup></b>
	 Cost competitiveness	4th decile ➤ <b>n/a<sup>2)</sup></b>	➤ <b>3rd decile</b>
 <b>New activities</b>	 Energy produced	694 GWh (22% of consumption) ➤ <b>123 GWh</b> (16% of consumption)	➤ <b>Min. 50% of consumption</b> (approx. 1.5 TWh)
	 Reduction in estimated CO <sub>2</sub> emissions resulting from electricity consumed	~1.6 mn tonnes CO <sub>2</sub> (in 2020) ➤ <b>~1.9 million tonnes</b> of eCO <sub>2</sub> <sup>3)</sup>	➤ <b>1.0 mn tonnes</b> of eCO <sub>2</sub>
	 Diversification of the commercial offer in terms of metals	2% ➤ <b>2.2%</b>	➤ <b>10%</b>

1) Average ROCE from the last 3 years.

2) Not applicable. This indicator is measured on a yearly basis.

3) Result in respect of emissions for 2022. Emissions were higher due to higher electricity consumption in the Divisions: Polkowice-Sieroszowice mine and Głogów smelter/refinery, as well as purchases of more carbon-intensive electricity compared to 2021.

# Key performance indicators for the updated Strategy of the KGHM Group for the years 2022-2030 – advancement in the first quarter of 2023

	2020 (base year)	Q1 2023	2030
<b>Supporting activities</b>	Recycling of scrap	Approx. 124 kt of copper scrap ➤ 39.4 kt of copper scrap	Approx. 350 kt of copper scrap
	Revenues from sales on foreign markets of selected Group companies	Base 2020 Base year=100% Revenues from sales on foreign markets in the base year 2020. ➤ 124% vs base year for the companies ZANAM, NITROERG, PeBeKa ➤ 168.3% vs base year for the company DMC (calculated as : Q1 2023 to Q1 2020)	147% vs base year for the companies Zanam, Nitroerg, PeBeKa 163% vs base year for the company DMC
<b>Health</b>	LTIFR	7.31 ➤ 4.99	aiming at 0 accidents
	TRIR	0.52 ➤ 0.12	
	Level of support for the area of Health carried out by the KGHM Polska Miedź Foundation	Approx. PLN 11.5 mn <sup>1)</sup> ➤ PLN 3.6 mn (combined for institutions and individuals in the area „Health and safety”)	Approx. PLN 7 mn
<b>Prosociality</b>	Support for the fair transformation of the mining sector	n/a ➤ - 2) (strategic assumptions involving support of the fair transformation of the mining sector were analysed)	Potential employment of approx. 500 miners annually
	Number of volunteer projects advanced	25 ➤ 46	30
	Level of support for the arts, sport and health	Approx. PLN 38.5 mn ➤ PLN 42.3 mn	Approx. PLN 48 mn

1) Due to the epidemic situation, the area „Health and safety” of the KGHM Polska Miedź Foundation in 2020 was a particular priority, which is why subsidies in this regard in the base year were substantially higher.

2) Not applicable. Advancement of this indicator was suspended. The EU's energy policy against the backdrop of the war in Ukraine and the approaching energy crisis is forcing countries to make further use of coal-based power sources.



Sustainable development – commitments of KGHM Polska Miedź S.A.

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# KGHM's efforts towards energy transformation

KGHM Polska Miedź S.A. aims at permanently increasing the share of renewable energy sources and in-house generation to meet its energy needs

## COMPETITIVE ADVANTAGES

### Climate Policy



Access to copper and precious metals is a critical component if the plan to achieve climate neutrality by 2050 by the largest western economies is to succeed.

### Development of RES and EV markets



Technologies used by the renewable Energy market and by the electric vehicles sector are far more metals-intensive than the traditional power and transportation sectors.

### Cost-efficient resources



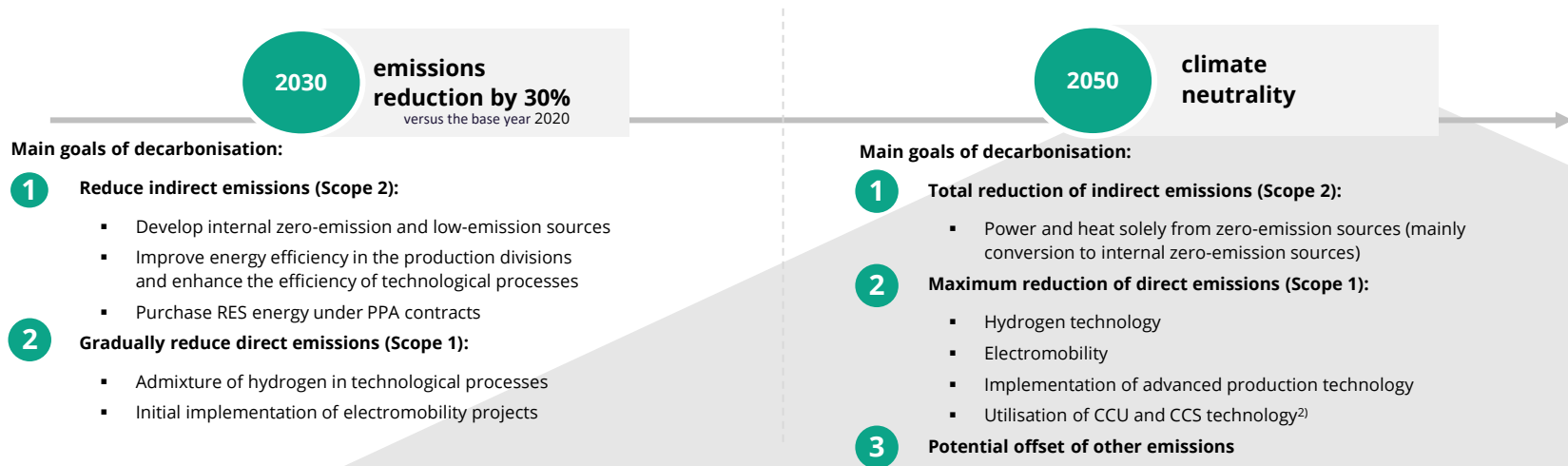
Easily-accessible resources of metals, located in safe jurisdictions, are rapidly being exhausted; KGHM is the sole copper producer from its own mined resources on a large scale within the European Union.

## ACTIONS UNDERTAKEN

- ✓ KGHM has its own low-emissions, natural gas-powered energy generation sources.
- ✓ The Company is currently advancing further investments to increase electrical power generation using nitrogen-enriched natural gas.
- ✓ KGHM plans to build a small modular light water nuclear unit with a capacity of up to 500 MW by 2030. 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.
- ✓ Currently, photovoltaic power plant projects are being carried out in the areas owned by KGHM, i.e. at the Głogów Copper Smelter and Refinery and at the Cedynia Copper Wire Rod plant, next to the Tailings Plant and in the Obora Sandpit area. Other projects are also being prepared on KGHM's own land.
- ✓ The Company is also active on the M&A market for renewable energy sources and is engaged in several due diligence and valuation processes for assets that are available for purchase.
- ✓ KGHM has also taken steps leading to the construction of offshore wind farms.

# Climate neutrality by 2050

- ✓ KGHM will achieve climate neutrality by 2050 and will reduce total Scope 1 and 2 emissions by 2030 by 30%<sup>1)</sup>
- ✓ Information on the volume of **Scope 1 and Scope 2** greenhouse gas emissions for 2022 by KGHM Polska Miedź S.A. and by the entire KGHM Group will be announced in the **2<sup>nd</sup> quarter of 2023**.
- ✓ Information on the volume of **Scope 3** greenhouse gas emissions for 2022 by KGHM Polska Miedź S.A. and by the entire KGHM Group will be announced in the **4<sup>th</sup> quarter of 2023**.
- ✓ Due to the published update of the Climate Policy, the date for announcing the climate goals of the KGHM Group was postponed from mid-2023 to the end of 2024<sup>3)</sup>



Details regarding capital expenditures on actions to restrict greenhouse gas emissions will be included and announced as part of the Decarbonisation Program of the KGHM Group

1) Main goal in respect of Scope 1 and Scope 2 GHG emissions, assuming their maximum possible reduction. Reduction goals in reference to 2020 emissions.

2) CCU (carbon capture and utilisation) and CCS (carbon capture and storage) technology

3) 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, it is necessary to change the date of preparation of the entire Decarbonization Program of the KGHM Group and subsequently the climate targets for the KGHM Group. The aforementioned factors make it significantly more difficult to model CAPEX and OPEX, and as a result also NPV for the decarbonization initiatives of the Group.



# Seizing opportunities arising from the energy transformation

The Climate Policy is a significant step towards seizing opportunities, and as a result ensuring that long-term value is enhanced



## Support of the transformation to a low-carbon economy

**Diversification** and efforts towards **sustainable development** through building own power capacity from low-emission sources (construction and acquisition of PV and wind power plants, and in the long term the use of SMRs), is one of the main Pillars of the adopted Strategy of the KGHM Polska Miedź S.A. Group to the year 2030 with an outlook to 2040, and one of its elements is for KGHM Polska Miedź S.A. to achieve the position of one of the **leading producers of environmentally-friendly electricity** supporting Poland's energy transition.



## Strategic investments compliant with ESG

In the course of operationalization of the **Business Strategy** and taking into account **ESG** elements and climate-related factors, **each of the strategic initiatives was further assessed**. Impacts were examined in the negative, neutral or positive category: on Scope 1 and 2 greenhouse gas (GHG) emissions, on ESG image divided into three categories: environment, society and corporate governance and impact on mitigating risks and supporting climate opportunities according to the TCFD (Task Force on Climate-Related Financial Disclosures).



## Reducing emissions - a competitive advantage

KGHM monitors and calculates **Scope 1, 2 and 3 emissions**. Data on Scope 1 and Scope 2 emissions for the entire KGHM Group in 2022 will be published **in the second quarter of 2023**.

Information on Scope 3 greenhouse gas emissions for 2022 for the entire KGHM Group will be published **in the fourth quarter of 2023**.



## Stakeholder expectations

KGHM, in order to satisfy rising stakeholder expectations as to protection of the climate, is strengthening the **transparency of the message** and the regularly-published **non-financial disclosures** – both in terms of KGHM's impact on the climate as well as the Company's adaptation to climate change. KGHM engages in continuous cooperation and dialogue with local communities and governments.

# Selected ESG Policies and procedures in KGHM Polska Miedź S.A.

## Environment

- Environmental Policy
- Climate Policy

## Society

- Code of Ethics
- Code of Conduct
- Organisational Health and Safety Policy in KGHM Polska Miedź S.A.
- Responsible Supply Chains Policy
- Declaration of Diversity
- Human Rights Policy

## Governance

- Tax Policy (new)
- Management Systems - ISO
- Energy Policy
- Remuneration Policy
- Competition Rights Policy
- Procurement Policy
- Procedure on counteracting money laundering and prevention of fraud and extortion in trading transactions regarding the sale of products and the procurement of ore and copper-bearing materials
- Anti-corruption Policy
- Privacy Policy and Personal Data Processing Policy

**HUMAN RIGHTS POLICY**  
IN KGHM POLSKA MIEDŹ S.A.

**DHS POLICY OF KGHM POLSKA MIEDŹ S.A.**

**PN-ISO 37001**

**ANTI-CORRUPTION POLICY OF THE KGHM GROUP**  
Effective management of anti-corruption activities is of fundamental importance for the safety of the KGHM Polska Miedź S.A. Capital Group (KGHM Group), its sustainable development and values. It translates directly into the image of our organisation as a stable and responsible employer and business partner conducting its operations in a transparent manner with respect for universal standards of business ethics and integrity, as defined in the Code of Ethics of the KGHM Group.

**POLITYKA Energetyczna KGHM Polska Miedź S.A.**  
KGHM Polska Miedź S.A. to przedsiębiorstwo branży rudy miedzi. Prowadzi, tworzone i rozwijać swoje kompetencje. Wiemy, że efektywne zarządzanie energią ma fundamentalne znaczenie dla zrównoważonego rozwoju, wartości spółki oraz bezpieczeństwa pracy.  
Naszym podstawowym celem w zakresie zarządzania energią jest prowadzenie racjonalnej gospodarki energetycznej przy zapewnieniu najwyższej jakości oferowanych wyrobów i usług, bezpiecznych warunków pracy oraz wysokich standardów ochrony środowiska, etyki i bezpieczeństwa energetyczne szlaków łańcuchów i instalacji.

**CODE OF ETHICS**  
KGHM Polska Miedź S.A. Group

**CLIMATE POLICY**



## Key issues and execution of main targets

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## Summation of Q1 2023 in the KGHM Group

Basic measures of the Q1 2023 results

**PLN 9 585 mn**

Revenues

**PLN 1 882 mn**

Adjusted EBITDA

**PLN 164 mn**

Profit

# Summation of Q1 2023 in the KGHM Group

Main macroeconomic factors and aspects of the Group compared to Q1 2022

## Macroeconomic environment<sup>1)</sup>

**-11%**

Copper price

**-6%**

Silver price

**+6%**

Stronger USD vs PLN

## Operating results

**+7%**

increase in revenues to  
PLN 9 585 mn

**+0.5%**

Production of  
copper in concentrate  
by KGHM Polska Miedź S.A.

**+10.3%**

Production of metallic silver by  
KGHM Polska Miedź S.A.

## Financial and operating indicators

**0.9**

Debt  
(Liquidity indicator measured as net  
debt to adjusted EBITDA)

**+31.5%**

Higher CAPEX execution  
(property, plant and equipment)  
by KGHM Polska Miedź S.A.

**+2.6%**

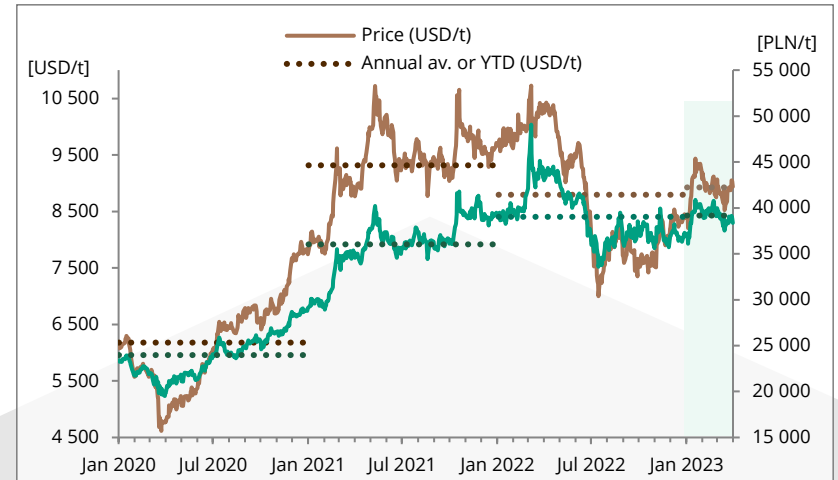
Increase in extraction of ore,  
dry weight in KGHM Polska Miedź S.A.

# Macroeconomic environment

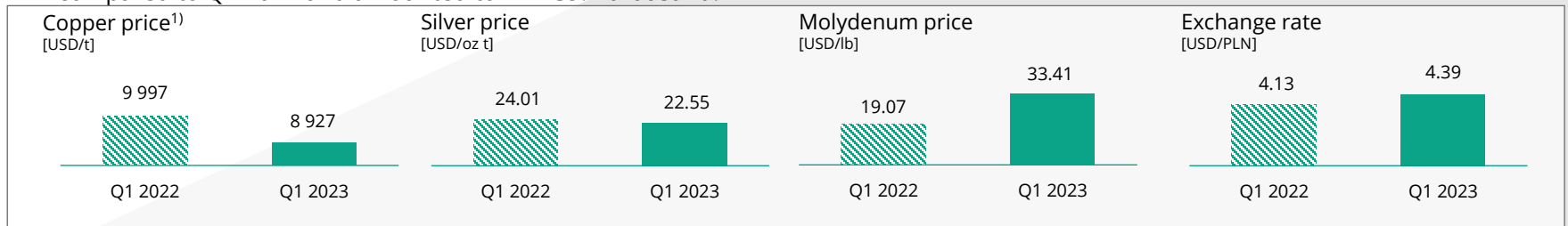
## Commodities and currencies prices

**Copper prices in Q1 2023 expressed in USD ranged from 8 200 to 9 450 USD/t. Prices were mainly impacted by the economic situation in China and the hope of higher demand in China following the post-covid re-opening of the economy. The average price in the quarter was 8 927 USD/t.**

- The average price of copper in the first quarter of 2023 was nearly 11% lower than in the corresponding period of 2022, while the average silver price fell by 6% compared to Q1 2022.
- The average price of molybdenum in the first quarter of 2023 was 75% higher compared to the average price recorded in the prior year.
- Due to the depreciation of the PLN vs the USD by over 6%, the average price of copper in PLN in Q1 2023 only fell by 5% compared to Q1 2022 and amounted to PLN 39.2 thousand.



Source: Refinitiv, KGHM Polska Miedź S.A.

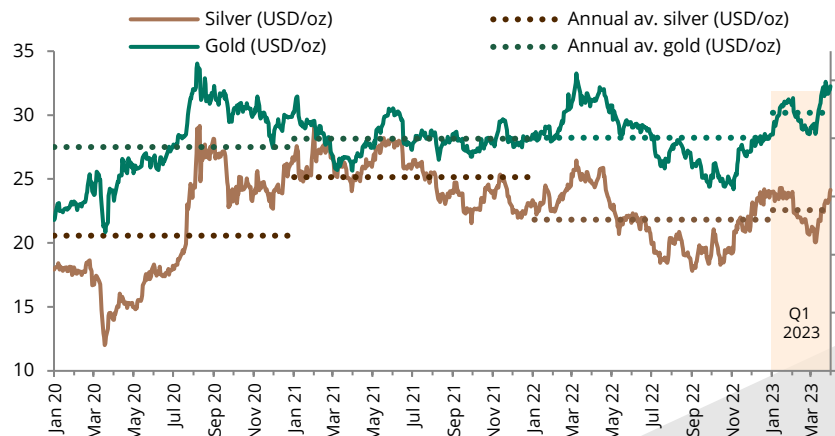




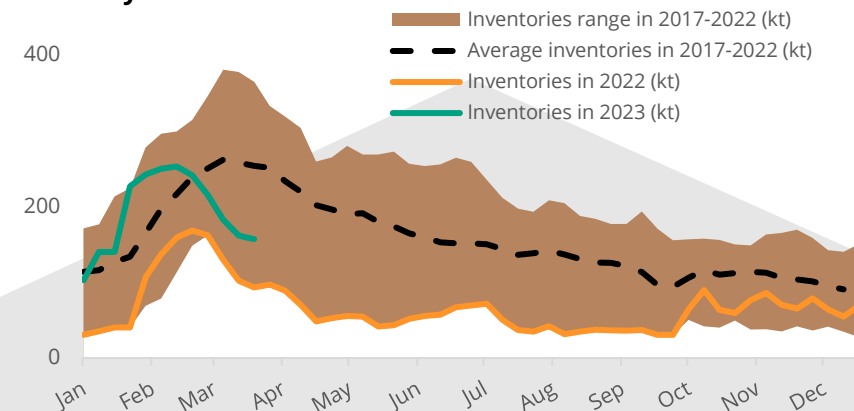
## Precious metals prices and the copper market in Q1 2023

A threat to the stability of the banking system led investors to turn towards precious metals

The prices of gold and silver fluctuated due to uncertainty surrounding the global economy, finally rising in March in response to threats to the banking system.



Copper inventories on the market in Shanghai rose before the Chinese New Year and remain above the levels from 2022, indicating uncertainty as to economic growth in the Chinese economy.



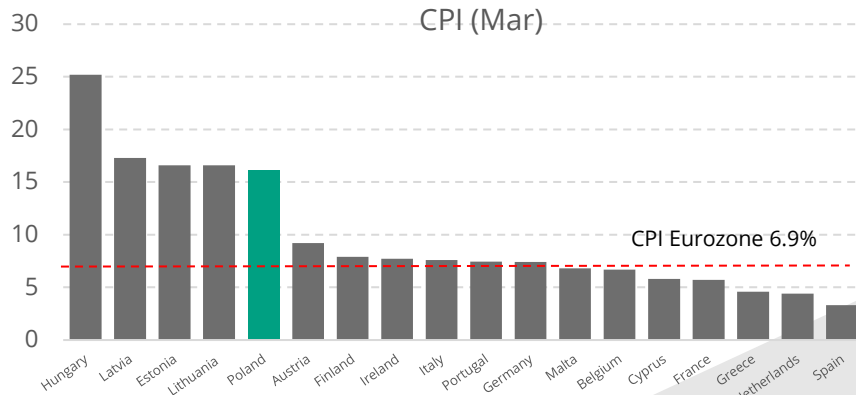
- The average price of gold in the first quarter of 2023 amounted to 1 889 USD/oz and was a mere 0.66% higher than the average price in the corresponding period of 2022. The average price of silver in the first quarter of 2023 amounted to 22.55 USD/oz and was lower by 6% y/y.
- The price of gold in PLN was more than 7% higher than in the first quarter of 2022, while silver remained practically unchanged. This was due to the weakening of the PLN vs the USD.
- Copper inventories on the market in Shanghai, after record low levels in 2022, rose at the start of the year in the vicinity of their 5-year highs. Despite a downward correction in the second half of February, they remained on average higher than in the prior year. The higher inventories suggest that the recovery in China was not as dynamic as investors thought, the property market is continuing to contract, while demand for copper is coming mainly from the development of power infrastructure.

Source: Bloomberg, KGHM Polska Miedz

# The first quarter of 2023 saw a drop in the price of natural gas, although inflation indicators continue to remain stubbornly high in highly-developed economies.

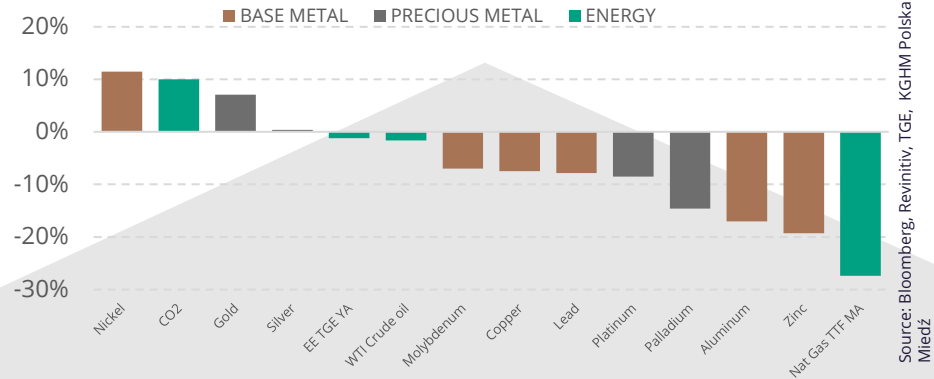
Natural gas prices fell substantially, enabling energy producers in Europe to return to natural gas-fired power plants

**Inflation in the EU and the eurozone is not dropping as rapidly as the ECB assumed just a few months ago. In the countries of our region it remains in the double-digit range.**



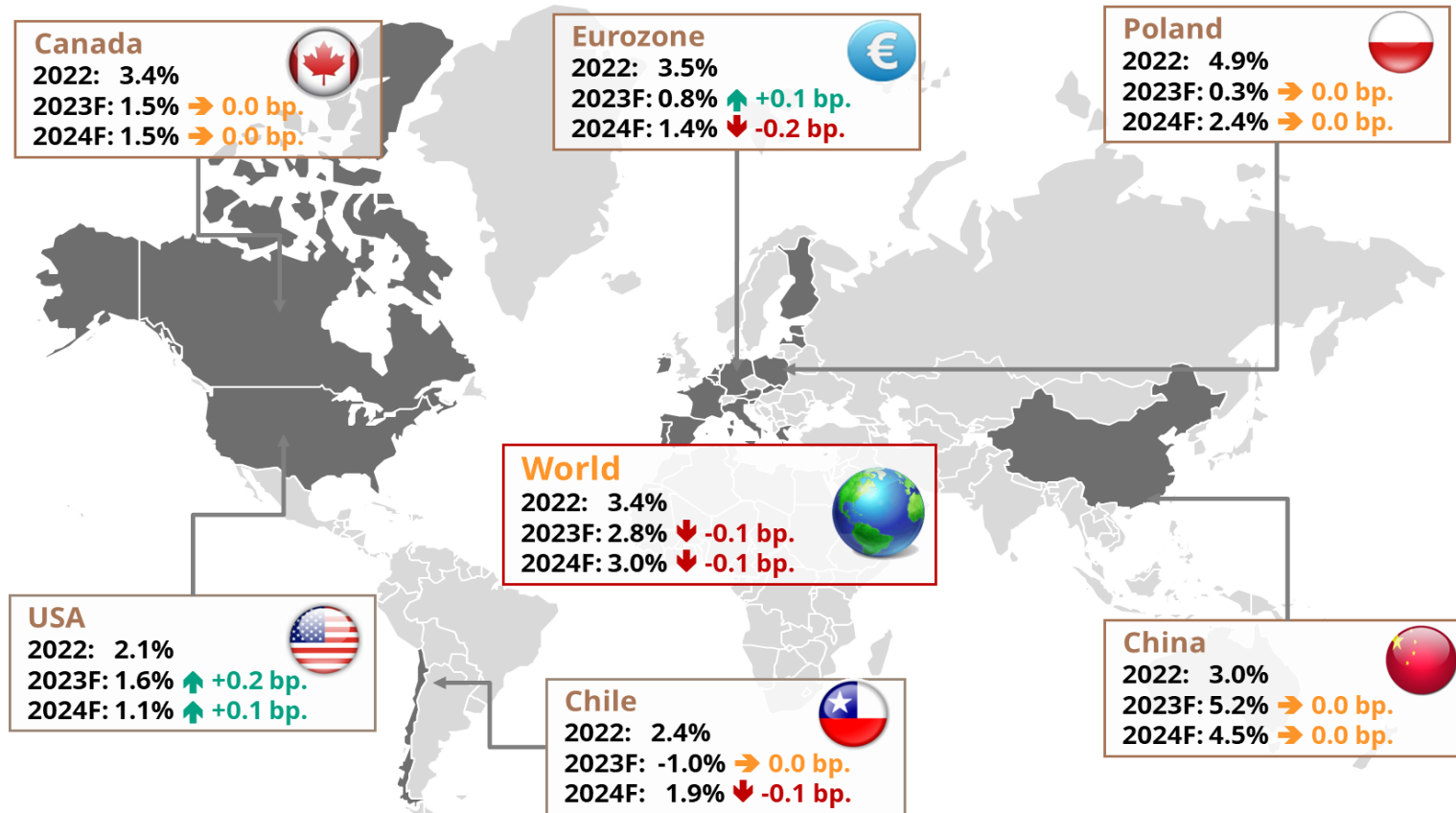
- In Q1 2023 inflation in the eurozone returned to below 10%, but remains near 7%, substantially higher than the mid-term inflation goal of the ECB (2%). In Poland and neighboring countries inflation is higher than the EU average, oscillating in March above 15%, with the exception of Hungary, where it reached 25%.
- Global central banks are tightening monetary policy to fight inflation. In the first quarter the Fed raised interest rates by 25 basis points at each of its meetings as part of the fastest cycle of tightening since the 1980s. During the same time the ECB twice raised interest rates by 50bp.

**Commodities prices in Q1 2023 decreased (the Bloomberg commodities index fell by 8%), of which the „month ahead“ natural gas price fell by 28%. On the other hand, the cost of CO<sub>2</sub> emissions rights rose by 10%.**



- The introduction of savings initiatives in natural gas consumption and the demand destruction combined with the efforts to gain independence from raw materials supplies from Russia by developing the possibility of importing LNG gas led to a drop in natural gas prices to the levels seen prior to Russia's invasion of Ukraine.
- Despite these decreases, commodity prices remain above the levels prior to 24 February 2022.
- Energy commodities are no longer a factor driving inflation, which is currently impacted by so-called second-round effects, supported by the tense situation on the labour market in the world's main economies.

# IMF World Economic Outlook – April 2023



# Key financial indicators of the KGHM Group

Q1 2023

## 40% lower adjusted EBITDA of the KGHM Group versus Q1 2022

Lower adjusted EBITDA versus Q1 2022 (-PLN 1 251 mn; -40%), of which by segment:

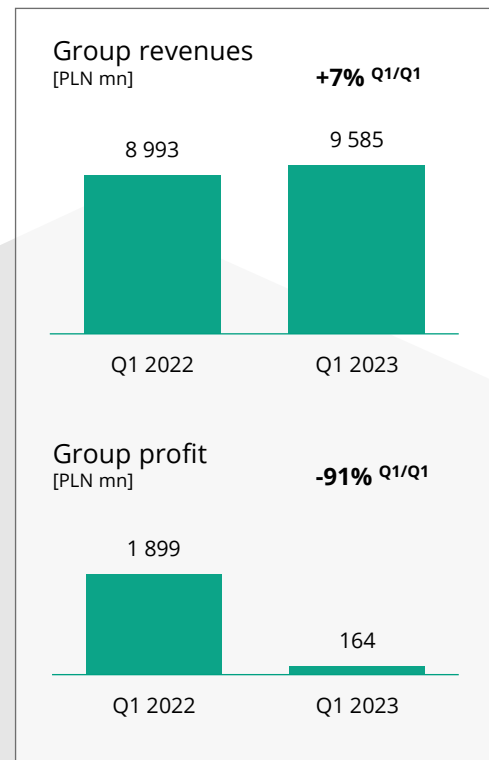
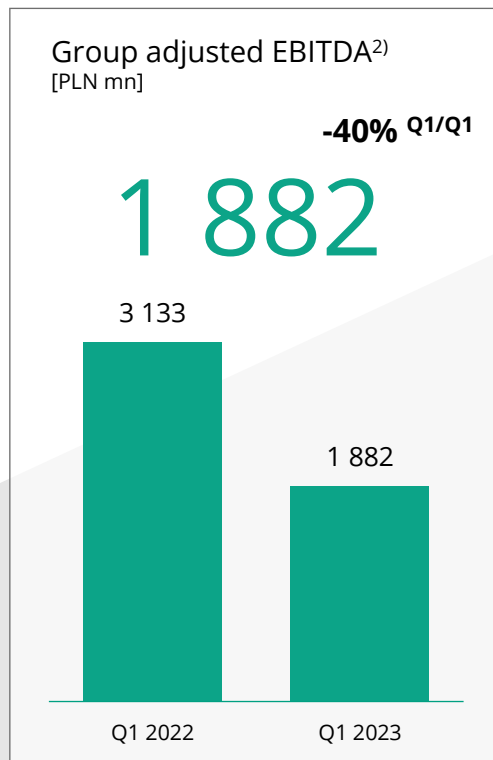
- KGHM Polska Miedź -PLN 564 mn – higher non-Company-controllable costs
- Sierra Gorda<sup>1)</sup> -PLN 271 mn – a decrease due to lower copper prices and Extraction from zones with lower copper grade (lower sales volume)
- KGHM INTERNATIONAL LTD. -PLN 398 mn – lower metals prices and lower effective production by the Robinson mine due to processing lower-quality ore from a transition zone

### Higher Group revenues

- Impact of a higher volume and a more favourable exchange rate

### Lower Group profit for the period

- Lower profit by PLN 1 735 mn (-91%) mainly due to a lower operating result





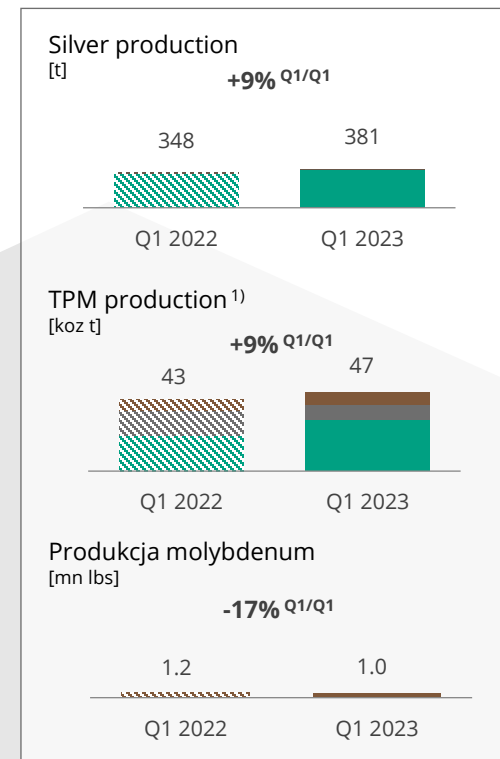
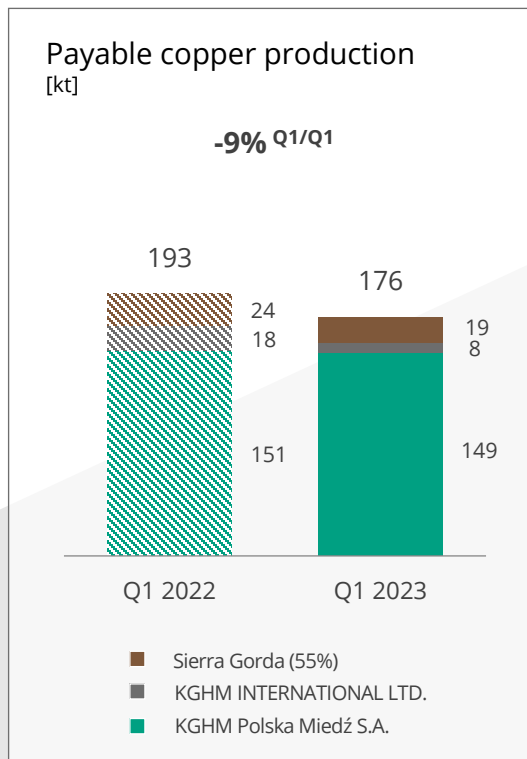
## Production results of the KGHM Group by segment

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# Metals production

## KGHM Group

- Lower copper production Q1/Q1:
  - in KGHM Polska Miedź S.A. due to advancement in Q1 2023 of planned investments in the Głogów smelter's tankhouse
  - in KGHM INTERNATIONAL LTD. due to lower production by the Robinson mine
  - in the Sierra Gorda mine due to lower copper content in ore, lower recovery and ore processing
- Higher production of silver by KGHM Polska Miedź S.A.
- Higher TPM production by KGHM Polska Miedź S.A.
- Lower production of molybdenum by Sierra Gorda (lower recovery and ore processing volume) and by the Robinson mine (mining of ore with lower molybdenum content)



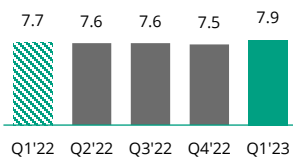
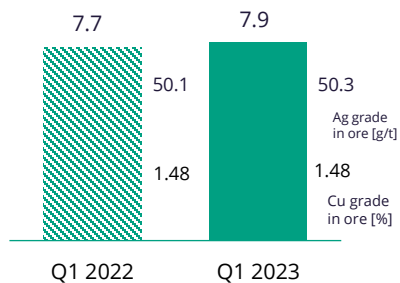


# Production results

KGHM Polska Miedź S.A.

Ore extraction  
[mn t dry weight]

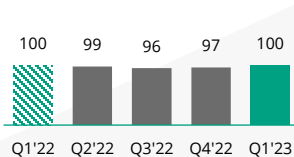
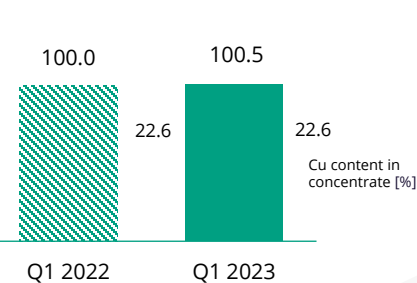
**+2.6% Q1/Q1**



- Ore extraction results from areas selected for mining

Production of copper  
in concentrate [kt]

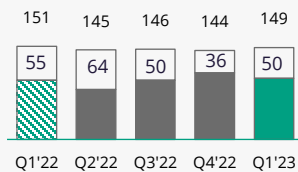
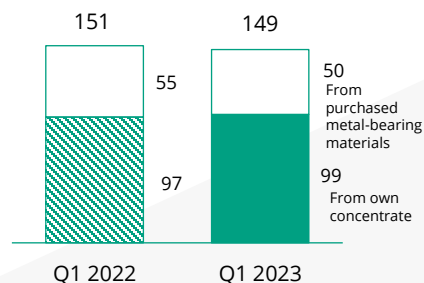
**+0.5% Q1/Q1**



- Production of copper in concentrate resulting from volume of production and copper content

Electrolytic copper  
production [kt]

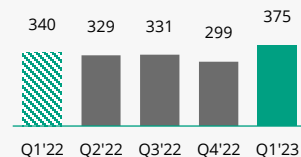
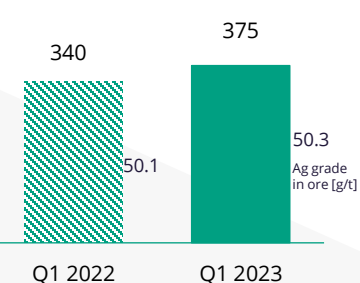
**-1.3% Q1/Q1**



- Lower production of electrolytic copper due to advancement of planned investments in the Głogów I smelter's tankhouse

Metallic silver  
production [t]

**+10.3% Q1/Q1**

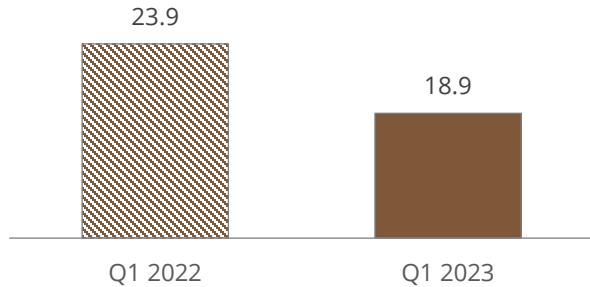


- Higher production due to the higher availability of charge materials

# Production results

Sierra Gorda<sup>1)</sup>

Payable copper production [kt] **-21% Q1/Q1**

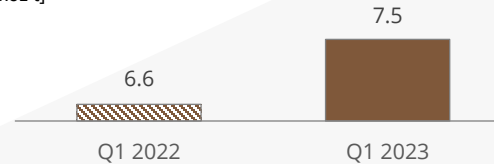


- Lower payable copper production in Q1 2023 compared to Q1 2022 due to lower metal content in ore, lower recovery and a lower volume of ore processed.

Silver production [t] **-29% Q1/Q1**



TPM production [koz t] **+14% Q1/Q1**



Molybdenum production [mn lbs] **-17% Q1/Q1**



- The volume of precious metals production derived from the content of these metals in mined ore
- The decrease in molybdenum production was due to lower recovery and a lower volume of ore processed and was partially offset by higher metal content in ore

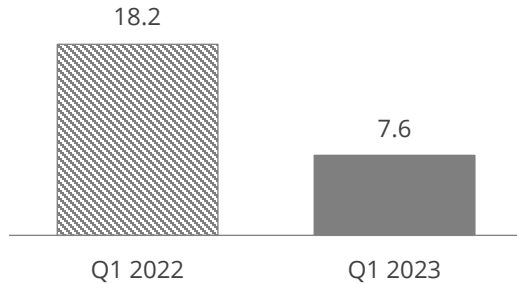
# Production results

KGHM INTERNATIONAL LTD.

## Payable copper production

[kt]

**-58% Q1/Q1**

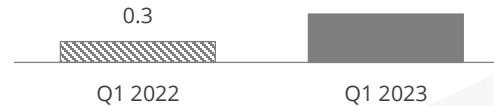


The lower production by the Robinson mine was due to lower copper content in ore and lower recovery (high acid-soluble copper and zinc content in a poor-quality transition zone) and a lower Extraction volume (extreme weather conditions). The lower production by KGHM INTERNATIONAL LTD. was also due to the inclusion in Q1 2022 of production by the Franke mine, which was sold in April 2022. Higher production was recorded by the McCreedy mine (Sudbury Basin) – higher extraction of copper-rich ore.

## Silver production

[t]

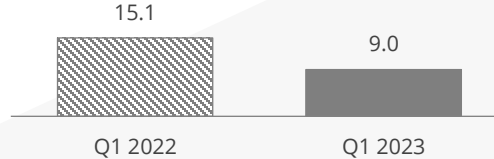
**+133% Q1/Q1**



## TPM production

[koz t]

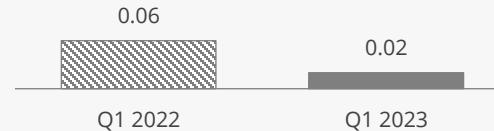
**-40% Q1/Q1**



## Molybdenum production

[mn lbs]

**-67% Q1/Q1**



- Higher silver production by the Sudbury Basin due to higher silver content in ore and higher ore extraction volume
- Lower gold production by the Robinson mine (lower recovery, lower extraction from ore with lower gold grade), which was not offset by higher TPM production by the Sudbury Basin (higher TPM content in ore, higher extraction)
- Lower molybdenum production Q1/Q1 by the Robinson mine, mainly due to lower molybdenum content in ore



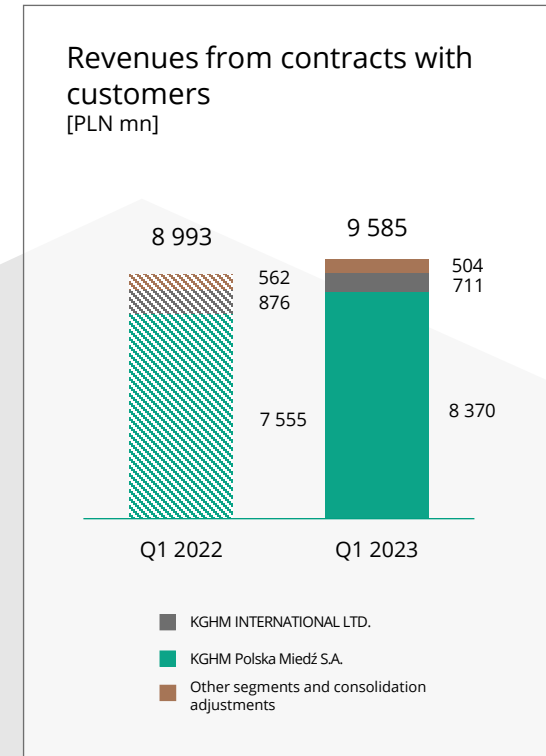
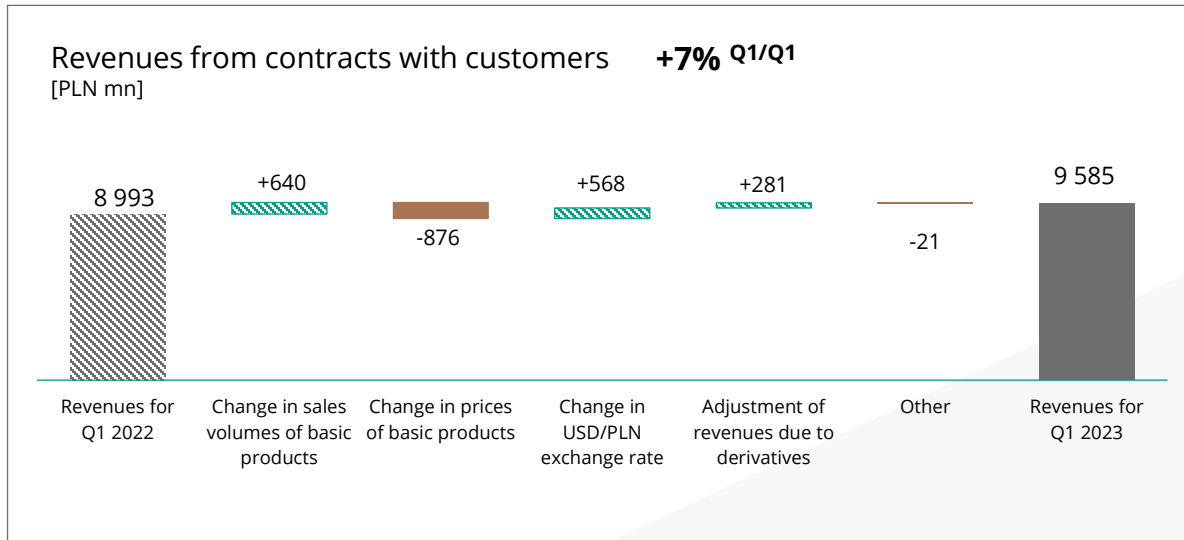
## Financial results of the Group

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# Group sales revenue

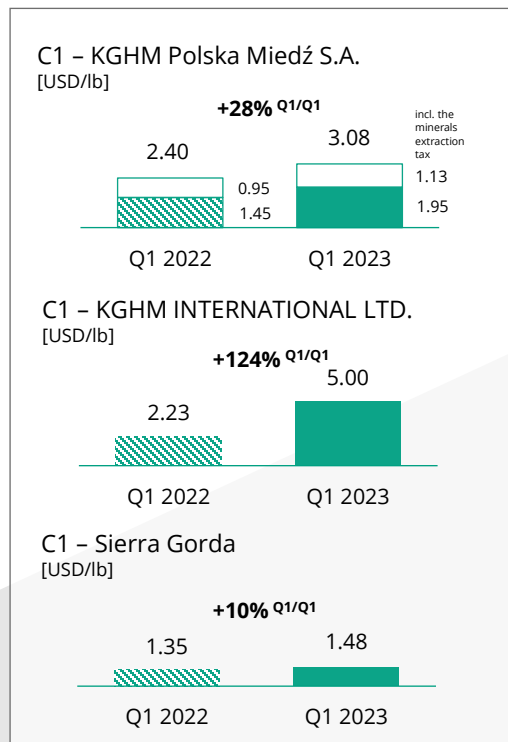
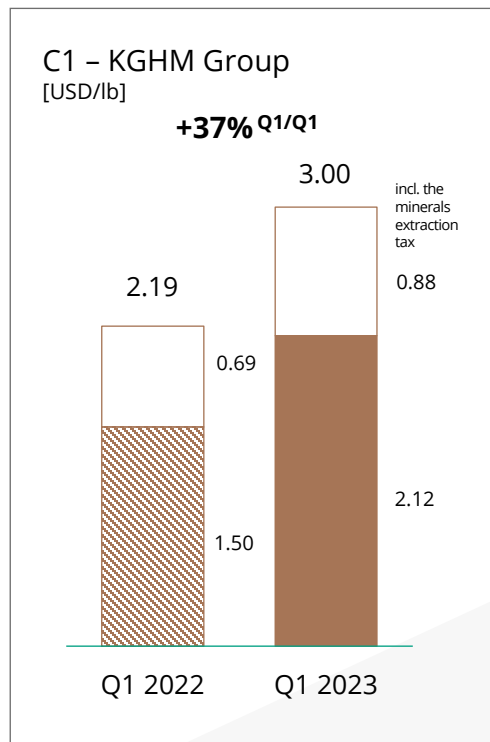
Q1 2023



- Higher revenues by PLN 592 million (+7%) compared to Q1 2022 due to a higher sales volume and a more favourable USD/PLN exchange rate

# C1 unit cost<sup>1)</sup>

KGHM Group

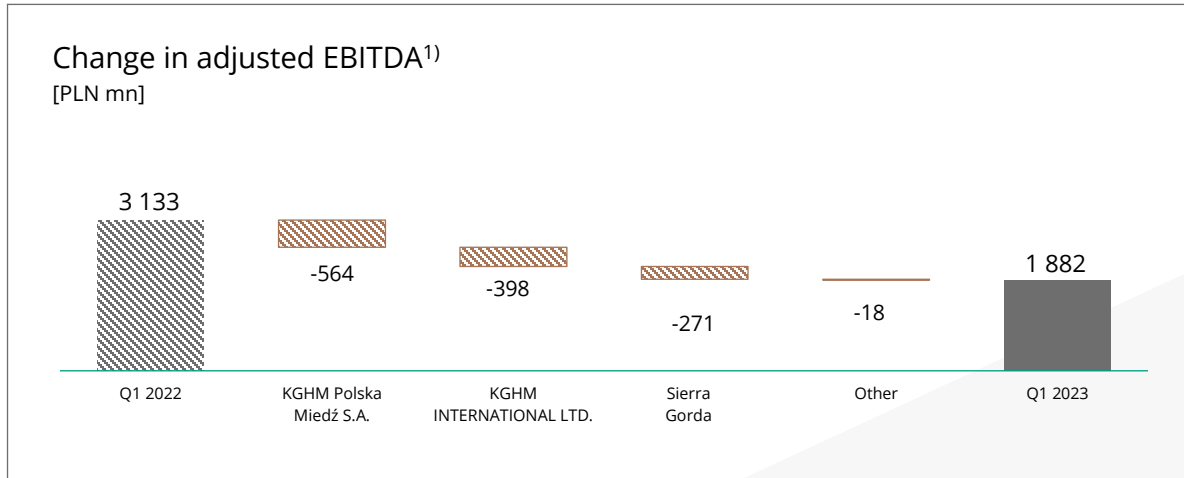


- The increase in C1 cost in KGHM Polska Miedź by 28% compared to Q1 2022 was due to higher costs of materials, fuels and energy and labour costs
- C1 cost in KGHM INTERNATIONAL LTD. was higher by 124% compared to Q1 2022. The main reason for this increase was the Robinson mine due to processing ore from a transition zone (low copper content and lower recovery) as well as write-downs of ore and concentrate inventories
- The increase in C1 cost in Sierra Gorda by 10% compared to 2022 was due to a lower amount of copper sold and higher prices for fuels and services, offset by higher capitalised stripping costs and a higher contribution from associated metals sales.

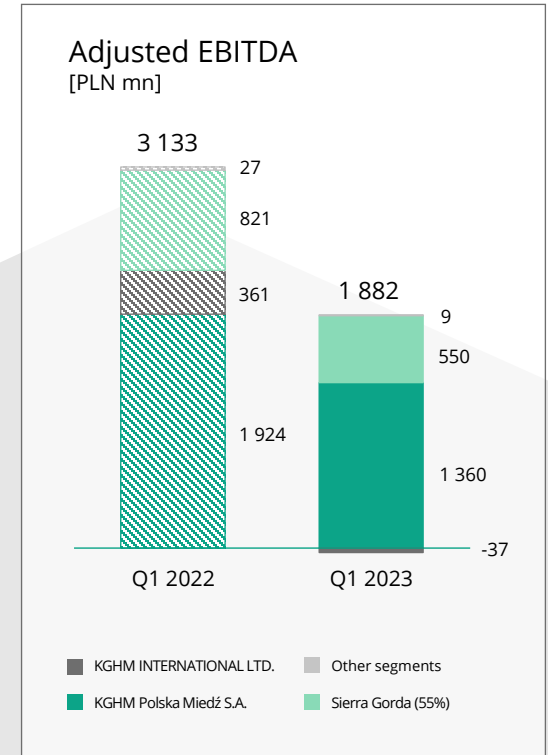


# Operating results

KGHM Group



A decrease in adjusted EBITDA compared to Q1 2022 by PLN 1 251 in respect of all segments.



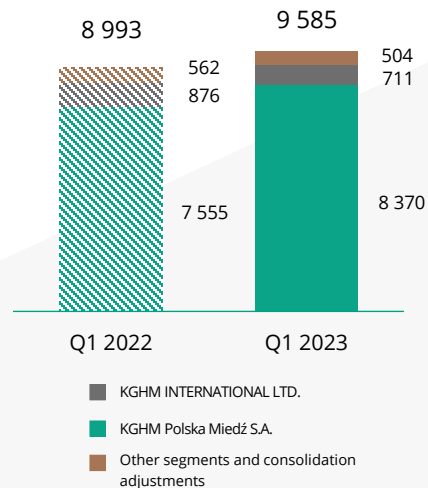
## Revenues and EBITDA in Q1 2023

KGHM Group and operating segments

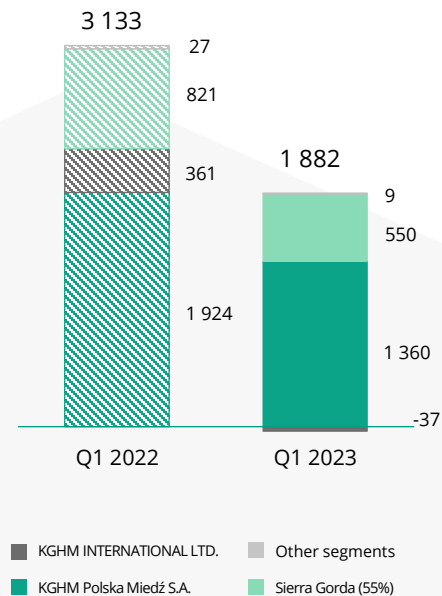
Lower adjusted EBITDA compared to Q1 2022 by PLN 1 251 million, mainly due to higher costs of materials, fuels, energy and employee benefits

- **KGHM Group**  
(-PLN 1 251 mn, -40%)
- **KGHM Polska Miedź S.A.**  
(-PLN 564 mn, -29%)
- **Sierra Gorda**  
(-PLN 271 mn, -33%)
- **KGHM INTERNATIONAL LTD.**  
(-PLN 398 mn, -110%)

Revenues from contracts with customers  
[PLN mn]



Adjusted EBITDA  
[PLN mn]



# Financial results

KGHM Group

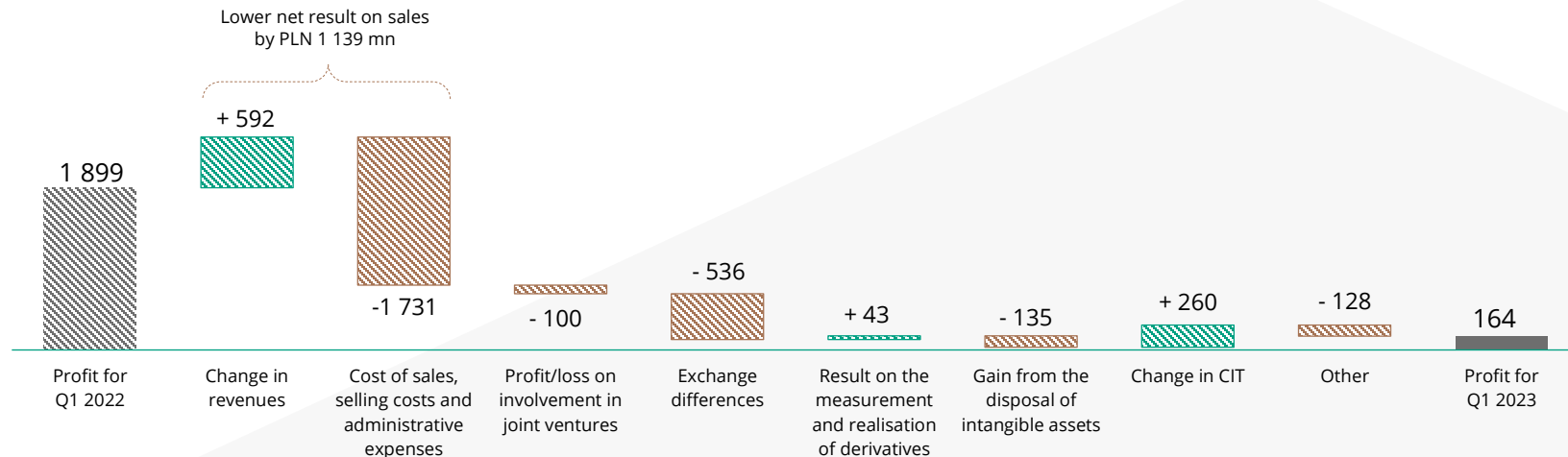
Profit for the period

[PLN mn]

164  
[PLN mn]

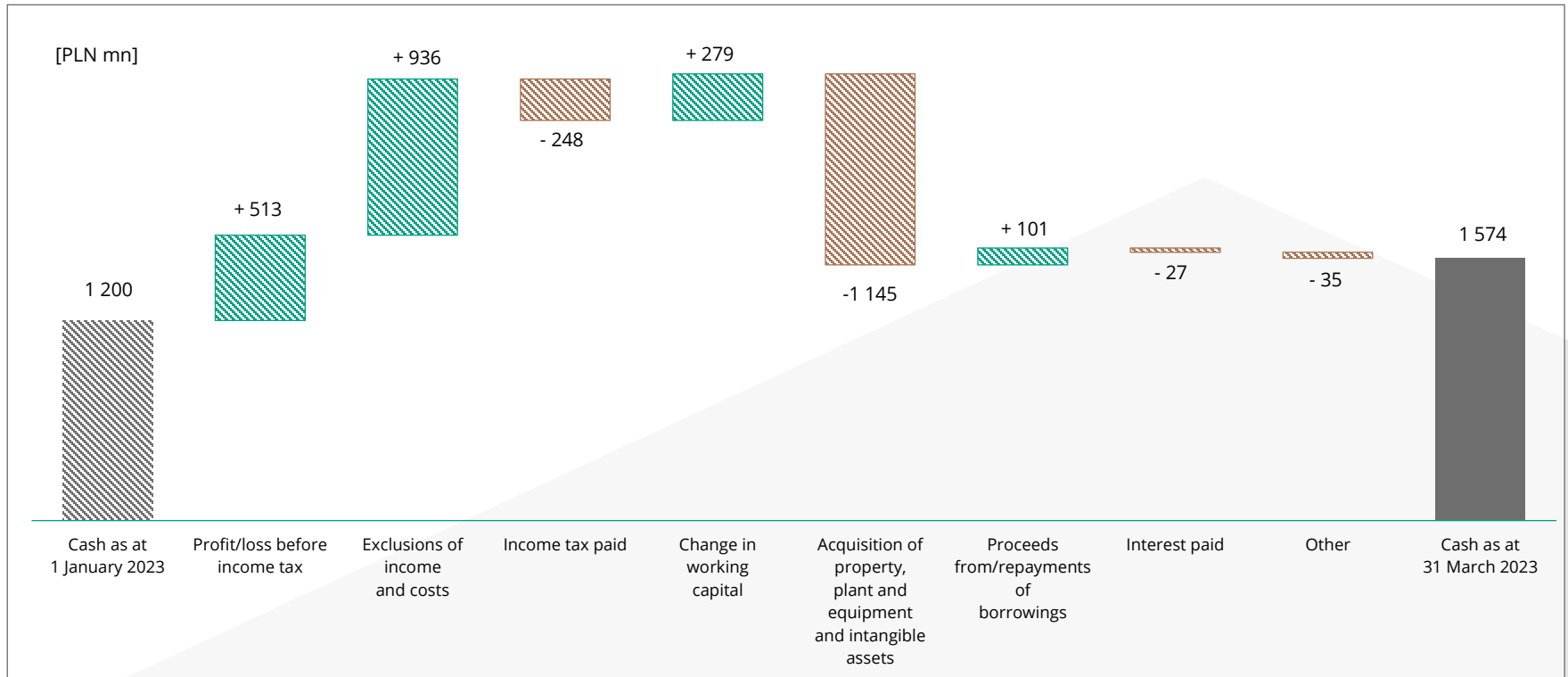
consolidated net profit in Q1 2023

Lower KGHM Group profit by PLN 1 735 million (-91%) mainly due to a lower result on basic operating activities



# Cash flow

KGHM Group



# Net debt of the KGHM Group

As at the end of Q1 2023

## Main factors affecting net debt in 2023

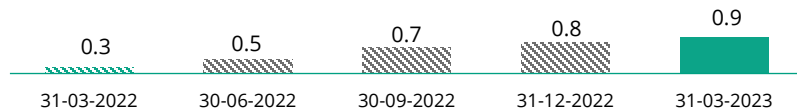
### Increases in debt

- Cash expenditures on property, plant and equipment (PLN 1 145 mn)
- The minerals extraction tax (PLN 1 068 mn)
- Change in trade and other receivables (higher by PLN 89 mn)
- Borrowing costs recognised in cash flow (PLN 27 mn)

### Decreases in debt

- Positive cash flow from operating activities, excluding the change in working capital and the minerals extraction tax (PLN 2 208 mn)
- Change in inventories (lower by PLN 264 mn)
- Change in trade and other payables, incl. trade liabilities transferred to the factor (higher by PLN 165 mn)
- Positive exchange differences (lower net debt expressed in PLN by PLN 95 mn)

### Net debt / adjusted EBITDA



### KGHM Group net debt

[USD mn]

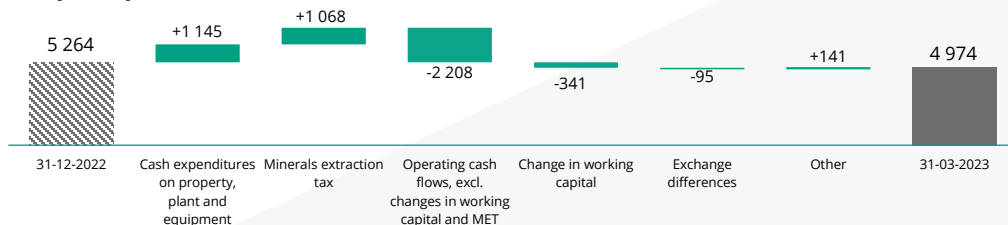


[PLN mn]



### Change in net debt

[PLN mn]

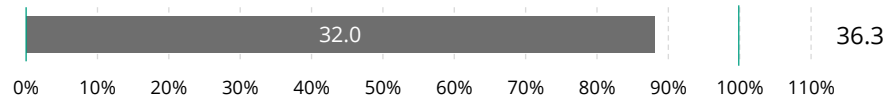


# The financial situation of the KGHM Group remains stable and safe

2023  
Budget

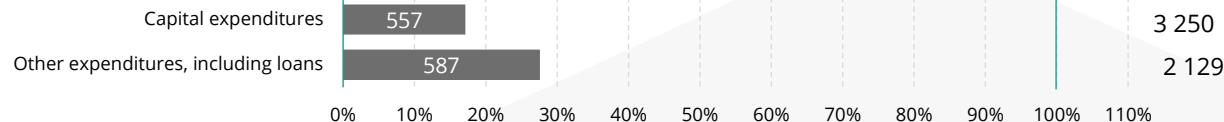
## Total unit production cost

of electrolytic copper from own concentrate  
of KGHM Polska Miedź S.A.<sup>1)</sup>  
[k PLN/t]



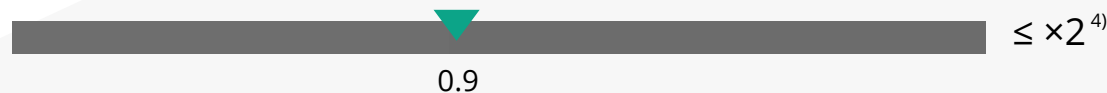
## Investments

of KGHM Polska Miedź S.A.<sup>2)</sup>  
[PLN mn]



## Liquidity of the KGHM Group

[net debt / adjusted EBITDA]<sup>3)</sup>



- 1) Sum of costs of extraction, floatation and metallurgical processing per cathode, together with support functions and cathode selling costs, adjusted by the value of inventories of half-finished products and work in progress, less the value of anode slimes and divided by the volume of electrolytic copper production from own concentrates
- 2) Capital expenditures – excluding costs of borrowing, leasing per IFRS 16 unrelated with an investment project and development work – uncompleted; Other expenditures – acquisition of shares and investment certificates of subsidiaries and associates and loans granted
- 3) Adjusted EBITDA for 12 months, to the end of the reporting period, excluding EBITDA of the joint venture Sierra Gorda S.C.M.
- 4) Level of net debt/EBITDA ≤ 2 related to the Financial Liquidity Policy adopted by the Company and is not part of the budget assumptions of KGHM for 2023

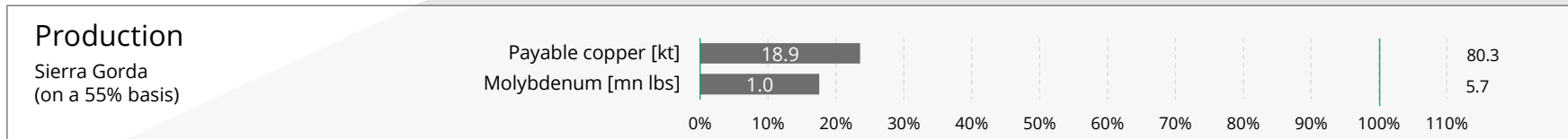
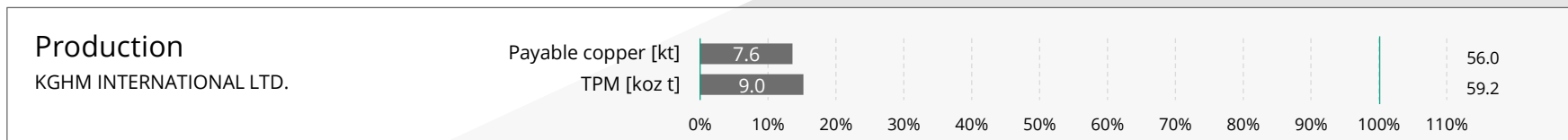
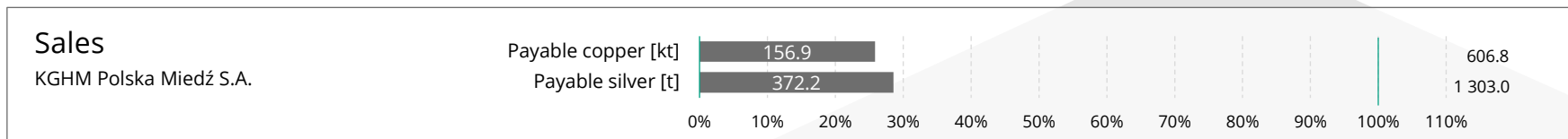
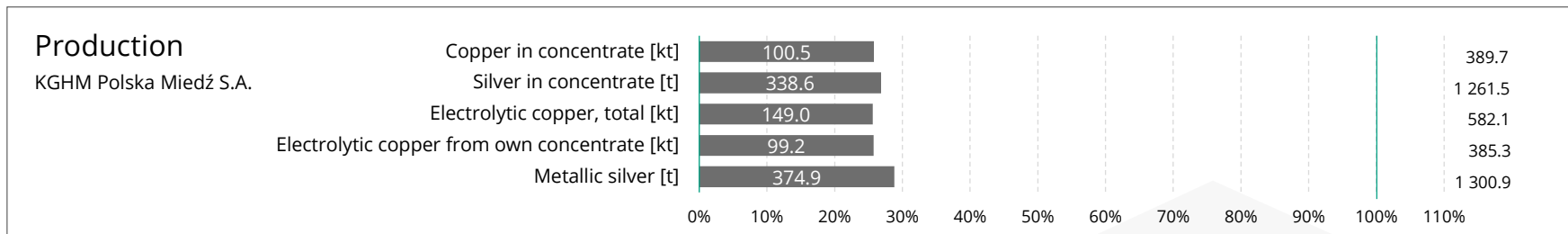


# Group production and sales in Q1 2023

Execution of annual targets

**2023**

Budget

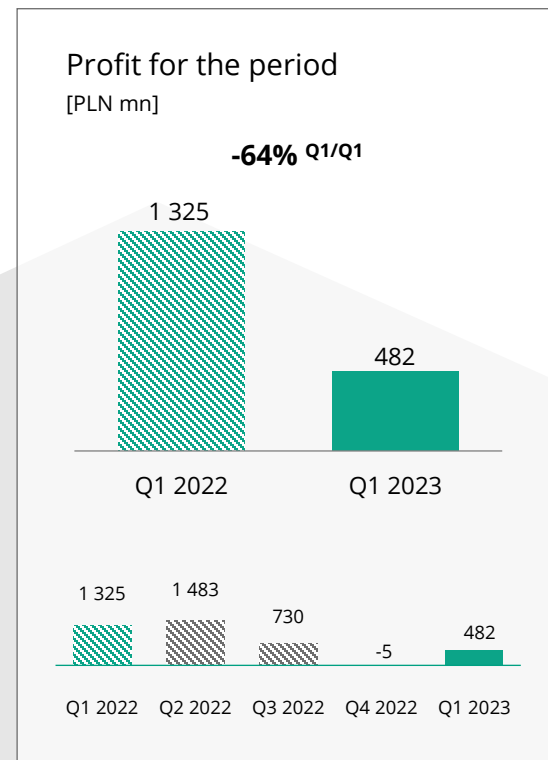
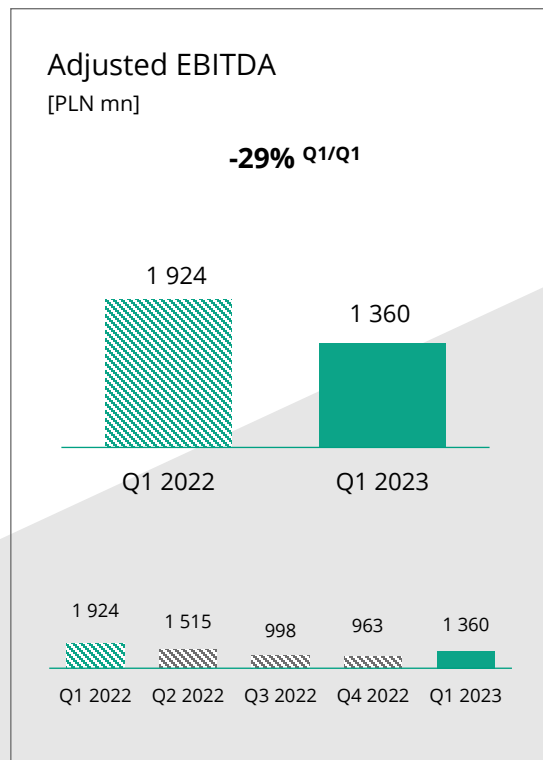


# EBITDA and profit for the period

KGHM Polska Miedź S.A.

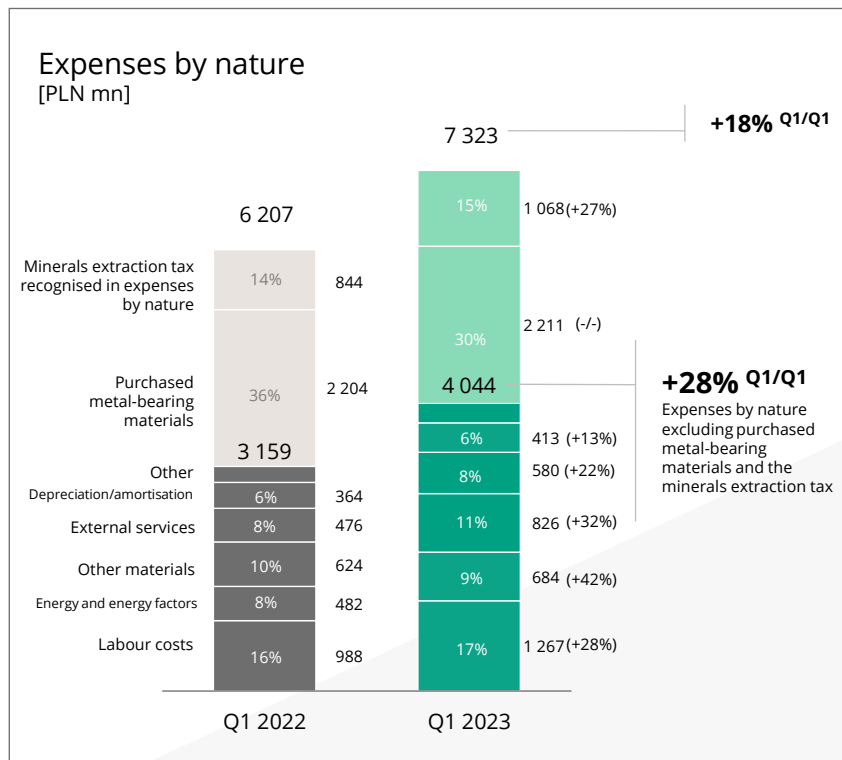
## EBITDA and net profit

- EBITDA lower by PLN 564 mn (29%) versus Q1 2022 due to higher costs, incl. materials, fuels, energy and labour
- Lower net profit by PLN 843 mn (-64%) versus Q1 2022 mainly due to a lower operating result

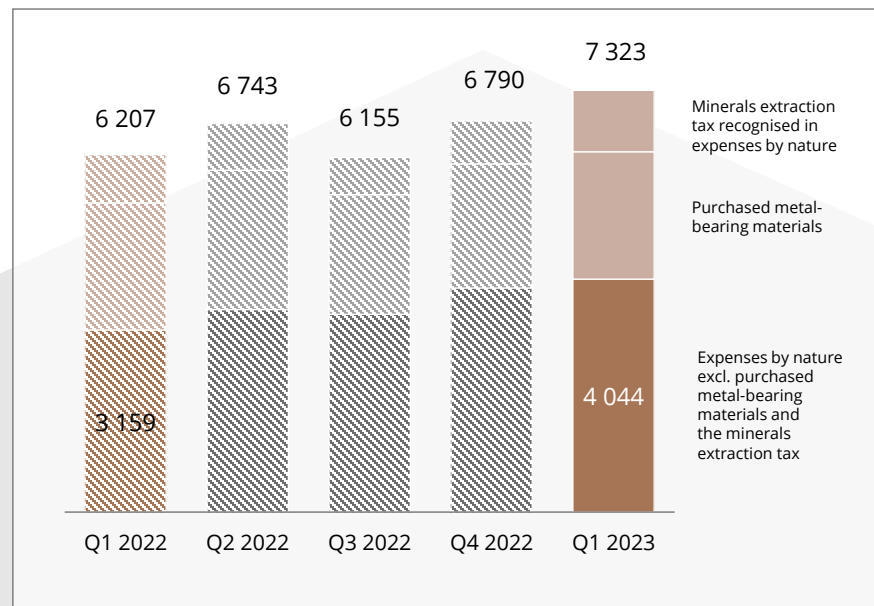


# Expenses by nature

KGHM Polska Miedź S.A.



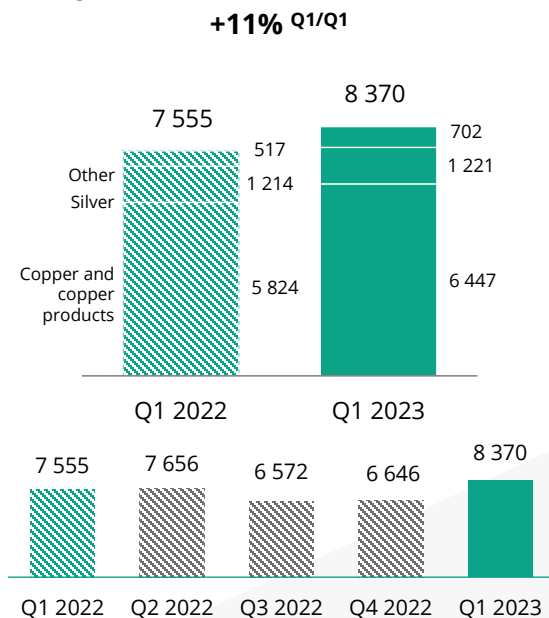
Expenses by nature higher by PLN 1 116 mn y/y



## Sales revenue

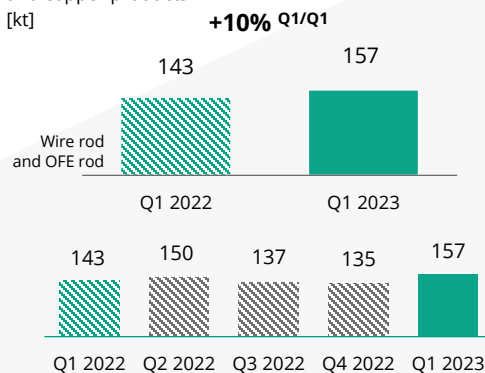
KGHM Polska Miedź S.A.

Revenues from contracts with customers  
[PLN mn]

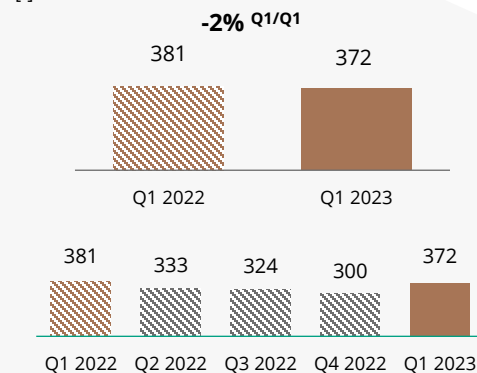


Higher revenues from contracts with customers by PLN 815 million (+11%) in Q1 2023 compared to Q1 2022, mainly due to a more favourable exchange rate and a higher volume of copper and gold sales

Sales of copper  
and copper products  
[kt]

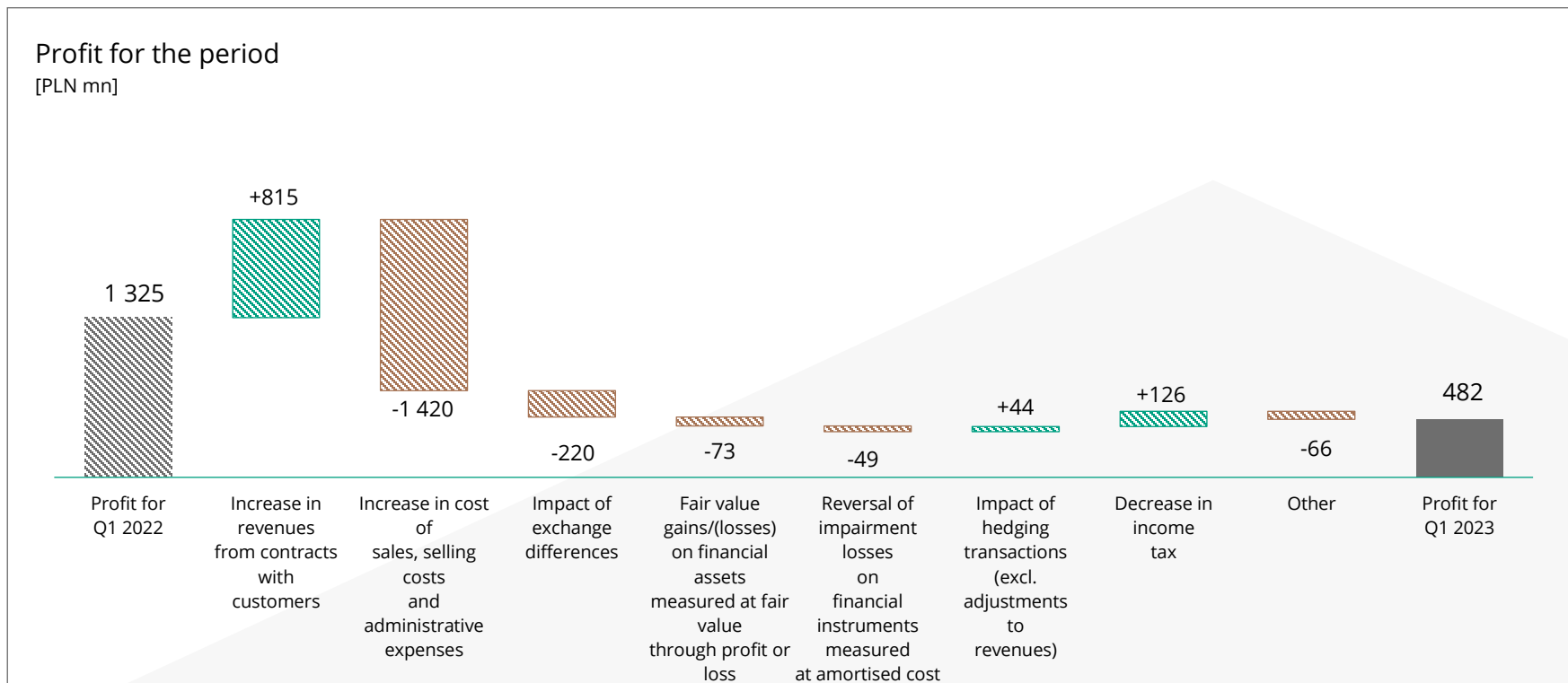


Silver sales  
[t]



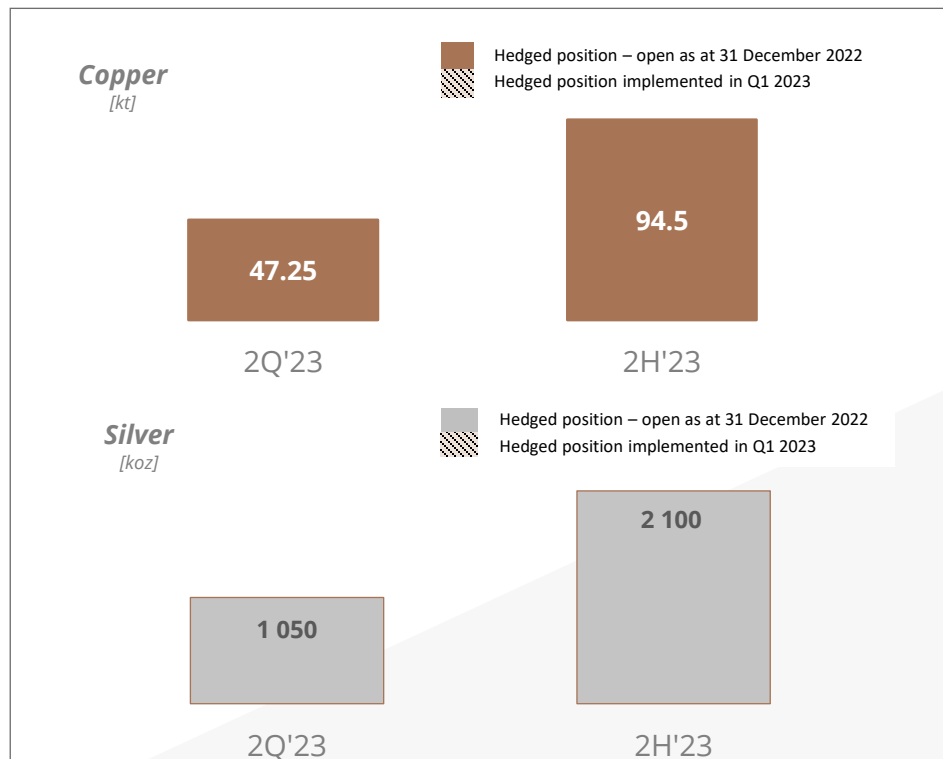
# Profit for the period

KGHM Polska Miedź S.A.



# Market risk management

Hedged position on the copper and silver markets (as at 31 March 2023)



## At the end of Q1 2023 the Parent Entity recorded a result on derivatives\* and hedges in the amount of PLN 24 million:

- PLN 65 mn adjusted revenues from contracts with customers (transactions settled to 31 March 2023),
- PLN 41 mn decreased the result on other operating activities.

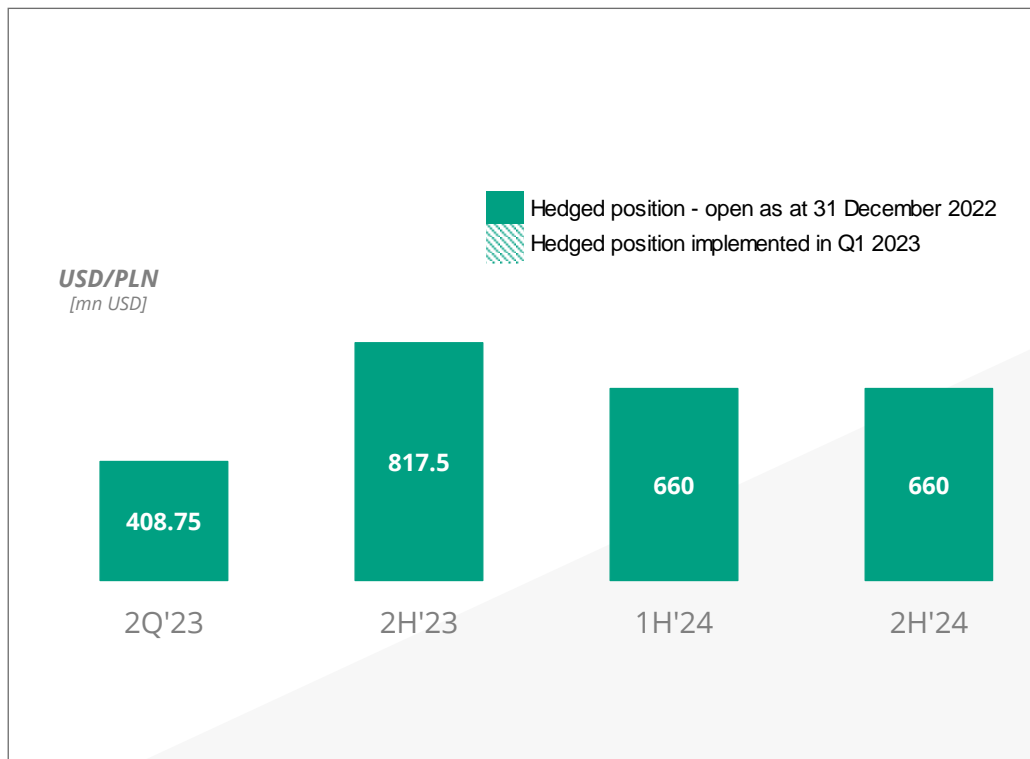
- The fair value of open derivatives in KGHM Polska Miedź S.A. as at 31 March 2023 amounted to PLN 347 mn\*.
- The revaluation reserve on cash flow hedging instruments as at 31 March 2023 amounted to PLN 44 mn.
- In Q1 2023 the Parent Entity did not enter into hedging transactions on the forward copper and silver markets.

\* excludes embedded instruments



## Market risk management

Hedged positions on the currency market (as at 31 March 2023)



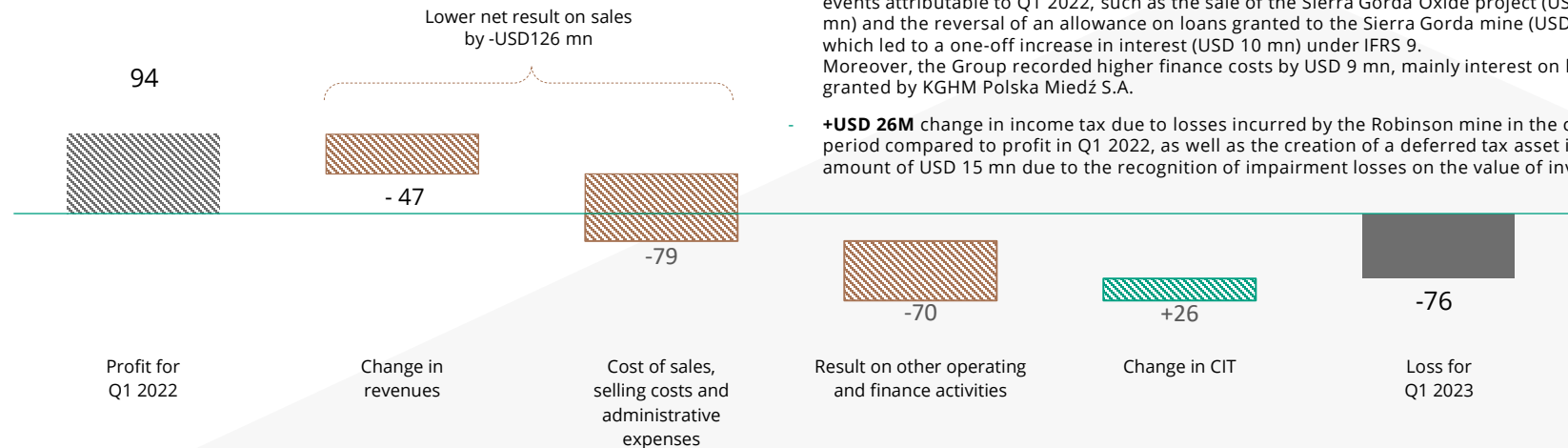
- In Q1 2023 the Parent Entity did not enter into transactions hedging currency or forward interest rates.
- As at 31 March 2023 held open CIRS (Cross Currency Interest Rate Swap) transactions for the notional amount of PLN 2 billion.

# Financial results

KGHM INTERNATIONAL LTD.

Loss for the period **-USD 170 mn** Q1/Q1  
[USD mn]

**-76**  
[USD mn]



## net loss in Q1 2023

A decrease in the net result of KGHM INTERNATIONAL LTD. by USD 170 million, due to:

- **-USD 47 mn** lower revenues due to lower copper prices, a lower sales volume and higher processing costs.
- **-USD 79M** higher costs mainly due to write-downs of the value of inventory in the Robinson mine (USD 42 mn), unused production capacity in Q1 2023 (USD 9 mn) and adjustments to the amount of concentrate in the Robinson mine (USD 10M).
- **-USD 70M** a lower result on other operating and finance activities mainly due to one-off events attributable to Q1 2022, such as the sale of the Sierra Gorda Oxide project (USD 35 mn) and the reversal of an allowance on loans granted to the Sierra Gorda mine (USD 15 mn), which led to a one-off increase in interest (USD 10 mn) under IFRS 9. Moreover, the Group recorded higher finance costs by USD 9 mn, mainly interest on loans granted by KGHM Polska Miedź S.A.
- **+USD 26M** change in income tax due to losses incurred by the Robinson mine in the current period compared to profit in Q1 2022, as well as the creation of a deferred tax asset in the amount of USD 15 mn due to the recognition of impairment losses on the value of inventory.



## Advancement of development initiatives

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# A rationale and responsible investment program

Capital expenditures by KGHM Polska Miedź S.A. in Q1 2023



**639** mn PLN

CAPEX execution in Q1 2023

**3 250** mn PLN

CAPEX target for 2023

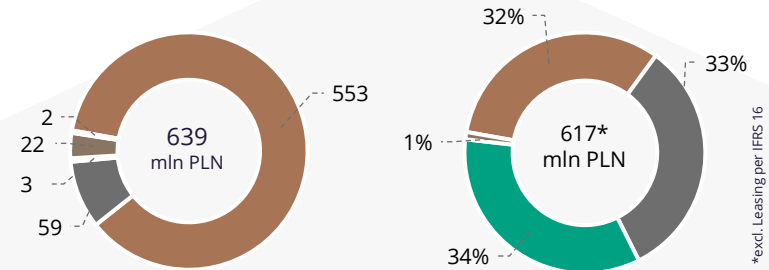
## CAPEX execution in Q1 2023

by area

- Mining
- Metallurgy
- Other activities
- Leasing IFRS 16
- Development - uncompleted

by category

- Replacement
- Maintaining mine production
- Development (incl. R&D)
- Adaptation projects



High execution of equity investments due to support of energy companies and loans to advance the Victoria project.

Comparison: CAPEX and budget execution in 2022



**486** mn PLN  
CAPEX execution Q1 2022

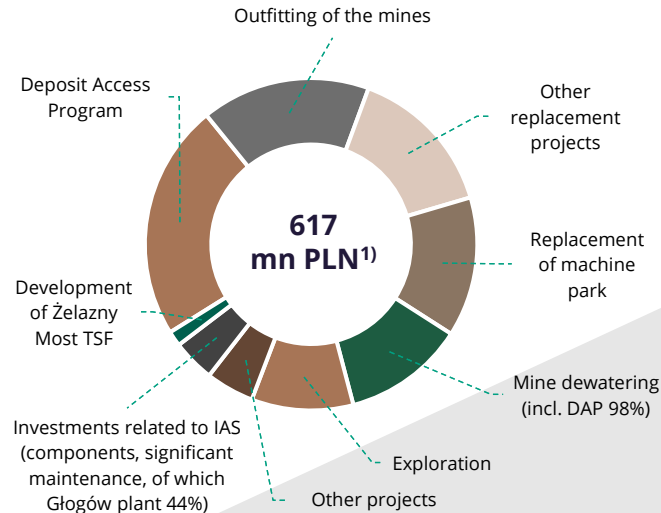
**2 835** mn PLN  
CAPEX budget target for 2022



# CAPEX execution in key investments

## Deposit Access Program

- GG-1 shaft – Sinking of the shaft concluded. The shaft reached a depth of 1348 meters. Construction and installation work is underway to prepare the shaft to serve a ventilation function (transition period). Work is underway on designing final facilities to ultimately serve in a material and personnel transport function.
- GG-2 „Odra” shaft – Agreement signed for shaft site drilling and servicing of the drilling. Worksite handed over on 30 March 2023.
- „Retków” shaft – Grębocice municipality moving forward with changes to the SUIKZP<sup>2</sup>; talks underway with the municipality regarding changes to the MPZP<sup>3</sup> for the site where the Retków shaft complex will be built.
- Gaworzycze shaft - Municipality moving forward with changes to the SUIKZP and MPZP for the site where the shaft complex will be built.
- 9.7 kilometers of tunnelling were excavated
- Power and related projects (UiUGO SW-4) – preparations made to commence stage 1 working trials, i.e. to achieve capacity of 6m<sup>3</sup>/min – sealing trials of water reservoirs; handover of settling tanks, assembly of pumps in embankment pumps and work related to electrical and other equipment.
- Central Air Cooling System (SKC) – the Surface-based Air Conditioning Station (PSK) operating with a nominal capacity of 33MW. The process is underway of obtaining an operating decision for the co-generation container units along with technical infrastructure. The first part of the Ice Water Transportation System is operating properly. Construction continues on building part 2 of the System.  
The commissioned SKC enables work under proper climate conditions in the development and operating regions of Deep Głogów sections of the Polkowice-Sieroszowice and Rudna mines. Further expansion of the SKC will increase the scope of mining work.



## Program to adapt the technological installations to BAT Conclusions

- Głogów Copper Smelter and Refinery:
  - Construction and assembly work was carried out on the installation to reduce dusting at the concentrates loaders of Głogów II; completion of the investment planned in the second quarter of 2023
  - Documentation developed to construct the installation to improve working conditions in the crude lead production hall in the Lead Section; handover of documentation planned in June 2023
- Legnica Copper Smelter and Refinery:
  - operational start-up of the installation to remove particulates containing mercury and arsenic from process gases of the SOLINOX installation – optimisation and other work on the calomel unit, elimination of faults by the Contractor; completion of the investment planned in the second quarter of 2023

## Development of Żelazny Most Tailings Storage Facility

- Stages 1, 2 & 3 of construction of the Southern Quarter were completed. Operating permit received. Proceedings involving the signing of a tailings slimes management agreement were completed. Tailings are being deposited in the Southern Quarter.
- Work continues on the Tailings Segregation and Compacting Station – 93% completed. Stage 1 completed - hydrocyclones. Stage 2 – compactors built. The steel portion of the compactors was assembled together with a flocculants station.
- The process of large-grain tailings segregation and compacting is underway for the purpose of deposition in the Southern Quarter.
- The deposition of compacted (de-watered) tailings enables the return (i.e. re-utilisation) of significant amounts of water into processing and around 5-times less water needing to be stored in the Southern Quarter.





## Development of RES

- Public consultations on the municipal area management plan to enable construction of the Obora Sandpit I photovoltaic power plant were conducted and concluded. It is expected that the amended document will come into force at the end of Q2 2023. Trees and shrubbery are being cleared to complete the process of restoration of terrain excluded from the process of operating the sand quarry in order to prepare terrain for the investment in question. The possibilities and concept for connecting the photovoltaic power plant to the power network of KGHM were analysed.
- In terms of continuation of work on building the HMG I-III<sup>1)</sup> photovoltaic power plants complex, as regards the process of preparing the investment, KGHM signed a connection agreement with Tauron Dystrybucja S.A. to connect the group of projects to the power network. Work also continued on preparing and agreeing internally (KGHM) construction projects to obtain building permits.
- Tender proceedings were initiated to select a contractor for design documentation to build a photovoltaic power plant on the grounds of the Cedynia Wire Rod Plant Division.
- The actions undertaken to build the „Tarnówek”, „Kalinówka” and „Polkowice” photovoltaic power plants enabled a design documentation contractor to be selected by means of tender proceedings. Pursuant to the proceedings assumptions, one contractor was selected which will prepare the requisite documentation in the process of preparing the investment for the three photovoltaic power plant farms.
- Two further projects were created to build photovoltaic power plants on the grounds of liquidated shafts of the Lubin mine and on the grounds of the Żelazny Most Tailings Storage Facility.



## Ensuring energy security in KGHM

- The Natural Gas-Steam (CCGT) blocks of the Head Office **ensured energy security for the Core Production Business** as regards the supply of power to the Polkowice-Sierszowice and Rudna mines as well as to the Głogów Copper Smelter and Refinery in the case of a blackout of the National Energy System as well as the supply of cogenerated heat for the production needs of the metallurgical plants.



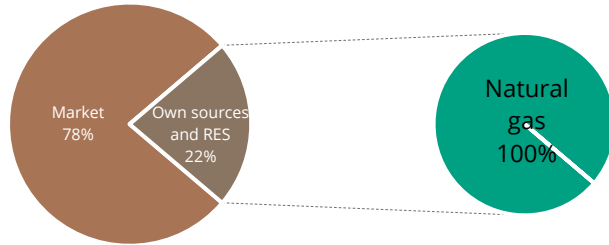
## Development of nuclear energy

- KGHM continues its cooperation with NuScale Power, LCC, the supplier of the SMR technology, under an Early Works Agreement.
- At the same time the Company prepared documentation to submit (1) updated documentation and answers to questions posed by the Nuclear Safety Department PAA to the Company's application of 8 July 2022 on the issuance of a General Opinion; (2) a second application to the State Atomic Agency on the issuance of a General Opinion regarding the methodology of the safety analysis; (3) a request for a fundamental decision.
- Actions were undertaken regarding a preliminary siting report for the SMRs (detailed analysis of selected sites).

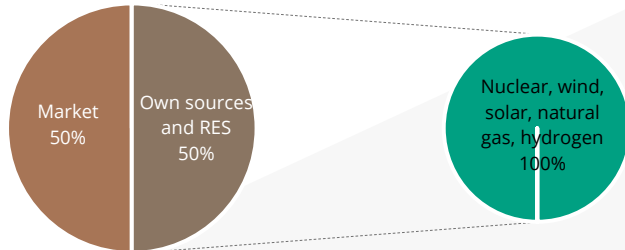
# By 2030 the increase in share of RES will lead to a substantial reduction in CO<sub>2</sub> emissions

Share of power source in supplies to KGHM Polska Miedź S.A.

2020 – base year (2.9 TWh):



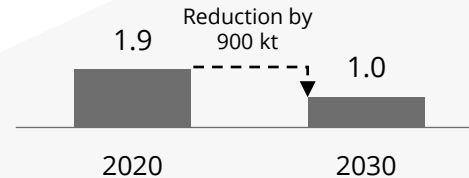
2030 - goal:



Q1 2023:

Own generation sources covered 15.69% of KGHM Polska Miedź S.A.'s total power needs in Q1 2023.

Estimated CO<sub>2</sub> emissions due to electricity consumption  
[mn tonnes]



Implementation of the „Development of Energy generation, incl. RES” Program alongside changes in the national energy system structure will enable the avoidance of approx. 900 kt of CO<sub>2</sub> annually



**100%** of electricity to be generated **by RES** in the **Sierra Gorda mine** from 2023

Follow us on social media:



Thank you

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