

# Layers of possibilities



Results of the KGHM Group for the fourth quarter  
and full year 2023

Warsaw, 25 April 2024

# Summation of 2023 in the KGHM Group

Main macroeconomic factors and aspects of the Group compared to 2022

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

**-4%**

Copper price  
in USD/t

**-9%**

Copper price  
in PLN/t

**+7%**

Silver price  
in USD/oz t

**+2%**

Silver price  
in PLN/oz t

**-6%**

A weaker USD vs the PLN

## Operating results

**-0.3%**

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

**+0.7%**

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

**+8.1%**

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

**+27.1%**

Production of gold  
by KGHM Polska Miedź S.A.

## Indicators

**+21%**

Higher CAPEX execution  
by KGHM Polska Miedź S.A.

**-1%**

Slight decrease in revenues to  
PLN 33 467 mn

**1.1**

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

# Summation of 2023 in the KGHM Group and KGHM Polska Miedź S.A.

Basic measures of the 2023 results

KGHM Group

PLN 33 467 mn

Revenues

PLN 5 362 mn

Adjusted EBITDA

-PLN 3 691 mn

Loss for the period

KGHM Polska Miedź S.A.

PLN 29 084 mn

Revenues

PLN 3 563 mn

Adjusted EBITDA

-PLN 1 153 mn

Loss for the period



## Production results of the KGHM Group by segment

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# Key production indicators

2023

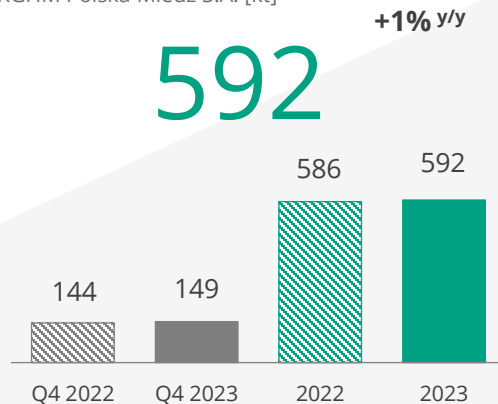
Payable copper production  
by the KGHM Group  
lower by 3% (y/y)

711

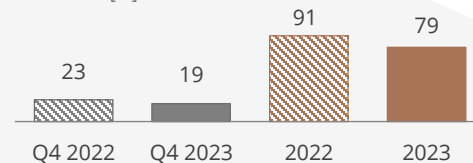
-3% y/y  
[kt]

- **KGHM Polska Miedź** – production slightly higher than in the prior year; the small rise was due to better use of working time of infrastructure in the Tank House of the Głogów Smelter/Refinery
- **Sierra Gorda** – lower copper in ore; lower metal recovery, partially offset by higher processing
- **KGHM INTERNATIONAL LTD.** – lower production mainly due to lower production by the Robinson mine

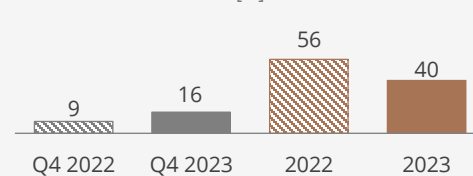
Payable copper production  
KGHM Polska Miedź S.A. [kt]



Payable copper production  
Sierra Gorda<sup>1)</sup> [kt]



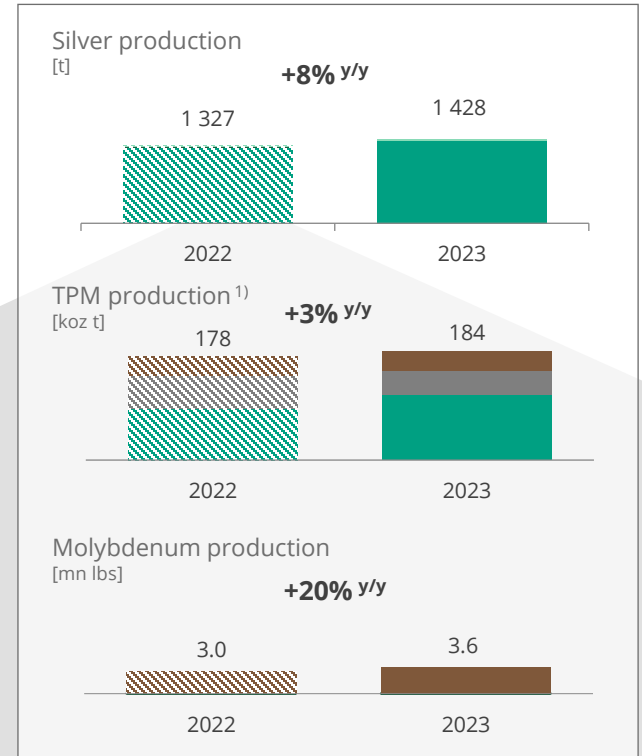
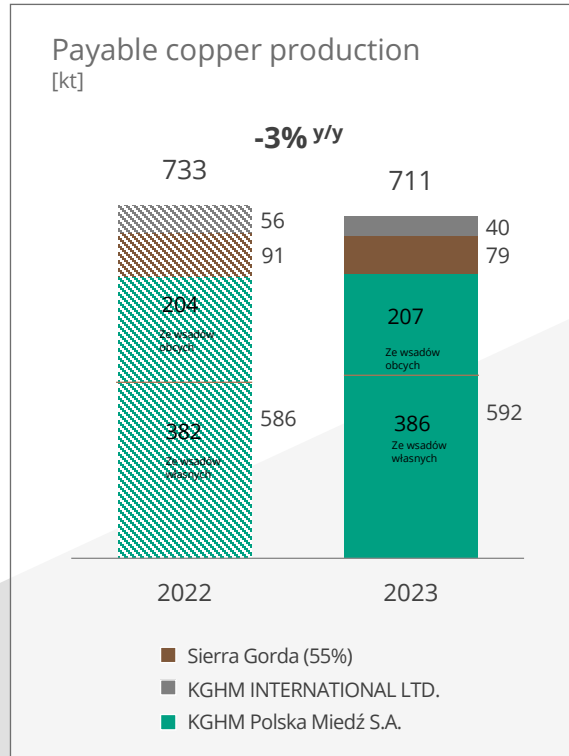
Payable copper production  
KGHM INTERNATIONAL LTD. [kt]



# Metals production

## KGHM Group

- Higher production by KGHM Polska Miedź S.A. from purchased materials and from own copper-bearing charges due to higher availability of production lines, in particular better use of working time of infrastructure in the Tank House of the Głogów Smelter/Refinery
- Lower copper production:
  - in KGHM INTERNATIONAL LTD. due to lower production by the Robinson mine
  - in the Sierra Gorda mine due to lower copper content in ore and lower recovery
- Production of silver and TPM by the Group was higher than in 2022 due to higher production of these metals by KGHM Polska Miedź S.A., as well as by the Sudbury Basin
- Higher molybdenum production by Sierra Gorda due to extraction in areas with higher molybdenum content and to higher processing

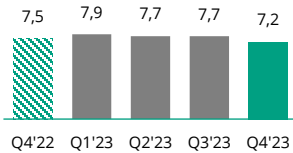
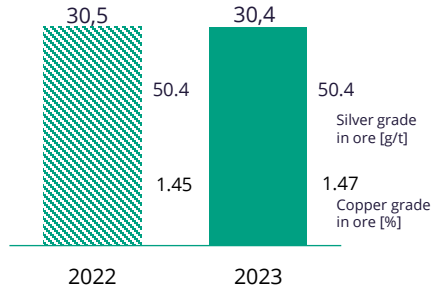


# Production results

KGHM Polska Miedź S.A.

Ore extraction  
[mn t dry weight]

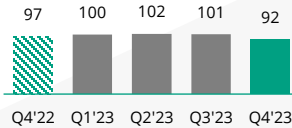
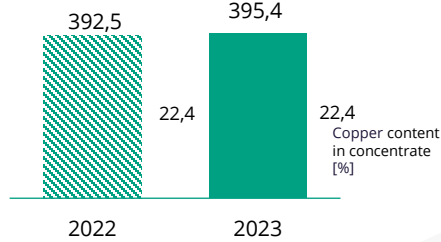
**-0.3% y/y**



- Ore extraction results from areas selected for mining

Production of copper  
in concentrate [kt]

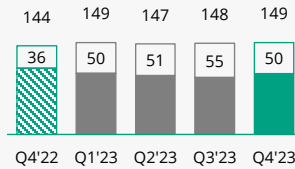
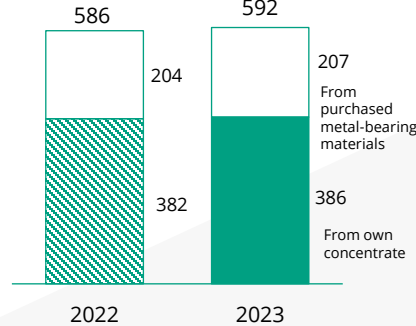
**+0.7% y/y**



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

Electrolytic copper  
production [kt]

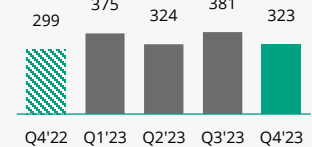
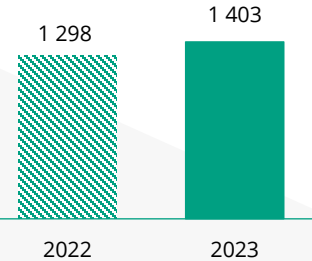
**+1.0% y/y**



- Highest level of annual electrolytic copper production in history – thanks to availability of charge material and full utilisation of equipment production capacity

Metallic silver  
production [t]

**+8.1% y/y**

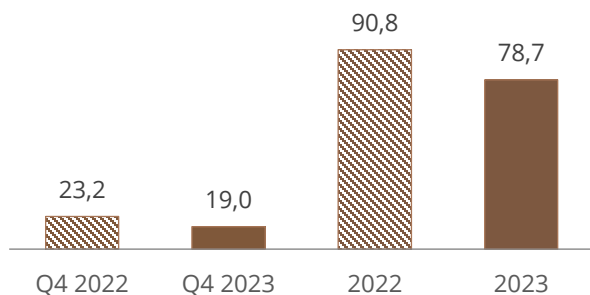


- Highest level of annual metallic silver production in history - thanks to availability of charge material and extension of the effective working time of equipment

# Production results

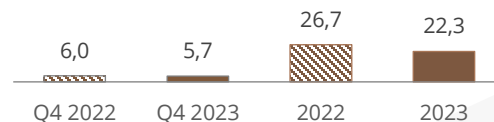
Sierra Gorda<sup>1)</sup>

Payable copper production **-13% y/y**  
[kt]

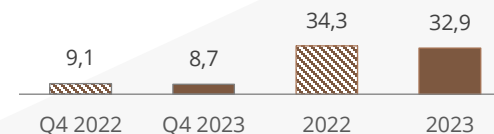


- Lower payable copper production in 2023 compared to 2022 due to the mining of ore with lower copper content and lower recovery

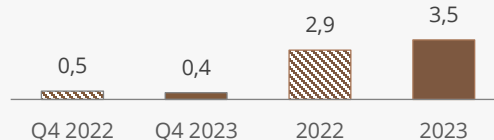
Silver production **-16% y/y**  
[t]



TPM production **-4% y/y**  
[koz t]



Molybdenum production **+21% y/y**  
[mn lbs]



- The volume of precious metals production derived from the content of these metals in mined ore
- The increase in molybdenum production was due to extraction from areas with higher metal content compared to ore mined in the prior year, despite shutdowns of the molybdenum processing plant in the fourth quarter of 2023

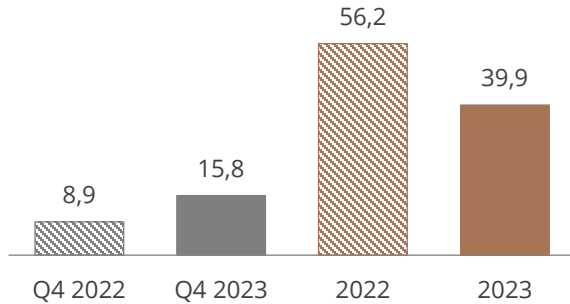


# Production results

KGHM INTERNATIONAL LTD.

## Payable copper production [kt]

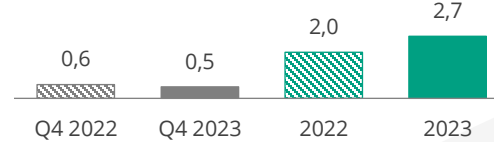
-29% y/y



- Lower production by the Robinson mine up to October 2023 due to lower extraction of ore from a low-quality transitional zone and lower recovery - high content of acid-soluble copper and zinc. From November 2023 production rose significantly (extraction from the main, rich ore zone)
- The lower production by KGHM INTERNATIONAL LTD. was also due to the recognition in 2022 of production by the Franke mine, which was sold in April 2022
- Higher production compared to 2022 was also recorded by the McCreedy mine (Sudbury Basin) - higher ore extraction with higher copper content

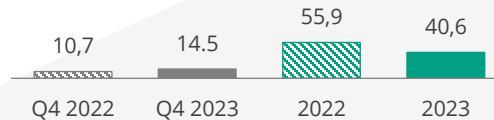
## Silver production [t]

+35% y/y



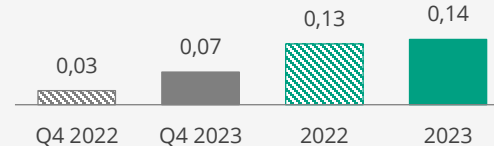
## TPM production [koz t]

-27% y/y



## Molybdenum production [mn lbs]

+8% y/y



- Higher silver production by the Sudbury Basin due to higher silver content in ore
- Lower gold production by the Robinson mine (lower recovery, lower extraction of ore with lower gold content), which was not offset by higher TPM production by the Sudbury Basin (higher TPM content in ore, with a similar level of extraction y/y)
- Molybdenum production by the Robinson mine at a similar level y/y

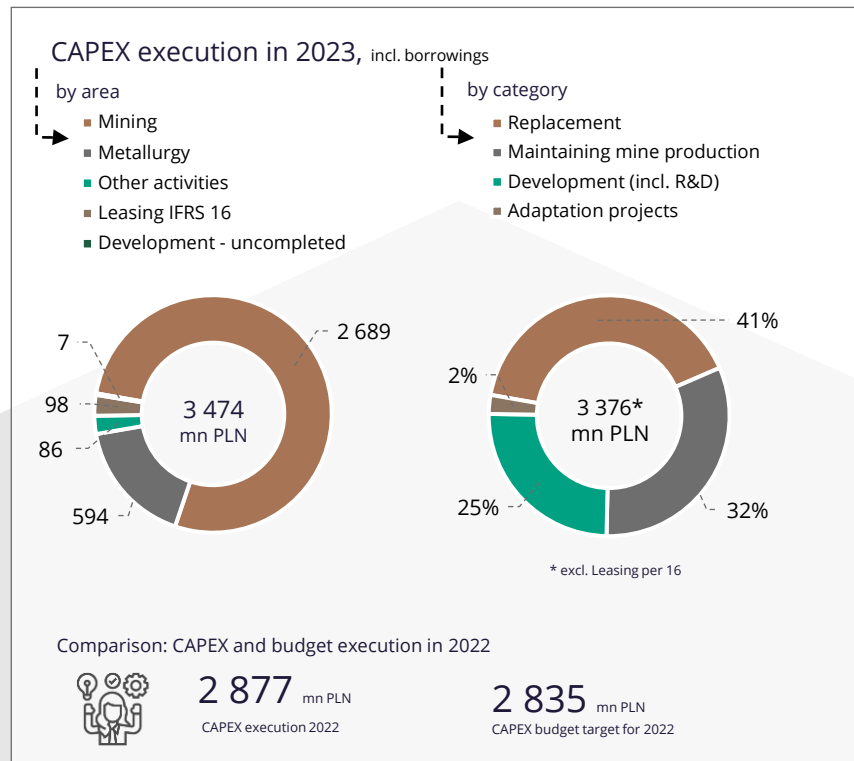


## Advancement of development initiatives

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# A rationale and responsible investment program

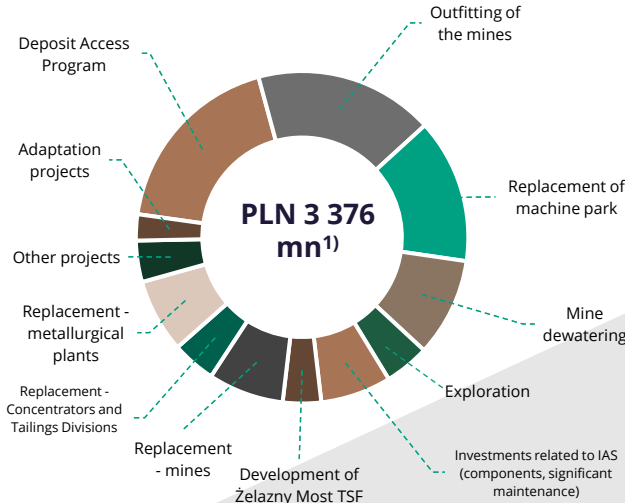
Capital expenditures by KGHM Polska Miedź S.A. in 2023



# CAPEX execution in key investments

## Deposit Access Program

- GG-1 shaft – For the transitional period, construction was completed on shaft heating facilities, the assembly of cable tracks and cables in the shaft. Work is underway on the final facilities required to support the shaft's ultimate function as a material and personnel transport shaft. Environmental decision received for the target facilities.
- GG-2 „Odra” shaft – Work is underway on sinking headway workings as well as research to enable the preparation of designs for the freezing of the shaft and the housing. Framework agreement signed for the execution of facilities needed to begin sinking the shaft; under this agreement negotiations were concluded on an executory design agreement.
- „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. Agreement signed with the municipality regarding the execution of investments on their terrain. Corporate consent received for the purchase of property for the investment.
- Gaworzyce shaft - Municipality moving forward with changes to the SUIKZP and MPZP for the site where the shaft complex will be built.
- 40 kilometers of tunnelling were excavated.
- Power and related projects (LIUGO SW-4) – stage 1 working trials were conducted, i.e. to achieve capacity of 6m<sup>3</sup>/min, and for stage 2, i.e. pumping capacity of 12m<sup>3</sup>/min. Based on the handover to the KRZG<sup>4</sup> the Polkowice-Sieroszowice mine requested the Director of the Mining Office in Wrocław to grant a permit to commence operations of the project in the region of the SW 4 shaft of the Polkowice-Sieroszowice mine.
- Central Air Cooling System (SKC) – the Surface-based Air Conditioning Station (PSK) is operating with a nominal capacity of 33MW. An operating decision was received 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

- The program concluded on 31 August 2023 with the achievement, through the investments made, of adaptation to BAT conclusions of the infrastructure of the Głogów and Legnica Copper Smelters and Refineries in terms of environmental protection and restricting emissions of arsenic.

## Replacement of machine park

- 256 mine machines were purchased and supplied to the three mines: 51 to Lubin; 96 to Rudna; 109 to Polkowice-Sieroszowice

## Maintenance shutdown at Legnica

- Maintenance and repair work was undertaken from 1 Sept. to 14 Oct. on the facilities and installations of the pyrometallurgical line. The re-start of the production installations occurred on 15 October 2023.

## Development of the Żelazny Most Tailings Storage Facility

- Stages 1, 2 & 3 of construction of the Southern Quarter were completed. Operating permit received. A tailings slimes management agreement was signed and work commenced. A causeway was built (to a crown height of 158 m a.s.l.), enabling the deposition of compacted, small-grain tailings. The causeway is being developed (to a crown height of 163 m a.s.l.) and the Crown Formation Area BC is being sealed, enabling the further deposition of compacted tailings.
- Work continues on the Tailings Segregation and Compacting Station – 99% completed. Stage 1 completed - hydrocyclones. In terms of Stage 2 – construction of compactors – 99% of work was completed. The compactors were assembled and underwent operational trials, 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.

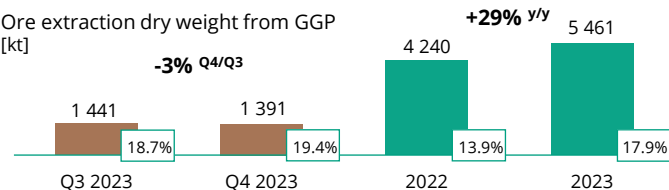
1) excluding Leasing per IFRS 16, plus borrowing costs; SUIKZP = study of conditions and directions of area development;  
3) MPZP = municipal area management plan; 4) KRZG = Head of mining operations

# Role of Deep Głogów (GGP) in maintaining output in Poland

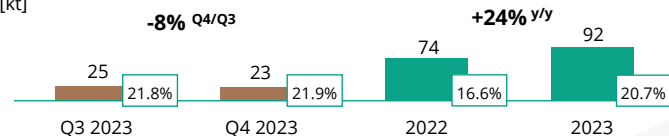
Deposit access program in KGHM's concessioned areas

## Share of production from GGP in total production in Poland

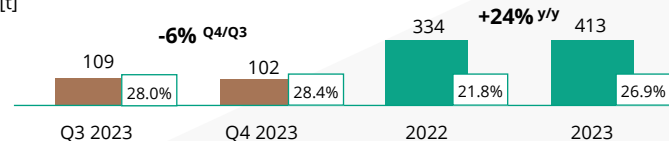
Ore extraction dry weight from GGP [kt]



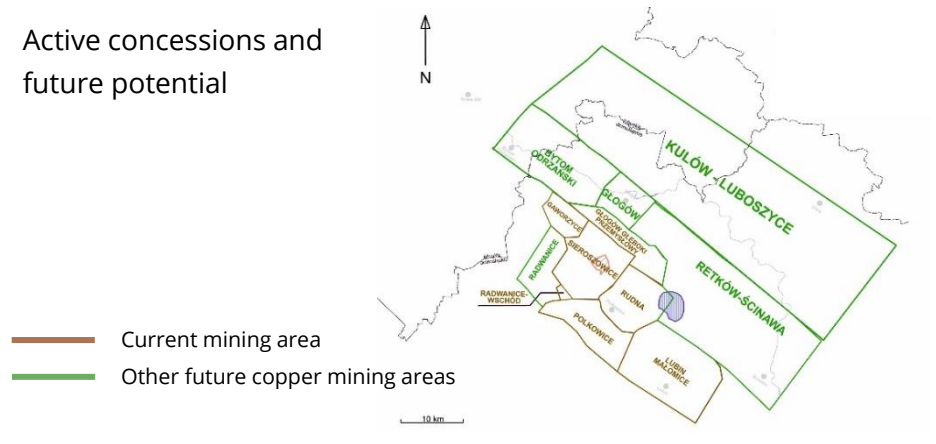
Amount of copper in ore [kt]



Amount of silver in ore [t]



## Active concessions and future potential



Ore Extraction in the GGP region, as well as the amounts of copper and silver in ore, quarter to quarter (Q4/Q3 2023) was lower due to lower extraction and to slightly lower copper and silver content in ore as a result of the proximity of the work to barren rock areas.

The share of production from the GGP region in total domestic production year to year (2023/2022) remained in a rising trend, and higher by at least 24%, due to the successive increase in the number of mining sections and executed workings, as well as thanks to the improved ventilation of the workings from the GG-1 shaft.

# Execution of strategy by the Group's entities in Poland

Supporting actions



## Reorganisation of the Group

### Optimisations actions

Adaptation of companies portfolio to the current needs of KGHM

## 2023

Advancement of the energy transformation strategy of KGHM  
Acquisition of target companies, being operators of solar power farms – ensuring coverage of part of the needs of KGHM for power

## Subsequent years

- Strategy aimed at core companies – maximising operational security, including financial security,
- Improvement of the Group structure aimed at optimising utilisation of the resources of subsidiaries (assets, knowledge, experience), by exchanging activities, advancing joint projects/ventures,
- Increase the transparency of the Group's management – implementation and monitoring of standards and best corporate governance practices in Group companies.



## Financial results of the Group

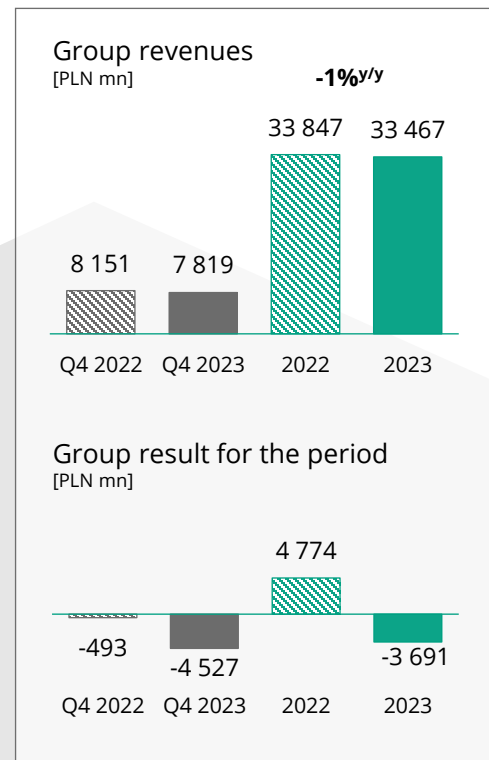
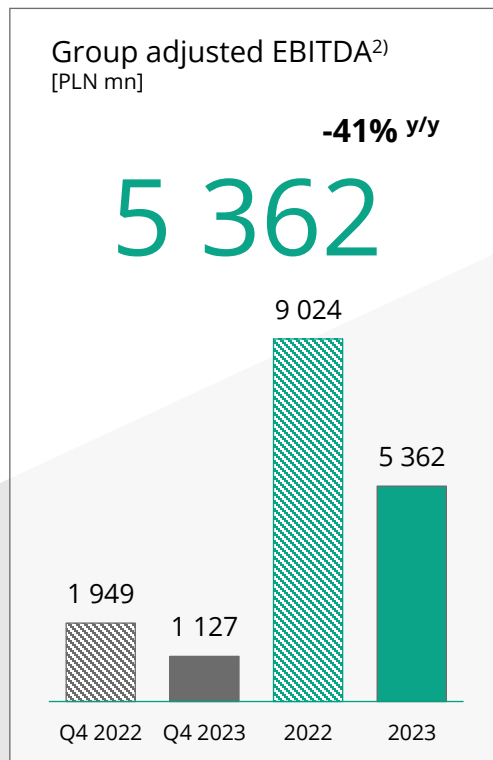
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# Key financial indicators of the KGHM Group

2023

## Adjusted EBITDA of the KGHM Group

Lower adjusted EBITDA compared to 2022  
in all the main Group segments



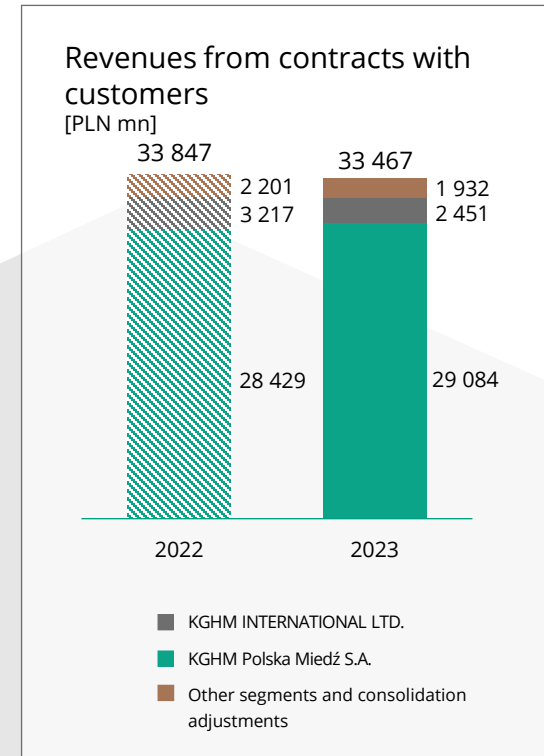
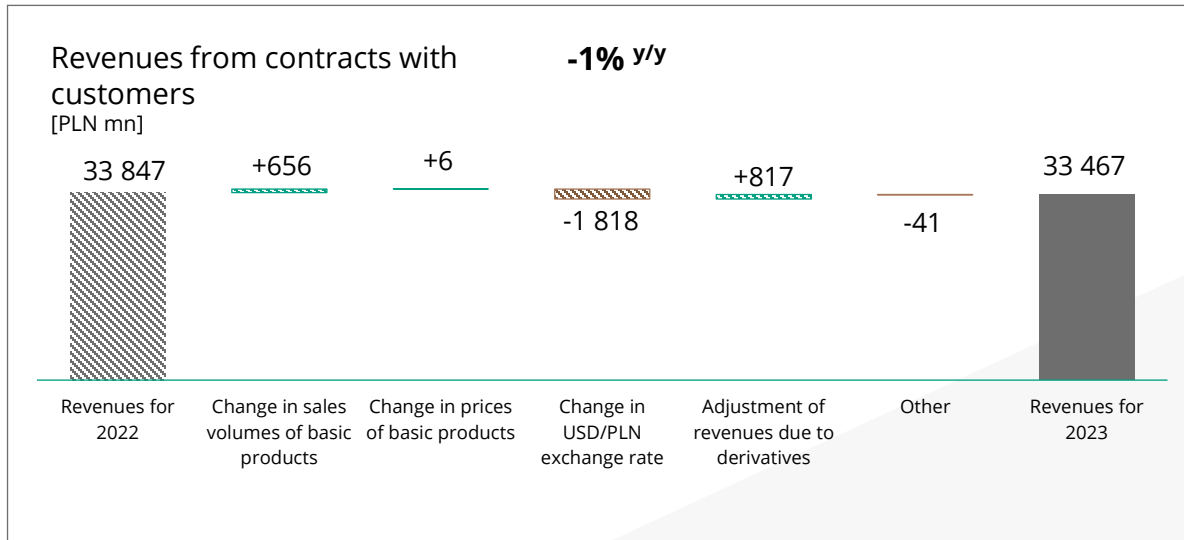
1) On a 55% basis

2) Sum of segments; adjusted EBITDA = profit/loss on sales + depreciation/amortisation adjusted by impairment losses/reversals of impairment losses on non-current assets.  
**EBITDA presented in accordance with the amended definition (see Consolidated quarterly report, Note 3.1)**



# Group sales revenue

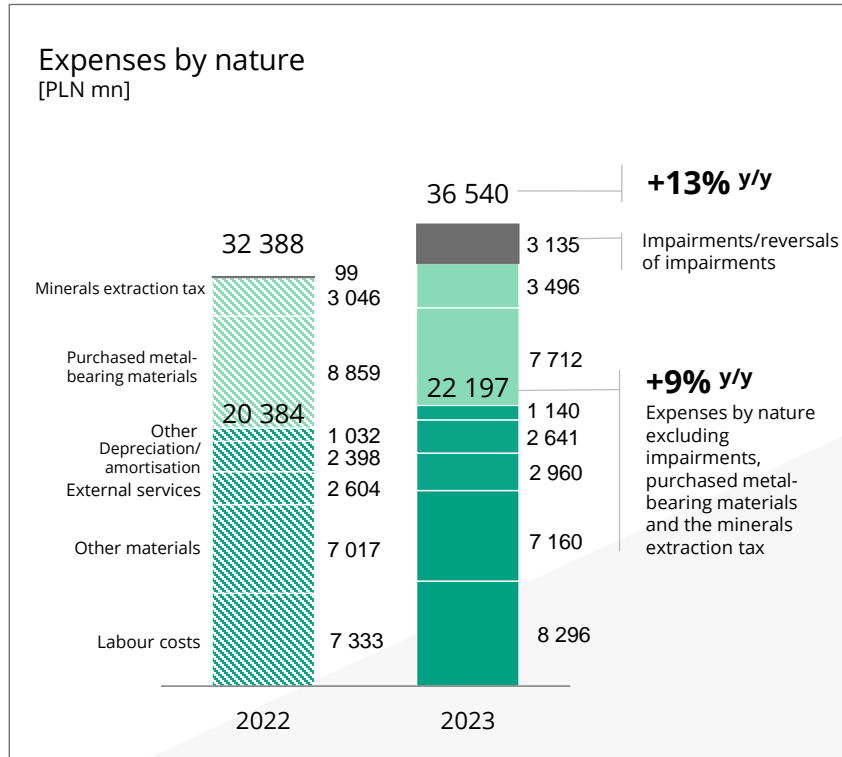
2023



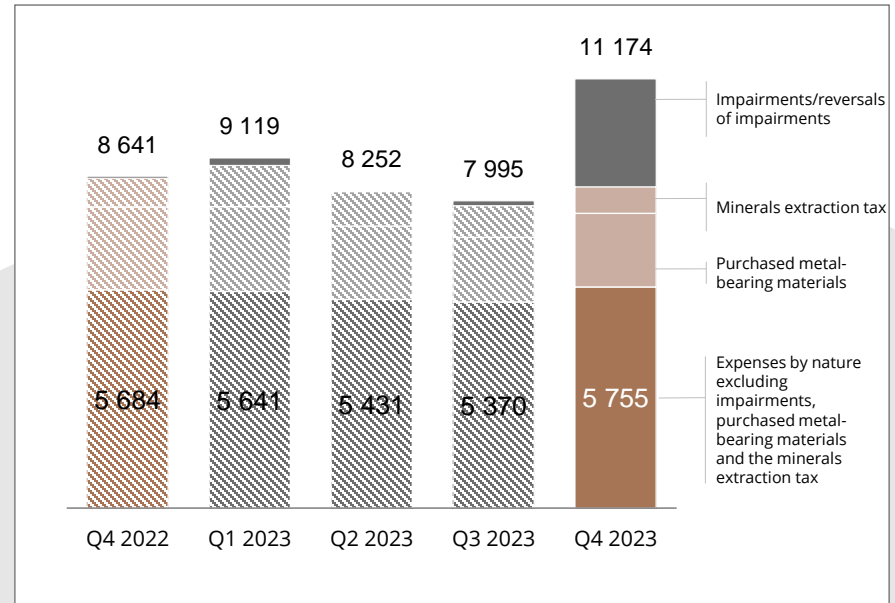
- Lower revenues by PLN 380 million (-1%) compared to 2022 – a less favourable exchange rate and lower sales by KGHM INTERNATIONAL LTD. was only partially offset by a higher volume of sales by KGHM Polska Miedź S.A. and by the adjustment of sales due to derivatives.

# Expenses by nature

KGHM Group

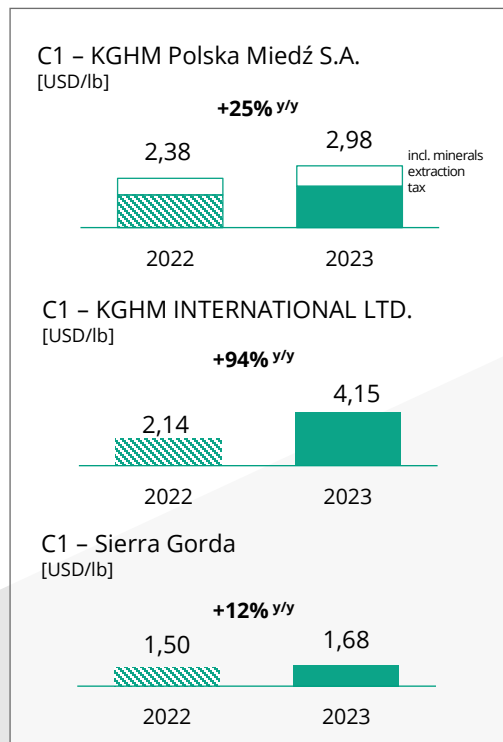
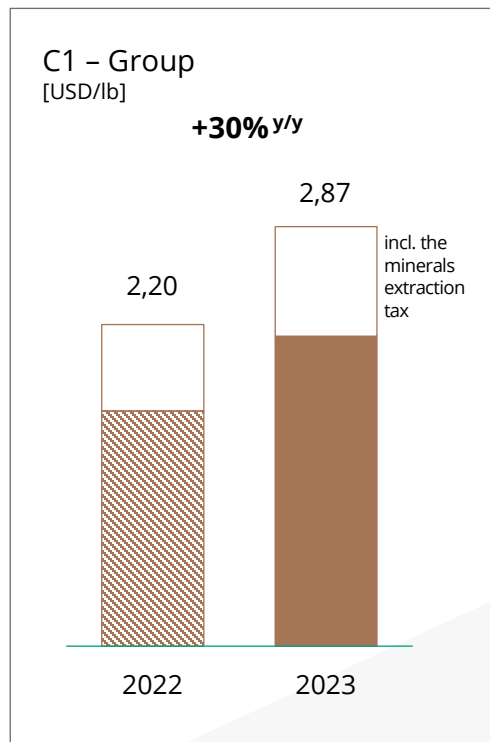


Expenses by nature in 2023 were higher mainly due to recognition of impairment write-downs



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

KGHM Group



- KGHM Polska Miedź S.A.** - the increase in C1 cost by 25% was mainly due to a higher minerals extraction tax charge, higher costs of materials, fuels and energy, and higher labour costs.
  - the rate of increase of C1 expressed in PLN/lb was lower than as expressed in USD/lb and amounted to 18% (12.52 PLN/lb vs 10.62 PLN/lb in 2022), due to a weakening of the USD vs PLN.
- KGHM INTERNATIONAL LTD.** - the increase in C1 cost was due to the situation at the Robinson mine in the first three quarters of 2023:
  - mining in a so-called transitional zone characterised by low copper content – a lower copper sales volume,
  - an increase in basic operating costs at Robinson due among others to lower capitalisation of stripping costs, and
  - a write-down of inventories,

There was a significant improvement in C1 in Q4 (2.22 USD/lb) as mining at Robinson moved to a more copper-rich zone.
- Sierra Gorda S.C.M.** - C1 higher by 12%, mainly due to higher costs of external services and labour, with a lower sales volume due to mining in areas with lower copper content.

# Financial results

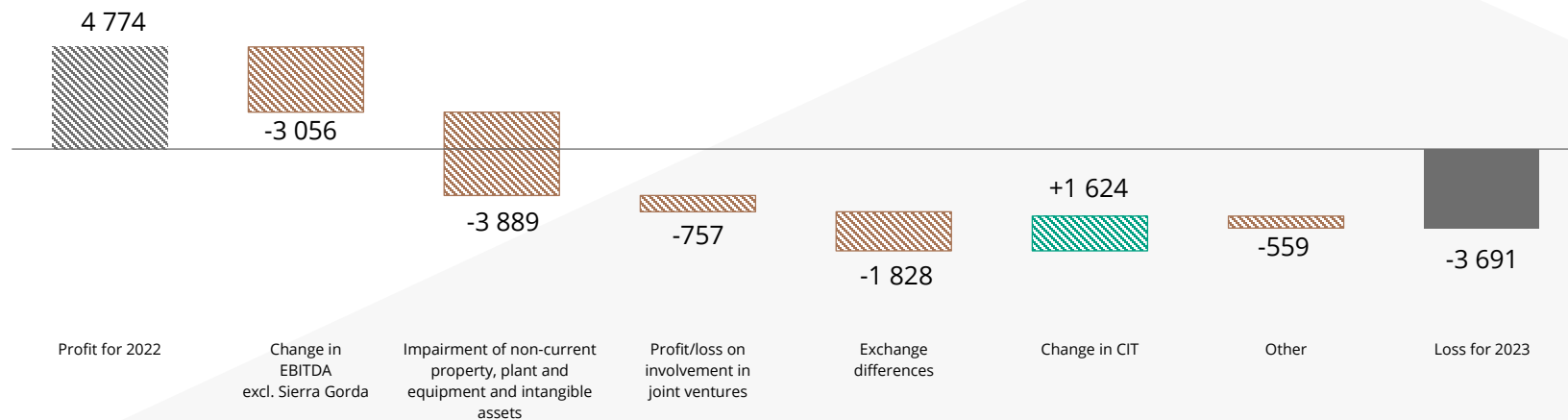
KGHM Group

## Profit/loss for the period

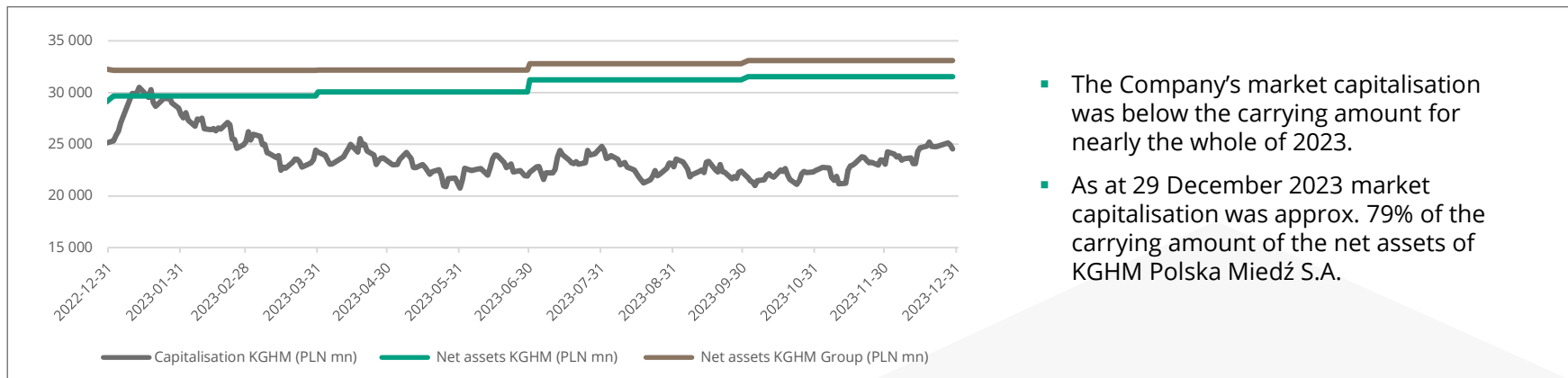
[PLN mn]

**The Group recorded a lower net result mainly due to:**

- **impairment write-downs**
- **a lower result on basic operating activities**
- **the impact of exchange differences**



## Indications to conduct impairment testing



- The Company's market capitalisation was below the carrying amount for nearly the whole of 2023.
- As at 29 December 2023 market capitalisation was approx. 79% of the carrying amount of the net assets of KGHM Polska Miedź S.A.

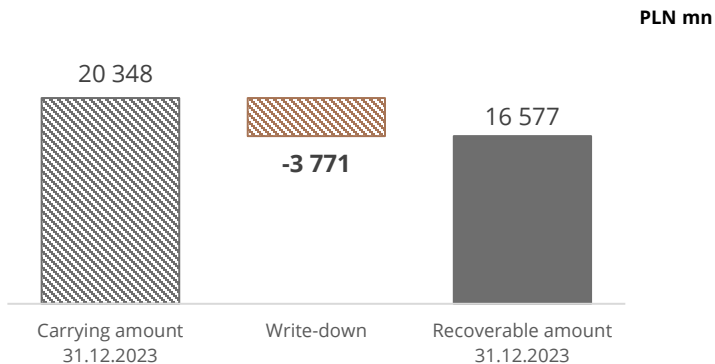
Due to the fact, among others, that the Company's market capitalisation remained below the carrying amount of its net assets, it was determined that indications had arisen indicating the possible impairment of the Company's production assets.

**As a result, in accordance with IAS 36 the Company was obliged to conduct tests for the impairment of assets.**

- The recoverable amount was determined using the value in use model, based on an analysis of the discounted cash flows generated by the Company's individual assets.
- This analysis took into account the current forecasts of price paths of individual commodities, long-term productions plans, operating costs and capital expenditure as well as action undertaken to improve efficiency.

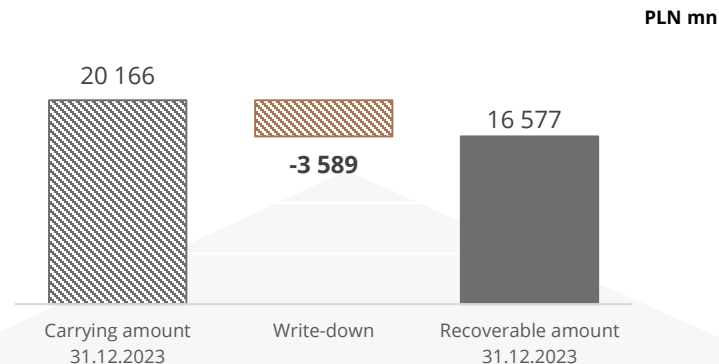
## Production assets in Poland (mining and metallurgical assets)

### Standalone financial statements



- Impairment write-down of **PLN 3 771 million**.
- The impairment write-down is the difference between the carrying amount of net assets\* in the Standalone financial statements and their recoverable amount.
- Recognition of the impairment write-down resulted in a decrease in deferred tax by PLN 710 million.

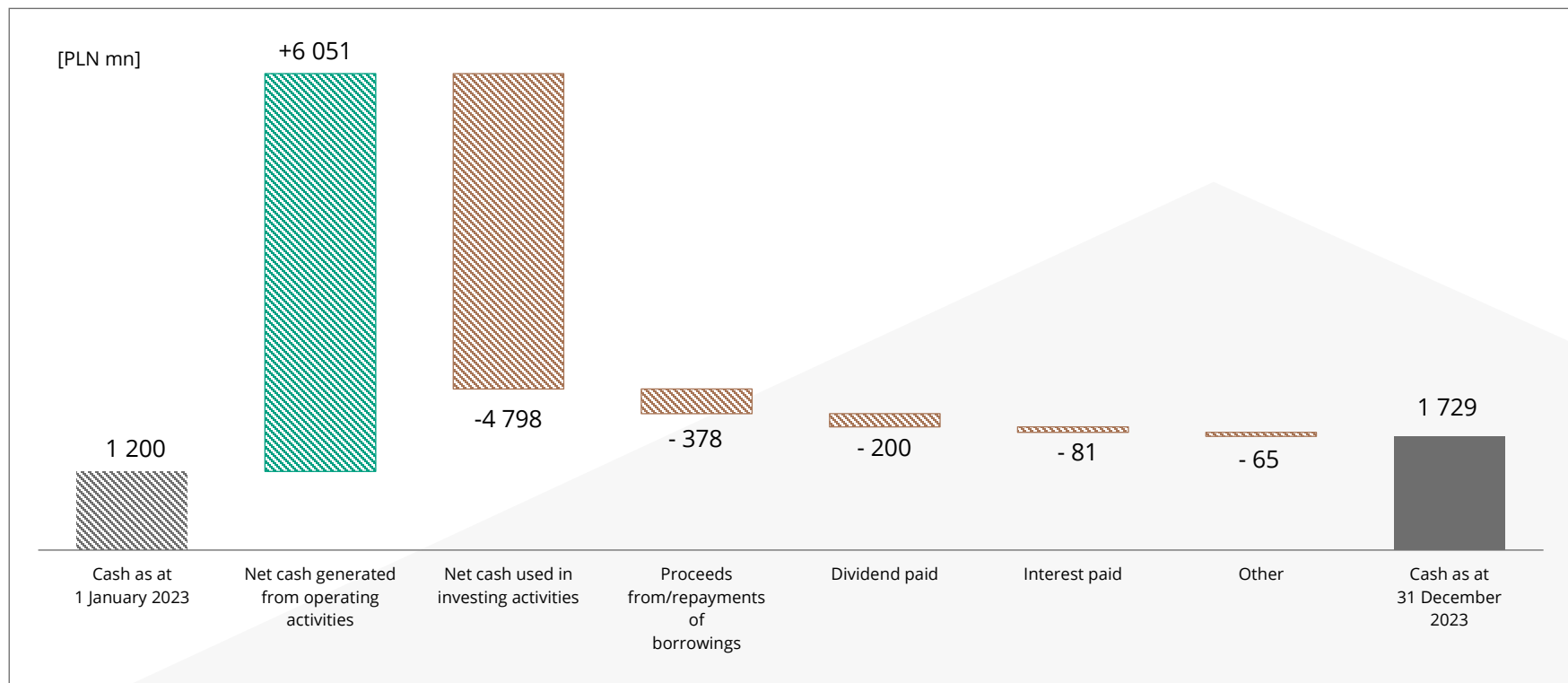
### Consolidated financial statements



- Impairment write-down of **PLN 3 589 million**.
- The impairment write-down is the difference between the carrying amount of net assets\* in the Consolidated financial statements and their recoverable amount.
- Recognition of the impairment write-down resulted in a decrease in deferred tax by PLN 666 million.

# Cash flow

KGHM Group



# Layers of possibilities



Results of the KGHM Group for the fourth quarter  
and full year 2023

Warsaw, 25 April 2024