

Layers of possibilities



Results of the Group for the first 9 months of 2017

15 November 2017

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Agenda

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3 Summation

Supporting slides

- 4**
- Key international projects
 - Key domestic projects
 - Economic results of KGHM Polska Miedź S.A.

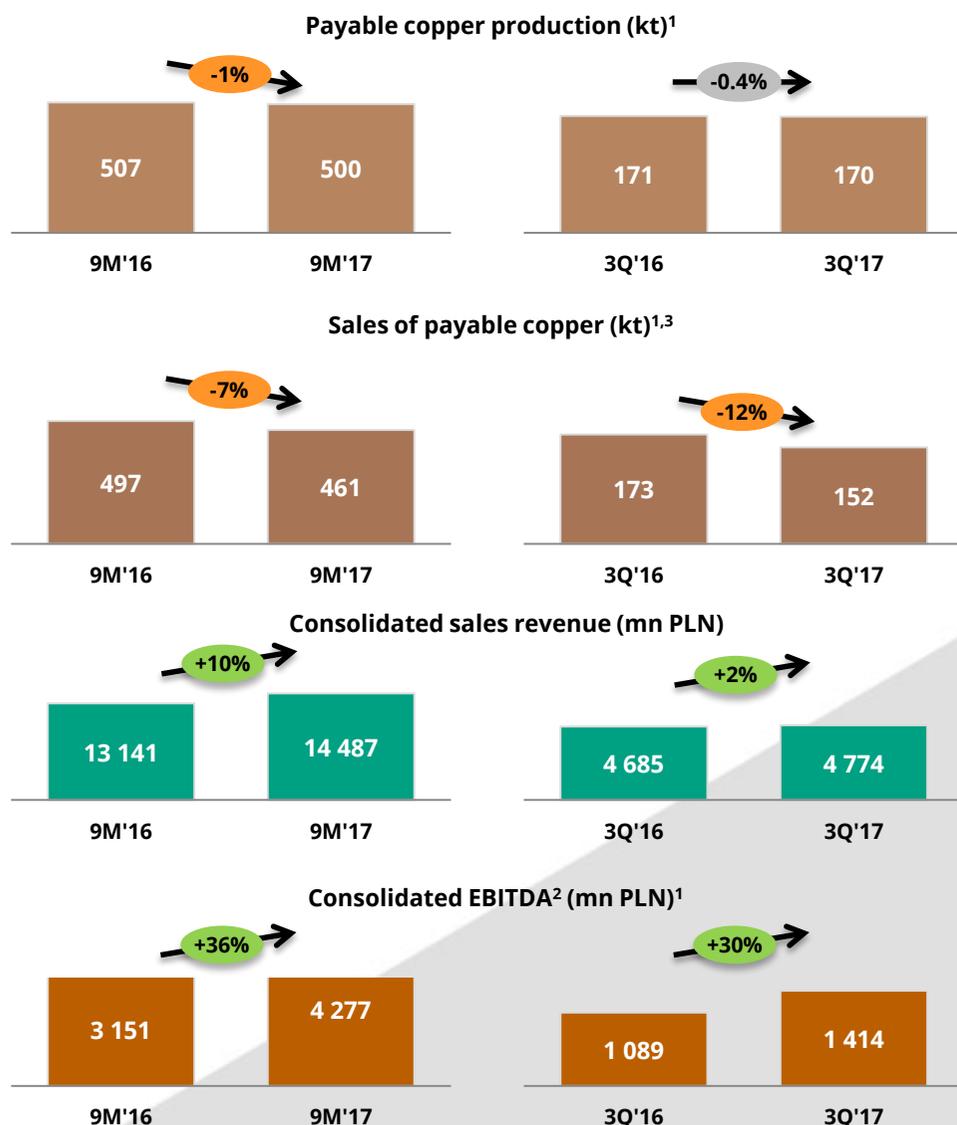
5 Q&A



Introduction

Summary of the first 9 months of 2017 in the KGHM Polska Miedź S.A. Group

Production, sales and finance



- Production:** Stable y/y payable copper production in the third quarter (-0.4%) due to higher production by the Sierra Gorda mine by 14%, which offset small decreases in KGHM Polska Miedź (-1.5%) and KGHM International (-0.8%). Compared to the second quarter of 2017, production by the Group increased by 1.2%.
- Sales:** Sales in the third quarter were lower by 12% y/y, with stable production, due to the need to build up wire rod inventories to cover the down time of the Cedynia Wire Rod plant in the fourth quarter (approx. 10 thousand tonnes) and the production of 4.5 thousand tonnes of copper from 3rd-party concentrate, which is not production for sale. In addition, the results y/y were impacted by the sale of 8 thousand tonnes of copper in concentrate by KGHM Polska Miedź in the third quarter of 2016, which did not occur in the current year.
- Sales revenue:** The increase by 2% y/y in the third quarter mainly reflects higher copper prices by over 1500 USD/t (+33% y/y), offset by the lower sales volume of this metal and further weakening of the USD/PLN exchange rate, by 7% y/y.
- EBITDA:** Higher by 30% compared to the third quarter of 2016 due to the improvement in EBITDA by each of the business segments, above all the Sierra Gorda mine and KGHM International.

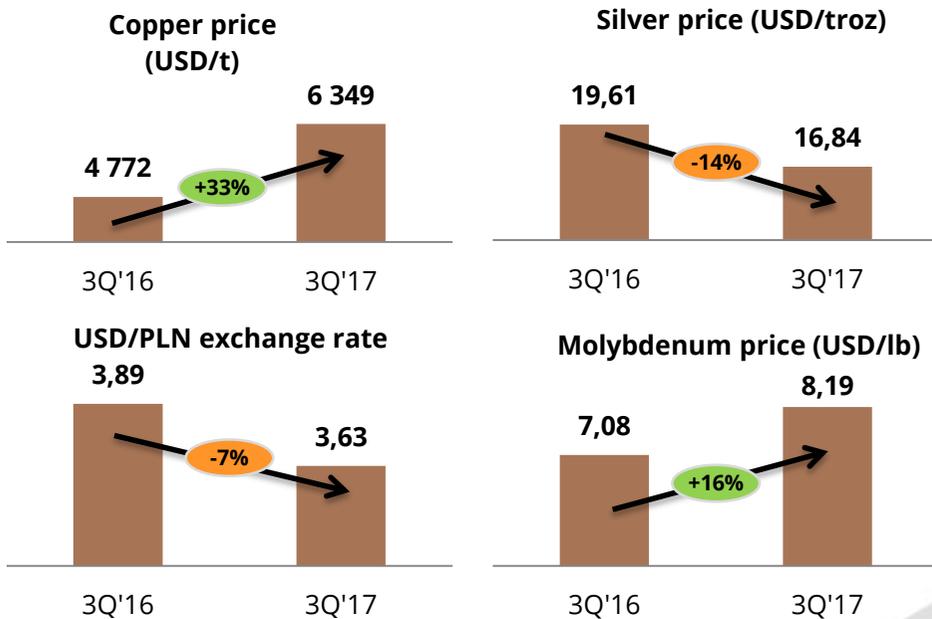
1 Comprises the segments KGHM Polska Miedź S.A., KGHM International and Sierra Gorda (55%)

2 Adjusted EBITDA = EBITDA (profit/(loss) on sales + depreciation/amortisation) adjusted by impairment losses on non-current assets

3 Comprises sales of own concentrate by KGHM Polska Miedź S.A. in 2016

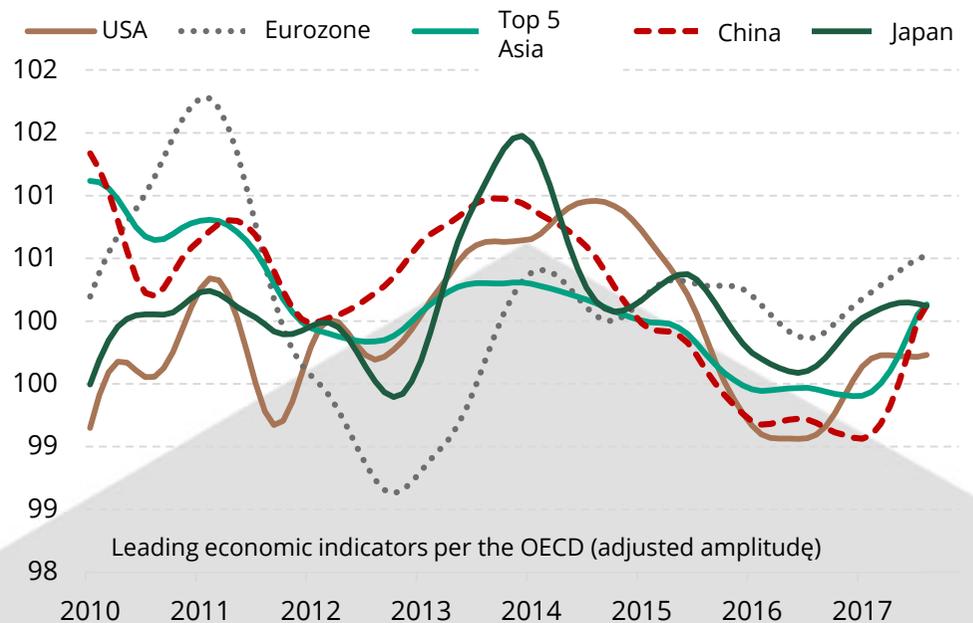
Economic activity in a synchronized growth phase; the metals market is strongly up, due among others to a weaker USD

Substantial increases in the prices of copper and molybdenum alongside lower silver prices and appreciation of the USD/PLN exchange rate



Source: Thomson Reuters, CRU, KGHM Polska Miedź

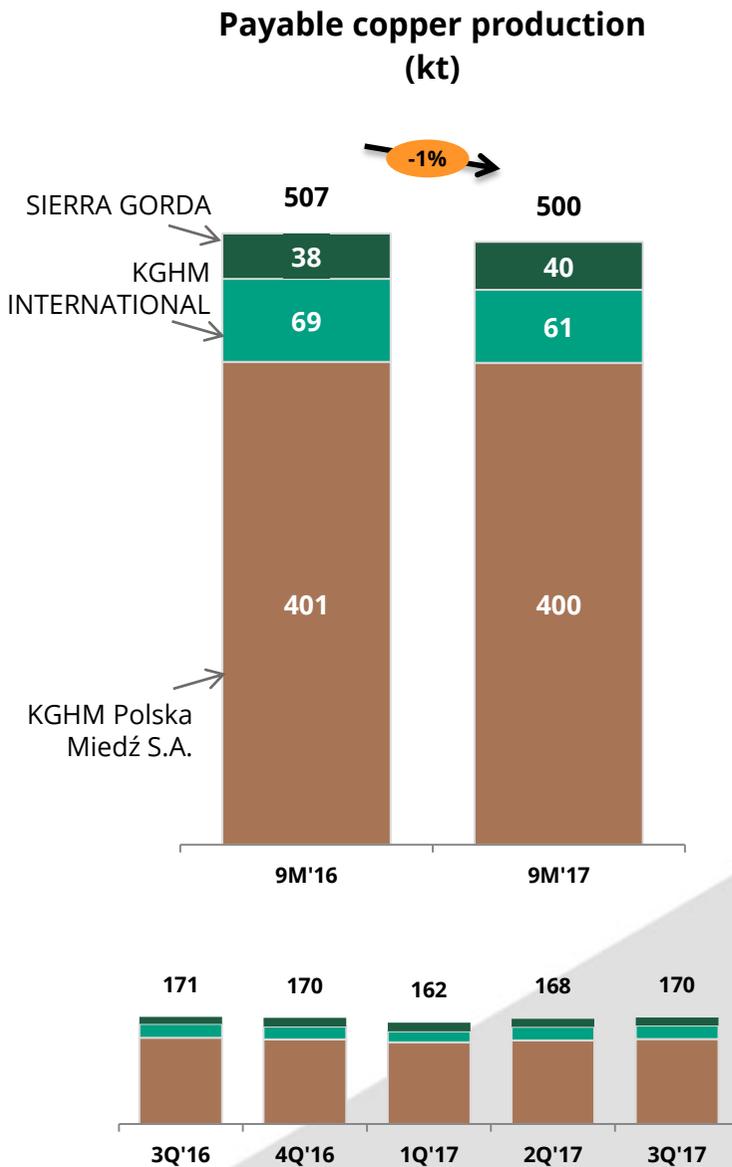
Major global economies in a synchronized growth phase



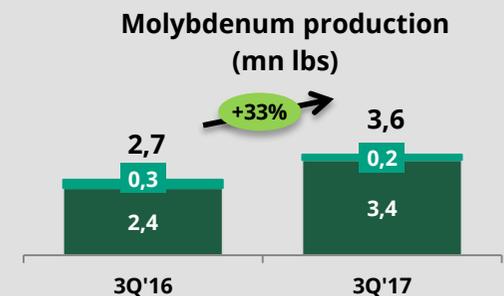
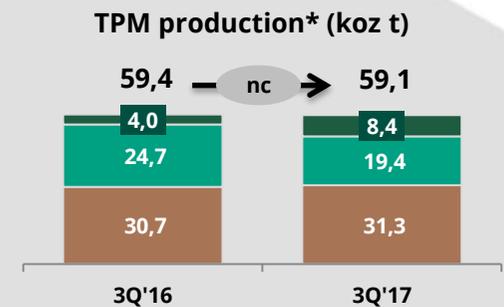
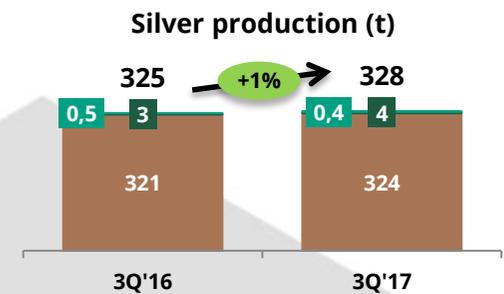
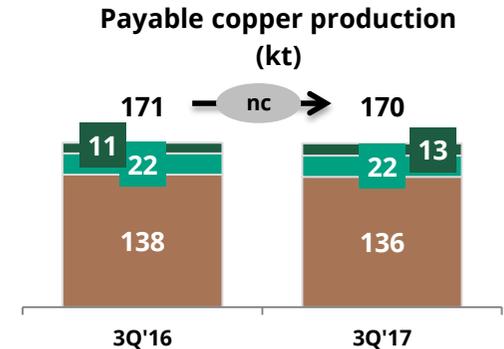
Source: OECD, KGHM Polska Miedź

- In the third quarter, versus the corresponding prior year period, copper and molybdenum prices saw dynamic, double-digit growth. On the other hand, silver prices fell below 17 USD/oz t, by 14% compared to the third quarter of 2016.
- Despite the decrease in the USD/PLN exchange rate, the average price of copper in PLN in the third quarter of 2017 was substantially higher than a year earlier and reached one of the highest levels since 2013.
- According to research by the OECD and the International Monetary Fund, the global economy is in a phase of accelerated, synchronized growth for the first time in many years.
- The accommodative monetary policy which has been followed by central banks for nearly a decade appears to be slowly reversing, considering the tightening of monetary policy parameters by the Fed* and the BoE* and the decreasing scale of asset buybacks by the ECB* (despite an extension of the quantitative easing horizon).

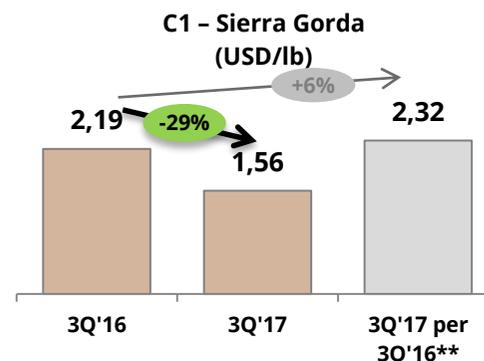
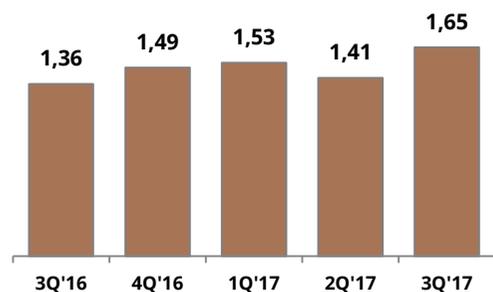
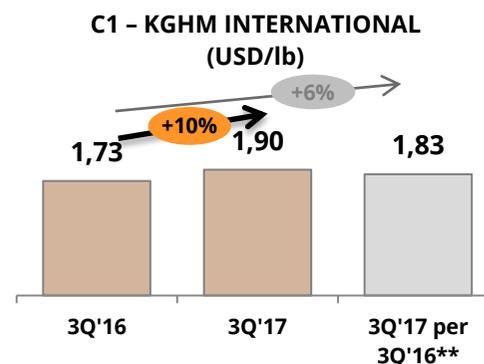
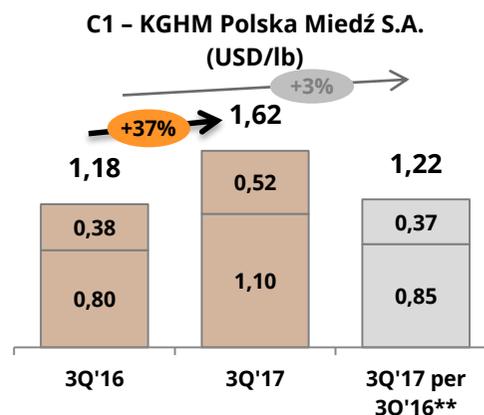
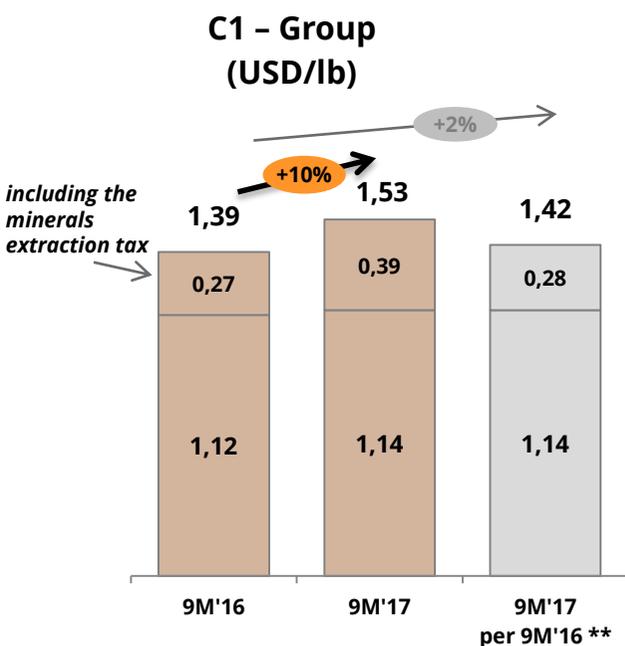
Metals production by the Group



- Production of payable copper, silver and other precious metals in KGHM Polska Miedź S.A. in the third quarter of 2017 remains at levels comparable to those achieved in the third quarter of 2016.
- Payable copper production by KGHM International in the third quarter of 2017 was at a similar level to that achieved in the comparable period of 2016. The lower level of payable copper production for the first 9 months of 2017 (y/y) is due to the lower metals content in ore in the Robinson and Morrison mines.
- Work related to optimising production in the Sierra Gorda mine is having tangible results. Production of all metals is clearly higher in the current year. In the case of molybdenum, production in the third quarter of 2017 was higher by nearly 40%, compared to the prior year.



C1* unit cost in the Group



- C1 cost in the Group for the first 9 months of 2017 was higher, mainly due to the cost level achieved in KGHM Polska Miedź SA. C1 was negatively impacted by the minerals extraction tax, which was 44% higher than in the prior year, as well as by the strengthening of the PLN versus the USD.
- C1 cost in KGHM Polska Miedź S.A. in the third quarter of 2017 was negatively impacted mainly by a higher minerals extraction tax (+39%) and by the weakening of the USD versus the PLN (-7%).
- The increase in C1 cost in KGHM International in the third quarter of 2017 was mainly due to a lower volume of copper sales and to lower revenues from sales of precious metals, which reduce C1.
- The main reason for the drop in C1 cost in Sierra Gorda in the third quarter of 2017 was the higher volume of molybdenum sales and the higher price of this metal.

* C1 cost - cash cost of concentrate production reflecting the minerals extraction tax, plus administrative expenses and smelter treatment and refining charges (TC/RC), less depreciation/amortisation and the value of by-product premiums, calculated for payable copper in concentrate

** Under the metals prices and USD/PLN exchange rate of 2016

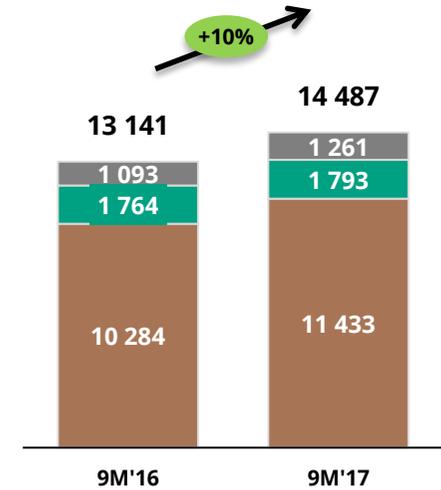
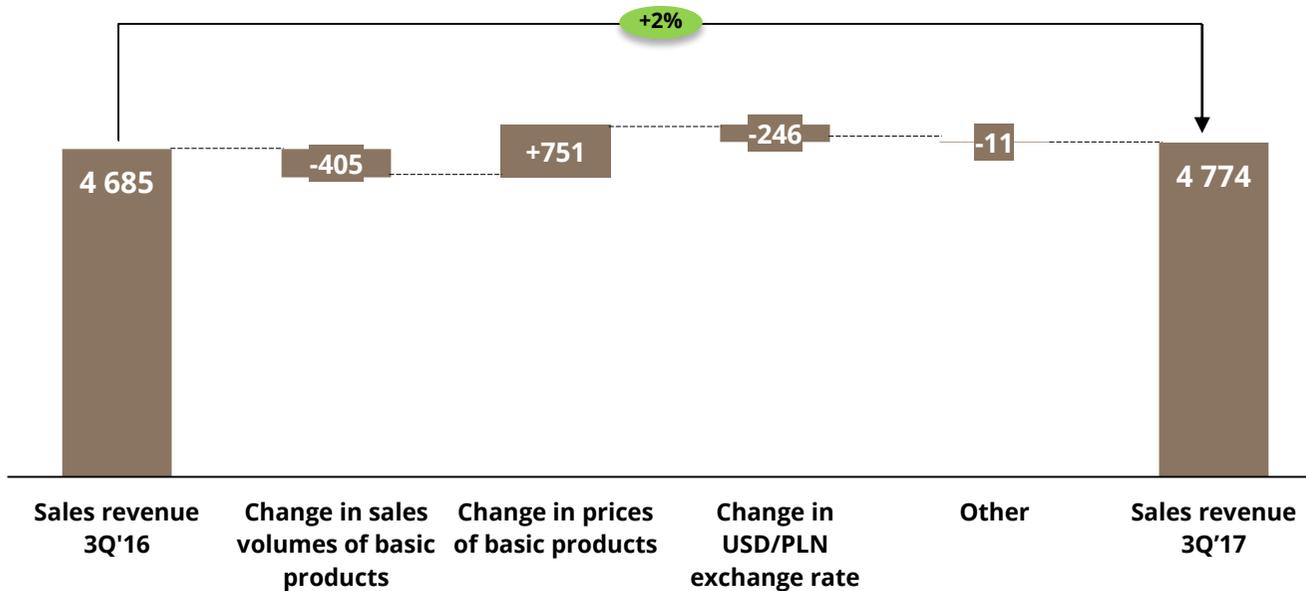


Economic results of the KGHM Polska Miedź S.A. Group

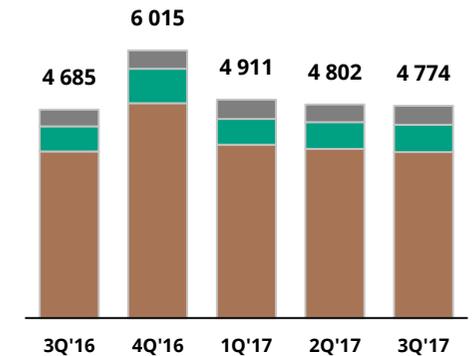


Sales revenue of the Group in the third quarter of 2017

Sales revenue
(mn PLN)

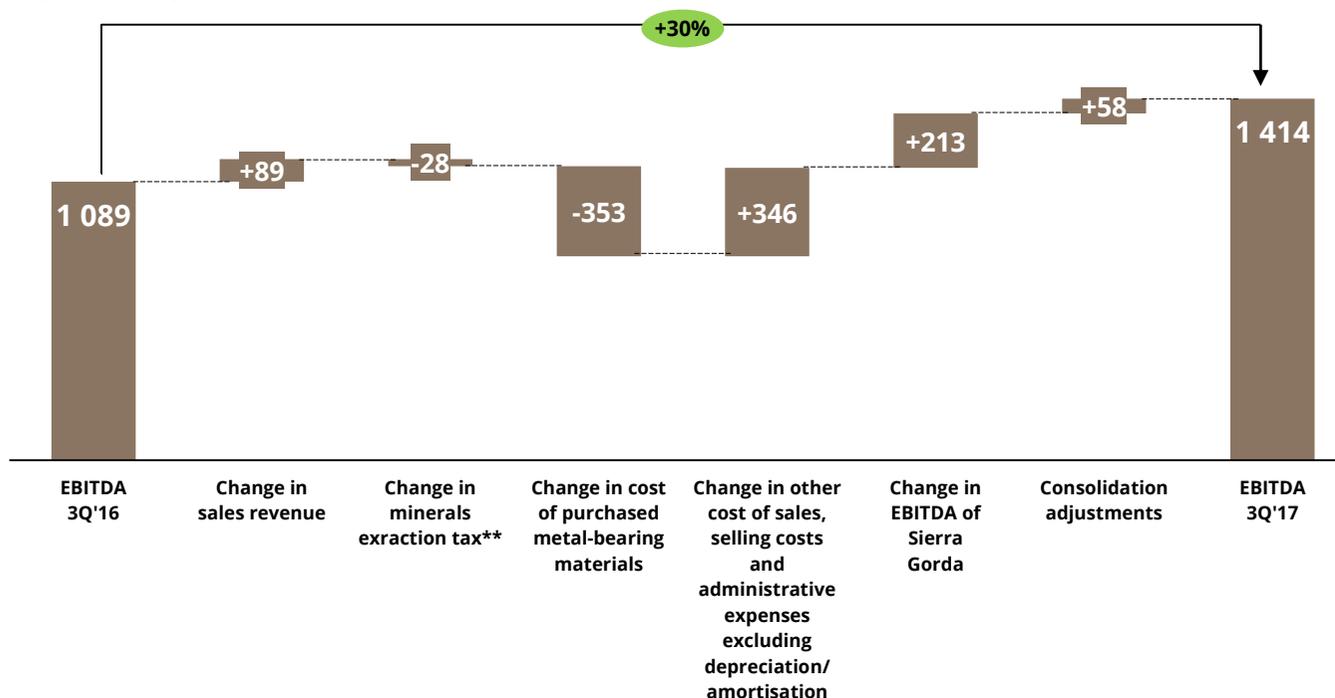


- The price effect is the result of an increase in the copper price by 1 576 USD/t (+33% y/y), alongside a decrease in the silver price by 2.78 USD/ounce (-14% y/y).
- The higher sales revenue was partially offset by a less favourable USD/PLN exchange rate, which was lower by PLN 0.26 (-7% y/y).
- The negative impact of a lower sales volume in the third quarter of 2017, versus the corresponding prior year period, was mainly due to KGHM Polska Miedź S.A.

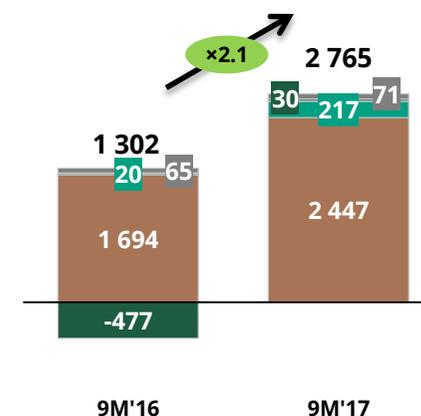


Operating results of the Group

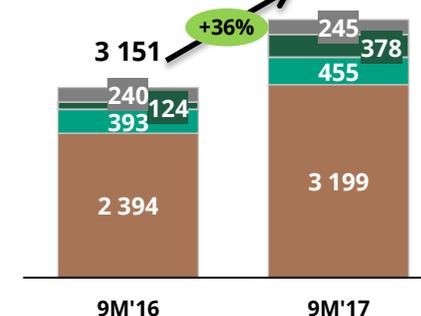
Adjusted EBITDA*
(mn PLN)



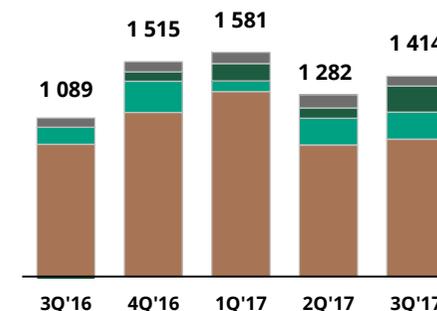
Profit/(loss) on sales*
(mn PLN)



Adjusted EBITDA*
(mn PLN)



- The increase in EBITDA by 325 PLN million, as compared to the third quarter of 2016, was mainly due to higher Group sales revenue by PLN 89 million and higher EBITDA of Sierra Gorda by PLN 213 million, alongside higher costs of purchased metal-bearing materials consumed by PLN 353 million, which were balanced by lower costs of sales, selling costs and administrative expenses related to the increase in inventories.
- The increase in EBITDA by PLN 132 million, as compared to the second quarter of 2017, was mainly due to Sierra Gorda (+PLN 110 million) and KGHM Polska Miedź S.A. (+PLN 41 million).

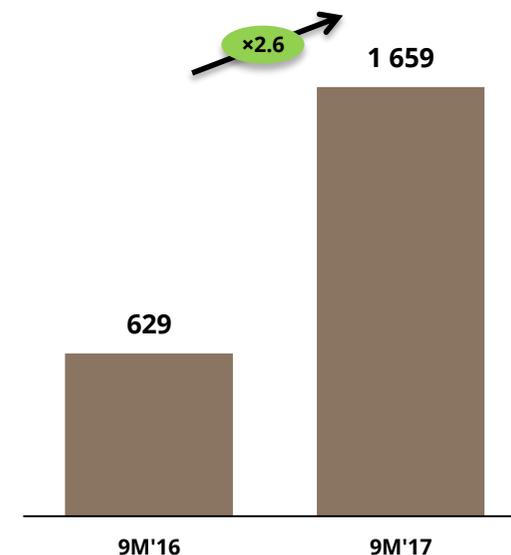
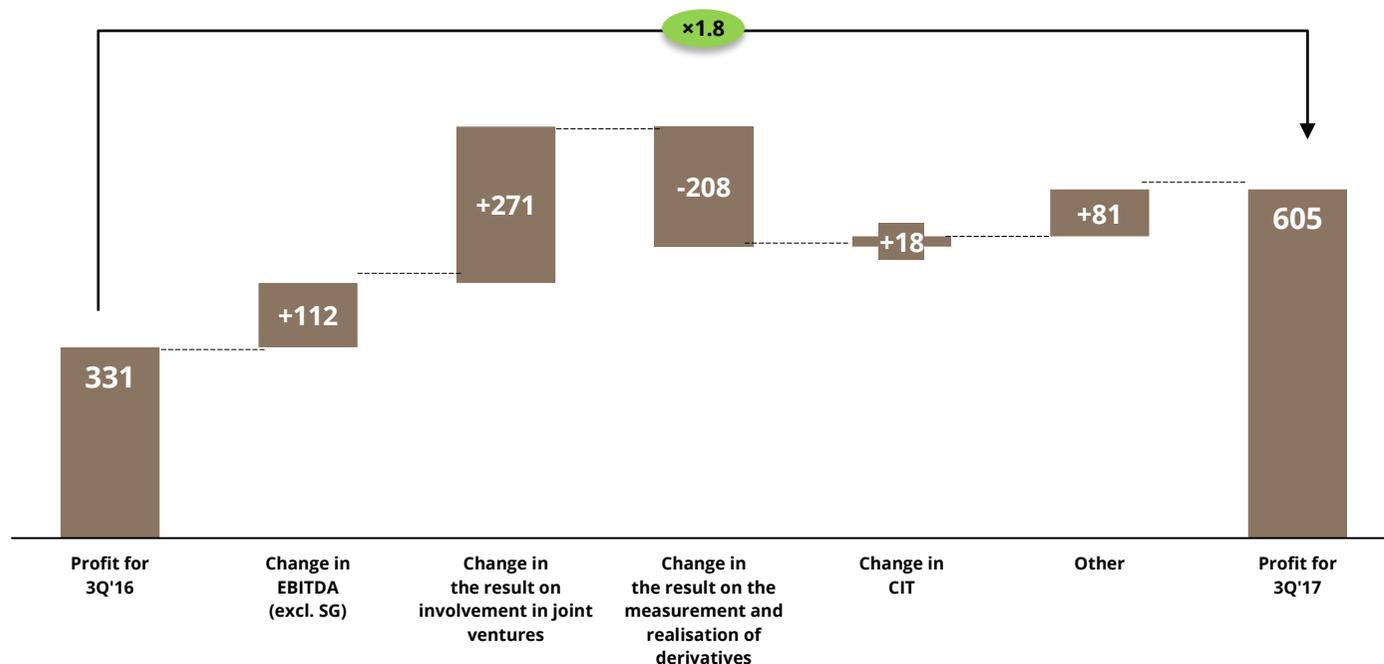


* Sum of segments; adjusted EBITDA = EBITDA (profit/(loss) on sales + depreciation/amortisation) adjusted by impairment losses on non-current assets

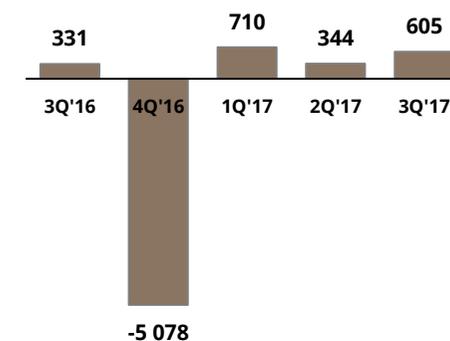
** The impact of the minerals extraction tax in the third quarter of 2017 is recognised as follows: in profit for the period of PLN 342 million, in expenses by nature in the amount of PLN 438 million

Financial results of the Group

Profit for the period (mn PLN)

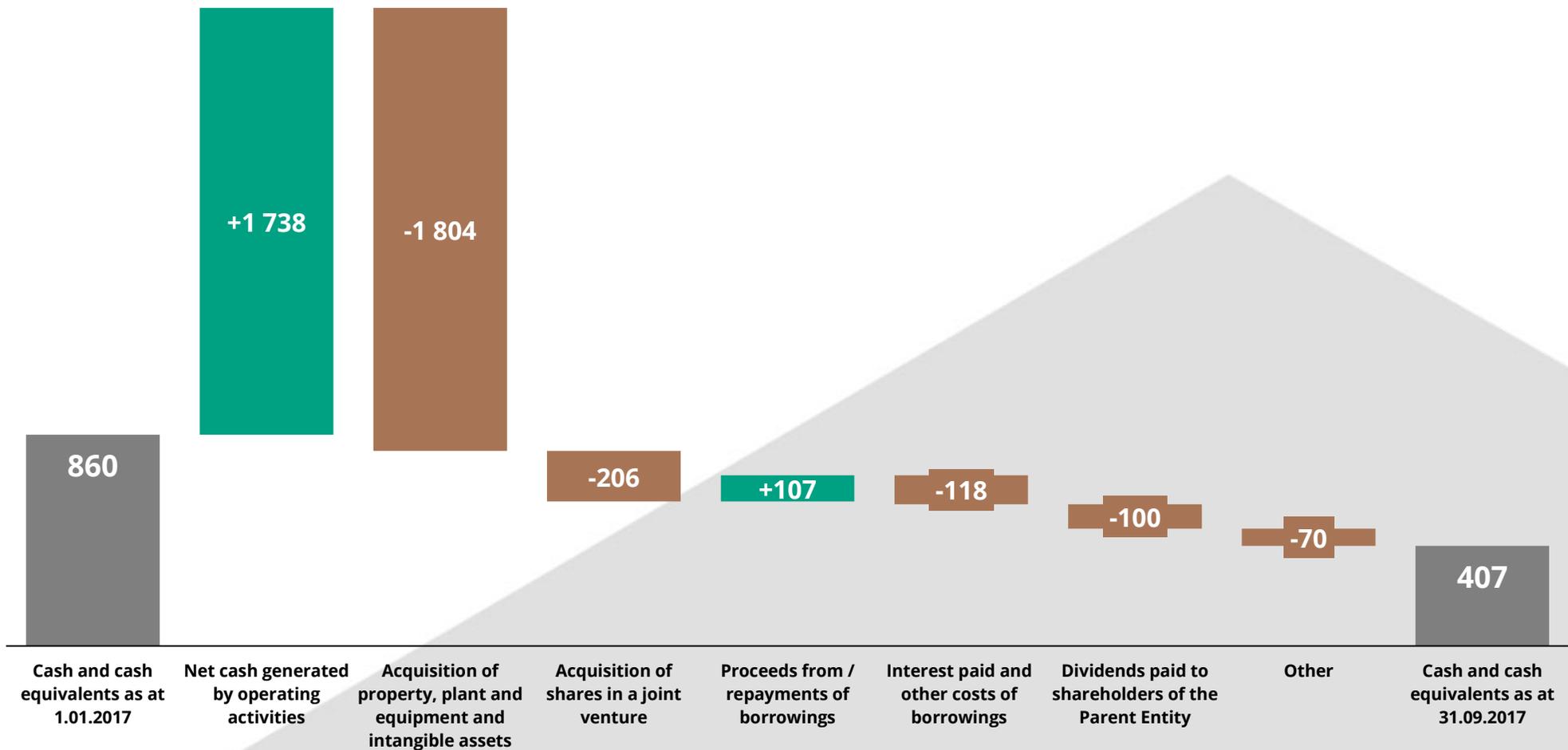


- The increase in profit for the period by PLN 274 million is due to the higher EBITDA (+PLN 112 million) and to the suspension of recognising losses from the investment in Sierra Gorda. This increase was limited by a decrease in the result on the measurement and realisation of derivatives (-PLN 208 million).
- The increase in profit for the period by PLN 261 million, compared to the second quarter of 2017, is mainly due to the lack of recognition of losses from involvement in Sierra Gorda (+PLN 215 million) and to a higher net profit on sales (+PLN 61 million).
- The change made in the third quarter of 2017 in the judgment regarding the functional currency of the subsidiary Future 1 led to full comparability with the third quarter of 2016 of conditions for recognising other operating income / costs due to exchange differences from the measurement of assets and liabilities other than debt.



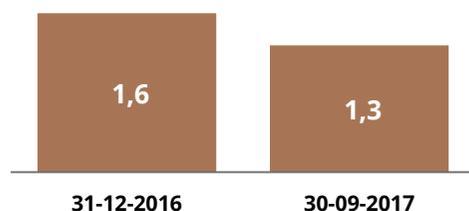
Net cash generated by operating activities lower due to an increase in working capital by PLN 1.1 billion – mainly inventories

Consolidated cash flow
(mn PLN)

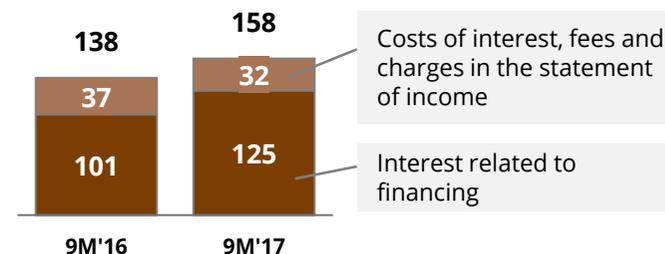


Net debt of the KGHM Polska Miedź S.A. Group – as at end-September 2017

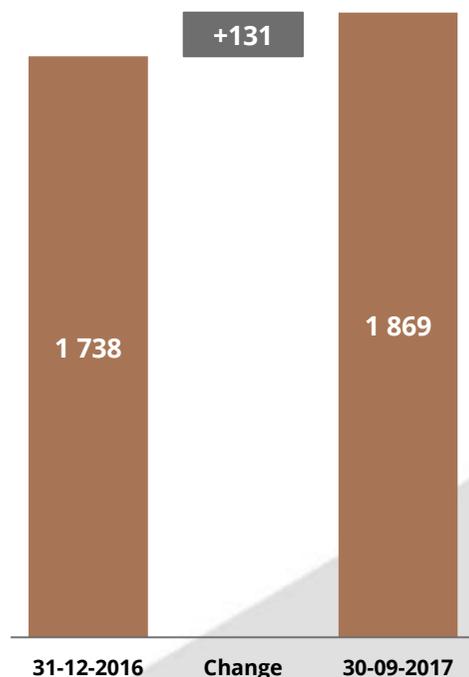
Net Debt / adjusted EBITDA*



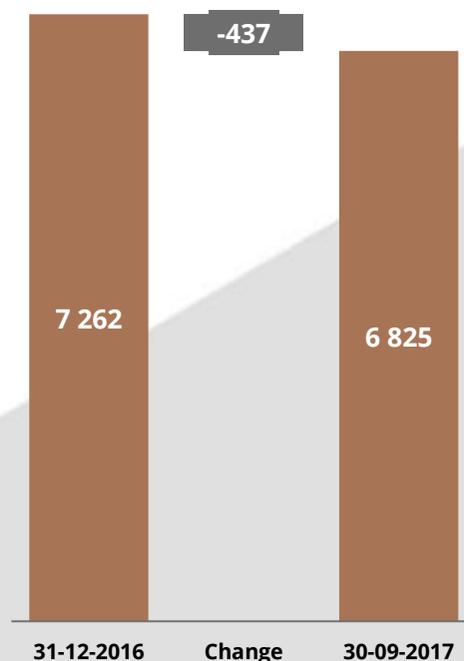
Borrowing costs
(mn PLN)



KGHM Group net debt
(mn USD)



KGHM Group net debt
(mn PLN)

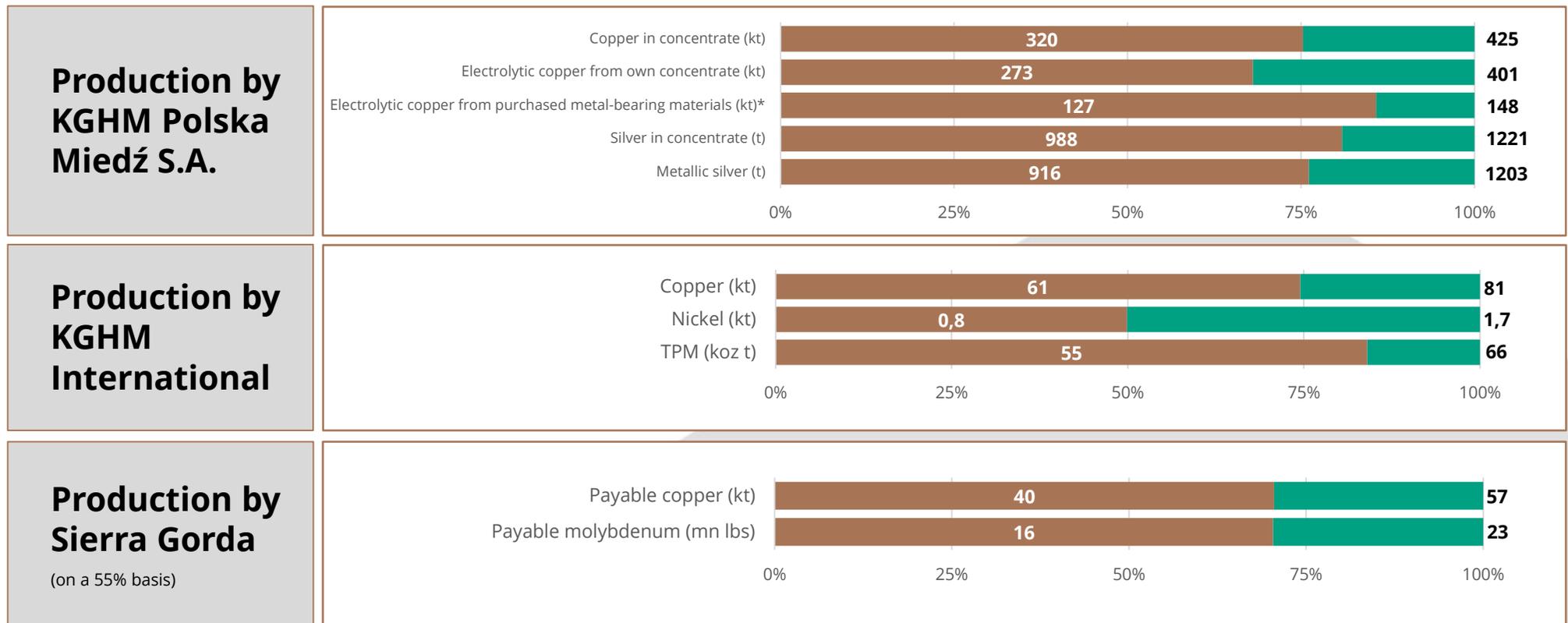


- In accordance with the financial strategy adopted by KGHM Polska Miedź S.A., the basic currency in which debt is incurred is the USD (natural hedging).
- The level of debt to September 2017 was mainly impacted by:
 - cash expenditures on property, plant and equipment (PLN 1 804 mn, including PLN 1 360 mn in KGHM Polska Miedź S.A.),
 - the minerals extraction tax (PLN 1 308 mn),
 - equity increase in Sierra Gorda USD 55 mn (PLN 206 mn),
 - strengthening of the PLN (a decrease in PLN-denominated debt by ~PLN 992 mn),
 - financing of copper concentrate inventory.

Summation

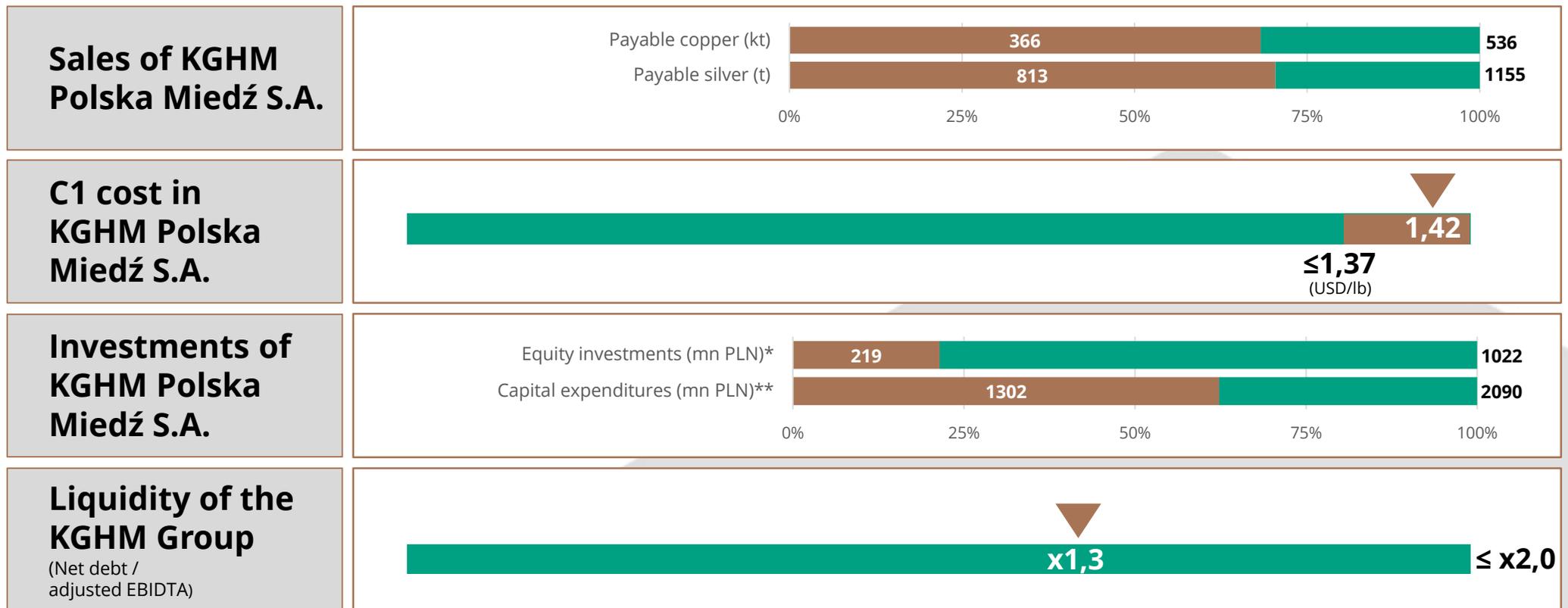


Annual production of electrolytic copper in KGHM Polska Miedź and molybdenum in Sierra Gorda impacted by random events



* Includes electrolytic copper from 3rd-party concentrate processing: 14 kt Cu in the first three quarters of 2017 and 15 kt Cu in the full-year plan

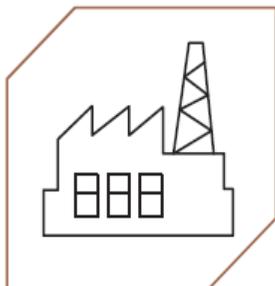
Annual sales of payable copper in KGHM Polska Miedź will be a consequence of restricted production



* Acquisition of shares and investment certificates of subsidiaries as well as loans granted and acquisition of available-for-sale financial assets

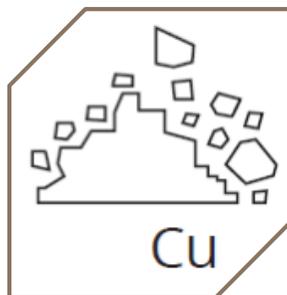
** Excluding expenditures on uncompleted development

Key questions for the KGHM Group in the 4th quarter of 2017



Estimated decrease in planned production of electrolytic copper for 2017 by approx. 22 thousand tonnes (-35 thousand tonnes from own concentrate, +13 thousand tonnes from purchased metal-bearing materials) due to:

- Unplanned shutdown at Głogów I plant
- Temporary loss of power due to Xavier windstorm
- Delay in start of concentrate roasting installation



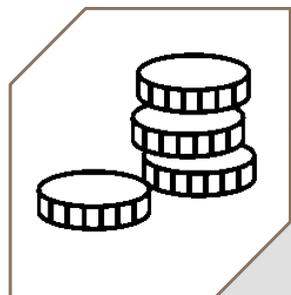
Inventory of copper in concentrate at approx. 72 thousand tonnes at the end of 2017

- Maximum utilisation of production capacity in 2017 by using higher-grade concentrate
- Processing of concentrate inventory will last until the end of 2019



Decrease in planned molybdenum production by Sierra Gorda in 2017 by approx. 4 million pounds (on a 55% basis)

- Need to change the sequence of extraction in the third quarter, resulting in the utilisation of a portion of the deposit with a lower molybdenum grade, with production of the metal in this period lower than planned by approx. 2.4 million pounds (on a 55% basis)



Planned capital expenditures in 2017 of PLN 1.022 billion will not exceed PLN 510 million

- Better than planned financial results by KGHM International and Sierra Gorda
- Assuming the current macroeconomic situation remains unchanged, in particular copper prices (in USD) and USD/PLN exchange rate



Supporting slides

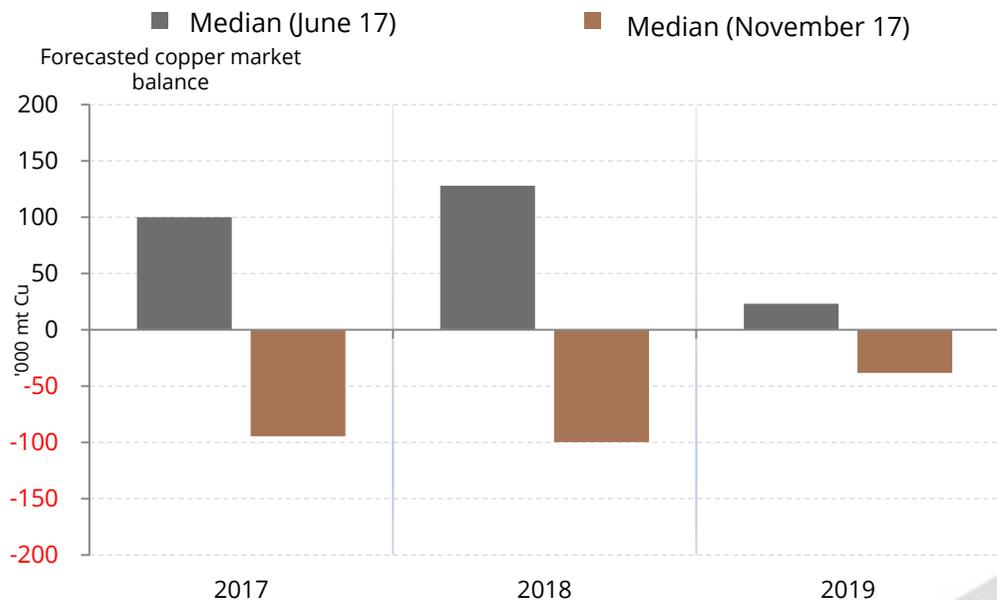


Macroeconomic environment



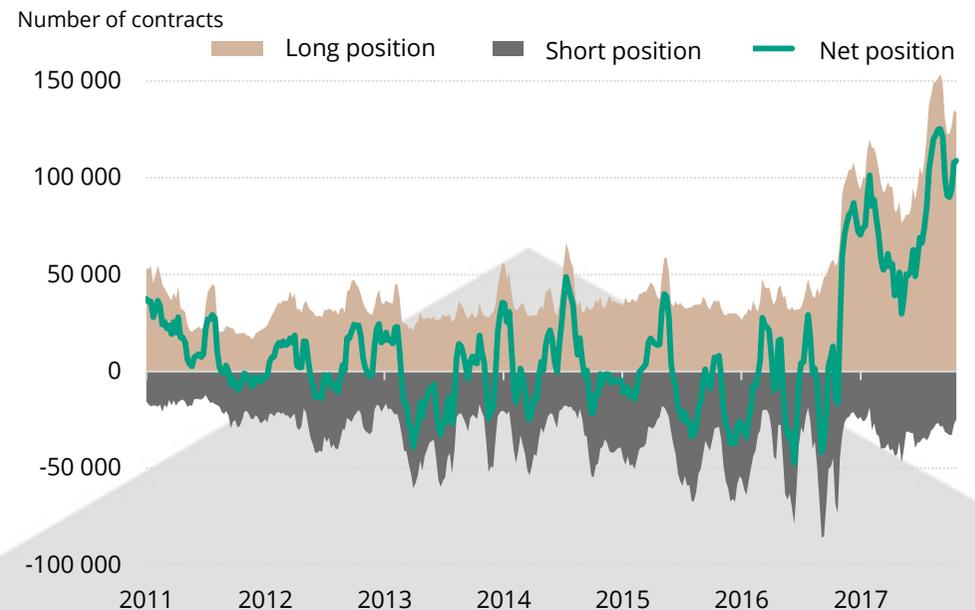
Investments by venture capital positively impacted the copper price; consensus foresees a deficit of the metal in coming years

Median of market forecasts indicates a balanced market, but is heading towards a deficit



Source: reports of banks and analytical institutions, KGHM Polska Miedź

Speculative positions of management funds on the copper market is the highest in history



Source: Bloomberg, CFTC, KGHM Polska Miedź

- In the first nine months of 2017 the price of copper was in a range of approx. 5500-7000 USD/t, initially supported by supply-side problems (strikes and delays in the start of new projects), weakening of the USD and the inflow of speculative capital onto the primary metals market.
- Economic growth in China, which accounts for nearly 50% of copper consumption, remained at 6.9% in the first three quarters, which was above previous analyst expectations.
- Consensus of market forecasts has moved since June 2017 towards a minor deficit over the next several years, mainly due to a more positive demand-side outlook by investors.
- A drop in general global political risk (despite escalation of the situation on the Korean peninsula) did not lead to an increase in precious metals prices in the past quarter.

Key international projects



Development of the international assets of KGHM Polska Miedź S.A.



Sierra Gorda

- Production of copper in concentrate in the first three quarters of 2017 amounted to ~73 thousand tonnes, with production of molybdenum in concentrate of ~30 million pounds (on a 100% basis).
- Work is aimed at optimising the sulphide ore processing process. The actions undertaken were aimed at stabilising the volumes and technological parameters of the sulphide ore processing process. The actions carried out led to an increase in processing capacity and in metals recovery.
- Currently, work is aimed at advancing the project based on phase 1 of the investment, together with actions aimed at optimising the production line, the result of which is expected to be an increase in production capacity.



Sierra Gorda Oxide

- The project is currently in the concept phase, involving the selection of the best economic variant of advancing the project while restricting required capital expenditures.



Victoria

- In the third quarter work was performed on technical-economic analysis involving the preparation of a recommendation as to the optimal concept for developing the Victoria project in Canada.

Key domestic projects



Ore access program in KGHM's concessioned areas in Poland

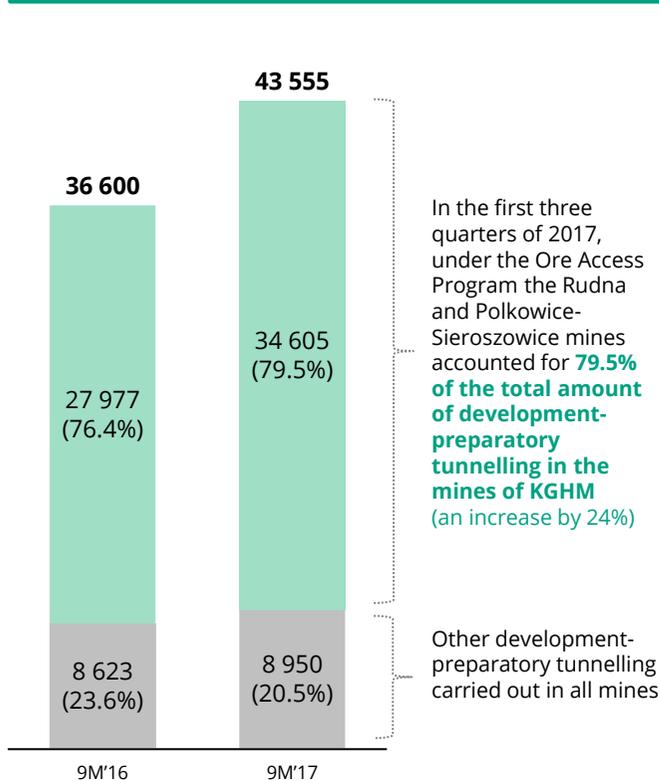
Deep Głogów (GGP) area

Work performed in the first three quarters of 2017

Status of the Ore Access Program

- Work continued on sinking the **GG-1 shaft** (a material-personnel, air inlet shaft). The shaft's target depth is 1350 meters with a diameter of 7.5 meters. The shaft reached a depth of 1010.6 m. The shaft will reach the level of the deposit at the turn of 2019/2020. Completion of construction of the shaft with infrastructure is planned at the end of 2021.
- A contract was signed for the construction of a **Central Surface-based Ventilation Station at the GG-1 shaft** and the **Ice Water Distribution System**. Design work is underway. The system will ensure the supply of ice water to the mine at the level of 1300 m, with a target amount of 30 MW.
- Preparatory work continued related to acquiring a permit to **build facilities necessary to sink the GG-2 („Odra”) shaft**.
- In the first three quarters of 2017, **9 294 meters of tunnel** in the Rudna and Polkowice-Sieroszowice mines were built.

Scope of development-preparatory tunnelling completed (in metres)



Cooling tower and heat transfer building

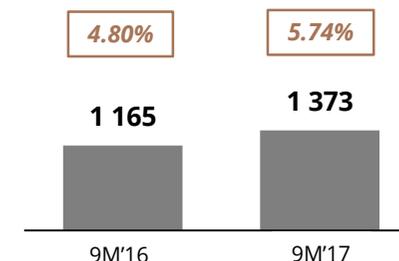


GG-1 shaft

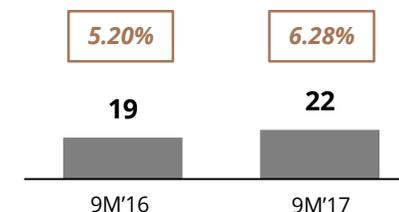
Share of production from Deep Głogów in total production in Poland

■ Production from GGP
 □ % share by GGP

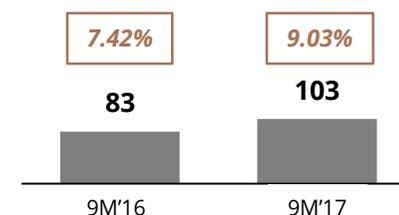
Ore extraction dry weight from GGP (kt)



Amount of Cu in ore (kt)



Amount of Ag in ore (k kg)



Metallurgical Development in KGHM

Construction of a Flash Furnace and associated infrastructure at Głogów I

Work performed in the first three quarters of 2017

Pyrometallurgy Modernisation Program



Metallurgy Development Program

- **Guarantee tests were conducted as well as work related to the installation start-up phase** of the modernised flash furnace production line at the Głogów 1 Copper Smelter and Refinery.
- Work continues on eliminating minor irregularities, optimising the settings of automated devices and security issues.
- Assembly of equipment continued which can be carried out in parallel with the functioning of the production line, including completion of construction of the Converter Furnaces Dedusters and handover for start-up of the installation for preparing de-leaded slag. Settlement and handover of the investment is underway.

Operating parameters of the flash furnace installation at the Głogów I Copper Smelter and Refinery

Installation efficiency:
78.9% of target efficiency

- average accrued efficiency of concentrate processing in the new flash furnace in the first three quarters of 2017 was 105.5 t/h and 104.1 t/h (designed capacity of 132 t/h) for entire period to date from start-up, i.e. since 15 October 2016.
- Capacity will be gradually increased to 100% of target efficiency together with start-up of the remaining nodes of the new production line, including mainly the copper concentrate roasting installation.

Installation availability:
76.0 %

- the degree of utilisation of production capacity in the first three quarters of 2017, considering the early stage of operation of the new installation, was at a high level.

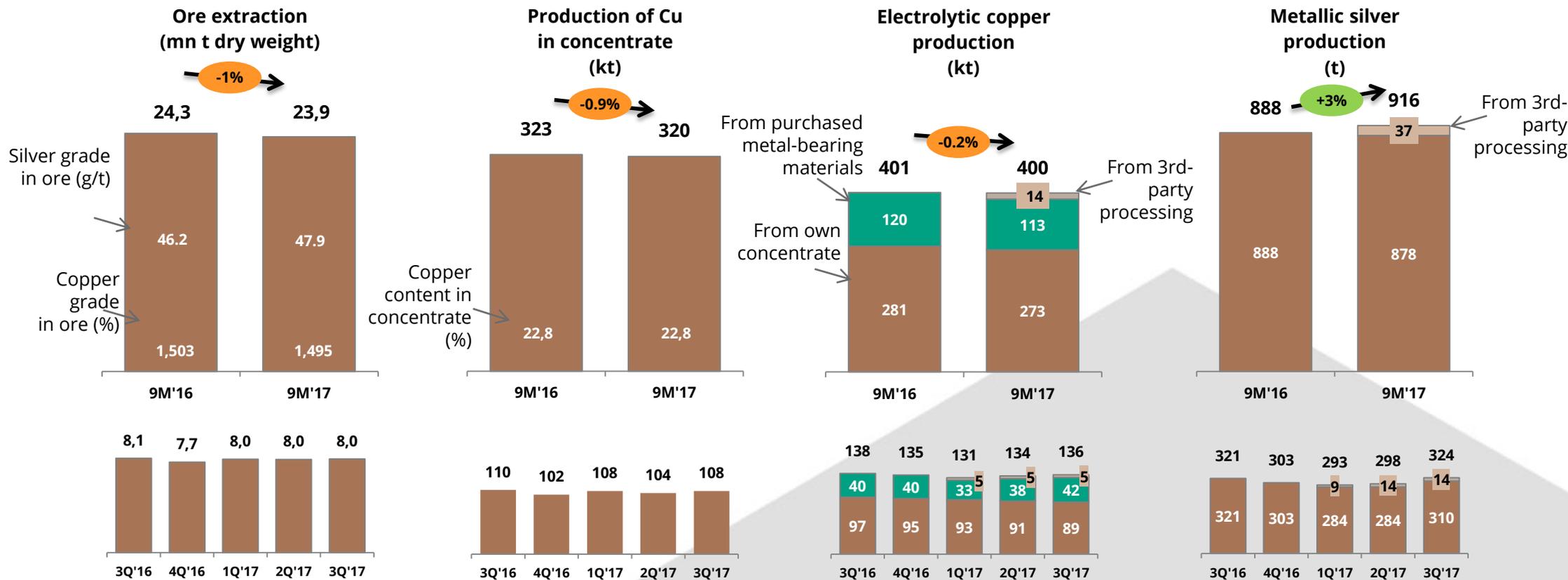
- Work continued on key production units under the investment program, i.e. **construction of a Steam Drier at the Głogów 2 Copper Smelter and Refinery** and the **Copper concentrate roasting installation**, whose planned completion is the fourth quarter of 2017.
- Work continues on the realisation, settlement and handover of projects related to adapting technical infrastructure to the change in technology at the Głogów I Copper Smelter and Refinery, based on implementing technical and technological activities with respect to:
 - replacement of property, plant and equipment,
 - ensuring compliance with EU laws and other legal requirements,
 - adapting energy, roadway and other infrastructure at Głogów 1, and
 - providing power supply, remote control and lighting to existing facilities and equipment at Głogów 1.



Economic results of KGHM Polska Miedź S.A.

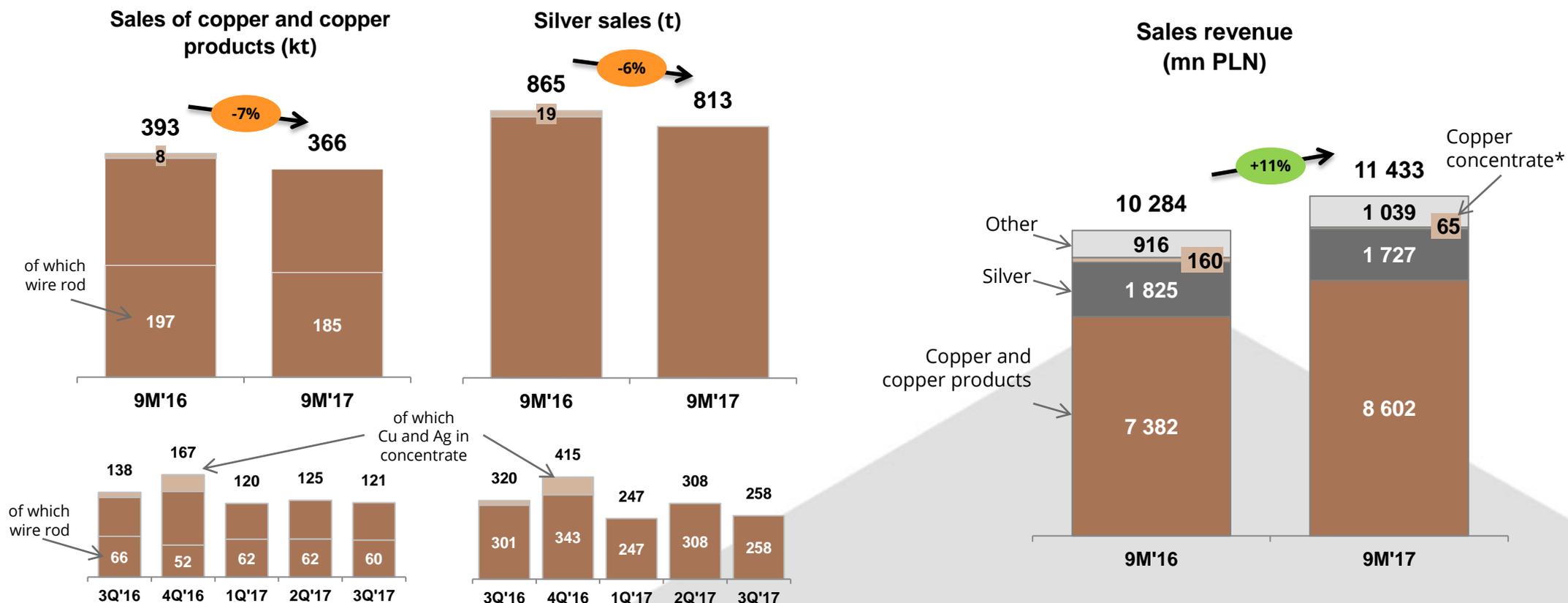


Stable level of mine production



- In 2017 there was a decrease of copper content in ore from 1.503 to 1.495%.
- The company expects that in the 4th quarter of 2017 copper content in ore will be kept at the level of 1.494%.
- Production of Cu in concentrate was at a lower level compared to the corresponding period of 2016.
- Electrolytic copper production was at the same level as in the prior year.
- In 2017 the company is processing 3rd-party concentrates.
- The increase in metallic silver production in 2017 is a result of the higher Ag content in domestic concentrate.

Revenues from sales in the first three quarters of 2017



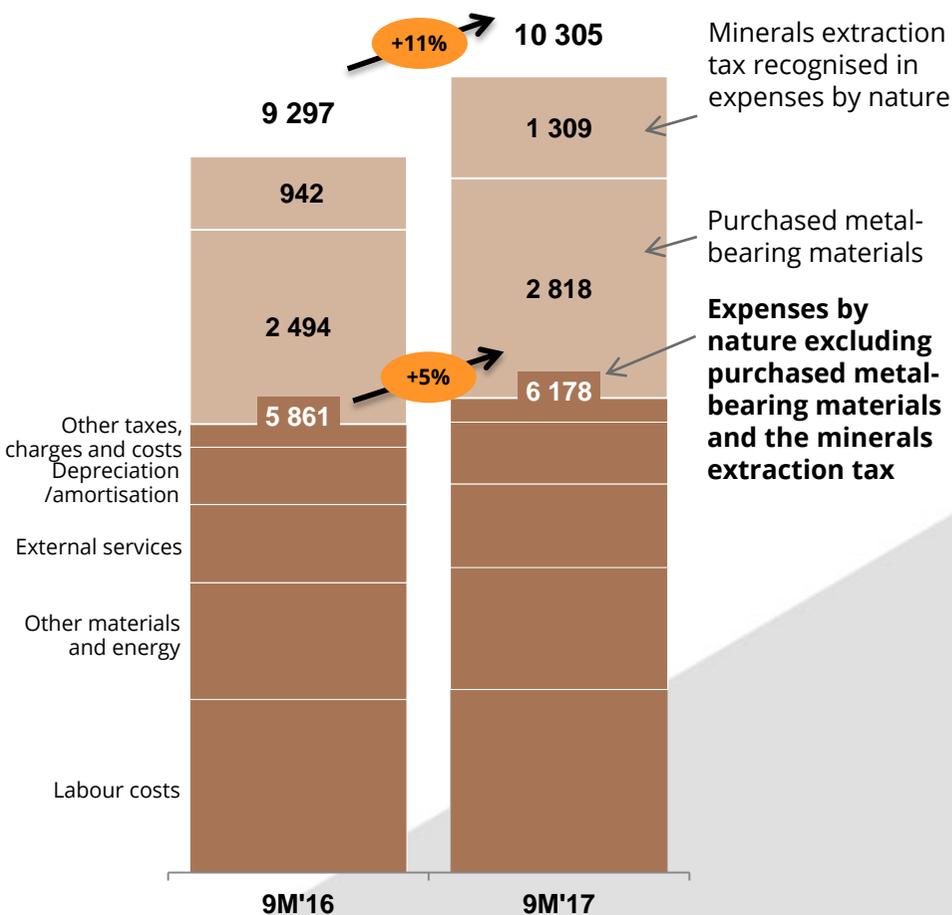
In the first 9 months of 2017 revenues from sales were higher than in the corresponding period of 2016 by PLN 1 149 million, mainly due to:

- changes in the prices of Cu, Ag and Au (prices and USD/PLN exchange rate), +PLN 1 554 million,
- higher sales of other products by PLN 120 million (including +PLN 42 million from refined lead, and PLN 39 million from sales of other goods and materials),
- a higher volume of gold sales by 93 kg (+PLN 15 million),

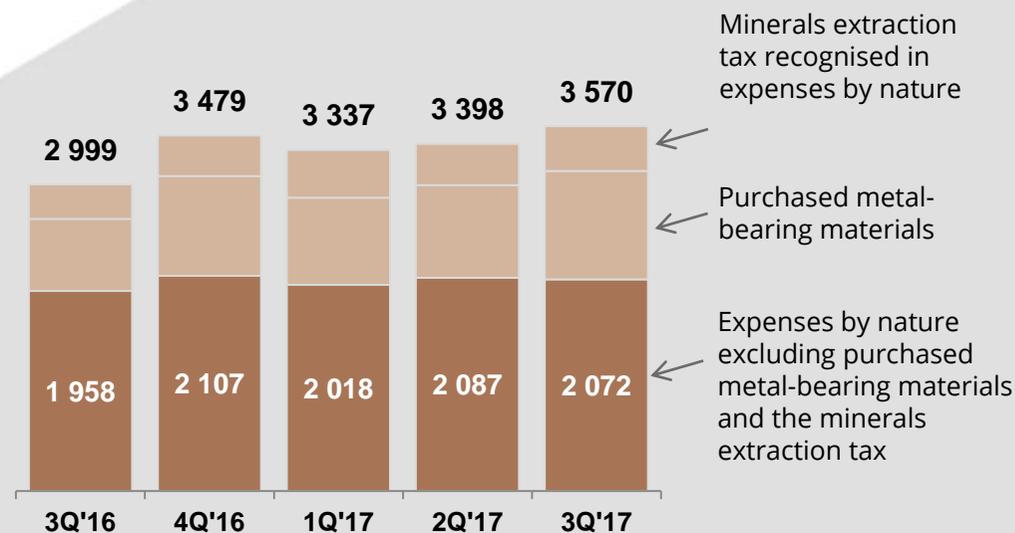
alongside a lower volume of copper sales by 19.6 kt (-PLN 374 million), silver by 32 t (-PLN 70 million) and lower revenues from the sale of copper concentrate (-PLN 95 million)*.

Expenses by nature

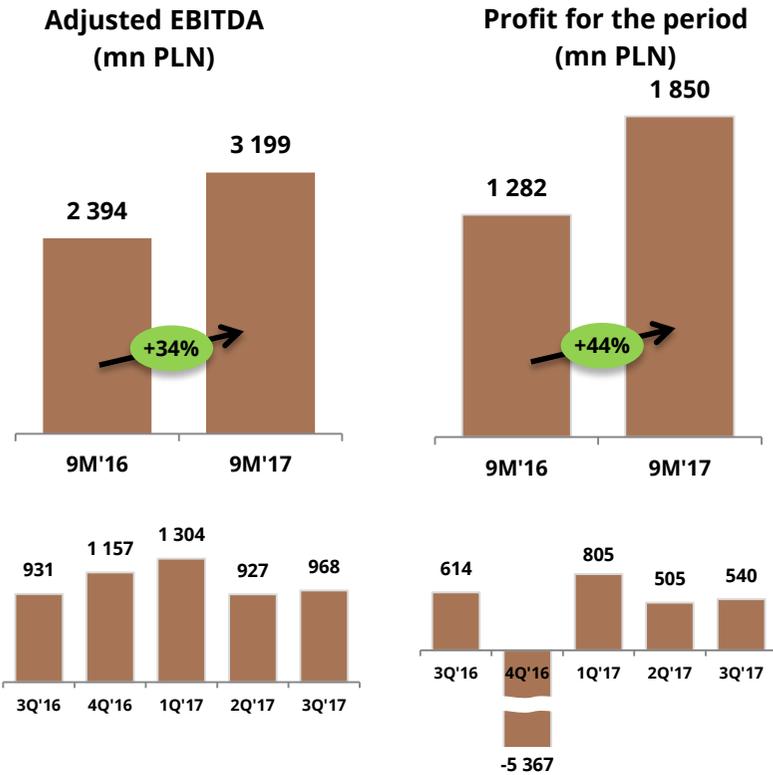
Expenses by nature
(mn PLN)



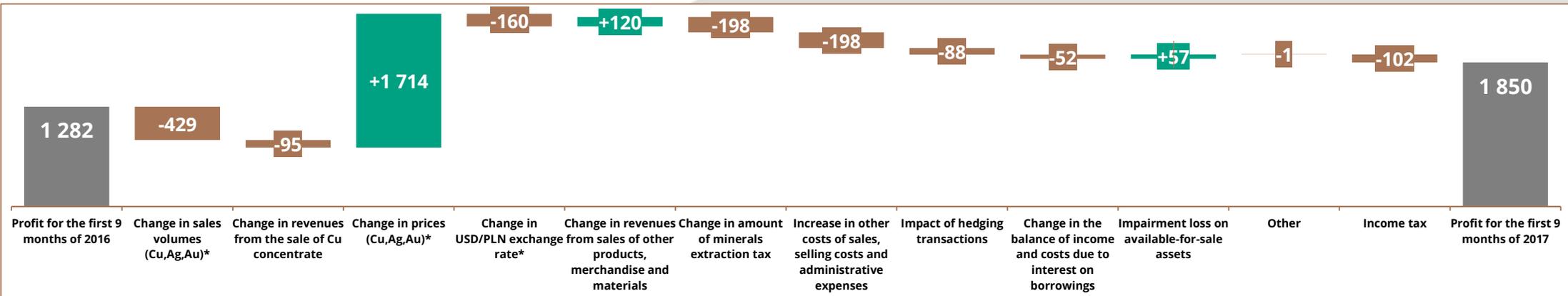
- Expenses by nature, excluding purchased metal-bearing materials and the minerals extraction tax, were higher by PLN 317 million (5%) due to higher labour costs (+PLN 128 million), depreciation/amortisation (+PLN 56 million) and external services (+PLN 72 million), mainly due to maintenance work and mine development work.
- Total expenses by nature as compared to the first 9 months of 2016, were higher by PLN 1 007 million (+11%) due to a higher minerals extraction tax by PLN 367 million (+39%) with higher costs of consumed metal-bearing materials by PLN 325 million (a lower volume of consumption by 7%, or 8 kt Cu and a higher purchase price by 21%).
- The increase in expenses by nature in the 3rd quarter of 2017, as compared to the 2nd quarter of 2017 by PLN 171 million, is mainly due to the higher cost of consumed metal-bearing materials (+PLN 153 million; an increase in volume by 5 kt Cu and purchase price by 4%) as well as a higher minerals extraction tax (+PLN 32 million).



Financial results of KGHM Polska Miedź S.A. in the first nine months of 2017



- The increase in adjusted EBITDA by PLN 805 million (+34%) was mainly due to more favourable metals prices, alongside lower copper and silver sales volumes and a less favourable USD/PLN exchange rate.
- The impact of the more favourable macroeconomic conditions was partially offset by a higher minerals extraction tax and income tax – consequently, net profit increased by PLN 568 million (+44%).



31 * Impact on revenues from sales of copper, silver and gold

Main differences between the Statement of Profit or Loss of the Group and of KGHM Polska Miedź S.A.

(mn PLN)	9M'17	9M'16	Change (%)	Difference vs the Parent Entity's Statement for the first 9M of 2017
Sales revenue	14 487	13 141	+10.2	
Cost of sales	10 789	10 355	+4.2	
Gross profit	3 698	2 786	+32.7	
Selling costs and administrative expenses	957	973	-1.6	
Profit on sales	2 741	1 813	+51.2	+294
Other operating income and (costs), of which:	-1 062	-270	× 3.9	-373
<i>Measurement and realisation of derivatives</i>	-46	-83	-44.6	
<i>Exchange differences</i>	-1 076	-155	× 6.9	
Finance income and (costs), of which:	732	33	× 22.2	-12
<i>Exchange differences</i>	915	177	× 5.2	
<i>Interest on borrowings</i>	-75	-49	+53.1	
Profit or loss on involvement in joint ventures	25	-362	×	+25
<i>Loss of joint ventures accounted for using the equity method</i>	-215	-827	-74.0	
<i>Interest income on loans granted to joint ventures</i>	240	465	-48.4	
Profit before income tax	2 436	1 214	× 2.0	-66
Income tax expense	777	585	+32.8	
Profit for the period	1 659	629	× 2.6	-191
EBITDA	4 277	3 151	+35.7	+1 078

Main consolidation adjustments for selected items in the Statement of Profit or Loss

Includes the results of KGHM International

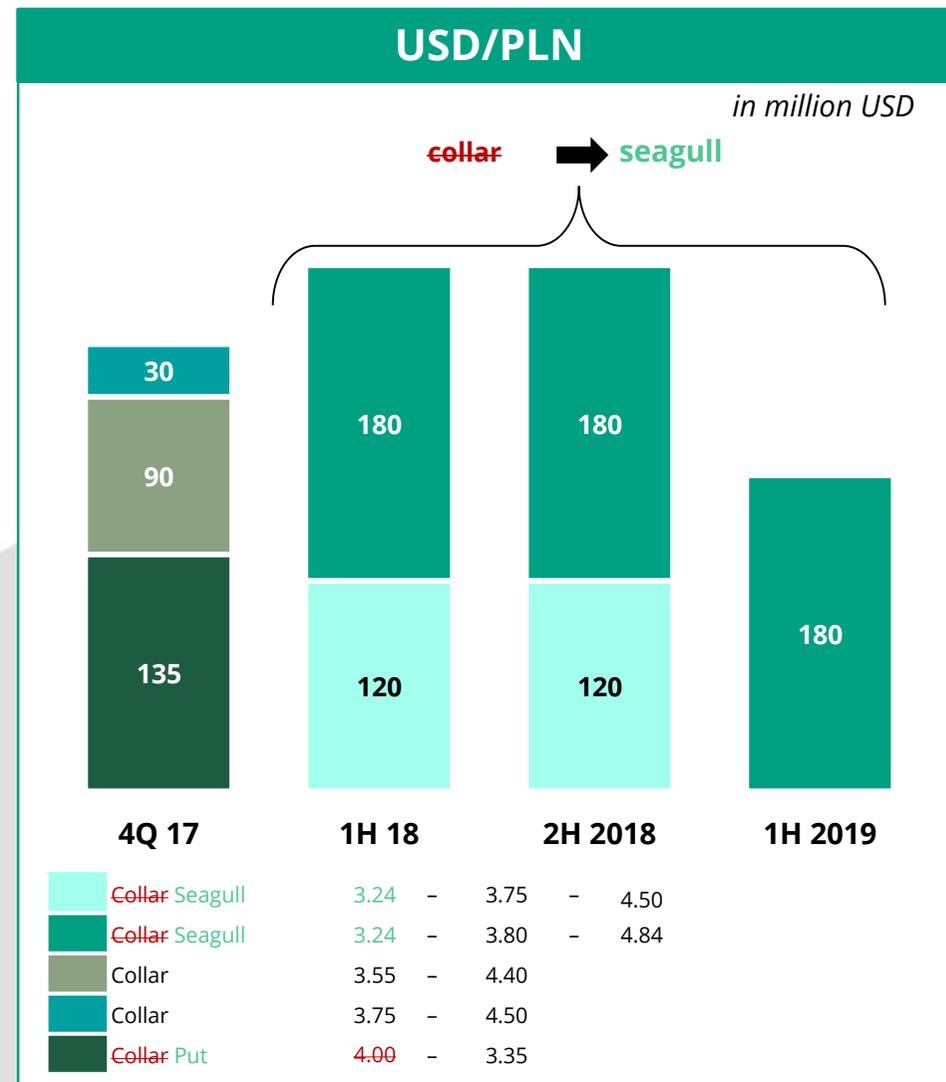
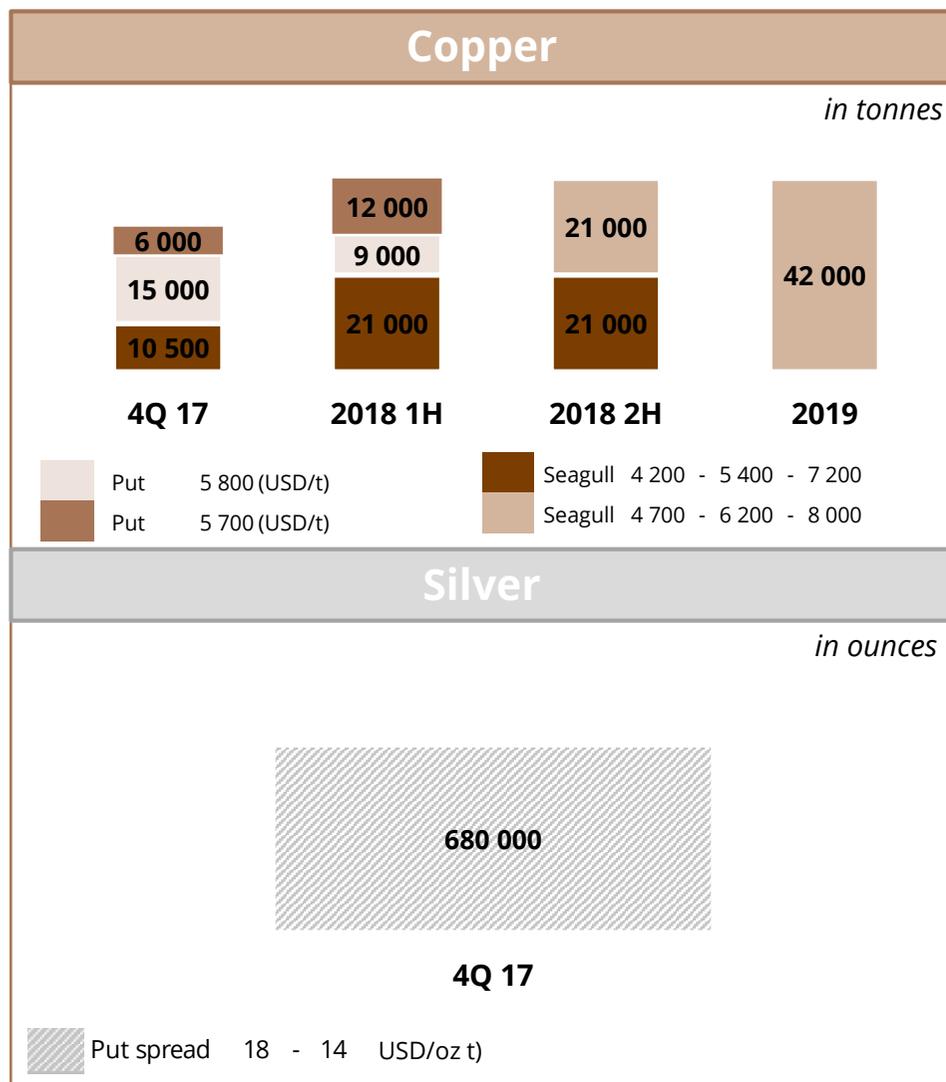
Consolidation adjustment of interest from Group entities and exchange differences

Recognition of share of loss of Sierra Gorda to the amount of the increase in share capital and interest income

The accrued result on derivatives achieved by KGHM Polska Miedź S.A. as at 30 September 2017 amounted to -PLN 61 million

Market risk management – hedging position (as at 30 September 2017)

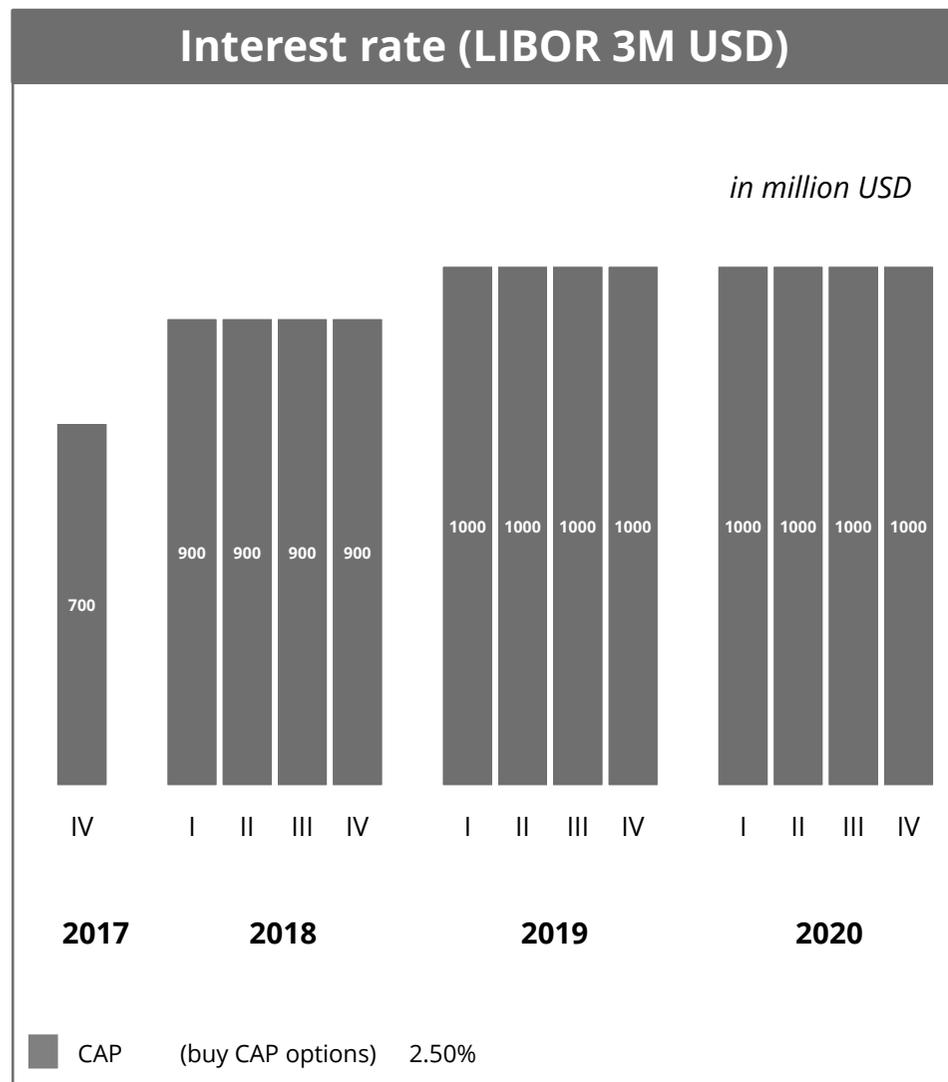
Position in derivatives on the metals and currencies markets



The accrued result on derivatives achieved by KGHM Polska Miedź S.A. as at 30 September 2017 amounted to -PLN 61 million

Market risk management – hedging position (as at 30 September 2017)

Position in derivatives on the interest rates markets



Result on derivatives

- In the period January–September 2017, KGHM Polska Miedź S.A. recorded a result on derivatives in the amount of -PLN 61 million, of which:
 - PLN 11 million increased sales revenue (transactions settled in the January–September period),
 - PLN 72 million decreased the result on other operating activities (mainly a change in the measurement of open transactions as at 30 September, hedging the period to the end of 2020).
- The fair value of derivatives (MtM) in KGHM Polska Miedź S.A. as at 30 September 2017 amounted to PLN 195 million.
- The revaluation reserve on cash flow hedging instruments as at 30 September 2017 amounted to PLN 103 million.

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ir@kgm.com

+48 76 74 78 280

