



KGHM

INTERNATIONAL

Company Results for 2014

March 18, 2015

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All figures are in US\$ unless otherwise stated or unless the context requires otherwise.

KGHM International Development Project Highlights

- **Growth pipeline:**
 - **Sierra Gorda Mine:**
 - Achieved over 75% of target Phase I capacity
 - Pampa Lina land deal adding to mine life potential
 - **Victoria:**
 - Completed site preparation activities at the end of 2014
 - Plans to conclude the Basic Engineering Study by April 2015
 - **Sierra Gorda Oxide:**
 - Basic Engineering advancing to completion
 - Bulk leaching trials completed and column tests continue to yield excellent results

Sierra Gorda – Full Production Capacity to be Reached by Mid-2015

Sierra Gorda



- Average annual production (Phase I & II)
 - 220 kt Cu
 - 25 M lbs Mo
 - 64 koz Au
- Ownership
 - 55% KGHM
 - 45% Sumitomo
- Mine profile
 - Open-pit



Status Sierra Gorda & Oxides

Sierra Gorda

- Average daily ore processing is on plan at over 75% of target phase I capacity.
- The mill has already on one day processed 117 100 tonnes of ore, or 106% of the target phase I processing capacity of 110 000 tonnes of ore per day.
- Molybdenum plant completed, currently in ramp-up and handover phase.

Sierra Gorda Oxides

- Sierra Gorda Oxide project: bulk leaching trials completed and column tests continue; Feasibility Study and Basic Engineering advancing to completion.

Sierra Gorda - Promising Results from Near-mine Exploration

Pampa Lina



- Agreement signed with Teck and Jogmec on transferring ownership of the Pampa Lina area, which has significant geological potential. (Transaction being reviewed by oversight authorities in Chile.)
- Areas adjacent to the area currently being mined have substantial exploration potential.
- Initial estimates indicate significant potential for Pampa Lina to increase the mine life.

Victoria – Steady Progress In Mine Development

Victoria

Ni

Cu

Pt

Pd

Au

- **Ownership** 100% KGHM
- **Mine type** Underground



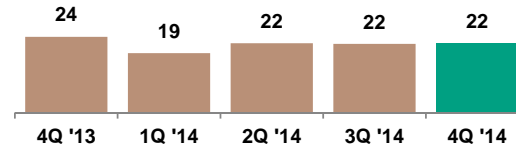
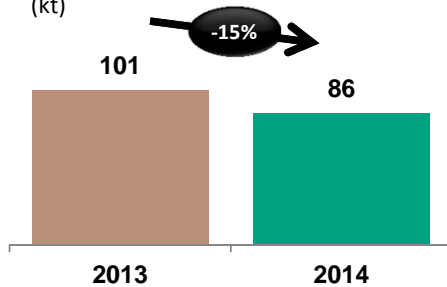
Progress

- Completed site preparation activities and ventilation decline development by end of 2014.
- Signed advanced exploration IBA Agreements with two First Nations
- Detailed engineering initiated with various engineering firms.
- The Company plans to conclude the Basic Engineering Study by April 2015
- During Q1 2015, tendering packages will be prepared and issued to secure primary contractors for pre-sink preparations, shaft sinking and surface infrastructure construction.

Production & C1

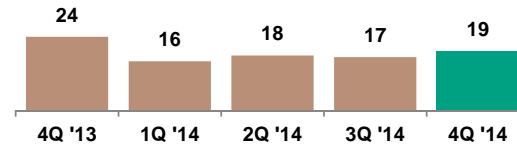
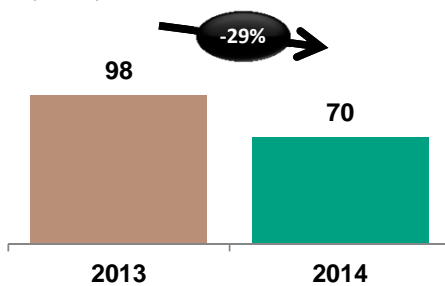
Copper

(kt)



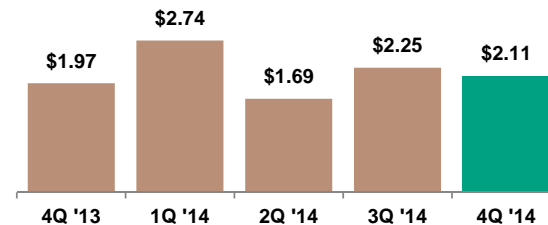
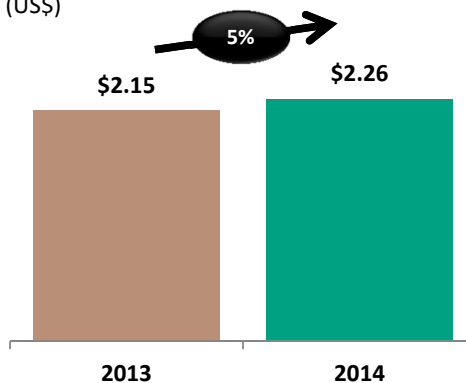
TPM (gold, platinum palladium)

(k troz)



C1 cash cost

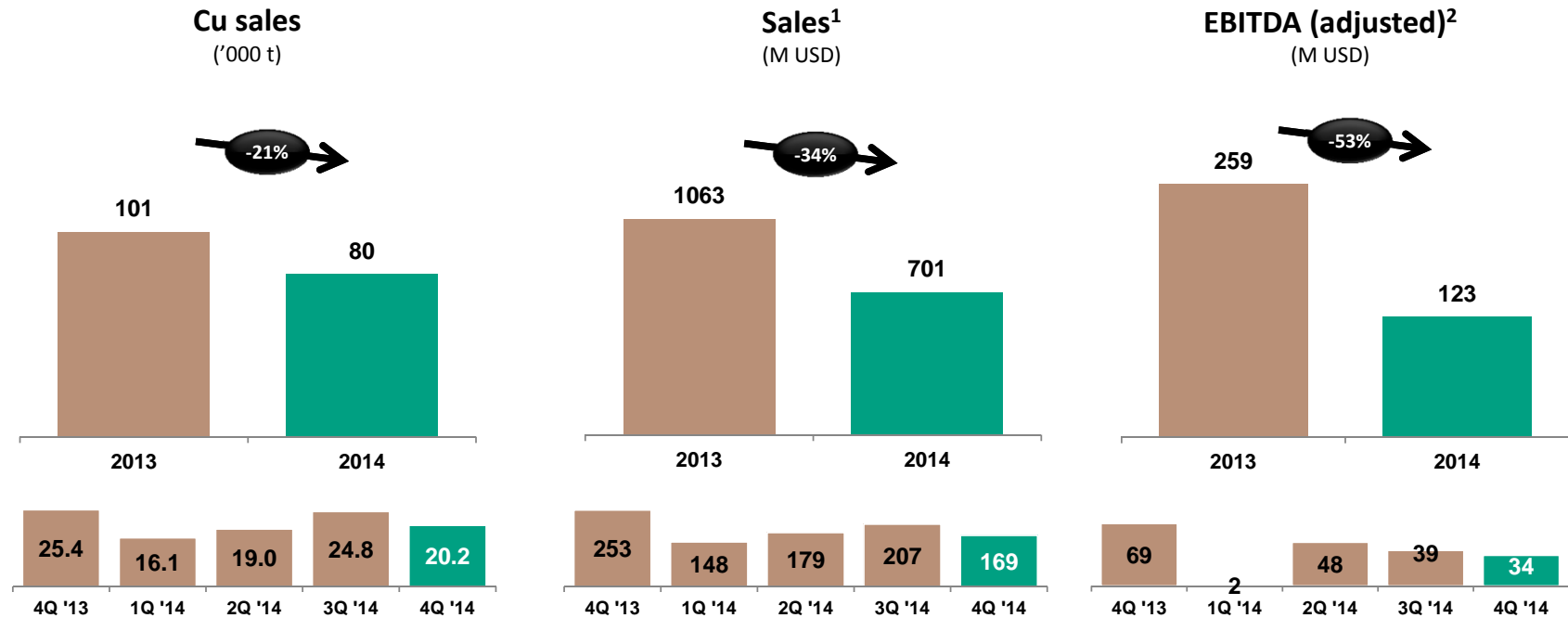
(US\$)



- In 2014 the decrease in production of copper (-15k tonnes) and TPM (-28k ounces) was mainly due to poor quality ore mined from the temporary Kimbley pit at Robinson in H1 2014 while transitioning to the Ruth pit.
- Robinson production improved from 2Q onwards, with a slight increase in production in 4Q 2014 compared to the same period of 2013.
- Cu and TPM volumes overall were also affected by completion of production in Podolsky (1Q 2013)

- Slight increase in C1 cost in comparison to 2013 mainly due to lower production at Robinson in H1 2014. Cash cost improved from 2Q to 4Q due to the increase in production and reduction of operating costs.
- C1 cash cost at all other mines improved compared to 2013 due to the implementation of cost management initiatives, changes in levels of inventories and the positive impact of blending ore at the Franke mine.
- C1 cash costs in Q4 were better than the 2013 average

Financial Results



- Results positively impacted by exchange rate changes – weakening of the CAD and CLP versus the USD
- Copper sales improved since 1Q 2014, but remain slightly slower in 4Q 2014 compared to the same period in 2013 due mainly to timing of shipments at Robinson. Year end copper inventory increased by 6k tonnes.
- Net revenue impacted by decline in contract mining revenues and metal price from external market conditions, combined with a decline in production.

Main reasons for lower EBITDA:

- Lower effective copper sales price decreased revenues by USD 60 million
- Lower production volume and DMC contract revenues by approximately USD 312 million
- Lower costs from lower production and contract mining activities, cost saving initiatives and inventory management, which resulted in lower cost of sales and corporate G&A costs by approximately USD 233 million

¹ Revenues from sales net of treatment and refining charges

² Profit on mining operations plus depreciation and the Sierra Gorda JV management fee, less general administrative costs and impairment losses

Morrison Mine: Current Status and Outlook



Cu

Ni

TPMs

Improved results in Q4 2014:

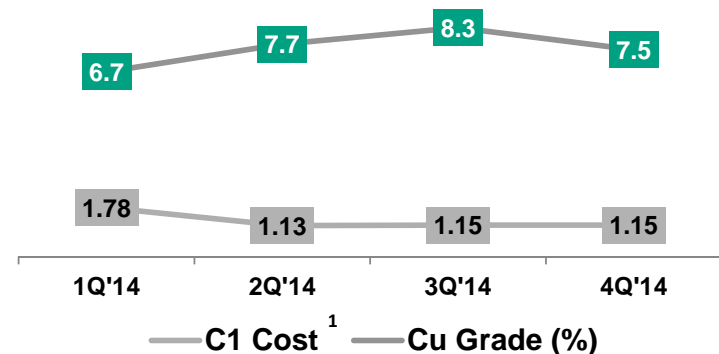
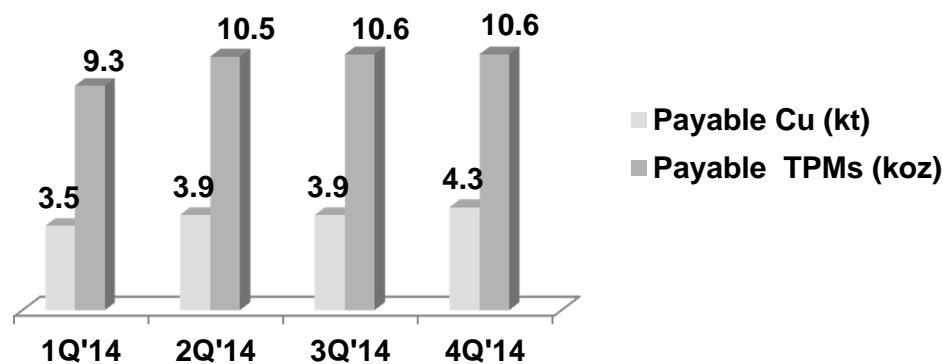
- 20% improvement in Cu ore sold in 4Q 2014 compared to 3Q 2014 as a result of successful execution of another Craig Pillar stope in December 2014 with highest metal production in 4Q 2014 compared to all other quarters in 2014.
- Improvement in operating income compared to other quarters in 2014 also due to a decrease in depreciation and amortization

2014 Review:

- Copper ore produced was impacted by increased seismic activity and change in longhole production, offset by cost savings and favorable foreign exchange of CAD/USD.

Outlook

- Production in 2015 is expected to be in line with 2014 production levels.
- Planned increase in longhole production for 2015 with continuing efforts planning around the geotechnical challenges and becoming proactive in anticipating problem areas.
- Diamond drilling will continue in the 5040 drift through to the end of 1H 2015 to quantify the extent of the lower part of the Morrison deposit



¹ cash cost per pound of copper sold (US\$/lb)

Robinson Mine: Current Status and Outlook



Cu

Au

Mo

Improved results in Q4 2014:

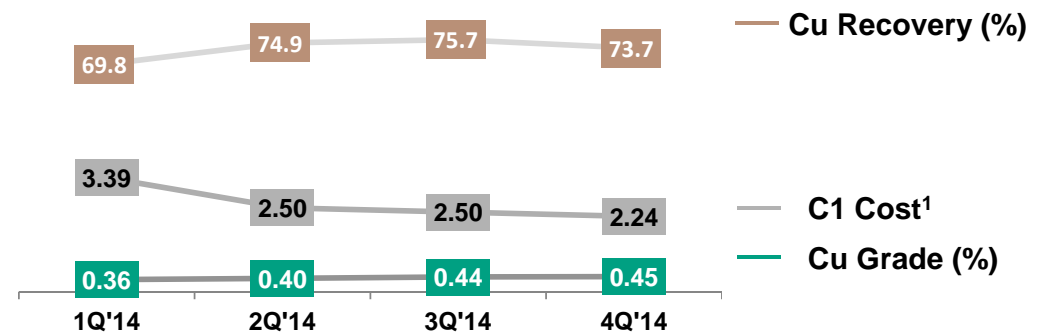
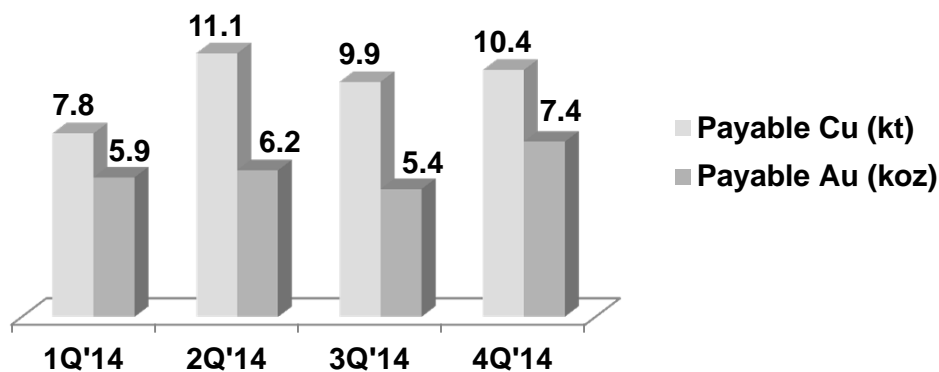
- Increase in copper ore grade compared to 3Q 2014 due to blending synergies realized from higher grade material mined from the bottom of the Ruth East pit in Q3 2014. In Q4 2014, ore deliveries were from the higher grade Ruth complex
- Improved C1 cost for the quarter compared to Q3 2014 due to increased production from improved head grade and cost management initiatives

2014 Review:

- Lower copper production in 1H 2014 due to lower ore quality mined from the Liberty and Kimbley pits and mill shutdown in Q3 2014. Cost saving plans were implemented in Q1 2014 to offset production and metal price decline.

Outlook

- Mining in 2015 is planned from the Ruth pit allowing for higher grade ore to be mined compared to Kimbley pit in 1H 2014
- Improved head grades and metal recovery is expected in 2015 as a result of mining cleaner ore from the Ruth pit
- Improvement in C1 cost is expected to continue with cost management initiatives combined with a decline in diesel price
- Capital expenditures for 2015 will primarily relate to stripping of waste, dewatering and geotechnical engineering



¹ cash cost per pound of copper sold (US\$/lb)

Q4 2014 & Full Year Financing Update

2014 Funding Changes

- Corporate Facility - \$200M drawn as at Dec 31, 2014, \$32M drawn in Q4 2014
 - Fully paid off in January 2015 from proceeds from KGHM SA \$2.5B revolving credit facility as previously announced
- Equity - \$147M in Q4 and a total of \$357M in 2014 to fund project spending
- Cash Pooling - \$71M drawn as at Dec 31, 2014, \$18M drawn in Q4 2014
- Letters of Credit - \$16M transferred to parent in 2014

KGHM International 2014 Summary

Growth pipeline:

- **Sierra Gorda:** Achieved over 75% of target Phase I capacity.
- **Victoria:** Detailed engineering initiated and Basic Engineering Study expected by April 2015
- **Sierra Gorda Oxide:** Feasibility Study and Basic Engineering advancing to completion

Operations

- Copper, nickel and TPM production back on track for last three quarters after difficult Q1 2014 results
- C1 costs at \$2.11/lb despite lower by-product prices.
- Cost savings, currency savings and efficiencies continue

Financing for 2014:

- Support from KGHM SA continues.
- Equity funding of \$357M in 2014

