

**KGHM**

INTERNATIONAL

## **Company Results for 2013**

March 31, 2014

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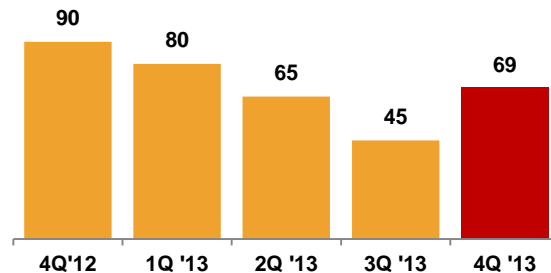
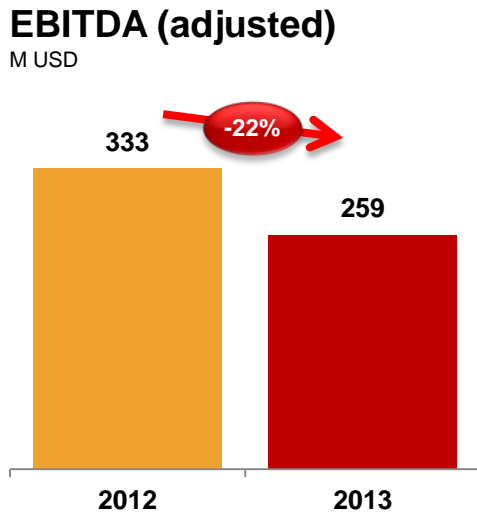
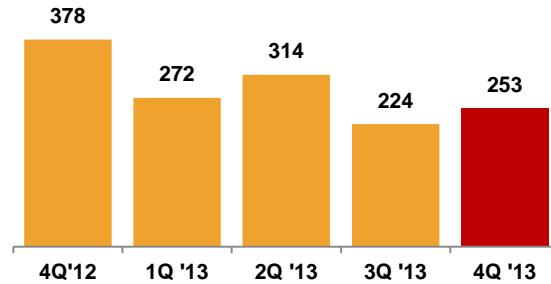
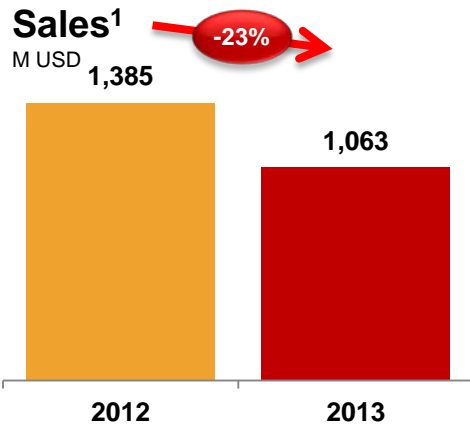
**All figures are in US\$ unless otherwise stated or unless the context requires otherwise.**

## KGHM International Q4 2013 and 2013 Highlights

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- **Financial highlights:**
  - **Adjusted EBITDA:**
    - Q4 2013 vs. Q4 2012 decreased to \$69M from \$90M
    - 2013 vs. 2012 decreased to \$259M from \$333M
- **Operations:**
  - **Cu production:**
    - Q4 2013 vs. Q4 2012 decreased to 54Mlbs (24kt) from 68Mlbs (31kt)
    - 2013 vs. 2012 decreased to 222Mlbs (101kt) from 244Mlbs (110kt)
  - **Cu sold:**
    - Q4 2013 vs. Q4 2012 decreased to 56Mlbs (25kt) from 76Mlbs (35kt)
    - 2013 vs. 2012 decreased to 222Mlbs (111kt) from 262Mlbs (119kt)
  - **C1 cost:**
    - Q4 2013 vs. Q4 2012 decreased to \$1.97/lb from \$2.18/lb
    - 2013 vs. 2012 decreased to \$2.15/lb from \$2.43/lb
- **Other Highlights:**
  - Robinson achieved a new annual copper recovery record of 81% for 2013
  - Morrison produced a record high payable copper for Q4 2013, improving 8% over Q4 2012

# Financial Results

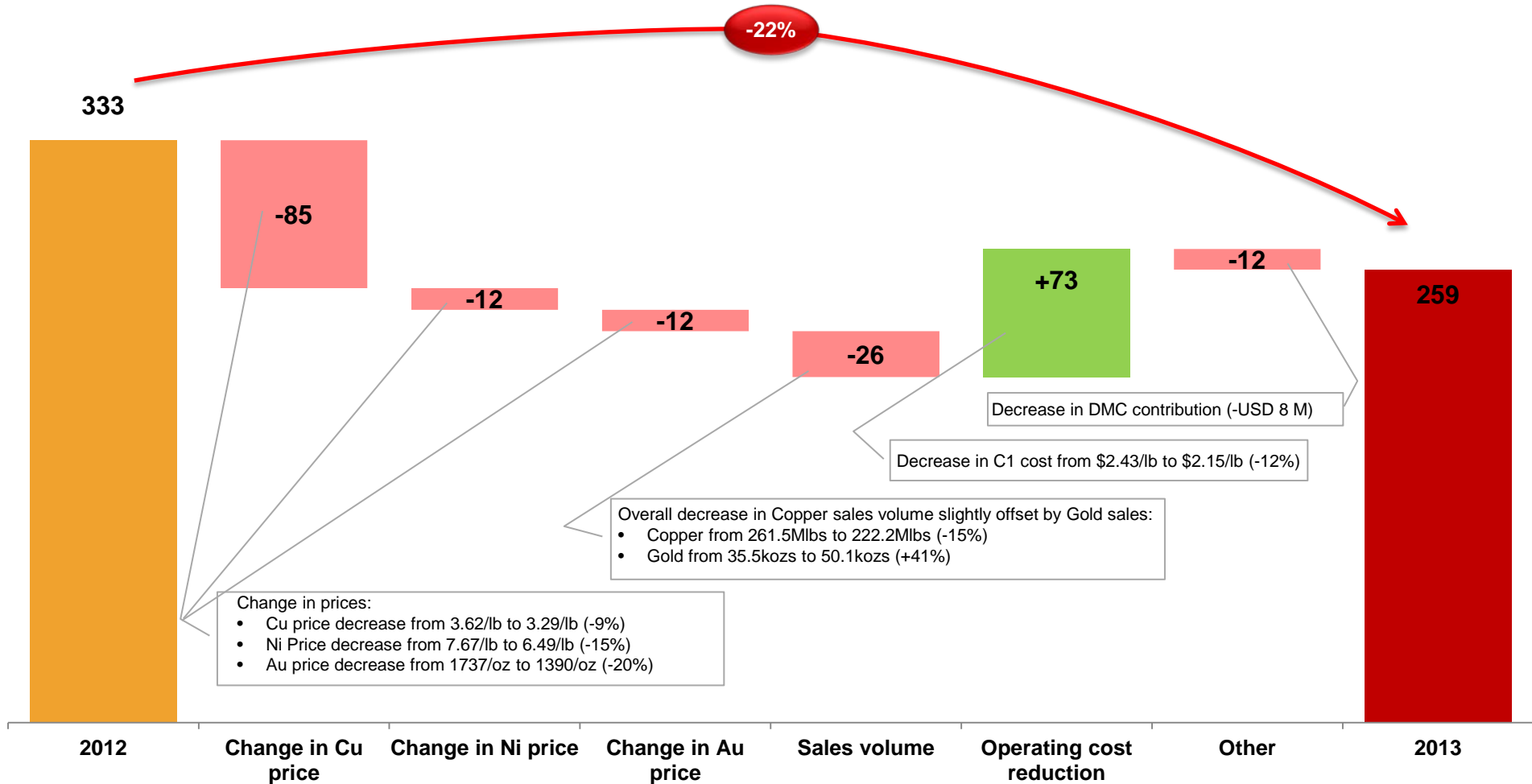


- The decrease in net sales revenue were due to:
  - Decline in effective metal price
  - Decrease in Copper and Nickel production
  - Decrease in DMC project revenue primarily due to change in project phases

- The main causes of a decrease in EBITDA were:
  - Decline in effective metal price
  - Decrease in Copper and Nickel production contribution
  - Decrease in DMC project margin contribution
- The decrease in change in EBITDA were limited by:
  - Increase in gold production
  - Operating cost reduction

# The deterioration in macroeconomic conditions partially offset by lower costs

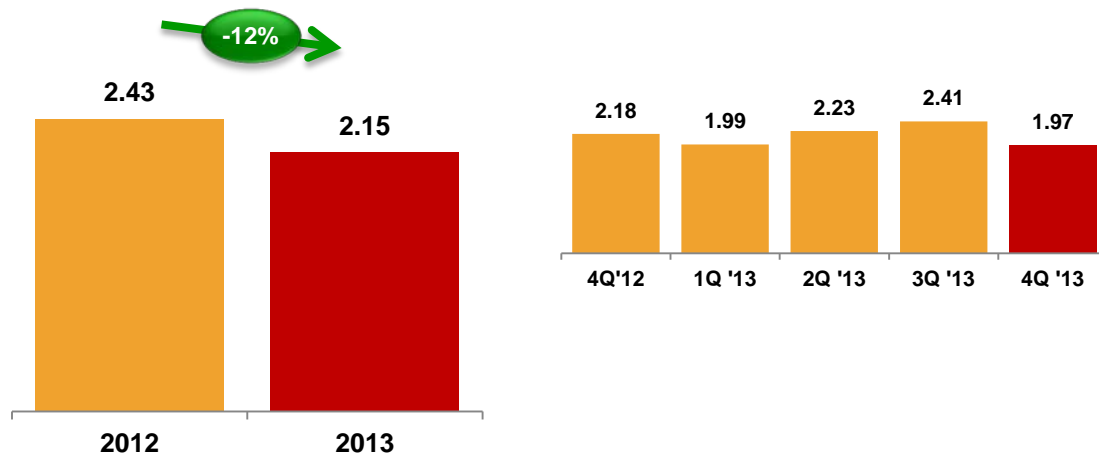
M USD



## Decrease in C1 cost despite lower by-products prices

### Cash Cost C1

USD/lb

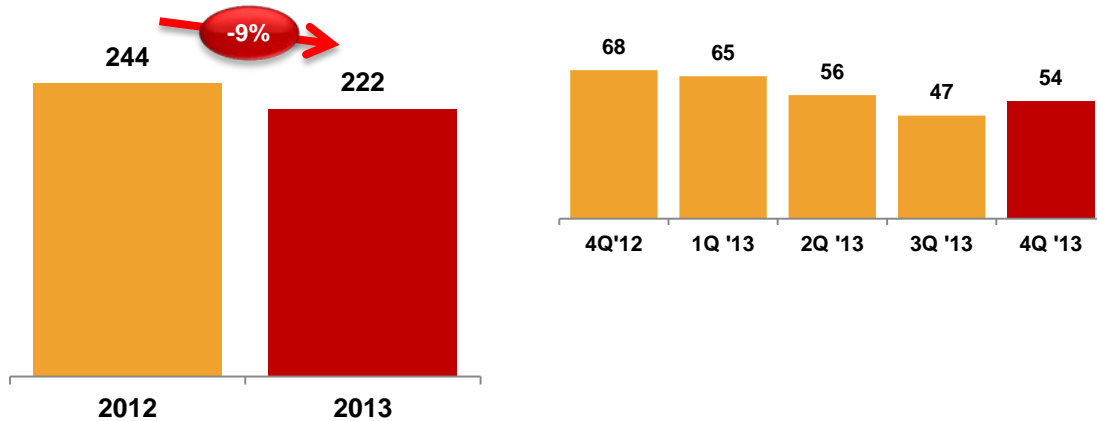


- Decrease in C1 cost due to:
- Lower mining costs per ton at Robinson due to large volumes mined including capitalized stripping
- Lower production costs related to improved mill performance at Robinson
- Higher recoveries and TPM content at the Robinson mine, and consequently higher revenues from by-product sales.

# Production Highlights – Copper

## Copper production

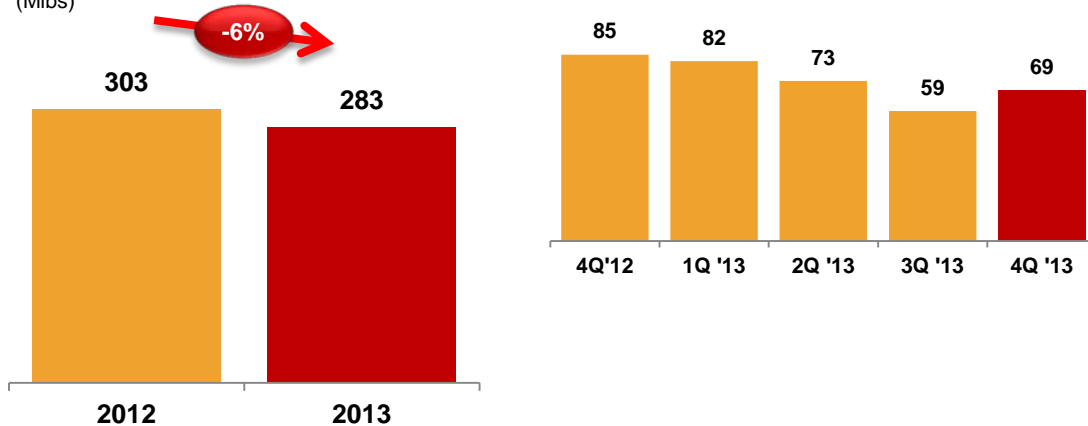
(Mlbs)



- Total copper production and copper equivalent production in 2013 decreased due to the conclusion of production at the Podolsky mine (-13.5 Mlbs) at the end of Q1 2013 and a decrease of production at Robinson due to lower grade ore milled for the second half of 2013.

## Copper equivalent production<sup>1</sup>

(Mlbs)

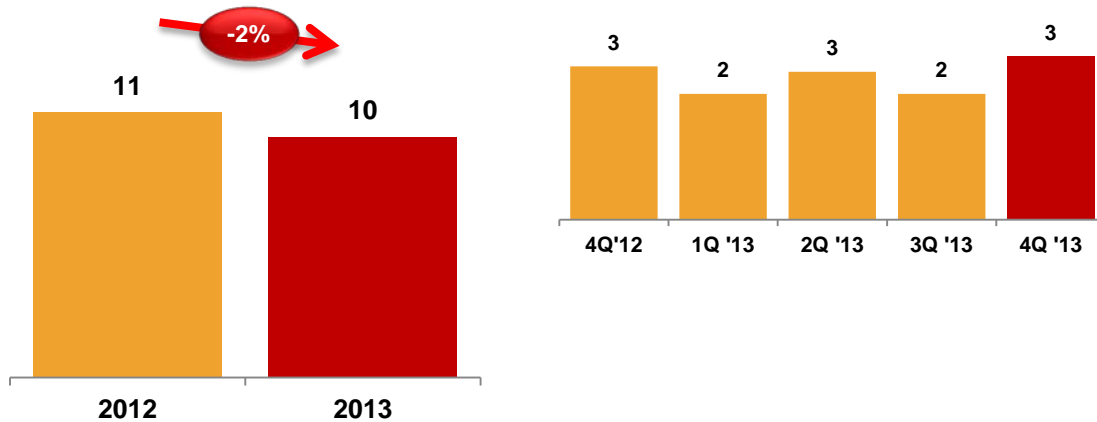


- The decrease in copper equivalent production was slightly offset by the increase in gold production at the Robinson mine as a result of higher recovery rates from clean ore characteristics realized in the first of 2013 and business improvement practices.

# Production Highlights – Nickel & TPM

## Nickel

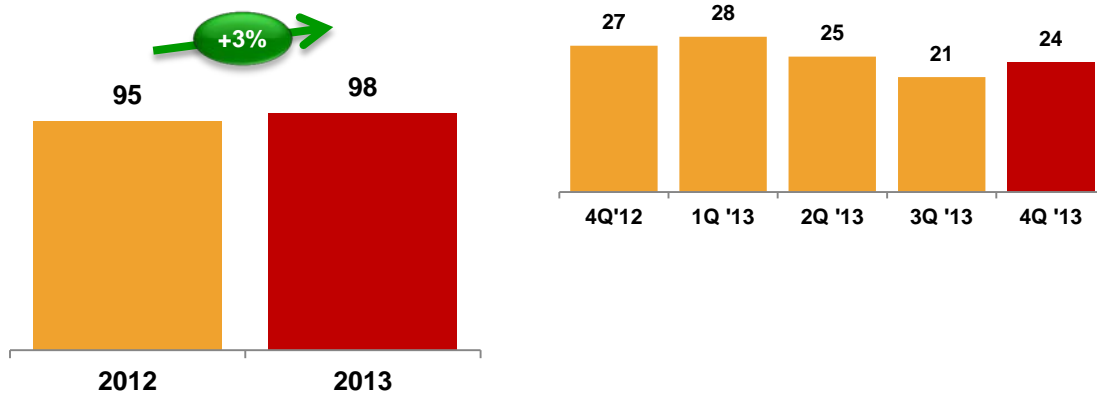
(Mlbs)



- Nickel production slightly decreased primarily due to grade changes and cessation of mining at Podolsky

## TPM (gold, platinum, palladium)

(k troz)



- The increase in TPM (total precious metal) production was mainly due to increased gold production by the Robinson mine as a result of higher recovery rates.



# Operations performance for 2013



## Robinson

Cu

Au

Mo

Open-pit mine, USA

- 2013 was a record year for the Robinson mine in terms of copper recovery and total ore processed of 14.8 million tonnes
- The increase in recovery of copper and gold was possible thanks to the good quality of ore extracted in the first half of 2013 and to operational improvements
- In the first half of the year extracted ore came primarily from the Ruth pit, while in the second half it came from the Liberty pit. Work in the Kimbley pit to the end of 2013 involved waste stripping, with extraction planned in 2014



Robinson open-pit mine  
Nevada, USA

## Morrison

Cu

Ni

TPMs

Underground mine, Canada

- In the fourth quarter of 2013 the Morrison mine produced a record amount of payable copper thanks to higher ore extraction
- The production and sale of payable copper increased in 2013 versus the prior year thanks mainly to record ore production and better parameters for payable copper, resulting from the new, more advantageous agreement with Vale



Morrison underground mine  
Ontario, Canada

# Sierra Gorda – project on time, commissioning in mid-2014

Sierra Gorda

Cu

Mo

Au

March  
2014

**Hydraulic tests, filling of reservoir and completion of sea water pipeline**

Mid  
2014

**Construction of Sierra Gorda completed**

## Progress on construction (as at 31 December 2013)

- Project will be completed on time, planned completion of construction and commissioning in mid-2014
- 86% project progress
- Construction of sea water pipeline 94% complete, final hydraulic testing in progress
- Construction of tailings pond approx. 86% complete and processing plant approx. 80% complete
- Pre-stripping at 81% of the amount required before commissioning
- Around 91% of the CAPEX committed
- Around USD 3.4B of the committed amount has been incurred

# Victoria – in future, the second-most important value driver after Sierra Gorda

## Victoria

Ni

Cu

Au

Pt

- **Resources** ~14.5 M @ 2.5% Cu, 2.5% Ni, 7.6g/t TPM
- **Ownership** 100% KGHM International
- **Mine type** Underground
- **Status** Preparation of surface infrastructure



## Status

- Work is on schedule
- Tree removal completed and work in progress on levelling terrain for the surface infrastructure
- Environmental permit applications submitted. These are being reviewed and final corrections implemented
- Mine closure plan being developed, required to obtain building permit for the first shaft
- Work in progress on the Integrated Development Plan, describing in detail the mine execution plan
- Steering Committee appointed comprised of staff from KGHM S.A., KGHM International and the company PeBeKa, whose task will be to supervise realisation of the project

