

# Layers of possibilities



## Results of the Group for the 4th quarter and the full year 2018

*15 March 2019*

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# Agenda

- 1 Introduction**
- 2 Production results of the KGHM Polska Miedź S.A. Group**
- 3 Economic results of the KGHM Polska Miedź S.A. Group**
- 4 Achievement of major targets**
- 5 Key domestic projects**
- 6 Key international projects**
- 7 Supporting slides**
  - Economic results of KGHM Polska Miedź S.A.
- 8 Q&A**



# Introduction

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# Summary of 2018 in the KGHM Group

## Major factors and events impacting the results



**Revenues**

Higher revenues by the KGHM Polska Miedź S.A. Group, to PLN 20 526 million



**Costs**

Continued cost discipline, stability, profitability, implementation of development initiatives



**Reversals of write-downs**

Positive impact on profit from the reversal of impairment losses previously recognised on assets



**EBITDA**

EBITDA of the KGHM Polska Miedź S.A. Group: PLN 4 972 million

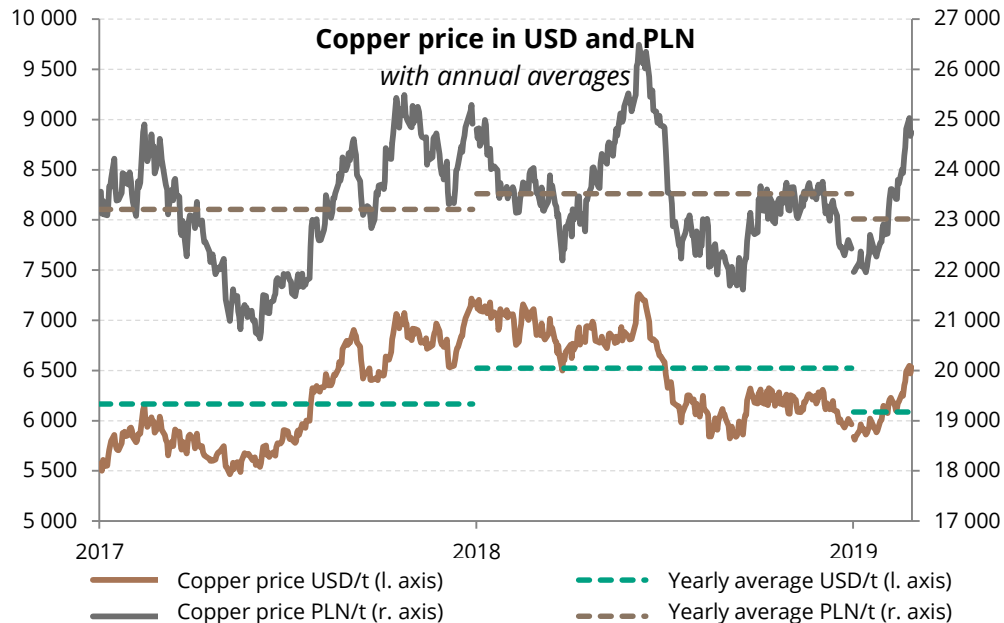


**Macroeconomic environment**

Higher average annual copper price by 6%, molybdenum by 48% and nickel by 26%, with a lower silver price by 8%

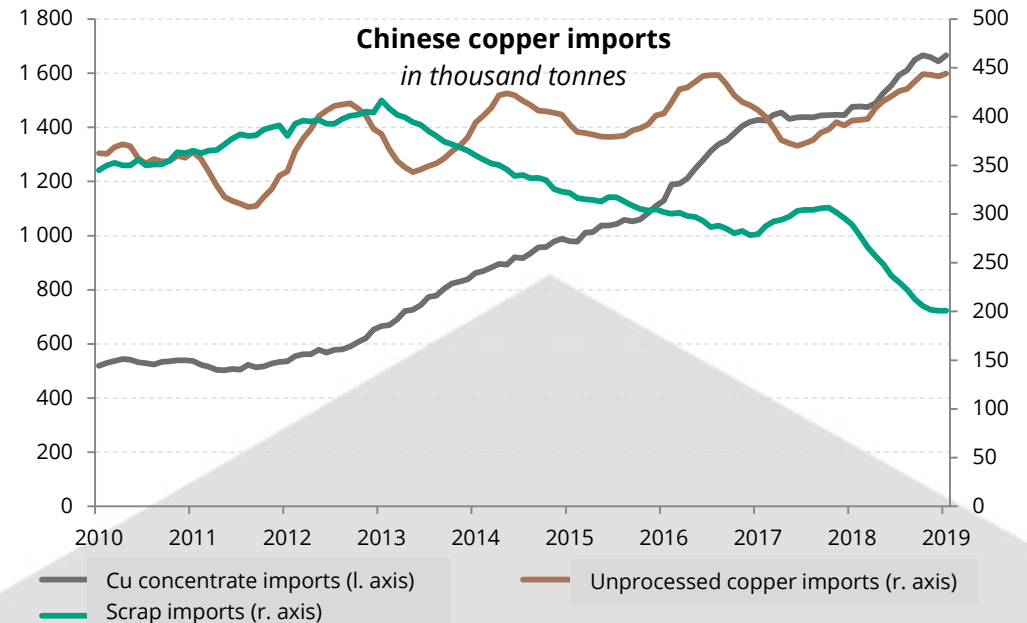
# Volatile changes in the copper price despite improvement in market fundamentals in 2018

## The PLN-denominated copper price in 2018 showed substantial volatility



Source : Thomson Reuters, KGHM Polska Miedź

## The impact of the decision by China to cease imports of 7th-category scrap was offset by higher imports of other forms of the metal



Source: Bloomberg, KGHM Polska Miedź

- 2018 was impacted by political tensions between the USA and China, which resulted in a substantial drop in the price of copper as well as many other base metals at mid-year, as well a strengthening of the USD. However, starting from the G20 summit at the turn of November/December, there was a gradual warming in relations between the USA and China.
- Despite this conflict, which had a direct impact on Chinese trade, demand for copper and imports of this metal to China increased in 2018. Due to the imposition of restrictions there was a significant drop in scrap imports, which however was partially offset by increased purchases of copper concentrate and refined metal.
- The American Federal Reserve (Fed) is pursuing a policy of monetary tightening by raising interest rates (four times in 2018) as well as quantitative tightening. Recent dovish announcements by members of the Fed may however signal a change in monetary policy and prolongation of the period of above-average growth in the United States.

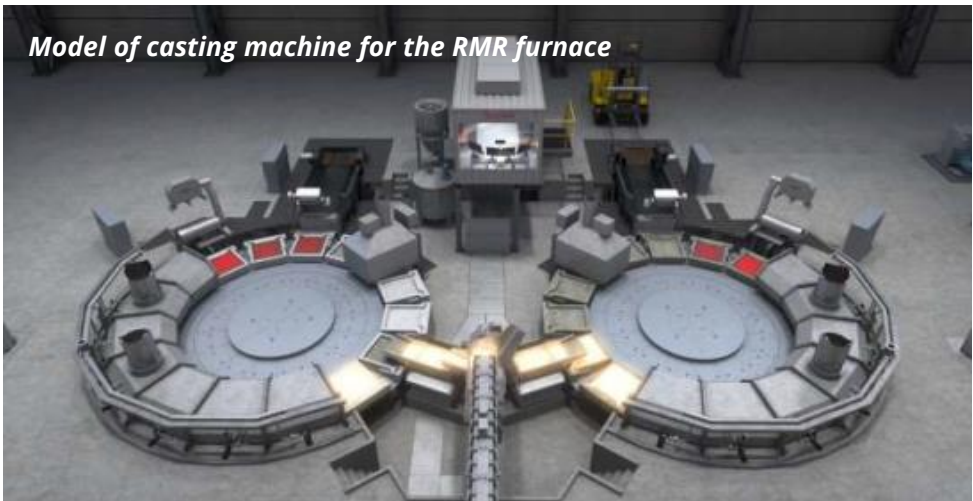
# Summary of 2018 in the KGHM Group

## New Strategy, production activities, projects

### Highlights

- **New Strategy:** announcement of the Strategy of KGHM Polska Miedź S.A. for the years 2019-2023 (19 December 2018)
- **Deposit Access Program:** an agreement was signed with the Gmina (municipality) of Żukowice and planning work commenced related to the siting of the planned GG-2 shaft.
- **Metallurgy Development Program:** a subsequent stage in technological start-up of the Głogów I smelter was completed. In order to start operations by the copper concentrate roasting installation at the Głogów I Copper Smelter and Refinery the installation is being adapted. Start-up trials are underway.
- **Revolving Casting-Refining Furnace:** at the Legnica Copper Smelter and Refinery work continues on building the RCR furnace and casting machinery.
- **Sales of copper concentrate:** in 2018 149.5 thousand tonnes dry weight of copper concentrate was sold (containing 22.3 thousand tonnes of Cu).
- **Sierra Gorda:** initiatives advanced under the debottlenecking program, average annual daily ore throughput target of 130-140 thousand tonnes.
- **Expansion of the Żelazny Most Tailings Storage facility:** work continues on building the Southern Quarter, whose completion is planned at the end of December 2021. Construction began on the Tailings Segregation and Thickening Station.

### RMR furnace (visualisation)



### Copper concentrate roasting installation





# Production results of the KGHM Polska Miedź S.A. Group

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## Production and economic results

- Production** of payable copper in 2018 amounted to 634 thousand tonnes and was higher than set in the plan. The lower execution yoy was a result of the breakdown in the Głogów I Copper Smelter (HMG I) in 2017, the effects of which adversely affected the production results of 2018. Lower production was also a result of the maintenance shutdown of the Głogów II smelter in the third quarter of 2018.
- Sales** of payable copper are a direct reflection of production, but also include sales of copper in concentrate by KGHM Polska Miedź S.A.
- Revenues** in 2018 were slightly higher than in the corresponding period of 2017. The increase in revenues by 1% was mainly from KGHM International.
- EBITDA** for the Group was lower yoy by 14% due to the above-mentioned breakdown at Głogów I and the increase of inventory as a result of the maintenance shutdown (KGHM Polska Miedź S.A.). Higher operating results by Sierra Gorda and KGHM International.
- Net profit** of the Group for 2018 amounted to PLN 1 658 milion and was higher than the prior year. The increase in profit by the Group by PLN 133 million was mainly due to lower impairment of non-current assets, a higher result on involvement in joint ventures and a more favourable result on exchange differences alongside lower operating results of KGHM Polska Miedź S.A. and a higher cost of provisions.

### Production statistics

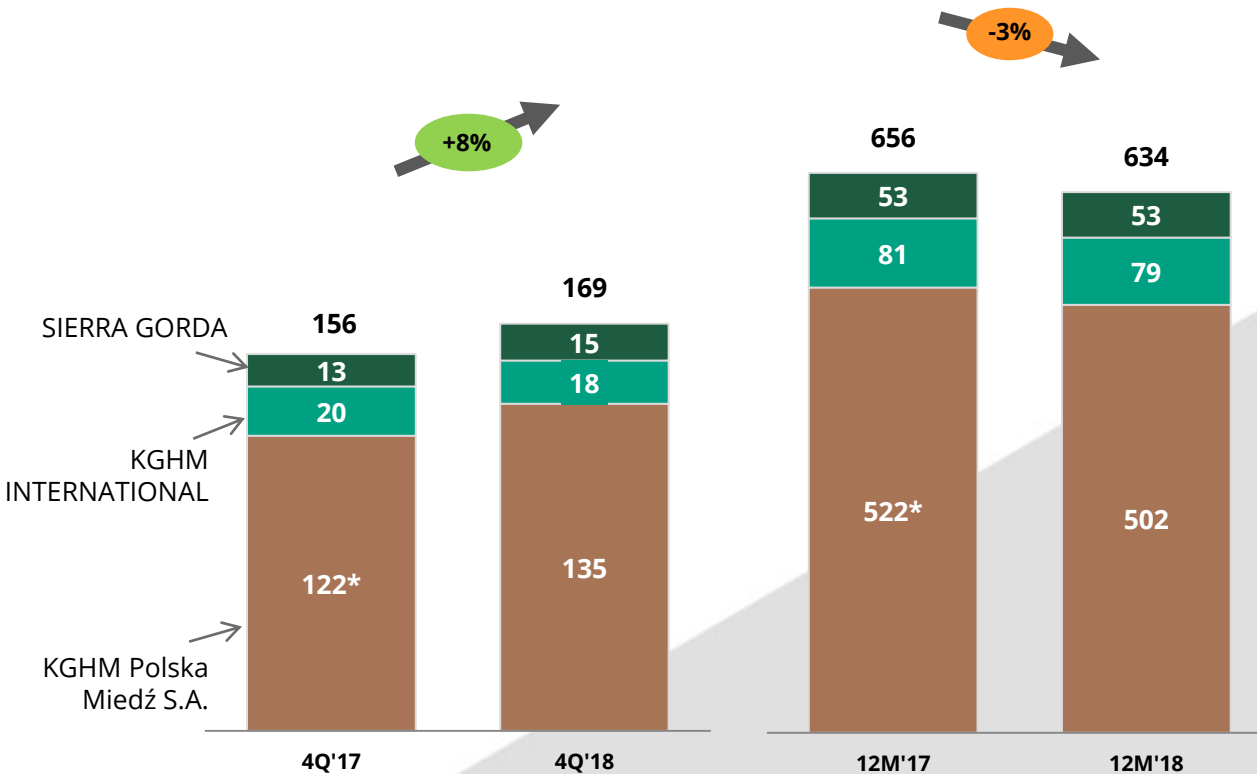
	Q4'18	2018
<b>Payable copper</b> (kt)	169	634
<b>Metallic silver</b> (ton)	357	1 205
<b>TPM</b> (koz t)	44.8	174

### Economic results

	Q4'18	2018
<b>Revenues</b> (mn PLN)	5 739	20 526
<b>EBITDA</b> (mn PLN)	1 182	4 972
<b>Net profit</b> (mn PLN)	682	1 658

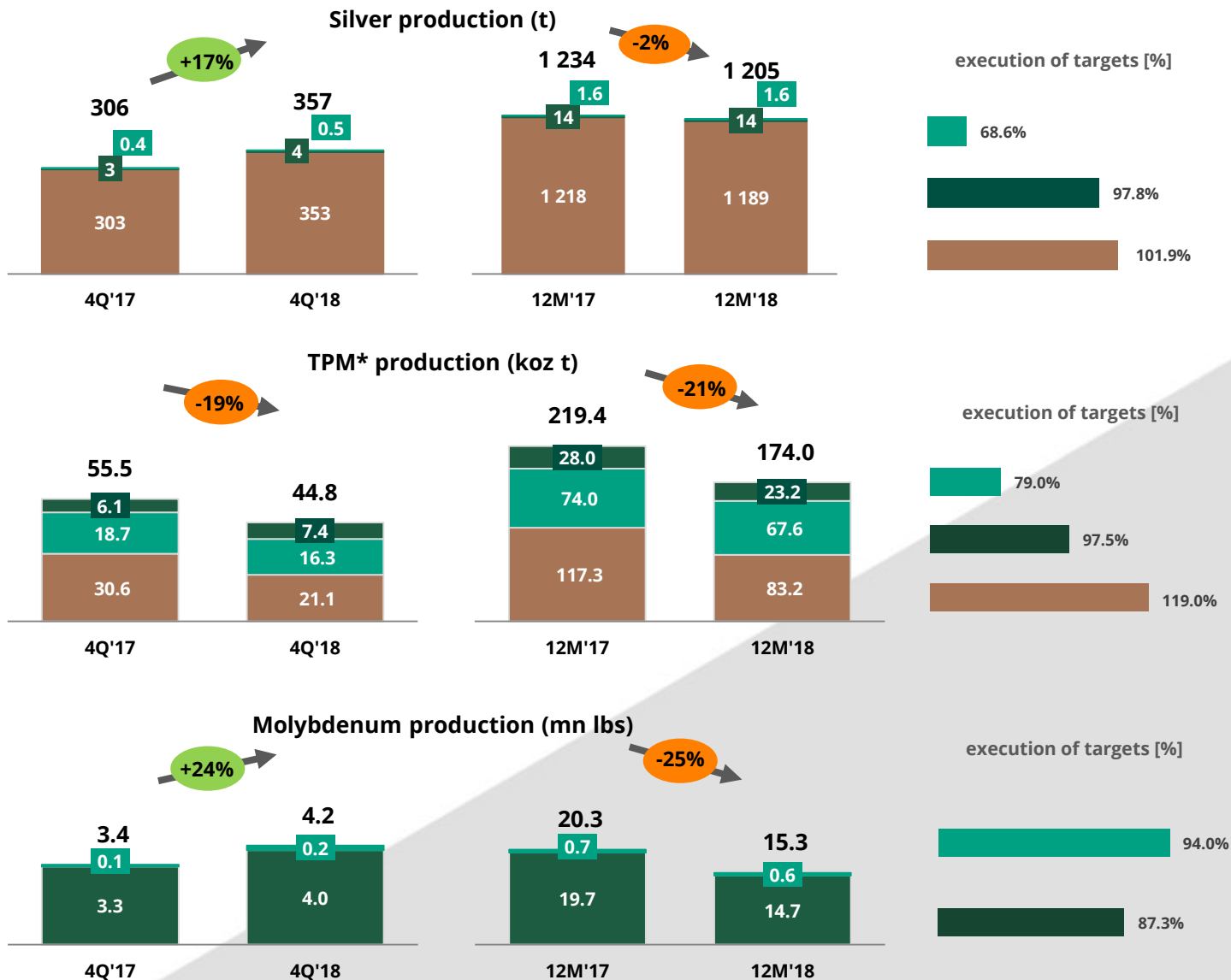
# Production of payable copper by the Group

Payable copper production (kt)



- Production of electrolytic copper by KGHM Polska Miedź S.A. exceeded the planned amount despite lower execution compared to the previous year, related to the maintenance shutdown of the Głogów II Smelter in the third quarter of 2018.
- The slight drop in production by KGHM International was due to lower production by the Morrison mine, in which there was a deterioration in geological and mining conditions as well as a decrease in lower average metals grade in ore.
- The stable production of payable copper by the Sierra Gorda mine in 2018 was mainly due to higher copper recovery despite a lower metals grade in ore.

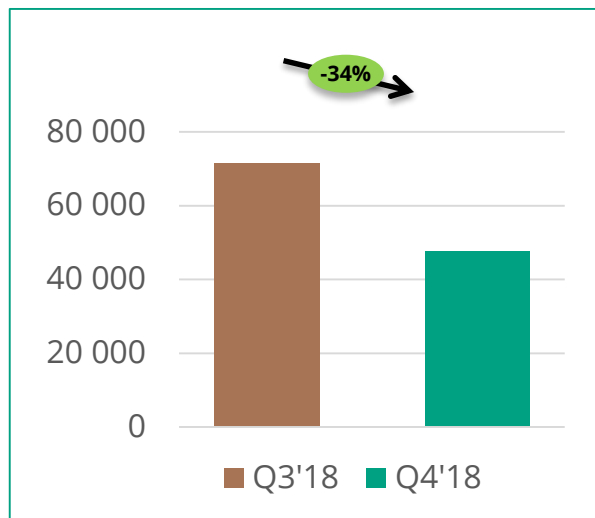
# Production of other metals by the Group



- Higher-than-planned production of associated metals by KGHM Polska Miedź S.A. The lower yoy execution was due to the lower production of electrolytic copper.
- The lower production of TPM by KGHM International was mainly due to the substantial drop in average content of precious metals in the Morrison mine. Production by this mine will be halted in the first quarter of 2019.
- The drop in molybdenum production by the Sierra Gorda mine was due to the lower content of this metal in extracted ore.

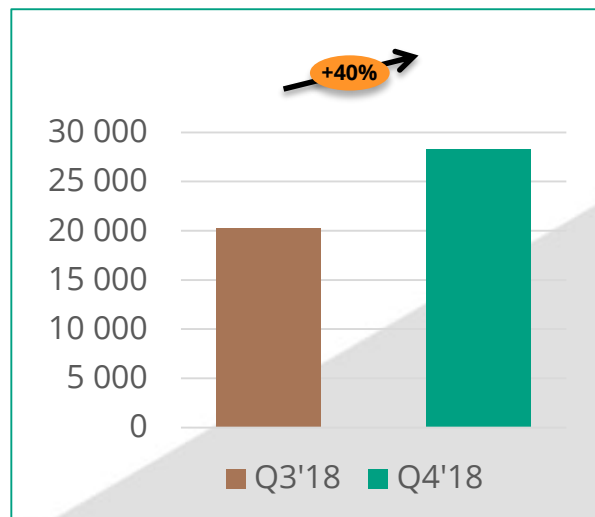
# Change in inventories of copper concentrate and copper anodes

## Inventories of copper in concentrate at the smelters – amount of Cu (t)



- The prior level of inventories of copper in concentrate was due among others to the shutdown at the Głogów I Copper Smelter and Refinery to prepare for the start of operations by the flash furnace and to the planned, three-month maintenance shutdown at the Głogów II Copper Smelter and Refinery
- The decrease in the level of inventories was due to sales of concentrate and to the planned work of production units
- In subsequent quarters, concentrate inventories will decrease according to plan

## Inventories of copper anodes at the smelters – amount of Cu (t)



- Inventories of copper anodes are being built up for the planned 2-month maintenance shutdown at the Legnica Copper Smelter and Refinery in 2019 as well as a 2-week maintenance shutdown at Głogów I
- In subsequent quarters, the level of these inventories will be in line with the amounts targeted in the production plan



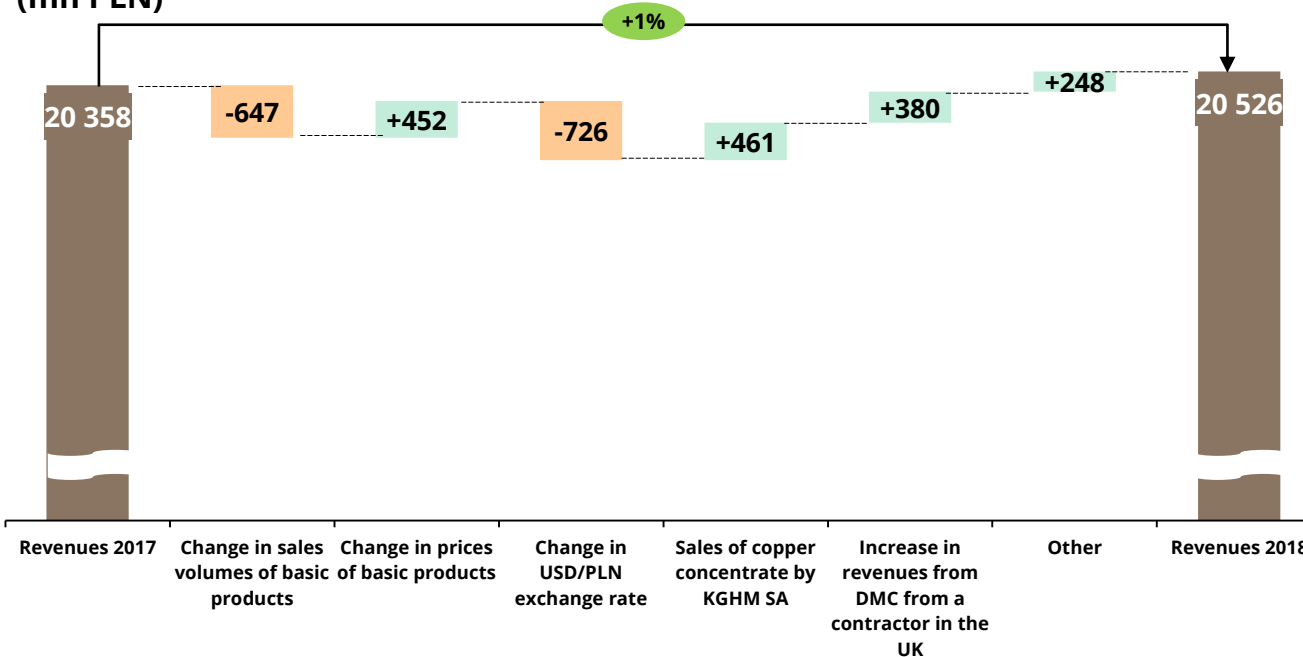
# Economic results of the KGHM Polska Miedź S.A. Group

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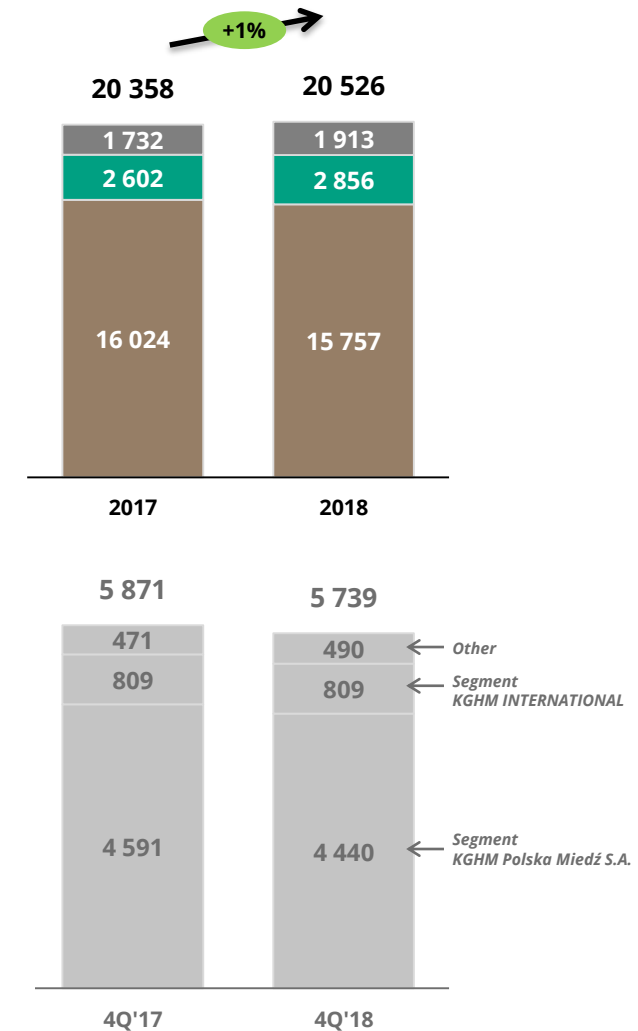


# Sales revenue of the Group in 2018

Revenues from contracts with customers (mn PLN)



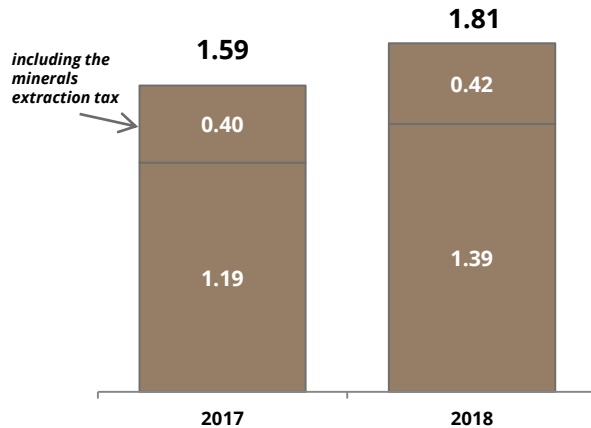
Revenues from contracts with customers (mn PLN)



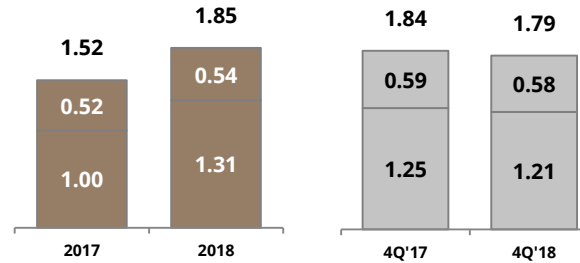
- The increase in revenues by PLN 168 million (+1%), as compared to 2017, was mainly in respect of KGHM International (+PLN 254 million).
- The higher metals prices were offset by a less favourable USD/PLN exchange rate. On the other hand, the lower volume of sales by KGHM was partially offset by sales of own copper concentrate.
- The higher revenues of KGHM International were mainly due to higher revenues of DMC, related to a contract being realised in the United Kingdom.

# C1\* unit cost in the Group

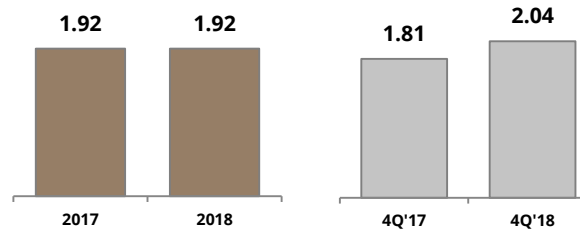
C1 - Group (USD/lb)



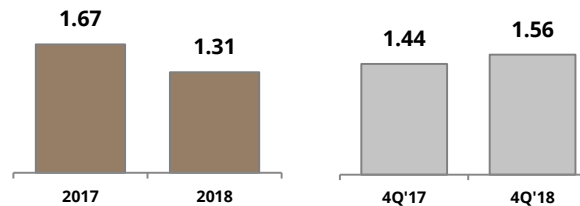
C1 - KGHM Polska Miedź S.A. (USD/lb)



C1 - KGHM INTERNATIONAL (USD/lb)



C1 - Sierra Gorda (USD/lb)



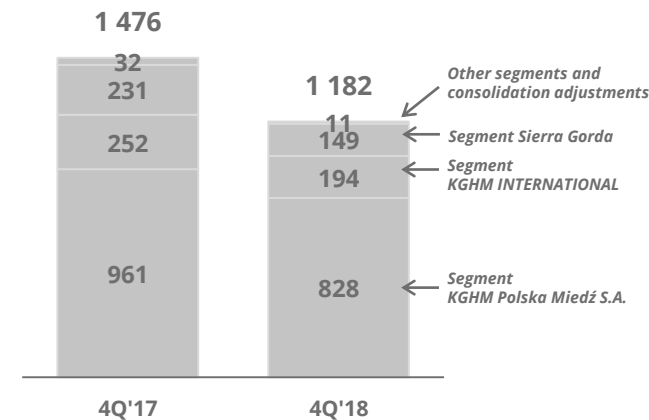
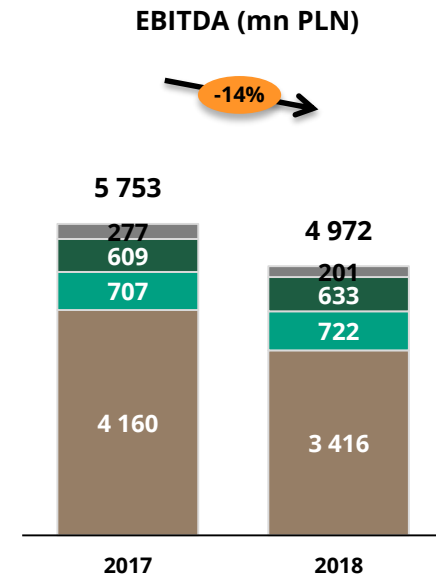
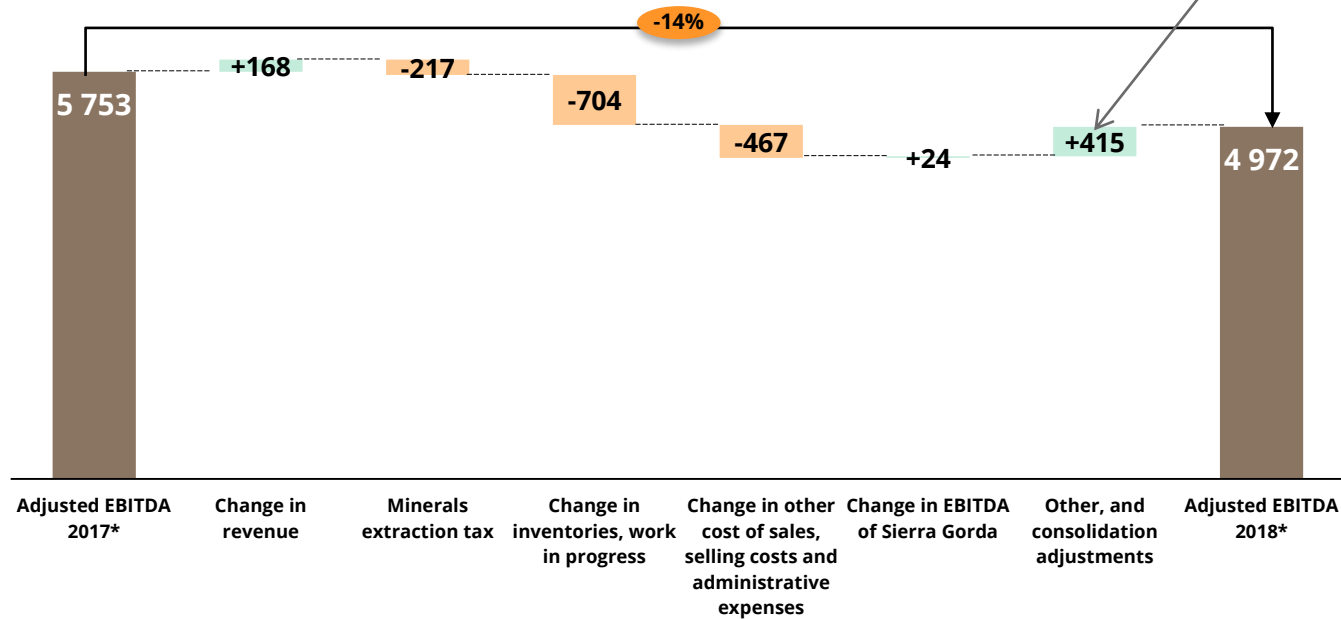
- The increase in C1 cost in KGHM Polska Miedź S.A. compared to 2017 was mainly due to a strengthening of the PLN vs the USD (4.4%), a decrease in the silver price by 8% and lower production of copper in own concentrate by 6%
- In KGHM International, C1 cost in 2018 was at the level of 2017
- The decrease in C1 in Sierra Gorda compared to 2017 is due to higher revenues from sales of associated metals, mainly due to higher prices and a higher volume of molybdenum sales

\* 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

# Operating results of the Group

## EBITDA of the segments (mn PLN)

Including depreciation/amortisation of +PLN 187 million and lack of reversals of impairment losses on fixed assets in KGHM INTERNATIONAL +PLN 257 million



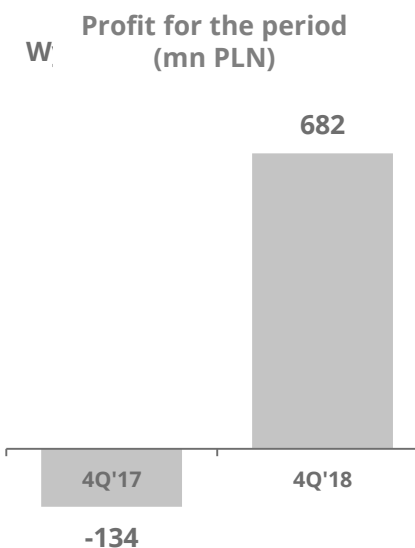
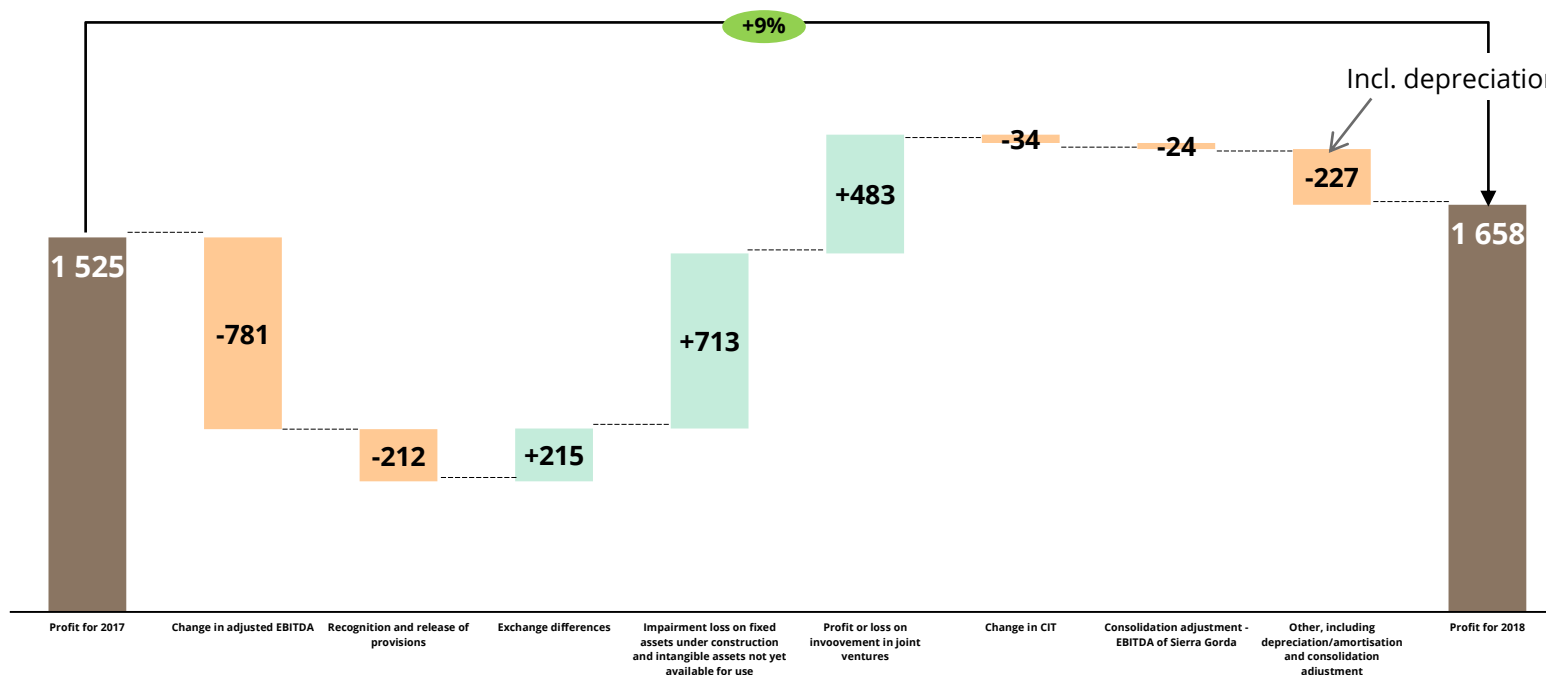
- The decrease in EBITDA of the Group\* by PLN 781 million was mainly due to KGHM Polska Miedź S.A. (-PLN 744 million), alongside higher operating results by Sierra Gorda (+PLN 24 million) and KGHM International (+PLN 15 million).

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



# Financial results of the Group

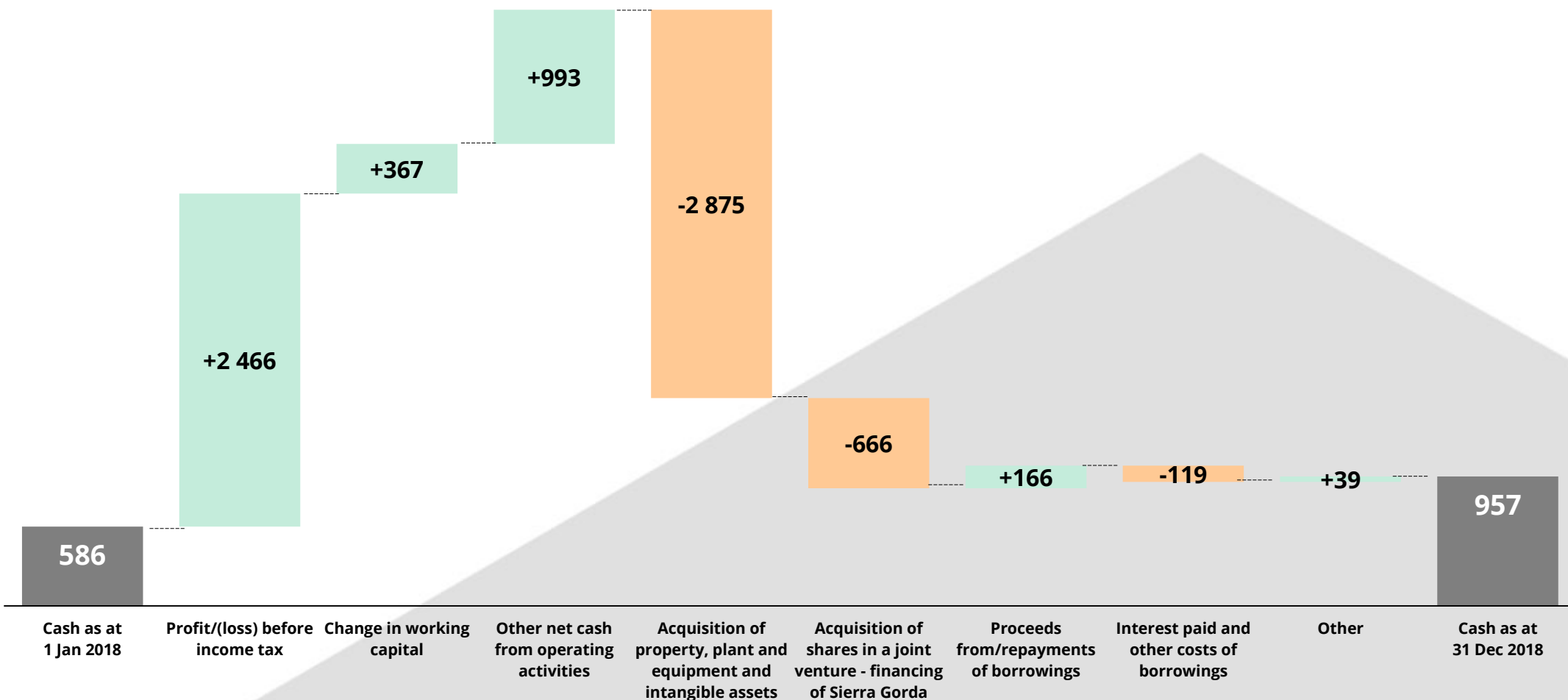
## Profit for the period (mn PLN)



- The increase in profit by the Group by PLN 133 million was mainly due to lower impairment of non-current assets, a higher result on involvement in joint ventures and a more favourable result on exchange differences alongside lower operating results of KGHM Polska Miedź S.A. and a higher cost of provisions.

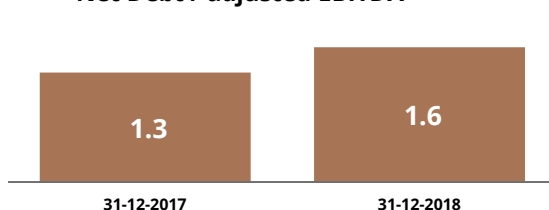
# Cash flow in the Group

Consolidated cash flow  
(mn PLN)

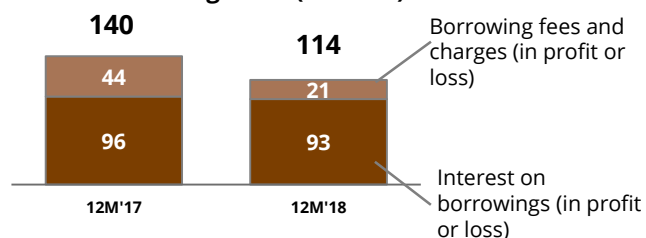


# Net debt of the KGHM Polska Miedź S.A. Group – as at end-December 2018

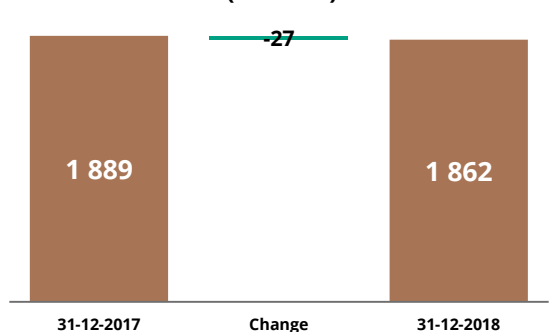
Net Debt / adjusted EBITDA



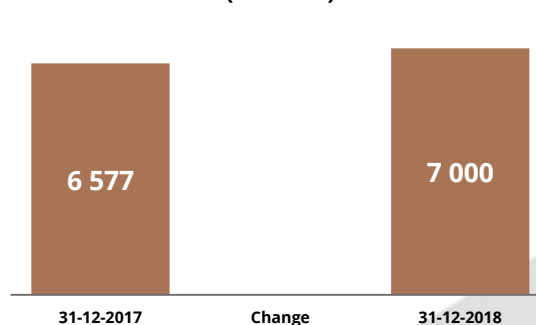
Borrowing costs (mn PLN)



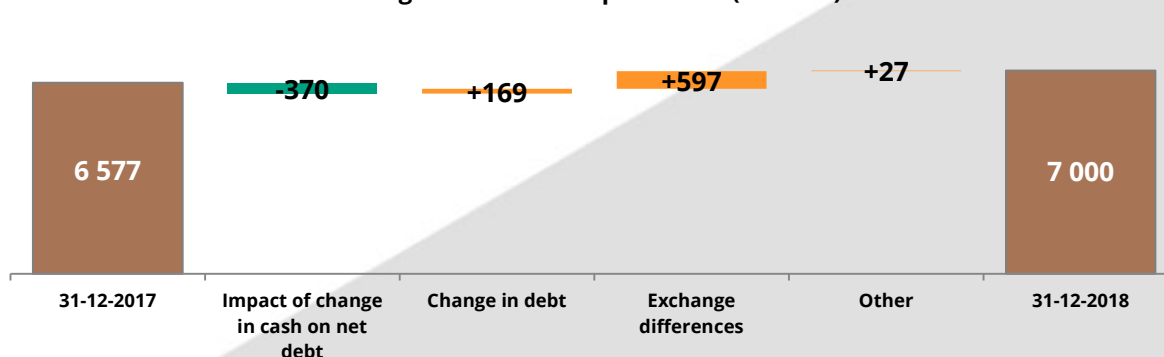
KGHM Group net debt (mn USD)



KGHM Group net debt (mn PLN)



Change in 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 in 2018 was mainly due to:

increases in debt:

- cash expenditures on property, plant and equipment (PLN1 907 million in KGHM Polska Miedź S.A., PLN 968 million in other companies),
- the minerals extraction tax (PLN 1 689 million in KGHM Polska Miedź),
- financing of Sierra Gorda (PLN 677 million),
- negative exchange differences (an increase in debt by PLN 597 million),
- the financing of inventories (an increase by PLN 196 million in KGHM Polska Miedź S.A., an increase by PLN 99 million in other companies),
- borrowing costs recognised in profit or loss (PLN 114 million),
- a decrease in trade payables (a decrease by PLN 135 million in KGHM Polska Miedź S.A., an increase by PLN 86 million in other companies).

decreases in debt:

- positive cash flow from operating activities, excluding the change in working capital and the minerals extraction tax (PLN 5 127 million),
- change in receivables (a decrease in KGHM Polska Miedź S.A. by PLN 539 million, a decrease by PLN 194 million in other companies).

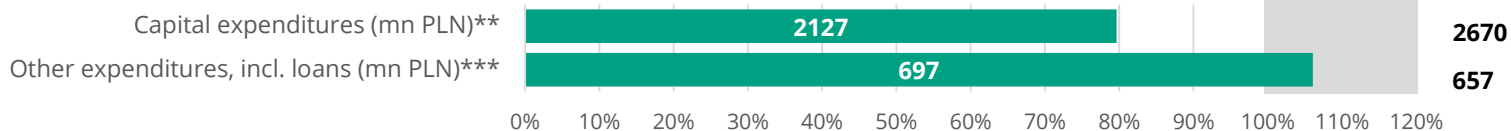
# Group liquidity stable and safe

2018E  
Budget

Total  
**unit cost of electrolytic copper production** from own concentrate of **KGHM Polska Miedź S.A.\***



**Investments of KGHM Polska Miedź S.A.**



**Liquidity of the KGHM Group**  
(Net debt / adjusted EBIDTA)



All key Investments were advanced, without any delays.

\* 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

\*\* excluding expenditures for development work - uncompleted

\*\*\* acquisition of shares and investment certificates of subsidiaries and loans granted

\*\*\*\* 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 2018.



# Achievement of major targets

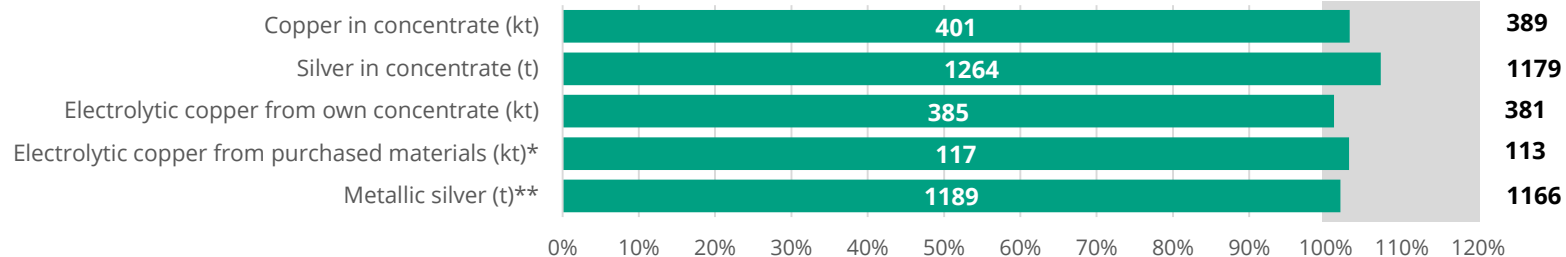
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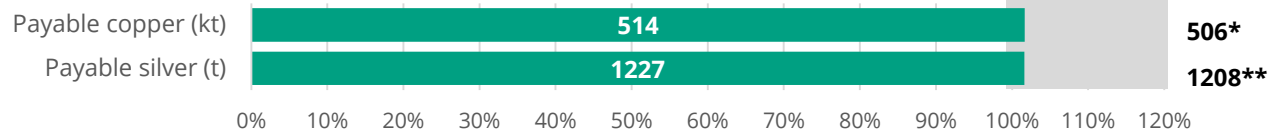
# Production and sales results in 2018

2018E  
Budget

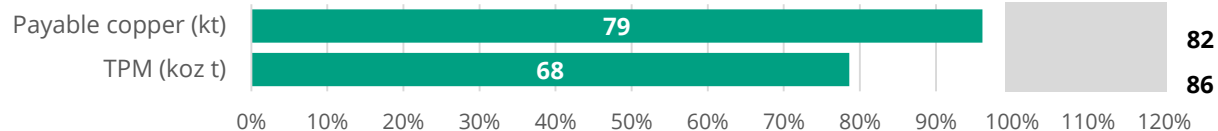
## Production of KGHM Polska Miedź S.A.



## Sales of KGHM Polska Miedź S.A.

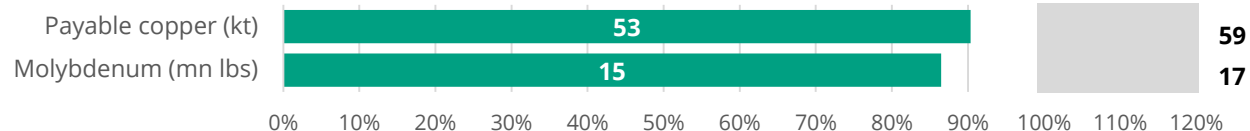


## Production of KGHM International







## Production of Sierra Gorda

(on a 55% basis)









# Status of main activities of the KGHM Group planned for 2018

(1/2)

Area	Task	Status	Comments
<p><b>Improve the level of electrolytic copper production from own concentrate in Poland</b></p>	<p>Further increase in flash furnace efficiency at the Głogów I smelter to achieve target processing capacity</p>		<p><b>Stable operations by the flash furnace at Głogów I</b>                      2018 target for the processing of concentrate by the flash furnace at Głogów I - 843 390 tonnes [dry weight]. Execution for 2018 - 830 343 tonnes [dry weight].</p>
	<p>Commission the copper concentrate roasting installation</p>		<p>Operations by the concentrate roasting installation are being ramped up.</p>
	<p>Utilise the copper concentrate inventories</p>		<p>By the end of October, the entire contract - the sale of 164 thousand tonnes of concentrate, including around 24 thousand tonnes of copper in concentrate - had been realised. Inventories decreased due to the sale of concentrate and the planned production offtake.</p>
<p><b>Eliminate bottlenecks at the Sierra Gorda mine</b></p>	<p>Increase the daily ore processing capacity of Sierra Gorda</p>		<p>A variety of initiatives are underway aimed at increasing average annual daily processing capacity and improving the flotation process, such as a third thickener and additional ball mills.</p>

# Status of main activities of the KGHM Group planned for 2018

(2/2)

Area	Task	Status	Comments
Prepare / execute key investments	Further expansion and development of mine infrastructure		Preparatory work continued on commencing mining in new areas of the deposits as well as on expanding mine infrastructure, in particular in the area Deep Głogów.
	Development of the Żelazny Most Tailings Storage Facility		Work is underway on advancing the first stage of development of the Southern Quarter of the Żelazny Most Tailings Storage Facility. Work continues on clearing trees in the area of the Southern Quarter. Work commenced on building the foundations of the Tailings Segregation and Thickening Station.
	Commence construction of the Reverberatory Casting-Refining furnace to produce anode copper at the Legnica Copper Smelter and Refinery		Documentation was completed for construction of the RCR furnace and associated equipment. Work continues on building the RCR furnace together with infrastructure, on schedule.
Review the business strategy of KGHM	Assess the execution of the existing strategy and the degree of achievement of initiatives and strategic tasks		A cyclical <b>report on the execution of strategic tasks at the end of the first half of 2018</b> was developed, describing the degree of advancement of the Strategy. <b>The status of key strategic areas at the end of third quarter of 2018 was reported.</b>
	Develop recommendations as to the further directions of development of the KGHM Group		A Team to analyze the Strategy of KGHM for the years 2017-2021 with an outlook to 2040 was appointed. <b>Executory and supporting strategies were reviewed</b> , key business indicators for the activities of KGHM were analysed and key projects were reviewed. <b>The Strategy of KGHM Polska Miedź S.A. for the years 2019-2023 was prepared and adopted.</b>
	Execution of strategic tasks for 2018		Work on the development of a report <b>on the execution of strategic tasks in 2018 is near completion.</b>



# Review of KGHM's business Strategy



## Key domestic projects

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# Deposit access program in KGHM's concessioned areas in Poland

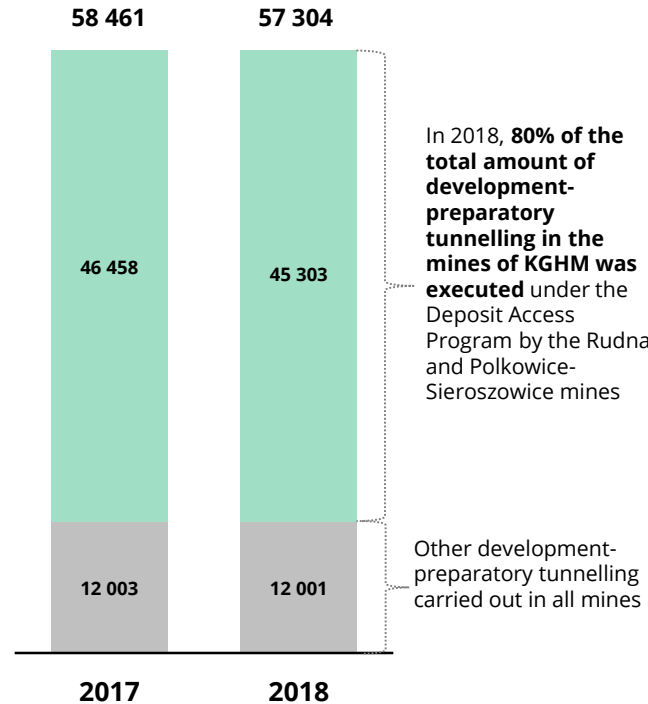
## Deep Głogów (GGP) area

### Work performed in 2018

#### Status of the Deposit Access Program

- Work continued on the construction of the **GG-1 shaft** (material-transport shaft, with an air inlet function). The shaft has reached a depth of 1 070 meters. The shaft's target depth is 1 350 meters with a diameter of 7.5 meters. Injection work continues on the water-logged main dolomite layer. The completion of this injection work and re-commencement of sinking of the shaft will take place in the second quarter of 2019.
- Work commenced on the construction of the **Surface-based Central Air Conditioning System at the GG-1 shaft**. A building permit has been received. The contractor has completed tender proceedings for the delivery of basic equipment. Negotiations with the contractor involving the scope of the contract for pumping water for purposes of the CAC were concluded. The working front was transferred and earthworks begun.
- Work continues on the **Ice Water Transportation System (IWTS)** construction project. Environmental approval was received to advance the IWTS.
- Preparatory work continues related to obtaining construction permits to build the **GG-2 („Odra”) shaft**. Discussions with the local government related to the plans to build the GG-2 have concluded. An Agreement was signed. The Municipal Authorities requested a change in the Study of Conditions and Directions of Land Management and in the Municipal Land Management Plan. Work is underway with the designer and the urban planning office.
- 45.3 km of tunnels were built** in the Rudna and Polkowice-Sieroszowice mines. Technical infrastructure is being developed in conjunction with the advance of mining fronts. Construction of Heavy Machinery Chambers (KMC) – KMC H-10/T-169a and KMC – H 32 – is underway.

#### Scope of development-preparatory tunneling completed (in metres)



Cooling tower and heat transfer building

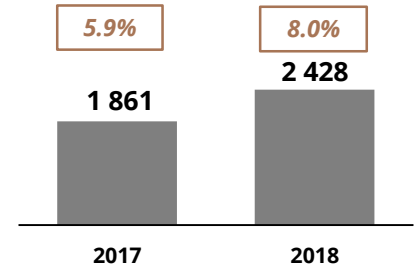


GG-1 shaft

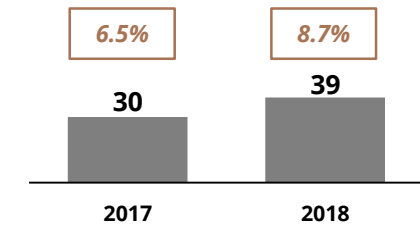
#### Share of production from Deep Głogów in total production in Poland

■ Production from GGP  
 □ % share by GGP

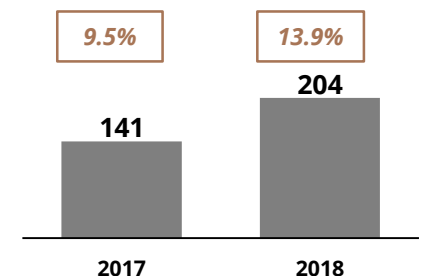
#### Ore extraction dry weight from GGP (kt)



#### Amount of Cu in ore (kt)



#### Amount of Ag in ore (t)



# Metallurgy in KGHM

## Construction of a Flash Furnace at Głogów I and metallurgical infrastructure

### Work performed in 2018

#### Pyrometallurgy Modernisation Program



#### Metallurgy Development Program

For the purpose of final settlement of the Project and acquisition of all required operating permits, the schedule for corrective work is being updated.

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

Installation efficiency  
**77.6%**  
of target efficiency

- Average accrued efficiency of concentrate processing in the new flash furnace in 2018 was **102.4 t/h** and **103.1 t/h** (designed capacity of 132 t/h) for the entire period to date from start-up (i.e. since 15 October 2016).
- The efficiency of the new flash furnace will gradually increase to 100% of target capacity together with the start-up of other parts of the new production line, including primarily the copper concentrate roasting installation.

Installation availability  
**92.8%**

- Availability of the installation in 2018 reached **92.8%**, and for the entire period to date from start-up (i.e. since 15 October 2016) availability was **88.3%**.

- Steam Drier - the stage of technological trials was completed. Following the maintenance shutdown of the Głogów II Copper Smelter and Refinery, production is underway with the full use of the newly-built steam drier. At the moment associated work is being finished which has no impact on availability. Final settlement and handover are underway.
- Concentrate roasting installation – due to the need to modernise the roasting furnace by, among others, building an oxygen-enriched fluidized bed roaster, the process of technological start-up continues.
- Conformatory projects – most of the work has been completed. Still underway are settlements with contractors as well as final handover procedures, eliminating faults, completing contractor documentation and obtaining operating permits.

# Program to adapt the technological installations of KGHM to the requirements of BAT Conclusions for the non-ferrous metals industry and to restrict emissions of arsenic (BATAs)

## Program goal

KGHM will have a modern environmental protection infrastructure at the Głogów and Legnica Copper Smelters and Refineries by 2023, adapted to BAT conclusions

## Key benefits

Advancing this program creates the conditions for KGHM to achieve the following benefits:

- minimalisation of environmental impact by metallurgical technology;
- adaptation of metallurgical technology to BAT and environmental protection requirements;
- maintenance of environmental protection equipment in full working order;
- limitation of social dissatisfaction and fears regarding the impact of arsenic emissions on the health of the inhabitants of Głogów and Legnica, in order to achieve acceptance by local communities for operations to continue, as well as for the further investment goals of the Company;
- development of know-how with regard to „clean” metallurgical copper production technology to achieve sustainable development.

Sample industrial dedusting installations



## Important actions under the Program

Under the BATAs Program existing installations will be modernised and new dedusting installations will be built.

Plans call for the construction of new, modern filtration systems, the hermitisation of processes and the construction of a new, innovative pilot installation to eliminate arsenic in the form of scorodite.

The BATAs Program portfolio comprises 20 new investment projects at the Głogów metallurgical plant and 6 new projects at the Legnica metallurgical plant. In addition, 12 projects at the Głogów plant and 8 projects at the Legnica plant are related to the BATAs Program.

To the end of December 2018, 11 out of 26 projects were given the go-ahead for realisation (9 from Głogów and 2 from Legnica). In addition, tender proceedings were commenced for 10 projects (6 from Głogów and 4 from Legnica). Three projects are at the target design stage. It was decided that 2 of the projects at the Głogów plant would be terminated due to the insufficient efficiency of the proposed solutions.

## Key international projects

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# Sierra Gorda

## Sierra Gorda

### Mined metals



### Ownership

55% KGHM  
45% Sumitomo

### Mine type

Open pit



## Significant events and current status

- Production of copper in concentrate in 2018 amounted to **96.9 thousand tonnes**, while production of molybdenum in concentrate amounted to **26.7 million pounds** (on a 100% basis).
- Work continues under the **Debottlenecking Program**, whose primary objective is to increase average annual daily processing capacity (to 130 thousand tonnes of ore/day, and ultimately to 140 thousand tonnes of ore/day) as well as the efficiency of Sierra Gorda's processing plant utilising existing infrastructure and by making necessary investments. Among others, the Program includes a third thickener, additional ball mills and a fourth copper concentrate filter.

# International development assets of KGHM Polska Miedź S.A.



## Sierra Gorda Oxide

In 2018, the option of preparing the ore for the heap leaching process by preliminary crushing was analysed. This analysis included crushing tests, followed by column leaching tests of the crushed material. Also, procedures involved in amending and obtaining the required permits for the project were updated.



## Victoria

In 2018 work was carried out on preparing key environmental applications as well as consultations with the regulatory body and other stakeholders of the project. The project team conducted work related to securing existing infrastructure and project terrain, questions of an administrative and legal nature and maintaining relations with First nations in Ontario in Canada.



## Ajax

In 2018 only necessary work related to securing existing infrastructure and required monitoring of the terrain was carried out.

On 27 June 2018, the Government of Canada, through the Governor-in-Council (Cabinet) issued a negative decision regarding the Ajax project. This decision of the Government of Canada supplements the decisions of the Ministry of Natural Resources and the Ministry of Energy, Mines and Petroleum Resources of British Columbia (provincial authorities) from December 2017 against the granting of an Environmental Assessment Certificate for the Ajax project.





## Supporting slides

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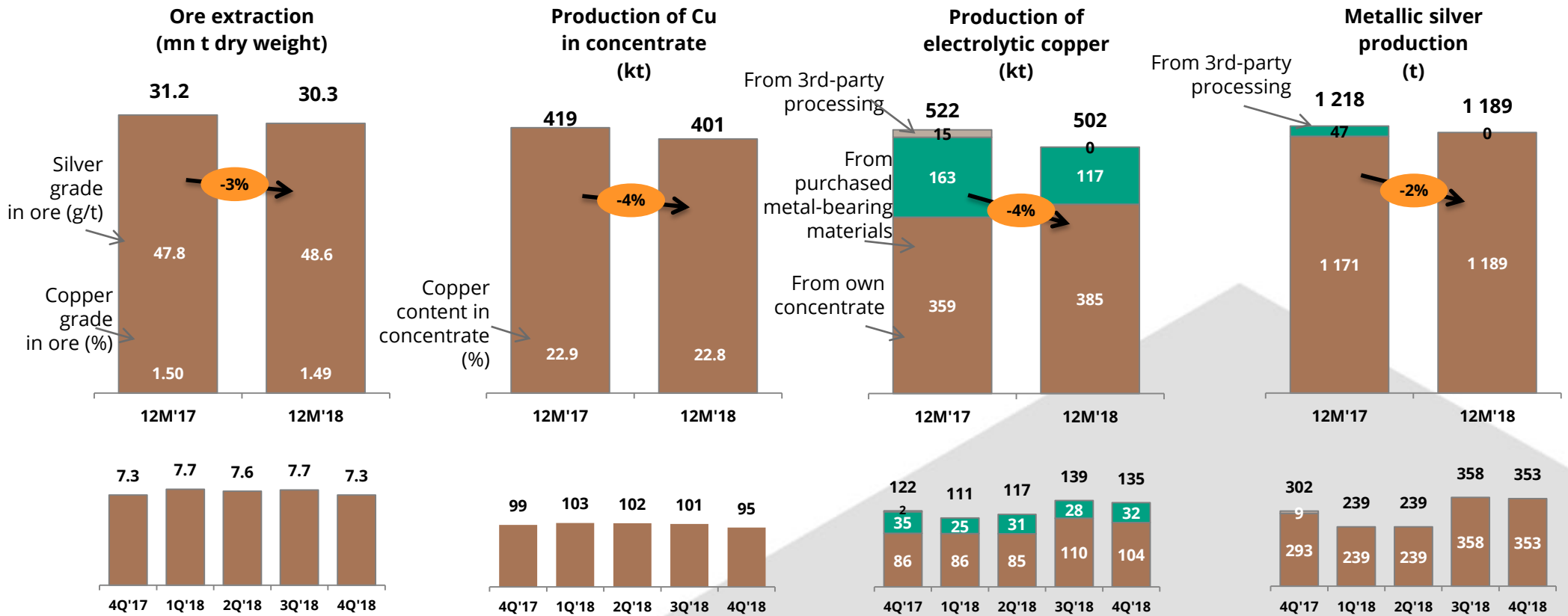


# Economic results of KGHM Polska Miedź S.A.

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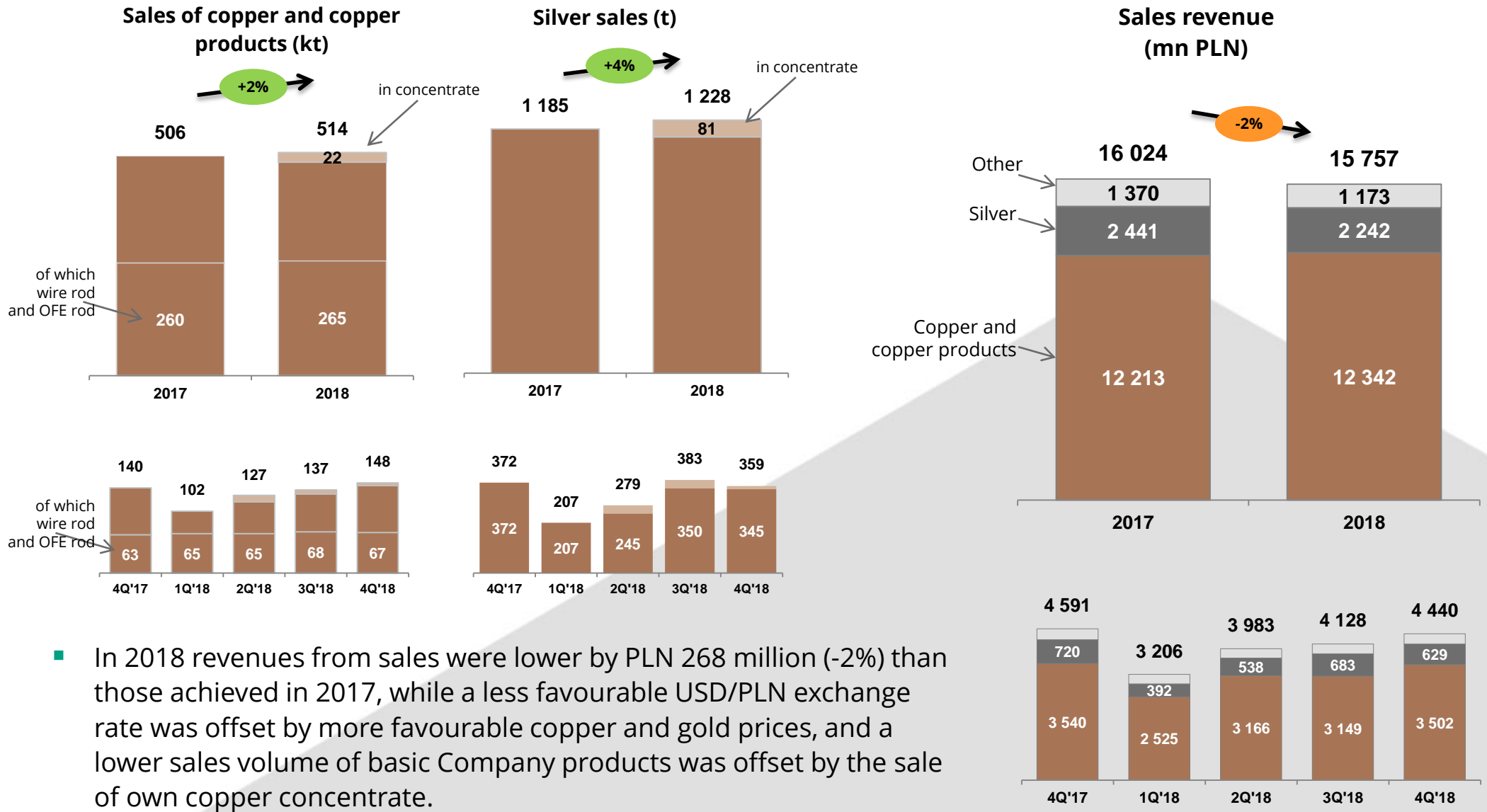


# Production



- In 2018 there was a decrease of copper content in ore.
- The production of Cu in concentrate is due to the lower ore extraction as compared to 2017.
- The lower production of electrolytic copper in 2018 was due to the maintenance shutdown of the Głogów II Copper Smelter, which lasted from 8 April to 26 June 2018.
- Production of cathodes from own concentrate was higher.
- The decrease in metallic silver production is a result of the lower production of electrolytic copper.

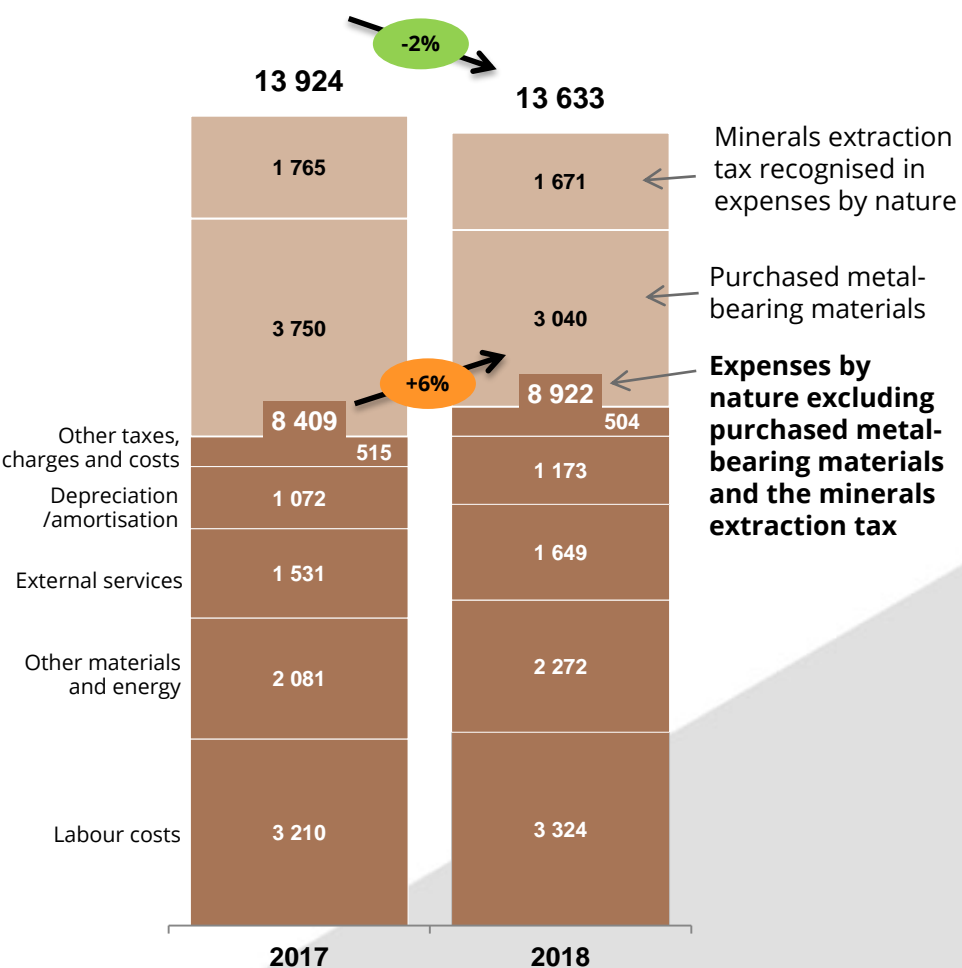
# Sales revenue of KGHM Polska Miedź S.A.



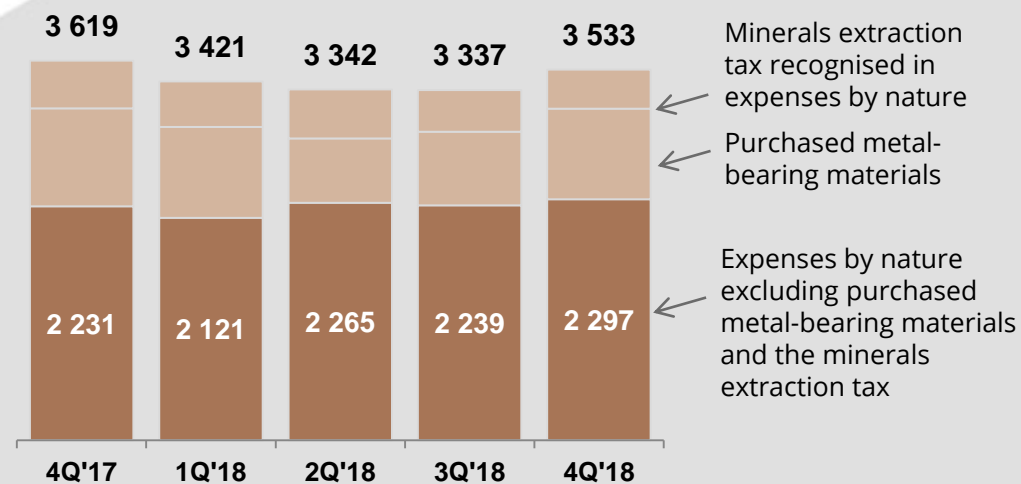
- In 2018 revenues from sales were lower by PLN 268 million (-2%) than those achieved in 2017, while a less favourable USD/PLN exchange rate was offset by more favourable copper and gold prices, and a lower sales volume of basic Company products was offset by the sale of own copper concentrate.

# Expenses by nature

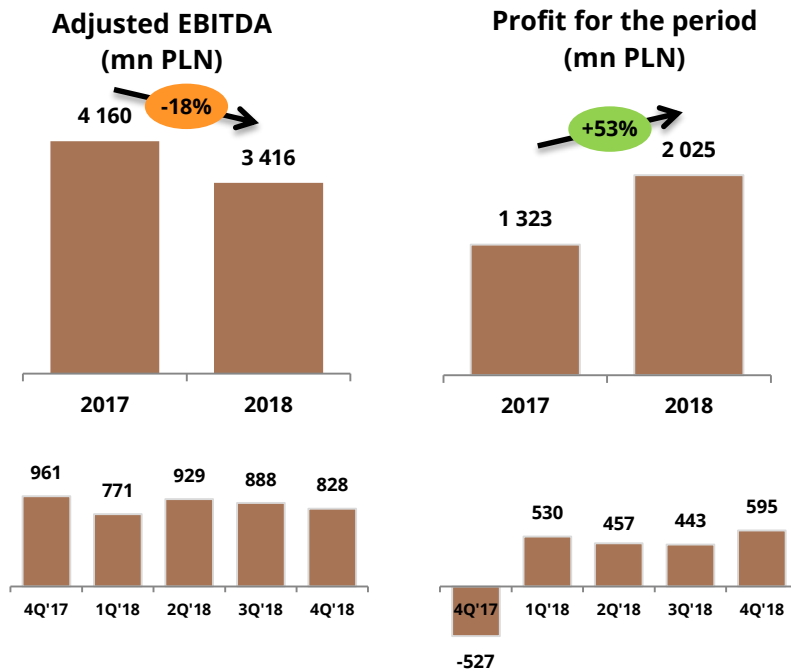
Expenses by nature  
(mn PLN)



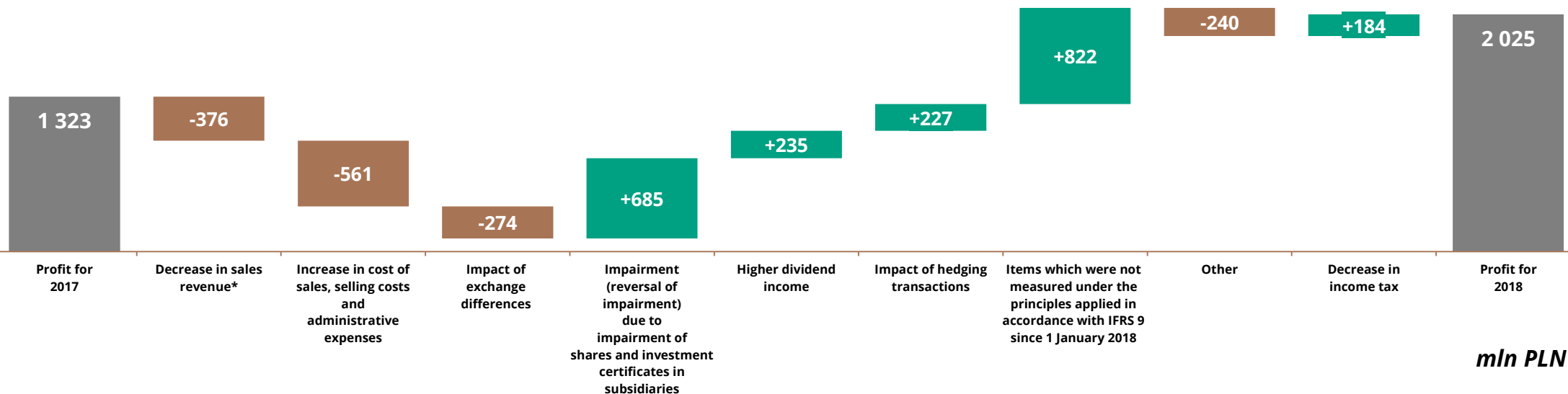
- Expenses by nature, excluding purchased metal-bearing materials and the minerals extraction tax, were higher by PLN 513 million (6%) mainly due to a higher cost of consumption of materials and energy (+PLN 191 million) external services (+PLN 118 million), labour costs (+PLN 114 million) and depreciation/amortisation (+PLN 101 million).



# EBITDA and profit for the period of KGHM Polska Miedź S.A.

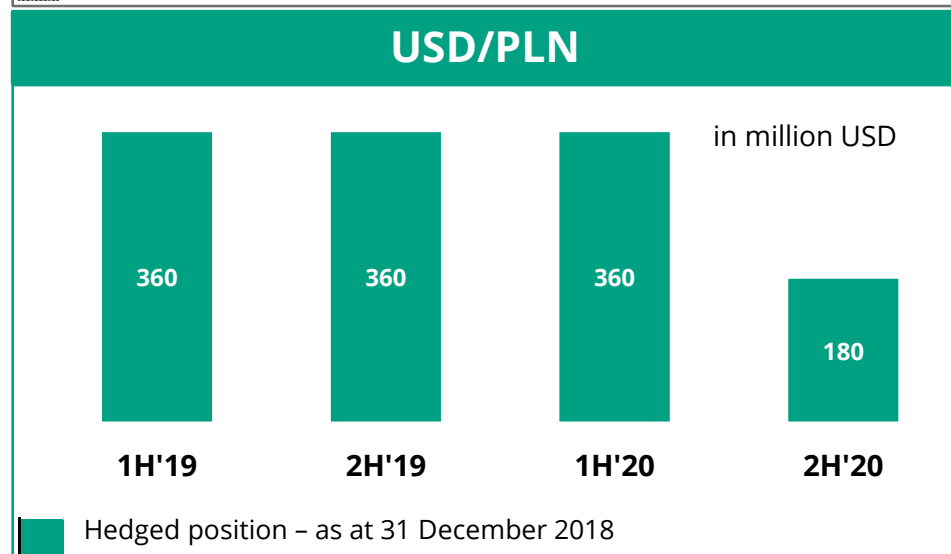
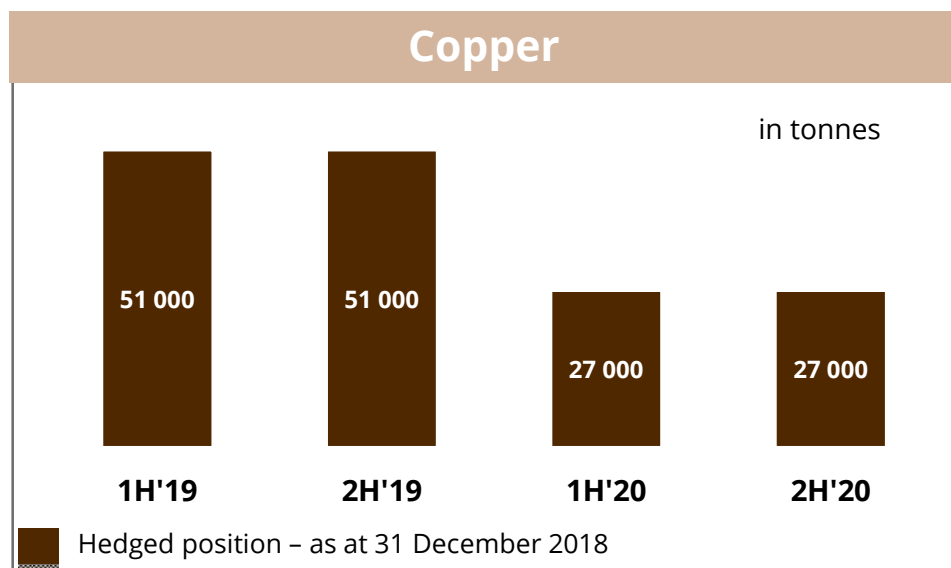


- The decrease in adjusted EBITDA by PLN 744 million (-18%) was mainly due to the increase in costs of operating activities by PLN 561 million, mainly due to a change in inventories and higher expenses by nature alongside lower costs of purchased metal-bearing materials. The decrease in EBITDA was also due to lower revenues resulting from a less favourable exchange rate and to a lower sales volume.
- Despite the decrease in the operating result, profit for the period was higher by PLN 702 million, as a result of the following factors: the reversal of impairment losses on shares and investment certificates in subsidiaries, higher dividend income, a more favourable impact from hedging transactions and lower income tax. The result was also aided by the impact of items which were not measured 2017 under the principles applied in accordance with IFRS 9 since 1 January 2018.



# The accrued result on derivatives achieved by KGHM Polska Miedź S.A. as at 31 December 2018 amounted to PLN 538 million

Market risk management – hedged positions on the copper market and the USD/PLN (as at 31 December 2018)\*



- ### Result on derivatives
- In 2018, KGHM Polska Miedź S.A. recorded a result on derivatives and hedges in the amount of PLN 0 million, of which:
    - PLN 125 million increased sales revenue (transactions settled to 31 December 2018),
    - PLN 136 million decreased the result on other operating activities,
    - PLN 11 million increased the result on finance activities.
  - The fair value of derivatives (MtM) in KGHM Polska Miedź S.A. as at 31 December 2018 amounted to PLN 538 million.
  - The revaluation reserve on cash flow hedging instruments as at 31 December 2018 amounted to PLN 206 million.
  - Since 1 January 2018 the company has applied new hedge accounting principles pursuant to IFRS 9.

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## Thank you

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