
Sales revenue achieved by the KGHM Polska Miedź Group in 2017 exceeded PLN 20 billion, with higher adjusted EBITDA by more than PLN 1 billion and profit for the year of PLN 1.5 billion.

„2017 was a period of substantial improvements in the Polish and international operations, while maintaining a stable level of cost of goods sold. We achieved a net profit of PLN 1.5 billion compared to the loss of PLN 4.4 billion in 2016, which was caused by impairment losses on assets,” said Rafał Pawełczak, President of the Management Board of KGHM Polska Miedź S.A.

The decrease in consolidated sales revenue by 2% yoy in the fourth quarter of 2017 mainly reflects the 13% lower volume of payable copper sales, due to the one-off sale of own copper concentrate by KGHM Polska Miedź S.A. in 2016, which did not occur in 2017. The impact of this lower volume of sales was partially offset, mainly by higher copper prices by over 1500 USD/t (+29% yoy), alongside a weakening of the USD/PLN exchange rate by 11% yoy. In terms of the full year, the Group's sales revenue increased by 6%, being mainly the result of higher copper prices by 27%, a lower volume of copper sales by 9% and a lower USD/PLN exchange rate by 4%.

Production of payable copper by the KGHM Polska Miedź Group was lower in the fourth quarter by 8% yoy, mainly due to a 10% decrease in production by KGHM Polska Miedź S.A. caused by breakdown-related downtime at the Głogów Smelter and Refinery. The result of the final quarter led to lower full-year production of payable copper by the Group by 3%.

The Sierra Gorda mine in the fourth quarter continued to mine that part of the deposit with lower molybdenum content, which led to production of this metal at the level of 3.3 million pounds (on a 55% basis), or an increase by 14% yoy. For the full year, Sierra Gorda produced 19.7 million pounds of molybdenum, or 61% more than in 2016 (on a 55% basis).

Adjusted consolidated EBITDAⁱ in the fourth quarter of 2017 was lower by nearly 3% compared to the same prior-year period (from PLN 1 515 million to PLN 1 476 million). This was mainly due to a decrease in EBITDA of KGHM Polska Miedź S.A. by PLN 196 million due to lower sales of copper, and to a deterioration of EBITDA of other segments by PLN 40 million, in a situation where the EBITDA of KGHM International and Sierra Gorda (55%) increased respectively by PLN 31 million (+14% yoy) and PLN 166 million (x3.55 yoy) mainly against a backdrop of higher metals prices and an improvement in production parameters. Adjusted EBITDA for the KGHM Polska Miedź S.A. Group for

2017 increased by nearly PLN 1.1 billion (+23% yoy), of which the largest share came from the better results of KGHM Polska Miedź S.A. by PLN 609 million and Sierra Gorda (55%) by PLN 420 million.

The consolidated net result for the fourth quarter amounted to -PLN 134 million and was impacted by the total net result of the impairment tests conducted in the amount of -PLN 310 million, compared to the net result for the fourth quarter of 2016 at the level of -PLN 5 078 million, which includes -PLN 5 321 million in total net impairment losses. Looking at the full year, net profit amounted to PLN 1 525 million, as compared to the loss of PLN 4 449 million in 2016.

Net debt at the end of the year amounted to PLN 6 577 million (USD 1 889 million), and its relation to adjusted EBITDA fell to 1.3 from the level of 1.6 at the end of 2016.

in mn PLN	4th quarter 2017	4th quarter 2016	Change in mn PLN	Change in %
Sales revenue	5 871	6 015	- 144	- 2.4%
Cost of goods sold	-4 801	-5 284	+ 483	- 9.1%
Adjusted EBITDA	1 476	1 515	- 39	- 2.6%
Net result on sales	1 070	731	+ 339	+ 46.4%
Profit for the period	- 134	- 5 078	+ 4 944	n/a

in mn PLN	12 months 2017	12 months 2016	Change in mn PLN	Change in %
Sales revenue	20 358	19 156	+ 1 202	+ 6.3%
Cost of goods sold	-16 547	-16 612	+ 65	- 0.4%
Adjusted EBITDA	5 753	4 666	+ 1 087	+ 23.3%
Net result on sales	3 811	2 544	+ 1 267	+ 49.8%
Profit for the period	1 525	- 4 449	+ 5 974	n/a

¹ Adjusted EBITDA including 55% of EBITDA in Sierra Gorda, which is consolidated by using the equity method.