
Further growth in the financial results of the KGHM Polska Miedź Group on the back of an improved macroeconomic environment, with stable production parameters in the third quarter.

Despite the small increase in sales revenue by the KGHM Polska Miedź S.A. Group, caused by the need to build inventories of products to meet our contractual obligations in the last quarter of this year, there is clear evidence of the greater profitability of our key business segments. This is partially the result of an improved market environment and its effect on copper prices, but it is also due to our efforts to improve the condition of our international assets, in particular the Sierra Gorda mine. – says Radosław Domagalski-Łabędzki, President of the Management Board of KGHM Polska Miedź S.A.

The increase in consolidated sales revenue by 2% y/y in the third quarter of 2017 is mainly due to higher copper prices by over 1500 USD/t (+33% y/y) with partial offsetting of this price effect by a 12% lower y/y volume of copper sales, as well as a drop in silver sales by 14% y/y with its USD-denominated price also lower by 14%, all of which was due to a weakening of the USD/PLN exchange rate by 7% y/y.

The KGHM Polska Miedź Group recorded stable y/y payable copper production in the third quarter (-0.4%) due to higher production by Sierra Gorda by 14%, which offset the slight decrease by KGHM Polska Miedź (-1.5%) and KGHM International (-0.8%) – mainly due to the incomplete processing capacity of the Głogów 1 Smelter and Refinery related to the early phase of operations by the new flash furnace and the extraction of lower-quality ore in the Sudbury Mines of KGHM International. In comparison to the second quarter of 2017, production by the Group grew by 1.2%.

The need to change the sequence of extraction by the Sierra Gorda mine in the third quarter resulted in the mining of a part of the deposit with lower molybdenum content and the production of this metal at the level of only 3.4 million pounds (on a 55% basis), which still represents an increase of 38% y/y, though significantly below the result achieved in the second quarter.

The decrease in copper sales by 12% y/y in the third quarter, with stable production, was due to the need to build-up wire rod inventory for the downtime 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. Furthermore, the y/y comparison was 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.

Adjusted consolidated EBITDAⁱ in the third quarter of 2017 was higher by 30% versus the corresponding prior-year period (from PLN 1 089 million to PLN 1 414 million). This was mainly the result of higher sales revenue (by PLN 89 million) and improved EBITDA by the Sierra Gorda mine (by PLN 213 million). The higher cost of purchased metal-bearing materials (by PLN 353 million) resulting from its higher volume and purchase price was offset by a lower cost of sales, selling costs and administrative expenses (by PLN 346 million) related to the increase in inventories.

Consolidated profit in the third quarter was PLN 605 million and was more than 80% higher than in the previous year. This increase was primarily the result of improved EBITDA and to the cessation of recognising losses from involvement in Sierra Gorda, as a result of writing off the value of its equity to zero in the statement of financial position of KGHM Polska Miedź.

Net debt at the end of the third quarter amounted to PLN 6 825 million (USD 1 869 million), while the ratio of net debt to adjusted EBITDA fell to 1.3 from the level of 1.6 at the end of 2016.

in mn PLN	3rd quarter 2017	3rd quarter 2016	Change in mn PLN	Change in %
Sales revenue	4 774	4 685	+ 89	+ 1.9%
Cost of goods sold	-3 911	-3 991	+ 80	- 2.0%
Adjusted EBITDA	1 414	1 089	+ 325	+ 29.8%
Net result on sales	864	694	+ 169	+ 24.4%
Profit for the period	605	331	+ 274	+ 92.5%

in mn PLN	9 months 2017	9 months 2016	Change in mn PLN	Change in %
Sales revenue	14 487	13 141	+ 1 346	+ 10.2%
Cost of goods sold	-11 746	-11 329	- 418	+3.7%
Adjusted EBITDA	4 277	3 151	+ 1 126	+ 35.7%
Net result on sales	2 741	1 812	+ 929	+ 51.3%
Profit for the period	1 659	629	+ 1 030	x 1.64

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