

---

## **Higher sales revenues and EBITDA in the KGHM Polska Miedź Group in the 2nd quarter thanks to continuing positive sentiment in the commodities markets, with stable production.**

*The clear increases in the sales revenues and operational results of the KGHM Group in the second quarter are chiefly the result of the continued positive macroeconomic tendencies, in particular the upward price trend of our basic metals on the international market. Despite the fact that this increase was weakened in the first half by a depreciation of the US dollar, the positive sentiment in the commodities markets continues to bring improvement to the KGHM Group's results. – says Radosław Domagalski-Łabędzki, President of the Management Board of KGHM Polska Miedź S.A.*

The increase in consolidated sales revenue by 6% y/y in the second quarter of 2017 is mainly due to an increase in the price of copper in excess of 900 USD/t (+20% y/y) and silver by more than 0.4 USD/ounce (+3% y/y). This price affect was partially offset by a 7% lower volume of copper sales y/y and by a weakening in the USD/PLN exchange rate by 1% y/y.

Production of payable copper in the Group was only 1% lower than in the second quarter of 2016 (168 thousand tonnes vs 170 thousand tonnes) – mainly due to the incomplete processing capacity of the Głogów Copper Smelter and Refinery related to the early stage of operation of the new flash furnace, as well as to the extraction of a lower quality ore by the mines of the Sudbury Basin in KGHM International.

In the second quarter there was clear improvement in production of other primary metals:

- silver by 10% y/y to 302 tonnes in the second quarter of 2017 mainly due to the higher content of this metal in ore extracted by KGHM Polska Miedź S.A., and
- an over 4-times increase in molybdenum production by Sierra Gorda to 8.2 million pounds (considering the 55% interest held by KGHM Polska Miedź S.A.), mainly thanks to a significant improvement in recoveries achieved during the production process, as well as to a higher content of metal in processed ore. Total molybdenum production by the Group amounted to 8.5 million pounds.

Adjusted consolidated EBITDA<sup>i</sup> in the second quarter of 2017 was higher by 19% versus the corresponding period of 2016 (from PLN 1 075 million to PLN 1 282 million). This was mainly due to higher sales revenue (by PLN 258 million) and was partially offset by a higher minerals extraction tax (by PLN 79 million), with a stable base of other operating costs.

Consolidated profit for the second quarter amounted to PLN 96 million and was 29% lower versus the corresponding period of 2016. This difference, despite the increase in EBITDA, was mainly due to unrealised negative exchange rate differences on the loans granted to Sierra Gorda – analogously to the situation in the first quarter of 2017.

Net debt at the end of the second quarter amounted to PLN 6 706 million (USD 1 809 million), while net debt to adjusted EBITDA fell to 1.3, from 1.6 at the end of 2016.

*This was another quarter of greater financial stability by the KGHM Group. Firstly, the ratio of net debt to adjusted EBITDA again decreased, thanks to an improvement in operating results alongside a decrease in borrowings due to a weakening of the USD, the currency in which our loans are denominated. Over the last 12 months, consolidated EBITDA increased by more than PLN 1 200 million, while net debt fell by over PLN 700 million, resulting in a drop in debt as compared to EBITDA from 1.8 to 1.3. Moreover, by changing the financing of Sierra Gorda from project finance to corporate credit we took an important step towards enhancing the operational and financial flexibility of this mine. – says Stefan Świątkowski, Vice President of the Management Board (Finance).*

<b>in mn PLN</b>	<b>2<sup>nd</sup> Quarter of 2017</b>	<b>2<sup>nd</sup> Quarter of 2016</b>	<b>Change in mn PLN</b>	<b>Change in %</b>
Sales revenue	4 802	4 544	+ 258	+ 5.7%
Cost of sales, selling costs and administrative expenses	-3 999	-3 916	- 83	+ 2.1%
Adjusted EBITDA	1 282	1 075	+ 207	+ 19.3%
Net result on sales	803	628	+ 175	+ 27.9%
Profit for the period	96	135	- 39	- 28.9%

<b>in mn PLN</b>	<b>1<sup>st</sup> Half of 2017</b>	<b>1<sup>st</sup> Half of 2016</b>	<b>Change in mn PLN</b>	<b>Change in %</b>
Sales revenue	9 713	8 456	+ 1 257	+ 14.9%
Cost of sales, selling costs and administrative expenses	-7 836	-7 338	- 489	+ 6.8%
Adjusted EBITDA	2 863	2 062	+ 801	+ 38.8%
Net result on sales	1 877	1 118	+ 759	+ 67.9%
Profit for the period	494	298	+ 196	+65.8%

---

<sup>i</sup> Adjusted EBITDA including 55% of EBITDA in Sierra Gorda, which is consolidated by using equity method.