

Stable production and sales of payable copper, with higher consolidated sales revenue

In the first quarter the KGHM Polska Miedź Group maintained stable production and sales of payable copper, with consolidated sales revenue higher by 26% and EBITDA by 60% compared to the corresponding period of 2016.

„The good results of the first quarter are mainly a result of the double-digit increase in copper, silver and molybdenum prices compared to the corresponding period of 2016. The production of payable copper, metallic silver, molybdenum and precious metals by the Group remained at the same level. Domestic investment projects (Deep Głogów and the Metallurgy Development Program) continue on schedule. If the positive trends in the global economy are sustained, then we feel comfortable about the coming months' results,” says Radosław Domagalski-Łabędzki, President of the Management Board of KGHM Polska Miedź S.A.

The increase in consolidated sales revenue by 26% is mainly due to an increase in the copper price by nearly 1 200 USD/t (+25% y/y) and silver by over 2.5 USD/ounce (+17% y/y) with additional support by the USD/PLN exchange rate, which was higher by 3% y/y.

Total production of copper equivalent in KGHM S.A. and Sierra Gorda was slightly higher than in the prior year (152 thousand tonnes – first quarter 2017, 151 thousand tonnes – first quarter 2016). KGHM International recorded a result lower by 9 thousand tonnes (20 thousand tonnes – first quarter 2017, 29 thousand tonnes – first quarter 2016), due to a drop in copper content in ore at the Robinson mine.

Silver production by the Group remains stable (298 t – first quarter 2017, 299 t – first quarter 2016), while molybdenum (4.9 million pounds) and TPMs (54.3 thousand troy ounces) were lower respectively by 4% and 3%.

Analogously to the production results, the slightly lower sales of payable copper (151 thousand tonnes – first quarter 2017, 155 thousand tonnes – first quarter 2016) reflect above all the stable situation in KGHM Polska Miedź S.A. with lower sales by KGHM International, partially offset by a 16% increase in the sales volume of copper in concentrate by Sierra Gorda.

The increase in consolidated adjusted EBITDA by 60% (PLN 1 581 million - first quarter 2017, PLN 987 million - first quarter 2016) is mainly due to higher sales revenue.

The increase in adjusted EBITDA mainly came from KGHM S.A. (PLN 1 304 million – an increase by 94%).

The increase in EBITDA by Sierra Gorda from PLN 84 million to PLN 122 million, or by over 45%, is mainly due to the improved situation on the copper and molybdenum markets, as reflected in the increases of the prices of these metals respectively by 25% and 26%. Meanwhile the drop in EBITDA in the segment KGHM International in the first quarter of 2017 by PLN 64 million (-46%) compared to the corresponding prior year period derives from the increase in the cost of sales, selling costs and administrative expenses, as well as the decrease in production volume and in metals sales.

Consolidated EBITDA was partially offset by operating costs, mainly by the higher minerals extraction tax and higher labour costs in KGHM Polska Miedź S.A., as well as by lower EBITDA in the international assets.

Net debt at the end of the first quarter amounted to PLN 7 055 million (USD 1 788 million), while the level of net debt to adjusted EBITDA fell from 1.6 at the end of 2016 to 1.4 at the end of the first quarter of 2017.

„The good macroeconomic situation had a positive impact on the level of Group debt in the first quarter of 2017. The basic currency in which we incur debt is the USD and here our debt level increased (by USD 51 million), while the amount denominated in PLN fell, by PLN 207 million. It is important that the relation of net debt to EBITDA is decreasing. The level of debt in the first quarter of 2017 was mainly affected by investments in Poland (around PLN 612 million) and the minerals extraction tax (around PLN 457 million),” says Stefan Świątkowski, Vice President of the Management Board (Finance).

in million PLN	Three months ended 31 March 2017	Three months ended 31 March 2016	Change in million PLN	Change in %
Sales revenue	4 911	3 912	+999	+25.5%
Cost of sales, selling costs and administrative expenses	-3 837	-3 422	-415	+12.1%
Adjusted EBITDA ²	1 581	987	+594	+60.2%
Net result on sales	1 074	490	+584	+119.2%
Profit for the period	398	163	+235	+144.2%