

Results of the KGHM Group after the first 9 months of 2015

Higher production of copper equivalent from own concentrate, EBITDA at the same level and lower C1 production cost in the KGHM Group - these were the main characteristics of the KGHM Group's results after the first three quarters of 2015.

The 12-percent increase in copper equivalent production year-on-year is the result of production achieved in KGHM Polska Miedź S.A., KGHM International and Sierra Gorda.

*"In KGHM Polska Miedź S.A. we have seen an increase in the production of copper and gold, while the production of silver was slightly lower," said **Herbert Wirth, President of the Management Board of KGHM.** "In KGHM International there was higher production of both copper and precious metals which is due to higher contribution by the Robinson mine. This is a result of improved productivity and improvements in ore processing as well as the mining of ore with higher metal content. Sierra Gorda is steadily increasing production volumes of both copper and molybdenum quarter on quarter."*

C1 cash cost in the KGHM Group after the first 9 months of 2015 was lower by 16 percent, which is mainly due to changes in external factors. Assuming constant metal prices and exchange rates, C1 cost would still be lower by 7 percent. This is due to steady implementation of the cost reduction program across the Group.

EBITDA in the KGHM Group reached PLN 3.722 billion and consolidated net profit amounted to PLN 1.228 billion.

*"KGHM International's net result was affected by depreciation, which increased by PLN 287 million, mainly due to higher production at the Robinson mine and investments associated with preparatory work in mining areas, as well as a PLN 72 million one-off premium paid for the early redemption of bonds by KGHM," explains **Jarosław Romanowski, First Vice President of the Management Board (Finance).** "Moreover, the financial results of Sierra Gorda were significantly impacted by a decline in metals prices - copper by 18 percent, silver by 17 percent and molybdenum by as much as 41 percent in comparison to the corresponding period of last year. It should also be borne in mind that the mine is in the ramp-up phase, which always generates higher costs."*

The Sierra Gorda mine is consistently implementing its plan to achieve full processing capacity.

*"Production of copper in concentrate in the first 9 months of 2015 amounted to about 60,000 tonnes, and molybdenum to over 8 million pounds. Basic Engineering for Phase II of the project was carried out as scheduled and is expected to be concluded in the first quarter of 2016," said **Maciej Ściażko, general manager of the Sierra Gorda mine.** "At the same time, we have implemented an aggressive savings plan in order to achieve a significant reduction in controllable operating costs next year."*

At the Victoria project work is being carried out to secure access to electricity and natural gas.

*"The Polish-Canadian project team is finalizing work on the technical documentation, which is expected to be ready in December of this year. The team is working intensively on optimizing the project. It has generated over 50 various initiatives, aimed at a substantial reduction in the project's cost," said **Maciej Koński, Executive Director for Business Development.** "At the same time there is ongoing exploration work aimed at documentation of additional mineralized zones."*

KGHM Ajax Mining Inc. applied for an environmental permit for the construction of the Ajax copper and gold open-pit mine on 10th September. In the third quarter, Basic Engineering was finalized, which required more than 800 drawings and a detailed technical model of the mine.

Net profit of KGHM Polska Miedź S.A. after the first 9 months of 2015 amounted to PLN 1.675 billion. The result was impacted by the impairment of assets in the amount of PLN 194 million (this is mainly due to impairment of the shares of Tauron Polska Energia S.A.) and a higher by PLN 72 million income tax level. This was the result of the tax on controlled foreign corporations which was introduced in 2015. EBITDA grew by 4 percent as compared to the first 9 months of 2014 and reached the amount of PLN 3.252 billion, which is mainly due to reduced copper production costs.

Strategic projects in Poland are successfully being continued, namely the Deep Głogów and Pyrometallurgy Modernisation Projects. By the end of September the GG1 ventilation shaft had reached the depth of 641 meters (the target depth of the shaft is 1,340 meters, with a diameter of 7.5 meters). More than 68 kilometers of tunnels have been developed with necessary technical infrastructure. Construction and assembly of the main elements of the flash furnace production line are underway at the Głogów Copper Smelter and Refinery. Launch of the modernized installation is planned for the fourth quarter of 2016.

The results of exploration in the Old Copper Belt indicates there is a real chance of developing this mining project, assuming there is a reduction of the financial burden

stemming from the minerals extraction tax, the use of modern technologies and realization of adequate copper prices.

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