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**The financial results of the KGHM Polska Miedź Group in the first quarter of 2018 reflect a level of electrolytic copper production restricted by the build-up of half-finished products during a period of planned furnace maintenance at the Głogów II Copper Smelter and Refinery.**

*- The main priority for KGHM Polska Miedź S.A. in the first quarter of 2018 was to secure resources for the production of electrolytic copper from own concentrate during the furnace downtime of the Głogów II Copper Smelter and Refinery in the April-June timeframe. This is also the reason for the increase in anode production, the inventory of which rose in the first quarter by nearly 30 thousand tonnes of copper, and which is currently being used in the electrorefining process. Following this period of maintenance work our production of copper from own concentrate will visibly accelerate, so that by the end of the year it will be several percent higher than last year's result. – said Rafał Pawełczak, President of the Management Board of KGHM Polska Miedź S.A.*

The drop in consolidated revenue by 13% yoy in the first quarter of 2018 is mainly the result of lower yoy sales volumes of payable copper (by 14%) and silver (by 16%) in KGHM Polska Miedź S.A. with a stable PLN-denominated copper price, but with a silver price lower in PLN by 19% due to depreciation of the USD by 16%.

Production of payable copper by the KGHM Polska Miedź Group in the first quarter was lower yoy by 15%, and silver by 18%, mainly due to the stockpiling of inventories of anode copper, which is being used for the electrorefining of electrolytic copper during the three-month furnace maintenance shutdown at the Głogów II Copper Smelter and Refinery.

The 17% higher yoy production of payable copper and the 9% higher production of precious metals by KGHM International is mainly the result of significantly higher metals content in ore as well as higher recovery by the Robinson mine.

The Sierra Gorda mine for a subsequent quarter continued mining a part of the deposit with lower content of copper and molybdenum, which affected production of these metals and amounted respectively to 12 thousand tonnes and 4 million pounds (on a 55% basis), representing a decrease yoy by 15% and 18%.

Adjusted consolidated EBITDA<sup>i</sup> in the first quarter of 2018 was lower by 26% compared to the same period of the prior year (from PLN 1 581 million to PLN 1 174 million), mainly due to a decrease of EBITDA in KGHM Polska Miedź S.A. by PLN 533 million due

to lower sales of copper and silver. In turn, EBITDA in KGHM International and Sierra Gorda (55%) increased respectively by PLN 93 million (x2.2 yoy) and PLN 41 million (+34% yoy) mainly due to an increase in revenue with stable costs of goods sold.

Consolidated profit as at 31 March 2018 amounted to PLN 439 million and was lower yoy by 38%, reflecting the drop in EBITDA, which was partially offset by positive exchange rate differences and by lower income tax.

Net debt as of March 31<sup>st</sup> amounted to PLN 7 142 million (USD 2 092 million), and its relation to adjusted EBITDA rose to 1.5 from the level of 1.3 at the end of 2017.

<b>in mn PLN</b>	<b>1st quarter 2018</b>	<b>1st quarter 2017</b>	<b>Change in mn PLN</b>	<b>Change in %</b>
Revenue	4 266	4 911	- 645	- 13.1%
Cost of goods sold	- 3 607	- 3 837	+ 230	- 6.0%
Adjusted EBITDA	1 174	1 581	- 407	- 25.7%
Net result on sales	659	1 074	- 415	- 38.6%
Profit for the period	439	710	- 271	- 38.2%

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