POLISH FINANCIAL SUPERVISION AUTHORITY

Consolidated quarterly report QSr 1 / 2017
(Amended)

(in accordance with § 82 section 2 and § 83 section 1 of the Decree of the Minister of Finance dated 19 February 2009 - unified text: Journal of Laws of 2014, point 133, with subsequent amendments)

for issuers of securities involved in production, construction, trade or services activities

For the first quarter of the financial year **2017** from **1 January 2017** to **31 March 2017** containing the interim condensed consolidated financial statements prepared under International Accounting Standard 34 in PLN, and interim condensed financial statements prepared under IAS 34 in PLN.

publication date: 27 October 2017

KGHM Polska Miedź Spółka Akcyjna
(name of the issuer)

KGHM Polska Miedź S.A.
(name of the issuer in brief)

Basic materials
(issuer branch title per the Warsaw Stock Exchange)

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This report is a direct translation from the original Polish version.
In the event of differences resulting from the translation, reference should be made to the official Polish version.

SELECTED FINANCIAL DATA

data concerning the interim condensed consolidated financial statements of KGHM Polska Miedź S.A.

		in PLN mn		in EUR mn	
		1st quarter of 2017	**1st quarter of 2016**	**1st quarter of 2017**	**1st quarter of 2016**
I.	Sales revenue	4 911	3 912	1 145	898
II.	Profit on sales	1 074	490	250	112
III.	Profit before income tax	1 031	343	240	79
IV.	Profit for the period	710	163	166	37
V.	Profit for the period attributable to shareholders of the Parent Entity	710	161	166	37
VI.	Profit for the period attributable to non-controlling interest	-	2	-	-
VII.	Other comprehensive net income	150	(43)	35	(10)
VIII.	Total comprehensive income	860	120	201	27
IX.	Total comprehensive income attributable to shareholders of the Parent Entity	863	109	202	25
X.	Total comprehensive income attributable to non-controlling interest	(3)	11	(1)	2
XI.	Number of shares issued (million)	200	200	200	200
XII.	Earnings per ordinary share attributable to shareholders of the Parent Entity	3.55	0.81	0.83	0.19
XIII.	Net cash generated from operating activities	458	584	107	134
XIV.	Net cash used in investing activities	(650)	(1 178)	(152)	(270)
XV.	Net cash generated from/(used in) financing activities	(26)	682	(6)	157
XVI.	Total net cash flow	(218)	88	(51)	21
		1st quarter of 2017	**2016**	**1st quarter of 2017**	**2016**
XVII.	Non-current assets	26 981	27 202	6 394	6 149
XVIII.	Current assets	6 648	6 240	1 575	1 410
XIX.	Total assets	33 629	33 442	7 969	7 559
XX.	Non-current liabilities	10 725	11 665	2 542	2 637
XXI.	Current liabilities	6 133	5 866	1 453	1 326
XXII.	Equity	16 771	15 911	3 974	3 596
XXIII.	Equity attributable to shareholders of the Parent Entity	16 635	15 772	3 942	3 565
XXIV.	Equity attributable to non-controlling interest	136	139	32	31

data concerning the quarterly financial information of KGHM Polska Miedź S.A.

		in PLN mn		in EUR mn	
		1st quarter of 2017	**1st quarter of 2016**	**1st quarter of 2017**	**1st quarter of 2016**
I.	Sales revenue	3 896	2 979	908	684
II.	Profit on sales	1 065	459	248	105
III.	Profit before income tax	1 104	532	257	122
IV.	Profit for the period	805	370	188	85
V.	Other comprehensive net income	40	72	9	17
VI.	Total comprehensive income	845	442	197	102
VII.	Number of shares issued (million)	200	200	200	200
VIII.	Earnings per ordinary share	4.03	1.85	0.94	0.43
IX.	Net cash generated from operating activities	547	438	128	101
X.	Net cash used in investing activities	(651)	(1 053)	(152)	(242)
XI.	Net cash generated from/(used in) financing activities	(8)	697	(2)	160
XII.	Total net cash flow	(112)	82	(26)	19
		1st quarter of 2017	**2016**	**1st quarter of 2017**	**2016**
XIII.	Non-current assets	25 499	25 594	6 043	5 785
XIV.	Current assets	5 049	4 506	1 197	1 019
XV.	Total assets	30 548	30 100	7 240	6 804
XVI.	Non-current liabilities	8 472	9 245	2 008	2 090
XVII.	Current liabilities	5 331	4 955	1 264	1 120
XVIII.	Equity	16 745	15 900	3 968	3 594

Table of contents

Part 1 – Interim condensed consolidated financial statements

INTERIM CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		1st quarter of 2017	1st quarter of 2016
Note 3.3	Sales revenue	4 911	3 912
Note 4.1	Cost of sales	(3 548)	(3 138)
	Gross profit	**1 363**	**774**
Note 4.1	Selling costs and administrative expenses	(289)	(284)
	Profit on sales	**1 074**	**490**
Note 3.2	Share of losses of joint ventures accounted for using the equity method	-	(221)
	Interest income on loans granted to joint ventures	82	153
	Profit or loss on involvement in joint ventures	82	(68)
Note 4.2	Other operating income and (costs)	(426)	(309)
Note 4.3	Finance income and (costs)	301	230
	Profit before income tax	**1 031**	**343**
	Income tax expense	(321)	(180)
	PROFIT FOR THE PERIOD	**710**	**163**
	Profit for the period attributable to:		
	Shareholders of the Parent Entity	710	161
	Non-controlling interest	-	2
	Weighted average number of ordinary shares (million)	**200**	**200**
	Basic/diluted earnings per share (in PLN)	**3.55**	**0.81**

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	1st quarter of 2017	1st quarter of 2016
Profit for the period	**710**	**163**
Measurement of hedging instruments net of the tax effect	122	48
Measurement of available-for-sale financial assets net of the tax effect	87	64
Exchange differences from translation of foreign operations statements	107	(108)
Other comprehensive income which will be reclassified to profit or loss	**316**	**4**
Actuarial losses net of the tax effect	(166)	(47)
Other comprehensive income, which will not be reclassified to profit or loss	**(166)**	**(47)**
Total other comprehensive net income	**150**	**(43)**
TOTAL COMPREHENSIVE INCOME	**860**	**120**
Total comprehensive income attributable to:		
Shareholders of the Parent Entity	863	109
Non-controlling interest	(3)	11

amounts in PLN millions, unless otherwise stated

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

	1st quarter of 2017	1st quarter of 2016
Cash flow from operating activities		
Profit before income tax	1 031	343
Depreciation/amortisation recognised in profit or loss	371	397
Share of losses of joint ventures accounted for using the equity method	-	221
Interest on loans granted to joint ventures	(82)	(153)
Interest and other costs of borrowings	44	29
Impairment loss on non-current assets	-	57
Other adjustments to profit before income tax	7	(254)
Exclusions of income and costs, total	340	297
Income tax paid	(416)	(62)
Changes in working capital	(497)	6
Net cash generated from operating activities	**458**	**584**
Cash flow from investing activities		
Expenditures on mining and metallurgical assets	(562)	(878)
Expenditures on other property, plant and equipment and intangible assets	(53)	(92)
Acquisition of newly-issued shares of joint ventures	-	(173)
Other expenses	(44)	(42)
Total expenses	(659)	(1 185)
Proceeds	9	7
Net cash used in investing activities	**(650)**	**(1 178)**
Cash flow from financing activities		
Proceeds from borrowings	762	1 048
Repayments of borrowings	(746)	(335)
Interest and other costs of borrowings	(42)	(28)
Other expenses	-	(3)
Total expenses	(788)	(366)
Net cash generated from/(used in) financing activities	**(26)**	**682**
TOTAL NET CASH FLOW	**(218)**	**88**
Cash and cash equivalents at beginning of the period	**860**	**461**
Exchange gains/(losses) on cash and cash equivalents	(18)	40
Cash and cash equivalents at end of the period	**624**	**589**

amounts in PLN millions, unless otherwise stated

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		1st quarter of 2017	2016
	ASSETS		
	Mining and metallurgical property, plant and equipment	15 301	15 217
	Mining and metallurgical intangible assets	2 395	2 474
	Mining and metallurgical property, plant and equipment and intangible assets	17 696	17 691
	Other property, plant and equipment	2 543	2 591
	Other intangible assets	222	208
	Other property, plant and equipment and intangible assets	2 765	2 799
	Joint ventures accounted for using the equity method	27	27
	Loans granted to joint ventures	4 152	4 313
Note 4.5	Total involvement in joint ventures	4 179	4 340
	Derivatives	162	237
	Other financial instruments measured at fair value	677	577
	Other financial assets	929	930
	Financial instruments, total	1 768	1 744
	Deferred tax assets	456	511
	Other non-financial assets	117	117
	Non-current assets	**26 981**	**27 202**
	Inventories	4 154	3 497
	Trade receivables	1 206	1 292
	Tax assets	233	267
	Derivatives	78	72
	Other assets	353	252
	Cash and cash equivalents	624	860
	Current assets	**6 648**	**6 240**
		33 629	**33 442**
	EQUITY AND LIABILITIES		
	Share capital	2 000	2 000
	Other reserves from measurement of financial instruments	26	(183)
	Accumulated other comprehensive income	2 160	2 216
	Retained earnings	12 449	11 739
	Equity attributable to shareholders of the Parent Entity	16 635	15 772
	Equity attributable to non-controlling interest	136	139
	Equity	**16 771**	**15 911**
Note 4.8	Borrowings	5 587	6 539
	Derivatives	153	256
	Employee benefits liabilities	2 061	1 860
	Provisions for decommissioning costs of mines and other technological facilities	1 502	1 487
	Deferred tax liabilities	516	563
	Other liabilities	906	960
	Non-current liabilities	10 725	11 665
Note 4.8	Borrowings	2 087	1 559
	Derivatives	73	215
	Trade payables	1 354	1 433
	Employee benefits liabilities	917	787
	Tax liabilities	595	786
	Other liabilities	1 107	1 086
	Current liabilities	6 133	5 866
	Non-current and current liabilities	**16 858**	**17 531**
		33 629	**33 442**

amounts in PLN millions, unless otherwise stated

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Equity attributable to shareholders of the Parent Entity						
	Share capital	Other reserves from measurement of financial instruments	Accumulated other comprehensive income	Retained earnings	Total	Equity attributable to non-controlling interest	Total equity
As at 1 January 2016	**2 000**	**(64)**	**1 868**	**16 407**	**20 211**	**203**	**20 414**
Transactions with non-controlling interest	-	-	-	1	**1**	4	**5**
Transactions with owners	-	-	-	1	**1**	4	**5**
Profit for the period	**-**	-	-	161	**161**	2	**163**
Other comprehensive income	-	112	(164)	-	**(52)**	9	**(43)**
Total comprehensive income	-	112	(164)	161	**109**	11	**120**
As at 31 March 2016	**2 000**	**48**	**1 704**	**16 569**	**20 321**	**218**	**20 539**
As at 1 January 2017	**2 000**	**(183)**	**2 216**	**11 739**	**15 772**	**139**	**15 911**
Profit for the period	-	-	-	710	**710**	-	**710**
Other comprehensive income	-	209	(56)	-	**153**	(3)	**150**
Total comprehensive income	**-**	**209**	**(56)**	**710**	**863**	**(3)**	**860**
As at 31 March 2017	**2 000**	**26**	**2 160**	**12 449**	**16 635**	**136**	**16 771**

1 – General information

Note 1.1 Corporate information

KGHM Polska Miedź S.A. ("the Parent Entity") with its registered office in Lubin at 48 M.Skłodowskiej-Curie Street is a joint stock company registered at the Regional Court for Wrocław Fabryczna, Section IX (Economic) of the National Court Register, entry no. KRS 23302, on the territory of the Republic of Poland.

KGHM Polska Miedź S.A. has a multi-divisional organisational structure, comprised of a Head Office and 10 divisions: 3 mines (Lubin Mine Division, Polkowice-Sieroszowice Mine Division, Rudna Mine Division), 3 metallurgical plants (Głogów Smelter/Refinery, Legnica Smelter/Refinery, Cedynia Wire Rod Division), the Concentrator Division, the Tailings Division, the Mine-Smelter Emergency Rescue Division and the Data Center Division.

The shares of KGHM Polska Miedź S.A. are listed on the Warsaw Stock Exchange.

The Parent Entity's principal activities include:

- the mining of copper and non-ferrous metals ores; and
- the production of copper, precious and non-ferrous metals.

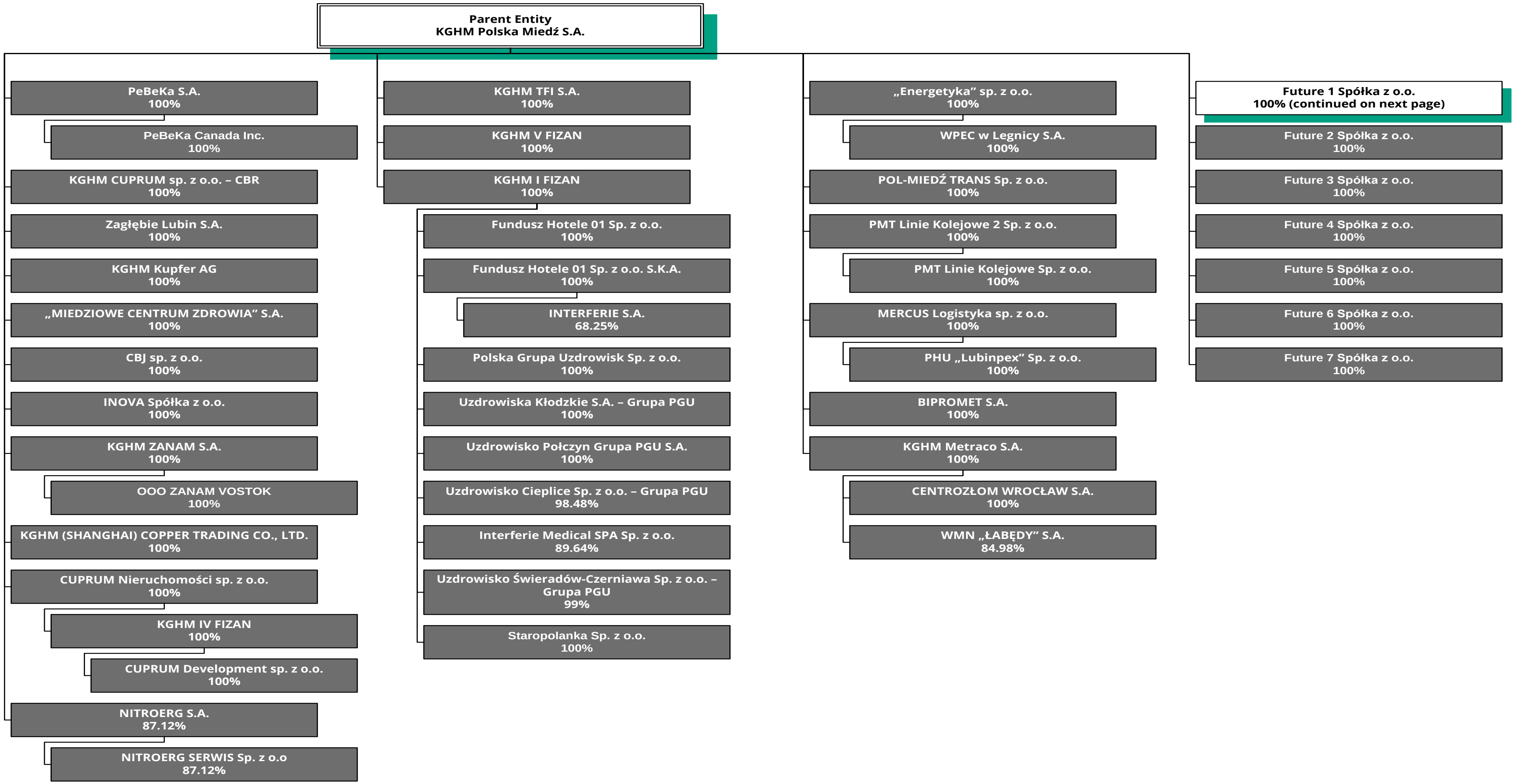
The business activities of the Group include:

- the mining of copper and non-ferrous metals ores;
- the mined production of metals, including copper, nickel, gold, platinum, palladium;
- the production of goods from copper and precious metals;
- underground construction services;
- the production of machinery and mining equipment;
- transport services;
- services in the areas of research, analysis and design;
- the production of road-building materials; and
- the recovery of associated metals from copper ore.

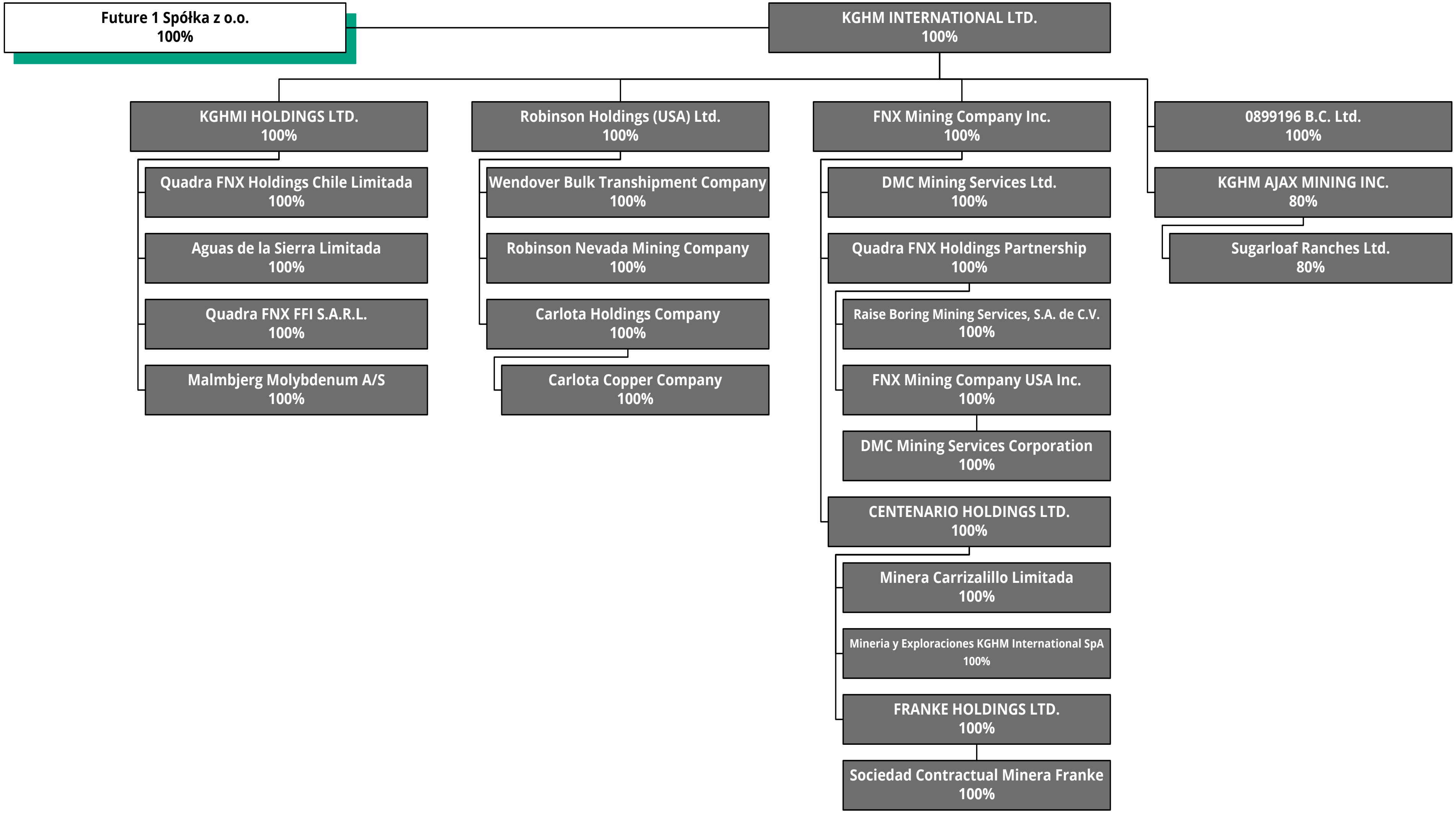
The KGHM Polska Miedź S.A. Group carries out exploration and mining of copper, nickel and precious metals based on concessions given for Polish deposits to KGHM Polska Miedź S.A., and also based on legal titles held by companies of the KGHM INTERNATIONAL LTD. Group for the exploration for and mining of these resources in the USA, Canada, and Chile.

Note 1.2 Structure of the KGHM Polska Miedź S.A. Group as at 31 March 2017

In the current quarter KGHM Polska Miedź S.A. consolidated 72 subsidiaries and used the equity method to account for the shares of three joint ventures (Sierra Gorda S.C.M., „Elektrownia Blachownia Nowa" sp. z o.o. and NANO CARBON Sp. z o.o.).



The percentage share represents the total share of the Group.


Future 1 Spółka z o.o.
100%
KGHM INTERNATIONAL LTD.
100%
KGHMI HOLDINGS LTD.
100%
Quadra FNX Holdings Chile Limitada
100%
Aguas de la Sierra Limitada
100%
Quadra FNX FFI S.A.R.L.
100%
Malmbjerg Molybdenum A/S
100%
Robinson Holdings (USA) Ltd.
100%
Wendover Bulk Transhipment Company
100%
Robinson Nevada Mining Company
100%
Carlota Holdings Company
100%
Carlota Copper Company
100%
FNX Mining Company Inc.
100%
DMC Mining Services Ltd.
100%
Quadra FNX Holdings Partnership
100%
Raise Boring Mining Services, S.A. de C.V.
100%
FNX Mining Company USA Inc.
100%
DMC Mining Services Corporation
100%
CENTENARIO HOLDINGS LTD.
100%
Minera Carrizalillo Limitada
100%
Mineria y Exploraciones KGHM International SpA
100%
FRANKE HOLDINGS LTD.
100%
Sociedad Contractual Minera Franke
100%
0899196 B.C. Ltd.
100%
KGHM AJAX MINING INC.
80%
Sugarloaf Ranches Ltd.
80%

Note 1.3 Exchange rates applied

The following exchange rates were applied in the conversion of selected financial data in EUR:

- for the conversion of turnover, profit or loss and cash flow for the current period, the rate of ***4.2891EURPLN*,***
- for the conversion of turnover, profit or loss and cash flow for the comparable period, the rate of ***4.3559 EURPLN*,***
- for the conversion of assets, equity and liabilities at 31 March 2017, applying the current average exchange rate announced by the National Bank of Poland (NBP) as at 31 March 2017, the rate of ***4.2198 EURPLN,***
- for the conversion of assets, equity and liabilities at 31 December 2016, applying the current average exchange rate announced by the NBP as at 31 December 2016, the rate of ***4.4240 EURPLN.***

**the rates represent the arithmetic average of current average exchange rates announced by the NBP on the last day of each month during the period from January to March respectively of 2017 and 2016.*

Note 1.4 Accounting policies and the impact of new and amended standards and interpretations

The presented quarterly report is an amendment of a quarterly report that was published on 5 May 2017, and in which the consolidated financial statements were amended pursuant to regulatory filing No. 29/2017 dated 27 October 2017.

The following quarterly report includes:

1. the interim condensed consolidated financial statements of the KGHM Polska Miedź S.A. Group for the period from 1 January to 31 March 2017 and the comparable period from 1 January to 31 March 2016, together with selected explanatory information **(Part 1)**,
2. the quarterly financial information of KGHM Polska Miedź S.A. for the period from 1 January to 31 March 2017 and the comparable period from 1 January to 31 March 2016 **(Part 2)**.

Neither the interim consolidated financial statements as at 31 March 2017 nor the interim separate financial statements as at 31 March 2017 were subject to audit by a certified auditor.

The condensed consolidated financial report for the period from 1 January 2017 to 31 March 2017 was prepared in accordance with IAS 34 *Interim Financial Reporting* as approved by the European Union and for a full understanding of the financial position and operating results of KGHM Polska Miedź S.A. and the KGHM Polska Miedź S.A. Group, should be read jointly with the Annual Report R 2016 and the Consolidated annual report RS 2016.

This quarterly report's financial statements were prepared using the same accounting policies and valuation methods for the current and comparable periods and principles applied in annual financial statements (consolidated and separate), prepared as at 31 December 2016 and taking into account the change published in the regulatory filing No. 28/2017 dated 27 October 2017.

Impact of new and amended standards and interpretations

The International Accounting Standards Board approved the following amendments for use after 1 January 2017:

- Amendments to IAS 7 "Statement of Cash Flows" – the Disclosure Initiative; and
- Amendments to IAS 12 "Deferred Tax" - Recognition of Deferred Tax Assets for Unrealised Losses.

Up to the date of publication of these financial statements, the above changes to standards were not adopted for use by the European Union. Their application would not have an impact on the Group's accounting policy or on these consolidated financial statements.

Note 1.5 Selected significant events covered by the regulatory filings of the Parent Entity

Changes in the composition of the Management Board of the Company

On 3 February 2017, Jacek Rawecki submitted his resignation from the function of First Vice President of KGHM Polska Miedź S.A. On 3 February 2017, the Supervisory Board of KGHM Polska Miedź S.A. adopted a resolution on the appointment of Rafał Pawełczak as a Vice President of the Management Board of KGHM Polska Miedź S.A.

Exchange differences in the first quarter of 2017

On 28 April 2017, in a regulatory filing no. 6/2017, the Management Board of the Parent Entity announced that:

1. in the consolidated statement of profit or loss for the first quarter of 2017, other operating costs were recognised due to exchange differences from the valuation of the company Future 1 Sp. z o.o.'s balances due to intra-group, USD-denominated loans, which is a consequence of the cross-border merger of Luxembourg-based subsidiaries of the Fermat group with the USD as their functional currency with the Polish (acquiring) subsidiary Future 1 Sp. z o.o. with the PLN as its functional currency,
2. in accordance with accounting principles regarding consolidation of the Group, exchange differences with respect to the valuation of balances of receivables and payables in the Group in foreign currencies arise from the gross amounts i.e. excluding the allowances for impairment of receivables recognised in prior periods.

Consequently, in the consolidated statement of profit or loss, in other operating costs due to exchange differences for the first quarter of 2017, negative unrealised exchange differences were estimated at the level of PLN 815 million, as compared to PLN 425 million representing other operating costs due to exchange differences at the level of KGHM Polska Miedź S.A. Exchange losses were presented in Part I, note 4.2 of this report. The method for estimating exchange differences will be consistently applied by the Group in subsequent reporting periods. The recognised exchange differences do not affect the liquidity of the KGHM Polska Miedź S.A. Group.

amounts in PLN millions, unless otherwise stated

2 – Implementation of strategy

Implementation of the Parent Entity's strategy in the first quarter of 2017

In the first quarter of 2017, work continued on updating the Strategy of the Parent Entity. The team appointed to this task carried out a review of individual parts of the Strategy. Progress in this work was reported on an on-going basis to the Strategy Committee of the Supervisory Board of KGHM Polska Miedź S.A. Due to the work carried out in the first quarter of 2017 on updating the Strategy, the schedule of its publication was changed, and is planned for the second quarter of 2017.

In terms of the strategy which is currently in force, the following projects in individual pillars were advanced:

Resource Base Development

Regional exploration program of KGHM Polska Miedź S.A. regarding the exploration and documentation of copper deposits in the Lower Zechstein formation located in south-western Poland:

Advanced exploration projects, with defined copper mineralisation, for which geological exploration is underway throughout or in part of the given concession area:

Radwanice-Gaworzyce	- Geological work was carried out in the Radwanice-Gaworzyce deposit under the concession to conduct underground exploration of the copper ore deposit within the Dankowice area. - In February 2017 the Parent Entity received a concession to extract copper ore from the Radwanice-Gaworzyce deposit in the area of Gaworzyce and signed a mining usufruct agreement.
Retków-Ścinawa and Głogów	- The Parent Entity is awaiting a decision on changing concession no. 7/2013p to search for and explore the copper ore deposit in the Retków-Ścinawa area, which will enable continuation of work under stage 2, i.e. the conduct among others of surface-based drilling and underground tunnels and chambers, which will substantially augment existing knowledge regarding geological and mining conditions. - On 20 March 2017, the Minister of the Environment issued a decision changing the concession for the search for and exploration of the copper ore deposit in the Głogów area, which will enable commencement of the next stage of geological work comprising surface-based drilling.

Exploration projects in the preparatory phase:

Bytom Odrzański Kulów-Luboszyce	- Judicial and administrative proceedings are underway regarding concessions for the following areas: Bytom Odrzański, Kulów-Luboszyce (KGHM Polska Miedź S.A.) and Bytom Odrzański, Kotla and Niechlów (Leszno Copper). The Parent Entity is waiting for the Supreme Administrative Court to set a date for a hearing.

Other concessions:

Puck Region	- Based on collected data, the geological structure of this region was re-interpreted and work was carried out aimed at assessing the economic and technical possibilities of mining the deposits of potassium-magnesium salt, reflecting the mine model and processing technology.

Production Assets Development

Key development projects in terms of the Core Business in Poland

Program to access the Deep Głogów Deposit	- Work continued on the sinking of the GG-1 shaft (the shaft's target depth is 1 340 meters with a diameter of 7.5 meters). The process of injecting the tubing construction was completed. The fifth step of a cascade dewatering system was built. Completion of construction of the shaft together with infrastructure (social buildings and lift machine) is planned at the end of 2021. - With respect to Construction of a Central Air Conditioning System at the GG-1 Shaft, tender procedures were commenced to select contractors to build the Central

amounts in PLN millions, unless otherwise stated

	Surface-based Ventilation Station and the Ice Water Distribution System. - During the reporting period, preparatory work continued related to acquiring a permit to build facilities necessary to sink the GG-2 („Odra") shaft.
Pyrometallurgy Modernisation Program at the Głogów smelter/refinery	- Guarantee tests were conducted as well as work related to the installation start-up phase of the modernised Flash Furnace production line at the Głogów I Copper Smelter and Refinery. - Assembly of equipment continued which can be carried out in parallel with the functioning of the production line. - Work continued related to optimisation of automated devices and safety.
Metallurgy Development Program (MDP)	- Construction and assembly work continued with respect to key technological elements as part of the comprehensive investment tasks of the program, i.e. construction of the Steam Drier at the Głogów II Copper Smelter and Refinery and the copper concentrate Roasting Installation. - Work continues related to installation start-up with respect to Modernisation of the Tank and Electrolite Decopperisation Hall at the Legnica Copper Smelter and Refinery. - Work under the MDP includes continued advancement of projects related to adapting technical infrastructure to the change in technology at the Głogów I Copper Smelter and Refinery, based on implementing technical and technological activities aimed at optimising utilisation of the modernised metallurgical infrastructure.
Development of the Żelazny Most tailings storage facility	- Based on the permit received in 2016 to develop the Main Facility to a crown height of 195 meters a.s.l. and a permit to operate the Tailings Storage Facility, the dam is being built up successively as part of the on-going operations of the Parent Entity. - Formal actions are underway aimed at further development of the Żelazny Most tailings storage facility, to ensure the possibility of depositing tailings in coming years.

Development of international assets

The current financial and economic situation of KGHM INTERNATIONAL LTD. remains stable.

Victoria project (Sudbury Basin, Canada) *KGHM Polska Miedź S.A. Group 100%*	- With respect to the Victoria project, in the first quarter of 2017 work was carried out related to securing existing infrastructure and project terrain.
Sierra Gorda Oxide (Chile) *KGHM INTERNATIONAL LTD. Group 100%. Sumitomo Metal Mining and Sumitomo Corporation hold the option to jointly acquire a 45% interest in the project.*	- In the first quarter of 2017, analytical work continued related to evaluating alternative scenarios to develop the project which will enable to limit the level of required capital expenditures.
Ajax project (British Columbia, Canada) *KGHM Polska Miedź S.A. Group 80%, Abacus Mining and Exploration Corp. 20%*	- In the first quarter of 2017, the project team continued work related to obtaining an environmental permit. As a result of the submission of required information by KGHM AJAX MINING INC. to governmental technical teams, required for the purpose of preparing an environmental assessment of the project, on 29 March 2017 the B.C. Environmental Assessment Office decided to renew the 180-day review of the environmental application. At the same time the regulator decided to extend the review period of the environmental application by a further 110 days in order to integrate the assessment process at the provincial level with the process being advanced by the federal government.

amounts in PLN millions, unless otherwise stated

Initiatives aimed at enhancing knowledge and innovation in KGHM POLSKA MIEDŹ S.A.

Main R&D initiatives	- New regulations were introduced by the Parent Entity with respect to principles for planning and carrying out R&D activities. Work is underway on implementing these new principles within the Group. - R&D projects were continued which are focused on developing and executing innovative technical and organisational solutions which will lead to improved efficiency and work safety and will ensure production continuity. On-going analysis of production units is underway, including as well needs with respect to research and development. - The Scale UP project was joined under the governmental acceleration program Start-In Poland, enabling the development of start-ups in KGHM Polska Miedź S.A. Preparations are underway to establish our own acceleration program in cooperation with KGHM CUPRUM Sp. z o.o. CBR – a Group company.
CuBR Program	- 12 R&D projects were continued, under a joint venture based on the support of scientific research and development work for the non-ferrous metals industry. Pursuant to the schedules, the first Projects will be completed at the turn of 2017-2018. - As part of the third competition, positive decisions were issued on the granting of co-financing to 10 Projects. Currently, work is underway aimed at signing agreements to advance the Projects.

Production

Sierra Gorda mine in Chile – Phase 1 *KGHM INTERNATIONAL LTD. Group 55%, Sumitomo Metal Mining and Sumitomo Corporation 45%*	- The production of copper in concentrate in the first quarter of 2017 amounted to 25.5 thousand tonnes, and production of molybdenum in concentrate amounted to 8.8 million pounds (on a 100% basis). - Work was carried out related to optimising the sulphide ore processing process. The actions undertaken were aimed at stabilising ore processing production volumes and parameters. - In the first quarter of 2017, work continued related to developing the tailings storage facility. These actions were overseen by an international team of experts and specialised engineering firms.
Maintaining production from own concentrate	- Preparatory work continued on commencing mining in new areas of the deposits as part of the Deposit Access Program (previously the Deep Głogów Project) as well as actions related to acquiring a concession to mine the copper ore from the Radwanice-Gaworzyce deposit in the Gaworzyce mining area.
Improving efficiency in the core business in Poland	- Initiatives aimed at improving resource management effectiveness were continued, at the same time enabling limitation of cost increases by: - more efficient utilisation of resources (3D deposit modeling), - increasing extraction and the production of copper in concentrate, - optimising management of underground machines, - advancing the energy savings program, and - optimising employment. These initiatives are being carried out in compliance with approved assumptions.

3 –Information on operating segments and revenues

Note 3.1 Operating segments

The operating segments identified in the KGHM Polska Miedź S.A. Group reflect the structure of the Group, the manner in which the Group and its individual entities are managed and the regular way of reporting to the Parent Entity's Management Board.

As a result of the aggregation of operating segments and taking into account the criteria stipulated in IFRS 8, the following reporting segments are currently identified within the KGHM Polska Miedź S.A. Group:

Reporting segment	Operating segments aggregated in a given reporting segment	Indications of similarity of economic characteristics of segments, taken into account in aggregations
KGHM Polska Miedź S.A.	KGHM Polska Miedź S.A.	Not applicable (it is a single operating and reporting segment)
KGHM INTERNATIONAL LTD.	Companies of the KGHM INTERNATIONAL LTD. Group, in which the following mines, deposits or mining areas constitute operating segments: Sudbury Basin, Robinson, Carlota, Franke and Ajax.	Operating segments within the KGHM INTERNATIONAL LTD. Group are located in North and South America. The Management Board analyses the results of the following operating segments: Sudbury Basin, Robinson, Carlota, Franke, Ajax and other. Moreover, it receives and analyses reports of the whole KGHM INTERNATIONAL LTD. Group. Operating segments are engaged in the exploration and mining of copper, molybdenum, silver, gold and nickel. The operating segments were aggregated based on the similarity of long term margins achieved by individual segments, and the similarity of products, processes and production methods.
Sierra Gorda S.C.M.	Sierra Gorda S.C.M. (joint venture)	Not applicable (it is a single operating and reporting segment)
Other segments	This item includes other Group companies (every individual company is a separate operating segment).	Aggregation was carried out as a result of not meeting the criteria necessitating the identification of a separate additional reporting segment.

The following companies were not included in any of the aforementioned segments:

- Future 1 Sp. z o.o., which acts as a holding company with respect to the KGHM INTERNATIONAL LTD. Group,
- Future 2 Sp. z o.o., Future 3 Sp. z o.o., Future 4 Sp. z o.o., Future 5 Sp. z o.o., Future 6 Sp. z o.o. and Future 7 Sp. z o.o., which operate in the structure related to the establishment of a Tax Group.

These companies do not conduct operating activities which could impact the results achieved by individual segments, and as a result their inclusion could distort the data presented in this part of the consolidated financial statements due to significant settlements with other Group companies.

Each of the segments KGHM Polska Miedź S.A., KGHM INTERNATIONAL LTD. and Sierra Gorda S.C.M. have their own Management Boards, which report the results of their business activities directly to the President of the Management Board of the Parent Entity.

The segment KGHM Polska Miedź S.A. is composed only of the Parent Entity, and the segment Sierra Gorda S.C.M. is composed only of the joint venture Sierra Gorda. Other companies of the KGHM Polska Miedź S.A. Group are presented below by segment: KGHM INTERNATIONAL LTD. and Other segments.

THE SEGMENT KGHM INTERNATIONAL LTD.	
Location	**Company**
The United States of America	Carlota Copper Company, Carlota Holdings Company, DMC Mining Services Corporation, FNX Mining Company USA Inc., Robinson Holdings (USA) Ltd., Robinson Nevada Mining Company, Wendover Bulk Transhipment Company
Chile	Aguas de la Sierra Limitada, Minera Carrizalillo Limitada, Minera y Exploraciones KGHM International SpA, Quadra FNX Holdings Chile Limitada, Sociedad Contractual Minera Franke
Canada	KGHM INTERNATIONAL LTD., 0899196 B.C. Ltd., Centenario Holdings Ltd., DMC Mining Services Ltd., FNX Mining Company Inc., Franke Holdings Ltd., KGHM AJAX MINING INC., KGHMI HOLDINGS LTD., Quadra FNX Holdings Partnership, Sugarloaf Ranches Ltd.
Greenland	Malmbjerg Molybdenum A/S
Mexico	Raise Boring Mining Services S.A. de C.V.
Luxembourg	Quadra FNX FFI S.à r.l.

OTHER SEGMENTS	
Type of activity	**Company**
Support of the core business	BIPROMET S.A., CBJ sp. z o.o., Energetyka sp. z o.o., INOVA Spółka z o.o., KGHM CUPRUM sp. z o.o. – CBR, KGHM ZANAM S.A., KGHM Metraco S.A., PeBeKa S.A., POL-MIEDŹ TRANS Sp. z o.o., WPEC w Legnicy S.A.
Sanatorium-healing and hotel services	Interferie Medical SPA Sp. z o.o., INTERFERIE S.A., Uzdrowiska Kłodzkie S.A. - Grupa PGU, Uzdrowisko Cieplice Sp. z o.o. - Grupa PGU, Uzdrowisko Połczyn Grupa PGU S.A., Uzdrowisko Świeradów - Czerniawa Sp. z o.o. – Grupa PGU
Investment funds, financing activities	Fundusz Hotele 01 Sp. z o.o., Fundusz Hotele 01 Sp. z o.o. S.K.A., KGHM TFI S.A., KGHM I FIZAN, KGHM IV FIZAN, KGHM V FIZAN, Polska Grupa Uzdrowisk Sp. z o.o.
Other activities	CENTROZŁOM WROCŁAW S.A., CUPRUM Development sp. z o.o., CUPRUM Nieruchomości sp. z o.o., KGHM (SHANGHAI) COPPER TRADING CO., LTD., KGHM Kupfer AG, MERCUS Logistyka sp. z o.o., MIEDZIOWE CENTRUM ZDROWIA S.A., NITROERG S.A., NITROERG SERWIS Sp. z o.o., PeBeKa Canada Inc., PHU "Lubinpex" Sp. z o.o., PMT Linie Kolejowe Sp. z o.o., PMT Linie Kolejowe 2 Sp. z o.o., Staropolanka Sp. z o.o., WMN "ŁABĘDY" S.A., Zagłębie Lubin S.A., OOO ZANAM VOSTOK

The Parent Entity and the KGHM INTERNATIONAL LTD. Group (a subgroup) have a fundamental impact on the assets and the generation of revenues in the KGHM Polska Miedź S.A. Group. The activities of KGHM Polska Miedź S.A. are concentrated on the mining industry in Poland, while those of the KGHM INTERNATIONAL LTD. Group are concentrated on the mining industry in the countries of North and South America. The profile of activities of the majority of the remaining subsidiaries of the KGHM Polska Miedź S.A. Group differs from the main profile of the Parent Entity's activities.

The Parent Entity's Management Board monitors the operating results of individual segments in order to make decisions on allocating the Group's resources and assess the financial results achieved.

Financial data prepared for management reporting purposes is based on the same accounting policies as those applied when preparing the consolidated financial statements of the Group, while the financial data of individual reporting segments constitutes the amounts presented in appropriate financial statements prior to consolidation adjustments at the level of the KGHM Polska Miedź S.A. Group, i.e.:

- The segment KGHM Polska Miedź S.A. – comprises data from the separate financial statements of the Parent Entity prepared in accordance with IFRSs. In the separate financial statements, investments in subsidiaries (including investment in KGHM INTERNATIONAL LTD.) are measured at cost.
- The segment KGHM INTERNATIONAL LTD. – comprises consolidated data of the KGHM INTERNATIONAL LTD. Group prepared in accordance with IFRSs. The involvement in Sierra Gorda S.C.M. is accounted for using the equity method.

- The segment Sierra Gorda S.C.M – comprises the 55% share of assets, liabilities, revenues and costs of this venture presented in the separate financial statements of Sierra Gorda S.C.M. prepared in accordance with IFRSs.
- Other segments – comprises aggregated data of individual subsidiaries after excluding transactions and balances between them.

The Management Board of the Parent Entity assesses a segment's performance based on adjusted EBITDA and the profit or loss for the period.
The Group defines adjusted EBITDA as profit/loss for the period pursuant to IFRS, excluding income tax (current and deferred), finance income/(costs), other operating income and costs, the share of losses of joint ventures accounted for using the equity method, impairment losses on interest in a joint venture, depreciation/amortisation and impairment losses on property, plant and equipment included in the cost of sales, selling costs and administrative expenses. Adjusted EBITDA – as a financial indicator not defined by IFRSs – is not a standardised measure and therefore its method of calculation may vary between entities, and consequently the presentation and calculation of adjusted EBITDA applied by the Group may not be comparable to that applied by other market entities.

Unallocated assets and liabilities concern companies which have not been allocated to any segment. Assets which have not been allocated to the segments comprise cash and trade receivables. Liabilities which have not been allocated to the segments comprise trade liabilities and current corporate tax liabilities.

Note 3.2 Financial results of reporting segments

		1st quarter of 2017						
						Reconciliation items to consolidated data		
		KGHM Polska Miedź S.A.	KGHM INTERNATIONAL LTD.	Sierra Gorda S.C.M.*	Other segments	Elimination of data of the segment Sierra Gorda S.C.M	Consolidation adjustments	Consolidated financial statements
Note 3.3	**Sales revenue**	**3 896**	**580**	**459**	**1 608**	(459)	(1 173)	4 911
	Inter-segment sales revenue	81	-	-	1 075	-	(1 156)	-
	External sales revenue	3 815	580	459	533	(459)	(17)	4 911
	Segment result	**805**	**(160)**	**(143)**	**46**	**143**	**19**	**710**
	Additional information on significant revenue/cost items of the segment							
	Depreciation/amortisation recognised in profit or loss	(239)	(76)	(88)	(58)	88	2	(371)
		1st quarter of 2017						
	Assets, including:	**30 548**	**8 758**	**8 767**	**5 182**	**(8 767)**	**(10 859)**	**33 629**
	Segment assets	30 548	8 758	8 767	5 182	(8 767)	(10 887)	33 601
	Joint ventures accounted for using the equity method	-	-	-	-	-	27	27
	Assets unallocated to segments							1
	Liabilities, including:	**13 803**	**15 880**	**12 396**	**1 810**	**(12 396)**	**(14 635)**	**16 858**
	Segment liabilities	13 803	15 880	12 396	1 810	(12 396)	(14 638)	16 855
	Liabilities unallocated to segments							3
	Other information	**1st quarter of 2017**						
	Cash expenditures on property, plant and equipment and intangible assets	611	83	147	46	(147)	(125)	615
	Production and cost data	**1st quarter of 2017**						
	Payable copper (kt)	130.6	17.2	14.0				
	Molybdenum (million pounds)	-	0.1	4.8				
	Silver (t)	293.5	0.4	4.0				
	TPM (koz t)	33.5	14.5	6.3				
	C1 cash cost of producing copper in concentrate (USD/lb)**	1.33	2.35	1.94				
	Adjusted EBITDA	**1 304**	**75**	**122**	**80**	**-**	**-**	**1 581**

** 55% of the Group's share in Sierra Gorda S.C.M.'s financial and production data.*
*** Unit cash cost of payable copper production, reflecting ore mining and processing costs, transport costs, the minerals extraction tax, administrative expenses during the mining phase and smelter treatment and refining charges (TC/RC) less by-product value.*

amounts in PLN millions, unless otherwise stated

Consolidation eliminations arise from consolidation adjustments, from the financial data of companies not assigned to any segment and from the financial data of the joint venture Sierra Gorda S.C.M., which is consolidated using the equity method, and as a result the assets, liabilities and results of the joint venture are not recognised in the statement of financial position and in the statement of profit or loss of the Group, except for the items "Joint ventures accounted for using the equity method" and "Profit or loss on involvement in joint ventures".

Reconciliation of adjusted EBITDA	1st quarter of 2017			
	KGHM Polska Miedź S.A.	KGHM INTERNATIONAL LTD.	Sierra Gorda S.C.M. *	Other segments
Profit/(loss) for the period	**805**	**(160)**	**(143)**	**46**
[-] Share of losses of joint ventures accounted for using the equity method	-	-	-	-
[-] Current and deferred income tax	(299)	(8)	34	(10)
[-] Depreciation/amortisation recognised in profit or loss	(239)	(76)	(88)	(58)
[-] Finance income/(costs)	309	(246)	(209)	-
[-] Other operating income and (costs)	(270)	95	(2)	34
[=] EBITDA	1 304	75	122	80
[-] Recognition/reversal of impairment losses on non-current assets recognised in cost of sales, selling costs and administrative expenses	-	-	-	-
Adjusted EBITDA	**1 304**	**75**	**122**	**80**

	1st quarter of 2017			
Profit/(loss) on sales (EBIT)	**1 065**	**(1)**	**34**	**22**
[-] Depreciation/amortisation recognised in profit or loss	(239)	(76)	(88)	(58)
[=] EBITDA	1 304	75	122	80
[-] Recognition/reversal of impairment losses on non-current assets recognised in cost of sales, selling costs and administrative expenses	-	-	-	-
[=] Adjusted EBITDA	**1 304**	**75**	**122**	**80**

** 55% share of the Group in the financial data of Sierra Gorda S.C.M.*

Financial results of reporting segments for the comparable period

		1st quarter of 2016						
						Reconciliation items to consolidated data		
		KGHM Polska Miedź S.A.	KGHM INTERNATIONAL LTD.	Sierra Gorda S.C.M.*	Other segments	Elimination of data of the segment Sierra Gorda S.C.M	Consolidation adjustments	Consolidated financial statements
Note 3.3	**Sales revenue**	**2 979**	**588**	**316**	**1 541**	**(316)**	**(1 196)**	**3 912**
	Inter-segment sales revenue	67	-	29	1 126	(29)	(1 193)	-
	External sales revenue	2 912	588	287	415	(287)	(3)	3 912
	Segment result	**370**	**(277)**	**(224)**	**23**	**224**	**47**	**163**
	Additional information on significant revenue/cost items of the segment							
	Depreciation/amortisation recognised in profit or loss	(214)	(128)	(169)	(58)	169	3	(397)
	Share of losses of joint ventures accounted for using the equity method	-	(221)	-	-	-	-	(221)
		2016						
	Assets, including:	**30 100**	**9 472**	**9 185**	**5 249**	**(9 185)**	**(11 379)**	**33 442**
	Segment assets	30 100	9 472	9 185	5 249	(9 185)	(11 407)	33 414
	Joint ventures accounted for using the equity method	-	-	-	-	-	27	27
	Assets unallocated to segments							1
	Liabilities, including:	**14 200**	**16 853**	**12 880**	**1 943**	**(12 880)**	**(15 465)**	**17 531**
	Segments liabilities	14 200	16 853	12 880	1 943	(12 880)	(15 651)	17 345
	Liabilities unallocated to segments							186
	Other information	1st quarter of 2016						
	Cash expenditures on property, plant and equipment and intangible assets	820	176	246	55	(246)	(116)	935
	Production and cost data	1st quarter of 2016						
	Payable copper (kt)	128.1	23.7	14.5				
	Molybdenum (million pounds)	-	0.1	4.9				
	Silver (t)	294.9	0.3	3.8				
	TPM (koz t)	26.2	22.4	7.1				
	C1 cash cost of producing copper in concentrate (USD/lb)**	1.33	1.48	1.73				
	Adjusted EBITDA	**673**	**139**	**84**	**91**	**-**	**-**	**987**

** 55% of the Group's share in Sierra Gorda S.C.M.'s financial and production data.*
*** Unit cash cost of payable copper production, reflecting ore mining and processing costs, transport costs, the minerals extraction tax, administrative expenses during the mining phase and smelter treatment and refining charges (TC/RC) less by-product value.*

amounts in PLN millions, unless otherwise stated

Reconciliation of adjusted EBITDA	1st quarter of 2016			
	KGHM Polska Miedź S.A.	KGHM INTERNATIONAL LTD.	Sierra Gorda S.C.M.*	Other segments
Profit/(loss) for the period	**370**	**(277)**	**(224)**	**23**
[-] Share of losses of joint ventures accounted for using the equity method	**-**	**(221)**	**-**	**-**
[-] Current and deferred income tax	(162)	2	78	(15)
[-] Depreciation/amortisation recognised in profit or loss	(214)	(128)	(169)	(58)
[-] Finance income / (costs)	235	(154)	(191)	(2)
[-] Other operating income and (costs)	(162)	85	(26)	7
[=] EBITDA	673	139	84	91
[-] (Recognition)/reversal of impairment losses on non-current assets recognised in cost of sales, selling costs and administrative expenses	-	-	-	-
Adjusted EBITDA	**673**	**139**	**84**	**91**

	1st quarter of 2016			
Profit/(loss) on sales (EBIT)	**459**	**11**	**(85)**	**33**
[-] Depreciation/amortisation recognised in profit or loss	(214)	(128)	(169)	(58)
[=] EBITDA	673	139	84	91
[-] (Recognition)/reversal of impairment losses on non-current assets recognised in cost of sales, selling costs and administrative expenses	-	-	-	-
[=] Adjusted EBITDA	**673**	**139**	**84**	**91**

** 55% share of the Group in the financial data of Sierra Gorda S.C.M.*

amounts in PLN millions, unless otherwise stated

Note 3.3 External sales revenue of the Group – breakdown by products

	1st quarter of 2017						
					Reconciliation items to consolidated data		
	KGHM Polska Miedź S.A.	KGHM INTERNATIONAL LTD.	Sierra Gorda S.C.M.*	Other segments	Elimination of data of the segment Sierra Gorda S.C.M	Consolidation adjustments	Consolidated data
Copper	2 916	414	350	2	(350)	(64)	**3 268**
Silver	560	8	9	-	(9)	-	**568**
Gold	153	36	30	-	(30)	(1)	**188**
Services	33	121	-	453	-	(365)	**242**
Other	234	41	107	1 153	(107)	(743)	**685**
TC/RC**	-	(40)	(36)	-	36	-	**(40)**
TOTAL	**3 896**	**580**	**460**	**1 608**	**(460)**	**(1 173)**	**4 911**

	1st quarter of 2016						
					Reconciliation items to consolidated data		
	KGHM Polska Miedź S.A.	KGHM INTERNATIONAL LTD.	Sierra Gorda S.C.M.*	Other segments	Elimination of data of the segment Sierra Gorda S.C.M	Consolidation adjustments	Consolidated data
Copper	2 280	420	247	2	(247)	(21)	**2 681**
Silver	410	6	6	-	(6)	-	**416**
Gold	127	77	31	-	(31)	-	**204**
Services	23	113	-	512	-	(401)	**247**
Other	139	40	65	1 027	(65)	(774)	**432**
TC/RC**	-	(68)	(33)	-	33	-	**(68)**
TOTAL	**2 979**	**588**	**316**	**1 541**	**(316)**	**(1 196)**	**3 912**

** 55% of the Group's share in revenues of Sierra Gorda S.C.M.*
*** Smelter treatment and refining charges*

amounts in PLN millions, unless otherwise stated

Note 3.4 External sales revenue of the Group – geographical breakdown reflecting the location of end clients

	1st quarter of 2017	1st quarter of 2016
Europe		
Poland	1 382	1 120
Germany	543	491
The United Kingdom	462	235
Czechia	396	299
France	389	168
Switzerland	181	150
Hungary	191	141
Italy	61	108
Austria	76	48
Slovakia	28	23
Romania	27	17
Belgium	1	15
Other countries (dispersed sales)	113	61
North and South America		
The United States of America	353	442
Canada	165	151
Chile	25	26
Other countries (dispersed sales)	-	2
Australia		
Australia	1	1
Asia		
China	460	333
South Korea	4	-
India	-	36
Turkey	28	30
Singapore	3	-
Japan	6	3
Other countries (dispersed sales)	14	8
Africa	2	4
TOTAL	**4 911**	**3 912**

Note 3.5 Main customers

In the period from 1 January 2017 to 31 March 2017 and in the comparable period the revenues from no single contractor exceeded 10% of the sales revenue of the Group.

Note 3.6 Non-current assets – geographical breakdown

	Property, plant and equipment, intangible assets and investment properties	
	1st quarter of 2017	2016
Poland	17 574	17 413
Canada	2 142	2 275
The United States of America	515	557
Chile	308	323
TOTAL	**20 539**	**20 568**

The following were also recognised in non-current assets: derivatives, other instruments measured at fair value, other financial and non-financial assets and deferred tax assets.

amounts in PLN millions, unless otherwise stated

Note 3.7 Information on segments' results

3.7.1 The segment KGHM Polska Miedź S.A.

Production results

	Unit	1st quarter of 2017	1st quarter of 2016	Change (%)
Ore extraction (dry weight)	mn t	8.0	8.0	-
Copper content in ore	%	1.51	1.50	+0.7%
Copper production in concentrate	kt	107.7	104.8	+2.8%
Silver production in concentrate	t	332.3	307.1	+8.2%
Production of electrolytic copper	kt	130.6	128.1	+2.0%
- including from own concentrate	kt	93.1	89.1	+4.5%
Production of metallic silver	t	293.5	294.9	-0.5%
Production of gold	koz t	33.5	26.2	+27.9%
Production of copper equivalent*	kt	131.3	128.8	+1.9%

** Value of production volume of all metals calculated as a copper equivalent, based on market prices – from own concentrate*

In the first 3 months of 2017, ore extraction (dry weight) was at the same level as in the comparable period of 2016. Copper content in ore increased from 1.50% to 1.51% due to the higher content and thickness of the mined deposit. Production of copper in concentrate increased.
As compared to comparable period of 2016, the production of electrolytic copper was higher by 2.5 thousand tonnes (2%). The production of metallic silver was at a similar level.
The increase in production of copper equivalent was mainly due to the higher production of copper from own concentrates.

Revenues

	Unit	1st quarter of 2017	1st quarter of 2016	Change (%)
Sales revenue, including:	**mn PLN**	**3 896**	**2 979**	**+30.8%**
- copper	mn PLN	2 916	2 280	+27.9%
- silver	mn PLN	560	410	+36.6%
Volume of copper sales	kt	119.6	119.6	-
Volume of silver sales	t	247.1	216.4	+14.2%
Copper price	USD/t	5 831	4 672	+24.8%
Silver price	USD/oz t	17.42	14.85	+17.3%
Exchange rate	USD/PLN	4.06	3.96	+2.5%

In the first quarter of 2017, sales revenue amounted to PLN 3 896 million and was 31% higher as compared to the corresponding period of 2016. The main reasons for the increase in sales revenue were:

– higher prices of copper and silver, respectively by 25% and 17%;
– a higher volume of silver sales by 14%; and
– a more favourable USD/PLN exchange rate by 3%.

Costs

	Unit	1st quarter of 2017	1st quarter of 2016	Change (%)
Cost of sales, selling costs and administrative expenses*	**mn PLN**	**2 831**	**2 520**	**+12.3%**
Expenses by nature	mn PLN	3 337	3 079	+8.4%
Pre-precious metals credit unit cost of electrolytic copper production from own concentrate **	PLN/t	20 812	19 671	+5.8%
Total unit cost of electrolytic copper production from own concentrate	PLN/t	13 105	13 590	-3.6%
- including the minerals extraction tax	PLN/t	3 815	2 916	+30.8%
C1 cost* **	**USD/lb**	**1.33**	**1.33**	**-**

** Cost of products, merchandise and materials sold, selling costs and administrative expenses*
*** Unit cost prior to decrease by the value of anode slimes containing, among others, silver and gold*
**** Cash cost of concentrate production reflecting the minerals extraction tax, plus administrative expenses and smelter treatment and refining charges (TC/RC), less depreciation/amortisation cost and the value of by-product premiums, calculated for payable copper in concentrate.*

amounts in PLN millions, unless otherwise stated

The Parent Entity's cost of sales, selling costs and administrative expenses in the first 3 months of 2017 amounted to PLN 2 831 million and were higher by PLN 311 million as compared to the corresponding period in 2016, mainly due to 8% higher expenses by nature alongside a similar volume of copper sales.
In the first 3 months of 2017, expenses by nature were higher by PLN 258 million as compared to the corresponding period of 2016, mainly due to a higher minerals extraction tax by PLN 173 million alongside higher labour costs by PLN 53 million, depreciation/amortisation by PLN 26 million and external services by PLN 24 million (mainly due to plant maintenance).
C1 cost in the first 3 months of 2017 amounted to 1.33 USD/lb and was at the same level as compared to the cost in the corresponding period of 2016. C1 cost was mainly impacted by a higher minerals extraction tax. C1 cost, excluding the minerals extraction tax, was as follows: in the first 3 months of 2017, 0.82 USD/lb; in the first 3 months of 2016, 1.00 USD/lb. The decrease in C1 cost (by 0.18 USD/lb), excluding the minerals extraction tax, was mainly caused by the weakening of the Polish zloty versus the US dollar and the increase in silver and gold prices, as well as the higher silver content in own concentrates.
The pre-precious metals credit unit cost of electrolytic copper production from own concentrate (unit cost prior to decrease by the value of anode slimes containing, among others, silver and gold) amounted to 20 812 PLN/t (in the comparable period of 2016: 19 671 PLN/t) and was higher by 6% mainly due to the higher minerals extraction tax by 899 PLN/t alongside higher production from own concentrate by 4%. The total unit cost of electrolytic copper production from own concentrate amounted to 13 105 PLN/t (for the first 3 months of 2016: 13 590 PLN/t).

Financial results

	1st quarter of 2017	1st quarter of 2016	Change (%)
Sales revenue, including:	**3 896**	**2 979**	**+30.8%**
- adjustment of revenues due to hedging transactions	(4)	(4)	-
Cost of sales, selling costs and administrative expenses	**(2 831)**	**(2 520)**	**+12.3%**
- including the minerals extraction tax	(366)	(276)	+32.6%
Profit/(Loss) on sales (EBIT)	**1 065**	**459**	**×2.3**
Other operating income and (costs), including:	**(270)**	**(162)**	**+66.7%**
- measurement and realisation of derivatives	70	130	-46.2%
- interest on loans granted	96	79	+21.5%
- exchange differences on assets and liabilities other than borrowings	(425)	(306)	+38.9%
- impairment loss on available-for-sale assets	-	(57)	×
- other	(11)	(8)	+37.5%
Finance income/(costs), including:	**309**	**235**	**+31.5%**
- exchange differences on borrowings	369	275	+34.2%
- interest costs on borrowings	(29)	(13)	×2.2
- measurement of derivatives	(13)	(8)	+62.5%
- other	(18)	(19)	-5.3%
Profit/(Loss) before income tax	**1 104**	**532**	**×2.1**
Income tax expense	(299)	(162)	+84.6%
Profit/(Loss) for the period	**805**	**370**	**×2.2**
Depreciation/amortisation recognised in profit or loss	239	214	+11.7%
EBITDA* (EBIT + depreciation/amortisation)	**1 304**	**673**	**+93.8%**
Adjusted EBITDA**	**1 304**	**673**	**+93.8%**

** EBITDA = EBIT + depreciation/amortisation (recognised in profit or loss)*
*** Adjusted EBITDA = EBIT + depreciation/amortisation (recognised in profit or loss) + impairment loss (-reversal of impairment losses) on non-current assets, recognised in cost of sales, selling costs and administrative expenses)*

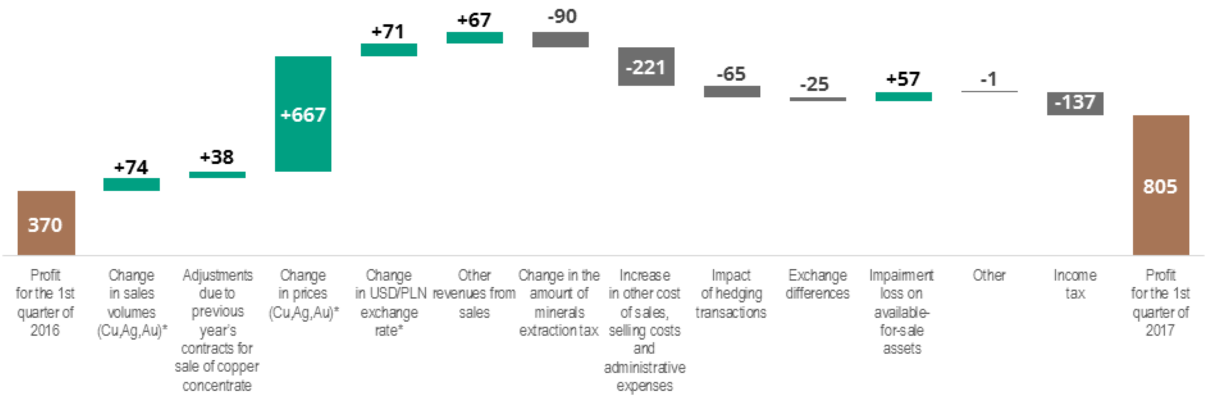
Main reasons for the change in the financial result:

Item	Impact on change in result	Description
Increase in sales revenue (excluding the impact of hedging transactions) by PLN 917 million	+667	An increase in revenues due to higher copper prices by 25% (+PLN 579 million), silver by 17% (+PLN 81 million) and gold by 3% (+PLN 7 million).
	+74	An increase in revenues due to a 14% higher volume of silver sales (PLN 58 million), and 12% higher volume of gold sales (+PLN 15 million).
	+71	An increase in revenues from sales of basic products (Cu, Ag, Au) due to a more favourable average annual USD/PLN exchange rate (a change from 3.96 to 4.06 USD/PLN).
	+38	Adjustments due to the previous year's contracts for sale of copper concentrate.
	+67	An increase in revenues from sales of merchandise and materials (+PLN 24 million) as well as other products and services, including refined lead (+PLN 20 million).

amounts in PLN millions, unless otherwise stated

Increase in cost of sales, selling costs and administrative expenses by PLN 311 million	(90)	An increase in the minerals extraction tax, from PLN 276 million in the first quarter of 2016 to PLN 366 million in the first 3 months of 2017, due to higher copper and silver prices expressed in PLN.
	(221)	An increase in other costs – an increase in expenses by nature, excluding the minerals extraction tax, of PLN 85 million and an increase in inventories of half-finished products, work in progress and finished goods.
Impact of hedging transactions	(65)	Including in other operating activities of PLN (60) million and finance costs of PLN (5) million.
Impact of exchange differences (-PLN 25 million)	(119)	A change in the result due to exchange differences on assets and liabilities other than borrowings (presented in other operating activities)
	+94	A change in the result due to exchange differences on borrowings (presented in finance costs)
Impairment loss on available-for-sale assets	+57	In the first quarter of 2016, there were impairment losses on available-for-sale assets (Tauron Polska Energia S.A.), while there were no impairment losses in 2017.
Income tax increase	-137	Higher tax due to the increase in the tax base

Chart 1. Change in profit for the period



** Impact on sales revenue*

Cash expenditures

In the first 3 months of 2017, cash expenditures on property, plant and equipment and intangible assets amounted to PLN 611 million and were lower than in the corresponding period of 2016 by 25%, while capital expenditures on tangible and intangible fixed assets amounted to PLN 362 million and were lower than in the corresponding period of 2016 by 34%. The higher level of cash expenditures incurred on property, plant and equipment and intangible assets in the first quarter of 2017 as compared to capital expenditures was due to the realisation of investment liabilities pursuant to contractual payment dates.

Structure of capital expenditures – by Division

	1st quarter of 2017	1st quarter of 2016	Change (%)
Mining	203	235	-13.6%
Metallurgy	155	313	-50.5%
Other activities	4	2	×2.0
Total	**362**	**550**	**-34.2%**

Structure of capital expenditures – by type

	1st quarter of 2017	1st quarter of 2016	Change (%)
Replacement	106	69	+53.6%
Maintaining production	48	99	-51.5%
Development	208	382	-45.5%
Total	**362**	**550**	**-34.2%**

Investment activities are aimed at carrying out projects which are classified under one of the following three categories:

- **Development projects,** aimed at increasing the production volume of the core business, maintaining production costs and adaptation projects aimed at adapting the company's operations to changes in standards, laws and regulations (including those related to environmental protection), represent 57% of total expenditures,
- **Projects related to the replacement of equipment,** aimed at maintaining production equipment in an undeteriorated condition which guarantees the achievement of on-going production tasks, represent 29% of total expenditures,
- **Projects related to maintaining production,** ensuring necessary infrastructure to match mine advancement and the continuous removal of waste to ensure production at the level set forth in the mine advancement plan, represent 48% of total expenditures.

Information on the advancement of key investment projects may be found in part 2 of this report (Implementation of Strategy).

amounts in PLN millions, unless otherwise stated

3.7.2 The segment KGHM INTERNATIONAL LTD.

Production results

	Unit	1st quarter of 2017	1st quarter of 2016	Change (%)
Payable copper, including:	kt	17.2	23.7	-27.4%
- Robinson mine (USA)	kt	10.0	14.7	-32.0%
- Sudbury Basin mines (CANADA) *	kt	1.9	3.2	-40.6%
Payable nickel	kt	0.3	0.5	-40.0%
Precious metals (TPM)**, including:	koz t	14.5	22.4	-35.3%
- Robinson mine (USA)	koz t	6.5	12.8	-49.2%
- Sudbury Basin mines (CANADA) *	koz t	8.0	9.5	-15.8%
Production of copper equivalent***	kt	20.4	29.4	-30.6%

** Morrison and McCreedy West mines in the Sudbury Basin*
*** TPM – precious metals (gold, platinum, palladium)*
**** Value of production volume of all metals calculated as a copper equivalent, based on market prices – from own concentrate*

In the first quarter of 2017, copper production in the segment KGHM INTERNATIONAL LTD. amounted to 17.2 thousand tonnes and was lower by 6.5 thousand tonnes (-27%) as compared to the corresponding period of 2016.
The lower copper production by the Robinson mine by 4.7 thousand tonnes (-32%) in the first three months of 2017 was the result of extracting ore from the higher parts of the Ruth West pit (as compared to the ore extracted from the lower parts of this pit in the corresponding period of 2016) with a lower metals content (0.40% in the first quarter of 2017 as compared to 0.47% in the first quarter of 2016) and lower recovery (a decrease by 19%). Moreover, as a result of unfavourable weather conditions and lower equipment usage, there was a decrease in volume of extracted ore. As a result of extracting lower quality ore, the worsening of technological parameters and the decrease in the volume of extracted ore, there was also a decrease in gold production by this mine, from the level of 12.8 thousand troy ounces to 6.5 thousand troy ounces (-49%).
The lower copper production by the Sudbury Basin mines by 1.3 thousand tonnes (-41%) was a result of lower ore extraction, which was due, among others, to revising operating procedures and lower copper content in ore (6.7% in the first quarter of 2017 as compared to 7.1% in the first quarter of 2016). The lower volume of extracted ore also resulted in a decrease in precious metals production by 1.5 thousand troy ounces (-16%).

Sales revenue

	Unit	1st quarter of 2017	1st quarter of 2016	Change (%)
Sales revenue, including:	**mn USD**	144	149	-3.4%
- copper	mn USD	103	107	-3.7%
- nickel	mn USD	3	4	-25.0%
- precious metals (TPM)*	mn USD	16	25	-36.0%
Copper sales volume	kt	17.2	22.6	-23.9%
Nickel sales volume	kt	0.3	0.5	-40.0%
Precious metals (TPM)* sales volume	koz t	13.8	23.0	-40.0%

** TPM – precious metals (gold, platinum, palladium)*

	Unit	1st quarter of 2017	1st quarter of 2016	Change (%)
Sales revenue, including:	**mn PLN**	580	588	-1.4%
- copper	mn PLN	414	420	-1.4%
- nickel	mn PLN	12	17	-29.4%
- precious metals (TPM)*	mn PLN	64	99	-35.4%

** TPM – precious metals (gold, platinum, palladium)*

The sales revenue of the segment KGHM INTERNATIONAL LTD. in the first quarter of 2017 amounted to USD 144 million, or a decrease by USD 5 million (-3%) due to lower sales volumes of copper and precious metals, which was partially offset by higher achieved sales prices.
The lower revenue from sales of copper by USD 4 million (-4%) is the result of the lower sales volume of this metal by 5.4 thousand tonnes (-24%), which was limited by the increase in the achieved sales price from 4 718 USD/t in the first quarter of 2016 to 5 996 USD/t in the first quarter of 2017 (+27%).
The decrease in revenues from precious metals sales by USD 9 million (-36%) was due to lower production volumes and lower sales alongside higher achieved sales prices.

amounts in PLN millions, unless otherwise stated

Costs

	Unit	1st quarter of 2017	1st quarter of 2016	Change (%)
C1 unit cost*	USD/lb	2.35	1.48	59%

**C1 unit production cost of copper - cash cost of payable copper production, reflecting costs of ore extraction and processing, the minerals extraction tax, transport costs, administrative expenses during the mining phase and smelter treatment and refining charges (TC/RC) less by-product value*

The average weighted unit cash cost of copper production for all operations in the segment KGHM INTERNATIONAL LTD. in the first quarter of 2017 amounted to 2.35 USD/lb, or an increase by 59% as compared to the first quarter of 2016. The increase in C1 cost is due to higher production costs and lower copper sales volume as well as a decrease in revenues from precious metals sales, which decrease the C1 cost.

Financial performance

in mn USD	1st quarter of 2017	1st quarter of 2016	Change (%)
Sales revenue, including:	144	149	-3.4%
Cost of sales, selling costs and administrative expenses*	(144)	(146)	-1.4%
Profit/(loss) on sales (EBIT)	(0)	3	x
Profit/(loss) before taxation, including:	(38)	(71)	-46.5%
- share of losses of Sierra Gorda S.C.M. accounted for using the equity method	-	(56)	-100.0%
Income tax	(2)	1	x
Profit/(loss) for the period	(40)	(70)	-42.9%
Depreciation/amortisation recognised in profit or loss	(19)	(32)	-40.6%
EBITDA* *	19	35	-45.7%
Adjusted EBITDA***	19	35	-45.7%

in mn PLN	1st quarter of 2017	1st quarter of 2016	Change (%)
Sales revenue, including:	580	588	-1.4%
Cost of sales, selling costs and administrative expenses*	(581)	(577)	0.7%
Profit/(loss) on sales (EBIT)	(1)	11	x
Profit/(loss) before taxation, including:	(152)	(279)	-45.5%
- share of losses of Sierra Gorda S.C.M. accounted for using the equity method	-	(221)	-100.0%
Income tax	(8)	2	x
Profit/(loss) for the period	(160)	(277)	-42.2%
Depreciation/amortisation recognised in profit or loss	(76)	(128)	-40.6%
EBITDA* *	75	139	-46.0%
Adjusted EBITDA***	75	139	-46.0%

** Cost of products, merchandise and materials sold, selling costs and administrative expenses*
*** EBITDA = EBIT + depreciation/amortisation (recognised in profit or loss)*
**** Adjusted EBITDA = EBIT + depreciation/amortisation (recognised in profit or loss) + impairment loss (-reversal of impairment losses) on non-current assets, recognised in cost of sales, selling costs and administrative expenses)*

Main reasons for the change in the financial result:

Item	Impact on change in result (mn USD)	Description
Decrease in sales revenue by USD 5 million, including:	(47)	A decrease in revenues due to lower volume of sales, mainly copper (- USD 34 million) and TPMs (-USD 12 million)
	+34	An increase in revenues due to higher prices of basic products, mainly copper (+USD 29 million) and TPMs (+USD 4 million)
	+7	An increase in revenues due to a lower processing premium due to lower sales volume

amounts in PLN millions, unless otherwise stated

Decrease in cost of sales, selling costs and administrative expenses by USD 2 million, including:	(13)	An increase in costs of materials and energy (-USD 9 million) related among others to an increase in diesel fuel prices and external services (-USD 4 million) due to a higher scope of work carried out by DMC
	+6	A decrease in depreciation/amortisation due to impairment losses on assets recognised in the fourth quarter of 2016 and lower production by the Robinson mine and the Sudbury Basin mines (units of production method of depreciation) in the first quarter of 2017 as compared to the corresponding period of the prior year
	+5	A change in inventories
	+3	A decrease in cost of sales due to lower sales volumes
Impact of other operating activities and finance activities (-USD 20 million), including:	(21)	An increase in finance costs related to loans received in 2016
	(18)	A decrease in interest income on loans granted to Sierra Gorda S.C.M. due to the allowance for impairment of a loan granted to this company recognised in the fourth quarter of 2016
	+19	No one-off allocation adjustment of the purchase price made in the first quarter of 2017 as compared to USD 19 million in the corresponding period of the prior year
Share of losses of joint ventures accounted for using the equity method (+ USD 56 million)	+56	No recognition of share of losses of Sierra Gorda S.C.M. in the first quarter of 2017 as compared to USD 56 million in the first quarter of 2016, which is related to the value of the investment which was equal to zero (the carrying amount of the investment as at 31 December 2016 as well as at 31 March 2017 was USD 0 million).
Income tax	(3)	Mainly due to utilisation of the available tax losses

Cash expenditures

in mn USD	1st quarter of 2017	1st quarter of 2016	Change (%)
Victoria project	2	16	-87.5%
Sierra Gorda Oxide project	1	5	-80.0%
Pre-stripping and other	17	21	-19.0%
Ajax project	1	3	-66.7%
Total	21	45	-53.3%
Financing for Sierra Gorda S.C.M.	-	44	-100.0%

in mn PLN	1st quarter of 2017	1st quarter of 2016	Change (%)
Victoria project	8	63	-87.3%
Sierra Gorda Oxide project	2	18	-88.9%
Pre-stripping and other	68	83	-18.1%
Ajax project	5	12	-58.3%
Total	83	176	-52.8%
Financing for Sierra Gorda S.C.M.	-	173	-100.0%

Cash expenditures by the segment KGHM INTERNATIONAL LTD. in the first quarter of 2017 amounted to USD 21 million, and therefore decreased by USD 24 million (-53%) as compared to the first quarter of 2016.
Around 50% of cash expenditures were incurred in the Robinson mine and were mainly on work related to pre-stripping.
In the first quarter of 2017, cash expenditures by the segment KGHM INTERNATIONAL LTD. on its projects amounted to USD 4 million, including USD 2 million incurred on the Victoria project, USD 1 million on the Ajax project and USD 1 million on the Sierra Gorda Oxide project.
In the first quarter of 2017, there was no financing of the Sierra Gorda mine in the form of increases in share capital or an owner's loan.

amounts in PLN millions, unless otherwise stated

3.7.3 The segment Sierra Gorda S.C.M.

The segment Sierra Gorda S.C.M. is a joint venture (under the JV company Sierra Gorda S.C.M.) of KGHM INTERNATIONAL LTD. (55%) and Sumitomo Group companies (45%).
The following production and financial data are presented on a 100% basis for the joint venture and proportionally to the interest in the company Sierra Gorda S.C.M. (55%).

Production results

Production of copper and molybdenum was higher than in the last quarter of 2016, although in comparison to the production results achieved in the first quarter of 2016, Sierra Gorda recorded a slight decrease for both Cu and Mo.

	Unit	1st quarter of 2017	1st quarter of 2016	Change (%)
Copper production*	kt	25.5	26.3	-3.0%
Copper production – segment (55%)	kt	14.0	14.5	-3.0%
Molybdenum production*	mn lbs	8.8	8.9	-1.1%
Molybdenum production – segment (55%)	mn lbs	4.8	4.9	-1.1%
TPM production - gold	koz t	11.4	13.0	-12.3%
TPM production – gold – segment (55%)	koz t	6.3	7.1	-12.3%
Production of copper equivalent**	kt	38.9	40.8	-4.7%
Production of copper equivalent – segment (55%)	kt	21.4	22.4	-4.7%

** Payable metal in concentrate.*
*** Value of production volume of all metals calculated as a copper equivalent, based on market prices – from own concentrate*

Copper production in the first quarter of 2017 amounted to 25.5 thousand tonnes, or 3% lower than in the corresponding prior year period. The decrease was mainly due to working in areas with lower copper content, alongside a level of ore processing similar to that recorded in the corresponding prior year period. There was a substantial improvement in copper recovery – as compared to the first quarter of 2016 there was an increase in the copper recovery ratio by 14%.
Sierra Gorda is continuing actions aimed at increasing the efficiency of the molybdenum concentrate production process. Despite the substantial improvement of the recovery parameter in the first quarter of 2017 and the achievement of a level which substantially exceeds the result from the last quarter of 2016, the effectiveness of Mo production remains below expectations, as well as below the level recorded in the first quarter of 2016. A positive note was the higher content of molybdenum in processed ore, which enabled payable Mo production at a level only 1% lower than in the prior year.

Sales revenue

In the first quarter of 2017, revenues from the sale of products less treatment and refining charges (TC/RC) amounted to USD 208 million (PLN 835 million) and were higher by 43% versus the corresponding prior year period. This substantial improvement was possible mainly due to the increase in copper and molybdenum prices.

	Unit	1st quarter of 2017	1st quarter of 2016	Change (%)
Sales revenue, including:	**mn USD**	208	**146**	**+42.5%**
- copper	mn USD	158	113	+39.8%
- molybdenum	mn USD	48	31	+54.8%
Copper sales volume	kt	26.5	22.9	+15.7%
Molybdenum sales volume	mn lbs	4.6	5.7	-19.3%

	Unit	1st quarter of 2017	1st quarter of 2016	Change (%)
Sales revenue, including:	**mn PLN**	835	**575**	**+45.2%**
- copper	mn PLN	636	445	+42.9%
- molybdenum	mn PLN	194	122	+59.0%
Sales revenue - segment (55% share)	**mn PLN**	459	**316**	+45.3%

Copper sales represented 76% of total revenues from sales of products and was 40% higher than the level achieved in the first quarter of 2016. The main factor in increase in sales revenue was the improvement in the situation on the copper and molybdenum markets, as reflected by the increase in prices of these metals. The sales of copper constituted 76% of the total revenues from sales of products and was 40% higher than the amount achieved in the first quarter of 2016.
The higher volume of copper sales by 16% also had a positive impact, and was a result of the relatively low sales in the first quarter of 2016, when there was an increase in inventories due to a delay in the shipping schedule. Moreover, the amount of molybdenum sold was lower by 19% alongside a one-percent decrease in the production of this metal, as a result of the lengthy process of external processing of this concentrate. As a result, the impact of the increase in Mo recovery in March should be evident in the coming months.

amounts in PLN millions, unless otherwise stated

The aforementioned factors had a decisive impact on the increase in revenues as compared to the first quarter of 2016 by USD 62 million (+43%), of which USD 52 million resulted from the increase in Cu and Mo prices, while the higher volume of copper sales increased revenues by USD 21 million. At the same time the decrease in molybdenum sales volume was responsible for the decrease in revenues by USD 11 million.

Costs

The cost of sales, selling costs and administrative expenses incurred in the first quarter of 2017 amounted to USD 192 million, including cost of sales of USD 13 million and administrative expenses of USD 15 million.

	Unit	1st quarter of 2017	1st quarter of 2016	Change (%)
Cost of sales, selling costs and administrative expenses *	mn USD	192	185	+3.8%
Cost of sales, selling costs and administrative expenses * – segment (55% share)	mn PLN	425	402	+5.8%
C1 unit cost**	**USD/lb**	**1.94**	**1.73**	**+12.1%**

** Cost of products, merchandise and materials sold, selling costs and administrative expenses*
*** C1 unit production cost of copper - cash cost of payable copper production, reflecting costs of ore extraction and processing, the minerals extraction tax, transport costs, administrative expenses during the mining phase and smelter treatment and refining charges (TC/RC) less by-product value*

As compared to the prior year there was an increase in costs by nearly 4%, alongside a higher volume of copper sales and a decrease in molybdenum sales. The largest changes were recorded in the following items of expenses by nature, prior to the change in inventories:

– Depreciation/amortisation – a decrease by 49%, mainly due to the impairment loss on non-current assets recognised at the end of 2016,
– Cost of materials, energy and fuel – an increase by 35% mainly with respect to energy (higher fixed costs due to the start-up of a power plant unit and an increase in coal prices) and fuel (higher prices), alongside a decrease in the costs of spare parts due to a lower number of downtime incidents.

Sierra Gorda succeeded in reducing the cash cost of copper production (C1) as compared to the last quarter of 2016, although it remains 12% higher than the level recorded in the corresponding period of 2016. The level of C1 was decisively worsened by the previously mentioned increase in energy costs, while there was a positive impact from the increase in revenues from by-product sales, which are deducted when calculating C1 cost (an increase due to higher molybdenum prices).

Financial performance

In the first three months of 2017, Sierra Gorda, for the first time in its history, achieved a positive operating result and the highest quarterly level of EBITDA.

Results of Sierra Gorda S.C.M. in mn USD 100% share	Unit	1st quarter of 2017	1st quarter of 2016	Change (%)
Sales revenue	mn USD	208	146	+42.5%
Cost of sales, selling costs and administrative expenses	mn USD	(192)	(185)	+3.8%
Profit/(loss) on sales (EBIT)	mn USD	16	(39)	x
Profit/(loss) for the period	**mn USD**	**(65)**	**(103)**	**-36.9%**
Depreciation/amortisation recognised in profit or loss	mn USD	(40)	(78)	-48.7%
EBITDA*	**mn USD**	**55**	**39**	+41.0%
Adjusted EBITDA **	**mn USD**	**55**	**39**	+41.0%

Results of the segment Sierra Gorda S.C.M. in mn PLN, proportionally to the 55% share	Unit	1st quarter of 2017	1st quarter of 2016	Change (%)
Sales revenue	mn PLN	459	316	+45.3%
Cost of sales, selling costs and administrative expenses	mn PLN	(425)	(401)	+6.0%
Profit/(loss) on sales (EBIT)	mn PLN	34	(85)	x
Profit/(loss) for the period	**mn PLN**	**(143)**	**(224)**	**-36.2%**
Depreciation/amortisation recognised in profit or loss	mn PLN	(88)	(169)	-47.9%
EBITDA*	**mn PLN**	**122**	**84**	+45.2%
Adjusted EBITDA **	**mn PLN**	**122**	**84**	+45.2%

** EBITDA = EBIT +* depreciation/amortisation (recognised in profit or loss*)*
*** Adjusted EBITDA = EBIT +depreciation/amortisation (recognised in profit or loss) + impairment loss (-reversal of impairment losses) on non-current assets, recognised in cost of sales, selling costs and administrative expenses)*

amounts in PLN millions, unless otherwise stated

In the first quarter of 2017, EBITDA amounted to USD 55 million, or PLN 223 million, of which PLN 122 million is attributable to the KGHM Group proportionally to its interest (55%). As compared to the first quarter of 2016, there was an increase in EBITDA (in USD) by 41%, as revenues were higher than in the corresponding prior year period by USD 62 million, alongside an increase in costs before depreciation/amortisation by USD 45 million.

Main reasons for the change in the net financial result:

Item	Impact on change in result (mn USD)	Description
Increase in sales revenue by USD 62 million, including:	+28	Increase in revenues due to higher molybdenum prices
	+24	Increase in revenues due to higher copper prices
	+21	Increase in revenues due to higher sales volume of copper
	(11)	Decrease in revenues due to lower sales volume of molybdenum
An increase in cost of sales, selling costs and administrative expenses by USD 7 million, including:	(24)	An increase in costs of materials, energy and fuel, mainly due to a higher fixed price of energy (start-up of a second energy block (June 2016) and an increase in diesel oil price.
	+38	A decrease in depreciation/amortisation, mainly due to impairment losses on assets recognised in the fourth quarter of 2016.
	+5	A decrease in other costs
	(25)	A change in inventories
Impact of other operating activities – an increase in the result by USD 11 million	+11	Mainly more favourable exchange differences
An increase in finance costs by USD 7 million	(7)	Mainly higher accrued interest on a loan granted by the Owners to finance the mine's construction
Income tax	(20)	Lower loss before taxation

The accrued interest on a loan granted by the company's Owners to finance the mine's construction increased the loan's carrying amount, which as at 31 March 2017 amounted to USD 3 855 million.

Cash expenditures

Cash expenditures on property, plant and equipment and intangible assets amounted to USD 66 million, of which USD 9 million were cash expenditures incurred on the replacement and development of non-current assets, while USD 57 million were with respect to capitalised costs of pre-stripping.

	Unit	1st quarter of 2017	1st quarter of 2016	Change (%)
Cash expenditures on property, plant and equipment	mn USD	66	113	-41.6%
Cash expenditures on property, plant and equipment	mn PLN	267	447	-40.3%
Cash expenditures on property, plant and equipment – segment (55% share)	mn PLN	147	246	-40.2%

The significant decrease in cash expenditures (by 42% as compared to the corresponding period of 2016) was due to the fact that their amount was above average in the first quarter of 2016, when deferred expenditures for the purchase of mining equipment in 2015 were included. Over 86% of the cash expenditures represented capitalised costs of pre-stripping, which due to a higher unit mining cost and the scope of work carried out, increased by 23% as compared to the amount recorded in the first quarter of 2016.

The main source of financing investments were proceeds from operating activities and cash from 2016. In the first quarter of 2017, there was no financing in the form of increases in share capital or an owner's loan. Moreover, the company did not make use of new borrowings beyond those drawn in 2016.

amounts in PLN millions, unless otherwise stated

4 – Selected additional explanatory notes

Note 4.1 Expenses by nature

	1st quarter of 2017	1st quarter of 2016
Depreciation of property, plant and equipment and amortisation of intangible assets	405	404
Employee benefits expenses	1 173	1 128
Materials and energy	1 770	1 780
External services	455	479
Minerals extraction tax	466	293
Other taxes and charges	136	128
Other costs	52	43
Total expenses by nature	**4 457**	**4 255**
Cost of merchandise and materials sold (+)	160	90
Change in inventories of finished goods and work in progress (+/-)	(531)	(573)
Cost of manufacturing products for internal use of the Group (-)	(249)	(350)
Total costs of sales, selling costs and administrative expenses, including:	**3 837**	**3 422**
Cost of sales	3 548	3 138
Selling costs	86	98
Administrative expenses	203	186

Note 4.2 Other operating income and (costs)

	1st quarter of 2017	1st quarter of 2016
Measurement and realisation of derivatives	156	145
Other	59	55
Total other income	**215**	**200**
Measurement and realisation of derivatives	(86)	(93)
Impairment loss on available-for-sale assets	-	(57)
Exchange differences on assets and liabilities other than borrowings	(503)	(298)
Other	(52)	(61)
Total other costs	**(641)**	**(509)**
Other operating income and (costs)	**(426)**	**(309)**

Note 4.3 Finance income and (costs)

	1st quarter of 2017	1st quarter of 2016
Exchange differences on borrowings	372	276
Total income	**372**	**276**
Interest on borrowings	(32)	(15)
Losses on the measurement of derivatives	(13)	(8)
Other	(26)	(23)
Total costs	**(71)**	**(46)**
Finance income and (costs)	**301**	**230**

amounts in PLN millions, unless otherwise stated

Note 4.4 Information on property, plant and equipment and intangible assets

Purchase of property, plant and equipment and intangible assets

	1st quarter of 2017	1st quarter of 2016
Purchase of property, plant and equipment	438	646
Purchase of intangible assets	23	76

Payables due to the purchase of property, plant and equipment and intangible assets

	1st quarter of 2017	2016
Payables due to the purchase of property, plant and equipment and intangible assets	325	520

Capital commitments not recognised in the consolidated statement of financial position

	1st quarter of 2017	2016
Purchase of property, plant and equipment	2 591	2 420
Purchase of intangible assets	58	90
Total capital commitments	**2 649**	**2 510**

Note 4.5 Involvement in joint ventures

Joint ventures accounted for using the equity method

	1st quarter of 2017		2016	
	Sierra Gorda S.C.M.	Other	Sierra Gorda S.C.M.	Other
As at the beginning of the reporting period	**-**	**27**	**534**	**28**
Acquisition of shares	-	-	671	-
Share of losses of joint ventures accounted for using the equity method	-	-	(1 199)	(1)
Exchange differences from the translation of a foreign operation	-	-	(6)	-
As at the end of the reporting period	**-**	**27**	**-**	**27**

Loans granted to a joint venture Sierra Gorda S.C.M.

	1st quarter of 2017	2016
As at the beginning of the reporting period	**4 313**	**7 504**
Accrued interest	82	633
Allowance for impairment of loans granted	-	(4 394)
Exchange differences from the translation of a foreign operation	(243)	570
As at the end of the reporting period	**4 152**	**4 313**

The Group's unrecognised share in losses of Sierra Gorda S.C.M. for the first quarter of 2017 amounted to PLN 143 million, while as at 31 March 2017 the total amount was PLN 4 959 million (as at 31 December 2016: PLN 4 816 million).

amounts in PLN millions, unless otherwise stated

Note 4.6 Financial instruments

Categories of financial assets in accordance with IAS 39	1st quarter of 2017					2016				
	Available-for-sale	At fair value through profit or loss	Loans and financial receivables	Hedging instruments	Total	Available-for-sale	At fair value through profit or loss	Loans and financial receivables	Hedging instruments	Total
Non-current	677	28	5 081	134	**5 920**	577	41	5 243	196	**6 057**
Loans granted to joint ventures	-	-	4 152	-	**4 152**	-	-	4 313	-	**4 313**
Derivatives	-	28	-	134	**162**	-	41	-	196	**237**
Other financial instruments measured at fair value	677	-	-	-	**677**	577	-	-	-	**577**
Other financial assets	-	-	929	-	**929**	-	-	930	-	**930**
Current	62	2	2 000	76	**2 140**	56	-	2 295	72	**2 423**
Trade receivables	-	-	1 206	-	**1 206**	-	-	1 292	-	**1 292**
Derivatives	-	2	-	76	**78**	-	-	-	72	**72**
Cash and cash equivalents	-	-	624	-	**624**	-	-	860	-	**860**
Other financial assets	62	-	170	-	**232**	56	-	143	-	**199**
Total	**739**	**30**	**7 081**	**210**	**8 060**	**633**	**41**	**7 538**	**268**	**8 480**

Categories of financial liabilities in accordance with IAS 39	1st quarter of 2017				2016			
	At fair value through profit or loss	At amortised cost	Hedging instruments	Total	At fair value through profit or loss	At amortised cost	Hedging instruments	Total
Non-current	108	4 677	1 165	**5 950**	129	5 538	1 347	**7 014**
Borrowings	-	4 467	1 120	**5 587**	-	5 319	1 220	**6 539**
Derivatives	108	-	45	**153**	129	-	127	**256**
Other financial liabilities	-	210	-	**210**	-	219	-	**219**
Current	28	3 496	109	**3 633**	31	3 084	218	**3 333**
Borrowings	-	2 023	64	**2 087**	-	1 525	34	**1 559**
Derivatives	28	-	45	**73**	31	-	184	**215**
Trade payables	-	1 354	-	**1 354**	-	1 433	-	**1 433**
Other financial liabilities	-	119	-	**119**	-	126	-	**126**
Total	**136**	**8 173**	**1 274**	**9 583**	**160**	**8 622**	**1 565**	**10 347**

amounts in PLN millions, unless otherwise stated

The fair value hierarchy of financial instruments

Classes of financial instruments	1st quarter of 2017 level 1	1st quarter of 2017 level 2	2016 level 1	2016 level 2
Listed shares	683	-	577	-
Other financial assets	-	56	-	58
Derivatives, including:	-	14	-	(162)
Assets	-	240	-	309
Liabilities	-	(226)	-	(471)

The manner and technique for measuring financial instruments to fair value have not changed in comparison to the manner and technique for measurement as at 31 December 2016.
There was no transfer in the Group of financial instruments between individual levels of the fair value hierarchy, in either the reporting or the comparable periods, nor was there any change in the classification of instruments as a result of a change in the purpose or use of these instruments.

Note 4.7 Commodity, currency and interest rate risk management

In managing commodity, currency and interest rate risk, the scale and profile of activities of the Parent Entity and of the mining companies of the KGHM INTERNATIONAL LTD. Group is of the greatest significance for, and has the greatest impact on the results of the KGHM Polska Miedź S.A. Group.

The Parent Entity actively manages market risk by taking actions and making decisions in this regard within the context of the whole KGHM Polska Miedź S.A. Group's global exposure.

The primary technique used by the Group in market risk management is the use of hedging strategies involving derivatives. Natural hedging is also used. The Parent Entity applies hedging transactions, as understood by hedge accounting.

The impact of derivatives and hedging transactions on the items in the statement of profit or loss of the Group and on the items in the statement of comprehensive income is presented below:

Statement of profit or loss	Impact of derivatives and hedging transactions 1st quarter of 2017	Impact of derivatives and hedging transactions 1st quarter of 2016
Sales revenue	(4)	(4)
Other operating and finance income and costs:	57	44
On realisation of derivatives	4	1
On measurement of derivatives	53	43
Impact of derivatives on the financial result for the period	**53**	**40**
Statement of comprehensive income in the part concerning other comprehensive income		
Impact of hedging transactions	**151**	**58**
Impact of measurement of hedging transactions (effective portion)	147	54
Reclassification to sales revenues due to realisation of a hedged item	4	4
TOTAL COMPREHENSIVE INCOME	**204**	**98**

The management of market risk in the Parent Entity, and especially the management of the risk of changes in metals prices, exchange rates and interest rates, should be considered through an analysis of the hedging position together with the position being hedged (hedged position). A hedging position is understood as the Parent Entity's position in derivatives. A hedged position is comprised of highly probable, future cash flows (revenues from the physical sale of products).

The notional amount of copper price hedging strategies settled in the first quarter of 2017 represented approx. 26% of the total sales of this metal realised by the Parent Entity. Silver price hedging transactions represented approx. 8% of the total sales of this metal realised in the first quarter of 2017. However, in the case of currency transactions, approx. 30% of total revenues from metals sales realised by the Parent Entity during the period were hedged.

In the first quarter of 2017 the Parent Entity implemented copper price hedging transactions with a total notional amount of 31.5 thousand tonnes and a hedging horizon falling from April 2017 to December 2017. This hedging included the

amounts in PLN millions, unless otherwise stated

purchase of put options (Asian options). In the first quarter of 2017, there were no hedging transactions implemented for the silver, currency and interest rate markets.
With respect to managing currency risk, which arises from borrowings, the Parent Entity uses natural hedging by borrowing in currencies in which it has revenues. As at 31 March 2017, following their translation to PLN, the bank loans and the investment loan which were drawn in USD amounted to PLN 7 430 million (as at 31 December 2016: PLN 7 932 million).

As a result, as at 31 March 2017, the Parent Entity held a hedging position in derivatives for 115.5 thousand tonnes of copper (for the period from April 2017 to December 2018), 2.03 million ounces of silver (for the period from April 2017 to December 2017) as well as for planned revenues from sales of metals in the amount of USD 1 545 million (for the period from April 2017 to June 2019). Moreover, the Parent Entity held open derivatives transactions on the interest rate market for the years 2017-2019. In addition, natural hedging on the interest rates market included two instalments of the loan from the European Investment Bank (in the amounts of USD 300 million and USD 100 million) which were drawn based on a fixed interest rate. On 31 March 2017, the Parent Entity ended the hedging relationship of the first instalment of the loan granted by the European Investment Bank (in the amount of USD 300 million), which in 2014 was designated to hedge revenues from sales against the risk of changes in USD/PLN exchange rate for the period from October 2017 to October 2026. Pursuant to IAS 39, cumulative losses related to a hedging instrument which are recognised directly in other comprehensive income in the period in which the hedge was effective are under a separate item in other comprehensive income until the planned transactions occur, i.e. until the loan's principal instalments are repaid in the period from October 2017 to October 2026.

Some of the Group's Polish companies managed the currency risk related to their core business by opening transactions in derivatives on the currency market. The table of open transactions of Polish companies as at 31 March 2017 is not presented, due to its immateriality for the Group.

The condensed tables of open transactions in derivatives held by the Parent Entity on the copper, silver, currency and interest rate markets as at 31 March 2017 are presented below. The hedged notional amounts of transactions on copper and silver markets in the presented periods are allocated evenly on a monthly basis.

COPPER MARKET

	Instrument	Notional	Option strike price			Average weighted premium	Effective hedge price	Hedge limited to	Participation limited to
			Sold put option	Purchased put option	Sold call option				
		[tonnes]	[USD/t]	[USD/t]	[USD/t]	[USD/t]	[USD/t]	[USD/t]	[USD/t]
2nd quarter	Put option	10 500		4 800		-198	4 602		
	Put option	10 500		5 300		-194	5 106		
	Put option	10 500		5 800		-245	5 555		
3rd-4th quarter	Seagull	21 000	4 200	5 400	7 200	-230	5 170	4 200	7 200
	Put option	21 000		5 800		-245	5 555		
TOTAL IV-XII 2017		**73 500**							
1st half	Seagull	21 000	4 200	5 400	7 200	-230	5 170	4 200	7 200
2nd half	Seagull	21 000	4 200	5 400	7 200	-230	5 170	4 200	7 200
TOTAL 2018		**42 000**							

SILVER MARKET

	Instrument	Notional	Option strike price		Average weighted premium	Effective hedge price	Hedge limited to
			Sold put option	Purchased put option			
		[oz t million]	[USD/oz t]	[USD/oz t]	[USD/oz t]	[USD/oz t]	[USD/oz t]
2nd-4th quarter	Put spread	2.03	14.00	18.00	-1.48	16.52	14.00
TOTAL IV-XII 2017		**2.03**					

amounts in PLN millions, unless otherwise stated

CURRENCY MARKET

	Instrument	Notional [million USD]	Option strike price: Purchased put option [USD/PLN]	Option strike price: Sold call option [USD/PLN]	Average weighted premium [PLN per 1 USD]	Effective hedge price [USD/PLN]	Participation limited to [USD/PLN]
2nd-4th quarter	Collar	405	3.3500	4.0000	-0.0524	3.2976	4.0000
	Collar	270	3.5500	4.4000	-0.0482	3.5018	4.4000
	Collar	90	3.7500	4.5000	-0.0283	3.7217	4.5000
	TOTAL IV-XII 2017	**765**					
1st half	Collar	120	3.7500	4.5000	-0.0375	3.7125	4.5000
	Collar	180	3.8000	4.8370	-	3.8000	4.8370
2nd half	Collar	120	3.7500	4.5000	-0.0342	3.7158	4.5000
	Collar	180	3.8000	4.8370	-	3.8000	4.8370
	TOTAL 2018	**600**					
1st half	Collar	180	3.8000	4.8370	-	3.8000	4.8370
	TOTAL I-VI 2019	**180**					

INTEREST RATE MARKET

Instrument	Notional [million USD]	Option strike price [LIBOR 3M]	Average weighted premium [USD per USD 1 million hedged]	Average weighted premium [%]	Effective hedge price [LIBOR 3M]
Purchase of interest rate cap options, **QUARTERLY IN 2017**	700	2.50%	734	0.29%	2.79%
Purchase of interest rate cap options, **QUARTERLY IN 2018**	900	2.50%	734	0.29%	2.79%
Purchase of interest rate cap options, **QUARTERLY IN 2019**	1 000	2.50%	381	0.15%	2.65%
Purchase of interest rate cap options, **QUARTERLY IN 2020**	1 000	2.50%	381	0.15%	2.65%

As at 31 March 2017, the net fair value of open positions in derivatives of the Group (hedging, trade and embedded transactions) was positive and amounted to PLN 14 million (it was negative as at 31 December 2016 and amounted to PLN 162 million).

The fair value of hedging and trade transactions (including embedded instruments) of the Group which were open as at 31 March 2017 is presented in the tables below.

Hedging derivatives – open items as at the end of the reporting period

Type of derivative	1st quarter of 2017: Financial assets – Current	Financial assets – Non-current	Financial liabilities – Current	Financial liabilities – Non-current	Net total
Derivatives – Commodity contracts - Copper					
Purchased put options	31				**31**
Options – seagull	19	47	(5)	(25)	**36**
Derivatives – Commodity contracts - Silver					
Options – put spread	6				**6**
Derivatives – Currency contracts					
Options – collar USD	20	87	(39)	(20)	**48**
TOTAL HEDGING INSTRUMENTS	**76**	**134**	**(44)**	**(45)**	**121**

Hedging derivatives	Notional Copper [t] Silver [million troy ounces] Currency [USD million]	Avg. weighted price/exchange rate [USD/t] [USD/oz t] [USD/PLN]	Maturity/ settlement period From	To	Period of profit/loss impact From	To
Copper –purchased put options	52 500	5 500	Apr 17	Dec 17	May 17	Jan 18
Copper – seagull	63 000	5 400 – 7 200	Jul 17	Dec 18	Aug 17	Jan 19
Silver –put spread	2.025	18.00	Apr 17	Dec 17	May 17	Jan 18
Currency – collars	1 545	3.6277 - 4.4694	Apr 17	Jun 19	Apr 17	Jun 19

Trade derivatives – open items as at the end of the reporting period

Type of derivative	1st quarter of 2017 Financial assets Current	Non-current	Financial liabilities Current	Non-current	Net total
Derivatives – Commodity contracts - Copper					
Options – seagull			(2)	(7)	**(9)**
Derivatives – Currency contracts					
Options and USD and EUR forward/swap	2				**2**
Derivatives – interest rate					
Purchased interest rate cap options		28			**28**
Embedded derivatives					
Acid and water supply contracts			(27)	(101)	**(128)**
TOTAL TRADE INSTRUMENTS	**2**	**28**	**(29)**	**(108)**	**(107)**

All entities with which derivative transactions (excluding embedded derivatives) were entered into by the Group operated in the financial sector.

The following table presents the structure of ratings of the financial institutions with which the Group had derivatives transactions, representing an exposure to credit risk* (as at the end of the reporting period):

Rating level		1st quarter of 2017	2016
Medium-high	from A+ to A- according to S&P and Fitch, and from A1 to A3 according to Moody's	100%	100%

* *Weighed by positive fair value of open and unsettled derivatives*.

Taking into consideration the fair value of open derivative transactions entered into by the Group and the fair value of unsettled derivatives, as at 31 March 2017 the maximum single entity share of the amount exposed to credit risk arising from these transactions amounted to 32%, i.e. PLN 52 million (as at 31 December 2016: 32%, i.e. PLN 47 million).

Due to diversification of risk in terms of both the nature of individual entities and of their geographical location, as well as to cooperation with financial institutions with medium-high rating, the Group is not materially exposed to credit risk arising from derivatives' transactions entered into.

In order to reduce cash flows and at the same time to limit credit risk, the Parent Entity carries out net settlements (based on framework agreements entered into with its customers) to the level of the positive balance of fair value measurement of transactions in derivatives with a given counterparty.

Despite the concentration of credit risk associated with derivatives' transactions, the Parent Entity has determined that, due to its cooperation only with renowned financial institutions, as well as continuous monitoring of their ratings, it is not materially exposed to credit risk as a result of transactions concluded with them.

amounts in PLN millions, unless otherwise stated

Note 4.8 Liquidity risk and capital management

Liquidity and capital management policy

The Management Board of the Parent Entity is responsible for financial liquidity management in the Group and compliance with adopted policy. The Financial Liquidity Committee is a unit supporting the Management Board in this regard.

The management of financial liquidity in the Parent Entity is performed in accordance with the Financial Liquidity Management Policy approved by the Management Board. In KGHM INTERNATIONAL LTD. liquidity management principles are described in the Investment Policy.

Under the process of liquidity management, the Group utilises instruments which enhance its effectiveness. One of the primary instruments used by the Group is the Cash Pool service, managed both locally in PLN, USD and EUR and internationally in USD.

Capital management in the Group is aimed at securing funds for business development and maintaining the appropriate level of liquidity.

In order to maintain financial liquidity and the creditworthiness to acquire external financing at an optimum cost, the Group assumes the maintenance of the equity ratio, in the long-term, at a level of not less than 0.5, and the ratio of Net Debt/EBITDA at a level of up to 2.0.

Ratio	Calculation	1st quarter of 2017	2016
Net Debt/EBITDA*	Relation of net debt to EBITDA	1.4	1.6
Equity ratio	Relation of equity less intangible assets to total assets	0.4	0.4

** to calculate this ratio the adjusted EBITDA was assumed for the period of 12 months ending on the last day of the reporting period, excluding the EBITDA of the joint venture Sierra Gorda S.C.M.*

Net debt

	1st quarter of 2017	2016
Total debt – Borrowings and other sources of financing	**7 674**	**8 098**
Free cash and cash equivalents	618	836
Net debt	**7 056**	**7 262**

Open credit lines and loans and liabilities of the Group drawn under these borrowings

		1st quarter of 2017		2016
Type of bank and other loans	Available currency	Amount available, in PLN	Amount drawn, in PLN	Amount drawn, in PLN
Bilateral bank loans	USD, EUR, PLN	3 638	2 142	1 609
Unsecured revolving syndicated credit facility	USD	9 864	3 948*	4 809
Investment loan	USD, EUR, PLN	2 000	1 590	1 684
Total		**15 502**	**7 680**	8 102

** Presented amounts do not include the preparation fee paid which decreases financial liabilities due to bank loans*

amounts in PLN millions, unless otherwise stated

Contingent liabilities due to guarantees granted

Guarantees and letters of credit are an essential financial liquidity management tool of the Group, thanks to which the Group's companies and the Sierra Gorda S.C.M. mine do not have to use their cash in order to secure their liabilities towards other entities.

As at 31 March 2017, the Group held contingent liabilities due to guarantees and letters of credit granted in the total amount of PLN 1 769 million and due to promissory note liabilities in the amount of PLN 220 million.

The most significant items are contingent liabilities of the Parent Entity aimed at securing liabilities of:

a) Sierra Gorda S.C.M. – securing the performance of concluded agreements in the amount of PLN 1 210 million:

- a letter of credit of PLN 543 million granted as security for the proper performance of a long-term contract for the supply of electricity,
- PLN 255 million as corporate guarantees set as security on the payment of concluded lease agreements,
- PLN 412 million as corporate guarantees securing repayment of short-term working capital facilities of Sierra Gorda S.C.M,

b) other entities:

- securing the restoration costs of the Robinson mine, the Podolsky mine and the Victoria project and obligations related to proper execution of concluded agreements in the amount of PLN 414 million,
- securing the proper execution of future environmental obligations of the Parent Entity related to the obligation to restore terrain, following the conclusion of operations of the Żelazny Most tailings storage facility in the total amount of PLN 320 million (a bank guarantee of PLN 128 million and an own promissory note of PLN 192 million).

Note 4.9 Related party transactions

Operating income from related entities	1st quarter of 2017	1st quarter of 2016
Revenues from sales of products, merchandise and materials to a joint venture	25	25
Interest income on a loan granted to a joint venture	82	153
Revenues from other transactions with a joint venture	18	4
Revenues from other transactions with other related parties	6	11
	131	**193**

Purchases from related entities	1st quarter of 2017	1st quarter of 2016
Purchase of services, merchandise and materials from a joint venture	-	53
Purchase of services, merchandise and materials from other related parties	13	11
Other purchase transactions from other related parties	1	1
	14	**65**

Trade and other receivables from related parties	1st quarter of 2017	2016
From the joint venture Sierra Gorda S.C.M. (loans)	4 152	4 313
From the joint venture Sierra Gorda S.C.M. (other)	508	492
From other related parties	11	2
	4 671	**4 807**

Trade and other payables towards related parties	1st quarter of 2017	2016
Towards joint ventures	-	51
Towards other related parties	12	1
	12	**52**

In the current quarter, no individual transactions were identified between the Group and the Polish Government and entities controlled or jointly controlled by the Polish Government, or over which the Polish Government has significant influence, which would be considered as significant in terms of unusual scope and amount.

The remaining transactions, which were collectively significant, between the Group and the Polish Government and with entities controlled or jointly controlled by the Polish Government, or over which the Polish Government has significant influence, were within the scope of normal, daily economic operations, carried out at arm's length.

These transactions concerned the following:
- the purchase of materials and services to meet the needs of current operating activities (fuel, energy, transport services). In the period from 1 January 2017 to 31 March 2017, the turnover from these transactions amounted to PLN 204 million (from 1 January 2016 to 31 March 2016: PLN 190 million), and, as at 31 March 2017, the unsettled balance of liabilities from these transactions amounted to PLN 276 million (as at 31 December 2016: PLN 294 million),
- sales to Polish State Treasury Companies. In the period from 1 January 2017 to 31 March 2017, the turnover from these sales amounted to PLN 18 million (from 1 January 2016 to 31 March 2016: PLN 17 million), and, as at 31 March 2017, the unsettled balance of receivables from these transactions amounted to PLN 10 million (as at 31 December 2016: PLN 8 million).

Remuneration of the Supervisory Board of the Parent Entity (in PLN thousands)	**1st quarter of 2017**	**1st quarter of 2016**
Remuneration due to service in the Supervisory Board, salaries and other current employee benefits	484	469

Remuneration of the Management Board of the Parent Entity (in PLN thousands)	**1st quarter of 2017**	**1st quarter of 2016**
Salaries and other current employee benefits, of which:	**2 231**	**2 670**
Remuneration of the Management Board	2 231	1 744
Remuneration during the employment termination period	-	926
Benefits due to termination of employment	912	-
Total	**3 143**	**2 670**

Remuneration of other key managers (in PLN thousands)

	1st quarter of 2017	**1st quarter of 2016**
Salaries and other current employee benefits	1 210	1 054

Based on the definition of key management personnel according to IAS 24 and based on an analysis of the rights and scope of responsibilities of managers of the Group arising from corporate documents and from management contracts, the members of the Board of Directors of KGHM INTERNATIONAL LTD. and the President of the Management Board of KGHM INTERNATIONAL LTD. were recognised as other key managers of the Group.

amounts in PLN millions, unless otherwise stated

Note 4.10 Assets and liabilities not recognised in the statement of financial position

The value of contingent assets and liabilities and other liabilities not recognised in the statement of financial position were determined based on estimates.

	1st quarter of 2017	Increase/(decrease) since the end of the last financial year
Contingent assets		
Guarantees received	210	(42)
Promissory notes receivables	116	8
Other	234	40
Total contingent assets	**560**	**6**
Contingent liabilities		
Guarantees, including:	1 769	(18)
a letter of credit granted to secure the proper performance of a long-term contract for the supply of electricity for the joint venture Sierra Gorda S.C.M.	543	(32)
corporate guarantees granted to additionally secure the proper performance of leasing agreements entered into by the joint venture Sierra Gorda S.C.M.	255	(22)
corporate guarantees granted to additionally secure the repayment of a short-term working capital facility obtained by the joint venture Sierra Gorda S.C.M.	412	(25)
letters of credit securing the proper performance of future environmental obligations by KGHM INTERNATIONAL LTD. to restore the area following the conclusion of operations of the Robinson mine, Podolsky mine and the Victoria project and obligations related to the proper performance of concluded agreements	414	27
a guarantee granted to secure the proper performance of future environmental obligations of the Parent Entity to restore the area following the conclusion of operations of the Żelazny Most tailings storage facility	128	32
A promissory note liability securing the proper performance of future environmental obligations of the Parent Entity to restore the area following the conclusion of operations of the Żelazny Most tailings storage facility	192	(32)
Liabilities due to implementation of projects and inventions	92	1
Other	257	13
Total contingent liabilities	**2 310**	**(36)**
Other liabilities not recognised in the statement of financial position		
Liabilities towards local government entities due to expansion of the Żelazny Most tailings storage facility	120	-
Liabilities due to operating leases	51	(7)
Total other liabilities not recognised in the statement of financial position	**171**	**(7)**

amounts in PLN millions, unless otherwise stated

5 – Additional information to the consolidated quarterly report

Note 5.1 Effects of changes in the organisational structure of the KGHM Polska Miedź S.A. Group

There were no significant changes in the Group's structure in the first quarter of 2017.

Note 5.2 Seasonal or cyclical activities

The Group is not affected by seasonal or cyclical activities.

Note 5.3 Information on the issuance, redemption and repayment of debt and equity securities

There was no issuance, redemption or repayment of debt and equity securities in the Group in the current quarter.

Note 5.4 Information related to paid (declared) dividend, total and per share

As at the date of preparation of these consolidated financial statements, the Management Board of the Parent Entity has not made decision regarding the recommendation of payment of dividend for 2016.

Note 5.5 Other information to the consolidated quarterly report

Position of the Management Board with respect to the possibility of achieving previously-published forecasts of results for 2017, in the light of results presented in this consolidated quarterly report relative to forecasted results

KGHM Polska Miedź S.A. has not published a forecast of financial results for 2017.

Shareholders holding at least 5% of the total number of votes at the General Meeting of KGHM Polska Miedź S.A. as at the date of publication of this consolidated quarterly report, changes in the ownership structure of significant blocks of shares of KGHM Polska Miedź S.A. in the period since publication of the separate and consolidated annual reports for 2016

As at the date of preparation of this report, according to information held by KGHM Polska Miedź S.A., the following shareholders were owning at least 5% of the total number of votes at the General Meeting of KGHM Polska Miedź S.A.:

- the State Treasury - 63 589 900 shares of KGHM Polska Miedź S.A., representing 31.79% of the share capital and the same number of votes at the General Meeting of KGHM Polska Miedź S.A. (based on a notification dated 12 January 2010);
- Nationale-Nederlanden Otwarty Fundusz Emerytalny (managed by Nationale-Nederlanden Powszechne Towarzystwo Emerytalne S.A.) - 10 104 354 shares of KGHM Polska Miedź S.A., representing 5.05% of the share capital and the same number of votes at the General Meeting of KGHM Polska Miedź S.A. (based on a notification dated 18 August 2016).

As far as the Parent Entity is aware, this structure has not changed since the publication of the separate and consolidated annual reports for 2016.

Ownership of KGHM Polska Miedź S.A.'s shares or of rights to them by members of the management and supervisory boards of KGHM Polska Miedź S.A., as at the date of publication of the consolidated quarterly report. Changes in ownership during the period following publication of the separate and consolidated annual reports for 2016

Members of the Parent Entity's Management Board

Based on information held by KGHM Polska Miedź S.A., as at the date of preparation of this report no Member of the Parent Entity's Management Board held shares of KGHM Polska Miedź S.A. or rights to them. The aforementioned state did not change since the publication of the separate and consolidated annual reports for 2016.

Members of the Parent Entity's Supervisory Board

Based on information held by KGHM Polska Miedź S.A., the number of KGHM Polska Miedź S.A.'s shares or rights to them owned by the Members of the Parent Entity's Supervisory Board as at the date of preparation of this report was as follows:

function	name	number of shares as at the date of preparation of the report for the first quarter of 2017
Member of the Supervisory Board	Józef Czyczerski	10
Member of the Supervisory Board	Leszek Hajdacki	1

Based on information held by KGHM Polska Miedź S.A., as at the date of preparation of this report other Members of the Parent Entity's Supervisory Board did not hold shares of KGHM Polska Miedź S.A. or rights to them. The aforementioned state did not change since the publication of the separate and consolidated annual reports for 2016.

List of proceedings before courts, arbitration authorities or public administration authorities

As at 31 March 2017, the total value of on-going proceedings before courts, arbitration authorities or public administration authorities respecting liabilities and debt of KGHM Polska Miedź S.A. and its subsidiaries did not represent at least 10% of the equity value of KGHM Polska Miedź S.A.

Information on single or multiple transactions entered into with related entities by KGHM Polska Miedź S.A. or a subsidiary thereof, if they were entered into under other than arm's length conditions

During the period from 1 January 2017 to 31 March 2017, neither KGHM Polska Miedź S.A. nor its subsidiaries entered into transactions with related entities under other than arm's length conditions.

Information on guarantees or collateral on bank and other loans granted by KGHM Polska Miedź S.A. or its subsidiaries – jointly to a single entity or subsidiary thereof, if the total amount of existing guarantees or collaterals amounts to at least 10% of the equity value of KGHM Polska Miedź S.A.

During the period from 1 January 2017 to 31 March 2017, neither KGHM Polska Miedź S.A. nor its subsidiaries granted guarantees or collateral on bank and other loans to any single entity or subsidiary thereof with a total value representing at least 10% of the equity value of KGHM Polska Miedź S.A.

Other information which in the opinion of KGHM Polska Miedź S.A. is significant for the assessment of its employment, assets, financial position and financial result and any changes thereto, and information which is significant for assessing the ability to pay its liabilities

In the first quarter of 2017 there were no other significant events, apart from those mentioned in the commentary to the report, which could have a significant impact on the assessment of assets, financial position and financial result of the Group, and any changes thereto, or any events significant for the assessment of the employment situation and the ability to pay its liabilities.

Factors, which in the opinion of KGHM Polska Miedź S.A., will impact the results of the Group over at least the following quarter

The most significant factors influencing the KGHM Polska Miedź S.A. Group's results, in particular over at least the following quarter, are:

- the USD/PLN exchange rate;
- copper, silver and molybdenum market prices;
- electrolytic copper production costs, in particular due to the minerals extraction tax and the value of purchased copper-bearing materials used; and
- effects of the implemented hedging policy.

Note 5.6 Subsequent events

There were no subsequent events up to the date of publication of this report.

Part 2 – Quarterly financial information of KGHM Polska Miedź S.A.

INTERIM STATEMENT OF PROFIT OR LOSS

	1st quarter of 2017	1st quarter of 2016
Sales revenue	3 896	2 979
Cost of sales	(2 655)	(2 355)
Gross profit	**1 241**	**624**
Selling costs and administrative expenses	(176)	(165)
Profit on sales	**1 065**	**459**
Other operating income and (costs)	(270)	(162)
Finance income and (costs)	309	235
Profit before income tax	**1 104**	**532**
Income tax expense	(299)	(162)
PROFIT FOR THE PERIOD	**805**	**370**
Weighted average number of ordinary shares (million)	**200**	**200**
Basic and diluted earnings per share (in PLN)	**4.03**	**1.85**

INTERIM STATEMENT OF COMPREHENSIVE INCOME

	1st quarter of 2017	1st quarter of 2016
Profit for the period	**805**	**370**
Measurement of hedging instruments net of the tax effect	123	47
Measurement of available-for-sale financial assets net of the tax effect	81	65
Other comprehensive income which will be reclassified to profit or loss	**204**	**112**
Actuarial losses net of the tax effect	(164)	(40)
Other comprehensive income which will not be reclassified to profit or loss	**(164)**	**(40)**
Total other comprehensive net income	**40**	**72**
TOTAL COMPREHENSIVE INCOME	**845**	**442**

amounts in PLN millions, unless otherwise stated

INTERIM STATEMENT OF CASH FLOWS

	1st quarter of 2017	1st quarter of 2016
Cash flow from operating activities		
Profit before income tax	1 104	532
Depreciation/amortisation recognised in profit or loss	239	214
Interest on loans granted	(96)	(78)
Interest and other costs of borrowings	38	23
Impairment loss on non-current assets	-	57
Other adjustments to profit before income tax	274	(362)
Exclusions of income and costs, total	455	(146)
Income tax paid	(414)	(75)
Changes in working capital	(598)	127
Net cash generated from operating activities	**547**	**438**
Cash flow from investing activities		
Expenditures on mining and metallurgical assets	(603)	(812)
Expenditures on other property, plant and equipment and intangible assets	(8)	(8)
Loans granted	-	(198)
Other expenses	(44)	(39)
Total expenses	(655)	(1 057)
Proceeds	4	4
Net cash used in investing activities	**(651)**	**(1 053)**
Cash flow from financing activities		
Proceeds from borrowings	761	1 044
Repayments of borrowings	(733)	(325)
Interest and other costs of borrowings	(36)	(22)
Total expenses	(769)	(347)
Net cash generated from/(used in) financing activities	**(8)**	**697**
TOTAL NET CASH FLOW	**(112)**	**82**
Cash and cash equivalents at the beginning of the period	482	158
Exchange gains/(losses) on cash and cash equivalents	(25)	21
Cash and cash equivalents at the end of the period	**345**	**261**

amounts in PLN millions, unless otherwise stated

INTERIM STATEMENT OF FINANCIAL POSITION

	1st quarter of 2017	2016
ASSETS		
Mining and metallurgical property, plant and equipment	14 542	14 379
Mining and metallurgical intangible assets	526	507
Mining and metallurgical property, plant and equipment and intangible assets	15 068	14 886
Other property, plant and equipment	72	77
Other intangible assets	23	24
Other property, plant and equipment and intangible assets	95	101
Investments in subsidiaries and joint ventures	2 002	2 002
Loans granted	6 996	7 310
Derivatives	162	237
Other financial instruments measured at fair value	676	576
Other financial assets	346	320
Financial instruments, total	8 180	8 443
Other non-financial assets	25	22
Deferred tax assets	129	140
Non-current assets	**25 499**	**25 594**
Inventories	3 472	2 726
Trade receivables	750	676
Tax assets	148	188
Derivatives	76	72
Other assets	258	362
Cash and cash equivalents	345	482
Current assets	**5 049**	**4 506**
	30 548	**30 100**
EQUITY AND LIABILITIES		
Share capital	2 000	2 000
Other reserves from measurement of financial instruments	8	(196)
Accumulated other comprehensive income	(407)	(243)
Retained earnings	15 144	14 339
Equity	**16 745**	**15 900**
Borrowings	5 480	6 423
Derivatives	51	149
Employee benefits liabilities	1 877	1 683
Provisions for decommissioning costs of mines and other technological facilities	845	761
Other liabilities	219	229
Non-current liabilities	8 472	9 245
Borrowings	2 041	1 509
Derivatives	46	189
Trade payables	1 298	1 372
Employee benefits liabilities	736	628
Tax liabilities	452	636
Other liabilities	758	621
Current liabilities	5 331	4 955
Non-current and current liabilities	**13 803**	**14 200**
	30 548	**30 100**

amounts in PLN millions, unless otherwise stated

INTERIM STATEMENT OF CHANGES IN EQUITY

	Share capital	Other reserves from measurement of financial instruments	Accumulated other comprehensive income	Retained earnings	Total equity
As at 1 January 2016	**2 000**	**(103)**	**(342)**	**18 724**	**20 279**
Profit for the period	-	-	-	370	**370**
Other comprehensive income	-	112	(40)	-	**72**
Total comprehensive income	-	112	(40)	370	**442**
As at 31 March 2016	**2 000**	**9**	**(382)**	**19 094**	**20 721**
As at 1 January 2017	**2 000**	**(196)**	**(243)**	**14 339**	**15 900**
Profit for the period	-	-	-	805	**805**
Other comprehensive income	-	204	(164)	-	**40**
Total comprehensive income	-	204	(164)	805	**845**
As at 31 March 2017	**2 000**	**8**	**(407)**	**15 144**	**16 745**

amounts in PLN millions, unless otherwise stated

Explanatory notes to the statement of profit or loss

Note 1 Expenses by nature

	1st quarter of 2017	1st quarter of 2016
Depreciation of property, plant and equipment and amortisation of intangible assets	269	243
Employee benefits expenses	751	698
Materials and energy, including:	1 371	1 400
Purchased metal-bearing materials	853	885
Electrical and other energy	167	198
External services, including:	353	329
Transport	52	51
Repairs, maintenance and servicing	98	81
Mine preparatory work	104	105
Minerals extraction tax	466	293
Other taxes and charges	107	97
Other costs	20	19
Total expenses by nature	**3 337**	**3 079**
Cost of merchandise and materials sold (+)	56	34
Change in inventories of finished goods and work in progress (+/-)	(534)	(561)
Cost of manufacturing products for internal use (-)	(28)	(32)
Cost of sales, selling costs and administrative expenses, including:	**2 831**	**2 520**
Cost of sales	2 655	2 355
Selling costs	26	25
Administrative expenses	150	140

Note 2 Other operating income and (costs)

	1st quarter of 2017	1st quarter of 2016
Measurement and realisation of derivatives	153	144
Interest on loans granted	96	79
Fees and charges on re-invoicing of bank guarantees costs securing payments of liabilities	20	7
Other	15	21
Total other income	**284**	**251**
Measurement and realisation of derivatives	(83)	(14)
Impairment loss on available-for-sale financial assets	-	(57)
Exchange differences on assets and liabilities other than borrowings	(425)	(306)
Other	(46)	(36)
Total other costs	**(554)**	**(413)**
Other operating income and (costs)	**(270)**	**(162)**

amounts in PLN millions, unless otherwise stated

Note 3 Finance income and (costs)

	1st quarter of 2017	1st quarter of 2016
Exchange differences on borrowings	369	275
Total income	**369**	**275**
Interest on borrowings	(29)	(13)
Bank fees and charges on borrowings	(7)	(10)
Measurement of derivatives	(13)	(8)
Other	(11)	(9)
Total costs	**(60)**	**(40)**
Finance income and (costs)	**309**	**235**

Lubin, 27 October 2017