

Preliminary production and sales data of the KGHM Polska Miedź S.A. Group for March 2020

The following report contains preliminary monthly data – the final quarterly production and sales results will be published in the consolidated report for the first quarter of 2020. Data of the KGHM Polska Miedź S.A. Group contain the results of Sierra Gorda reflecting the 55% share held by KGHM Polska Miedź S.A.

In the period January to March 2020, the production and sales volumes of copper, silver and molybdenum were essentially in line with the budget targets for this period. The targets with respect to precious metals (production and sales) were substantially exceeded.

In the case of molybdenum, production decreased as compared to the volume recorded in the corresponding period of 2019 due to the production plan of Sierra Gorda, which foresees mining in zones with a lower content of this metal.

The coronavirus pandemic did not have a significant impact on the production results of the Group. As a result of the threat related to COVID-19, the companies of the KGHM Group are taking preventative actions aimed at reducing the risk of infection amongst employees and subcontractors, as well as the risk of potential restrictions to production as a result of eventual production shutdowns.

According to information published yesterday by The Silver Institute, in 2019 KGHM had the second-largest output amongst global silver producers. The report also mentioned that the Group's assets in Poland form the largest silver producing mine in the world.

Results of the KGHM Group in March 2020 - y/y:

Production and sales of the KGHM Group	March 2020	March 2019	I - III 2020	I - III 2019
Production				
Payable copper (kt)	60.4	60.3	174.1	172.7
- including KGHM Polska Miedź S.A.*	48.3	49.1	141.0	141.7
Payable silver (t)	126.7	128.7	334.9	324.6
TPM (koz t)	20.2	17.4	51.5	45.1
Molybdenum (mn lbs)	0.2	1.1	1.8	3.2
Sales				
Copper (kt)	57.4	63.9	165.1	167.0
Silver (t)	163.3	122.0	351.7	329.1
TPM (koz t)	25.3	17.3	58.9	44.8
Molybdenum (mn lbs)	0.4	1.1	2.8	3.6

* Production of electrolytic copper

Production of the KGHM Group:

- **Production of payable copper amounted to 60.4 thousand tonnes**, or the same level compared to production in the corresponding month of 2019, alongside higher production by Sierra Gorda (+42%) with decreases in KGHM Polska Miedź S.A. (-2%) and KGHM INTERNATIONAL LTD. (-19%).
- **Production of silver amounted to 126.7 tonnes** – a decrease by 2%, due to lower production of silver in concentrate by KGHM Polska Miedź S.A.
- **Production of TPM amounted to 20.2 thousand troy ounces**, or an increase by 16% compared to the level recorded a year earlier, due to the processing by KGHM Polska Miedź S.A. of purchased concentrates with higher gold content.
- **Production of molybdenum amounted to 0.2 million pounds**, meaning a substantial decrease compared to March 2019 due to the lower content of this metal in the ore processed by Sierra Gorda.

Sales of the KGHM Group:

- **Sales of payable copper amounted to 57.4 thousand tonnes** and were lower by 6.5 thousand tonnes (-10%) compared to sales of copper in March 2019. The main reason was lower sales of this metal by KGHM Polska Miedź S.A.
- **Sales of silver amounted to 163.3 tonnes** and were higher by 41.3 tonnes compared to sales in March 2019 (+34%). The increase was due to sales of silver from the production assets in Poland.
- **Sales of TPM amounted to 25.3 thousand troy ounces** and were higher by 8.0 thousand troy ounces (+46%) compared to the corresponding period of 2019. This result was mainly due to higher sales of gold in March 2020 by KGHM Polska Miedź S.A.
- **Sales of molybdenum amounted to 0.4 million pounds** and were lower by 0.7 million pounds (-64%) than the level recorded in March 2019. The main reason was the decrease in molybdenum sales by the Sierra Gorda mine.

Results of KGHM Polska Miedź S.A. in March 2020 - y/y:

Production and sales of KGHM Polska Miedź S.A.	March 2020	March 2019	I - III 2020	I - III 2019
Mine production:				
Copper in concentrate (kt)	34.3	34.2	99.1	99.2
Silver in concentrate (t)	106.8	106.3	312.0	311.5
Metallurgical production:				
Electrolytic copper (kt)	48.3	49.1	141.0	141.7
- including from own concentrate	38.6	35.0	103.0	104.2
Metallic silver (t)	124.5	127.5	329.2	321.0
TPM (koz t)	10.6	7.8	25.2	19.8
Sales				
Copper (kt)	46.9	53.5	132.2	134.9
Silver (t)	161.0	121.0	345.2	325.3
TPM (koz t)	15.9	8.1	30.5	20.3

Production of KGHM Polska Miedź S.A.:

- **Production of copper in concentrate amounted to 34.3 thousand tonnes** and was at a similar level compared to March 2019.
- **Production of silver in concentrate amounted to 106.8 tonnes** and was at a similar level compared to March 2019.
- **Production of electrolytic copper amounted to 48.3 thousand tonnes** and was lower by 0.8 thousand tonnes (-2%) compared to March 2019.
- The decrease in production of electrolytic copper was due to the setting aside of anodes (produced mainly from own concentrate production), which will be used in the third quarter of 2020 during a 10-week maintenance shutdown at the Głogów I Copper Smelter and Refinery.
- **Production of metallic silver amounted to 124.5 tonnes** and was lower by 3.0 tonnes (-2%) compared to March 2019. The slightly lower production of metallic silver is derivative of the scale of production of silver in concentrate.
- **Production of TPM (metallic gold) amounted to 10.6 thousand troy ounces** and was higher by 2.8 thousand troy ounces (+36%) compared to March 2019. The higher gold production was due to a higher amount of metal-bearing materials purchased and processed, with a higher content of this metal.

Sales of KGHM Polska Miedź S.A.:

- **Sales of copper amounted to 46.9 thousand tonnes** and were lower by 6.6 thousand tonnes compared to the level of sales achieved in March 2019 (-12%). Such a divergence nevertheless remains consistent with the long-term sales plan. From a quarterly perspective the result was very similar to the level of sales achieved in the corresponding period of 2019 (-2%) and was in line with the pace of electrolytic copper production in the Company (-1%). The coronavirus pandemic did not have a significant impact on the quarterly volume of copper sales, although in March the Company had to deal with substantial logistical challenges in delivering our products due to the restrictions in movement imposed in European countries and to the prolonged time involved in operations in Chinese ports.
- **Sales of silver amounted to 161.0 tonnes** and were higher by 40 tonnes compared to sales in March 2019 (+33%). The increase was due to the schedule of deliveries agreed with customers in 2020 and to slightly higher production in the entire first quarter of 2020. In order to reduce logistical costs, sales of silver exported from Poland are usually made in single parties of approx. 20 tonnes. This means however, that any increase or decrease in the number of shipments by a single shipment has a great impact on the sales dynamic in the comparable time period.
- **Sales of TPM amounted to 15.9 thousand troy ounces** and were higher by 7.8 thousand troy ounces (+96%) compared to sales in March 2019. The difference was mainly due to higher gold production in March 2020. In that month there was also a large export shipment. Similarly as in the case of silver shipments, exported shipments of gold are usually made in larger, single parties (usually no less than 200 kg).

Results of KGHM INTERNATIONAL LTD. in March 2020 - y/y:

Production and sales of KGHM INTERNATIONAL LTD.	March 2020	March 2019	I - III 2020	I - III 2019
Production				
Payable copper (kt)	5.0	6.2	14.1	16.3
TPM (koz t)	6.8	7.4	17.8	17.9
Molybdenum (mn lbs)	0.04	0.10	0.18	0.20
Sales				
Copper (kt)	5.3	6.5	18.1	17.9
TPM (koz t)	7.0	7.4	21.2	17.2
Silver (t)	0.7	0.1	2.1	0.3
Molybdenum (mn lbs)	0.089	0.160	0.2	0.2

Production of KGHM INTERNATIONAL LTD.:

- **Production of copper amounted to 5.0 thousand tonnes** and was lower by 1.2 thousand tonnes (-19%) compared to March 2019. Payable copper production decreased in all of the mines, with the exception of the Carlota mine. The reasons for this lower copper production were as follows:
 - Sudbury Basin (by 0.7 thousand tonnes): lower extraction due to a focus on extracting ore from a TPM-rich zone,
 - Franke mine (by 0.4 thousand tonnes): mainly due to lower recovery, caused by a high carbonates content in extracted ore, and lower soluble copper content in ore,
 - Robinson mine (by 0.2 thousand tonnes): mainly due to lower recovery caused by high zinc content and clays in the ore, as well as to lower copper content in processed material.
- **Production of TPM amounted to 6.8 thousand troy ounces** and was lower by 0.6 thousand troy ounces (-8%) compared to March 2019. The lower production of precious metals was due both to lower TPM production by the Sudbury Basin (by 0.3 thousand troy ounces – lower extraction due to overestimation of TPM grade), as well as to lower gold production by the Robinson mine (by 0.3 thousand troy ounces – lower recovery caused by high zinc content in the ore).
- **Production of molybdenum amounted to 0.04 million pounds** and was lower by 0.06 million pounds (-60%) than the amount recorded in March 2019 due to lower molybdenum content in ore and to lower recovery of this metal, caused by high clay content in the ore.

Sales of KGHM INTERNATIONAL LTD.:

- **Sales of copper amounted to 5.3 thousand tonnes** and were lower by 1.2 thousand tonnes (-18%) compared to sales in March 2019. The main reason was lower sales of payable copper in ore from the Sudbury Basin (caused both by the lower production of this metal as well as to a lower volume of ore sales) and of copper from Robinson concentrate (due to lower copper content in extracted material).
- **Sales of TPM amounted to 7.0 thousand troy ounces** and were lower by 0.4 thousand troy ounces (-5%) compared to the corresponding period of 2019. Sales of TPM contained in Robinson concentrate and in ore from the Sudbury Basin were slightly lower, which in both cases was due to lower TPM content in material sold: gold in concentrate and platinum and palladium in ore.
- **Sales of silver amounted to 0.7 tonnes** and were higher by 0.6 tonnes compared to March 2019. Such a significant difference was due to the adjustment in March 2019 of the provisional amount of silver in Robinson concentrate in previous shipments.
- **Sales of molybdenum amounted to 0.089 million pounds** and were lower by 0.071 million pounds (-44%) than sales in the corresponding period of 2019, as a result of lower production and of the schedule of deliveries agreed with the customer.

Results of Sierra Gorda S.C.M. in March 2020 - y/y:

Production and sales of Sierra Gorda (on a 55% basis)	March 2020	March 2019	I - III 2020	I - III 2019
Production				
Payable copper (kt)	7.1	5.0	19.0	14.7
Molybdenum (mn lbs)	0.2	1.0	1.6	3.0
Payable silver (t)	2.2	1.2	5.7	3.6
TPM (koz t)	2.8	2.2	8.5	7.4
Sales				
Copper (kt)	5.2	4.0	14.8	14.3
Molybdenum (mn lbs)	0.3	1.0	2.6	3.4
Silver (t)	1.6	0.9	4.4	3.5
TPM (koz t)	2.4	1.8	7.2	7.3

Production of Sierra Gorda (55%):

- **Production of payable copper amounted to 7.1 thousand tonnes** and were higher by 2.1 thousand tonnes (+42%) compared to March 2019.
- The increase in payable copper production, both in the period January - March 2020 as well as in the month of March, was due to higher ore throughput as well as to higher copper content in extracted ore compared to the corresponding period of 2019.
- **Production of molybdenum amounted to 0.2 million pounds** and was lower by 0.8 million pounds (-80%) compared to March 2019.
- The decrease in molybdenum production in March and in the period January - March 2020 was due to lower molybdenum content in ore as compared to the corresponding period of 2019. The impact of this factor on the production results during this period was partially offset by the higher volume of processed ore.

Sales of Sierra Gorda (55%):

- **Sales of copper amounted to 5.2 thousand tonnes** and were higher by 1.2 thousand tonnes compared to sales in March 2019 (+30%). This was due to a higher (by approx. 10 thousand tonnes dry weight) volume of copper concentrate sold in March 2020 (on a 100% basis), thanks to the increase in payable copper production.
- **Sales of molybdenum amounted to 0.3 million pounds** and were lower by 0.7 million pounds (-70%) compared to sales in March 2019. The volume of sales of molybdenum reflect the schedule of processing molybdenum concentrate and the return of molybdenum oxides designated for sale as well as the planned and achieved level of molybdenum production by the Sierra Gorda mine.
- **Sales of silver amounted to 1.6 tonnes** and were higher by 0.7 tonnes (+78%).
- **Sales of TPM amounted to 2.4 thousand troy ounces** and were higher by 0.6 thousand troy ounces (+33%). The increase in silver and TPM sales was due to the higher volume of copper concentrate sold and the higher content of these metals in the material sold.