Information on the results of the conducted tests for impairment

For purposes of the work conducted, the recoverable amount of international mining assets of the KGHM Polska Miedź S.A. Group was set based on an analysis of the discounted cash flow generated by individual assets, and took into consideration among others the current forecasts of pricing paths for individual commodities and the reviewed technical and economic assumptions as regards mine lives, metals production volumes, reserves and resources, operating costs and the level of capital expenditures.

The price path for copper was set based on internal macroeconomic assumptions developed with the use of long-term forecasts available from financial and analytical institutions. A detailed forecast is being prepared for the period 2018 – 2022, while for subsequent years a long-term metal price forecast of 6 614 USD/t (3.00 USD/lb) is being used, which has not changed as compared to the long-term price adopted for conducting testing as at 31 December 2016.

Following are the major technical and economic assumptions applied to individual assets:

Robinson	Assumptions for the test as at 31 December 2017	Assumptions for the test as at 31 December 2016
Mine life (years)	7	5
Copper production during mine life (kt)	371	212
Average operating margin during mine life	39%	33%
Capital expenditures to be incurred during mine life (mn USD)	557	194

The key factors responsible for the modification of forecasted assumptions regarding the Robinson mine arise from the change in projected metals prices and the review of technical and economic assumptions of the mine's operating plans conducted in 2017, which allowed us to include the Ruth West 5 deposit in the mine's operating plan.

Sudbury (Morrison and Victoria)	Assumptions for the test as at 31 December 2017	Assumptions for the test as at 31 December 2016
Mine life (years)	18	18
Copper production during mine life (kt)	282	292
Average operating margin during mine life	57%	61%
Capital expenditures to be incurred during mine life (mn USD)	1 619	1 563

The key factors responsible for the change in the recoverable amount of assets of the Sudbury Basin mines are, above all, the updating of the multi-year plan of the Morrison mine. As a result of the review of technical and economic assumptions of the mine's operating plans conducted in 2017, the deposit mining sequence significantly changed which has resulted in:

- a change in the production volumes of individual metals,
- an extension of the mine life, and
- an increase of capital expenditures.

With respect to the Victoria project, the production volumes and mine life (14 years) are similar to the ones in the impairment testing conducted by the Company as at 31 December 2016. The key factors responsible for the change in the recoverable amount arise from the reassessment of capital expenditures and operating costs of the project.

Ajax	Assumptions for the test as at 31 December 2017	Assumptions for the test as at 31 December 2016
Mine life (years)	19	19
Copper production during mine life (kt)	1 005	1 005
Average operating margin during mine life	40%	40%
Capital expenditures to be incurred during mine life (mn USD)	1 629	1 629

The key factor responsible for the change in the recoverable amount of the Ajax project is the decision issued on 13 December 2017, according to which the Minister of Environment and the Minister of Energy, Mines and Petroleum Resources of British Columbia (provincial government) have decided against the issuance of an Environmental Assessment Certificate for the project. Currently, the matter is being considered by Canada's federal government.

The provincial government's decision resulted in the application of a higher discount rate in the discounted cash flows model and – in accordance with prudent valuation principles – in the adoption of the value of real estate held by KGHM Ajax as an upper limit when determining the recoverable amount of KGHM Ajax's assets.

With respect to the separate financial statements of KGHM Polska Miedź S.A. for the financial year ended 31 December 2017, the tests carried out indicated justification to recognise an impairment loss in the amount of PLN 900 million, of which: PLN 295 million due to an impairment of the carrying amount of the interest in a holding company Future 1 Sp. z o.o. which indirectly owns 100% of KGHM International Ltd. and PLN 605 million due to an impairment of the carrying amount of loans granted to the companies within the KGHM Polska Miedź S.A. Group.

With respect to the consolidated financial statements of KGHM Polska Miedź S.A. for the financial year ended 31 December 2017, the tests carried out have shown the following results, including the tax effect (amounts in USD together with their equivalents in PLN at the average exchange rate of the National Bank of Poland as at 29 December 2017):

1. an impairment loss in the amount of USD 118.3 mn (PLN 411.8 mn) due to an impairment of the carrying amount of the assets of the Sudbury Basin mines;

2. an impairment loss in the amount of USD 64 mn (PLN 222.8 mn) due to an impairment of the carrying amount of the assets of KGHM Ajax.

3. a reversal of a part of the impairment loss recognised in previous years, in the amount of USD 92.7 mn (PLN 322.7 mn) on the Robinson mine's assets.

There was no basis to change the carrying amounts of the rest of the international mining assets.

The total impact of impairment testing carried out on the consolidated financial results of the Group amounts to USD 89.6 million (PLN 311.9 million).

The conducted verification of the recoverable amount of the international mining assets is of a non-cash nature and has no impact on the liquidity of the KGHM Polska Miedź S.A. Group.

The amounts presented above are estimates and are subject to change. The final results of the testing will be presented in the separate and consolidated financial statements for 2017, the publication of which is planned for 15 March 2018.

Legal basis: Art. 17 (1) of MAR (Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse (market abuse regulation) and repealing Directive 2003/6/EC of the European Parliament and of the Council and Commission Directives 2003/124/EC, 2003/125/EC and 2004/72/EC (Official Journal of the European Union dated 12 June 2014, no. L 173/1)