



KGHM
POLSKA MIEDŹ S.A.

Budget for 2009 and Company results in 2008

February 2009



Budget for 2009

Contents

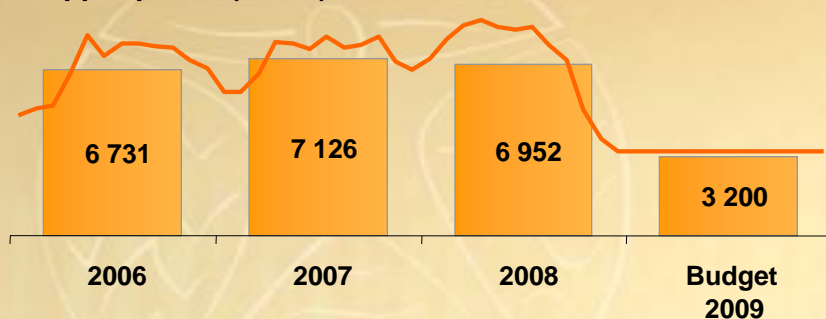
- ***Business goals***
- ***Macroeconomic assumptions***
- ***Production plan assumptions***
- ***Investment plans***
- ***Budget forecast for 2009***

Business goals

BUSINESS GOAL	BUDGET 2009
Realisation of Company Strategy	1. Ensure resources to realise strategic projects in a weak copper market
Core Business Productivity	2. Realisation of operating activities whose goal is to maintain liquidity and profitability 3. Maintain the level of the unit copper production cost from internal charges at that of 2008 (given increases in energy costs and decreases in production) 4. Maintain the scale of preparatory mining work 5. Expenditures on tangible investments
Diversification	6. Expenditures on equity investments Purchase of foreign mining assets Investments in power generation

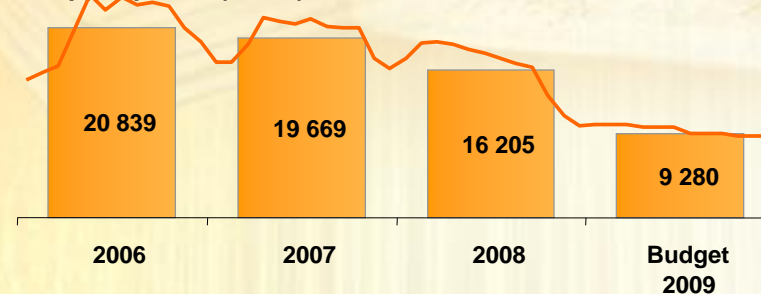
Macroeconomic assumptions

Copper prices (USD/t)



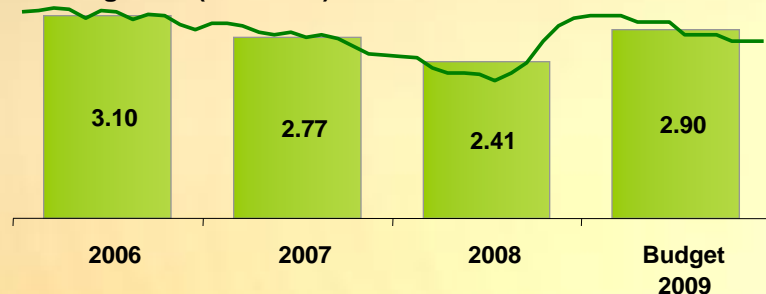
- Continuation of crisis on copper market in 2009

Copper prices (PLN/t)



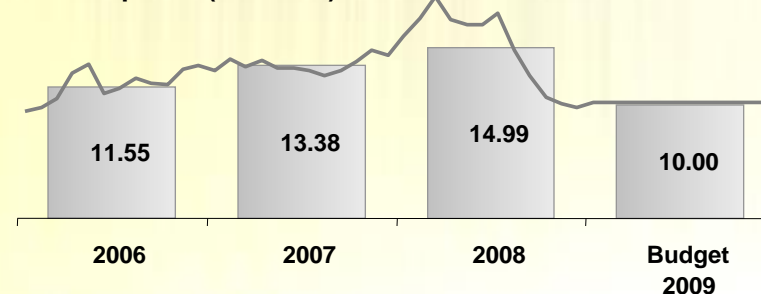
- The negative impact of low copper prices might be partially offset by depreciation of the PLN

Exchange rate (USD/PLN)



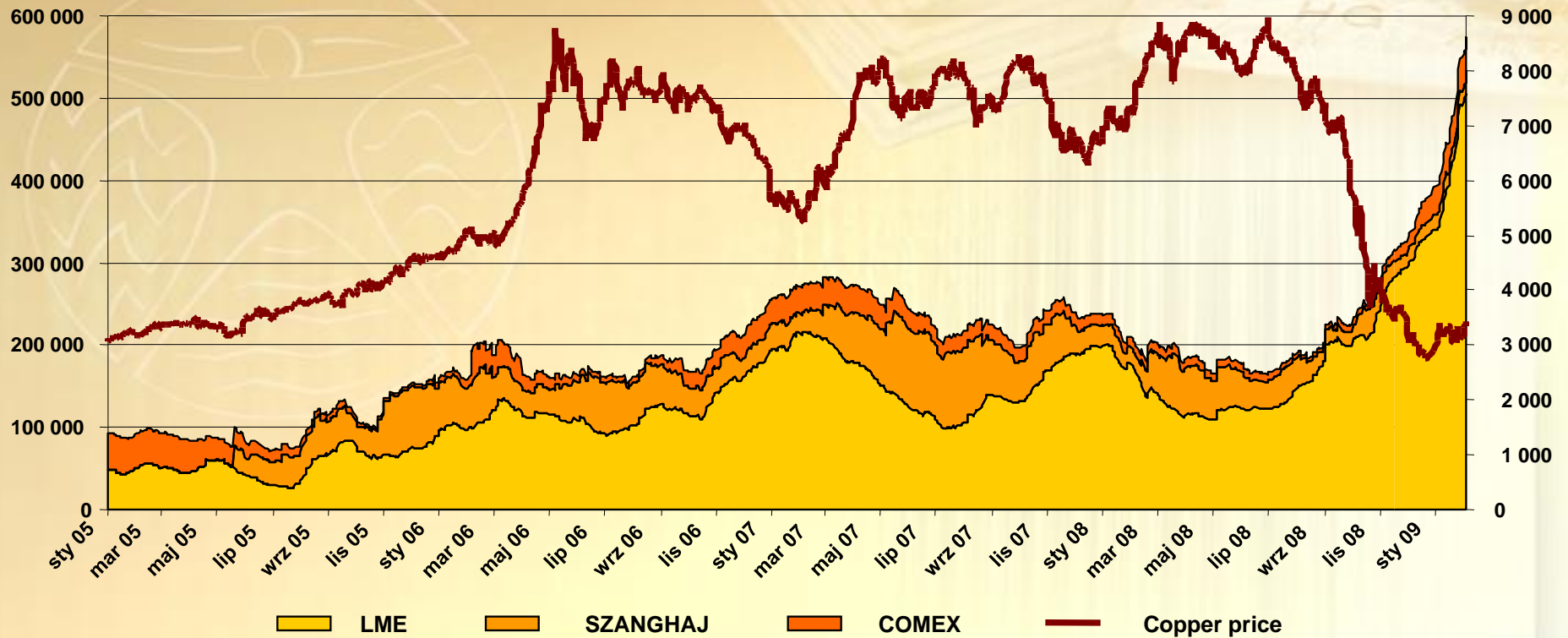
- The global downturn and increased risk aversion cause weakening of emerging market currencies, including the PLN

Silver prices (USD/troz)



- As on the copper market, silver prices remain at a lower level than in prior years

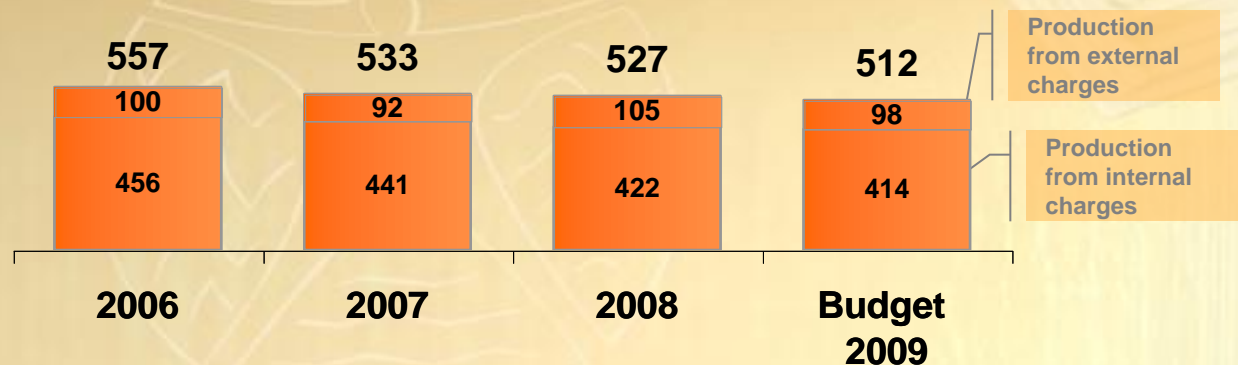
Copper market



- The highest level of copper inventories in five years is reflected in copper prices
- The clear slowdown in Chinese demand and the fall in demand for copper in other regions suggest a clear increase in world inventories
- The surplus in the copper market may be partially decreased by the production cutbacks announced by copper producers

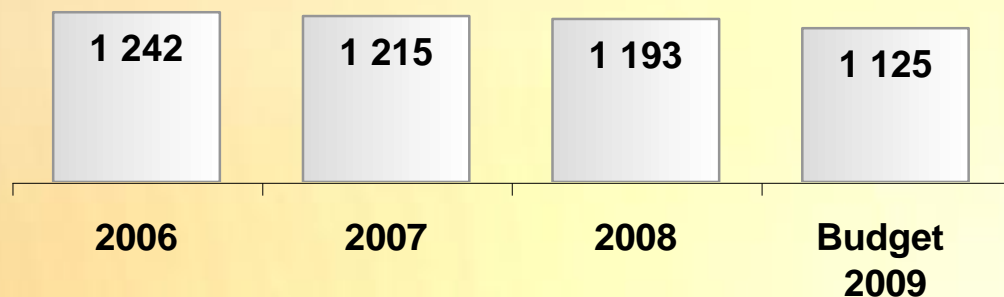
Production plan

Electrolytic copper ('000 t)



➤ **Production decreased by 2.8% (14.5 '000 t)**

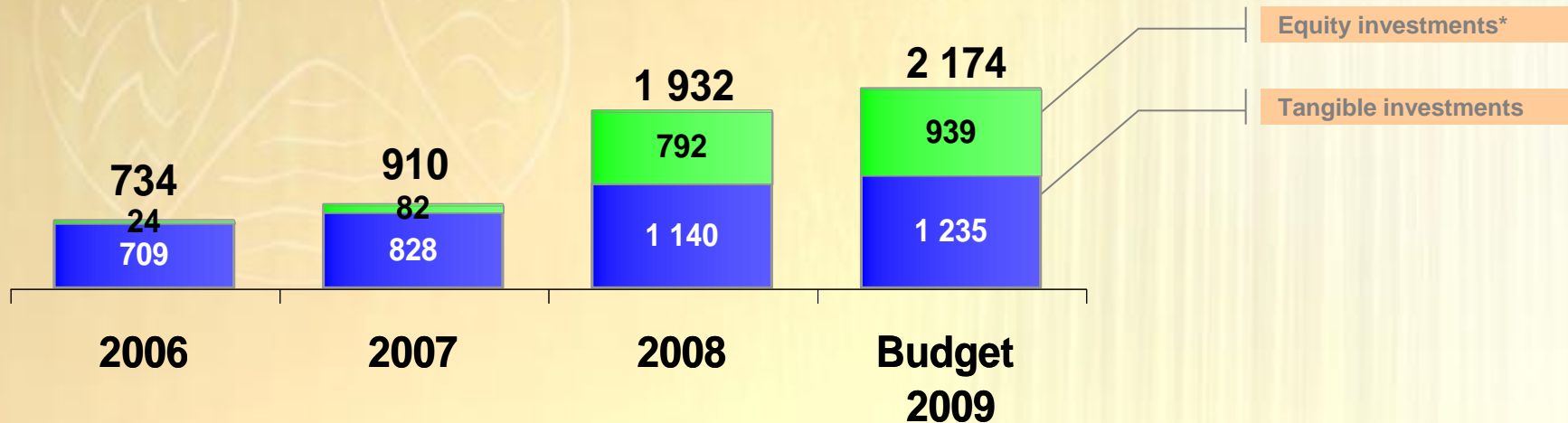
Metallic silver (t)



➤ **Metallic silver production decreased by 5.7% (68 t)**

Investment expenditures (mln PLN)

Tangible and equity investments



By realising the tangible investment plan, the Company will achieve the following goals:

- Production effects in the form of replacing worn assets and long-term continuation of production from domestic resources (technical infrastructure in new mining regions)
- Improved productivity through realisation of projects leading to lower core business costs
- Additional revenues from new production

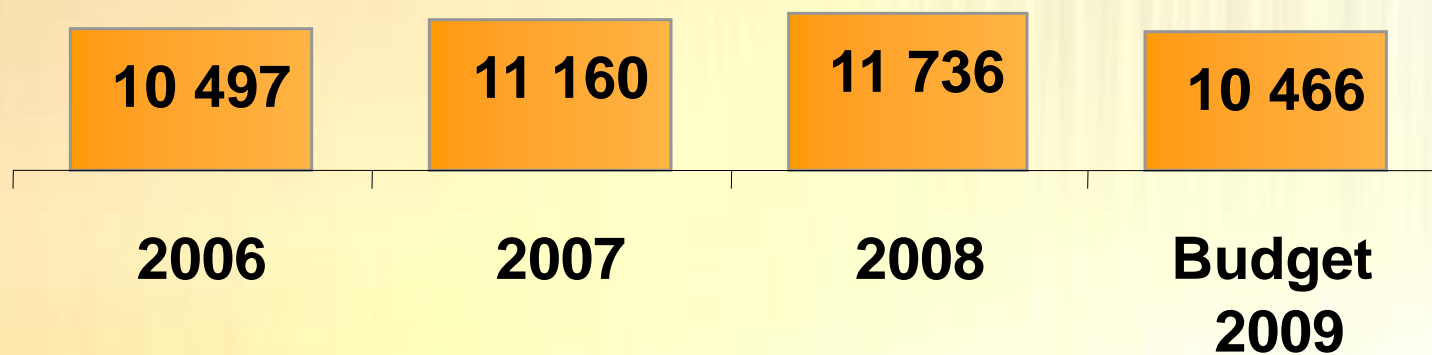


Budget forecasts for 2009

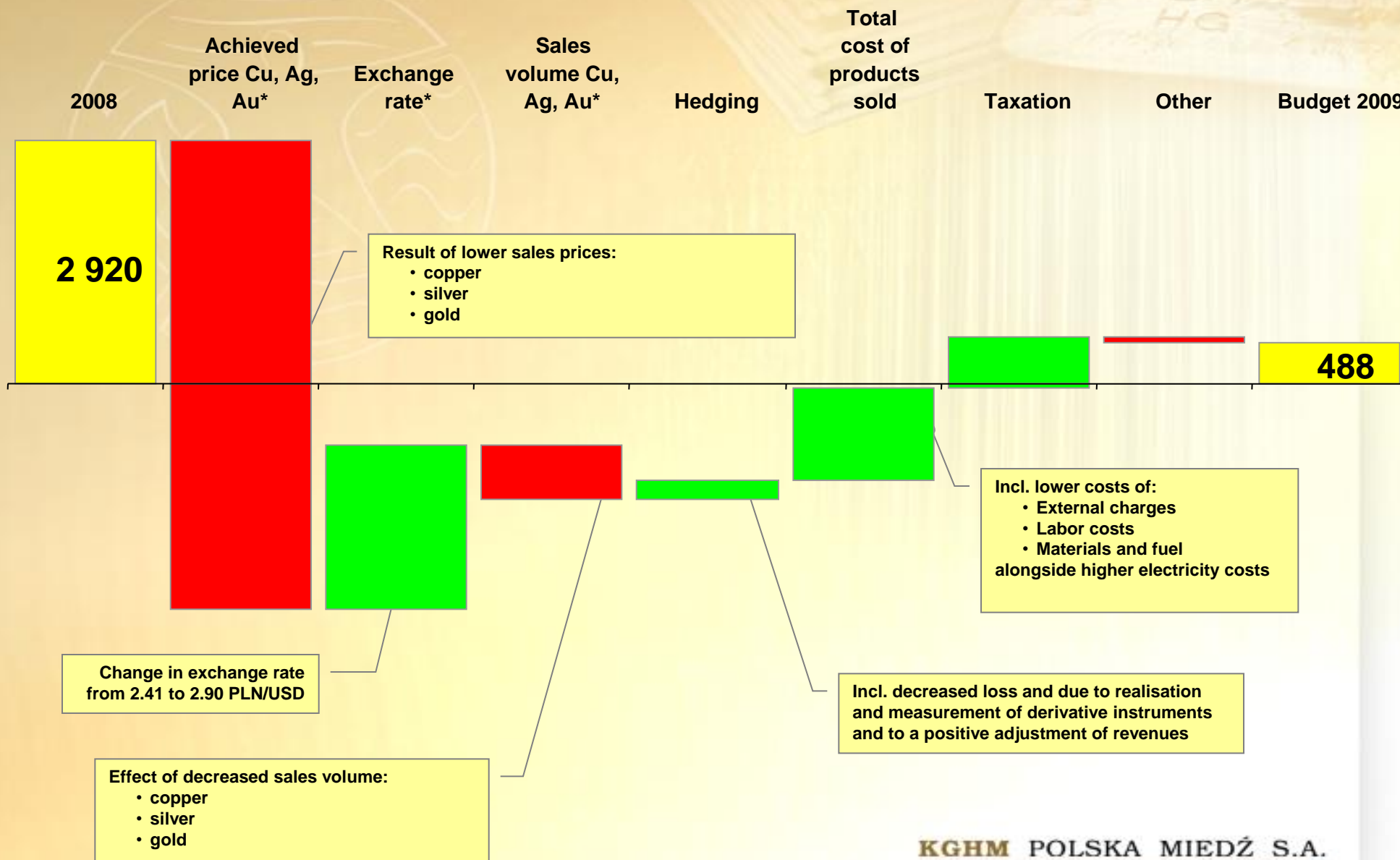
Financial forecasts - agenda

- ***Unit costs***
- ***Financial results***
- ***Sensitivity***
- ***Basic economic indicators***
- ***Proposed profit distribution***

Unit cost - total

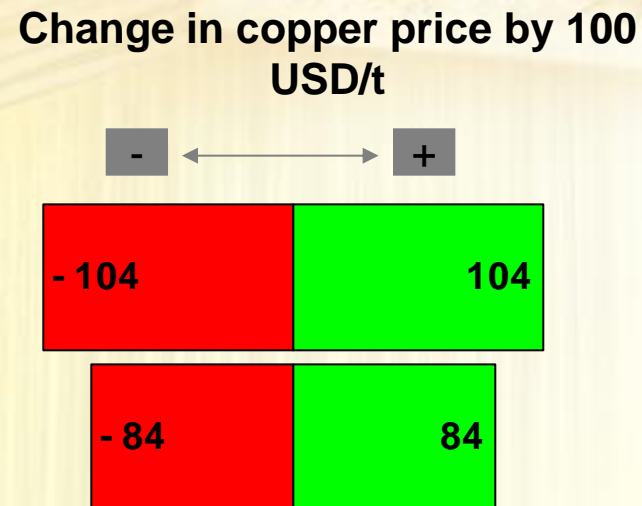
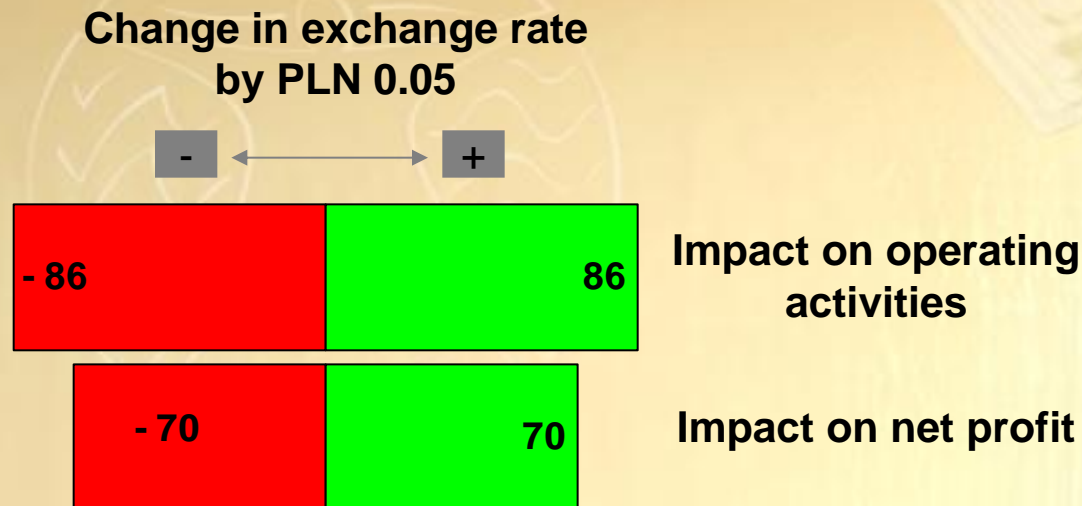


Change in financial result (m PLN)



* Impact on revenues

Sensitivity *(m PLN)*



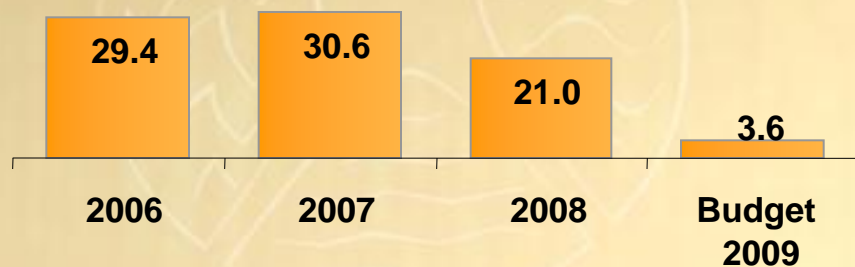
Sensitivity analysis includes:

- changes in the sales value of Company products,
- changes in the adjustment of operating revenues due to transactions hedging Cu, Ag prices and exchange rate
- change in the value of external copper scrap, copper concentrate and blister copper
- changes in gains/losses from the sale of investments (hedging transactions) in other operating income/costs

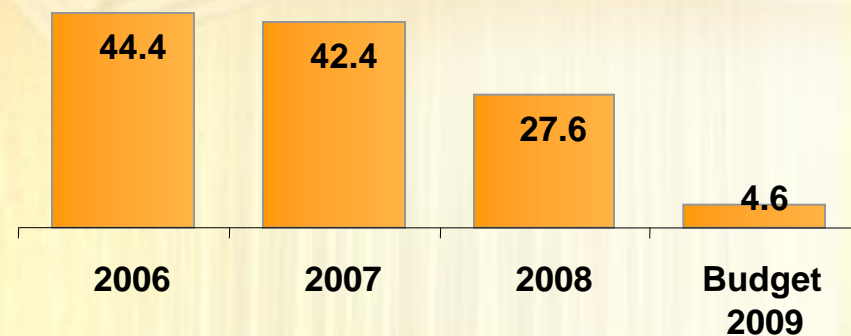
Due to the use of options, it cannot be assumed that changes in results related to changes in prices and exchange rates will be a linear function

Basic economic indicators

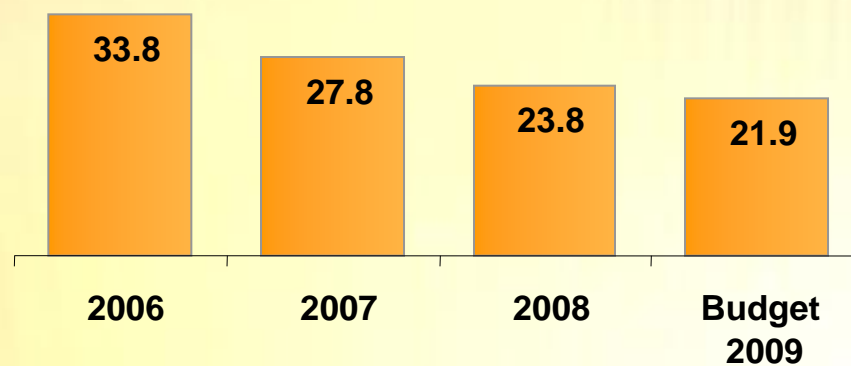
ROA (%)



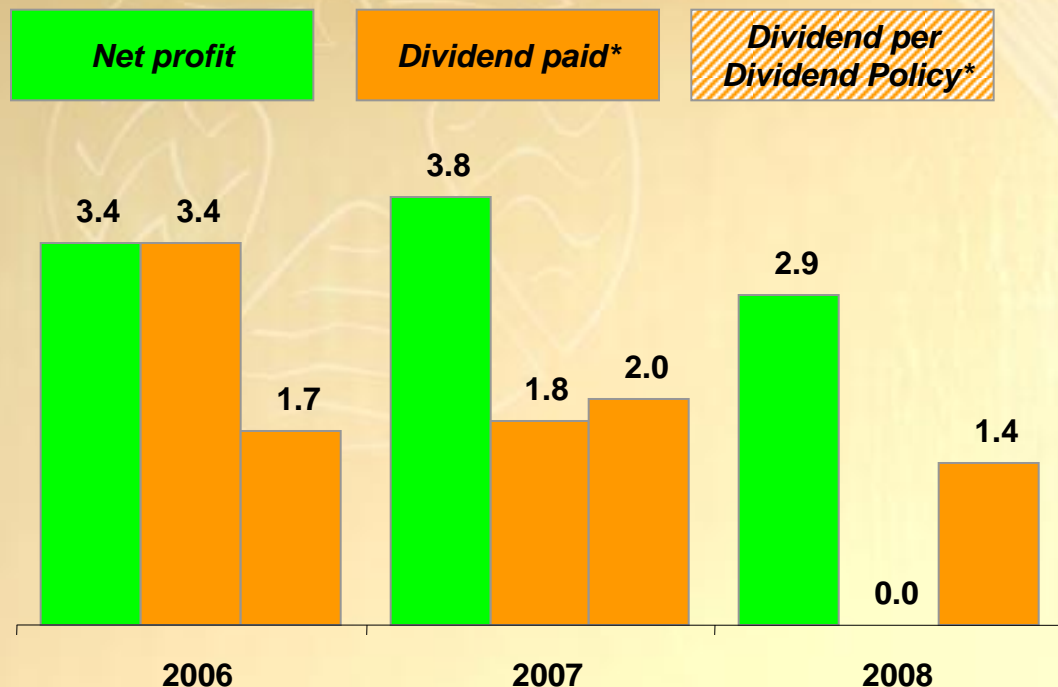
ROE (%)



Debt ratio (%)



Proposed profit distribution (b PLN)



- For the years 2006-2007 the Company paid a total of PLN 5.2 billion PLN
- According to the Dividend Policy the dividend paid during this period should have been PLN 3.7 billion
- The difference between the actual dividend paid and the theoretical amount per the Dividend Policy is PLN 1.5 billion

The Management Board recommends that profit for 2008 be used to finance the primary investment program

* Dividend for financial year – paid in subsequent year



Company results in 2008

- **Consolidated financial result for 2008**
- **Macroeconomic conditions**
- **Production results**
- **Financial results**
- **Market risk management**
- **Unit cost**
- **Realisation of 2008 Budget**
- **Realisation of investment plan**
- **Cash flow**

Consolidated financial result for 2008 (m PLN)

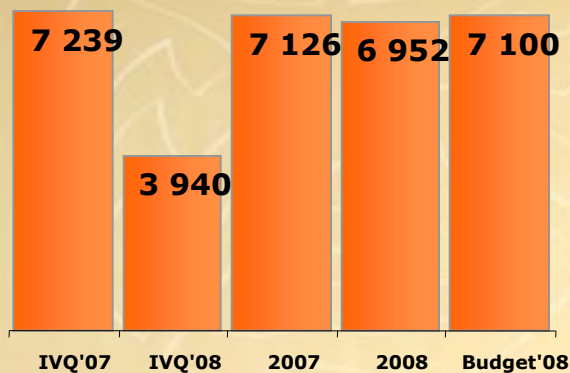
	Consolidated results		Parent results	
	2007	2008	2008	
Sales	13 494	12 655	11 303	89%
Operating costs	8 526	9 493	7 911	
Net profit on sales	4 968	3 162	3 392	
Result of other operating activities	(441)	25	204	
Operating profit	4 527	3 186	3 596	113%
Net financing cost	(35)	(57)	(43)	
Share in profits of associates valued by the equity method	265	268	x	
Profit before tax	4 757	3 396	3 554	
Taxation	821	631	633	
Profit for the period	3 936	2 766	2 920	106%
<i>EBITDA</i>	5 124	3 868	4 078	105%

Share of Parent in consolidated results

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Macroeconomic conditions

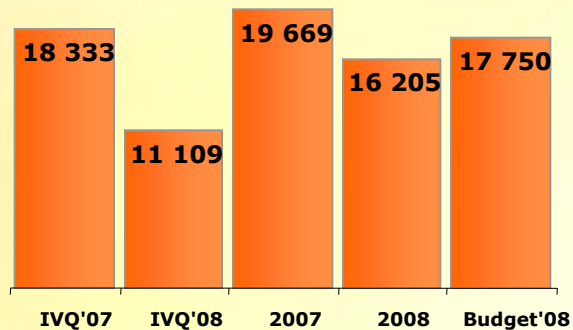
Copper price
USD/t



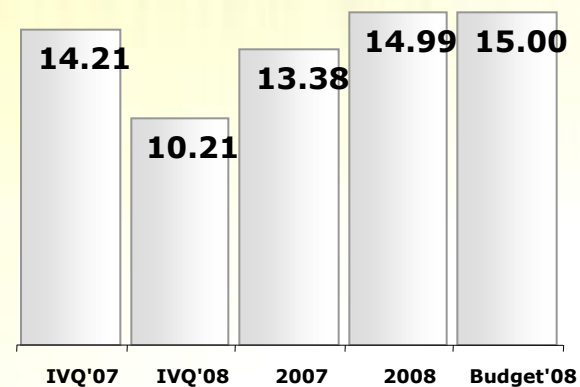
Exchange rate
USD/PLN



Copper price
PLN/t

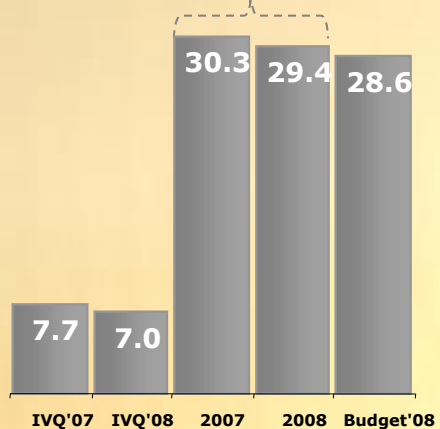


Silver price
USD/troz

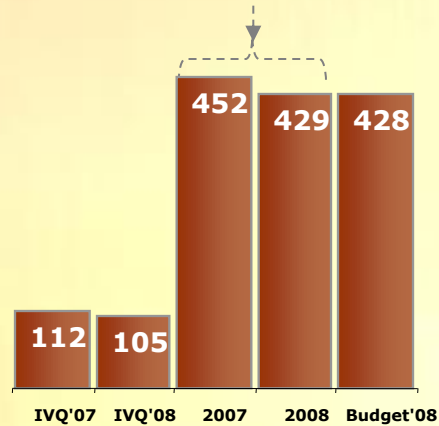


Production results

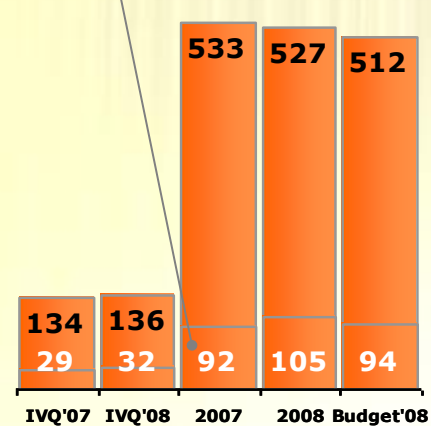
**Ore extraction
(m t d.w.)**



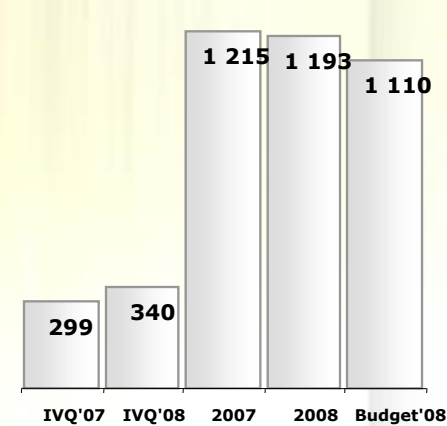
**Copper production
in concentrate
(`000 t)**



**Electrolytic copper
production
(`000 t)**



**Metallic silver
production
(t)**



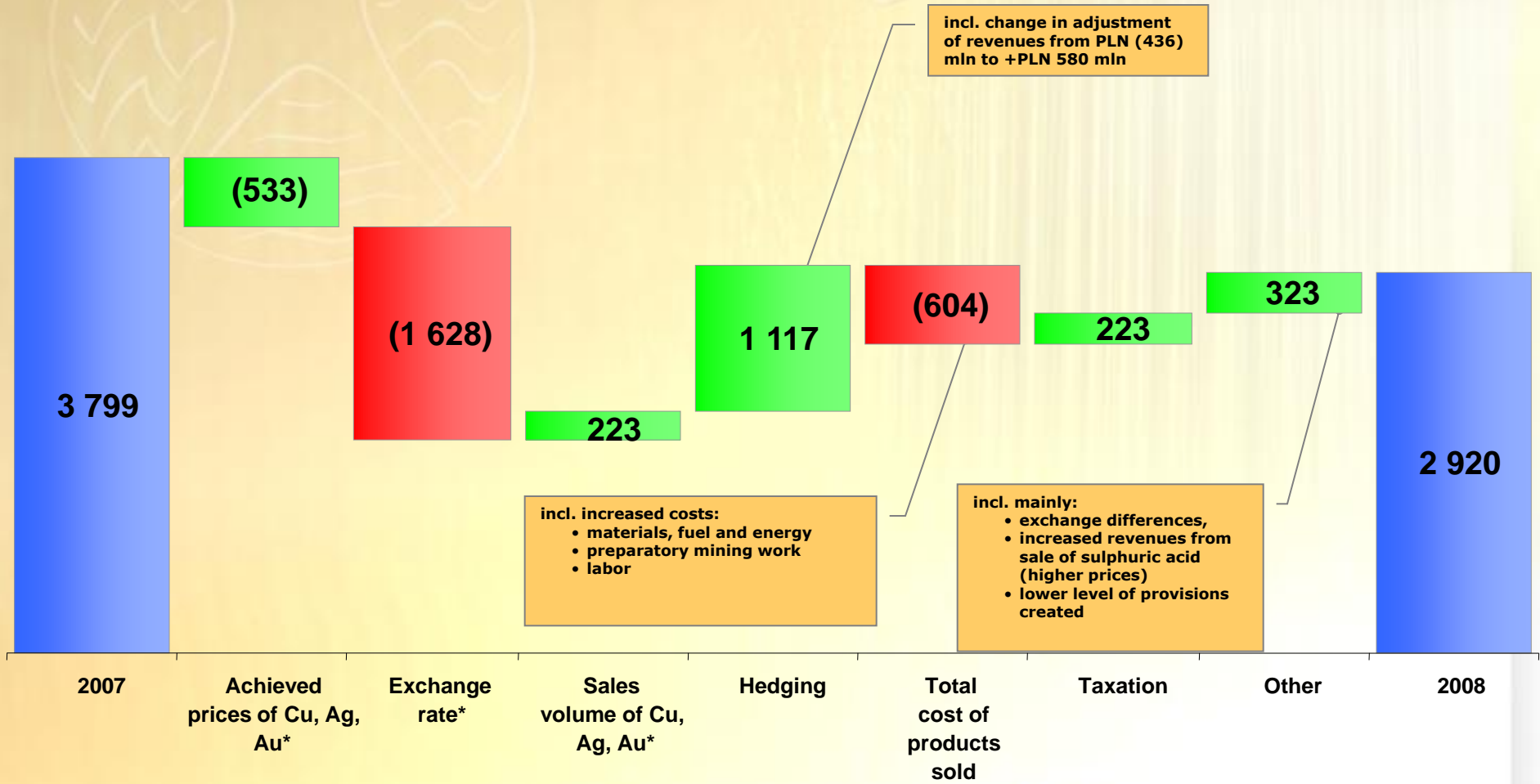
Decrease in copper content in ore from 1.67% to 1.64%

Financial results (m PLN)

	IVQ'07	IVQ'08	2007	2008	Budget 2008
Sales	2 912	2 552	12 183	11 303	11 193
<i>incl. adjustment of revenues due to hedging transactions</i>	115	569	-436	580	9
Operating costs	1 879	2 117	7 303	7 911	7 816
Net profit on sales	1 033	435	4 880	3 392	3 376
Result of other operating activities	(47)	71	(198)	204	205
Operating profit	987	506	4 682	3 596	3 582
Result on financing activities	(6)	(14)	(27)	(43)	(27)
Profit before tax	980	492	4 656	3 554	3 555
Taxation	188	104	857	633	651
Profit for the period	792	388	3 799	2 920	2 904
<i>EBITDA</i>	1 095	638	5 101	4 078	4 077

Financial results (m PLN)

Profit for the period lower by PLN 879 m than in 2007



* Impact on sales

Market risk management

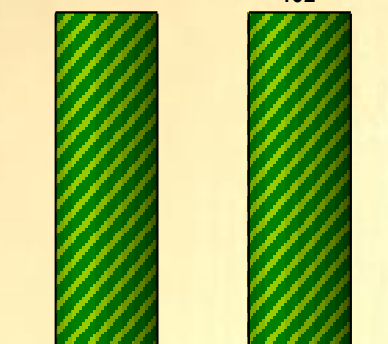
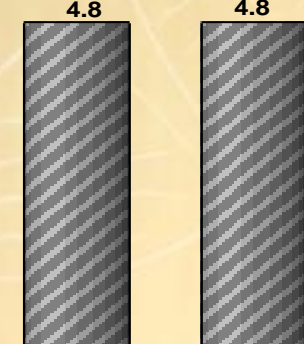
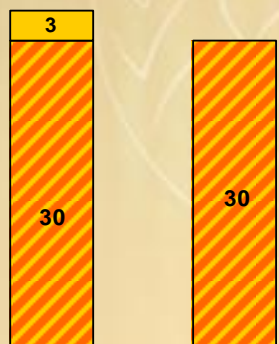
Hedging by segment

(at 31 December 2008)

Cu ('000 t)

Ag (mln troz)

USD (mln)



Bought put options 6 200*

Options cost structure:

bought put options 7 300*

sold call options 9 000*

*avg. USD/t strike price

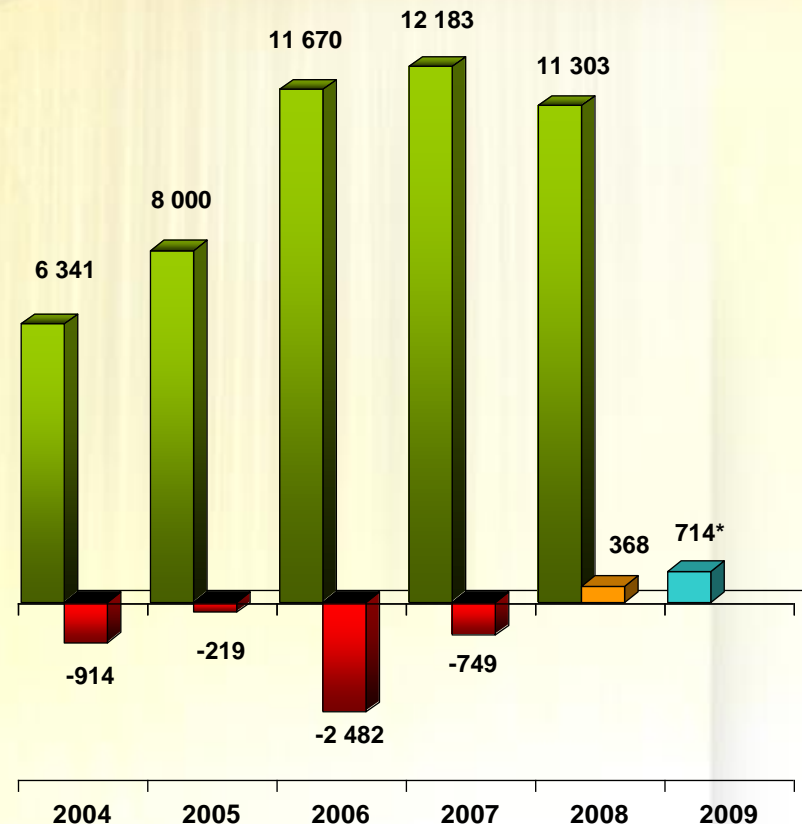
Bought put options 12.0*

*avg. USD/troz strike price

Bought put options:

average weighted hedge:
2.43 USD/PLN

Results on hedging transactions and Company revenues (mln PLN)

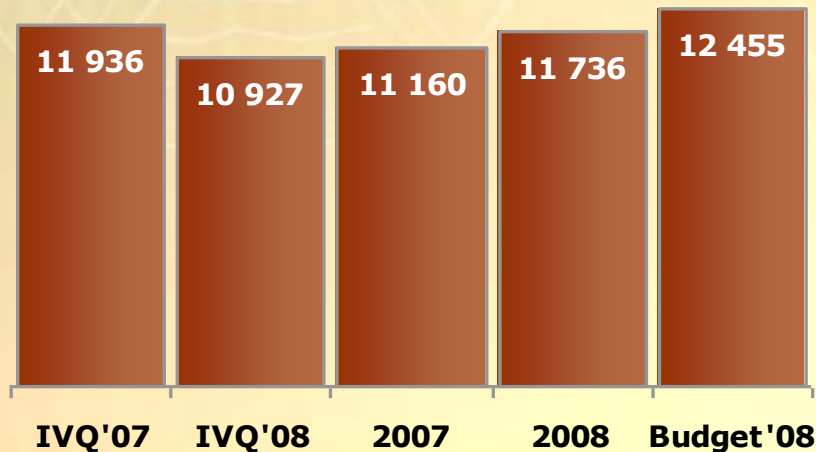


* fair value of open derivative positions at 31 December 2008

In Q4 2008 the result on derivatives was PLN 444 m.

The measurement of open derivative positions amounts to PLN 714 m.

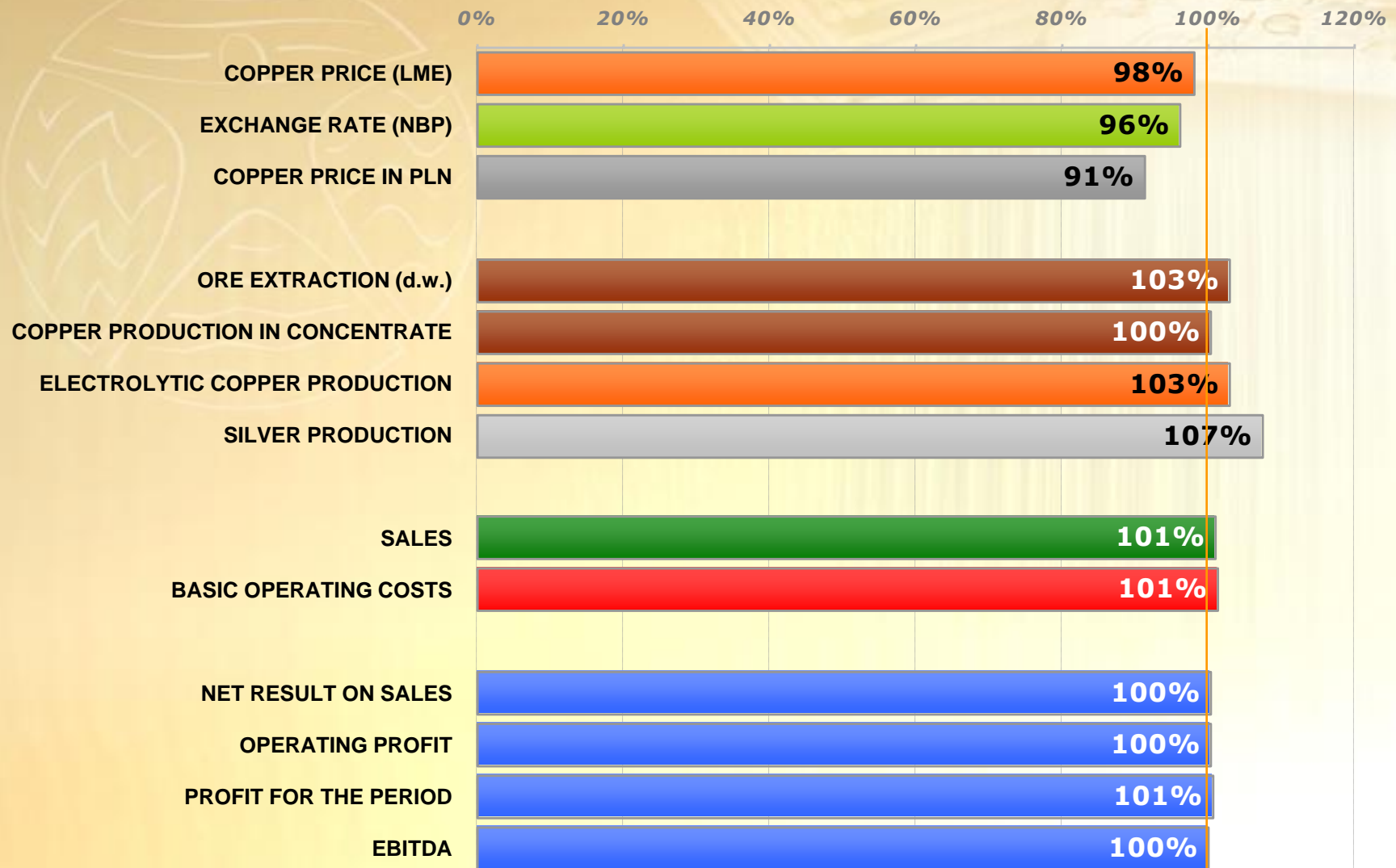
Electrolytic copper unit production cost (PLN/t)



➤ An increase in the unit cost by 576 PLN/t:

- an increase in costs by type, incl. mainly costs of materials, fuel and energy, preparatory work and depreciation
- lower volume of electrolytic copper production
- lower value of consumed external copper-bearing materials (lower prices)
- positive valuation of anode slimes due to increased price of gold

Realisation of 2008 Budget



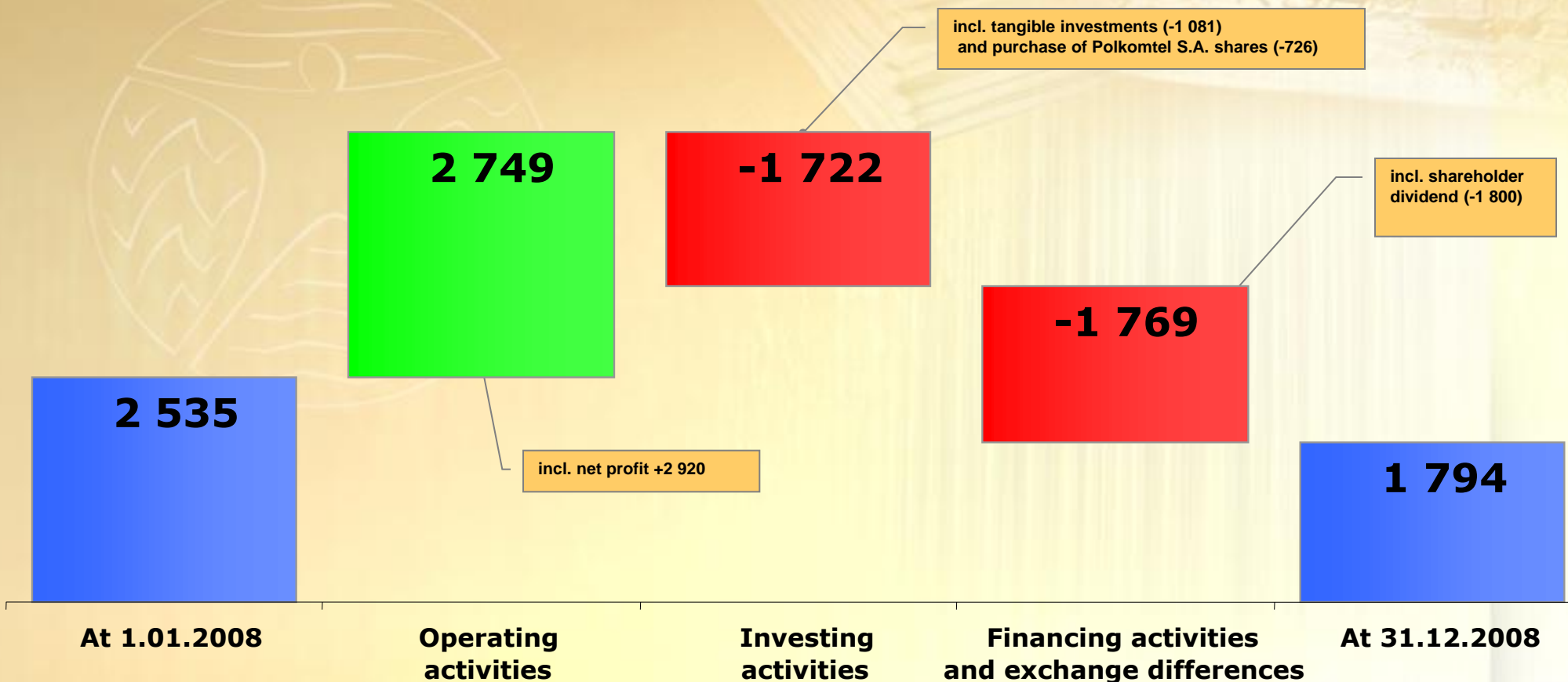
Realisation of investment plan

In 2008, 70% of the tangible investment plan was achieved
(execution 2008 – PLN1 140 mln; Budget 2008 – PLN 1 637 mln)



74% of planned expenditure on equity investments achieved
(execution 2008 – PLN793 m; Budget 2008 – PLN 1 077 m)
incl. purchase of shares of Polkomtel S.A. for PLN 726 m

Cash flow (m PLN)



Cash and cash equivalents in 2008 lower by PLN 741 m, i.e. by 29%





Thank you ...

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