

Layers of possibilities



Group results for 2015

18 March 2016

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Highlights of 2015 in the KGHM Polska Miedź S.A. Group

Key events

Substantial increase in copper equivalent production (by 12%). Highest anode production in metallurgical history of KGHM: 675 thousand tonnes.

Deep Głogów – 1.3 mn tonnes of ore extracted, or 3.9% of total ore extracted from KGHM's mines

Commercial production commenced at Sierra Gorda

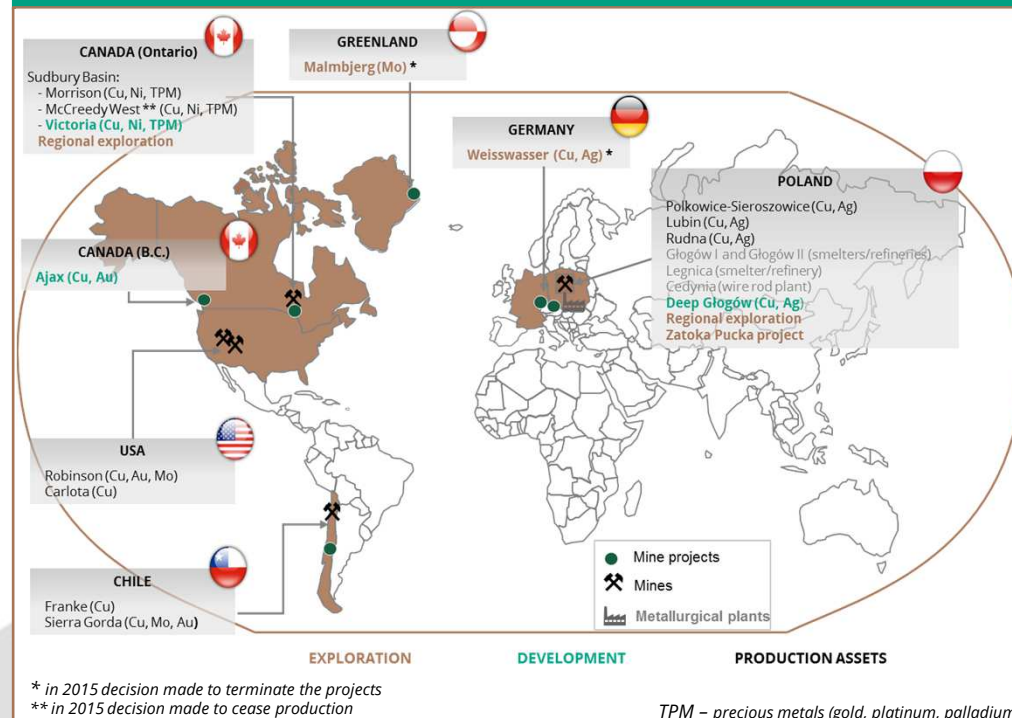
Completion of financial optimisation in the Group

Dividend of PLN 800 mn paid on 2014 earnings, as well as a minerals extraction tax of over PLN 1.4 bn

Commodities markets in 2015 continued a downward trend (copper lower by 20%, and silver by 18% compared to 2014)

Impairment losses on assets – at the consolidated level** a recognised impairment loss of PLN 6.9 bn; at the separate level: PLN 5.3 bn

Production assets and development projects



Production highlights

▪ Payable copper	718 kt
▪ Metallic silver	1 285 tonnes
▪ TPM	205.2 koz

KGHM Group financial results

▪ Sales revenue	PLN 20.0 bn
▪ EBITDA*	PLN 4.7 bn
▪ Net result	PLN (5.0) bn
▪ excl. impairment	PLN 1.9 bn

* EBITDA adjusted by impairment losses on non-current assets

** Includes impairment losses recognised at the KGHM Polska Miedź Group level (PLN 5.5 bn) and at the level of Sierra Gorda (PLN 1.4 bn– 55%)

Accessing the ore of the Legnica-Głogów copper belt

Deep Głogów deposit

Ore Accession Program

Status of investment work

- Since the start of the Deep Głogów Głęboki project **93.4 thousand meters of tunnel** together with necessary technical infrastructure have been built (incl. 14 thousand meters in 2015).
- Work continues on sinking the GG-1 shaft, to end-December 2015, **687 m of shaft built**. Completion of this work is planned in 2019.
- In June 2015 construction of Stage I of the **Surface-based Cooling Station at the R XI shaft** was completed. In June 2015 the supply of cooled air to the mines commenced. Work continues under Stage II, which will enable an increase in the production of cooled air to the mine below the level of 1200 m from 15 to 25 MW. Planned date of completion is the second half of 2016.



Cooling Station at R XI shaft – heat transfer tower

Expected results

- Access to ore in the Deep Głogów area with estimated resources of 290 mn tonnes of ore containing 2.39% Cu and 78.9 g/t Ag* ensuring continued operations by KGHM Polska Miedź S.A. in the Legnica-Głogów Copper Belt to the year 2055.

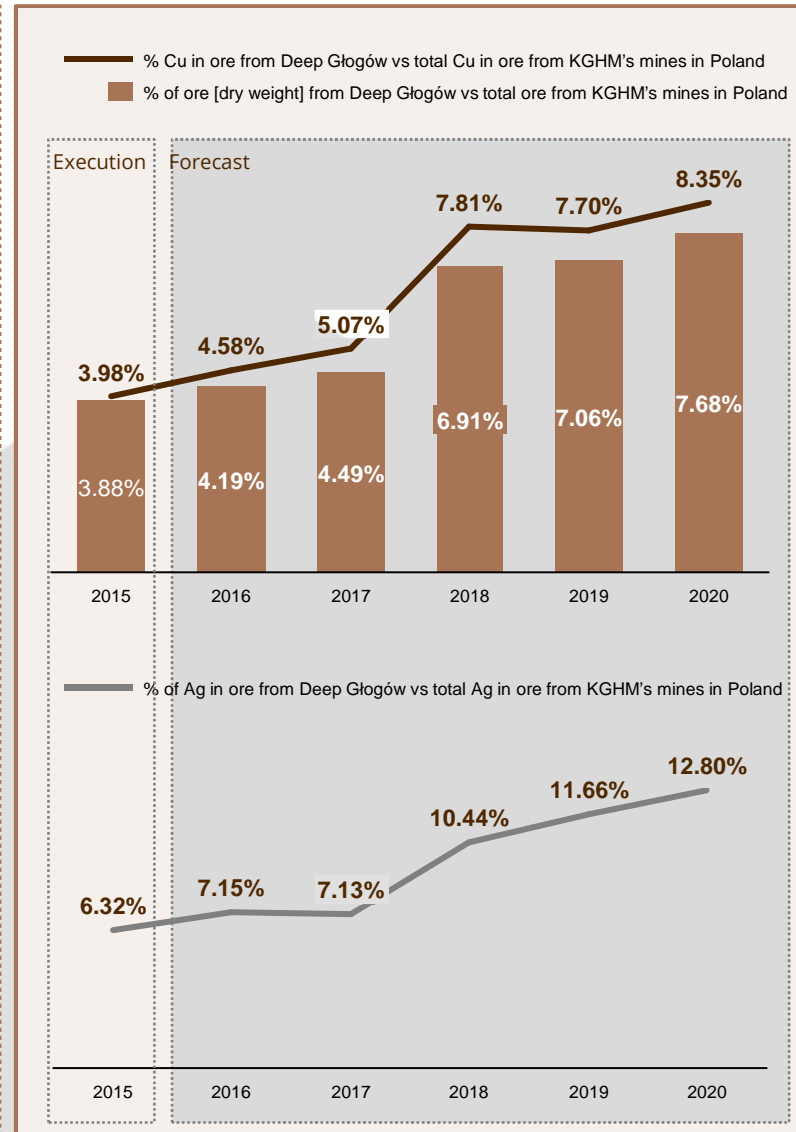


Deep Głogów mine



Worksite of GG-1 shaft

Production from Deep Głogów



Metallurgy Development Program in KGHM

Construction of a Flash Furnace and associated infrastructure at Głogów I

Pyrometallurgy Modernisation Program at the Głogów I smelter/refinery

Status of investment work

- The PMP project is on time, with **start-up of the modernise Flash Furnace installation at the Głogów I smelter/refinery in Q4 2016.**
- In 2015 work was accelerated on **construction and assembly work on the main technological elements** of the Flash Furnace, Electrical Furnace, Power supply units and Electrical Furnace Dedusting installation.
- Despite this work being carried out at the operating Głogów I plant, in 2015 the **highest level of anode production in the history of the Głogów smelter/refinery was recorded of 545 613 tonnes**, at the same time preparing anode supplies which will be needed during the transition to the new technology in 2016.



Furnaces Hall

Expected results

- **Approx. 80% of the copper produced by KGHM will be through the use of the best available, most cost efficient technology.**
- **Elimination of environmental risks and costs for approx. 40% of pyrometallurgical production (decrease in dust emissions by 55%, gases by around 58% and a lower amount of stored tailings).**
- **Improved workplace safety.**
- **Potential for higher copper production from imported chalcopyrite concentrates.**



Flash furnace charge unit

Metallurgical challenges in 2016

- In the second half of 2016 the Company plans a **four-month shutdown of the Głogów I smelter/refinery** due to the change in technology from shaft furnace to flash furnace.
- The shutdown will result in lower electrolytical copper production from own concentrates **by 45 kt Cu, or 11%.**
- To maintain copper and silver sales volumes from own concentrates KGHM plans to **sell 47 kt of payable Cu and 106 tonnes of payable Ag in concentrate.**
- To ensure a proper amount of charge material for the Głogów plant during the shutdown, since the fourth quarter of 2015, **the smelters have been building up a surplus inventory of anode copper.**
- In 2016 work will focus on **connecting and firing up the new flash furnace.** In subsequent years construction of a **concentrate roasting and steam drying installation** is planned, which will enable greater utilisation of the production capacity of the new installation.

Sierra Gorda – continued work to increase production capacity

Sierra Gorda

Cu Mo Au

- | | |
|--|---|
| <ul style="list-style-type: none"> Target planned average annual production in concentrate (Phase I & II) | <p>>220 kt Cu
25 mn lbs Mo
64 koz Au</p> |
| <ul style="list-style-type: none"> Ownership | <p>55% KGHM
45% Sumitomo</p> |
| <ul style="list-style-type: none"> Mine profile | <p>Open-pit</p> |



Loading of ore in the mine

Key events update

- Production of copper in concentrate by the Sierra Gorda mine in 2015 amounted to around **84 thousand tonnes**.
- Production of molybdenum in concentrate in 2015 amounted to around **15 million pounds**.
- Key challenges include achieving designed Phase I production volumes at the level of 120 thousand tonnes of copper and 50 mn lbs of molybdenum and achieving an effective level of production parameters, including recoveries and stability in processing plant operations.
- The share of the loss attributable to KGHM Polska Miedź S.A. (55%) was PLN (1 986) mn (or USD (508) mn), including a net impairment loss at the level of the Sierra Gorda JV: PLN (1 393) mn (or USD (357) mn).
- On 8 March Sierra Gorda was informed of the position of the Chilean Environmental Enforcement Agency in which 9 areas were indicated in which the issued environmental permit was breached.
- Work was completed on basic technical documentation for phase II of the project.
- In terms of the Sierra Gorda Oxide project, work is underway to maximise its economic value and to select optimal technology.

Victoria i Ajax – resource projects at the development phase

	Victoria	Ajax
	Ni Cu Pt Pd Au	Cu Au
<ul style="list-style-type: none"> Target planned average annual production 	<ul style="list-style-type: none"> ~16 kt Ni in ore ~15 kt Cu in ore ~150 koz TPM* in ore 	<ul style="list-style-type: none"> ~58 kt Cu in concentrate ~125 koz Au in concentrate
<ul style="list-style-type: none"> Ownership 	100% KGHM Group	80% KGHM Group 20% Abacus
<ul style="list-style-type: none"> Mine profile 	Underground mine	Open-pit mine

Key events update

- In 2015 work continued on preparing surface infrastructure. Among others construction of the transformer station was completed.
- The Company decided to modify the adopted schedule for the Victoria project located in the Sudbury Basin.
- Additional exploration was carried out aimed at confirming the potential for continuous inferred-category mineralisation below the currently-identified orebody.



230 kV transformer station (Victoria)

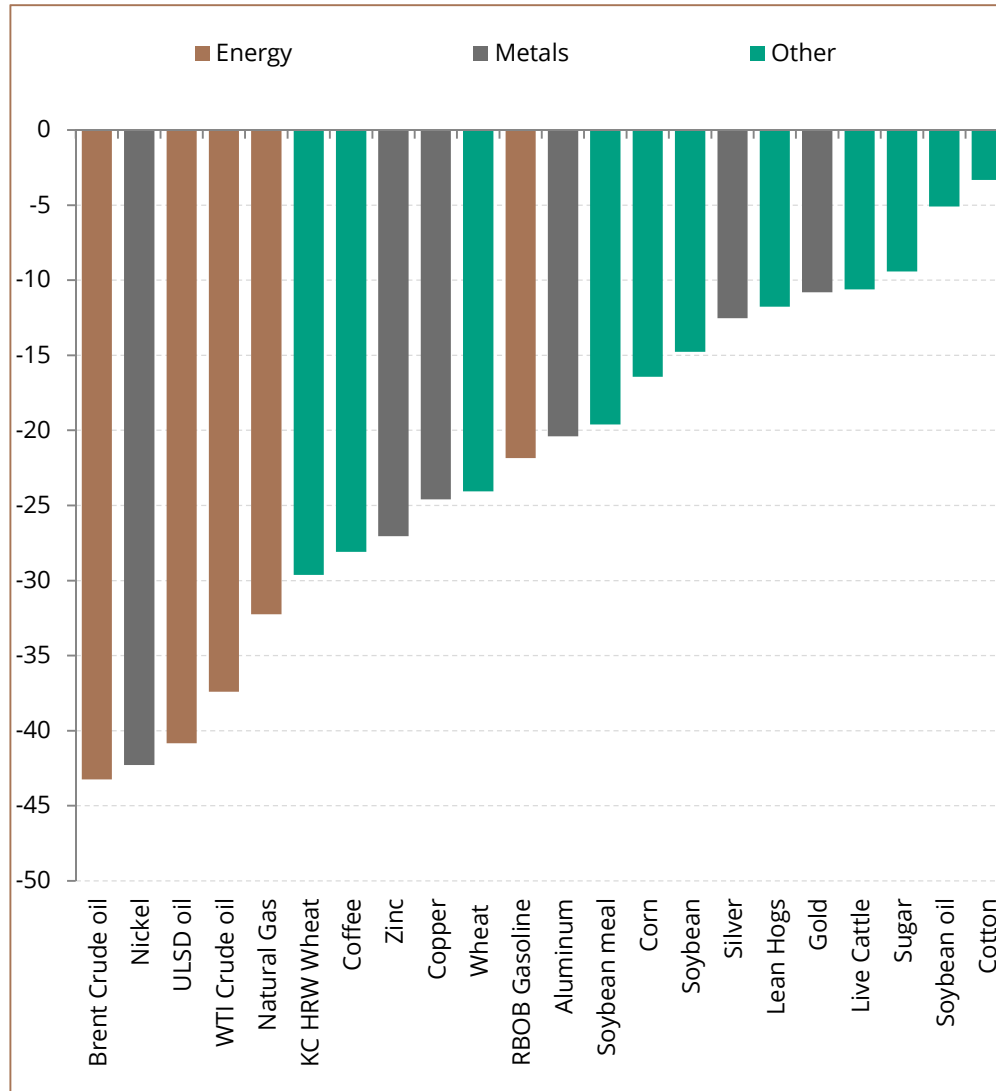
- Current work is aimed at receiving all necessary permits to begin building the mine.
- On 10 September 2015, KGHM Ajax Mining Inc. submitted an application for an environmental permit for construction of the Ajax open pit copper and gold mine.
- On 20 November 2015, the Environmental Office formally concluded its assessment of the environmental application with a positive result.
- On 19 January 2016, the Environmental Office began the process of reviewing the application. On 26 January a period of social consultation commenced, with the citizens of the town of Kamloops as well as First Nations participating.



Environmental application – 18 thousand pages (Ajax)

Macroeconomic environment

2015 was a tough year for commodities producers

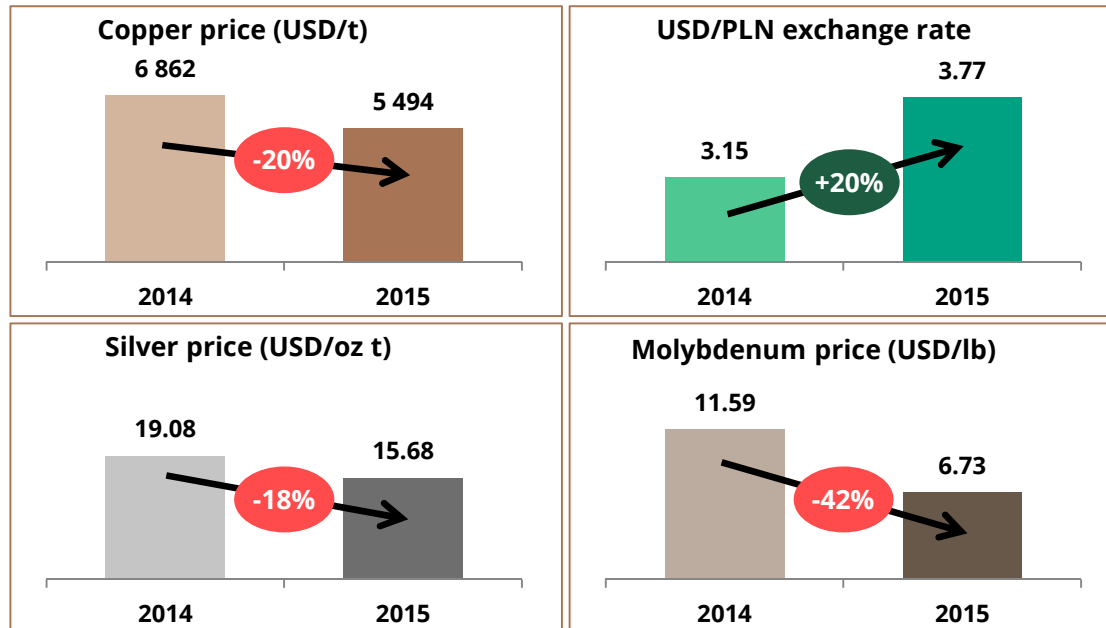


Change in metals prices from the Bloomberg Commodity Index in 2015 Source: Bloomberg, KGHM

- For the past eight years the Bloomberg Commodity Index has been in a downward trend and is now at its lowest point since 2001. Not all commodities began to lose their value simultaneously, but in the end they all recorded substantial losses.
- Fears about global economic growth, in particular in China, remain the main factor generating risk for commodities prices. Recent forecasts of global growth have been systematically revised downwards by analysts.
- The fall in commodities prices were deepened by the strengthening of the US dollar. The dependence of commodities prices on the value of this currency will continue to shape prices in subsequent periods.

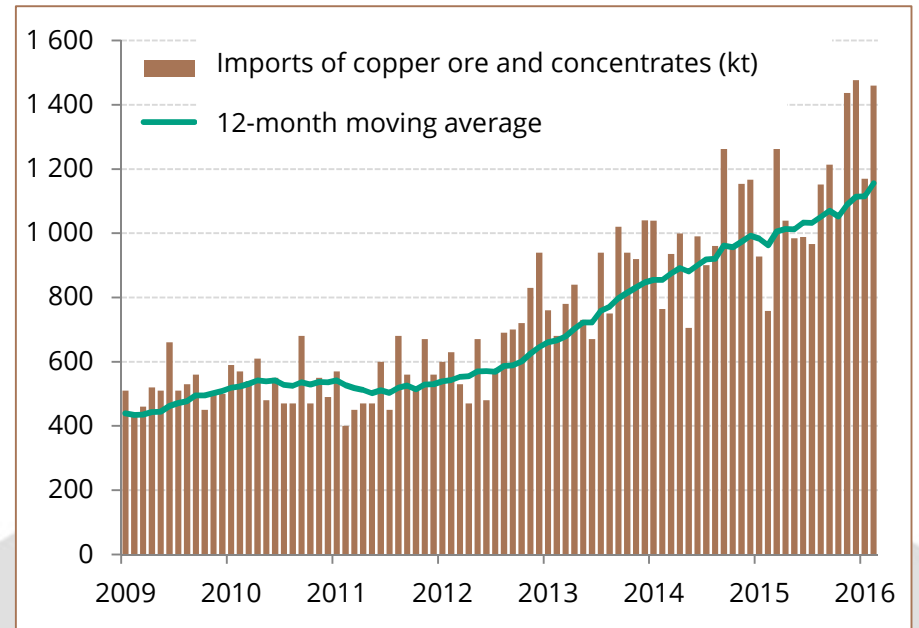
The US dollar has had an adverse impact on commodities prices; demand for copper in China growing steadily

The USD/PLN exchange rate has to a large extent offset the lower commodities prices



Comparison of average commodities prices and exchange rates in 2014 and 2015
Source: Reuters, KGHM

Chinese demand continues to grow

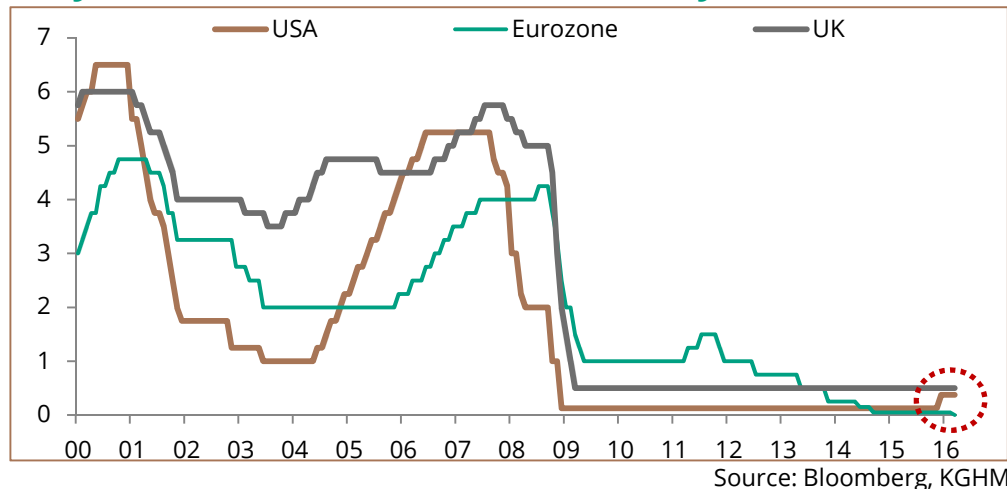


Source: Bloomberg, KGHM

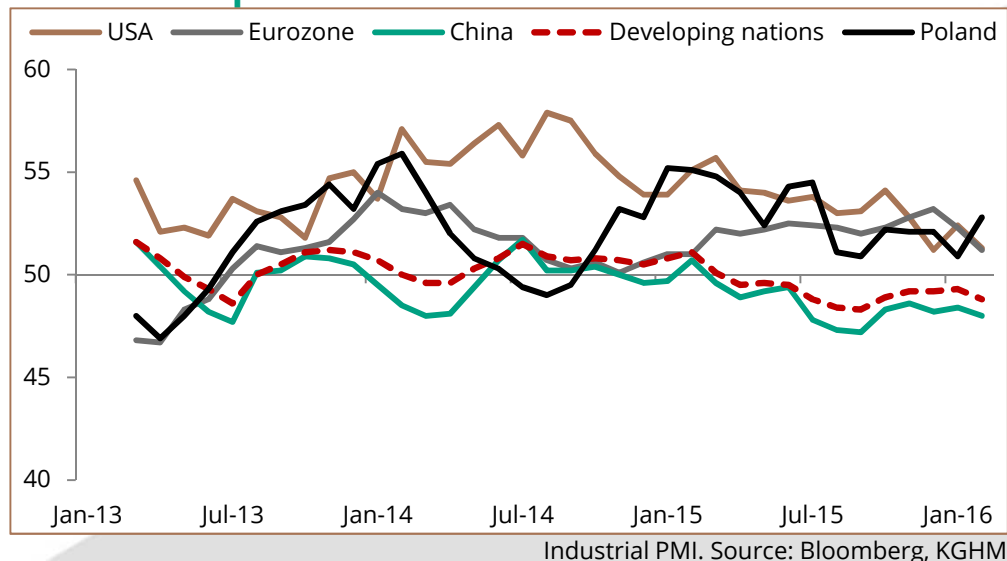
- One of the consequences of a stronger USD was the fall in the market prices of many commodities.
- The price of copper on the LME in 2015 amounted to 5 494 USD/t and was nearly 20% lower than that recorded in 2014. This drop was largely offset by the increase in the USD/PLN exchange rate – as a result the average price of copper was 20 698 PLN/t compared to 21 620 PLN/t in 2014 (a decrease by 4%).
- The average silver price according to the LBMA in 2015 was 15.68 USD/troz, or approx. 18% lower than in the prior period. However, the price expressed in PLN was lower by 1.5% and amounted to 59.08 PLN/troz.
- The short term market outlook substantially deteriorated due to the negative outlook for higher consumption in China. Nevertheless, data on Chinese imports of copper confirm the rising trend and in recent months have exceeded expectations.

The IMF expects that global Gross Domestic Product will grow in 2016 and in 2017

The Fed, at the end of 2015, for the first time in almost 10 years, increased the cost of money in the USA



Industrial PMI (< 50) in developing nations still indicates a problem in the sector



- The International Monetary Fund expects that the rate of GDP growth will increase in 2016 and 2017. The United States remains one of the main drivers. There should be some improvement in the economic situation in the Eurozone, while the increase in Chinese GDP will gradually slow.
- At the end of 2015 the long awaited increase in interest rates in the USA occurred. The good macroeconomic data, particularly in the labour market, are a signal to the financial markets that by the end of 2016 the Fed may decide to make further increases.
- Central banks in other highly developed regions are moving in the opposite direction and are introducing negative interest rates.
- This difference in approach by central banks to monetary policy has had a very clear impact on the value of the USD. In 2015 the USD strengthened significantly versus the PLN as compared to prior years – the average annual USD/PLN rate in 2015 was 3.77 and was nearly 20% higher than that recorded in 2014 (3.15).
- One of the key problems is the stagnation seen in the industrial sector in developing nations and economic indicators, for example the Purchasing Managers' Index (PMI), do not indicate recovery in the near term.

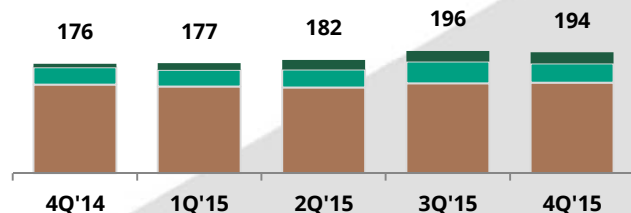
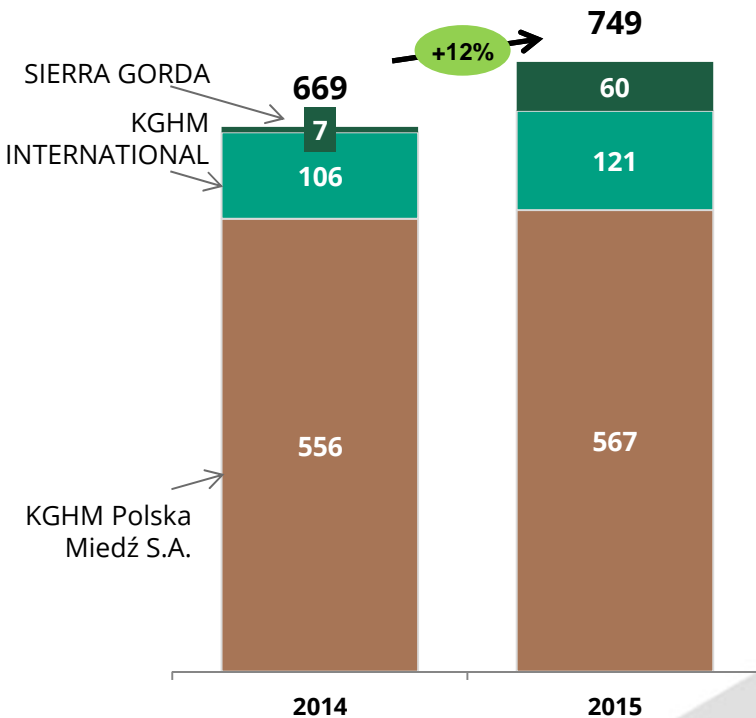


Economic results

KGHM Polska Miedź S.A. Group

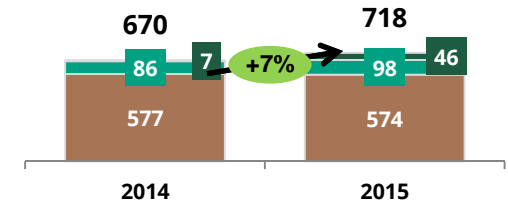
Higher production by the Group

Production of copper equivalent from own concentrate (kt)

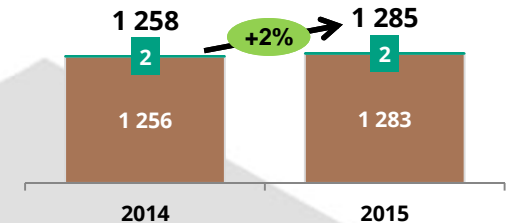


- Copper equivalent production increased in 2015 as compared to 2014 in KGHM Polska Miedź S.A., KGHM International and also in Sierra Gorda.
- In KGHM Polska Miedź S.A. copper production remained at the level in 2014 while silver and gold production increased.
- In KGHM International the increase was related to higher production by the Robinson mine in terms both of copper as well as TPMs thanks to the mining of ore with higher metals content as well as to an improvement in operating parameters.
- Sierra Gorda commenced copper production in July 2014, and molybdenum in April 2015. The mine is in ramp-up phase, which is expected to be completed in the coming months.

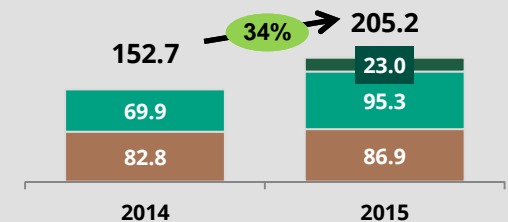
Payable copper production (kt)



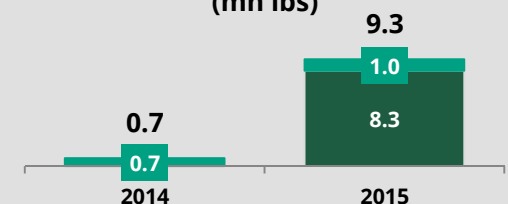
Silver production (t)



TPM production* (koz t)



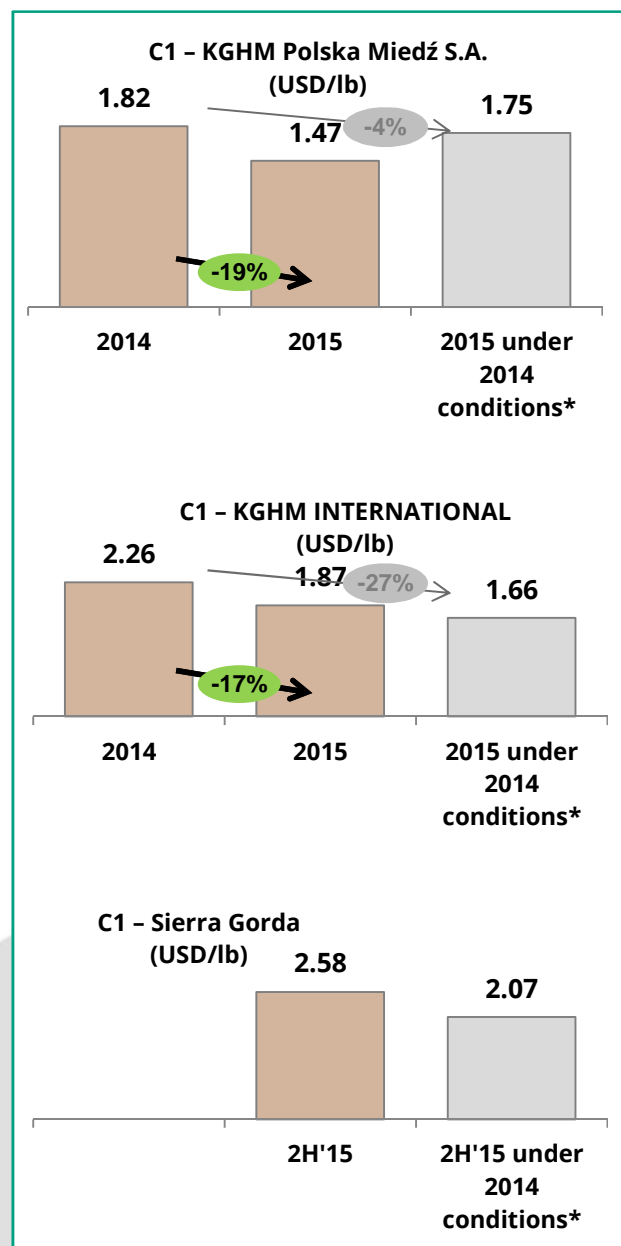
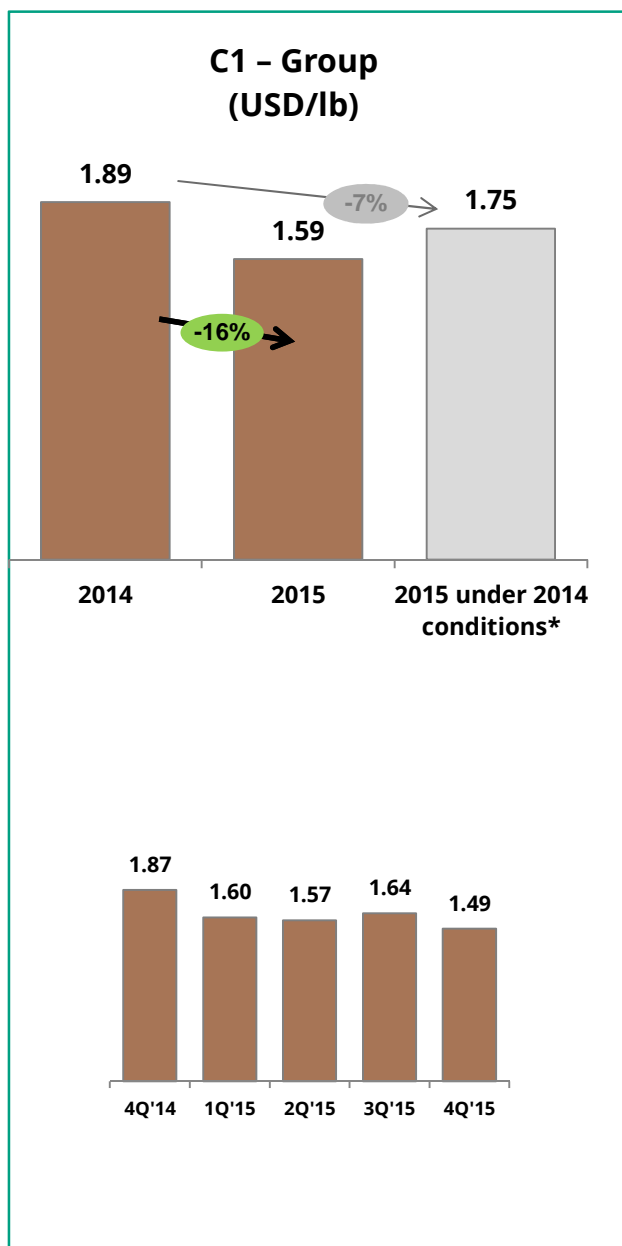
Molybdenum production (mn lbs)



Sierra Gorda –55% share in production statistics

* TPM – Total Precious Metals, comprising gold, platinum and palladium

Decrease in C1 unit cost in the Group

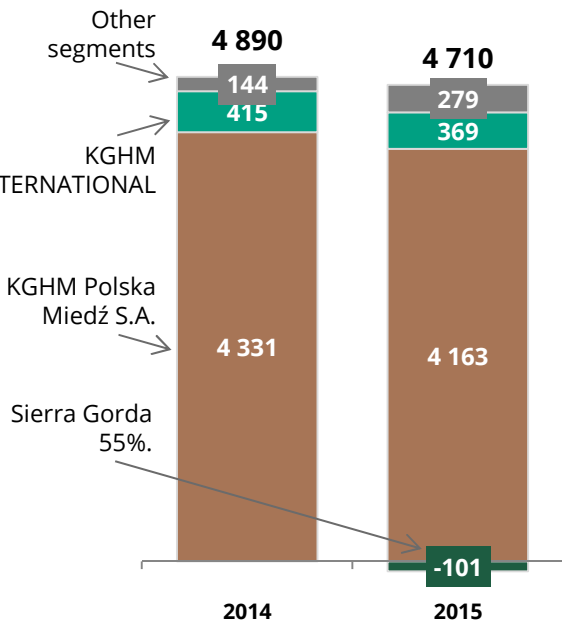


- C1 cost in the Group in 2015 was lower by 16% due to higher production of copper and associated metals and to a change in macroeconomic factors. Under the metals prices and exchange rates of the same period of 2014, C1 cost would have been lower by 7%.
- The drop in C1 cash cost in KGHM Polska Miedź S.A. was mainly due to the weaker PLN as compared to the USD. Under 2014 conditions, C1 would have amounted to 1.75 USD/lb and would have been below last year's level (-4%) mainly due to a higher volume of copper and silver in own concentrates.
- The lower C1 cost in KGHM International was due to the higher production of payable copper sold by 24%, mainly in the Robinson mine.
- The delay in attaining full production capacity had an impact on the C1 cash cost of copper production, which in the second half of 2015 amounted to 2.58 USD/lb. The valuation of by-products also had a detrimental impact, especially with respect to molybdenum, the price of which decreased by 32% as compared to the first half of 2015. Sierra Gorda commenced commercial production in July 2015, therefore the unit cost for 2015 is in respect of the second half.

Operating results of the Group

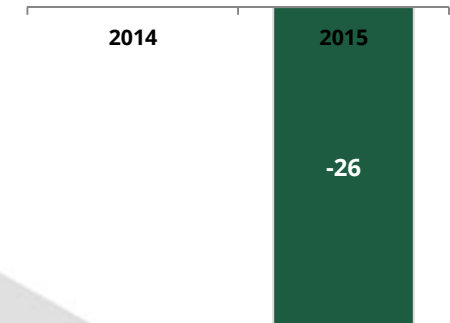
Adjusted EBITDA * (mn PLN)

-4% →

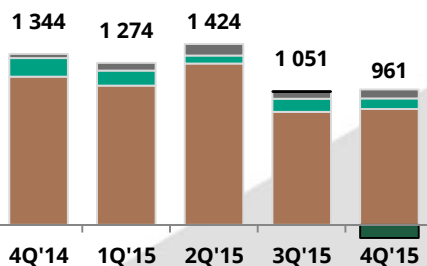
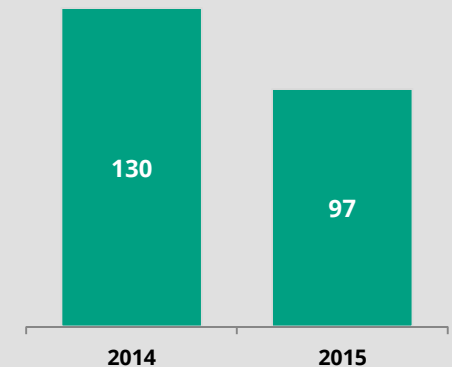


- The decrease in the Group's EBITDA by PLN 180 mn was mainly due to the deterioration in macroeconomic conditions.
- KGHM Polska Miedź S.A.
 - The lower EBITDA by PLN 168 mn (-4%) mainly due to lower metals prices was partially offset by the USD/PLN rate and by the lower level of costs (consumed metal-bearing materials and the minerals extraction tax).
- KGHM International
 - EBITDA in the segment KGHM International** in 2015 amounted to PLN 369 mn (USD 97 mn). The decrease in USD terms by 25% compared to 2014 was due to the lower metals prices, alongside the favourable impact of a higher volume of production and sales as well as continued cost discipline.
- Sierra Gorda (55%)
 - The negative EBITDA was due to the fall in metals prices, especially molybdenum, as well as the continued mine ramp-up and the related problems of production and efficiency.

Adjusted EBITDA in Sierra Gorda 55% (mn USD)



Adjusted EBITDA in KGHM International ** (mn USD)

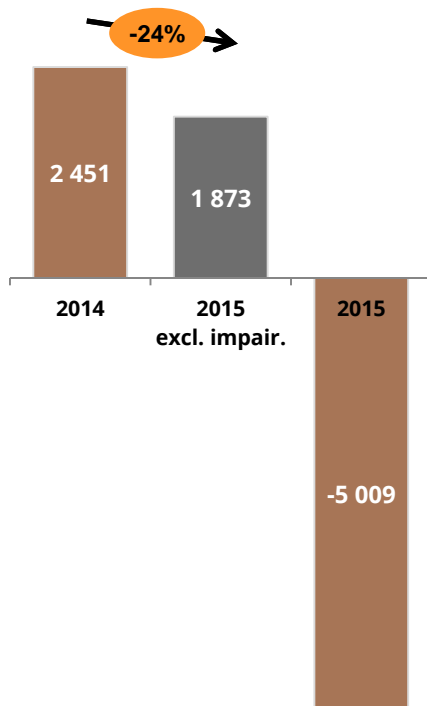


* Adjusted EBITDA = EBIT (profit/(loss) on sales + depreciation/amortisation) adjusted by impairment losses on non-current assets

** Adjusted EBITDA reflects the impact of the combination of 0929260 B.C. (amalgamation) and settlement of the purchase price of Quadra FNX (purchase price allocation)

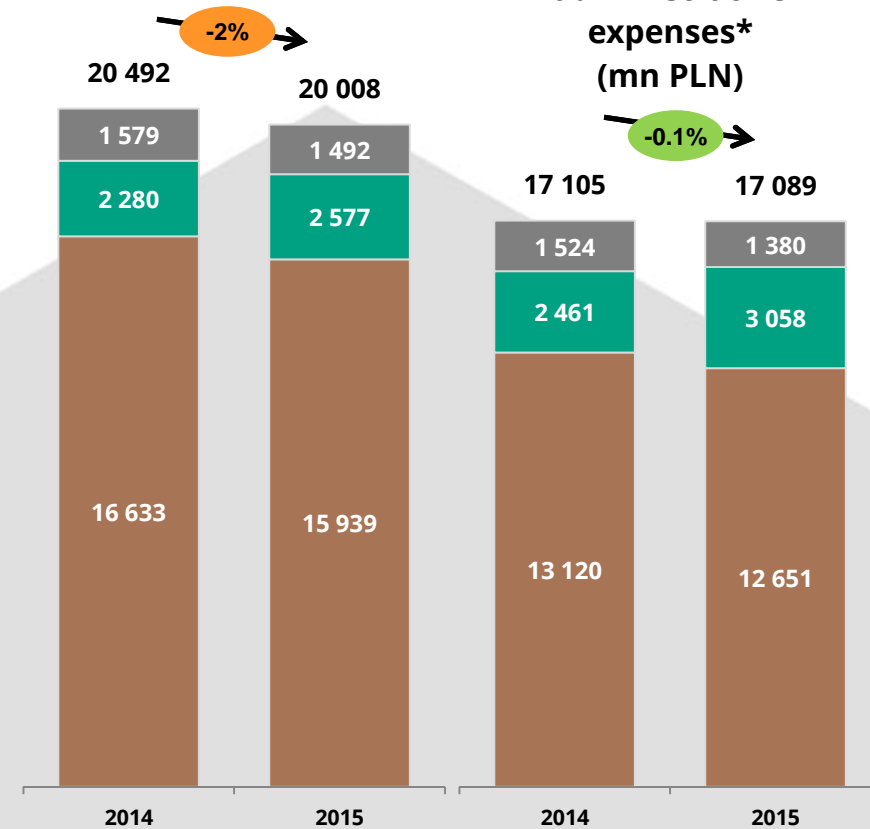
Financial results of the Group

Profit/(loss) for the period (mn PLN)

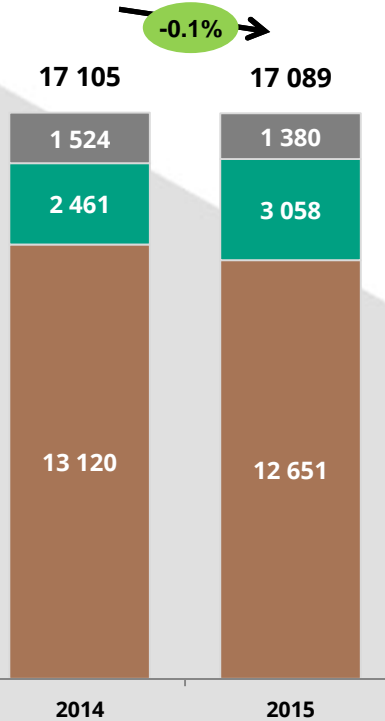


- The consolidated net result for 2015 amounted to PLN (5 009) mn, mainly due to the impairment losses recognised on the non-current assets of the Group in the total amount of PLN 6.9 billion.
- Excluding the impact of the impairment losses, the net result would have been PLN 1.9 bn and would have been 24% lower than in 2014.
- The main reason for the lower result, apart from macroeconomic factors, was the loss recognised at the level of Sierra Gorda, which decreased the Group's result by PLN (0.6) bn - 55%.
- 80% of the Group's revenues from sales continue to be generated by the segment KGHM Polska Miedź S.A.
- The Group's operating costs remained at the level of 2014.

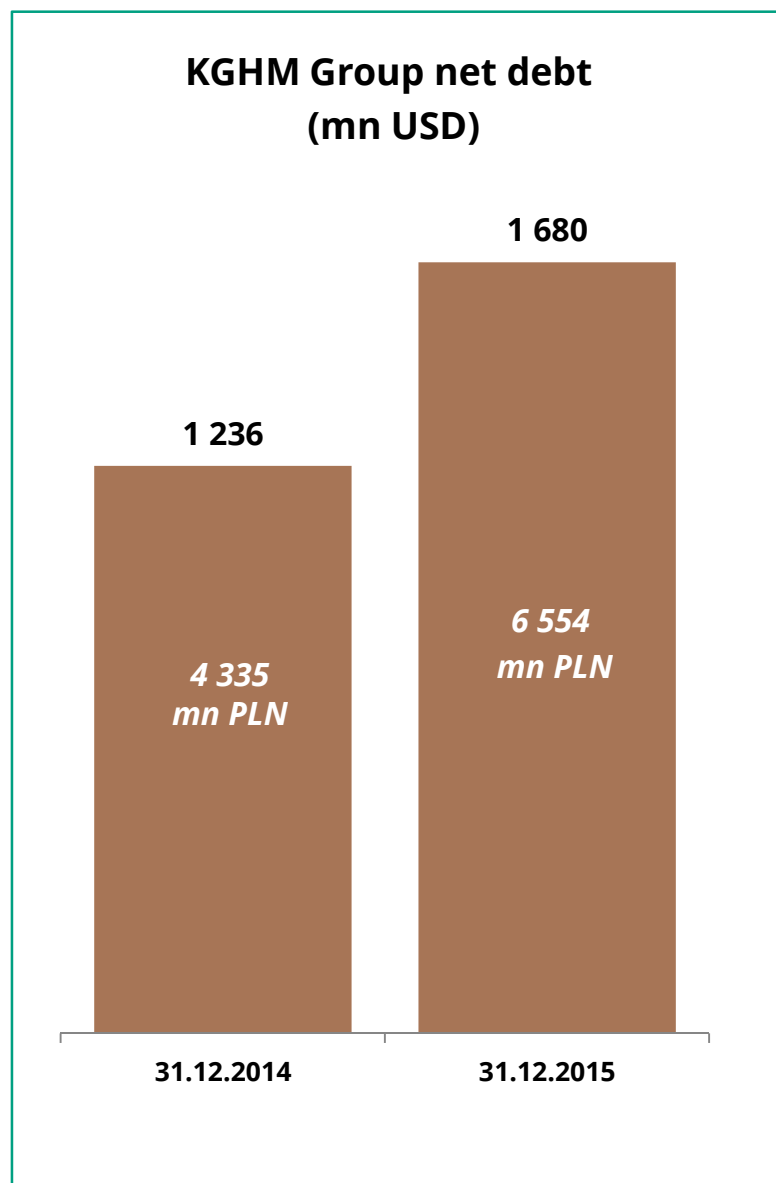
Revenues from sales (mn PLN)



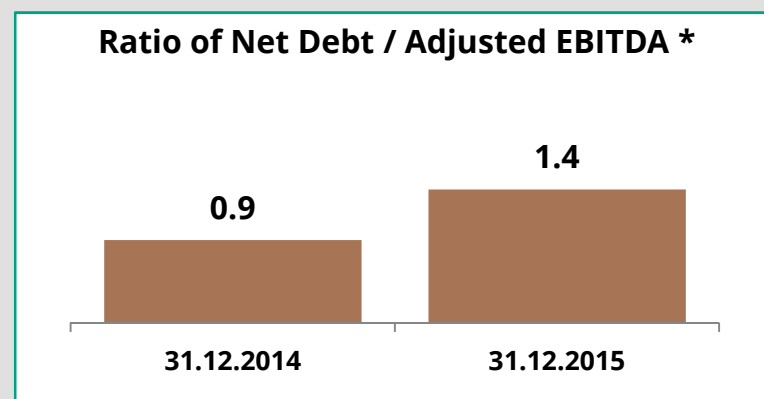
Cost of sales, selling costs and administrative expenses* (mn PLN)



Net debt of the Group – as at the end of 2015



- Consistently, pursuant to the financial strategy adopted by KGHM Polska Miedź S.A., the basic currency in which debt is incurred is the USD (natural hedging).
- The increase in Group debt in the period December 2014 – December 2015, was mainly due to:
 - Payment of a dividend in the total amount of PLN 800 mn (I and II instalment for 2014).
 - Financing of development projects, mainly Sierra Gorda and Victoria
- In the first half of 2015 debt was consolidated in the KGHM Polska Miedź S.A. Group by refinancing a credit facility of KGHM International (USD 200 mn in Q1) and bonds of KGHM International (USD 500 mn in Q2).

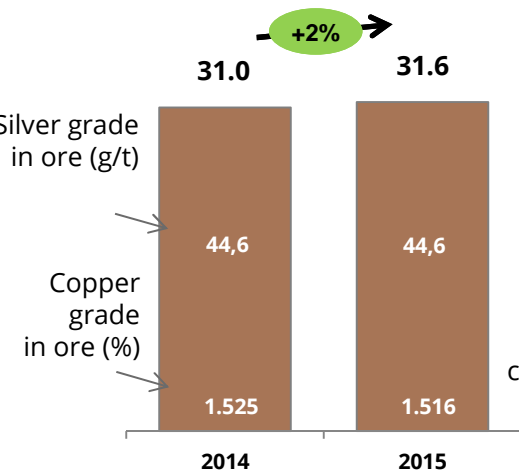




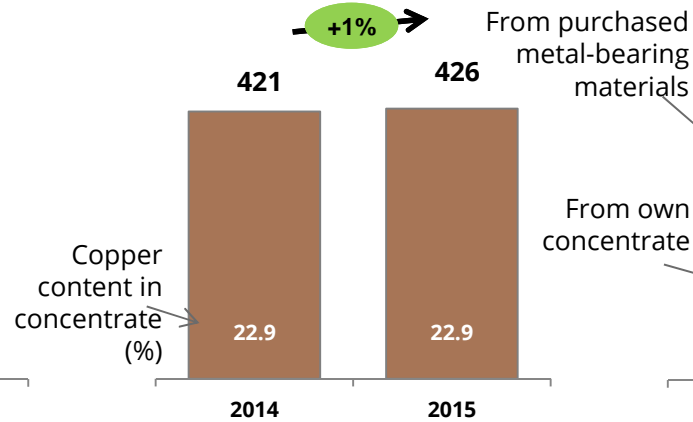
Economic results of KGHM Polska Miedź S.A.

Stable level of production

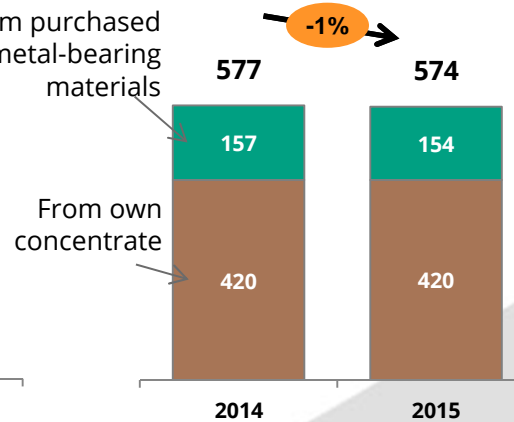
Ore extraction
(mn t dry weight)



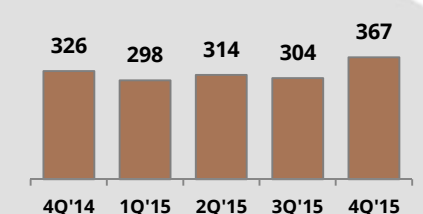
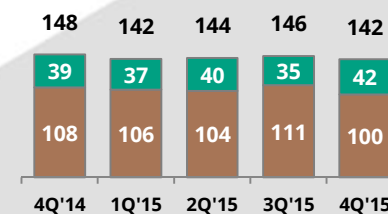
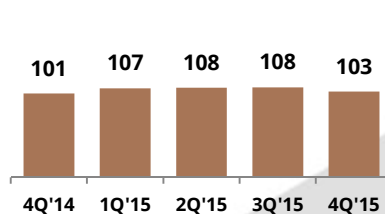
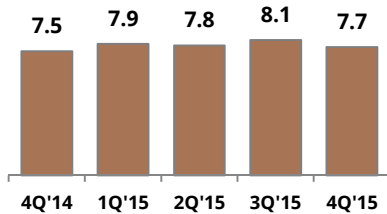
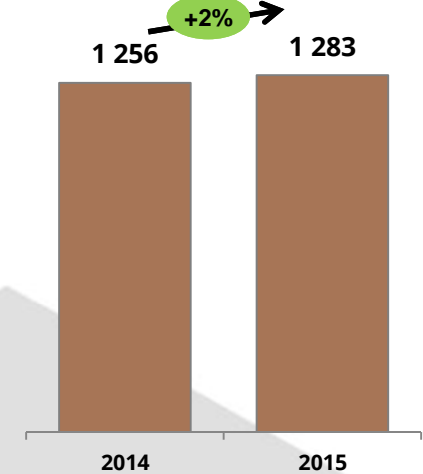
Production of Cu
in concentrate
(kt)



Electrolytic copper
production
(kt)



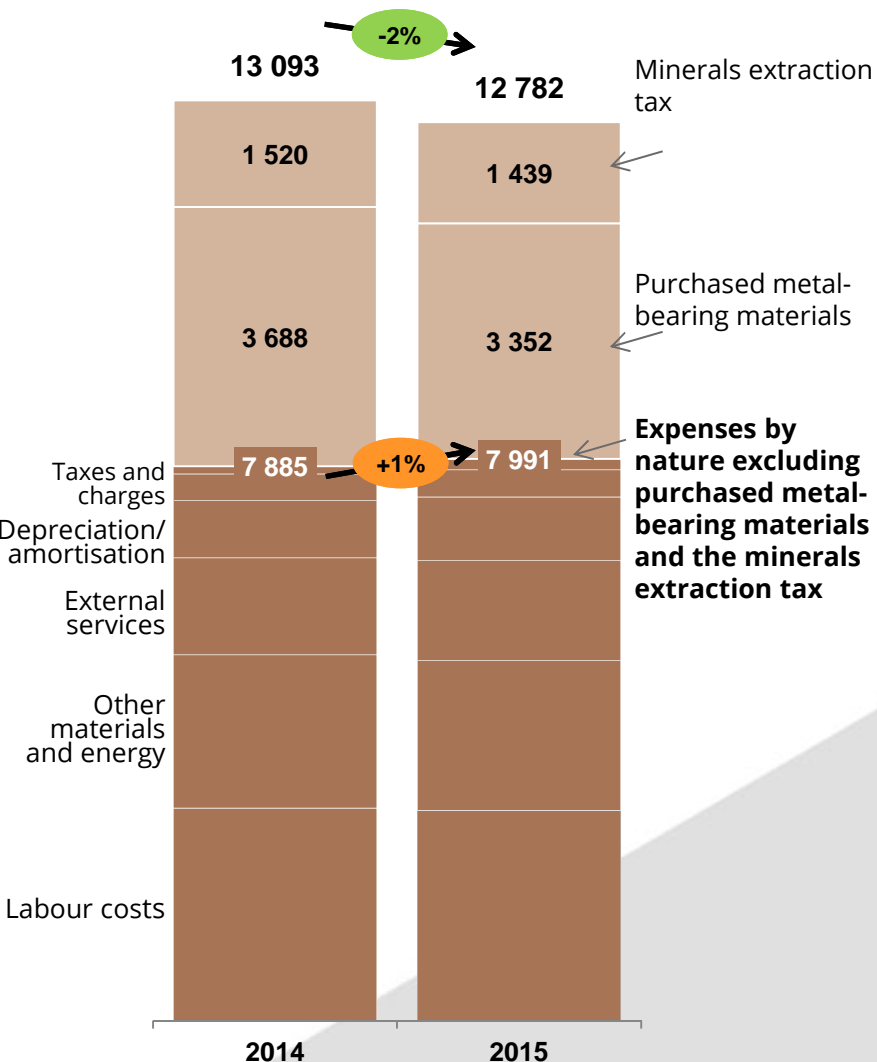
Metallic silver production
(t)



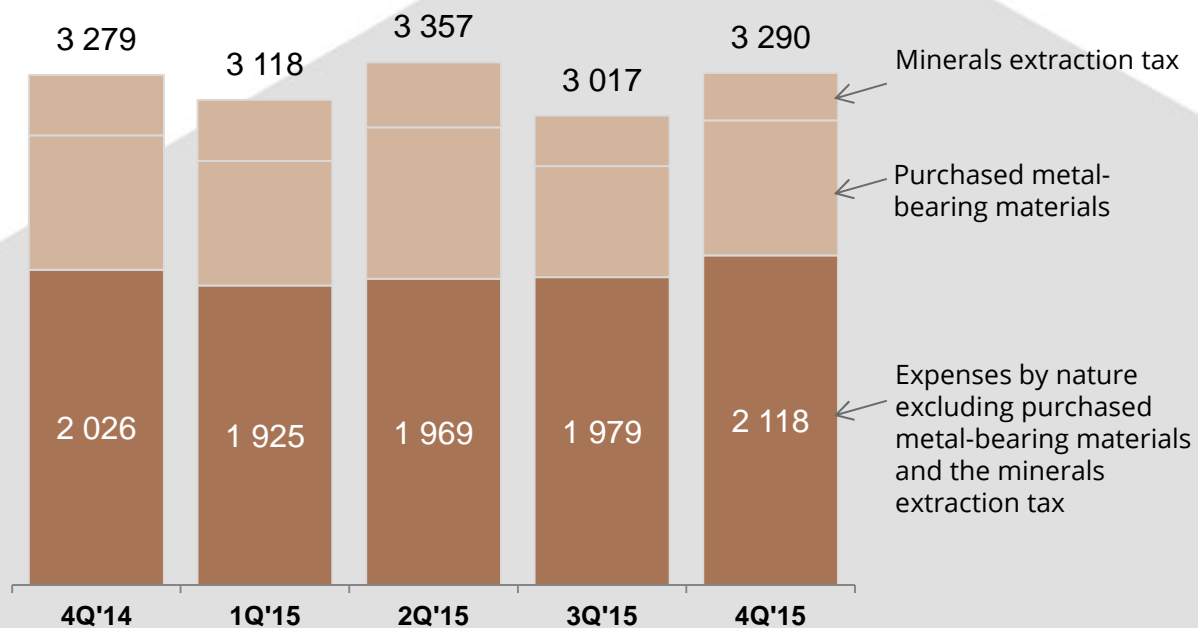
- In 2015 copper grade in ore decreased from 1.525% to 1.516%.
- Thanks to higher extraction by 2% the Company maintained production of copper in ore at the level of 2014.
- The higher amount of copper in concentrate was due to the processing of a greater amount of ore (by 2%) as compared to 2014.
- The production of electrolytic copper from own ore in 2015 was at the same level as in 2014. Production of cathodes from purchased materials decreased slightly (by 2.7 thousand tonnes).
- In 2015 metallic silver production increased as compared to 2014 by 27 tonnes, mainly from own concentrates processed.

Expenses by nature in 2015

Expenses by nature
(mn PLN)

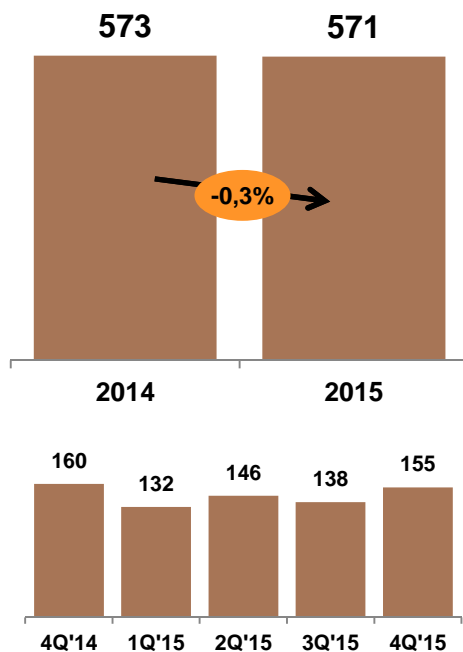


- The lower level of total costs by PLN 311 million in 2015 as compared to 2014 was due to the lower value of purchased metal-bearing materials (-PLN 336 million), due to a lower volume by 4% (-6 kt Cu) and lower price (-6%) as well as to a lower minerals extraction tax mainly due to lower copper prices.
- After excluding the minerals extraction tax and the cost of purchased metal-bearing materials, expenses by nature were slightly higher (1%). The increase in costs by PLN 106 million was mainly due to depreciation/amortisation (+PLN 93 million) due to advancement of the investment program.

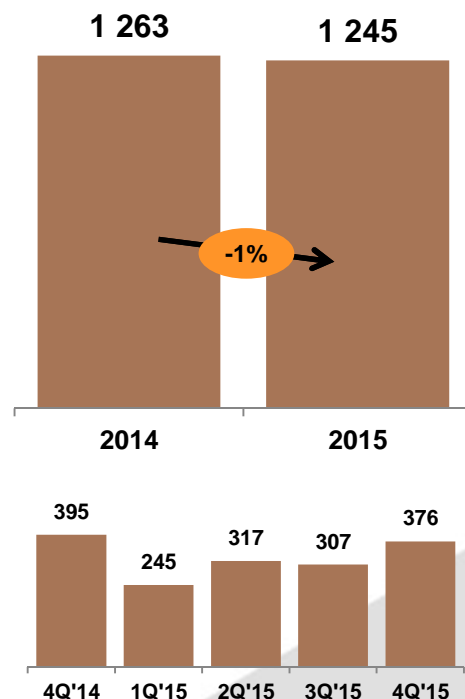


Sales revenue in 2015

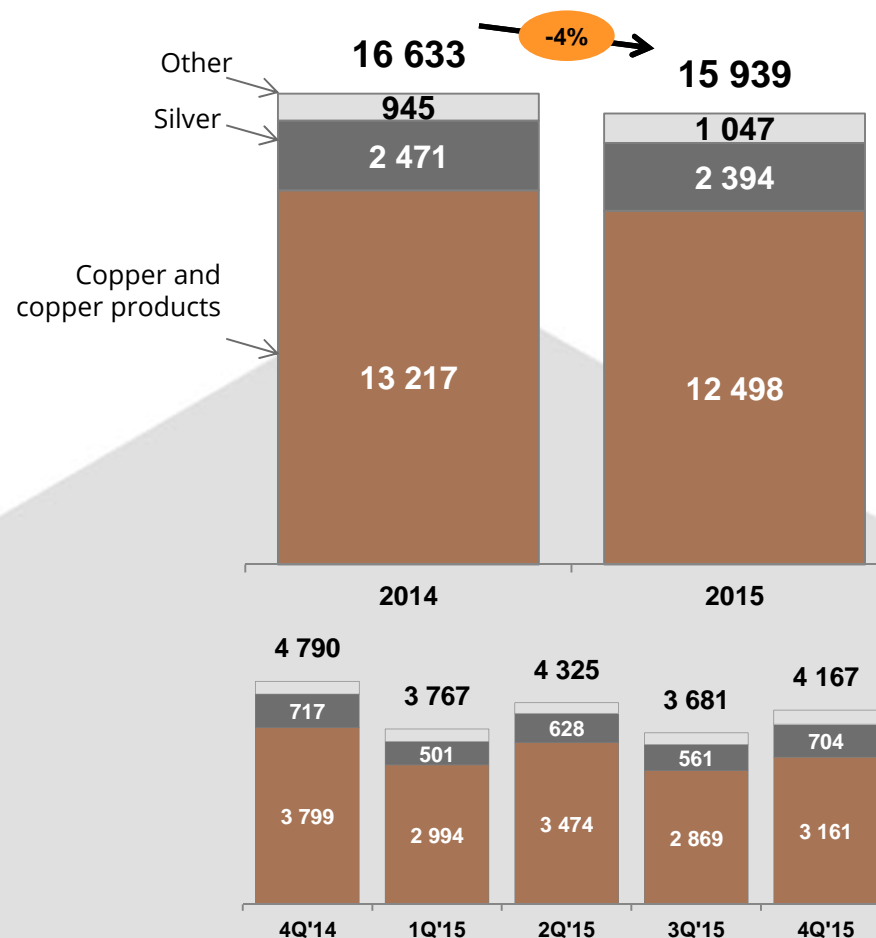
Sales of copper and copper products (kt)



Silver sales (t)



Sales revenue (mn PLN)



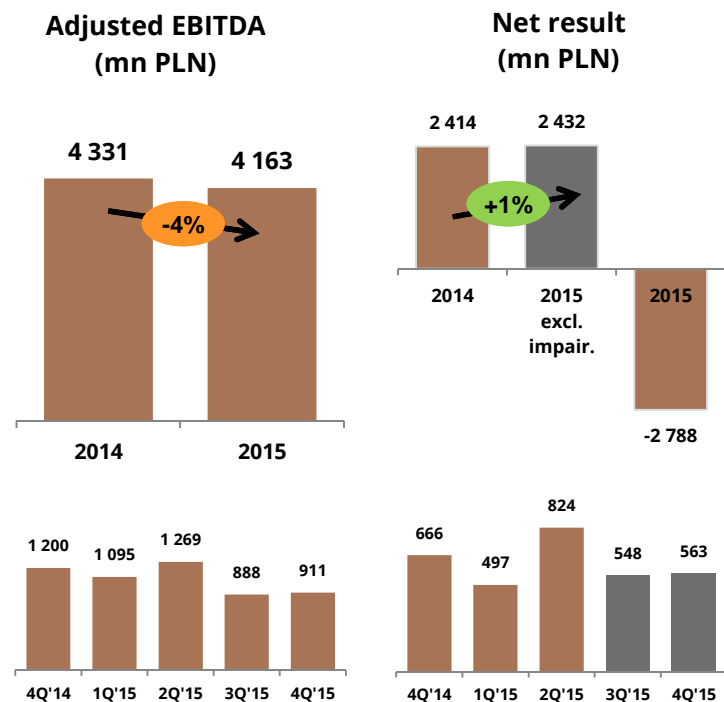
■ In 2015 revenues from sales were lower as compared to 2014 by PLN 694 mn, mainly due to:

- changes in the price of Cu, Ag and Au expressed in PLN (-PLN 641 mn)
- hedging of metals prices and currency (-PLN 49 mn)
- lower copper sales volume by 2 kt (-PLN 43 mn) and silver by 17 t (-PLN 33 mn)

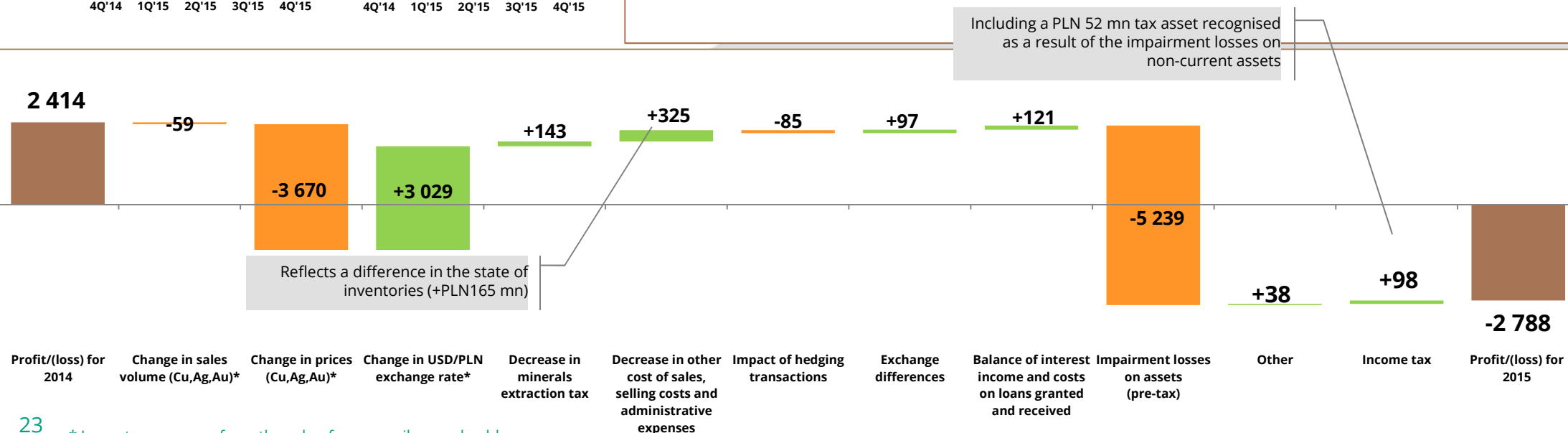
alongside the favourable impact of:

- a higher value of sales of other products by PLN 48 mn (including refined lead +PLN 36 mn, sulphuric acid +PLN 17 mn)
- a higher volume of gold sales by 130 kg (+PLN 17 mn)

Financial results in 2015

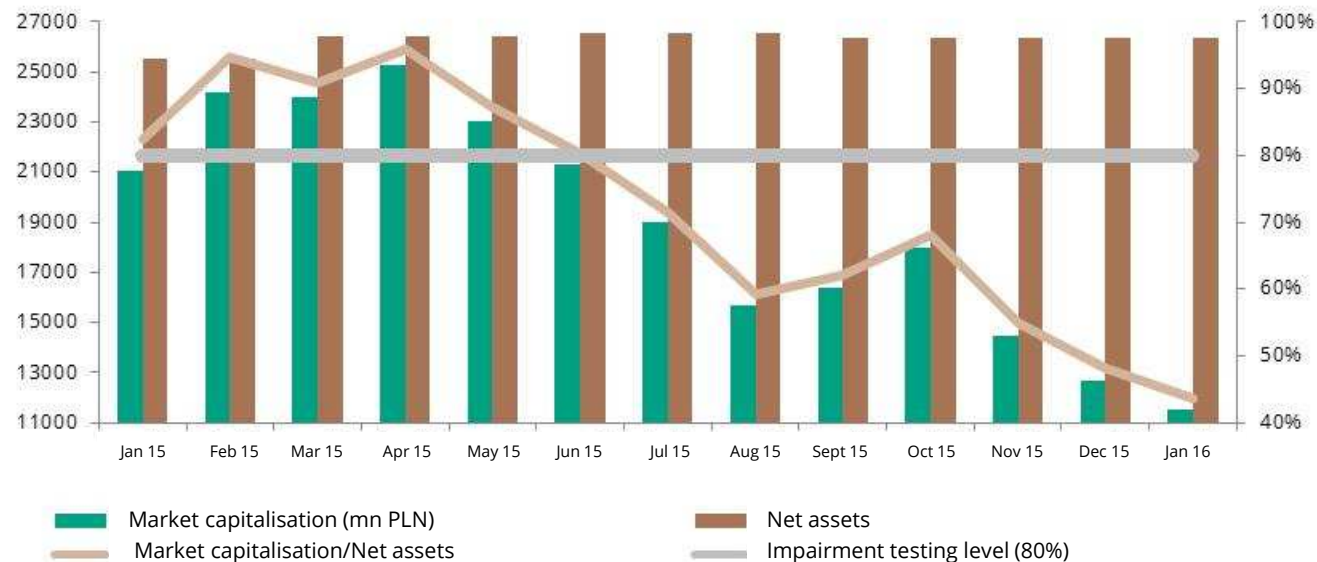


- The decrease in adjusted EBITDA by PLN 168 mn (-4%) was due to a deterioration in metals prices, and was partially offset by a weakening in the Polish zloty versus the US dollar and by a lower level of costs (the value of purchased metal-bearing materials and the minerals extraction tax).
- The decrease in the financial result was mainly due to the impairment losses recognised on non-current assets (PLN 5 272 mn pre-tax in 2015; PLN 33 mn in 2014).
- The net result, after eliminating the impact of the impairment losses, would have been PLN 2 432 mn and would have been higher by PLN 18 mn (+1%) than in 2014.



Impairment losses on the assets of KGHM

Indicators to carry out tests for the impairment of assets



- Starting from 1 July 2015 the market capitalisation of KGHM was below 80% of the value of the Company's net assets.
- Until the end of 2015 the level of this indicator remained below 80%, reaching 49% on 30 December 2015.

Due to volatility in the macroeconomic environment, including the relatively low commodities prices resulting in the Company's market capitalisation remaining significantly below the carrying amount of net assets, indications existed to carry out testing for the impairment of assets in accordance with IAS 36.

- Impairment tests were mainly carried out on the production assets of the Group, whose recoverable amount depends on metals prices.
- The recoverable amount was set based on an analysis of the discounted cash flow generated by individual assets.
- The assumptions used in the tests were the most up-to-date forecasts of pricing paths for particular commodities, long term forecasts of production volumes, reviewed investment expenditures and actions that are being carried out aimed at improving productivity.

Result of tests in the separate financial statements of KGHM Polska Miedź S.A.

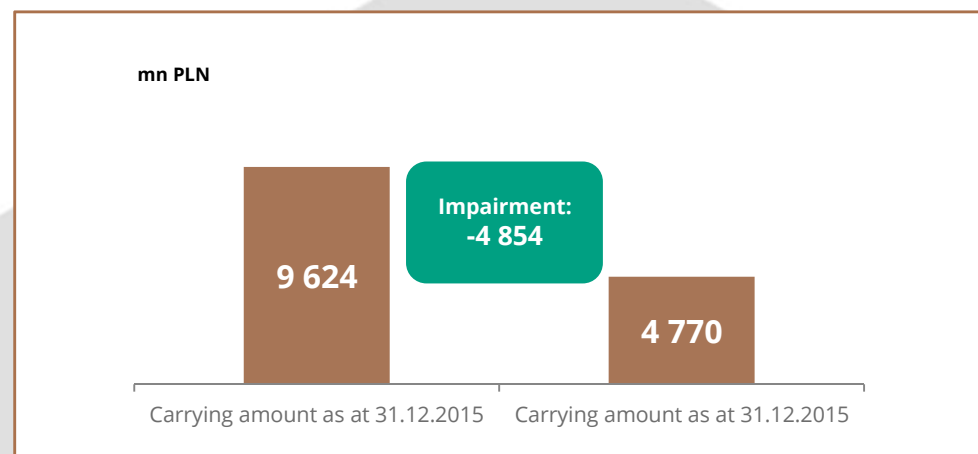
Domestic production assets

- **No impairment**
- Basic operating assumptions based on current multi-year mine production plan
- The negative impact of the relatively low metals prices (copper and silver) used in the tests were offset by the weakening of the PLN versus the USD

Shares in Fermat 1

(KGHM International, Ajax, Sierra Gorda)

- **Impairment loss recognised: PLN 4 854 mn (USD 1 244 mn)**
- The amount of the impairment is the difference between the carrying amount of shares of KGHM International and Ajax measured using the exchange rate from the purchase date and the fair value of the investment measured using the exchange rate from 31 December 2015



The total pre-tax impairment loss recognised in the separate financial statements of KGHM Polska Miedź S.A. amounted to PLN 5 272 million (PLN 5 220 million net) and comprises the impairment loss on the shares of Fermat 1 (PLN 4 854 million), on shares in other companies (PLN 336 million pre-tax, PLN 287 million net) and impairment of other non-current assets (PLN 82 million pre-tax; PLN 79 million net)

Result of tests in the consolidated financial statements of the KGHM Polska Miedź S.A. Group

Domestic production assets

- **No impairment**

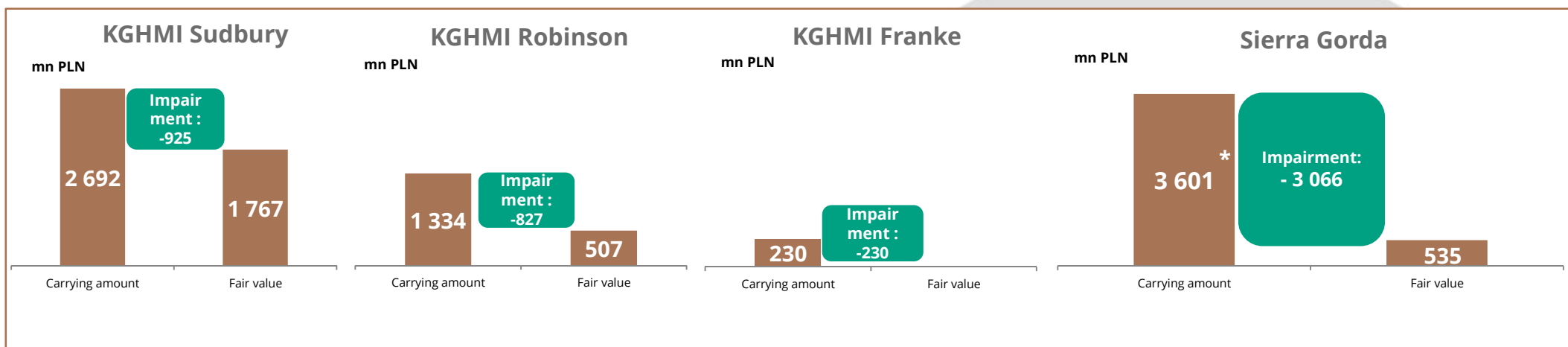
- The amount of the impairment set in USD was measured in PLN using the exchange rate at the reporting date: 3.9011 USD/PLN

KGHM International (including Ajax)

- **Net impairment: PLN 1 982 mn (USD 508 mn)**
- The amount of the impairment is the difference between the carrying amount of the assets of KGHM International and Ajax (reflecting the amounts recognised at the allocation of the purchase price) and the fair value of the assets.

Sierra Gorda

- **Net impairment: PLN 3 066 mn (USD 786 mn)**
- The amount of the impairment is the difference between the carrying amount of the investment in Sierra Gorda (reflecting the amounts recognised on the assets of SG at the allocation of the purchase price) and the fair value of the investment.



The total impairment loss recognised on the production assets in the consolidated financial statements of the KGHM Polska Miedź S.A. Group amounted to PLN 5 048 mn (USD 1 294 mn)

* The value of the shares in the carrying amount of SG as measured using the equity method reflects the share in losses, which in the part attributable to KGHM Polska Miedź S.A. (55%) amounts to -PLN 1 986 mn (-USD 508 mn), including impairment at the level of the Sierra Gorda JV: -PLN 1 393 mn (-USD 357 mn)

Achievement of the macroeconomic and operating assumptions of KGHM Polska Miedź S.A. in 2015

	Execution
Average annual copper price	81%
Average annual silver price	87%
Exchange rate	114%
Pre-precious metals unit cost of electrolytic copper production from own concentrate	94%
Total unit cost of electrolytic copper production from own concentrate	89%
C1 cash cost of producing copper in concentrate	79%
Production of copper in concentrate	101%
Production of silver in concentrate	106%
Production of electrolytic copper	101%
- of which from purchased metal-bearing materials	101%
Production of metallic silver	111%
Copper products sales volume	101%
Silver products sales volume	108%
Capital expenditures	105%
Equity investments	91%

- The lower-than-expected metals prices were partially offset by the weakening in the PLN versus the USD. The copper price expressed in PLN was 8% lower than planned, while silver was at the planned level.
- The copper production and sales volumes achieved in 2015 were at levels similar to the planned amounts, while in the case of silver, production and sales volume were respectively by 11% and 8% higher than planned.
- The unit cost of electrolytic copper production from own concentrate was lower than planned mainly due to higher-than-planned copper production. Meanwhile the C1 cash cost of producing copper in concentrate was substantially lower than planned, mainly due to the weakening in the PLN versus the USD, but also due to the higher content of silver in own concentrate.

Macroeconomic and operating assumptions of KGHM Polska Miedź S.A. for 2016

	Unit	2015	Target 2016	Change
Average annual copper price	USD/t	5 495	5 000	-9%
Average annual silver price	USD/oz t	15.68	14.00	-11%
Exchange rate	USD/PLN	3.77	3.95	+5%

Production of copper in concentrate	kt	425.9	426,8	+0.2%
Production of silver in concentrate	t	1 209	1 188	-2%
Production of electrolytic copper	kt	574.3	525.4	-9%
- of which from purchased metal-bearing materials	kt	420.5	375.6	-11%
Production of metallic silver	t	1 283	1 010	-21%

Copper products sales volume	kt	571.4	575.7	+1%
Silver products sales volume	t	1 245	1 134	-9%

C1 cash cost of producing copper in concentrate	USD/lb	1.47	1.45	-1%
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Capital expenditures	mn PLN	2 673	2 530	-5%
Equity investments	mn PLN	1 505	1 488	-1%

- The Company expects a further deterioration of metals prices in 2016, whose negative impact will be partially offset by a weakening in the PLN versus the USD.
- In 2016, KGHM Polska Miedź S.A. plans to maintain stable production of copper in concentrate.
- With regard to the planned, four-month shutdown at the Głogów I smelter/refinery related to the change from shaft furnace to flash furnace technology, the Company expects a decrease in electrolytic copper production in 2016.
- The sales volumes of copper and silver in 2016 include planned sales of own concentrate: 215 thousand tonnes (47 thousand tonnes of copper and 106 tonnes of payable silver), which will not be used by KGHM Polska Miedź S.A. due to the smelter shutdown.
- The high level of investment expenditures is mainly due to the need to complete investments related to the change in metallurgical technology and to provide support in the form of owner loans for the operations of the Sierra Gorda mine as well as the mine assets of KGHM INTERNATIONAL LTD. given the current unfavourable macroeconomic conditions.

The Management Board has decided to commence the process of reviewing the assumptions contained in the strategy for the years 2015–2020, including reviewing and prioritising investment projects throughout the Group in order to optimise capital needs in the short and medium terms.



Thank you!

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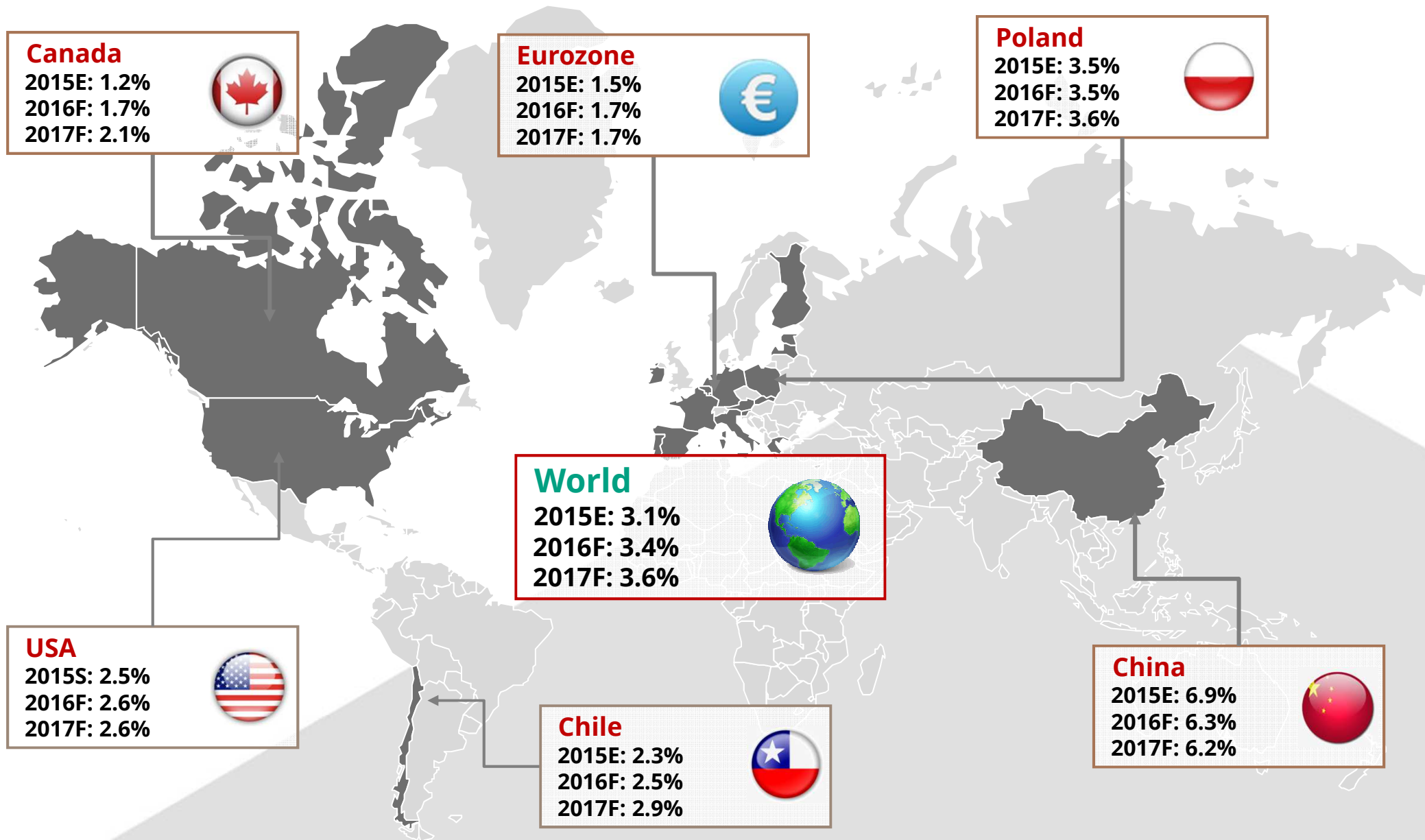
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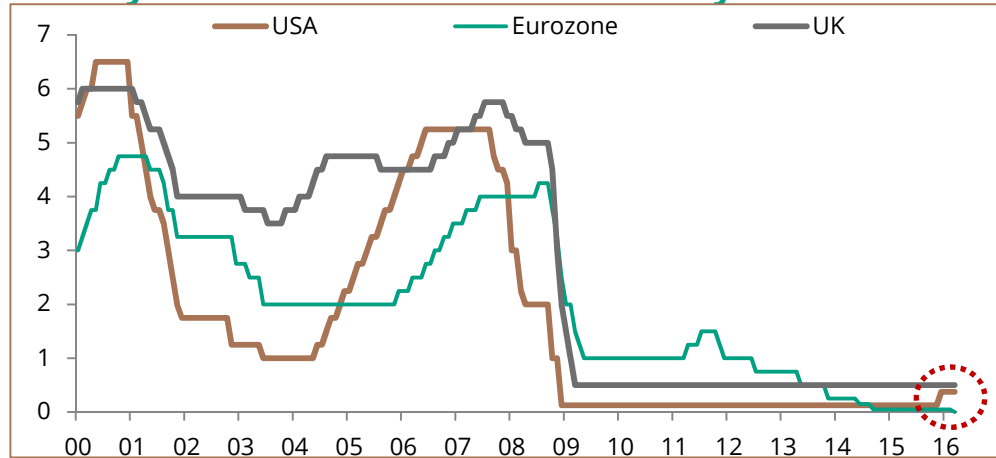
Back-up slides

The IMF expects that global Gross Domestic Product will grow in 2016 and in 2017



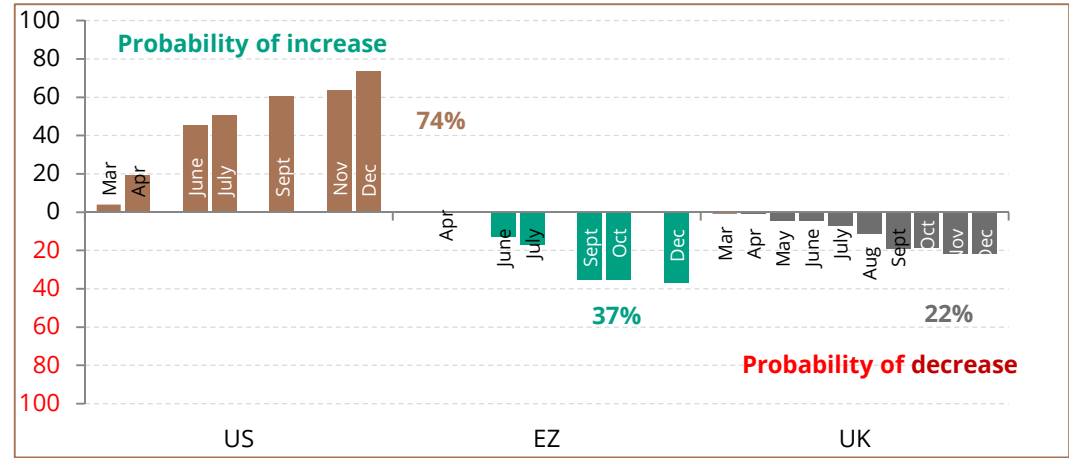
Interest rates raised in the USA, and the market expects further raises

At the end of 2015, the Fed raised the cost of money for the first time in almost 10 years...



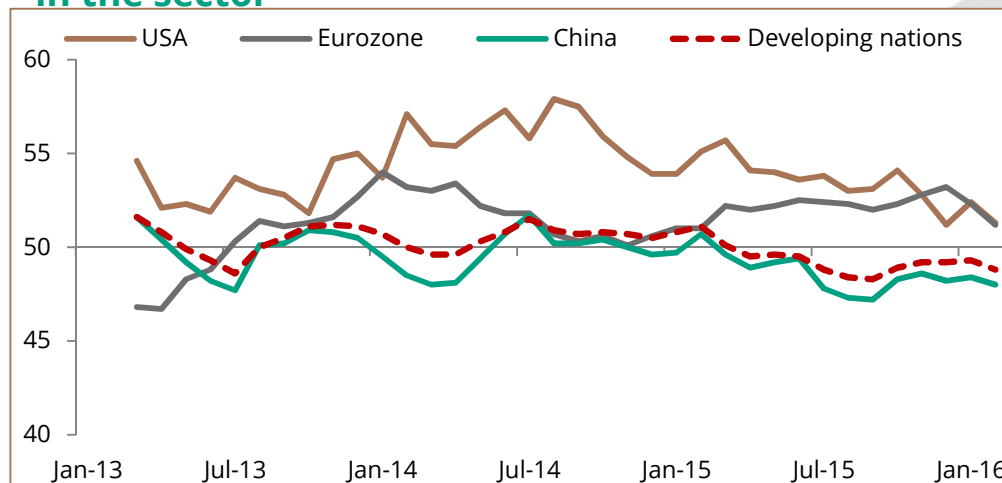
Source: Bloomberg, KGHM

...and, in the market's opinion, will raise interest rates further, in contrast to other large banks



Accrued probability of at least one rate change. Source: Bloomberg, KGHM

The Industrial Purchasing Managers' Index (PMI) < 50 in developing nations still indicates a problem in the sector

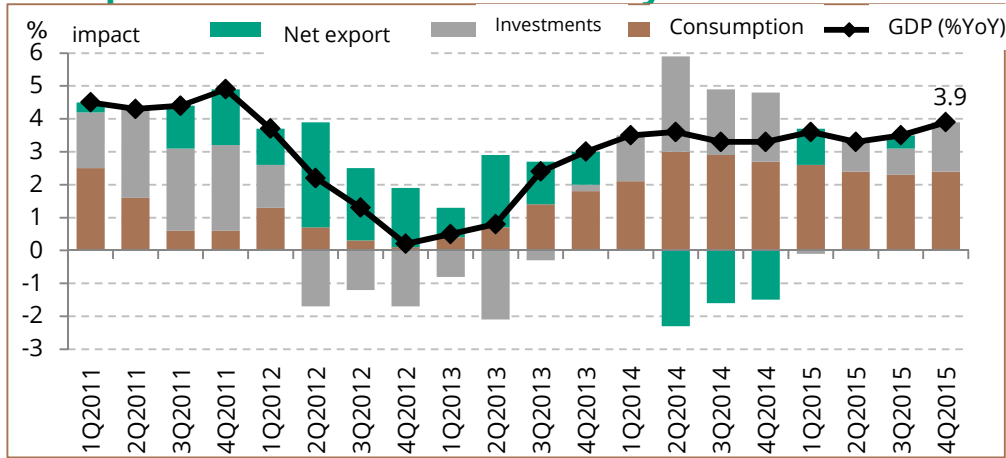


Industrial PMI. Source : Bloomberg, KGHM

- At the end of 2015 the long-awaited interest rate hike in the USA occurred. The good macroeconomic data, particularly in the labour market, are a signal to the financial markets that by the end of 2016 the Fed may decide to make one or two further increases.
- Central banks in other highly developed regions are moving in the opposite direction and are introducing negative interest rates.
- One of the key problems is the stagnation seen in the industrial sector in developing nations and in economic indicators, which do not indicate recovery in the near term.

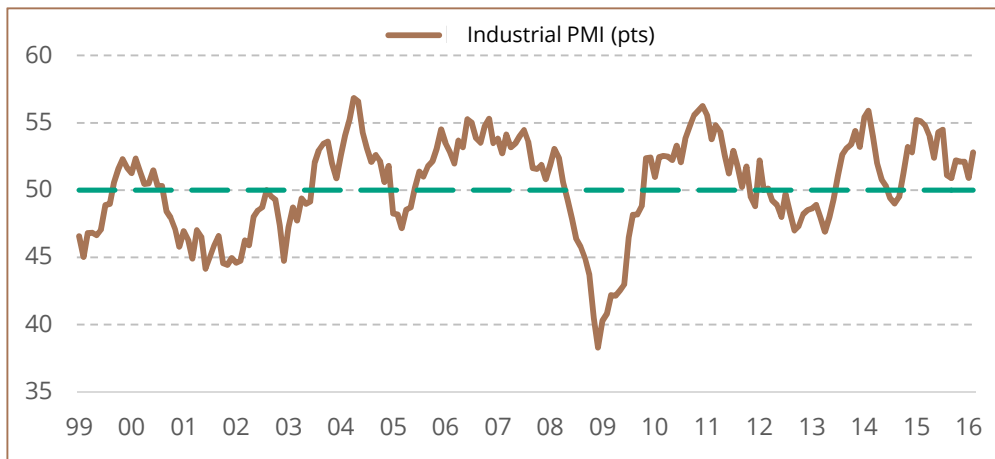
In 2014 the USD strengthened substantially against the PLN as compared to previous years

The GDP growth rate in Poland in Q4 2015 retained the positive trend in the economy...



Source: GUS, KGHM

...while economic indicators are signalling a slight slowdown

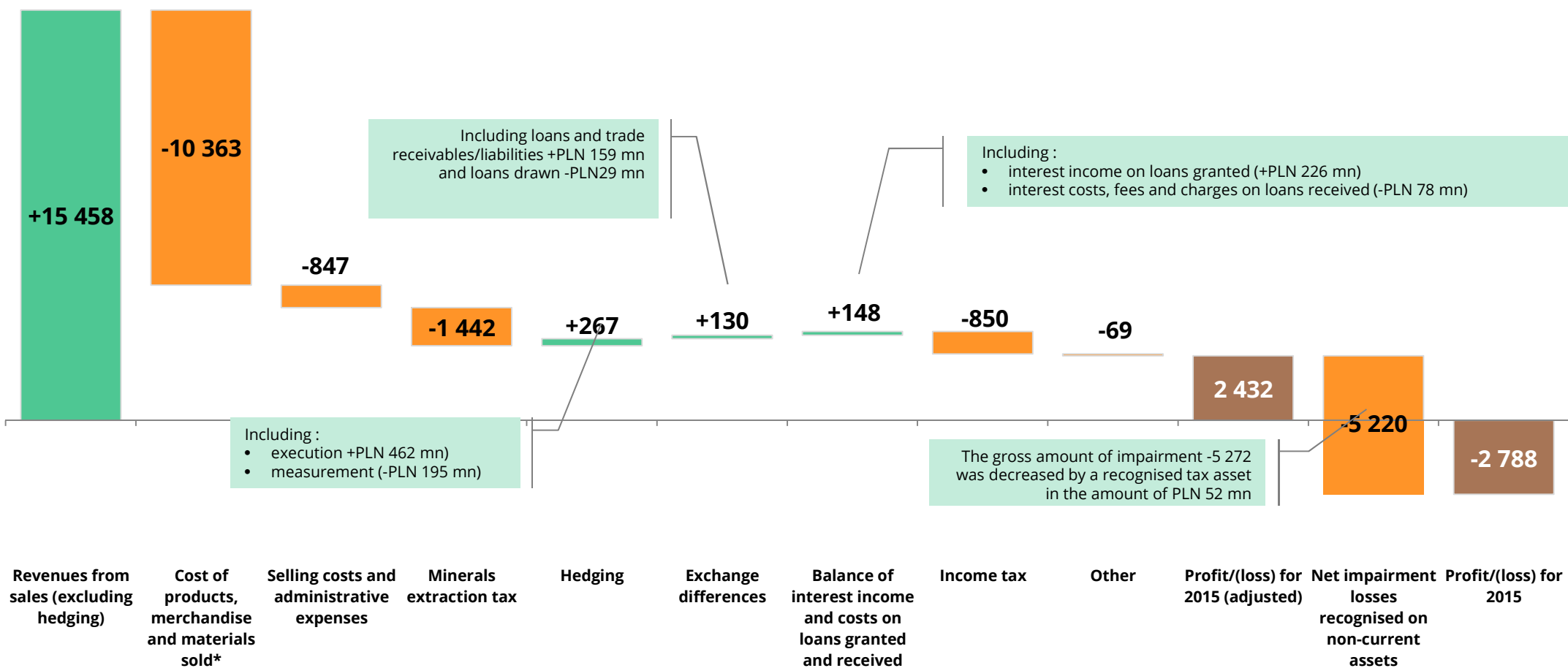


Source: Markit, Bloomberg, KGHM

- Economic growth remains stable, above an annual 3.5%, with domestic demand, which is the main driver of the Polish economy, again being stabilised.
- Due to continuing weak demand, as well as the only moderate rate of growth in wages, there continues to be a lack of inflationary pressure. The annual rate of change in consumer and producer prices remains negative.
- One of the main reasons for the continuing deflation is the sharp drop in in the prices of energy commodities on global markets in recent quarters. Inflationary expectations remain very low. In the opinion of the NBP, the on-going deflation no longer has a negative impact on corporate decisions as has heretofore been the case.
- Economic indicators are signalling a slight slowdown in the coming months, though the scale of the slowdown should not be large.
- External factors have up to now played a major role in shaping the value of the zloty, and will continue to have an impact in the near future.

Structure of the net result for 2015

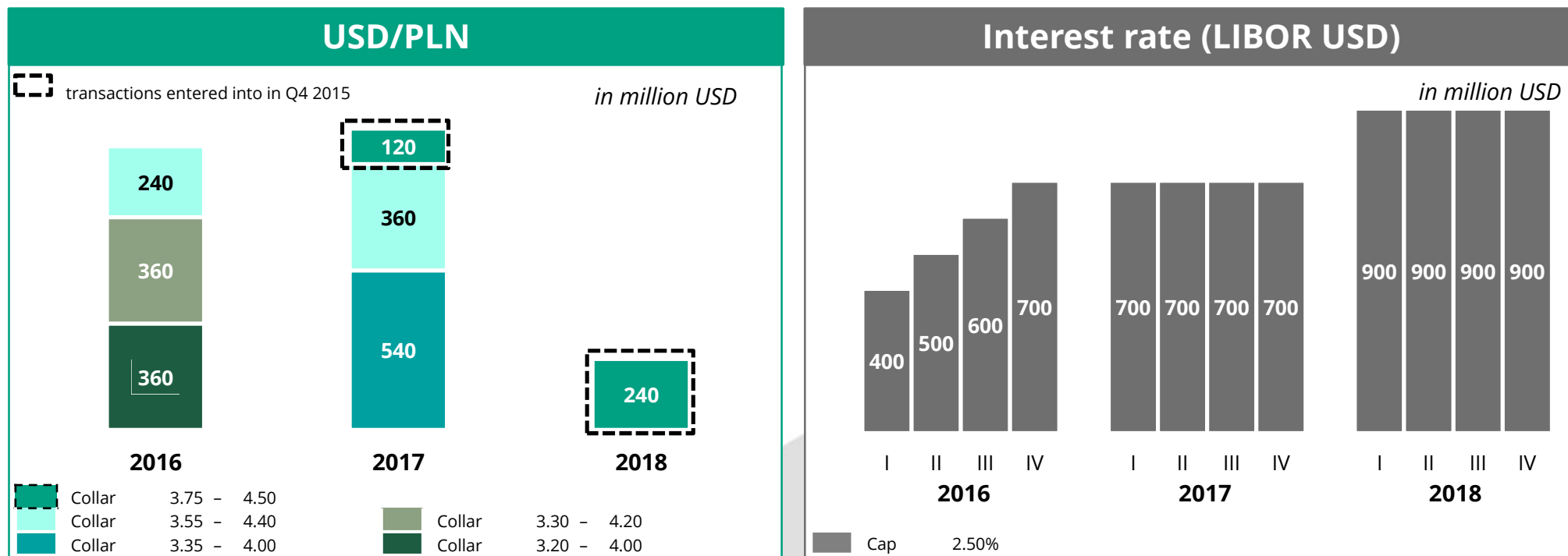
Structure of profit or loss in 2015 (mn PLN)



The accrued result on derivatives achieved by KGHM Polska Miedź S.A. as at 31 December 2015 amounted to PLN 267 million

Market risk management – hedging position (as at 31 December 2015)

Position in derivatives on the currencies and interest rates markets*



- In 2015 KGHM Polska Miedź S.A. recorded a positive result on derivatives in the amount of PLN 267 million, of which:
 - PLN 482 million increased sales revenue (transactions settled in the January-December period),
 - PLN 215 mln million decreased the result on other operating activities (mainly a change in the measurement of open transactions as at 31 December 2015 hedging the period to the end of 2018).
- The fair value of derivatives (MtM) as at 31 December 2015 amounted to -PLN 83 million.