



KGHM
POLSKA MIEDŹ S.A.

Company results
after the first three quarters of 2009

Presentation for Analysts Meeting
17 November 2009

November 2009

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KGHM Polska Miedź after the first 3 quarters of 2009

- **Net profit after 9 months PLN 1 855 million, 82% of projected result for 2009***
- **Significant improvement in macroeconomic conditions**
 - Copper prices in PLN nearly doubled
- **Dynamic increase in the share price of KGHM Polska Miedź S.A.**
 - Over the past 9 months the return on investing in the Company's shares was one of the highest on the Warsaw Stock Exchange (The Company's share price increased 3.1-times, reaching the level of July 2008).
- **Effect of hedging**
 - As a result of the market risk management policy, the Company achieved a positive result after the first nine months on derivative instruments (131 mln PLN)
 - The effects of hedging mainly impacted the first and second quarters, and ameliorated the effects of falling copper prices
 - The Company's hedging policy enables it to participate in copper price increases, as occurred in the third quarter.
- **Effectiveness Program**
 - The analysed potential to improve effectiveness represents 14% of the analysed cost base (PLN 775 million)
 - The total savings goal for cost reduction programs realised to date is an average annual of around PLN 75 million
- **Central Purchasing Office**
 - After implementation of the Purchase Support System, to date around 300 tenders and around 100 electronic auctions have been carried out, in a total amount of nearly PLN 500 million. The result of this system alone has been the achievement of savings of PLN 150 million in comparison to the amount resulting from estimating the value of individual orders (estimated based on 2008 prices).
 - As a result of all operations carried out to the end of the third quarter by the CPO, savings amount to nearly PLN 250 million – to the end of the year they are estimated at PLN 300 million
- **Improvement in ore quality**
 - An increase in copper content in ore from 1.62% after the first 9 months of 2008 to 1.69% in the first 9 months of 2009

* Based on projection published on 12 November 2009

Program Effectiveness

- **In order to develop a unit cost reduction program in KGHM Polska Miedź S.A., in February 2009 Project „Effectiveness” was introduced**
- **The analysed potential to improve effectiveness represents 14% of the analysed cost base (around PLN 775 million)**
 - increased production PLN 230 million
 - reduced costs PLN 545 million
- **Use of two methodologies:**
 - process transformation (process programs) – improved productivity by changing processes and procedures
 - cost reduction (cost reduction programs) - systematic review of the entire cost base of a selected area
- **Savings goal in cost reduction programs currently being realised is an average annual of around PLN 75 million**
 - return on investment must be achieved within around 2-3 years,
 - the first effects in terms of reduced costs should already be expected in 2010
- **The main goal for process programs is to achieve increased copper production in the company**
 - realised as part of the implementation of pilot programs, a program in one of the mining divisions confirmed the possibility of a stable increase in production by several percent
 - the implementation of further process programs planned for the years 2010 – 2011 encompass all of the Company’s production areas

Strategic considerations for the acquisition of foreign mining assets

Strategy of KGHM Polska Miedź S.A.

Transformation into a large global copper producer with annual production of around 700 thousand tonnes of copper

Strategic goal

Development of resource base through acquisitions in mining sector

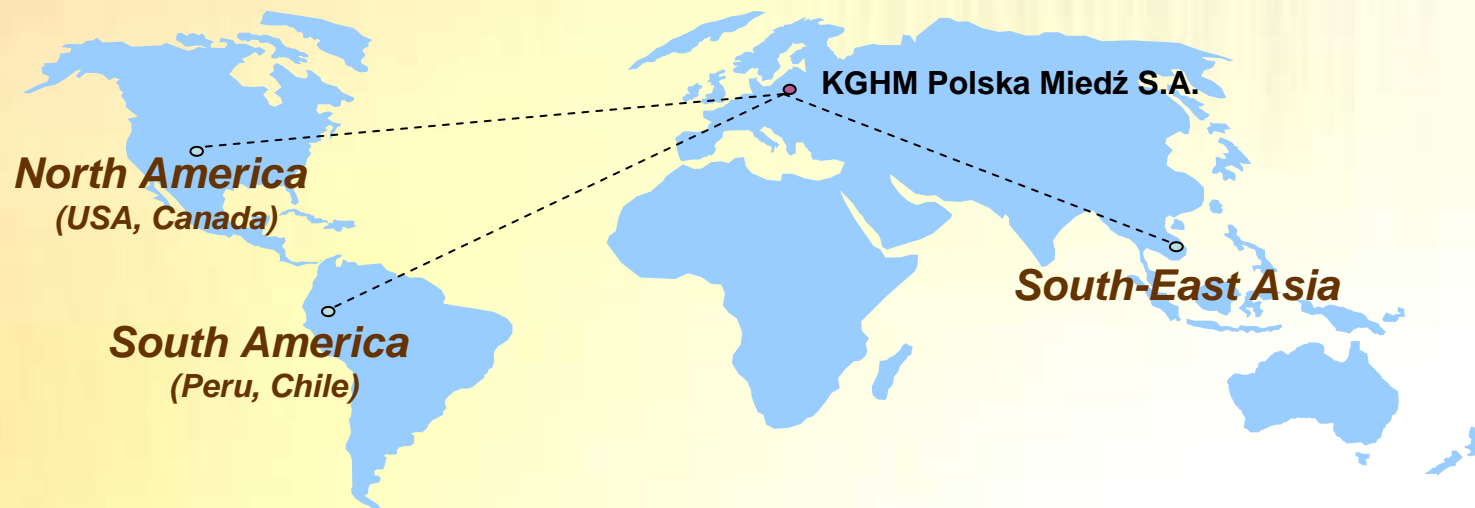
Required criteria of mining projects

- The company has precisely-defined criteria for deciding on whether to commit to considered projects, such as the size of the resource and production bases, production costs, location and stage of realisation
- All projects will be analysed in terms of the possibility of achieving synergy with the existing core business of KGHM

Conditions for realising mining projects

- Based on existing expertise, the search for resources should involve copper ores
- Given the high risk inherent in exploration, such projects must have a high rate of return on investment
- Projects having a high resource potential will be realised as part of consortiums with global leaders (joint ventures)
- The possibility of achieving synergy with the existing core business of KGHM
- To expand their businesses, miners must develop and increase their resource bases
- Due to the advanced state of exploration, an increasing number of projects are financed with a high level of documentation – the activities of large mining companies

Geographical location of projects



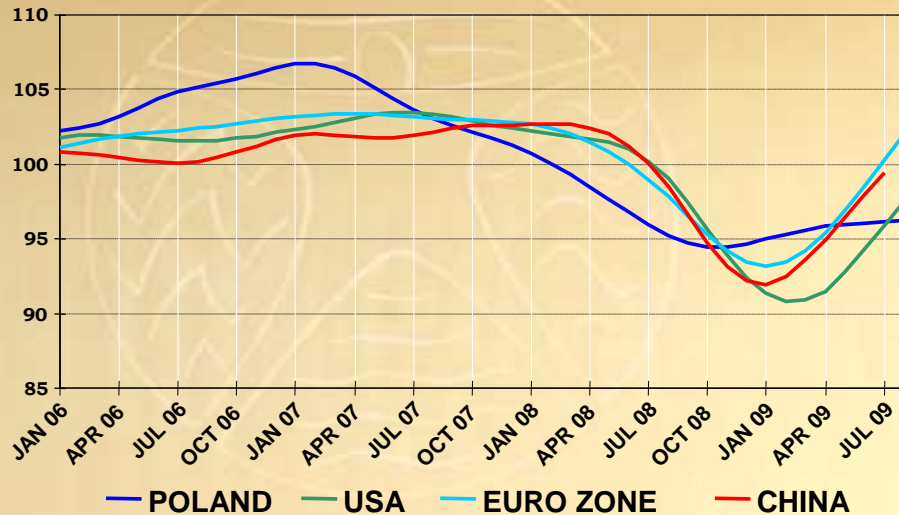
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Financial and economic results

Macroeconomic conditions and the currency market

Leading economic indicators of selected economies



Source: OECD

Currency rates

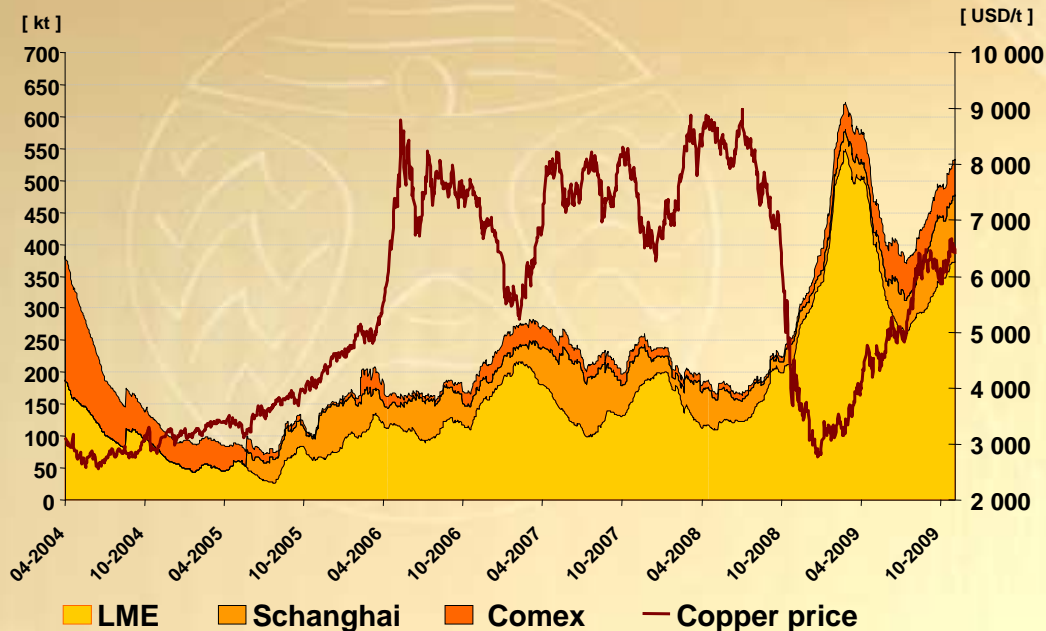


Source: KGHM, based on Reuters

- The leading economic indicators in developed economies in recent months have begun to indicate a recovery. Current macroeconomic data show that the worst of the crisis is now past
- Recent forecasts by the IMF show an improvement in the global economy in both 2009 and 2010
- After an extremely rapid weakening of the PLN caused primarily by the mass exit of investors from developing countries there occurred an equally rapid strengthening of the Polish zloty
- The stimulus plans which have been introduced around the world increase fears of long-term inflation and the value of the USD. Further calming of the situation on the financial markets has led to increased risk appetite and the systematic weakening of the USD
- The rate of growth of the Polish economy should outpace that of countries in the Euro zone and of the USA, which should positively impact the Polish currency in the medium and long term

Metals market

Copper price versus inventories



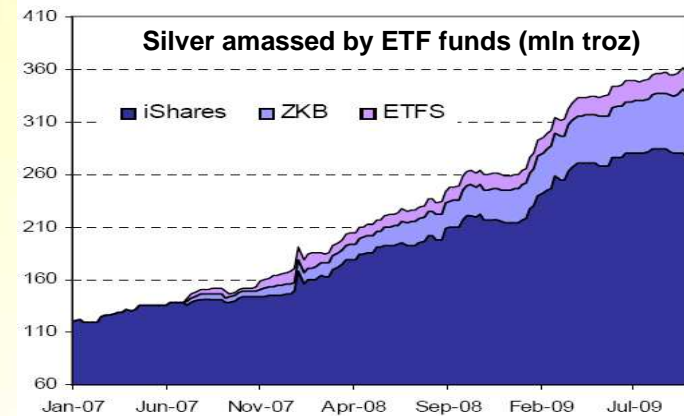
Source: LME, COMEX, SHFE, KGHM Polska Miedź S.A

Copper

- Purchases by China's State Reserves Bureau (SRB) along with stimulus packages introduced by China led to increased demand for metal, which caused an increase in the copper price in the first half of 2009
- In recent months copper inventories in global warehouses have been rising rapidly
- The financial crisis has led not only to decreased copper demand and increased inventories, but also to plant closures, reduced production and the deferred realisation of many mining projects, factors which could have a positive future impact on market balance
- Despite short-term fears about copper demand, analysts are underscoring the positive long-term fundamentals of copper
- In the short term metals prices may be to a large degree dependent on market sentiment and on the performance of the USD against other currencies

Silver

- In 2009 there occurred a rapid drop in industrial silver use, balanced by the purchase of the metal for investment purposes
- The amount of silver amassed in ETF funds reached new records, with a positive impact on the silver price, which remains at a historically high level
- The substantial involvement of entities investing in silver means that the price of this metal is strongly tied to the behavior of investment funds and market sentiment
- The silver price is positively correlated with that of gold, and negatively with the strength of the USD

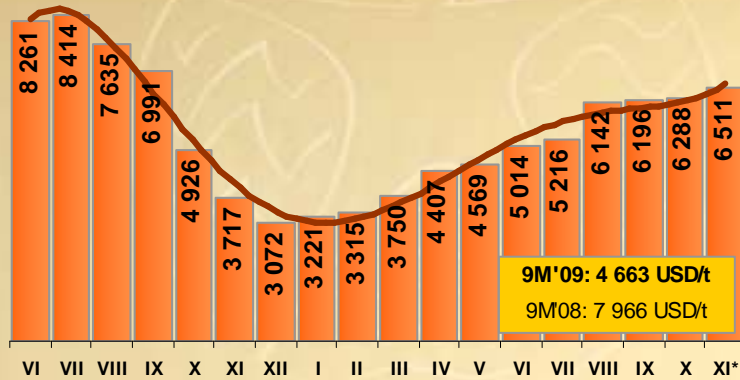


Source: Mitsui

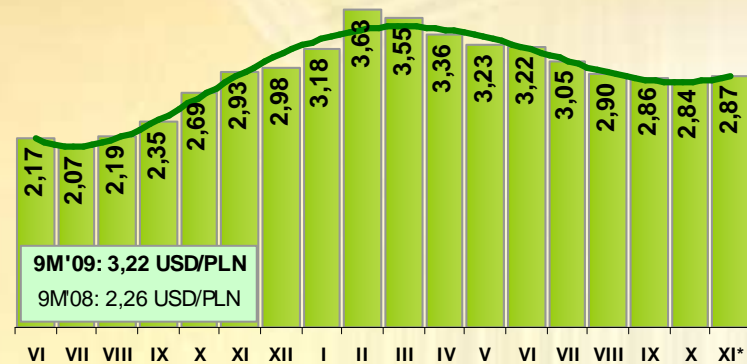
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Macroeconomic conditions

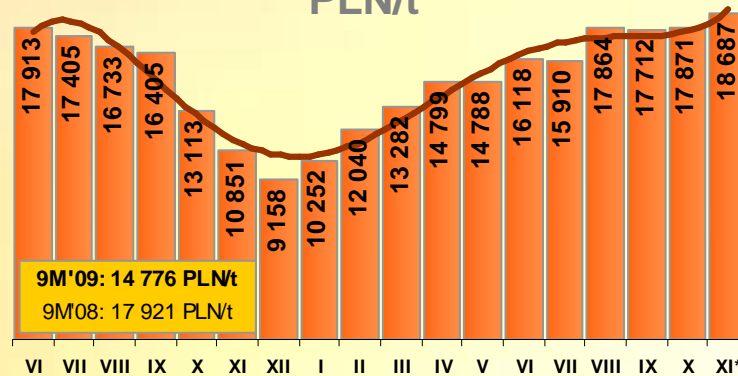
Copper price
USD/t



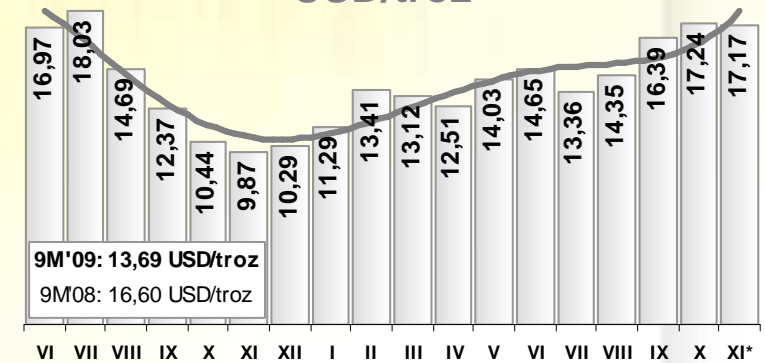
Exchange rate
PLN/USD



Copper price
PLN/t



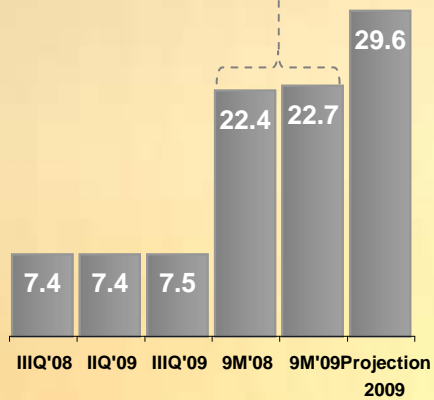
Silver price
USD/troz



* By 10 November 2009

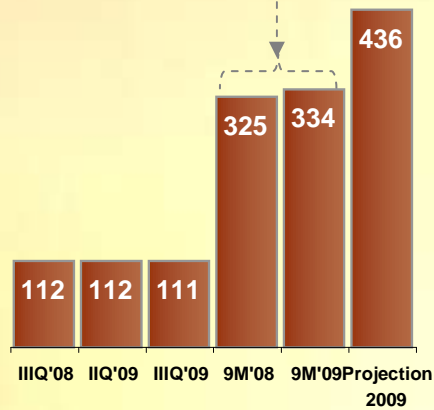
Production results

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



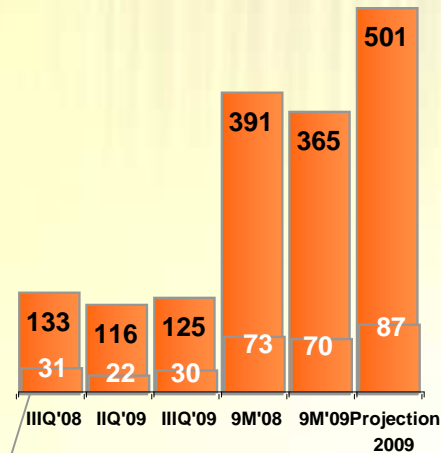
An increase in copper content in ore from 1.62% to 1.69%

**Production of copper
in concentrate
(‘000 t)**

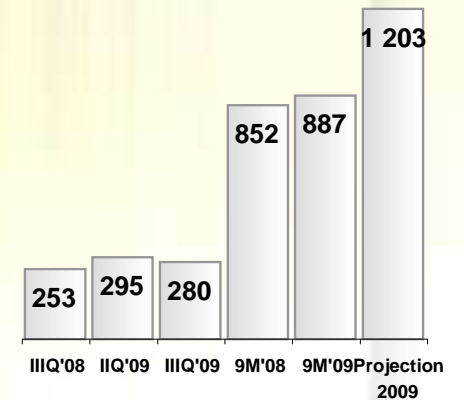


including purchased copper-bearing materials

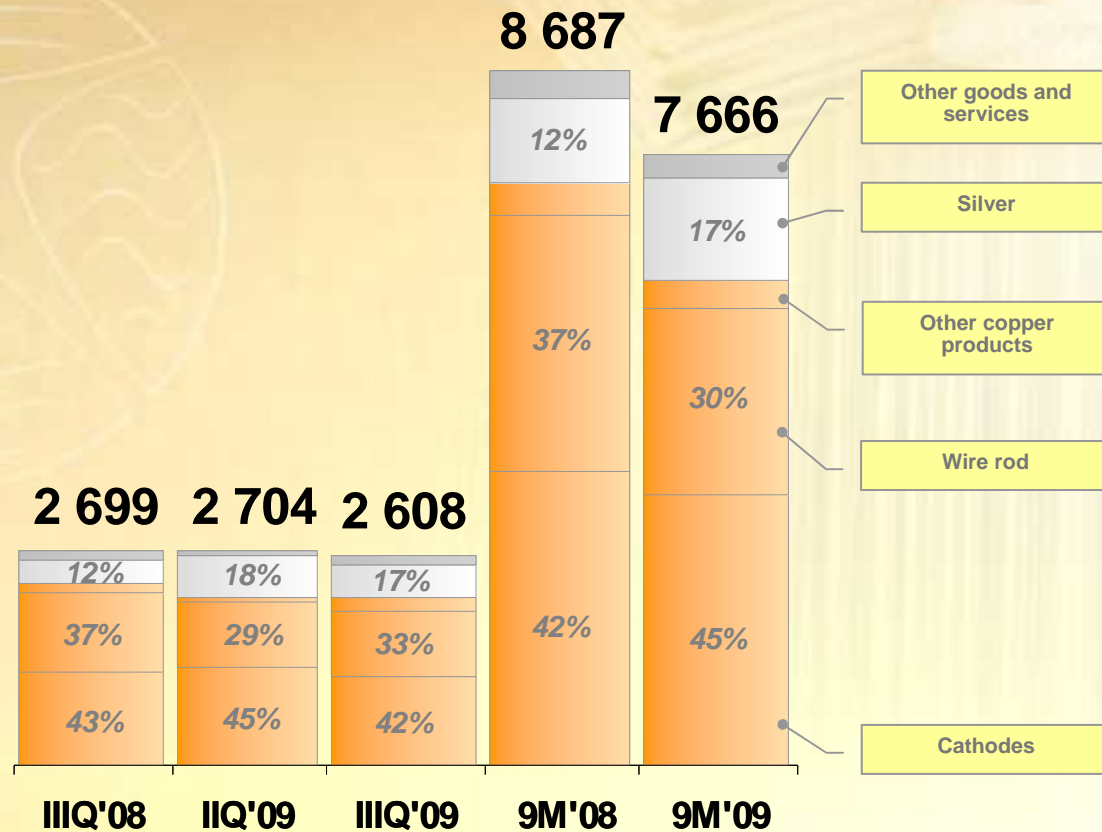
**Electrolytic copper
production
(‘000 t)**



**Metallic silver
production
(t)**



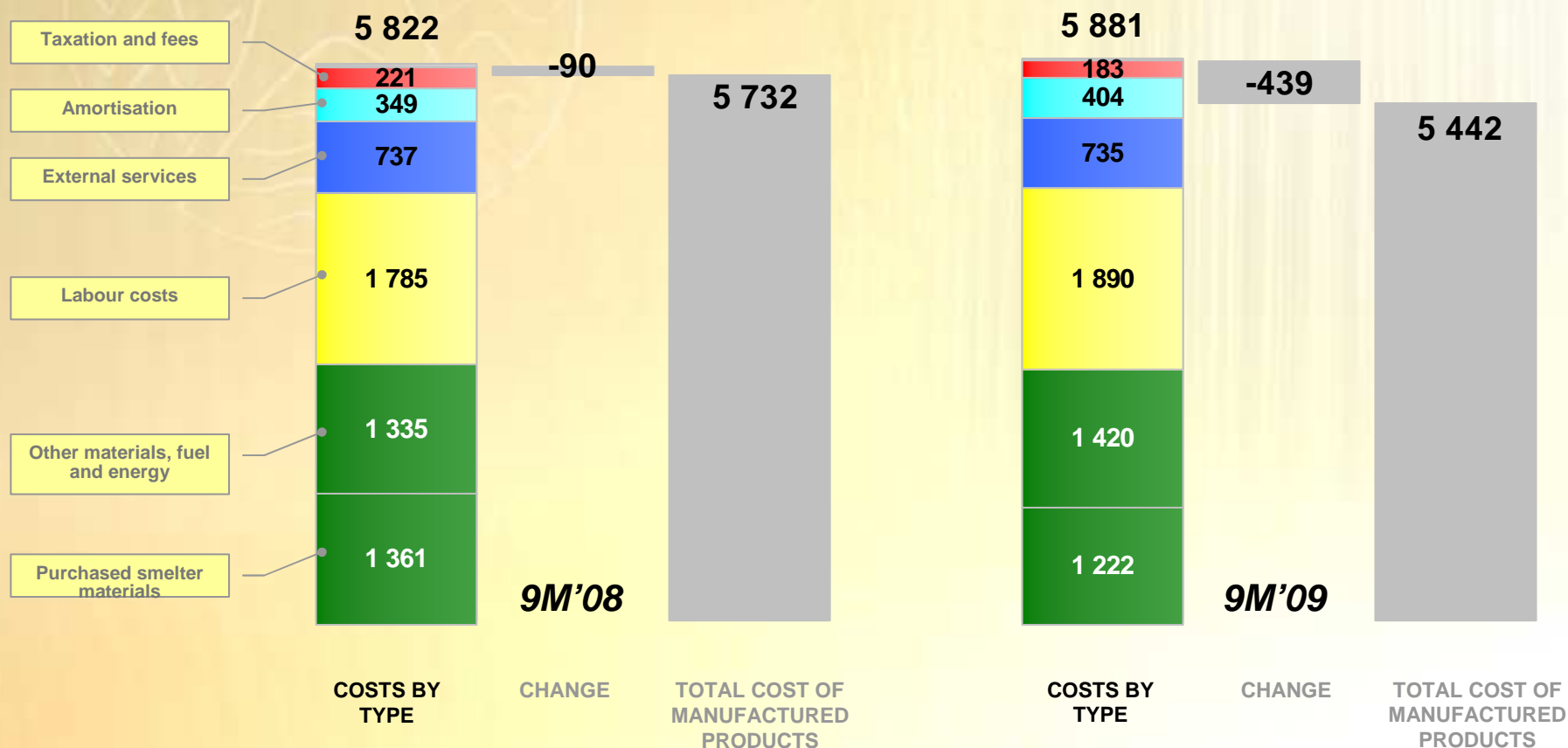
Product sales structure (million PLN)



A decrease in revenues from the sale of products by PLN 1 021 million (12%)

Costs by type (million PLN)

An increase in costs by type by PLN 59 million, i.e. by 1% versus the first 9 months of 2008
 A decrease in the total cost of products sold by PLN 291 million, i.e. by 5%



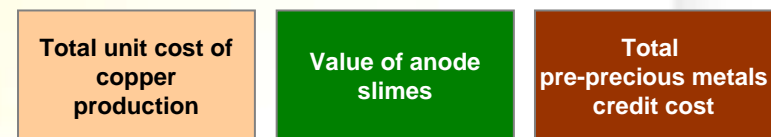
Unit cost of electrolytic copper production (PLN/t)

3rdQ'09 versus 2ndQ'09

Total cost



Cost from internal concentrates



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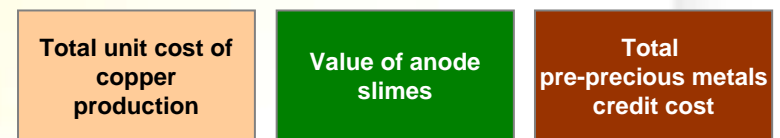
Unit cost of electrolytic copper production (PLN/t)

9M'09 versus 9M'08

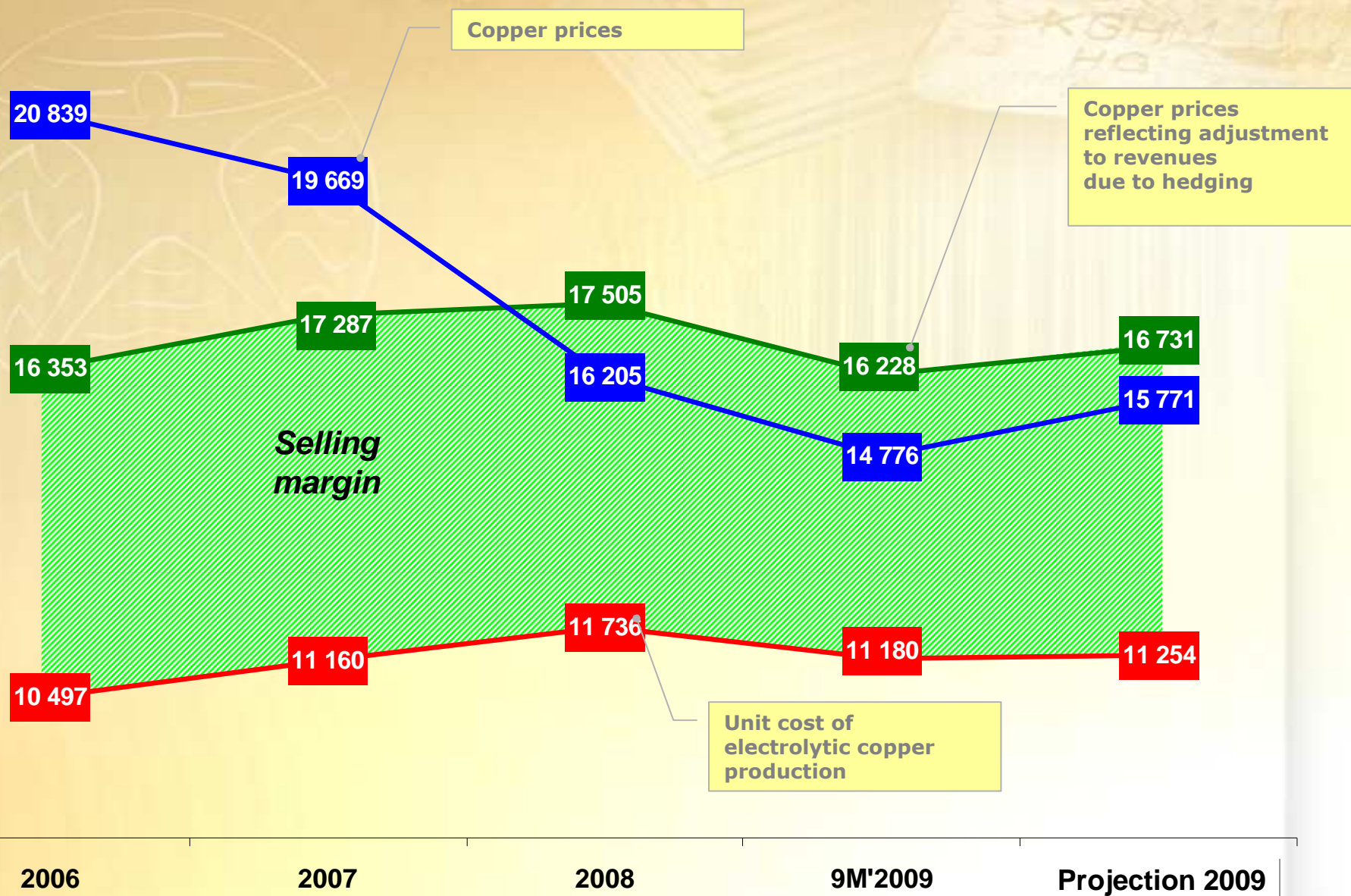
Total cost



Cost from internal concentrates



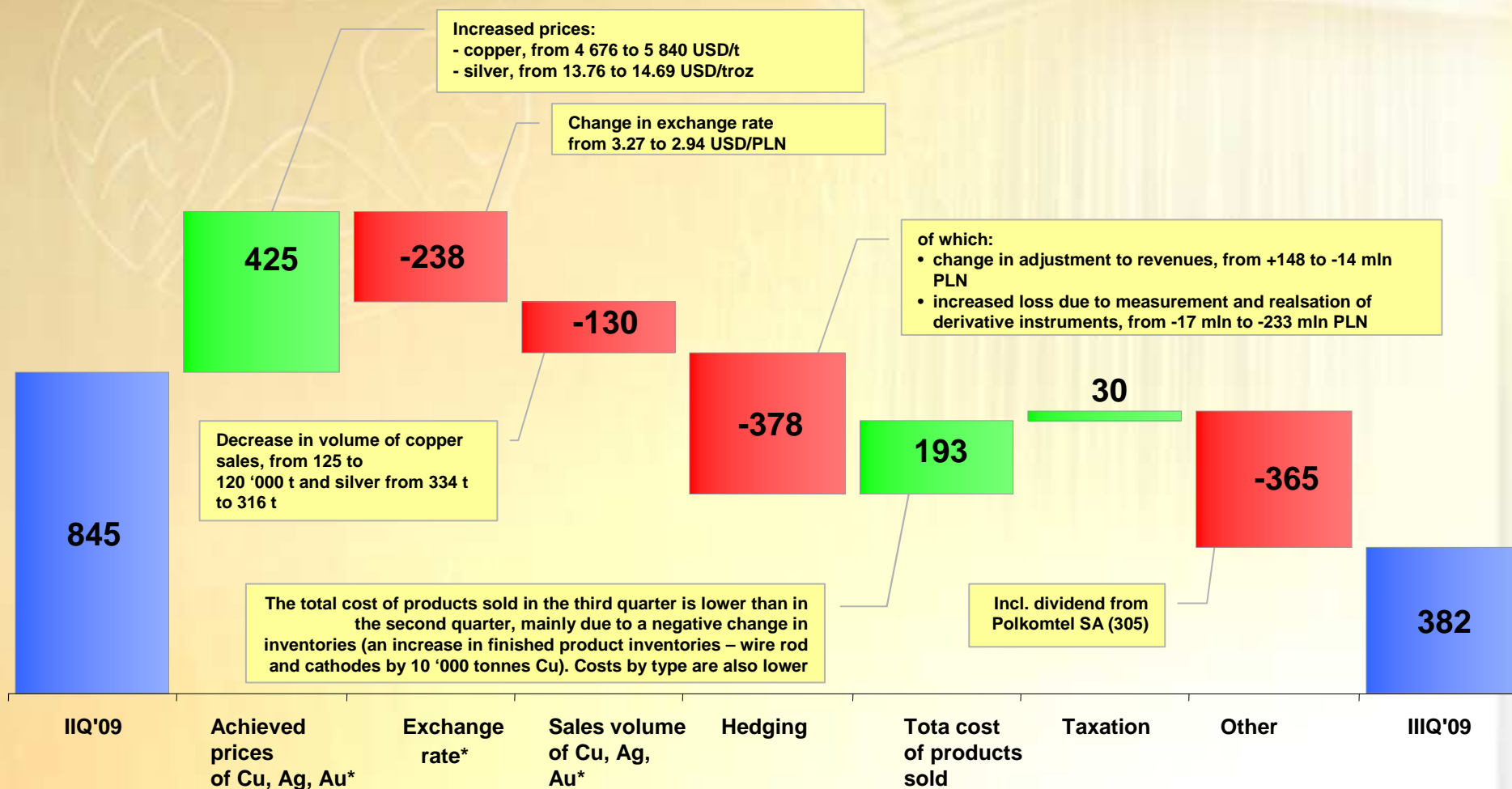
Selling margin (PLN/t)



Financial results (million PLN)

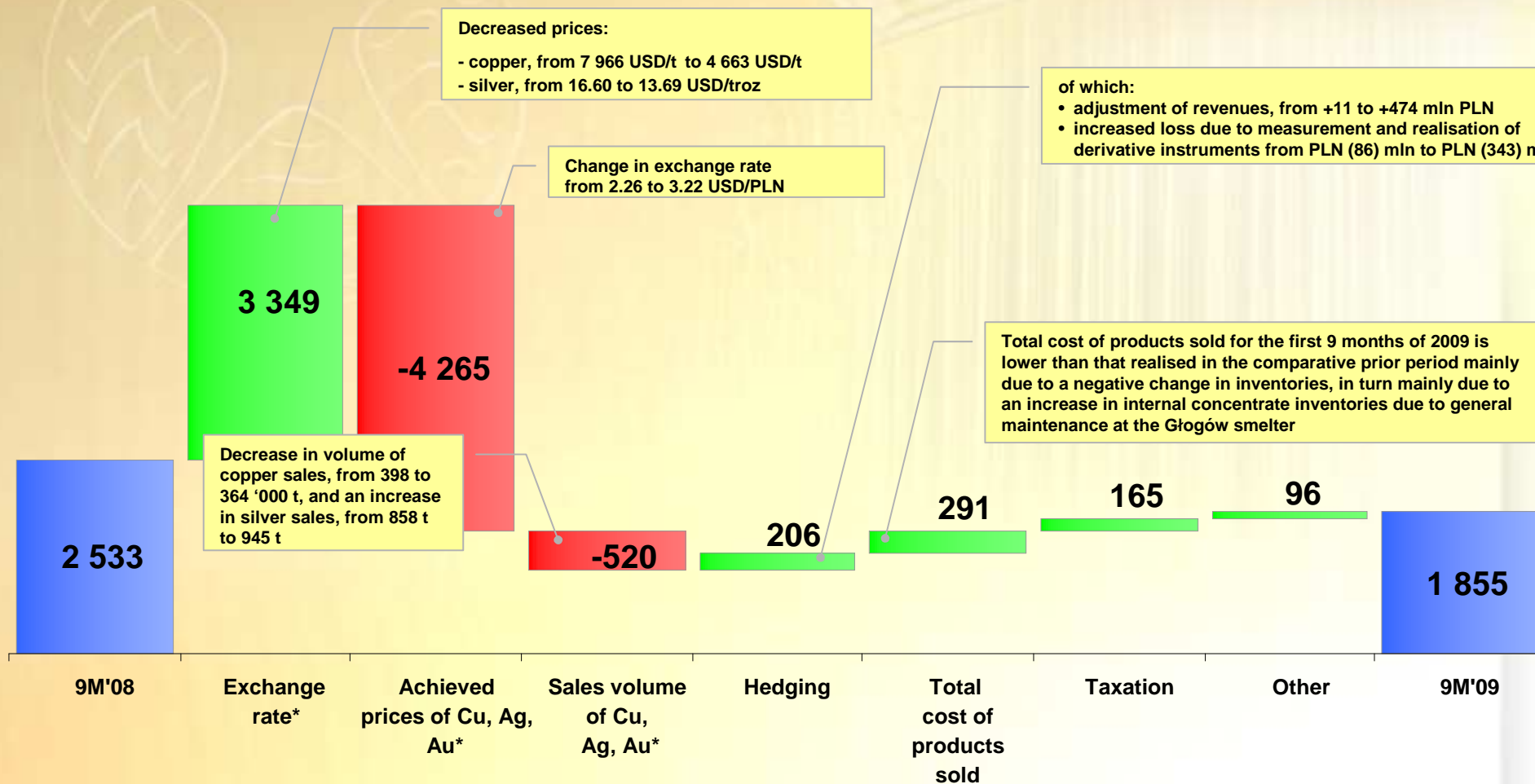
	IIIQ'08	IIQ'09	IIIQ'09	9M'08	9M'09	Change	% change 9M'08=100
Sales	2 720	2 722	2 636	8 751	7 736	(1 015)	88
<i>including adjustment of revenues due to hedging</i>	6	148	(14)	11	474	463	x 45.0
Operating costs	1 982	2 047	1 865	5 793	5 507	(286)	95
Net profit on sales	737	675	772	2 958	2 229	(728)	75
Result of other operating activities, of which:	159	295	(294)	133	15	(118)	11
Dividends received	0	342	0	228	342	113	150
Realisation and measurement of derivative instruments	82	(17)	(233)	(86)	(343)	(257)	x 4.0
Exchange rate differences	40	(58)	(73)	(106)	(56)	49	53
Operating profit	896	970	477	3 090	2 244	(847)	73
Net financing cost	11	6	6	29	25	(4)	87
Profit before tax	885	964	471	3 062	2 219	(843)	72
Taxation	167	119	89	529	364	(165)	69
Profit for the period	718	845	382	2 533	1 855	(678)	73
EBITDA	1 013	1 105	613	3 440	2 648	(792)	77

Net profit lower by PLN 463 million than in Q2 2009



* Impact on revenues from sales

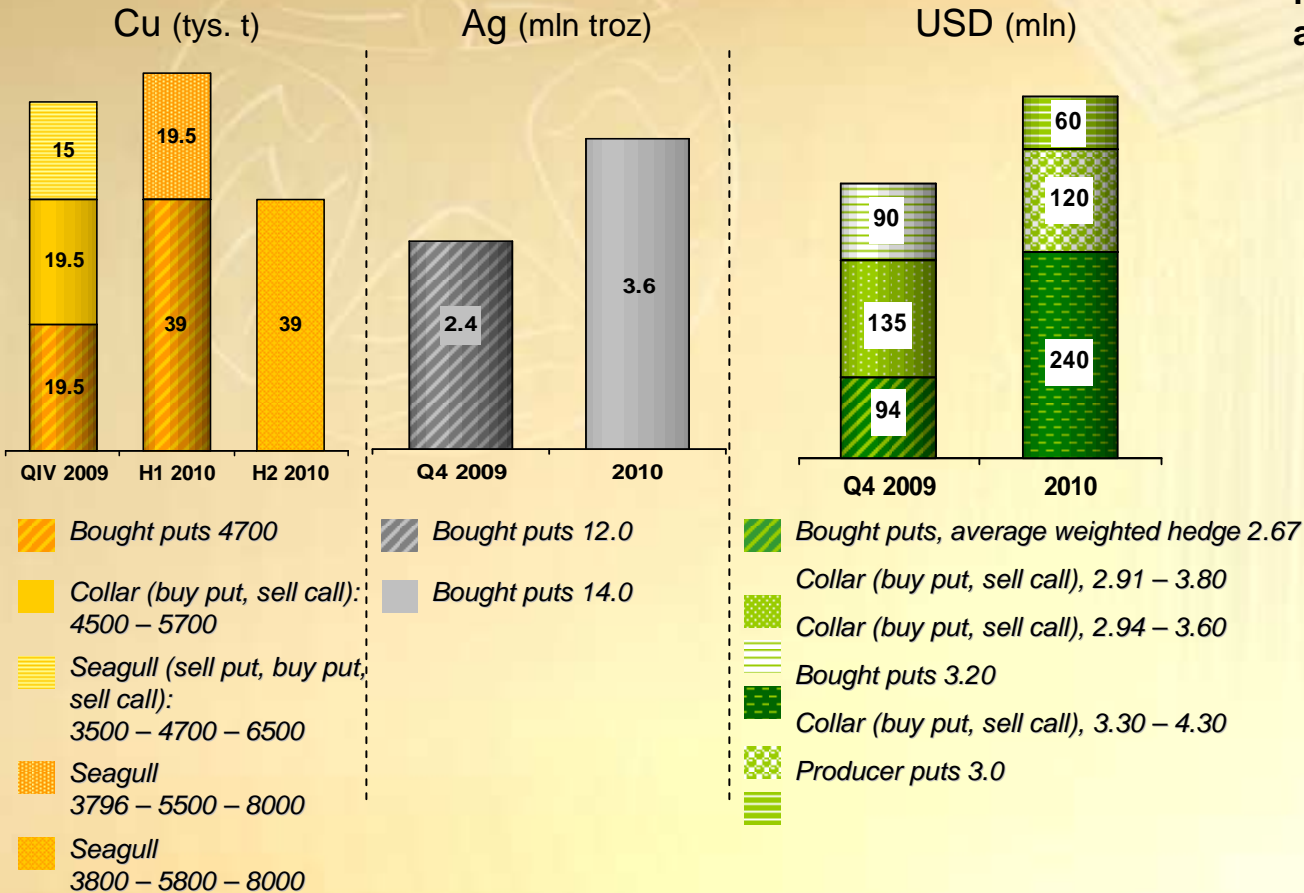
Net profit lower by PLN 678 mln than in the first 9 months of 2008



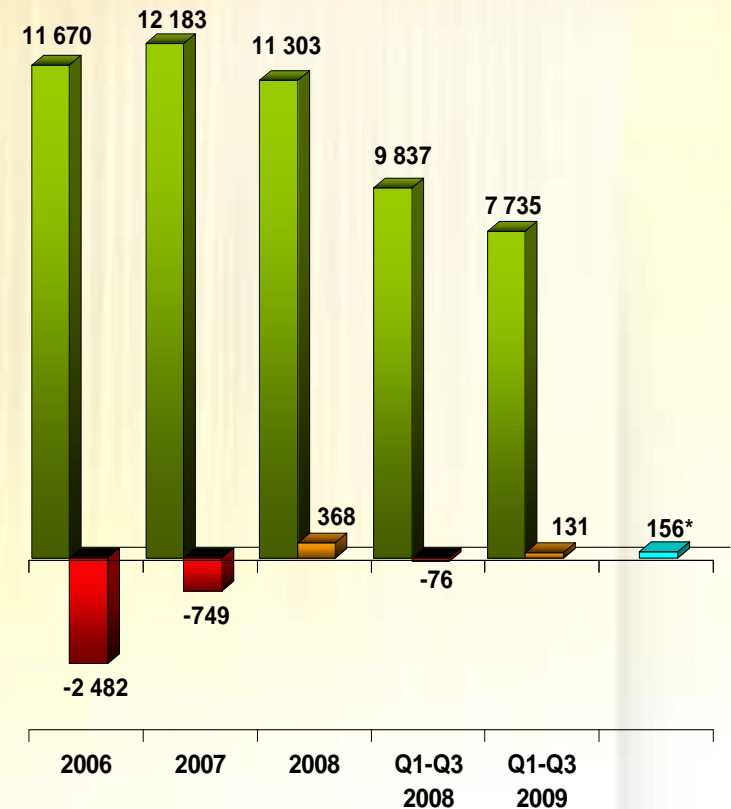
* Impact on revenues from sales

Market risk management

Hedging by segment (at 30 September 2009)



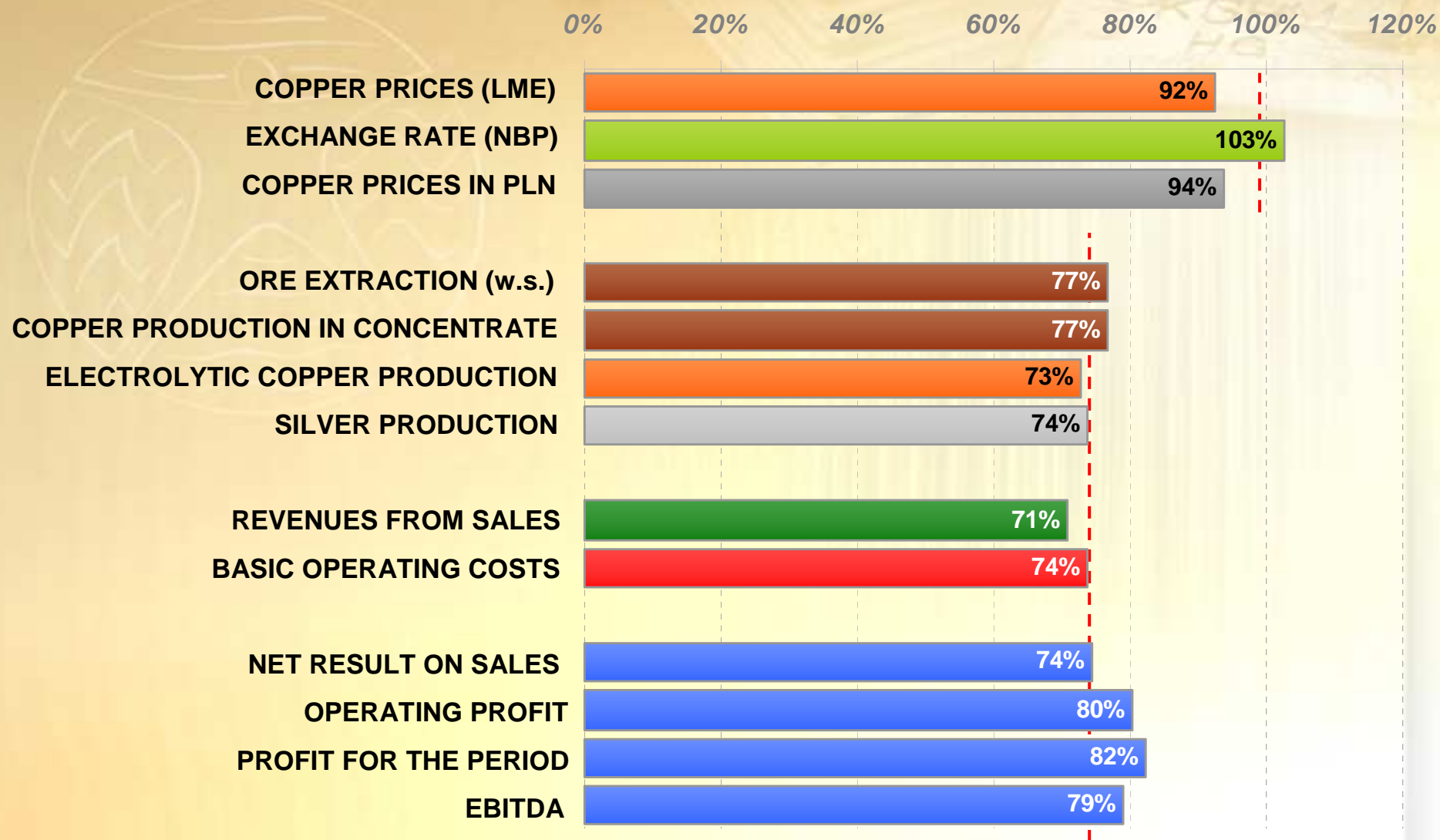
Results on hedging and company revenues (mln PLN)



* fair value of open derivatives at 30 September 2009

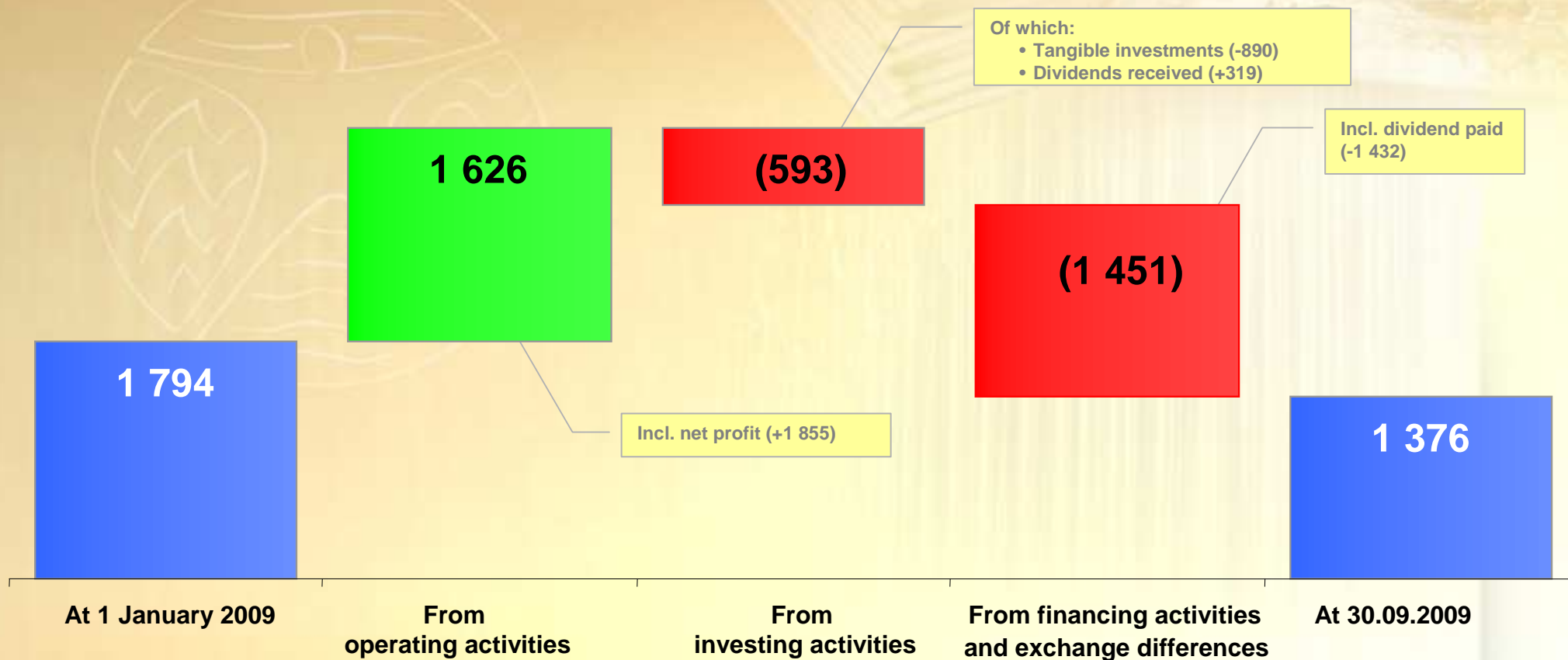
- After the first 3 quarters of 2009 the result on derivative instruments amounted to PLN 131 million
- Measurement of open derivatives at 30 September 2009: PLN 156 million

Realisation of projection * *



* Projection published in current report dated 12 November 2009

Cash flow (million PLN)



↓ A decrease of cash and cash equivalents in the first 9 months of 2009 by PLN 417 million, i.e. by 23% ↓

Consolidated financial result (million PLN)

	Consolidated result		Parent result	
	9M'08	9M'09	9M'09	
Sales	9 837	8 518	7 736	91%
Operating cost	6 855	6 267	5 507	
Net profit on sales	2 982	2 251	2 229	
Result of other operating activities	(122)	(304)	15	
Operating profit	2 860	1 947	2 244	115%
Net financing cost	(39)	(35)	25	
Share in profits of Associates valued by the equity method	233	227	x	
Profit before tax	3 054	2 139	2 219	
Taxation	542	382	364	
Profit for the period	2 512	1 757	1 855	106%
<i>EBITDA</i>	<i>3 358</i>	<i>2 493</i>	<i>2 648</i>	106%

Share of Parent in consolidated results



Thank you

KGHM POLSKA MIEDŹ S.A.

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