

2017



RCieSolution ... above digit

Concept Tower
Grzybowska 87 street
00-844 Warsaw
T.+48 22 2199576



Dane i informacje przekazane w niniejszej prezentacji oraz modelach DCF spółek (zwane w dalszej części materiałem) nie stanowią oferty handlowej. Działalność i sytuacja finansowa spółek zostały przedstawione w raportach bieżących i okresowych, które są dostępne w Internecie.

Nie ponosimy żadnej odpowiedzialności za wykorzystanie materiału przez strony zewnętrzne. Niniejszy materiał, będąc efektem subiektywnej oceny, został przygotowany wyłącznie dla celów informacyjnych (ukazując część naszego warsztatu pracy), nie jest ofertą kupna lub sprzedaży, ani podstawą do podejmowania jakichkolwiek działań przez strony trzecie, w tym także związanych z inwestycją w papiery wartościowe lub inne instrumenty finansowe.

Klient decydując się na inwestycje w ryzykowne papiery wartościowe musi liczyć się z tym, że wartość inwestycji w każdy rodzaj aktywów i dochody z nich są funkcją zmienną niegwarantowaną.

Akcje oferują najlepsze możliwości generowania długoterminowego wzrostu kapitału, ale także ryzyko związane z inwestycją w akcje jest wyższe.

Dane znajdujące się w niniejszej prezentacji są z lat 2012-2017. Aktualne dane dostępne są dla klientów RCieSolution.

The data and information provided in this presentation and the DCF models of the companies (hereafter referred to as the material) are not a commercial offer. The business and financial situation of the companies are presented in current and periodical reports, which are available on the Internet.

We do not accept any responsibility for the external use of the material. This material, as a result of subjective assessment, has been prepared solely for information purposes (showing part of our workshop), is not a purchase or sale offer, nor is it a basis for any third party action, including those relating to investment in securities or other financial instruments.

A client who decides to invest in risky securities, has to know that the value of the investment in each type of asset and income from it is a non-guaranteed function. Shares offer the best opportunities to generate long-term capital growth, but also the risk associated with investing in shares is higher.

The data contained in this presentation was collected in years 2012-2017. Current data is available for RCieSolution customers.

KGHM S.A – COMPANY PRESENTATION

KGHM

POLSKA MIEDŹ S.A.

**A new era of growth for KGHM
– a global player on the metals
market**



Disclaimer

The data and information provided by this presentation may not be construed as representing a comprehensive financial analysis nor a commercial offer by the Company and are only provided for informational purposes. The activities and financial condition of KGHM Polska Miedź S.A. have been presented in current and periodic reports which are available on the Company's corporate website, www.kghm.pl. All of the data presented are based on sources which the Company considers, but cannot guarantee, to be accurate and reliable. The Company reserves the right to alter the data and information contained herein at any time, without prior announcement.

This presentation contains certain forward-looking statements. These statements may not be construed as representing a forecast or projection of Company results, or as an indication of future Company results. The expectations and assumptions of the Management Board are based on the current knowledge, awareness or opinions of the Management Board of the Company and are subject to a range of factors which may cause the actual results achieved to be materially different from those set forth in this document.

We bear no responsibility whatsoever related to the use of this presentation by outside parties. This presentation was prepared solely for informational purposes and does not constitute in any form whatever an offer to purchase or sell, nor to engage in any investment-related activities, involving the securities or associated financial instruments of the Company, nor to participate in any commercial activity.

Agenda

1. Presentation of the KGHM Group
2. KGHM - a global player on the non ferrous metals market
3. KGHM's production facts – # 1 global silver Producer
4. KGHM's silver assets in Poland
5. KGHM's international assets
6. Focus on the market value creation
7. Growth strategy
8. General views regarding silver
9. 2016 test for the impairment of international mining assets
10. A look into the future



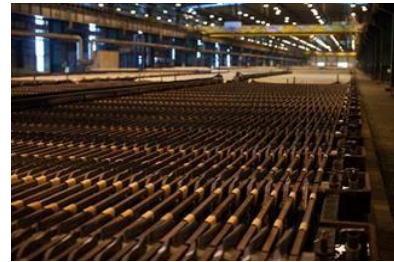
Presentation of the KGHM Group

KGHM is one of world's leaders in production of electrolytic copper and metallic silver.

Apart from that, KGHM Polska Miedź S.A. also produces gold, lead, sulphuric acid, rock salt and other minor by-products.

KGHM processes its copper ore deposits using its own integrated production structure, comprising of three mines, two smelters, a wire rod plant and auxiliary units supporting core business.

Position of KGHM in terms of copper production strengthened following acquisition of Quadra FNX Mining Ltd. – now KGHM INTERNATIONAL Ltd.



Presentation of the KGHM Group – diversified portfolio of products

Geographic diversification:

- 9 copper mines and 4 investment projects on 4 continents
- Registered office in Poland

6-th copper producer in the world: 562000 tonnes

1-st silver producer in the world: 41 million ounces

60 years of industry experience and the prospect of 40 years of growth (exploitation exclusively from deposits in Poland)

A balanced portfolio of development and exploration projects:

- Głogów Deep Industrial (Poland)
 - Sierra Gorda (Chile) started production in half 2014
- Victoria (Canada) the project is characterized by negative cost of production

Targeting at the cost discipline and value creation

Listed on the Warsaw Stock Exchange since 1997



Products: copper, silver, gold, rhenium, nickel, platinum, palladium, molybdenum, lead.

Financial data 2016 (in billion PLN):

Revenues: 19,156

Ebitda: 3,441

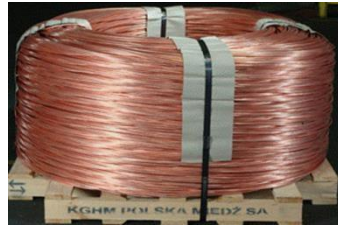
Net profit: - 4,371

Presentation of the KGHM Group – diversified portfolio of products

KGHM mainly produces copper products...



Copper cathodes



Copper wire rod



Copper round billets



Silver-copper wire



Granulated copper

... and precious metals as by-products

Silver ingots



Silver granules



Gold ingots



Presentation of the KGHM Group – diversified portfolio of products

Subsidiaries of the Group are diversified in terms of types of activity.

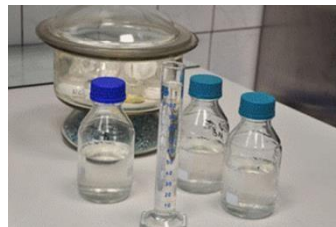
They mainly offer products and services related to basic activities and core business of KGHM Polska Miedź S.A.

That includes exploring and mining deposits of copper ore and other metals, mine construction, generation of electricity and heat, production of mining machinery and equipment, production of explosives, R&D and many others.

Some of our other by-products...



Refined lead



Sulphuric acid



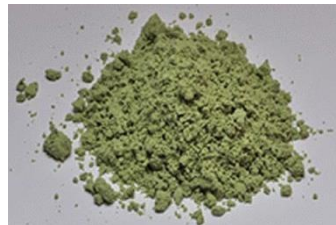
Rock salt



Copper sulphate



Technical selenium



Nickel sulphate

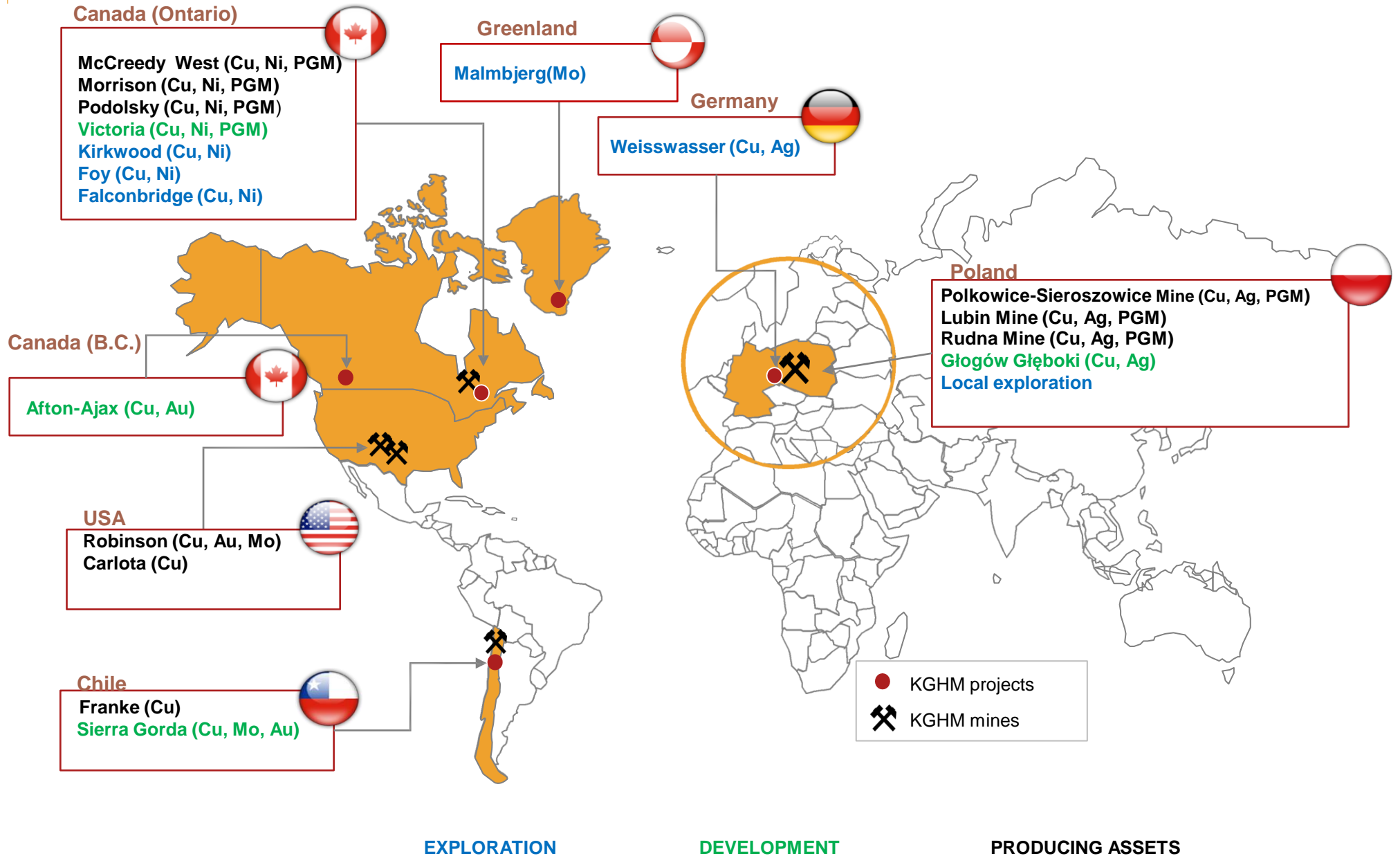


Rhenium pellets



Ammonium perrhenate

KGHM is a global player on the non-ferrous metals market



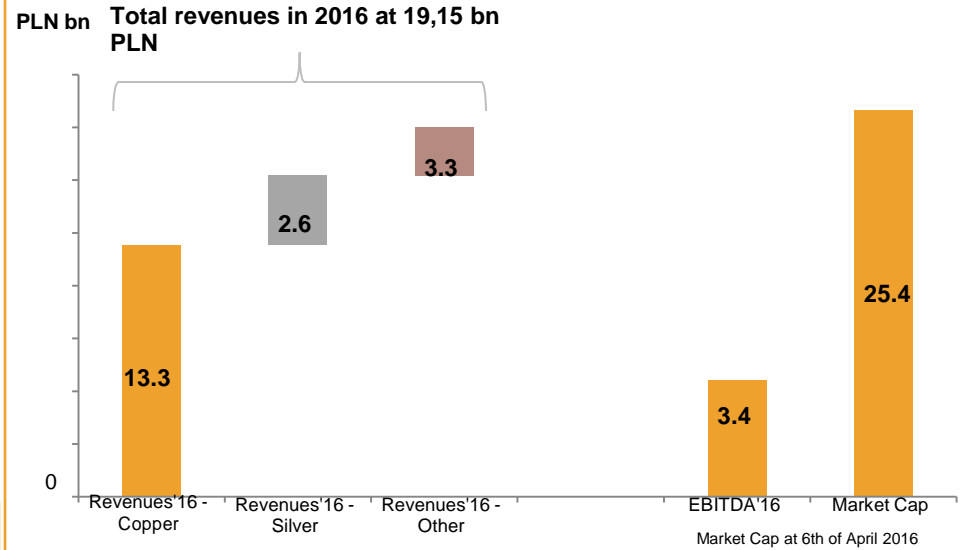
KGHM's production facts – # 1 global silver producer

Factsheet

- No. 1 global silver producer
- No. 1 European copper miner
- No. 6 global copper miner
- Among top five Polish companies by revenue



Financial results 2016



Production in 2016	KGHM	KGHM Int.	Sierra Gorda
Payable copper (thousand tones)	536	90	51,5
Copper equivalent (thousand tones)	552	115	75
TPM (precious metals thousand troz)	114	92	23
Silver (tones)	1191	2	14
Copper concentrate (production cost usd/pound)	1,3	1,6	1,9

KGHM's silver production facts – stable silver and copper production

Silver production in 2012

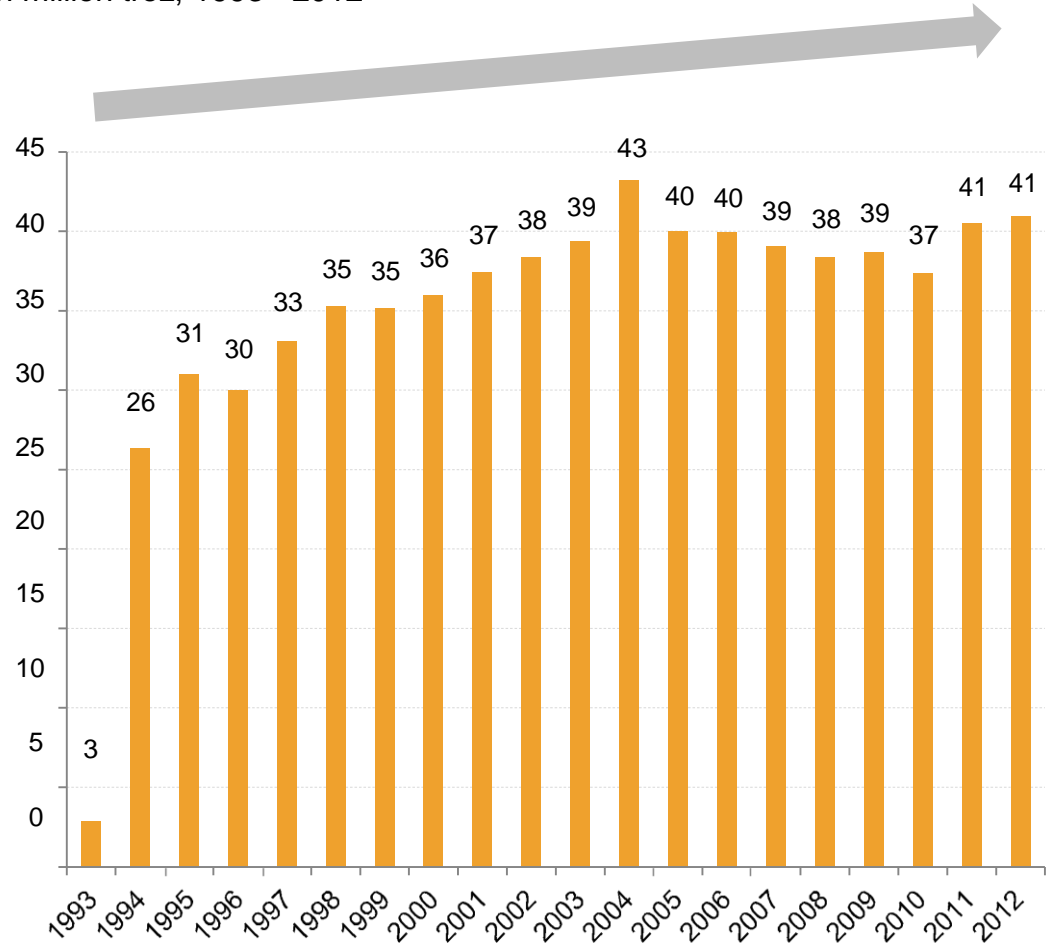
In million troz, at 31 Dec 2012



Source: The Silver Institute, 2012

Silver production in KGHM

In million troz, 1993 - 2012



KGHM's silver production facts – silver is strategic to KGHM's finance

Silver as a by-product:

Helps to lower copper production costs and therefore moves company's production cost curve down.

Helps to reduce the market risk exposure by product diversification which results in diversified variability of the revenue.

Share in the industry growth and future technologies.

Main investments:



Głogów Głęboki Przemysłowy

Maintaining continuity of productive capacity



Pyrometallurgy program



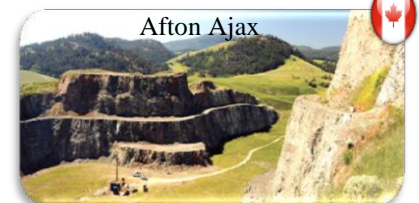
Sierra Gorda

Second phase oxide ore processing project



Victoria

Deep copper mine of nickel and platinum



Afton Ajax

Opencast mine of copper and gold



KGHM's position in the world – international assets

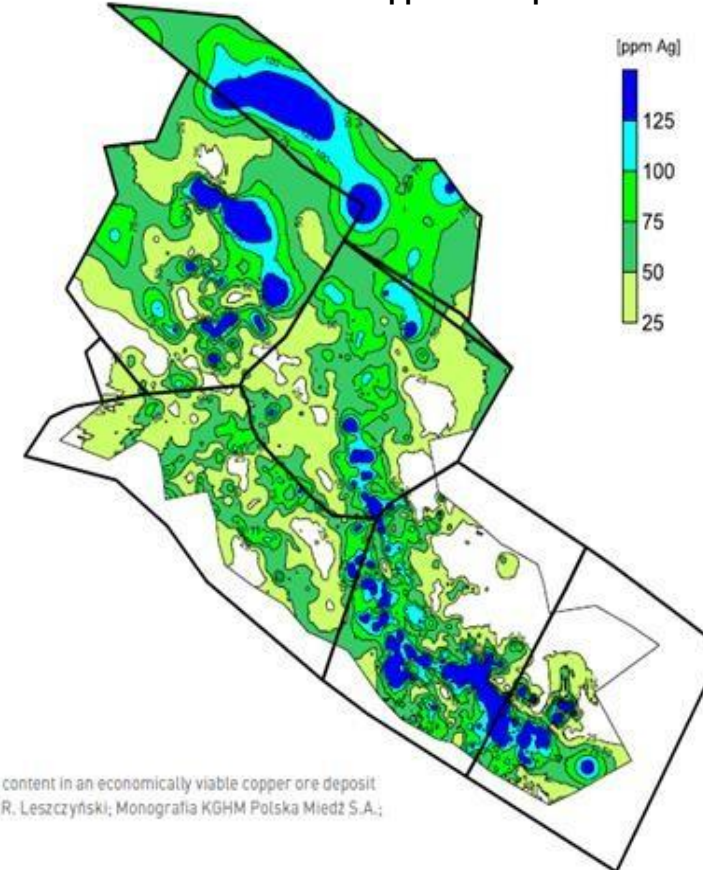
Measured & Indicated* resources at 31.12.2011-1.5B tonnes of copper/silver ore

Minina Field	Ore resources [M t]	Cu [%]	Cu [M t]	Ag [g/t]	Ag [Moz]
Lubin - Małomice	387.5	1.33	5.13	55.6	692
Polkowice	114.0	2.34	2.67	47.9	176
Sieroszowice	297.6	2.61	7.77	64.9	621
Radwanice Wschód	6.48	2.01	0.13	28.1	6
Rudna	397.6	1.70	6.76	47.3	604
Glogów Głęboki/under development	291.6	2.40	7.00	78.7	737
KGHM Polska Miedź S.A.	1 494.9	1.97	29.45	59.0	2 836

Proven & Probable* reserves at 31.12.2011-1.2B tonnes of copper/silver ore

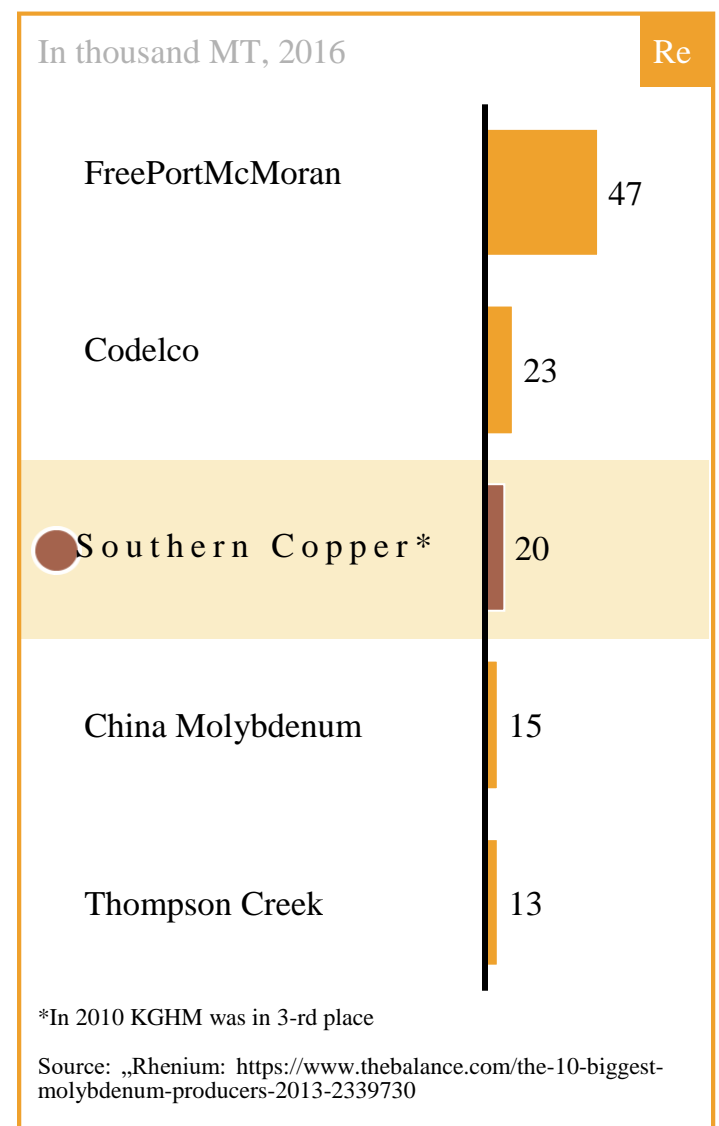
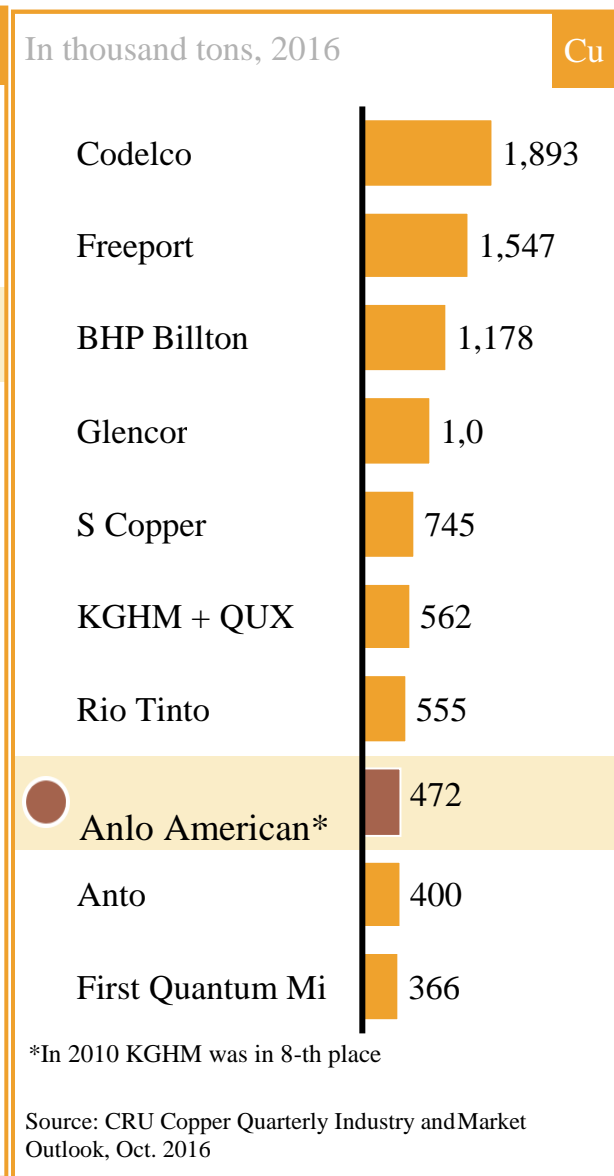
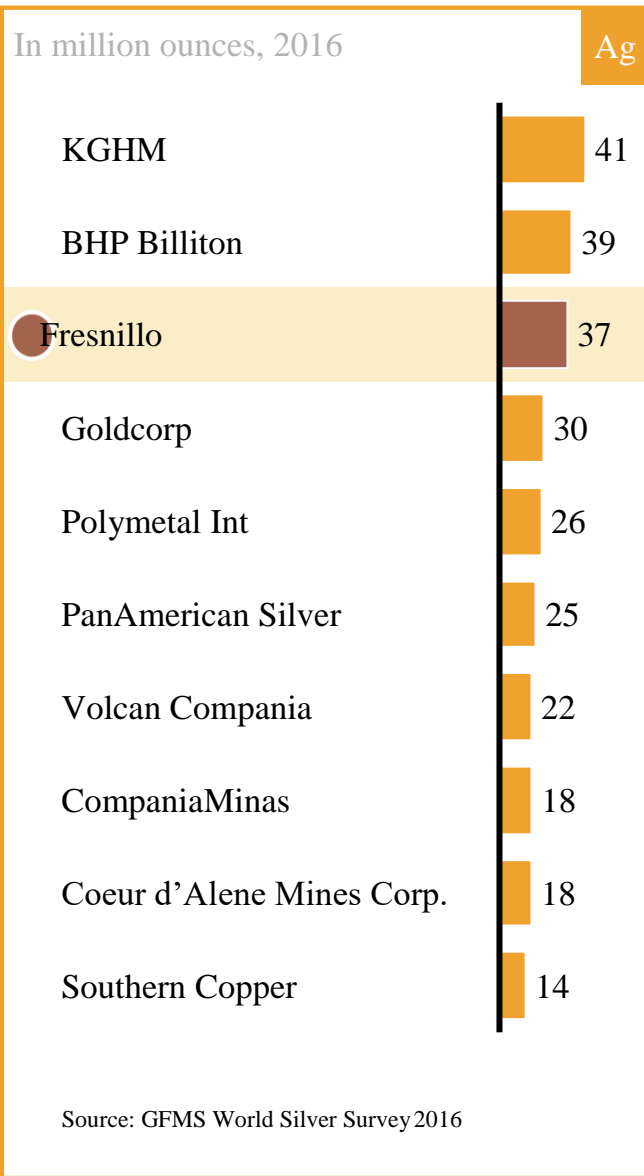
Minina Field	Ore reserves [M t]	Cu [%]	Cu [M t]	Ag [g/t]	Ag [Moz]
Lubin-Małomice	324.5	1.00	3.24	42	442.4
Polkowice	96.8	1.71	1.66	34	106.6
Sieroszowice	272.7	1.93	5.27	50	434.1
Radwanice Wschód	7.8	1.25	0.1	18	4.4
Rudna	246.2	1.60	3.94	45	357.0
Glogów Głęboki(under development)	233.1	1.90	4.42	61	460.7
KGHM Polska Miedź S.A.	1 181.1	1.58	18.62	48	1 805.2

A map of silver content in our Polish copper ore deposits



Estimated mine life ~ 30-40 years (at the current production level)

KGHM's position in the world – international assets



KGHM's position in the world – international assets



SIERRA GORDA

Cu Au Mo



Resources ~1,274.8 million t @ 0.39% Cu, 0.024% Mo

Ownership 55% KGHM International, 45% Sumitomo

Mine type Open pit

Status

In the first q 2016 Sierra Gorda for the first time since the production start at the commercial level (july 2015) achieved a positive Ebitda



GŁOGÓW GŁĘBOKI PRZEMYSŁOWY

Cu Ag



Resources ~292 million t @ 2.4% Cu, 78.7 g/t Ag

Ownership 100% KGHM



Mine type Underground

Status

Preparation to drill GG-1 ventilation shaft; ongoing work on slopes connected to Rudna mine structure

KGHM's position in the world – international assets

KGHM operates 6 underground and 3 open pit mines, Thousand tons of paid copper, 2011

 Cu equivalent
 Cu

Poland

Lubin



Polkowice-Sieroszowice



Rudna



410 548

Ag Cu



Morrison



17 28 Pt Pd Au Ni Cu



McCreeedy West



2 8 Pt Pd Au Ni Cu



Podolsky*



11 16 Pt Pd Au Ni Cu



Robinson



43 47 Mo Au Cu



Carlota*



11 11 Cu



Franke



15 15 Cu



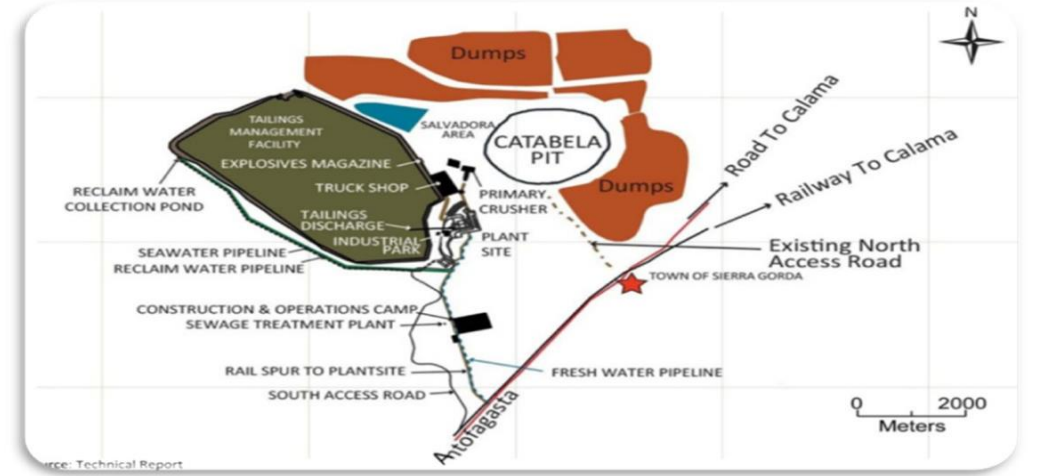
* Quadra FNX Board's decision: halt production in Podolsky, close Carlota
 Source: KGHM Polska Miedź S.A., Quadra FNX (for Quadra FNX: data on metal sales)

Prices used in Cu equivalent calculation: 4.00 USD/lb Cu, 11.68 USD/lb Ni, 1,572USD/oz Au, 1,732 USD/oz Pt, 704 USD/oz Pd

- In the first quarter of 2016 the production of the copper concentrate in the Sierra Gorda mine was about 26 thousand. tons, while the production of the molybdenum concentrate was about 9 million pounds.
- Under the guidance of the SMA (Chilean Agency Environmental Protection) verification procedure compliance of the mine activity with the scope granted Environmental permit, on April 5 2016 the JV of Sierra Gorda followed with a stance on the issue.
- Key challenges include getting design results, production volume in Phase I and effective level of production parameters, including recovery level and stability of the processing of the plant.



The decrease in cost was due to improved efficiency which was reflected in a reduction in the number of failures resulting in the maintenance rest. The company significantly reduced the cost of the outsourced services as a result of a renegotiation the contracts, the cost of flotation reagents as a result of lower consumption and fuel cost cuts.



KGHM will continue to focus on shareholder value creation

- 1 **Maximize production and control costs** in current assets
 - 2 Capture **synergies between KGHM and KGHM International** due to scale effects and best practice sharing
 - 3 Lead **Sierra Gorda, Głogów Głęboki and Afton-Ajax projects** to production stage in line with the schedule and budget
 - 4 Use **KGHM International as a growth platform** to develop projects (e.g. Victoria) and acquire new assets
 - 5 **Develop exploration projects** in Poland and abroad
 - 6 Continue investing into **production infrastructure upgrade in Poland**
- 

KGHM will continue to focus on shareholder value creation



In 2012 copper sales accounted for 70% of total KGHM's sales revenue



I discovered a very strong relationship between copper and KGHM stock price



KGHM is predominantly exposed to the risk of changes commodity prices



Implemented hedging strategies are insufficient for good risk management



KGHM will continue to focus on shareholder value creation

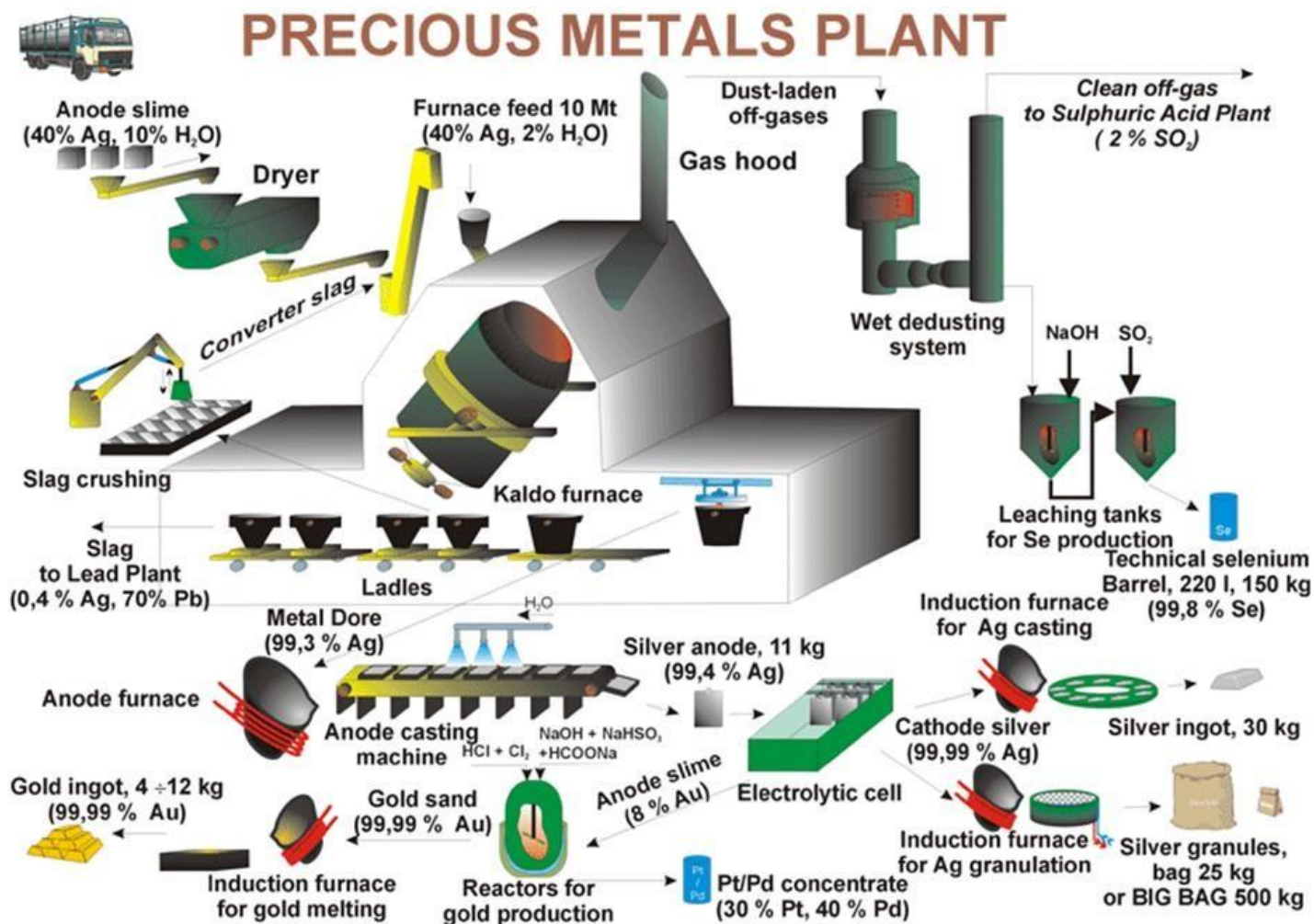
Executive summary

- KGHM Polska Miedź S.A. implemented the strategy adopted in 2009
- By continuing its strategic direction, KGHM is adopting a new goal
 - production over 1 million tons of copper equivalent from own stock by 2020
- The new strategy of KGHM will be based on:
 - Development of the resource base (wide exploration program in Poland and in the world) and potentially further acquisitions of pre-productive assets
 - Development of assets (investment program in the projects worth PLN 27bn by 2020)
 - Optimization of production (lower production cost C1 for Capital Group by approx 10% by 2020)
- KGHM is developing innovative technologies in the fields of metal ore extraction and processing, which will result in a sustainable competitive advantage and long-term goodwill growth
- KGHM is an attractive investment due to its good prospects in the copper market, its rich resource base, diversified portfolio of world-class projects, experienced staff and stable dividend policy

High quality of KGHM's Silver – thanks to integrated smelting process...



When we are done with copper refining, then there is only anode slime to be cleaned up



High quality of KGHM's Silver – ... and input from own resources

CHEMICAL COMPOSITION:

Ag min. **99,99%**

Cu \leq 80 ppm

Pb \leq 10 ppm

Fe \leq 10 ppm

Zn \leq 10 ppm

Total impurities 100 ppm max.

KGHM's SILVER BARS ARE:

“Good Delivery” CERTIFIED by:

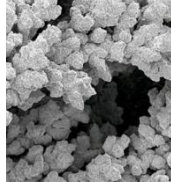
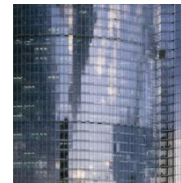


on “Approved Refiners and Brands” list of COMEX under **KGHM HG** Brand Mark



Silver is the metal of the future

SILVER

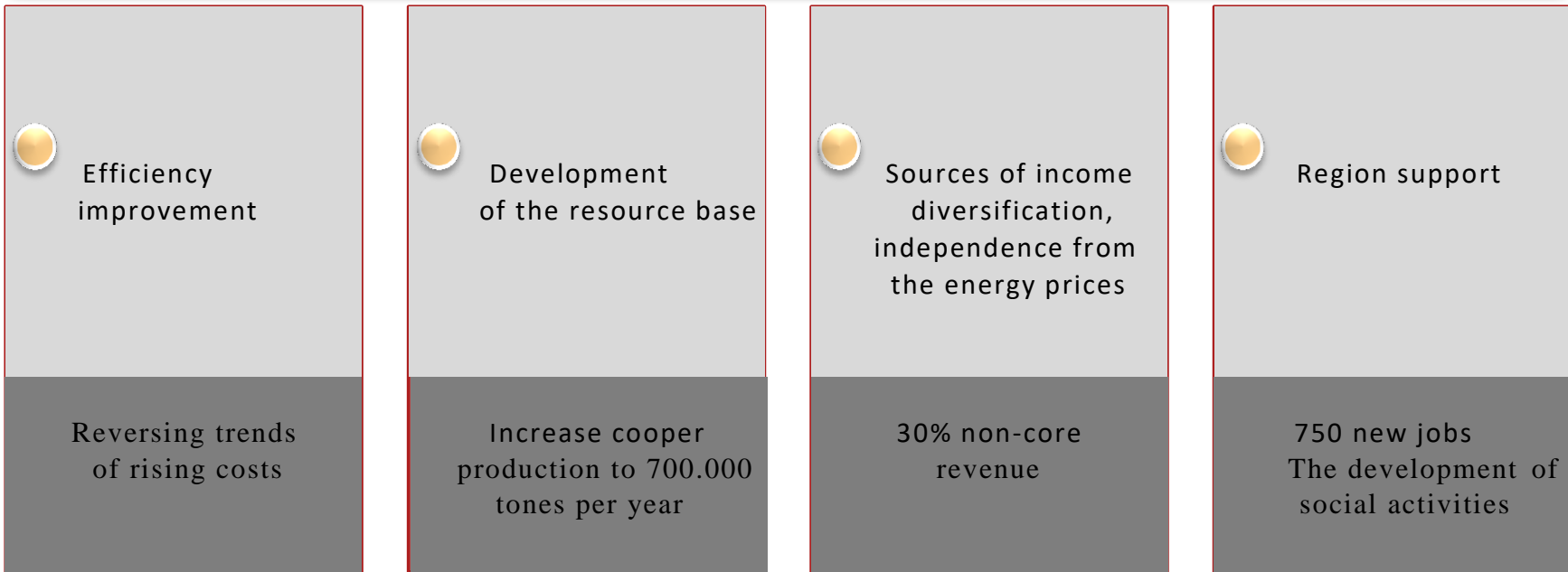


Silver in Green Technologies – Solar Energy, Water Purification, Silver - Coated Windows and Glass,
Silver in Medicine – Anti - Bacterial Biocide, X - Rays,
Silver in Nanotechnology – Pigments, Photographics, Conductive/Antistatic Composites,
Silver In Batteries – Silver Oxide Batteries, Silver - Zinc Battery Replacing Lithium Ion Batteries,
Silver in Bearings – Essential Component in Many Types of Engines,
Silver in Electronics – Excellent Electrical Conductivity,
Silver in Catalysts – Production of Foundation for Plastics Including Polyester,
Silver in Brazing & Soldering – High Tensile Strength, Ductility and Thermal Conductivity,
Silver in Automotive Industry – Silver Coated Contacts, Silver - Ceramic Lines in Windows.

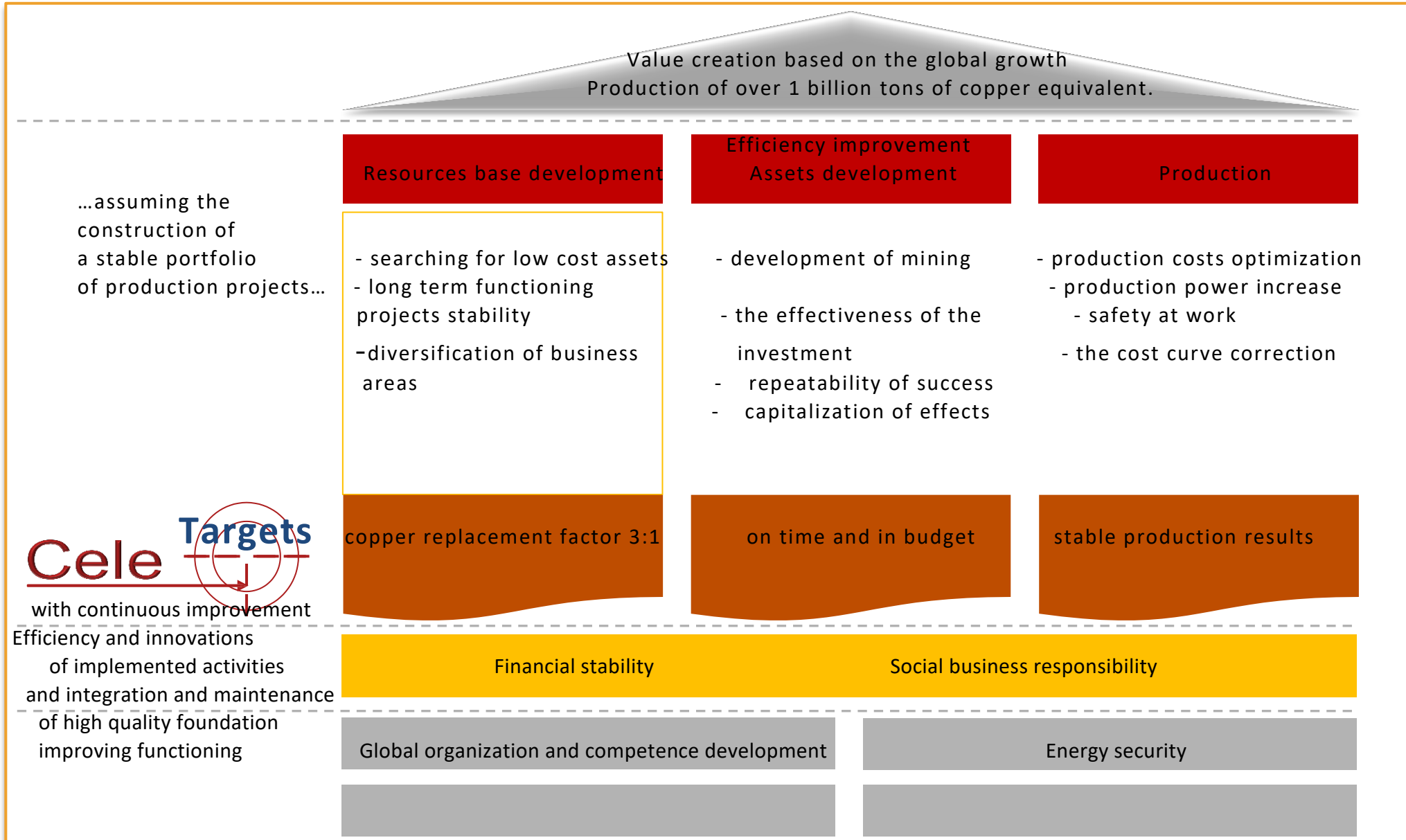
KGHM consistently follows its growth strategy

Vision

To join the group of large global copper producers with production up to 700 thousand tons per year



KGHM consistently follows its growth strategy



KGHM consistently follows its growth strategy

The benefits from the Quadra NFX acquisition

Production Boost

Significant increase in the resource base given the good prospects on the copper market
Immediate production boost with high metals prices
Potential production boost from development projects

Cost reduction

Reduction in average production costs (by approx. 20% in 2018)
Improvement in Company's financial stability during downturns on the copper market

Diversification

diversification
Direct access to key global resources
Increase in metals production other than copper and silver (gold, nickel, palladium, platinum, molybdenum)

Cost reduction

Access to new mining knowledge (open-pit mines and other deep mining technologies)

Takeover momentum

Deeper knowledge of mining projects in new regions
Best practice sharing (ore processing) Leveraging KGHM's solid financial standing

KGHM consistently follows its growth strategy

The world of quantitative easing (QE) supports silver as a proxy for (hyper) inflation hedge. One of the key inflation-hedge hit products sold by the US mints are silver and gold coins.

Global economics recovery still looks vulnerable (especially in Europe), yet, recent macro publications show some optimism.

Although prices of precious metals have fallen dramatically, the net inflows in silver ETFs are still positive.

Short covering and fresh length, caused mainly by alleviated pessimism towards precious metals, have recently lifted net long positions.



General views on silver market – upward and downward risks

UPWARD

Reduction of Fed's quantitative easing does not mean that financial conditions will be stricter; despite lowering the amount of government securities purchases, Fed's balance sheet will still grow, however, with a slower pace.

Apart from Fed, there are other central banks (ECB, BoJ, BoE, SNB) which are still in the monetary expansion phase.

Geopolitics – Middle East conflicts might cause oil price squeeze which in turn will rise inflation pressure.

Constant investor demand through ETFs or coins.

DOWNWARD

Federal Reserve is said to cut part of QE plan.

Market is oversupplied (both in terms of production and scrap) and industry demand is still sluggish.

Macroeconomic framework still looks uneasy and the rebound in global economy is said to be slow.

Financial institutions believe in US dollar appreciation which is negatively correlated with (precious) metals prices.

Rotation shift from commodities to equity markets.



General views on silver market – is an inflation lurking out there?

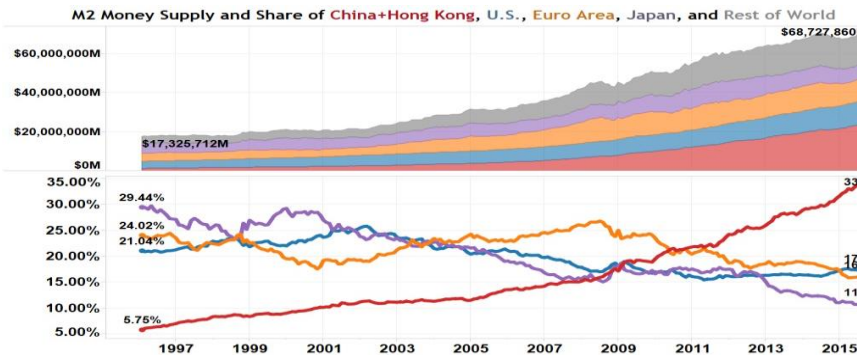
After price slump, silver have rebounded



ETF holdings ETFS Metal Securities Ltd Physical Silver (PHSP)



Global M2 Money Supply 1997-2015



Non - commercial COMEX short covering has gained momentum recently, rebounding from local lows

Metals producers – a look into the future

SILVER:

1. Is company's strategic metal
2. Can be viewed as a substitute for non – productive gold
3. Is the cheapest precious metal and therefore easily accessible for many groups of investors
4. Is a safe heaven metal to have in portfolio in recession or market turmoil
5. Is an industrial metal widely used in present as well as future technologies



Metals producers – a look into the future

The results of the test for the impairment of international mining assets as at 31 December 2016 are presented in the table below:

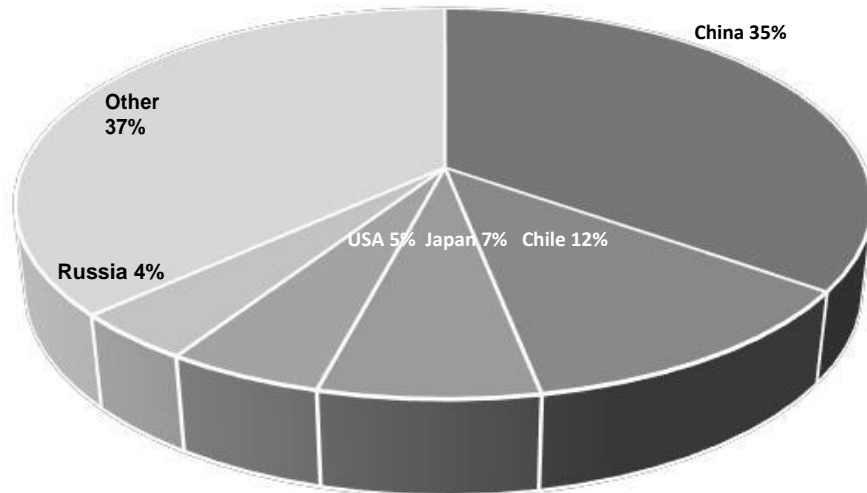
Assumptions	Level accepted in the test
Copper prices	<p>The copper prices has been accepted on the basis of internal macroeconomical assumptions developed by using the available multiannual forecasts of financial and analytical institutions. Detailed forecast was made for the period 2017 - 2021, but in the years following the forecast was based on a long-term copper price of \$ 6,614 / t.</p>

OTHER KEY ASSUMPTIONS FOR ESTIMATION OF ASSETS RECOVERABLE VALUE						
ASSUMPTION	Robinson	Sudbury	Franke	Carlota	Sierra Gorda	KGHM AJAX
Mine life / forecast period	6 y	19 y	5 y	4 y	24 y	19 y
Level of copper production during mine life [Thous. t]	257	305	88	9	4 352	1 005
Average operating margin during mine life	31%	61%	7%	24%	36%	39%
Level of investment expenditure to be incurred during mine life [million USD]	316	1 616	6	1	2 040 To be incurred mainly: 2017-2019	1 635
Discount rate after tax applied For assets in the operational phase	9%	8%	11%	10%	8%	-
Discount rate after tax applied For assets in the preoperative phase	-	11%	-	-	-	8%
Sell Costs	2%					

Metals producers – a look into the future

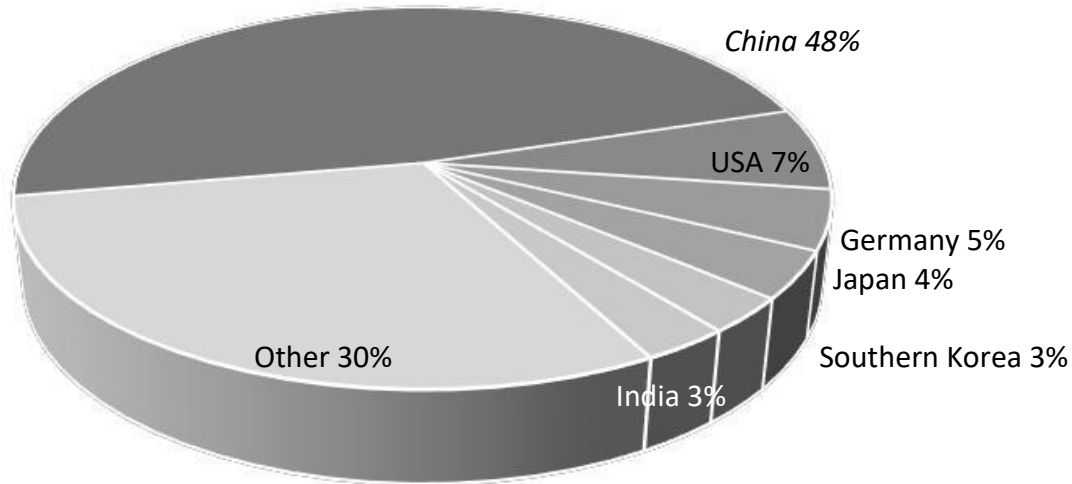
Assets	Segment	Balance value		Recoverable value		Value deduction	
		mIn USD	mIn PLN	mIn USD	mIn PLN	mIn USD	mIn PLN
Robinson	KGHM INTERNATIONAL LTD.	161	673	127	532	34	141
Sudbury		426	1 780	341	1 424	85	356
Franke		-	-	13	54	-	-
Carlota		-	-	-	-	-	-
KGHM AJAX MINING INC.		183	764	80	334	103	430
Involvement In the Sierra Gorda		2 083	8 707	1 032	4 313	1 051	4 394
Sum						1 273	5 321

*Geographical structure of refined copper production in 2016
(source: CRU)*



Metals producers – a look into the future

Geographical structure of refined copper consumption in 2016 (source: CRU)



- After growth of almost 6% in 2016, world mine production after adjusting for historical disruption factors, is expected to decline by 1% in 2017 and remain essentially unchanged in 2018*
- World refined production is expected to increase by around 2% in 2017 with lower growth of about 1.5 % expected for 2018*
- World apparent refined usage is expected to increase by around 2% in 2017 and 2018*
- World refined copper balance projections indicate a deficit of about 150,000 t for 2017 and 170,000 t for 2018*

* International Copper Study Group "Copper Market Forecast 2017/2018"

Metals producers – a look into the future

What is the point?

- Metals organizations focus on cutting costs and performance improvements
- To expand market share there is a need to adjust investment strategies to achieve lower costs and better access to customers
- New manufacturing technologies, shift towards R&D activities
- The global worries about the potential for supply chain failures

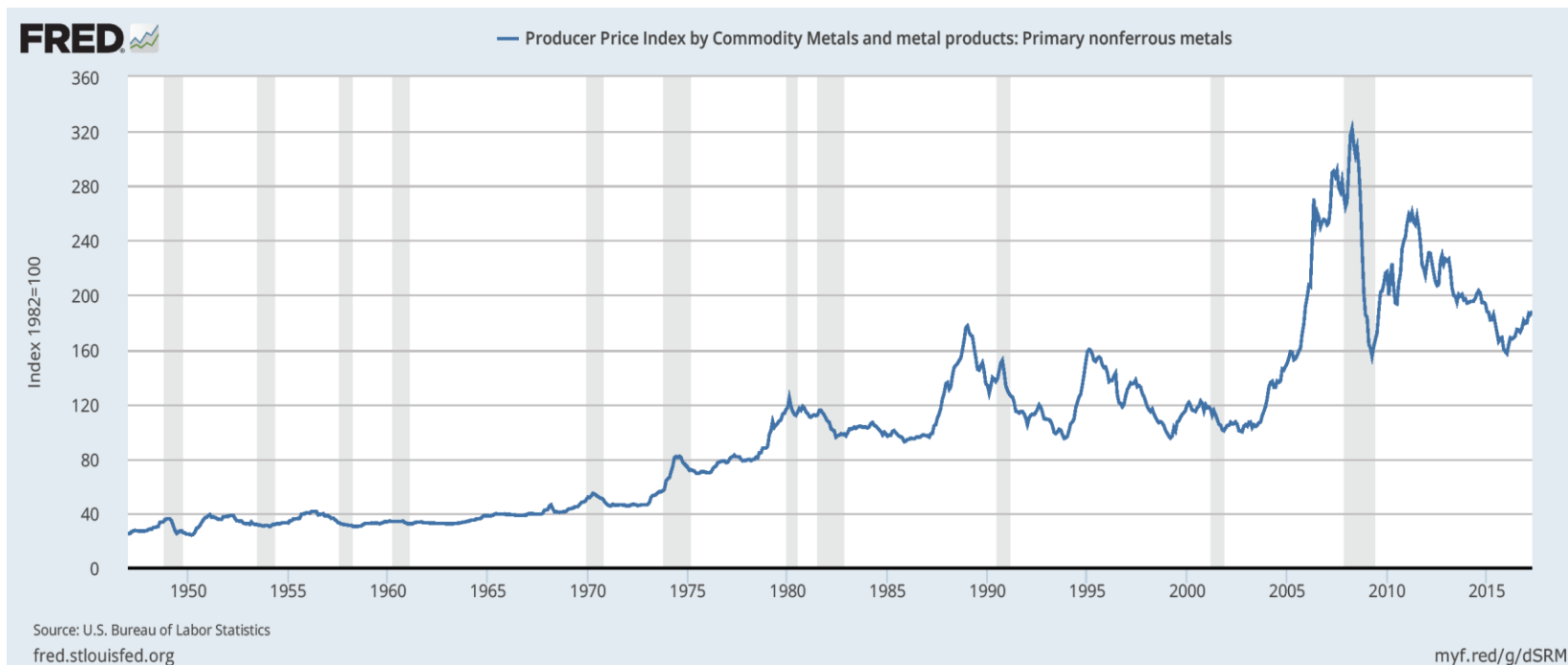


How to respond?

- By focusing on products where there is a clear market or cost advantage in order to reduce the impact of commodity competition from lower-cost producers
- Reinvigorating efforts to access and leverage efficiencies across product portfolio
- Rethinking the footprint to prioritize growth markets
- Aligning growth investments with expected shifts in customers footprints

Metals producers – a look into the future

- Understanding the influence of new and emerging trade tariffs, barriers and protections within key markets
- Investing into R&D to develop sophisticated value-added products to offset pricing pressures
- Investing into new technologies that create operational efficiency and business flexibility
- Transparency across supply chain, upstream and downstream
- Implementing and applying Data and Analytics



Metals producers – a look into the future

Leaders attitude:

- Focus on capital and capital deployment to prioritize cash flow returns
- Exploration of new geographic markets with high-value assets to reduce costs or/and improve drive scale
- Reshaping of portfolio assets, products and markets to create a sustainable growth
- Shifting the supply chain focus from development to operations



