



6 May 2010

## FLASH NOTE

MINING  
COMPANY UPDATE

## KGHM

## Strategic Canadian copper/gold venture

### ■ Positive view on the project

Having analysed the economics of the copper/gold deposits acquired by KGHM, we adopt a positive stance on the deal. We estimate that the project could add an extra PLN4-10 per share assuming feasibility.

### ■ Reasonable JV terms

KGHM has concluded an investment agreement with Abacus to set up a joint venture for the development of Afton-Ajax copper/gold deposits in British Columbia, Canada. KGHM holds a 51% stake in the JV with an option to increase it to 80% upon completion of the feasibility studies (YE-11). Short-term, KGHM will pay USD41m in cash, followed by an additional USD428m in 2011-2013 (KGHM's 80% share of capex est'd at USD535m plus USD35m for another 29% stake of the JV).

### ■ Mineral resources estimated at 442mt

The measured and indicated resources covered by the deal amount to 442mt, translating to annual production capacity of 50kt of copper and 100k oz of gold over 23 years. While KGHM brings the financing for the project, Abacus brings all the rights to the Afton-Ajax deposit. In the next step, joint feasibility studies will be conducted. Infrastructure is partially in place. The start of mining operations is set for mid-2013.

### ■ Secure + high dividends 2010 & 2011

Given that the actual cash to be paid short term is only c.PLN123m, we do not see the 2010 pay-out at risk and stick to our PLN6/share (6% yield). In 2011 investors can expect another extraordinary dividend from a) 2010E profits (PLN7/share); and b) the disposal of telecom assets (PLN20.75/share) summing up to PLN28/share, although not all telecom gains will be paid out.

### ■ Additional PLN4-10 per share once feasibility is confirmed

We valued the NPV of the project on the basis of economic assumptions disclosed by both companies regarding deposit size and production capacity. After performing a scenario analysis we estimate the incremental value for KGHM at PLN4-10/share, depending on metal price assumptions between USD5000-7000/t for copper and USD650-850/oz for gold. This will be incorporated into our model once feasibility is confirmed. In the meanwhile, we reiterate our 2/Outperform rating.

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To 31/12 (PLN)	2008	2009	2010E	2011E
Sales (m)	12655.0	12031.0	13969.0	13954.0
EBITDA (m)	3867.0	3528.0	4318.0	4143.0
EBIT (m)	3186.0	2784.0	3530.0	3279.0
Net att. profit, rest. (m)	2766.0	2505.0	3106.0	2883.0
Free cash flow (m)	1645.0	1258.0	1756.0	1809.0
Clean EPS	13.83	12.53	15.53	14.42
Net dividend	12.00	6.00	7.00	7.00

Rating **2/Outperform**

Target price (6 months) **+21.2% PLN122**

Price (05/05/2010) **PLN100.7**

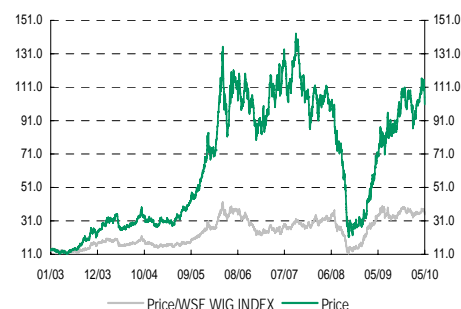
Reuters: **KGHM.WA** Bloomberg: **KGH PW**

#### Stock data

Market capitalisation	PLN20140m
Market capitalisation	EUR5421m
Free float	PLN13735m
Enterprise value	PLN19641m
Enterprise value	EUR5035m
No. of shares, adjusted	200m
Daily volume	PLN110.07m

#### Performances

	1 month	3 months	12 months
Absolute perf.	-8.0%	16.4%	59.7%
Relative perf.	-3.9%	5.7%	15.2%



#### Sector focus

Sector Top Picks	RAUTARUUKKI, Voestalpine
Least favoured	SSAB, Thyssen Krupp

#### Shareholders

Free Float 68.2%, Polish State Treasury 31.8%

	2008	2009	2010E	2011E
P/E (x)	2.0	8.5	6.5	7.0
EV/EBITDA (x)	1.3	6.1	4.5	4.6
Attrib. FCF yield (%)	29.3	5.9	8.7	9.0
Net debt/EBITDA (x)	(0.5)	(0.3)	(0.4)	(0.6)
Yield (%)	42.7	5.7	7.0	7.0
ROCE (%)	37.7	30.4	34.2	29.3
EV/Capital empl. (x)	0.6	2.3	2.0	1.8

## I – Analysis of the JV with Abacus

### The investment agreement

KGHM signed an investment agreement with Abacus Mining & Exploration Corporation ('Abacus') to form a joint venture to develop the Afton-Ajax copper/gold project located in British Columbia, Canada. Under this agreement, KGHM will initially take a 51% in the JV via a cash contribution of USD37m. Abacus's contribution to the JV consists of all rights to the Afton-Ajax deposit. The cash will be used to carry out feasibility studies for further exploration. KGHM will have an option to buy an additional 29% stake for no more than USD35m. In addition, the agreement provides for KGHM to acquire 10% of Abacus' outstanding shares for CAD4.5m via private placement. The agreement also commits KGHM's to arrange financing of USD535m for the capex that the project is expected to require. Thus, total out-of-pocket cash in short-term is only about USD41.4m, with an additional USD570m due in 2012 and beyond (after completion of the feasibility studies).

The investment agreement is still subject to approval by Abacus's shareholders. The final closure of the deal should take place by the end of Sep-10E.

### More details on the project's economics

Measured and Indicated resources total 442 million tonnes at an average grade of 0.30% copper and 0.19 g/t gold, with an additional 80.6 million tonnes of inferred resources at 0.22% copper and 0.16 g/t gold. This translates to estimated production capacity of 50kt of copper and 100k ounces of gold per year as determined by Abacus's drill programmes. (In June 2009 Abacus completed a positive preliminary economic analysis (PEA) of the Ajax mine after a series of drill programmes from 2005-2008.) However, it should be noted that the project's actual potential may be bigger than what is indicated above. As we learned from the company, KGHM believe that feasibility studies to be conducted could actually confirm larger deposits. Both JV partners plan to conduct further exploration activities jointly and also seek further resources in the Afton area beyond the Ajax site. Hence, further opportunities may arise from this joint venture.

The table below presents estimates of the resources at the Ajax deposit as of June 2009. At a 0.13% copper equivalent cut-off, the measured and indicated resources total 442 million tonnes at an average grade of 0.30% copper and 0.19 g/t gold, with an additional 80.6 million tonnes of inferred resources at 0.22% copper and 0.16 g/t gold.

#### AJAX DEPOSIT – ESTIMATED MINERAL RESOURCES

Mineral resources by type	Cut-off	Tonnes	Cu	Au	*CuEq	Cu	Au
	CuEq (%)	(Mt)	(%)	(g/t)	(%)	(M lb)	(Koz)
Measured	0.13	231	0.3	0.18	0.32	1,527.3	1,36440 3
Indicated	0.13	211	0.29	0.19	0.32	1,367.7	1,287
Measured+ indicated	0.13	442	0.3	0.19	0.32	2,895.0	2,651
Inferred	0.13	81	0.22	0.16	0.24	391	404

Source: [www.amemining.com](http://www.amemining.com)

A detailed open-pit mine plan was completed. Abacus claims that the environmental study it conducted revealed no significant environmental issues are present that would impede the permitting process. Infrastructure, including mill buildings, shop facilities, tailings area, haul road, water rights and related permits, are already in place, dating back to 1970-90 when the Afton mine was operational but only c.14mt of ore was extracted.

The Ajax mine is situated in south-central British Columbia, approximately 10 kilometres from the city of Kamloops. The local economy is largely natural resource- and service-oriented with a major emphasis on forestry, mining, agriculture, and ranching. Kamloops is a central trading hub to a region with population of 127,000 with established transportation routes and communication infrastructure.

### Financial obligations for KGHM, timing and next steps in JV

As mentioned above, in the short term the total financial obligation amounts to USD41m. Upon completion of the feasibility studies, KGHM has an option to buy an additional 29% in joint venture for no more than USD35m.

The expected capital expenditure needed to develop mining facilities are estimated at USD535m including all costs for the initial mining equipment, pre-production stripping, a 60,000-tonnes-per-day copper concentrator, shop, warehouse, infrastructure and indirect costs associated with the design, engineering, procurement and construction, commissioning, spare parts, contingency and owner's cost. The costs also include the initial expansion of the existing tailings facility. KGHM has agreed to arrange for the capital, which in practice may mean giving an assurance to Abacus that it may borrow from KGHM if it has no cash to commit to the project's capex.

The actual operations and exploration will start 18 months later (after the feasibility studies are completed), i.e. mid-2013. The timing is subject to obtaining mining permits. The application process for the permit will run parallel to the feasibility studies.

### Dividend pay-out not threatened; we stick to our PLN6/share

Only PLN123m will be taken out KGHM's pocket in the short term, and so the company's ability to pay a dividend for 2009 is not affected. We stick to our DSP assumption of PLN6 equating to a 6% dividend yield.

We also expect the CEO to stick to his declared intention to dispose of KGHM's telecom assets. Given the determination of other shareholders (mainly PGE) to see this disposal through, we believe the divestment could take place in late 2010/early 2011. We value KGHM's telecom assets (Polkomtel and Dialog) at PLN3.75bn, resulting in post-disposal extra cash of PLN20.75/share for KGHM shareholders. We would expect that a significant share of that amount could be returned to shareholders. Based on our net profit estimate for 2010E of PLN3.1bn and our pay-out ratio assumption of 56% (in line with the company's dividend policy), this sums up to nearly PLN28/share of extra cash that might be paid out as a dividend (DY of 28%).

What all of this says to us is that KGHM is worth holding both for its dividend potential and for the upside provided by the JV agreement.

### Impact on KGHM's valuation

We have performed a valuation of the JV project based on the following assumptions:

- Measured and proven resources of 442mt of ore (50kt of copper, 100k ounces of gold per year); our production profile model assumes that after 20 years of exploration the output will start declining by 20% y-o-y
- Operating costs of USD2100/t
- Discount on copper concentrate of 5% to the LME price
- The feasibility studies are positive and the company exercises its option to buy an additional 29% in the JV at the maximum agreed price of USD35m. In other words we value the JV assuming KGHM owns 80% of it, and pays 80% of the capex.
- Capex of USD535m to be committed from 2012 till mid-2013.
- Exploration to begin in mid-2013 (18 months after completion of the feasibility studies.
- Tax rate of 30%
- Cost of capital of 11%, i.e. KGHM's current WACC. However, the actual project could be 50% debt-financed so the actual cost of capital could lower than 11%.
- Exchange rate at 3PLN/USD

On the basis of the above assumptions, our analysis renders the following results.

### RESULTS OF OUR JV ANALYSIS

Assumptions	Worst case	Base case	Best case
Copper price	5000	6000	7000
Gold price	650	750	850
NPV (m USD)	291	494	697
IRR	21.3%	27.6%	33.4%
Added value per share (PLN)	4.4	7.4	10.4

Source: CA Cheuvreux

We conclude that the 80% stake in the JV with Abacus could add PLN4 to PLN10 per share. However, we would not include this in our current price target calculations until the feasibility studies are completed.

Using our base case scenario, we also performed a sensitivity analysis for changes in our discount rate.

### SENSITIVITY ANALYSIS TO DISCOUNT RATE

Discount rate	0.0%	9.0%	10.0%	11.0%	13.0%	15.0%
NPV of the project (USDm)	2 285	649	566	494	375	281
NPV per share in PLN	34.3	9.7	8.5	7.4	5.6	4.2

Source: CA Cheuvreux

## NPV ANALYSIS (BASE CASE SCENARIO)

Years	1	2	3	4	5	6-20	21	22	23	24	25	26	Total
Years of production	0	0	0	1	2	3-17	18	19	20	21	22	23	0
Copper production	0	0	0	25	50	2 964	35	28	22	18	14	11	954
Development capex	0	0	214	214	107	0	0	0	0	0	0	0	535
Opex	0	0	0	52	105	1 572	73	59	47	38	30	24	2 000
LME	6000	6000	6000	6000	6000	6000	6000	6000	6000	6000	6000	6000	0
Refined copper price	5725	5725	5725	5725	5725	5725	5725	5725	5725	5725	5725	5725	0
Gold production	0	0	0	50	100	1 500	70	56	45	36	29	23	1 908
Gold price	750	750	750	750	750	750	750	750	750	750	750	750	0
P&L in company share	0	0	0	0	0	0	0	0	0	0	0	0	0
Revenue	0	0	0	145	289	4 335	202	162	129	104	83	66	5 515
Opex incurred in the year	0	0	0	42	84	1 258	59	47	38	30	24	19	1 600
Capex (excl. exploration)	0	0	34	34	17	0	0	0	0	0	0	0	86
Interest expenses (tax deductible)	0	0	0	0	0	0	0	0	0	0	0	0	0
Corporation tax	0	0	0	7	60	903	42	34	27	22	17	14	1 126
Operating cash flow	0	0	0	95	145	2 174	101	81	65	52	42	33	2 789
Bid for project	76	0	0	0	0	0	0	0	0	0	0	0	76
Development capex	0	0	171	171	86	0	0	0	0	0	0	0	428
Free cash flow	-76	0	-171	-76	59	2 174	101	81	65	52	42	33	2 285
Free cash flow	-76	0	-171	-76	59	2 174	101	81	65	52	42	33	2 285
Cumulated free cash flow	-76	-76	-247	-323	-264	-119	2 012	2 093	2 158	2 210	2 252	2 285	0

Source: CA Cheuvreux

**KGHM**

FY to 31/12 (Zloty m)	2003	2004	2005	2006	2007	2008	2009	2010E	2011E
<b>Profit &amp; Loss Account</b>									
<b>Sales</b>	<b>5 607.0</b>	<b>7 323.0</b>	<b>9 029.0</b>	<b>12 863.0</b>	<b>13 494.0</b>	<b>12 655.0</b>	<b>12 031.0</b>	<b>13 969.0</b>	<b>13 954.0</b>
% Change	6.5%	30.6%	23.3%	42.5%	4.9%	-6.2%	-4.9%	16.1%	-0.1%
Staff costs	1 836.0	2 068.0	2 444.0	2 697.0	2 938.0	3 081.0	3 147.0	3 259.0	3 413.0
Other costs	(6 164.0)	(7 287.0)	(8 430.0)	(11 002.0)	(11 307.0)	(11 869.0)	(11 650.0)	(12 910.0)	(13 224.0)
<b>EBITDA</b>	<b>1 279.0</b>	<b>2 104.0</b>	<b>3 043.0</b>	<b>4 558.0</b>	<b>5 125.0</b>	<b>3 867.0</b>	<b>3 528.0</b>	<b>4 318.0</b>	<b>4 143.0</b>
% Change	NS	64.5%	44.6%	49.8%	12.4%	-24.5%	-8.8%	22.4%	-4.1%
Depreciation	(468.0)	(455.0)	(485.0)	(535.0)	(598.0)	(681.0)	(744.0)	(788.0)	(864.0)
<b>EBITA</b>	<b>811.0</b>	<b>1 649.0</b>	<b>2 558.0</b>	<b>4 023.0</b>	<b>4 527.0</b>	<b>3 186.0</b>	<b>2 784.0</b>	<b>3 530.0</b>	<b>3 279.0</b>
% Change	NS	103.3%	55.1%	57.3%	12.5%	-29.6%	-12.6%	26.8%	-7.1%
Goodwill amortisation before OP	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Goodwill amortisation [impairment test]	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Non recurring operational items	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>EBIT</b>	<b>811.0</b>	<b>1 649.0</b>	<b>2 558.0</b>	<b>4 023.0</b>	<b>4 527.0</b>	<b>3 186.0</b>	<b>2 784.0</b>	<b>3 530.0</b>	<b>3 279.0</b>
Net financial items	37.0	29.0	172.0	194.0	230.0	210.0	260.0	239.0	220.0
Non recurring financial items	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other exceptional items	3.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Tax	(172.0)	(301.0)	(626.0)	(737.0)	(821.0)	(631.0)	(539.0)	(663.0)	(616.0)
Associates [contribution]	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Discontinuing activities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Goodwill amortisation	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Net profit [loss] before minorities</b>	<b>678.0</b>	<b>1 377.0</b>	<b>2 104.0</b>	<b>3 480.0</b>	<b>3 936.0</b>	<b>2 766.0</b>	<b>2 505.0</b>	<b>3 106.0</b>	<b>2 883.0</b>
Dividend to preferred shares	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Minorities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Net attributable profit [loss]</b>	<b>678.0</b>	<b>1 377.0</b>	<b>2 104.0</b>	<b>3 480.0</b>	<b>3 936.0</b>	<b>2 766.0</b>	<b>2 505.0</b>	<b>3 106.0</b>	<b>2 883.0</b>
Restatement [impairment test]	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Adj. for exceptional items	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Net attrib. profit [loss], restated</b>	<b>678.0</b>	<b>1 377.0</b>	<b>2 104.0</b>	<b>3 480.0</b>	<b>3 936.0</b>	<b>2 766.0</b>	<b>2 505.0</b>	<b>3 106.0</b>	<b>2 883.0</b>
% Change	NS	103.1%	52.8%	65.4%	13.1%	-29.7%	-9.4%	24.0%	-7.2%
<b>Cash Flow Statement</b>									
<b>Cash flow</b>	<b>1 105.0</b>	<b>1 955.0</b>	<b>2 715.0</b>	<b>3 702.0</b>	<b>4 224.0</b>	<b>3 339.0</b>	<b>2 977.0</b>	<b>3 697.0</b>	<b>3 563.0</b>
% Change	139.7%	76.9%	38.9%	36.4%	14.1%	-21.0%	-10.8%	24.2%	-3.6%
Change in WCR	421.0	79.0	(54.0)	(718.0)	395.0	(254.0)	(168.0)	(353.0)	(9.0)
Capex	(318.0)	(822.0)	(874.0)	(930.0)	(1 118.0)	(1 440.0)	(1 551.0)	(1 588.0)	(1 745.0)
o/w Growth capex	151.0	(367.0)	(389.0)	(395.0)	(521.0)	(758.0)	(807.0)	(799.0)	(880.0)
<b>Net cash flow</b>	<b>1 208.0</b>	<b>1 212.0</b>	<b>1 787.0</b>	<b>2 054.0</b>	<b>3 501.0</b>	<b>1 645.0</b>	<b>1 258.0</b>	<b>1 756.0</b>	<b>1 809.0</b>
Financial investments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net buyback of treasury shares	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Disposals	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Dividend paid	0.0	(400.0)	(2 000.0)	(3 394.0)	(1 800.0)	(2 336.0)	(1 165.0)	(1 396.0)	(1 464.0)
Capital increase	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other cash flow	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Dec. [inc.] in net debt	1 208.0	812.0	(213.0)	(1 340.0)	1 701.0	(691.0)	93.0	360.0	345.0
<b>Balance Sheet</b>									
Shareholders' equity [group share]	3 348.0	5 638.0	6 343.0	8 469.0	9 454.0	10 925.0	10 642.0	12 582.0	14 068.0
Minority interests	13.0	18.0	15.0	45.0	48.0	58.0	51.0	52.0	53.0
Pension provisions	853.0	787.0	936.0	944.0	1 016.0	1 103.0	1 170.0	1 244.0	1 322.0
Other provisions	656.0	511.0	637.0	521.0	603.0	667.0	538.0	538.0	538.0
Net debt [cash]	1 134.0	(196.0)	(1 730.0)	(2 116.0)	(2 536.0)	(1 775.0)	(1 000.0)	(1 743.0)	(2 294.0)
Gearing [%]	33.7	NS	NS	NS	NS	NS	NS	NS	NS
<b>Capital invested</b>	<b>6 004.0</b>	<b>6 758.0</b>	<b>6 201.0</b>	<b>7 863.0</b>	<b>8 585.0</b>	<b>10 978.0</b>	<b>11 401.0</b>	<b>12 673.0</b>	<b>13 687.0</b>
Goodwill	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Intangible assets	159.0	90.0	115.0	126.0	119.0	152.0	142.0	116.0	94.0
Tangible assets	4 777.0	5 458.0	5 556.0	6 052.0	6 614.0	7 136.0	7 779.0	8 604.0	9 506.0
Financial assets	844.0	624.0	468.0	843.0	522.0	1 024.0	742.0	743.0	745.0
Associates	539.0	805.0	931.0	690.0	690.0	1 498.0	1 493.0	1 619.0	1 739.0
Working capital requirement	(315.0)	(220.0)	(870.0)	151.0	640.0	1 169.0	1 245.0	1 591.0	1 604.0
WCR as a % of sales	(5.6)	(3.0)	(9.6)	1.2	4.7	9.2	10.3	11.4	11.5
<b>Capital employed</b>	<b>6 004.0</b>	<b>6 757.0</b>	<b>6 200.0</b>	<b>7 862.0</b>	<b>8 585.0</b>	<b>10 979.0</b>	<b>11 401.0</b>	<b>12 673.0</b>	<b>13 688.0</b>

**KGHM**

FY to 31/12 (Zloty)	2003	2004	2005	2006	2007	2008	2009	2010E	2011E
<b>Per Share Data (at 5/5/2010)</b>									
EPS before goodwill	3.39	6.89	10.52	17.40	19.68	13.83	12.53	15.53	14.42
% Change	NS	103.1%	52.8%	65.4%	13.1%	-29.7%	-9.4%	24.0%	-7.2%
EPS, reported	3.39	6.89	10.52	17.40	19.68	13.83	12.53	15.53	14.42
% Change	NS	103.1%	52.8%	65.4%	13.1%	-29.7%	-9.4%	24.0%	-7.2%
Goodwill per share	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Dividend per share	0.00	2.00	10.00	17.00	9.00	12.00	6.00	7.00	7.00
Cash flow per share	5.53	9.78	13.58	18.51	21.12	16.70	14.89	18.49	17.82
% Change	139.7%	76.9%	38.9%	36.4%	14.1%	-21.0%	-10.8%	24.2%	-3.6%
Book value per share	16.7	26.2	21.7	25.3	38.3	42.6	47.2	55.9	63.3
No. of shares, adjusted	200.000	200.000	200.000	200.000	200.000	200.000	200.000	200.000	200.000
Av. number of shares, adjusted	200.000	200.000	200.000	200.000	200.000	200.000	200.000	200.000	200.000
Treasury stock, adjusted	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
<b>Share Price [Adjusted]</b>									
Latest price	26.20	31.30	62.50	89.00	105.80	28.12	106.00	100.70	100.70
High	27.40	39.30	65.10	137.00	145.00	113.60	111.40	117.80	-
Low	11.35	25.40	27.00	61.50	78.50	20.08	26.60	85.60	-
Average price	17.15	30.61	37.85	97.31	109.73	77.23	72.26	103.10	-
Market capitalisation	-	6 260.0	12 500.0	17 800.0	21 160.0	5 624.0	21 200.0	20 140.0	20 140.0
Enterprise value	-	6 851.0	11 706.0	16 628.0	19 640.0	4 952.0	21 370.0	19 641.0	19 168.0
<b>Valuation</b>									
P/E	7.7	4.5	5.9	5.1	5.4	2.0	8.5	6.5	7.0
P/E before goodwill	7.7	4.5	5.9	5.1	5.4	2.0	8.5	6.5	7.0
P/CF	4.7	3.2	4.6	4.8	5.0	1.7	7.1	5.4	5.7
Attrib. FCF yield [%]	-	19.4	14.3	11.5	16.5	29.3	5.9	8.7	9.0
P/BV	1.6	1.2	2.9	3.5	2.8	0.7	2.2	1.8	1.6
Enterprise value / Op CE	0.4	1.3	2.4	2.6	2.7	0.6	2.3	2.0	1.8
Yield [%]	0.0	6.4	16.0	19.1	8.5	42.7	5.7	7.0	7.0
EV/EBITDA, restated	1.6	3.3	3.8	3.6	3.8	1.3	6.1	4.5	4.6
EV/EBITA, restated	2.5	4.2	4.6	4.1	4.3	1.6	7.7	5.6	5.8
EV/Sales	0.35	0.94	1.30	1.29	1.46	0.4	1.8	1.4	1.4
EV/Debt-adjusted cash flow	1.9	3.6	4.6	4.7	4.9	1.6	7.9	5.7	5.7
<b>Financial Ratios</b>									
Interest cover	NS	NS	NS	NS	NS	NS	NS	NS	NS
Net debt/Cash flow	1.0	NS	NS	NS	NS	NS	NS	NS	NS
EBITDA margin [%]	22.8	28.7	33.7	35.4	38.0	30.6	29.3	30.9	29.7
EBITA margin [%]	14.5	22.5	28.3	31.3	33.5	25.2	23.1	25.3	23.5
Net margin [%]	12.1	18.8	23.3	27.1	29.2	21.9	20.8	22.2	20.7
Capital turn [Sales/ Op. CE]	1.2	1.4	1.9	2.0	1.8	1.5	1.3	1.4	1.2
Gearing [%]	33.7	NS	NS	NS	NS	NS	NS	NS	NS
Payout ratio [%]	0.0	29.0	95.1	97.7	45.7	86.8	47.9	45.1	48.6
<b>Return [%]</b>									
Pre-tax RoCE	17.6	31.0	53.3	63.6	61.4	37.7	30.4	34.2	29.3
RoCE after tax	17.6	31.0	53.3	63.6	61.4	37.7	30.4	34.2	29.3
ROE [%]	22.5	27.8	39.8	51.7	52.6	29.0	26.7	28.2	22.8
Return on equity, restated	22.5	27.8	39.8	51.7	52.6	29.0	26.7	28.2	22.8

## Important Disclosures

### APPLICABLE DISCLOSURE CLAUSES

Company	Closing Price	Rating	Disclosures
KGHM	PLN100.7	2/Outperform	E

- A - One or more companies in the Crédit Agricole S.A. group owned more than 1% of the total issued share capital of the Company as of the end of the second most recent month preceding the publication date of this report.
- B - One or more companies in the Crédit Agricole S.A. group owned more than 5% of the total issued share capital of the Company as of the end of the second most recent month preceding the publication date of this report.
- C - The Company owned more than 5% of the total issued share capital of Crédit Agricole SA as of the end of the second most recent month preceding the publication date of this report.
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- J - A director or a board member of the Crédit Agricole S.A. group is an officer, director, or board member of the Company.

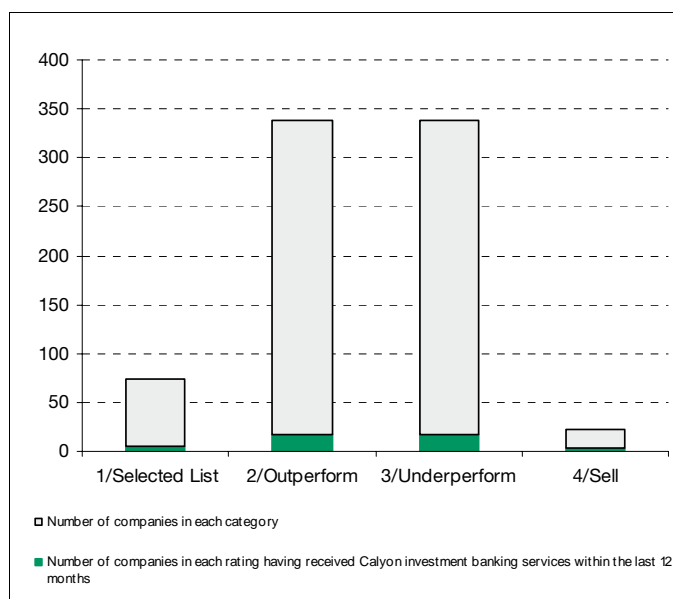
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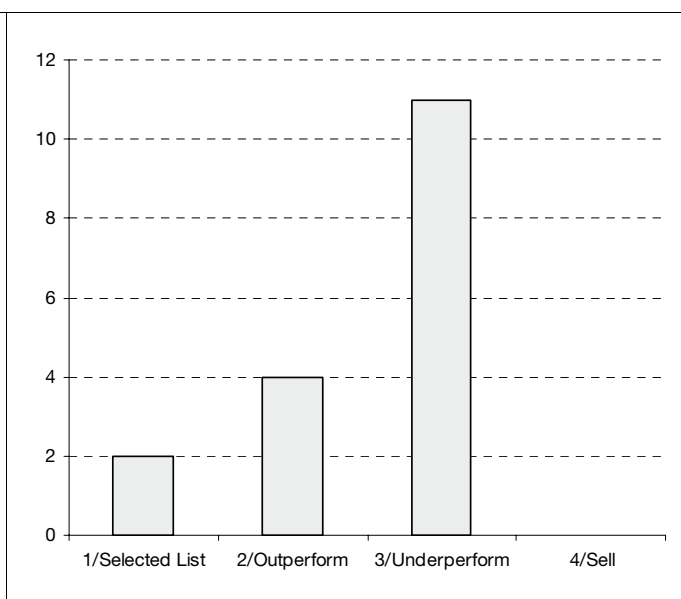
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Ratings are built for a 6 to 12 month time horizon.	
1/Selected List	Expected to outperform the market and is in our country selected list
2/Outperform	Expected to outperform the market
3/Underperform	Expected to perform at best in line with the market
4/Sell	Expected to underperform the market substantially
No Rating or Suspended	The investment rating and target price have been suspended. Such suspension is pursuant to Cheuvreux's policy in circumstances when Cheuvreux's parent company, Crédit Agricole CIB, is acting in an advisory capacity in a merger or strategic transaction involving this company or when Calyon or Crédit Agricole has a beneficial interest in this company and in certain other circumstances.
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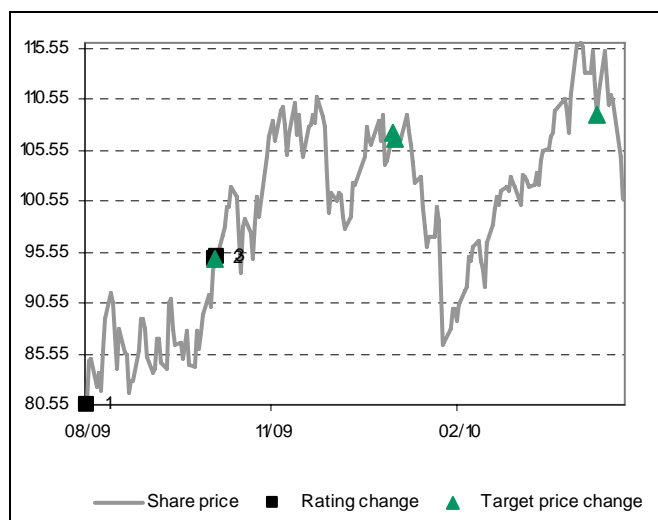
OVERALL RATING BREAKDOWN (AS AT 31/12/2009)



RATING BREAKDOWN IN THE SECTOR (AS AT 31/12/2009)



### SHARE PRICE TREND AND DATES OF CHANGES IN RATING AND/OR TARGET PRICE



### DATES OF CHANGES IN TARGET PRICE AND/OR RATING

	Date	Rating	Target price
1	12/08/2009	3/Underperform	
2	15/10/2009	2/Outperform	PLN110.00
3	16/10/2009	2/Outperform	
4	11/01/2010		PLN118.00
5	12/01/2010		PLN110.00
6	22/04/2010		PLN122.00

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