



KGHM
POLSKA MIEDŹ S.A.

**Results of KGHM Polska Miedź S.A.
in Q2 2006**

Plan of presentation

- **Q2 2006 results**
- **Costs**
- **Profitability ratios and EBITDA**
- **Investment plans**
- **Resources**
- **Selected financial data**

Macroeconomic conditions

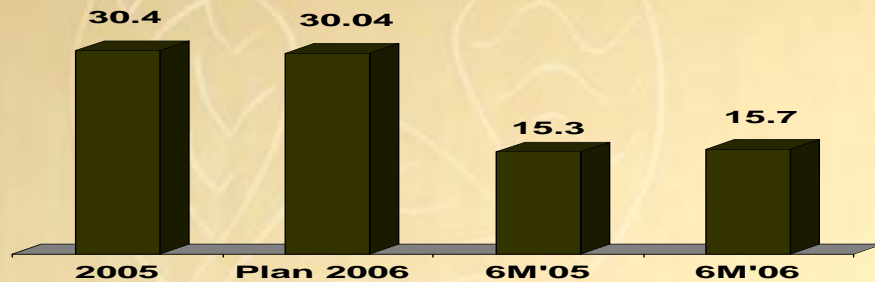
		6M'05	6M'06	% change	2005	Plan 2006	Execution of Plan
Cu price	USD/t	3 333	6 070	82.11	3 684	5 800	104.65
Ag price	USD/kg	227	342	50.66	235	354	96.61
Exchange rate	PLN/USD	3.18	3.16	(0.62)	3.23	3.15	100.32
Cu production	'000 t	264	272	3.03	560	550	45.64
Ag production	t	601	639	6.32	1 244	1 156	55.28
Cost of electrolytic copper production	PLN/t	7 463	8 984	20.38	7 723	8 880	101.17

In H1 2006 the Company was supported by beneficial macroeconomic conditions, in particular very good copper and silver prices.

Production results

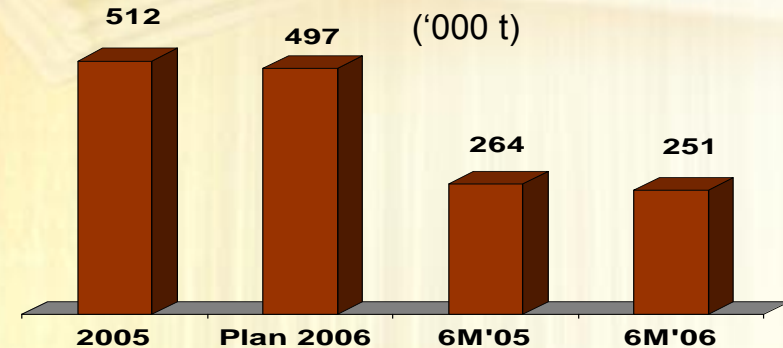
Ore extraction

(mln t)



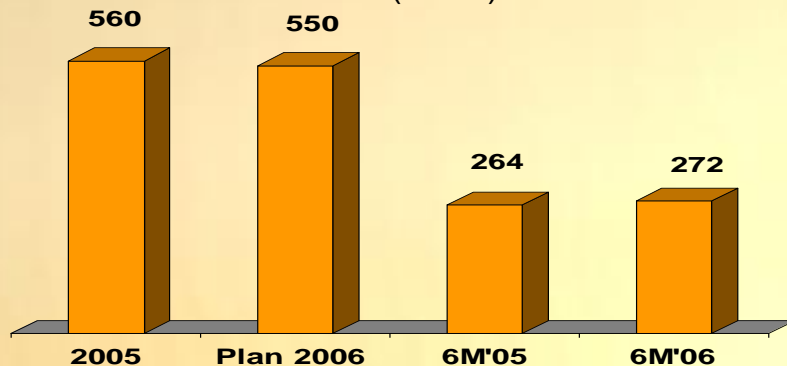
Production of copper in concentrate

('000 t)



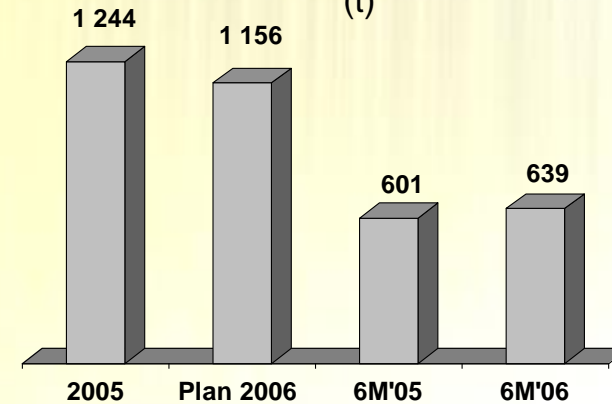
Production of electrolytic copper

('000 t)



Production of metallic silver

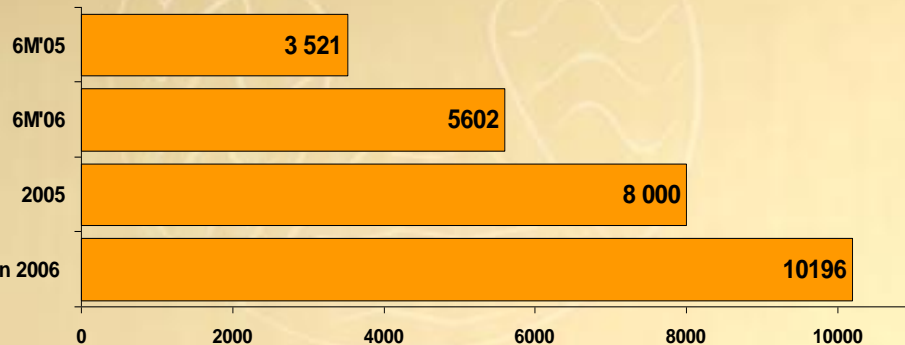
(t)



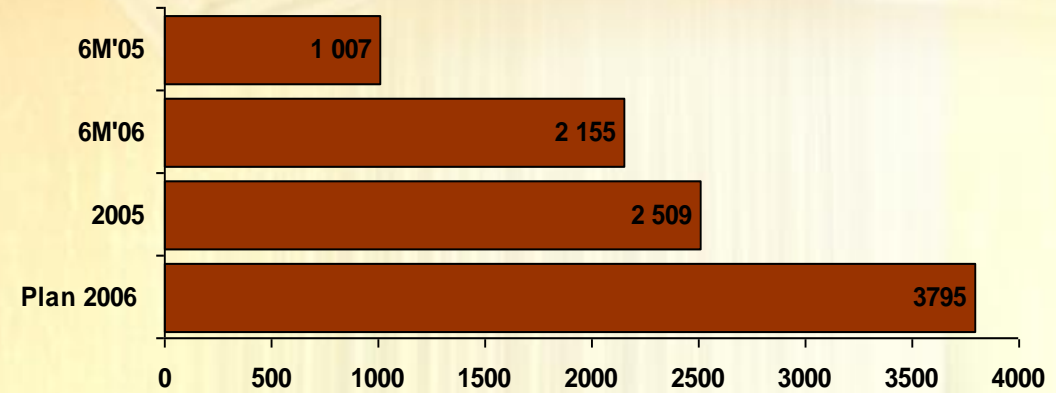
By the end of H1 2006, 40 thousand tonnes out of the planned 70 thousand tonnes of electrolytic copper production from external charges had been produced. Production by the Company is proceeding as planned.

Financial results after H1 2006

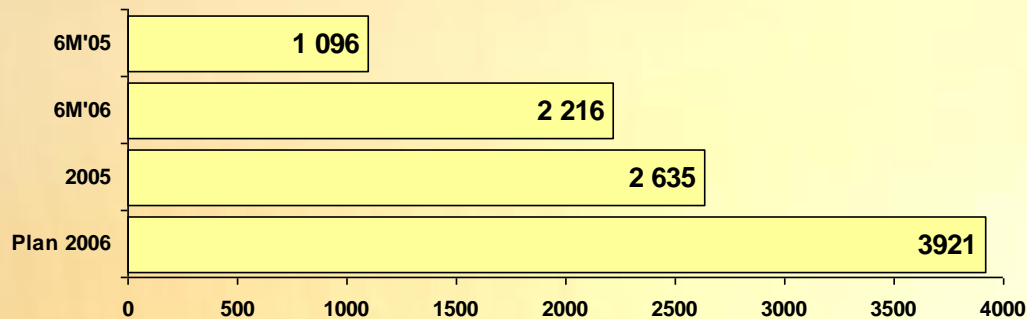
Net revenues from sales (in mln PLN)



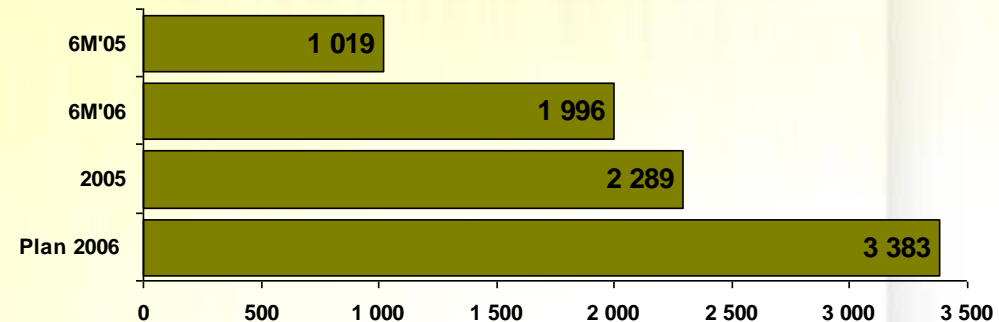
Operating profit (in mln PLN)



Profit before tax (in mln PLN)

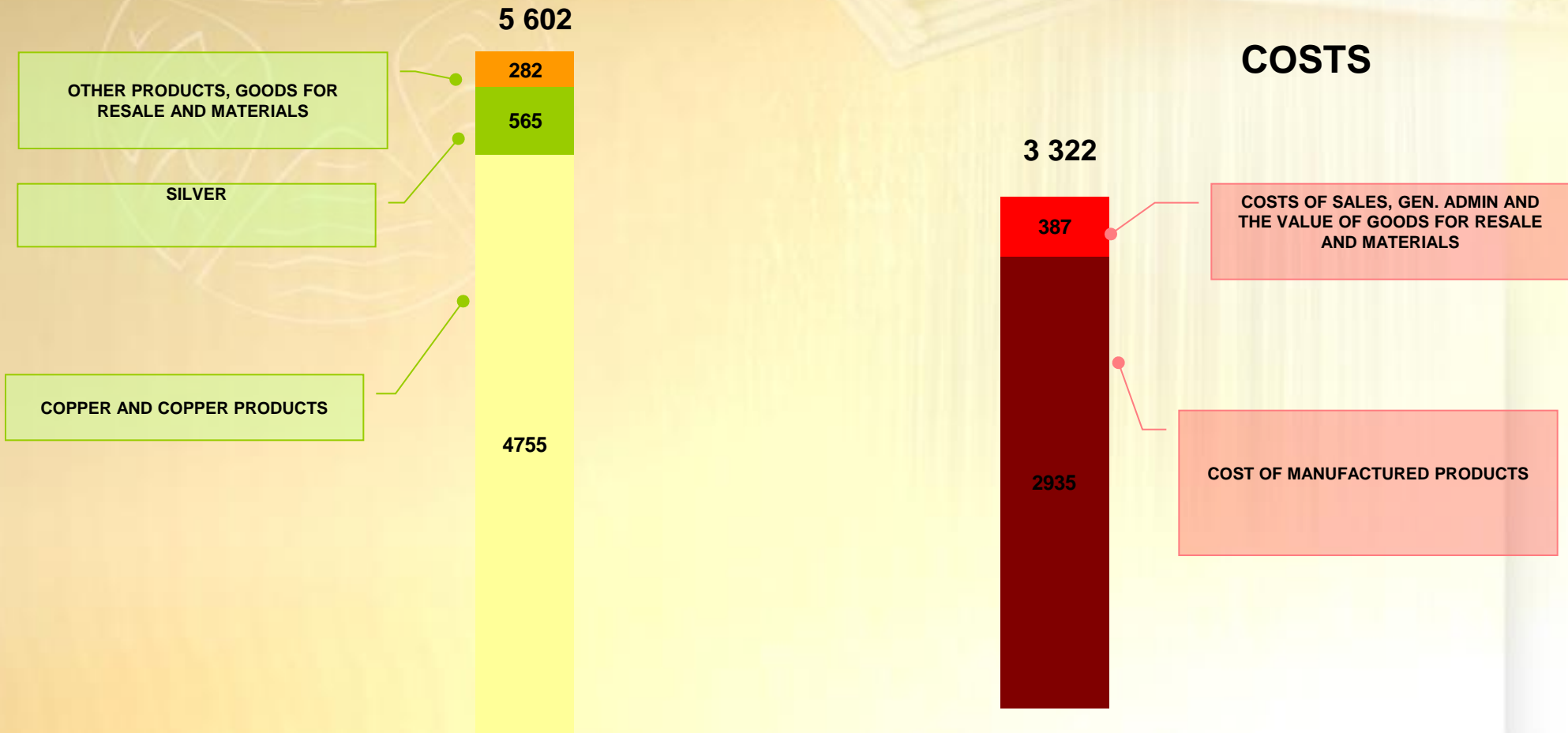


Net profit (in mln PLN)



Result on sales (mln PLN)

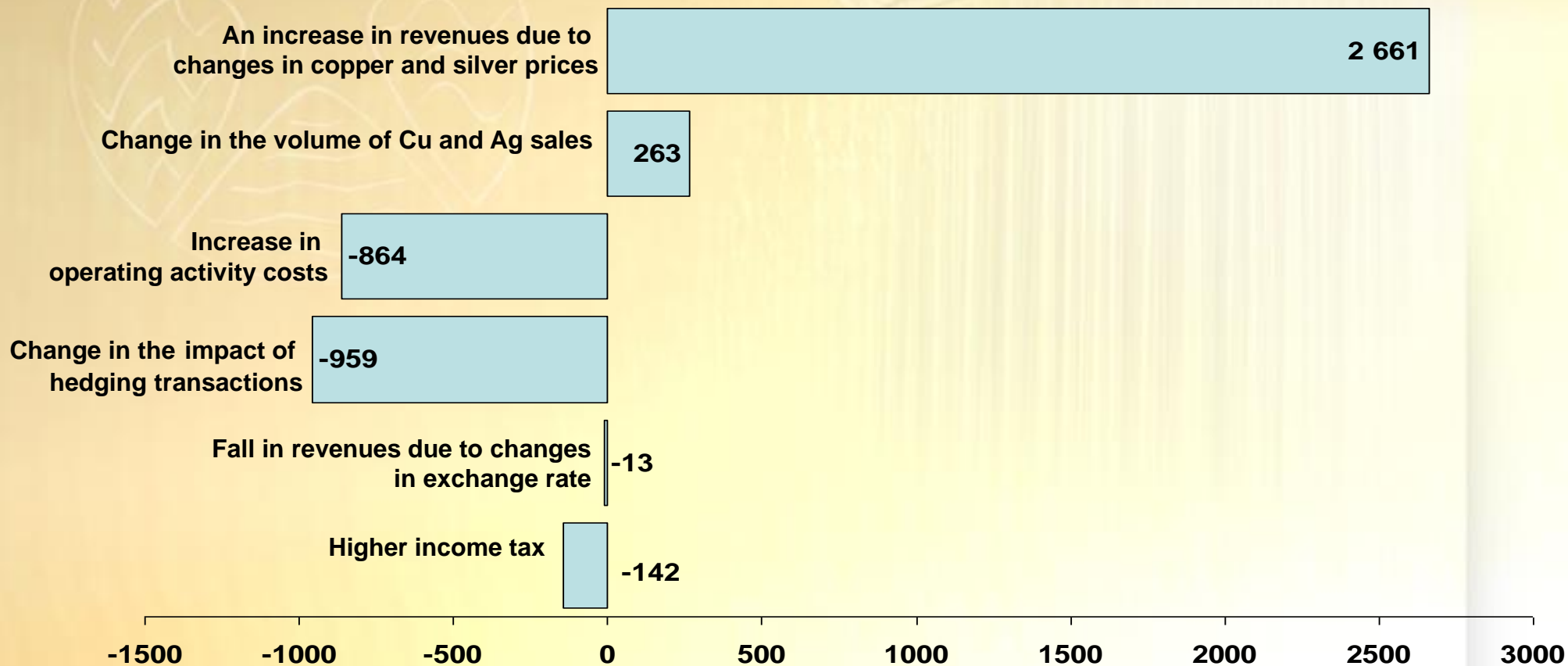
The result on sales for H1 2006 is higher by PLN 1 204 mln versus that for H1 2005.



REVENUES

Factors impacting the H1 2006 results (mIn PLN)

After the first 6 months of 2006 the Company had recorded an increase in net profit versus H1 2005 by PLN 978 mln, including mainly due to:

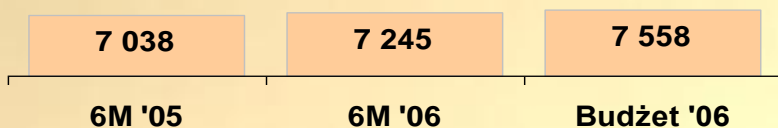


Unit cost (PLN/t) and profitability on sales (%)

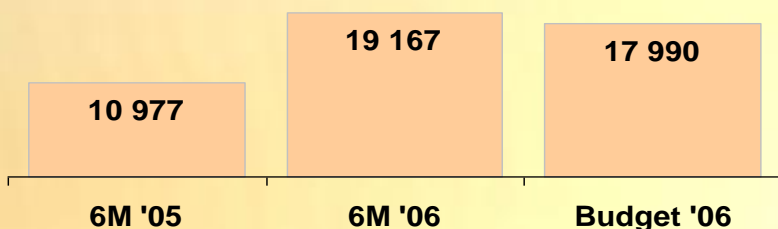
Unit cost



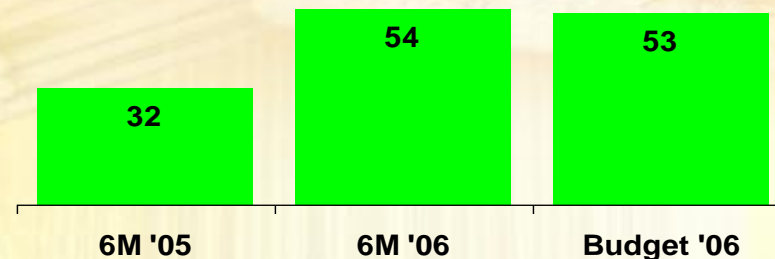
Cost of production from internal charges



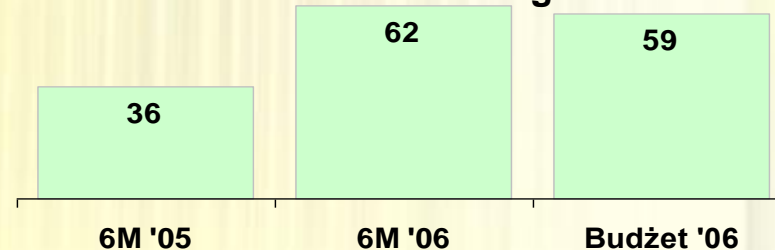
Cost of production from external charges



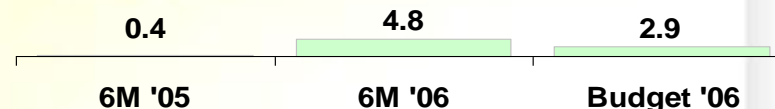
Profitability on sales exclu. hedging transactions



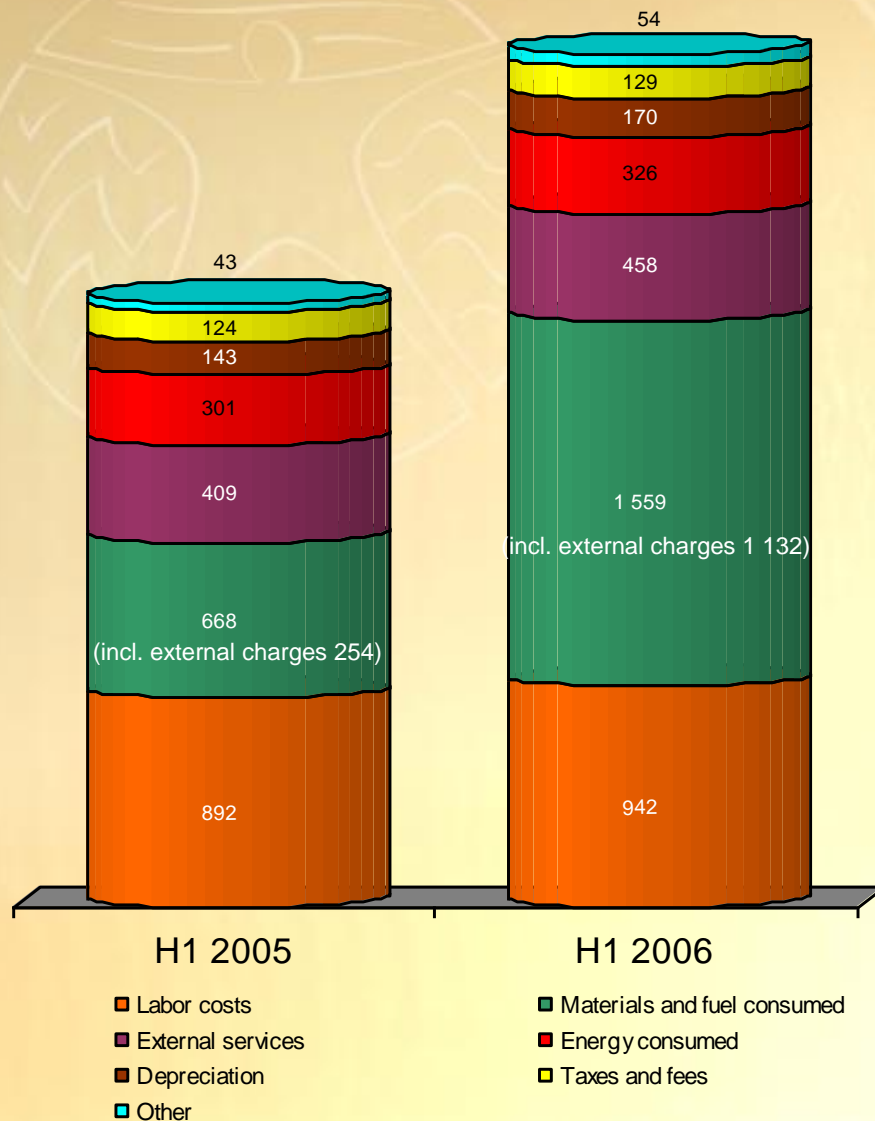
Profitability on sales from internal charges



Profitability on sales from external charges



Costs by type (mln PLN)

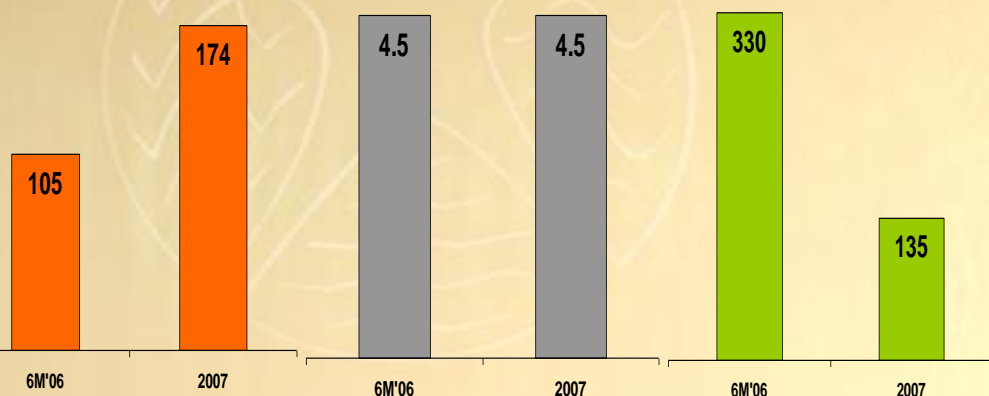


In H1 2006 costs by type amounted to PLN 3 638 mln, being an increase by PLN 1 059 mln (i.e. by 51%), versus H1 2005, including due to increased consumption of external charges by PLN 878 mln

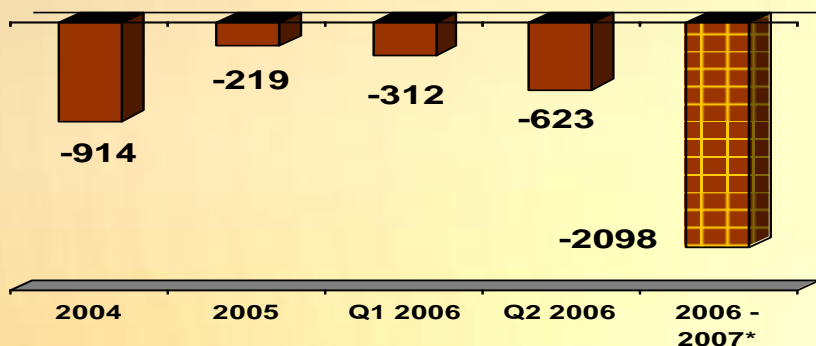
Risk management

Amounts hedged per segment

Cu ('000 t) Ag (mln troz) USD (mln)



Results on hedging transactions (mln PLN)



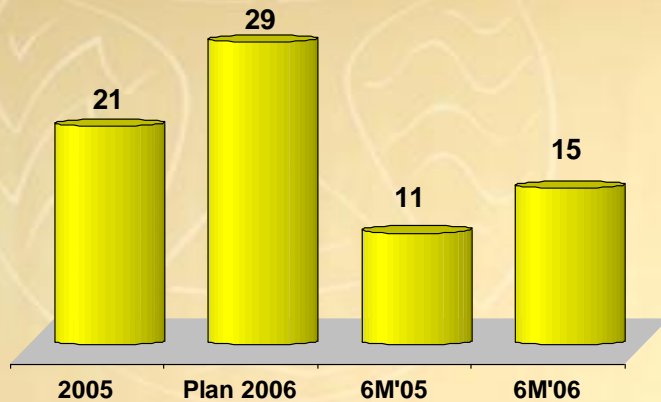
Hedging strategies implemented in H1 2006:

- copper – 84 '000 t, (options), to be realised in 2007
- silver – 93 t, (options), to be realised in 2007
- currency – 90 mln USD for Q4 2006, (options + forwards)
- adjustment hedge transactions –
 - Cu – 7.45 '000 t for July/August 2006
 - Ag – 28 t – June 2006
 - Au – 218 kg – August 2006

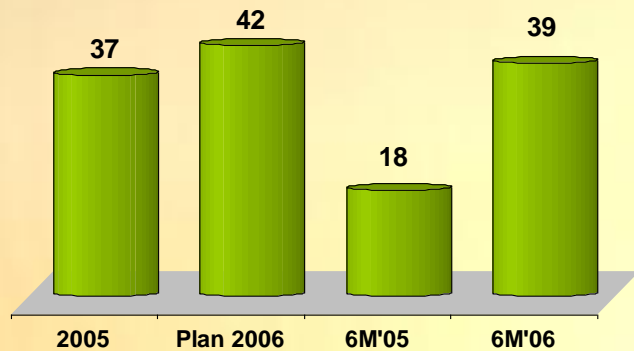
* fair value of open positions in derivative instruments at 30 June 2006

Profitability ratios and EBITDA

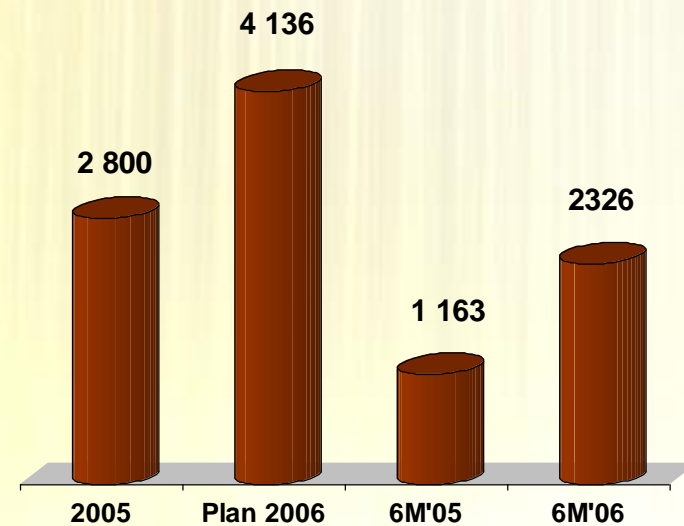
ROA (%)



ROE (%)



EBITDA (in mln PLN)



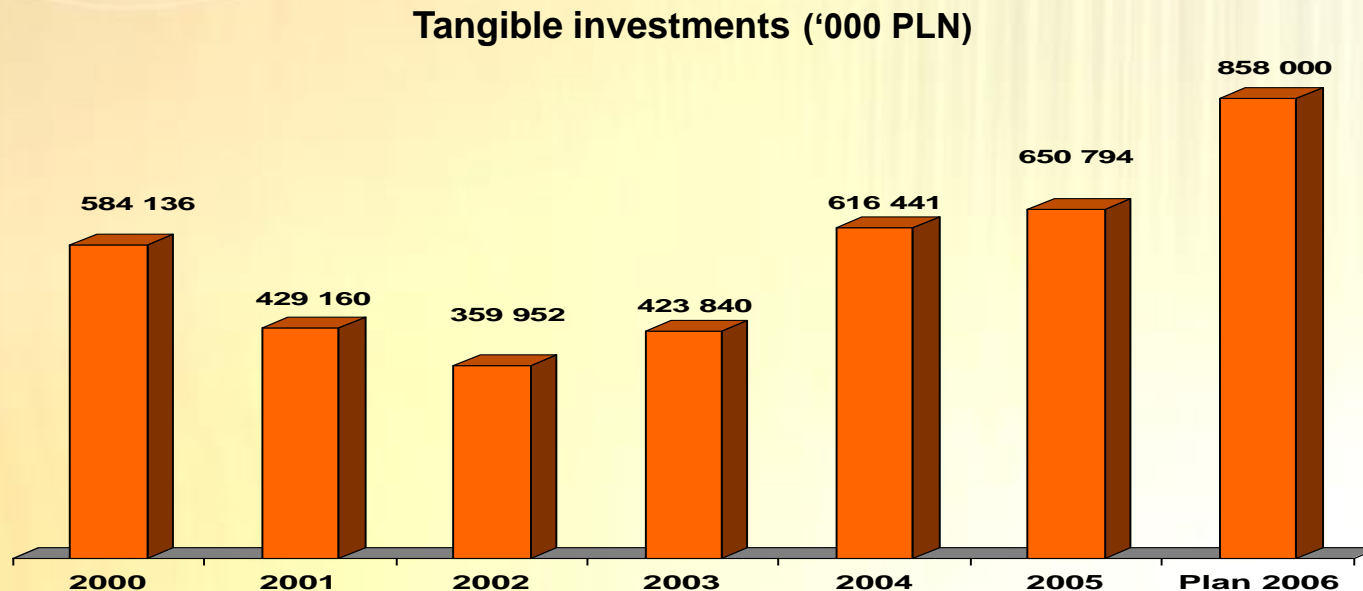
An improvement in profitability and an increase in EBITDA versus Q2 2005

Investment plans

The Company plans to invest PLN 5 billion in the years 2006 – 2010 for mine/smelter modernisation, mainly through:

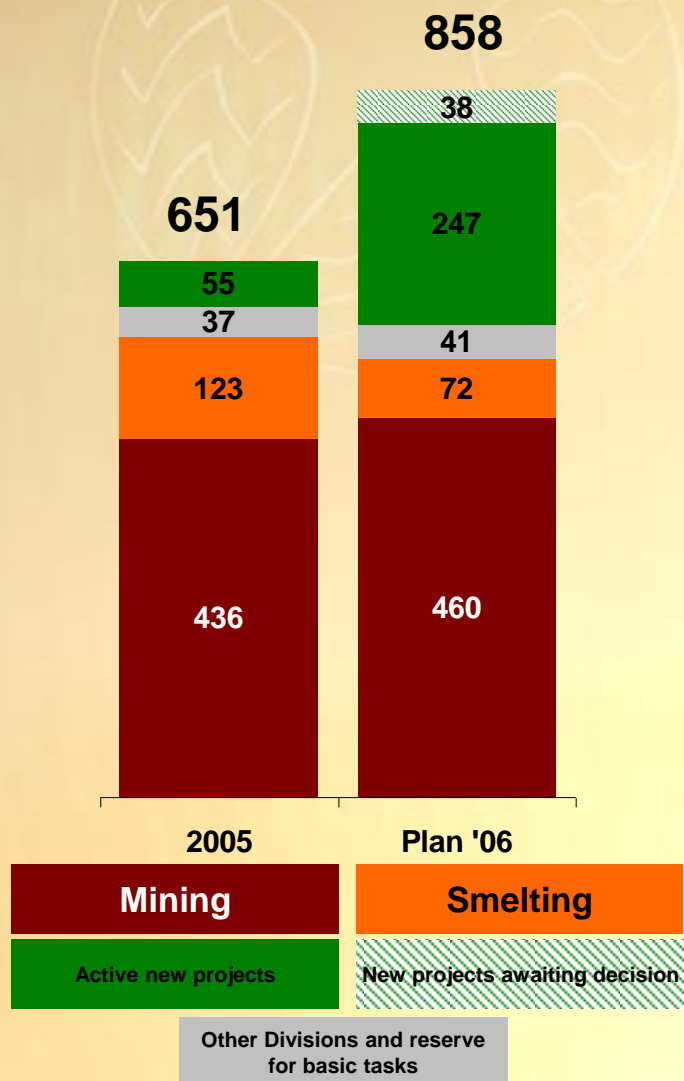
- Exchanging mining machinery and equipment
- Preparatory work
- Sinking of new shafts
- Modernising concentrators

The Company also intends to commit around PLN 1 billion towards equity investments.



Tangible investments (mln PLN)

An increase in tangible investments by PLN 207 mln



Selected investment projects (to 2010):

- *Hydrotransport of concentrate (PLN 200 mln)*
- *Modernisation of shaft furnaces (PLN 579 mln)*
- *Building of SW-4 shaft (PLN 358 mln)*
- *Głogów Głęboki Przemysłowy (PLN 409 mln)*
- *Modernisation of Rudna concentrator (PLN 103 mln)*
- *Installation for producing chemigypsum (PLN 49 mln)*
- *Energetyka – enhancing power generating capacity (PLN 400 mln)*


Basis tasks in 2006 include expenditures on:

- *investments in new facilities and equipment (PLN 436 mln)*
- *equipment replacement purchases (PLN 260 mln), incl. underground machinery (PLN 140 mln)*
- *shaft complexes R-XI, R-IX, SG-1 and SG-2 (PLN 42 mln)*

Resources

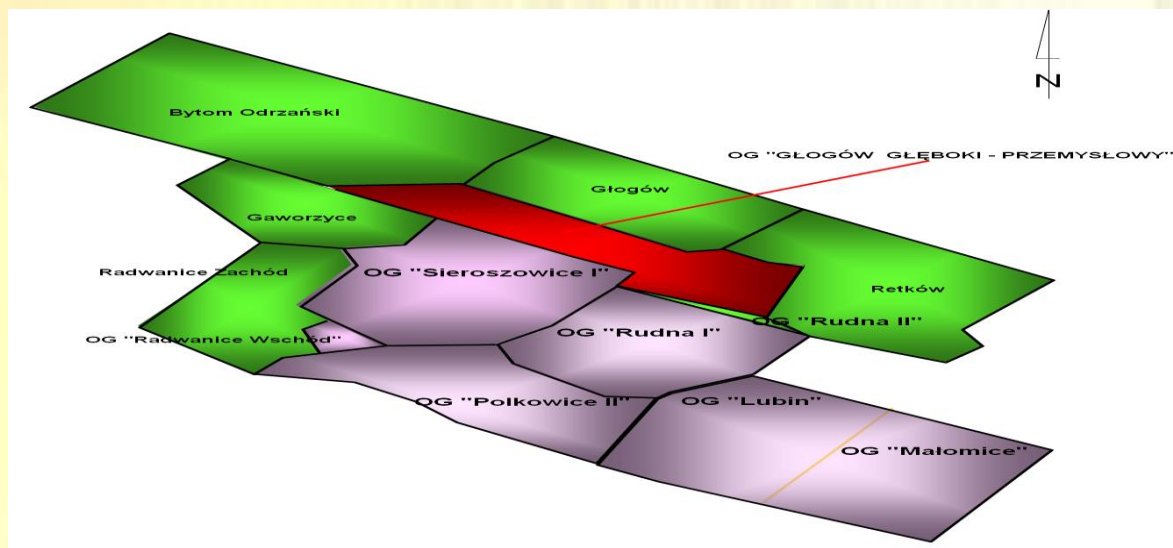
Industrial ore resources in copper and metals (Cu, Ag) in licensed areas of KGHM Polska Miedź S.A.:

Mining Division	Ore resources [mln t]	Cu [%]	Ag [g/t]	Cu [mln t]	Ag [t]
Lubin	171	1.49	75	2.5	12 844
Polkowice –Sieroszowice	278	2.85	58	7.9	16 194
Rudna	261	2.17	47	5.7	12 195
OG Głogów Głęboki – Przemysłowy (GGP)	212	2.42	81	5.1	17 263
KGHM Polska Miedź S. A.	922	2.25	63	21.3	58 496

 Presently-licensed areas

 GGP

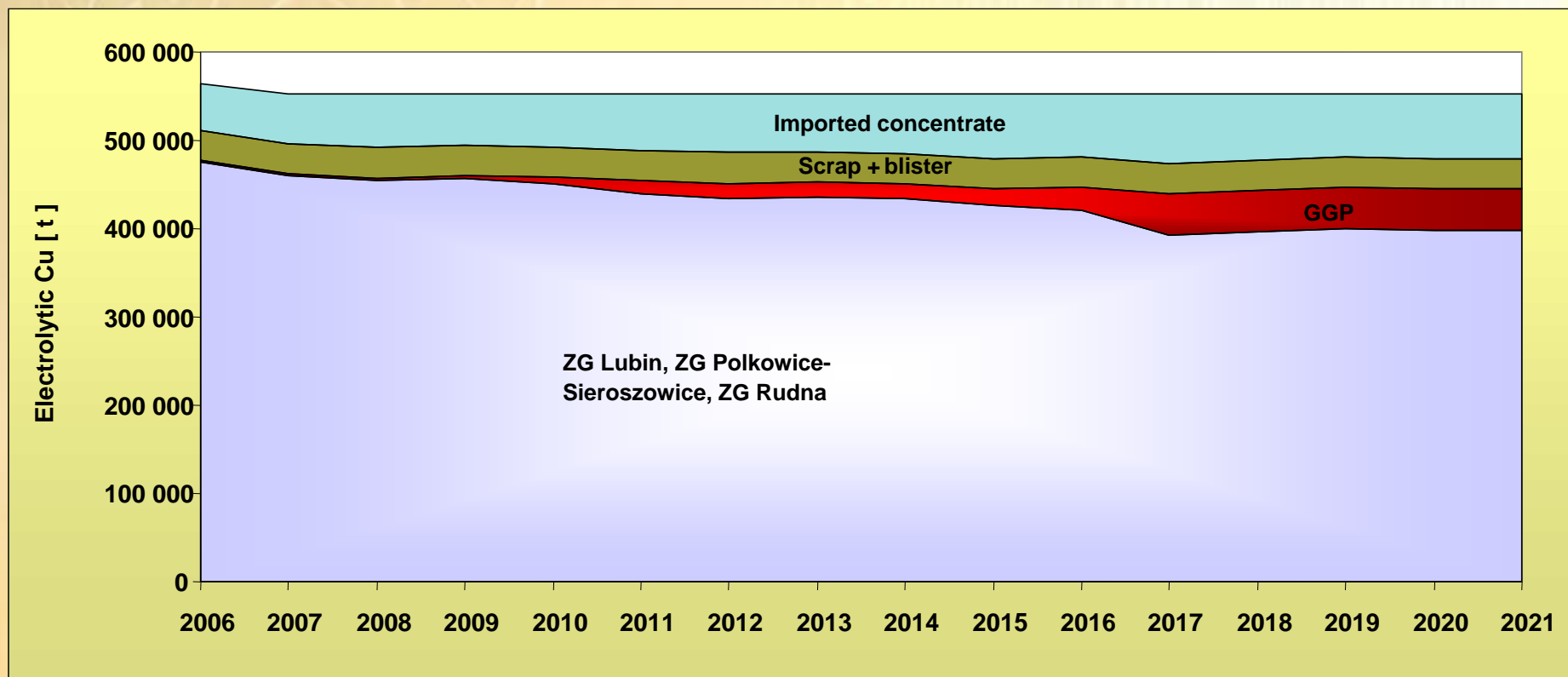
 Reserve areas



It is estimated that reserve areas contain appx. 5 mln t of copper in ore.

Resources

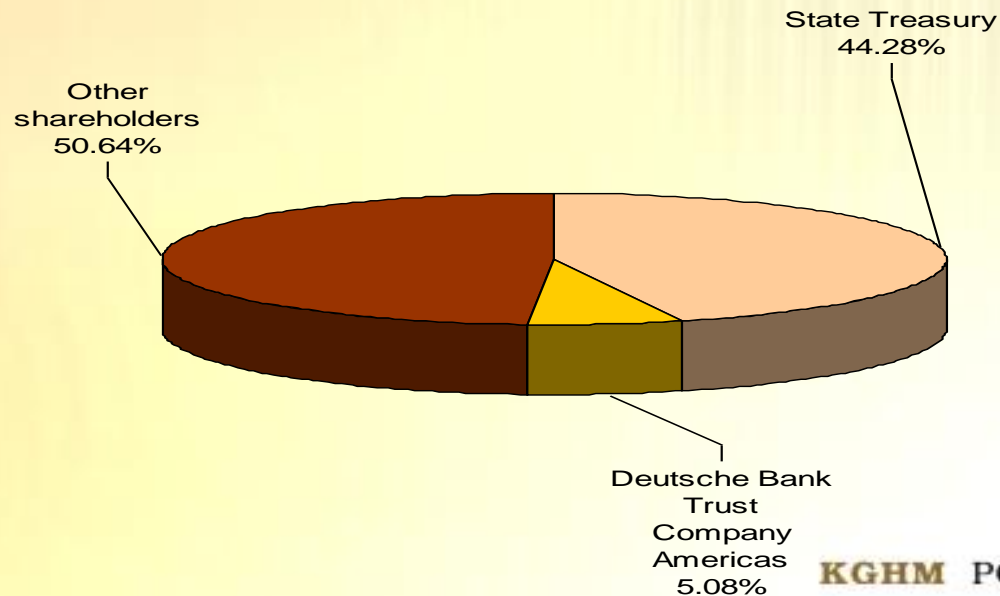
Planned production of electrolytic copper by KGHM PM S.A. in the period 2006-2021, including the Głogów Głęboki Przemysłowy deposit



Other information

- On 2 August 2006 KGHM paid a shareholders dividend of PLN 2 000 000 000.00, or PLN 10.00 per share.
- The Management Board of KGHM Polska Miedź S.A. resolved to terminate the plan to build a hydrometallurgical installation, and also to withdraw the Company from the Democratic Republic of Congo by selling its mining rights to the Kimpe deposit – acquired by KGHM in 1996.
- Listing of the company Interferie on 9 August – the offer includes 5 mln newly-issued shares, the share price will range from PLN 6 -10. Should all of the issued shares be sold, the KGHM Group will retain 66% of the shares of this company.

Ownership structure *



* As at 27 July 2006

Balance sheet

in '000 PLN

At 30.06.2005

At 30.06. 2006

2005

ASSETS

Non-current assets

6 772 758

7 124 503

7 078 691

Current assets

2 712 184

6 376 157

3 898 563

EQUITY AND LIABILITIES

Equity

5 764 036

5 152 854

6 214 078

Liabilities and provisions for
liabilities

3 720 906

8 347 806

4 763 176

Income statement

in '000 PLN	2005	Q2 2005	Q2 2006	H1 2005	H1 2006
Net revenues from sales	8 000 085	1 856 053	3 141 945	3 533 851	5 602 057
Gross profit on sales	3 276 351	720 072	1 449 859	1 348 849	2 560 787
Profit on sales	2 706 766	580 931	1 308 903	1 076 369	2 280 512
Operating profit	2 508 698	516 496	1 206 217	1 019 844	2 155 421
Financial income	395 152	62 297	171 403	206 413	348 523
Profit before taxation	2 634 563	541 622	1 215 483	1 095 565	2 215 976
Tax	(417 331)	(114 277)	(159 389)	(226 059)	(368 094)
Valuation of entities using the equity method	72 124	68 221	68 181	149 076	148 319
Net profit	2 289 356	495 566	1 124 275	1 018 582	1 996 201

Cash flow

in '000 PLN

	Q2 2005	Q2 2006	H1 2005	H1 2006
Net cash flow from operating activities	585 628	774 673	669 803	1 072 439
Net cash used in investing activities	(81 104)	(21 118)	(294 685)	(233 779)
Net cash used in financing activities	18 146	(8 054)	19 759	(11 733)
Total net cash flow	522 670	745 501	394 877	826 927
Monetary resources at end of period	716 921	2 470 437	716 921	2 470 437

Costs by type

in '000 PLN	Q2 2005	Q2 2006	H1 2005	H1 2006	2005
Depreciation	72 021	85 215	142 570	170 114	291 304
Materials and fuel consumed	353 388	892 896	667 638	1 559 000	1 278 426
Energy consumed	144 159	153 647	300 732	326 018	601 330
External services	219 611	230 992	409 008	457 711	885 856
Labor costs	477 481	570 169	891 853	941 835	1 841 338
Taxation and fees	59 033	81 392	123 771	129 408	243 520
Other	14 498	13 119	43 120	53 562	81 386



Thank you

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