



KGHM
POLSKA MIEDŹ S.A.

Company results after the first 9 months of 2010

*Presentation for analysts' meeting
10 November 2010*

November 2010

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KGHM Polska Miedź after the first three quarters of 2010 - synthesis

- **Profit for the first nine months of 2010 amounted to PLN 3 244 million and represented 83% of the projected result**
- **Taking into account the relatively high level of realisation of the forecasted results and the present advantageous macroeconomic situation, the Company is considering a possible adjustment of the projected financial result for 2010**
- **The continued high volatility of copper prices and the USD/PLN exchange rate means that the financial results of the Company are characterised by high uncertainty**
- **In the first nine months of 2010 the Company hedged a large amount of copper tonnage (approx. 278 thousand tonnes) and of USD-denominated revenues (1 245 million USD) with a hedged period to the first half of 2013**

➤ **Polkomtel S.A.**

- share of KGHM Polska Miedź S.A. in the share capital – 24.39%,
- carrying amount of Polkomtel S.A. in the accounts of KGHM Polska Miedź S.A.: PLN 1 160 million,
- the shareholders of Polkomtel S.A. decided to jointly sell 100% of the shares of the company in a private transaction,
- potential buyers include both sector and strategic investors as well as financial investors / investment funds,
- this process is being realised.

➤ **DIALOG S.A.**

- share of KGHM Polska Miedź S.A. in the share capital – 100%,
- carrying amount of DIALOG S.A. in the accounts of KGHM Polska Miedź S.A. – PLN 825 million,
- the decision was taken to sell 100% of the shares of the company to an external investor,
- financial consultant engaged to carry out the sale – Rothschild Polska sp. z o.o. investment bank,
- planned date of eventual transaction closure – first half of 2011.

Afton-Ajax project

- On 12 October 2010 the Company signed an agreement with Abacus Mining & Exploration Corporation („Abacus”) with registered head office in Vancouver for the foundation of a joint venture company called KGHM Ajax Mining Inc., which will realise a project to work the Afton–Ajax copper and gold ore deposit in Canada
- KGHM acquired 51% of the shares of KGHM Ajax Mining Inc. through a cash contribution of USD 37 million. KGHM also has the option of increasing its stake to 80% for the maximum amount of USD 35 million
- The funds committed by KGHM will be used to develop a Bankable Feasibility Study for the Afton – Ajax project
- Project assumptions:
 - annual production of 50 thousand tonnes of copper
 - annual production of 100 thousand ounces of gold
 - 23-year mine life

Rejestracja KGHM (SHANGHAI) COPPER TRADING CO.

- In September 2010, the company KGHM (SHANGHAI) COPPER TRADING CO., LTD. was registered under the laws of the People's Republic of China. The company was granted permission to engage in business activities
- The sole owner of the company is KGHM Polska Miedź S.A.
- The founding of this company is aimed at gaining a competitive market position on the Chinese market with respect to:
 - the sourcing of copper-bearing materials to meet the production needs of KGHM,
 - the sale of technology used in the KGHM Group,
 - copper sales
 - the trading and distribution of other commodities (such as silicon, artificial materials and chemicals)

KGHM TFI S.A. – investments in the health services sector

- One of the sectors in which KGHM TFI S.A. intends to invest is the health services sector. Investments in this sector are carried out by the KGHM I FIZAN Fund, which founded 4 special-purpose entities towards this end
- The goal of KGHM I FIZAN is to build a strong Spa Group as a recognisable brand on the European market
- KGHM I FIZAN considers as attractive the tourism, Wellness&Spa and sanatorium services sectors, and in compliance with its investment strategy
- Investments carried out by KGHM I FIZAN:
 - the acquisition of 67% of the increased share capital of Interferie Medical SPA Sp. z o.o. for PLN 41 million (a special-purpose entity founded in connection with the construction of a recreation-conference complex in Świnoujście; the owner of the remaining 33% of the share capital is INTERFERIE S.A.)
 - the acquisition of 90% of the shares of Zespół Uzdrowisk Kłodzkich Spółka Akcyjna with its registered head office in Polanica Zdrój for the total price of PLN 138 million
- Near-term investment plans of KGHM I FIZAN:
 - the purchase of 100% of the shares of INTERFERIE S.A. in a public call on shares at PLN 5.12 per share (the call on shares was announced on 25 October 2010)
 - the purchase of 90% of the shares of Uzdrowiska Połczyn S.A. with its registered head office in Połczyn Zdrój
 - the purchase of 90% of the shares of Uzdrowisko Cieplice Spółka z ograniczoną odpowiedzialnością with its registered head office in Jelenia Góra
- In order to finance its investments in the health services sector, KGHM Polska Miedź S.A. in September 2010 acquired investment certificates of the KGHM I FIZAN Fund at the total issue price of PLN 217 million

Purchase of Nitroerg S.A.

- On 5 November 2010, KGHM Polska Miedź S.A. participated in an open-outcry auction announced publically for the sale by the Ministry of the State Treasury of a block of 5 260 820 shares with a nominal value of PLN 10.00 per share, representing 85.00% of the share capital of NITROERG S.A. in Bierun
- KGHM Polska Miedź S.A. won the auction, offering a starting price of PLN 120 million for the block of shares. Adjudication and closure of the auction will occur at the signing of the shares sale agreement
- Purchase of the shares of NITROERG S.A. requires agreement by the President of the Office of Competition and Consumer Protection that there exist no reservations in terms of the combination of entities
- NITROERG S.A. is beginning to restructure its activities, aimed at optimising operating costs, leading to improved productivity and a higher company value.
- Acquisition of this company is an element in optimising logistical supply for the core business

Activities in the energy sector

1. Program of energy savings in the core business

The project will be realised in 9 stages – 8 stages comprising auditing and savings programs in the Divisions, and the final stage – evaluation of energy management and energy savings programs – at the Company level

2. Development of internal power generation capacity

1. Construction of 40 MW gas-steam blocks at the Głogów and Polkowice power plants

Greater energy security

2. Elektrownia Blachownia

KGHM together with the Tauron Group have decided to work together to build a power plant of approx. 900 MWe on the grounds of Elektrownia Blachownia

3. 110 kV power network

The investment involves the construction of a cable network, connecting existing and planned sources of power generation, and primary power receptacles in the Company's core business.

Benefits for the Company: increased power reliability, fuller utilisation of internal resources in emergencies, economic benefits due to elimination of transfer fees and decreased use of external power

4. The transferal to KGHM Polska Miedź of the power plant assets of Energetyka

Lower annual power costs for KGHM of around PLN 13 million, safer working conditions for the company's mining and smelting staff, the unification of parameters and back-up in control systems

5. AC power compensation in the Company with improved energy quality

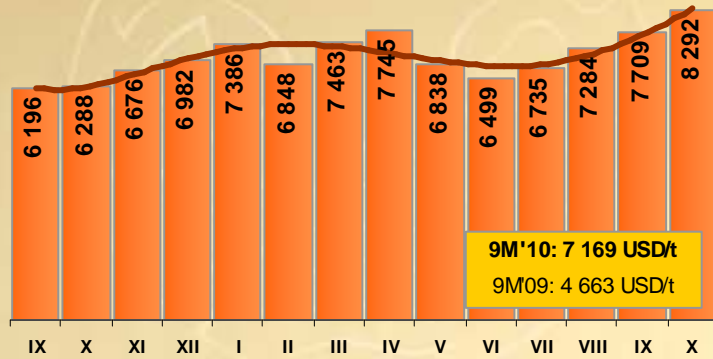
Decreased intake of AC power at individual 110 KV terminals, avoidance of costs related to exceeding AC power in the case of adaptation of distribution agreements



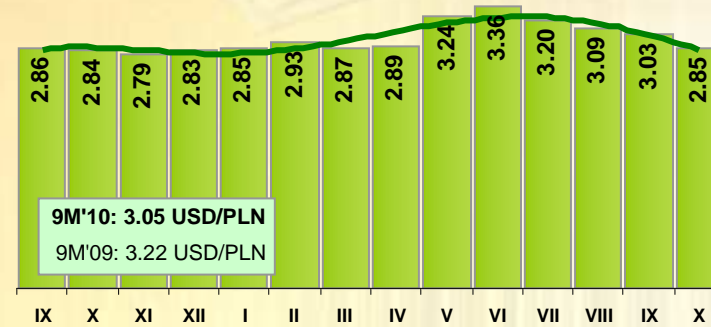
Financial results after the first 9 months of 2010

Macroeconomic conditions

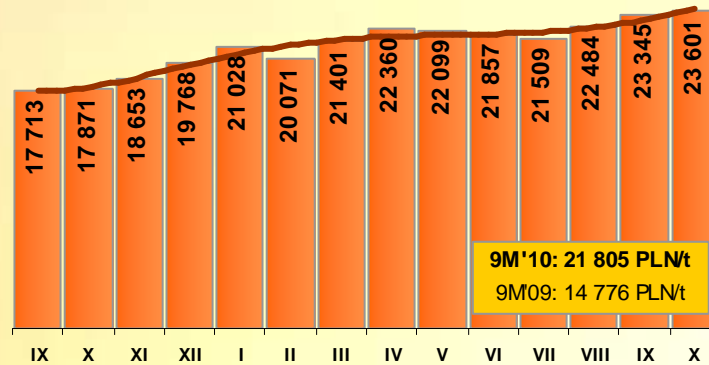
Copper price
USD/t



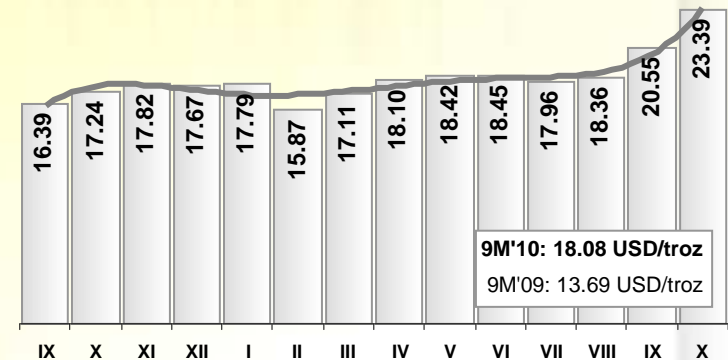
Exchange rate
USD/PLN



Copper price
PLN/t

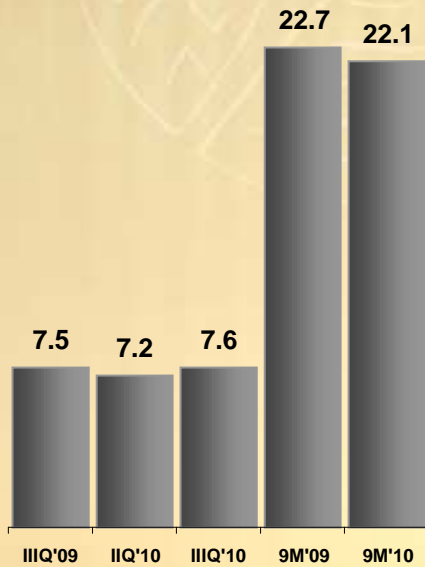


Silver price
USD/troz

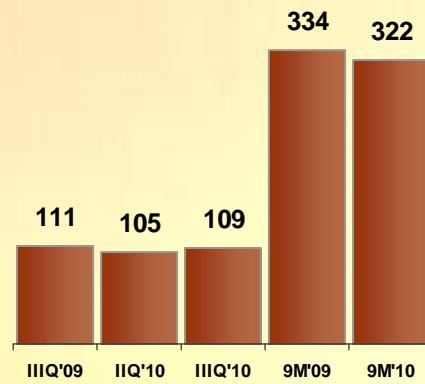


Production results

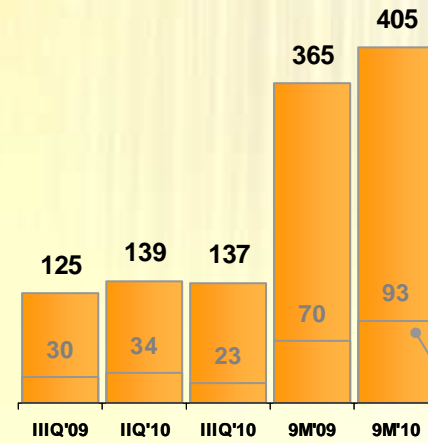
Ore extraction
(mln t d.w.)



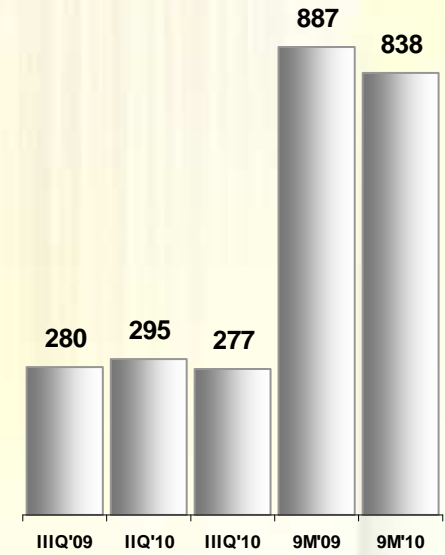
Copper production in concentrate
(‘000 t)



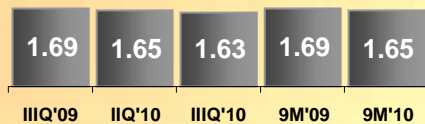
Electrolytic copper production
(‘000 t)



Metallic silver production
(t)

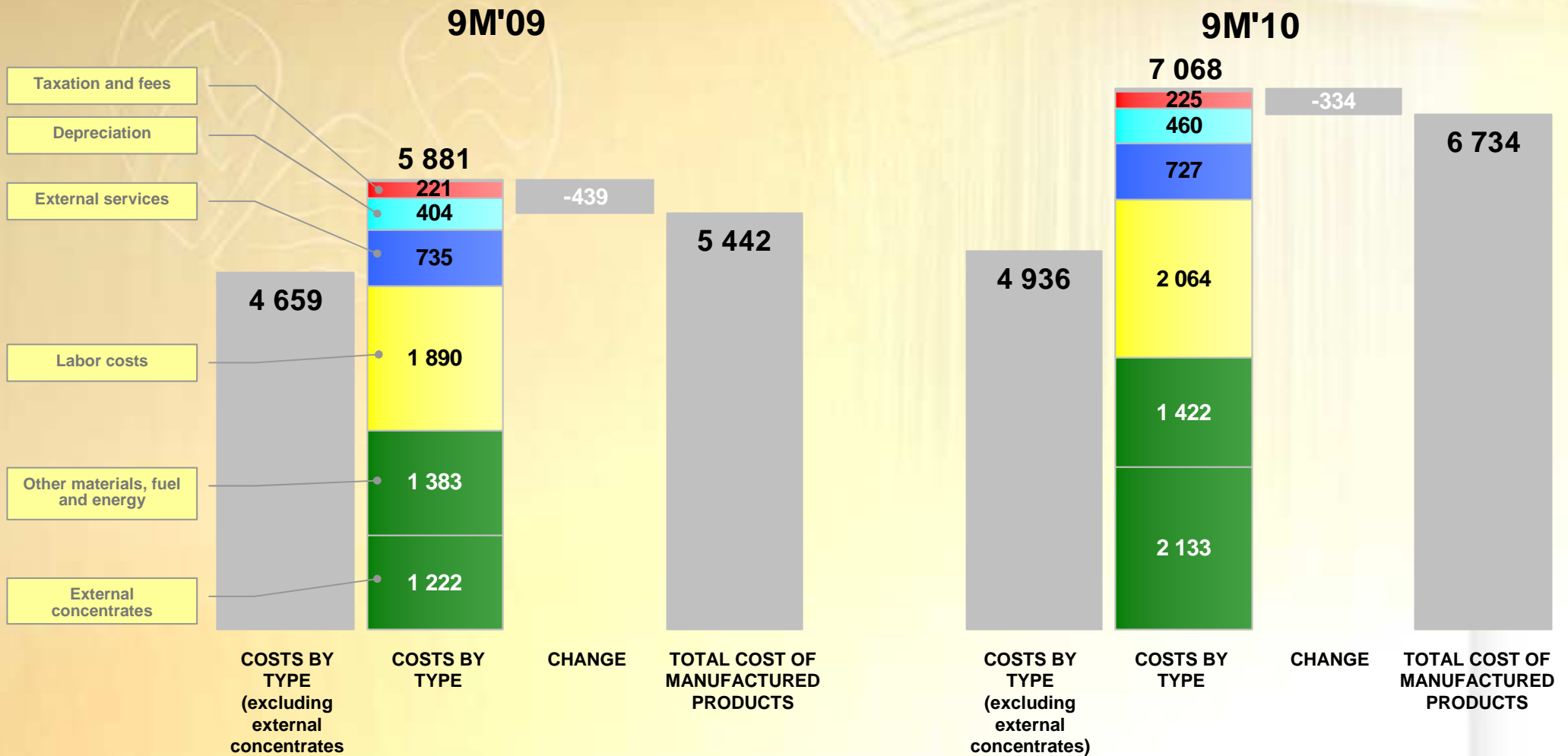


Copper content in ore
(%)



Costs by type (PLN million)

An increase in costs by type of PLN 1 188 million i.e. by 20% versus the first three quarters of 2009
 Excluding external concentrates the increase amounts to PLN 277 million, i.e. 6%



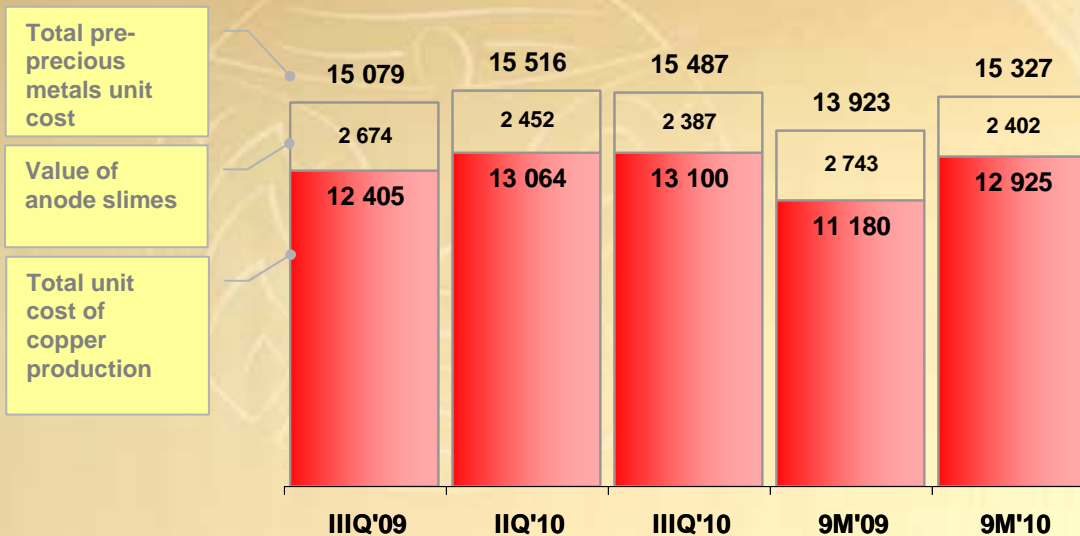


- The increase in value of external copper-bearing materials is due to the increase in volume consumed by 37%, with an increase in prices by 34%.
- The higher cost of labour is mainly due to a higher annual bonus charge (9 months 2009 – 14.5%; 9 months 2010 – 24%).

Unit cost of electrolytic copper production (PLN/t)

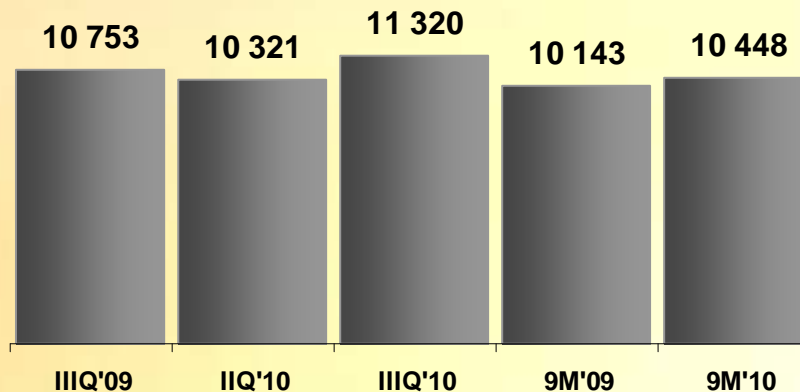
9M'10 versus 9M'09

Total and pre-precious metals credit unit cost of electrolytic copper production



➤ The pre-precious metals credit unit cost of copper production after the first 9 months of 2010 increased versus the comparable period by 10%, mainly due to the higher share of external copper-bearing materials in the production structure (from 19% to 23%), with simultaneous increase in purchase prices (+34%).

Cost of production of electrolytic copper from internal concentrates

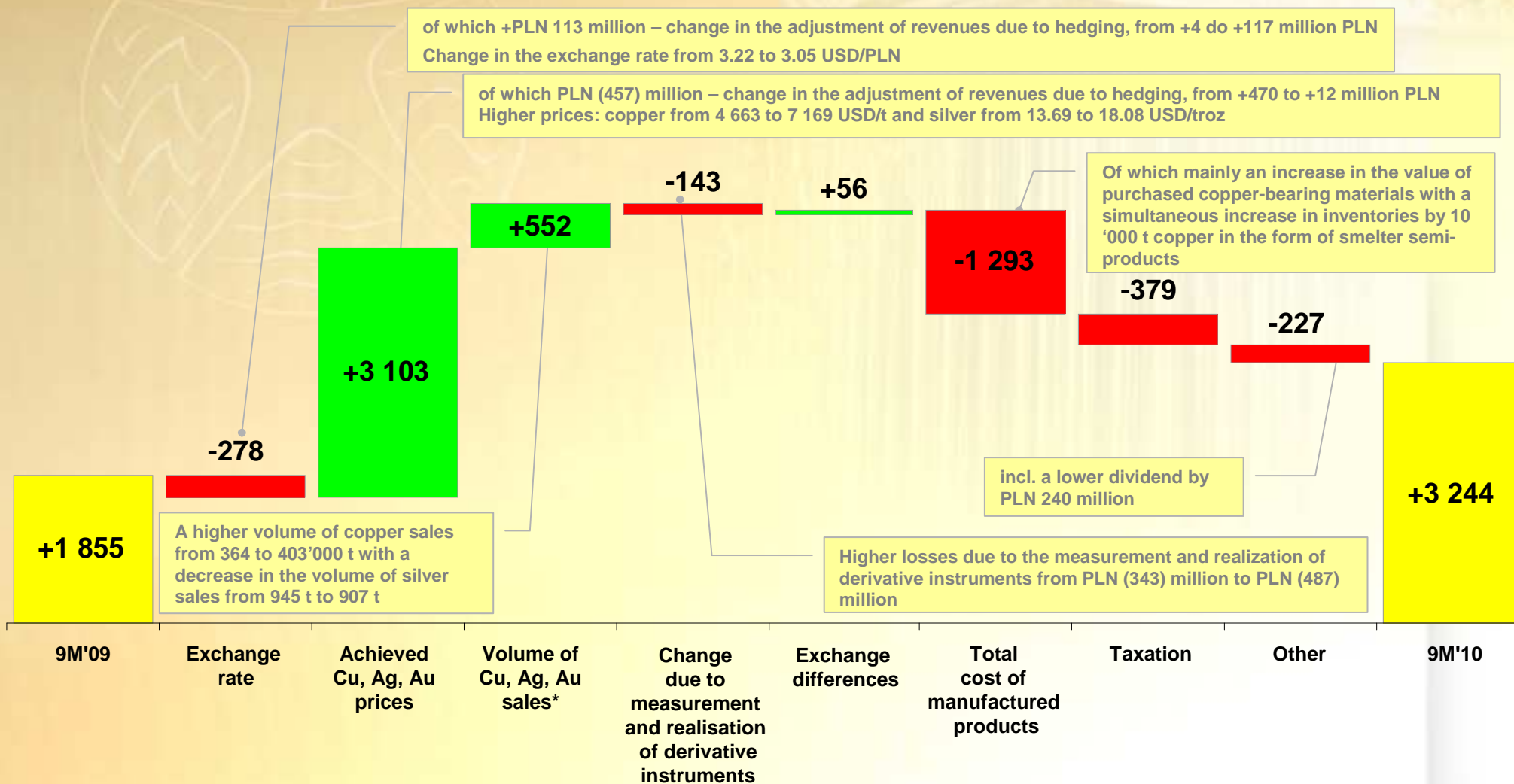


➤ The total unit cost of copper production from internal materials after the first 3 quarters of 2010 was similar to that achieved in the comparable prior period, with a higher volume of production from internal materials by 6%.

Financial results (PLN million)

	IIIQ'09	IIQ'10	IIIQ'10	9M'09	9M'10	Change	Realisation. 9M'09=100
Sales	2 636	3 925	3 992	7 736	11 192	3 456	145
<i>incl. adjustment of revenues due to hedging transactions</i>	(14)	40	47	474	129	(345)	27
Operating costs	1 865	2 370	2 368	5 507	6 803	1 296	124
Net profit on sales	772	1 555	1 624	2 229	4 389	2 160	197
Result of other operating activities, of which:	(294)	303	(377)	15	(377)	(392)	x
Dividends received	0	24	77	342	102	(240)	30
Realisation and measurement of derivative instruments	(233)	110	(351)	(343)	(487)	(143)	142
Exchange differences	(73)	164	(114)	(56)	(1)	56	1
Other	12	5	11	73	9	(64)	12
Operating profit	477	1 858	1 247	2 244	4 012	1 768	179
Net financing cost	6	9	8	25	24	(1)	98
Profit before tax	471	1 849	1 240	2 219	3 987	1 769	180
Taxation	89	348	222	364	743	379	x 2.0
Profit for the period	382	1 501	1 018	1 855	3 244	1 389	175
EBITDA	613	2 010	1 401	2 648	4 472	1 824	169

After the first 9 months of 2010 net profit is higher by PLN 1 389 million than in the comparable prior period



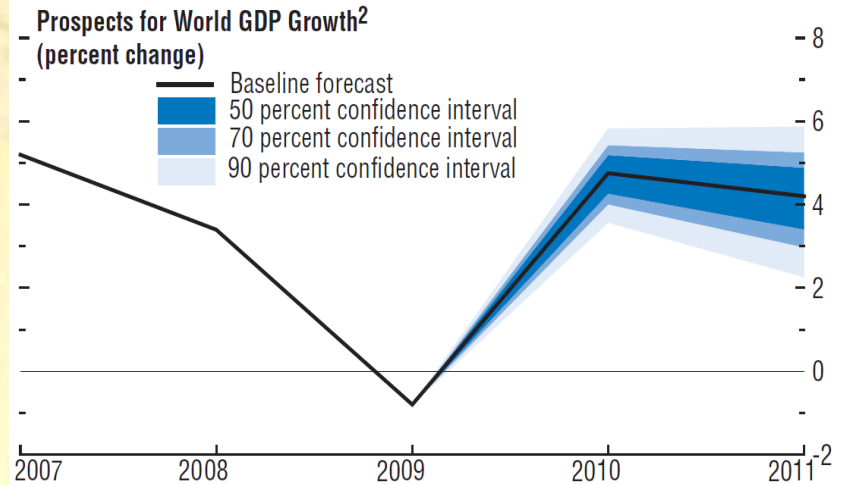
* Impact on sales

Risk management - justification

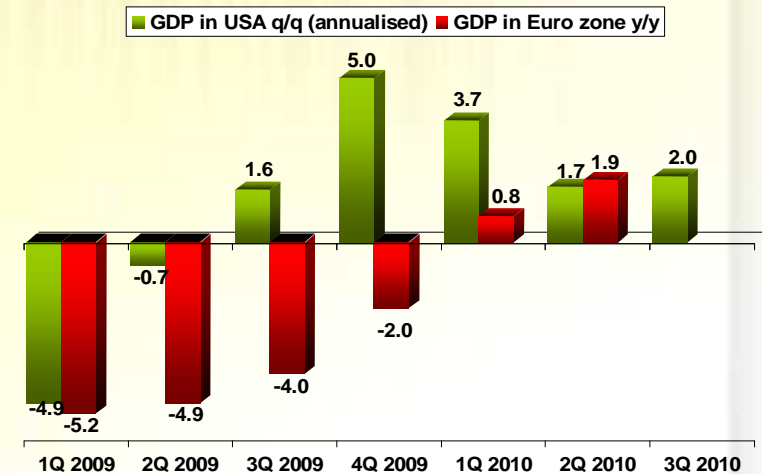
Slow rate of recovery

- In the opinion of KGHM, while the current global economic situation improved versus the second quarter, the observed rate of recovery is lower than expected. The efforts of governments and central banks have not to date brought about the desired economic results, and the continuation of lending rates at record low levels is causing above-average rises in the prices of selected assets.
- The deteriorating economic fundamentals of the largest economies are disturbing. Of particular concern are the ultra-easy monetary policies of the USA and the Euro zone, which generate the danger of bubbles in the financial markets. To foster economic recovery, a number of governments have begun to engage in protectionism and the weakening of their currencies.
- The weakness of the job market in the USA has substantially reduced inflationary pressures, but it has also led to a substantial decrease in consumption. The need for governments to restrict spending has fueled fears of further restriction of end-demand, and this may lead to a fall in the prices of raw materials.
- Continuing factors of substantial risk are the property market in the USA and the tightening of fiscal policy in the Euro zone, as well as an increasingly restrictive monetary policy in China.

In the opinion of the OECD there are numerous risks which may result in global economic slowdown in the coming year.

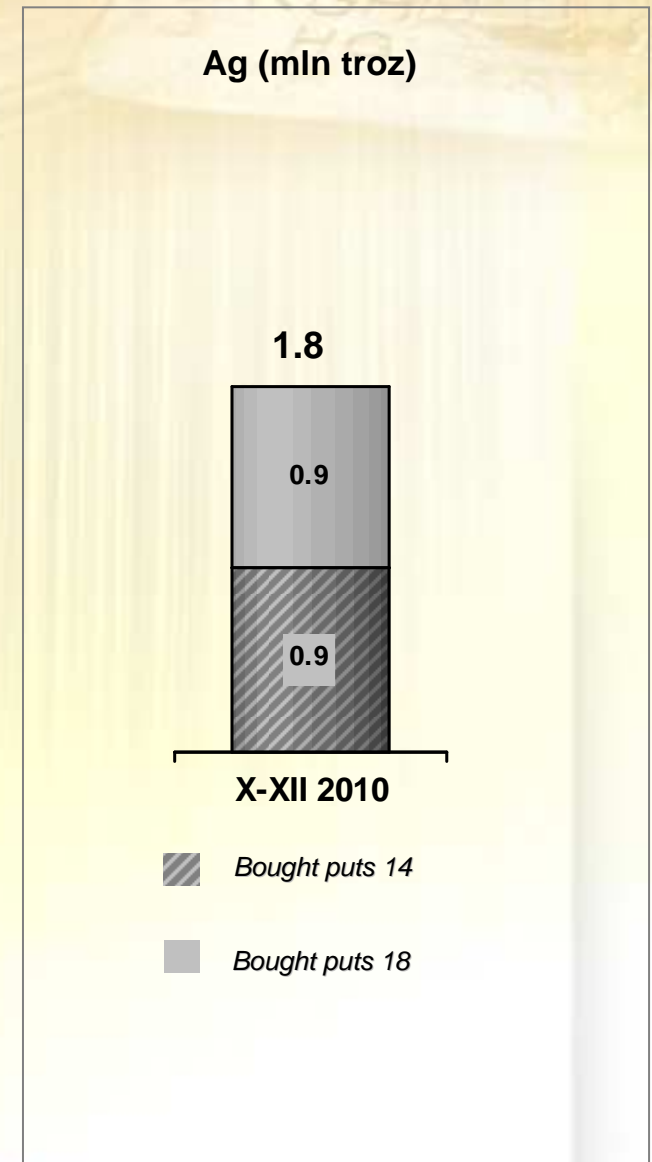
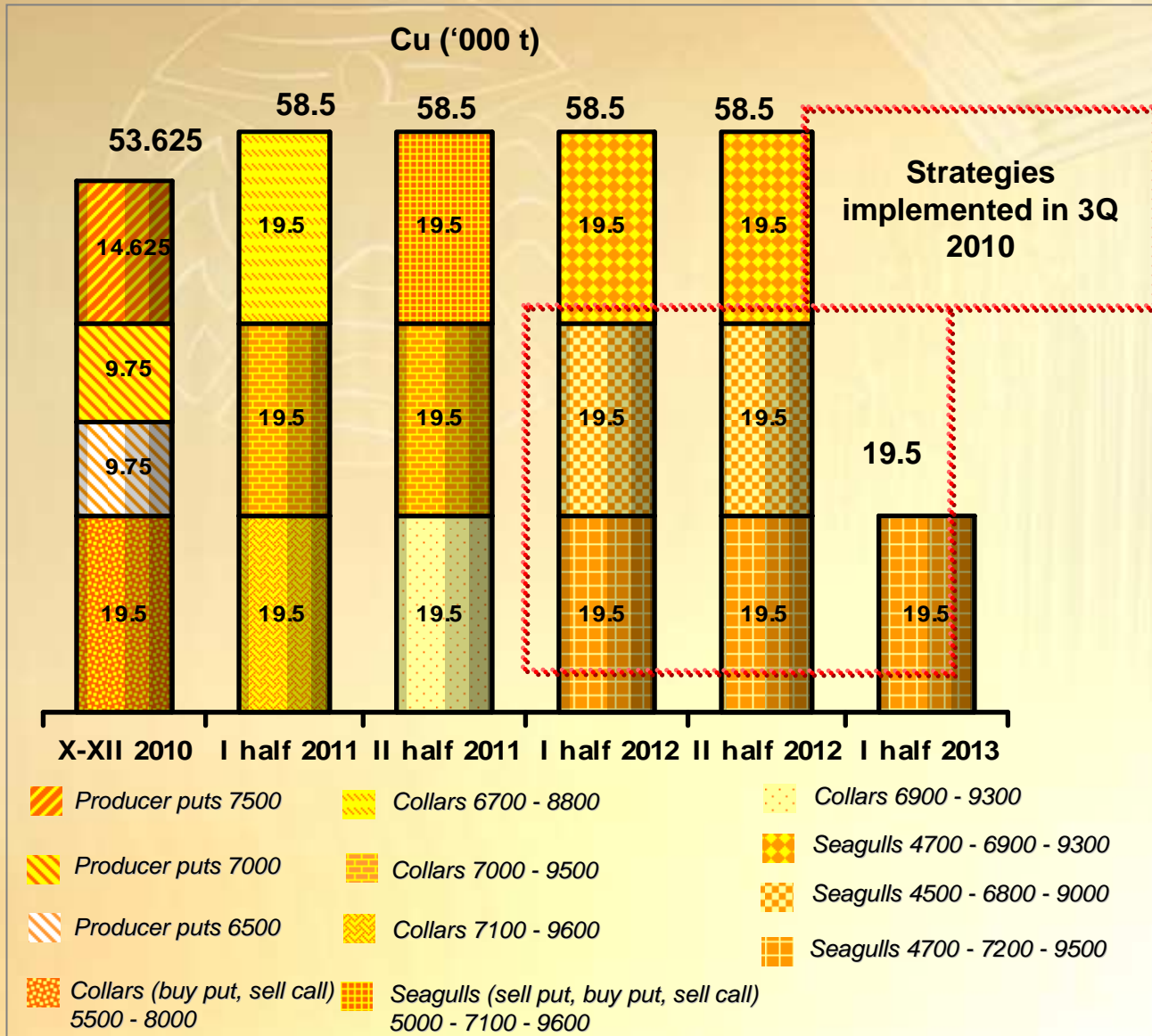


Economic growth in the USA and Euro zone (1Q 2009-3Q 2010).



Market risk management – hedged position (at 30 September 2010)

Positions in derivative instruments on the commodities market

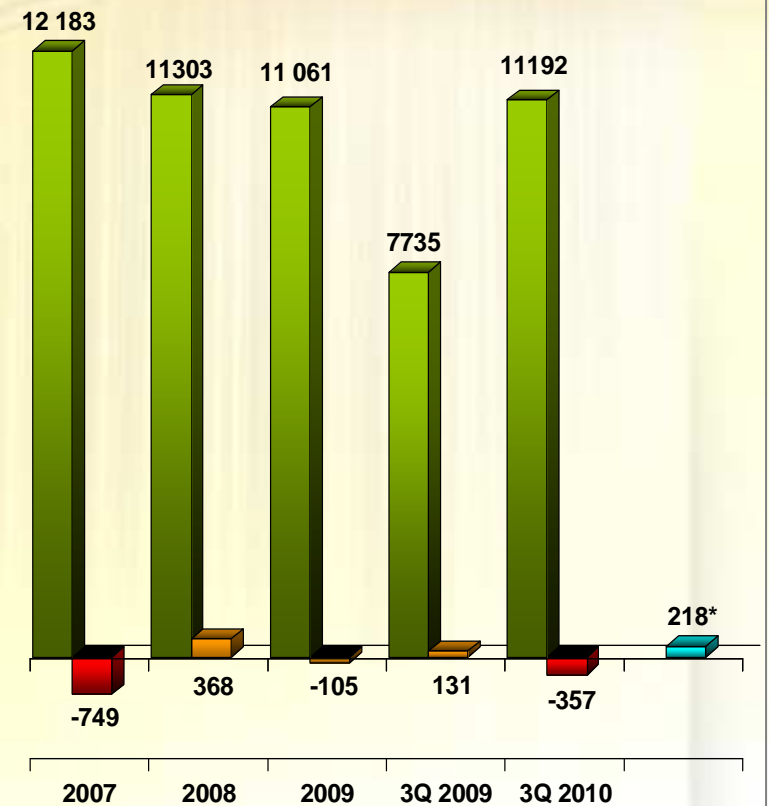


Market risk management – hedged position (at 30 September 2010)

Position in derivative instruments on the currency market (USD million)



Results on hedging and Company revenues (PLN million)



* fair value of open positions in derivative instruments at 30 September 2010

Market risk management – comments

Relatively high hedged position

- Since December 2008 the price of copper, counting from its minimum, has risen over 200%, which fact KGHM has utilised to build up a substantial hedged position on the copper market, intensifying its activity at high price levels.
- The weakening of the PLN versus the USD observed in the second quarter of 2010 was used to substantially increase the hedged currency position of the Company.
- The consistently built hedged position of the Company is significantly larger than in prior years, and encompasses a longer time horizon – to the end of the first half of 2013.
- The hedging instruments applied by KGHM enable the possible participation in price rises. Thanks to this, despite the continued very high copper prices, lost benefits were minimal.

The results in the period Jan-Sept 2010 are mainly changes in measurement

- The negative result on hedging instruments is mainly due to changes in the measurement of open hedged positions (total result from measurement: PLN (424) million).
- On settled transactions in the period 1Q-3Q 2010 the result is positive (PLN 67 million, including the adjustment to revenues from sales: PLN 129 million, and the result on the realisation of derivative instruments: PLN (62) million).

Consolidated financial result (PLN million)

		Consolidated result	Parent result	
	9M'09	9M'10	9M'10	
Sales	8 518	12 108	11 192	92%
Operating costs	6 267	7 667	6 803	
Net profit on sales	2 251	4 441	4 389	
Result of other operating activities	-304	-447	-377	
Operating profit	1 947	3 994	4 012	100%
Net financing costs	35	36	24	
Share in profits of associates valued by the equity method	227	246	x	
Profit before tax	2 139	4 204	3 987	
Taxation	382	753	743	
Profit for the period	1 757	3 452	3 244	94%
EBITDA	2 493	4 616	4 472	97%

Share of Parent in consolidated result



Thank you

KGHM POLSKA MIEDŹ S.A.

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