



KGHM
POLSKA MIEDŹ S.A.

***Company results
First three quarters 2011***



November 2011

Contents

- ***KGHM Polska Miedź financial results - synthesis***
- ***Realisation of KGHM Polska Miedź S.A. Strategy***
- ***Sale of Polkomtel S.A.***
- ***Sale of DIALOG S.A.***
- ***Buy-out of coal equivalent***

- ***Results of KGHM Polska Miedź S.A. after first 3 quarters of 2011***
 - ***Macroeconomic conditions***
 - ***Production results***
 - ***Expenses by nature, unit cost***
 - ***Costs in KGHM Polska Miedź S.A. versus sector***
 - ***Financial results***
 - ***Realisation of 2011 forecast***
 - ***Market risk management***
 - ***Consolidated financial result***

KGHM Polska Miedź financial results - synthesis

- ***In the first three quarters of 2011, the Company earned revenues of PLN 15.2 billion and a profit of PLN 7.5 billion, representing respectively 81% and 78% of the planned targets for 2011***
- ***Third quarter profit was significantly impacted by the measurement of derivatives and by the exchange rate due to the weakening of the Polish zloty and the prices of metals at the reporting date***
- ***Following the granting of approval by the antimonopoly authority, the final agreement for the sale of Polkomtel was signed yesterday by its shareholders (including KGHM), and Spartan Capital Holdings Sp. z o.o.***
- ***In the third quarter, the Company signed a contingent agreement for the sale of DIALOG S.A. for the amount of PLN 944 million***
- ***The Company has filed claims with local governments for the return of the property tax (respecting mines) for the years 2006-2011 amounting in total to PLN 145 million***
- ***Due to the exceptional progress on achieving forecast targets and to closure of the transaction for the sale of Polkomtel S.A., the Company is reviewing its published forecast of results***

Realisation of KGHM Polska Miedź S.A. Strategy

KGHM Vision

Become a major global copper producer
with annual copper production of around 700 thousand tonnes

1

Improve productivity

- Investments in new technology
 - ACT Complex (Activated Cutting Technology)
 - Drift cutting complex
 - Gas-steam blocks
- Modernisation of infrastructure
 - Pyrometallurgy
 - Flotation machinery
 - Renovation of Żelazny Most
- Optimisation of production procedures and organisation
 - Computerised Ore Mining Management System
 - Centralisation of accounting, procurements and investment management

2

Develop resources base

- Development of the deep deposit mining system
 - Air cooling
 - Ventilation shafts (SW-4, GG-1)
- Searching for new local deposits
 - Wartowice
 - Weisswasser
- Takeovers in the mining sector
 - Afton - Ajax
 - Acquisition of mining company
- Intensified scrap processing
 - Construction of scrap melting unit

3

Diversify sources of revenues

- Entrance into the power sector
 - Tauron
 - Blachownia

4

Regional support

- Job creation by utilising the infrastructure of KGHM Letia
 - Letia Business Centre
- Support of regional sport, health, arts, science and the environment
 - Polish Copper Foundation
 - Miedziowe Centrum Zdrowia (Health Services)

5

Develop organisational know-how and capabilities

- Goal-oriented management
- Transparent information and data
- Employee development
- Developing the Group structure

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Develop resources

- Developing deposit mining
- Searching for new deposits
- Takeovers in the sector
- Intensified processing
- Construction of new plants

Full development by 2015 of technology to mine thin ore seams up to 2.0 m thick using the ACT Mining Complex of the firm Bucyrus, as a technical and economic alternative to the current room-and-pillar mining technology, in which ore is extracted using blasting techniques

Lower costs of drift work through the use of drift cutting complex technology, as an alternative to the currently-used technology applying the blasting method

Construction of Gas-Steam blocks at the Głogów and Polkowice power plants with total capacity of around 84 MWe, ensuring the generation of electricity and heat to meet the needs of KGHM Polska Miedź S.A., enhancing the power security of the Company and reducing CO₂ emissions from the existing Głogów and Polkowice power plants

Creation of a functionally-integrated, cost-effective and environmentally-friendly smelting structure for KGHM Polska Miedź S.A. as well as technology to ensure continuation of existing processing capacity for own and purchased concentrates

A program to replace existing floatation equipment with new-generation machinery. The project foresees the replacement of 95 machines (and the renovation of 10 machines)

The creation of organisational and technical conditions to optimise management of the ore deposit

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Diversify revenue

- Entrance into new sectors

4

Accessing of the Głogów Głęboki Przemysłowy section to ensure continued profitability of the mining operations until 2020

More precise documentation of known copper resources in the Grodziecka Monocline. Test holes indicate a metals content of 2% copper and 65 g/t of silver. The Company has allocated PLN 64 million to this project

Acting through the subsidiary KGHM Kupfer AG, the Company is continuing a program begun in May 2011 of drilling test holes within the Weisswasser concession, located in Lusatia in Saxony (Germany) near the Polish border. This year, 4 holes will be drilled, with EUR 13 million allocated to this project

The Canadian-registered company KGHM Ajax Mining Inc. is developing a bankable feasibility study (BFS). BNP Paribas was chosen as the financial advisor on this project

5

Develop organisational know-how and capabilities

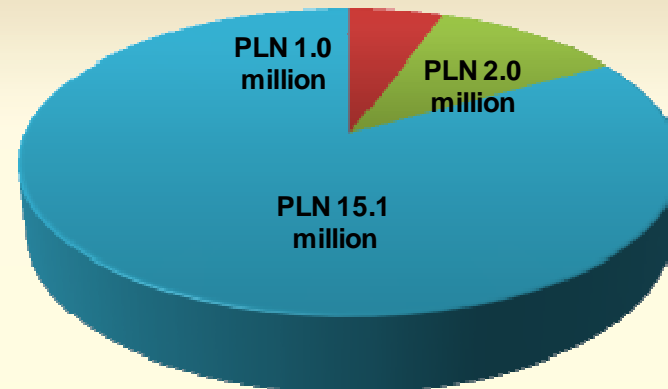
- Goal-oriented management
- Transparent information and data
- Employee development
- Developing the Group structure

Sale of Polkomtel S.A.



- On 30 June 2011 a contingent agreement was signed for the sale of 100% of the shares of Polkomtel S.A. by all of the company's shareholders and Spartan Capital Holdings Sp. z o.o., a company from the Zygmunt Solorz-Żak Group
- On 24 October 2011 the antimonopoly authority gave approval to the sale of the shares of Polkomtel S.A. – this fulfilled a condition of the preliminary agreement signed on 30 June 2011
- As a result, on 9 November 2011 the sale of the shares of Polkomtel S.A. was concluded.
- Ownership of the shares was transferred on the date the Sales Agreement was signed
- Pursuant to the Agreement, KGHM Polska Miedź S.A. sold all of the shares it held in Polkomtel S.A. (24.39%) for the total price of PLN 3.7 billion

Enterprise Value (PLN 18.1 million)



Share of KGHM in Polkomtel: 24.39%

■ Dividend paid for 2010 ■ Debt ■ Amount payable

Financial results of transaction (for KGHM):

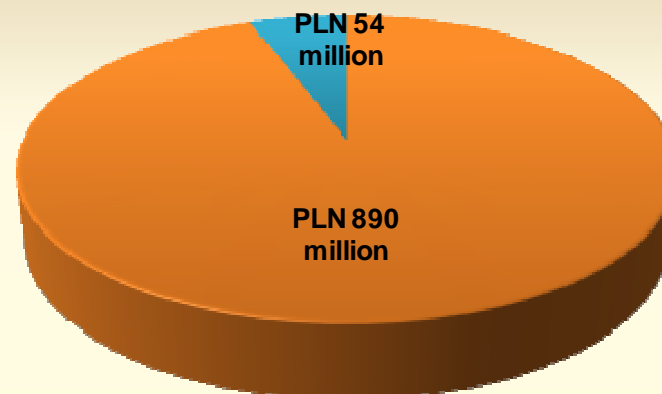
- Cash proceeds +PLN 3 195 million
 - Sale price +PLN 3 672 million
 - Taxation -PLN 477 million
- Profit +PLN 2 035 million
 - Gross profit on sale +PLN 2 512 million
 - Taxation -PLN 477 million

Sale of DIALOG S.A.



- On 29 September 2011, KGHM Polska Miedź S.A. and Netia S.A. signed a contingent binding agreement on the sale of 100% of the shares of Telefonía DIALOG S.A. with its registered head office in Wrocław
- The sale price (PLN 944 million) includes payment of the Enterprise Value in the amount of PLN 890 million and the equivalent of the balance of net cash held by Dialog in the amount of PLN 54 million as at 31 May 2011
- Closure of the transaction was made contingent on Netia S.A.'s obtaining the approval of the antimonopoly body for this acquisition
- The Agreement will be terminated if the condition precedent is not satisfied by 30 June 2012, unless the parties agree otherwise
- The final price will be adjusted based on the „locked-box” mechanism:
 - less payment made by Dialog to KGHM during the period from 31 May 2011 to the closure date, and
 - including interest calculated based on the price in the amount of 4.76% annually, calculated from 31 May 2011 to the transaction closure date

Sale price (PLN 944 million)



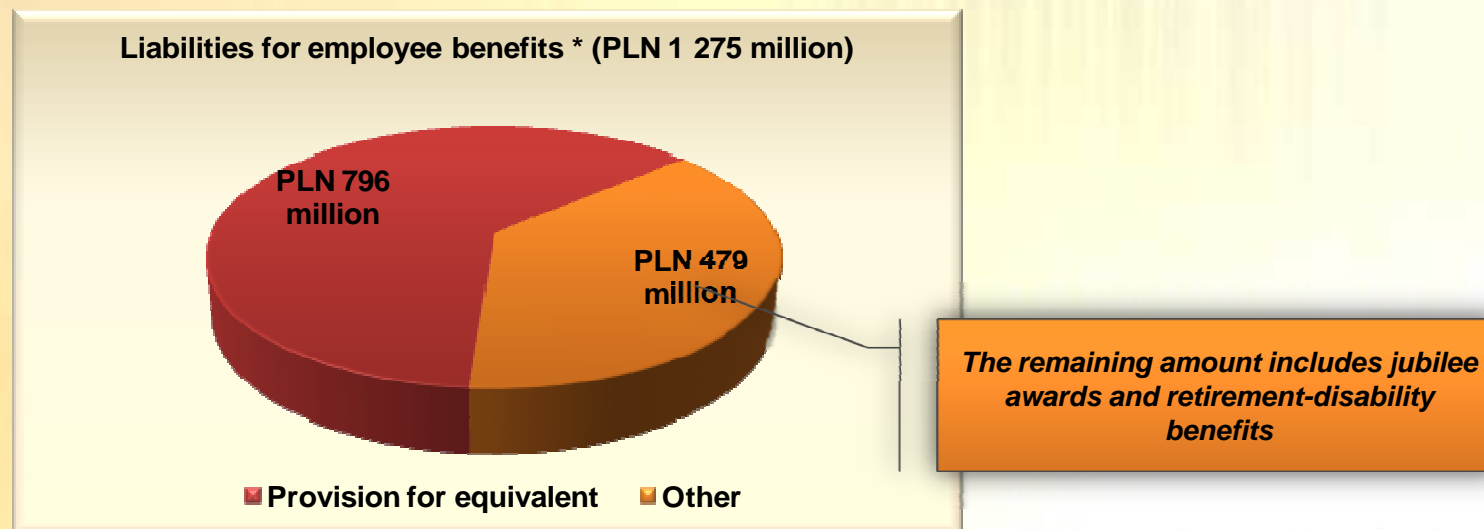
■ Enterprise Value ■ Cash

Financial results of transaction:

- **Cash proceeds +PLN 1 142 million**
 - Sale price +PLN 944 million
 - Tax shield +PLN 198 million
- **Profit +PLN 317 million**
 - Gross profit on sale +PLN 119 million
 - Tax shield +PLN 198 million


Buy-out of coal equivalent

- **The Management Board of KGHM Polska Miedź S.A. passed a resolution to hold on 8-9 November 2011 a referendum amongst the Company's employees on expressing consent for the buy-out of the coal equivalent owed to employees following their retirement or disability leave**
- **The amount of the proposed one-off payment for the coal equivalent amounts to PLN 17 thousand before taxation**
- **Commencement of the buyout of the coal equivalent is contingent on the removal from the Collective Labour Agreement of provisions related to entitlement to the coal equivalent, which requires the agreement of all of the trade unions**
- **In accordance with the Referendum Regulations, in order for the voting to be valid, at least 50% of those employed must participate**
- **The amount of the provision for future employee benefits due to the aforementioned liability in the Company's accounts at 30 September 2011 is PLN 796 million**



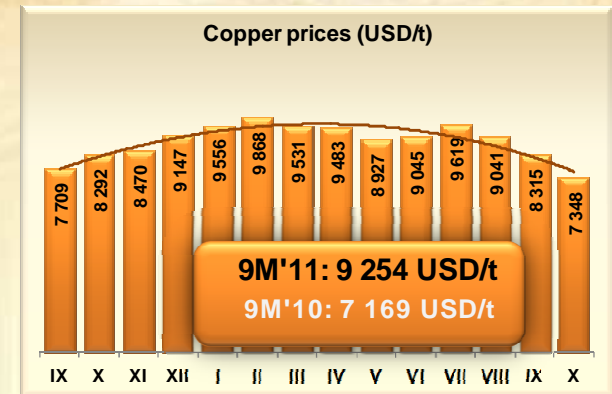
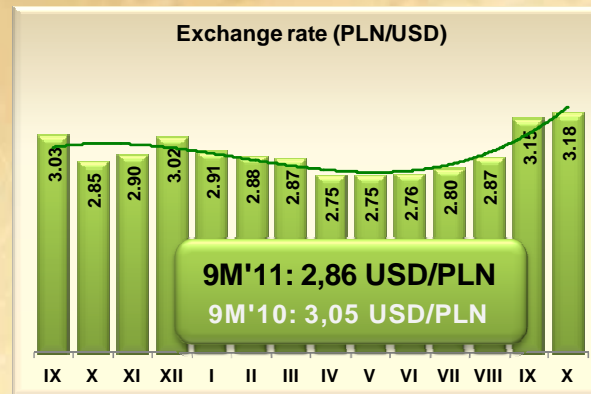
* As at 30 September 2011

KGHM POLSKA MIEDŹ S.A.

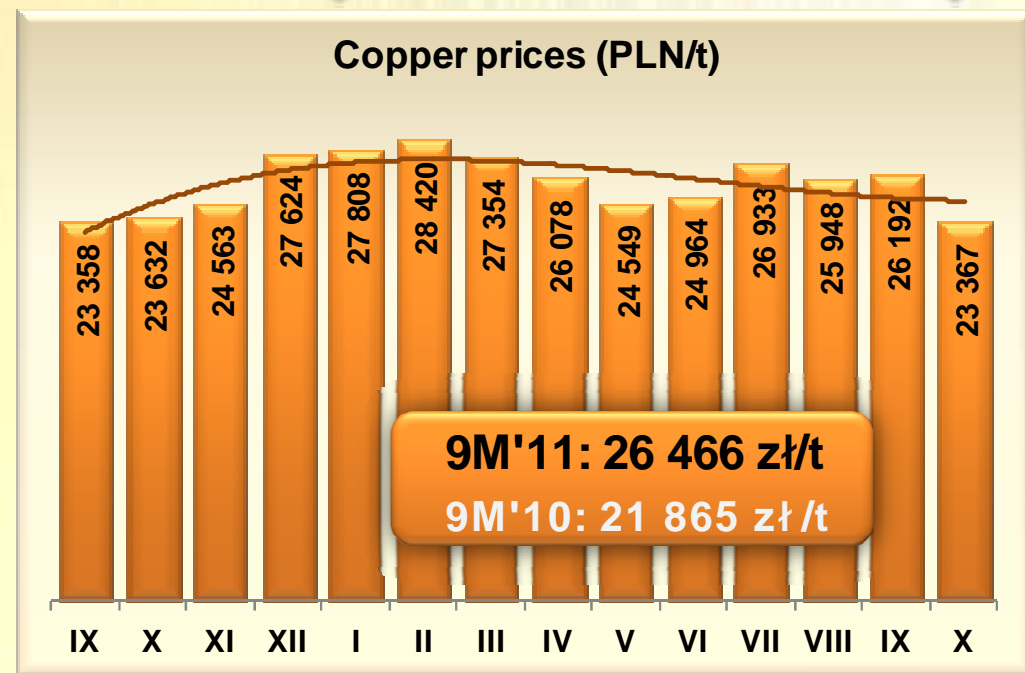


Economic and financial results

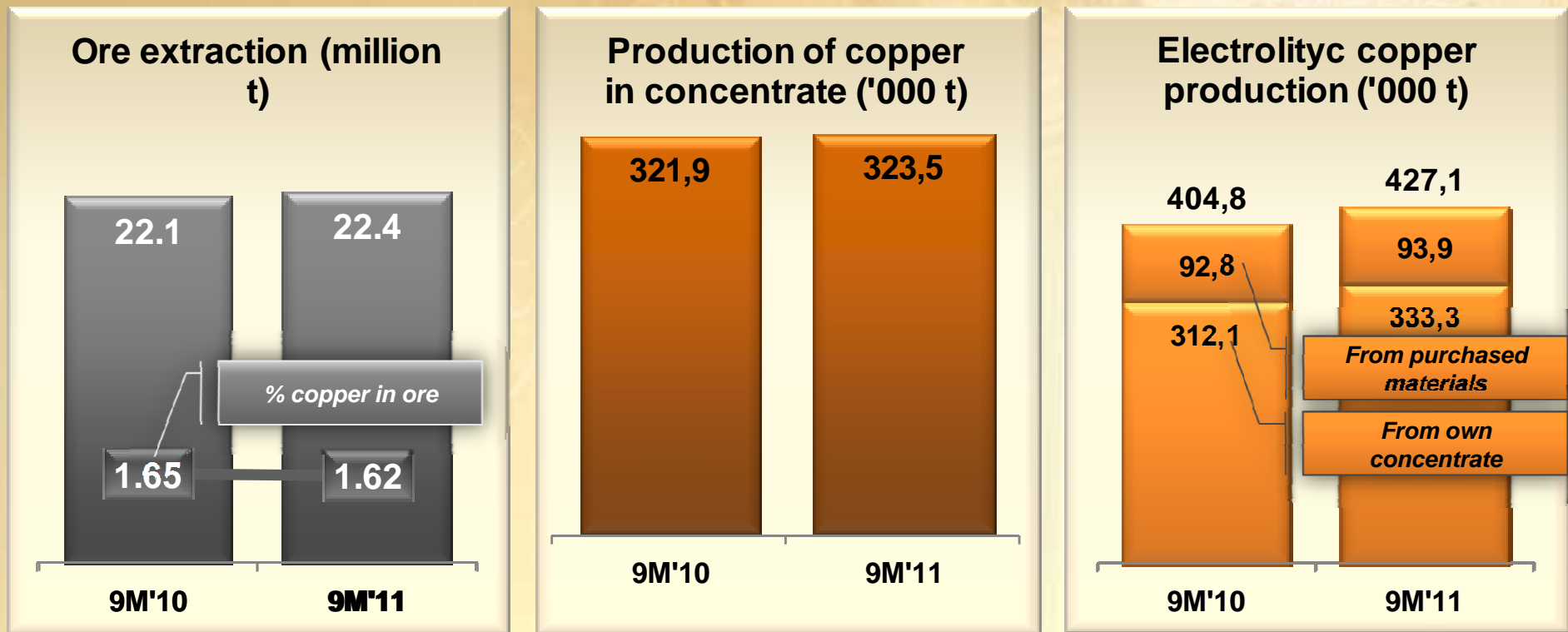
Macroeconomic conditions



- A lower copper price in recent months was balanced by a favourable USD exchange rate – the copper price expressed in Polish zloties remains at a high level
- The price of silver dropped significantly in October 2011



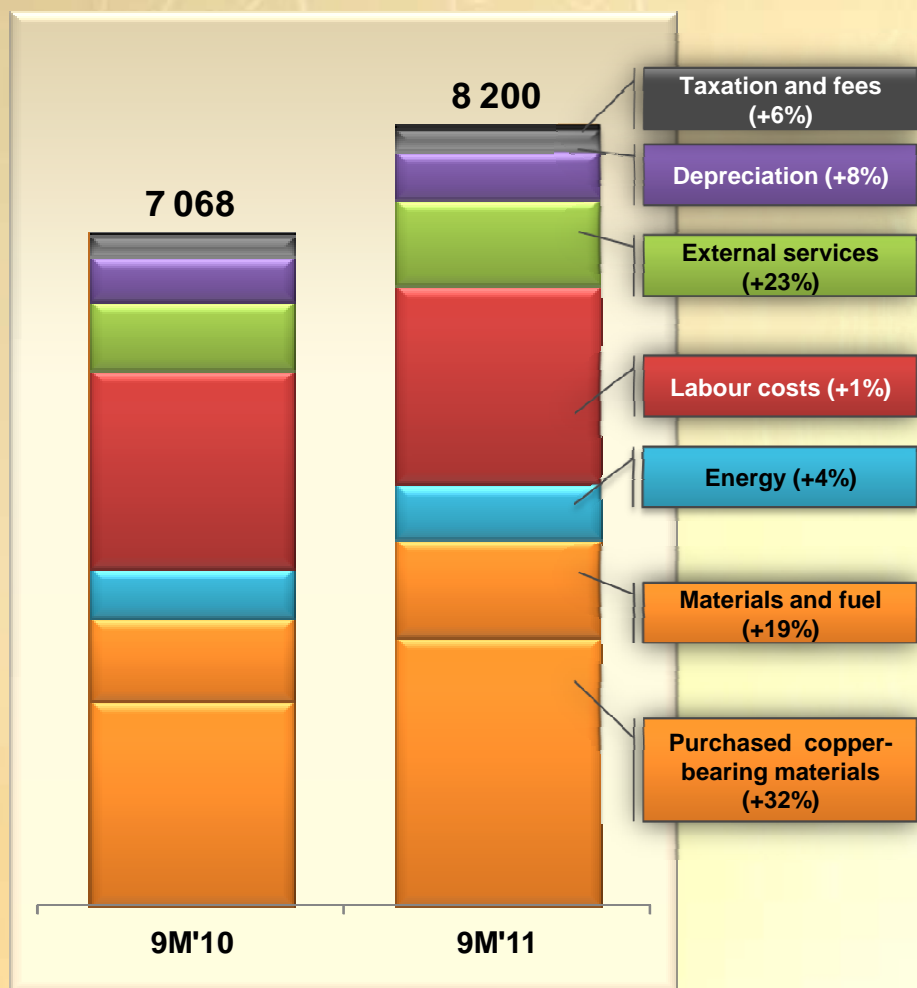
Production results



- *Despite a lower ore quality, thanks to increased daily ore output on standard working days, improved recovery and lower loss of Cu in waste tailings, production of copper in concentrate increased*
- *To fully utilise production capacity, the smelters increased their processing of own concentrate and of purchased copper-bearing materials, thanks to which electrolytic copper production increased by 22.3 thousand t (6%)*

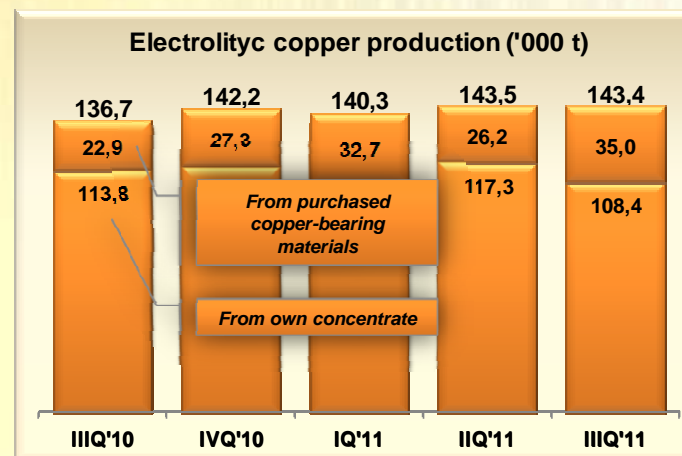
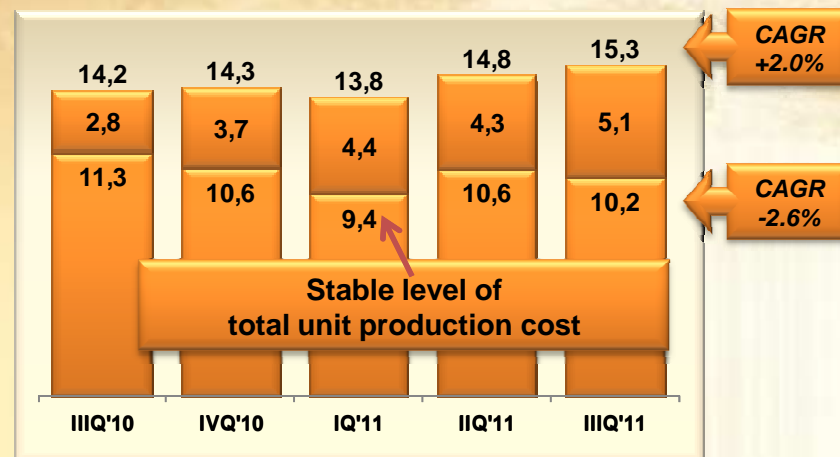
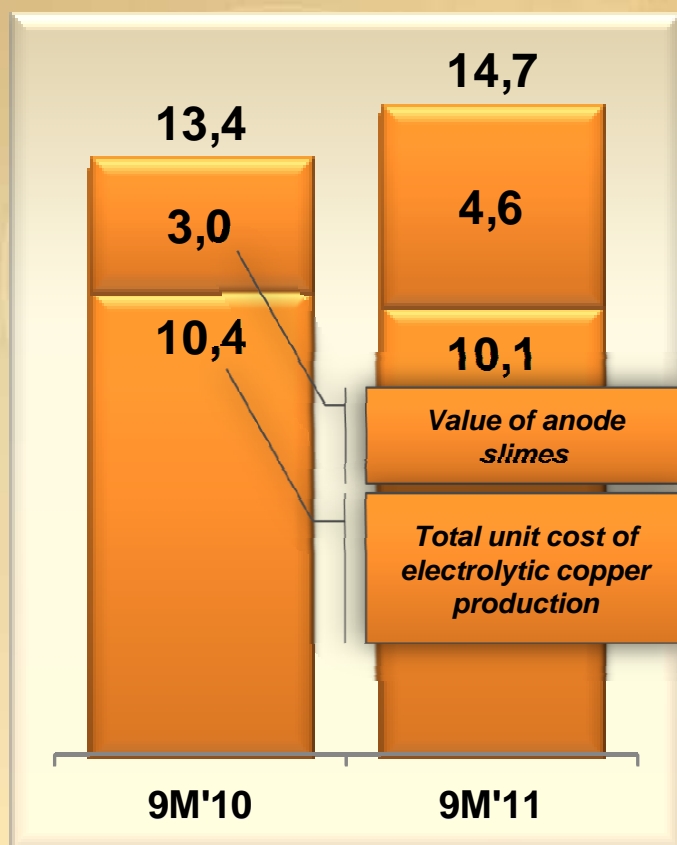
Expenses by nature (PLN million)

Excluding purchased copper-bearing materials, costs rose by 9% alongside a 6% higher volume of copper production and a price index of industrial production sold of 7.2% (9 months/9 months)



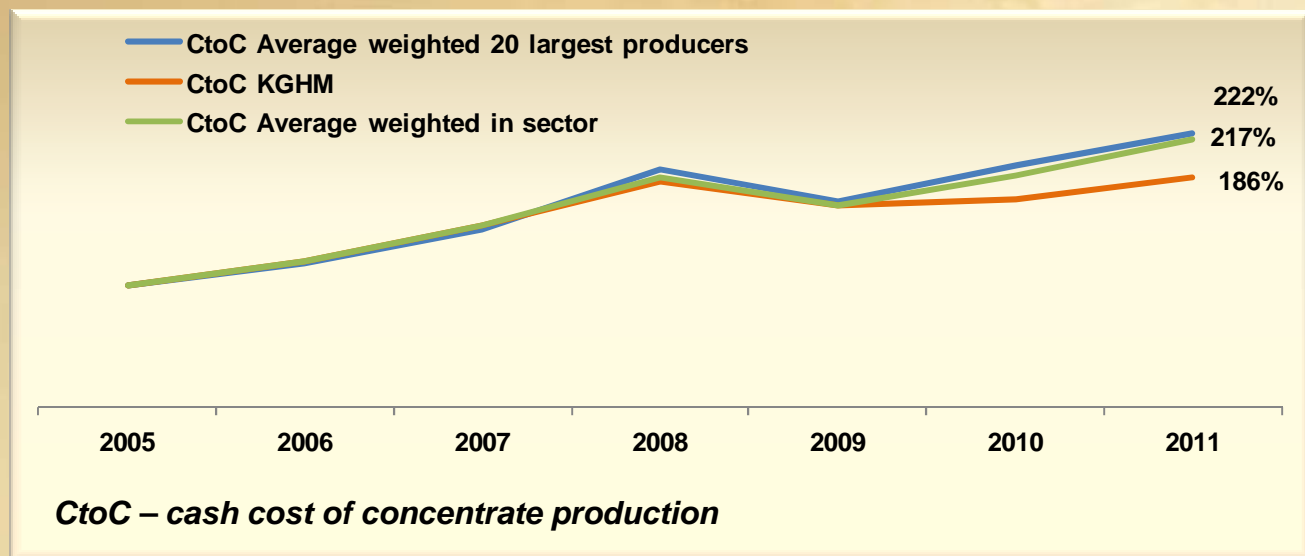
- **Purchased copper-bearing materials** – an increase by 32% with volume consumed higher by 5% and prices by 26%,
- **External services** – an increase by 23%, mainly due to an increased scope of mine development work (+6.8 km) and maintenance
- **Materials and fuel** – an increase by 19% due to increased consumption caused by higher production volume and higher materials prices (technological fuels, diesel oil and mining materials)
- **Depreciation** – an increase by 8%, due to higher valuation of assets from realised investments
- **Taxation and fees** – an increase by 6% due to higher mining fees (increased mine production) and property taxation (higher rates)

Pre-precious metals unit cost of electrolytic copper production from own concentrate ('000 PLN/t)

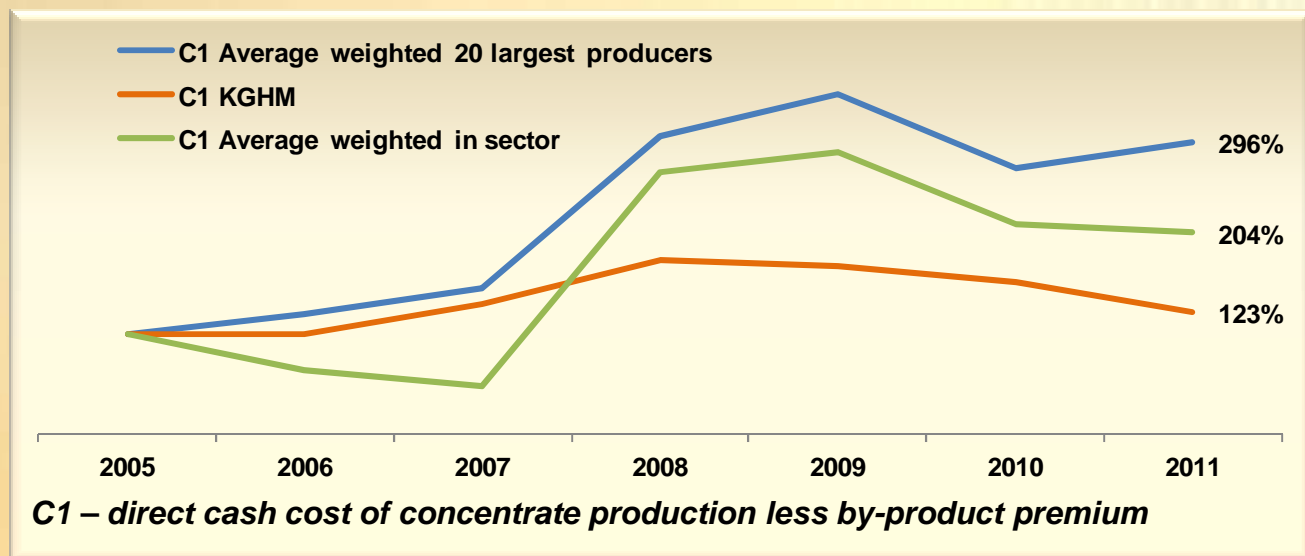


- The increase in the unit cost from own concentrate is mainly due to the increase in prices of consumed materials and fuel, with a positive impact from a higher volume of own concentrate production (+7%) and of silver and gold in anode slimes

Rate of rise in mining costs in KGHM versus sector (2005=100%)

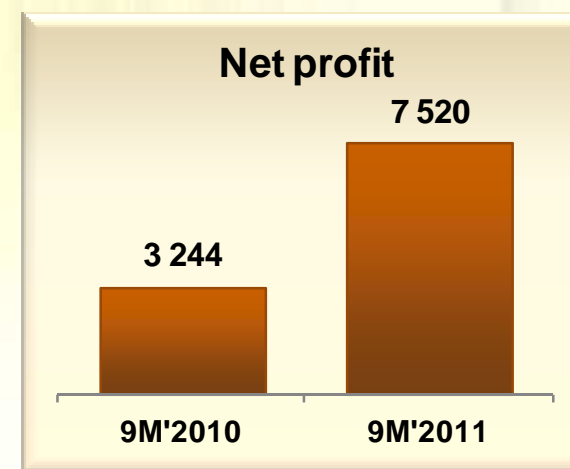
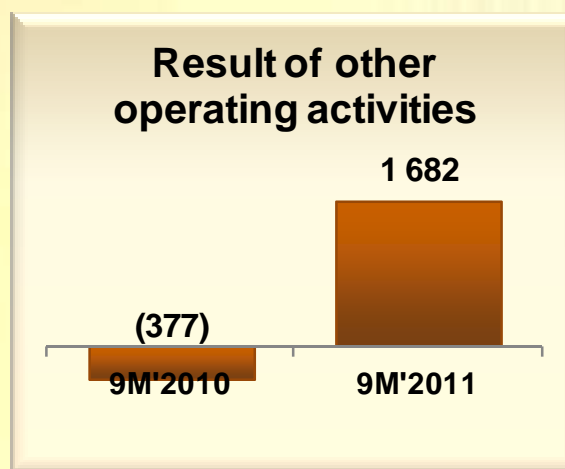


Compared to other producers, KGHM's mining costs are clearly rising at a slower pace

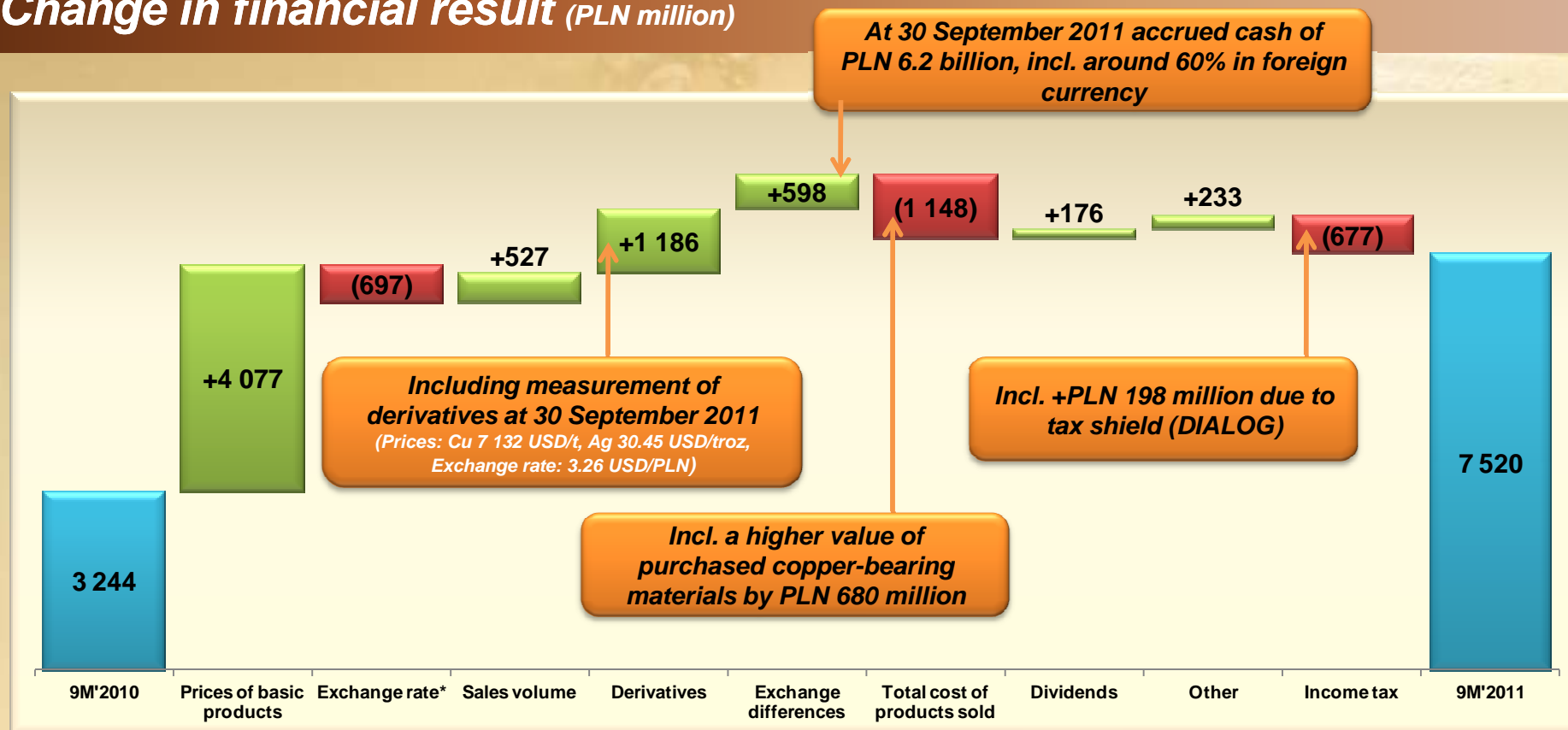


Financial results (PLN million)

	9M'2010	9M'2011	Change 9M'10	Realisation 9M'10=100
Sales	11 192	15 245	4 053	136
Operating costs	6 803	7 961	1 158	117
Net profit on sales	4 389	7 284	2 895	166
Result of other operating activities	-377	1 682	2 059	x
Realisation and measurement of derivative instruments	-487	705	1 192	x
Exchange differences	-1	597	598	x
Dividends received	102	277	176	x2,7
Operating profit	4 012	8 966	4 954	x2,2
Net finance costs	-24	-25	-1	104
Income tax	-743	-1 421	-677	191
Net profit	3 244	7 520	4 276	x2,3
EBITDA	4 472	9 462	4 990	x2,1



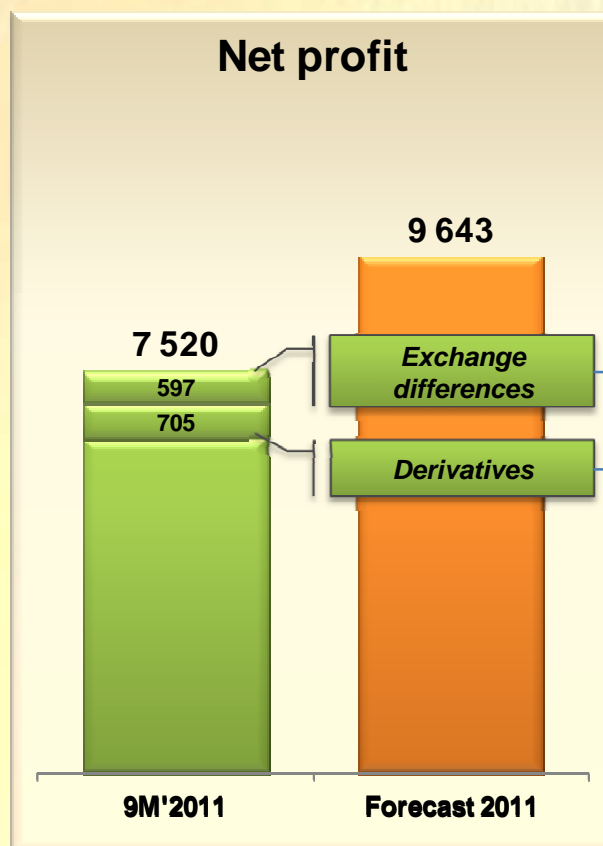
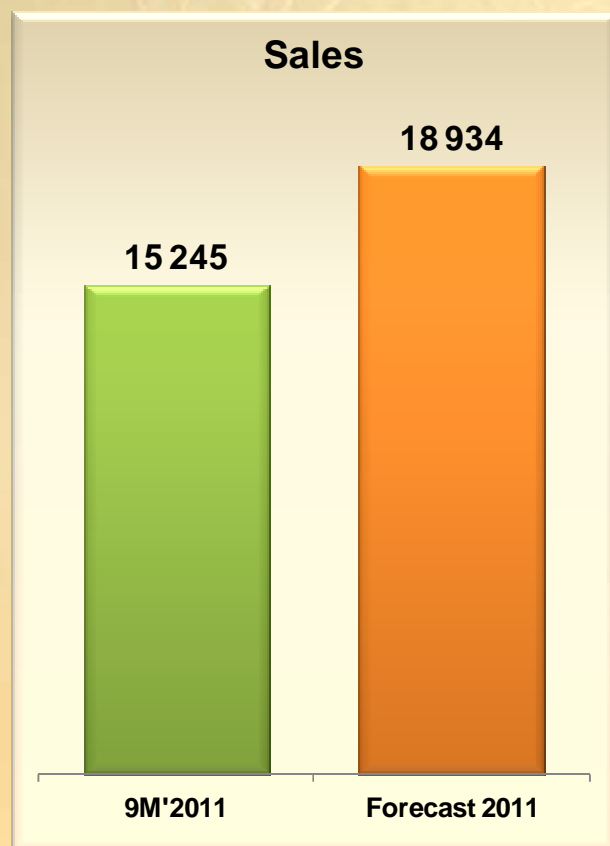
Change in financial result (PLN million)



- **The main reason for the higher profit were macroeconomic conditions (resulting in higher received prices for products sold, the result from the measurement and settlement of derivatives and of exchange differences)**
- **The high profit from the measurement and settlement of derivatives and of exchange differences is primarily in respect of the third quarter of 2011**

Realisation of forecasted financial results for 2011

- The 2011 forecast for sales and profit was achieved respectively by 81% and 78%
- Of major significance for the results of the Company are the measurement of derivatives and income from exchange differences in the third quarter of 2011
- Due to the substantial advance on the planned operating profit and on the closure of the sale of Polkomtel S.A., the Company is reviewing its financial forecast



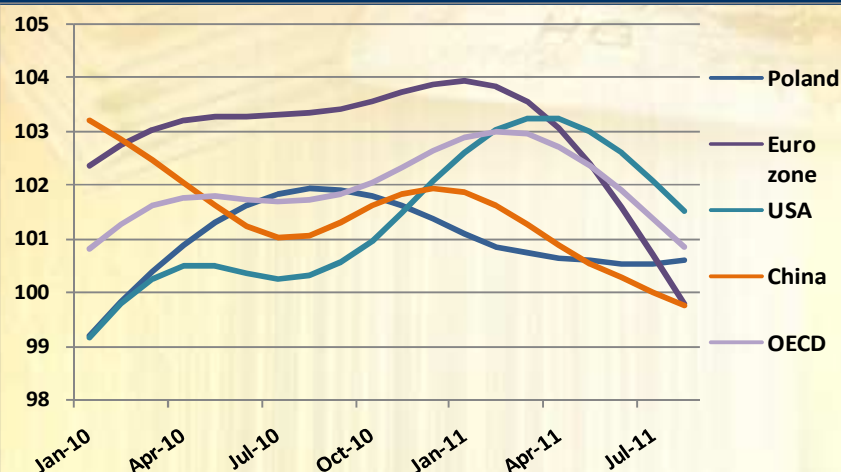
The result on exchange differences was affected by the high level of cash accrued and designated for acquisitions in the mining sector. This result may vary substantially depending on the exchange rate and the timing of realisation of this investment.

The result on derivatives, which is subject to substantial volatility in metals prices and the exchange rate, may vary significantly.

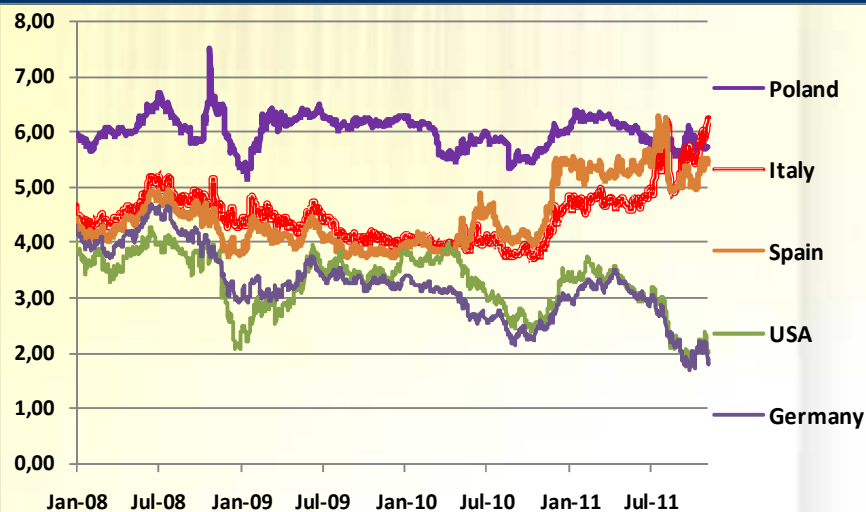
Market risk management –macroeconomic situation

- *In the opinion of the OECD, leading economic indicators point to a potential slowdown in the economic growth of leading global economies. Industrial sentiment indicators (PMI) are also falling dramatically in the largest economies, and are approaching the important level of 50 percentage points.*
- *A cause for worry is the drop in economic indices for China and the Euro zone below 100 points, especially in that over half of global demand for copper is from these two regions.*
- *The impact of the successes announced after each crisis-related meeting of the EU is increasingly less positive and has a shorter impact on the financial markets, which are steadily losing faith in the ability of governments to resolve the crisis. Investors are awaiting concrete actions, and not simply promises.*
- *The financial markets express their evaluation of the lack or insufficiency of fiscal reform by increasing the cost of financing debt. For quite some time there has been a visible rise in the valuation of credit default swaps (CDS) and correspondingly the profitability of bonds.*

Leading economic indicators, OECD

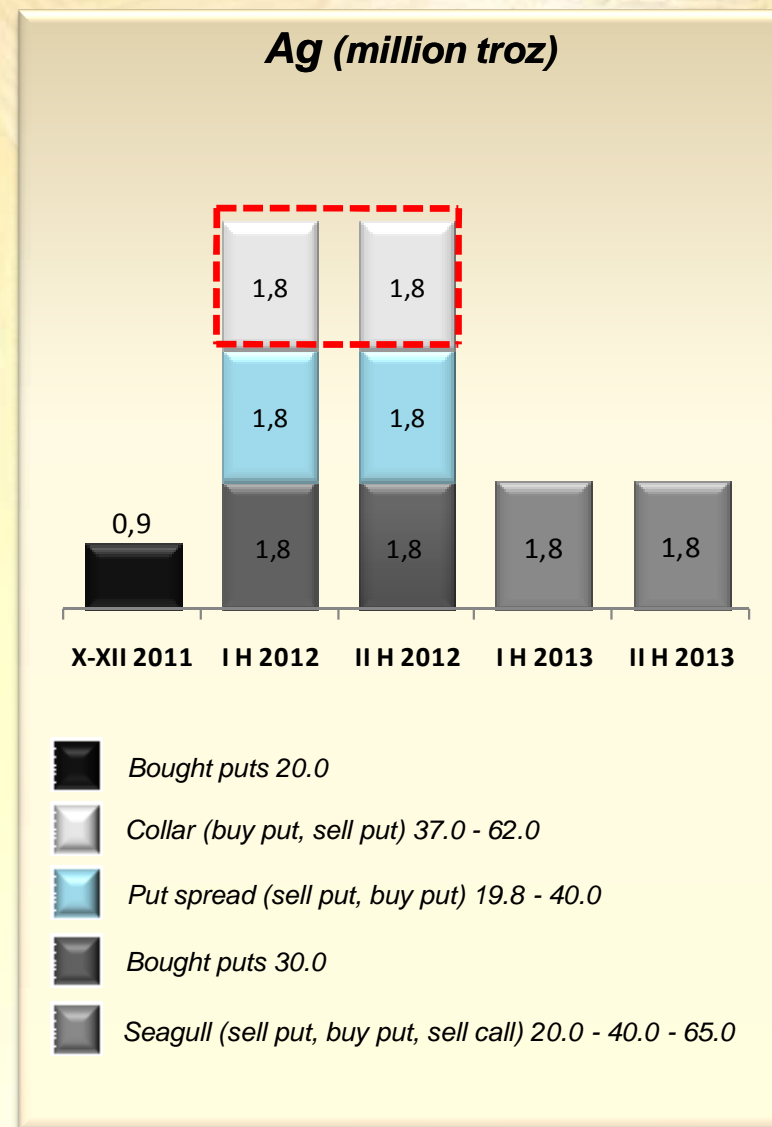
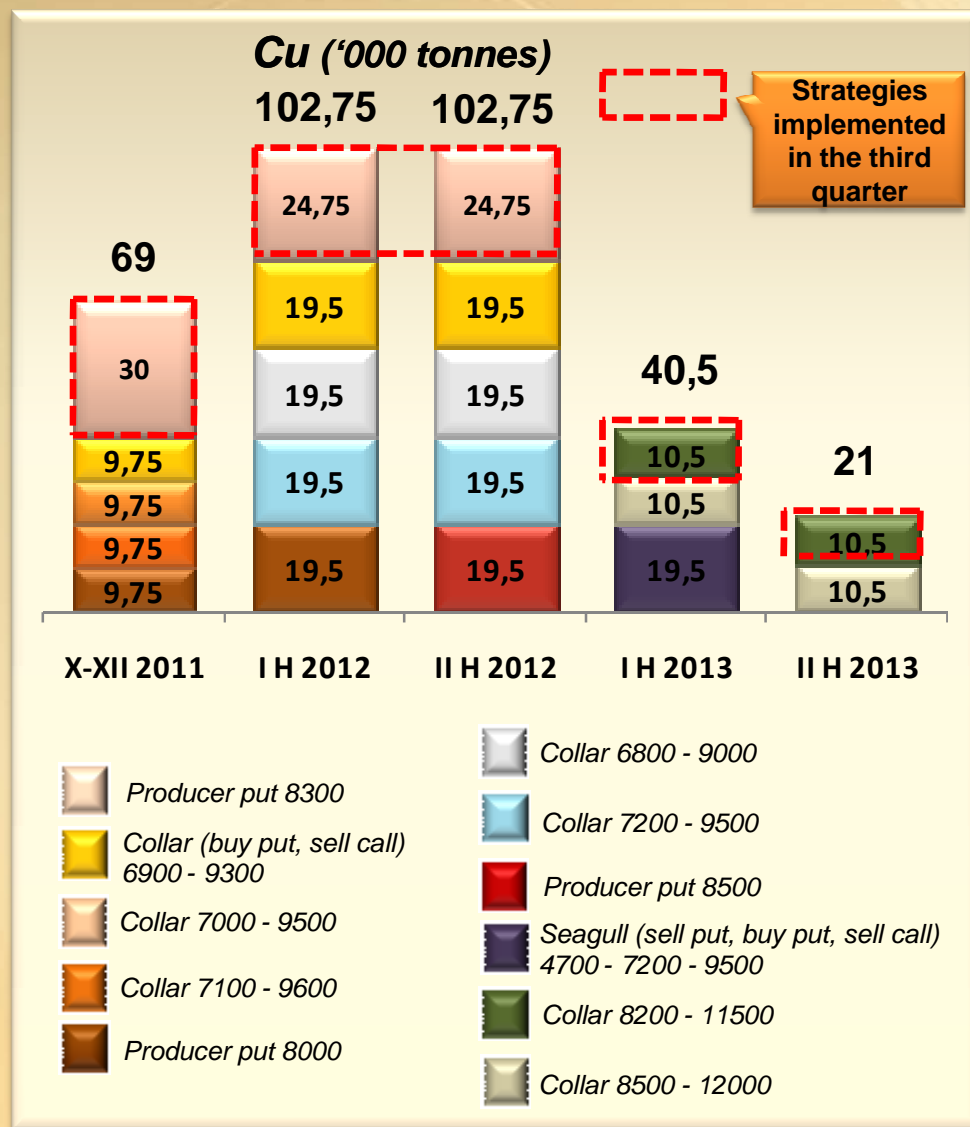


Profitability of 10-year bonds (percentage points)



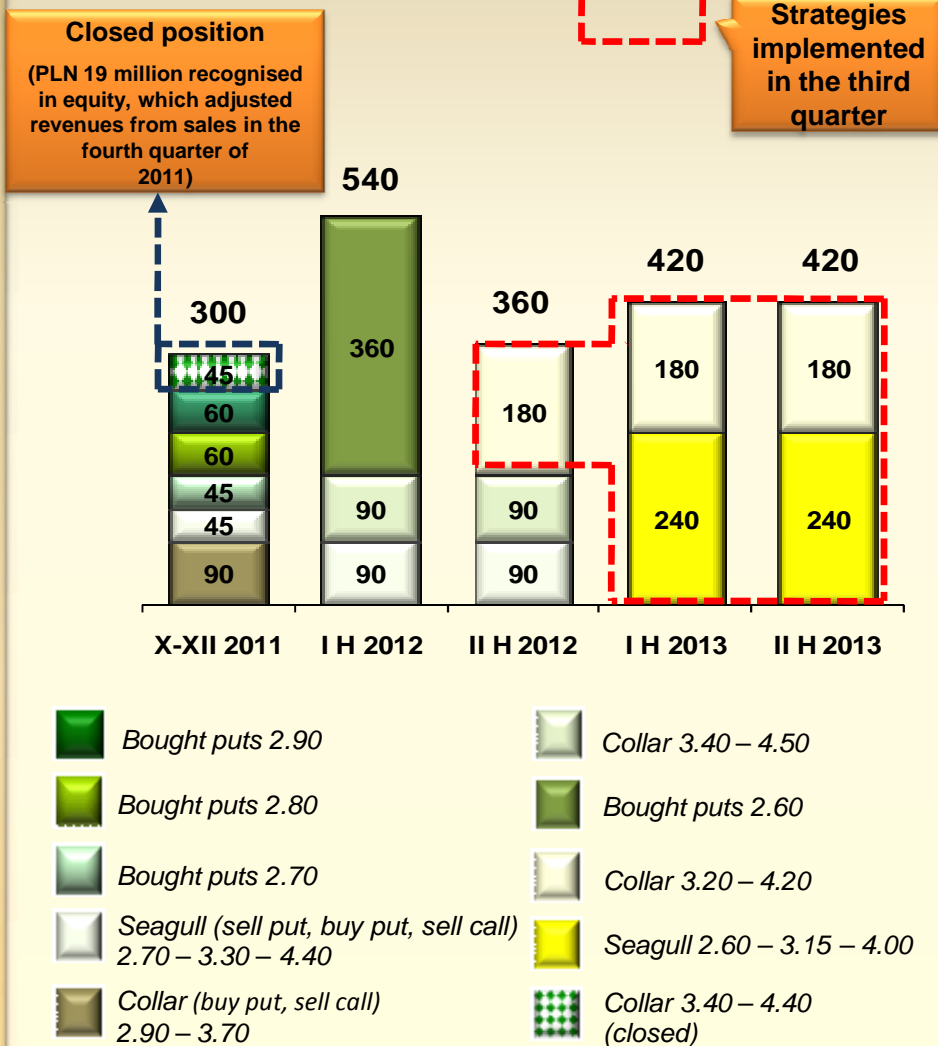
Market risk management – hedged position (at 30 September 2011)

Position in derivatives on the commodities market

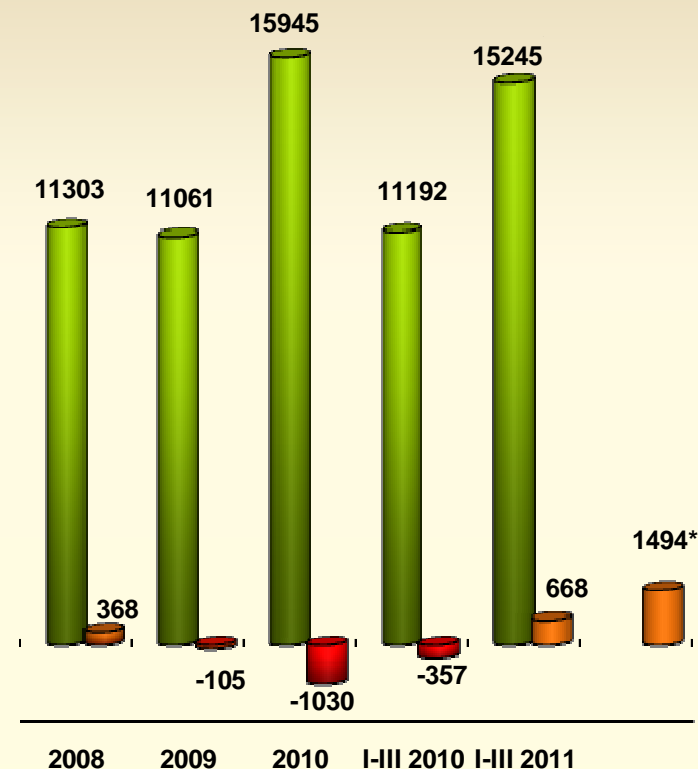


Market risk management – hedged position (at 30 September 2011)

Position in derivatives on the commodities market (USD million)



Results on hedging and Company revenues (PLN million)



* Fair value of open positions in derivatives at 30 September 2011

Market risk management – comments

Relatively large hedged position

- *In the third quarter the Company consistently built a hedged position on the metals and currency markets. The hedging instruments applied by KGHM enable both partial and full participation in price rises.*
- *The favourable conditions on the commodity market enabled the achievement of relatively high hedged levels with respect to copper and silver prices.*
- *The dynamic weakening of the Polish zloty versus the USD in September allowed the Company to open a position hedging sales in the nominal amount of USD 1 020 million and with a time horizon falling in the second half of 2012 and in 2013.*

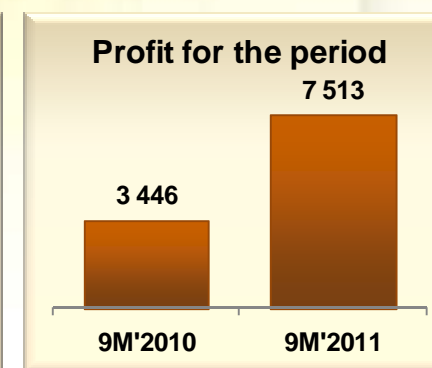
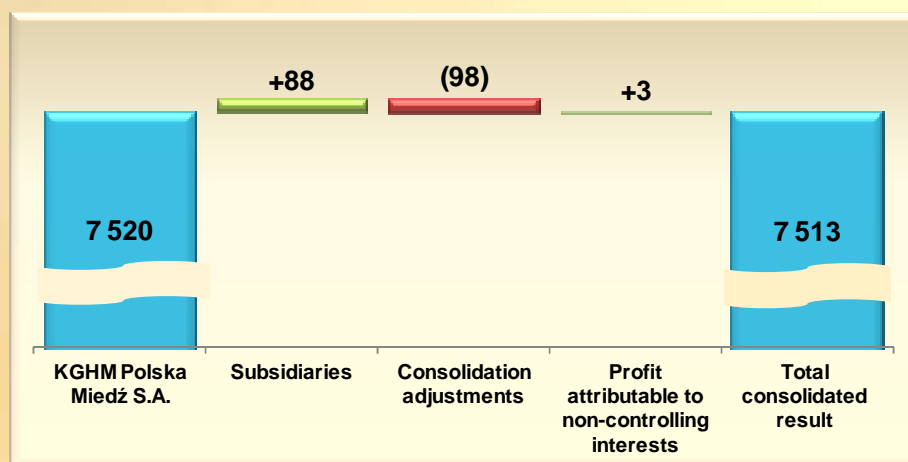
A positive result on derivatives in the third quarter of 2011

- *In the third quarter of 2011, the positive result on derivatives amounted to PLN 668.6 million, of which PLN 596.7 million represented profit from the measurement of derivatives.*
- *The change in the measurement of derivatives was mainly impacted by the fall in copper and silver prices.*

Consolidated financial result (PLN million)

Share of Parent in consolidated result

	9M'2010	9M'2011	KGHM Polska Miedź S.A.	
Sales	11 715	16 742	15 245	91%
Operating costs	-7 305	-9 412	7 961	
Net profit on sales	4 410	7 329	7 284	99%
Result of other operating activities	-456	1 456	1 682	
Operating profit	3 955	8 786	8 966	102%
Net finance costs	-34	-35	-25	
Share of profits of associates valued using the equity method	246	188	x	
Income tax	-755	-1 457	-1 421	
Profit from discontinued activities	35	32	x	
Profit for the period	3 446	7 513	7 520	100%
EBITDA	4 577	9 475	9 462	100%



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Thank you