



KGHM
POLSKA MIEDŹ S.A.

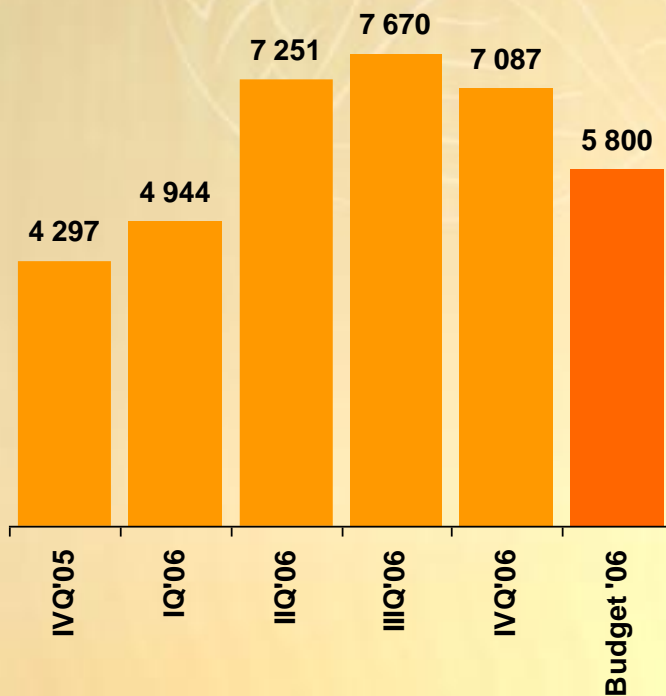
Company Results
in 2006
(pre-audit)

Contents

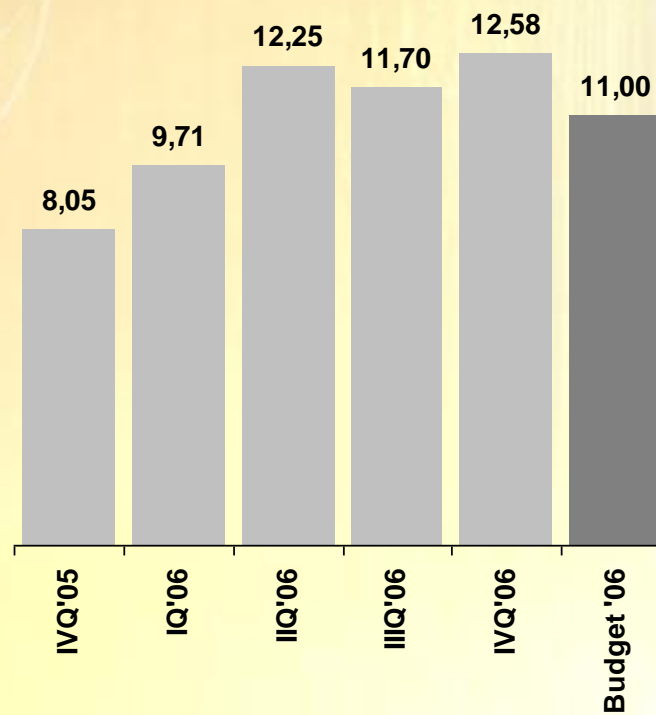
- **Macroeconomic situation**
- **Production results**
- **Financial results**
- **Costs by type and unit cost**
- **Balance sheet**
- **Budget for 2007**
- **Basic assumptions of the Economic-Technical Plan, 2007-2011**
- **Dividend policy**

Macroeconomic situation

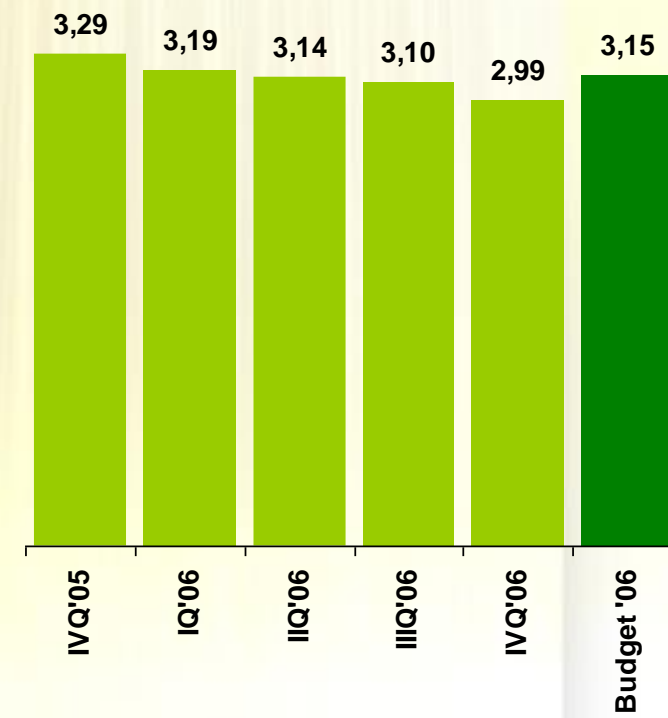
Copper prices
6 731 USD/t



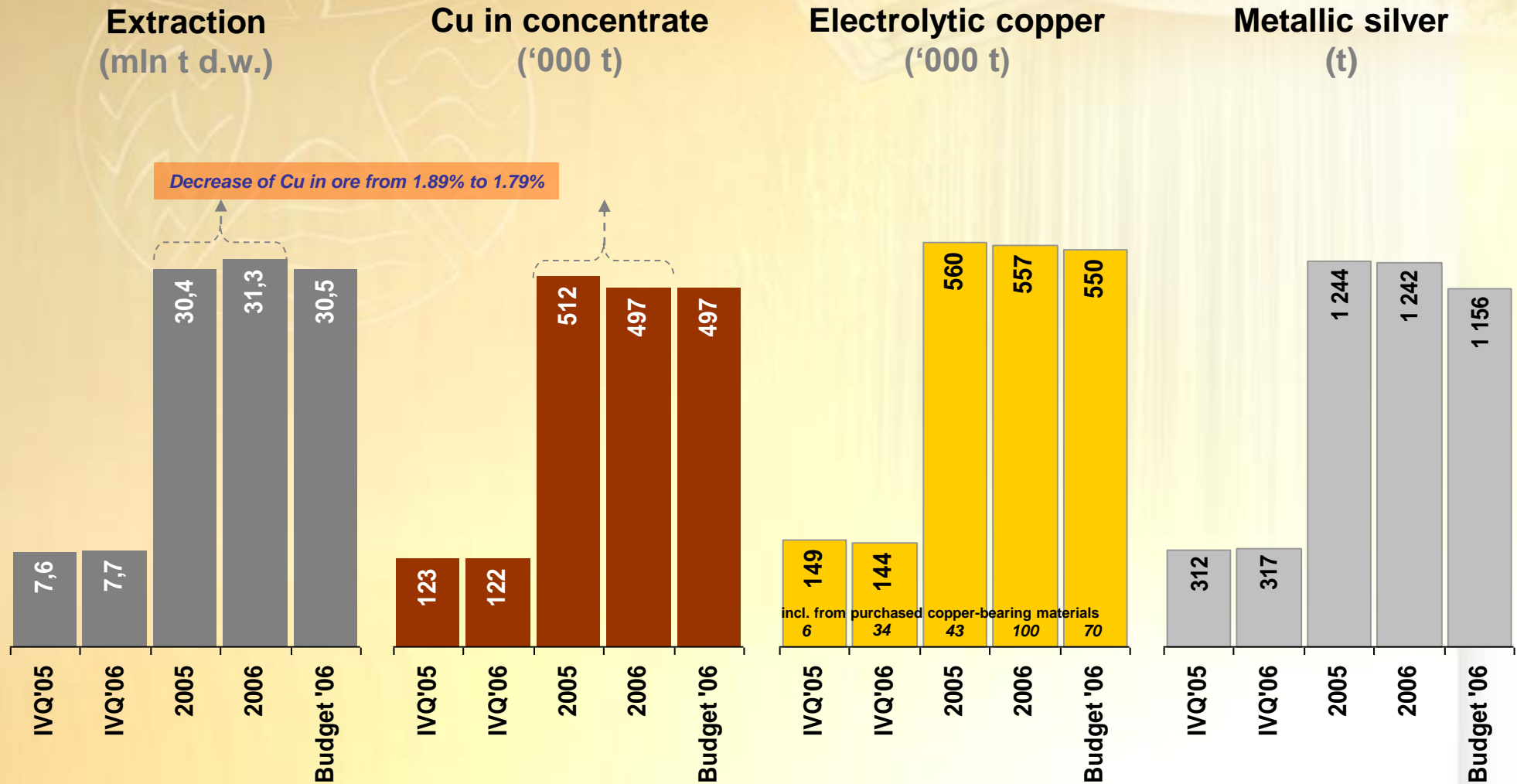
Silver prices
11.55 USD/troz



Exchange rate
3.10 PLN/USD



Production results

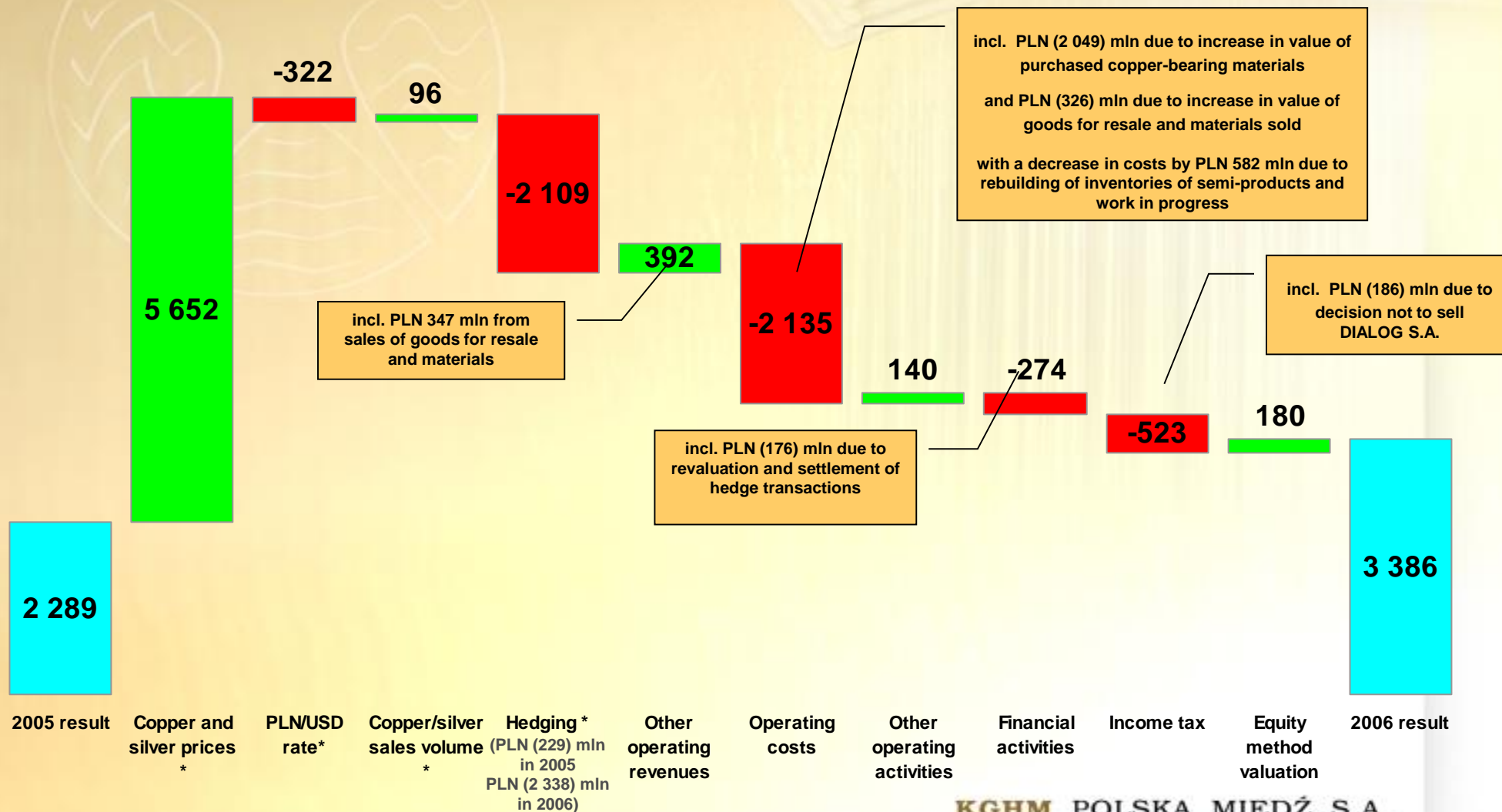


Financial results (mln PLN)

	4Q'05	4Q'06	2005	2006	Budget '06
Revenues from sales (excluding effects of hedge transactions)	2 588	3 395	8 229	14 047	12 111
Adjustment of revenues due to hedge transactions	(167)	(627)	(229)	(2 338)*	(1 915)
Revenues from sales (including effects of hedge transactions)	2 421	2 768	8 000	11 709	10 196
Operating costs	1 526	1 951	5 293	7 428	6 349
Result on sales	894	817	2 707	4 281	3 848
Profit before taxation	787	683	2 635	4 075	3 908
Income tax	48	145	417	940	850
Share in profits (losses) of subordinated entities valued by equity method	(159)	27	72	252	325
Net profit	580	565	2 289	3 386	3 383

Change in net profit (mln PLN)

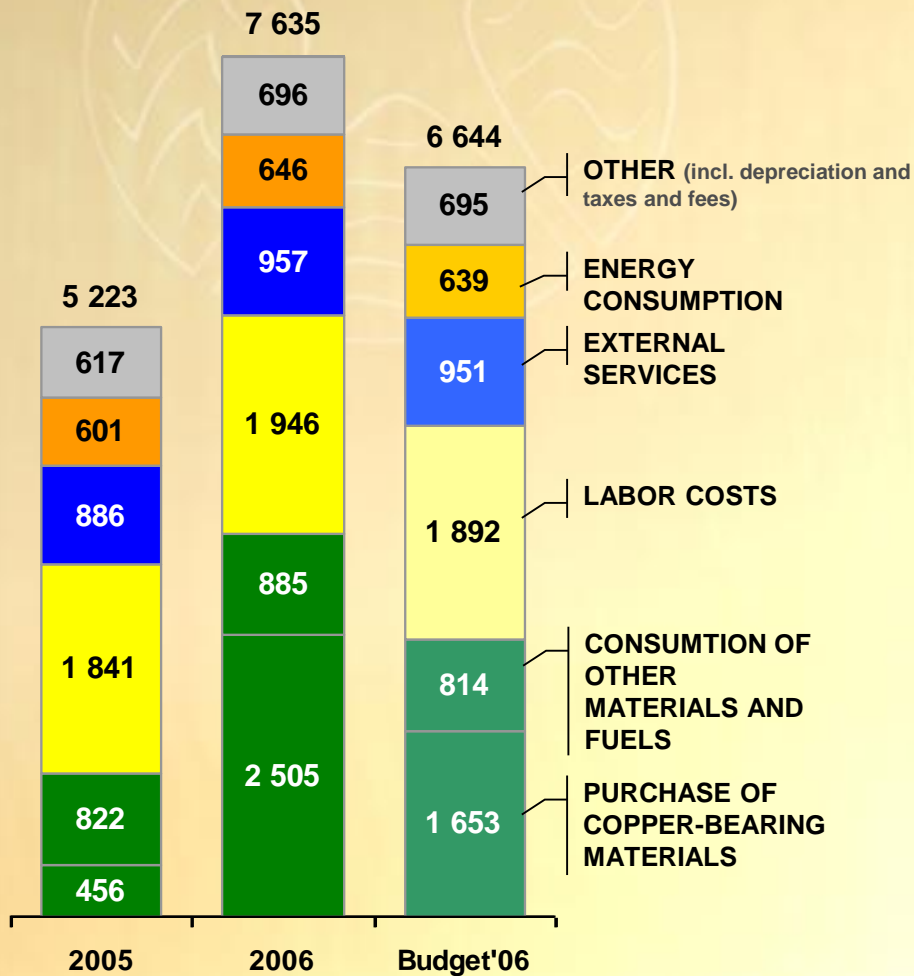
Increase in net profit versus prior year by PLN 1 097 mln



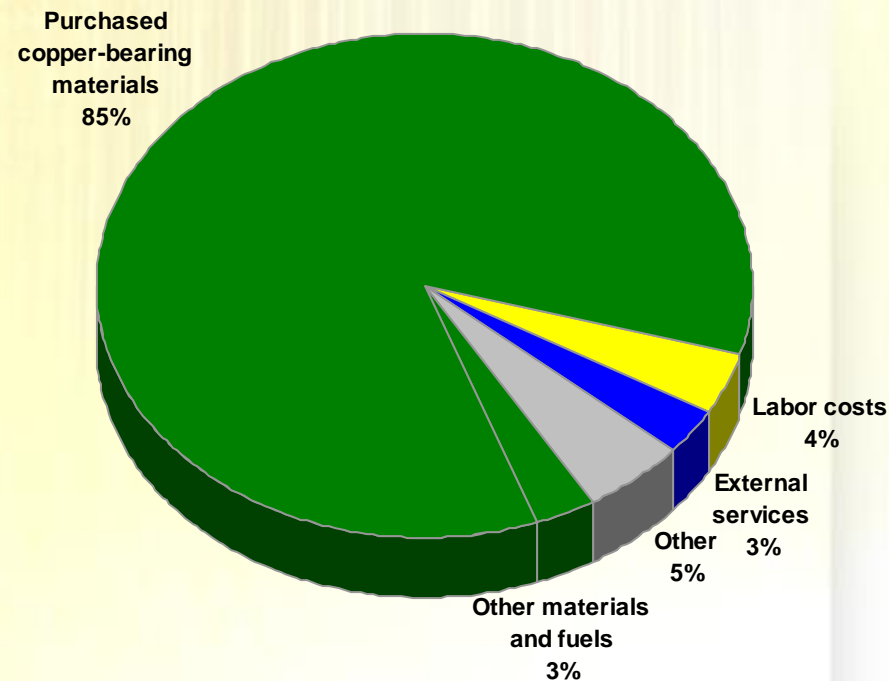
* Impact on revenues from sales of products

Costs by type (mln PLN)

An increase in costs by type versus prior year by PLN 2 412 mln, i.e. by 46%

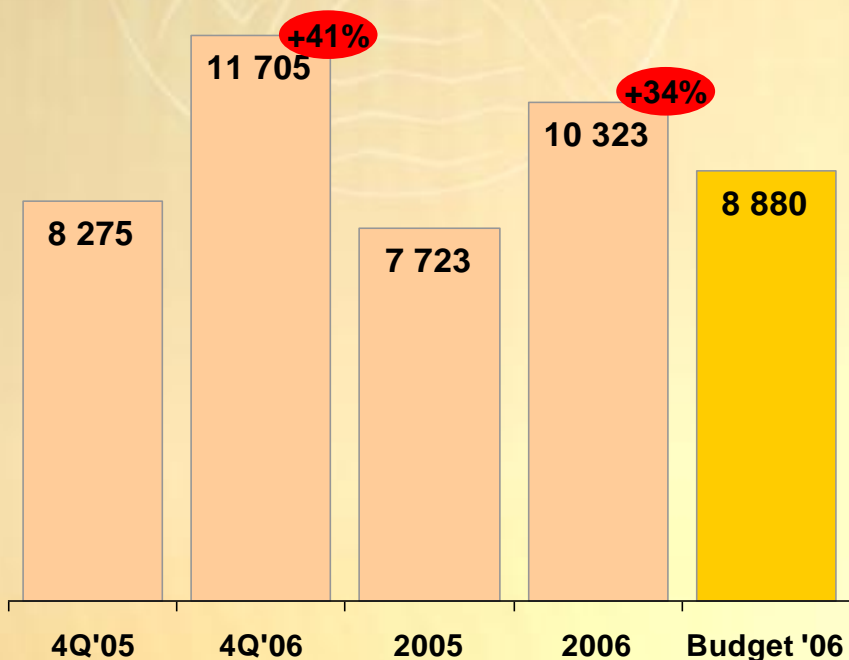


Structure of increase in costs by type



Unit cost (PLN/t)

Unit cost of electrolytic copper production (PLN/t)



- The increase in the unit cost by 2 600 PLN/t, i.e. by 34% in 2006 vs. the prior year, was due to:
- an increase in costs due to the processing of purchased copper-bearing materials,
 - with a decrease in costs due to a higher value of silver and gold in suspended anode slime

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

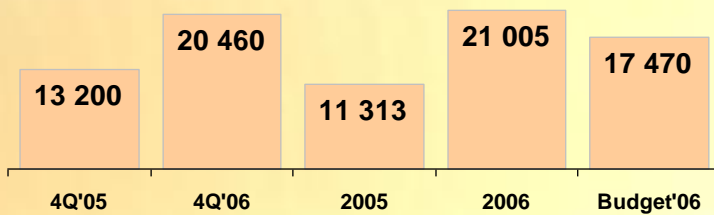
Unit cost of electrolytic copper production (PLN/t)



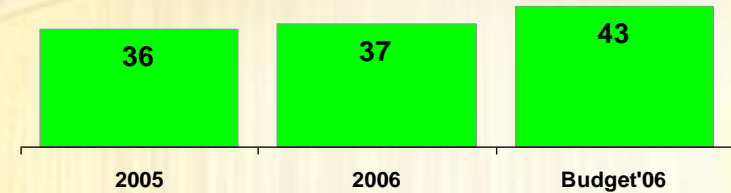
... from internal charges (PLN/t)



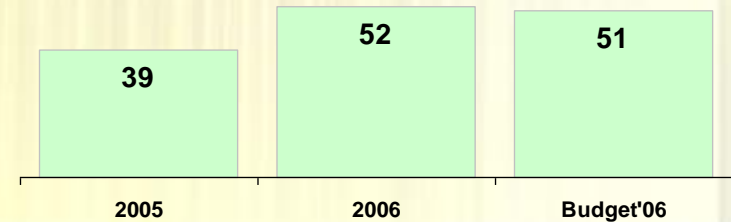
... from purchased copper-bearing materials (PLN/t)



Unit sales profitability (%)

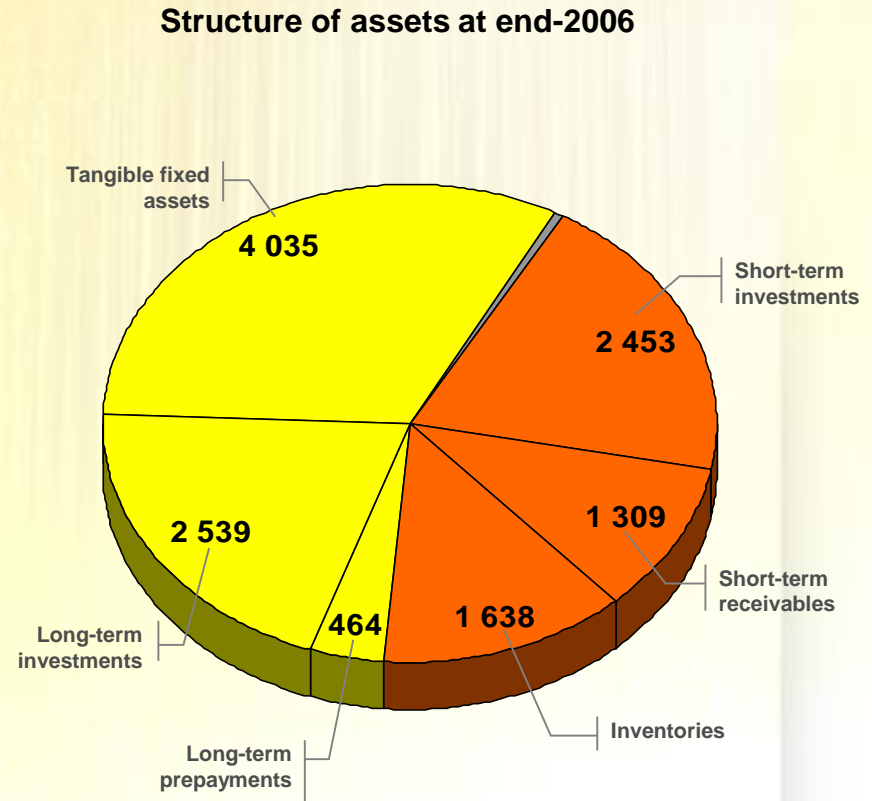
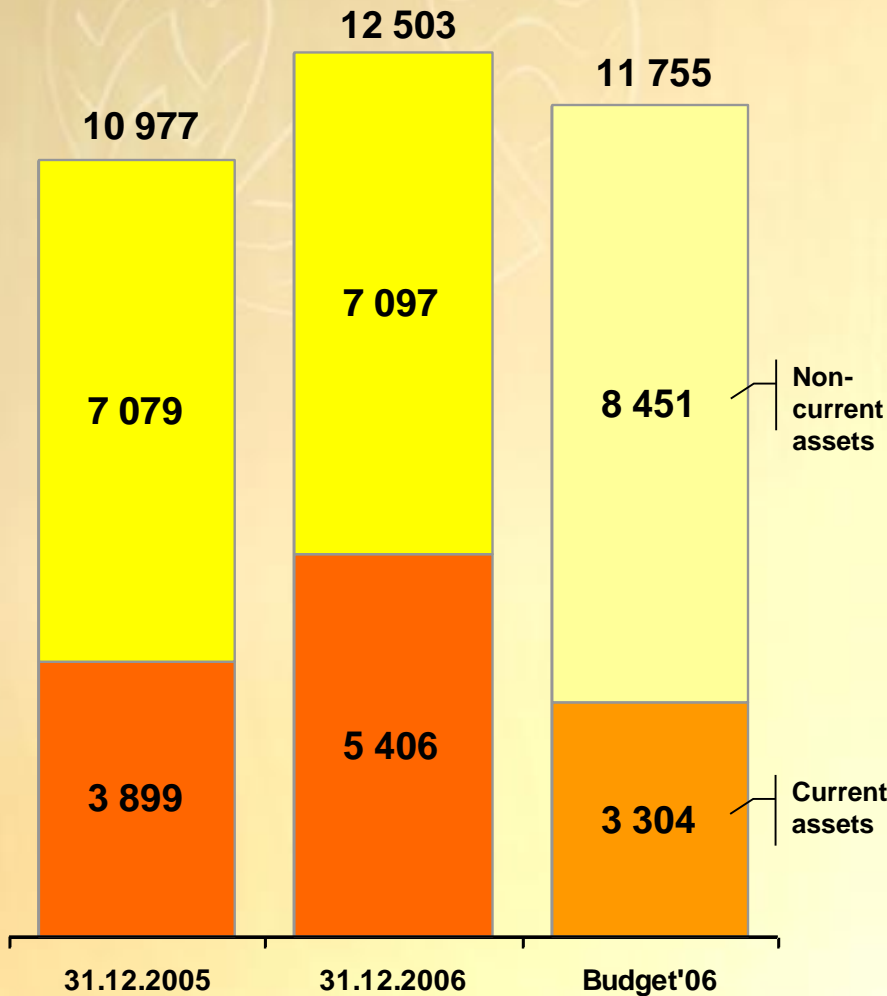


... from internal charges (%)



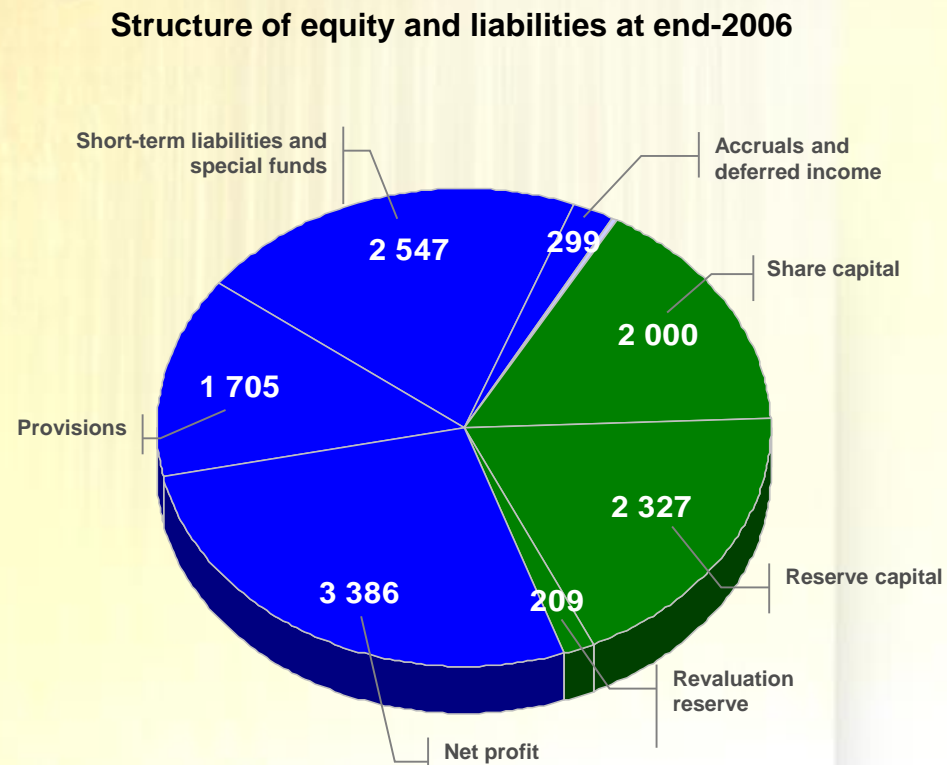
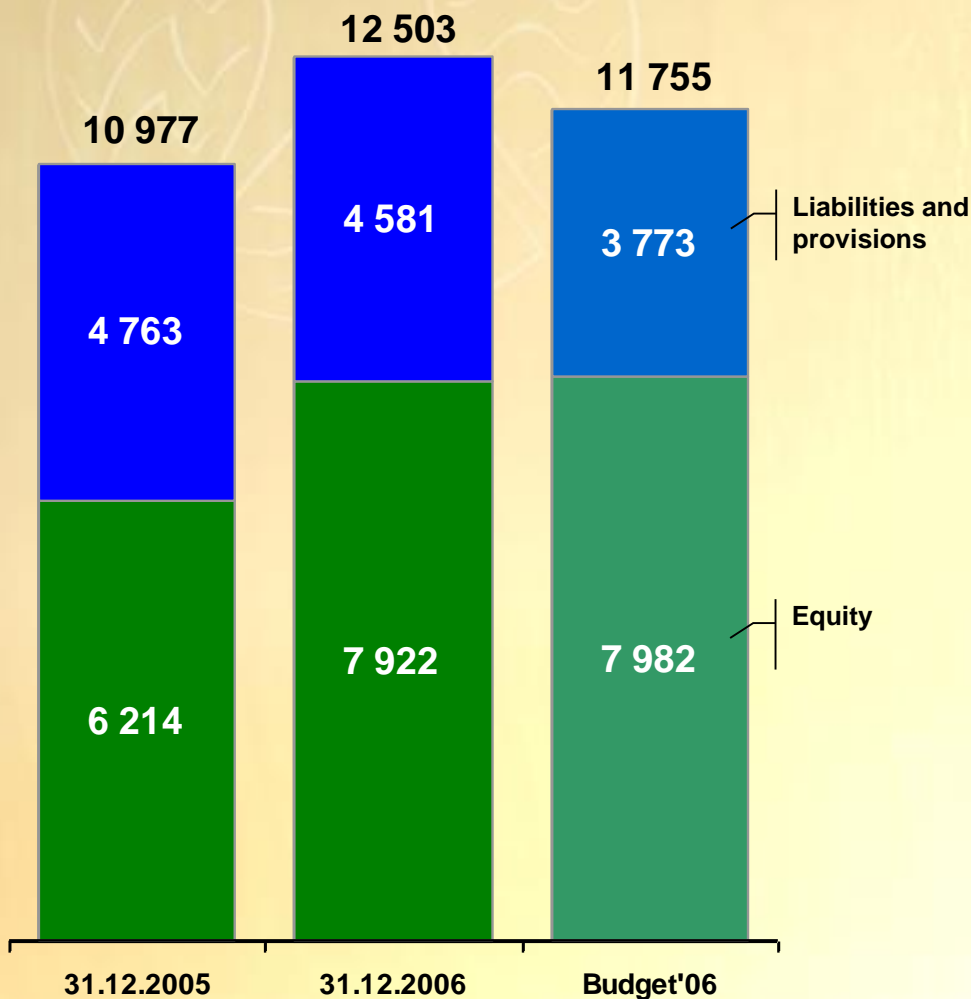
Balance sheet – Assets (mln PLN)

An increase in Company assets in 2006 by PLN 1 526 mln, i.e. by 14%



Balance sheet – Equity and liabilities (mIn PLN)

An increase in Company equity and liabilities in 2006 by PLN 1 526 mln, i.e. by 14%



Budget for 2007 (mln PLN)

The accepted Budget assumes the achievement in 2007 of revenues from the sale of products, goods for resale and materials of PLN 10 647 mln and net profit of PLN 2 978 mln.

Major assumptions of the forecast:

Macroeconomic factors

- average annual electrolytic copper price: 5 700 USD/t,
- average annual metallic silver price: 12.00 USD/troz,
- average annual exchange rate: 2.95 USD/PLN

Electrolytic copper production: 538 '000 t, incl. 73 '000 t from purchased copper-bearing materials, and metallic silver: 1 125 t,

The decrease in electrolytic copper production versus prior years is primarily due to lower extraction, the lower quality of extracted ore and to lower production from purchased copper-bearing materials.

Budget for 2007 (mln PLN)

***Total unit cost of electrolytic copper production: 9 450 PLN/t,
incl. cost of production from internal charges: 8 290 PLN/t***

Those factors affecting the total unit cost of electrolytic copper production in 2007 include:

- a lower value of consumed external copper-bearing materials,
- higher labor costs – mainly due to updating of the Collective Labor Agreement as respects the annual bonus for net profit earned,
- higher costs of preparatory mining work and depreciation, and
- a lower volume of electrolytic copper production .

Expenditures on the purchase and construction of non-current assets: PLN 1 142 mln.

The level of expenditures on the purchase and construction of non-current assets is mainly related to realisation of strategic goals, incl.:

- maintaining the level of production from internal resources, mainly through preparing the technical infrastructure of new mining regions,
- limiting basic operating costs, and
- modernising production assets.

The Company also assumes that in 2007 it will increase its equity commitment in Polkomtel S.A. from 19.61% to 26.39%.

Basic assumptions of the Economic-Technical Plan, 2007-2011

	Unit	2007	2008	2009	2010	2011
Average annual electrolytic copper price	USD/t	5 700	5 200	4 000	3 500	3 200
Average annual metallic silver price	USD/troz	12	10	8	8	6
Exchange rate	USD/PLN	2.95	3.00	3.00	3.00	3.00
Electrolytic copper production	'000 t	538	539	539	539	539
- incl. from external charges	'000 t	73	95	88	90	89
Metallic silver production	t	1 125	1 130	1 120	1 160	1 170
Expenditures on the purchase and construction of non-current assets	mIn PLN	1 142	1 140	950	821	879

Given these parameters, the Company assumes the achievement in the forecast period of positive financial results at a level guaranteeing the realisation of planned investments and payment of a dividend.

Dividend policy (mIn PLN)

With due regard to the economic and financial condition of the Company, the Management Board will recommend the payment of a dividend under the following conditions:

in mln PLN

Net profit	Scale of dividend payout
to 700	no dividend
from 700 to 1 700	200 + 50% of amount over 700
from 1 700 to 3 700	700 + 60% of amount over 1 700
over 3 700	1 900 + 100% of amount over 3 700



Thank you

KGHM POLSKA MIEDŹ S.A.

KGHM POLSKA MIEDŹ S.A. • ul. Marii Skłodowskiej-Curie 48 • 59-301 Lubin • tel. +48 76 74 78 200 • fax +48 76 74 78 500 • www.kghm.pl