



**KGHM**  
POLSKA MIEDŹ S.A.

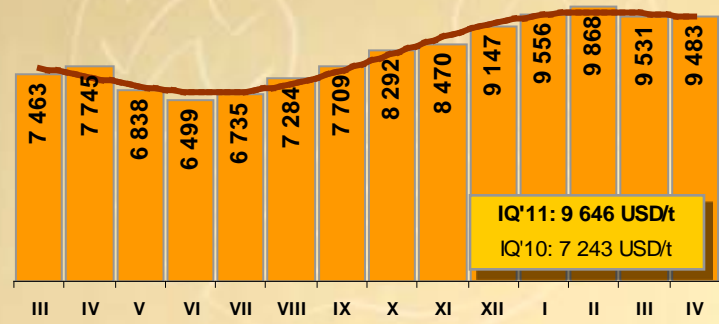
**Company results  
First quarter 2011**

**May 2011**

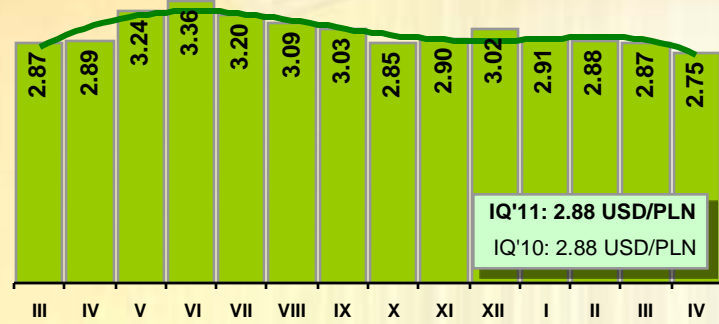
- **Macroeconomic conditions**
- **Production results**
- **Expenses by nature, unit cost**
- **Financial results**
- **Market risk management**
- **Consolidated financial result**

# Macroeconomic conditions

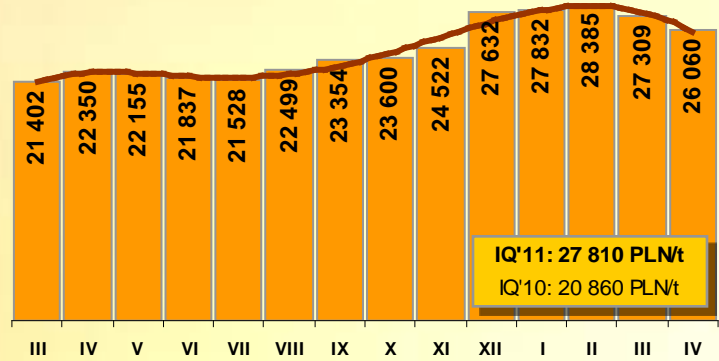
**Copper price**  
USD/t



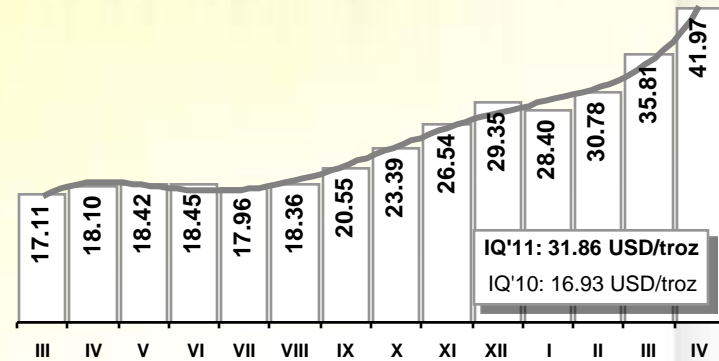
**Exchange rate**  
USD/PLN



**Copper price**  
PLN/t

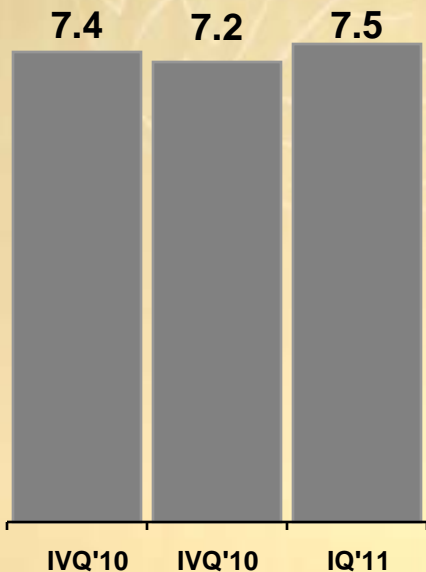


**Silver price**  
USD/troz

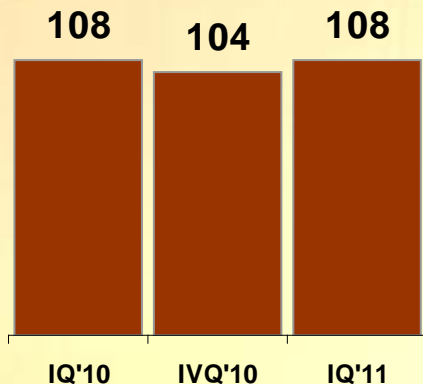


# Production results

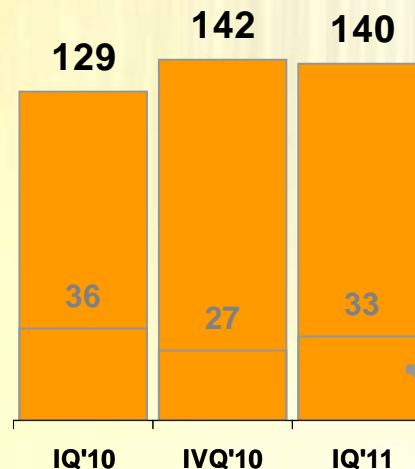
Ore extraction  
(million t d.w.)



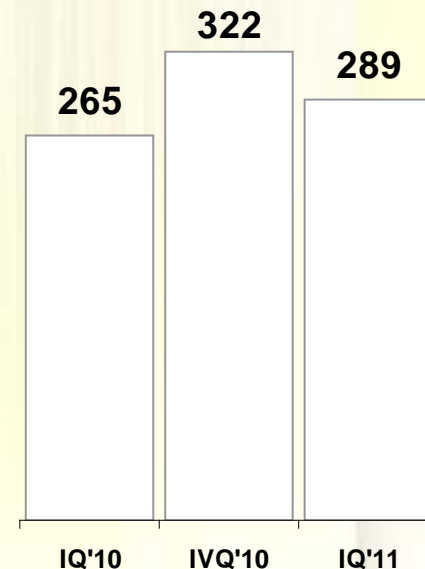
Copper production  
in concentrate  
(‘000 t)



Electrolytic  
copper production  
(‘000 t)

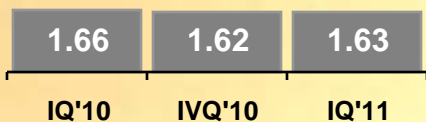


Metallic silver  
production  
(t)



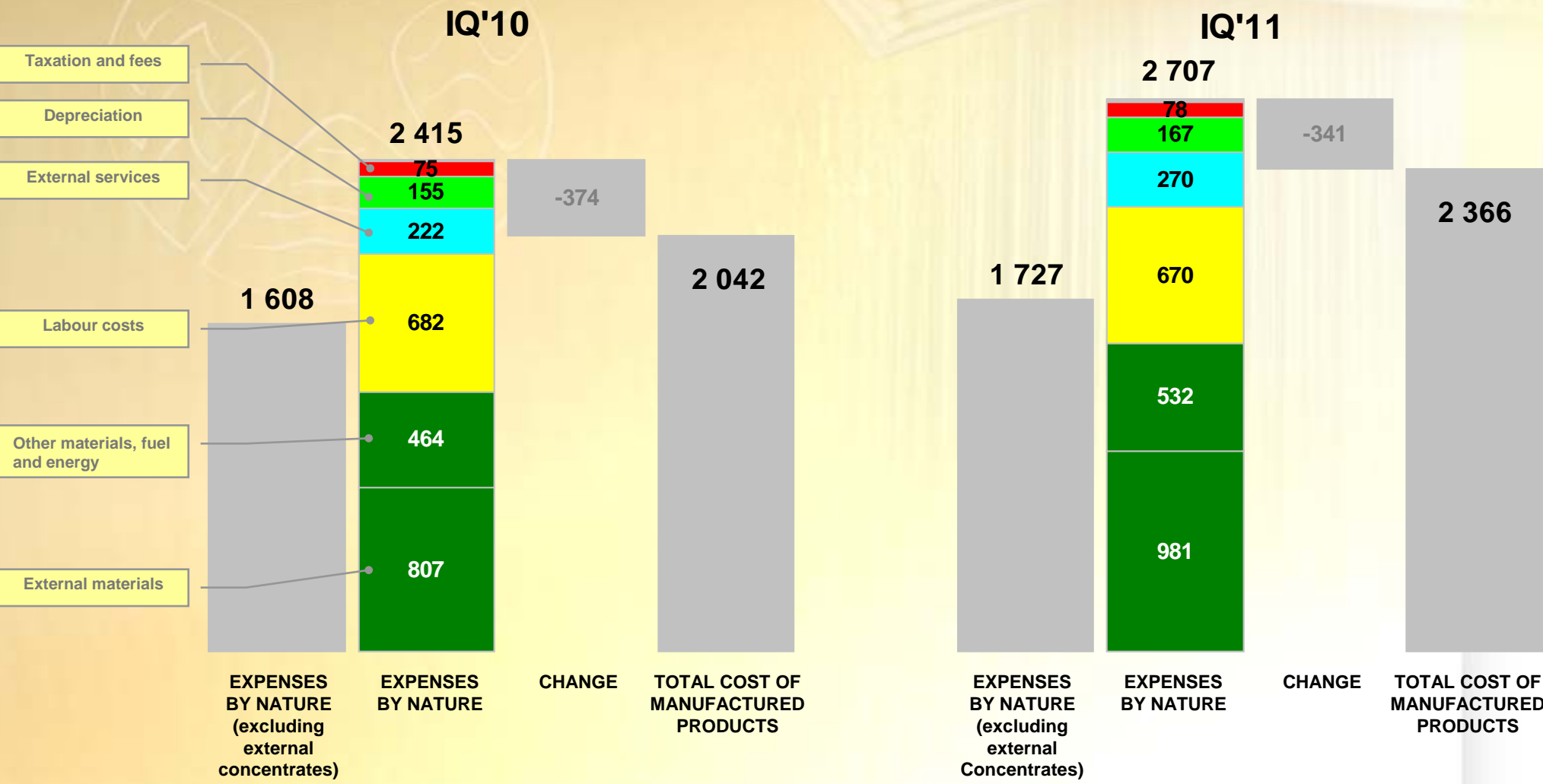
of which from  
purchased copper –  
bearing material

Copper content in ore  
(%)



# Expenses by nature (PLN million)

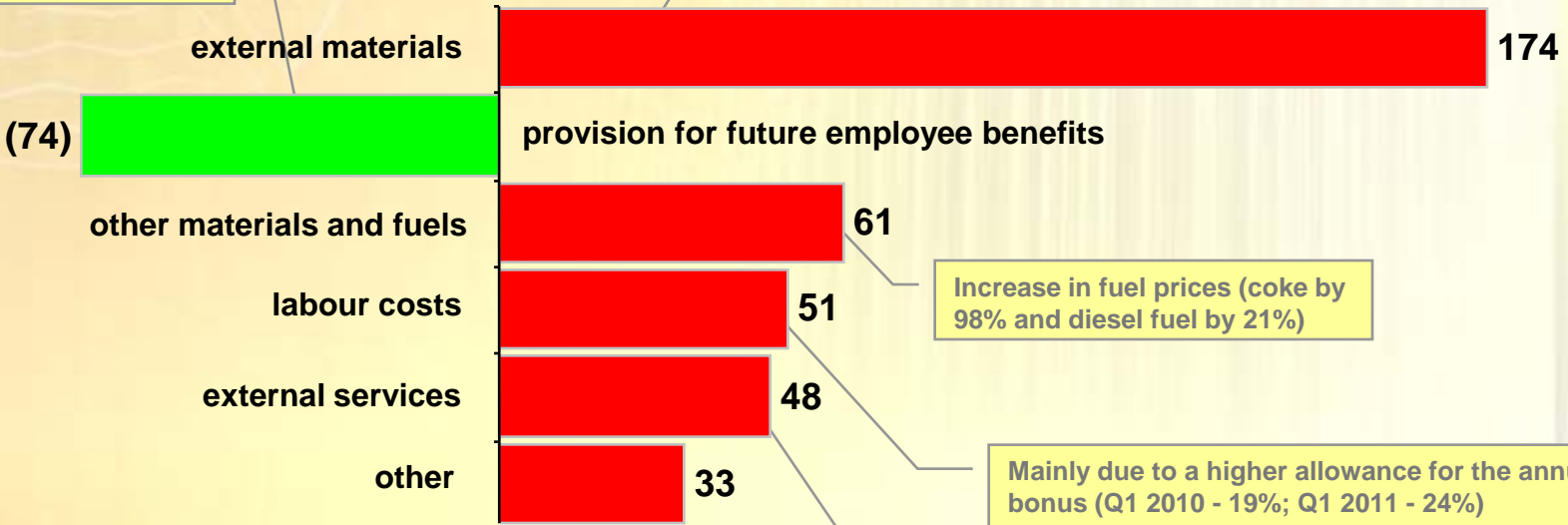
An increase in expenses by nature of PLN 292 million, i.e. by 12% versus Q1 2010  
 Excluding external materials the increase amounts to PLN 118 million, i.e. 7%



The increase in total expenses by nature was due to the following factors:

Decrease due to a higher discount rate

Higher purchase prices from 20.6 thousand PLN/t to 26.8 thousand PLN/t with lower volume by 6%, i.e. 2.5 thousand t Cu



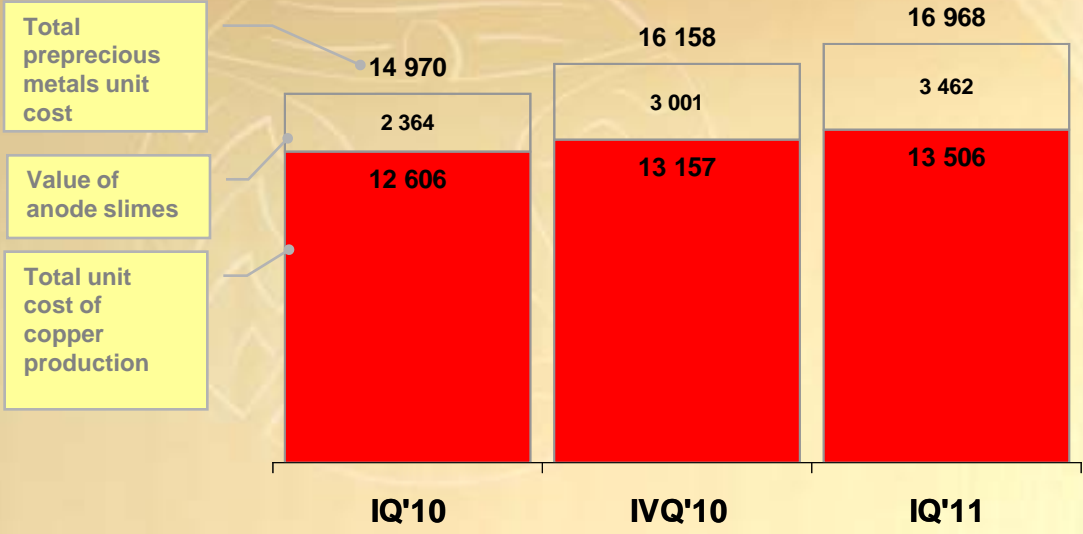
Increase in fuel prices (coke by 98% and diesel fuel by 21%)

Mainly due to a higher allowance for the annual bonus (Q1 2010 - 19%; Q1 2011 - 24%)

Mainly due to increased scope of preparatory mining and maintenance

# Unit cost of electrolytic copper production (PLN/t)

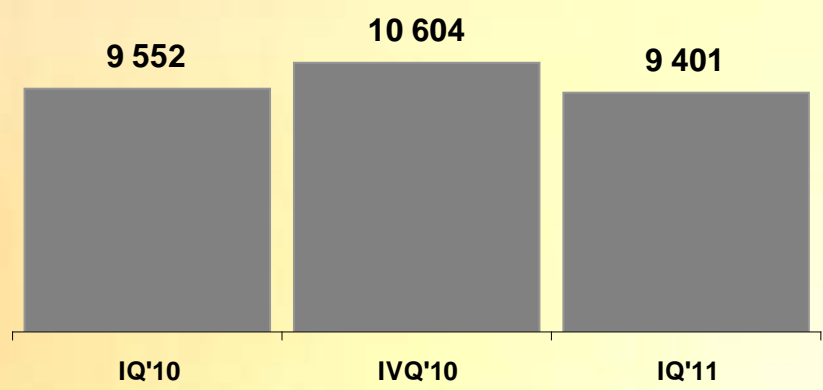
Total and pre-precious metals credit unit cost of electrolytic copper production



➤ The increase in the pre-precious metals credit unit cost of copper production in the first quarter of 2011 versus the comparable prior period by 13% (+1 998 PLN/t) was due to the higher value of external copper-bearing materials due to higher purchase prices and the lower production of stored half-finished smelter products

➤ The total unit cost of copper production from own concentrates in Q1 2011 versus the comparable prior period was lower by 151 PLN/t, i.e. 1.6%, mainly due to higher electrolytic copper production by 14 thousand tonnes and to the higher valuation of anode slimes due to the increase in silver and gold prices

Cost of production of electrolytic copper from internal concentrates

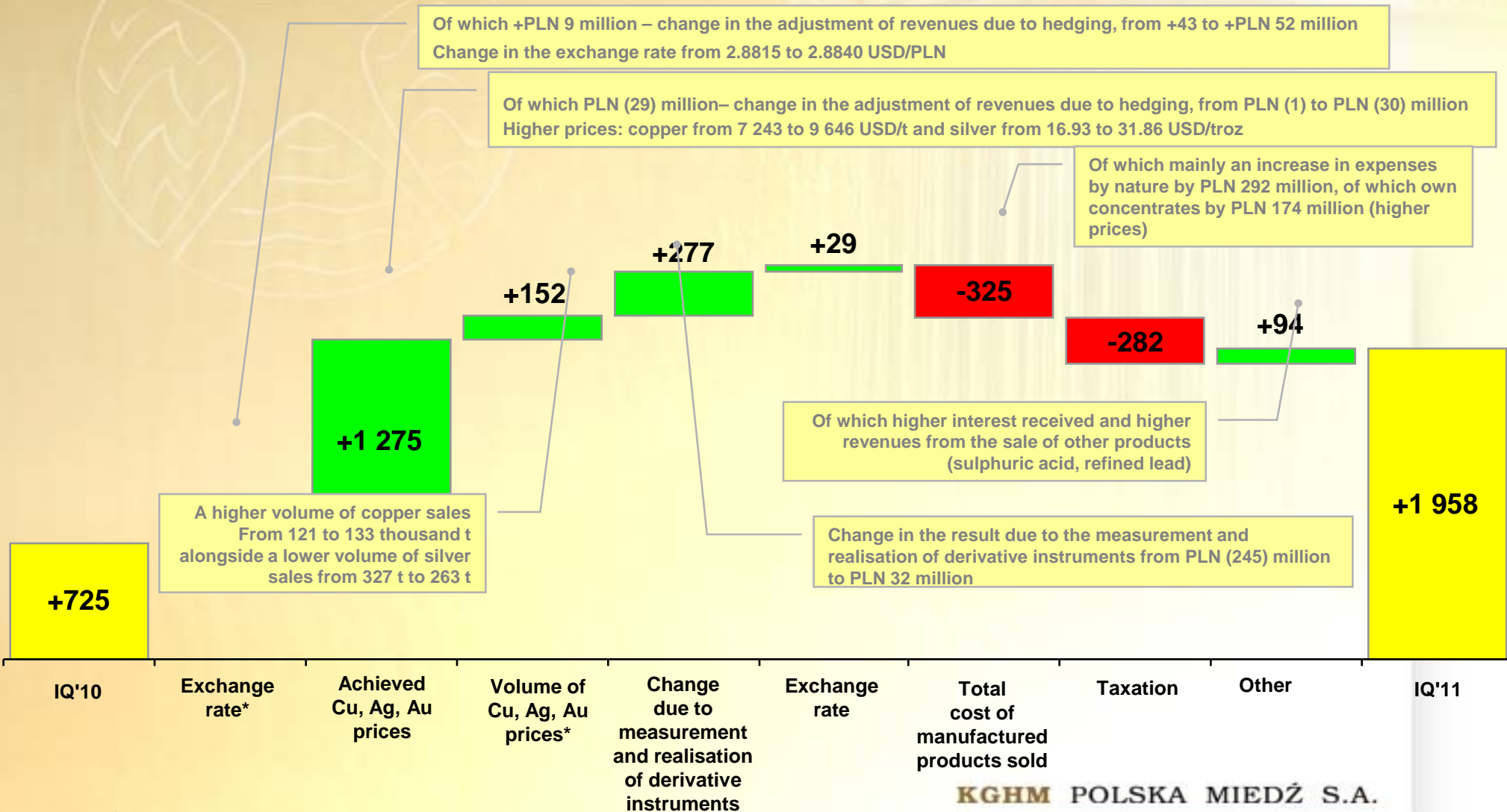


# Financial results (PLN million)

	IQ'10	IVQ'10	IQ'11	Change to IQ'10	Exec. IQ'10=100
<b>Sales</b>	<b>3 275</b>	<b>4 753</b>	<b>4 773</b>	<b>1 499</b>	<b>146</b>
<i>incl. adjustment of revenues due to hedging transactions</i>	<i>42</i>	<i>13</i>	<i>21</i>	<i>(21)</i>	<i>51</i>
<b>Operating costs</b>	<b>2 065</b>	<b>2 485</b>	<b>2 394</b>	<b>328</b>	<b>116</b>
<b>Profit on sales</b>	<b>1 209</b>	<b>2 268</b>	<b>2 380</b>	<b>1 170</b>	<b>197</b>
<b>Result of other operating activities, of which:</b>	<b>(303)</b>	<b>(642)</b>	<b>42</b>	<b>345</b>	<b>x</b>
Realisation and measurement of derivative instruments	(245)	(686)	32	277	x
Exchange differences	(50)	(30)	(21)	29	42
Dividends received	0	45	0	0	x
Other	(8)	28	31	38	x
<b>Operating profit</b>	<b>906</b>	<b>1 626</b>	<b>2 422</b>	<b>1 515</b>	<b>x 2.7</b>
<b>Net financing cost</b>	<b>7</b>	<b>8</b>	<b>8</b>	<b>1</b>	<b>110</b>
<b>Profit before tax</b>	<b>899</b>	<b>1 618</b>	<b>2 414</b>	<b>1 515</b>	<b>x 2.7</b>
<b>Taxation</b>	<b>173</b>	<b>294</b>	<b>455</b>	<b>282</b>	<b>x 2.6</b>
<b>Profit for the period</b>	<b>725</b>	<b>1 324</b>	<b>1 958</b>	<b>1 233</b>	<b>x 2.7</b>
<b>EBITDA</b>	<b>1 061</b>	<b>1 782</b>	<b>2 588</b>	<b>1 528</b>	<b>x 2.4</b>



**In Q1 2011 profit was higher by PLN 1 233 million, i.e. 2.7-times higher than the comparable period of 2010**

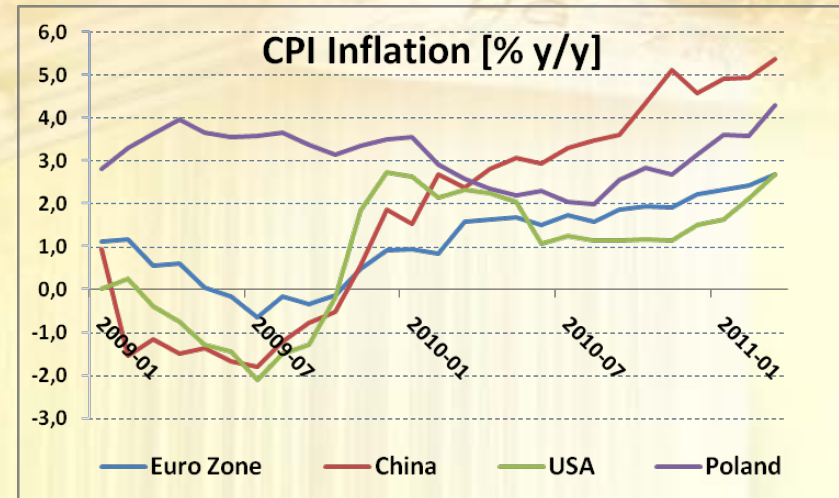


\* Impact on sales

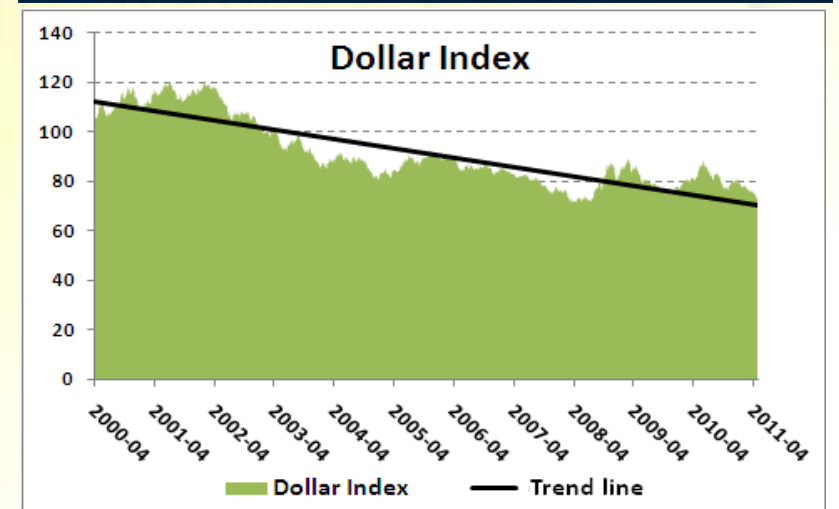
## Inflation accelerating

- In the opinion of KGHM, the global economic situation is gradually improving. However, leading economic indicators are signaling a possible slow-down in growth rates for leading global economies.
- In the second half of 2011 we can expect the completion of QE2 in the US. The restriction of stimulation packets brings into question the continuing rate of recovery in the US.
- A further threat to growth in the leading economies are the accelerating rates of inflation. Higher prices are already apparent not only in the most rapidly-developing countries (China), but also in developed regions (USA, Euro zone).
- Other concerns are related to the continuation of ultra-easy monetary policy in the United States, threatening the generation of bubbles in financial assets markets, such as the commodities market.
- In order to stimulate their economies, some countries are actively pursuing policies to weaken their currencies. Over the last decade, the USD has lost over 30 per cent of its value versus a basket of currencies.

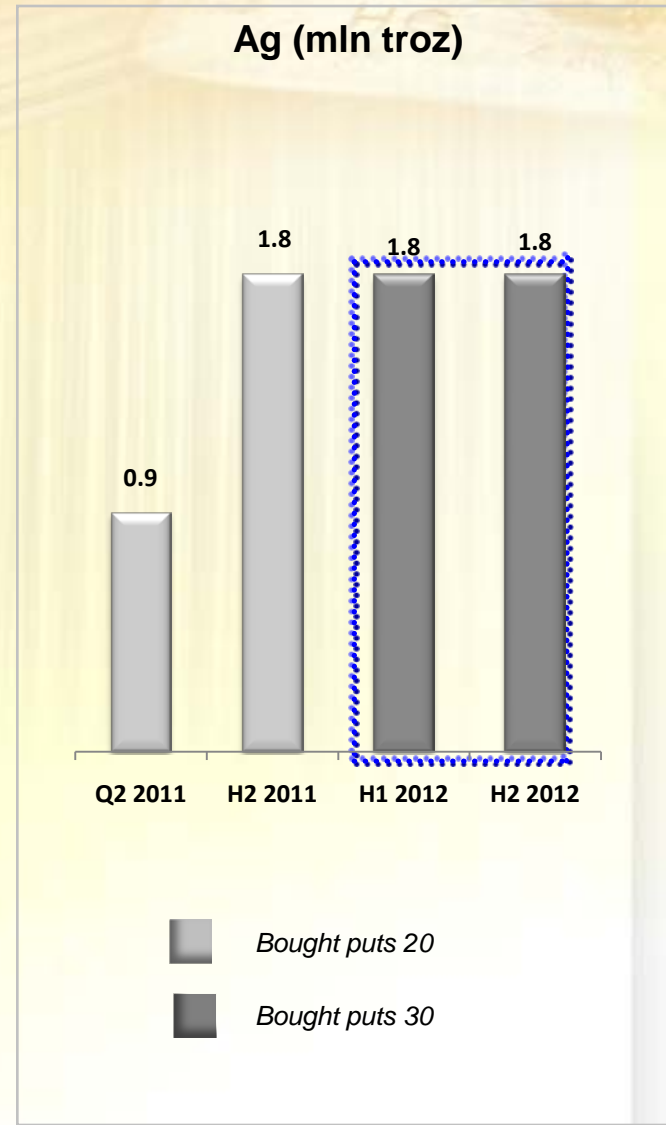
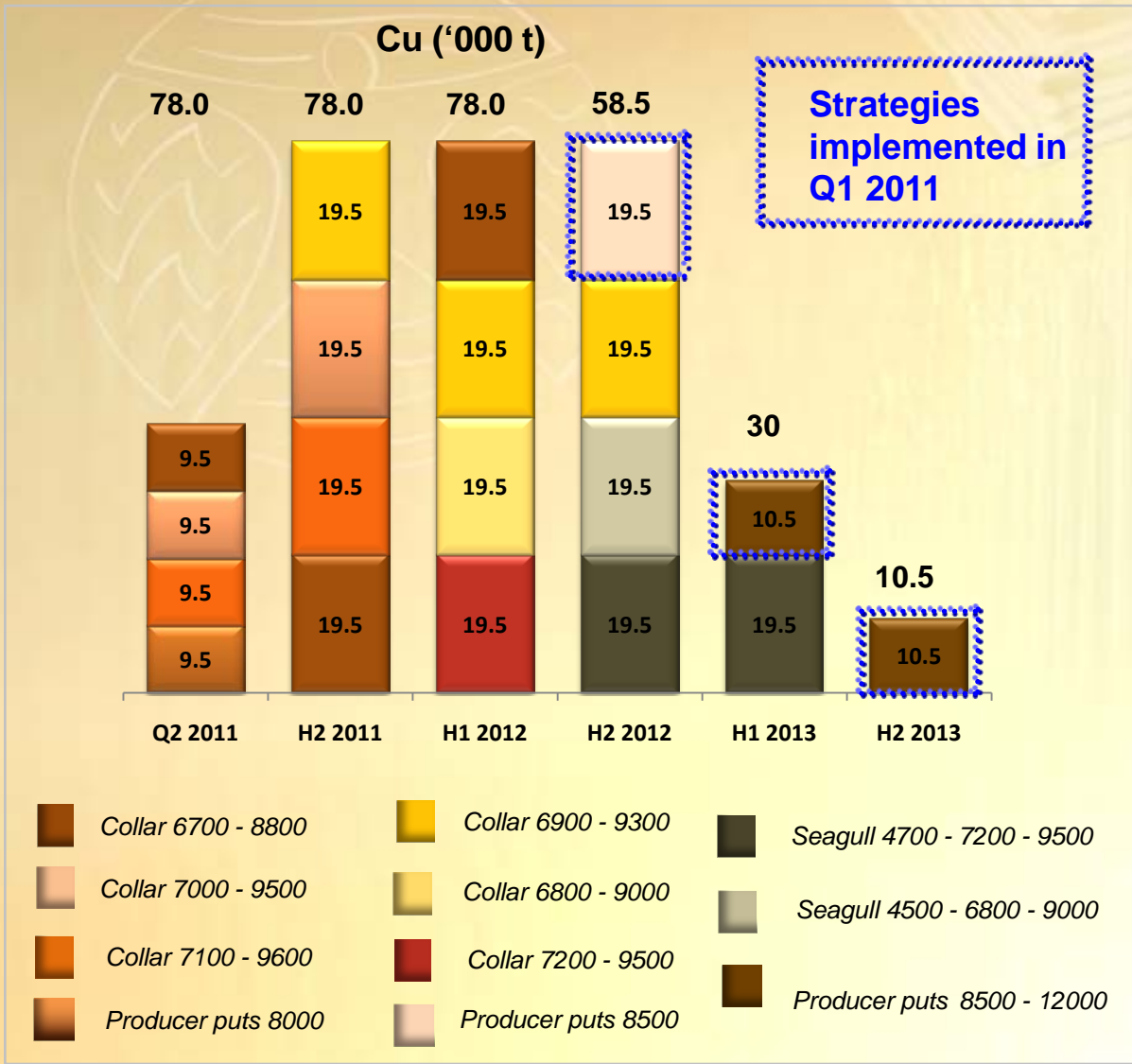
Accelerating inflation represents a threat to the rate of growth of leading global economies.



In order to stimulate their economies, some countries are actively pursuing policies to weaken their currencies. Over the last decade, the USD has lost over 30 per cent of its value versus a basket of currencies.

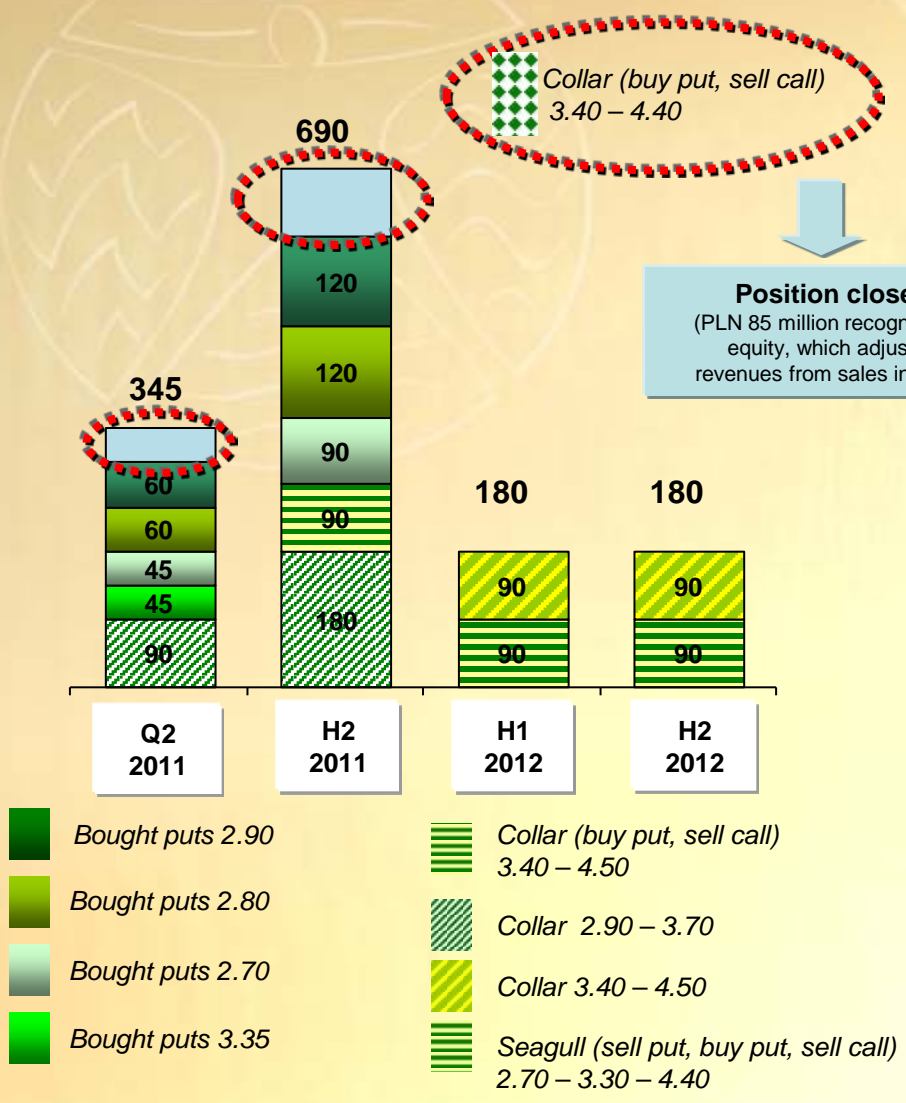


## Position in derivative instruments on the commodities market



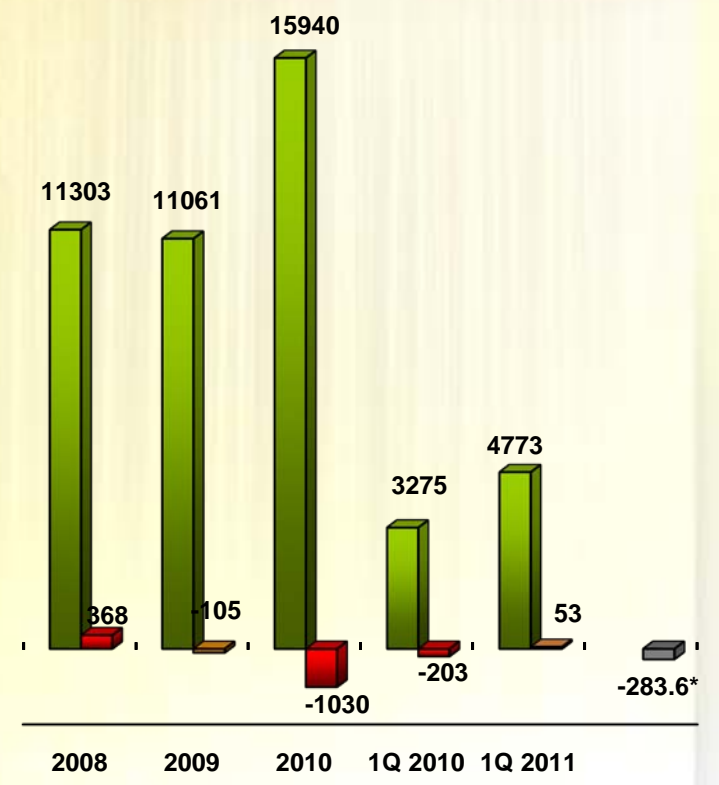
# Market risk management - hedged position (at 31 March 2011)

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



**Position closed**  
(PLN 85 million recognised in equity, which adjusted revenues from sales in 2011)

Results on hedging and Company revenues (PLN million)



\* fair value of open positions in derivative instruments at 31 March 2011

## Relatively large hedged position

- The Company took advantage of the high price of copper in recent months to steadily develop its hedged position. At present it is substantially larger than in prior years, and comprises a longer time horizon – to the end of 2013.
- The hedging instruments applied by KGHM enable the partial participation in price rises. Thanks to this, despite the continued very high copper prices, lost benefits were minimal.
- The high price of silver was likewise used to gradually develop a hedged position on this market.

## A positive result on derivative instruments in the first quarter of 2011

- The result on derivative instruments in the first quarter of 2011 amounted to PLN 53 million (versus PLN (203) million in the first quarter of 2010). PLN 21 407 thousand was taken to revenues from sales, PLN 3 million represented profit from the realisation of derivative instruments, while PLN 28 926 thousand represented profit from the measurement of derivative instruments.

# Consolidated financial result (PLN million)

	Consolidated result				Parent result IQ'11	
	IQ'10	IQ'11	Change do IQ'10	% change IQ'10=100		
Sales	3 600	5 347	1 747	149	4 773	89%
Operating costs	2 360	2 930	571	124	2 394	
Net profit on sales	1 240	2 416	1 176	195	2 380	
Result of other operating activities	(293)	43	336	(15)	42	
Operating profit	947	2 459	1 512	260	2 422	98%
Net finance costs	(11)	11	22	(101)	8	
Share in profits of associates valued by the equity method	70	65	(6)	92	x	
Profit before tax	1 006	2 513	1 507	250	2 414	
Taxation	177	480	302	271	455	
Profit for the period	829	2 033	1 204	245	1 958	96%
EBITDA	1 154	2 691	1 537	233	2 588	96%

Share of Parent in consolidated result



***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](http://www.kghm.pl)