

## Company profile

Calendar 2011



### Polish copper more valuable than gold

2011 marked the 50th anniversary of the founding of KGHM (Kombinat Górniczo-Hutniczego Miedzi, or Copper Mining-Smelting Combine), which later was transformed into the state-owned joint stock company KGHM Polska Miedź S.A. The calendar of events celebrating this Golden Jubilee was truly rich. The first of these was the exceptional New Year Jubilee Concert. In May a Historical Seminarium was held, with participation by the builders and pioneers of the Company. Another great event was the two-day Jubilee Festival at the beginning of September. To honor the Golden Jubilee a special website was developed dedicated to KGHM's 50th anniversary. The website provided information not only on the various events, but also detailed the history of KGHM. The people of the Copper Belt also had the opportunity to publish their own anecdotes and photographs.



### Program to Promote Health and to prevent Environmental Threats

KGHM Polska Miedź S.A. commenced realisation of a comprehensive, health-oriented program to identify the actual impact of the smelters in Legnica and Głogów, and in the municipalities (gminas) of Żukowice, Kotla, Krotoszyce, on the health of their inhabitants. The program is also implementing preventative measures in this regard. Blood screening and psychological testing was performed, primarily those children living in areas which were formerly part of the protective zones of the smelters. Additionally, in Głogów and Legnica an Environmental Monitoring Clinic was opened. This program is being managed in cooperation with the health center Miedziowy Centrum Zdrowia. As part of the program, blood testing was performed for traces of lead. Moreover – thanks to financing from the Polish Copper Foundation – children from primary schools in those municipalities which are impacted by the activities of the smelters were sent in September to so-called green schools where the children learned about protecting the environment in healthy conditions, and also enjoyed swimming classes throughout the year..



### Bull and Bear award

For the second year in a row, KGHM Polska Miedź S.A. received the prestigious Bull and Bear statuette presented by the market newspaper Gazeta Giełda "Parkiet". KGHM was awarded the Bull and Bear statuette in the category "Best Investment in a WIG 20 Company". Amongst the factors which determined receipt of the award were the rise in copper prices and the investments on development which the Company made in 2010. Amongst the accomplishments appreciated by shareholders was the investment in Canadian mining assets. In 2011 the share price of KGHM rose by 63 percent. KGHM once again demonstrated that it is one of the best companies operating in the Polish capital market.



### Licenses to operate in the Copper Belt

The process was begun of renewing licenses for the mining of copper ore in deposits in the Copper Belt. By receiving these licenses, KGHM Polska Miedź S.A. will be able to continue operating for another 50 years. The efforts involve licenses for several mining areas where the Company has been operating for many years: Rudna I, Sieroszowice I, Polkowice II, Lubin I, Małomice I and Radwanice Wschód. These licenses represent a guarantee for KGHM that it will continue to be able to ensure livelihoods for the people of the region and the leading position of the municipalities of the Copper Belt in the national ranking of municipal budgets.



### Polish Copper under sail

The yacht "Polska Miedź" (i.e. Polish Copper) under full sail, captained by Tomasz Cichocki, began a round-the-world journey involving over 24 thousand nautical miles, around 300 days of solitude without the right to sail into any port, or even land on uninhabited islands or approach another ship. Captan Cichocki will have to deal with the elements completely alone to successfully finish his trip. KGHM is the main sponsor of this event.



### Drilling in the Old Copper Belt

KGHM Polska Miedź S.A. is carrying out its Strategy for Company growth in the years 2009-2018 in terms of the exploration for ore deposits. The Company is involved in exploratory work in south-western Poland and in the region of Lusatia in German Saxony. These regions are believed to be the most promising in terms of the possibility of copper mineralisation in Zechstein rock. In the vicinity of the Old Copper Belt, KGHM holds an exploration license for the "Grodziecka Trough" zone, where the Company is involved in intensive drilling. The licensed area covers 66.73 km<sup>2</sup>. Another advanced-stage drilling project is in Weisswasser in Germany, along the Polish border. KGHM is also conducting work in the licensed area Szklary, north of Ząbkowice Śląskie. This work is aimed at documenting a deposit of nickel ore.



### A billion-zloty investment at the Głogów copper smelter

The modernisation of pyrometallurgy, renovation of the sulphuric acid plant, construction of a fourth Dörschel furnace – these are some of the most important investment projects being realised by the Głogów copper smelter. These investments involve not only the production process, but also have a positive impact on the environment and on safety and working conditions. Altogether, the Głogów copper smelter is pursuing 10 projects valued at over PLN 2 billion. These investments will result in long-term economic benefits. Apart from representing effective smelting for KGHM, this also means integrated production.

In 2011, the Głogów copper smelter celebrates its 40th jubilee. This is the largest smelter in Europe and is one of the most environmentally-clean copper smelters in the world.

#### Agreement for the sale of shares of Polkomtel

KGHM Polska Miedź S.A., Polska Grupa Energetyczna S.A., Polski Koncern Naftowy ORLEN S.A., and Węglokoks S.A, along with Vodafone Americas Inc. and Vodafone International Holdings BV, signed a preliminary agreement to sell their shares in Polkomtel S.A, a leading Polish telecommunications operator.



#### Letter of Intent on the creation of a Polish-Chinese Strategic Cooperation

KGHM Polska Miedź S.A. and China Minmetals Corporation reached agreement on the creation of a Polish-Chinese Strategic Cooperation Forum. A Letter of Intent in this regard was signed at the Head Office of the Polish Ministry of the Economy. This Letter, signed by the parties, declared that they will promote the Forum as a platform for economic, commercial and cultural exchange and cooperation between Poland and China. The Forum will invite the ministry, renowned companies, research institutions and famous experts and researchers to examine and discuss possibilities for cooperation in areas such as mining, agriculture, telecommunications, roadway and railway infrastructure, transportation, energy, renewable energy, environmental protection, scientific research and education.



#### KGHM earned a profit of PLN 4.3 billion in the first half

In the first half of 2011 KGHM earned a profit of PLN 4.3 billion, or almost double that earned in the comparable prior period. Copper and silver prices were higher than forecast by the Company budget, and as a result KGHM began work on an adjusted forecast.

In the first nine months of 2011 the average copper price was 9 398 USD/t, with an exchange rate of 2.82 USD/PLN. The increase in metals prices versus the first half of 2010 was the main factor responsible for the increase in revenues by PLN 2.8 billion, including sales of copper products of PLN 1.8 billion and silver of PLN 0.9 billion. Revenues from sales in the first six months of 2011 amounted to PLN 10.0 billion, or 62% of the amount forecast for the entire year



#### KGHM a laureate of the Index of Success

Amongst the reasons for KGHM's receipt of this award were the actions taken by the Management Board aimed at reducing costs and improving productivity. In addition, the Index of Success award committee commended the activities of KGHM in areas such as environmental protection, the sponsoring of art and sport, charitable activities and support for local communities.

For the fifth time, the daily newspaper "Rzeczpospolita" and the company Deloitte prepared a ranking of the 500 largest companies from 19 countries in Central-Eastern Europe.

#### KGHM and Netia signed an agreement for the sale of 100% of the shares of Telefonía DIALOG S.A.

KGHM Polska Miedź S.A. and Netia S.A. signed an agreement based on which KGHM agreed to the sale of 100% of the shares of Telefonía DIALOG S.A. to Netia. The transaction was approved by the President of the Polish Office of Competition and Consumer Protection.



#### KGHM – with science to the future – where and why?

Is the Polish scientific community able to meet the challenge faced today by KGHM? Is KGHM able to implement innovative solutions? These are questions which were asked by renowned scientists together with KGHM's representatives during the Discussion Forum "KGHM – with science to the future – where and why?" organised on 7 October 2011 at the AGH University of Science and Technology in Kraków. The Management Board of KGHM presented problems and challenges whose solution will determine the future development of the Company. KGHM Polska Miedź S.A. and the AGH University of Science and Technology plan to cooperate in the creation and support of an AGH-KGHM Critical Elements Laboratory, and to carry out research at the Laboratory.

#### KGHM a Leader of Philanthropy 2011

For the fifth time, the Forum of Charitable Providers in Poland, under the banner "Philanthropy is a good investment", held a competition called Leaders of Philanthropy. This competition awards those companies which donate the most to social purposes. In 2011, 30 companies took part. KGHM was among the finalists, winning second place. KGHM also received a Special Award for "Consistent Engagement in the Competition and the Development of Corporate Philanthropy in Poland".

#### The Best of The Best

KGHM received a special award, The Best of The Best. In 2011, the award committee for The Best Annual Report 2010 decided to grant two "The Best of The Best" special awards for the best company and the best bank which in previous years had won first place in the competition "The Best Annual Report". The idea of the competition is to establish recognised standards for the preparation of annual reports under IFRS/IAS, in accordance with the recommendations of the IFAC and best

LIDER FILANTROPII 2011

-- KGHM Polska Miedź SA --

II MIEJSCE W KONKURSE „LIDERZY FILANTROPII 2011” W KATEGORII FIRMA, KTÓRA W MINIONYM ROKU PRZESKAZAŁA NA CELE SPOŁECZNE NAJWIĘCEJ ŚRODKÓW

practice in this regard, as well as to promote those companies which prepare the best consolidated annual reports under IFRS/IAS from the point of view of user friendliness to shareholders and investors



### **Conclusion of the Polish Transaction of the Year**

All of the existing shareholders of Polkomtel S.A. transferred ownership of the company's shares to Spartan Capital Holdings Sp. z o.o., thereby concluding one of the largest deals in the telecommunications sector in Europe in recent years. The total transaction value was PLN 18.1 billion.

### **KGHM a Pearl of the Polish Economy**

KGHM Polska Miedź S.A. won first place in the ranking Pearls of the Polish Economy. The company was honored in the category producers and service providers. KGHM received the award for consistent realisation of the company's policies and strategy, and for its position as a leader amongst the most dynamic and effective companies in Poland. KGHM Polska Miedź was also a winner in the category Great Pearls.



### **KGHM begins the process of acquiring a Canada-based mining company**

KGHM Polska Miedź S.A. announces its bid to acquire the Toronto-listed mining company Quadra FNX. Based on a signed agreement the process begins of the friendly takeover of this company. KGHM hopes to become the owner of a world-class orebody as well as operating mines in Canada, the US and Chile. The transaction is valued at USD 2.83 billion, and will be financed by the internal funds of KGHM.

### **Sale of the shares of Telefonía DIALOG S.A.**

KGHM Polska Miedź S.A. sold to Netia S.A. the shares of Telefonía DIALOG S.A. with its registered head office in Wrocław, with a nominal value of PLN 25.00 per share, and a total nominal value of around PLN 490 million, representing 100% of the share capital of DIALOG S.A. and 100% of the votes at the general meeting of DIALOG S.A.

