



### Dear Shareholders

The past year was exceptional for KGHM in many aspects. 2011 was a time of consistent realisation of the long-term strategy for growth and the building of shareholder value.

In 2011 the KGHM Polska Miedź S.A. Group earned a record profit of over PLN 11 billion. This result was due not only to favourable macroeconomic conditions, but also to the rational management of the orebody and consistent realisation by the Management Board of the Company's strategy, as well as divestment from the telecommunications sector. Copper production was also at a record level of 571 thousand tonnes (an increase of over 4%). Silver production also increased, by 8%. In 2011 silver reached a record price on the London market. Apart from gold, which the Company also produces, silver is another raw material considered by investors as a safe investment. The production result achieved in 2011 is the highest in the history of Polish Copper, solidly in line with the Company's direction of growth. It is worth noting that the results of 2011 made KGHM the world's number one producer of silver.

Of course, the year 2011 also involved investments – in this case, on a scale never before seen in Poland. No other Polish company has ever made a foreign investment of such magnitude – PLN 9.1 billion. Under an agreement signed in December 2011, the Company began the process of the friendly takeover of the Canadian-based, Toronto-listed mining company Quadra FNX. This was a historic event not only for KGHM, but also for the Polish economy. This international expansion by KGHM is of strategic importance not only for the Company by ensuring its future profitability, building shareholder value and strengthening its position in the global marketplace, but also enhances the global position of the Polish economy as a producer of a strategic resource (copper) as well as rare earth metals (molybdenum, platinum and palladium). This investment conclusively demonstrates that Polish companies are able to be global players of major economic significance. In terms of people, technology and logistics, KGHM is well prepared to pursue the process of integrating with Quadra FNX (now under its new name, KGHM International) and properly managing this company, with assets in Canada, the USA, Chile and Greenland. Thanks to the acquisition of this Canadian-based company, the production of copper by the KGHM Group from its own resources will increase to 635 thousand tonnes. The Strategy for the years 2009–2018 assumes the production of more than 700 thousand tonnes of copper annually.

In 2011 there were a variety of events which positively impacted the condition of the Company. Numerous important transactions were carried out. These involved the sale of shares of Polkomtel S.A., which was the largest transaction in the telecoms sector, and the sale of the subsidiary Dialog S.A. Both of these transactions were carried out at an opportune moment and were professionally prepared and conducted. In consequence, the planned exit strategy of KGHM Polska Miedź S.A. from the telecoms sector was fully and effectively executed. This marked the achievement of a subsequent strategic goal.

Apart from equity investments, KGHM Polska Miedź S.A. engaged in a variety of exploratory work in Poland and Germany. Exploratory drillings were made in Saxony in Germany and in the vicinity of the Old Copper Belt in Poland. The drilling of further test holes is also planned at other new sites.

Thanks to these exceptional economic results, the enormous investments, the effective realisation of the strategy and to the Company's highly-qualified and experienced staff, the future is viewed with optimism. KGHM Polska Miedź S.A. beyond a doubt deserves the full confidence of its shareholders and investors. I am convinced that the Company will enjoy another, solid year.

Chairman of the Supervisory Board

Jacek Kuciński