



### Dear Shareholders

It is with enormous satisfaction that I present to you the report of the past year. The year 2011 will undoubtedly go down in history as a uniquely vital chapter in the chronicle of KGHM Polska Miedź S.A. This was due not only to the celebrations marking the 50th anniversary of KGHM, but also because the decisions taken and investments commenced last year will be the engines of growth for KGHM for the next 50 years. The most important of these was start of the successfully-completed friendly purchase of the Canadian mining company Quadra FNX Mining Ltd, the successful divestiture from the telecommunications sector, and the program of investments in smelting, ecology and safety. There were also numerous events and distinctions in the area of corporate social responsibility and events related to the celebration of KGHM's Golden Jubilee. The slogan for the jubilee – Polish Copper – more valuable than gold – perfectly illustrates the value of the Company and is simultaneously reflected in the record results for 2011.

KGHM achieved a profit for the period of PLN 11.3 billion, meaning an increase versus the prior year by PLN 6.8 billion and the greatest result in the Company's history. The result was substantially impacted by the conclusion in the fourth quarter of 2011 of the sale of the telecom assets. The pre-tax profit on the sale of Polkomtel S.A. and Dialog S.A amounted to PLN 2.7 billion. For the full year 2011, KGHM also recorded a positive result on hedging transactions, which amounted to PLN 562.4 million.

The KGHM Group now owns a diversified portfolio of assets in countries of low-investment risk as well as a portfolio of projects ensuring growth of the production base. This includes 9 mines in Poland, Canada, the USA and Chile, and 5 projects at the investment and preinvestment stage: Sierra Gorda in Chile, Głogów Głęboki Przemysłowy in Poland, Afton-Ajax and Victoria in Canada and Malmbjerg in Greenland. Also included are exploration projects in Weisswasser in Germany, Wartowice, Szklary and Gaworzyce-Radwanice in Poland and Kirkwood, Falconbridge, Footwall and Foy in Canada.

KGHM is consistently realising its strategy of concentrating on its core business, assuming diversification in terms of geography and producing assets. That aspect of the strategy assuming the engagement by KGHM in the energy sector remains in force, including recently in the field of shale gas.

New horizons are opening for the Company. Numerous investment programs were begun related to production, safety and the environment. One of the most important programs undertaken last year is the program of investment at the Głogów smelter. The modernisation of pyrometallurgy, replacement of the sulphuric acid plant, and construction of a fourth Dörschel furnace were the most important projects. These investments involve not only the process of production, but also have an impact on environmental protection, safety and working conditions. 10 large projects valued at over PLN 2 billion are being realised at the Głogów smelter.

One of the Company's strategic assumptions is its active participation on the energy market, which the Company will achieve through realisation of its investment project "Construction of Gas-Steam blocks at the power plants in Głogów and Polkowice". This is a vital element of the consistently realised development strategy.

We are continuing exploration programs in the region of the Old Copper Belt and in the Saxony region of Weisswasser in Germany. The materials obtained from the preliminary drillings are encouraging for further testing.

The process was begun of renewing licenses for the extraction of copper ore from the deposits located in the mining regions of the Copper Belt. Ministerial agreement for KGHM Polska Miedź S.A. will mean the possibility of continuing the Company's activities for another 50 years.

The year 2011 brought KGHM a variety of distinctions documenting its significant role in the Polish economy, and underscoring the Company's corporate social responsibility.

Of particular importance for the Company is the title "One who is changing Polish industry". This award was granted for effective management of a major business structure and for clearly-described goals, their consistent

realisation, and also for matching them to the long-term growth prospects of the Company. The award committee recognised that KGHM took advantage of the propitious moment in the copper cycle to expand internationally and to realise its plans to create a global copper company through the plan to purchase Quadra FNX in Canada. The award committee also recognised that these plans offered KGHM a new opportunity for growth and the chance to effectively compete with the global leaders in the resources sector.

KGHM Polska Miedź S.A. has truly become a global company. The Company has gained a historic opportunity to make a quantum leap in its development and in its long-term value. I ensure you that we will take full advantage of this opportunity.

President of the Management Board

A handwritten signature in black ink, appearing to read 'H. Wirth', with a stylized flourish at the end.

Herbert Wirth