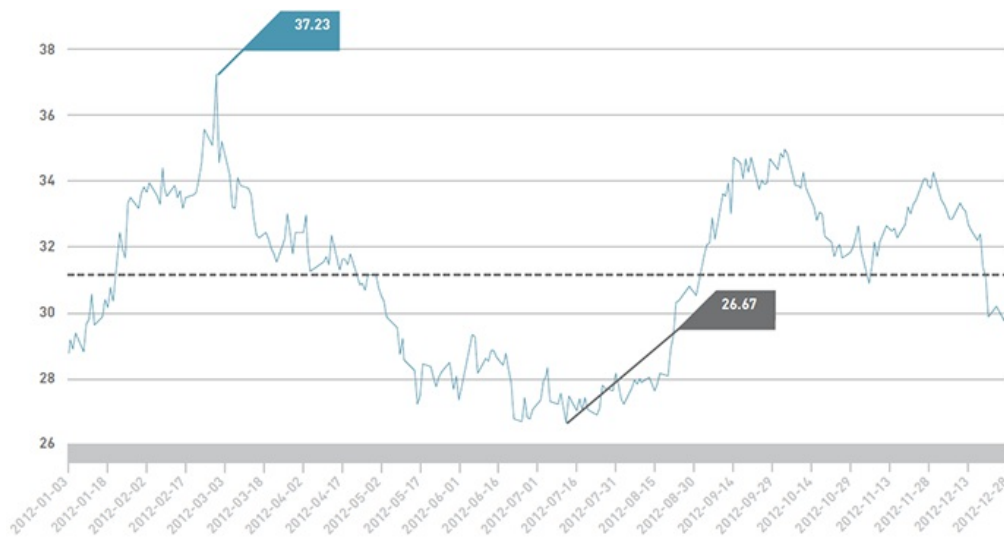


Silver market

The average annual silver price on the London Bullion Market (LBMA) in 2012 stood at 31.15 USD/troz and was 11% down versus the previous year (35.12 USD/troz). In the first quarter of the year, there was a dynamic increase in the price of silver by approximately 29% (from 28.78 USD/troz to 37.23 USD/troz) and during the fixing on 29 February 2012, the annual record was set. On that day, the price of silver in continuous trading reached the level of 37.46 USD/troz. The silver price rises observed in the first quarter originated from the continuing fears about the condition of the global economy. The risk aversion which made the investors shift some of the assets in the portfolios to precious metals (including silver) resulted mainly from the public announcements of the Chairman and members of the Federal Open Market Committee in the United States, including suggestions that additional Quantitative Easing associated with the potential weakening of the US dollar may be required in order to restore growth and reduce unemployment in the American economy. The market sentiment was also deteriorated by the behaviour of the international rating agencies which regularly downgraded the ratings of the Eurozone countries, triggering market falls and driving up the price of silver. One of the stronger fears was that Greece would be unable to implement the budget cuts required by the Troika (ECB, IMF and EC) to launch the new rescue packages. As of the beginning of March, sales transactions dominated the silver market, driven by the relative improvement of moods in the Eurozone. Following fulfilment of part of the requirements by Greece and launch of ECB's financing for banks at very convenient terms, the fears about the financial sector liquidity were weaker and resulted in a series of falls on the markets of precious metals. Mid-year saw another wave of rises on the silver market. This time, investors focused on Spain which recorded a number of all-time highs in bad debt value in the banking sector and requested for funding to rescue its banks against collapse. The situation was so serious that the European Central Bank not only supported Spanish banks but offered to buy Spanish bonds in order to reduce the burden on the country's budget. Moreover, Mario Draghi, President of the European Central Bank, declared in his famous speech that "he would do whatever is necessary to protect the Eurozone against collapse". The combination of all those events which occurred between June and October made investors regain trust in more volatile assets. Their sentiment changed and in October the price of silver returned permanently to a downward trend which continued until the end of 2012. Silver closed 2012 at a price level of 30.15 USD/troz.

Daily silver prices in 2012 and the average price level in 2012 (31.15 USD/troz) – LBMA fixing



Source: The London Bullion Market Association, KGHM