

## Company profile

Letter of the Chairperson of the Supervisory Board of KGHM Polska Miedź S.A.

### Dear Shareholders

2012 was a year in which KGHM Polska Miedź S.A. finalised the acquisition of a Canadian company Quadra FNX Mining Ltd. The transaction has undoubtedly been the biggest challenge in the history of the KGHM Group to date but, at the same time, clear evidence that the significance of the Polish economy on global markets is constantly growing. The Company's strength and position are reflected not only in its ambitions but also, primarily, in the financial performance results.

In 2012, KGHM Group posted a net profit of more than PLN 4.8 billion. The total production of electrolytic copper amounted to 676.3 thousand tonnes, an over 18% increase versus 2011. The output of 1 274 tonnes of silver made the Company one of the world leading manufacturers of that precious metal.

The takeover of the Canadian mining company Quadra FNX Mining Ltd. for a sum of PLN 9.1 billion means for KGHM access to copper deposits and mines in the United States, Canada and Chile. As a result of the transaction, the Company has increased its production capacity by 25%, while reducing the average extraction cost. The main source of our future growth will be the execution of the Sierra Gorda project in Chile involving mining a deposit estimated at 1.3 billion tonnes of ore rich in copper, gold and molybdenum. The launch of production under this ambitious project is scheduled for the first half of 2014.

International expansion is not only the matter of KGHM's aspirations. It is a conscious policy of development and diversification pursued in order to build the shareholder value and enhance the Company's position on the global market.

The geographic expansion, however, will not occur at the expense of the development of KGHM's resource base in Poland. The results of the first test drillings in Grodziecka Trough near Bolesławiec confirm the rationale for the further stages of the project and the scope of planned geological work, technical studies and design analyses includes a preliminary feasibility study. The implementation of another investment project, Głogów Głęboki Przemysłowy (Deep Głogów) continues to proceed on schedule. As part of the consistent execution of the Company's Strategy (Pillar III – Entry into the energy sector), KGHM implements, together with industry partners, a project of building a gas-steam block in Blachownia Power Plant and is engaged in exploration for, evaluation and extraction of shale gas. All those initiatives are aimed at securing the opportunities for future growth of the KGHM Group, to a large extent on the territory of Poland.

KGHM is much more than just mining, production and international expansion. It is a socially responsible Company, taking care of its employees, maintaining relationships with the local communities and supporting important social causes. The numerous awards received in 2012 in recognition of this aspect of our activity speak for themselves.

Ladies and Gentlemen,

On behalf of the Supervisory Board, I would like to thank all those who eagerly supported KGHM in the past year. We will need to continue proving our ability to effectively manage a global company and its international operations and will certainly face many new challenges while so many economies are still struggling against recession. I am positive that in 2013, just like in 2012, the combination of the Polish technological know-how – so often underestimated – with the determination and persistence in securing KGHM's long-term leadership on the global market of non-ferrous metals, will lead to a joint success of the KGHM Group and its shareholders.



Chairperson of the Supervisory Board

Aleksandra Magaczewska