

Company profile

Letter of the President of KGHM Polska Miedź S.A.

Dear Shareholders and Stakeholders

It is with utter joy and satisfaction that I present to you the Report of the Company for the past year. Courageous thinking, consistency in execution and effective implementation of the strategy made 2012 an exceptional year for KGHM Polska Miedź S.A.

The raw materials produced by the Company serve as the basis for modern and safe technologies which are of critical significance for the present times and for the future development of our world. Development is also the key word with which the past year will be associated in the history of our Company.

The acquisition of the Canadian mining company Quadra FNX Mining Ltd. was one of the largest and most prominent transactions for the Polish economy. No other Polish company has accomplished what KGHM Polska Miedź S.A. has managed to do. New prospects have opened for our Company. We have become a global player on the market of non-ferrous metals. The Company owns mines in Canada, the United States and Chile. We are also a co-owner of the world-class Sierra Gorda project in Chile. Sierra Gorda contains 1.3 billion tonnes of ore rich in copper, gold and molybdenum. Copper production will be launched next year, with the target output exceeding 200 thousand tonnes annually which is nearly a half of today's copper production in Poland. By acquiring the Canadian company we have secured an adequate resource base for ourselves and gained the real possibility of reducing the costs of copper production. This builds the value for shareholders. The key to success is peace of mind and good relationships with the environment. As a global player on the copper and silver manufacturing market, we remain committed, in a predictable and responsible way, to building the future, but not only for our own sake. The acquisition is also an opportunity for other Polish companies. Each large Polish investment abroad creates new options for other enterprises. It is also an opportunity for Polish academic institutions.

In 2012, we managed to maintain high volume of electrolytic copper and silver production, in line with the plan and, to our great satisfaction, we posted a solid profit despite the introduction of the minerals extraction tax last year. In this way we demonstrate successful achievement of the planned goals.

KGHM Polska Miedź S.A. has been the initiator of a Think Tank launched to promote Polish companies abroad. "POLAND GO GLOBAL!" is a project implemented in partnership with the ICAN Institute, the sole representative of Harvard Business Publishing Corporation in Poland. Its goal is to assist in the exchange of information and to disseminate theoretical and practical knowledge. We are also setting new standards in the relationship between business and academia. In order to gain competitive advantage on global markets, it is important to develop one's own innovative technologies. Therefore, together with the National Center for Research and Development, we have entered into a pioneering agreement on cooperation in Research and Development for the Polish sector of non-ferrous metals. Each year a number of R&D projects are implemented in the Company. These are both large projects, such as the introduction of mechanical mining methods, and smaller ones, responding to specific challenges of the individual components of our main technological processes. Our R&D activities enable achievement of our strategic goals.

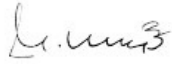
Openness, transparency and respect for the principles of sustainable development and corporate social responsibility are the crucial aspects of the Company's business operations. We assume special liability for what we do. Through the CSR activities, we are trying to compensate for our impact on the environment. We want to build trust in our Company and minimise all risks, including the social and environmental ones. We support the development of our region and of local communities.

During the past year, I had innumerable opportunities to learn that the success of KGHM depends mainly on its people – their ability to deal with difficulties, to respond flexibly to changes, to make the right decisions and, above all, to understand our long term strategy. The people are the Company's most valuable asset, as evidenced by a number of various awards received by KGHM in 2012.

Handing over this report to you, I wish to thank our shareholders for the trust they placed in us during the last year. On behalf of the entire Management Board, I would like to thank the Supervisory Board for their competent supervision over the activities of KGHM. Special thanks go to all of our employees for their professionalism, hard work and – consequently – for the achievements of KGHM Polska Miedź S.A. in recent years.



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