

KGHM POLSKA MIEDŹ S.A.

Dear Shareholders,

It is with enormous satisfaction that I sum up the year 2007 as an exceptional one in many regards. It was a year of two important events in the history of the Company – the fiftieth anniversary of the discovery of the copper ore deposit, and the tenth anniversary of the stock market debut. It should however be pointed out that it was not an exceptional year only because of these anniversaries, but above all because of the record financial results of the Company.

The consistent actions of the Management Board within the financial and commercial spheres led to the exploitation of market opportunities, as presented by the very high copper and silver prices on world markets. Although it was another year which witnessed the Polish zloty strengthen against the USD, the Company's revenues beat the record set the year before, reaching PLN 12.2 billion, while the profit for the period improved to PLN 3.8 billion.

A change in policy with regards to hedging transactions enabled the Company to reduce the level of benefits lost from the negative impact of hedging on the financial result in comparison to the prior year by 70%. In addition the Company built a hedging position in future years, giving the possibility of participation in possible further price rises.

The long term development of the Company foresees a further expansion of activities associated with metals production and processing. A priority task was to gain access to further licensed areas and to master the technology of mining ore from increasingly difficult geological deposits. The high, world-class technology for processing mined ore and recovering associated metals should ensure the Company of a continued presence on the market. The Management Board intends to continue this direction, along with a decided optimisation of costs, in subsequent years, alongside an assumed small decrease in production from internal concentrate.

I am fully convinced that the achievements and experience of 2007 represent great potential for the development of the Company in subsequent years. Despite the expectations of less favourable tendencies on the raw materials markets and the forecast increase in cost parameters, among others due to a global increase in energy and fuel prices and to increasing wages throughout the sector, the Company is well prepared for competing on world markets and maintaining its position as the largest integrated copper producer in Europe and the second largest silver producer in the world.

The strategy realised by the Management Board, based on the criteria of raising the value of the Company, has proved itself and will be continued, representing a guarantee of success for investors. In 2007 share prices reached their historic maximum of PLN 143 per share. Taking into account the increase in share prices during this period and the dividend paid out, the return from investing in the shares of KGHM Polska Miedź S.A. should meet the expectations of shareholders.

Our effectiveness was appreciated by the most important economic dailies – in 2007 the awards we received included the following: *Gazeta Giełdy PARKIET (Most valuable company on the Warsaw Stock Exchange)*, *Rzeczpospolita (Largest exporter)*, *Puls Biznesu (Giant of Central Europe)*, as well as weekly opinion makers - *Polityka (Most profitable company in Poland)* as well as *Newsweek* and the *Kronenberg foundation – (distinguished in the competition Good Business-Exclamation of Newsweek)*.

The Management Board is also aware of the social role played by the Company. KGHM is the largest employer in the region.

I would like to thank all of the employees for their commitment and hard work, without which our achievements would not have been possible. Thanks also to all of the Business Partners of KGHM, with the hope for equally fruitful cooperation in the future. The trust and satisfaction of our clients, with whom we have been cooperating for many years, is one of our strategic goals.

I deeply believe that the results achieved by the Company, its realised goals and intentions, will confirm to you – our shareholders, that you are investing in a stable Company, with a large potential for growth, enormous possibilities and perspectives, in a Company, which guarantees a high rate of return in subsequent years.

Lubin, 4 March 2008

Acting President of the Management Board

Ireneusz Reszczyński