

Dear Shareholders,

The year 2008 witnessed the occurrence of numerous spectacular events. It turned out that the crisis from 2007 on the American mortgage market became the spark which ignited the deepest global financial and economic crisis since the Great Depression of the 1930s. The first half of 2008 saw a historic strengthening of the Polish zloty against the American dollar and the Euro. Then, beginning from the end of July, this trend rapidly reversed. In the second half of the year prices on the commodities markets collapsed, as witnessed by the deep falls in copper and silver prices around the world.

Unfortunately, this unfavourable market trend was reflected in the Company's share price. In July it began a marked fall, and by the end of the year had dropped to a level not seen since May of 2005. KGHM's shares were not the only ones to suffer; a similar collapse occurred with the shares of all mining companies. Amidst all this gloom, a positive element for our shareholders was the payout of a high dividend of PLN 9 per share.

Despite the fact that macroeconomic factors were significantly worse than those projected in the Budget, the Company ended the year 2008 successfully. Projected results were achieved. Sales amounted to PLN 11.30 billion, while profit reached PLN 2.92 billion. Undoubtedly, the hedging strategies implemented in 2008 had a substantial impact on the Company's financial results. Approx. 35% of the Company's copper sales, and approx. 32% of its silver sales, were hedged (in 2007 these figures were respectively 25% and 6%). With respect to the currency market, approx. 11% of total revenues from sales were hedged (in 2007, 10%). The total impact of derivative transactions on the income statement amounted to PLN 368 million. Other important factors which had a major impact on profit were the increase in the volume of electrolytic copper sales by 10 thousand tonnes and the strong depreciation of the PLN in the fourth quarter of 2008.

KGHM Polska Miedź S.A. belongs to that group of companies whose financial results are strongly correlated to the level of global copper and silver prices and to the USD exchange rate. While the Company has no impact on these factors, it does have an impact on its costs, which determine its competitive position. Preventing their rise became a priority in 2008. A variety of decisions and actions were undertaken aimed at stopping their increase, and over the long term at reducing them. The most important of these were:

- The realisation in the years 2009-2013 of a „Pyrometallurgy modernisation” program, based on the construction of a new flash furnace, which will replace the ineffective shaft furnace at the Głogów I smelter.
- The commencement in the years 2009-2012 of the investment project „Construction of Gas-Steam Blocks in Głogów and Polkowice”. Its realisation will assure around 25% of the Company's electrical needs. This expansion of power capacity is related to the possibility of reducing the Company's electricity costs and improving the energy security of the KGHM Polska Miedź S.A. Group.
- The establishment from 2009 of a Central Purchasing Office, which will centralise purchasing throughout the Company, organise tenders and negotiate the best agreements.

In 2008 we were able to achieve something which had long gone unobserved in KGHM. Until now, production costs had increased in the fourth quarter. We were finally able to halt this trend. Production costs in the last quarter of 2008 were lower than in the previous one. This lets us look optimistically at the future.

The year 2008 was characterised by the largest investment expenditures in the Company's history. Investments were realised aimed at ensuring production levels, through the construction of shafts and associated infrastructure, allowing extraction in new regions of the mines. Their result is a flow of revenues from new production, offsetting deficits due to the conclusion of exploitation in other areas. In 2008, 92 km of access tunnels were built, and 253 new mining machines were purchased. The machinery replacement ratio increased to 19%, while the average age of the machines operating in KGHM's underground mines fell to 5 years. Projects were continued related to gaining access to new mine regions, such as the construction of the SW 4 shaft and the „Program for management of the Głogów Głęboki – Przemysłowy deposit”.

While market conditions were favourable, the Company's activities were aimed at sustainable growth, which during unfavourable market conditions is an inviolable principle for further growth. However, given the all-encompassing crisis we face, in working on the 2009 Budget we could restrict investment, but this would be a short-sighted policy. We believe that our completed and ongoing projects will lead to the further growth of KGHM Polska Miedź S.A. and its further competitive strengthening in the world.

The building of a strong and lasting foundation would not be possible without the commitment and efforts of the employees of KGHM Polska Miedź S.A. I hereby wish to thank them for the valuable part they have played in the growth and strengthening of the Company's position. I also want to assure them that despite the global crisis I shall do everything possible to guarantee them safe and stable jobs.

We have begun 2009 with optimism and the conviction that not only will we survive the current crisis in a good condition, but we will come out of it even stronger, in spite of the unstable and barely-predictable global economic situation. It is also impossible to predict the performance of the copper market. Despite this we will realise our plans, which are aimed at the further development of the Company and increasing in its value. Success tomorrow requires investment today.

I wish to thank our shareholders for the trust they have placed in us. I also want to assure them that I and my colleagues on the Management Board will do everything in our power to lead the Company through this difficult time in the best possible condition.

Mirosław Krutin

President
of the Management Board

Lubin, 27 March 2009