

**Report of the Supervisory Board of KGHM Polska Miedź S.A.
on the results of its evaluation of the Report of the Management Board
of the Parent Entity on the activities of the Group in financial year 2008
and on the results of its evaluation of the Consolidated Financial Statements
of the KGHM Polska Miedź S.A. Group for financial year 2008**

(approved by the Supervisory Board of KGHM Polska Miedź S.A. on 8 May 2009)

On 27 April 2009 the Supervisory Board of KGHM Polska Miedź SA, in accordance with § 20 sec. 2 points 1) and 3) of the Statutes of KGHM Polska Miedź SA, carried out an evaluation of the consolidated financial statements of the KGHM Polska Miedź SA Group for financial year 2008 and the Report of the Management Board on the Activities of the Group in financial year 2008.

In the course of its evaluation, the Supervisory Board reviewed the documents submitted to it by the Management Board of the Company, and in particular with the following:

1. The consolidated financial statements of the Group, comprising:
 - the consolidated balance sheet prepared as at 31 December 2008, which showed total assets of PLN 15 000 105 thousand,
 - the consolidated income statement for the period from 1 January 2008 to 31 December 2008, showing a profit for the period of PLN 2 765 866 thousand,
 - the statement of changes in equity for the period from 1 January 2008 to 31 December 2008, showing an increase in equity for the period of PLN 1 481 256 thousand,
 - the consolidated cash flow statement for the period from 1 January 2008 to 31 December 2008, showing a decrease in cash and cash equivalents during this period in the amount of PLN 786 762 thousand,
 - the accounting policies and other explanatory information to the consolidated financial statements.
2. The Report of the Management Board on the Activities of the Group in financial year 2008
3. The opinion and report on the audit of the consolidated financial statements of the Group issued by the Certified Auditor – Ernst & Young Audit Sp. z o.o.

Structure of the KGHM Polska Miedź SA Group

The Parent Entity of the Group is KGHM Polska Miedź SA. At 31 December 2008 KGHM Polska Miedź SA owned shares, directly or indirectly, in 38 commercial law companies, of which:

- 30 subsidiaries,
- 2 associates, and
- 6 other companies.

I. Evaluation of the consolidated financial statements

I.1. Consolidated balance sheet at 31 December 2008

Structure of consolidated balance sheet assets:

1. Non-current assets of PLN 9 113 159 thousand, i.e. 60.8 % of total assets, including:
 - property, plant and equipment of PLN 7 136 307 thousand, i.e. 78.3% of non-current assets,
 - investments in associates in the amount of PLN 1 498 116 thousand, i.e. 16.4% of non-current assets,

2. Current assets of PLN 5 856 959 thousand, i.e. 39% of total assets, including:
 - inventories of PLN 1 608 369 thousand, i.e. 27.5% of current assets,
 - trade and other receivables of PLN 1 469 959 thousand, i.e. 25.1 % of current assets,
 - cash and cash equivalents of PLN 2 065 763 thousand, i.e. 35.3% of current assets,

3. Non-current assets held for sale in the amount of PLN 29 987 thousand, i.e. 0.2% of total assets.

Structure of consolidated balance sheet equity and liabilities:

1. Consolidated equity of PLN 10 982 865 thousand, representing 73.2% of equity and liabilities:
 - share capital PLN 2 000 000 thousand,
 - other reserves PLN 517 456 thousand,
 - retained earnings PLN 8 407 049 thousand,
 - minority interest PLN 58 360 thousand.

4. Liabilities in the amount of PLN 4 017 240 thousand, i.e. 26.8% of equity and liabilities, of which:
 - non-current liabilities of PLN 1 849 264 thousand i.e. 46% of total liabilities. Important items in non-current liabilities are liabilities due to employee benefits in the amount of PLN 1 039 423 thousand and provisions for other liabilities and charges in the amount of PLN 599 315 thousand,
 - current liabilities of PLN 2 167 976 thousand, i.e. 54% of total liabilities. The main items in current liabilities are trade and other payables in the total amount of PLN 1 756 752 thousand, borrowings and finance lease liabilities of PLN 192 923 thousand and liabilities due to employee benefits in the amount of PLN 83 531 thousand.

I.2. Consolidated income statement for the period 1 January - 31 December 2008

The consolidated income statement for the financial year showed revenues from sales in the amount of PLN 12 654 885 thousand and costs of sales in the amount of PLN 8 489 581 thousand;

The following consolidated financial results were achieved:

- a gross profit of PLN 4 165 304 thousand;
- EBITDA) of PLN 3 867 729 thousand;
- an operating profit of PLN 3 186 362 thousand;
- profit before income tax in the amount of PLN 3 396 447 thousand,
- a profit for the period of PLN 2 765 866 thousand; of which PLN 2 766 179 thousand is attributable to shareholders of the Parent Entity, and PLN (313) thousand is minority interest.

The decrease in the consolidated financial result for 2008, as compared to the result of the Parent Entity, was due to technological obsolescence of non-current assets in the subsidiary Dialog SA and the subsequent recognition of an impairment of the assets of the company in this regard. This loss in the amount of PLN 268 270 thousand decreased the financial result of Dialog SA and in turn the consolidated result for 2008.

I.3. The statement of changes in equity for the period 1 January - 31 December 2008

Equity at the end of the financial year amounted to PLN 10 982 865 thousand.

The share capital of the Group in the amount of PLN 2 000 000 thousand is the share capital of the Parent Entity, i.e. KGHM Polska Miedź SA.

In 2008 the equity of the Group increased by PLN 1 481 256 thousand. This increase was due to:

- the earned profit for 2008 in the amount of PLN 2 765 866 thousand,
- the appropriation of Parent Entity profit for 2007 towards payment of a dividend in the amount of PLN 1 800 000 thousand,
- the change in revaluation reserve due to the measurement and settlement of hedging instruments and of available-for-sale financial assets in the amount of PLN 504 338 thousand (net).

I.4. Consolidated cash flow statement

The cash flow statement for the period from 1 January to 31 December 2008 showed a decrease in the total net cash flow of PLN 786 762 thousand

At 31 December 2008 Group cash and cash equivalents amounted to PLN 2 065 763 thousand.

Cash and cash equivalents were impacted by:

- net cash generated from operating activities – an increase in cash and cash equivalents of PLN 2 959 725 thousand;
- net cash used in investing activities – a decrease in cash and cash equivalents of PLN (1 919 124) thousand, of which due to capital expenditure, PLN (1 331 545) thousand and to purchase of shares of Polkomtel SA, PLN (737 686) thousand.

- net cash used in financing activities – a decrease in cash and cash equivalents of PLN (1 827 363) thousand, of which due to dividend payments in the Parent Entity, PLN (1 800 000) thousand.

II. Report of the Management Board on the Activities of the Group in 2008

In its report on the Activities of the Group in 2008, the Management Board of the Parent Entity presented that:

- The activities of the Group comprise 3 business segments:
 - segment I: metals (copper, precious metals), other smelter products – extraction, processing, production, trade and promotion, comprising the following companies: KGHM Polska Miedź SA, KGHM Congo S.P.R.L., Walcownia Metali Nieżelaznych Sp. z o.o., KGHM Polish Copper Ltd., KGHM Kupferhandelsges.m.b.H., WM „Łabędy” SA, KGHM Metraco SA
 - segment II: telecommunications – comprising the companies: Telefonía DIALOG SA PETROTEL Sp. z o.o., Avista Media Sp. z o.o.
 - segment III: other sectors – comprising the companies: KGHM Ecoren SA, PeBeKa SA DFM Zanam-Legmet Sp z o.o., Energetyka sp. z o.o., Pol-Miedź Trans Sp. z o.o., PHP „Mercus” sp z o.o., Interferie SA, „MCZ” SA, KGHM Cuprum sp. z o.o., CBJ sp z o.o., INOVA Spółka z o.o., KGHM LETIA SA, TUW – CUPRUM, WFP Hefra SA, PCPM sp. z o.o., Zagłębie Lubin SA, PHU „Lubinpex” Sp. z o.o.
- Employment in the KGHM Polska Miedź SA Group at the end of 2008 was 28 478, meaning an increase in employment by 786 versus the year 2007.

In the opinion of the Supervisory Board of KGHM, significant events in the companies of the Group in 2008 were with respect to:

- the total loss for the period of Group subsidiaries in the amount of PLN (247 518) thousand, caused by the loss of Dialog SA in the amount of PLN (292 139) thousand and the loss of Zagłębie Lubin SA in the amount of PLN (11 046) thousand. As a result the loss for the period of subsidiaries decreased the consolidated profit for the period of the Group;
- the foundation of PMT Linie Kolejowe sp. z o.o. with share capital of PLN 100 thousand, in which subsidiaries of the Group acquired 100% of the shares, of which POL-MIEDŹ TRANS Sp. z o.o. acquired 99% and PHP Mercus sp. z o.o., 1%;
- the acquisition of 75.06% of the shares of Petrotel Sp. z o.o. with a value of PLN 6 150 thousand; these shares were acquired by a subsidiary of the Group, Dialog SA,
- the disposal, for purposes of retirement, of minority shares (30%) in MINOVA-KSANTE Sp. z o.o. with a value of PLN 8 542 thousand. As a result of this transaction KGHM Polska Miedź SA no longer owns shares in MINOVA-KSANTE Spółka z o.o.
- the disposal by Zagłębie Lubin SA of shares of Ekstraklasa SA, representing 5.8 % of the share capital, to Gliwicki Klub Sportowy at their nominal value of PLN 58 thousand. Sale of the shares is related to the penalty of relegation of 1st Team of Zagłębie Lubin SA to the 1st football league in the 2008/2009 season.
- the bankruptcy proceedings of Vivid.pl SA, a 100% subsidiary of Dialog SA. The net carrying amount of the shares of Vivid.pl SA in the accounts of Dialog

SA amounted to PLN 4 279 thousand. The Court made a decision on bankruptcy in October 2008.

- a decision was taken in regards to liquidation of the company KGHM Polish Copper Ltd. By the end of 2008 the significant trade contracts of KGHM Polish Copper Ltd. were taken over by KGHM Polska Miedź SA, while the remaining trade contracts expired in the first months of 2009.
- an increase in the ownership share of KGHM Polska Miedź SA in Polkomtel SA, from 19.61% to 24.39%.

III. Summary of evaluation

As a result of its evaluation, the Supervisory Board hereby declares that the statements described above were prepared:

- based on the actual state, reflecting the true and fair results of economic activities for 2008 and the financial position and the assets of the Group as at 31 December 2008,
- correctly, in accordance with legal regulations governing the preparation of financial statements in respect of the form and content, including also in accordance with International Financial Reporting Standards, which were adopted by the EU.

Based on the results of this evaluation and on the positive opinion of the Certified Auditor – Ernst & Young Audit Sp. z o.o., which on 27 March 2009 issued an opinion and report on the audit of the consolidated financial statements for 2008 – the Supervisory Board hereby recommends that the General Meeting approve the consolidated financial statements of the KGHM Polska Miedź SA Group prepared as at 31 December 2008 and the report of the Management Board of the Parent Entity on the activities of the Group in financial year 2008.

Lubin, 8 May 2009