

**Report of the Supervisory Board of KGHM Polska Miedź S.A.
on the results of its evaluation of the report on the Company's activities
in financial year 2009, and on the results of its evaluation of the Financial
Statements of the Company for financial year 2009**

In accordance with art. 382 § 3 of the Commercial Partnerships and Companies Code and §20 sec. 2 points 1) and 3) of the Statutes of KGHM Polska Miedź Spółka Akcyjna, on 29 March 2010 the Supervisory Board of KGHM Polska Miedź S.A. carried out an evaluation of the financial statements of KGHM Polska Miedź S.A. for financial year 2009 and the Report on the Company's activities in financial year 2009.

The Supervisory Board has summarised the conclusions from the above evaluation, after reviewing the following documents presented to it by the Company:

- the financial statements for financial year 2009;
- the report on the Company's activities in financial year 2009; and
- the audit opinion and report of the Certified Auditor on the financial statements of the Company for 2009.

The results of the evaluation of the Supervisory Board are presented in the following report.

I. Evaluation of the financial statements for financial year 2009.

The financial statements of the Company were prepared in accordance with International Financial Reporting Standards:

- the statement of financial position, prepared as at 31 December 2009, which shows total assets and total equity and liabilities of PLN 13 953 030 thousand

- the statement of comprehensive income for the period from 1 January to 31 December 2009, comprised of:
 - o the income statement for the period from 1 January to 31 December 2009, which shows profit for the period of PLN 2 540 185 thousand
 - o other comprehensive income for the period from 1 January to 31 December 2009, which shows a decrease of PLN 391 520 thousand

- the statement of changes in equity for the period from 1 January to 31 December 2009, which shows a decrease in equity of PLN 187 335 thousand

- the statement of cash flows for the period from 1 January to 31 December 2009, which shows a decrease in cash and cash equivalents of PLN 802 880 thousand

- the accounting policies and other explanatory information to the financial statements

I.1 The statement of financial position as at 31 December 2009.

Total assets and total equity and liabilities shown in the statement of financial position as at 31 December 2009 versus their amount as at 31 December 2008 increased by PLN 52 466 thousand.

Structure of assets in the statement of financial position:

1. **Non-current assets** of PLN 9 508 897 thousand, representing 68.1% of total assets, of which:

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|---------------------------------|------------------------|------------|-----------------------|
| - property, plant and equipment | PLN 5 937 513 thousand | i.e. 62.4% | of non-current assets |
| - shares in subsidiaries | PLN 1 915 224 thousand | i.e. 20.1% | of non-current assets |
| - investments in associates | PLN 1 159 947 thousand | i.e. 12.2% | of non-current assets |

The change in the value of non-current assets versus their amount at 31 December 2008 is mainly due to:

- investments in machinery and equipment and in buildings and constructions, and
- the increase in the value of investments in shares of subsidiaries due to increases of their share capital.

2. **Current assets** of PLN 4 443 909 thousand, representing 31.8% of total assets, of which:

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|-------------------------------|------------------------|-------------|-------------------|
| - inventories | PLN 1 890 286 thousand | i.e. 42.5% | of current assets |
| - trade and other receivables | PLN 1 314 598 thousand | i.e. 29.6 % | of current assets |
| - cash and cash equivalents | PLN 975 198 thousand | i.e. 21.9% | of current assets |

The change in the value of current assets versus their amount at 31 December 2008 is due to:

- the increase in technological inventories, and
- the decrease in cash and cash equivalents.

Structure of equity and liabilities in the statement of financial position:

1. **Equity** of PLN 10 403 957 thousand, representing 74.6% of equity and liabilities, of which:

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|--|-------------------------|
| - share capital | PLN 2 000 000 thousand, |
| - accumulated other comprehensive income | PLN 127 228 thousand, |
| - retained earnings | PLN 8 276 729 thousand. |

The decrease in the value of equity versus its amount at 31 December 2008 is due to a decrease in accumulated other comprehensive income, in particular income due to future cash flow hedging financial instruments.

2. **Liabilities** of PLN 3 549 073 thousand, representing 25.4% of total equity and liabilities, of which:

- non-current liabilities of PLN 1 704 420 thousand,
i.e. 48% of liabilities, of which:
liabilities due to employee benefits of PLN 1 098 399 thousand and provisions for other liabilities and charges in the amount of PLN 515 619 thousand,

The increase in non-current liabilities versus their amount at 31 December 2008 involves the revaluation of liabilities due to employee benefits, carried out by actuarial methods.

- current liabilities of PLN 1 844 653 thousand,
i.e. 52% of liabilities, of which:
trade and other payables in the amount of PLN 1 376 049 thousand, derivative financial instruments of PLN 273 503 thousand and liabilities due to employee benefits of PLN 93 122 thousand.

I.2 The statement of comprehensive income for the period from 1 January – 31 December 2009

The income statement for the financial year showed:

- sales of PLN 11 060 540 thousand
- a cost of sales of PLN 7 127 255 thousand,
The result was a gross profit of PLN 3 933 285 thousand,
- operating profit + depreciation/amortisation (EBITDA) of PLN 3 645 745 thousand,
- operating profit of PLN 3 098 092 thousand,
- profit before tax of PLN 3 066 569 thousand, and
- profit for the period of PLN 2 540 185 thousand, meaning earning per share of PLN 12.70.

Other comprehensive income shows a decrease in the financial period due to:

- the measurement and settlement of available-for-sale financial assets of PLN (8 776) thousand (net),
- the measurement and settlement of future cash flow hedging financial instruments of PLN (382 744) thousand (net).

I.3 The statement of changes in equity for the period from 1 January – 31 December 2009

Equity at the end of the financial year amounted to PLN 10 403 957 thousand.

Equity is comprised of:

- share capital PLN 2 000 000 thousand
 - accumulated other comprehensive income
(from revaluation of financial assets) PLN 127 228 thousand
 - retained earnings PLN 8 276 729 thousand
- of which:
- reserve capital created in accordance

with art. 396 of the Commercial Partnerships and Companies Code	PLN 660 000 thousand
- reserve capital created in accordance with the Statutes of the Company	PLN 5 076 544 thousand
- profit for 2009	PLN 2 540 185 thousand.

In 2009 the equity of the Company decreased by PLN 187 335 thousand.

This change was due to:

- the profit for 2009 of PLN 2 540 185 thousand,
- the allocation of profit for 2008 as a dividend in the amount of PLN 2 336 000 thousand, and
- a change in equity due to the measurement and settlement of hedging instruments and of available-for-sale financial assets in the amount of PLN (391 520) thousand (net).

At 31 December 2009 the ownership structure of KGHM Polska Miedź S.A. was as follows:

- the State Treasury: 41.79%, representing PLN 835 899 thousand of the share capital,
- other shareholders (holding less than 5% of the share capital): 58.21%, representing PLN 1 164 101 thousand of the share capital.

On 12 January 2010 the Company received an announcement from the Minister of the State Treasury on the sale by the State Treasury on 8 January 2010, on a regulated market, of 20 000 000 shares of KGHM Polska Miedź SA.

At 31 March 2010 the ownership structure of the Company was as follows:

- the State Treasury: 31.79%, representing PLN 635 899 thousand of the share capital,
- other shareholders (holding less than 5% of the share capital): 68.21%, representing PLN 1 364 101 thousand of the share capital.

I.4 The statement of cash flows

The statement of cash flows, during the period from 1 January – 31 December 2009, showed a net decrease of cash and cash equivalents of PLN 802 880 thousand.

Cash and cash equivalents of the Company at 31 December 2009 amounted to PLN 975 198 thousand.

Net cash flow was impacted by:

- net cash generated from operating activities: PLN 2 487 385 thousand;
- net cash used in investing activities: PLN (946 703) thousand;
- net cash used in financing activities: PLN (2 343 562) thousand.

II. Evaluation of the report on the activities of the Company in 2009

II.1 Employment

Employment in KGHM Polska Miedź S.A. at the end of 2009 was 18 413 persons, which means a decrease in employment by 222 persons versus 2008.

II.2 Investments in property, plant and equipment

In 2009 the Company realised investments in property, plant and equipment in the amount of PLN 1 069.8 million (PLN 1 139.9 million in 2008),

The most important investments realised in 2009 were the following:

- construction of the SW-4 shaft – work continued on freezing and sinking of the shaft (PLN 145 million),
- continued realisation of drift tunnelling to access the Głogów Głęboki Przemysłowy mining area. Work continued on developing the technical infrastructure with respect to the underground power grid, dewatering system, horizontal transport system and ventilation. Work was completed on drilling test holes as part of preparatory work for sinking of the GG-1 shaft. Total expenditures amounted to PLN 57 million,
- investments related to developing the infrastructure of the excavation sections of the mines – conveyor belts and retention tanks were developed, underground electrical switching gear and power lines were built and heavy machinery cells were built and outfitted (PLN 114 million),
- modernisation and replacement of the machinery park in the mines (PLN 195 million),
- replacement-related investments in the smelters (PLN 95 million),
- investments related to improving and maintaining the safety of the Żelazny Most tailings pond (PLN 63 million),
- power and communications facilities (PLN 33 million),
- ventilation and air conditioning equipment in the mines (PLN 28 million),
- investments related to conveyor belt and pipe transport (PLN 19 million),
- modernisation of pirometallurgy in the Głogów II smelter (PLN 38 million),
- construction of a 4th Doerschel furnace at the Głogów smelter (3 million),
- preparation of Pirometallurgy Modernisation Program at the Głogów I smelter (PLN 6 million),
- construction of gas-steam blocks in the powerplants in Głogów and Polkowice – expenditures incurred in the amount of PLN 692 thousand to develop a technical-economic analysis for the selection of gas-steam blocks were reimbursed, and a technical advisor was selected. Actions were also taken with respect to obtaining project financing from EU funds.

The main areas of investment activities in the years 2010-2014 comprise activities involving increased productivity of the Company's core business and diversification of its activities.

II.3 Equity investments

In 2009 the Company realised equity investments in the amount of PLN 170.2 million (PLN 793.1 million in 2008).

The most important of these involved the acquisition of shares in the following companies:

- POL-MIEDŹ TRANS Sp. z o.o. – the share capital was increased in February 2009 by a contribution in kind in the form of perpetual usufruct of land in the amount of PLN 150 thousand, and in November 2009 by cash in the total amount of PLN 10 000 thousand,
- Energetyka Sp z o.o.: - an increase in share capital of PLN 153 500 thousand. The company used the funds obtained for partial financing of the purchase of 85% of the shares of WPEC Legnica SA,
- CBJ Sp. z o.o. - an increase in share capital of PLN 2 205 thousand. The company used the funds for realisation of investments related to automatization of the processes of collecting samples for analysis,
- MCZ S.A. - an increase in share capital of PLN 1 500 thousand. The company used the funds for the purchase of medical equipment,
- KGHM TFI S.A. acquired 100% of the shares of this newly-founded company, and covered them by cash in the total amount of PLN 2 800 thousand.

During the financial year 11.88% of the shares of Polskie Towarzystwo Reasekuracyjne Spółka Akcyjna were sold, with a nominal value of PLN 12 500 thousand, for the price of PLN 20 000 thousand.

II.4 Dividends received

In 2009 KGHM Polska Miedź S.A. received dividends in the amount of PLN 454 848 thousand, including PLN 418 222 thousand from the associate Polkomtel S.A.

II.5 Company share performance on the Warsaw Stock Exchange

The market value of the Company at the end of the year amounted to PLN 21 200 million (PLN 5 624 million at the end of 2008). The per-share value of KGHM at the end of December 2009 amounted to PLN 106 (i.e. an increase of 277% versus the share price at the end of December 2008).

III. Proposal of the Management Board concerning the appropriation of profit for 2009

The Management Board of KGHM Polska Miedź S.A. presented to the Supervisory Board a proposal for the appropriation of profit in the amount of PLN 2 540 185 319.47 in the following manner:

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|------------------------------|-----------------------|
| - as a shareholders dividend | PLN 600 000 000.00, |
| - to reserve capital | PLN 1 940 185 319.47. |

IV. Summation

As a result of its evaluation, the Supervisory Board hereby finds that the above-mentioned statements were prepared:

- based on the actual state, reflecting truly and fairly the results of economic activities for 2009 and the financial position and the assets of the Company as at 31 December 2009,
- in accordance with legal regulations governing the preparation of financial statements in respect of form and content, including also in accordance with International Financial Reporting Standards.

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 26 March 2010 issued an opinion and report on the audit of the financial statements for 2009, the Supervisory Board hereby recommends that the General Meeting approve the financial statements of the Company prepared as at 31 December 2009 and the report on the activities of the Company in financial year 2009.

Following evaluation of the proposal of the Management Board as to the appropriation of profit for financial year 2009, the Supervisory Board gave a positive opinion of the proposal.

Warsaw, 16 April 2010