

**Report of the Supervisory Board of KGHM Polska Miedź S.A.
on the results of its evaluation of the Report of the Management Board on the
Company's Activities in financial year 2008, on the results of its evaluation of
the Financial Statements of the Company for financial year 2008, and the
proposal of the Management Board on the appropriation of Company profit 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 S.A., in accordance with art. 382 § 3 of Commercial Partnerships and Companies Code (KSH) and § 20 sec. 2 points 1) to 3) of the Statutes of KGHM Polska Miedź S.A., carried out an evaluation of the financial statements of KGHM Polska Miedź S.A. for financial year 2008, the Report of the Management Board on the Company's Activities in financial year 2008 and the proposal of the Management Board on the appropriation of Company profit for financial year 2008.

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 2008,
- the Report of the Management Board on the Company's Activities in financial year 2008,
- the audit opinion and report of the Certified Auditor for the financial statements of the Company for 2008,
- the proposal of the Management Board on the appropriation of profit for financial year 2008.

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

I. Evaluation of the financial statements for financial year 2008

The financial statements of the Company were prepared in accordance with International Financial Reporting Standards approved by the European Union, and comprise:

- the balance sheet prepared as at 31 December 2008, which showed total assets of PLN 13 900 564 thousand,
- the income statement for the period from 1 January 2008 to 31 December 2008, showing a profit for the period of PLN 2 920 378 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 1 625 343 thousand,
- the 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 781 628 thousand,
- the accounting policies and other explanatory information to the financial statements.

I.1 Balance sheet as at 31 December 2008

Structure of balance sheet assets:

1. Non-current assets of PLN 8 703 565 thousand, representing 62.6% of total assets.
In non-current assets:
 - PLN 5 515 028 thousand, i.e. 63% of non-current assets, represent property, plant and equipment,
 - shares in subsidiaries in the amount of PLN 1 795 013 thousand, represent over 20% of non-current assets,
 - investments in associates in the amount of PLN 1 163 640 thousand, represent 13.4% of non-current assets,
2. Current assets of PLN 5 173 979 thousand, representing 37.2% of total assets,
including in current assets:
 - inventories of PLN 1 446 802 thousand: 28% of current assets,
 - trade and other receivables of PLN 1 222 501 thousand – 23.6 % of current assets,
 - cash and cash equivalents of PLN 1 793 580 thousand – 34.7% of current assets.

Structure of balance sheet equity and liabilities:

1. Equity in the amount of PLN 10 591 292 thousand, representing 76.2% of equity and liabilities.
Equity includes:

- share capital	PLN 2 000 000 thousand,
- other reserves	PLN 518 748 thousand,
- retained earnings	PLN 8 072 544 thousand
2. Liabilities in the amount of PLN 3 309 272 thousand, representing 23.8% of equity and liabilities, of which:
 - non-current liabilities of PLN 1 640 668 thousand, representing approx. 50% of total liabilities. Important items in non-current liabilities respect liabilities due to employee benefits in the amount of PLN 975 697 thousand, and provisions for other liabilities (mainly due to future costs of decommissioning of mines) and other charges in the amount of PLN 591 320 thousand,
 - current liabilities of PLN 1 668 604 thousand, i.e. 50.4% of liabilities.
The main items are trade and other payables of PLN 1 476 088 thousand, current liabilities due to employee benefits of PLN 73 289 thousand, and current corporate tax liabilities on annual settlements of PLN 64 866 thousand.

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

The income statement for the financial year showed revenues from sales in the amount of PLN 11 302 913 thousand and costs of sales in the amount of PLN 7 215 430 thousand.

The following financial results were achieved:

- a gross profit of PLN 4 087 483 thousand;
- EBITDA of PLN 4 077 740 thousand;
- an operating profit of PLN 3 596 364 thousand;
- profit before income tax in the amount of PLN 3 553 629 thousand;
- a profit for the period of PLN 2 920 378 thousand;

Profit per share amounted to PLN 14.60.

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 10 591 292 thousand.

Equity included:

- | | |
|--|------------------------|
| - share capital | PLN 2 000 000 thousand |
| - other reserves
(from revaluation of financial assets) | PLN 518 748 thousand |
| - retained earnings | PLN 8 072 544 thousand |
| of which: | |
| - reserve capital created under art. 396 of the KSH | PLN 660 000 thousand |
| - reserve capital created under the Statutes | PLN 4 492 166 thousand |
| - profit for 2008 | PLN 2 920 378 thousand |

Ownership structure of KGHM Polska Miedź S.A. at 31 December 2008:

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

In 2008 the Company's equity increased by PLN 1 625 343 thousand.

This change in equity was due to the earned profit for 2008 in the amount of PLN 2 920 378 thousand, the appropriation of profit for 2007 as a dividend payment in the amount of PLN 1 800 000 thousand and to a change in revaluation reserve due to the measurement and settlement of hedging instruments and available-for-sale financial assets in the amount of PLN 504 965 thousand (net).

I.4 Cash flow statement

The cash flow statement for the period from 1 January to 31 December 2008 showed a decrease in the value of cash and cash equivalents of PLN 781 628 thousand.

At 31 December 2008 Company cash and cash equivalents amounted to PLN 1 793 580 thousand.

Cash and cash equivalents were impacted by:

- net cash generated from operating activities – an increase in cash and cash equivalents of PLN 2 749 171 thousand;

- net cash used in investing activities – a decrease in cash and cash equivalents of PLN (1 721 778) thousand; of which due to capital expenditure, PLN (1 080 603) thousand and to purchase of shares of Polkomtel S.A., PLN (737 686) thousand,
- net cash used in financing activities – a decrease in cash and cash equivalents of PLN (1 809 021) thousand, mainly due to dividend payments, PLN (1 800 000) thousand.

II. Evaluation of the Report of the Management Board on the Activities of the Company in 2008

II.1. Employment

At the end of 2008 employment in the Company amounted to 18 635, meaning an increase in employment by 376 persons versus 2007.

II.2. Capital expenditures and equity investments

The Company realised capital expenditures in the amount of PLN 1 139.9 million (PLN 828.1 million in 2007), while equity investments amounted to PLN 793.1 million (PLN 154.6 million w 2007).

The most important investments realised in 2008 were the following:

- modernisation and replacement of machinery in the mines: 253 mining machines were purchased for the total amount of approx. PLN 222 million;
- continued infrastructural development of the mining sections, investments related to conveyor belt transport, and the acquisition of ventilation and air conditioning equipment (PLN 131 million);
- replacement-related investments in the smelters (PLN 102 million);
- continued realisation of drift tunnelling to access the Głogów Głęboki-Przemysłowy mining area. In addition, testing holes were made as part of the preparations for excavation of the GG-1 shaft. Total expenditures amounted to PLN 86 million.
- investments in power and telecommunications facilities (PLN 78 million);
- continued construction of the SW-4 shaft (PLN 71 million);
- facilities related to improving and maintaining the safe operation of the Żelazny Most tailings pond, and eliminating its environmental impact (PLN 47 million);
- investments related to the project (Modernisation of pyrometallurgy in the Głogów II smelter) (PLN 41 million).

In addition, decisions were made on realisation of the following projects, whose significant financial effects will impact on subsequent years:

- modernisation of pirometallurgy in the Głogów I smelter,
- constructing gas-steam blocks in the powerplants in Głogów and Polkowice – each of these has two gas turbines of 15 MWe and a steam turbine of 15 MWe,

- implementation of an IT system for underground machine servicing, to enable centralised management of mining machinery repairs.

The most important equity investments in 2008 involved the purchase or acquisition of shares in the following companies:

- Polkomtel S.A.: 980 486 shares for PLN 726 391 thousand, increasing the stake of KGHM Polska Miedź S.A. to 24.39% from 19.61%;
- „Energetyka” sp. z o.o.: through an increase in share capital of PLN 27 317 thousand to assure the company of funds for modernisation work related to the expansion of power generation capacity. The ownership percentage of KGHM Polska Miedź S.A. in the share capital remained unchanged and amounts to 100%;
- PeBeKa S.A.: through an increase in share capital of PLN 33 815 thousand. The company used these funds to purchase mining machinery. The ownership percentage of KGHM Polska Miedź S.A. in the share capital remained unchanged and amounts to 100%;
- KGHM LETIA S.A.: through an increase in share capital of PLN 4 448 thousand. The ownership percentage of KGHM Polska Miedź S.A. in the share capital decreased to 85.54% from 94.96%, as the Voivodeship of Lower Silesia increased its stake in KGHM LETIA S.A., covering the shares acquired with a contribution in kind in the form of property with a value of PLN 2 980 thousand;
- „MCZ” S.A.: in December, KGHM Polska Miedź S.A. acquired, through a cash payment, shares in the increased share capital of „MCZ” S.A. for the total amount of PLN 1 101 thousand.

II.3. Capital decreases and disposals of shares of KGHM Polska Miedź S.A.

- DIALOG S.A. – in relation to the preparations of DIALOG S.A. for a debut on the Warsaw Stock Exchange, the share capital of DIALOG S.A. was decreased from PLN 1 959.8 million to PLN 489.95 million, i.e. by PLN 1 469.85 million. The funds arising from this decrease in share capital were used to cover losses from prior years (from the period 1997-2006) in the amount of PLN 913 150 thousand and to increase reserve capital by PLN 556 700 thousand
- a minority stake (30%) in MINOVA-KSANTE Spółka z o.o. was sold back to this company in order to retire these shares. These shares were sold based on an agreement entered into between KGHM Polska Miedź S.A. and MINOVA-KSANTE Spółka z o.o. The sale price for the 13 500 shares was PLN 8 542 thousand, with the gain from their sale amounting to PLN 7 233 thousand.

II.4. Dividends received

In 2008 KGHM Polska Miedź S.A. received dividends of PLN 237 174 thousand, including PLN 182 859 thousand from Polkomtel S.A.

II.5. Share performance of the Company on the WSE

The share price of KGHM at the end of December 2008 was PLN 28.12 (a decrease of 73% versus the price at the end of December 2007). Such a low price of KGHM shares meant strong undervaluation of the Company on the Warsaw Stock Exchange and did not reflect the market value of the Company.

III. Management Board proposal on appropriation of 2008 profit

The Management Board of KGHM Polska Miedź S.A. presented to the Supervisory Board its proposal that the financial result for 2008 in the amount of PLN 2 920 378 381.04 remain in the Company, through allocation to the Company's reserve capital.

The Supervisory Board of KGHM Polska Miedź S.A., after review of the proposal of the Management Board and following voting, did not pass a resolution in this matter.

IV. 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 Company as at 31 December 2008,
- in accordance with laws regulating the preparation of financial statements as to their form and content, including those in respect of International Financial Reporting Standards as adopted by the European Union.

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 financial statements for 2008 – the Supervisory Board hereby recommends that the General Meeting approve the financial statements of the Company prepared as at 31 December 2008 and the report of the Management Board on the activities of the Company in financial year 2008.

After a review of the proposal of the Management Board on the appropriation of Company profit for financial year 2008, the Supervisory Board of KGHM Polska Miedź S.A. carried out voting and did not pass a resolution in this matter.

Lubin, 8 May 2009