

**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 Group in
2007 and the consolidated financial statements of the Group
for financial year 2007**

The Supervisory Board of KGHM Polska Miedź S.A., in accordance with § 20 sec. 2 points 1) and 3) of the Statutes of KGHM Polska Miedź S.A., has carried out an evaluation of the annual Consolidated Financial Statements of the KGHM Polska Miedź S.A. Group.

During its evaluation, the Supervisory Board reviewed the documents submitted by the Management Board of the Company, and in particular the Annual Consolidated Financial Statements of the KGHM Polska Miedź S.A. Group for financial year 2007, comprising:

1. the Consolidated Financial Statements, i.e.:

- The introduction to the consolidated financial statements,
- The consolidated balance sheet prepared as at 31 December 2007, which showed total assets of PLN 13 459 505 thousand
- Non-current assets amounted to PLN 7 888 364 thousand (i.e. 58.6% of assets), while current assets amounted to PLN 5 570 957 thousand (i.e. 41.4% of assets). Among non-current assets key items were held by: property, plant and equipment (PLN 6 614 352 thousand, i.e. 83.8% of non-current assets), investments in associates (PLN 690 096 thousand, i.e. 8.7%) and assets due to deferred income tax (PLN 320 506 thousand, i.e. 4.1% of non-current assets). The three most important items of current assets are: cash and cash equivalents (PLN 2 812 096 thousand, i.e. 50.5% of current assets), inventories (PLN 1 744 495 thousand, i.e. 31.3% of current assets), and trade and other receivables (PLN 925 367 thousand, i.e. 16.6% of current assets).

Equity amounted to PLN 9 501 609 thousand (i.e. 70.6% of total equity and liabilities), while liabilities amounted to PLN 3 957 896 (i.e. 29.4% of total equity and liabilities).

The two main items in equity were: retained earnings (PLN 7 440 870 thousand, i.e. 78.7% of equity) and registered share capital (PLN 2 000 000 thousand, i.e. 21.1%).

Non-current liabilities reached the level of PLN 1 710 812 thousand and represented 43.2% of total liabilities, while current liabilities amounted to PLN 2 247 084 thousand, i.e. 56.8% of total liabilities.

The main items of non-current liabilities are: liabilities due to employee benefits in the amount of PLN 919 923 thousand, i.e. 53.8% of non-current liabilities, and provisions for other liabilities and charges in the amount of PLN 570 327 thousand, i.e. 33.3% of non-current liabilities.

Meanwhile the main items of current liabilities are: trade and other payables in the amount of PLN 1 602 513 thousand, i.e. 71.3% of current liabilities, as well as liabilities due to current corporate income tax in the amount of PLN 343 377 thousand, i.e. 15.3% of current liabilities.

- The consolidated income statement for the period from 1 January 2007 to 31 December 2007, which showed:
 - revenues from sales in the amount of PLN 13 494 128 thousand and costs of sales in the amount of PLN 7 578 224 thousand, which gave a gross profit on sales of PLN 5 915 904 thousand;
 - operating profit + depreciation (EBITDA) in the amount of PLN 5 124 499 thousand;
 - operating profit in the amount of PLN 4 526 953 thousand;
 - profit before tax in the amount of PLN 4 756 887 thousand, and
 - profit of PLN 3 935 516 thousand;
- The statement of changes in equity for the period from 1 January 2007 to 31 December 2007, showing equity at the end of the period in the amount of PLN 9 501 609 thousand and a change in equity in the period from 1 January 2007 to 31 December 2007 in the amount of PLN 987 697 thousand;
- The consolidated cash flow statement for the period from 1 January 2007 to 31 December 2007, which showed:
 - net cash generated from operating activities in the amount of PLN 4 668 405 thousand;
 - net cash used in investing activities in the amount of PLN (799 384) thousand;
 - net cash used in financing activities in the amount of PLN (3 335 447) thousand;

- as a result there was an increase in cash and cash equivalents during this period in the amount of PLN 533 574 thousand, and

- cash and cash equivalents at the end of the period amounted to PLN 2 812 096 thousand;

- Additional information in the form of notes to the consolidated financial statements.

1. The Report of the Management Board on the Activities of the Group in 2007, from which the following information may be learned:

- The Parent Entity of the Group is KGHM Polska Miedź SA;
- As at 31 December 2007 KGHM Polska Miedź SA owned, directly or indirectly, shares in 39 commercial law companies, including in:
 - 28 subsidiaries;
 - 3 associates;
 - 8 other companies
- The activities of the Group may be divided into three segments
 - segment I: metals (copper, precious metals), other smelter products – extraction, processing, production, trade and promotion, encompassing the following companies: KGHM Polska Miedź SA, KGHM Congo S.P.R.I., WMN Sp z o.o., KGHM Polish Copper Ltd., KGHM Kupferhandelsges m.b.H. and WM „Łabędy” SA, KGHM Metraco SA.
 - segment II: telecommunications – encompassing the following companies: Dialog SA, Vivid.pl S.A. and Avista Media Sp z o.o.
 - segment III: other sectors – encompassing the following 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. – CBR, CBJ Sp z o.o., Inova Sp z o.o., KGHM Letia SA, TUW – Cuprum, WFP Hefra SA, PCPM Sp z o.o., Zagłębie Lubin SSA and PHU „Lubinpex” Sp z o.o.
- At the end of 2007 there were 27 692 people employed in the KGHM Polska Miedź S.A. Group, meaning an increase in employment by 763 positions versus 2006. The highest average employment in 2007 in the amount of 17 989 was in KGHM Polska Miedź S.A.

2. Opinion and Report from the audit of the Consolidated Financial Statements of the Group for 2007 issued with a date of 15 April 2008 by the Certified Auditor – Ernst & Young Audit Sp z o.o.

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

- based on the factual state, reflecting the true and fair results of economic activities for 2007 and on the financial condition and the assets of the Group as at 31 December 2007,
- 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 approved by the EU,

In the opinion of the Supervisory Board, in financial year 2007 the following events were of significance in the KGHM Polska Miedź S.A. Group:

- there was an improvement in the financial results of the Group, although this was mainly due to an increase in revenues (approx. 95% of this from the Parent Entity) and profits earned by the Parent Entity, mainly due to an increase in copper and silver prices and to a lower adjustment of revenues due to hedging transactions,
- a new entity was founded (in association with the Voivodeship of Lower Silesia and Wrocław University of Technology) called KGHM LETIA Legnicki Park Technologiczny S.A.,
- income of KGHM Polska Miedź SA due to dividends from Polkomtel SA in 2007 amounted to PLN 264.2 million,
- KGHM Polska Miedź increased the share capital of „Energetyka” Sp z o.o. by PLN 30.4 million, and that of „Zagłębie” Lubin SSA by PLN 100 million (for the building of a stadium),
- the company Dialog significantly decreased in value, and the share capital of Dialog S.A. was decreased from PLN 1 959.80 million to PLN 489.95 million.

Lubin, 16 May 2008