

KGHM POLSKA MIEDŹ S.A.

**REPORT OF THE MANAGEMENT
BOARD ON THE COMPANY'S
ACTIVITIES IN 2008**

Lubin, March 2009

KGHM POLSKA MIEDŹ S.A. IN THE YEARS 1997-2008

(data for the years 1997-2005 per published annual reports, and since 2006 per IFRS)

		1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	Change 2007=100
Income statement														
Sales	m PLN	4 089	3 642	4 113	4 983	4 218	4 488	4 741	6 158	8 000	11 670	12 183	11 303	92.8
Profit on sales	m PLN	905	240	348	941	173	152	431	1 445	2 707	4 139	4 880	3 392	69.5
EBITDA*	m PLN	1 212	631	319	1 198	144	753	956	1 761	2 937	4 784	5 101	4 078	79.9
Profit before income tax	m PLN	914	310	(58)	795	(147)	310	569	1 446	2 635	4 380	4 656	3 554	76.3
Profit for the period	m PLN	502	179	(170)	618	(190)	255	412	1 397	2 289	3 605	3 799	2 920	76.9
Balance sheet														
Total assets	m PLN	4 937	4 975	4 884	5 757	7 557	8 155	8 695	8 948	10 977	12 251	12 424	13 901	111.9
Non-current assets	m PLN	3 558	3 698	3 579	4 177	4 735	6 440	6 621	6 552	7 079	7 017	7 431	8 704	117.1
Current assets	m PLN	1 364	1 242	1 250	1 381	2 657	1 715	2 074	2 397	3 899	5 234	4 992	5 174	103.6
Equity	m PLN	4 021	4 096	3 470	4 067	3 696	4 011	4 007	5 337	6 214	8 116	8 966	10 591	118.1
Liabilities and provisions	m PLN	846	775	1 187	1 380	3 634	4 144	4 689	3 612	4 763	4 136	3 458	3 309	95.7
Financial ratios														
Earnings per share (EPS)	PLN	2.51	0.89	(0.85)	3.09	(0.95)	1.27	2.06	6.99	11.45	18.02	18.99	14.60	76.9
Dividend per share (DPS) **	PLN	0.25	0.10	-	1.00	-	-	-	2.00	10.00	16.97	9.00	x	x
Price per share / Earnings per share (P/E)	x	5.4	14.0	(30.8)	8.3	(13.7)	10.6	12.7	4.5	5.5	4.9	5.6	1.9	33.9
Current liquidity	x	2.2	2.3	2.6	2.3	1.0	1.2	1.2	1.2	1.4	1.9	2.5	3.1	124.0
Quick liquidity	x	1.0	0.9	1.0	0.9	0.7	0.6	0.7	0.8	1.0	1.3	1.7	2.2	129.4
Return on assets (ROA)	%	10.2	3.6	(3.5)	10.7	(2.5)	3.1	4.7	15.6	20.9	29.4	30.6	21.0	68.6
Return on equity (ROE)	%	12.5	4.4	(4.9)	15.2	(5.1)	6.3	10.3	26.2	36.8	44.4	42.4	27.6	65.1
Debt ratio	%	14.2	13.5	14.3	15.9	38.2	34.2	38.8	24.0	28.2	33.8	27.8	23.8	85.6
Durability of financing structure	%	86.1	87.1	85.7	84.1	63.4	79.0	76.8	75.0	70.6	77.0	83.8	88.0	105.0
Production results														
Electrolytic copper production	'000 t	440.6	446.8	470.5	486.0	498.5	508.7	529.6	550.1	560.3	556.6	533.0	526.8	98.8
Metallic silver production	t	1 029	1 098	1 093	1 119	1 163	1 192	1 358	1 344	1 244	1 242	1 215	1 193	98.2
Macroeconomic data														
Copper prices on LME	USD/t	2 276	1 653	1 574	1 814	1 578	1 558	1 780	2 868	3 684	6 731	7 126	6 952	97.6
Silver prices on LBM	USD/troz	4.88	5.54	5.23	4.95	4.37	4.60	4.88	6.66	7.31	11.55	13.38	14.99	112.0
Exchange rate	PLN/USD	3.28	3.49	3.96	4.35	4.10	4.08	3.89	3.65	3.23	3.10	2.77	2.41	87.0
Other														
Market value of Company shares at end of period	PLN/share	13.50	12.50	26.20	25.80	13.00	13.50	26.20	31.30	62.50	89.00	105.80	28.12	26.6
Capital expenditure	m PLN	649	487	379	584	433	360	424	616	651	709	828	1 140	137.7
Equity investments	m PLN	493	200	229	468	271	105	146	707	613	24	155	793	511.6
Electrolytic copper production cost	PLN/t	5 527	5 556	5 836	6 156	6 328	6 305	6 237	6 660	7 723	10 497	11 160	11 736	105.2
Electrolytic copper production cost	USD/t	1 685	1 590	1 472	1 417	1 544	1 545	1 603	1 825	2 388	3 381	4 031	4 878	121.0

* operating profit (in the years 1997-2006 profit (loss) before extraordinary items and taxation adjusted by interest cost) + depreciation/amortisation

** dividend for financial year

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COMPANY PROFILE

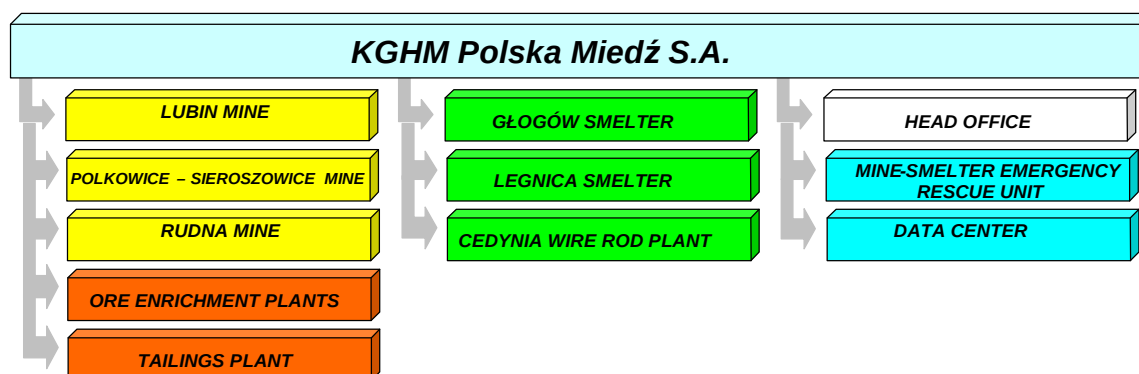
1. Company profile

1.1. Organisational structure

In 2008 the multi-divisional organisational structure of the Company, acting under the name KGHM Polska Miedź S.A., comprised a Head Office and 10 Divisions.

The organisational structure of KGHM Polska Miedź S.A. at 31 December 2008 is presented in the diagram below:

Diagram 1. Organisational structure of the Company at 31 December 2008



Supervisory Board

In 2008 the 6th-term Supervisory Board of KGHM Polska Miedź S.A. began its work in the following form:

- Leszek Jakubów Chairman
- Stanisław Andrzej Potycz Deputy Chairman
- Anna Mańk
- Remigiusz Nowakowski
- Marcin Ślęzak
- Jerzy Żyżyński

as well as the following employee-elected members:

- Józef Czyczerski Secretary
- Leszek Hajdacki
- Ryszard Kurek

On 13 February 2008, Marcin Ślęzak submitted his resignation from membership on the Supervisory Board.

On 14 February 2008, the Extraordinary General Shareholders' Meeting dismissed the following people from the Supervisory Board: Leszek Jakubów, Anna Mańk, Remigiusz Nowakowski, Stanisław Andrzej Potycz and Jerzy Żyżyński, and appointed the following people to the Supervisory Board: Marcin Dyl, Arkadiusz Kawecki, Jacek Kuciński, Marek Panfil, Marek Trawiński and Marzenna Weresa.

At its meeting on 25 February 2008 the Supervisory Board appointed Marek Trawiński as Chairman of the Supervisory Board, Jacek Kuciński as Vice Chairman, and Marek Panfil as Secretary.

Due to the completion of the 6th-term Supervisory Board, the Ordinary General Shareholders' Meeting of KGHM Polska Miedź S.A. on 26 June 2008 appointed the following persons to the 7th-term Supervisory Board:

- Marcin Dyl
- Arkadiusz Kawecki
- Jacek Kuciński
- Marek Panfil
- Marek Trawiński
- Marzenna Weresa

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as well as the following employee-elected members:

- Józef Czyczerski
- Leszek Hajdacki
- Ryszard Kurek

At its meeting on 21 July 2008 the Supervisory Board appointed Marek Trawiński as Chairman of the Supervisory Board, Jacek Kuciński as Vice Chairman, and Marek Panfil as Secretary.

In accordance with the Statutes of the Company the members of the Supervisory Board are appointed and dismissed by the General Shareholders' Meeting.

Management Board

In 2008 the 6th-term Management Board of KGHM Polska Miedź S.A. began its work in the following form:

- | | |
|------------------------|--|
| – Krzysztof Skóra | President of the Management Board |
| – Ireneusz Reszczyński | I Vice President of the Management Board (Sales) |
| – Marek Fusiński | Vice President of the Management Board (Finance) |
| – Stanisław Kot | Vice President of the Management Board (Production) |
| – Dariusz Kaśków | Vice President of the Management Board (Development) |

At its meeting on 17 January 2008, the Supervisory Board carried out the following changes in the composition of the Management Board:

- it dismissed Krzysztof Skóra from the function of President of the Management Board,
- it dismissed Dariusz Kaśków from the function of Member of the Management Board,
- it appointed I Vice President of the Management Board Ireneusz Reszczyński to fill the function of President of the Management Board until the appointment of the President of the Management Board of KGHM Polska Miedź S.A.,
- it set the size of the Management Board of the Company at three members.

Following these changes the Management Board of KGHM Polska Miedź S.A. was comprised of the following persons:

- | | |
|------------------------|---|
| – Ireneusz Reszczyński | Acting President of the Management Board |
| | I Vice President of the Management Board (Sales) |
| – Marek Fusiński | Vice President of the Management Board (Finance) |
| – Stanisław Kot | Vice President of the Management Board (Production) |

At its meeting on 17 April 2008 the Supervisory Board appointed Mirosław Krutin as at 23 April 2008 to the position of President of the Management Board.

On 23 April 2008 the Supervisory Board dismissed the following persons from the Management Board: Ireneusz Reszczyński, Marek Fusiński and Stanisław Kot, and appointed the following persons to the Management Board as Vice Presidents: Herbert Wirth and Maciej Tybura. In addition Herbert Wirth was appointed as I Vice President of the Management Board.

Following the segregation of duties by the Management Board among the members of the Management Board, it was composed as follows:

- | | |
|-------------------|---|
| – Mirosław Krutin | President of the Management Board |
| – Herbert Wirth | I Vice President of the Management Board (Production) |
| – Maciej Tybura | Vice President of the Management Board (Finance) |

In accordance with the Statutes of the Company the members of the Management Board are appointed and dismissed by the Supervisory Board.

The authority of the Management Board to pass decisions on the issuance or redemption of shares is statutorily limited. In accordance with the Statutes of the Company, any increase in share capital or issuance of shares or bonds requires the approval of the General Shareholders' Meeting. The Management Board of the Company does not have the authority to increase the share capital or issue the shares of the Company under conditions specified in art. 444-446 of the Code of Commercial Companies.

The employment contracts which are signed with Members of the Management Board state that, in case of the dismissal of a Member of the Management Board and the termination of their contract prior to the time stipulated in the contract, the said Member of the Management Board shall receive compensation due to the loss of an existing source of income and to the premature termination of a contract in an amount equalling the 10 basic monthly wages. Employment contracts describe those cases in which a Member of the Management Board shall not receive the above-mentioned compensation.

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In addition, employment contracts do not foresee compensation with respect to forbidding any activities which would be competitive towards KGHM. The principle of forbidding competition following termination of employment and the amount of compensation due in this regard are regulated by the parties in a separate contract.

Detailed information on wages, bonuses or benefits for supervisory and management personnel can be found in Note 33 of the financial statements.

1.2. Production results

The main objectives set forth by the Management Board with respect to production in 2008 were:

- optimal utilisation of the resource base and of the production capacity of the Company, and
- optimisation of the copper content in ore and concentrate.

The objectives set forth required fulfilment of the following tasks:

- improving the ore selection system by:
 - selecting an appropriate size for the support pillars and the geometry of working fields in order to restrict the risk of rock collapse,
 - applying so-called partial backfill in thick ore deposits,
 - increasing the scope of selective mining (i.e. leaving a larger amount of uncrushed stone at the bottom of the mine) and utilising wheeled machines which are an appropriate height for the thickness of the ore,
- increasing the scope of drift work to prepare new working areas in the mines and improve knowledge of the deposit,
- adapting the production capacity of specific areas of the Ore Enrichment Plants to the amount and quality of ore supplied,
- improving enrichment parameters through the successive exchange of floatation equipment in specific areas of the Ore Enrichment Plants, and
- maintaining the production of concentrates in an amount and quality necessary for optimal use of the production capacity of the furnace sections of the smelters.

Mine production

Ore extraction by dry weight in 2008 was lower by 0.8 million tonnes than in 2007. The decrease in extraction in 2008 was caused by the curtailment, at the request of the National Labour Inspectorate, of extraction in the mines on days legally free from work.

There was also a decrease in copper and silver content in extracted ore, caused by work in areas having a lower content of copper ore. These factors caused a decrease in the extraction of copper in ore in comparison to 2007 by 24.3 thousand tonnes (5%) and silver by 54.7 t (4%).

The decrease in copper and silver content in extracted ore directly affected the amount of copper and silver in concentrate, which in comparison to 2007 were lower respectively by 5% and 3%.

Table 1. Production results in mining

	Unit	2006	2007	2008	Change 2007=100
Copper ore (dry weight)*	million t	31.3	30.3	29.4	97.0
of which mineral exploited from deposit**	million t	25.9	23.9	22.7	95.0
Copper content in ore	%	1.79	1.67	1.64	98.2
Copper concentrate (dry weight)	'000 t	1 945.4	1 874.9	1 865.8	99.5
Copper content in concentrate	'000 t	497.2	451.9	429.4	95.0

* As defined by the Ruling of the Council of Ministers dated 6 April 2004 regarding the Polish Classification of Goods and Services (known as PKWiU).

** As defined by the Law on Mining and Geology dated 4 February 1994 with later changes and by executory provisions to the Law.

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Smelter production

Despite a decrease in mined copper production by 5% electrolytic copper production decreased by only 1.2%, mainly due to an increase in production from purchased copper-bearing materials in the form of imported concentrate, blister copper and scrap. The addition of purchased copper-bearing materials to own concentrates was aimed at effectively utilising existing production capacity.

The production of other smelter products depends on the level of electrolytic copper production, the type of materials used and on market demand.

The decrease in market demand for wire rod caused a decrease in the production of this product by 18% versus the prior year. Meanwhile the increase in refined lead production by 32% is due to the achievement of improved production parameters.

In May 2008 the Cedynia Division of KGHM Polska Miedź S.A produced 51 tonnes of oxygen-free, silver-bearing copper rod, which is characterised by higher resistance to heat and abrasion. This product is currently being sold on the market.

Table 2. Production results in smelting

	Unit	2006	2007	2008	Change 2007=100
Copper products:					
Electrolytic copper	'000 t	556.6	533.0	526.8	98.8
of which from external copper-bearing materials	'000 t	100.4	92.3	105.1	113.9
Wire rod (Contirod)	'000 t	232.2	250.9	206.2	82.2
Oxygen-free copper rod (UPCAST)	'000 t	2.1	10.9	11.8	108.3
Round billets	'000 t	18.7	19.0	20.2	106.3
Granular copper	'000 t	1.9	2.1	2.3	109.5
Other metals:					
Metallic silver	t	1 242	1 215	1 193	98.2
Metallic gold	kg	1 700	883	902	102.2
Crude lead	'000 t	21.0	21.1	23.7	112.3
Refined lead	'000 t	-	15.2	20.0	131.6

Main directions in production

The main production goals set out by the Management Board in 2009 are as follows:

- optimal utilisation of the resource base and of the production capacity of the Company,
- optimisation of the copper content in ore and concentrate,
- continued preparation of mine drifts being realised in the direction of the Głogów Głęboki Przemysłowy deposit,
- the application of new drift preparation work technology using drift combines,
- restricting depletion and moving from mining areas with low copper content to those with high copper content,
- continued exchange of floatation machinery in the Ore Enrichment Plants,
- optimisation of the enrichment processes in order to counter the effects of a decrease in ore quantity-quality parameters, and
- preparations to modernise the flash furnace complex in the Głogów II smelter.

1.3. Product sales structure

In comparison to the prior year, in 2008 there was an increase in the volume of copper sales and a decrease in the volume of silver sales. 537 thousand tonnes of copper were sold, i.e. an increase of 2% (10 thousand t), while copper wire rod sales decreased by 17% (43 thousand t). Silver sales amounted to 1 175 tonnes and were slightly lower versus the comparable prior period. Gold sales increased by 25% (187 kg) and amounted to 924 kg.

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Table 3. Sales volume for basic products

	Unit	2006	2007	2008	Change 2007=100
Copper and copper products	'000 t	556.9	526.8	537.3	102.0
of which export *	'000 t	378.8	335.2	382.6	114.1
Silver	t	1 239	1 177	1 175	99.8
of which export *	t	1 145	1 088	1 094	100.6
Gold	kg	1 592	738	924	125.2
of which export *	kg	1 203	-	348	x

* including sales to European Union countries

Table 4. Revenues from the sale of products* (in '000 PLN)

	2006	2007	2008	Change 2007=100
Total	11 264 794	12 103 511	11 220 197	92.7
of which export **	7 664 946	7 582 119	7 872 270	103.8
Copper and copper products	9 612 166	10 328 748	9 442 761	91.4
of which export **	6 420 149	6 281 316	6 586 294	104.9
Silver	1 270 781	1 402 819	1 348 511	96.1
of which export **	1 166 451	1 296 542	1 255 464	96.8
Gold	95 710	45 527	62 652	137.6
of which export **	72 278	-	24 605	x
Other products and services	286 137	326 417	366 273	112.2
of which export **	6 068	4 261	5 907	138.6

* Respecting impact of commodity hedging transactions

** including sales to European Union countries

Revenues from the sale of KGHM Polska Miedź S.A. products amounted to PLN 11 220 197 thousand and were 7% lower than those achieved in 2007, mainly as a result of strengthening of PLN and a decrease in copper and silver prices.

Revenues from the sale of copper and copper products were lower by 9%. Revenues from silver sales were lower by 4% versus the comparable prior period. Meanwhile there was an increase in gold sales by 38%.

Revenues from the sale of products in 2008 reflect the positive result from the settlement of commodity hedging instruments in the amount of PLN 569 132 thousand (in 2007 PLN (632 762) thousand) and foreign exchange gains related to the hedging of foreign-denominated credit, settled in the financial result, which were recognised in cathode exports in the amount of PLN 10 859 thousand (in 2007 PLN 50 995 thousand). In 2008 there was no adjustment of revenues due to the realisation of currency hedging instruments (in 2007 there was a profit of PLN 146 234 thousand).

Geographical structure of product sales

In 2008 the volume of domestic sales of copper and copper products represented 36% of total copper sales, with export and European Union sales accounting for 64%. During this period, the largest foreign customers for copper produced by KGHM Polska Miedź S.A. were China, France, Germany and the Czech Republic.

During the twelve months of 2008 domestic silver sales amounted to 8% of the total volume of silver sales, while export and European Union sales accounted for 92% of sales volume. The largest foreign customers for silver were Great Britain, Belgium, Germany and the USA.

Macroeconomic sales conditions

Metals prices in 2008 decreased significantly. The collapse in prices on the commodities markets, which occurred in the second half of the year, led to a fall in copper prices of nearly 70%. The average electrolytic copper price on the London Metal Exchange (LME) amounted to 6 952 USD/t, meaning a decrease of 2.5% compared to 2007 when it amounted to 7 126 USD/t. The minimum

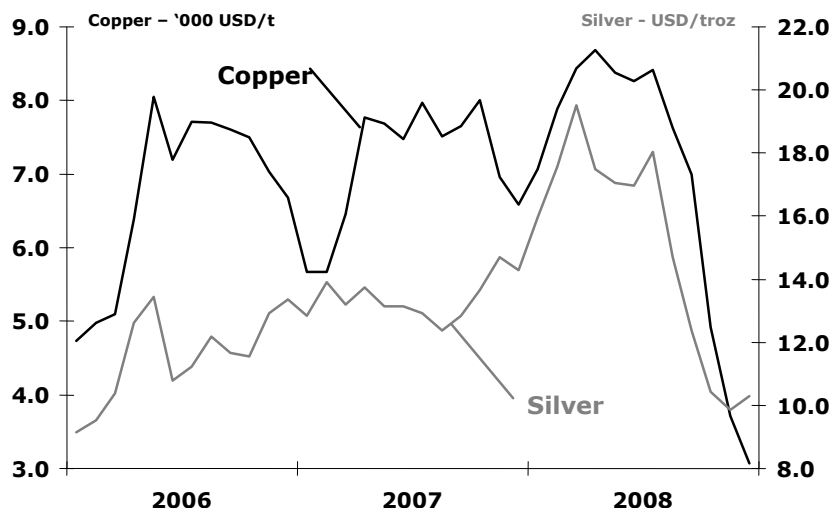
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average monthly copper price was recorded in December and amounted to 3 072 USD/t. The best month for copper producers was April, when prices varied around the average level of 8 685 USD/t.

The average annual silver price on the London Bullion Market (LBM) in 2008 amounted to 14.99 USD/troz (482 USD/kg). This means an increase of 12% compared to the average price in 2007 of 13.38 USD/troz (430 USD/kg). The minimum average monthly silver price was recorded in November at the level of 9.87 USD/troz (317 USD/kg), while the highest price was observed in March – 19.51 USD/troz (627 USD/kg).

Copper prices on the LME and silver on the LBM in the years 2006-2008 are shown in the chart below.

Chart 1. Copper prices on the LME and silver quotations on the LBMA



In the first half of 2008 the Polish currency strengthened versus the USD and the EUR. From July this trend reversed. The average USD/PLN (NBP) rate in 2008 amounted to 2.41 USD/PLN and was 13% lower than in the comparable prior period (2.77 USD/PLN). In 2008 the minimum PLN exchange rate versus the USD was recorded in mid-July at the level of 2.02 USD/PLN, while the maximum of 3.08 USD/PLN was recorded in November, meaning a weakening of over 50%.

Position of the Company on the copper and silver markets

In 2008 global copper mine production amounted to 15 663 thousand tonnes (estimated data from CRU International Ltd). KGHM Polska Miedź S.A. produced 429 thousand tonnes of copper in concentrate, representing 2.7% of global production. Global production of refined copper amounted to 18 229 thousand tonnes. Refined copper production in KGHM amounted to 527 thousand tonnes, representing 2.9% of global production.

During this same period global silver mine production amounted to 17 377 t (estimated data from CPM Silver Yearbook 2008). The Company produced 1 161 tonnes of silver in concentrate, representing 6.7% of global production.

1.4. Signed contracts impacting the activities of the Company

In 2008 the Company entered into the following significant contracts:

Trade contracts of the Company (value of contracts based on data current at the time contract signed):

- Contract for the sale of 8 mm copper wire rod and oxygen-free wire rod in 2008 signed on 30 January 2008 between KGHM Polska Miedź S.A. and Tele-Fonika Kable S.A. The estimated value of this contract is from approx. USD 658 million (i.e. approx. PLN 1 613 million) to approx. USD 844 million (i.e. approx. PLN 2 069 million),
- Contract for the sale of copper cathodes in 2008 signed on 18 March 2008 between KGHM Polska Miedź S.A. and KGHM Polish Copper Ltd. in London. The estimated value of this contract, depending on the amount of tonnage under option, is from USD 245 million (i.e. approx. PLN 553 million) to USD 306 million (i.e. approx. PLN 691 million). This contract met

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the criteria to be considered a significant contract, together with other contracts entered into during the 12 months preceding its signing,

- Contract for the sale of copper cathodes in the years 2008-2009 signed on 19 March 2008 between KGHM Polska Miedź S.A. and Glencore International AG. The estimated value of this contract, depending on the amount of tonnage under option, is from USD 413 million (i.e. approx. 927 million PLN) to USD 557 million (i.e. approx. PLN 1 251 million). This contract met the criteria to be considered a significant contract, together with other contracts entered into during the 12 months preceding its signing,
- Contract for the sale of copper cathodes in the years 2009 - 2011 signed on 7 August 2008 between KGHM Polska Miedź S.A. and Wieland Werke AG. The estimated value of this contract, depending on the amount of tonnage under option, is from USD 370 million (i.e. approx. PLN 776 million) to USD 449 million (i.e. approx. PLN 942 million). This contract met the criteria to be considered a significant contract, together with other contracts entered into during the 12 months preceding its signing.

There was no instance of dependence on a single or multiple customers or suppliers. The only customer whose share in revenues from sales exceeds 10% is Tele-Fonika Kable S.A., with a share in revenues from sales of 12%.

Information on contracts for the review or auditing of the separate or consolidated financial statements

The entity entitled to audit the separate and consolidated financial statements of the Company is Ernst & Young Audit Sp. z o.o. with its registered head office in Warsaw, Rondo ONZ 1, 00-124 Warsaw.

The contract was signed on 30 April 2007 and is in force for review of the half-year financial statements and for the audit of the annual financial statements for the years 2007, 2008 and 2009.

The amount of remuneration due to the review and audit of the financial statements and remuneration for other purposes is shown in the table below:

Table 5. Remuneration of entity entitled to audit the financial statements (in '000 PLN)

	2007	2008
Ernst & Young Audit Sp. z o.o.	1 088	1 206
Due to contract for the review and audit of financial statements	978	1 068
- audit of annual financial statements	597	687
- review of financial statements	381	381
Due to other contracts	110	138
Other companies of the Ernst & Young Group in Poland	525	1 485
Of which due to tax consultancy	525	1 002

Related party transactions

In 2008 the Company entered into transactions with related entities. Among these the most significant for KGHM Polska Miedź S.A. were transactions with KGHM Polish Copper Ltd and KGHM Kupferhandlesges m.b.H. comprising the sale of copper and copper products and of silver.

Also of significance were the transactions of KGHM Metraco sp z o.o. related to the sale of Company products and to supplying the Company, among others, with scrap and chemicals, and transactions related to supply realised by PHP „Mercus” sp. z o.o. and services of POL-MIEDŹ TRANS Sp. z o. o. and PeBeKa S.A.

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Following is a list of significant related party transactions.

Table 6. Related party transactions– sales ('000 PLN)

Related entity	Subject of transaction	Value of transaction
KGHM Polish Copper Ltd.	Cathode and silver sales	570 920
KGHM Metraco S.A.	sulphuric acid, nickel and copper sulphate, package waste, steel and aluminium scrap, lead, salt, cathodes, silver, gold and wire rod	352 217
KGHM Kupferhandelsges. m.b.H.	cathode and wire rod sales	320 641
„Energetyka” sp. z o.o.	sales of electricity, coal, throat gas	48 955
KGHM Ecoren S.A.	washing acid	38 430
Walcownia Metali Nieżelaznych Sp. z o.o.	cathodes	29 416
PeBeKa S.A.	rental sales, sales of materials, energy	19 261
ZANAM-LEGMET Spółka z o.o.	leasing of cloak rooms, baths, lamp rooms, other rooms	4 922

Table 7. Related party transactions – purchases ('000 PLN)

Related entity	Subject of transaction	Value of transaction
KGHM Metraco S.A.	black liquor, chemicals, coal, coke, copper scrap, transport services	916 338
PHP „MERCUS” sp. z o.o.	purchase of goods	597 358
KGHM Polish Copper Ltd.	copper concentrate, anodes, cathodes	410 629
POL-MIEDŹ TRANS Sp. z o.o.	vehicular and railway transport services; oil products	293 306
PeBeKa S.A.	services: shaft construction, mine drift work	287 269
„Energetyka” sp. z o.o.	electrical and heating energy, water, throat gas incineration services	168 430
ZANAM-LEGMET Spółka z o.o.	machinery and machine parts, boilers, repairs and servicing, machinery leasing,	163 068
CBJ sp. z o.o.	research and analysis services	32 241
PHU „Lubinpex” Sp. z o.o.	purchase of prophylactic meals and gastronomic services	21 166
KGHM CUPRUM sp. z o.o. -CBR	purchase of research and design work, opinions, expertise, geodesic measurement services, rental	17 686
INOVA Spółka z o.o.	DOTRA communications system, operation of a lamp room, continuous seismic observations, seismic equipment repair and maintenance, attestation and certification of mining machinery and equipment	15 410
MCZ S.A.	purchase of medical services based on contracts	12 466
KGHM Ecoren S.A.	copper concentrate	4 959
WM „ŁABĘDY” S.A.	grinders	2 567

1.5. Employment and remuneration

Employment

Employment in KGHM Polska Miedź S.A. at the end of 2008 was 18 635 persons, which was 2% higher than at the end of the prior year. Average annual employment in KGHM Polska Miedź S.A. amounted to 18 486 and was higher than the level of employment in 2007 by 497 persons.

The increase in employment was recorded in the mining divisions. The hiring of new workers was dictated on the one hand by the need to ensure an adequate level of employment to eliminate overtime work, and on the other to ensure staffing in newly-created sections: preparatory mining work and assembly-repair work, as well as to expand the conveyor belt system which is critical to maintaining the continuous removal of ore.

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Table 8. End-of-period employment

	2006	2007	2008	Change 2007=100
Mines	11 682	11 998	12 468	103.9
Smelters	4 052	4 044	4 024	99.5
Other Divisions	2 192	2 217	2 143	96.7
KGHM Polska Miedź S.A.	17 926	18 259	18 635	102.1

Average remuneration

In 2008 the average wage excluding the annual bonus was PLN 6 550, meaning a statistical increase of 2.6% as compared to the level in 2007. The difference between the statistical increase in the average wage and the basic wage increase of 7.8% is the result of a decision respecting:

- the decrease in the number of overtime hours in the mines, and
- the hiring of additional employees in the mines with lower-than-average wages

as well as the fact that the average wage for 2007 includes remuneration which is the result of a one-time decision to allocate funds to finance additional production in the mines.

Payment of the additional annual bonus, calculated based on Company profit, amounted in 2008 to PLN 16 307/employee and was PLN 1 182 lower than the bonus paid out in 2007, which caused a decrease in the total average wages increase index.

Table 9. Average monthly remuneration (in PLN)

	2006	2007	2008	Change 2007=100
Mining divisions	7 348	8 341	8 293	99.4
Smelting divisions	5 504	6 303	6 529	103.6
Total	6 883	7 842	7 909	100.9

Relations with the trade unions

Negotiations on setting the wages increase index for 2008 in KGHM Polska Miedź S.A. did not conclude with an agreement being reached with the trade unions. Given the above, the wages increase index for 2008 was set by the Management Board of the Company at the following amounts:

- average total wage, 1.0%
- average wage excluding the annual bonus, 2.3%.

In order to achieve these amounts at 1 January 2008 basic wage rates were increased by PLN 150, which caused an increase in the average monthly wage by PLN 460, i.e. by 7.8%. On 27 February 2008 a side protocol was signed to the Collective Labour Agreement reflecting the above-mentioned changes.

In the third quarter of 2008 seven trade unions initiated collective disputes, demanding an increase in the employee table of basic wages by PLN 200 monthly, and withdrawal from the Mines Integration Project, the integration of the smelters and the separation of Data Center from the structure of KGHM Polska Miedź S.A.

On 14-16 October the trade unions carried out a strike referendum. According to representatives of the unions 14 400 employees took part in the referendum, representing 77% of the total workforce. As a result of this referendum the trade unions resolved to organise the following:

- on 29 October 2008 a public hearing at the Head Office of the Company,
- on 5 November 2008 a 24-hour strike in all Company divisions.

The dialogue with the trade unions, consisting of both negotiations and mediation, concluded on 27 October 2008 with the signing of an agreement, according to which the Management Board withdrew its plans to pursue projects to create a Combined Mines division, to consolidate the smelters and to create an IT company Teleinformatyka based on the assets of Data Center, while the trade unions withdrew their wage demands and called off plans for a strike and a public hearing. In addition it was agreed that the parties to the Collective Labour Agreement would analyse the achieved level of wages no later than in December.

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Due to the domestic and global economic crisis, in the month of December, following an analysis of the wages in the Company, no additional wage payments were made.

Directional assumptions for 2009

Due to the significant change in macroeconomic conditions which have negatively impacted the Company's situation, the main goal of the Management Board in 2009 with respect to personnel policy will be to protect jobs. Consequently, no increases in wages are expected, and actions will be taken aimed at rationalisation of employment, among others by foregoing the hiring of new white-collar workers and through the voluntary resignation of employees who are entitled to take early retirement.

Negotiations with the trade unions on setting the wages increase index for 2009 had not concluded by the end of February with the reaching of an agreement. The trade unions are demanding an increase in the index to 8%, and an increase of the basic contribution to the employee retirement program to 5%, i.e. by 2 percentage points.

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2. Investments and Research and Development

2.1. Investments in property, plant and equipment

In 2008 investments were financed from internal funds.

Table 10. Investment expenditures ('000 PLN)

	2006	2007	2008	Change 2007=100
Mining	536 566	666 136	879 829	132.1
Metallurgy	150 185	128 841	243 135	188.7
Other projects	22 520	33 112	16 911	51.1
Total	709 271	828 089	1 139 875	137.7

Investment activities in 2008 were primarily aimed at the replacement of equipment and development projects. The structure of realised investments is presented in the table below:

Table 11. Structure of realised investments ('000 PLN)

	2006	2007	2008	Change 2007=100	Structure (%)
Development, of which:	326 266	334 815	441 047	131.7	38.7
<i>in mining</i>	230 509	286 309	385 454	134.6	33.8
<i>in metallurgy</i>	87 798	37 369	50 195	134.3	4.4
Replacement, of which:	285 744	412 109	580 662	140.9	50.9
<i>mining machinery</i>	139 027	190 303	222 204	116.8	19.5
Modernisation	45 895	36 403	62 361	171.3	5.5
Conformatory work	25 001	24 844	41 218	165.9	3.6
Other	26 365	19 918	14 587	73.2	1.3
Total	709 271	828 089	1 139 875	137.7	100.0
<i>of which:</i>					
<i>IT</i>	20 034	23 150	11 863	51.2	1.0
<i>Ecology</i>	31 670	40 014	45 122	112.8	4.0

Major projects and facilities realised in 2008:

- modernisation and replacement of machinery in the mines (253 mining machines purchased),
- continued construction of the SW-4 shaft – work was carried out related to preparations for excavation of the shaft, 669 meters of drift tunnelling was carried out and 144.4 meters of the shaft was excavated,
- continued realisation of drift tunnelling to access the Głogów Głęboki-Przemysłowy mining area in accordance with the planned timetable – 8.7 thousand meters of tunnel were built (altogether since 2005 26.1 thousand meters of the planned 106.7 thousand meters). Following digging the tunnels are laid out with power, de-watering, ventilation and air conditioning lines, as well as ore transportation. In addition, testing holes are made as part of the preparations for excavation of the GG-1 shaft.
- investments related to developing the infrastructure of the mining divisions, conveyor belts and ventilation and air conditioning equipment in the mines,
- replacing equipment in the smelters,
- power and communications facilities,
- facilities related to improving and maintaining the safe operation of the Źelazny Most tailings pond, and eliminating its environmental impact,
- investments related to realisation of the project „Modernisation of pirometallurgy in the Głogów II smelter”.

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In addition, in 2008 the Company took decisions on realisation of the following projects:

- modernisation of pirometallurgy in the Głogów I smelter (work is underway on preparing the project for realisation)
- 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. Their total power of 90 MWe will assure around 25% of the Company's electrical needs.

The development of the power generation capacity is related to the possibility of reducing the Company's electricity costs and improving the power security of the KGHM Polska Miedź S.A. Group.

Main areas of investment activities in the years 2009-2013

The main areas of investment activities in the years 2009-2013 comprise the following key activities:

1. Development and increased effectiveness of the core business:

- increasing the resource base, including maintaining the level of copper production from domestic sources by:
 - replacing production-related assets in the divisions,
 - developing the technical infrastructure of new mining regions,
 - construction of the SW-4 shaft,
 - realisation of the Głogów Głęboki Przemysłowy project, which will enable continuation of the current level of copper production over the long term, and
 - exploring the possibility of mining the Radwanice-Gaworzyce deposit.
- improving effectiveness, including restriction of basic operating costs and modernisation of production-related assets by:
 - renovation of the tailings hydrotransport installation,
 - replacing floatation machinery,
 - modernising pirometallurgy,
 - constructing gas-steam blocks,
 - more rapid exchange of mining machinery, and
 - other investments related to reducing costs, which are currently being analysed,

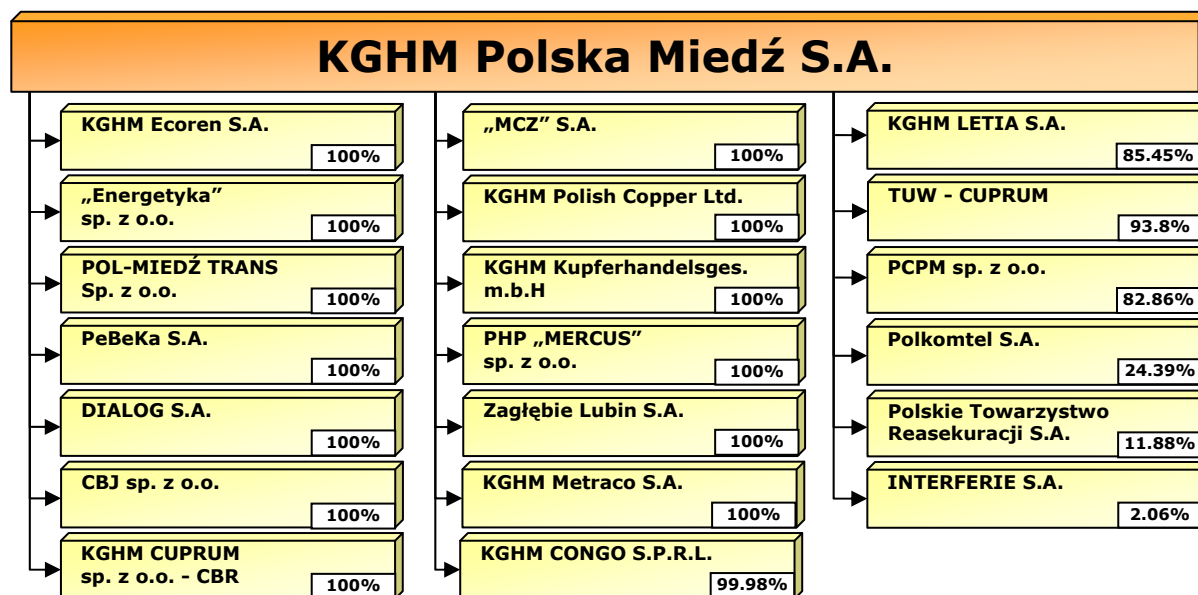
2. Diversification of activities and supporting the development of KGHM – increasing the production of salt associated with the copper ore, increasing the production of crude and refined lead and the production of copper from scrap.

2.2. Equity investments

At 31 December 2008 KGHM Polska Miedź S.A. directly owned shares of 20 entities. Four companies belonging to the KGHM Polska Miedź S.A. Group have their own capital groups: KGHM Ecoren S.A., PHP „MERCUS” sp. z o.o., DIALOG S.A. and POL-MIEDŹ TRANS Sp. z o.o. The equity investments of KGHM Polska Miedź S.A. in specific entities is shown in the diagram below.

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Diagram 2. Entities in which KGHM Polska Miedź S.A. had a direct ownership of shares at 31 December 2008



The companies of the Group are diversified in terms of their activities. They offer products and services both related to the core business of KGHM Polska Miedź S.A. (including mine construction, the production of electrical power and heat, mining machinery and equipment and research and development) as well as services unrelated to the core business of KGHM Polska Miedź S.A., such as tourism, transportation, telecommunications and medicine.

The value of equity investments related to the acquisition and taking up of shares in 2008 amounted to PLN 793 072 thousand. The Company purchased and acquired shares in the following Group companies:

- „Energetyka” sp. z o.o.

In June 2008 KGHM Polska Miedź S.A. acquired for cash, based on nominal value, shares in the increased share capital of „Energetyka” sp. z o.o. in the total amount of PLN 27 317 thousand. The funds obtained were used for modernisation work related to the expansion of power generation capacity. The share capital of this company following the increase amounts to PLN 248 793 thousand. The ownership percentage of KGHM Polska Miedź S.A. in the share capital of the company remained unchanged.

- PeBeKa S.A.

In August 2008 KGHM Polska Miedź S.A. acquired for cash, based on nominal value, shares in the increased share capital of PeBeKa S.A. in the total amount of PLN 18 715 thousand, and in December 2008 - in the total amount of PLN 15 100 thousand. The funds obtained from these increases in share capital were used to purchase mining machinery.

The share capital of this company following the increases amounts to PLN 64 638 thousand. The ownership percentage of KGHM Polska Miedź S.A. in the share capital of the company remained unchanged.

- KGHM LETIA S.A.

In September 2008 the share capital of KGHM LETIA S.A. was increased by PLN 7 428 thousand. KGHM Polska Miedź S.A. acquired shares in the increased share capital of KGHM LETIA S.A. in the total amount of PLN 4 448 thousand covered, based on nominal value, by a contribution in kind in the form of property and documentation in the amount of PLN 4 447 thousand and cash in the amount of PLN 1 thousand.

In 2008 the Voivodeship of Lower Silesia increased its stake in the company, covering the shares acquired, based on their nominal value, by a contribution in kind in the form of property in the amount of PLN 2 980 thousand.

Following this increase the share capital of the company amounts to PLN 27 428 thousand. The ownership percentage of KGHM Polska Miedź S.A. in the share capital of the company changed from 94.96 % to 85.45%.

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– „MCZ” S.A.

In December 2008 KGHM Polska Miedź S.A. acquired for cash, based on nominal value, shares in the increased share capital of „MCZ” S.A. in the total amount of PLN 1 101 thousand.

The funds obtained were used to purchase medical equipment. Following this increase the share capital of the company amounts to PLN 52 218 thousand. The ownership percentage of KGHM Polska Miedź S.A. in the share capital of the company remained unchanged.

– Polkomtel S.A.

In December 2008 KGHM Polska Miedź S.A. acquired 980 486 ordinary registered shares of Polkomtel S.A., in the total nominal amount of PLN 98 049 thousand, representing 4.78% of the share capital of Polkomtel S.A. The purchase price of this block of shares was PLN 726 391 thousand. As a result of this transaction the percentage ownership of KGHM Polska Miedź S.A. in the share capital of this company changed from 19.61% to 24.39%. Details of this transaction were described on pages 16-17 of the report.

Capital decreases

In April 2008 there was a court registration of a decrease in the share capital of DIALOG S.A. by PLN 1 469 850 thousand, i.e. from PLN 1 959 800 thousand to PLN 489 950 thousand, through a decrease in the existing value of all company shares from PLN 100.00 to PLN 25.00 per share.

The funds arising from this decrease in share capital were used to cover losses from prior years in the amount of PLN 913 150 thousand and were allocated to reserve capital in the amount of PLN 556 700 thousand. KGHM Polska Miedź S.A. owns 100% of the company's shares.

Sale of shares

In August 2008 KGHM Polska Miedź S.A. sold shares of MINOVA-KSANTE Spółka z o.o., representing 30% of the share capital, back to this company in order to retire them. As a result of this transaction KGHM Polska Miedź S.A. no longer owns shares of MINOVA-KSANTE Spółka z o.o.

Dividends received

In 2008 KGHM Polska Miedź S.A. received dividends from the following entities:

- | | |
|---------------------------|-----------------------|
| – Polkomtel S.A. | PLN 182 859 thousand, |
| – KGHM Ecoren S.A. | PLN 30 000 thousand, |
| – KGHM Metraco S.A. | PLN 13 209 thousand, |
| – KGHM Polish Copper Ltd. | PLN 8 877 thousand, |
| – CBJ sp. z o.o. | PLN 2 000 thousand, |
| – PTR S.A. | PLN 228 thousand. |

Loans and additional payments to the capital of Group companies

In 2008 KGHM Polska Miedź S.A. granted loans to the following companies:

- Zagłębie Lubin S.A. - PLN 7 000 thousand to cover obligation in arrears towards Social Insurance Institution (ZUS), interest rate based on WIBOR 1M + 1.2% annually. This loan is to be repaid by the end of 2010.
- KGHM CONGO S.P.R.L. – three loans totalling USD 265 thousand, to finance its operations, interest rate: USD 165 thousand – based on LIBOR 1M + 2% annually, USD 100 thousand – based on LIBOR 1M + 1.1% annually. Over the course of 2008 the amount of USD 25 thousand was repaid. The remaining amount will be repaid in 2009.
- Over the course of 2008 two annexes were signed to a loan agreement entered into with KGHM CONGO S.P.R.L. in June 2007. The repayment period was prolonged for individual loan instalments in the total amount of USD 500 thousand. It was determined that the loan would be repaid by the end of October 2009. The interest rate of the loan did not change and amounts to LIBOR 1M + 1% annually.

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- PCPM sp. z o.o. – PLN 100 thousand to finance its operations, interest rate based on WIBOR 1M + 1.2% annually. This loan is to be repaid by the end of March 2009.

In 2008 KGHM Polska Miedź S.A. granted a returnable payment to the capital of KGHM CUPRUM Sp. z o.o. – CBR in the amount of PLN 1 500 thousand to be used for the financing of exploratory work in the region of Weisswasser.

Other equity investments

In 2008 KGHM Polska Miedź S.A. continued to invest in the AIG Emerging Europe Infrastructure Fund. The fair value of the investment in this Fund in the accounts of KGHM Polska Miedź S.A. at 31 December 2008 is PLN 11 264 thousand.

In 2008 the Company received a total amount of PLN 151 thousand from the AIG Fund, representing gains realised from the redemption of acquired shares. Simultaneously, the Company also paid a management fee of PLN 85 thousand.

Significant events after the balance sheet date

On 10 January 2009 two contracts entered into on 1 December 2003 by a subsidiary of KGHM Polska Miedź S.A. - "Energetyka" sp. z o.o. – and Polskie Górnictwo Naftowe i Gazownictwo Spółka Akcyjna (PGNiG S.A.) for the supply of natural gas for power-generation purposes to reception terminals in Żukowice and Polkowice were terminated. Negotiations are underway between KGHM Polska Miedź S.A. (as a party to the newly-negotiated contract) and PGNiG S.A., aimed at reaching agreement on disputed questions with respect to the contract for the supply of natural gas from the Kościan deposit to facilities belonging to KGHM Polska Miedź S.A.

The intention of both companies is to find a satisfactory solution for both parties and to sign a new contract in order to avoid the need to turn to the court due to the withdrawal by Energetyka sp. z o.o. from earlier contracts.

Taking the above into consideration, no financial impact is expected on the part of Energetyka sp. z o.o. and KGHM Polska Miedź S.A.

Telecom assets**Polkomtel S.A.**

The carrying amount of the shares of Polkomtel S.A. at 31 December 2008 in the accounts of KGHM Polska Miedź S.A. is PLN 1 163 640 thousand.

The basic items of the company's income statement are presented below:

Table 12. Financial results of Polkomtel S.A. ('000 PLN)

	2007	2008	Change 2007=100
Sales	7 799 020	8 482 085	108.8
Operating profit	1 771 713	1 889 180	106.6
EBITDA	2 832 633	3 105 925	109.6
Profit for the period	1 358 676	1 361 239	100.2

In 2008 the company, in comparison to 2007, increased its revenues, which is related to an increase in the customer base by 1 019 thousand persons. At the end of 2008 the customer base exceeded 14 474 thousand.

On 28 March 2008 the Ordinary General Shareholders' Meeting of Polkomtel S.A. resolved to distribute profit for 2007, pursuant to which the amount of PLN 1 248 245 thousand was allocated as a shareholder dividend. Of this amount, based on a resolution of the Supervisory Board of the company, in December 2007 an interim dividend payment of PLN 315 700 thousand was made to shareholders. The remainder, PLN 932 545 thousand, was paid in two instalments: PLN 466 170 thousand in May 2008, and PLN 466 375 thousand in November 2008. KGHM Polska Miedź S.A. received a total dividend for 2007 of PLN 244 764 thousand, proportionally to its shareholding in the company.

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In 2008 proceedings were concluded in the dispute respecting the „Agreement on the Acceptance of the Offer and Conditional Transfer of Shares in Polkomtel S.A.” entered into on 10 March 2006 between KGHM Polska Miedź S.A., PKN ORLEN S.A., PSE S.A. and Węgllokoks S.A. as the purchasers, and TDC Mobile International A/S as the seller, which had been contested by Vodafone Americas Inc. Details of this agreement were described in the current report dated 10 March 2006 and in the consolidated annual report for 2005.

On 25 March 2008 the International Court of Arbitration in Vienna issued a so-called partial verdict, followed on 6 November 2008 by a final verdict in the matter of the claim filed on 10 March 2006 by Vodafone Americas Inc. at the International Court of Arbitration of the Federal Chamber of Commerce in Vienna. In the statement of its claims, Vodafone Americas Inc. had challenged, among others, the method of setting the price by TDC International A/S in the offer addressed to the other shareholders.

In these verdicts the Court of Arbitration dismissed all claims of Vodafone Americas Inc. which could have blocked acquisition by the Polish shareholders of Polkomtel S.A. of the respective portion of the shares of this company held by TDC A/S. This favourable decision for KGHM Polska Miedź S.A. confirmed the validity of the Agreement dated 10 March 2006 on the Acceptance of the Offer and Conditional Transfer of Shares in Polkomtel S.A.

As a result of these verdicts, on 21 November 2008 the District Court in Warsaw issued a decision on cancellation of the prior decision of the Court dated 24 February 2006 prohibiting, among others, sale of the shares of Polkomtel S.A. held by TDC A/S. Once this decision became legally binding, the condition precedent of the “Agreement on the Acceptance of the Offer and Conditional Transfer of Shares in Polkomtel S.A.” dated 10 March 2006 was met.

In an agreement signed on 19 November 2008, all of the shareholders of Polkomtel S.A. consented to the purchase by Vodafone Americas Inc. of shares in Polkomtel S.A. from TDC A/S, to which it was entitled, via another member of the Vodafone Group. Pursuant to this Agreement, Vodafone Americas Inc. committed to submit a request to the District Court in Warsaw respecting lifting of the injunction on the shares of Polkomtel S.A. held by TDC A/S, which was imposed by a decision of the District Court in Warsaw dated 24 February 2006 prohibiting TDC A/S from selling such shares. Once the decision of the District Court in Warsaw became legally binding, the Agreement respecting the sale of the shares of Polkomtel S.A. was able to be realised.

Finally, on 18 December 2008 KGHM Polska Miedź S.A. purchased 980 486 ordinary registered shares in Polkomtel S.A., with a nominal value of PLN 100 each, representing approx. 4.78% of the share capital of Polkomtel S.A. As a result of this transaction, the percentage ownership of KGHM Polska Miedź S.A. in the share capital of this company changed from 19.61% to 24.39%.

DIALOG S.A.

The KGHM Polska Miedź S.A. Group has prepared consolidated financial statements in accordance with IFRS since 1 January 2005. DIALOG S.A. has kept accounts and prepared financial statements in accordance with IFRS since 1 January 2008. At the moment of transition of the Group to IFRS, a given level of significance was assumed in making adjustments adapting the financial statements of subsidiaries to the principles of IFRS, which vary from the level of significance assumed for the transition of the accounts of DIALOG S.A. to IFRS. The effect of assuming other levels of significance caused a difference between the equity of DIALOG S.A. at 1 January 2008 and the equity of this company established for the consolidated financial statements of the KGHM Polska Miedź S.A. Group in the amount of PLN 5 086 thousand. Due to its low level of significance in the consolidated financial statements, this amount decreased the financial result of the current period.

Table 13. Financial data of DIALOG S.A* ('000 PLN)

	2007	2008**	Change 2007=100
Sales	496 042	548 034	110.5
Operating profit/(loss)	17 152	(305 406)	x
EBITDA	119 022	***76 301	64.1
Profit/(loss) for the period	63 372	(292 139)	x

* included in the consolidated financial statements of KGHM Polska Miedź S.A.

** preliminary data, not verified by Auditor

*** EBITDA (EBIT adjusted by depreciation/amortisation and impairment)

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In 2008 the company recorded a loss on operating activities, mainly due to remeasurement of the company's assets, including an impairment loss on property, plant and equipment (IAS 36) of PLN 268 270 thousand.

In 2008 DIALOG S.A. continued its strategy aimed at successively increasing the customer base, in both voice and internet services, leading to consistent growth in the company's revenues.

Thanks to its investments and its active search for new customers, DIALOG S.A. broke the general market trend away from fixed-line telephony, and despite strong competition from mobile operators there was an increase in the number of customers using voice services based on its own network. At the end of 2008 the company had 417.2 thousand ringing lines within its network.

Simultaneously the company increased the number of customers using services based on the Telekomunikacja Polska S.A. network by 83% during the analysed period, as compared to 2007. At the end of 2008 the company had 162.1 thousand active WLR customers.

DIALOG S.A. is dynamically expanding its base of internet customers, in particular with respect to broadband internet access. At the end of 2008 the company had 136.8 thousand internet customers, including 8.6 thousand BSA service users, meaning a change respectively by 120% and 412% (2007 = 100%).

In February 2008 DIALOG S.A. commenced sales of DIALOGmedia services, comprising digital television, video on demand, broadband internet and fixed-line telephony. At the end of 2008 the number of DIALOGmedia customers amounted to 3 500.

During the year the company also worked on introducing a new product – MVNO – thanks to which it will be offering mobile services as a so-called virtual operator. From August 2008 to January 2009 it has been testing the technical platform and services of MVNO. The company assumes implementation of this project and the commercial commencement of these services in 2009.

On 6 November 2008 DIALOG S.A. acquired 6 150 shares of PETROTEL Sp. z o.o. with a nominal value of PLN 1 000 per share, representing 75 % of the share capital of this company, based on a contingent agreement for the acquisition of shares dated 22 September 2008 entered into between PKN ORLEN S.A. and DIALOG S.A. Based on this contingent agreement, DIALOG S.A. presented an offer to the minority shareholders to acquire the remaining 2 050 shares, representing 25 % of the share capital of PETROTEL Sp. z o.o. At the turn of 2008/2009 DIALOG S.A. purchased 2 014 shares from these minority shareholders with a nominal value of PLN 1 000 per share, as a result of which the ownership percentage of DIALOG S.A. in the share capital of PETROTEL Sp. z o.o. increased to 99.56%. Simultaneously DIALOG S.A. became the owner of a modern telecommunications infrastructure valued at approx. PLN 40 million, which is currently being used by over 20 thousand fixed-line telephony customers and 10 thousand internet users in the region of Płock and its vicinity.

On 24 September 2008 the Management Board of Vivid.pl S.A., 100% owned by DIALOG S.A., submitted an application on the bankruptcy of the company. This bankruptcy was announced by the court on 29 September 2008. Vivid.pl S.A. generated losses and required regular capital injections, while its liabilities exceeded the value of the company's assets, both in respect of the owner and the company's customers.

On 4 April 2008 court registration took place of a decrease in the share capital of DIALOG S.A. by PLN 1 469 850 thousand, which was described on page 15 of this Report.

Intentions as regards other equity investments

The intentions of the Company as regards equity investments are mainly aimed at:

- investments in the areas considered by KGHM Polska Miedź S.A. as strategic – power and mining,
- realisation of investments supporting the core business,
- developing and increasing the effectiveness of Group companies, and
- actions aimed at improving the Group structure,

The Management Board of KGHM Polska Miedź S.A. have determined that power and mining are significant lines of investment. Investments in power assets involve the acquisition of new,

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alternative sources of energy. Investments in mining will involve the acquisition of shares in entities involved in exploration and mining assets with respect to geographical diversification of the Company's activities.

The actions of KGHM Polska Miedź S.A. related to supporting the core business assume the realisation of projects aimed at modernising extraction and copper processing technology and at reducing production costs. In carrying out these strategic intentions, those subsidiaries which provide services to the Divisions of KGHM Polska Miedź S.A. have developed investment plans aimed at these aspects.

In 2009 PeBeKa S.A. undertook actions related to increasing its productivity – expanding the range of its offered services, related to realisation of preliminary mining work. This initiative is supported by realisation of the mining equipment replacement program, partially financed by KGHM Polska Miedź S.A.

Realising the strategy of increasing value by investing in development-related areas, KGHM Polska Miedź S.A. also provides equity support to other investments by entities of the Group, aimed at strengthening their positions in the sectors in which they operate. A significant part in the realisation of these development-related plans will belong to POL-MIEDŹ TRANS Sp. z o.o., in which expenditures are planned for the realisation of investments related to developing its expertise in railway transport. KGHM Polska Miedź S.A. will allocate in this regard significant amounts over the next five years.

Realising the strategy of responsibility to the local community, KGHM Polska Miedź S.A. provides equity support to socially-important investments. The support of KGHM Polska Miedź S.A. in 2009 will involve the purchase of modern medical equipment in MCZ S.A.

Actions related to rationalising and improving the transparency of the structure of the KGHM Polska Miedź S.A. Group over the next several years will involve the disposal of portions of those entities which are either unrelated to the core business of KGHM Polska Miedź S.A. or are inefficient, as well as gaining direct supervisory control over those entities directly related to KGHM Ecoren S.A., which are significant to the functioning of the core business. It is assumed that in 2009 a special fund will be created to manage selected entities of the Group.

The financial results of KGHM Polska Miedź S.A. for 2008 enable realisation of the approved equity investment plan. Realisation of these investment projects assumes the use of internal funds.

2.3. Environmental protection

In 2008 KGHM Polska Miedź S.A., as in prior years, carried out its production tasks while endeavouring to protect the natural environment. This adherence to strict environmental standards, as determined by law, is possible thanks to the systematic modernisation of existing environmental protection equipment, as well as to new investments in this area. In 2008 the Company spent PLN 45 121 thousand on the realisation of projects related to environmental protection.

Environmental fees

Total environmental fees paid by the Divisions of KGHM Polska Miedź S.A. in 2008 amounted to PLN 68 612 thousand. The largest fees paid by the Company were for the following:

- waste storage – PLN 50 265 thousand, including PLN 47 293 thousand for the storage of floatation tailings, and
- discharge of waste water – PLN 13 768 thousand, including PLN 13 761 thousand for the drainoff of excess water from the Żelazny Most tailings pond.

In 2008, as a result of the Act on Extractive Waste coming into force, as of 15 August 2008 the obligation of the Company to calculate and pay fees for the storage of floatation tailings waste was terminated. In 2007 the amount of fees paid by KGHM in this regard amounted to PLN 72 619 thousand.

Currently, as the result of an initiative by a member of the Polish parliament, legislative work is being pursued on amending the Act on Extractive Waste, aimed at returning to the legal state prior to 15 August 2008 in order to reintroduce fees for the storage of copper ore floatation tailings waste. The mining sector is protesting against this effort and the reintroduction of a system of mining fees for the storage of extractive waste, pointing out that such fees only apply to Polish

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companies, and are not applied in other EU countries, and consequently result in higher production costs, which in turn cause domestic companies to be uncompetitive.

Until such time as a vote is taken in the Polish parliament on amending the Act on Extractive Waste, KGHM Polska Miedź S.A. will not incur fees for the storage of copper ore floatation tailings waste.

Legal aspect and intentions

KGHM Polska Miedź S.A. operates eight installations whose functioning depends on the possession of integrated permits. These include:

- the Głogów smelter for operating an installation for the production of metallic copper using shaft furnace and flash furnace technology, an installation for the production of precious metals, an installation for the production of lead and an installation for tailings waste – settling pond unit IV, and other installations at the smelter which do not require integrated permits,
- the Głogów smelter for operating the „Biechów industrial waste storage facility”,
- the Głogów smelter for operating the „Biechów II industrial waste storage facility”,
- the Legnica smelter for operating an installation for the production of refined lead.
- the Legnica smelter for an installation for the production of metallic copper from copper concentrate and of products recovered from metallurgical and electrical processes, the tailings waste facility „Polowice”, a temporary storage facility for lead-bearing concentrates and other installations on the grounds of the smelter,
- the Cedynia Wire Rod Plant for an installation for the melting, continuous casting and drawing of copper rod,
- the Tailings Plant for an installation for the storage of tailings from the floatation of copper ore, and
- the Ore Enrichment Plants for an installation for the neutralisation of sulphuric acid waste.

The remaining Divisions of the Company possess environmental sector administrative decisions.

In 2008 the Głogów smelter carried out work related to building a system for managing workplace safety and hygiene. In 2009 a certifying audit of this system is planned. Acquiring a certificate attesting to the implementation of the PN 18001 standard will conclude years of work at the Głogów smelter related to acquiring an Integrated Management System. This will also conclude the stage of certification in the smelter divisions, which will function in accordance with environmental, quality and workplace safety and hygiene management systems.

The Company has achieved a high level of technical solutions which enable the operation of installations in accordance with prevailing environmental law. In the near future it will be necessary to keep up with changes in BAT (Best Available Technology) requirements and to modernise installations in such a way as to increase production without increasing environmental impact. Amongst the most important investments planned in the near term are the following:

- limiting the impact of the Żelazny Most tailings pond on the environment,
- work related to securing the Żelazny Most tailings pond,
- continued modernisation of atmospheric protection equipment at the Głogów smelter,
- continued development of the Biechów II waste storage facility,
- construction of a copper concentrate warehouse in the charge preparation section at the Głogów smelter, and
- modernisation of the sulphuric acid plant at the Legnica and Głogów smelters.

2.4. Research and Development

R&D work is financed by the Company's internal funds. In certain cases the Company makes use of public funds. Expenditures by KGHM Polska Miedź S.A. on R&D work in 2008 amounted to PLN 5 886 thousand and were at a similar level to those in 2007. R&D work in KGHM Polska Miedź S.A. is closely connected to the Company's strategy and is aimed at:

- development and expansion of the core business,
- diversifying activities, and
- supporting the development of KGHM.

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Table 14. R&D expenditures ('000 PLN)

	2006	2007	2008	Change 2007=100
Mining	3 670	4 414	3 518	79.7
Smelting	2 385	1 662	2 368	142.5
Total	6 055	6 076	5 886	96.9

Apart from research conducted at its own initiative, KGHM Polska Miedź S.A. participated in realisation of the integrated project „BioMinE”, as part of the 6th framework program of the European Union, consisting of research into the use of bioleaching for the recovery of useful metals from copper ore, concentrates and floatation tailings.

Another permanent part of the innovation process is expenditures on feasibility studies and analysis in the research process (academic-technical expertise), on which PLN 11 959 thousand was spent in 2008.

The main areas of research with respect to technological innovation in future years in mining will include:

- new methods for researching copper ore deposits and forecasting and managing the occurrence of associated and co-associated metals,
- optimisation of existing applied technology for selected deposits and searching for new solutions in this regard for mining thin and/or thick deposits,
- improving safety during mining operations under conditions of associated threats,
- optimisation of processing in terms of an increasing number of recovered useful elements and reducing costs,
- searching for possibilities to reduce production costs, improve the use of machinery and equipment and the consumption of materials and energy,
- research into technically and economically justified technologies enabling a reduction in the amount of stored waste using the hydrotechnical method,
- ensuring the safe operation of the Żelazny Most tailings pond,

and in smelting:

- research into the usefulness of new technological solutions for the smelters of KGHM, in order to reduce processing costs,
- minimalisation of the Company’s environmental impact, including through the management of Pb and As which degrade the efficiency of smelter processes,
- searching for possibilities to manufacture new products.

REVIEW OF FINANCIAL POSITION

3. Review of financial position

3.1. Balance sheet: assets

In comparison to the end of 2007, total assets increased by PLN 1 477 thousand, i.e. by 12%.

Table 15. Assets ('000 PLN)

	31.12.2007	31.12.2008	Change 2007=100	Structure (%)
Non-current assets	7 431 425	8 703 565	117.1	62.6
Property, plant and equipment	4 832 630	5 515 028	114.1	39.7
Intangible assets	74 830	80 904	108.1	0.6
Shares in subsidiaries	1 803 390	1 795 013	99.5	12.9
Investments in associates	438 559	1 163 640	×2.7	8.4
Deferred tax asset	160 781	-	x	x
Available-for-sale financial assets	32 935	21 034	63.9	0.2
Held-to-maturity investments	43 893	59 545	135.7	0.4
Derivative financial instruments	33 395	6 501	19.5	0.0
Trade and other receivables	11 012	61 900	×5.6	0.4
Current assets	4 992 205	5 173 979	103.6	37.2
Inventories	1 603 487	1 446 802	90.2	10.4
Trade and other receivables	772 279	1 222 501	158.3	8.8
Derivative financial instruments	81 444	711 096	×8.7	5.1
Cash and cash equivalents	2 534 995	1 793 580	70.8	12.9
Non-current assets held for sale	-	23 020	x	0.2
Total Assets	12 423 630	13 900 564	111.9	100.0

The value of property, plant and equipment increased in 2008 by PLN 682 398 thousand, and at the end of the year amounted to nearly 40% of total assets. The increase in this asset item is mainly due to realisation of the tangible investments program. Capital expenditures in 2008 amounted to PLN 1 139 875 thousand, i.e. more than twice as much as depreciation, which amounted to PLN 469 156 thousand.

In non-current assets, significant position is assets related to subsidiaries and associates. The total value of shares amounted to PLN 2 958 653 thousand, i.e. 21% of total assets at the end of 2008. The increase in the value of these shares in 2008 was PLN 716 704 thousand, and is the result of equity investments and impairment losses, including primarily:

- Polkomtel S.A. – acquisition of a block of shares from TDC Mobile International A/S (currently TDC A/S) for PLN 726 390 thousand,
- PeBeKa S.A. – acquisition of shares in the increased share capital in the total amount of PLN 33 815 thousand, (the funds from this increase in share capital were used for the purchase of mining machinery),
- Energetyka sp. z o.o. – an increase in share capital due to the expansion of power generation capacity. The amount of the increase was PLN 27 317 thousand,
- Dialog S.A. – an impairment losses on shares of PLN 75 057 thousand, accounted for by KGHM at 31 December 2008.

Available-for-sale financial assets in the amount of PLN 21 034 thousand represented shares in unlisted companies (PLN 9 770 thousand) and in the investment fund AIG (PLN 11 264 thousand). Held-to-maturity investments were all in respect of the Mine Closure Fund (PLN 59 545 thousand).

The largest item of current assets was cash and cash equivalents. In 2008 unallocated funds were mainly invested in short-term bank deposits of up to three months. In addition the Company invested in shares in investment funds, which represented up to 7% of the value of cash and cash equivalents. These assets were sold in October 2008.

REVIEW OF FINANCIAL POSITION

The value of cash and cash equivalents amounted to PLN 1 793 580 thousand, and decreased during the year by PLN 741 415 thousand (29%), mainly due to expenditures related to the acquisition of shares, property, plant and equipment and to the payment of a shareholder dividend of PLN 1 800 000 thousand.

The value of inventories at the end of 2008 was PLN 1 446 802 thousand, including:

- semi-products and work in progress - PLN 1 061 660 thousand,
- finished goods - PLN 238 755 thousand
- material inventories – PLN 143 597 thousand.

Inventories decreased by 156 685 thousand, i.e. by 10% versus the end of 2007. Inventories fell with respect to semi-products and work in progress, and finished goods. This is related to a decrease in the volume of copper in concentrate inventories by 4 thousand t and finished goods from Cu by 10 thousand t. Also of significance was the revaluation of inventories to actual sale prices at the end of 2008. The value of inventories was written down by PLN 62 172 thousand.

An important item in the structure of current assets at the end of 2008 was current receivables in the amount of PLN 1 222 501 thousand, of which trade receivables amounted to PLN 520 436 thousand. The value of receivables increased during the year by PLN 450 222 thousand, mainly with respect to receivables due to unsettled derivative instruments (an increase by PLN 278 269 thousand) and non-financial receivables due to taxation, social and health insurance and other benefits (an increase by PLN 195 683 thousand). In this regard trade receivables decreased by PLN 37 439 thousand, i.e. by 7%.

Derivative financial instruments were measured at PLN 6 501 thousand in non-current assets and PLN 711 096 thousand in current assets.

Assets effectiveness ratios were at lower levels than in 2007:

Table 16. Assets effectiveness ratios

	2007	2008
Assets turnover ratio	1.0	0.8
Non-current assets turnover ratio	1.6	1.3
Current assets turnover ratio	2.4	2.2
Liquid assets turnover ratio	3.7	3.7

Ratios calculated based on end-of-year balances, pursuant to methodology described in Annex A.

REVIEW OF FINANCIAL POSITION

3.2. Balance sheet: equity and liabilities

In 2008 the basic source for financing assets was equity, whose share in total assets increased from 72% in 2007 to 76% in 2008.

Table 17. Sources of financing assets ('000 PLN)

	31.12.2007	31.12.2008	Change 2007=100	Structure (%)
Equity	8 965 949	10 591 292	118.1	76.2
Share capital	2 000 000	2 000 000	100.0	14.4
Other reserves	13 783	518 748	×37.6	3.7
Retained earnings	6 952 166	8 072 544	116.1	58.1
Non-current liabilities	1 439 396	1 640 668	114.0	11.8
Trade and other payables	6 305	24 962	×4.0	0.2
Borrowings and finance lease liabilities	20 319	17 173	84.5	0.1
Derivative financial instruments	3 087	-	0.0	0.0
Deferred tax liabilities	-	31 516	x	0.2
Liabilities due to employee benefits	853 096	975 697	114.4	7.0
Provisions for other liabilities and charges	556 589	591 320	106.2	4.3
Current liabilities	2 018 285	1 668 604	82.7	12.0
Trade and other payables	1 510 841	1 476 088	97.7	10.6
Borrowings and finance lease liabilities	8 612	7 120	82.7	0.1
Liabilities due to current income tax	343 022	64 866	18.9	0.5
Derivative financial instruments	14 335	3 771	26.3	0.0
Liabilities due to employee benefits	66 199	73 289	110.7	0.5
Provisions for other liabilities and charges	75 276	43 470	57.7	0.3
Total equity and liabilities	12 423 630	13 900 564	111.9	100.0

The increase in equity by PLN 1 625 343 thousand was comprised of:

- the change in the revaluation reserve on cash flow hedging financial instruments and on available-for-sale financial assets (PLN 504 965 thousand), mainly due to the measurement and settlement of hedging transactions,
- the profit for 2008, less the dividend for 2007 (PLN 1 120 378 thousand).

Total non-current and current liabilities amounted to PLN 3 309 272 thousand, i.e. PLN 148 409 thousand lower than at the end of 2007. Their share in the structure of financing assets also decreased, as shown by the relation of liabilities to equity – a decrease from 39% to 31%.

The largest item was trade and other payables, totalling PLN 1 501 050 thousand, of which:

- trade payables 705 868 thousand,
- other payables 795 182 thousand,
of which: taxation and social security PLN 183 613 thousand; accruals, mainly respecting the annual bonus, PLN 293 078 thousand.

During the year trade payables increased by 25%, while other payables decreased by 16%. As a result total payables in this regard remained at a similar level to the amount at the end of 2007.

A significant item is the liability due to employee benefits in the total amount of PLN 1 048 986 thousand, of which:

- the coal equivalent payment PLN 635 070 thousand,
- jubilee bonuses PLN 242 300 thousand,
- retirement and disability benefits PLN 171 616 thousand.

The prevailing part of provisions for liabilities (PLN 634 790 thousand - total non-current and current) is a revalued provision for decommissioning costs of mines and other facilities (PLN 602 925 thousand).

REVIEW OF FINANCIAL POSITION

Ratios illustrating the financing of assets did not change significantly with respect to 2007.

Table 18. Assets financing ratios

	2007	2008
Coverage of assets by equity	0.7	0.8
Coverage of non-current assets by equity	1.2	1.2
Coverage of non-current assets by long-term capital	1.4	1.4
Coverage of current assets by current liabilities	0.4	0.3

Ratios calculated based on end-of-period balances, based on methodology described in Annex A.

Contingent and off-balance sheet receivables and liabilities

At 31 December 2008, contingent receivables of the Company amounted to PLN 9 858 thousand, most of which related to contested State budget issues, while off-balance sheet receivables amounted to PLN 25 195 thousand and related entirely to implementation of projects and inventions.

Contingent liabilities at the end of 2008 amounted to PLN 31 002 thousand, including due to:

- disputed issues, pending court proceedings PLN 14 185 thousand.
- guarantees granted PLN 7 170 thousand,
- preventive safety measures in respect of mine-related damage PLN 8 000 thousand,

Off-balance sheet liabilities in the amount of PLN 465 264 thousand comprised:

- payments due to perpetual usufruct of land PLN 382 163 thousand,
- liabilities due to implementation of projects and inventions PLN 61 706 thousand,
- an operating lease PLN 21 395 thousand.

3.3. Liquidity

Financial resources

The structure of the Company's cash and cash equivalents is presented in the table below:

Table 19. Structure of cash and cash equivalents ('000 PLN)

	31.12.2006	31.12.2007	31.12.2008	Change 2007=100
Cash in hand and at bank	368	1 628	110 904	×68
Other monetary assets, of which:	2 093 068	2 533 367	1 682 676	66.4
- monetary assets with a maturity up to 3 months	2 091 251	2 530 859	1 678 914	66.3
- interest on financial assets with a maturity up to 3 months	1 817	2 508	3 762	150.0
Total	2 093 436	2 534 995	1 793 580	70.8

Financial income from the depositing of periodically unallocated cash resources and financial investments is presented below:

Table 20. Financial income from the depositing of periodically unallocated cash and cash equivalents and short-term investments ('000 PLN)

	31.12.2006	31.12.2007	31.12.2008	Change 2007=100
On-demand bank deposits	119	266	253	95.1
Securities and participation units	4 264	14 019	14 644	104.5
Fixed term bank deposits	60 495	99 944	104 498	104.6
Total	64 877	114 229	119 395	104.5

The increase in financial income was due to the high level of cash and cash equivalents in the first half of 2008 and to the achieved market effectiveness of financial investments.

Periodically unallocated cash and cash equivalents deposited in fixed term bank deposits generated financial income in the amount of PLN 104 498 thousand.

From the investment of periodically unallocated cash and cash equivalents in securities and participation units in investment funds, the Company earned financial income of PLN 14 644 thousand.

REVIEW OF FINANCIAL POSITION**Credit servicing in 2008**

In 2008 KGHM Polska Miedź S.A. did not make use of external sources of financing in the form of bank loans.

In 2008 KGHM Polska Miedź S.A. made use of a loan received on 21 November 2003 from the Regional Fund for Environmental Protection and Water Management in Wrocław. Interest on this loan is fixed and amounts to an annual rate of 4%. Repayment on the final instalment of this loan in the amount of PLN 1 000 thousand is on 16 September 2010.

At 31 December 2008 the Company held liabilities due to the above-mentioned loan in the amount of PLN 7 012 thousand.

Credit facilities in current accounts

Until 28 March 2008 the Company held credit facilities in a current account in Bank Handlowy up to USD 10 000 thousand. Due to positive cash flow generated from operating activities and to its significant cash resources, the Company did not prolong this credit facilities.

Loans granted

In 2008 KGHM Polska Miedź S.A. granted loans to 3 Group companies: KGHM Congo S.P.R.L., Zagłębie Lubin S.A., and Polskie Centrum Promocji Miedzi Sp. z o.o.

At 31 December 2008 the Company held receivables due to loans granted in the amount of PLN 9 323 thousand.

KGHM Congo S.P.R.L.

In 2008 the Company granted the following loans:

- on 11 April 2008, in the amount of USD 25 thousand, with variable annual interest of LIBOR 1M + 1%, with repayment by 1 June 2008. The loan was repaid on 2 June 2008.
- on 4 November 2008, in the amount of USD 75 thousand, with variable annual interest of LIBOR 1M + 1%, with repayment by 30 November 2008. The loan was not repaid on time. An annex is planned which will defer repayment of the loan plus interest until 30 April 2009.
- on 23 December 2008, in the amount of USD 165 thousand, with variable annual interest of LIBOR 1M + 2%, with repayment of the loan plus interest by 30 April 2009.

In addition, in 2008 a loan agreement was in force in the amount of USD 800 thousand, granted on 19 June 2007 with a variable annual interest rate of LIBOR 1M + 1%, and a repayment date of no later than 15 October 2009. The amount of USD 300 thousand was repaid in the fourth quarter of 2007. The remainder of the loan in the amount of USD 500 thousand will be repaid in 10 monthly instalments of USD 50 thousand beginning on 15 January 2009 to 15 October 2009.

Zagłębie Lubin S.A.

On 15 April 2008 the Company granted a loan in the amount of PLN 7 000 thousand with annual interest of WIBOR 1M + 1.2%, with interest payable monthly and a repayment date for the principal of 31 December 2010.

Polskie Centrum Promocji Miedzi Sp. z o.o.

On 10 December 2008 the Company granted a loan in the amount of PLN 100 thousand, with annual interest of WIBOR 1M + 1.2 %, with interest payable monthly and a repayment date for the principal of 31 March 2009.

Financial guarantees and pledges granted

In 2008 KGHM PM S.A. granted no pledges or financial guarantees.

REVIEW OF FINANCIAL POSITION

3.4. Income statement

Profit before income tax in 2008 amounted to PLN 3 553 629 thousand and was 24% lower than in the comparable prior period. Profit before income tax was impacted by ('000 PLN):

– profit on sales	3 392 376
– profit on other operating activities	203 988
– loss on financing activities	(42 735)

Table 21. Income statement – basic items ('000 PLN)

	2007	2008	Change 2007=100
Sales	12 183 113	11 302 913	92.8
Operating costs	7 303 365	7 910 537	108.3
Profit on sales	4 879 748	3 392 376	69.5
Profit/(loss) on other operating activities	(197 714)	203 988	x
Operating profit	4 682 034	3 596 364	76.8
Profit/(loss) on financing activities	(26 504)	(42 735)	161.2
Profit before income tax	4 655 530	3 553 629	76.3
Profit for the period	3 798 826	2 920 378	76.9
EBITDA (EBIT + depreciation/amortisation)	5 100 585	4 077 740	79.9

In relation to 2007, the decrease in profit on sales is mainly due to the strengthening of the PLN from 2.77 do 2.41 USD/PLN (which decreased revenues by PLN 1 628 205 thousand) and the decrease in copper prices by 2.4% (which decreased revenues by PLN 667 299 thousand).

The result on sales was positively impacted by the transactions hedging copper prices (which increased revenues by PLN 1 171 778 thousand) and an increase in the volume of copper sales by 10.5 thousand tonnes (which increased revenues by PLN 214 322 thousand).

Table 22. Basic factors affecting the result on sales

	Unit	2007	2008	Change 2007=100
Sale of copper and copper products	'000 t	526.8	537.3	102.0
Silver sales	t	1 177	1 175	99.8
Average copper price on the LME	USD/t	7 126	6 952	97.5
Average silver price on the LBM	USD/troz	13.38	14.99	112.0
Average USD/PLN exchange rate per NBP	PLN/USD	2.77	2.41	87.0
Unit cost of electrolytic copper production	PLN/t	11 160	11 736	105.2
	USD/t	4 031	4 878	121.0

In 2008, 99% of sales represented revenues from the sale of products, of which: 45% - from the sale of cathodes and their constituent parts, 34% - copper wire rod, 12% - metallic silver. Revenues from the sale of products were lower by PLN 883 314 thousand, i.e. by 7% versus the comparable period.

The result on other operating activities of PLN 203 988 thousand was mainly due to the following (in '000 PLN):

– income from dividends	237 174
– loss on measurement and realisation of derivative instruments	(212 001)
– foreign exchange gains	122 163
– interest on financial instruments income	112 839
– impairment losses on shares in a subsidiary	(75 057)

The loss on financing activities of PLN (42 735) thousand was mainly due to the change in the level of provisions (unwinding of the discount effect) in the amount of PLN (38 091) thousand.

Profit before tax was charged by income tax in the amount of PLN 633 251 thousand. Current income taxation in the amount of PLN 576 428 thousand was increased by PLN 71 301 thousand due to temporary differences.

REVIEW OF FINANCIAL POSITION

In accordance with the requirements of the tax law, the basis for taxation (taxable base) was established by the adjustment to profit before income tax („+” being an increase, „-” being a decrease in the profit before taxation):

Table 23. Adjustment to profit before income tax by the change in taxable base ('000 PLN)

Profit before income tax (gross)	3 553 629
- Income tax calculated at tax rates in force	675 190
- Non-taxable income	(111 015)
- Expenses not deductible for tax purposes	83 554
- Adjustments to current income tax from prior periods	(14 478)
Income tax expense	633 251

Financial ratios

The table below presents the basic ratios describing the economic activities of KGHM in the years 2007-2008:

Table 24. Basic ratios describing the economic activities of the Company

	2007	2008
Current liquidity	2.5	3.1
Quick liquidity	1.7	2.2
ROA - return on assets (%)	30.6	21.0
ROE - return on equity (%)	42.4	27.6
Debt ratio (%)	27.8	23.8
Durability of financing structure (%)	83.8	88.0

Liquidity ratios show the relationship of current assets, or their more liquid part, to current liabilities. The increase in the liquidity ratios was mainly due to a decrease in current liabilities by 17%.

The decrease in the financial result by 23% alongside the increase in total assets by 12% caused a decrease in the return on assets (ROA). The decrease in the return on equity (ROE) is due to an increase in equity by 18% alongside a decrease in the financial result.

The decrease in the debt ratio was due to an increase in the share of equity in equity and liabilities from 72% in the prior year to 76% in 2008. The increase in equity also had a major impact on increasing the durability of financing structure.

Capital market ratios.

The Company's activities are characterised by the following ratios, significant from an investor's point of view:

Table 25. Capital market ratios

		2007	2008
EPS (PLN)	Profit (loss) for the period / number of shares	18.99	14.60
P/CE	Price per share / financial surplus per share*	5.0	1.7
P/E	Price per share / earnings per share	5.6	1.9
MC/S	Market capitalisation**/ revenues from sales	1.7	0.5
P/BV	Price per share / book value per share***	2.4	0.5

* Financial surplus = profit for the period + depreciation.

** Market capitalisation represents total shares outstanding times share price from the last day of the year (200 million shares × PLN 105.80 in 2007; PLN 28.12 in 2008).

*** Book value equals that of the balance sheet date.

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3.5. Operating costs

The Company's operating costs are decisively impacted by the costs of electrolytic copper production.

Table 26. The unit cost of electrolytic copper production

	Unit	2006	2007	2008	Change 2007=100
Total unit cost of copper production	PLN/t	10 497	11 160	11 736	105.2
	USD/t	3 381	4 031	4 878	121.0
of which: from own concentrates	PLN/t	8 185	9 313	10 797	115.9

The total unit cost of copper production increased by 576 PLN/t, i.e. by 5%, mainly due to:

- the increase in costs by type, of which:
 - costs of materials, fuel and energy (+432 PLN/t),
 - contracted mine preparatory work (+223 PLN/t),
 - depreciation/amortisation (+116 PLN/t),
 - labour costs, excluding actuarial provision (+79 PLN/t),
- electrolytic copper production lower by 6 thousand t (+106 PLN/t),

alongside the following factors reducing the unit cost:

- a lower value of external copper-bearing materials used (-439 PLN/t),
The decrease in average prices for external copper-bearing materials from 19 685 PLN/t Cu to 14 946 PLN/t Cu (-959 PLN/t) was partially compensated by a 13 thousand t increase in Cu volume consumption (+520 PLN/t).
- the favourable valuation of anode slimes (-114 PLN/t) mainly due to the increase in the price of gold by 18%.

The cost of copper production from own concentrates increased by 1 484 PLN/t, i.e. by 16%, which was primarily due to the above-mentioned increase in costs by type and the decrease in the volume of copper production from own concentrate by 4% (19 thousand t).

The cost of copper production represents 93% of total costs by type. The structure of costs by type is shown in the table below:

Table 27. Structure of costs by type (%)

	2006	2007	2008
Depreciation/Amortisation	5	6	6
Materials and energy consumption	51	45	44
<i>including external copper-bearing materials</i>	32	23	21
External services	12	12	13
Labour costs	27	32	31
Taxes and charges	4	4	4
Other	1	1	1

In 2008 total costs by type increased versus the prior year by PLN 549 232 thousand, i.e. by 8%, mainly due to an increase in the following costs (in '000 PLN):

- consumption of materials (excluding purchased copper-bearing materials),
fuels and energy 204 601
- external services, including mainly mine preparatory work 150 008
- labour costs, including mainly provisions for future employee benefits 111 079
- depreciation/amortisation 62 825
- write-down of inventories 60 784

alongside a decrease in the costs of purchased copper-bearing materials consumed by PLN 49 549 thousand.

REVIEW OF FINANCIAL POSITION

3.6. Unusual events impacting the financial results of the Company

The results of the Company were impacted by decisions related to the recognition in the accounts of 2008 of the following events of an unusual character:

Table 28. Major unusual events impacting the financial results of the Company ('000 PLN)

	<i>impact on profit before income tax</i>
Provisions recognised or increased for future expenses and liabilities, due to:	
– revaluation of provisions for future employee benefits – retirement/disability rights, jubilee awards and coal equivalent payments	(129 691)
– revaluation of provisions for decommissioning costs of mines and other facilities	(38 802)
Measurement of long and short term financial assets	
– result of measurement and realisation of derivative instruments	(212 001)
– impairment loss on shares in a subsidiary	(75 057)
Allowances for impairment on receivables and impairment losses on property, plant and equipment (or their reversal)	
– allowances for impairment of other receivables together with interest (excess of allowances reversed over recognised)	5 033
– write-down of inventories to net realisable value	(61 095)

3.7. Risk management in the Company in 2008

In 2008 copper price hedging strategies represented approx. 35% (in 2007 25%) of sales of this metal realised by the Company. In the case of silver they amounted to approx. 32% (in 2007 6%). In the case of the currency market, hedged revenues from sales represented approx. 11% (in 2007 10%) of total revenues from sales realised by the Company.

In 2008 transactions in derivative instruments entered into on the metals market were settled with a positive result, while currency hedging transactions were settled with a negative result. The impact of all transactions in derivative instruments on the income statement amounted to PLN 367 990 thousand (in 2008: PLN (748 680) thousand), of which:

- revenues from sales were adjusted by PLN 579 991 thousand (in 2007 PLN (435 533) thousand) – being the amount transferred from revaluation reserve to profit and loss in the financial period,
- PLN (99 575) thousand (in 2007 PLN (47 165) thousand) adjusted other operating costs – loss from the realisation of derivative instruments,
- PLN (112 426) thousand (in 2007 PLN (265 982) thousand) adjusted other operating costs – loss from the measurement of derivative instruments. The adjustment of other operating costs due to the measurement of derivative transactions results mainly from changes in the time value of options which are to be settled in future periods. Due to the existing hedge accounting regulations, changes in the time value of options may not be recognised in the revaluation reserve.

In 2008, the Company implemented copper price hedging strategies of a total volume of 99 thousand tonnes and a maturity falling in the fourth quarter of 2008 and the first half of 2009. The Company made use of options. Additionally, during this period the Company implemented adjustment hedge transactions of a total volume of 24.8 thousand tonnes and a maturity falling in 2008 and 2009.

In the case of the silver market, during the analysed period no strategies were implemented to hedge the price of this metal. In 2008 adjustment hedge transactions were implemented on the silver market of a total volume of 643 thousand troz and a maturity falling in January 2008.

In the case of the forward currency market, in 2008 the Company implemented strategies hedging the USD/PLN rate for an amount of USD 1 374 million and a time horizon falling in the fourth quarter of 2008 and in 2009. The Company made use of options. During the analysed period there were no adjustment hedge transactions implemented on the currency market.

REVIEW OF FINANCIAL POSITION

The Company remains hedged for a portion of copper sales planned in the first half of 2009 (63 thousand t), for a portion of silver sales planned in 2009 (9.6 million troz). With respect to revenues from sales (currency market) the Company holds a hedged position in 2009 of USD 924 million.

The Company continuously monitors the commodity and currency markets, and these monitoring activities are the basis for taking decisions on implementing hedging strategies.

At 31 December 2008, the fair value of open positions in derivative instruments amounted to PLN 713 826 thousand, of which PLN 717 597 thousand was in respect of the fair value of hedging instruments, while PLN (3 771) thousand was in respect of the fair value of traded derivative instruments. The fair value of transactions settled on 5 January 2009 in the amount of PLN 251 751 thousand was recognised in other financial receivables. The fair value of open positions in derivative instruments varies in dependence on changes in market conditions, and the final result on these transactions may vary significantly from the amounts described above.

At 31 December 2008, the revaluation reserve amounted to PLN 627 757 thousand, all of which respected the effective part of the amount from the measurement of transactions hedging the metals price risk.

At the end of 2007 the revaluation reserve from measurement of the effective portion of the fair value of hedging instruments amounted to PLN 9 895 thousand.

During 2008 the change in the revaluation reserve (an increase) amounted to PLN 617 862 thousand. This amount is comprised of changes in fair value during the period recognised in the revaluation reserve due to the effective portion of hedging transactions entered into, i.e. an increase in the revaluation reserve by PLN 1 197 853 thousand, and the amount transferred from the revaluation reserve to profit and loss due to the settlement of hedging transactions, a decrease in the revaluation reserve by PLN 579 991 thousand (an adjustment in plus of revenues from sales for 2008).

Details of the risk management policy in the Company together with identification of the main types of risk can be found in Notes 9, 27 and 28 of the financial statements.

3.8. Contested issues

At 31 December 2008, the total value of ongoing contested issues both by and against the Company amounted to PLN 192 856 thousand, including receivables of PLN 116 171 thousand and liabilities of PLN 76 685 thousand.

The largest proceedings being pursued by the Company at the end of 2008 related to the following:

- royalties for use of a patent from invention project nr 1/97/KGHM.

Value of amount under dispute: PLN 42 413 thousand. The claim was filed with the Regional Court in Legnica on 26 September 2007 by 14 co-authors of invention project nr 1/97/KGHM. KGHM Polska Miedź S.A. received a summons on 14 January 2008. Each of the plaintiffs in this complaint is demanding compensation equivalent to the given plaintiff's share in the economic effects achieved.

On 21 January 2008 the Company filed a counter claim against these same 14 project co-authors for payment of erroneously paid remuneration for the said patent in the amount of PLN 25 195 thousand due to use of invention project nr 1/07/KGHM. The court has combined both of these claims for mutual hearing. Proceedings are in progress.

By a decision of the Regional Court in Legnica dated 29 August 2008 dismissing a claim for the payment of compensation in the amount of PLN 11 839 thousand, the proceedings against KGHM Polska Miedź S.A. initiated by BOBMARK INTERNATIONAL Sp. z o. o. in Warsaw have concluded. This decision is legally binding.

Following the end of financial year 2008, on 22 January 2009 the Company received the complaint of 13 co-authors of project nr 2/97/KGHM for the payment of royalties in the amount of PLN 11 760 thousand.

REALISATION OF COMPANY DEVELOPMENT ASSUMPTIONS

4. Realisation of Company development assumptions**4.1. Company Strategy**

In the second half of 2008 the Management Board of KGHM Polska Miedź S.A. began work on the development of assumptions to the Strategy of the Company for the years 2009 – 2018. The developed Strategy of KGHM Polska Miedź S.A. for the years 2009 – 2018 was approved by the Supervisory Board of the Company on 23 February 2009.

By realising the Strategy, KGHM will become a major, global copper producer and increase annual copper production to approx. 700 thousand tonnes. It is assumed that total expenditures on the realisation of new projects will amount to approx. PLN 19.8 billion over 10 years.

The Strategy for the years 2009-2018 is based on 5 pillars:

1. **Improving productivity**, aimed at halting increases in the unit cost of production, which will include, among others:

- investments in new technology, including combines for the mechanical mining of ore and the construction of a flash furnace,
- modernisation of existing infrastructure, including intensifying replacement of mining machinery,
- optimisation of production procedures and organisation, including centralising purchasing and intensifying mine development work.

2. **Developing the resource base**, aimed at increasing the annual production of copper in concentrate to approx. 700 thousand tonnes, which assumes:

- further work on developing and mining the Głogów Głęboki-Przemysłowy deposit,
- developing the system for mining ore at depths below 1200 meters,
- investments in foreign mining assets,
- searching for new local deposits: further exploration of the possibilities of mining the region of Radwanice – Gaworzyce,
- exploring and documenting the region of Weisswasser (Germany), exploratory work in regions adjacent to the deposits of KGHM,
- intensifying the processing of scrap.

3. **Diversifying sources of revenues**, which assumes:

- continued investment in the telecoms sector,
- gradual entrance into the power sector.

The goal is for around 30 % of revenues to come from non-core business activities.

4. **Regional support**, to help solidify the importance of the Company for the region, which assumes:

- creating jobs and developing regional activities,
- developing regional entrepreneurship,
- protecting the environment as well as the health of employees and of the local community,
- supporting sport and the arts and sciences in the region.

5. **Developing organisational know-how and capabilities**, which assumes:

- introducing management mechanisms through goals,
- implementing staff development programs,
- creating a transparent Group structure.

Implementing the Strategy in the short term will improve the cost competitiveness of KGHM on global copper markets. In the mid-term (up to 10 years), as a result of development of the resource base, the Company will become a major, global copper producer. Over the long term, diversification and investment in the power sector will enable KGHM Polska Miedź S.A. to become an international copper group with diversified sources of income.

REALISATION OF COMPANY DEVELOPMENT ASSUMPTIONS

4.2. Realisation of financial forecasts for 2008

In a current report dated 27 March 2008 the Company published the Budget assumptions for 2008 approved by the Supervisory Board on the same day. The Budget assumed the achievement in 2008 of revenues from sales in the amount of PLN 11 193 million and profit for the period of PLN 2 920 million.

Details of the basic assumptions, forecast results and their realisation are presented below:

Table 29. Realisation of the projected financial results of the Company for 2008

		Budget 2008	Execution 2008	Realisation of forecast %
Sales	million PLN	11 193	11 303	101.0
Profit for the period	million PLN	2 904	2 920	100.6
Average annual copper prices	USD/t	7 100	6 952	97.9
	PLN/t	17 750	16 754	94.4
Average annual silver prices	USD/troz	15.00	14.99	99.9
USD/PLN exchange rate	USD/PLN	2.50	2.41	96.4
Electrolytic copper production	'000 t	512.0	526.8	102.9
of which from external copper-bearing materials	'000 t	93.5	105.1	112.4
Silver production	t	1 110	1 193	107.5
Unit electrolytic copper production cost	PLN/t	12 455	11 736	94.2
Capital expenditure	million PLN	1 637	1 140	69.6

Realisation of the forecast financial results despite the less favourable-than-forecast macroeconomic conditions was possible thanks to a 5.2% higher sales volume and to the hedging policy realised in 2008.

The unit cost of electrolytic copper production in 2008 amounted to 11 736 PLN/t which is 5.8% lower than assumed (12 455 PLN/t). The main reasons for the more favourable-than-forecasted level of unit cost were: the lower price of external copper-bearing materials used in production and the higher-than-planned level of electrolytic copper production.

4.3. Projected Company financial situation

On 23 February 2009 the Supervisory Board of KGHM Polska Miedź S.A. approved the Budget for 2009. The basis for preparation of the Budget were the preliminary results for 2008 and the assumptions contained in specific operating plans. The accepted Budget assumes the achievement in 2009 of revenues from sales in the amount of PLN 7 048 million and profit for 2009 of PLN 488 million.

Details of the basic assumptions of the Budget for 2009 are presented below:

Table 30. Company Budget assumptions for 2009

	Unit	2008	Budget 2009	Change 2008=100
Sales	million PLN	11 303	7 048	62.4
Profit for the period	million PLN	2 920	488	16.7
Average annual copper price	USD/t	6 952	3 200	46.0
	PLN/t	16 754	9 280	55.4
Average annual silver price	USD/troz	14.99	10.00	66.7
USD/PLN exchange rate	USD/PLN	2.41	2.90	120.3
Electrolytic copper production	'000 t	526.8	512.3	97.2
of which from external copper-bearing materials	'000 t	105.1	98.5	93.7
Silver production	t	1 193	1 125	94.3
Total unit cost of	PLN/t	11 736	10 466	89.2
electrolytic copper production	USD/t	4 878	3 609	74.0
Capital expenditure	million PLN	1 140	1 235	108.3
Equity investments	million PLN	793	939	118.4

REALISATION OF COMPANY DEVELOPMENT ASSUMPTIONS

The macroeconomic assumptions used result from the assumed weakness in the metals market, alongside cautious assumptions with respect to the PLN exchange rate.

The expected decrease in electrolytic copper production is mainly due to the planned maintenance halt in the Głogów smelter and a lower volume of external copper-bearing materials.

The decrease in the level of total planned unit copper production cost in 2009 (10 466 PLN/t Cu) results mainly from the lower cost of external copper-bearing materials.

The investment program assumed in the Budget is aimed at realisation of the following goals:

- replacing worn-out assets and maintaining production over the long term from domestic resources (the technical infrastructure of new mining regions),
- improving productivity through realisation of projects resulting in reducing core business costs,
- additional revenues from new production.

The main element in planned equity investments is the acquisition of a foreign mine, in order to expand the resource base of KGHM Polska Miedź S.A., along with investments in the power sector.

In addition, the Budget for 2009 includes undertaking of ad hoc actions aimed at reducing costs and increasing productivity. The Budget assumes the realisation of programs, begun in 2008, for reducing costs and increasing productivity in the main operating areas of the Company and Group. One of these is the program to centralise purchasing throughout the Group, which it is cautiously expected should in 2009 bring about savings on the order of at least PLN 200 million.

Due to the assumptions of the investment program and the anticipated global economic weakness, the Budget for 2009 assumes leaving all the profit for 2008 in the Company. During the period whilst economic conditions were positive, KGHM Polska Miedź S.A. paid an above-average dividend to its shareholders – altogether PLN 7.2 billion for the years 2005-2007, in accordance with the practice that extraordinary profits during the peak phase of the raw materials prices cycle are allocated to shareholders in the form of progressive dividends.

The final decision respecting the appropriation of profit of KGHM Polska Miedź S.A. for financial year 2008 will be made by the Ordinary General Shareholders' Meeting of KGHM Polska Miedź S.A.

Currently the USD/PLN exchange rate is more favourable than that assumed in the Company Budget for 2009 (3.46 USD/PLN after nearly the first three months of 2009). Worthy of note is the fact that over the last several months the variability of the USD/PLN exchange rate as well as of metals prices has increased by several times, which significantly increases the difficulty of the process of planning the financial results of the Company.

The Budget for 2009 contains prudent assumptions in terms of the USD/PLN rate as compared to current rates. Should the USD/PLN exchange rate remain at current or higher levels to the end of the financial year, with copper prices higher than that assumed in the Budget, the financial results will be better than those projected.

The sensitivity of the profit for the period projected in the 2009 Budget to basic macroeconomic factors is as follows:

- a change in the copper price by 100 USD/t would cause a change in profit for the period by PLN 84 million,
- a change in the exchange rate by PLN 0.05 would cause a change in profit for the period by PLN 70 million.

These sensitivities reflect: changes in the value of product sales of the Company, the effects of transactions hedging the price of copper, silver and the exchange rate, and changes in the value of purchased copper scrap, copper concentrates and blister copper.

Due to the use of options strategies, it may not be assumed that changes in results related to changes in prices and exchange rates will be a linear function.

THE COMPANY ON THE SECURITIES MARKETS

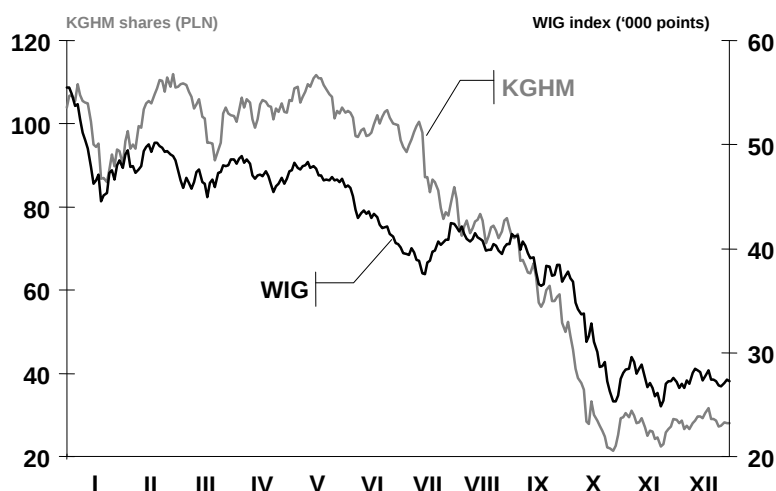
5. The Company on the securities markets

5.1. Company quotations in 2008

In July 1997 KGHM Polska Miedź S.A. debuted on the Warsaw Stock Exchange. The shares of the Company are traded on the primary market in a continuous trading system, and are a component of the WIG and WIG20 indices. The Global Depositary Receipts of the Company (GDRs) have been traded since July 1997 on the London Stock Exchange.

In 2008 the main indices of the Warsaw Stock Exchange decreased in value. The WIG index decreased by 51%, and the WIG20 decreased by 48%. The share price of KGHM Polska Miedź S.A. at the close of trading on 31 December 2008 was PLN 28.12 and was 73% lower than on the last trading day of the prior year. The share price of the Company in 2008 compared to the WIG index is shown in the chart below:

Chart 2. Share price of KGHM Polska Miedź S.A. versus the WIG index in 2008



Key share price data of KGHM Polska Miedź S.A. on the Warsaw Stock Exchange in the years 2006-2008 is presented in the following table:

Table 31. Key share price data of the Company on the Warsaw Stock Exchange

	Unit	2006	2007	2008
Number of shares issued	million	200	200	200
Closing price from the last day of trading in the year	PLN	89.00	105.80	28.12
Market value of the Company at year's end	million PLN	17 800	21 160	5 624
Highest closing price in the year	PLN	135.00	143.00	112.00
Lowest closing price in the year	PLN	63.90	79.40	21.40
Average trading volume per session	'000	813.5	730.8	1 124.3
Dividend paid in the financial year from appropriation of profit for the prior year	PLN /share	10.00	16.97	9.00

5.2. Information on the ownership structure and on the issued shares of the Company

At 31 December 2008, the share capital of the Company, in accordance with the entry in the national Court Register, amounted to PLN 2 billion and was divided into 200 million shares, series A, having a face value of PLN 10 each. All shares are bearer shares. The Company has not issued preference shares. Each share grants the right to one vote at the General Shareholders' Meeting.

In the year ended 31 December 2008 there was no change in share capital.

There is no limitation to the transferral of ownership rights to the shares of the Company or with respect to the execution of voting rights attached to the shares of the Company, other than those generally prescribed by laws in force. The Company has not issued securities which would grant special proprietary rights in respect of the Company.

THE COMPANY ON THE SECURITIES MARKETS

At 31 December 2008, the only shareholder of the Company holding at least 5% of the share capital and simultaneously granting the right to the same number of votes at the General Shareholders' Meeting was the Polish State Treasury, which - based on an announcement dated 16 May 2007 - held 83 589 900 shares, representing 41.79% of the share capital of the Company and the same number of votes at the General Shareholders' Meeting.

The remaining shareholders of the Company (including Deutsche Bank Trust Company Americas, depositary bank in the depositary receipts program) held shares representing less than 5% of the share capital - a total of 116 410 100 shares, representing 58.21% of the share capital and the same number of votes at the General Shareholders' Meeting.

The Management Board of the Company is unaware of any agreements which could result in changes in the proportion of shares held by present shareholders in the future.

At 31 December 2008, based on information held by the Company, among management and supervisory personnel only Ryszard Kurek - a member of the Supervisory Board - owned shares of KGHM Polska Miedź S.A. (10 shares with a total nominal value of PLN 100). At 31 December 2008, the members of the Management Board and Supervisory Board of the Company did not own shares of the remaining related entities of the Company.

In 2008 the Company did not buy back any of its shares and the Company does not have an employee share incentive program.

REPORT ON THE APPLICATION OF CORPORATE GOVERNANCE PRINCIPLES

6. Report on the application of corporate governance principles

In July 2007, the Supervisory Board of the Warsaw Stock Exchange resolved the principles of corporate governance for joint-stock companies that are issuers of shares, convertible bonds or bonds with priority rights admitted to exchange trading. These corporate governance principles as described in the document "Code of Best Practice for WSE Listed Companies" represent an annex to resolution nr 12/1170/2007 of the Supervisory Board dated 4 July 2007 and which came into force on 1 January 2008. The contents of this document are available on the official website of the Warsaw Stock Exchange under the section on corporate governance (www.corp-gov.gpw.pl), as well as on the website of the Company (www.kghm.pl) under the section on corporate governance.

KGHM Polska Miedź S.A, whose shares are listed on the Warsaw Stock Exchange, has made every effort to apply the corporate governance principles described in document „Code of Best Practice for WSE Listed Companies”. The Company has endeavoured at every stage of its operations to carry out all of the recommendations respecting best practice for listed companies as well as suggestions directed to management boards, supervisory boards and shareholders.

In order to realise a transparent and effective information policy, one ensuring rapid and secure access to information for shareholders, analysts and investors, the Company made the broadest possible use of both traditional as well as modern technology for the distribution of information about the Company (recommendation I.1 of the "Code of Best Practice for WSE Listed Companies").

The Company decided not to comply with the recommended on-line transmission of general shareholders' meetings due to the lack of legal uniformity in this regard, but has registered these meetings and made them available on the Company website in both Polish and English. The efforts of the Company with regard to information policy were recognised by the Warsaw Stock Exchange. The Company received a special award for best investor communications.

In accordance with principle II.1.5 of the "Code of Best Practice for WSE Listed Companies", the Company should publish on its corporate website the received basis for proposed candidates for the Company's Supervisory Board together with the professional CVs of the candidates. The experience of the Company until now is that it has not received the required information from shareholders prior to its General Shareholders' Meetings, and therefore this information was not made available on the Company's website. Until now candidates for the Supervisory Board have been presented at the General Shareholders' Meeting. The Company makes every effort to ensure that the justifying data for the candidates is made publicly available prior to the Meeting.

6.1. General Shareholders' Meeting

The General Shareholders' Meeting of KGHM Polska Miedź S.A. is the Company's highest body. It meets in either an ordinary or an extraordinary form, based on prevailing law, the Statutes of the Company and the Regulations of the General Shareholders' Meeting. The Company's corporate documents are available on its website.

The duties of the General Shareholders' Meeting include in particular:

- examining and approving the report of the Management Board on the Company's activity and the financial statements, including the financial statements of the Company's Group, for the prior financial year,
- adopting resolutions on distribution of profits or coverage of losses,
- acknowledging fulfilment of duties performed by members of the bodies of the Company,
- changing the subject of the Company's activity,
- amending the Company Statutes,
- increasing or decreasing the share capital,
- the manner and conditions for retiring shares,
- merging, splitting and transforming the Company,
- dissolving and liquidating the Company,
- issuing convertible bonds or senior bonds,
- consenting to the disposal and lease of an enterprise or of an organised part thereof, as well as the attachment of limited property rights to same,
- all decisions relating to claims for redress of damage suffered during the establishment of the Company, or from management or supervisory activities,

REPORT ON THE APPLICATION OF CORPORATE GOVERNANCE PRINCIPLES

- purchase of the Company's own shares, which are to be offered to employees or persons who were employed by the Company or by related companies for a period of at least three years,
- establishing principles of the remuneration of members of the Supervisory Board.

The schedule of work on organising the General Shareholders' Meetings of the Company is planned in such a way as to ensure that the obligations towards shareholders are properly met and to enable them to execute their rights.

Changes in the Company Statutes are made by the General Shareholders' Meeting in the manner and form prescribed by the Code of Commercial Companies, i.e. the introduction of changes to the Company Statutes requires a resolution by the General Shareholders' Meeting and an entry in the National Court Register.

6.2. Shareholders and their rights

At 31 December 2008, the only shareholder of the Company holding at least 5% of the share capital and simultaneously granting the right to the same number of votes at the General Shareholders' Meeting was the Polish State Treasury, which - based on an announcement dated 16 May 2007 - held 83 589 900 shares, representing 41.79% of the share capital of the Company.

The remaining shareholders (including Deutsche Bank Trust Company Americas, depositary bank in the depositary receipts program) held shares representing less than 5% of the share capital - a total of 116 410 100 shares, representing 58.21% of the share capital and the same number of votes at the General Shareholders' Meeting.

The shareholders of the Company exercise their rights in the manner and within the limits prescribed by prevailing law, the Statutes of the Company and the Regulations of the General Shareholders' Meeting.

Shareholders are entitled to exercise their voting rights during General Shareholders' Meetings either personally or through a representative. Each share grants the right to one vote. There is no limitation to the transferral of ownership rights to the shares of the Company or with respect to the execution of voting rights attached to the shares of the Company, other than those generally prescribed by laws in force. The Company has not issued securities which would grant special proprietary rights in respect of the Company.

The Company has a depositary receipts program. The representative of the owners of GDRs at the General Shareholders' Meeting is the Depositary Bank, which executes its voting rights through its representative, in accordance with the instructions issued by the owners of the said GDRs and in accordance with the principles of the Depositary Agreement entered into with the Company.

6.3. Supervisory Board

The Supervisory Board of KGHM Polska Miedź S.A. is the permanent supervisory body of KGHM Polska Miedź S.A., in all of the Company's functional areas. The Supervisory Board is comprised of 7 to 10 members, appointed by the General Shareholders' Meeting, of which 3 members are elected by the Company's employees. The members of the Supervisory Board are appointed for a mutual term of office, which lasts three years. The Supervisory Board operates on the basis or prevailing law, the Statutes of the Company and the Regulations of the Supervisory Board.

On 1 January 2008 the 6th-term Supervisory Board of KGHM Polska Miedź S.A. was composed of the following persons:

- | | |
|----------------------------|-----------------|
| – Leszek Jakubów | Chairman |
| – Stanisław Andrzej Potycz | Deputy Chairman |
| – Anna Mańk | |
| – Remigiusz Nowakowski | |
| – Marcin Ślęzak | |
| – Jerzy Żyżyński | |

as well as the following employee-elected members:

- | | |
|--------------------|-----------|
| – Józef Czyczerski | Secretary |
| – Leszek Hajdacki | |
| – Ryszard Kurek | |

On 13 February 2008, Marcin Ślęzak submitted his resignation from membership on the Supervisory Board.

REPORT ON THE APPLICATION OF CORPORATE GOVERNANCE PRINCIPLES

On 14 February 2008, the Extraordinary General Shareholders' Meeting dismissed the following people from the Supervisory Board: Leszek Jakubów, Anna Mańk, Remigiusz Nowakowski, Stanisław Andrzej Potycz and Jerzy Żyżyński, and appointed the following people to the Supervisory Board: Marcin Dyl, Arkadiusz Kawecki, Jacek Kuciński, Marek Panfil, Marek Trawiński and Marzenna Weresa.

At its meeting on 25 February 2008 the Supervisory Board appointed Marek Trawiński as Chairman of the Supervisory Board, Jacek Kuciński as Vice Chairman, and Marek Panfil as Secretary.

Due to the completion of the 6th-term Supervisory Board, the Ordinary General Shareholders' Meeting of KGHM Polska Miedź S.A. on 26 June 2008 appointed those persons to the 7th-term Supervisory Board who had served in that position until that time.

At its meeting on 21 July 2008 the Supervisory Board re-appointed the following persons to their respective functions: Chairman – Marek Trawiński, Deputy Chairman – Jacek Kuciński and Secretary – Marek Panfil.

At 31 December 2008 the 7th-term Supervisory Board was composed of the following persons:

- Marek Trawiński Chairman
- Jacek Kuciński Deputy Chairman
- Marek Panfil Secretary
- Marcin Dyl
- Arkadiusz Kawecki
- Marzenna Weresa

as well as the following employee-elected members:

- Józef Czyczerski
- Leszek Hajdacki
- Ryszard Kurek

Supervisory Board Committees

Under the auspices of the Supervisory Board are two committees: the Auditing Committee and the Remuneration Committee. These committees assist the Supervisory Board with respect to preparing evaluations and opinions and the taking of other actions aimed at decision-making by the Supervisory Board.

The Auditing Committee is responsible for supervision in the areas of financial reporting, the internal control system, risk management and internal and external audits. The Remuneration Committee is responsible for supervising the realisation of contracts signed with the Management Board, the remuneration system and benefits paid out in the Company and Group, training and other benefits provided by the Company, as well as audits performed by the Supervisory Board in this regard.

The rights, scope of action and manner of work of these Committees are described by regulations approved by the Supervisory Board.

The specific duties and composition of the Committees are as follows:

Auditing Committee

In accordance with the Regulations of the Supervisory Board the duties of the Auditing Committee are as follows:

- supervision, on behalf of the Supervisory Board, of the process of financial reporting in the Company, including the process of reporting to the Supervisory Board,
- analysis and/or evaluation of the accounting principles applied in the Company,
- the review of transactions with parties related to the Company, and of unusual transactions,
- the analysis and monitoring of post-control conclusions arising from the risk management process,
- conduct of the process of selecting independent auditors to audit the financial statements of the Company in order to recommend their acceptance by the Supervisory Board, and participation in commercial negotiations prior to the Company signing a contract with an auditor,
- continuous co-operation with the independent auditor of the Company during the review, analysis and formulation of conclusions from the review and opinion of the auditor respecting the financial statements, the auditor's letter to the Management Board and/or Supervisory

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- Board, and the preparation of draft statements and evaluations required by the by-laws for Company bodies and other administrative institutions,
- providing an opinion on the internal auditing plan and the internal auditing regulations of the Company, and of changes of the director of internal auditing,
 - analysis of the conclusions reached and the recommendations made by an internal audit of the Company, with monitoring of the degree of implementation of these recommendations by the Management Board of the Company,
 - the monitoring of decrees and Company's regulations as regards accounting, finances and hedging against commercial and financial risks, and exposure of the Company to serious harm.

On 1 January 2008 the Auditing Committee of the Supervisory Board of KGHM Polska Miedź S.A. comprised the following Members of the Supervisory Board:

- Leszek Hajdacki
- Leszek Jakubów
- Anna Mańk
- Marcin Ślęzak

Following the changes in the composition of the Supervisory Board, at 31 December 2008 the Auditing Committee of the Supervisory Board of KGHM Polska Miedź S.A. comprised the following Members of the Supervisory Board:

- Marcin Dyl
- Marek Panfil
- Marzenna Weresa

Remuneration Committee

In accordance with the Regulations of the Supervisory Board the duties of the Remuneration Committee are as follows:

- to carry out the recruitment and employment of members of the Management Board by developing and organising draft documents and procedures to be submitted to the Supervisory Board for their acceptance,
- to develop draft agreements and samples of other documents related to the hiring of members of the Management Board, and supervision over the realisation of the contractual obligations entered into by the parties,
- to supervise realisation of the system of remuneration of the Management Board, in particular to prepare documents related to contingent pay and premiums, in order to submit recommended changes in remuneration to the Supervisory Board,
- to monitor and make periodic analyses of the remuneration system of the management staff of the Company and, if necessary, to formulate recommendations to the Supervisory Board,
- to supervise realisation of additional benefits received by the Management Board arising from labour contracts, such as: insurance, automobiles, housing, etc.

On 1 January 2008 the Remuneration Committee of the Supervisory Board of KGHM Polska Miedź S.A. comprised the following Members of the Supervisory Board:

- Remigiusz Nowakowski
- Stanisław Andrzej Potycz
- Jerzy Żyżyński

Following the changes in the composition of the Supervisory Board, at 31 December 2008 the Remuneration Committee of the Supervisory Board of KGHM Polska Miedź S.A. comprised the following Members of the Supervisory Board:

- Leszek Hajdacki
- Arkadiusz Kawecki
- Jacek Kuciński

At the end of the year the auditing and remuneration committees submit a report of their activities to the Supervisory Board. These reports, following approval by the Supervisory Board, are made available to shareholders in the materials for the General Shareholders' Meeting.

6.4. Management Board

The Management Board conducts the business of the Company and represents it externally. The duties of the Management Board include all those matters pertaining to the functioning of the Company which have not otherwise been assigned by law or the Statutes of the Company to the

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duties of other Company bodies. The Management Board operates based on prevailing law, the Statutes of the Company and the Regulations of the Management Board of KGHM Polska Miedź S.A. in Lubin. The authority of the Management Board to pass decisions on the issuance or redemption of shares is statutorily limited. In accordance with the Statutes of the Company, any increase in share capital or issuance of shares or bonds requires the approval of the General Shareholders' Meeting. The Management Board of the Company does not have the authority to increase the share capital or issue the shares of the Company under conditions specified in art. 444-446 of the Code of Commercial Companies.

The Management Board is comprised of 1 to 7 persons appointed for a mutual term of office. The term of office of the Management Board lasts three years. The number of members of the Management Board is set by the Supervisory Board, which appoints and dismisses the President of the Management Board, and at his request appoints and dismisses the remaining members of the Management Board, including those serving as First Vice President and as the Vice Presidents of the Management Board. The Supervisory Board appoints and dismisses the employee-elected member of the Management Board.

During the period from 1 January 2008 to 17 January 2008 the composition of the Management Board, and the respective segregation of duties, was as follows:

- | | |
|------------------------|--|
| – Krzysztof Skóra | President of the Management Board |
| – Ireneusz Reszczyński | I Vice President of the Management Board (Sales) |
| – Marek Fusiński | Vice President of the Management Board (Finance) |
| – Stanisław Kot | Vice President of the Management Board (Production) |
| – Dariusz Kaśków | Vice President of the Management Board (Development) |

At its meeting on 17 January 2008, the Supervisory Board carried out the following changes in the composition of the Management Board:

- it dismissed Krzysztof Skóra from the function of President of the Management Board
- it dismissed Dariusz Kaśków from the function of Member of the Management Board
- it appointed I Vice President of the Management Board Ireneusz Reszczyński to fill the function of President of the Management Board until the appointment of the President of the Management Board of KGHM Polska Miedź S.A.

At its meeting on 17 April 2008 the Supervisory Board appointed Mirosław Krutin as at 23 April 2008 to the position of President of the Management Board.

On 23 April 2008 the Supervisory Board carried out the following changes in the composition of the Management Board:

- the following persons were dismissed from the Management Board: Ireneusz Reszczyński, Marek Fusiński and Stanisław Kot,
- the following persons were appointed to the Management Board: Herbert Wirth and Maciej Tybura.

In addition the Supervisory Board appointed Herbert Wirth as I Vice President of the Management Board.

On 24 April 2008 the Management Board of KGHM Polska Miedź S.A. passed a resolution regarding a change in the organisational structure of the Head Office. As a result the segregation of duties of the Members of the Management Board is as follows:

- | | |
|-------------------|---|
| – Mirosław Krutin | President of the Management Board |
| – Herbert Wirth | I Vice President of the Management Board (Production) |
| – Maciej Tybura | Vice President of the Management Board (Finance) |

At 31 December 2008 there was no change in either the composition of the Management Board or in the segregation of its duties.

6.5. Description of the basic characteristics of internal control and risk management systems applied in the Company with respect to the process of preparing financial statements and consolidated financial statements

KGHM Polska Miedź S.A. uses its many years of experience in the identification, documentation, record maintenance and control of economic operations, including in-depth audit and inspection procedures supported by modern information technology used in the registration, processing and presentation of economic and financial data.

In order to ensure truth and accuracy in the keeping of accounting records of KGHM Polska Miedź S.A. and subsidiaries of the Group, based on fixed principles, and the generation on their

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basis of high-quality financial data for presentation, the following has been introduced for continuous use:

- an Accounting Policy for KGHM Polska Miedź S.A. and the Group and a Sector Chart of Accounts, in accordance with International Financial Reporting Standards,
- Sector Principles of Balance Sheet Depreciation of Property, Plant and Equipment and Amortisation of Intangible Assets,
- Sector Inventorisation Instructions,

and in addition, for KGHM Polska Miedź S.A.:

- Principles for Financial Management and for an Economic System,
- Documentation for an IT system for the processing of accounting data,

as well as a variety of internal procedures respecting systems for the control and evaluation of risk arising from the activities of the Company and the Group, along with the established scope and principles of financial reporting based on International Financial Reporting Standards and other legal standards.

KGHM Polska Miedź S.A. keeps accounting records in an integrated IT system. The modular structure of this system ensures a transparent segregation of duties, uniformity of accounting records and control between ledgers: special purpose ledger, general ledger and subledgers. Access to this data at various levels and in various units is available via a well-developed reporting system. The Company and its subsidiaries continuously adapts the IT information system to changing accounting principles or other legal standards, thanks to the high operational flexibility available to the IT system modules. The technical servicing of the system is ensured by the highly-experienced specialists employed by the Company. KGHM Polska Miedź S.A. has full technical documentation of the system, both in the part meant for end-users, as well as in the configuration for setting the parameters of the system and calculation algorithms. In accordance with article 10 of the Accounting Act dated 29 September 1994, documentation of the IT accounting system is periodically updated and confirmed by the head of the units, i.e. the Management Board of the Company and management boards of subsidiaries.

The Company has introduced organisational and systemic solutions with respect to ensuring the proper use and protection of systems and data, as well as secure access to data and hardware. Access to the resources of the financial and accounting system and financial reporting – separate and consolidated is limited to the respective entitlements of authorised employees solely with respect to the duties which they carry out. Control over this access is carried out at each stage of financial statements preparation, beginning with the entering of source data, through the processing of data, to the generation of output information.

One of the primary elements of control as respects the preparation of separate and consolidated financial statements of KGHM Polska Miedź S.A. is the verification of financial statements of the Company and financial statements of subsidiaries by certified auditors. The tasks of the auditors include in particular: review of the half-year financial statements and preliminary audit and final audit of the annual financial statements. Selection of the certified auditor in the key companies of the Group is carried out from amongst renowned auditing firms, guaranteeing high standards of services and the required level of independence. In KGHM the selection of the certified auditor is carried out by the Supervisory Board, and in subsidiaries by Supervisory Boards and General Shareholders' Meetings.

The body which supervises the process of financial reporting in KGHM and which cooperates with the independent auditor is the Auditing Committee, which is appointed by the Supervisory Board of the Company. In addition, based on art. 4a of the Accounting Act dated 29 September 1994, the duties of the Supervisory Board include ensuring that the financial statements and the report on the activities of the Company meet legal standards. The Supervisory Board is required to perform this duty as set out by the Code of Commercial Companies and the Statutes of the Company. This is the final stage in the verification and auditing process performed by the independent body, ensuring the truth and accuracy of the information presented in the separate financial statements and consolidated financial statements of KGHM Polska Miedź S.A.

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A significant element of risk management with respect to the process of preparing financial statements of KGHM is the internal control carried out by internal auditing and internal control.

Internal auditing operates based on the „Regulations for internal auditing in KGHM Polska Miedź S.A.” approved by the Management Board of the Company and on the „Code of ethics for internal auditors in KGHM Polska Miedź S.A.” – developed based on International Professional Standards in Internal Auditing Practice. Amongst the basic tasks of internal auditing are the examination and evaluation of auditing mechanisms to ensure the trustworthiness and uniformity of financial data, representing the basis for the preparation of financial statements required by law, and of management reports.

The audits performed in 2008 resulted in the identification and analysis of risk in the processes reviewed. To improve the effectiveness of the processes of risk management, auditing and governance, the effectiveness of the risk management and internal auditing systems was evaluated. In 2008 an external audit was also carried out in KGHM with respect to information security.

Internal control operates based on the „Internal Control Regulations” approved by the Management Board of the Company. Internal (institutional) control is performed by a separate department. The internal control system in KGHM is based on the principle of independence and encompasses all Company processes, including those areas which directly or indirectly affect the correctness of the financial statements. Additionally, the obligation fully remains for each employee to control their own performance, and for every level of management staff to perform their control - within supervisory-related duties.

One of the most important areas of risk to which the Group is exposed is market risk. Due to the exposure of the Group to market risk (copper and silver prices and the USD/PLN exchange rate), derivative instruments to manage this risk are used.

Organisation of the process of market risk management in the Group as regards entering and realising transactions on the derivative instruments market is based on proxy authority granted by the management boards of Group companies.

Organisation of the market risk management process in the Company separates the functions of units responsible for entering transactions on the derivative instruments market from the functions of units responsible for their authorisation, settlement and the preparation of information on the measurement of these transactions. Such an organisational structure, in accordance with best practice in risk management, permits control over the process of entering into transactions and the elimination of derivative instruments transactions unauthorised by the Management Board.

The effectiveness of the control and risk management procedures in the process of preparing financial statements of KGHM Polska Miedź S.A. may be seen in the form of the high quality of these statements, as confirmed by the opinions put forth thus far by certified auditors from their auditing of the financial statements and by the high evaluations of the recipients of these statements. In addition, KGHM Polska Miedź S.A. participates in the competition The Best Annual Report organised by the Institute of Accounting and Taxation under the patronage of the Warsaw Stock Exchange, gaining leading positions amongst listed companies. For its 2007 Annual Report, KGHM Polska Miedź S.A. was awarded first place.

ANNEX A: METHODOLOGY OF CALCULATING RATIOS USED IN THE REPORT

Annex A: Methodology of calculating ratios used in the report

Assets effectiveness ratios

$$\text{Assets turnover ratio} = \frac{\text{sales}}{\text{total assets}}$$

$$\text{Non-current assets turnover ratio} = \frac{\text{sales}}{\text{non-current assets}}$$

$$\text{Current assets turnover ratio} = \frac{\text{sales}}{\text{current assets}}$$

$$\text{Liquid assets turnover ratio} = \frac{\text{sales}}{\text{short term receivables} + \text{cash and cash equivalents}}$$

Assets financing ratios

$$\text{Coverage of assets by equity} = \frac{\text{equity}}{\text{total assets}}$$

$$\text{Coverage of non-current assets by equity} = \frac{\text{equity}}{\text{non-current assets}}$$

$$\text{Coverage of non-current assets by long-term capital} = \frac{\text{equity} + \text{non-current liabilities}}{\text{non-current assets}}$$

$$\text{Coverage of current assets by current liabilities} = \frac{\text{current liabilities}}{\text{current assets}}$$

Economic activity ratios

$$\text{Current liquidity} = \frac{\text{current assets}}{\text{current liabilities}}$$

$$\text{Quick liquidity} = \frac{\text{current assets} - \text{inventory}}{\text{current liabilities}}$$

$$\text{ROA (return on assets)} = \frac{\text{profit for the period}}{\text{total assets}} \times 100$$

$$\text{ROE (return on equity)} = \frac{\text{profit for the period}}{\text{equity}} \times 100$$

$$\text{Debt ratio} = \frac{\text{total liabilities}}{\text{equity and liabilities}} \times 100$$

$$\text{Durability of financing structure} = \frac{\text{equity} + \text{non-current liabilities}}{\text{equity and liabilities}} \times 100$$

ANNEX B: CURRENT REPORTS OF THE COMPANY PUBLISHED IN 2009

Annex B: Current reports of the Company published in 2009 – to the date of preparation of the annual report for 2008

After the balance sheet date the Company published the following current reports:

Acquisition of shares of „Biowind” Sp. z o.o. by „Energetyka” sp. z o.o. (6 January)

On 5 January 2009 an agreement for the acquisition of the shares of the company „Biowind” Sp. z o.o. with its registered head office in Gdańsk was entered into between „Energetyka” sp. z o.o. and two physical persons. Based on this agreement, „Energetyka” sp. z o.o. acquired 1000 shares, having a total nominal value of PLN 50 thousand, representing 100% of the shares of „Biowind” Sp. z o.o. The purchase price for the shares amounts to PLN 450 thousand.

Termination of contracts for the supply of natural gas between „Energetyka” sp. z o.o. and PGNiG S.A. (9 January)

On 10 January 2009 two contracts entered into on 1 December 2003 by a subsidiary of KGHM Polska Miedź S.A. - „Energetyka” sp. z o.o. – and Polskie Górnictwo Naftowe i Gazownictwo Spółka Akcyjna (PGNiG S.A.) for the supply of natural gas for power-generation purposes to reception terminals in Żukowice and Polkowice were terminated. Final negotiations are underway between KGHM Polska Miedź S.A./„Energetyka” sp. z o.o. and PGNiG S.A. with respect to the signing of a new contract for the supply of natural gas, among others to the reception terminals in Żukowice and Polkowice. It was established that KGHM Polska Miedź S.A. will be the party to the contract for receiving natural gas.

Acquisition of shares of Dolnośląska Korporacja Ekologiczna Sp. z o.o. by KGHM Ecoren S.A. (15 January)

On 14 January 2009 an agreement for the acquisition of the shares of Dolnośląska Korporacja Ekologiczna Sp. z o.o. was signed between KGHM Ecoren S.A. and SITA POLSKA SPÓŁKA Z OGRANICZONĄ ODPOWIEDZIALNOŚCIĄ. Based on this agreement, KGHM Ecoren S.A. acquired 380 shares of Dolnośląska Korporacja Ekologiczna Sp. z o.o. having a total nominal value of PLN 380 thousand, representing 49.67% of the share capital of Dolnośląska Korporacja Ekologiczna Sp. z o.o. The shares were acquired for PLN 2 801 thousand. Currently KGHM Ecoren S.A. owns 100% of the share capital of Dolnośląska Korporacja Ekologiczna Sp. z o.o.

Information from the Management Board (26 January)

The Management Board of KGHM Polska Miedź S.A., with respect to erroneous information in the market newspaper Gazeta Giełdy „Parkiet” dated 24-25 January 2009 respecting the amount of Company production hedged for 2009, announced that the amount of copper production hedged for the current year has not changed in relation to the amount disclosed in the consolidated quarterly report published on 14 November 2008, and amounts to 63 thousand tonnes in the first half of 2009.

Registration of a change in the share capital of PeBeKa S.A. (27 January)

On 15 January 2009 a change in share capital was registered for PeBeKa S.A. The share capital of PeBeKa S.A. was increased by PLN 15 100 thousand. All of the newly-created shares were acquired by KGHM Polska Miedź S.A. at face value and were paid for in cash. Currently the share capital of PeBeKa S.A. amounts to PLN 64 638 thousand. KGHM Polska Miedź S.A. owns 100% of the share capital of PeBeKa S.A.

Other information published:

- Publication dates for periodic reports in 2009 (12 January) and changes to them (5 February, 16 March),
- Approval by the Supervisory Board of the Budget for 2009 and the Strategy of KGHM Polska Miedź S.A. for the years 2009 – 2018 (23 February)

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Signatures of all Members of the Management Board			
Date	First name, surname	Position/Function	Signature
27 March 2009	Mirosław Krutin	President of the Management Board	
27 March 2009	Herbert Wirth	I Vice President of the Management Board	
27 March 2009	Maciej Tybura	Vice President of the Management Board	