

KGHM Polska Miedź S.A.

**Report on representation expenses, expenses incurred
on legal services, marketing services, public relations services
and social communication services, and advisory services
associated with management for 2018**

*(Adopted by Resolution No. 35/X/19 of the Supervisory Board of KGHM Polska Miedź S.A.
dated 17 April 2019)*

Lubin, April 2019

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1. Introduction

This report was prepared on the basis of § 34 point 3 of the Statutes of KGHM Polska Miedź S.A. and presents expenses incurred on legal services, marketing services, public relations services and social communication services, and advisory services associated with management. Expenses shall be defined as the sum of expenditures and costs.

This report has been prepared in thousand Polish zlotys. The report does not include VAT, in respect of the purchase of goods, materials and services related to the expenditures shown.

2. Representation expenses

In 2018, the Company incurred PLN 6 239 thousand on representation-related expenses. These expenses served in the building of positive relations with the Company's environment, among others by organising mining and metallurgical sector celebrations and jubilee commemorations of the Company's Divisions (PLN 4 226 thousand) and maintaining ties with customers (PLN 2 013 thousand).

3. Expenses incurred on marketing services

In 2018, the Company incurred PLN 1 129 thousand on marketing services. These services involved presentations for shareholders and analysts, promotional meetings for customers, participation in exhibitions and fairs and the purchase of advertising materials.

4. Public relations and social communication services

Expenses incurred on public relations and social communication services during the 12 months of 2018 amounted to PLN 35 676 thousand, including for sponsoring, PLN 29 635 thousand. These activities were aimed at shaping a positive image of KGHM both locally and beyond the region. The Company focused on cooperation with sports clubs, organizers of sporting and cultural events and scientific conferences. The activities of the KGHM Group with respect to sponsoring are regulated by the rules set forth in the Sponsoring Policy of KGHM Polska Miedź S.A. and in the opinion-gathering procedure of the Sponsoring Committee. Expenses incurred on corporate social responsibility were directed in particular at the organisation of social actions (Voluntarism, Eco Health) aimed at creating a positive image of the KGHM Group. The Company also followed an active information policy through the use of both internal channels as well as external ones (the press, radio, television and social media).

5. Expenses incurred on legal services

In 2018 expenses incurred on legal services amounted to PLN 6 540 thousand. These expenses were incurred on servicing the Company's current legal needs with respect to operations and investments. Legal counsel also included court costs as well as representation of the Company in administrative proceedings.

6. Expenses incurred on advisory services associated with management

Expenses incurred by the Company on advisory services associated with management amounted to PLN 10 806 thousand. They comprised among others advisory services in the areas of taxation, restructurisation of the international mining assets of the KGHM Group and the review of the Company's strategy.

7. Summation

The following table summarizes the expenses comprising this report.

in thousand PLN		
Description	Execution 2018	Share in sales revenue
Representation expenses	6 239	0,04%
Expenses incurred on marketing services	1 129	0,01%
Public relations and social communication services <i>incl.:</i>	35 676	0,23%
<i>sponsoring</i>	29 635	0,19%
Expenses incurred on legal services	6 540	0,04%
Expenses incurred on advisory services associated with management	10 806	0,07%
Total expenses	60 390	0,38%

This report was prepared for the year ended 31 December 2018 and consists of 5 pages.

Lubin, 1 April 2019

1. Signatures

Marcin Chludziński – President of the
Management Board

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Adam Bugajczuk – Vice President of the
Management Board (Development)

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Paweł Gruza - Vice President of the
Management Board (International Assets)

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Katarzyna Kreczmańska-Gigol - Vice President of the
Management Board (Finance)

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Radosław Stach - Vice President of the
Management Board (Production)

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