

INDEPENDENT AUDITOR'S REPORT

To the Shareholders and the Supervisory Board of KGHM Polska Miedź S.A.

Report on the Audit of the Annual Financial Statements

Opinion

We have audited the annual financial statements of KGHM Polska Miedź S.A. (the "Company"), which comprise the statement of financial position as at December 31, 2018 and the statement of profit or loss, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information (the "financial statements").

In our opinion, the accompanying financial statements:

- give a true and fair view of the economic and financial position of the Company as at December 31, 2018, and of its financial performance and its cash flows for the year then ended in accordance with the applicable International Financial Reporting Standards ("IFRSs"), as endorsed by the European Union, and the adopted accounting policies;
- comply, as regards their form and content, with the applicable laws and the articles of association of the Company;
- in accordance with Section 2 of the Accounting Act of 29 September 1994 (the "Accounting Act", Journal of Laws of 2019, item 351).

Our opinion is consistent with the Additional Report to the Audit Committee which we issued on March 13, 2019.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs") in a version adopted by the National Council of Statutory Auditors as the Polish Standards on Auditing ("PSAs") and in compliance with the Act on Statutory Auditors, Audit Firms and Public Oversight of 11 May 2017 (the "Act on Statutory Auditors", Journal of Laws of 2017, item 1089, as amended) as well as Regulation (EU) No 537/2014 of the European Parliament and of the Council of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities ("EU Regulation", Official Journal of the European Union L158). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report.

We are independent of the Company in accordance with the International Federation of Accountants' Code of Ethics for Professional Accountants ("IFAC Code"), adopted by resolution of the National Council of Statutory Auditors, together with the ethical requirements that are relevant to the audit of the financial statements in Poland, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IFAC Code. Throughout the audit, both the key statutory auditor and the audit firm remained independent of the Company in accordance with the independence requirements set out in the Act on Statutory Auditors and in the EU Regulation.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. They encompass the most significant assessed risks of material misstatement, including assessed risks of material misstatement due to fraud. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon. We summarized our response to those risks and, where appropriate, we presented the key findings related to those risks. We do not provide a separate opinion on these matters.

Key audit matter	How we addressed the matter
<p>Impairment testing of assets</p> <p>In part 3 of the Financial Statements for the year 2018 the Company presented information about the impairment testing of the Company's equity involvement (shares in Future 1 Sp. z o.o.) and loans granted to Future 1 Sp. z o.o. and the KGHM INTERNATIONAL LTD. Group, including basic macroeconomic assumptions, other key assumptions for the estimates of the fair value of CGU's assets and the results of the test.</p> <p>The Management Board of the Company, in line with IFRS, performs an impairment testing due to the identification of indications of a possible impairment of assets. An impairment test involves judgements made by the Management Board as regards e.g. the adopted calculation methods as well as a range of various assumptions.</p> <p>The recoverable amount of the share in Future 1 Sp. z o.o. and loans granted to Future 1 Sp. z o.o. and the KGHM International LTD. Group is calculated based on the recoverable amount of assets of the KGHM INTERNATIONAL LTD. Group which comprises mines and projects in the pre-operational phase.</p>	<p>In particular, our audit procedures included:</p> <ul style="list-style-type: none">• an analysis and assessment of the procedure of identification of indications of the impairment of assets and the correctness of the method applied to the test in line with relevant standards of financial reporting;• verification of the mathematical correctness and methodological consistency of the evaluation model adopted by the Management Board of the Company;• a critical assessment of the assumptions and estimates made by the Management Board of the Company. The key assumptions underlying the tests were made as regards the projected prices of raw materials, including copper, as well as the discount rates applied to specific production assets and projects in the pre-operational phase. The evaluation was made by local internal specialists;• an analysis of the cash flow projections and their comparison with a mine life cycle and available operational plans.

Following the test, the Management Board recognised a reversal of the impairment loss of PLN 648 million. The value was allocated to the reversal of the impairment loss on shares in Future 1 Sp. z o.o. (PLN 402 million) and to the reversal of the loans granted to the KGHM INTERNATIONAL LTD. Group (PLN 246 million). As a result the Company's profit/loss as at 31 December 2018 was up by PLN 648 million.

We have analysed the impairment test due to the materiality of the item in the financial statements of the Company and the complexity of the issue and sensitivity of the results of the impairment test to the assumptions.

We involved component's auditors to analyse the operational assumptions of the mines and cash flow projections in the pre-operational phase;

- verification of the correctness and completeness of disclosures as regards the impairment tests in the financial statements.

Recognition of sales revenue in a correct reporting period

In part 2 of the Financial Statements for the year 2018 the Company presented information about sales revenue by the range of products and by the location of end users.

The Company sells goods and products using various terms and conditions of deliveries (Incoterms) and resulting various points of transfer risk and reward on the counterparty. Financial closing involves verification of every open selling position.

We have analysed the correctness of recognition of sales revenue over the period due to the materiality of the item in the Company's financial statements and the exposure to the risk of deliberate misstatement.

In particular, our audit procedures included:

- understanding and evaluation of the internal control environment with respect to the system used to reflect the terms and conditions of transactions (Incoterms) in revenue recognition and identify the right moment of recognition of the transfer of risk and rewards;
 - evaluation of the correctness of recognition of sales in the right reporting period, in line with the transfer of risk and rewards on the counterparty in line with the terms and conditions of the delivery. Verification was performed for a sample of transactions concluded as at the end of one year and beginning of another year, including bill and hold arrangements;
 - evaluation of the disclosures as regards the policy of recognition and presentation of sales revenue.
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Responsibilities of the Management Board and the Supervisory Board for the Financial Statements

The Company's Management Board is responsible for the preparation – based on properly kept accounting records – of financial statements which give a true and fair view of the economic and financial position of the Company and of its financial performance in accordance with the applicable International Financial Reporting Standards, as endorsed by the European Union, the adopted accounting policies as well as the applicable laws and articles of association, and for such internal control as the Management Board determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Management Board is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Management Board either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Management Board and members of the Supervisory Board of the Company are obliged to ensure that the financial statements meet the requirements of the Accounting Act. Members of the Supervisory Board are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

The scope of an audit does not include an assurance about the future profitability of the Company or the effectiveness or efficiency of the Management Board in managing the Company's affairs at present or in the future.

As part of an audit in accordance with PSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Company's Management Board;

- conclude on the appropriateness of the Company's Management Board's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Company's Supervisory Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Company's Supervisory Board with a statement that we have complied with relevant ethical requirements regarding independence, and that we will communicate with it all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Supervisory Board, we determined those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other Information, Including the Report on the Activities

Other information includes: a report on the Company's activities in the financial year ended December 31, 2018 (the "Report on the Activities"), together with a statement of compliance with corporate governance principles which constitutes separate part of the report and a non-financial information report (together: the "Other Information").

Responsibilities of the Management Board and the Supervisory Board

The Company's Management Board is responsible for the preparation of the Other Information in accordance with the applicable laws.

The Management Board and members of the Supervisory Board of the Company are obliged to ensure that the Report on the Activities, along with the separate parts, meet the requirements of the Accounting Act.

Auditor's Responsibilities

Our opinion on the financial statements does not cover the Other Information. In connection with our audit of the financial statements, our responsibility is to read the Report on the Activities and, in doing so, consider whether the Report on the Activities is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this

Report on the Activities, we are required to report that fact in our auditor's report. Additionally, under the Act on Statutory Auditors we are obliged to express an opinion on whether the Report on the Activities has been prepared in accordance with the applicable laws and whether it is consistent with the information contained in the financial statements. Furthermore, we are obliged to state whether a non-financial information statement has been prepared by the Company and to express an opinion on whether the Company has included the necessary information in the statement of compliance with corporate governance principles.

Opinion on the Report on the Activities

Based on our work performed during the audit, we are of the opinion that the Report on the Activities:

- has been prepared in accordance with Article 49 of the Accounting Act and par. 70 of the Regulation of the Minister of Finance of 29 March 2018 on current and periodic information published by issuers of securities and the rules of equal treatment of the information required by the laws of non-member states (the "Current Information Regulation", Journal of Laws of 2018, item 757);
- is consistent with the information contained in the financial statements.

Furthermore, in the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified any material misstatements of the Report on the Activities.

Opinion on the Statement of Compliance with Corporate Governance Principles

In our opinion, the statement of compliance with corporate governance principles contains all the information referred to in par. 70.6.5 of the Current Information Regulation. We are also of the opinion that the information referred to in par. 70.6.5(c)-(f), (h) and (i) of the Regulation, as contained in the statement of compliance with corporate governance principles, is in accordance with the applicable laws and consistent with the information included in the financial statements.

Information on Non-Financial Information

In accordance with the requirements of the Act on Statutory Auditors, we would like to inform you that the Company does not prepare a non-financial information statement, relying on the exemption under Article 49b.9 of the Accounting Act. In the Report on the Activities, the Company included information concerning the preparation of a separate non-financial report and its publication on the Company's website within six months of the balance sheet date. By the date of this report, the Company had prepared a separate non-financial information report and not published it on its website.

We have not performed any assurance services relating to the separate non-financial information report and we do not express any form of assurance conclusion thereon.

Report on Other Legal and Regulatory Requirements

Statement Concerning Provision of Non-Audit Services

To the best of our knowledge and belief, we represent that non-audit services which we have provided to the Company and to its subsidiaries are in accordance with the laws and regulations applicable in Poland and that we have not provided any non-audit services which are prohibited under Article 5.1 of the EU Regulation and Article 136 of the Act on Statutory Auditors. The non-audit services which we provided to the Company and to its subsidiaries in the audited

period have been listed in Note 12.11 of the separate and consolidated financial statements.

Requirements of the Energy Law - regulatory financial information

Regulatory financial information presented in note 12.12, covering the statement of financial position and statement of profit or loss prepared separately for each type of business activity in the distribution of electricity, distribution of gas and gas trading, as well as the appropriate basis for the preparation of this information and rules of allocation of assets, liabilities, costs and revenues for each of these activities has been prepared by the Management Board in order to meet the requirements of Article 44 of the Act dated 10 April 1997 of the Energy Law (Journal of Laws of 2012 item 1059 as amended - hereinafter referred to as "Energy Law") (the "Act"), including assurance of equal treatment of customers and the elimination of cross-subsidization between those activities.

The scope of the regulatory financial information has been determined in the Act. Our audit did not include the assessment of the adequacy of the information required by the Act from the point of view of preparing the regulatory financial information, including the assurance of equal treatment of customers and the elimination of cross-subsidization between those activities.

In our opinion, the Company's regulatory financial information has been prepared, in all material respects, in accordance with the basis of preparation specified in note 12.12 and meets the requirements of Article 44 sec. 2 of the Act.

Appointment of the Auditor

We were appointed as the auditor of the Company's financial statements by resolution 23/IX/2016 of Supervisory Board of KGHM Polska Miedź S.A. of March 15, 2016. Our total uninterrupted period of engagement to audit the Company's financial statements is 3 consecutive financial years, i.e. starting from the financial year ended December 31, 2016.

The key statutory auditor on the audit resulting in this independent auditor's report is Adrian Karaś.

Acting on behalf of Deloitte Audyt Spółka z ograniczoną odpowiedzialnością Sp. k. with its registered seat in Warsaw, entered under number 73 on the list of audit firms, in the name of which the financial statements have been audited by the key statutory auditor:

Adrian Karaś
Registered under number 12194

Warsaw, March 13, 2019