

RESULTS MEETING WITH ANALYSTS: PRESENTATION OF THE KGHM POLSKA MIEDŹ S.A. GROUP'S RESULTS FOR THE 4TH QUARTER AND THE FULL YEAR 2018

JANUSZ KRYSOŚIAK – DIRECTOR, INVESTOR RELATIONS DEPARTMENT: Good morning ladies and gentlemen. I would like to welcome you all to today's meeting during which KGHM's results for the full year 2018 will be presented and discussed. I would like to thank you all for participating. I also welcome those of you who are watching us live. I would like to remind you of the possibility of participating and asking questions online, as well as just to listen. Today's meeting will be completely dedicated to a discussion about the results, KGHM's current situation and the level of achievement of our assumptions and plans. Let me introduce to you: Mr. Marcin Chłudziński, President of the Management Board and CEO, Professor Katarzyna Kreczmańska-Gigol, Vice President of the Management Board (Finance, CFO), Mr Radosław Stach, Vice President of the Management Board (Production), Mr Paweł Gruza, Vice President of the Management Board responsible for our international assets, and Mr Adam Bugajczuk, Vice President of the Management Board (Development). I will now give the floor to the President of the Management Board.

MARCIN CHŁUDZIŃSKI - PRESIDENT & CEO: Ladies and gentlemen, today we have a chance to discuss KGHM's results for the full year 2018, but also to have a look at what is currently happening in 2019, meaning the strategic and developmental initiatives that we are engaged in. We will all do our best to tell you what happened and how we closed the year of 2018. All the members of the Management Board are present today, so we are totally at your disposal for now.

Starting from the meta level we can admit that for KGHM, 2018 was a year of constant challenges that brought us a full plate of issues to deal with. The Management Board's term started in July 2018 and since then we have had to cope with those challenges. The first big challenge was the impact of the breakdown of the furnace in the Głogów I Copper Smelter that took place in 2017. This resulted in the shutdown of a third of our production capacity. The repercussions of this breakdown were also felt in 2018, since during the first quarter of 2018, the broken furnace at the beginning was shut down and subsequently, it was restored gradually to production. We perceive it as a success that – despite the aforementioned circumstances – our production level for the full year of 2018 stayed basically unchanged. This means it was lower only by 3%. Much of the credit for this goes to the mobilisation of our production staff, but also to the intensified and increased activities in the second half of 2018. That was the challenge that we had to face.

Another challenge, one whose effects are quite evident, relates to our international assets. The international assets project is a historic one that still confronts us with many challenges. In all responsibility I can say that throughout the year of 2018 numerous optimisation, supervisory and technological activities were undertaken, all of which started to bear fruit in the second half of 2018. Those effects are especially visible now, at the beginning of this year, and we can track a certain trend in it. This applies especially to Sierra Gorda, where the production of copper in January 2019 was 20% higher. This significantly changes the situation and we think it can become a permanent trend. Of course, this didn't happen by itself. It is not a phenomenon that occurred independently of managerial activities and operations. As is usually the case, success has a lot of parents. What is obvious, based on historical assumptions, is that this particular success was expected to have come considerably earlier. Still, 2018 turned out to be ground-breaking in

terms of activities and the results that can be observed right now. In this particular case I can tell you that there aren't as many parents of this success as it may seem. Some of its mothers and fathers are sitting here at this table, while others sat on previous Management Boards. The activities undertaken are starting to bear fruit and we are more and more hopeful when it comes to this project.

It is also a matter of the strategic initiatives that were firstly defined and secondly, undertaken last year. The strategy was changed and updated, but I will expand on this topic later on. The strategic initiatives are a response to the changes happening around the world and as such, they are starting to be effective. The next slide provides us with some information on the volatile changes in the copper price. In this context, the whole of 2018, and especially its second half, were extremely difficult. The prices dropped well below the level of 6,000 USD per tonne and as such were significantly lower than originally foreseen. That was a challenge to achieving our financial results, in terms of both revenues and EBIDTA. In relation to the stable price levels in 2018 it has to be emphasized that whereas the first half of the year was really satisfactory and fully in line with our targets, the second half was radically different and totally inconsistent with the macroeconomic assumptions. Taking into consideration the price dynamics and the challenges we had to face (both production challenges and production capabilities), our results are really good and satisfactory.

The prices and the overall situation in the second half of the year are a clear reflection of events – trade wars and consequently, no macroeconomic stability. In terms of copper, China constitutes 50% of global demand. There was a significant uncertainty that was clearly reflected in the price levels. Due to the greater stability and the greater hope for stability in USA-China economic relationships, we treat the current price as an optimised one. We as the Management Board also forecasted this price level. This is public information and it has already been presented to you. We intentionally want to present the situation to you all as it really looks like. With the price, it was a truly precise estimation. This price is to our advantage now - in 2019 - even more than it was in 2018, since then it was a real challenge that we had to face.

The year 2018, in addition to the aforementioned challenges, was also a year of a new way of looking at KGHM's development. We successfully completed the review of strategic assumptions in December 2018. I will come back to these assumptions when summarising our presentation. Then I will also describe which of these assumptions have already been achieved in 2019. Basically, it is a 5-year-strategy. Still, it will certainly impact our operations in the longer term, that means the 10-, 15- or even 20-year perspective.

There is good news both for us and for the whole industry. All the think-tanks agree that by 2030, the demand for copper is generally expected to grow by 30% (with very small fluctuations). Obviously, the growing demand will be of benefit both to us and the industry as a whole. This trend is related to the development of the sectors such as transport, electromobility, energy technology and infrastructure. The second good news is that there is no equivalent for copper. It is simply impossible to replace copper with anything else. This is an opportunity that we should take and make a good profit out of it. Still, there are two conditions. Firstly, we have to maintain the proper level of production, effectiveness and cost-flexibility. Secondly, we should pay attention to future, potentially innovative solutions that are applicable in our extractive industry. Still, it all applies only provided that the conditions remain stable and ordinary. There always is a

risk of unexpected, extraordinary events. But consensus in terms of development, when it comes to this particular market, it's basically what I said, that is the demand growth by 30%. Additionally, it all applies on condition that there is a relatively small chance for the supply growth and that's the fact we have to bear in mind. In the near future there aren't many mining projects ready to be launched and consequently, there is no risk of the market being rapidly flooded by more concentrates or cathodes. Such things happen quite slowly. Some think-tanks even forecast considerable deficits in the coming three years on this particular market. We have to be prepared for that but still, we need to take this chance. Our strategy fully responds to the challenges in question and gives us a real opportunity to make use of this trend.

These are the basic introductory remarks. Let me give the floor to Mr Radosław Stach and Professor Katarzyna Krzeczmańska-Gigol, to discuss both the production and economic results.

RADOSŁAW STACH – VICE PRESIDENT OF THE MANAGEMENT BOARD (PRODUCTION): Ladies and gentlemen, let us move to the production results. We closed the year of 2018 at the level of 634,000 tonnes which is slightly higher than assumed in the budget for 2018. At the same time, it is 3% lower than the result of 2017. Still, we see it as a very good one, bearing in mind some of the metallurgical issues we had to deal with. Sales of payable copper are a direct reflection of production and were also achieved with a slight surplus when compared to the 2018 budget's assumptions.

Regarding the production of payable copper, the quarter-to-quarter comparison looks quite satisfactory. We talked about this when we were summarising Q3, saying that those results look very promising. Today, with its reflection in Q4, we can say it was true. The significant factors include: production growth in Poland, growth in Sierra Gorda and a slight deviation of plan at KGHM International due to some deposits that are being depleted. In summary, it is 3% year-over-year, as I said earlier and we perceive it as a very good result in context of the full year 2018. Our CEO already spoke about some of the metallurgical problems as well as about the nearly 3-month shutdown at the Głogów II Copper Smelter.

Regarding other metals, we have the production of silver, which quarterly looks very decent. Year-on-year it remained at a similar level to 2017. As we said, silver is a byproduct of copper production. Hence, its production is highly dependent on copper production. With regard to the other precious metals, they basically come from KGHM International. Production from one of the deposits concluded and that is why the results are lower. There was a shift in the production of molybdenum in the Sierra Gorda mine. It came up in Q4 and is very good, at the level of 24%. Year-on-year, due to the shift it is slightly less, but that will be also mentioned in the course of the presentation.

Going further, there is the widely-discussed issue of copper inventories. We constantly talk about them. Our inventories are gradually decreasing and are currently at the level of 34%, whereas we assumed 20%. This significant decrease was achieved due to the actions taken in the second half of 2018. Next we have the inventories of copper anodes, which are a reflection of the planned maintenance shutdowns at the copper smelters. In the case of such planned shutdowns, we have to build up those inventories. That is why we show it here. The inventories enable us to minimise the losses, since we can produce even if the smelter itself is shut down.

To sum up, let me discuss some of the Group's major activities in 2018. Firstly, the decrease in the built-up inventories. We succeeded in reducing inventories even more and that is very good news. Then, we planned to start operations by the copper concentrate roasting installation in Q4. Indeed, it happened in Q4 and now we are developing the technology. Until now, we have recorded 45 days of this roasting installation's non-stop work, which is an extremely promising development. The targets for 2018 were reached. Of course, this is reflected in the higher production by the flash furnaces. With regards to 2018, I perceive this information as very positive.

KATARZYNA KRECZMAŃSKA-GIGOL – VICE PRESIDENT OF THE MANAGEMENT BOARD (CFO):

Ladies and gentlemen, in terms of the economic results, we noted a 1% growth. This is very positive information since in 2018 we had planned smelter maintenance. In terms of revenues, achieving such a result was rather difficult. That is why we perceive it as a success. Revenues were highly impacted by a less favourable USD/PLN exchange rate. If it hadn't been for the USD exchange rate, it is probable that the difference would have been even better.

C1 unit cost in the Group was higher than in 2017 mainly due to the maintenance shutdown and to the strengthening of the PLN vs the USD. Please note that it was basically the impact of the change in the C1 cost in the parent company, in KGHM Polska Miedź S.A. In KGHM International, C1 cost in 2018 was at the level of 2017. In Sierra Gorda, this cost was significantly lower.

Let me now move to the slides related to the company's liquidity. I will come back to the results afterwards. We can already observe the very first effects of the new financial strategy at the level of cash flows. As you can all see, the level of cash increased significantly. It is purely the result of a wider scale of utilising factoring services. We also released some of the cash frozen in the payments. I want to stress that this is just the beginning of our operations within the new strategy.

Please take note of our debt level. When considered in dollars, it is slightly lower than in 2017. The unfavourable USD/PLN exchange rate resulted in a slightly higher debt level in Polish złoty than in 2017. However, there was no real increase in the debt level. It is merely due to the unfavourable exchange rate.

Net debt to adjusted EBIDTA was slightly higher compared to 2017, while EBIDTA itself was lower due to the planned maintenance shutdowns and a visibly worse USD exchange rate. The result was a lower ratio, but we still perceive such a level as satisfactory. If you take a look at the basic data, we assumed a net debt to adjusted EBIDTA ratio at the level of 2. It is significantly lower – at the level of 1.6.

Ladies and gentlemen, let us come back to the operational results, since I perceive it as your main area of interest. EBIDTA in the Group is lower by 14%, mainly due to the changes in inventory levels, which increased as a result of the above-mentioned breakdown in 2017. There was also a negative impact on costs due to the new DMC contract being realised in the United Kingdom, which in turn was reflected in the higher revenues.

Net profit is higher by 9% compared to 2017, even though adjusted EBIDTA was lower than in 2017. We noted a more favourable result on exchange differences and the lack of the

impairment of non-current assets, which was the case in 2017. There was a positive impact on the involvement in joint ventures, in which impairment losses previously recognised on the loans to Sierra Gorda were reversed. This is the key information.

MARCIN CHLUDZIŃSKI - PRESIDENT & CEO: Thank you very much. Let us move now to major production targets in context of the plan. To some extent it is a partial repetition of the data presented, but now in the context of advancement and execution of the strategic and investment initiatives. I will now hand over to Radosław Stach and Adam Bugajczuk.

ADAM BUGAJCZUK - VICE PRESIDENT OF THE MANAGEMENT BOARD (DEVELOPMENT): Ladies in gentlemen, throughout the year of 2018, all of our key investment plans were carried out on time and on budget. Above all, our future, meaning the Deposit Access Program. Work related to the further deepening of the GG-1 shaft and the extension of the surface infrastructure of the shaft are being continued. The surface infrastructure consists of the Surface-based Central Air Conditioning System and the Ice Water Transportation System (IWTS). We managed to complete more than 57 kilometers of access tunnels. This is relevant since it means that we will be able to access further areas for mining. This in turn is our future and are the key factors in ensuring stable production levels in the years to come. Moreover, an agreement with the Gmina (municipality) of Zukowice was successfully signed and that will allow us to commence work related to the siting of the planned GG-2 shaft. It will have a clear reflection both on future deposits and on our future.

Regarding the smelting projects, our CEO mentioned the start-up of the roasting installation and the dryer. We are gradually increasing their effectiveness. Additionally, we commenced and are continuing work on building the RCR furnace at the Legnica Copper Smelter and Refinery. At mid-year, this particular investment will be ready for commissioning. Bearing in mind that we have to adapt to the requirements of BAT Conclusions, there are several dozen projects including arsenic, aimed at compliance with all of the environmental standards. Expansion of the Zelazny Most Tailings Storage facility continues, especially work on building the Southern Quarter, whose completion is planned at the turn of 2021/2022. We have it all under control here. Thank you.

RADOSŁAW STACH - VICE PRESIDENT OF THE MANAGEMENT BOARD (PRODUCTION): All of the aforementioned initiatives are expected to have a huge, positive impact throughout the year of 2019. Everything that happened in the fourth quarter, in the second half or during 2018, will be reflected in the 2019 production activities.

MARCIN CHLUDZIŃSKI - PRESIDENT & CEO: I will now ask Mr Paweł Gruza for some brief comments on the situation of 2018, international assets and on the coming months.

PAWEŁ GRUZA - VICE PRESIDENT OF THE MANAGEMENT BOARD (INTERNATIONAL ASSETS): It is beyond any doubt that Sierra Gorda, our key and leading project with regards to the international assets, is affected by historical conditions. However, that is not the topic of our presentation. We can only briefly present what has been done, especially in the second half of 2018, to improve Sierra Gorda's situation. A brand new, more direct and active supervision system was adopted. As a result, a higher degree of discipline in context both of production and maintenance at Sierra Gorda was recorded. I would like to emphasize that in the case of Sierra Gorda, it is crucial to maintain permanent, ongoing operations due to the lack of buffers included

in the initial design. We are successful here. There are fewer unplanned shutdowns, which is reflected in the continuity of production, the production volume increase and financial assets.

Work continues under the Debottlenecking Program, which assumes the removal of bottlenecks. There is a whole range of both optimisation and investment activities. This is bringing satisfactory results, especially in Q4 2018. These results have also extended into the first months of 2019, which gives us great satisfaction and allows us to forecast higher throughput throughout 2019. We are talking here about a substantial production increase.

The next project, also related with Sierra Gorda, is the oxide project that was originally postponed due to the organisation of the sulphide ore mine. We have analysed a number of scenarios regarding the possible uses of this asset. This is essential and can lead to a real increase in production by the KGHM Group in the future. Preliminary analyses confirm our positive assumptions regarding advancement of this project. However, here we are dependent on the agreement and good will of our Japanese partner, Sumitomo.

Additionally, we have a few assets in the long term perspective. Quite a promising one is Victoria in the Sudbury basin of Ontario, Canada. It is still undergoing analysis. What's important is that some potential business partners are already starting to express their interest. Currently we are at the stage of addressing the legal and regulatory questions related to this asset. The same can be said about Ajax, another future asset of KGHM. Also in this case, some regulatory work is being carried out.

I'd also like to highlight the issue of the contract of our company DMC. It applies innovative techniques of mine shaft building, due to the changed attitude towards the projects pipeline, looking for projects globally, their execution and participating in tenders only in potentially successful projects. We managed to gain quite a significant contract in the United Kingdom. It should lead to a new financial life for DMC. This is where the 'success brings success' rule comes into play. We are hopeful as to subsequent projects.

MARCIN CHLUDZIŃSKI - PRESIDENT & CEO: In summary, please let me go back to the slides concerning the strategy. As I said, 2018 was a year of challenges for us, right from the moment we started to operate as a Management Board. Facing the challenges met on the way was one thing, but the other was the strategy updating process. The new strategy gives us perspectives and the opportunity to make good use of current global trends (i.e. the growing demand for copper) over the next 5 years. At the moment, the strategy is focused on achieving specific operational goals and initiatives in 2019. To take part in the race to 2030, KGHM has to be more flexible and efficient. The company also needs to focus more on new technologies. The aforementioned approach will allow us to benefit from what is there right ahead of us, in relation to the macroeconomic conditions and demand trends. The strategy has its impact on each and every area of our operations, i.e.: production in Poland, by the international assets, questions related to energy, with enhancing our self-sufficiency, building our own generating resources, which I will talk about in a minute. It also applies to innovation and research into new technologies that will allow us to quickly boost our efficiency, both in terms of costs and extraction.

Every strategy begins with a single step and in our case, the first steps have already been made. Firstly, with regards to energy, we have a few well-identified locations in the field of photovoltaics. We are currently at the stage of economic analysis and, in the context of increased use of renewable sources of energy in our energy consumption structure, the investment phase will be commenced soon. It is true that we have quite a high level of energy consumption. However, this is not only a kind of global trend. It also stabilises supplies in the context of diversification of energy sources. We need a lot of energy, but on the other hand we are also engaged in the global trend regarding so-called 'green copper', meaning copper produced as eco-friendly as possible, with the use of renewable sources of energy. To stay present on the market, KGHM needs to produce more and more with the use of such 'green sources'. This is also our advantage in the race.

In April this year we will implement a new logistics system. This will allow us to perform material management more efficiently and consequently, to reduce our costs. For us, logistics means faster access to those materials and parts that are needed in the mines and metallurgical plants. This involves thousands of catalogue items. Due to optimisation, optimisation of sales processes and inventory and its impact on the organisation as such, we would like to realise considerable savings in the supply agreements (regarding both the head office and the company's divisions). In my opinion this system, in cooperation with the SAP system that is being implemented, will be extremely helpful in terms of sales. This initiative is also related to efficiency.

There is a group of issues that may not bring a profit this year, but have an essential impact on KGHM's operations in the long term. We should all remember that this is not a sprint. We cannot have a short-term outlook in the perspective of one month. The 10-, 15-, 20-year perspective of new mining areas is the right one. Take the example of Deep Głogów, development of which started a few years ago and continues to advance. The GG-1 shaft, despite some technological problems, is still being sunk. We can solve these problems. After several years of discussions, we also managed to localise the GG-2 shaft. Sometimes a decision simply has to be made and the investment has to be started. It is also a new mining area. We are fighting over the concessions for the Bytom Odrzański and Kotla areas. For now, these are only exploratory concessions. For the time being, on the basis of administrative decisions from 2012 and 2013, these concessions are being contested. On the grounds of the Supreme Administrative Court's judgment, the Ministry of Environmental Protection is obliged to re-examine and reconsider our concession applications. We are still waiting for the final decisions. That is where we see potential growth and development in order to increase and lengthen KGHM's mining life.

Progress has been made regarding the concession for the potassium and magnesium salt deposit in Puck. From our point of view, Puck may seem a bit exotic, since it's by the sea, but on the other hand, we are present in Sierra Gorda in Chile. From this perspective, Puck doesn't seem odd at all. It is of great importance for the chemical industry. The exploratory concession was suspended due to court proceedings. In the end, the Supreme Administrative Court issued a verdict that allows us to complete and finish the exploratory phase and – on condition that the results are satisfactory – go into the development phase. We have not yet decided as to whether to perform the work on our own or in collaboration with potential partners. Firstly, the exploratory phase has to be concluded. Then, once we know more about the deposit's characteristics we will decide on the next step, on our business model and further CAPEX

expenditures in the context of mining the potassium and magnesium salt. I think you are all fully aware of our current presence in salt. We extract salt from our Sieroszowice-Polkowice mine. It is commonly used in Poland for road clearing.

The overall issue of concessions will not have direct and immediate results, but is extended across 5, 10 or even 20 years. We are also updating our long-term assumptions. Within the next two months or maybe even quicker, we will announce some information. Right now we have new mining areas under our control. We plan to explore and incorporate them into our long-term plan, so that the long-term future of KGHM is stable. Certain investments also have to be strictly planned and incorporated into the long-term strategy. This applies both to the concessions already under our control and those currently not present in our investment plans.

This year we are giving priority to the core business and all the innovations that, by their implementation, can provide us with cost-effectiveness. At the moment, there are 160 ongoing research & development projects. We are gradually reducing this figure and are concentrating only on those of key importance to us. In this context, when conducting research on a considerably wider scale, we rely basically on external financing sources. In the context of research & development projects, we focus on our core business of mining, processing and logistics. We are particularly interested in closed-circuit management. That is why we put a certain emphasis on the technologies that allow us to recover even more from our tailings. As you well know, we produce a lot of tailings. One of the ways tailings are utilised is in the production of silver and, as you all know, it works out pretty well. However, we are constantly looking for further possibilities of utilising our tailings. Our aim is to close the production cycle with the production of silver or other metals that can be sold. It is our goal for the near future.

The year 2019 is full of challenges, but ones that will lead to optimised production levels as well as cost-discipline and maintaining its level. This has to be clearly stated. We can see the growing labour costs and the other circumstances not only in services, but also in other places. Last year, due to the unplanned and unexpected furnace breakdown, there was an increase in costs. In 2018 there was also an increase in gas prices. These are the reasons for the initiatives such as logistics or the new purchasing policy that has already been adopted today by the Council of the Group. This is a governing body introduced for the first time in the company's history. This means decisions are made for the Group by the presidents of the Group, and not only within the Parent Entity. All of this should contribute to cost-efficiency, as well as new technologies. Certain technological solutions are already being tested. They should lead to improved mining results in cooperation with external partners. We really hope that all of these activities undertaken will prove beneficial and that we will be extremely well prepared to announce the highest possible EBIDTA and the best possible financial results in the context of those chances I mentioned, meaning the growing demand for copper in the years leading to 2030. Thank you very much.

JANUSZ KRYSOSIAK – DIRECTOR, INVESTOR RELATIONS DEPARTMENT: Thank you for this presentation part of our meeting. We are open to answer your questions, both from here and online.

ROBERT MAJ, IPOPEMA SECURITIES: Let me ask about two aspects. First is the production in Poland. You recently mentioned that non-mining production, the refining part, is at the level of

400,000 tonnes for 2019, and the production of silver at the level of 1,341 tonnes as stated in the budget. We are already towards the end of March. Are we well on the way to achieving these objectives? Can you see any deviations in this context?

My second question is with regard to KGHM International's assets. In the latest impairment information, we read that the Morrison mine is expected to be shut down in Q1, while McCreedy is expected to be operating again. Could you please elaborate on that a bit? What's the reason? And a question on the Victoria project. Is it possible that something will really start there soon? Do you see value in this project so that production, in the foreseeable future, could be started there? If so, when do you expect some certain financial expenditures to appear?

RADOSŁAW STACH - VICE PRESIDENT OF THE MANAGEMENT BOARD (PRODUCTION):

Regarding your first question on 2019's production levels and some assumptions, based on January this year we can say as follows. There are no risks in this area, all of the operations are going according to plan. As I mentioned, all the challenges of 2018 have been faced and for the time being – despite some problems in mining – we don't see any potential risks. We can only mention some rock bursts in the Rudna mine, but at the moment that has not affected the company's overall results. I can confirm that there is no risk.

MARCIN CHLUDZIŃSKI - PRESIDENT & CEO: In addition to what Mr Stach said, please note that for the last 40 days, the copper concentrate roasting installation has been in full operation. It provides us with considerable production. As with every pioneering installation, there are some challenges to be faced. Still, it is essential for us that the installation works for now. We know what has to be accomplished to ensure its non-stop operation.

PAWEŁ GRUZA - VICE PRESIDENT OF THE MANAGEMENT BOARD (INTERNATIONAL ASSETS):

The question regarding our involvement in Sudbury, Ontario. The decision resulting in the shift of one of the mines into so-called 'care and maintenance', that is the state of shutdown, was mainly due to the low nickel price. That was a leading factor. It is a cumulative effect of several events. Firstly, we are quite flexible in our international assets' management decisions, maybe even more than the previous Management Boards. On the other hand, we are pretty neutral, hence we can avoid any historical sentiments in the decision-making process. Since we deemed a certain mine as making losses, this economic effect forced us to shift it into care and maintenance status.

The Victoria project is absolutely a future-oriented project. It is currently subject to various analyses. For the time being, there is no CAPEX expenditure planned there. However, we are still present in discussions abroad with various potential partners. At the moment, there are no decisions regarding this investment.

The impairment losses that you all saw for example in Sierra Gorda are the result of several complex accounting questions. Such impairment losses or reversals should not be considered in total isolation from the accounting activities undertaken historically in relation to these international assets or the accounting activities from 2018, related to the granted loans. Certainly, this is a result of the better management I have already mentioned. We really hope that these production results will remain unchanged. This in turn provides the basis for the

revaluation of the mine's value in its mine life. In other words, this is the reversal that you can all observe.

ROBERT MAJ, IPOPEMA SECURITIES: Can you provide us with the final date when Sierra Gorda is expected to fully repay its debt? Is it the perspective of 3, 4 years?

PAWEŁ GRUZA - VICE PRESIDENT OF THE MANAGEMENT BOARD (INTERNATIONAL ASSETS): It is expected to repay its external liabilities earlier. I would rather not comment or provide a certain date with regard to its liabilities towards the Group, either the KGHM Group or Sumitomo Group. The final date ultimately depends on the results generated by Sierra Gorda. The external liabilities will be repaid in time.

ROBERT MAJ, IPOPEMA SECURITIES: In your report you state that Sierra Gorda's liabilities towards the Group are to be fully repaid in 2025, if I remember correctly. I wonder whether it will be prolonged or maybe there is chance that it will be completed within the mentioned period?

PAWEŁ GRUZA - VICE PRESIDENT OF THE MANAGEMENT BOARD (INTERNATIONAL ASSETS): Of course, it is possible under certain beneficial parameters. Still, there is a range of other solutions that are being considered in relation to this debt.

ROBERT MAJ, IPOPEMA SECURITIES: Two more questions. They are in regard to the assets already in operation in KGHM International, because in the impairment losses already recognised, you lengthened the life of mines in the Sudbury Basin from 17 to 18 years and it results mainly from Victoria. Can you provide us with a certain date when you plan to definitely shut down the existing operating assets? Does this mean Morrison and McCreedy?

PAWEŁ GRUZA - VICE PRESIDENT OF THE MANAGEMENT BOARD (INTERNATIONAL ASSETS): Of course, they both have their so-called 'life of mine'. However, there is still natural exploration of the already existing works. That results in a certain flexibility in the final dates. What I also wanted to stress is that one of our newly-communicated strategy's elements is the openness to various forms of international assets disposal. I would like to stress that it is possible for KGHM International to undertake such decisions.

ROBERT MAJ, IPOPEMA SECURITIES: And the last question, regarding the costs in Poland and in KGHM Polska Miedź S.A. Just a moment before we had a meeting with another mine, a mining company listed in the WIG20. Their cost of energy is expected to increase by 30% in 2019. Can you provide us with any guidance on your energy costs this year?

MARCIN CHLUDZIŃSKI - PRESIDENT & CEO: All we can say in this respect is that we have a huge volume of energy hedged, when it comes to price. Still, we have to wait for what the future may bring here but for now we feel quite safe.

JANUSZ KRYSOŚIAK - DIRECTOR, INVESTOR RELATIONS DEPARTMENT: Do we have any other questions? Maybe in the meantime let me read one from our inbox. This question comes from UBS and concerns the decrease in working capital in Q4. This decrease was partially expected, but there was also a reduction in receivables and increase in payables. It was announced that thanks to the use of factoring, the trade in receivables was accelerated, which

resulted in a higher cash balance at the end of 2018. This is the end of a precise quotation from our message. What does it mean? Are the changes both in trade receivables and liabilities expected to be continued or at least maintained? Can we expect a further decrease in inventory throughout 2019?

KATARZYNA KRECZMAŃSKA-GIGOL – VICE PRESIDENT OF THE MANAGEMENT BOARD (CFO):

Ladies and gentlemen, regarding the decrease in working capital, it is due to the adoption of certain pilot factoring transactions. Still, the scale of it is relatively quite small. Please bear in mind that it all happened right at the end of 2018. That is why we see room here for further improvements in receivables turnover as well as in lengthening the time of that turnover. Our basic goal in this area is the reduction of the cash turnover cycle, and we see that the actions we have taken to date are bringing tangible effects.

MARCIN CHLUDZIŃSKI - PRESIDENT & CEO: There was another question on inventories in 2019. Please bear in mind the inventory of 440,000 tonnes was a result of the breakdown in the Głogów I Copper Smelter in the fourth quarter of 2017, and as a consequence throughout the first quarter of 2018, mine production was stored and built up. It had a significant impact firstly on the inventories level but also on the decreased dynamics of EBIDTA in 2018. What we managed to do was to radically boost the dynamics in the smelter's throughput. It affected the level of inventories in 2018. After Q1 we will be able to present you the precise data but as for now we can say that we are managing to handle this inventory with good dynamics. Originally, the management of the inventory was planned for the 3 following years (in terms of throughput). We are able to shorten this period quite radically, which definitely will have a positive effect in the end. In 2019, we will also have a planned maintenance shutdown at the Legnica Copper Smelter and therefore we are building up anode inventory to support production. This in turn means that although the anode inventory levels are expected to decrease, they won't do so as drastically as is the case with concentrate inventories, because that level of maintenance shutdown inventory has to be kept throughout 2019.

JANUSZ KRYSOŚIAK – DIRECTOR, INVESTOR RELATIONS DEPARTMENT: Thank you very much. Let me once again ask Professor Katarzyna Krzczmańska-Gigol to address a question raised by an investor. Given the impact of the USD exchange rate and the copper price you mentioned, please provide us with some brief commentary on the Company's hedging activities in 2018 and the overall approach of the Company towards hedging in 2019.

KATARZYNA KRECZMAŃSKA-GIGOL – VICE PRESIDENT OF THE MANAGEMENT BOARD (CFO):

Ladies and gentlemen, as I have repeatedly said, in terms of market risk management, we have an extremely capable team handling our risk management activities. Please be assured that there will be no worsening in this area throughout 2019.

JANUSZ KRYSOŚIAK – DIRECTOR, INVESTOR RELATIONS DEPARTMENT: Thank you very much. Do we have any additional questions here? Please, go ahead.

ROBERT MAJ, IPOPEMA SECURITIES: One more question from me, regarding the employment costs this year. Do I understand correctly that the agreement signed at the beginning of the year covers entirely the potential for employment costs rises in KGHM Polska Miedź S.A.? Are you considering the possibility of one-off bonuses or something similar? And a question on the

operations in Chile. Are there any wage negotiations with the trade unions pending? What can we expect in this respect?

MARCIN CHLUDZIŃSKI - PRESIDENT & CEO: Regarding the wages, we are in full compliance with the requirements of the Collective Labour Agreement which is a kind of constant factor in the company, meaning the wage indexation which, as you know, is one of the document's provisions. This is all we are bound to in terms of remuneration issues for this year. We do not plan or envisage any additional activities in this area.

PAWEŁ GRUZA VICE PRESIDENT OF THE MANAGEMENT BOARD (INTERNATIONAL ASSETS): Thank you for this question. The negotiation process with the trade unions in Chile is strictly regulated and standardised, much more so than is the case in Poland. At the moment, we are well-advanced in the negotiation process with the third (and the last) trade union. Two agreements were already successfully signed. We hope that at the end of the current negotiation phase, the third agreement will also be signed.

ROBERT MAJ, IPOPEMA SECURITIES: Can you disclose the level of salary increases there?

PAWEŁ GRUZA VICE PRESIDENT OF THE MANAGEMENT BOARD (INTERNATIONAL ASSETS): For the sake of protecting negotiations with the third trade union, please let me abstain from answering this question.

PAWEŁ WIEPRZOWSKI, WOOD & COMPANY: I have two questions. First, regarding your production guidance for this year. Provided that you achieve it, how much working capital can be freed? And can you please give us a bit more quantified target in terms of shortening of cash cycle turnover, reduction of this working capital?

KATARZYNA KRECZMAŃSKA-GIGOL - VICE PRESIDENT OF THE MANAGEMENT BOARD (CFO): Firstly, regarding the shortening of the cash turnover cycle. In terms of the inventories turnover cycle, it's quite long in our case. And here, besides the operational activities, there is no room for any financial or economic steps. However, in the case of the receivables turnover cycle and the liabilities turnover cycle, there are some instruments on the market that we benefit from. So, in terms of the receivables turnover cycle, we'd like to shorten it as much as possible. We would like factoring to be widely used throughout the whole Group. This way, we will no longer have to cover receivables with liabilities. We plan to lengthen the liabilities turnover cycle so that – provided that we can shorten it – we will be able to finance the inventories turnover cycle. Of course, it would be perfect if the cash turnover cycle fluctuated around 0. Still, due to the extremely long inventories turnover cycle, the build-up of new inventory and the planned shutdown, this level certainly cannot be reached this year. During years without any renovations, this figure can be achieved.

JANUSZ KRYSOSIAK - DIRECTOR, INVESTOR RELATIONS DEPARTMENT: Ladies and gentlemen, I am having a quick look at the online questions but I can see that all of these issues have already been discussed. So, if there are no further questions, we will conclude today's meeting and invite you all to the next one. Please feel free to contact us, we are at your disposal. All of the contact details can be found on our website. Thank you all and see you next time.