

RESULTS MEETING WITH ANALYSTS AND JOURNALISTS: PRESENTATION OF THE FINANCIAL RESULTS OF THE KGHM POLSKA MIEDŹ S.A. GROUP FOR THE FIRST 9 MONTHS OF 2019

LIDIA MARCINKOWSKA-BARTKOWIAK, EXECUTIVE DIRECTOR, COMMUNICATIONS: Ladies and Gentlemen, welcome to the presentation of the financial results of the KGHM Polska Miedź S.A. Group for 9 months of 2019.

At the beginning I owe you a few words of explanation as today our team is slightly smaller. Due to some urgent family matters, the CEO, Mr. Marcin Chłudziński, is unavailable this week. But next week Mr. Chłudziński will be at your disposal if you need some additional comments. At the same time KGHM is taking part in the largest world-wide fair on metals processing, that is, CESCO Week in Shanghai, where we are represented, as one of the sector leaders, by Mr. Paweł Gruza, Vice President, hence his absence. Today three Members of the Management Board are available to you, that is: Professor Katarzyna Kreczmańska-Gigol, Vice President of the Management Board for Finance, Mr. Adam Bugajczuk, Vice President of the Management Board for Development and Mr. Radosław Stach, Vice President of the Management Board for Production.

Let us start traditionally with a brief presentation showing the results we published for the market – of the Group and of KGHM Polska Miedź S.A. Next we will proceed to your questions. Welcome also to our webcast viewers. As always we are available online, you have access to the presentation and you may ask your questions during the webcast – they will be read in the Q&A session. If we are not capable of reading all questions, then the answers can be found in the transcript. The full transparency of our information and presentation is guaranteed. Let us start with the introduction, President Radosław Stach, the floor is yours.

RADOSŁAW STACH, VICE PRESIDENT OF THE MANAGEMENT BOARD (PRODUCTION): Ladies and Gentleman, we would like to go through the discussion about today's production and financial results for Q3 by subsequently analysing the production results, key issues and financial results, along with a few sentences about our initiatives which are being implemented as part of our strategy. Next we will proceed to Q&A session.

The summary of the first three quarters is first and foremost 14% growth in the production of copper versus the first 9 months of 2018, 22% in the production of silver and associated metals and a drop in the C1 cost. This translates into financial results, as you can see +14% in terms of revenues and 8% of EBITDA growth. This is very good information. On the left side of the slide, you can see there was a drop in copper prices. This is very important information for us in that, despite the drop in copper prices by almost 9%, we have succeeded in achieving such results. Plus a drop in silver prices by 1.7%. The good news is the USD appreciation. Of course, we have been keeping an eye on the macroeconomic environment, which is important for us as I have already mentioned. The copper price is of a decisive nature when it comes to our financial result. Here we show the relationship between the copper price versus the USD, for us this correlation is very important. And when prices go down, they are negative and when the relationship between the USD and PLN goes up - this is positive. Why is this so? We wanted to show you what the uncertainty level in the world economy was. We used to say: 2002, 2005 - war in Iraq - that was the uncertainty level of 200. Today's level, if we analyse the situation from 2011 to 2020, all this is at the level from 250 while today's situation related to Brexit or trade war in the USA and

whatever information proves that the market is uncertain indeed and it is challenging to operate in it. But obviously we are doing our best to deal with that.

The basic information in the entire Group, as you can see, 530 thousand tonnes of payable copper while the Polish plants produced 428 thousand tonnes. This translates into EBITDA at the level of PLN 4 billion which is higher by 8% as I have already mentioned. It is a very good result for our Company after the first 3 quarters. This slide shows all the parameters related to production - virtually all of them are at the level of almost 80% so after the first 3 quarters they exceed 75%. We will elaborate on them in the subsequent parts of our presentation when it comes to the implementation of our budgets. Net debt versus EBITDA is an important element, we are at the level of 1.8 so we keep up the cost. The total production cost is below our assumptions as well.

And proceeding to initiatives which are being implemented in accordance with our strategy, I would like to mention that our strategy for the years 2019-2023 is related to that period but in numerous aspects, such as the development of renewable energy sources, it includes planning for the period up to 2030. So, some projects have been postponed but, of course, they are in progress. And as far as flexibility is concerned, we have a project related to the optimisation of metallurgical production, in the field of ecology all the time BAT conclusions, so these projects are developing, too, expansion of the Żelazny Most Tailings Storage Facility. As far as our efficiency is concerned, we have programs related to saving energy and we are proud to say that in 2017 savings in this regard amounted to 30 GW, after 2018 it reached the level above 100 which speaks very well of our schemes.

Proceeding to a detailed discussion of production after the first 3 quarters. The production of payable copper, as I have already mentioned, is up by 14%. We are slightly diverging from the budget for KGHM International, I will elaborate on that in the next part. Domestic production: we are maintaining ore mining and copper production at a level that is similar to the one after the first 9 months of 2018. But we have already mentioned at our numerous conferences that we are taking a slightly different approach to production, i.e. we are changing the concept into paying attention to the quality of the copper produced, the elimination of barren rock which accompanies the copper ore. And this translates into metallurgical production which amounts to +17%, silver production +22% for the period, and this is very positive information. We have also been showing you our inventory levels during our past conferences. After the breakdown which occurred in 2017, concentrate inventory built up. As we were not capable of processing it, we took some steps to increase processing by our installations. And at this point we are showing consistently after the 1st, 2nd and 3rd quarters that this inventory has been decreasing, which obviously translates into our results. We take an analytical, practical and financial approach to the size of our anode copper inventory levels and we adjust them such a way as to ensure production and also obviously so as to impact our profit.

Sierra Gorda, in terms of production results, we had very good production, we are continuing to improve the processing of ore by the concentrator and we are improving recoveries. As a result, our production went up by 16% versus our plan. We have a new management approach to maintenance, we are shortening the time factor and this is why our results are better. Those results are also better as a consequence of a better ore which we are extracting precisely in the planned areas and we are continuing a good trend in production. Slightly lower production of

molybdenum - there are two aspects: lower content and molybdenum concentrations in the deposit, sometimes they exist, sometimes they don't, sometimes they are supplanted by associated metals. The higher production of TPM by +44% is the result of extraction in our open-pit mines.

KGHM International, payable copper production down by -5%. There is nothing wrong here, though, it is simply the sequence of extracting the ore from the deposit at the Robinson mine. Right now we are involved in a higher amount of pre-stripping, that is, we are stripping off the layer of barren rock which translates into this -5%. But we do hope that Q4 will show that we are in line with the budget, or plan, which was assumed at the beginning of this year.

In short, those were all the data that I wished to present to you regarding the production and the overall situation. Let us now proceed to the discussion about financial results. President Katarzyna Kreczmańska-Gigol, the floor is yours.

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

Good morning. Ladies and Gentlemen, as far as the financial results are concerned, the revenues of the Group after the first 9 months of this year are higher by 14% versus the first 9 months of the previous year. What is the reason for this difference? First and foremost, sales volume is higher and this is the core reason. However, the other important factor which helped us achieve such good results is the change of the USD exchange rate.

When it comes to negative factors, the most important one is the lower copper price but higher sales volume plus the better USD exchange rate at the same time - they have eliminated this negative impact of the lower copper price.

As far as the cash cost or C1 cost in the Group is concerned, the C1 cost was lower by 7% this year versus the first 9 months of the year before. If we look at the individual segments, the only increase in C1 cost was in Sierra Gorda, but this was due to the lower volume of molybdenum sales. And this lower content of molybdenum, lower sales of molybdenum made the C1 cost higher. If we exclude the impact of the byproducts, then the C1 cost in Sierra Gorda would be lower than in the previous year.

As far as operational results, or adjusted EBITDA, are concerned, they are higher by PLN 322 million or 8% versus the first 9 months of the year before. And when we look at the segments, this surplus was first and foremost earned by the parent company, as EBITDA in the parent company was higher by PLN 280 million than last year. Please note that this result is also better in Sierra Gorda as well as in our other companies. Only KGHM International has a lower EBITDA than in the prior year. This was first and foremost the result of the lower copper content in the Robinson mine. Looking at the whole, then, we may conclude that those first 3 quarters of this year were better for us than the last year when it comes to the operating profit.

Looking at the net result of the Group, it looks even better because our result is higher by PLN 690 million, or 71% than in the previous year. What was the main reason? First and foremost, the growth of revenues by PLN 2 082 million with higher costs than in the year before, but this difference is lower than for revenues, because costs were higher by about PLN 1 853 million. And looking at the main factors: on top of higher revenues, the reason behind the better net

financial result is primarily the positive impact of FX differences which gave us a higher result by PLN 253 million. The result on involvement in joint ventures, which is mainly composed of financing for Sierra Gorda, looks better this year, hence the result is better by PLN 152 million because of that. This year we recognised fewer provisions by PLN 168 million. There are some other operating activity costs which are lower than in the last year by PLN 5 million and some other factors which led to a better result by PLN 30 million. There were obviously some negative factors, too, such as a change in expenses by nature, which were higher than in the year before by PLN 1 227 million but in comparison to higher revenues in the same period this growth was much smaller.

Ladies and Gentlemen, as far as cash flow is concerned, the level of cash and cash equivalents at the end of the third quarter was lower than at the beginning of the year by PLN 209 million. First and foremost, the reason behind such a difference was our high level of investments. But let me draw your attention to the fact that when it comes to operating results, then cash flow from operating activities fully financed the acquisition of tangible and intangible assets. And this is why the profit before tax and other operating cash flow in total, taking into consideration the changes in working capital, amounted to PLN 2 491 million. When it comes to investments, our expenditures amounted to PLN 2 314 million. Please be aware that our proceeds during those first 9 months due to the bonds issued amounted to PLN 2 billion but at the same time we paid our liabilities of PLN 2 028 million. Hence, if it hadn't been for those positive results, maybe this level of cash and cash equivalents would be lower due to the size of our operations regardless of those revenues which were higher but in the end, the difference was PLN 209 million.

As far as the indebtedness of the Group is concerned, at the beginning of our presentation we showed you the value of the net debt ratio versus adjusted EBITDA, after the first 9 months 1.8. This is because in our calculations we took account of the impact of IFRS 16 which resulted in the increase in debt. However, after adjusting for the impact of IFRS 16 so that we could compare with 2018, this ratio was 1.7 so it went up but only slightly. If we look at the net debt of the Group after the first 9 months without this accounting impact or the implementation of IFRS 16, then the net debt would amount to PLN 7 781 million. Those adjustments to the accounting regulations led to our debt amounting to PLN 8 407 million.

Ladies and Gentlemen, on October 3rd we had our IPO on the Catalyst market. When issuing bonds at the end of June we announced that we would place those bonds on the Catalyst market. We have delivered on that promise. I would like to draw your attention to the interesting fact that in the period from October 3rd to the 31st, that is from our IPO until the end of October, the trading of KGHM's bonds accounted for 22% of the entire corporate bonds trading on the Catalyst market. Our securities are truly noticeable when it comes to trading on the Catalyst market.

Ladies and Gentlemen, we have been implementing our financing strategy which was disclosed to you in December 2018. We said that we were changing our strategy and were focusing on financial security whose pillar was the diversification of the sources of financing and the extension of maturity periods for the sources of financing. The bonds issue which was held at the end of June this year, allowed us to have the following structure out of 100% of liabilities towards financial institutions: 24% are bonds or liabilities, but on the capital market, 76% are working capital facilities and bank loans, both short- and long-term ones. But in order to

emphasise that our strategy is being implemented in a well-thought-out and uninterrupted way, let us draw your attention to the extension of maturity periods for our debt. Those activities which were taken when issuing bonds as well as the working capital facility which was drawn from the bank BGK at the beginning of this year and which was disclosed to the market - they let us extend the average maturity period for our liabilities by 2 years. Thank you very much.

RADOSŁAW STACH, VICE PRESIDENT OF THE MANAGEMENT BOARD (PRODUCTION): With regard to the implementation of our development initiatives, the deposit access program, our installations and what we have been doing in the field of development, I would like to ask Vice President Adam Bugajczuk to take the floor.

ADAM BUGAJCZUK, VICE PRESIDENT OF THE MANAGEMENT BOARD (DEVELOPMENT): Ladies and Gentlemen, if we look at our key development projects, you cannot be much surprised because they have been overlapping for some time. But the nature of our sector is that those projects are long-term ones and we can say that the deposit access program will last until KGHM exists as this is our key project. So proceeding to a detailed discussion of individual projects, the truth is that when it comes to the deposit access program, all the work is carried out in line with our targets. That is, the progress and work on gaining access to new areas of the deposit are exactly at the point where we wanted them to be. And this work will be used in future to launch new working areas.

As far as the installation for roasting concentrate is concerned, this investment is finished and is in the process of being stabilised and we are optimising its operations. The same goes for the RCR furnace, where the situation is similar, we are starting to finalise the project, everything is working correctly and we are optimising the operational parameters. The expansion of the Żelazny Most Tailings Storage Facility: at this point, too, the work on the expansion by the Southern Quarter is on schedule and in line with the adopted budget. Just like with the program involving compliance with BAT conclusions, where we have 16 projects in both smelting/refining plants which are at various stages of advancement, at this point, we cannot see any threats, either. That would be briefly all when it comes to key investments as well as to CAPEX execution which is satisfactory for the time now. Because we are aware of the fact that Q4 is always an acceleration when it comes to this achieving this budget. Here we are expecting some positive implementations. Thank you.

RADOSŁAW STACH, VICE PRESIDENT OF THE MANAGEMENT BOARD (PRODUCTION): Ladies and Gentlemen, we have gone through the entire presentation related to Q3. To sum up, in such a macroeconomic environment the results of KGHM are very positive, the production results translate into financial ones and we will continue this. Thank you.

LIDIA MARCINKOWSKA-BARTKOWIAK, EXECUTIVE DIRECTOR, COMMUNICATIONS: Ladies and Gentlemen, you are welcome to ask your questions. Let me remind you that the answers to your questions can be found in the transcript with the webcast. Just like the answers to the questions to which we will not have enough time to answer or those that will be asked beyond the online webcast. Feel free to ask your questions.

PAWEŁ PUCHALSKI, SANTANDER: Good morning, this is Paweł Puchalski, Santander. I have got a few questions. Congratulations on strong volumes in Q3. And a basic question: do those

volumes concern the extraction of copper and production of own electrolytic copper, are they repeatable for Q4? And if you could give me some guidance for next year as far as volumes are concerned. Will the budget be similar to this year's or will anything change?

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

Answering to your first question regarding Q4: we cannot see any threat to achievement of the budget, this is my answer. When it comes to the year 2020, in accordance with our strategy to keep the level of 450 thousand tonnes of copper in ore from the mines and 540 thousand tonnes of processed electrolytic copper. So this is our long-term declaration and, in a way, a point of departure for what we want to show for subsequent years.

PAWEŁ PUCHALSKI, SANTANDER: Maybe I will make my question more specific, it is very good that you cannot see any threat to the budget targets. But we can either repeat a very strong Q3 and then we are indeed over the budget or we implement the budget which would suggest relatively weak volumes in Q4. That is why I would like to know which side of the fence we are really on? Is it more about strong volumes just like in Q3 or is it more about the budget implementation?

RADOSŁAW STACH, VICE PRESIDENT OF THE MANAGEMENT BOARD (PRODUCTION): Just like Q3 is showing us, we are on the good side - yes, as you have named it - on the good side of the fence.

PAWEŁ PUCHALSKI, SANTANDER: I am so glad about it. May I ask a few more questions? Personnel costs: looking at the costs of the Parent Company, the personnel costs and costs of underground works. The question is if those personnel costs which rose strongly in Q3, did it come naturally, was it a kind of one-off here in Q3? And the second thing as I have noticed that you had shown a very strong growth of costs of development work, etc. while the volume of underground work was exactly the same as in the previous quarters. Did anything happen here, too? Can you see any additional pressure? Are there any one-offs here or is it a new trend?

RADOSŁAW STACH, VICE PRESIDENT OF THE MANAGEMENT BOARD (PRODUCTION): So maybe we can start from the personnel costs.

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

As far as the personnel costs are concerned, they are rising in line with the budget as we are bound by our collective agreement with our employees, hence this growth of costs was forecast. Everything has been taken into account in the budget. Also when it comes to costs and after the first 3 quarters as well as for Q4, we cannot see any threat here when it comes to executing the budget.

RADOSŁAW STACH, VICE PRESIDENT OF THE MANAGEMENT BOARD (PRODUCTION): Yes, in terms of costs of development work, what you have asked, we are accessing new areas, which frequently requires some new structures, refurbishments, implementation of new technologies - these are some possible reasons for these costs.

ADAM BUGAJCZUK, VICE PRESIDENT OF THE MANAGEMENT BOARD (DEVELOPMENT): Yes, we have also had some new contracts, so here in the next quarters we do not expect any growth but this will be sustained so there will be no more cost-related peaks.

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

Maybe let me comment with just one sentence, because I would like to explain why it is predictable for us when it comes to personnel costs. We, after the first 3 quarters, for example, increased the provision for the annual bonus due to the fact that our agreement stipulated that this bonus depends on the profit earned. As our profit was better than the budgeted one, hence automatically the provision for this bonus was created. For this reason such a leap may be seen.

PAWEŁ PUCHALSKI, SANTANDER: Fine, thank you for clarifying this. It was useful. But I would like to find out what the nominal value of this additional provision recognised and charged to third quarter costs was? And when it comes to the costs of underground work I would also like - as you said that we would not expect peaks anymore - so I understand that Q3, this very high level, this is the new level based on which we should compute the future costs growth?

ADAM BUGAJCZUK, VICE PRESIDENT OF THE MANAGEMENT BOARD (DEVELOPMENT): No, we are talking about the infrastructure for 1200 metres below the ground where it is enough that the solidity of the rock will be different that we assumed and we have to build another type of support which, for example, is three times more expensive. This results from the nature of the orebody which we are going through so it is hard to say. We do not expect any growth of those costs, the fact that they were as they were in Q3, well, unfortunately it was the nature of the places which we were going through. But here, as far as development work is concerned, there will not be any substantial growth.

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

As far as the nominal value of the provisions for the annual bonus is concerned, unfortunately we do not disclose such specific data, that is, this value is included in the overall value of the provisions created. So I am sorry indeed but I cannot communicate this to you. Thank you.

PAWEŁ PUCHALSKI, SANTANDER: Fine, the last question from my side. Because I remember the strategy of KGHM which explicitly mentioned the Company's entering into the renewable energy field. Now the mining and power sectors are under the control of one ministry, and now there arises the question, if KGHM finds it interesting to get involved in an offshore project? Or in the nuclear project?

RADOSŁAW STACH, VICE PRESIDENT OF THE MANAGEMENT BOARD (PRODUCTION): I would refer to the presentation where I mentioned that in our strategy we assumed the development of this area by 2030. Obviously, today we are continuously implementing our strategy by checking what we can do, where we can operate, with whom we have signed letters of intent and what the direction of our talks is. In my opinion we must wait for a while to see what the decision will be, in which direction we will go, of course, in the most economic one for us.

PAWEŁ PUCHALSKI, SANTANDER: Thank you very much.

LIDIA MARCINKOWSKA-BARTKOWIAK, EXECUTIVE DIRECTOR, COMMUNICATIONS: Ladies and Gentlemen, we await further questions.

RAFAŁ WIATR, CITY: Good morning. As this is our last meeting this year, if you could comment on what the energy costs in the next year will be? And it would be perfect if you could say something about 2021?

RADOSŁAW STACH, VICE PRESIDENT OF THE MANAGEMENT BOARD (PRODUCTION): As far as energy prices are concerned, obviously, we will not comment on that as we are not the ones to establish those prices.

RAFAŁ WIATR, CITY: No, I mean more in the scope of the costs that you expect.

RADOSŁAW STACH, VICE PRESIDENT OF THE MANAGEMENT BOARD (PRODUCTION): As I have already mentioned, we have the ISO 50001 certificate which obligates us to save energy annually, we have plans for saving energy. That is something happening now. I said that for 2018 we had almost 100 GW of savings. Today we are generating almost 20% of our needs from gas-steam blocks, so those are the directions where we want to grow. I have already mentioned, the future is the renewable sources of energy and this is how I would refer to some possible costs - we will fight with them.

RAFAŁ WIATR, CITY: Let me repeat my question. You said what you would do, ok, cool, it was rather Paweł's question before. But I want to ask how much we can expect - more or less - that the costs of electricity will grow.

RADOSŁAW STACH, VICE PRESIDENT OF THE MANAGEMENT BOARD (PRODUCTION): In KGHM, you mean?

RAFAŁ WIATR, CITY: Yes, exactly.

KATARZYNA KRECZMAŃSKA-GIGOL, VICE PRESIDENT OF THE MANAGEMENT BOARD (CFO): Unfortunately, Ladies and Gentlemen, we are not allowed to disclose that as this would be a forecast. And we do not publish our forecasts.

ADAM BUGAJCZUK, VICE PRESIDENT OF THE MANAGEMENT BOARD (DEVELOPMENT): Well, let me summarise that despite these large turbulences this year that were the consequence of the electricity prices, you have noticed that we coped with this problem perfectly. So at this point, too, we do not expect and we are not afraid of this next year because, firstly, we have 25% of our own sources of energy, secondly, we have got plenty of contracts already booked for the next year. Besides, we have a highly efficient Energy Trading Department which can buy energy at very good prices at spot, which is the reflection of this year's budget.

JAKUB SZKOPEK, MBANK: I have got two questions. My first question about the compensation of energy costs, exactly, was it included in the Q3 financial statements, if not, will they be affect the fourth quarter and what amount should we expect? This is my first question. What I obviously mean is the Electricity Act compensating the higher energy costs for H1.

KATARZYNA KRECZMAŃSKA-GIGOL, VICE PRESIDENT OF THE MANAGEMENT BOARD (CFO): As far as Q3 is concerned, we received compensation and this cash impact was visible.

JAKUB SZKOPEK, MBANK: Can you disclose the amount that was booked?

JANUSZ KRYSOŚIAK, DIRECTOR, INVESTOR RELATIONS DEPARTMENT: Good morning, Ladies and Gentlemen, my name is Janusz Krystosiak. I am sorry for the delay but commuting doesn't always last as long as intended. And let me add, this is quite new and detailed information. As

our Vice President has mentioned, we settled a transaction related to the estimation of the revenue asset in H1. We have already discussed that, it was PLN 34 million. And in Q3 we additionally received approximately PLN 20 million. And the truth is that this cash difference amounted to PLN 7-9 million. But there are no changes in the P&L. This was the amount of compensation arising from the settlement. Or, as we have said, in H1 the estimation which was related to the coming into force of the so-called Electricity Act, we were still in the process of deciding and calculating which form of settlement we were going to take full advantage of. And after the implementation, after the coming into force of the Act – the one already linked with repayments, with compensations of the costs of CO₂ emissions as well - we calculated the amount and received the repayment of - in total that would be PLN 50 million. As I have already said, in Q3 it was only cash, approximately PLN 9 million.

JAKUB SZKOPEK, MBANK: Thank you. I have got one more question, it is more for you to direct me, as on slide 15 you show the next quarter in a row actually when the level of anode and copper in concentrate inventories has decreased. But when we analyse the statements from Q3 for the Group we can see that the working capital has increased by approximately PLN 300 million. And net debt is also higher, obviously it's also up in USD, too, so that this is not only an FX affect. What are the reasons behind that? Are these end products? What is really making working capital rise?

RADOSŁAW STACH, VICE PRESIDENT OF THE MANAGEMENT BOARD (PRODUCTION): I would like to respond to this question of why, as I have mentioned, we are doing as we are with these inventories. Of course, we want to bring them down. Some of the anode inventory is built up whenever we plan to have a maintenance shutdown at our smelting installations. And here we want to reduce the inventories to a minimum, of course, because when we reduce the inventories then the financial result is better - this is the reason. I can explain it this way.

JAKUB SZKOPEK, MBANK: And what is the internal, let's say, level of this anode and copper in concentrate inventories at the smelters?

RADOSŁAW STACH, VICE PRESIDENT OF THE MANAGEMENT BOARD (PRODUCTION): We need copper inventories for smelting operations - meaning approximately 60 thousand tonnes of concentrate. Today, of course we are continually assessing whether we can have less of it but this is what it should be like, this is the normative level which we need. As for anode inventories - approximately 3 thousand tonnes is the, let's say, crisis level.

JAKUB SZKOPEK, MBANK: Thank you.

ROBERT MAJ, IPOPEMA: Good morning, this is Robert Maj, Ipopema. I've got a question about these personnel costs as they amounted to almost PLN 950 million in Q3 in the Parent Company. That is up by almost PLN 70 million versus my expectations. Is this amount of PLN 70 million - can we assume that this is the level of this provision for the annual bonus and will, on account of that, such a provision be recognised in Q4 as well? And as a consequence will those personnel costs amount to approximately PLN one billion again or even more?

KATARZYNA KRECZMAŃSKA-GIGOL, VICE PRESIDENT OF THE MANAGEMENT BOARD (CFO): In this case we are mainly seeing the impact of the actuarial provision. This is why on the one

hand we can see the actual increase in wages and the provision for the annual bonus, while on the other hand we have the actuarial provision.

ROBERT MAJ, IPOPEMA: Ok. One more question: Sierra Gorda again received financing, you showed the share of losses of PLN 106 million. Quite untypical because usually the subsidies to Sierra Gorda were made in Q2 and Q4. Has anything been changed in that formula? Why did it take place in Q3?

RADOSŁAW STACH, VICE PRESIDENT OF THE MANAGEMENT BOARD (PRODUCTION): This concerned the repayment of the so-called senior debt and there was the level of PLN 160 million. And the next amount this is the level, let me put it colloquially, of fixing the tailing ponds, our sites which were located on - how to put it - waste storage facilities. And it is below our assumptions. So this is this amount that you can see, meaning the repayment of the senior debt plus operating activities.

ROBERT MAJ, IPOPEMA: Another question, the loan provided in the balance sheet to Sierra Gorda went up by PLN 469 million qoq. As I understand, this is not only the FX difference of PLN versus the USD but you also reversed the write-off, is that correct? So, do you therefore expect that the recoverable amount of this loan is higher because Sierra Gorda is generating higher results? Or was it only the result of FX differences?

KATARZYNA KRECZMAŃSKA-GIGOL, VICE PRESIDENT OF THE MANAGEMENT BOARD (CFO): Maybe I will ask our chief accountant to answer this question.

ŁUKASZ STELMACH, EXECUTIVE DIRECTOR, ACCOUNTING SERVICES CENTER - CHIEF ACCOUNTANT: Good morning Ladies and Gentlemen, this loan is subject to measurement not only because of FX differences but also due to, for instance, changes of the discount, discount rates. We have been facing a moderate reduction in the discount rate which also means that the balance sheet value of this loan went slightly up. But in my opinion, it is too early to draw any long-term conclusions as to what might happen with the recoverable value of those assets. If something is going to happen, we will inform you in the appropriate manner, as it is our custom and something we are obliged to, meaning in the form of regulatory filings.

ROBERT MAJ, IPOPEMA: That was exactly my next question. Can we expect the revaluation of Sierra Gorda at the end of the year which is now 4 million in the balance sheet, meaning almost zero?

ŁUKASZ STELMACH, EXECUTIVE DIRECTOR, ACCOUNTING SERVICES CENTER - CHIEF ACCOUNTANT: Well, I was under the impression that I have already answered this question exactly. This is the time when the budgets and multiannual plans of our international assets are being finalised. On that basis we will analyse the reasons and we will keep you informed if we are going to carry out impairment tests which might result in a change one way or the other. But today it is too early to discuss that issue.

ROBERT MAJ, IPOPEMA: One more question about Ajax, a project which was not launched due to some protests. In your report you stated that you were working to try to convince the First Nations to change their point of view. Is anything likely to happen in that regard? Is it going to happen or rather not?

RADOSŁAW STACH, VICE PRESIDENT OF THE MANAGEMENT BOARD (PRODUCTION): When it comes to this project, as you have mentioned, we have been doing our best to get the environmental permit again, we are again talking to the citizens of Kamloops and this was the information we wanted to pass along.

ROBERT MAJ, IPOPEMA: But how long could this process take? Are there any deadlines? Or are there no deadlines for the time being?

RADOSŁAW STACH, VICE PRESIDENT OF THE MANAGEMENT BOARD (PRODUCTION): It is hard to specify here as this is independent of us but, of course, the sooner, the better for us.

ROBERT MAJ, IPOPEMA: Thank you.

LIDIA MARCINKOWSKA-BARTKOWIAK, EXECUTIVE DIRECTOR, COMMUNICATIONS: Ladies and Gentlemen, more questions are welcome. Is there anyone who would like to ask their question here?

JANUSZ KRYSOŚIAK, DIRECTOR, INVESTOR RELATIONS DEPARTMENT: A question from the Internet. Mr. Daniel Major asks, can we provide any guidelines for the expected CAPEX for 2020? And do we expect a reduction in the cash cost in Poland next year?

ADAM BUGAJCZUK, VICE PRESIDENT OF THE MANAGEMENT BOARD (DEVELOPMENT): As far as CAPEX is concerned, as we have already informed you, we do not expect any significant differences at this point, either positive or negative. We are simply implementing the key investment projects which are indispensable for us and in those categories that we have already mentioned: replacement of equipment and development. And out of this comes our budget and here we do not expect any major changes.

RADOSŁAW STACH, VICE PRESIDENT OF THE MANAGEMENT BOARD (PRODUCTION): The answer in terms of the cash cost, of course based on a given budget, whereas we are implementing a range of innovations with respect to installations, we are introducing automation, we are changing various mining structures and everything to make this cost always not only achievable but also always lower. So let me put it this way: that we will always fight for this cost reduction which is assumed in the budget.

JANUSZ KRYSOŚIAK, DIRECTOR, INVESTOR RELATIONS DEPARTMENT: Another question, from Mr. Daniel Major as well, is about the expected financing of Sierra Gorda in Q4. Let me start - as the guardian of informational duties - and remind you of what we were talking about, that there is a plan for financing Sierra Gorda. And now we are below that plan and if another instalment occurs, we will keep you informed. At the moment we have nothing to tell you about any additional financing of that asset.

And, if there are no questions from the audience in the room, I can see one question which is about the media information which appeared yesterday and was related to a potential impact on our results, on our operations of the situation related to the occurrence of water at some stretches in our mine in Polkowice Sieroszowice.

RADOSŁAW STACH, VICE PRESIDENT OF THE MANAGEMENT BOARD (PRODUCTION): I would like to answer this question by stating that the information that is appearing is not fully true. Now I am glad that someone has asked this question to clarify this issue officially today. So, in one of our sections – meaning a mine section, not a division - so the main divisions are the Lubin mine, Rudna mine and Polkowice-Sieroszowice mine - at each of those divisions there are mining sections. In one of those sections - G62 - in one of the fields which we mined, from the level of the intended water inflow from 0 to 2 cubic metres per minute we experienced a temporary inflow from 6 to 10. And we had to exclude this region, this G62 section, from production and prepare an installation - this has been happening for 2 weeks now - for pumping-off the water. So there is no great threat as has been stated in newspapers - flooding the mine, shutting down branches - this is of course not true. Another section, no. 61, which is adjacent to this G62 section, was shut down on our recommendation and request, just to make things safe. We want to control this inflow, to see where it is coming from - today our teams are working on that. All the decisions taken were correct, everyone has been informed. But there is no direct threat so we have not announced it officially.

LIDIA MARCINKOWSKA-BARTKOWIAK, EXECUTIVE DIRECTOR, COMMUNICATIONS: Ladies and Gentlemen, if there are no other questions from the audience in the room now, please, feel invited, oh, there is one more question. Here it is.

PAWEŁ PUCHALSKI, SANTANDER: Such an obvious question. Does the Management Board assume the payment of a dividend and in what amount, based on this year's results?

RADOSŁAW STACH, VICE PRESIDENT OF THE MANAGEMENT BOARD (PRODUCTION): Yes, this is a recurring question. Of course, we put it this way: we have not changed our dividend payment policy. It remains the same, that is, we want to pay in line with the adopted policy.

PAWEŁ PUCHALSKI, SANTANDER: But last year's announcements....

RADOSŁAW STACH, VICE PRESIDENT OF THE MANAGEMENT BOARD (PRODUCTION): That was also our recommendation, as you remember. Of course, we recommend and the General Meeting approves such a decision.

PAWEŁ PUCHALSKI, SANTANDER: But this year there was no change to the dividend policy and the dividend as far as I remember amounted to a round zero. So my question is: what is this dividend policy - just like in the last year or in this one?

KATARZYNA KRECZMAŃSKA-GIGOL, VICE PRESIDENT OF THE MANAGEMENT BOARD (CFO): Well, Ladies and Gentlemen, of course this year has not come to an end yet, we have not closed the reporting year yet, we cannot explicitly declare what the result would be. As soon as we close the year, we will be able to specify the financial result so let me assure you that there is a full will of the Management Board that KGHM Polska Miedź continues to be a dividend-paying company despite those exceptions which occurred, despite the fact that the dividend for the previous year was not paid out. This, however, does not change the fact that if the results and the macroeconomic standing allow us to do so, we will want to, we will recommend the payout of a dividend. So we have not changed our approach.

PAWEŁ PUCHALSKI, SANTANDER: Thank you very much.

JANUSZ KRYSOŚIAK, DIRECTOR, INVESTOR RELATIONS DEPARTMENT: If I may, I would like to specify the terms of the dividend policy, our dividend policy assumes that we are willing to pay up to one third of the net standalone profit that was earned in the previous financial year. So this is it. When we talk about the dividend policy, we mean the wording which has been noted down.

LIDIA MARCINKOWSKA-BARTKOWIAK, EXECUTIVE DIRECTOR, COMMUNICATIONS: Ladies and Gentlemen, are there any questions left?

RAFAŁ WIATR, CITY: Just a short one: will you decide on the CAPEX plan this year?

ADAM BUGAJCZUK, VICE PRESIDENT OF THE MANAGEMENT BOARD (DEVELOPMENT): Yes, we expect that it will achieve a satisfactory and much higher level than in the year before.

RAFAŁ WIATR, CITY: Thank you.

LIDIA MARCINKOWSKA-BARTKOWIAK, EXECUTIVE DIRECTOR, COMMUNICATIONS: In that case, please, join us for a snack now. If there are some questions during our talks that have not been asked before, we will place answers to them in the Q&A, meaning the transcript for the online webcast so that you can see full transparency of the answers we provide. We are available for you at all times. Feel free to talk to the Management Board and experts as well as the IR team. Thank you so much for your attention.