POLISH FINANCIAL SUPERVISION AUTHORITY

Consolidated report on payments to governments SPS 2019

(in accordance with § 61 of the Decree regarding current and periodic information)

For issuers of securities involved in production, construction, trade or services activities

for 1 financial year 2019 comprising the period from 1 January 2019 do 31 December 2019

publication date: 2020-03-17

KGHM Polska Miedź Spółka Akcyjna

(name of the issuer)

KGHM Polska Miedź S.A. Mining

(name of the issuer in brief) (issuer branch title per the Warsaw Stock Exchange)

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Issuer involved in mining industry

Polish Financial Supervision Authority

Consolidated report on payments to governments

1. Basis of preparation and scope of the Report on payments to governments

Legal basis

This Report on payments to governments (the Report) was prepared under the requirements of the amended Accounting Act. Amendments to this Act were introduced due to the implementation into the Polish law of the Directive 2013/34/EU of the European Parliament and of the Council on the annual financial statements, consolidated financial statements and related reports of certain types of undertakings.

Reporting unit

This Report contains information on payments to governments made by the Parent Entity (KGHM Polska Miedź S.A.), the subsidiary KGHM INTERNATIONAL LTD. and its subsidiaries. This Report does not include payments to governments made by joint ventures accounted for using the equity method in KGHM Polska Miedź S.A.'s consolidated financial statements.

Activities under the reporting requirements

Payments to governments made by the KGHM Polska Miedź S.A. Group which were disclosed in this Report concern activities involving the exploration and prospecting, discovery, development and extraction of deposits of metals, rock, sand and clay. In cases where a given payment concerns both an activity subject to reporting requirements as well as other activities (e.g. metallurgical, processing and refining activities), the amount disclosed in this Report is not broken down but is presented in full.

Government

"Government" means any government administration authority or local self-government authority, as well as entities supervised or controlled by these authorities, and in the case of other countries of the European Economic Area or countries outside of the European Economic Area – national, regional or local authorities of a given country as well as entities supervised or controlled by these authorities.

Project

"A project" means the operational activities that are governed by a single contract, in particular rentals, leases, licences or concessions which form the basis for payment obligations towards a government authority of a given country. If multiple such agreements are substantially interconnected, then the operational activities under them shall be considered to be a single project.

Types of payments

Payments made to governments, whether in money or in kind (calculated in monetary terms using the most appropriate valuation methods based on historical cost or market value) in respect of activities subject to reporting requirements were classified into the following categories:

a) Taxes

In this Report, taxes levied on the income, production or profits of companies of the KGHM Polska Miedź S.A. Group (mainly the minerals extraction tax), excluding the tax levied on consumption such as the value added tax, the personal income tax or the sales tax.

b) <u>Dividends</u>

Dividends required to be disclosed in the Report are payments other than dividends paid to governments being owners of ordinary shares of KGHM Polska Miedź S.A., unless these are dividends paid instead of production entitlements or royalties. In 2019, there were no such payments to governments.

c) Concession payments, discovery and production bonuses

The following items were classified into this category of payments to governments: payments for mining usufruct rights and mining royalties.

d) Other payments and considerations for concessions

Payments disclosed in this Report are payments for:

- perpetual usufruct of land,
- exclusion of agricultural land for non-agricultural purposes,
- atmospheric emissions,
- discharging of mine and process water,
- waste and rainwater discharge,
- technical supervision and inspection of machines.
- e) Payments for infrastructure improvements did not occur in 2019.
- f) Production entitlements and royalties did not occur in 2019.

Materiality level

In this Report, amounts paid to governments were disclosed if a single payment or a sum of interconnected payments made by the entities of the KGHM Polska Miedź S.A. Group amounted to at least the equivalent of PLN 424 700 in 2019.

Exchange rates applied

In this Report, in order to translate the financial data of foreign operations, the exchange rates being the arithmetical average of the current average exchange rates announced by the NBP on the last day of each month in 2019 were applied.

2. Payments made to governments in 2019 (in PLN millions)

Payments to governments	Taxes	Concession payments, discovery and production bonuses	Other payments and considerations for concessions	Payments to governments - total
Poland	1 636	146		1 788
Canada	1		2	9
The United States of America	26			32
Chile	3	-	-	3
Total	1 666	158	8	1 832

POLAND Payments to governments – breakdown by level of		Concession payments, discovery and production	Other payments and considerations	Payments to governments -
government	Taxes	bonuses	for concessions	total
Government administration authorities:	1 527	81	-	1 608
Central	-	81		81
Ministry of Environment	-	38		38
National Fund for Environmental Protection and Water Management		43		43
Local	1 527			1 527
Regional State Forests Directorate	-		(11)	(11)
Tax offices	1 527			1 527
Forest districts			11	11
Local government authorities:	109	65	6	180
Marshal's Office	-	-	1	1
Local county offices	-			5
Towns and municipalities	109	65		174
Total	1 636	146	6	1 788

All of the payments made to Polish governments were at the corporate level.

CANADA

	Taxes	payments, discovery and production bonuses	Other payments and considerations for concessions	Payments to governments - total
Payments to governments – breakdown by level of government				
National	1		2	8
Regional	-	1	-	1
Total	1	6	2	9

Payments - breakdown by projects

Sudbury Basin

Corporate level

Total

THE UNITED STATES OF AMERICA

		2	2
			7
1	6	2	9

Other payments

and

considerations

for concessions

Payments to

governments -

total

Concession payments,

discovery and

production

bonuses

Taxes

Payments to governments - breakdown by level of
government
National

Regional

Total

Payments - breakdown by projects

Total

Robinson mine Carlota mine

CHILE

25			31
1	-	-	1
26	6	-	32
25	6		31
			1

Payments to governments - breakdown by level of government

National

Total

Payments – breakdown by projects

Franke mine

Total

Taxes	payments, discovery and production bonuses	Other payments and considerations for concessions	Payments to governments - total
3	3		. 3
3	3		. 3

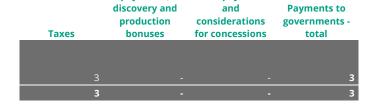
3		. 3
3		. 3

THE UNITED KINGDOM

Payments to governments -	breakdown by level of
government	

National

Total



Other payments

Concession payments,

Payments – breakdown by projects

DMC Mining Services UK Ltd.

Total

		5
5	-	5

SIGNATURES OF ALL MEMBERS OF THE MANAGEMENT BOARD This report was authorised for issue on 16 March 2020. President of the Management Board Marcin Chludziński Vice President of the Management Board Adam Bugajczuk Vice President of the Management Board Paweł Gruza Vice President of the Management Board Katarzyna Kreczmańska-Gigol

Radosław Stach

Vice President

of the Management Board