SUMMARY

The following summary does not purport to be complete and is taken from, is qualified in its entirety by, and should be read in conjunction with, the more detailed information set forth elsewhere in this Offering Circular. In this Offering Circular, unless otherwise indicated, reference to "KGHM" includes the Company and all of its subsidiaries and associated companies and reference to the "Company" includes the Company only.

Overview

The Company is the largest producer of copper from its own resources in Europe and based on 1995 production figures the fifth largest producer of refined copper and the largest producer of silver in the world. The Company is an integrated producer of copper and silver, and in smaller amounts, gold and other metals, operating three mines, three metallurgical plants, a wire rod rolling mill and a precious metals plant in southwestern Poland. The Company's principal products are copper cathodes, wire rod and cast billets and refined silver.

The ore body mined by the Company is one of the largest single copper deposits in the world. As at 1st January, 1996, the Company's total balance geological reserves (including reserves in support pillars) were 33.5 million tonnes of copper and 2,842 million troy ounces of silver.

The Company is one of the largest companies in Poland in terms of 1996 revenue. For the year ended 31st December, 1996, the Company's net sales were PLN 3.35 billion (approximately U.S.$1.17 billion at the 1996 year end exchange rate) with exports accounting for 62.3 per cent. of net sales, representing approximately three per cent. of Poland's total export revenues. The Company's copper cathodes are classified as Grade A copper by the London Metal Exchange, while its silver product is classified as "good delivery" by the London Bullion Market Association.

The Company was transformed from a state owned enterprise into a state owned joint stock company in 1991. At that time, it assumed direct control of the sales and marketing of its products and implemented a strategy to strengthen its position as one of the preferred suppliers of copper in Europe. The Company is currently 100 per cent. owned by the State Treasury of Poland (the "Selling Shareholder" or the "State Treasury").

Business Strategy

The Company's principal strategic objective is to enhance shareholder value by continuing its transformation to a cost efficient and more profitable copper producer. In particular, a core objective is to reduce the unit costs of producing cathode copper from approximately $1,952 per tonne in 1996 to $1,465 per tonne by 2000 which is equivalent to the current worldwide average unit cost for copper cathode production. The strategy is based on the following initiatives:

Implementing a major cost reduction programme. The Company is focusing on cost reduction at its mines and metallurgical plants. This is to be achieved through tighter cost controls and modernisation of its production processes. Based on cost reduction targets set by the Company's central management, each of the mines and metallurgical plants establishes a programme to meet these targets. The management of each of the mines and metallurgical plants are also given incentives to meet their individual budgets.

Increasing production at its mines and metallurgical plants. In light of its high level of fixed costs, the Company intends to increase copper production of copper cathodes from a current level of approximately 425,000 tonnes in 1996 to 470,000 tonnes in 2001. If achieved, this increased production, together with the cost reduction programme referred to above, will lead to decreased unit costs.

Modernising its core business through capital investment in order to increase copper production and reduce costs including environmental costs. The Company plans to invest in new machinery and equipment at its mines and metallurgical plants, which the Company believes will lead to improved operational efficiencies and a reduction in labour, maintenance and energy costs. The Company also intends to maximise the exploitation of its ore body by optimising mining methods, including investing in equipment which will allow it to mine thin seams of copper ore more efficiently, and improving blasting techniques. The Company expects that these improved mining methods will allow it to increase the average copper grade of the ore mined. The Company also plans to continue to invest in environmental projects with the goal of improving the environmental performance of its mines and metallurgical plants, thereby reducing or eliminating the environmental penalties currently associated with the Company's mining and smelting operations. The Company intends to invest up to PLN 2.5 billion (approximately $780 million) over the five year period ending 31st December, 2001 in order to modernise its production processes, increase production, improve its environmental performance, reduce costs and introduce new technology to enable the extraction of certain other metals accompanying copper in the ore.

- ***Increasing the proportion of higher value products produced.*** The Company produced approximately 175,000 tonnes of wire rod and 26,000 tonnes of billets in 1996 and can increase production to approximately 200,000 and 35,000 tonnes per annum, respectively, to meet additional demand without significant additional capital expenditure. The Company intends to increase demand for its higher margin wire rod products through increased marketing activities in domestic and international markets. The Company is also seeking to increase the yield of gold recovered from its ore. In this regard, the Company intends to introduce exploitation methods designed to increase the gold content of ore mined and to improve its concentrating process to improve gold yields, with the goal of doubling gold production by 2000. In addition, the Company is considering methods of extracting cobalt from its slags.

Strengthening its position as one of the preferred suppliers of copper in Europe. The Company intends to take increasing advantage of its geographic location, its status as a long-term supplier and the high and consistent quality of its products to sustain its position as one of the preferred suppliers of copper in Europe.

Continuing the implementation of the Restructuring Plan to focus on core activities. The Company believes that in order to reach its core cost reduction objectives, the focus of its management team should not be distracted from its core mining and smelting businesses. The Company is continuing to implement a Restructuring Plan pursuant to which non-core businesses in KGHM Polska Miedź S.A. are being transferred to separate subsidiaries in order to provide competitive pricing of ancillary services to the Company's core mining and smelting operations. Over time, the Company intends to divest all or a portion of its interest in such subsidiaries.

Expanding the geographical spread of its mining and smelting activities. The Company is currently exploring opportunities in new geographical areas in order to diversify its products and operations. The Company has recently opened an office in The Democratic Republic of Congo (formerly Zaire) ("Congo") and acquired a licence to mine certain cobalt and copper deposits in southern Congo. Although payment terms have not been finalised, the Company expects its total investment in the Congo project will be $54 million, of which $19 million is to be spent in 1997. The balance comprises royalties to be paid over the life of the project which are expected to be payable out of revenues generated. The project is currently in the planning stage with geological and other preparatory work underway. Recently, a change in government resulting from military action occurred in Congo and it remains to be seen what effect, if any, this will have on the Company's investment. The Company is also investigating additional opportunities in India, Africa and China.

Reserves

Data in this section have been extracted from the Mining Engineers' Report set out under "Mining Engineers' Report". Such data may not be treated as a projection or forecast by the Mining Engineers, the Company, the Selling Shareholder, the Managers or their respective affiliates or representatives. See "Investment Considerations – Considerations Relating to the Company – Reserves".

The following table lists the Company's proved and proved and probable mining reserves (including available reserves and unavailable reserves in pillars) at 1st January, 1996 as well as the average grade of such ore.

	At 1st January, 1996(1)
	(millions of tonnes, except percentages)
Lubin Mine:	
Proved mining reserves	84.7
Probable mining reserves	131.4
Proved and probable mining reserves	216.1
Average grade of copper ore	1.29%(2)
Polkowice-Sieroszowice Mine:	
Proved mining reserves	95.3
Probable mining reserves	288.5
Proved and probable mining reserves	383.8
Average grade of copper ore	1.74%(2)
Rudna Mine:	
Proved mining reserves	243.9
Probable mining reserves	62.2
Proved and probable mining reserves	306.1
Average grade of copper ore	1.91%(2)

(1) A discussion of the methods used to produce the reserves estimates is set forth under "Mining Engineers' Report".

(2) Represents average copper grade of mining reserves as at 1st January, 1997.

These proved and probable mining reserves would be capable of sustaining the projected rates of production until at least 2030 at the Lubin mine, 2035 at the Polkowice-Sieroszowice mine and 2020 at the Rudna mine. However, the Company has not planned the development of the areas the Company intends to be mined after 2015.

Marketing

The Company operated as part of a centrally planned economy until 1989. As a result, the Company operated with the priorities of maximising production for export and maximising employment in the region. Owing to a combination of its location and restricted access to technology, the Company was forced to design and manufacture its own equipment and all support and service functions were carried out within the Company. In addition until 1991, KGHM was not involved in the marketing and distribution of its products as Impexmetal, a separate state owned enterprise, was charged with foreign sales of copper products. In 1991, the Impexmetal monopoly terminated and the Company set up a subsidiary to handle the Company's foreign sales.

In 1992, the Company decided that direct access to customers would provide it with better demand and pricing information. It therefore established the Sales Department at the Company's headquarters in Lubin. The Sales Department is responsible for all sales of the Company's products: both sales through subsidiaries and direct sales to customers. Over the next few years, the Sales Department assumed control of domestic sales of the Company's products previously handled through the sales offices at each of the Company's smelters. In 1996 the Sales Department began to assume responsibility for overseas sales of copper from its subsidiary, selling approximately 38 per cent. by volume of the Company's total export sales of copper in that year.

Summary Financial and Other Information

The following tables present selected unconsolidated financial and other information for the Company as at and for the years ended 31st December, 1994, 1995 and 1996 (each in restated form) and as at and for the three months ended 31st March, 1997, respectively. During each of these periods, the Company represented substantially all the assets and accounted for substantially all the revenues of KGHM. Audited consolidated financial statements for the Company at and for the years ended 31st December, 1995 and 1996 are set forth in Appendix A to this Offering Circular.

The financial information set out below has been extracted from the Company's unconsolidated financial statements which have been prepared in accordance with Polish AP. For a summary of significant differences between Polish AP, IAS and U.S. GAAP as applied to the Company, see "Summary of Significant Differences Between Polish AP, IAS and U.S. GAAP". Poland experienced significant levels of inflation during 1994, 1995 and 1996. However, consistent with Polish AP, the Company's financial statements have not been adjusted to reflect the effects of inflation. Accordingly, meaningful year to year comparisons of financial performance may be difficult. See "Investment Considerations — Considerations Relating to the Company — Effects of Currency Devaluation and Polish Inflation on the Company's Results".

The financial information set forth below should be read in conjunction with the audited unconsolidated financial statements of the Company as at and for the years ended 31st December, 1994, 1995 and 1996, the audited consolidated financial statements of the Company as at and for the years ended 31st December, 1995 and 1996 and the unaudited unconsolidated financial statements of the Company as at and for the three months ended 31st March, 1997 included in Appendix A to this Offering Circular and the information set forth under "Summary Restated Financial Statements" and "Management's Discussion and Analysis of Financial Condition and Results of Operations".

Unconsolidated Profit and Loss Account Data:

	Year ended 31st December,				*Three months ended 31st March,*	
	Restated 1994	*Restated 1995*	*Restated 1996*	*Restated 1996*(1)	*1997*	*1997*(2)
		(PLN millions)		*(U.S.$ millions)*	*(PLN millions)*	*(U.S.$ millions)*
Sales	2,666	3,470	3,351	1,165	971	316
Operating profit	680	797	374	130	240	78
Profit before tax	689	900	438	152	242	79
Profit after tax	373	496	206	72	116	38

Unconsolidated Balance Sheet Data:

	As at 31st December,				*As at 31st March,*	
	Restated 1994	*Restated 1995*	*Restated 1996*	*Restated 1996*(1)	*1997*	*1997*(2)
		(PLN millions)		*(U.S.$ millions)*	*(PLN millions)*	*(U.S.$ millions)*
Assets:						
Current assets	965	1,390	1,345	467	1,411	459
Fixed assets	1,687	2,661	2,993	1,041	3,215	1,045
Pre-payments and deferred costs	3	5	8	3	52	17
Total assets	2,655	4,056	4,346	1,511	4,678	1,521
Liabilities and shareholder's equity:						
Current liabilities	225	287	424	147	654	213
Long term liabilities	10	11	7	2	2	1
Provisions	141	228	274	95	269	87
Accruals and deferred income	16	11	31	11	118	38
Shareholder's equity	2,263	3,519	3,610	1,256	3,635	1,182
Total equity and liabilities	2,655	4,056	4,346	1,511	4,678	1,521

(footnotes on following page)

Other Unconsolidated Financial Data:	*Year ended 31st December,*				*Three months ended 31st March,*	
	Restated 1994	*Restated 1995*	*Restated 1996*	*Restated 1996*(1)	*1997*	*1997*(2)
				(U.S.$ millions)	*(PLN millions)*	*(U.S.$ millions)*
	(PLN millions)					
Net cash inflow from operations	456	538	425	148	227	74
Net cash outflow on investment activities	(154)	(597)	(524)	(182)	(134)	(43)
Net cash inflow/(outflow) on financing activities	(96)	(73)	32	11	(42)	(14)
Change in cash and cash equivalents	206	(132)	(67)	(23)	51	17
Cash (and cash equivalents) beginning of this financial year	80	286	154	53	87	28
Cash (and cash equivalents) at end of financial year	286	154	87	30	138	45

Production Data:	*Year ended 31st December,*			*Three months ended 31st March,*
	1994	*1995*	*1996*	*1997*
	(tonnes, except as indicated)			*(tonnes, except as indicated)*
Copper:				
Copper ore (net dry weight)	24,828,956	25,140,221	25,988,340	6,008,694
Electrolytic copper:				
Cathodes not further processed	273,248	211,383	223,663	52,863
Cast billets	17,539	28,976	26,290	6,232
Wire rod	111,527	165,380	174,755	48,943
Wire bars(3)	2,779	—	—	—
Total	405,093	405,739	424,708	108,038
Other metals:				
Refined silver	819	964	933	230
Refined gold (kg)	463	474	530	77
Crude lead	11,800	12,100	12,600	3,250
By-products:				
Sulphuric acid	412,220	447,100	455,150	131,900
Copper sulphate	7,009	6,894	6,213	1,345
Nickel sulphate	1,603	1,675	1,608	385

(1) For the convenience of the reader, złoty amounts as at and for the year ended 31st December, 1996 have been translated into U.S. dollars at the rate of PLN 2.8755 = U.S.$1.00, the Fixing Rate announced by the NBP on 31st December, 1996. Such translations should not be construed as representations that the złoty actually represent such dollar amounts or have been or could be converted into dollars at the rate indicated or at any other rate.

(2) For the convenience of the reader, złoty amounts as at and for the three months ended 31st March, 1997 have been translated into U.S. dollars at the rate of PLN 3.0760 = U.S.$1.00, the Fixing Rate announced by the NBP on 31st March, 1997. Such translations should not be construed as representations that the złoty actually represent such dollar amounts or have been or could be converted into dollars at the rate indicated or at any other rate.

(3) The Company discontinued production of wire bars in 1994 due to low market demand.

Terms of The Global Offering

The International Offering	The International Offering comprises an offering of 17.5 million GDRs representing 35 million Offer Shares, (i) outside the United States in reliance on Regulation S under the Securities Act ("Regulation S") and (ii) in the United States to certain qualified institutional buyers in reliance on Rule 144A. See "The Global Offering – The International Offering".
The Polish Public Offering	The Polish Public Offering comprises an offering of 30 million Offer Shares to the public in Poland in two tranches; a Small Investor Tranche of 16 million Offer Shares and a Large Investor Tranche of 14 million Offer Shares. It is a condition of the International Offering that the Polish Public Offering is completed. See "The Global Offering – The Polish Public Offering".
Offer Price	The Offer Price is U.S.$12.87 per GDR in the International Offering. The Offer Price is PLN 21 per Share in the Large Investor Tranche and PLN 19 per Share in the Small Investor Tranche (reflecting a discount for small investors) in the Polish Public Offering. See "The Global Offering – Pricing".
Over-Allotment Option	In addition, the Selling Shareholder has granted to the Managers an option to purchase up to an additional 7 million Offer Shares represented by 3.5 million GDRs to cover over-allotments of GDRs in the International Offering, if any (the "over-allotment option"). The option is exercisable at any time from the date of the International Underwriting Agreement (as defined under "Purchase and Sale") up to 30 days after the Closing Date. See "The Global Offering – Over-Allotment and Stabilisation".
Employee Shares	Pursuant to the Law of Commercialisation and Privatisation of State Owned Enterprises of 30th August, 1996, as amended, (the "Privatisation Law"), 30 million Shares (representing 15 per cent. of the total number of Shares of the Company) may be acquired free of charge from the Selling Shareholder by certain employees of the Company. Such Shares may not be transferred for a period of two years from the Closing Date (or in the case of the members of the Management Board three years from the Closing Date). See "The Global Offering – Employee Shares".
The Selling Shareholder	The Selling Shareholder is the State Treasury of Poland represented by and acting through the Minister of the State Treasury. Immediately following the Global Offering the Selling Shareholder will own at least 49 per cent. of the issued Shares of the Company. The Selling Shareholder and the Company have agreed not to offer or sell any Shares for 12 months after the Closing Date. See "The Global Offering – Lock-Up Agreements" and "The Selling Shareholder".
Proceeds	The Company will receive no proceeds from the Global Offering. However, the Company will pay certain costs in connection with the Global Offering. All the proceeds of the Global Offering will be for the account of the Selling Shareholder. See "Proceeds".
The Shares	The Shares, with a nominal value of PLN 10 each, are the ordinary shares of the Company. The Company has issued 200 million Shares, all of which are owned by the Selling Shareholder. See "Description of Shares".

The GDRs	The GDRs will be delivered in book-entry form through the facilities of DTC, Cedel Bank and Euroclear on or about the Closing Date against payment in immediately available funds. See "Terms and Conditions of the Global Depositary Receipts". Each GDR represents two Offer Shares. The International GDRs will be evidenced by an International Master GDR and the Rule 144A GDRs will be evidenced by a Rule 144A Master GDR, in each case registered in the name of Cede & Co., as nominee of DTC. Prior to the expiration of the Restricted Period (defined as the period ending 40 days after the latest of the commencement of the Global Offering, the Closing Date for Offer Shares or the GDRs in the Global Offering and the closing date for any additional Offer Shares or GDRs sold pursuant to the over-allotment option) interests in the International GDRs may be held only through Cedel Bank or Euroclear. Interests in GDRs evidenced by the International Master GDR and the Rule 144A Master GDR will be shown on, and transfers thereof will be effective only through, records maintained by DTC and its direct or indirect participants, including Cedel Bank and Euroclear. Interests in the International Master GDR may be exchanged by the holder thereof for interests in a corresponding number of GDRs evidenced by the Rule 144A Master GDR, and vice versa, in the manner described under "Terms and Conditions of the Global Depositary Receipts".
Dividends	Holders of the GDRs will be entitled to receive dividends to the same extent as holders of the Shares, subject to the fees of the Depositary. See "Terms and Conditions of the Global Depositary Receipts". In the absence of unforeseen circumstances or developments in the Company's operations, the Management Board currently expects to recommend a dividend each year at a rate of up to 30 per cent. of the Company's net profit after tax. However, there can be no assurance that any such dividends will be recommended by the Management Board and the Supervisory Board, or that they will be approved by the Company's shareholders or, if approved, they will correspond to the level indicated above. The first dividend to which holders of GDRs purchased in the Global Offering may be entitled is the dividend, if any, in respect of the financial year of the Company ending 31st December, 1997. Net profit in 1997 will be reduced by certain payments to the Selling Shareholder prior to the Closing Date. See "Dividends". The payment of dividends will be subject to applicable Polish withholding tax. See "Taxation – Polish Taxation".
Voting Rights	Holders of Shares are entitled to vote at shareholders' meetings on the basis of one vote for each Share held. See "Description of Shares". Holders of GDRs will be entitled to instruct the Depositary as to the exercise of the voting rights, if any, pertaining to the number of Shares represented by their respective GDRs. The Depositary has agreed that, upon the written request of a holder of GDRs, it will endeavour, insofar as practicable and permitted under applicable law, the Deposited Securities (as defined under "Terms and Conditions of the Global Depositary Receipts") and the Company's statutes (the "Statutes"), to vote or cause to be voted the amount of Shares so requested to be voted in accordance with instructions set forth in such request. In circumstances where applicable Polish law, the Deposited Securities, or the Statutes do not permit the Depositary, or if the Depositary determines it is impracticable, to so vote or cause to be voted such amount of Shares, the Depositary will vote the net positive difference between the aggregate number of votes in favour of a resolution or other matter and such aggregate number of votes opposed to such

resolution or other matter. See "Terms and Conditions of the Global Depositary Receipts – Voting Rights". If a shareholder acquires a number of Shares in excess of the limits set forth in the Polish Law on Public Trading of Securities and Trust Funds of 1991, as amended (the "Law on Public Trading"), without making the notification required thereunder, voting rights may be limited. See "Description of Shares – Law on Public Trading".

Investment Considerations

Prior to making an investment decision, prospective investors should consider carefully the matters discussed under "Investment Considerations".