

MANAGEMENT AND EMPLOYEES

The Supervisory Board

In accordance with the Polish Commercial Code and the Statutes, the Supervisory Board of the Company acts as the Company's supervisory body and the Statutes provide that the Supervisory Board must consist of not less than seven, and not more than ten, members. Three of the members of the Supervisory Board are elected by employees and the other members are elected by the shareholders at the annual general meetings of shareholders. The number of Supervisory Board members is determined by the annual general meeting. There are currently nine members of the Supervisory Board.

The table below sets out the members of the Supervisory Board of the Company at the date hereof.

<i>Name and Age</i>	<i>Position</i>	<i>Biographical Information</i>
Ireneusz Nawrocki, 44	Chairman of the Supervisory Board	Ireneusz Nawrocki graduated from the Main School of Planning and Statistics in Warsaw in 1977 and obtained a doctorate in international trade relations and economics in 1986 from the same university. He was from 1977 to 1990 an assistant lecturer and then an assistant professor at that university. From 1985 to 1989 he was a director general of the foreign enterprise, PAAT. From 1989 to 1991, he was the vice-chairman of the Management Board of Marco Ltd. and from 1991 to 1995 he was a director of the law firm KNS Sp. z o.o. in Warsaw. He is also a member of the Management Board of KNK Finance and Investment Sp. z o.o. and a member of the Supervisory Board of PZM Holding, Elektrim S.A. and Z.K. Kaden Olawa Sp. z o.o. Since 1995 Mr. Nawrocki has been the chairman of the Management Board of the XI National Investment Fund. He was appointed to the Company's Supervisory Board as deputy chairman in 1994 and was appointed Chairman of the Supervisory Board later that year.
Stanisław Speczik, 50	Deputy Chairman of the Supervisory Board	Stanisław Speczik graduated from Warsaw University in 1971 and obtained a doctorate in geology from Warsaw University in 1976. From 1971 to 1993 he was a postgraduate academic employee and then an assistant professor at Warsaw University. Mr. Speczik has been a director of the State Geological Institute in Warsaw since 1994. He was elected to the Company's Supervisory Board in 1994.
Józef Dudziak, 48	Secretary of the Supervisory Board	Józef Dudziak graduated with a master's degree in law from the University of Wrocław in 1974. He was the director of the main personnel training centre at the State Labour Inspectorate in Wrocław from 1981 to 1989 and owned and managed a mineral water manufacturing plant in Karpacz from 1989 to 1991. In 1991 Mr. Dudziak was director of marketing at Grand-West Ltd. and from 1991 to 1993 he was director of marketing at the law firm "Go-Best". Since 1993 he has been director of marketing at Bank Zachodni S.A. in Warsaw. He was elected to the Company's Supervisory Board as Secretary in 1996.

<i>Name and Age</i>	<i>Position</i>	<i>Biographical Information</i>
Wiktor Bładek, 52	Member of the Supervisory Board ⁽¹⁾	Wiktor Bładek graduated with a degree in engineering from the Academy of Mining and Metallurgy in Kraków in 1970. He has been associated with the Company since 1970, working in the Lubin Mine from 1970 to 1974 and in the Rudna Mine from 1974 to 1990 in the positions of branch foreman, senior foreman, head of mining works, chief mining engineer, head engineer and first deputy director. From 1990 to 1991 he was a shift foreman at the Sieroszowice Mine and from 1991 to 1995 he was a branch foreman and a senior foreman at the Lubin Mine. Since 1996 Mr. Bładek has been the technical director for the Polkowice-Sieroszowice Mine. He was elected to the Company's Supervisory Board in 1994.
Bohdan Kaczmarek, 41	Member of the Supervisory Board	Bohdan Kaczmarek graduated with a doctorate in political science from Warsaw University in 1979. Since 1979 he has worked as a post graduate academic employee and then as an assistant professor at Warsaw University. Since 1991 he has been the Chairman of the Management Board of the International Management School in Warsaw. He was elected to the Company's Supervisory Board in 1994.
Ryszard Kurek, 47	Member of the Supervisory Board ⁽¹⁾	Ryszard Kurek graduated from the Technical Institute of Mining in Lubin in 1969. He has worked at the Lubin Mine since 1969, employed as a branch foreman. Since 1987 he has been Chairman of the Professional Union of Copper Industry Employees at the Lubin Mine. He was elected to the Company's Supervisory Board in 1996.
Józef Maziec, 51	Member of the Supervisory Board ⁽¹⁾	Józef Maziec graduated from the Institute of Technology in Poznań in 1987 with a degree in electrical engineering. He worked in the mining and railway industries before joining the Company in 1978. He has held a position as a train despatcher at the Głogów railway, and worked on the construction of the Głogów II smelter. He has worked at the Głogów smelter since it commenced operations in 1978, holding positions as a senior supervisor and then as a health and safety specialist. He was elected to the Company's Supervisory Board in 1996.
Andrzej Sokołowski, 60	Member of the Supervisory Board	Andrzej Sokołowski graduated from the Academy of Mining and Metallurgy in Kraków in 1957. From 1966 to 1992, he was employed by the planning committee and the central planning office of the Council of Ministers of Poland serving in various capacities, including senior adviser, department head, deputy director and team manager, and adviser to the deputy chairman of the Council of Ministers and deputy chairman of the planning committee. Since 1992 he has been associated with Bank Handlowy w Warszawie S.A. in Warsaw, currently holding the position of deputy director of human resources policy and industry studies. He is also a member of the Supervisory Board of the machine tool manufacturer Fabryka Obrabiarek RAFAMED S.A. and the deputy chairman of the Supervisory Board of Amica Wronki S.A. He was elected to the Company's Supervisory Board in 1994.

(1) Elected by the employees

<i>Name and Age</i>	<i>Position</i>	<i>Biographical Information</i>
Marck Szczerbiak, 41	Member of the Supervisory Board	Marck Szczerbiak graduated from the Stefan Czarniecki Armoured Units Military College in Poznań in 1980 with a degree in engineering. He served in the military as an officer from 1980 to 1984. In 1985 he became deputy head and in 1986 the head of the Town and Municipal Council in Chocianów and served in that capacity until 1990. From 1990 to 1991 he was head of the National Defence League in Lubin and from 1991 to 1994 he was chairman of the Management Board of the Workers' Production and Trade Cooperative in Legnica. Since 1994 Mr. Szczerbiak has been a director of the Voivodship Office in Legnica and became Director General in January 1997. He was elected to the Company's Supervisory Board in 1996.

Members of the Supervisory Board (other than members elected upon resignation or removal of another member) are elected for a term of three years. The term of the current Supervisory Board expires upon the election of the new Supervisory Board at the ordinary meeting of shareholders at which the Company's financial statements for the year ended 31st December, 1999 will be submitted to the shareholders for approval.

The shareholders may, in an ordinary or extraordinary meeting, remove a member of the Supervisory Board before expiration of such member's term. If removed in circumstances where there was no just cause, such member of the Supervisory Board may have a claim for damages against the Company. Members of the Supervisory Board may resign at any time by written notice to the Chairman of the Supervisory Board. Vacancies on the Supervisory Board (whether arising upon removal, resignation or incapacitation) are not filled until the next annual or special meeting of shareholders, in the case of Supervisory Board members elected by the shareholders, or until the next meeting of employees, in the case of Supervisory Board members elected by the employees.

The business address of the above members of the Supervisory Board is ul. M. Skłodowskiej-Curie 48, 59-301 Lubin, Poland.

The Management Board

Pursuant to the Polish Commercial Code and the Statutes, the Company is managed, on a day-to-day basis, by its Management Board, and the Statutes provide that the Management Board must consist of not less than one nor more than seven members. Currently there are six members. The President of the Company and the other members of the Management Board are appointed by the Supervisory Board for a term of three years.

The table below sets forth the members of the Management Board of the Company at the date hereof.

<i>Name and Age</i>	<i>Position</i>	<i>Biographical Information</i>
Stanisław Siewierski, 51	President and Chief Executive Officer and President of the Management Board	Stanisław Siewierski graduated from the Academy of Mining and Metallurgy in Kraków in 1969 and obtained a doctorate in technical sciences at the Wrocław Institute of Technology in 1974. He trained at the Polkowice Mine and at KGH Orzeł Biały from 1969 to 1970. From 1970 to 1981 he was a scientific employee and instructor at the Wrocław Institute of Technology. He has been associated with the Company since 1981. From 1981 to 1982 he was deputy director of scientific research at KGHM ZB PM Cuprum. From 1982 to 1991 he worked at the Rudna Mine, holding the positions of chief engineer of rock mechanics, chief mining engineer, head engineer, first deputy director and acting

Katarzyna Muszkat, 46

First Deputy President for Finance and First Deputy President of the Management Board

director. He was a member of the Management Board of the Company from September 1991 to December 1992. In 1993 he graduated in Higher Professional Studies on the Management of Industrial Systems from the Ecole Centrale in Paris. He was reappointed to the Management Board in October 1994, becoming President of the Management Board and of the Company in May 1995. From January 1993 to October 1994, he was President of CBPM Cuprum Sp. z o.o. He has been a member of the Supervisory Board of Polkomtel S.A. since April 1996.

Katarzyna Muszkat graduated with a master's degree in economics from the Academy of Economics in Wrocław, in 1974, specialising in the economics and organisation of the chemical industry. She has been associated with the Company since 1974. From 1974 to 1992 she worked at the Rudna Mine holding positions as accounts specialist, main planning and analyses specialist, senior planning and analyses inspector, head of finance and director of finance. She was appointed to the Management Board of the Company in September 1992 and became First Deputy President in May 1995. She has been a member of the Supervisory Board of Polkomtel S.A. since April 1996.

Jerzy Dobrzański, 51

Deputy President for Development and Ecology and member of the Management Board

Jerzy Dobrzański graduated from the Engineering College in Zielona Góra, in 1986 with a degree in mechanical engineering. He has been associated with the Company since 1971. From 1971 to 1992 he held positions in the Głogów smelter as a foreman and senior foreman in the production department, deputy manager of operations in the maintenance department, manager of production department, smelter director and chief environmental engineer for the smelter. From 1992 to 1995 he was employed as director of the ecological policy department at the management office of the Company. He was appointed to the Management Board of the Company in June 1995.

Stanisław Krajewski, 48

Deputy President for Restructuring and Privatisation and member of the Management Board

Stanisław Krajewski graduated with a master's degree in engineering from the Academy of Mining and Metallurgy in Kraków in 1972. He has been associated with the Company since 1972. From 1972 to 1995 he worked at the Rudna Mine occupying positions as a mining supervisor, head mining technology engineer, deputy director of investment and development and head engineer in charge of mining investments. He was appointed to the Management Board of the Company in June 1995.

<i>Name and Age</i>	<i>Position</i>	<i>Biographical Information</i>
Jerzy Markowski, 52	Deputy President for Production and member of the Management Board	Jerzy Markowski graduated from the Academy of Mining and Metallurgy in Kraków in 1968 with a doctorate in technical sciences. He has been associated with the Company since 1968. From 1968 to 1978 he held positions as a graduate trainee, senior miner, shift foreman and manager of mining division, senior mining foreman and mining works manager at the Lubin Mine and from 1978 to 1981 he was the mine superintendent of the Polkowice Mine. From 1981 to 1990 he was the chief engineer and first deputy of the director of the Lubin Mine. From 1990 to 1992 he was the director-head of operations at the Lubin Mine and from 1992 to 1995 the director-head of operations at the Rudna Mine. He was a member of the Management Board of the Company from September 1991 to June 1992 and then again since June 1995.
Ireneusz Reszczyński, 38	Deputy President for Commerce and Marketing and member of the Management Board	Ireneusz Reszczyński graduated with a master's degree in economics from the University of Gdańsk, Faculty of Transport Economics in 1983. From 1984 to 1985 he was Secretary of the Maritime Committees of the Polish Chamber of Commerce at the Maritime Department in Gdynia. He has been associated with the Company since 1985. From 1985 to 1991 he was head of the import department of the KGHM Zakmat Supply Plant in Polkowice. From 1991 to 1996 he was the deputy director of finance at the Rudna Mine. He was appointed to the Management Board of the Company in January 1996. He has been a non-executive director of Polish Copper Ltd, in London, since July 1995 and Chairman of the Supervisory Board at the Polish Copper Promotion Centre in Wrocław since September 1996.

Subject to a quorum requirement of 50 per cent. of the Supervisory Board members being present, the Supervisory Board may, by the affirmative vote of a majority of the members present at the meeting, remove any member of the Management Board (including the President) before the expiration of the member's term.

The business address of the above members of the Management Board is ul. M. Skłodowskiej-Curie 48, 59-301 Lubin, Poland.

Compensation of Supervisory Board and Management Board

Each of the members of the Management Board, the Executive Directors and the Directors of Divisions of the Company are employed under employment contracts for a definite period. The aggregate compensation, including salary and bonuses and other deferred compensation, (including the costs of company cars and other benefits in kind) paid and accrued by the Company to the members of the Supervisory Board and the Management Board was approximately PLN 212,000 and PLN 1.35 million, respectively, for the year ended 31st December, 1995 and approximately PLN 241,000 and PLN 2.16 million, respectively, for the year ended 31st December, 1996.

Related Party Transactions

Members of the Management Board are entitled to acquire Employee Shares but are not permitted to transfer any Employee Shares so acquired for a period of three years from the Closing Date. See "The Global Offering — Employee Shares". In addition, certain members of the Management Board and Supervisory Board

have obtained small loans from the Company on the same basis as other employees pursuant to a social fund which is described under "Employee Matters — Compensation — Social Fund".

Employee Matters

Employees and Labour Relations

During 1996, the Company and its subsidiaries employed an average number of approximately 35,000 people, of whom approximately 26,000 were employed by the Company. Approximately 59 per cent. of the Company's employees were members of eight main labour unions. Pursuant to the Restructuring Plan, the Company reduced its workforce in its core business in 1996 by a total of approximately 1,500 employees and in the first quarter of 1997 by a total of approximately 2,900 employees. The Company expects to reduce the workforce in its core business further to 20,000 employees by the year 2000 by creating new subsidiaries. In 1996, the labour unions expressed dissatisfaction with the Company's Restructuring Plan, which involves the separation of the Company's non-strategic businesses from the Company's core mining and smelting businesses. In such instances, the employees of the non-strategic businesses, who were previously covered by the Company's labour agreements will, after one year following the separation, no longer be subject to the labour agreements, and will not therefore be entitled to the salary and benefit packages associated therewith. The Company responded by implementing three year employment guarantees and a one year guarantee of salary for each employee at certain of the newly-formed subsidiaries (the "Employment Guarantee System"). See "Business — Restructuring Plan".

The following table sets forth the average number of employees of the mining and smelting operations of the Company and its subsidiaries for the period indicated.

	Year Ended 31st December,		
	1994	1995	1996
Lubin Mine	4,547	4,535	4,202
Polkowice-Sieroszowice Mine ⁽¹⁾	6,755	6,725	6,360
Rudna Mine.	6,918	6,881	6,390
Głogów I and Głogów II Metallurgical Plants	5,419	5,372	5,237
Legnica Metallurgical Plant	1,845	1,829	1,752
Cedynia Copper Rolling Mill	333	331	315
Transport Division	1,838	1,780	1,725
Hydrotechnical Unit.	—	—	277
Other	8,123	9,341	8,995
Total Company and its subsidiaries	35,778	36,794	35,253

(1) The Polkowice and Sieroszowice mines consolidated their operations in 1995.

Compensation

The general terms of compensation for each of the Company's employees, other than the benefits described under "— Social Fund" and "— Profit Sharing" and subject to certain statutory requirements, are set forth in the divisional working agreements (the "Divisional Working Agreements") which were initially agreed in 1994 between the relevant unions and the Management Board, on behalf of the director of each respective division of the Company. Amendments to the Divisional Working Agreements, also known as protocols, are agreed approximately twice per annum to revise employee compensation scales. The Divisional Working Agreements apply to all the employees of the Company, except certain members of management and a limited number of employees of the Company working outside Poland. For the years ended 31st December, 1996, 1995 and 1994, the total payroll expenses of the Company excluding payments to the social security authority ("ZUS") were approximately PLN 563 million, PLN 489 million and PLN 361 million, respectively.

Salary and Bonus Fund Bonuses

In 1995 the average salary for employees increased 37 per cent., which was substantially above the inflation rate in Poland of 27.8 per cent. In 1996 the average salary increased by approximately 22 per cent., which, when made in two stages, was slightly above the inflation rate in Poland of 19.9 per cent. Additionally, the Company made a discretionary award of PLN 300 to each of its employees. The salary negotiations for 1997 have been settled at a 17 per cent. increase for the year (including a 5 per cent. increase in January 1997). This will be

phased-in over the year in the form of two salary increases and consequently approximates the expected rate of Polish inflation in 1997. The salary increases for employees in 1996 and 1997 were the recommended percentage increases for employees in State owned industries set by a three party commission of representatives of employers and employees in State owned industries and the government of Poland.

Each Divisional Working Agreement provides that a percentage of the salaries of the employees, set individually for each division and averaging 20 per cent. of the salaries of the employees, is paid into a fund (each, a "Bonus Fund"). The supervisors of the employees in each division have discretion in making payments out of the respective Bonus Funds and can allocate greater or lesser Bonus Fund payments to individual employees based on individual performance and other factors. The Division Working Agreements provide that the Bonus Fund payments are made monthly and amounts paid by the Company into the Bonus Fund shall not exceed 35 per cent. of the salaries of the employees.

Profit Sharing

For years in which the Company is profitable, employees who have been employed by the Company during the entire financial year typically receive a payment based on a percentage of each employee's average monthly salary which is funded out of the net profits of the Company. This type of profit sharing scheme is practised in state-owned enterprises. The Management Board, after obtaining the approval of the Supervisory Board, submitted a resolution to the ordinary meeting of shareholders to approve the profit sharing amount it recommended to be paid to the employees. The State Treasury, as the sole shareholder, has, in the past, approved the profit sharing payment recommended by the Management Board. Future decisions regarding profit sharing payments, if any, will be taken at the ordinary meetings of shareholders.

Other

The Divisional Working Agreements also provide for: retirement, disability and jubilee benefits (a jubilee benefit is a bonus paid to an employee after he or she has been employed by the Company for 15 years and subsequently is paid at 5 year intervals while the employee remains employed); cash equivalents for benefits formerly made in free deliveries of coal; annual awards on miners' and smelters' days for miners and smelter employees, respectively; annual bonuses for employees in good standing and certain other benefits.

Under the Employee Offering and as provided for in the Privatisation Law, individuals who were employees at the time the Company became a joint stock company in 1991, retired employees who have been employed by the Company for at least 10 years and certain other employees have the right to acquire up to 15 per cent. of the Shares (the "Employee Shares") at no cost to them. The employees who obtain Employee Shares may not sell these Shares for a period of two years from the Closing Date (other than members of the Management Board who are not permitted to transfer such Shares for a period of three years).

Social Fund

The Social Fund Act of 4th March, 1994 requires the Company to provide monetary contributions to a fund based on the total number of employees, with higher amounts being provided to account for employees working in hazardous conditions. The Company also allocates a portion of its net profits to the fund. The fund is used to finance a number of services for employees including, among other things, subsidised holidays for employees' children, holiday bonuses, cultural activities, sports and recreational activities and hardship benefits. The fund is also used to provide low interest loans to employees for housing and other purposes.

ZUS

Social security taxes, or ZUS payments, are paid by employers and are set at 48.2 per cent. of gross wages. With effect from 1st July, 1997, employers must also make ZUS payments on overtime pay for work by employees on weekends and holidays and certain employee benefits not currently subject to the ZUS payments.