

APPENDIX B: THE COMPANY'S PROGNoses FOR THE TWELVE MONTHS ENDED 31ST DECEMBER, 1997

General

As required by the Regulation of the Council of Ministers of 11th October, 1994, as amended, on detailed requirements to be met by a prospectus and information memorandum, the Company has prepared Prognoses (each a "Prognosis" and collectively, the "Prognoses") of possible performance on an unconsolidated basis and on a consolidated basis for the year ending 31st December, 1997 (the "Prognosis Period"). The Prognoses set forth below have been prepared by the Company based on certain assumptions including assumptions as to world copper and silver prices, Polish inflation, currency exchange rates, and other matters which are unpredictable or hard to predict. It should be emphasised that actual future conditions can be expected to vary substantially from the conditions assumed in the assumptions used in the Prognoses, in terms both of amount and timing. Accordingly, actual results can be expected to vary substantially from the Prognoses. No representation (actual or implied) is made as to the reasonableness of the assumptions and calculations. The Prognoses have been prepared by the Company in good faith and in accordance with the information currently known by the Company. The Company stresses that, although it believes its macroeconomic and business assumptions to be reasonable, it cannot take responsibility for any expectation that actual future results be the same as the possible future results shown in the Prognoses, given that forward-looking statements are subject to significant economic and competitive circumstances beyond its control. Under no circumstances should the inclusion of the possible financial results be regarded as a representation or warranty that the Company will achieve, or is likely to achieve, any particular results. Each potential investor should make its own assessment of the assumptions underlying the Prognoses.

Prognosis of Unconsolidated Financial Results

Prognosis

The Company's Prognosis of its unconsolidated sales of finished products, operating profit, net profit and net profit per share for the Prognosis Period is set forth below. The Prognosis has been prepared utilising the Company's 1996 accounting policies (including depreciation and provisioning policies) and is based on certain macroeconomic and business assumptions. The principal assumptions are set forth below. The Prognosis has not been adjusted to reflect the Company's unconsolidated results for the three months ended 31st March, 1997 set forth in Appendix A.

	Year ending 31st December, 1997 Unaudited unconsolidated prognosis ⁽¹⁾
Sales of finished products	3,683
Operating profit	511
Net profit	286
Net profit per share ⁽²⁾	1.43

(1) In millions of PLN, except per share data.

(2) Calculated on the basis of the Prognosis of net profit and on the basis of 200 million Shares, the number of Shares to be outstanding at the time of the Global Offering.

Macroeconomic Assumptions

The following is a summary of the principal macroeconomic assumptions which have been made in the preparation of the unconsolidated Prognosis set forth above. The macroeconomic factors underlying these assumptions are not within the influence or control of the Management Board.

Copper and Silver Prices: World copper and silver prices are difficult to predict and are highly sensitive to world economic conditions and other factors beyond the control of the Company. For purposes of preparing the Prognosis, the Company has assumed an average spot copper price of \$2,200 per tonne on the LME and an average spot silver price of \$170 per kilogram on the LBM. The average cash price for copper on the LME for the three months ended 31st March, 1997 was \$2,421 per tonne and the average spot silver price on the LBM for the same period was \$161 per kilogram. For a discussion of historic world prices for copper and silver (including prices for certain periods in 1997) see "The World Copper and Silver Markets". Analysts and others who have considered future copper and silver prices have estimated and published a wide range of projected price levels for 1997, including average prices substantially higher and substantially lower than the average prices used in preparing the Prognosis. Investors should not rely on these assumed prices and should conduct their own investigation of future copper and silver price levels.

Annual Rate of Inflation: In the 1997 State budget for Poland an annual rate of inflation in Poland for the year ended 31st December, 1997 of 13 per cent. (equivalent to an average annual rate of approximately 15 per cent.) has been assumed. The average annual rate of inflation in Poland was 27.8 per cent. in 1995 and 19.9 per cent. in 1996, according to official statistics reported by the Central Statistics Office. Taking into account the budget assumption and the recent downward trend in the average annual rate of inflation, the Company has assumed an average annual rate of inflation of 15 per cent. for the Prognosis Period.

Zloty devaluation: In May 1991, after two devaluations of the zloty, the NBP pegged the value of the zloty to a basket of currencies, with the market rate permitted to trade within 2.0 per cent. (and, since May 1995, 7.0 per cent.) of the centrally-pegged rate. For more information, see "Foreign Exchange Rates". In October 1991, the NBP introduced a crawling peg devaluation that allowed the Central Exchange Rate (as determined by the NBP by reference to the currency basket described above) to depreciate by 1.8 per cent. per month. The rate of depreciation of the zloty is a matter determined by the NBP at its sole discretion. Since 1991, the rate of permitted monthly depreciation has been lowered several times. The most recent change occurred in January 1996 when the rate was lowered to 1 per cent. per month. Consequently, the Company has assumed that a rate of depreciation of 1 per cent. per month will continue throughout the Prognosis Period. However, to simplify calculation, the devaluation is assumed to occur at quarterly intervals. Accordingly, the following zloty/US dollar exchange rates were assumed for the four quarters of 1997: 2.94, 3.02, 3.10 and 3.19. In the three months ended 31st March, 1997 the rate of devaluation exceeded the rate assumed in the Prognosis. At 28th April, 1997, the zloty/US dollar exchange rate announced by the NBP was 3.18.

Other Macroeconomic Assumptions: The Company has assumed that royalty rates for extraction of ore (and the level of permitted reductions therefrom) will be unchanged in 1997 from 1996 levels. In addition, the statutory rates for calculation of environmental fees are assumed to increase at the assumed level of inflation and the level of exempt volumes is assumed to be unchanged in 1997 from 1996 levels. The Prognosis also assumes that social security tax rates will remain unchanged in 1997 from 1996 levels. However, the Prognosis is calculated on the basis of new rules for the calculation of social security taxes which extends such taxes to cover certain bonuses and benefits paid to workers on or after 1st July, 1997. In 1997, the basic corporate tax rate in Poland was reduced from 40 per cent. to 38 per cent. (under current law, such reductions will continue at a rate of 2 per cent. per year with the basic rate reaching 32 per cent. in 2000). Accordingly, the 38 per cent. rate is assumed for purposes of the Prognosis. Finally, the Prognosis assumes that no revaluation of assets is required by the Ministry of Finance of Poland during 1997.

Business Assumptions

The following is a summary of the principal business assumptions which have been made in the preparation of the unconsolidated Prognosis set forth above. The factors underlying these assumptions are within the influence or control of the Management Board.

Increased production levels: In accordance with its strategy of increasing production, as described in "Business - Business Strategy", the Company has included the following assumed production levels in its Prognosis:

- Copper cathode production will increase from 424,708 tonnes in 1996 to 433,000 tonnes in 1997.
- Wire rod production will increase from 174,755 tonnes in 1996 to 175,000 tonnes in 1997.
- Metallic silver production will increase from 933,044 kilograms in 1996 to approximately 1 million kilograms in 1997.

Operating Costs: The Company has assumed that operating costs will generally increase due to increased production and inflationary pressures. In connection with its cost reduction programme described in "Business - Business Strategy", the Company's management sets cost reduction targets for each division which are incorporated into divisional budgets. Divisional management are given incentives to meet these budgets. Operating costs in the Prognosis have been prepared based on these divisional budgets and therefore assume that the 1997 cost reduction targets set by management will be met. In the three months ended 31st March, 1997, on an overall basis, the Company's cost reductions proceeded according to plan. The Company has entered into an agreement with its unions which provides for a 17 per cent. increase in compensation levels during 1997. However, because the increase is to be implemented in stages, annual payroll expense is expected to increase generally in line with the assumed rate of inflation. The Prognosis assumes that this agreement will not be renegotiated during 1997 and that no work stoppages or work slowdowns occur in 1997. The Prognosis also

assumes that profit sharing payments to employees (which have not historically been included in payroll expense) will cease in 1997 without a resulting increase in payroll expense.

No disruption of operations: The Prognosis assumes that there are no unplanned shutdowns or other disruptions of the Company's operations during the Prognosis Period. Accordingly, among other factors, it is assumed that sufficient supplies of sulphite liquor are available to the Company and that the Company is able to sell or otherwise dispose of the sulphuric acid produced from this operation in a timely manner.

Continuation of Restructuring Plan: The Prognosis assumes that implementation of the Restructuring Plan continues in 1997 according to plan.

Prognosis of Consolidated Financial Results

Prognosis

Set forth below is the Company's Prognosis of its consolidated sales of finished products, operating profit, net profit and profit per share for the Prognosis Period. The consolidated Prognosis has been prepared utilising the Company's 1996 accounting policies (including consolidation policies) and is based on certain macroeconomic and business assumptions. The principal assumptions are set forth below (or in "Prognosis of Unconsolidated Financial Results" above). The consolidated Prognosis has not been adjusted to reflect the Company's unconsolidated results for the three months ended 31st March, 1997 set forth in Appendix A.

	Year ending 31st December, 1997 Unaudited Consolidated Prognosis ⁽¹⁾
Sales of finished products	3,883
Operating profit	528
Net profit	310
Net profit per share ⁽²⁾	1.55

(1) In millions of PLN, except per share data.

(2) Calculated on the basis of the Prognosis of net profit and on the basis of 200 million Shares, the number of Shares to be outstanding at the time of the Global Offering.

Incorporation of Unconsolidated Prognosis

The consolidated Prognosis set forth above is based on the Company's unconsolidated Prognosis set forth in "Prognosis of Unconsolidated Financial Results" above and therefore incorporates the same macroeconomic assumptions and business assumptions set forth in that sub-section.

Additional Business Assumption

The following additional business assumption relating to the Company's subsidiaries was utilised in preparing the consolidated Prognosis. The factors underlying this assumption are within the influence or control of the Management Board.

Sale of interests in subsidiaries: The consolidated Prognosis assumes that interests in five subsidiaries currently held through DSI will be sold, thereby reducing the Company's ownership interest to below 50 per cent. The assumed sale prices are based on the net book value of the relevant subsidiary. As a result of these sales, the subsidiaries will become associated companies and therefore will be accounted for by the equity method in the preparation of the Prognosis.

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