



KGHM

A Global Offering

KGHM POLSKA MIEDŹ S.A.

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(Incorporated in the Republic of Poland as a *spółka akcyjna* or joint stock company)

Offering of up to 21 million Global Depositary Receipts Representing 42 million Shares

Offer Price: U.S.\$12.87 per Global Depositary Receipt

Joint Global Coordinators

Barclays de Zoete Wedd Limited

Union Bank of Switzerland

Joint Lead Managers

UBS Limited

Barclays de Zoete Wedd Limited

Robert Fleming & Co. Limited

Merrill Lynch International

Commerzbank Aktiengesellschaft

Creditanstalt Investment Bank

ING Barings

Nomura International

Paribas

The date of this Offering Circular is 7th July, 1997.

Up to 72 million ordinary shares with a nominal value of PLN 10 each (the "Offer Shares") of KGHM Polska Miedź S.A. (the "Company") are being offered by the State Treasury of the Republic of Poland represented by and acting through the Minister of the State Treasury (the "Selling Shareholder") in a global offering (the "Global Offering"). The Global Offering comprises an offering outside Poland (the "International Offering") of 17.5 million Global Depositary Receipts (the "GDRs") representing 35 million Offer Shares and an offering to the public in Poland (the "Polish Public Offering") of 30 million Offer Shares. See "The Global Offering". Each GDR represents two Offer Shares. Prior to the Global Offering, there has been no public market for the Offer Shares or the GDRs, in the Republic of Poland ("Poland") or elsewhere.

In addition, the Selling Shareholder has granted to the Managers (as defined under "Purchase and Sale") 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 over-allotment option is exercisable until 30 days after the closing date (the "Closing Date"), which is expected to be 14th July, 1997.

Separate from the Global Offering, under Polish law, 30 million Shares (as defined below) 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. See "The Global Offering – Employee Shares".

Application has been made to list all the ordinary shares of the Company (the "Shares") on the Gielda Papierów Wartościowych w Warszawie S.A. (the "Warsaw Stock Exchange"). Application has also been made to the London Stock Exchange Limited (the "London Stock Exchange") for the GDRs to be admitted to the Official List. This Offering Circular including the Appendices comprises listing particulars given in compliance with the Listing Rules made under Section 142 of the Financial Services Act 1986 by the London Stock Exchange for the purpose of giving information with regard to the Company and its subsidiaries, the GDRs and the Shares. A copy of this Offering Circular has been delivered to the Registrar of Companies in England and Wales as required by Section 149 of the Financial Services Act 1986. It is expected that dealings on a conditional basis in the GDRs on the London Stock Exchange will commence on 10th July, 1997 simultaneously with dealings in the Shares on the Warsaw Stock Exchange. Application has been made for the GDRs to be accepted for clearance through Cedel Bank, société anonyme ("Cedel Bank"), Morgan Guaranty Trust Company of New York, Brussels office, as operator of the Euroclear System ("Euroclear") and The Depository Trust Company of New York ("DTC"). The GDRs have been designated for quotation and trading on the Private Offerings, Resales and Trading through Automated Linkages ("PORTAL") Market of the National Association of Securities Dealers, Inc. in the United States and will be eligible for quotation and trading through the Stock Exchange Automated Quotation System of the London Stock Exchange ("SEAQ International").

It is expected that delivery of the GDRs (other than those the subject of the over-allotment option granted to the Managers) will be made on or about the Closing Date. GDRs to be issued on the exercise by the Managers of the over-allotment option will be issued on such date as may be notified by the Managers to the Selling Shareholder. The GDRs will be issued in global form and will be evidenced by a Rule 144A Master GDR and an International Master GDR, each registered in the name of Cede & Co., as nominee of DTC. 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" and "Transfer Restrictions".

The Company accepts responsibility for the information contained in this Offering Circular including the Appendices. To the best of the knowledge and belief of the Company (which has taken all reasonable care to ensure that such is the case), the information contained in this Offering Circular including the Appendices is in accordance with the facts and does not omit anything likely to affect the import of such information.

SEE "INVESTMENT CONSIDERATIONS" FOR A DISCUSSION OF CERTAIN FACTORS THAT SHOULD BE CAREFULLY CONSIDERED BY POTENTIAL INVESTORS. In particular, under no circumstances should the inclusion of the possible financial results in the Prognoses set forth in Appendix B to this Offering Circular be regarded as a representation or warranty that the Company will achieve or is likely to achieve any particular results. See "Investment Considerations – Considerations Relating to the Company – Prognoses".

No person is authorised to give any information or to make any representation in connection with the offer or sale of the GDRs other than as contained in this Offering Circular, and, if given or made, such information or representation must not be relied upon as having been authorised by the Company, the Selling Shareholder or any of the Managers or any affiliate or representative thereof. No representation or warranty, expressed or implied, is made by the Selling Shareholder or any Manager or any affiliate or representative thereof as to the accuracy or completeness of the information contained in this document, and nothing contained in this Offering Circular is, or shall be relied upon as, a promise or representation by the Selling Shareholder or any Manager or any affiliate or representative thereof as to past, present or future events or results. Neither the delivery of this Offering Circular nor the offer or sale of any GDR shall create any implication that the information contained herein is correct at any time after the date hereof or that there has been no change in the financial condition and affairs of the Company since the date hereof.

This Offering Circular does not constitute an offer to sell by, or an invitation by or on behalf of, the Company, the Selling Shareholder, any Manager or any affiliate or representative thereof to subscribe for or purchase any of the GDRs in any jurisdiction where it is unlawful for such person to make such an offer or invitation. The distribution of this Offering Circular and the offer or sale of the GDRs in certain jurisdictions is restricted by law. Persons coming into possession of this Offering Circular are required by the Company, the Selling Shareholder, and the Managers and their affiliates and representatives to inform themselves about, and to observe, such restrictions. This Offering Circular may not be used for, or in connection with, any offer or solicitation in any jurisdiction under circumstances in which such offer or solicitation is not authorised or is unlawful. Further information with regard to restrictions on offers and sales of the GDRs and the distribution of this Offering Circular is set out under "Transfer Restrictions" and "Purchase and Sale". This Offering Circular should not be considered as a recommendation by any of the Managers to purchase the GDRs. Each investor contemplating the purchase of GDRs should make its own independent investigation and examination of the financial condition and affairs of the Company and the terms of the Global Offering, including the risks involved. Investors should review, inter alia, the most recent financial statements of the Company when evaluating an investment in the GDRs.

Neither the Company nor the Selling Shareholder has authorised any offer to the public in the United Kingdom within the meaning of the Public Offers of Securities Regulations 1995 (the "Regulations") of GDRs which have not been admitted to listing in accordance with Part IV of the Financial Services Act 1986. Such GDRs may not lawfully be offered or sold to persons in the United Kingdom except in circumstances which do not result in an offer to the public in the United Kingdom within the meaning of the Regulations or otherwise in compliance with all applicable provisions of the Regulations. This document may not be issued or passed on in the United Kingdom except to a person who is of a kind described in Article 11(3) of the Financial Services Act 1986 (Investment Advertisements) (Exemptions) Order 1996 or is a person to whom such document may otherwise lawfully be issued or passed on.

The GDRs have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "Securities Act"), and may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. The GDRs are being offered and sold (i) by the Managers outside the United States in reliance on Regulation S under the Securities Act and (ii) by U.S. affiliates of certain of the Managers within the United States to qualified institutional buyers (as defined in Rule 144A under the Securities Act ("Rule 144A")) in reliance on Rule 144A. See "The Global Offering" and "Purchase and Sale". In addition the Company has agreed to provide certain information to investors in connection with resales pursuant to Rule 144A. See "Available Information". Prospective purchasers are hereby notified that the seller of the GDRs may be relying on the exemption from the registration provisions of Section 5 of the Securities Act provided by Rule 144A.

TO NEW HAMPSHIRE RESIDENTS: NEITHER THE FACT THAT A REGISTRATION STATEMENT NOR AN APPLICATION FOR A LICENCE HAS BEEN FILED UNDER CHAPTER 421-B OF THE NEW HAMPSHIRE REVISED STATUTES WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE OF NEW HAMPSHIRE THAT ANY DOCUMENT FILED UNDER RSA 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE SECRETARY OF STATE OF NEW HAMPSHIRE HAS PASSED

IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY, OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER, OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

None of the GDRs have been or will be qualified for sale in Canada pursuant to a prospectus and may not be offered or sold directly or indirectly in any province or territory of Canada except pursuant to an exemption from the applicable prospectus filing requirements, and in compliance with the applicable securities rules, of such province or territory. Investors in Canada should refer to "Purchase and Sale - Selling Restrictions - Canada" and in particular Ontario purchasers should refer to "Purchase and Sale - Selling Restrictions - Canada - Rights of Action - Ontario Purchasers".

In connection with the International Offering, UBS Limited, on behalf of the Managers, may over-allot or effect transactions in the GDRs which stabilise or maintain the market price of the GDRs and/or the Shares at levels which might not otherwise prevail in the open market. Such transactions may be effected only in the GDRs and no such transactions will be effected in Poland. Such stabilisation, if commenced, may be discontinued at any time.

FINANCIAL AND OTHER INFORMATION

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 have been prepared in accordance with "Polish AP" (as defined in the next succeeding sentence). "Polish AP" means, the Polish accounting regulations in force at such respective dates and for such respective periods, including the Accounting Law of 29th September, 1994 (Dz. U. No. 121, entry 591) (the "Accounting Law"). The financial information included in this Offering Circular, including the information set forth under "Summary Restated Financial Statements", has unless otherwise indicated been derived from the Company's Polish AP financial statements set forth in Appendix A to this Offering Circular. For a summary of significant differences between Polish AP, as applied to the Company, International Accounting Standards ("IAS") and generally accepted accounting principles in the United States ("U.S. GAAP"), see "Summary of Significant Differences Between Polish AP, IAS and U.S. GAAP".

Poland has experienced significant levels of inflation during the periods for which financial statements are included herein. However, consistent with Polish AP, the Polish AP financial statements (and the financial information derived therefrom and included herein) have not been adjusted to reflect the effects of inflation with the exception of revaluations of fixed assets in certain years ordered by the Polish Minister of Finance, the most recent of which became effective as at 1st January, 1994 and 1st January, 1995. In addition, 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 an information memorandum (Dz. U. No. 128, entry 631), in years where the annual inflation rate in Poland exceeds 20 per cent. the Company has set forth in the notes to its audited financial statements a calculation intended to approximate the effects of inflation on the Company's sales. Such calculations have not been prepared in accordance with standards applicable under IAS or U.S. GAAP and should not be relied upon as an accurate indication of the effects of inflation on such items.

Changes in Polish government regulations regarding amortisation of certain assets subject to tax relief resulted in significant changes to the Company's depreciation charges and deferred tax provisions in each of the last three years. In addition, in accordance with best accounting practice in Poland, the Company has elected to establish provisions for certain future costs, principally future mine closure costs, resulting in a disproportionately large charge being reported in 1996 (representing all provisioning costs that would have been recorded in prior years if similar accounting policies had been applied). The effect of these events was to make year-to-year comparisons of the Company's historical financial statements difficult. As a result, the Company has restated its financial statements to apply a consistent set of accounting principles (including depreciation and provisioning policy) over the period. The Company's financial statements appearing in Appendix A to this Offering Circular include both the Company's historical financial statements and its restated financial statements. For a reconciliation of the restated financial statements to the historical financial statements, see the notes to Sections 5.5.8.1, 5.5.8.2 and 5.5.8.3 (relating to the unconsolidated financial statements) and the notes to Sections 9.5.8.1, 9.5.8.2 and 9.5.8.3 (relating to the consolidated financial statements) set forth in Part I of Appendix A hereto. Financial information set forth in this Offering Circular, including the information set forth under "Summary

Restated Financial Statements", has been extracted from the restated financial statements, unless otherwise indicated. In addition the discussion under "Management's Discussion and Analysis of Financial Condition and Results of Operations" is based on restated financial information.

Unless otherwise indicated, information in this document regarding proved and probable mining reserves and balance geological reserves as of 1st January, 1996 has been extracted from the Mining Engineers' Report set forth under "Mining Engineers' Report" in this document. For a description of the methodology used in calculating such reserve data and certain qualifications regarding the accuracy of such reserve data, see "Investment Considerations — Considerations Relating to the Company — Reserves" and "Mining Engineers' Report". Investors should be aware that such reserves information does not conform to the United States Securities and Exchange Commission's Industry Guide No. 7, which contains definitions and instructions for disclosure by issuers engaged or to be engaged in significant mining operations. The reserves information presented in this document should not be treated as a projection or forecast by the Mining Engineers, the Company, the Selling Shareholder, the Managers, or their respective affiliates and representatives.

Certain figures included in this Offering Circular have been subject to rounding adjustments; accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures which precede them. References to the "Management Board" and the "Supervisory Board" are references to the Management Board of the Company and the Supervisory Board of the Company, respectively. References to "kms", "km²" and "kgs" are references to kilometres, square kilometres and kilogrammes, respectively. In addition, certain technical terms used in the mining industry are defined in "Glossary of Certain Mining Terms".

CURRENCY TRANSLATIONS

The financial statements included herein are denominated in Polish zloty ("PLN"). On 1st January, 1995, the National Bank of Poland (the "NBP") redenominated the old Polish zloty ("PLZ") and introduced a new zloty with a value of 10,000 PLZ. In this Offering Circular, unless otherwise stated or the context otherwise requires, references to "\$", "U.S.\$", "dollars" or "U.S. dollars" are to the currency of the United States, references to "£" or "pounds sterling" are to the currency of the United Kingdom, references to "Cdn.\$, or "Canadian dollars" are to the currency of Canada, references to "old zloty" or "PLZ" are to the currency of Poland before the redenomination of the zloty on 1st January, 1995, and references to "PLN" or "zloty" are to the lawful currency of Poland as at the date hereof.

PLN exchange rates are subject to control by the NBP, which sets sliding exchange rate bands for Polish interbank foreign exchange transactions. At the end of each trading day, the NBP publishes a rate which represents the average of the rates on such trading day at which it purchased and sold foreign currencies (the "Fixing Rate"). The NBP sets a central rate of exchange for PLN each day (the "Central Rate") and from 16th May, 1995 banks licensed to hold foreign exchange have been free to set exchange rates for interbank foreign exchange transactions at any level within a band of plus or minus seven per cent. of the Central Rate. This band was widened from a band of plus or minus two per cent. of the Central Rate which had been in place since 1990 when PLN became internally convertible. Amounts stated in dollars, unless otherwise indicated, have been translated from PLN at an assumed rate solely for convenience and should not be construed as representations that the PLN amounts actually represent such dollar amounts, or could be converted into dollars, at the rate indicated or any other rate. Unless otherwise indicated, such dollar amounts have been translated from PLN at the rate of PLN 3.2195 to U.S.\$1.00, the Fixing Rate announced by NBP on 2nd June, 1997. On 2nd July, 1997, the Fixing Rate was PLN 3.2885 to \$1.00. Since 16th May, 1995, Polish AP requires that translation of foreign currency items for the compilation of financial statements be effected at the Fixing Rate for such currency as at the end of the relevant period. The Bank of Canada does not maintain exchange rate information for the translation of PLN to Canadian dollars. On 2nd July, 1997, the rate of exchange between U.S. dollars and Canadian dollars based on Bank of Canada noon rates of exchange was U.S.\$0.7261 to Cdn.\$1.00. For further information regarding rates of exchange between the zloty and the dollar, see "Foreign Exchange Rates".