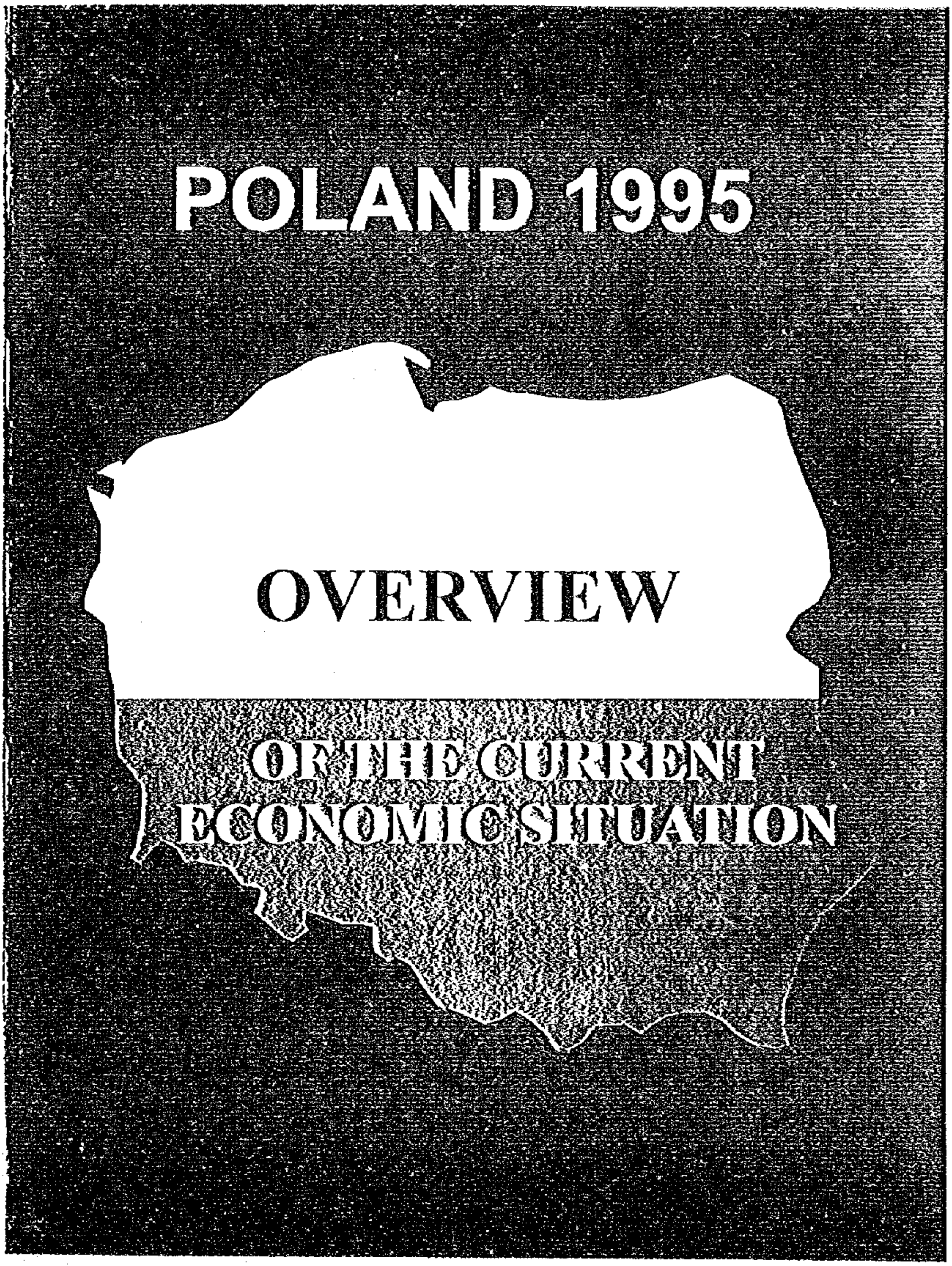


Warsaw, January 1996

POLAND 1995

OVERVIEW OF THE CURRENT ECONOMIC SITUATION

Warsaw. January 1996

CONTENTS

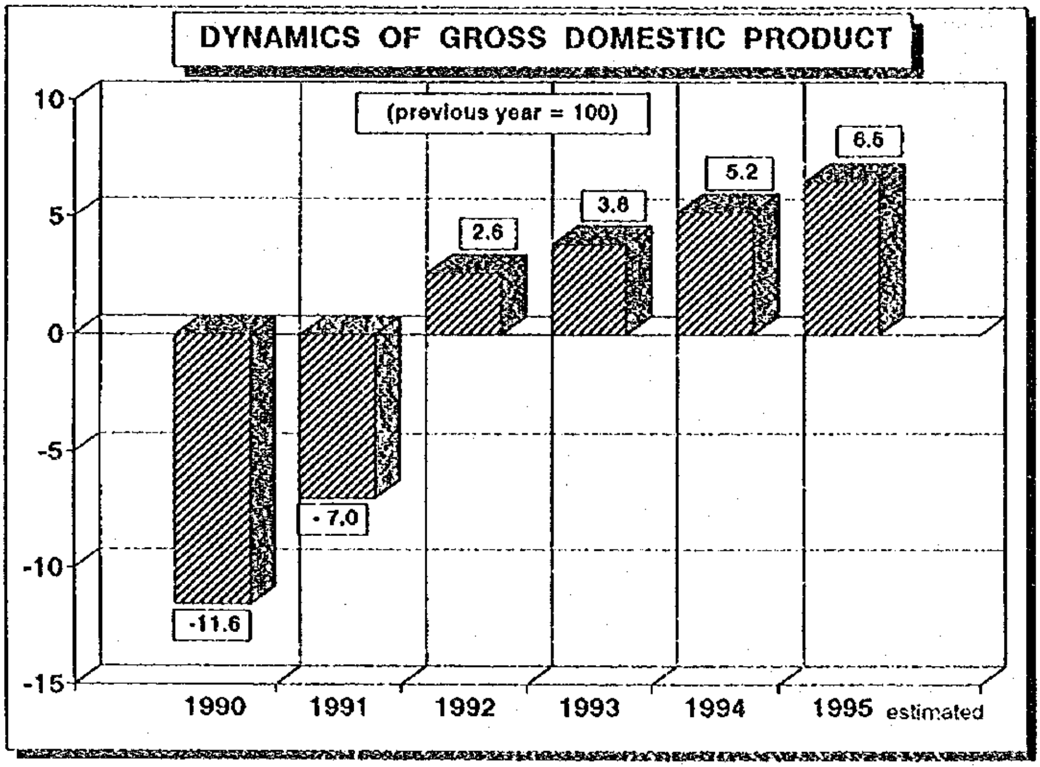
BASIC TENDENCIES IN THE POLISH ECONOMY

The results achieved in the economy in 1995 indicate a continuation of growth trends observed in 1994.

The high dynamics of industrial and construction production have been maintained. The revenues from exports and payments from imports were substantially higher than the previous year's level. The financial situation of enterprises has improved. Investment inputs were growing at an unprecedented rate. The situation of the state budget has improved. Unemployment has fallen. The level of real salaries in the sector of enterprises and also that of social benefits was higher than in 1994.

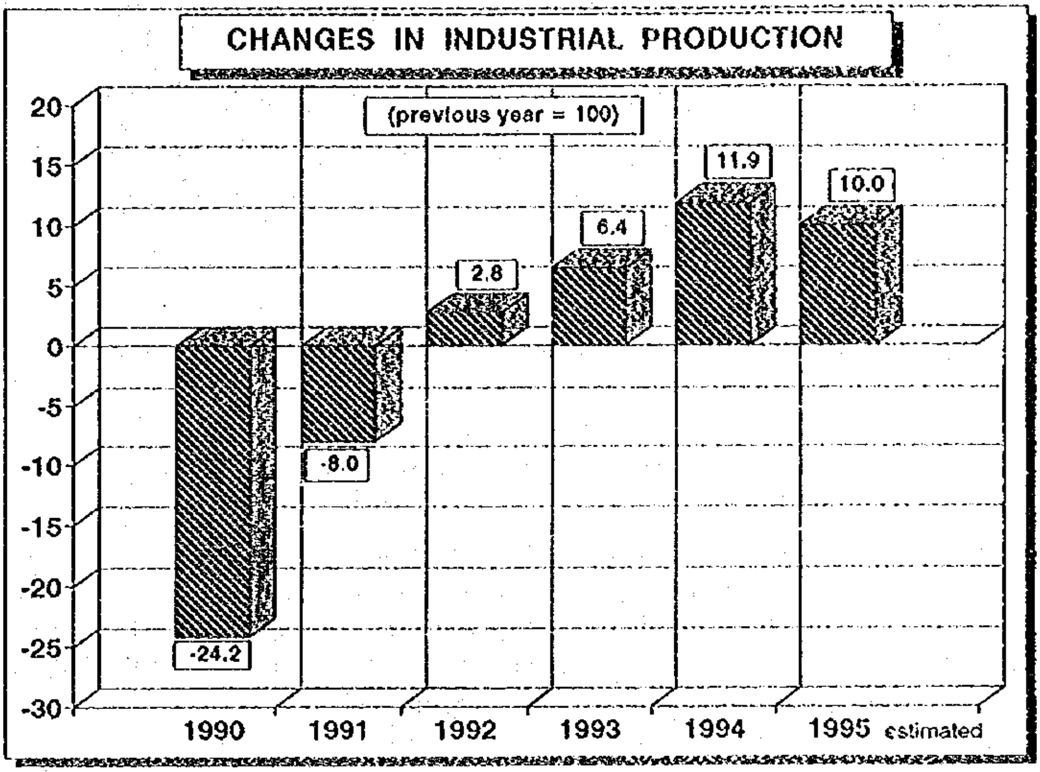
1. Output

With these advantageous phenomena, it is estimated that the gross domestic product achieved a level about 6.5 per cent higher than in 1994, as against a 5.2 per cent growth in 1994, 3.8 per cent in 1993 and 2.6 per cent in 1992.



2. Industrial production

Industrial production (in constant prices) increased by 10 per cent in 1995 as compared with the year of 1994, mainly as a result of growing domestic demand, especially for investment goods, and widening export possibilities.

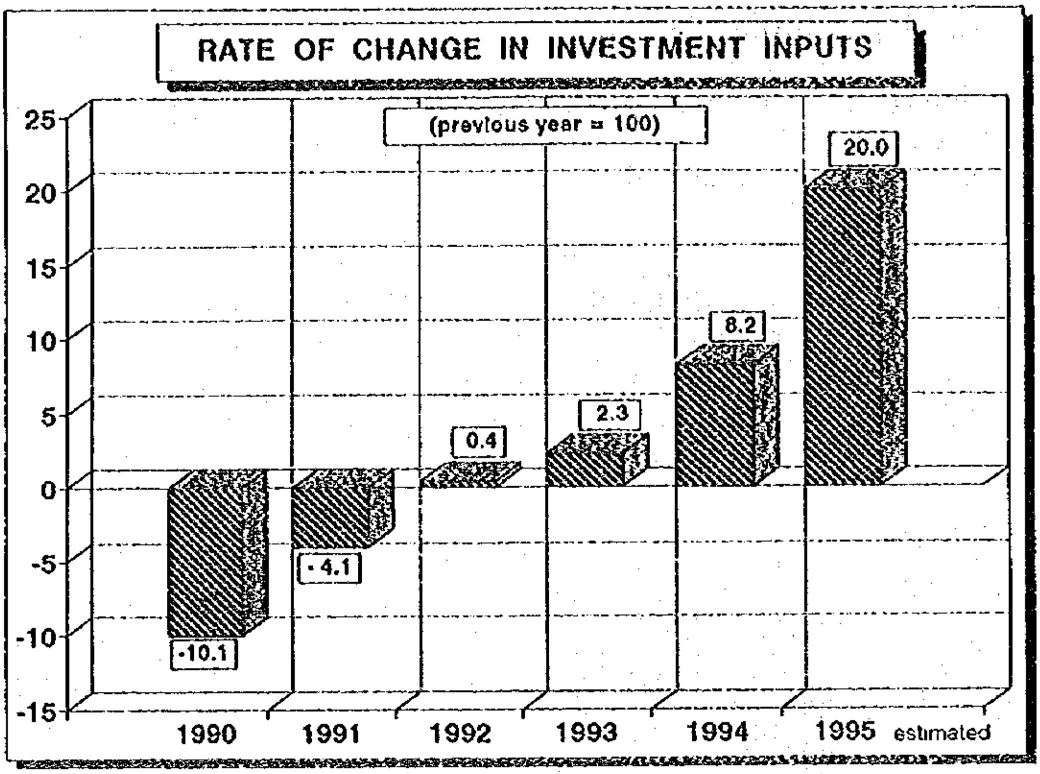


3. Construction and investments

The activity of construction enterprises has increased. In 1995 their production grew by about 12 per cent, mainly due to a substantially higher demand for investment-modernisation works than in 1994.

The rate of investments was increasing. It is estimated that in 1995 investment inputs increased by 20 per cent.

In 1994 the rate of growth in construction production reached 0.2 per cent and that of investments 8.2 per cent.



The following factors: a fast growth of the economy, increasing reserves in foreign currencies and completion of the restructuring process of our foreign debt caused Poland, for the first time in many years, to be regarded by foreign countries as a country not only attractive from the economic point of view but also secure. This means an inflow of foreign investments which is a substantial factor in stimulating positive processes of economic growth.

It is estimated that in the whole year of 1995 foreign private firms invested over 2 billion US dollars in Poland (counting only the firms which invested over 1 million US dollars in Poland), this means over 50 per cent more than the value of the foreign direct investments in 1994. More than 6 billion US dollars have come to Poland from 1990. Officially ascertained liabilities, within signed contracts, additionally amount to more than 5 billion US dollars.

4. Agriculture

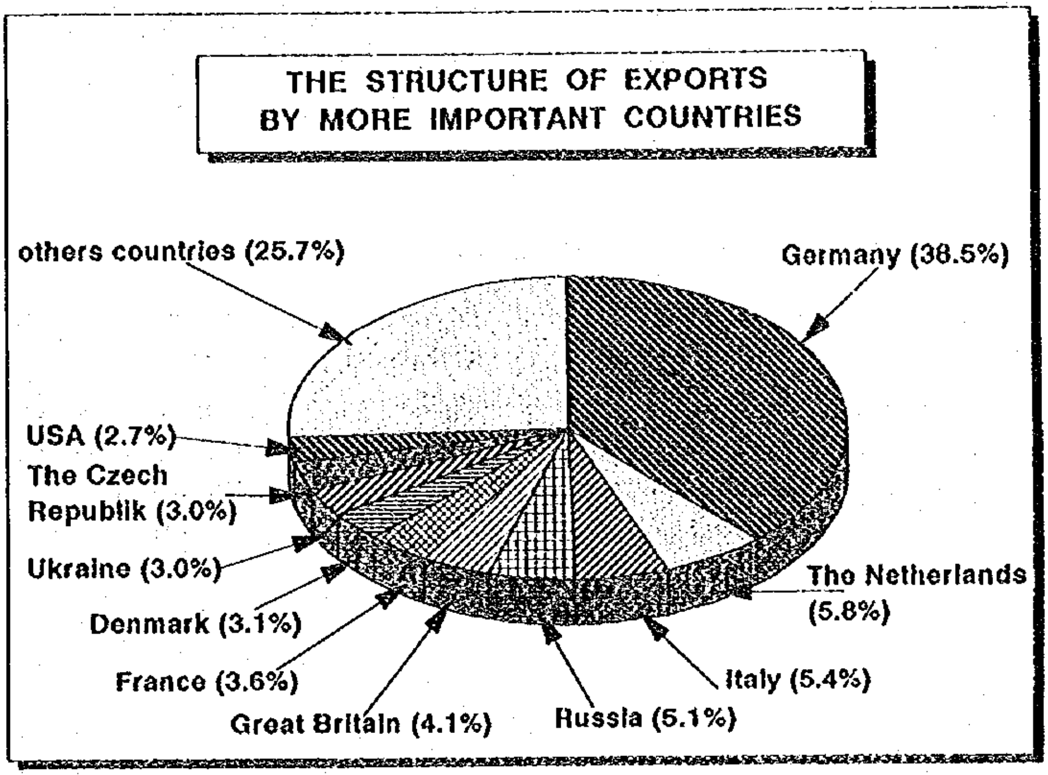
In agriculture, it is estimated that due to an increase in using artificial fertilisers and means of plant protection and in a situation of advantageous agrometeorological conditions, plant production increased by 12 per cent. The value of animal production exceeded the level of 1994 by about 6 per cent. As a result global agriculture production was about 9 per cent higher than in 1994, when a 7.5 per cent fall took place.

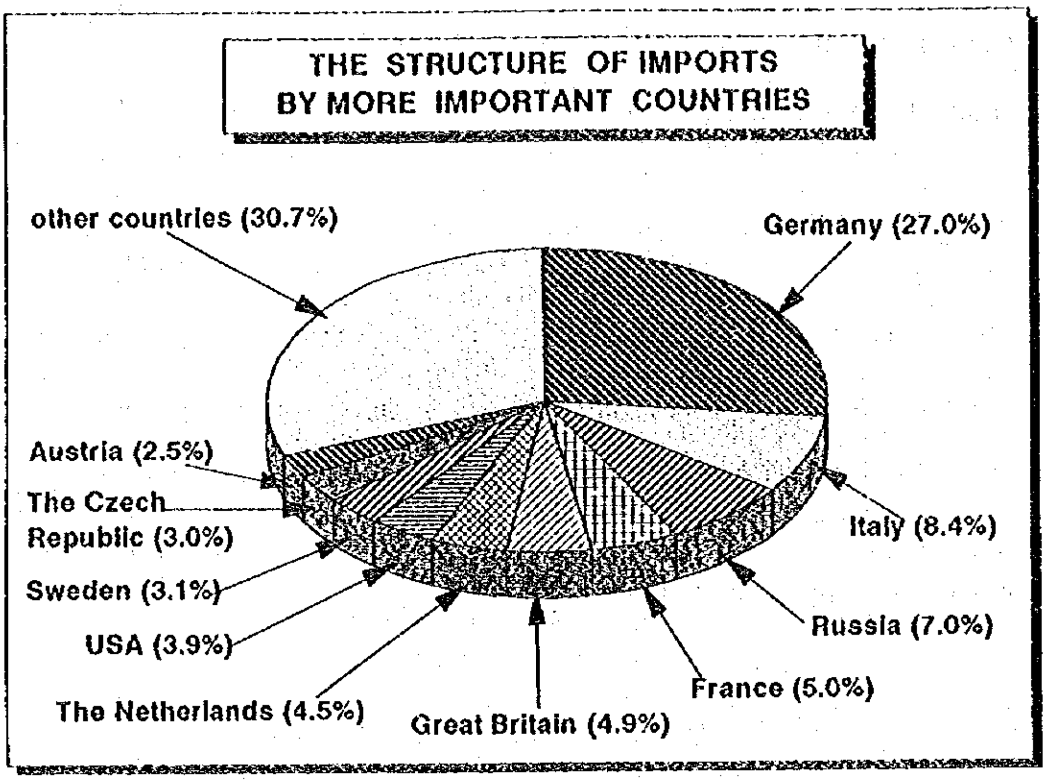
5. Foreign Trade

The international commodity exchange has been dynamically developing. It is estimated that in 1995 registered exports were 30 per cent higher than in 1994 and amounted to 22.5 billion US dollars, while imports were higher by 34 per cent and amounted to 29 billion US dollars. The big growth of imports caused an increase of the trade deficit to 6.5 billion US dollars (4.3 billion US dollars in 1994).

Estimates indicate that the biggest increase in trade turnover was with Central and Eastern European and the former Soviet Union countries (exports by 57 per cent, and imports by 62), this means a renewing of trade links was taking place.

It is also estimated that in turnover with developed countries a faster increase of exports (by 38 per cent) than imports (by 36 per cent) was registered. This is especially connected with trade with Germany, whose participation in our exports amounted to 38.5 per cent, and in imports to 27 per cent.

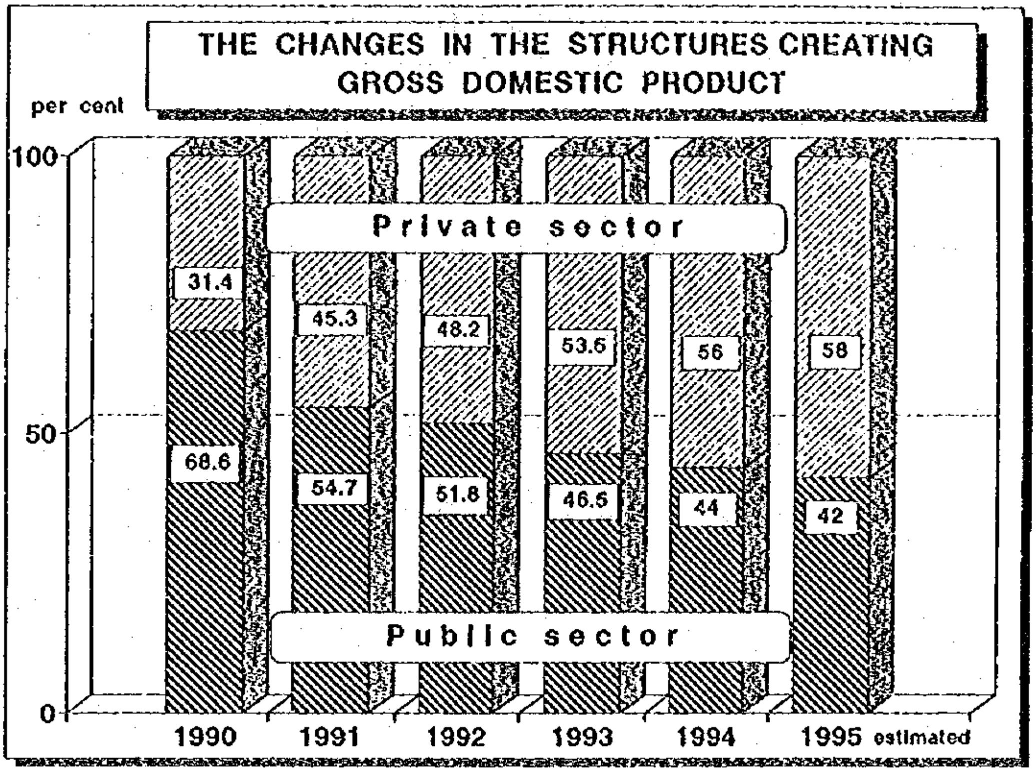




6. The development and activity of the private sector

At the end of 1995 about 95 per cent of total existing economic units were in private hands. Small economic units (about 90 per cent) owned by individuals dominated.

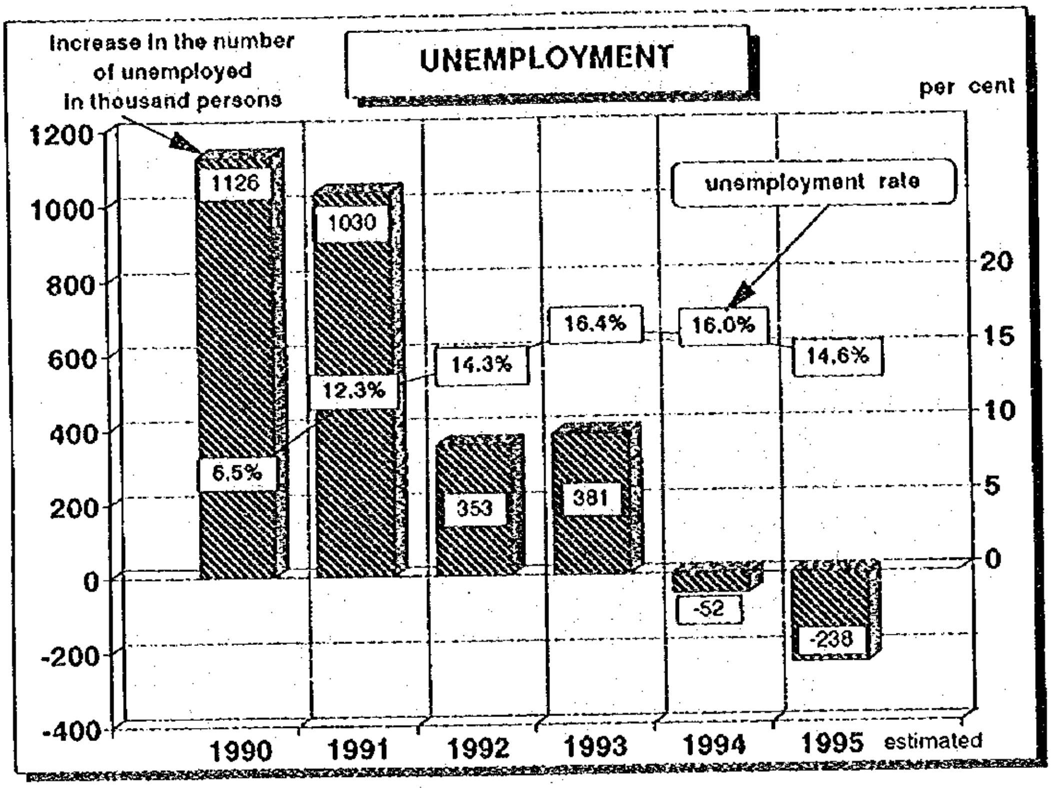
The share of private enterprises in total industrial production exceeds 39 per cent, in construction almost 86 per cent, in retail trade about 89 per cent, in exports over 56 per cent and in imports 70 per cent. The private sector employs about 61 per cent (over 9 million persons) of the total labour force in the economy.



7. Unemployment

The improvement of economic activity and creation of new jobs have an advantageous influence on the labour market.

It is estimated that at the end of 1995 unemployment has fallen to 2.6 million persons, and that the unemployment rate amounted to 14.6 per cent, as against 16 per cent in 1994.

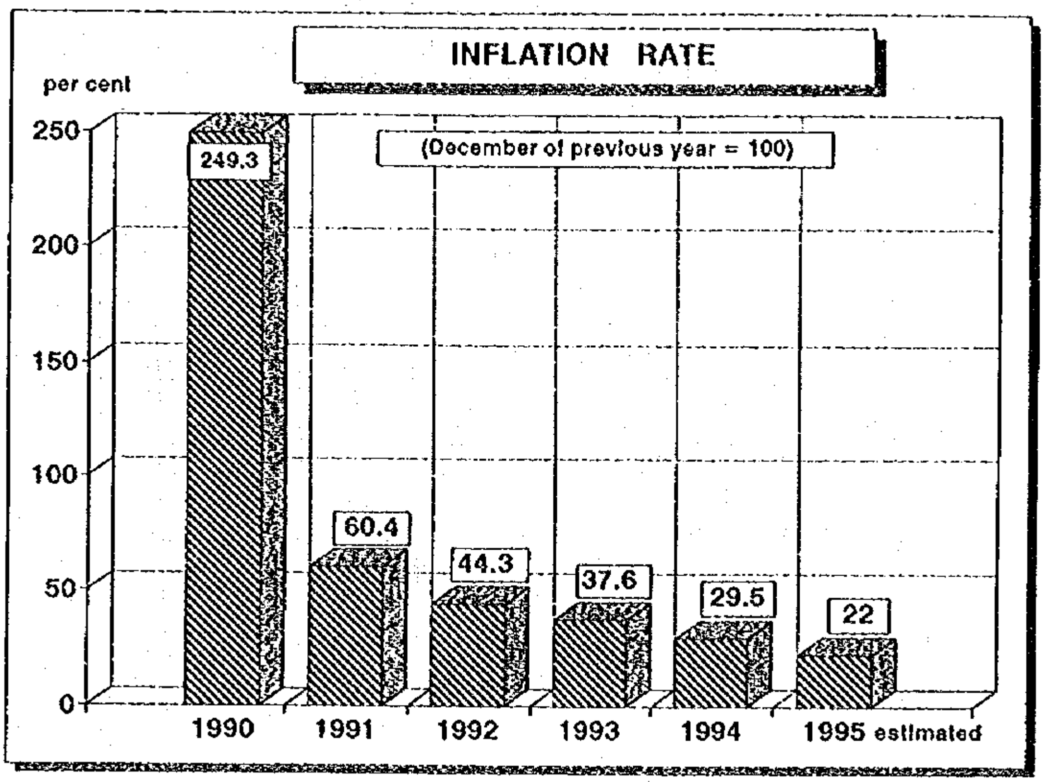


8. Salaries

The improving financial situation of enterprises was advantageous to the growth of employees' real salaries. It is estimated that in the whole year salaries in the whole economy have increased by 4.1 per cent in real value, against 0.5 per cent growth in 1994.

9. Inflation

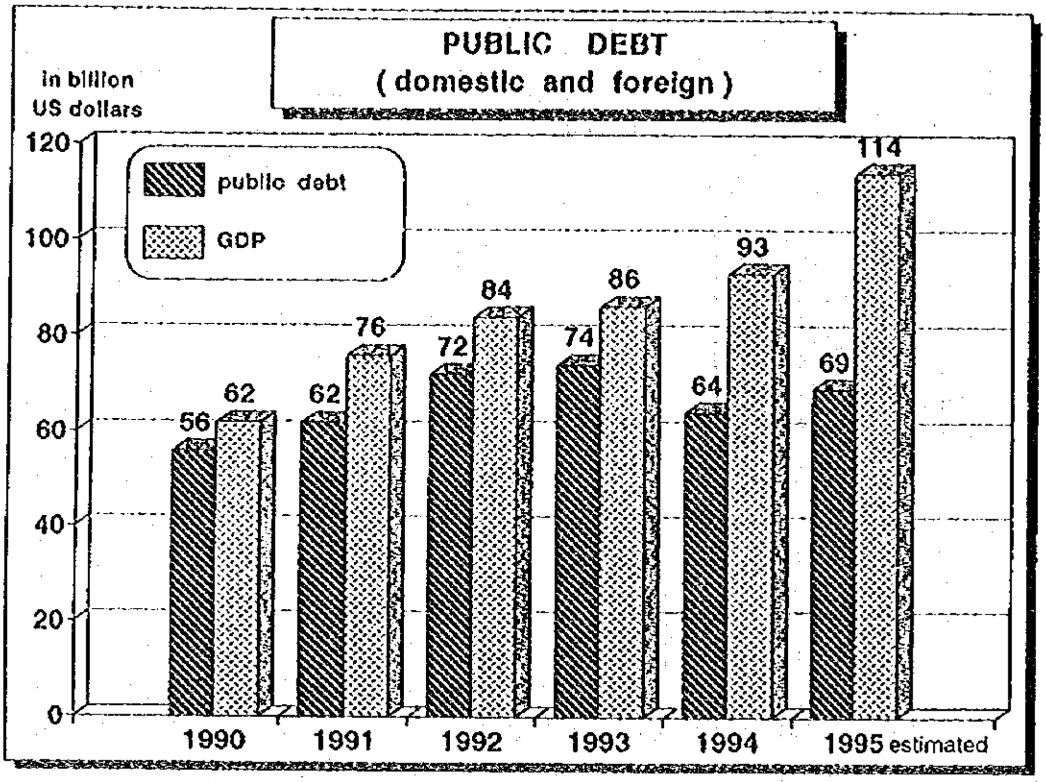
The rate of inflation has diminished, although it is still high. It is estimated that in 1995 retail prices of goods and consumption services increased by the end of December by 22.2 per cent, as against 29.5 per cent in 1994.



10. The State Budget

The disadvantageous structure of budget expenditure still exists. The "fixed" expenditures, connected mainly with the burden of domestic and foreign debt with subsidies to social insurance, reached in 1995 the amount of over 14.4 billion US dollars, which accounted for about 38 per cent of total expenditure.

It is estimated that the public debt has reached 69 billion US dollars in 1995, and its ratio to GDP has decreased to 60 per cent, as against 70 per cent in 1994. The budget deficit to GDP ratio amounted to 2.9 per cent, as against 2.8 per cent in 1993 and 1994.



BASIC ECONOMIC INDICATORS 1990 - 1995

	1990	1991	1992	1993	1994	1995 estimated
	Previous year = 100					
Gross Domestic Product	88.4	93.0	102.6	103.8	105.2	106.5
Industry	75.8	92.0	102.8	106.4	111.9	110
Construction	85.6	112.1	108.0	107.8	100.2	112
Agriculture	97.8	98.4	87.2	101.5	92.5	109
Investments	89.9	95.9	100.4	102.3	108.2	120
Retail prices of goods and services (XII/XII)	349.3	160.4	144.3	137.6	129.5	122.2
Employment	95.8	94.1	95.8	97.6	101.0	102
Average monthly net salary (real)	75.6	99.7	97.3	97.1	100.5	104.1
Unemployment rate (%) (end of the year)	6.5	12.3	14.3	16.4	16.0	14.6
Exports	.	104.6	88.5	107.3	121.9	130
Imports	.	161.1	101.0	118.4	114.5	134

Prepared by
the Department of Information and Forecasts
at the Central Office of Planning.

MINISTRY OF PRIVATISATION

Privatisation in Poland

TABLE OF CONTENTS

I. THE POLISH PRIVATISATION PROCESS

Since 1990 private sector growth in Poland has been helped by the systematic privatisation of state assets. This process has led to a significant quantitative growth of the private sector. The number of the state owned enterprises (SOEs) has been decreased from 8441 at the end of 1990 to 3990 enterprises, registered at the end of June 1995, despite that in 1990-1991 about 700 new SOEs were created, as the result of the Law on Monopolistic Practice adopted on February 24, 1990, which forced about 300 large state owned enterprises to divide themselves into more than 1000 small, independent SOEs. Within this period 5020 SOEs were involved in the privatisation process. At the end of 1994 about 95 % of total existing economic units, among which small units owned by individuals dominated (90%), were in private hands. The share of the private sector in the creation of GDP has been increased from 31% in 1990 to 55% in 1994. 61% of the total number of employees were employed in 1994 in the private sector (comparing to 49% in 1990). Also in 1995 the growing importance of the private sector in the Polish economy can be observed.

In 1990 the privatisation process proved to be very complex, due to the large number of SOEs (especially industrial ones) and to the large size of these enterprises. Neither of the two main privatisation concepts which were put forward - direct sale or the mass privatisation - seemed attractive. Exclusive reliance on direct sale (the most popular form of privatisation in Western Europe) was not realistic, mainly because of the low level of local financial savings at that time. Mass privatisation was attractive in so far as it involved a large and swift transfer of state owned assets to the private sector, without the necessity for complex valuations. However, this method of privatisation would have failed to provide either new capital or new management skills.

As a result, the Government adopted a more pragmatic approach to privatisation, which evolved from a number of strategic decisions taken on the issue by successive governments between 1991-1995. Over the period it was decided that:

- the privatisation process should be decentralized,
- reliance should be placed on voluntary participation by so-called "insiders" (managers and employees),
- various methods of privatisation should be available for state owned enterprises,
- separate method of privatisation must be used to privatize agricultural SOEs.

That is the reason, for which now privatisation participants may follow a number of privatisation methods designed to suit various financial and organizational conditions of the enterprises.

Since 1990 two basic techniques for privatising state-owned enterprises have been implemented.

1. **capital privatisation**, so called "indirect privatisation" which means commercialisation of large and medium sized state owned enterprises. This involves transformation into a State Treasury Corporation (either as a joint-stock or as a limited liability company). The shares are then sold to private investors.
2. **privatisation through liquidation**, so called "direct privatisation" of small and medium-sized enterprises (with subsequent sale, transfer of the business into a company or its lease to a company created by the majority of the employees). Liquidation takes place according to article 37 of the Law on the Privatisation of Soles (13 July 1990). This is liquidation with the purpose of privatisation (usually enterprises in relatively good financial condition and for which there are prospects of finding private capital).
The State also makes use of article 19 of the Law on State Enterprises (25 September 1981) to put companies on private hands. This is usually liquidation of an SOE in poor financial condition.

Their choice depends on:

- the size of the enterprise in terms of annual turnover, the number of employees and the extent of monopoly control of the market;
- projected financial and production indicators;
- the enterprise's management structure;
- interest expressed in a given enterprise by Polish and foreign investors;
- the relations between management, the employees council and the trade unions of an enterprise undergoing privatisation.

Later other privatisation techniques have been added:

3) Mass Privatisation Programme (MPP) was devised as the most appropriate and expedient way of privatizing and restructuring a large number of Poland's state owned enterprises, thereby accelerating the transformation of Polish industry, while assuring the Polish citizens' direct participation in the programme,

4) Privatisation through Restructuring is the programme, which involves a competitive tender for a management group, the task of which shall be to restructure the company, involved in the programme, and increase the value of its assets,

5) Stabilisation, Restructuring and Privatisation Programme - the Programme is targeted at enterprises (so called SRP companies) that are in critical condition,

thus cannot be privatized in the immediate future. This can be achieved by providing appropriate cash injections, ensuring appropriate corporate governance and turn-around management expertise,

6) Bank debt agreement procedure - SOEs are commercialized and next a part of their shares are transferred to their creditors (mainly banks) on the base of the equity swaps procedure,

7) Privatisation of the State Treasury Agricultural Property - the method adopted to privatize the State owned part of the agriculture sector.

The Minister of Privatisation is the leading, but not the sole body, responsible for the privatisation process in Poland. Among 65 "founding bodies", having effective administrative control over the SOEs, there are 49 voivods (local government's administrators) and 16 other Ministries. Among them the special role is plaid by the Minister of Finance, who is responsible for the privatisation of banks and insurance companies and the Minister of Foreign Economic Relations, who is responsible for the privatisation of foreign trade companies (together with the management of residual State property in these sectors of economy).

Transformations setting the scene for 1996

During last few years Poland has been playing principal role in the political and economic transformation of the Central and Eastern Europe. Opening to the world, we would like to continue toward market economy and free and non-discriminatory entrepreneurship, taking advantage of the benefits of freedom and democracy. The process of economic reform in Poland will continue and in some key economic areas, particularly privatisation, the pace of reform will be speeded up. In 1996 the privatisation programme should include all the huge enterprises, like the Polish Airline LOT, Polska Miedź Copper Combine, Katowice Steel Mill or Petrochemical Works in Plock, eleven banks, tree insurance companies, etc. Privatisation also supports the Government's plans for reform of the social security system, based on the development of strong pension funds holding shares in privatised companies. We are also planing to privatise the energy and fuel sectors.

Capital privatisation will be conducted in the following sector: tobacco, chemical, pharmaceutical, food and drink, machinery, building materials and trade. Some 150-200 enterprises will undergo direct privatisation, 40 percent of which will be sold, about 15 percent turned into companies and some 15 percent taken over by employees. The Mass Privatisation Programme has now been launched, covering 512 companies. In all the programmes, including the National Investment Funds, the foreign investment is welcome. We believe that fund menagers for NIF's, due to the experience of their foreign participants will contribute to the success of that unprecedent project. Intensive demand observed during the NIF Shares Certificates distribution confirms that the Polish society trust in the MPP programme success.

Presently in Poland we are enjoying an increase in income and industrial production, a decrease in unemployment, a trade balance surplus while reducing budget deficit and inflation. These trends confirm the influence of ownership structure on the economy. The result of the transformation of Polish economy, however, depends also on the participation of foreign entities in this process.

Poland is interested in inviting foreign capital on sound economic and legal conditions. Foreign investors enjoy preferential treatment as compared with the other markets of the "post-communist" region, e.g., the right to the transfer of capital, tax reductions, special economic zones, counteracting double taxation, etc. Apart from that, given the growth tendencies in the economy and the general acceptance of the system changes, the risk involved in investing is minimal.

Foreign capital in Poland has ample and favourable opportunities for investing both in the already existing economic potential taking part in its privatisation, and in its future development. Investments in food processing industry and farming, transportation, servicing the building engineering sector, production and distribution of electric energy and utilizing non-ferrous and metal scrap, are most needed in Poland and involve the smallest risk. Opportunities for investing in the development of infrastructure in the construction of a network of highways, telecommunications, environmental protection, are also open.

Capital Privatisation

The aims of setting up a State Treasury Corporation include:

a) establishing a clear decision-making and supervisory structure;
b) adapting the legal status of the state enterprise to the requirements of possible subsequent foreign capital participation;

The Minister of Privatisation may transform an enterprise into a State Treasury Corporation:

1. at a joint application of the director and employees council of the enterprise following a general assembly of the employees and consultation with the founding body;
2. at the application of the founding body, following the approval of the director and the enterprise's employees council and the consultation with the general assembly of employees (delegates)

Alternatively, the enterprise may also be transformed by the Prime Minister at the request of the Minister of Privatisation. Privatisation proper, i.e. the sale of stocks and shares to private investors, follows after transformation. Privatisation must then occur within a period of two years.

According to art. 23 of the Privatisation Law, there are **three** methods in which up to 75% of the State Treasury shares may be sold to third parties (5% of the shares are reserved for restitution claims and up to 20% "preferential shares" for company employees):

1. Initial Public Offering (IPO)
2. Tender
3. Invitation to Negotiations

Potential buyers of stocks and shares receive a prospectus listing the value of the business based on a valuation carried out at the request of the enterprise by a specialist firm. The prospectus includes a balance sheet for preceding years and a presentation of future projects. The prospectus should fulfil all the requirements of the Securities Commission regarding the disclosure of economic indicators and financial information of publicly traded companies. The Law on the Privatisation of state owned enterprises currently allows the employees of the given enterprise to buy 20% of its total shares at 50% off the public price on the first day of sale, without thereby restricting the employees right to participate in the share offered on general public principles. Private sale takes the following course:

1. The Minister of Privatisation appoints an adviser.
2. The adviser undertakes preparation of the enterprise for privatisation; i.e, elaborates an appropriate information package and invites investors to participate in the sale through the mass media and through direct contact with foreign investors.
3. Potential investors receive -on own request- the information package and are invited to present their offer for the shares package, including information on the scale of proposed investment and a social plan (employment levels, pay scale; financing of preferential shares).
4. The adviser analyses the investment proposals and prepares a short list of candidates to be invited to negotiations. The candidates have then the formal right to visit the enterprise on offer for the purpose of making their own evaluation.

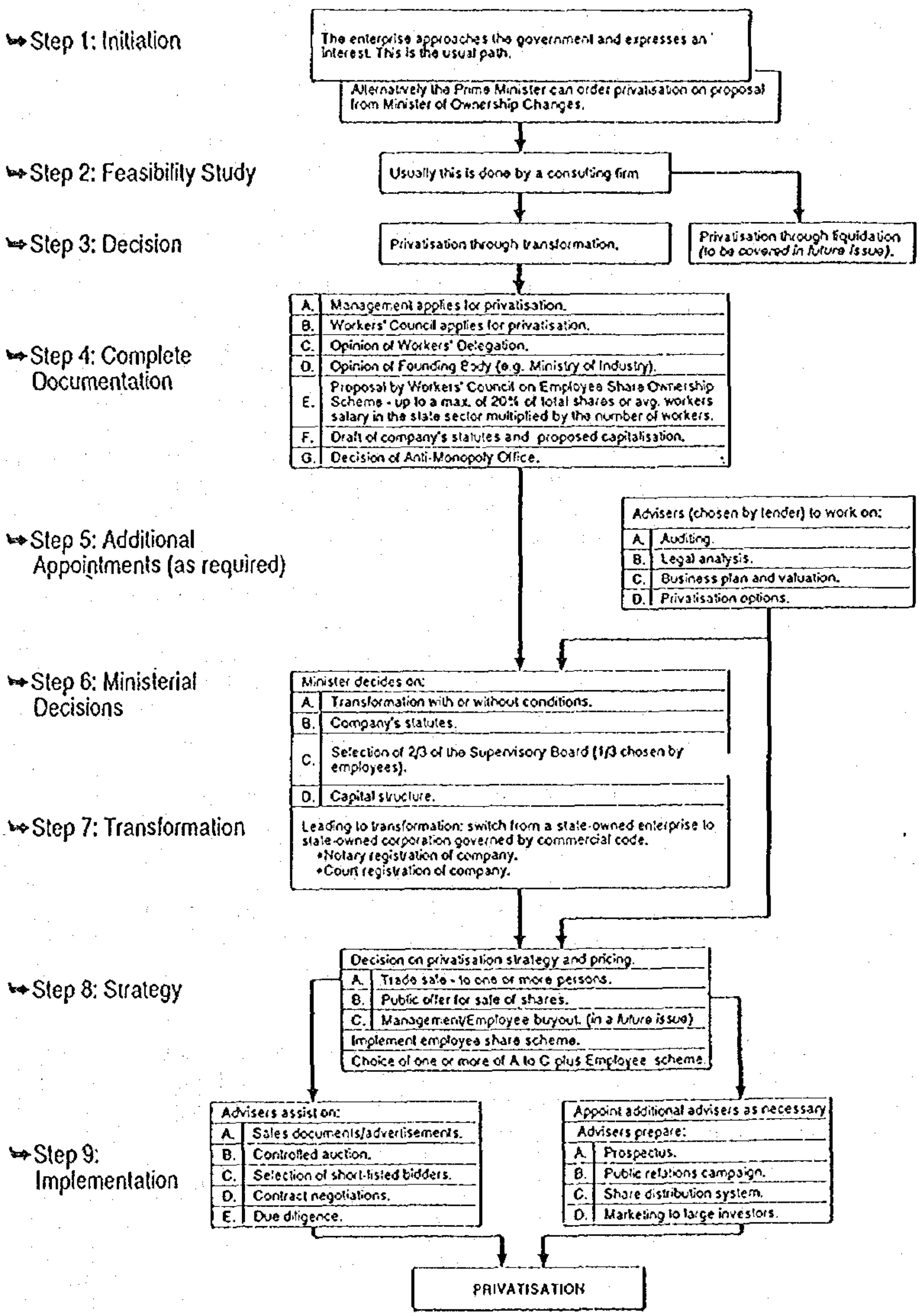
Within five years till the end of December 1995, 160 companies were privalized with the use of this method. 67 companies were sold directly to foreign investors, Polish investors have bought 62 companies and 10 were sold to the groups of Polish and foreign investors. Beyond that the public offering method was used by the Minister of Privatisation to privatize 28 companies - all of them are now listed on the Warsaw Stock Exchange and some of them have long term investors, being the world leaders in their branches. It is very characteristic, that last year the special attention was paid to the revenue from capital privatisation. As a result, the revenue received by the State in 1994 was by more than 90% higher than in 1993 and amounted to 868.1 million PLN (PLN - Polish "new" zloty = 10,000 "old" zlotys), despite that only 36 companies were sold (comparing to 48 companies sold in 1993). Till the end of December 1995 the State revenue received from capital privatisation amounted to 1.7 mld PLN.

List of major capital privatisation transaction made in 1995

Polish Company	Investor	Country of origin of Investor	Ownership %	Price in mln PLN	Investing Commitments in mln PLN
Stomil Olsztyn SA (rubber company)	Compagne Financiere Michelin (active investor) Public offering	France	52,1 16,8	280,17 64,13	376,0 till 1999
Przedsiębiorstwo Wyrobów Tytoniowych Augustów SA (tabbaco industry)	BATIG Gesellschaft fur Beteilgungen mbH (koncern BAT Industries Group)	Germany	65	220,4	173,5 till 1998
"WINIARY" SA (food industry)	Bank Handlowy Warszawa Nestle SA	Poland Switzerland	10 45	178,08	71,27 till July,1996
Cementownia "OŻARÓW" SA (cement plant)	Holding Cement Polski SA	Poland Ireland	75	140,6	71,1 till the end of 2000
Firma Oponiarska "DĘBICA" SA (rubber company)	Goodyear SA and The Goodyear Tire & Rubber Company	USA	32,7	132,29	149,4 till midle of 1998
KCW "KUJAWY" SA (cement plant)	Lafarge	France	75	107,63	254,0 till 2000
Zakłady Metali Lekkich "Kęty" SA (aluminium processing plant)	Polish-American Privatisation Fund, Polish Private Equity Fund I and II; Bank Handlowy; Merchant LBO Public offering	USA Poland	48,21 16	63,9 23,6	
Zakłady Przemysłu Tytoniowego SA w Radomiu (tabbaco company)	Societe Nationale d'Exploitation Industrielle des Tabacs et Allumettes SA	France	65	160,0	100,0 til 1998
Huta Aluminium "KONIN" SA (aluminium plant)	Impexmetal	Poland	75	75,4	65,0 in 18 months
TOTAL in mln PLN:				1.446,2	1.260,27

In 1996 capital privatisation will be conducted in the following sector: tobacco, chemical, pharmaceutical, food and drink, machinery, building materials and trade.

Privatisation Through Transformation



Privatisation Through Liquidation

This method of privatisation are the most popular in Poland and were used in the majority of cases and don't request prior commercialisation.

An enterprise can be privatised directly under art. 37 of the Privatisation Law by its founding body on the initiative of its employees council and following the approval by the Ministry of Privatisation. This allows for **three** ways of privatisation of the enterprise. The three ways can be applied individually or jointly:

1) sale

a) of the whole unit or part of the enterprise under the usual liquidation procedure,

b) of all the business without the usual procedure - so called "fast-track" sale;

2) contribution of the business into a company: A joint venture company, with the State Treasury as a partner transferring all or part of the enterprise, is set up with investors (including institutional investors - banks and other financial institutions). This form of direct privatisation most often involve foreign investors.

3) lease of the enterprise by its employees and/or management. (the method available only to Polish investors)

Where an enterprise is to be sold as a whole unit and the legal ownership of land and other fixed assets under its control has been established, "fast-track" privatisation may be implemented. In such a case the usual privatisation procedure is not applied; the pricing of the enterprise is simplified by making use, within certain limits, of a valuation based on the book value of the enterprise and on annual profits. This accelerates the process leading to a sale and also considerably reduces the costs of privatisation process.

It is worth stressing, however, that in its original phase the "fast-track" sale is addressed to domestic investors, the foreigners being admitted to enter negotiations not until the first announcement in the press.

It happens though, that in the first public offering made through the press foreign capital **is allowed** - this concerns the regions endangered by structural unemployment and the very rule was introduced no earlier than in July 1992 due to very poor interest from the side of domestic investors.

A typical "fast-track" sale procedure allows for the payment to be made in installments, with the first rate amounting to 40% of the negotiated price of the business. The remaining part being due within the next 4 years (16 installments).
The interest to be paid on installments amounts to 3/4 of the rate of refinance credit given by the National Bank of Poland to other banks.

It seems essential to emphasis at this point that by virtue of the Polish law, the purchasers of the enterprise in privatisation process acquire not only assets but also liabilities. This constitutes a key factor while negotiating the price and other conditions.

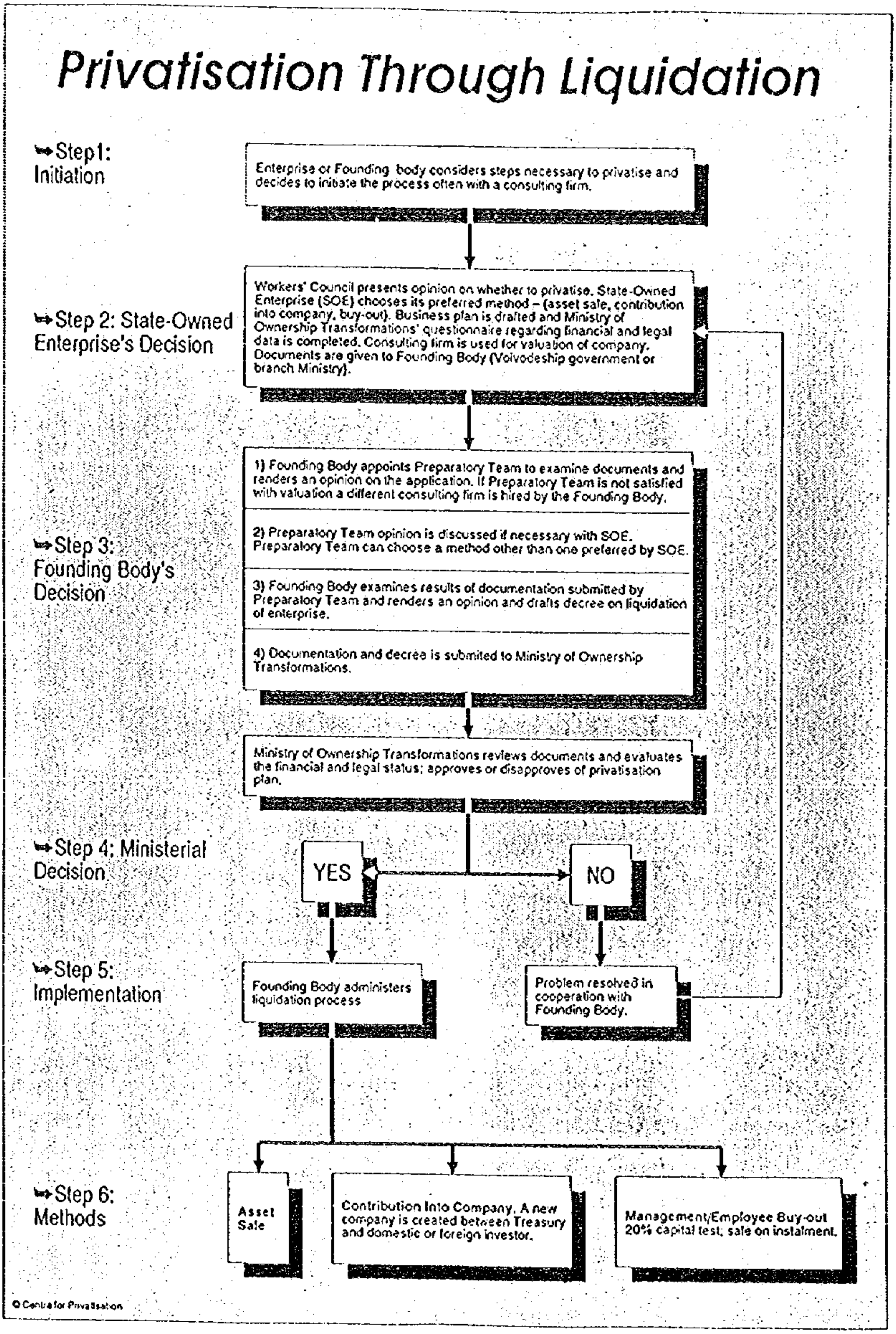
As mentioned above, the most popular form of foreign participation in privatisation process in Poland proves to be entering the form of joint-ventures with the State Treasury as a partner transferring the enterprise as a contribution in kind to the new business.

It seems noteworthy, that in specify of privatisation the capital contributed by the investor remains **In** the company and indeed **may** be regarded as a de facto investment, while when acquiring enterprise through the sale contract, the capital is paid directly to the State Treasury and an investment in the very enterprise still has to be made.

It is also important to stress at this point, that in order to operate in Poland, foreign capital must take form of a limited liability or a joint-stock company. It can be established with a Polish partner or be 100% foreign owned.
Under the Law on Companies with Foreign Participation of June 14, 1991 a permit from the Minister of Privatisation is required when a partner to a joint-venture is a state enterprise.

Within 5 years of the privatisation process in Poland, till the end of December 1995, 1394 SOEs were involved in privatization process trough liquidation (according to the article 37 of the Law on Privatisation of the State Owned Enterprises) and in 1025 this process were completed. However the revenue was lower than in the capital privatisation. Leasing to employees or management of the company was the most popular form, used in 755 cases. The other forms - sale (172 companies), joint venture (48 companies) and the mix of three ways (50 companies). The use of this method causes, that all assets of the SOE are distributed to private owner. There are no residual State property.

According to the Law on State Owned Enterprises **(article 19)**, an SOE being in bad standing can be liquidated. Within 5 years, till the end of November 1995, 1353 SOEs were involved in liquidation procedure. That means practically that the director of the SOE is dismissed and the liquidator, nominated by the "founding body" is selling all assets of the SOE and paying its debt. Very often the assets are bought by private investors, who start the production similar or the same as the liquidated SOE. Such situations cause, that the liquidation can be also treated as a way to the privatisation of national economy. An average liquidation process takes 1-2 years. Sometimes this process can go on longer, mainly due to the troubles in selling some kinds of assets. It can be generally observed that there are nearly no problems in selling machines, warehouses or even office buildings but it is nearly impossible to sell dwelling houses or rest-camps. Because an SOE is liquidated only after selling all its assets, sometimes trouble which occurred in selling, delays the whole liquidation procedure.


Privatisation Through Liquidation
Step 1: Initiation
Enterprise or Founding body considers steps necessary to privatise and decides to initiate the process often with a consulting firm.
Step 2: State-Owned Enterprise's Decision
Workers' Council presents opinion on whether to privatise. State-Owned Enterprise (SOE) chooses its preferred method – (asset sale, contribution into company, buy-out). Business plan is drafted and Ministry of Ownership Transformations' questionnaire regarding financial and legal data is completed. Consulting firm is used for valuation of company. Documents are given to Founding Body (Voivodeship government or branch Ministry).
Step 3: Founding Body's Decision
1) Founding Body appoints Preparatory Team to examine documents and renders an opinion on the application. If Preparatory Team is not satisfied with valuation a different consulting firm is hired by the Founding Body.
2) Preparatory Team opinion is discussed if necessary with SOE. Preparatory Team can choose a method other than one preferred by SOE.
3) Founding Body examines results of documentation submitted by Preparatory Team and renders an opinion and drafts decree on liquidation of enterprise.
4) Documentation and decree is submited to Ministry of Ownership Transformations.
Ministry of Ownership Transformations reviews documents and evaluates the financial and legal status; approves or disapproves of privatisation plan.
Step 4: Ministerial Decision
YES
NO
Step 5: Implementation
Founding Body administers liquidation process
Problem resolved in cooperation with Founding Body.
Step 6: Methods
Asset Sale
Contribution Into Company. A new company is created between Treasury and domestic or foreign investor.
Management/Employee Buy-out 20% capital test; sale on instalment.
© Centre for Privatisation

Mass Privatisation Programme

As a key element in the Polish reform programme, the Mass Privatisation Programme (MPP) having the official name: "The Programme of National Investment Funds" was devised as the most appropriate and expedient way of privatising and restructuring a large number of Poland's state-owned enterprises, thereby accelerating the transformation of Polish industry and encouraging wide scale share ownership in Poland. 15 specially - constituted National Investment Funds (NIFs) were established in December 1994 to assist in the restructuring of Polish companies by holding shares in the companies taking part in the MPP.

According tohe T Law on National Investment Funds and Their Privatisation, each NIF was able to appoint a firm or consortium selected by public tender from among reputable investment banks, fund management organisations and others from Poland and abroad. These fund managers are responsible for improving the management of the companies, for example, by strengthening their market positions, introducing new technologies and providing access to growth capital.
The principal purpose of the NIFs is to increase the value of their assets - namely the shares of the companies under their control.

By early 1996, each NIF will hold 34-35 lead share holdings (33%) and almost 500 small minority share holdings in companies in the MPP In addition to the management of the NIFs on a day-to-day basis, fund managers will assist in obtaining access to capital, new technologies and new markets for the companies.

The contracts for Fund management firms to manage the assets of National Investment Funds together with certain related legal documentation became effective 12 July 1995.

In July the NIFs also chose 33% "lead share holdings" in 413 companies currently in the Programme. "Minority share holdings" totalling 27% were divided among all the NIFs other than the "lead shareholder", so that in total 60% of each company will be owned by NIFs. In due course, up to a further 15% will be distributed free of charge to each company's employees: the balance of the shares will be held by the State Treasury. An additional group of companies for inclusion in the Programme has now been identified and leading share holdings were chosen on December, 1995, bringing the total number of companies in the Programme to 512.

The formal transfer of shares in the most of the companies to the NIFs was completed in September 1995 making completion of the process of creating the NIF structure and enabling the restructuring of the companies to commence. The shares in the remaining companies, including the additional group referred to above have been transferred to the NIFs in 1995.

Shares in the companies may be sold by the NIFs directly to strategic investors and some companies may be sold in their entirety to Polish or international companies or investors. Some may be placed in joint ventures or remain as long term investments of the funds. Eventually, it is hoped that many of the participating companies will themselves be listed on the Warsaw Stock Exchange.

The MPP has been designed to ensure that Polish citizens are the principal beneficiaries of the mass privatisation process. All resident Polish citizens aged 18 or over will be entitled to participate in the programme by purchasing Share Certificates.

By law the fee for a Share Certificate can be no more than 10% of the national average monthly wage, currently equivalent to approximately US$ 25. However, the actual fee is likely to be set at about US$ 8. The distribution of Share Certificates was scheduled to 22 November 1995 and last for twelve months. On receiving the Share Certificate, the owner will immediately be able to trade it in bearer form and soon after trade it on the Warsaw Stock Exchange. In due course once the NIFs are listed, the Share Certificate can be converted through a broker into one share in each relevant publicly-quoted NIF.

Because the value of all Share Certificates is not linked solely to the performance of a single company or group of companies, but represent a broad spread of investments in several hundred enterprises, this approach is expected to offer all Polish citizens a diversified interest in key Polish industries. It will also enable sophisticated investors to choose more targeted investments, such as particular NIFs or companies in the Programme, should they so wish.

Selection of NIF managers

Fund Managers were chosen following an international tendering process and evaluation by a Selection Committee, appointed under the Law.

The Fund Managers include firms and consortia comprising leading Polish and foreign commercial banks, consulting firms, foreign fund management firms and investment banks drawn from - among others - Austria, France, Great Britain, Italy, Japan, Canada and the USA. The firms have an extensive network of commercial relationships and have varied expertise in investment banking, venture capital and marketing. Their additional strength is their expertise in negotiating with international financial institutions as well as good knowledge of Polish social and economic issues.

Pursuant to the provisions of the Law on National Investment Funds and Their Privatisation, the fee for Fund Managers shall consist of three parts:

- an annual flat cash fee for management services;
- an annual performance fee for financial results (equal to 1% of the value of NIF shares for each year of management services);
- a final performance fee for financial results (equal to 0.5% of the value of NIF shares for each year of management services).

The performance fee shall be payable from the sale on the Stock Exchange of NIF shares. The value of NIF shares will be determined by the market and relate directly to the performance of the NIF. Therefore, it will be in the best interest of Fund Managers to manage their companies in order to maximise market value, since this will mean a higher success fee.

The experience of foreign managers in managing and restructuring various industrial and financial corporations, combined with the knowledge of Polish domestic business and political conditions contributed by the Polish members of fund management consortia will make it possible to seek the best organisational and financial solutions for companies in the MPP. Access to new technologies, know-how and modern sales and marketing techniques should raise efficiency. The experience of Fund Managers with the international capital markets should also provide given companies with increased access to those markets. The well-developed network of international contacts of Fund Managers should also foster export expansion.

The Companies

Over 512 large and medium-size Polish enterprises have now been approved to participate in the MPP. These enterprises come from a broad range of industrial sectors, including metallurgy, machining and precision engineering, chemical engineering, electrical and electronics products, pulp and paper, foodstuffs, construction and transportation equipment.

Each company will initially have the same share holding structure:

33% held by a 'lead' NIF
27% distributed equally to all other NIFs
15% distributed, free of charge, to employees
25% retained by the State Treasury

The distribution of the 33% lead share holdings was decided according to an agreed procedure designed to ensure fairness.

Fiscal Agent

Due to the necessity of providing all participants in the Programme with the opportunity to dematerialise their Share Certificates (e.g. to trade them the Warsaw Stock Exchange), a Fiscal Agent is being established. Work is underway on the creation of a database to hold records of all issued Share Certificates and to enable them to be dematerialised in co-operation with brokerage houses, the Stock Exchange and Central Depository of Securities.

The Management Board of the Stock Exchange have already expressed preliminary acceptance regarding the organisation and technical adaptation of the Central Depository for the new role of Fiscal Agent.

Oversees Involvement

Institutional, strategic and private investors from abroad will be able to participate in the MPP in a variety of ways:

- Investors can purchase Share Certificates from those citizens who wish to trade them, either in bearer form, or in dematerialised form on the Warsaw Stock Exchange. These Certificates will be convertible into shares in individual NIFs once the NIFs have been listed on the Warsaw Stock Exchange.
- Investors can purchase and trade in shares in the NIFs after they have been listed on the Warsaw Stock Exchange.
- Financial and strategic investors can actively participate in the restructuring of individual participating companies by purchasing shares in them as and when they become available, by taking part in new share issues, by providing equity or non-equity finance, by acquiring companies in their entirety, or by forming strategic joint ventures.

Institutional investors may choose to purchase shares in individual participating companies when they become publicly listed in the future.

Development of the Polish Capital Market

The MPP will significantly influence and accelerate the development of the Polish capital market including an OTC over the next few years. Implementation of the Programme will result in issuance of three types of securities: shares in the privatised companies, Share Certificates convertible in the future into shares of the NIFs and shares of the NIFs themselves. Further privatisation programmes will add to this market growth.

Companies' Shares (CS)

The first shares to be available under the MPP will be the shares of the companies participating in the Programme. Eligible employees of the MPP companies will obtain up to 15% of the company shares free of charge. It is possible that the companies concerned will deposit these shares with local banks and will issue depository receipts to the employees instead of physical shares. The company shares will, in most cases, be traded privately on restricted company-managed markets. These markets will, in most cases, initially take the form of notice boards maintained by the companies, matching buy and sell orders between eligible counterparties. Later, they may be admitted to public trading on the Warsaw Stock Exchange or possible OTC market

Share Certificates

The Share Certificates will be issued by the State Treasury and will be available to distributed among all eligible citizens of the country. Permanent residents over 18 years old will be eligible to obtain these Certificates for a small nominal fee which is to cover costs of their distribution. The Share Certificates will be in the form of physical bearer securities, convertible to shares in each of the NIFs. The Share Certificates are exempted from public trading regulations, and can be traded in their initial issued bearer form. As a result of this exemption, intermediaries such as banks, exchange points, etc. will be able to trade the Certificates in the same way as they now trade currencies. This form of trading will serve the needs of those holders wishing to sell or buy further Certificates at minimal cost without the overhead of opening or running brokerage accounts. For these holders wishing to take advantage of the inherent security of the National Depository, the Certificate will be eligible for deposit and dematerialisation via a brokerage house. In dematerialised form, the Certificate will be admitted to trading on the Warsaw Stock Exchange.

Shares of NIFs

Following their admittance to public trading, shares in each NIF will be tradable. They will take book entry form in the same manner as other shares currently traded on the Warsaw Stock Exchange. Holders of Share Certificates will be able to convert each Certificate into one share of each NIF.

Privatisation Through Restructuring

The Ministry has developed a programme for State Treasury limited liability and joint-stock companies which require restructuring prior to privatisation due to the companies poor financial condition.

The programme involves a competitive tender for a management group the task of which shall be to restructure the company and increase the value of its assets. During the tender, the management groups must include in their offers restructuring plans and a proposed initial value of the company they are bidding for.

A successful management group must make financial contribution to the company with the contribution being treated as a pre-payment for the shares in the increased share capital of the company.

This means that upon the fulfillment of the contract, the management group obtains shares of the company in return for their financial contribution. The management group receives a commission equal to the 70% of the real increase of the company value when selling in to an outside investor. Besides, the management group has an opportunity to participate in the profit sharing.

Upon successful completion of the restructuring programme (approx. 2 years) the company shall be sold. The management group, by virtue of the contract, is given the option to purchase up to 80% of the shares. Up to now only 4 companies were involved in the Privatisation through Restructuring Programme.

The Stabilization, Restructuring and Privatisation Programme (SRP):

is a medium-scale privatisation scheme, that became one of the top priorities of the Ministry of Privatisation. The Programme, which was approved by the government in October 1994, differs considerably from other SRP schemes proposed by the European Bank for Reconstruction and Development in other countries.

The Programme is targeted at enterprises (so called SRP Companies) that are in critical condition, thus cannot be privatised in the immediate future. This can be achieved by providing appropriate cash injections, ensuring appropriate corporate governance and turn-around management expertise. Enterprises that meet specific criteria will be entitled to participate in the SRP Programme on voluntary basis, subject to approval of the Ministry of Privatisation.

The first phase of the SRP may include between 20 to 40 medium - size enterprises in 1994. The enterprises will be privatized in two stages. In the first stage their shares and assets will be contributed by the polish banks and at its discretion by the State Treasury or/and Agency for Industrial Development (IDA) to several so called Investment Vehicles (IVs). In the second stage these shares will be sold to private investors within limited period of time. If not sold the IVs will be liquidated to ensure timely conclusion of the program within 5 years. It is also intended that the SRP companies will not pay dividends to the IVs within first three years. Each IVs will be a company created by EBRD jointly with one participating bank. The parties will contribute the equity and debt financing. Each bank will contribute equity (after conversion of the enterprises debts) and/or assets. The State Treasury and the IDA may contribute their assets, shares or cash, at their discretion.

The enterprise will be selected to the SRP Programme under a streamlined procedure developed jointly by the Ministry of Privatisation and Ministry of Industry and Trade. The contribution of shares or assets will be done in a manner to avoid public sales to the extent permitted by the privatisation law.

The programme assumes that contributions in cash and in kind will be treated differently. Partners or shareholders (depending on the form of the company) making contributions in kind shall have ordinary rights to distribution of profits, return of capital, distribution of surplus on liquidation and their voting rights may be limited. Others, making cash contributions, shall have cash preferred rights to all of the above, however, the return of capital will be capped at some level of IRR.

It is intended that IVs will be managed by professional management agreed between the EBRD and the banks. Management contracts may be used and management cost will be covered by the IVs, but any profits to the management would only be payable if the IVs are profitable. About 30 companies should be involved in the first stage of this programme in 1996.

Bank debt agreement procedure

Is the way to the privatisation of SOE's, which appeared mainly in 1994 and 1995. According to the Law on the Financial Restructuring of Enterprises and Banks, group of creditors of an SOE or a company, in which the State Treasury has more than 50% of shares, representing more than 50% of the total amount of enterprise's debt can conclude an agreement, providing the reduction of the debt on the same percentage level - also debt towards the State. Such activity of creditors is enforced by the bad financial standing of the enterprise, which practically gives no chance for full payment of debt. Creditors, in their agreement, can force the SOE/company to implement the restructuring programme. Often, according to the law and the agreement, the Minister of Privatisation is obliged to commercialize an SOE. It is also possible to provide, in the agreement, the exchange of debt into shares of the company. This swap is based on the book value of the company and the value of debt. Only 25% of shares must remain to the State (20% to be sold to employees and 5% for restitution claims). Till the end of October 1995 the Ministry of Privatisation has received 186 bank debt agreements, providing the commercialisation of SOEs and according to 108 of them, the creditors should take shares of the companies. Till the end of October 1995, the shares of 51 companies were passed to the creditors (from 12% to 75% of total number of the company's shares). Majority of shares are taken by banks, which are often interested in the increase of the initial capital of the company, what leads to the decrease of real share of the State in the company.

Privatisation of the State Treasury Agricultural Property

The agriculture sector has been all the time, in its majority, the private one. Beyond this, the privatisation of SOEs acting in the agriculture sector is based on the separate law, creating the special body, responsible for the privatisation of these enterprises - State Treasury Agricultural Property Agency. The President of the Agency is nominated by the Prime Minister. The Agency is responsible for the management of assets, received from the liquidated SOEs, acting in this sector. The liquidation process of the agricultural enterprises was very quick - majority of them (1340) were liquidated within first two years of the Agency's activity (1992-1993). Till the end of October 1995, totally 1666 SOEs, employing about 192,000 people, were liquidated and their assets, together with their debt, excluding debt towards the State which was canceled, were passed to the Agency. There were two basic assets, passed to the Agency: arable land (totally 4,337,300 hectares - 25% of total area used in agriculture sector in Poland) and flats (326,085). Within this time only 173,300 hectares of land (4%) were sold to private buyers and at the same time 148,019 flats (45%) were sold to private buyers, usually to the people living in these flats.

Data Bases

Data base of the State Owned Enterprises
The Data base include information about enterprises under voivodship authority. The teleaddress with the amount of employees can be selected by region or branch sector.

Date base of the State Treasury Corporation
One can get information about State Treasury Corporations which are going to be privatized. The information includes teleaddresses with the amount of employees. The criterium of selection is the same like above.

Data base of Foreign Investors
One can get information about potential investors that want to cooperate with polish partners.

Data base of Available Assets
Information about over 3,500 offers from state enterprises of ancillary assets such as: buildings, warehouse, machinery and equipment, plots of land and factory sites, production facilities etc,.

These assets are offered by enterprises for either lease (rent) or sale. The criteria of selection can be the region or the kind of requested property (available in Polish).

Please address requests for print-outs (giving the industry and geographical area of interest to you) to Ms. Renata Szydlowska, Department of Foreign Relations, Ministry of Privatisation, ul. Krucza 36, 00-522 Warszawa, Poland;
Ph: (+48-22) 695-82-28; Fax:(+48 22) 628 08 72 or 621 33 61

Information is free of charge.

II. LEGAL, INSTITUTIONAL AND REGULATORY FRAMEWORK FOR PRIVATISATION

The laws

The framework for privatisation in Poland is contained mainly in the following laws:

1) The Law on the Privatisation of State-Owned Enterprises, passed on July 13, 1990 (with a few further amendments) - this Act regulates the procedure during the transformation of the SOE into limited or joint stock company, the principles in the procedure of selling shares, the process of privatisation through liquidation,
2) The Law on National Investment Funds and Their Privatisation passed on April 30, 1993 - the law implementing the Mass Privatisation Program,
3) The Law on the Privatisation of some State-Owned Enterprises Having Special Impact on the Country's Economy, dated February 5, 1993 -in this law there are special conditions of the privatisation of SOEs in the coal and power engineering industry,
4) The State Enterprises Law adopted on September 25, 1981 (with further amendments) - the basic law which regulate the activity and the liquidation procedure, for being in poor financial standing, of SOEs,

5) The Polish Commercial Code dated June 27, 1934 (with many further amendments) - the basic law for the activity of companies in Poland, which regulates the registration procedure of the limited and joint stock companies, their activity and the liquidation process,
6) The Bankruptcy Law dated October 24, 1934 (with further amendments) - regulates the bankruptcy procedure of the limited and joint stock companies,
7) The Foreign Investment Law adopted on June 14, 1991 (with few further amendments) - the law which specifies the possibility and rules of foreign investments in Poland,
8) The Law on Public Trading in Securities and Investment Trusts, passed on March 22, 1991 (with a few further amendments, making the public trade safer for investors) - this law introduced the main market players: the Securities Commission, Stock Brokers, The Warsaw Stock Exchange, The National Depositary of Securities and the principles of the public trading in securities,
9) The law on Bonds dated September 27, 1988 - the law which should be changed very soon, to remove existing limitations which practically cause that most potential issuers are unable to create a debt instrument attractive to a potential investor,
10) The Law on Monopolistic Practice passed on February 24, 1990 - the law protects business from anti-competitive practices, ensures the development of competition, safeguards the interests of consumers,
11) The Banking Law adopted on January 31, 1989 (with further amendments) - the law allowing the establishment of privately owned banks and making provision for foreign banks to establish representative offices and joint ventures,
12) The Law on Management of State Treasury Agricultural Property dated October 19, 1991 (with further amendments) - the basic law for the privatisation process of state farms,
13) The Law on Insurance Activity passed on July 28, 1990 (with a few further amendments) - the law which regulates the insurance activity in Poland, such activity will be allowed for foreign investors and companies after 1999.

The Ministry of Privatisation:

acting under The Ministry of Privatisation Law passed on July 13, 1990, is the main institution responsible for the privatisation process in Poland. The functions of this Ministry include:

- implementation of the transfer of ownership from the state into private hands,
- preparation of annual policy guide-lines for the privatisation of state enterprises and capital co-operation with foreign partners,
- co-operation with labor unions, associations and local governments to incorporate private companies,

- monitoring the progress of privatisation,
- representing the State Treasury as shareholder in the privatized and partly privatized companies,
- implementation and co-ordination of the Mass Privatisation Program,
- the collection and distribution of information related to privatisation and capital markets.

The Securities Commission:

is the regulating authority for the Securities and Capital Market. Its Chairman is appointed by the Prime Minister upon the joint recommendation of the Minister of Finance and the President of National Bank of Poland. The seven members of the Commission include a Chairman, two Vice Chairmen and one representative of each of the Minister of Finance, the Minister of Privatisation, the President of the National Bank of Poland, the President of the Anti-Monopoly Office.
The main tasks of the Securities Commission include:

- authorizing the floating of stocks and bonds by business entities,
- licensing brokerage firms, brokers, advisors, and investments trusts to operate on the securities market,
- monitoring the performance of the securities market and the operations of its members,
- regulating the market and furthering its development and stability.

The Anti-Monopoly Office (AMO):

was founded on April 13, 1990. The main aim of the AMO is the promotion of competition. Its duties cover:

- registering business which have a monopolistic position in the domestic market,
- policing and counteracting anti-competitive practices,
- researching concentrations in the economy and proposing actions to attain a balanced market,
- monitoring prices in markets with limited competition.

The AMO has power to conduct inspections to establish whether a business is complying with the provisions of the Law, decisions of the AMO or the court orders. Decisions of AMO can be appealed against within two weeks.

The Agricultural Property Agency:

is responsible for the restructuring and the privatisation process of state owned agricultural property by taking over farms from other state authorities and managing of the property in the form of sales, lease, hiring administrators, contribution into other entities to establish strong businesses, transfer to local communities for its purposes and transfer to State Forestry for the purpose of forestation.

"Founding bodies":

are practically the "owners" of the SOEs. There are 65 such bodies - ministries and regional authorities in charge. They have effective administrative control over the enterprises.

The Ministry of Finance and the Ministry of Foreign Economic Relations

play the special role in the privatisation process in Poland. The Minister of Finance is responsible for the privatisation of state owned banks and insurance companies. The Minister of Foreign Economic Relations is responsible for the privatisation of foreign trade companies, majority of which were transformed into limited companies in the middle of the 1980.

III. PRIVATISATION AND CAPITAL MARKET DEVELOPMENT

The need to create the securities markets was evident from the very beginning Poland's economic transformation in 1990. A critical element in the creation of the Polish capital market was the establishment of legal regulations. Following intensive international consultation, especially American and French, the Law on Public Trading in Securities and Investment Trusts was adopted by the Parliament on March 22, 1991. This legislation provides the basis for the main components of a capital market (brokerage firms, a stock exchange, trust funds and the Securities Commission).

The Polish Securities Commission was created as the sole government's agency responsible for the regulation and supervision of the developing securities market. The Commission's two major functions are:

- the issuance of permits allowing the offering of securities to the public or for the operation of a brokerage firm,
- the overseeing of public trading to ensure that rules of proper trading procedure and competition in the trading of securities are obeyed.

The Securities Commission is singularly responsible for supervising the trading market. Commission representatives are present at all times to observe public trading in securities, including verification of order sheets, and, when there is probable cause, they have the right to review and investigate transactions that may be improper or illegal. The Commission is responsible for examining, on an ongoing basis, the financial reports of publicly-traded firms. As a component of the regulatory process, the Commission works together with the brokerage industry in establishing and monitoring self-governing rules for the industry and a code of conduct for brokers and investment advisors. The Commission collects and analyzes quantitative information concerning the performance of the market for two purposes:

- prevention of criminal activity,
- improvement in the efficiency of the capital market.

The Commission's governing membership is the decision-making forum which oversees regulatory policy and its implementation. The Chairman is appointed by the Prime Minister, at the join request of the Minister of Finance and the President of the

National Bank of Poland, after consultations with the appropriate Parliamentary Commissions. Two Vice Chairmen are nominated by the Prime Minister at the request of the Chairman. The remaining four members of the Commission are representatives of the following bodies:

- Minister of Privatisation,
- Minister of Finance,
- President of the National Bank,
- President of the Anti-Monopoly Agency.

The scope of the Commission's activity is very complex and includes, among others:

1) authorization of brokerage firms - a firm may not legally operate a stock brokerage business without license, granted by the Commission. Once a brokerage firm has been licensed (at the end of October 1995 54 firms were operating), all subsequent major changes in its structure and functioning must be reviewed and approved by the Commission before the firm would be allowed to implement those changes,
2) authorization of trust funds - trust funds may only be managed by trust funds corporations supervised by the Commission. As of October 1995 only two corporations, managing three funds have been granted an operation permit,
3) authorization of individual brokers and investment advisers - The Commission is granting licenses for brokers and investment advisors after passing by each candidate an exam, organized by the Commission and fulfilling some other conditions. At the end of October 1995 more than 1,400 brokers and 62 investment advisers have been registered,
4) approvement of securities for public trading - a company, which wants to issue its shares through the process of a public offering must apply for permission to do so from the Commission. The most important role in the application procedure is played by the prospectus, prepared by the issuer , in accordance with general principles announced in the Decree of Government,
5) market surveillance - the Commission is obliged by law to ensure fair trade and competition in the public trading of securities, proper protection of investors and overseeing brokerage firms. One of the most important methods to achieve this aim is to check, if the companies admitted to public trading are issuing the quarterly, half-yearly and audited annual reports, as well as prompt notification of price-sensitive information without any delay.

Judging from the results of the Commission efforts over the past three years, it can be said that a strong but at the same time flexible legal framework for the capital market was created.

The Securities Commission is also an active member of the International Organization of Securities Commissions (IOSCO), grouping 114 similar institutions from all countries. During the 9th Conference of IOSCO, in October 1994, the Polish Securities Commission was elected to be one of twelve members of the Executive Committee of IOSCO.

It is expected that with the development of new financial instruments and institutions acting in the market, the role of the Securities Commission will be more and more important. The main reason is that the Commission will grant permits for bringing new securities and instruments into public trading, permits for the activity of new institutions on the market and next supervise their activity. It can be foreseen that:

- the number of securities accounts may reach the level of 2,5 - 3 million, when the Mass Privatisation Programme start (the current number of investment accounts is approximately 800,000 from which half are active),
- the MPP will increase the number of traded securities, both listed and unlisted,
- the number of institutional investors should be increased - especially trust funds (up to now only three are operating on the Polish securities market, including "The First Pioneer Fund", managed by Boston's Pioneer Group of Funds, which is operating since 1992) and after adaptation of new laws (what is planned within the few coming months) - also closed-end funds and pension funds will appear on the market,
- the bonds market will become more and more sophisticated,
- the corporate bonds, being a very good financial alternative for companies who cannot borrow enough money from local banks, should appear on the securities market,
- derivative products (options, future, warrants) will have to be developed within coming years, because of the demand from the financial community, in order to their hedging and insurance strategies.

Warsaw has one of the oldest exchanges in the world, first opened in 1812. The exchange was re-opened after 52 years of closure on April 16, 1991 as a not-for-profit joint-stock company. A member of the Warsaw Stock Exchange must be an entity conducting a brokerage business, be a shareholder in the Exchange and be allowed to operate in the market. The Stock Exchange Board allows brokerage houses to operate on the Exchange if they employ the required number of brokers and are the member of the National Depositary of Securities. After operating for nearly five years, 35 banks and brokerage firms have been registered as members of the Warsaw Stock Exchange as of the end October 1995.

Only securities admitted to public trading may be listed on the Warsaw Stock Exchange. The decision to list a security is made by the Stock Exchange Supervisory

Council on the basis of various criteria, which depend on the segment of the market. The basic listing requirements for the most important segment (so called "primary market") are:

- not limited transferability of the securities,
- the value of shares to be introduced to the market is at least 7 million zlotys (not less than 2 million ECU) and the value of other securities - 3.5 million zlotys (not less than 1 million ECU),
- the value of shares, held by the shareholders having no more than 5% of the total number of votes at the Meeting of Shareholders (so called "little shareholders") amounts to at least 4 million zlotys. Beyond that the total number of such shares must exceed 25% of the total number of company's shares,
- the shares must be held by at least 500 shareholders,
- the gross income of the company, within last three years must amount to at least 3 million zlotys (not less than 1 million ECU),
- information is made available allowing investors to assess the assets of the issuer and its financial resources, prospects for development, profit and loss, and the right associated with the securities which are to be traded on the market.

For the time being the Polish securities market offers investments in equities and Treasury bonds. The trading system of the Warsaw Stock Exchange can be characterized as:

- order driven,
- centralized at a single exchange site,
- paperless.

Member firms collect orders from clients between sessions and submit them via discette or terminal entry to the Stock Exchange no later than 11.00 a.m. on the day of the trading session. Since October 1, 1994 trading sessions on the WSE are conducted every day from Monday to Friday (at the beginning they were conducted twice a week, next, since January 1993 - three times, in the middle of 1994 the number of sessions has been increased to four a week). The trading system is similar to the French "par casier" or German "Einheitspreis" method of quotation. The computer tabulates the orders submitted and derives a single price per share at the end of each trading session as a result of the orders submitted. The pricing mechanism relies upon a simple algorithm which pinpoints the price at which the greatest number of shares will change hands, subject to the restriction of a maximum price movement of 10% in either direction. Trading is entirely screen-based. During a trading session, a key role is played by a brokerage firm acting as specialist, whose role is to ensure an orderly market. Once the price has been derived, specialists have a chance to correct any imbalances in the market for a given stock by either buying or selling from their own book or locating large investors willing to fill the imbalance at the set price. Most orders are "limit orders" which define a maximum buying price and minimum selling price. Other orders can bear the instructions "all or nothing" in the event of orders being scaled down and "at market". This is the price which emerges as the quoted price of the stock at the end of trading session.

All issues of Treasury bonds are traded in a continuous trading system, known as the block market which exists alongside the main market. This block market is at this stage for the use of institutional investors (mainly interbank dealers), as the smallest single transaction unit is 100 bonds. The opening price is announced at the beginning of the session and, following orders received during the course of the session, transactions can be executed at different prices. The block market operates every day, from Monday to Friday, between 11.00 a.m. and 1.00 p.m. Smaller transactions in bonds are executed on the main Stock Exchange market, according to the single-price trading system used for equities.
It is expected that in the begin of 1996 the blocks shares of the most liquid companies will be traded on the block market.

The settlement system is on a delivery versus payment and T+3 basis. Each investor must hold a securities account with a broker or a custodian. In turn every broker or custodian must hold a securities account in the National Depositary of Securities and maintain a cash account in the clearing bank. The process of accounting, preparation of data for settlement and registration is computerized and since the beginning of the system's operation no failed trades have been recorded.

The Warsaw Stock Exchange Index (WIG) is a total return index weighted by market capitalization and covering all the stocks listed on the Exchange's primary market. An individual company's share in the WIG index is limited to 10% of index capitalization and individual sector participation to 30% of the WIG portfolio. The WIG is based on the IFC Index methodology and is computed using April 16, 1991 as the base date, with the base value of 1,000. At the end of 1991 the WIG stood at 919, reaching 1,041 by the end of 1992, 12,439 by the end of 1993 and 7,473 by the end of 1994. The maximum level of WIG (20,760.3) has been reached on March 8, 1994. On November 15, 1995 the main Warsaw Stock Exchange Index stood at 8,189.2 (see appendix 8). The WIG-20 is a price index introduced on April 16, 1994, with base value of 1,000 and comprises 20 companies with the greatest turnover value and market capitalization quoted on the main market. The composition of the WIG-20 is revised every quarter. The third Warsaw Stock Exchange index - WIRR has been introduced on January 1, 1995 with base value of 1,000 and covers all companies listed on the parallel market. Like the WIG index, the WIRR is based on total return.

The Polish market, while still relatively small, is certainly modern and liquid. The number of companies quoted on the WSE has been increased from 5 in April 1991 to 61 in the middle of November 1995. There is no problem with their liquidity. The average value of turnover per session in 1994 was valued at around 50 million dollars (however, in March 1994 it was from 100 to 250 million dollars), with an average of 40.000 orders and 10.000 transactions per session. In October 1995 the average turnover per session was valued about 25 million USD (about 22.000 orders and 4.500 transactions). Average P/E ratio of the companies quoted on the Warsaw Stock Exchange was 7.5 in the middle of November 1995 and compared do an average 8.1 at the end of 1994, 3.4 at the end of 1992 and 4.1 at the end of 1991. Their average price-to-book value in the middle of November 1995 was 1.5 compared to 4.85 in 1994 and 0.69 in 1992 (at the end of each year).

This development of the Warsaw Stock Exchange has met with the acceptance of the members of the International Federation of Stock Exchanges. After receiving the positive recommendation of the Frankfurt and New York Stock Exchanges, the WSE became, in October 1994, the first full member of FIBV from central and eastern Europe. This decision represented a vote of recognition by other stock exchanges that Poland is a well-regulated and civilized market. Warsaw is the 15th European member of FIBV which has existed since 1961 and groups some 35 stock exchanges worldwide.

The depository system, associated with paperless trading, means that all securities associated with each issue are deposited in the form of a global certificate. However, a depository receipt or an account statement is issued to each shareholder through the broker or custodian with whom he holds an account. In the begin of 1994 Minister of Privatisation was obliged to set up, together with The Warsaw Stock Exchange, The National Depository of Securities (NDS) acting as the separate, non-profit joint stock company, which up to the end of 1994 acted as a separate unit of the WSE. The Act creating the NDS was signed in October 1994 and since January 1, 1995 the NDS has started its independent activity.

From among 61 companies listed on the Warsaw Stock Exchange in the middle of November 1995, more than a half of them have been previously sold directly by the State in the initial public offering process. In few cases the shares have been offered by the private investors. In about 20 cases the companies listed presently on the Stock Exchange became public when the Meeting of Shareholders of the private company has decided to increase the company's share capital using the public offering method. In majority of that cases such situation applied to the companies previously privatized with the use of the direct privatisation method (leasing). It can be expected that the number of public companies in Poland within two coming years will be seriously increased, because majority of companies involved in the Mass Privatisation Programme should be publicly traded. For this purpose the brokerage firms are going to create, before the end of 1995, the OTC market. Such market, administered by the non-profit joint stock company, fully owned by the brokerage companies, is offered for smaller and less liquid companies, which are not able to fulfill conditions to be traded on the Warsaw Stock Exchange. In the coming future the public offering of shares, which can be traded only on the OTC market, will be used by the State as the privatisation method and it can be expected that also other investors, especially banks which became shareholders in the result of bank debt agreement procedure, will use the OTC market to sell some of their shares.

IV. CONCLUSIONS

Privatisation of the Polish economy started barely five years ago on the turn of 1990 and 1991. By now the private sector share of GDP rose to about 56 % of GDP what means that it has almost doubled in comparison 31 % share in 1990. The private sector share of total registered employment increased to 61 % from 49 % share in 1990. Apart from quite impressive figures it is difficult to overestimate the qualitative impact of that process on the economic reality of today's Poland. Beyond any doubt privatisation has contributed to increase self-adjustment capabilities of the companies facing free market corporate behaviour rules and world-wide competition.

Privatisation has always been a very sensitive issue due to its inner philosophy. That is because of the core idea of that process of changing the ownership rights. The transfer of power is always a potential source of great conflict. It is usually perceived like a zero sum game: if someone is to win someone has to loose. Polish legislators and the government itself try to observe as much as possible very democratic rules of that game. In fact privatisation in Poland is a democratic process which brings about concrete results thanks to a consensus between the State, management of the companies and trade unions. It has to take into account and combine the superficially opposite interests: the interest of the workers and the interest of a potential investor himself.

Since its implementation started, Poland's privatisation programme has been full of high hopes and simultaneously a bit disappointing results. In many opinions specifically in external ones the implementation of the programme has been perceived as being far too slow. Domestically throughout the period in between 1990 and 1995, the position of minister of ownership changes who is responsible for privatisation has been one of the most unenviable jobs. Opposition members of the parliament have often seen the issue of privatisation as one of the easiest targets to win political points. The present minister, Wiesław Kaczmarek has almost got used to heavy criticism and petitions calling for his dismissal most frequently without any serious essential objections raised against specific privatisation decisions. The last such a petition was rejected by the Parliament on November 24, 1995 i.e. two days after the successful start of the public distribution of the NFI share certificates and imaginary mistakes in minister's. activity were allegedly connected with the implementation of the MPP programme.

In fact what is the most specific feature of Poland's privatisation is the spirit of consistency and continuation within the very pragmatic so called "multi-track approach". It enables to achieve ownership transfer targets using a wide variety of privatisation techniques and types of deals. Two very basic ways: direct privatisation (privatisation by liquidation) and capital privatisation (privatisation by transformation) mean in fact many sub-paths or their variations including: case-by-case trade sales to domestic or local strategic investors, public offerings, management and employee buy-outs, asset sales, debt-for-equity swaps, joint ventures and mass privatisation schemes. The Polish Ministry of Privatisation has managed to customise privatisation techniques to specific needs of a given enterprise, its size, financial position, expectations of its management and staff and of course the priorities of the government.

PRIVATISATION STATISTICS
MINISTRY OF PRIVATISATION, WARSAW - POLAND

Date	Of the 8441 state enterprises registered in 1990 SOE's included in the privatisation process									
	Liquidations						State Treasury owned joint stock companies			Total
	According to the article 37 of the Law on Privatisation of the State Owned Enterprises			Bancruptcy according to the article 19 of the State Enterprises Act			total: art. 5, art.6 of the Law on privatisation of SOE's and Law on National Investment Funds and their Privatisation			
	started	completed	% 3:2	started	completed	% 6:5	registered	privatised	% 9:8	
1	2	3	4	5	6	7	8	9	10	
31.12.1991	449	182	41%	540	19	4%	260	27	10%	1249
31.12.1992	719	475	66%	857	86	10%	480	51	11%	2056
31.12.1993	917	707	77%	1082	186	17%	527	99	19%	2526
31.12.1994	1042	945	90%	1245	303	24%	723	134	19%	3010
31.12.1995	1394	1025	73,5%	*1353	*399	29%	933	160	17%	3489

* as November 30,1995

V. INVESTING IN POLAND

Legal Acts.

Companies with foreign participation are set up under the Law on Companies with Foreign Participation of June 14, 1991 (Journal of Laws No 60, No 80, No 111) and the Commercial Code of 1934 (as amended).

Permits

The establishment of a company requires a permit if the scope of activity of an enterprise covers at least one of the following areas:

- the operation of sea and air-ports;
- dealing in real estate or acting as an intermediary in real estate transactions;
- defence industry which is not covered by licensing requirements;
- providing of legal services;
- wholesale trading in imported consumer goods;
- regulated by separate Laws.

Legal forms of companies with foreign participation.

Foreign parties are permitted to conduct their activity exclusively in the form of either **limited liability companies** or **joint stock companies** , which have their registered seat on the territory of the Republic of Poland. Foreign parties also may receive or acquire shares in companies already engaged in the operation of such enterprises. If the undertaking of economic activity requires a license or other permit, the company is obliged to obtain such license or permit prior to the commencement of such activity.

The company can be established with a Polish partner or be 100% foreign owned. There is no minimum value of a contribution by a foreign party and no provisions for any minimum percentage share of foreign participation in the equity of a company. Nevertheless a company can be banned from specific field of operation when the share of foreign parties in its total equity exceeds a certain proportion. The proportions of shares of Polish and foreign parties in company equity may also be defined in the permit issued by the Minister of Privatisation (if such permit is required).

Foreign parties

According to the Law of the 14th June on Companies with Foreign Participation, a foreign party is:

- a natural person(s) domiciled abroad;
- a legal entities(s) having its/their registered domicile abroad;

- business associations established by persons referred to in clauses 1 and 2, which lack legal personality, and which are formed under the laws of foreign countries (article 3).

For the cases concerning a permit, legal person registered on the territory of the Republic of Poland but controlled by foreign parties are also deemed to be foreign parties.

Founding capital of a company.

According to the Polish Commercial Code, the minimum founding capital of:

- limited liability companies amounts to 4.000 PLZ (approx. USD 2 000) and must be fully paid up on incorporation.
  The minimum value of each share is 50 PLZ.

- joint stock companies amounts to 100.000 PLZ (approx. USD 50 000). At least 25% of the cash capital must be paid up on incorporation. The minimum nominal value of each share is 1 PLZ.

According to the article 10 of the Law on Companies with Foreign Participation the contributions of foreign parties to the capital of a joint-venture may be made:

- **in Polish currency** obtained from sale of convertible currencies to a foreign exchange bank at the official exchange rate as announced by the National Bank of Poland;

- **in non-monetary form (contribution in kind)** provided that it is: transferred from abroad, or purchased for Polish currency obtained from the sale of convertible currencies to a foreign exchange bank at the rate of exchange, as announced by the National Bank of Poland.

The following may constitute contribution in kind:

a) real estate (factory, apartment, land);
b) movables (machines, raw materials);
c) liabilities;
d) patents;
e) enterprises;
f) bills of exchange;
g) perpetual usufruct;
h) know-how;
i) other.

Investment reliefs

The Regulation of The Council of Ministers concerning new investment tax reliefs was published in the Journal of Laws No.18/94 (amendments can be found in the Journal of Laws No. 68/94 and 89/95). The regulation introduces investment tax reliefs for all taxpayers which are subject to:

- the law on personal income tax,
- the law on corporate income tax.

Investment reliefs are designed for: natural persons, legal entities (limited liability companies, joint stock companies, state owned enterprises, co-operatives and others organizational units having no legal personality while already conducting or starting their activity.

Certain conditions must be met in order to take advantage of the investment reliefs regulation. They are as follows:

- profit of a company must constitute at least 4% of the revenue (in case of food processing or construction services) or 8% of the revenue in other cases,
- there must be no outstanding payments owed to Fiscal Office, Social Insurance Office or Labor Fund,
- party must be in possession of proper documents confirming exercised investments (VAT invoices, custom clearance documents or other)
- other requirements specified in the regulation must be fulfilled.

VI. FOREIGN DIRECT INVESTMENT IN POLAND

The year 1995 can be considered as the best year regarding foreign investment inflow to Poland. In 1995 the total amount of foreign capital invested in Poland was 2 511,4 million USD, which in comparison with the previous years is a big achievement. The inflow of foreign direct capital in 1993 was amounted to 1.632 million USD, while in 1994 it stood at 1.280 million USD. In December 1994 total value of foreign direct investment in Poland amounted to 4 321 million USD, while in the end of 1995 this value increased to 6 832,2 million USD.

Among the causes of this big foreign investment inflow are:

- economic stabilisation,
- stable and high economic growth,
- return of Poland to international financial markets,
- starting the privatisation of tobacco and rubber industry,
- continuing the privatisation of commercial banks.

The privatisation of commercial banks and tobacco and rubber industry led to some important and valuable transactions with the participation of foreign capital.

The accumulated value of 6 832,2 million USD places Poland among the most successful countries of Central and Eastern Europe regarding foreign capital inflow. Pointing the certain position among the countries of this region is very difficult. Every agency which estimates foreign investment inflow publishes different values. According to some agencies Poland is on the third position, after Hungary and Russia. According to the others (e.g. Deutsche Bank Research Review) Poland occupies second position. Hungary is on the first position with total value of invested foreign capital 7.09 billion USD (1994). In Czech Republic foreign investors placed 3.1 billion USD, while in Slovakia only 450 million USD (1994). In Russia the inflow of foreign direct investment was amounted to 2.900 million USD (1994).

The value of invested capital

According to Poland's Central Statistic Office, in September 1995 there were 22 940 joint ventures and companies with the participation of foreign capital registered in Poland (19 737 in December 1994). It is necessary to stress that firms, which have invested at least 1 million USD constitute only small part of all registered joint ventures in Poland. On the "List of Major Foreign Investors in Poland" prepared by the Polish Agency for Foreign Investment in December 1995 were 362 firms. This means that the number of the biggest foreign investors in Poland increased by 95 companies. A total value of investments realized by them amounted to 6 832,2 million USD (this value does not include small and medium enterprises with the participation of foreign capital). At the same time officially confirmed value of investment commitments of these major foreign investors was 5 249,6 million USD.

Companies by origin

The biggest number of registered joint ventures in Poland comes from Germany. According to the Main Statistical Office (GUS) data there were 3609 Polish-German companies, while according to other Polish and German sources the number of those companies is approximately 5000. The PAIZ list shows that among 362 major foreign companies Germany have 79 joint ventures and USA have 62. The 2 countries are followed by: French firms (29), Austrian (23), British (21), Canadian (18) and Italy (17) . The PAIZ list is closed by Russia, Singapore, Israel, South Korea, Republic of South Africa, Luxembourg, China, Turkey and Greece represented by 1 firm each.

However, from the point of view of invested capital the USA is the biggest investor with 1 698 million USD, it means 24,9% of capital invested by the 362 major investors (in December 1994 -1 414 million USD - 32,7% of invested capital). The second place is occupied by trans-national companies such as Swedish-Swiss ABB, Dutch-British Unilever and EBRD, which invested 1 101 million USD (in December 1994 808 million USD). Germany is only on the third place - 683 million USD (386 million USD in 1994). The next are French (574 million USD) and Italian firms (459 million USD). Luxembourg with investments worth 2,3 million USD and Greece -2 million USD close the list of countries of origin of capital invested in Poland.

In 1995 there was an important increase of capital inflow from France. At the and of 1994 total value of French investment amounted to 268 million USD, while in 1995 this amount increased to 574 million USD (for example new investments by E.Leclerc, Archimode, Bouygues, Cacao Barry, AGF, Banque Nationale de Paris, Credit Foncier de France). French companies were also active in capital privatisation (Michelin, Seita, Lafarge).

The year 1995 can be also considered as the year of increased activity of investors outside Europe and North America - Daewoo, Hyundai, Kia Motors, Samsung (South Korea), Matsushita, Mitsubishi, Sony (Japan), Coca-Cola Amatil, Brewpole Pty., Matrix (Australia).

Branch structure of foreign investments

The majority of foreign capital was invested in industry. In December 1995, the value of investments realized in industry was 4 325,6 million USD (2 588 million USD in the end of 1993), while the value of commitments was 4 354 million USD.

In 1995 among industrial branches the biggest part of capital was attracted by food processing industry (value of realized investment -1 357,5 million USD, while the value of commitments - 1 048,6 million USD) and electro - machinery industry (1079,9 million USD and 1 951,6 million USD respectively). Moreover, the value of foreign investments in Poland's financial sector was 1 278,6 million USD (commitments are the next 173,6 million USD) , in construction - 496,2 million USD (205,8 million USD), trade - 364,3 million USD (124,5 million USD) and telecommunication - 289,7 million USD (384 million USD). The lowest value of investments was in agriculture (9 million USD) and insurance services (16 million USD).

Industry is one of the most popular sectors for foreign investors in Poland, but of all companies with the participation of foreign capital registered in Poland the biggest number conducts activity in trade and repair sector (8 659 registered companies - June 1995). Industry is on the second place (6 339 companies), preceding services for firms and services connected with real estate (2 464 companies), construction (1 463), transport, storage and communication (1 170), hotels and restaurants (571), agriculture and forestry (373), financial services (205), mining and quarrying (105), education (93), medical services and social welfare (84), and energy, gas and water supply (11 companies). The branch structure of foreign investment in Poland is similar to that experienced by other post-communist countries.

Geographic structure of foreign investors in Poland

The majority of companies with foreign capital participation is active in large cities. The biggest number of joint ventures is registered in Warsaw (8 737 companies - third quarter of 1995), to be followed by the voivodships of: Poznań with 1 494 companies, Gdańsk (1 435), Katowice (1429), Szczecin (1 246), Wrocław (1 267), Kraków (858) and Łódź (779). The lowest number, only 17 companies, is registered in Zamość voivodship, in Chełm and Ostrołęka (28), Przemyśl (27).

VII. PUBLICATIONS OF THE INFORMATION CENTRE OF POLISH AGENCY FOR FOREIGN INVESTMENT (PAIZ)

The Information Centre of PAIZ is responsible for informing interested parties about the privatisation process in Poland and the investment opportunities contained therein. It also provides general information on Polish business activity as a whole. To this end, the Information Centre distributes the following publications:

1. **Law on Companies with Foreign Participation (14 June 1991) - $2**
   Legislation regarding foreign investment in Poland for companies with 100% foreign capital as well as joint-ventures with Polish partners. In Polish, English, French and German.
2. **Act on the Privatisation of State - Owned Enterprises - $2**
   In Polish, English, French and German.
3. **Establishing a Company with Foreign Capital Participation -$4**
   Information on procedures and documents required in setting up 100% foreign-owned companies and companies with Polish partners. In Polish.
4. **Polish Business Law Part II - 15$**
   A continuation of "Polish Business Law 1993, adding taxation and customs regulations (f.e. VAT). In English.
5. **Taxation and Customs Duties 1993 - $30**
   A continuation of "Polish Business Law 1992", adding taxation and customs regulations relevant to business activity in Poland. In English.
6. **Commercial Code - 20$** In German.

If you are interested in any of the above publications, please send your order along with the number of copies required to: Państwowa Agencja Inwestycji Zagranicznych, PKO Bank Państwowy, X Oddział/Warszawa, account number 1603-900108-131. Once you have made the order, please fax or mail a photocopy of the bank receipt along with your order to: **Information Centre of The Polish Agency for Foreign Investment, Al. Róż 2, 00-559 Warszawa, Poland; fax: (+48 22) 621 84 27.** Upon receipt of the confirmation of your order, we will ship the publications out promptly.

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Ministry of Finance
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fax: +48-22 26 63 52
tlx: 81 43 86; 82 55 92

Ministry of Industry and Trade
ul. Wspólna 4
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fax: +48-22 621 25 50
tlx: 81 42 61

Ministry of Labor and Social Policy
ul.Nowogrodzka 1/5
00-513 Warszawa
ph: +48-22 628 90 41
fax: +48-22 628 40 48
tlx: 81 47 10; 81 65 61

Ministry of Territorial Planning and Construction
ul.Wspólna 2
00-926 Warszawa
ph: +48-22 693 50 00
fax: +48-22 628 58 87
tlx: 81 44 11; 81 44 16

Ministry of Foreign Economic Relations
Pl. Trzech Krzyży 3/5
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fax: +48-22 628 68 08
tlx: 81 45 01

Ministry of Environmental Protection, Natural Resources and Forestry
ul. Wawelska 52/54
00-922 Warszawa
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fax: +48-22 25 33 35
tlx: 81 71 57

Ministry of Agriculture and Food Economy
ul. Wspólna 30
00-930 Warszawa
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tlx: 81 45 97

Ministry of National Education
Al.I Armii Wojska Polskiego 25
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fax: +48-22 628 83 97
tlx: 81 35 23

Ministry of Justice
Al. Ujazdowskie 11
00-950 Warszawa
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fax: +48-22 628 25 75
tlx: 81 38 91

Ministry of Foreign *Affairs*
Al. Szucha 23
00-580 Warszawa
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fax: +48-22 29 02 87
tlx: 81 43 01

Ministry of Transport and Maritime Economy
ul. Chałubińskiego 4/6
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fax: +48-22 30 00 62
tlx: 81 66 51

Ministry of Health and Social Welfare
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fax: +48-22 31 21 66
tlx: 81 38 64; 81 74 41

Ministry of the Interior
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tlx: 81 36 81

Ministry of Defence
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tlx: 81 59 10; 81 33 77

Ministry of Culture and Arts
ul. Krakowskie Przedmieście 15/17
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fax: +48-22 26 19 22
tlx: 81 37 62

Ministry of Privatisation
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tlx 81 65 21

Ministry of Telecommunications
Pl. Małachowskiego 2
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Polish Patent Office
Al. Niepodległości 188/192
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fax: +48-22 625 05 81
tlx: 81 34 92

Central Board of Customs
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fax: +48-22 27 34 27
tlx: 81 48 46

Central Statistical Office
Al. Niepodległości 208
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Jelena Góra, Legnica, Wałbrzych,
Wrocław, Zielona Góra

National Investment Fund No. 1

Supervisory Board Chairman: Mr. Jan Jeżak
Fund Management firm:
BRE/Giro Credit Management Sp. z o.o.
Management firm participants:
Bank Rozwoju Eksportu S.A. 51%,
GiroCredit Mergers & Acquisition, Inc. 49%

National Investment Fund No. 2

Supervisory Board : Mr. Michał Trocki
Fund Management firm:
Hevelius Management Sp. z o.o.
Management firm participants:
UNP International Holding Ltd 65%,
Bank Gdański S.A. 25%,
Murray Johnstone (Poland) Limited 10%

National Investment Fund No. 3

Supervisory Board: Mr. Sławomir Golonka
Fund Management firm:
Trinity Management
Management firm participants:
Barclays de Zoete Wedd Int. Holdings 33.1/3 %,
Bank Polska Kasa Opieki S.A. 33.1/3 %,
Company Assistance Limited 33.1/3 %

National Investment Fund No. 4

Supervisory Board Chairman: Mr.Andrzej Ryttel
Fund Management firm:
Konsorcjum Raiffeisen Atkins - Zarządzanie Funduszami S.A.
Management firm participants:
Raiffeisen Investment A.G. 26.0%,
Raiffeisen Centrobank S.A. 25.0%,
W.S. Atkins Limited 25.0%,
Idea Sp. z o.o. 9.5%,
WIL Consulting House Ltd. Sp. z o.o. 9.5%,
Adin Sp. z o.o. 5.0%

National Investment Fund No. 5

Supervisory Board Chairman: Mr. Jan Rymarczyk
Fund Management firm: Polskie Towarzystwo Prywatyzacyjne - Kleinwort Benson Sp. z o.o.
Management firm participants:
Kleinwort Benson Investment Management Overseas B.V. 51%,
Polska Grupa Zarządzania Funduszami 49%

National Investment Fund No. 6
Supervisory Board Chairman:
Mr. Andrzej Koprowski
Fund Management firm:
Chase Gemina Polska Sp. z o.o.
Management firm participants:
Chase Gemina Italia srl 60%,
Wielkopolski Bank Kredytowy S.A. 40%

National Investment Fund No. 7

Supervisory Board Acting Chairman:
Mr. Jerzy Borcz
Fund Management firm: LG Fund Management Co. AG
Management firm participants:
GICC Capital Corporation 33.1/3 %,
Lazard Freres et Cie 33.1/3 %,
Bank Gospodarstwa Krajowego 33.1/3 %

National Investment Fund No. 8

Supervisory Board Chairman: Mr. Jerzy Małyska
Fund Management firm: KP Konsorcjum
Management firm participants:
KP International Ltd 60%,
Bank Handlowy w Warszawie S.A. 20%,
PaineWebber Inc. 20%

National Investment Fund No. 9
Supervisory Board Chairman:
Mr. Zbigniew Szeloch
NIF has not signed a fund management contract.

National Investment Fund No. 10

Supervisory Board Chairman:
Mr. Henryk Skawiński
Fund Management firm: Fidea Management
Management firm participants:
Banque Arjil 60%,
Agencja Rozwoju Przemys³u S.A. 18%,
Warszawska Grupa Konsultingowa 18%
Bank Inicjatyw Społeczno-Ekonomicznych S.A. 4%

National Investment Fund No. 11

Supervisory Board Chairman:
Mr. Jerzy Kędzierski
Fund Management firm: KNK/New England Investment Companies Sp. z o.o.
Management firm participants:
New England Investment Comp.L.P. 50%,
KNK Finance & Investment Sp. z o.o. 50%

National Investment Fund No. 12

Supervisory Board Chairman: Mr. Piotr Świderski
Fund Management firm: Pallas Stern-PBI Eurofund Management Polska Sp. z o.o.
Management firm participants:
Banque Nationale de Paris 80%,
Polski Bank Inwestycyjny S.A. 20%

National Investment Fund No. 13

Supervisory Board: Mr. Marek Bryx
Fund Management firm: Yamaichi Regent Special Projects Limited
Management firm participants:
Yamaichi International (Europe) Ltd. 54%,
Regent Pacific Group Limited 36%,
Consulting ABC Sp. z o.o. 10%

National Investment Fund No. 14

Supervisory Board Chairman: Mr. Leszek Kociècki
Fund Management firm: Inter. Westfund Holdings Ltd.
Management firm participants:
Bank Zachodni S.A. 33.2/3 %,
Central Europe Trust Co. Ltd. 33%,
Charterhouse Develop. Capital Ltd. 22. 2/9 %,
Credit Commercial de France 11.1/9 %

National Investment Fund No. 15

Supervisory Board Chairman:
Mr. Zbigniew Piotrowski
Fund Management firm: Creditanstalt SCG Investment Fund Management S.A.
Management firm participants:
Creditanstalt Investment Bank AG 40%,
Creditanstalt Financial Advisers 10%
SCG St. Gallen Investment Holding AG 50%