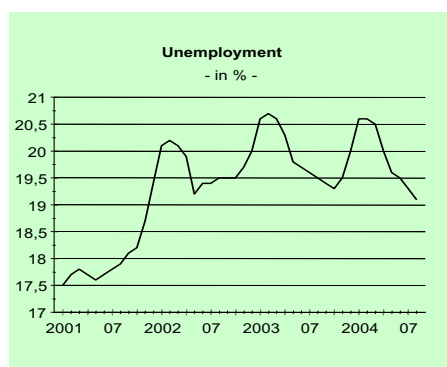
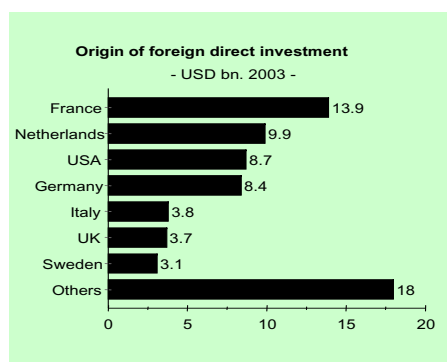


Poland



Political situation

- ▶ As announced, Prime Minister Miller stepped down only one day after Poland's EU accession. Marek Belka, formerly finance minister under Miller, took over. He had resigned from office two years previously out of protest at the watering down of fiscal reforms.
- ▶ EU member since May 2004.

Domestic economy

- ▶ Booming economy, now also benefiting investment which in 2004 is set to record a positive growth for the first time in three years. Ongoing strong development in private consumption. Following likely real GDP growth of 6 % this year, set to ease marginally to 5.3 % in 2005.
- ▶ After one year with unchanged key interest rates, the Central Bank of Poland started to tighten monetary policy sharply in June 2004, responding to a rapid increase in inflation. Following 0.8 % in 2003, inflation set to average 3.4 % this year.
- ▶ Apart from a chronic budget deficit, unemployment remains one of the country's most pressing problems. Nevertheless the present boom seems gradually to be making itself felt on the labor market. Since the beginning of this year the unemployment rate has fallen by 1.5 percentage points, but at 19.1 % is still very high.

External sector

- ▶ External trade has perked up noticeably. The increase in imports reflects buoyant domestic demand. The current account deficit is likely to amount to just under 2 % of GDP in 2004. Foreign direct investment inflows plug the gap entirely. The foreign currency liquidity situation, with import cover of more than four months, is good.
- ▶ Flexible exchange rate. The zloty floats, liable at times to substantial volatility.

POLAND	2001	2002	2003	2004e	2005f
Population (m)	38.2	38.2	38.2	38.1	38.1
GDP (US\$ bn)	183.4	189.0	207.5	235.4	257.8
GDP per capita (US\$)	4,796	4,945	5,435	6,173	6,767
GDP change in % (real)	1.0	1.4	3.8	6.0	5.3
Inflation in % (annual average)	5.5	1.9	0.8	3.4	3.0
Budget balance in % of GDP	-5.1	-6.3	-6.1	-6.8	-6.3
Merchandise exports (US\$ bn)	41.7	46.7	61.0	77.0	85.0
Merchandise imports (US\$ bn)	49.3	54.0	66.7	81.5	90.0
Current account balance (US\$ bn)	-5.4	-5.0	-4.1	-4.3	-4.7
Current account balance in % of GDP	-2.9	-2.6	-2.0	-1.8	-1.8
Foreign direct investment (US\$ bn)	5.8	3.9	3.8	4.5	5.0
Foreign direct investment in % of GDP	3.2	2.1	1.9	1.9	1.9
Gross foreign debt (US\$ bn)	71.9	84.7	104.7	112.0	114.0
Foreign debt in % of exports *	133	144	141	123	114
Foreign exchange reserves (US\$ bn)	25.6	28.7	32.6	35.0	36.0
Import cover (months) *	4.9	5.1	4.7	4.2	4.0
Exchange rate year-end (Zloty per EUR)	3.51	4.03	4.71	4.60	4.70
Exchange rate annual average (Zloty per EUR)	3.66	3.84	4.39	4.62	4.65
* goods, services and income	e = estimate; f = forecast				

Poland

Basic conditions for foreign investors

General legal system:

Fulfillment of standardized EU legislation since May 1, 2004. Some transition periods are still valid, e.g. regarding free movement of labor, in the law on real estate, public procurement law and in the agricultural sector. Partly hesitant implementation of the new legal norms.

Possible company structures/minimum capital requirement:

Private limited company (Polish: Sp. z o.o.)/50,000 zloty, joint stock company (Polish: S.A.)/500,000 zloty, one-man joint stock company and one-man private limited company possible. For foreign investors also private limited company & limited commercial partnership (Polish: Sp.k.), partnership company (Polish: sp.p.), general commercial partnership (Polish: s.j.), limited commercial partnership (Polish: sp.k.) and commercial partnership limited by shares (Polish: S.K.A.) as well as branch and representative office.

Permissible holding:

Up to 100 % in nearly all sectors. Foreign investors may invest in capital privatization and privatization through liquidation by direct purchase or public tender.

Approval/establishment procedures:

Commercial register entry. Under law on economic activities (WiTG) some economic sectors require concessions and permits.

Capital contribution:

Foreign investors may bring in financial or real capital (machinery, basic commodities, patents, licenses). Financial capital in zloty or in other convertible currency. Imported real capital is duty-free under certain conditions.

Land/real estate acquisition:

For foreign individuals and legal persons generally no restrictions with the acquisition of real estate with the exception of two transition agreements, i.e. in the agricultural and forestry sector as well as in acquisition of a second home. For foreigners from non-EU countries approval of the Ministry of Home Affairs necessary. Self-employed farmers of an EU or EEA country are allowed to acquire agricultural real estate, if this real estate was leased or managed by him before and his legal domicile is now in Poland (3-7 years depending on the voivodships). Real estate can be encumbered, sold or transferred.

Qualification of labor force:

Well-trained and qualified workforce; high technical training level. Official languages: Polish, English, German.

Labor costs (per hour worked, national average):

5.23 euro (industry and service sector, estimation, 2003). Compared with EU: 19.65 euro, Germany: 25.98 euro.

Wage level/personnel costs:

Statutory monthly minimum wage: 824 zloty.

Average monthly gross wage: 2,350 zloty.

Average monthly net wage: 1,595 zloty.

Considerable regional fluctuations as well as between branches of industry. Employees of foreign companies expect to earn more.

Average monthly gross wage (compared with Germany/EU, 2003):

534 euro (Germany: 2,460 euro, EU: 2,396 euro).

Social security contributions:

Employer's contribution: 19.68 % of gross wages

(9.76 % pension scheme, 6.5 % disability pension fund, 2.45 unemployment fund, 0.97 % accident insurance).

Employee's contribution: 26.96 % of gross wages

(9.76 % pension scheme, 6.5 % disability pension fund, 8.25 % health insurance, 2.45 % insurance for wage spare payment in the medical case).

Legal forms to protect foreign investments:

Business Activity Law (1999).

Agreement with European Union:

Association Agreement since February 1, 1994. EU member since May 1, 2004.

Profit and capital repatriation:

Free for foreign investors after taxes.

Taxation (without application of bilateral agreements):

Income tax:	19-40 % (progressive tariff).
Corporate tax:	19 % (formerly 27 %).
VAT:	22 % (basic rate) as well as 0 % and 7 %.
Withholding tax:	19 % on dividends, 20 % on interest.
Stamp duty:	0.1 % on partnership contract and corporate loans (2 % on other loans).

Customs tariff:

Accession to customs tariffs of the European Union as of May 1, 2004, i.e. free traffic of goods between the old and new European Union member states; customs declarations are not required. For supplies from third countries uniform customs tariffs of the European Union are applicable. WTO member since July 1995.

Special economic zones:

There are 14 special economic zones in the 16 voivodships (regions) with numerous sub-zones. Technology parks and centers are in Gdansk, Krakow, Lodz, Poznan, Warszawa and Wroclaw.

Tax concessions for foreign investors/EU grants:

Possible in the special economic zones. In the course of adjustment to EU competition law until 2010 regional aid with subsidization of new investments in case of job creation and training (aid amount maximum 34 % of the total investment). There are government subsidies in various industries, especially in environmental protection and on regional level. In addition, the Polish Ministry of Economics is preparing an amended law with further privileges. For the period 2004-2006 we estimate, after deduction of contribution to the EU budget, 2.1 % per year of the GDP is expected from the EU agricultural fund as well as the EU structural and cohesion funds (infrastructure, environment).

Foreign exchange regulations:

Since April 2000 free floating of the Polish zloty. The zloty is fully convertible. Accession to the European Exchange Rate Mechanism II (EMS II) at the earliest 2007. Introduction of the euro at the earliest 2009.

Inflow of foreign direct investment (gross, 2003): 3,767m euro

Main countries of origin:

France (19.1 %), Netherlands (13.6 %), USA (11.9 %), Germany (11.6 %), Italy (5.3 %), United Kingdom (5.1 %).

Main sectors:

Financial sector (23.3 %), energy sector (3.7 %), automobile industry (9.5 %), trade and services (15.9 %) and transport and communication (10.2 %).

Forthcoming privatizations:

A broad selection in the sectors energy (gas, mineral oil, electricity), chemicals, steel mills, dockyards as well as in the pharmaceutical sector. Visit internet address www.infopolen.de for current privatization offers.

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