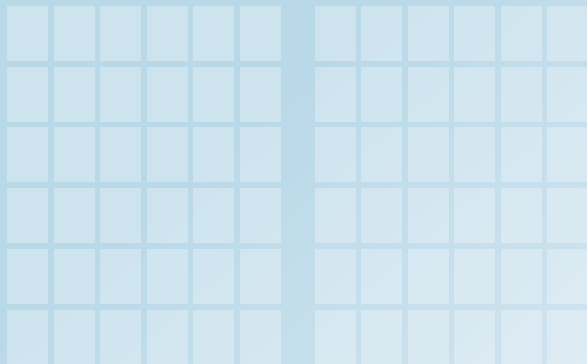
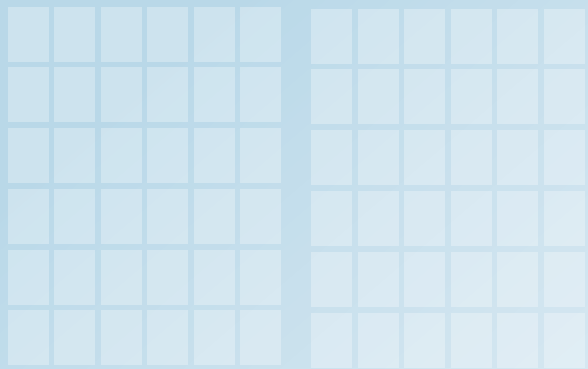


Poland as the destination for Shared Services Centers

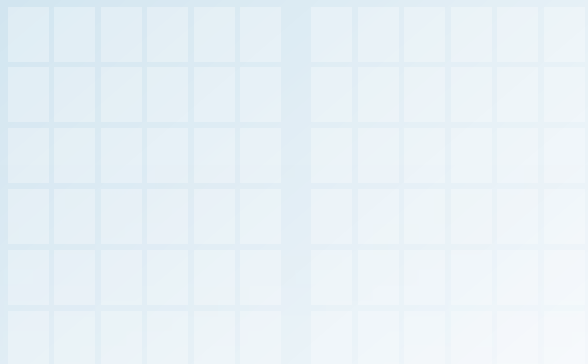
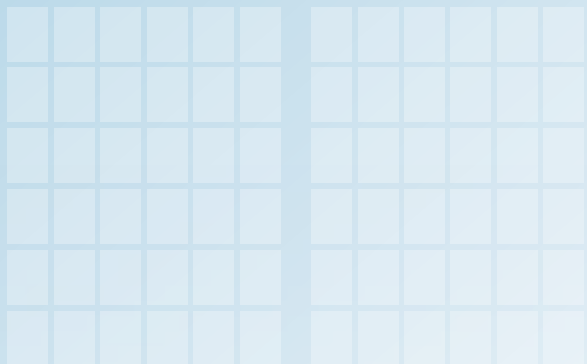
KPMG IN POLAND



Shared



Services



Centers



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Foreword

The global crisis has forced various companies to look for new initiatives that will help them to reduce costs. Centralization of business functions in the form of a shared services center (SSC) or a business process outsourcing (BPO) center can contribute to cost reduction, especially if the location of sourcing services has a lower cost base. A favorable location for the SSC or BPO plays a key role in the success of such a project, considering also the quality and performance of business services provided by these centers.

We have been observing that Central and Eastern Europe and Poland in particular are getting growing attention from investors analyzing sourcing options. In this report KPMG examines how Poland is suitable as the potential destination for locating SSC or BPO operations. Our goal was to provide a comprehensive picture of the economic environment in Poland – human resources capital and variety of locations available – to enable our international clients to make a quick initial assessment of how this country can meet their specific requirements when selecting the location. We are aware that we have not been able to answer all potential questions that could arise during the site selection process. Therefore, if there is any additional question or issue that requires further elaboration, our sourcing team located in Poland will be very keen to provide you with support.



Jerzy Kalinowski

Partner
Risk Advisory Services



1

Introduction

1.1 Right location as a prerequisite for the success of a shared services center

The concept of sourcing addresses one of the key business questions: how to obtain better services at a lower cost and manageable risk. The recent economic slowdown has resulted in increasing interest in setting up shared services centers capable of servicing dispersed operational units of a company or a group. Clearly, cost reduction is the key driver for many companies that are currently analyzing opportunities for setting up shared services centers. However, process quality and productivity improvements resulting from centralization and standardization are additional benefits. In today's world investors are also extremely concerned with risk and therefore they take into account the need of balancing the risk inherent for the operation of a centralized function.

Location is of fundamental importance for the success of any sourcing project. Understandably, investors primarily search for locations where labor is less expensive. However, the key issue is the availability of a highly-qualified workforce, especially considering increasing competition for these resources, which is inevitable since the majority of companies planning to off-shore focus on the same group of locations. Therefore, considering the current situation and developments in the next years, the strategic decision where to locate a new service center requires an increasingly comprehensive understanding of the target location, its talent potential and competition for resources, as well as the economic, political and social environment. It is also necessary to make allowance for predictions regarding the change drivers having impact on the future shared services center and its operation.

1.2 Goal of the report

Central and Eastern Europe, with its dynamic growth as well as economic and political stability, has been attracting a growing number of investors who consider it as an excellent location for their sourcing units servicing primarily the EMEA (Europe, Middle East and Africa) region. Poland is by far the largest country in the region and also has the largest pool of highly-qualified human capital. In addition, the country offers diversity of locations that may meet the specific investor's criteria. Moreover, many multinational companies already have a significant presence in Poland, and therefore this country is usually considered as one of the primary location targets.

The goal of this report is to examine Poland as a potential location for shared services centers or business process outsourcing centers. We provide basic information about Poland and its attractiveness for investors, which will enable an initial assessment of the country and key potential locations for sourcing centers. The report specifically covers the following areas:

- Why Poland is currently attracting investors
- Key economic and political data
- Availability and cost of educated human capital
- Grants and incentives available for investors
- Examples of shared services centers already established in Poland
- Key potential locations and their characteristics.

We focus on information that is necessary for investors planning to set up a shared services center in the area of accounting or finance, IT or R&D. However, this data should also enable investors already operating in Poland to conduct an initial analysis when they are planning to locate another human capital intensive part of their operations here. In addition, we provide comprehensive information on various aspects associated with doing business in Poland. Should any company interested in setting up a shared services center / BPO operation in Poland require any additional information about Poland, its potential and environment, KPMG would be keen to provide them with this information, assisting also in detailed location studies, and potentially in the further steps aimed at successfully launching the operation of the sourcing center.

2

Why Poland attracts investors

2.1 Introduction – information about Poland

Country area	312,685 sq km
Population	38.1 million
Capital	Warsaw
Official language	Polish
Time zone	GMT +1
Currency	Polish Zloty (PLN) = 100 groszy (gr.)
Climate	Mostly temperate with four distinct seasons, with min. and max. temperatures ranging from -20 to 35°C

Poland is situated in the very heart of Europe. Having access to the Baltic Sea, Poland links in a natural way Northern and Southern Europe, as well as Western Europe (Germany borders Poland to the west) with Russia, the Ukraine, and Belarus. It is by far the largest country in the Central & Eastern Europe (CEE) region and with size and population comparable to Spain it belongs to the group of largest countries in the European Union (EU).



After the Second World War, Poland and other countries in the CEE were incorporated into the Soviet Union zone of interest. However, the erosion of the communist system began in Poland. The Solidarity movement and Lech Walesa, having strong support from Pope John Paul II, initiated the wave of changes that affected the entire Central & Eastern Europe, leading to the collapse of the Berlin Wall. The first free elections in the communist bloc were held in Poland in June 1989, and since then the country has dramatically transformed its political and social system, becoming one of the most dynamic economies in Europe in recent years. Poland joined NATO in March 1999 and today is considered one of the most active members of the organization, taking part in many stabilization missions. Finally, in May 2004 Poland became a full member of the European Union with all implications for the political, legal and economic system. From the investors' point of view this means that Poland has to follow up the EU directives, which actually significantly reduces investor risk.

2.2 Stability

Today, Poland is a parliamentary democracy headed by the President elected in general elections and the Prime Minister, who is elected by the Parliament and leads the Government. The country belongs to key international organizations like WTO and OECD, which confirms its strong position in the world political and economic system.

Poland is a quite homogenous country with national minorities representing less than 5% of the total population and the vast majority of inhabitants declaring themselves as members of the Roman Catholic Church (the country adopted Christianity in 996!). It is a country free from terrorism and not exposed to ethnic and religious conflicts inherent to many other regions.

In January 2012 Poland plans to join the Euro Zone. So far, the country has been successful in meeting the majority of Maastricht criteria enabling it to adopt the Euro currency.

2.3 Economy

Poland is one of the fastest growing economies in Europe. Poland's gross domestic product (GDP) grew by 4.8% in 2008¹ and remains well above the European Union average (1.2%)². The current GDP per capita in Poland is USD 14,893³. According to the European Commission's forecasts, in 2009 Poland will be the second fastest growing economy in the EU.

Poland's population of 38.1 million people makes the country the 33rd largest market in the world and the 6th largest in the EU. Fast economic growth has helped to reduce the unemployment rate, which resulted from radical economic reforms.

¹ Central Statistical Office, 2009.

² Eurostat, 2009.

³ Poland's GDP per capita based on purchasing-power-parity (PPP) amounts to USD 17,560; source: International Monetary Fund.

Table 1
Key economic data for Poland

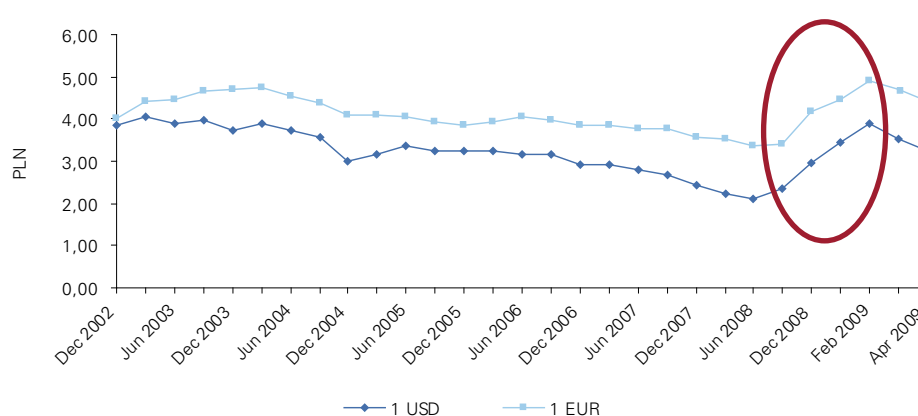
Year	2007	2008	2009 forecast	2010 forecast
Real GDP growth (%)	6.6 [S]	4.8 [S]	1.1 [EC]	2.2 [EI]
Population (mn)	38.1 [S]	38.1 [S]	38.1 [S]	38.1 [S]
Inflation rate (%)	2.5 [N]	4.2 [N]	3.2 [N]	1.9 [N]
Unemployment rate (%)	11.2 [S]	9.5 [S]	12.3 [EI]	11.5 [EI]

Source: EC – European Commission, S – Central Statistical Office, N – National Bank of Poland, EI - Economist Intelligence Unit. Presented forecasts were prepared in 2008; actual data at the 2009 and 2010 year-end may be different due to specific market conditions

Progressive economic growth is additionally strengthened by EU structural funds – Poland is likely to rank first out of all EU countries in the total amount of contributions granted in the period of 2007-2013.

In this decade, the Polish currency had been steadily gaining strength against both the US Dollar and the Euro, mainly due to large-scale direct investments and increasing efficiency of the economy. This trend continued until mid-2008. However, since then the exchange rate of the Polish Zloty has fallen considerably against both currencies.

Chart 1
Average exchange rate for the PLN against the USD and EUR in the period of Dec 2002 – Apr 2009



Source: National Bank of Poland (NBP)

Since February 2009 the situation has began to stabilize and the exchange rate of the Zloty against all major currencies is once again beginning to improve. The sharp devaluation of recent months has nothing to do with the condition of Poland's economy and forecasts in this domain remain very favorable for the country. It was rather a result of currency speculations (including currency options), as well as a steady withdrawal of capital from the market.

Table 2
Yearly average exchange rates in the period 2003 – 2010

Year	2003	2004	2005	2006	2007	2008 <i>estimation</i>	2009 <i>forecast</i>	2010 <i>forecast</i>
Exchange rate PLN/EUR (average)	4.00 [N]	4.53 [N]	4.03 [N]	3.90 [N]	3.78 [N]	3.52 [N]	4.30 [G]	4.00 [G]
Exchange rate PLN/USD (average)	3.89 [N]	3.65 [N]	3.23 [N]	3.10 [N]	2.77 [N]	2.41 [N]	3.30 [G]	3.00 [G]

Source: N – National Bank of Poland, G – The Gdansk Institute for Market Economics. Presented forecasts were prepared in 2008, actual data at the 2009 and 2010 year-end may be different due to specific market conditions

The exchange rate has to be considered in light of the current economic crisis. World Bank's report regarding the state of economies in 10 new EU Member States shows that the global crisis has affected Poland's economy by decreasing external demand for Polish exports, which in turn leads to limited economic activity and lower FDI inflows. However, Poland is in the best fiscal and financial condition among all new EU countries, and according to the World Bank its GDP will nevertheless increase by 2% in 2009.

A recent report by the European Bank for Reconstruction and Development (EBRD)⁴ also recognizes Poland's economic situation as the best in the Central and Eastern Europe region. It states that the reaction of Poland's economy to the crisis will be less sudden than in other CEE countries. EBRD experts believe that Poland will be among the few countries, where the crisis will only limit the economic growth rate.

A similar opinion has been expressed by experts from one of the world's biggest banking and financial institutions – HSBC. In their economic forecasts for 2009⁵ HSBC analysts state that Poland's economy stands out from among other countries of the CEE region; it has solid foundations protecting it from the effects of the global economic slowdown and allowing it to retain good economic condition in 2009.

⁴ EBRD Transition Report 2008: Growth in transition – the report analyzes economic results and the pace of introducing reforms in the countries of Central Europe, the former Soviet bloc, Mongolia and the Balkans.

⁵ Global Economics 2009 report analyzing all European economies.

It is also worthwhile to mention that the Polish Government is playing an active role in counteracting the effects of the economic crisis. In January 2009 it presented a so called “anti-crisis package”, i.e. a set of measures aimed at ensuring economic growth (incl. tax relief for direct investors), stability of the banking sector (incl. mechanisms for bank bailout), as well as creating appropriate conditions for companies to gain access to necessary capital (incl. credit guarantees).

2.4 FDI and key investors in Poland

Since the collapse of the communist systems in 1989, Poland has attracted numerous international investors. During the last five years some of the world’s largest companies have invested in Poland, including LG Philips LCD, Bridgestone, Dell, Sharp, Whirlpool, Gillette, Cadbury Schweppes, MAN Trucks, LG Electronics, Toshiba, CapGemini, Shell, ABN Amro, HSBC, Hewlett-Packard, Lenovo, IBM, Reuters or Google⁶.

According to estimates from the National Bank of Poland, the value of foreign direct investment in Poland reached the level of EUR 16.6 billion in 2007, more than in any other country in the CEE region. The initial estimations show that as a result of the global financial crisis in 2008 the total foreign investment inflow has decreased to EUR 11.2 billion. However, Poland still remains one of the top business locations in the world. According to a survey prepared by the intergovernmental body UN Conference on Trade and Development, Poland is the world’s 11th most attractive economy for the location of FDI behind China, India, the US, Russia, Brazil, Vietnam, Germany, Indonesia, Australia, Canada, Mexico and the UK⁷.

The attractiveness of Poland is also confirmed by the fact that according to Global Services magazine’s Top 50 Emerging Global Outsourcing Cities 2008 special research report, Cracow was indicated as the fifth best place to locate an outsourcing center in the world preceded only by cities in Asia. That represents an improvement of 11 positions in comparison to the report’s 2007 edition and Cracow is expected to continue moving up the ranking.

Table 3
Foreign direct investments inflow to Poland (billion EUR)

	2004	2005	2006	2007	2008 estimation
Amount of FDI inflow	10.305	8.260	15.576	16.582	11.150

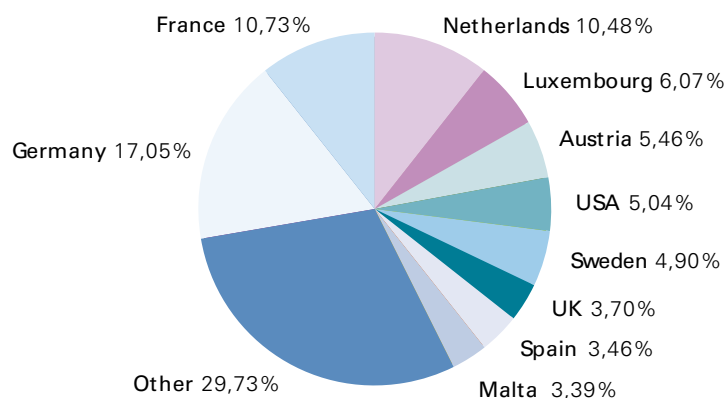
Source: National Bank of Poland (NBP), 2008

⁶ Polish Information and Foreign Investment Agency (PAIIZ) – projects concluded in the period of 2004 - 2008.

⁷ World Investment Prospects Survey 2008-2010, United Nations Conference on Trade and Development.

Chart 2

Structure of foreign direct investments inflow to Poland in 2007



Source: National Bank of Poland (NBP), 2009

Poland offers a system of incentives that increases the attractiveness of the country (for more details see section "Incentives for investors"). In addition, companies investing here benefit from the current policy of the Polish Government, which promotes foreign investors as important contributors in the modernization and rationalization of activities in various economic sectors, particularly in the manufacturing industry (including high-tech), transportation, communications, banking and environmental protection. In recent years, many regional shared services centers and R&D centers have been established in Poland contributing to the expansion of the innovation background and finally allowing for the creation of a modern economy based on knowledge. Future inflow of FDI will depend largely on the development of the service sector and will be influenced by the 2012 UEFA European Football Championships (commonly referred to as EURO 2012)⁸ and possible entry into Euro Zone.

⁸ Poland will host the event together with the Ukraine during the summer of 2012.

Table 4

Examples of investment projects concluded in 2007 and the first six months of 2008 with PAIilZ's assistance

Company	Country of registration	Sector	Location	Investment (mn EUR)	Final number of jobs
ABN Amro	Netherlands	BPO	Warsaw	4.3	590
Cadbury	UK	food	Wrocław region	20	550
Dell	USA	electronics	Łódź	200	3,000
First Data Corporation	USA	BPO	Gdańsk	3	400
Funai	Japan	electronics	Nowa Sól	18	500
Google	USA	BPO	Wrocław, Kraków	1.5	270
HSBC	UK	BPO	Kraków	4.2	493
Indesit	Italy	electronics	Łódź region	77.7	1,313
Johnson Controls	USA	automotive	Katowice region	36.1	1,000
Mondi	UK	paper	Świecie	280	140
Procter & Gamble	USA	chemical	Łódź region	37	210
Reuters	Switzerland	BPO	Gdańsk	1.7	300
Toshiba	Japan	electronics	Wrocław region	42.8	1,006
TPV Technology	China	electronics	Gorzów Wielkopolski	40.7	1,200
Zensar Technologies	India	BPO	Gdańsk	1.8	350

Source: Polish Information and Foreign Investment Agency (PAIilZ), 2009

2.5 Infrastructure

Poland, located in the very center of Europe, has convenient air, railway, road and sea connections with other countries on the continent. The Polish civil aviation system consists of the Frederic Chopin "Okęcie" Airport in Warsaw (by far the largest and most important in Poland with over 70 flights per day and serving a total of 72 destinations) and 11 regional airports providing domestic, as well as European and intercontinental connections.

Chart 3
Airports in Poland



Source: The State Enterprise "Polish Airports" (Przedsiębiorstwo Państwowe "Porty Lotnicze")

Poland's national railway network ensures fast and safe transport of passengers and goods between all major Polish cities, as well as to both Western and Eastern Europe. The main destinations include Germany, Slovakia, the Czech Republic, and former Soviet Union countries. Poland also continues to develop container transport with main container terminals located in Gdańsk, Warsaw, Łódź, Cracow, Sosnowiec, Krzesławice and Wrocław.

Poland's biggest bottleneck results from poor motorway infrastructure. The country predominantly lacks motorways connecting major cities as well as beltways allowing cars and trucks to smoothly transit across the country. However, the Government has given infrastructure development top priority, and there are many construction projects under way (many of them are financed from EU funds). In addition, hosting of the EURO 2012 should encourage Poland to speed up developments in this area.

Office space is easily available in all larger towns and cities in Poland⁹. In recent years, the country has seen a real boom on the construction market, with a great number of residential housing, retail property and office building projects being developed. At one point enormous demand caused real estate sales and rental prices to skyrocket. However, the global crisis has significantly affected the real estate market in Poland, resulting in a material decrease of prices. Moreover, on the office space market as a result of individual negotiations between office developers and occupiers the asking price can be lowered even up to 50%, i.e. taking into account the rented floor space, rental duration period, city district. Therefore, in terms of real estate prices this may actually be the best moment for investors to establish activity in Poland.

In 2008, there were over 300 shopping and entertainment centers in Poland with the majority located in the largest urban areas. The number should grow to about 360 in the near future with new projects being constructed mainly in smaller cities. Poland is also experiencing a real boom in the tourism and hotel industry. The dynamic growth that began in 2005/2006 has been the effect of the good economic situation, the inflow of EU funds for developing tourism, as well as the awarding of EURO 2012.

In terms of telecommunications infrastructure development, Poland has the modern digital infrastructure that meets the requirements of all types of investors. At the end of the 3rd quarter of 2008, the mobile penetration rate surpassed 107%¹⁰. There are currently 4 mobile network operators on the Polish market providing GSM and 3rd generation services, as well as a growing number of MVNOs. The total broadband Internet penetration rate reached 27.7% in 3Q 2008, increasing by over 7% since the beginning of 2007. Individual and business clients can access the Internet by means of landline, wireless (WiMax) and mobile (EDGE, 3G) technology. Optical fiber networks are being developed in all major cities and there are numerous hotspots commonly accessible.

The average costs per minute for business customers¹¹ amount to PLN 0.13 (EUR 0.03) for local calls, PLN 0.16 (EUR 0.036) for long-distance calls and PLN 0.55 (EUR 0.12) for international calls. The average monthly cost of broadband Internet access in 2008 was approx. EUR 43, however it is expected that the average price will steadily decrease during the next two years to the level of approx. EUR 15-20¹² for 2 Mb/s.

⁹ Marketbeat – Polish Real Estate Market Report, Cushman & Wakefield, Spring 2009.

¹⁰ Telecoms Market Matrix – Central and Eastern Europe, Analysys Mason, January 2009.

¹¹ Polish Office for Electronic Communications (UKE), 3Q 2008.

¹² UKE's telecommunications market strategy for the years 2008-2010.

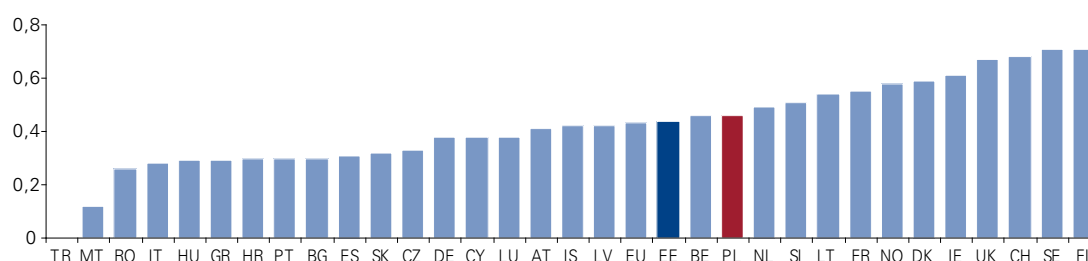
2.6 Human capital

The massive availability of young and highly-qualified labor resources is the key advantage of Poland. The country has almost two million students attending university level education institutions (i.e. half of the population between 19 and 24 years of age), and over 400 thousand graduates per year, with these figures steadily increasing. That gives it the first rank in the CEE region. In contrast to other countries in the region, Poland has many strong academic centers located in a number of cities. The biggest ones are: Warsaw followed by Cracow, Poznań and Wrocław. However, other cities like Łódź, Gdańsk and Lublin also have a student community of over 100 thousand.

According to a comparative analysis of innovation performance in Europe commissioned by the EC¹³, Poland ranks well above the EU average and tops many of its neighboring countries in terms of the quality of human resources. The criteria used to assess the countries' innovation performance in this area included: the number of graduates of tertiary education institutions per 1,000 population aged 20-29, number of doctorate graduates per 1,000 population aged 25-34, percentage of the population with tertiary education among those aged 25-64, participation in life-long learning among those aged 25-64 and youth education attainment level.

Chart 4

Innovation performance in Poland in comparison to other European countries



Source: European Innovation Scorecard 2008

Good quality of the Polish educational system and availability of talents are reflected by many specific achievements of Polish scientists like the discovery of the first extra-solar planetary system or the creation of the technology used in blue laser production. For many years now Polish students have been winning the most prestigious international finance and IT competitions, including the Europe Merrill Lynch Investment Challenge¹⁴, Microsoft Imagine Cup¹⁵, ACM International Collegiate Programming Contest¹⁶ sponsored by IBM and Google Code Jam¹⁷.

¹³ European Innovation Scorecard 2008, Comparative Analysis of Innovation Performance, Maastricht Economic and Social Research and Training Centre on Innovation and Technology (UNU-MERIT), January 2009.

¹⁴ First place for the team from the Warsaw School of Economics (2007).

¹⁵ First places for Polish teams in 2007 in three categories: algorithms, photography, short film (2007); third places in 2008 in two categories: integrated systems design and software design (2008).

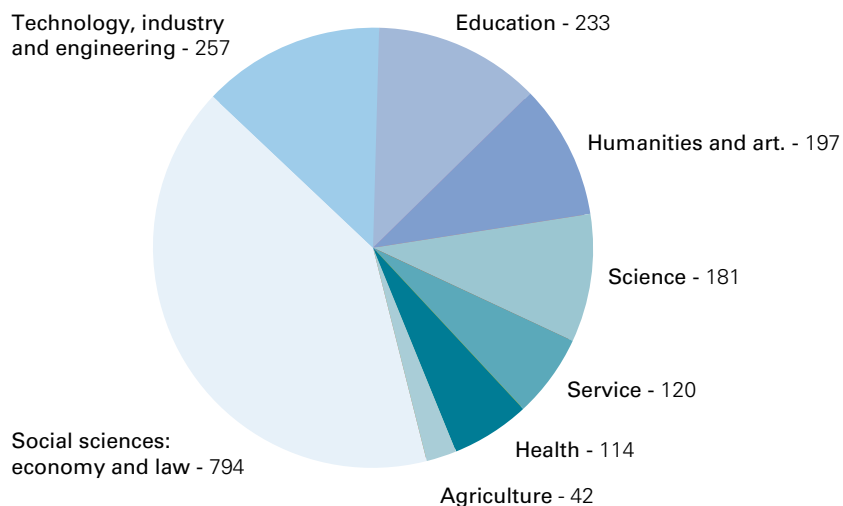
¹⁶ Gold medals for teams from the Jagellonian University in Cracow (2006) and Warsaw University (2003, 2007).

¹⁷ Poland's representatives won the competition in 2005 and 2006; many others appear in the final round each year, including 5 Polish students in 2008.

In recent years, Poland's tertiary education institutions like Warsaw University, the Jagiellonian University in Cracow¹⁸, Warsaw School of Economics¹⁹ and the Business School of the Warsaw University of Technology²⁰ have been recognized among the best in Europe and the world by prestigious international rankings. Furthermore, many business schools have established close cooperation with recognized institutions from Europe and the US, like the London Business School, HEC School of Management Paris, RSM Erasmus University, the University of Illinois or University of Minnesota.

The most popular faculties in Poland are connected with social sciences: economics and law and also technical sciences²¹.

Chart 5
The number of faculties in Poland



Source: Central Statistical Office, 2007

Polish students also have good knowledge of foreign languages. Over half of them speak fluent English and the vast majority of the rest have a basic understanding of the language. The second most commonly studied language is German followed by Russian, French and Spanish. Furthermore, philology faculties of leading Polish universities provide students with an opportunity to major in all European languages, as well as others like Chinese or Japanese.

Multinational companies operating in Poland are usually very satisfied with their Polish employees and an increasing number of Poles are promoted within corporations and posted on key management positions in other countries.

¹⁸ Shanghai Jiao Tong University's Academic Ranking of World Universities.

¹⁹ Financial Times Top European Business Schools Ranking.

²⁰ TopMBA – ranking of schools most preferred by employers.

²¹ Central Statistical Office, 2007.

2.7 Labor costs

The economic situation in the world implies that labor costs play an increasingly important role for investors. Despite fast economic growth, Poland's employment costs are among the lowest in all of Europe. The average monthly salary in 2008 was about PLN 3,200. Since January 2009 the minimum wage is PLN 1,276.

Table 5
Key labor market statistics

Year	2007	2008 estimation	2009 forecast	2010 forecast
Average monthly salary (EUR) [G]	763.3 [K]	905.2 [K]	–	–
Annual changes in unit labor costs (%) [EI]	18.70	23.40	-14.30	6.50
Labor costs per hour (EUR) [EI]	7.00 [K]	8.25 [K]	7.45 [K]	8.20 [K]
Labor productivity growth (%) [EI]	2.20	1.20	2.70	2.90

Source: EI – Economist Intelligence Unit, G – Central Statistical Office, K – KPMG calculation

Until the second half of 2008, employers were under strong pressure to increase wages in Poland. As the result, salaries have been steadily increasing year to year. However, as Poland's economy has begun to experience the effects of the global crisis, Polish employees have realized immediately the consequences of the current situation and lowered their expectations with regard to the level of salaries. Although the financial elements of remuneration are still decisive, most young people are also interested in career development opportunities, employer branding, and additional incentives offered by companies like: medical package or financing of sports and recreational activities.

2.8 Legal aspects of employment in Poland

Employment conditions are regulated by the Labor Code, which applies to both Polish citizens and foreigners employed in Poland. In order to be employed in this country, foreigners must obtain a work permit from the relevant administration authority, barring specific exemptions²².

Remuneration is usually negotiated between the employer and employee, unless it is defined in a collective labor agreement. Every year, the Minister of Economy, Labor and Social Policy determines the minimum level of a monthly gross remuneration (PLN 1,276 in 2009). Starting this year the personal income tax rates paid by individuals have been reduced and currently amount to 18% (for annual income not higher than PLN 85,528) and 32% (for income above that amount). Employees are also obliged to pay a share of their health and social insurance contributions, which is deducted from their salaries and paid on their behalf by the employer along with his share. The health insurance contribution rate is 9%. The division of social insurance contributions is as follows:

Table 6
Specification of the employee's social insurance contributions

Contribution type	Employer's share	Employee's share	Total
Pension Fund	9.76%	9.76%	19.52%
Disability Fund	4.50%	1.50%	6.00%
Illness Fund	–	2.45%	2.45%
Accident Fund	0.67 – 3.60%	–	0.67 – 3.60%
Employees' Guaranteed Benefits Fund	0.10%	–	0.10%
Labor Fund	2.45%	–	2.45%

Source: KPMG

²² For more details please see Legal aspects of business operations in Poland – Labor regulations (forms of employment) at kpmg.pl

3

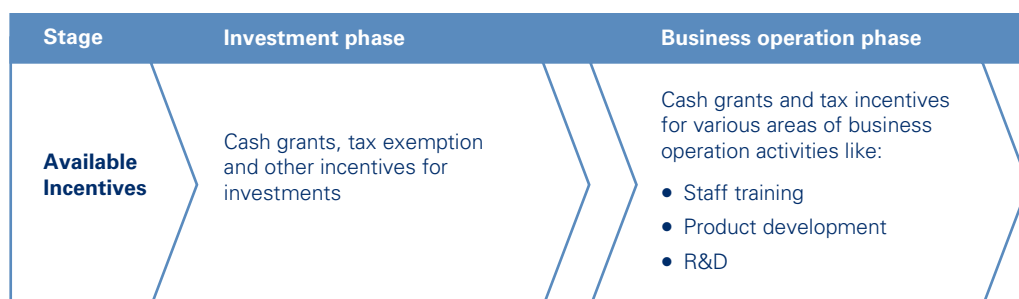
Incentives for investors

Investment incentives granted to investors are subject to Polish and EU state aid rules, which determine among others the maximum level of support, types of beneficiaries and detailed criteria for receiving support.

An investor considering Poland as his target destination may benefit from multiple investment incentives that can be divided into two phases: incentives for new investments and incentives granted during the project's business operation phase.

Chart 6

Main incentives for shared services centers in Poland



Source: KPMG

Investment phase

European Union cash grants

Companies may apply for support to create new or develop existing shared services or BPO centers, where at least 100 new employees will be hired (Innovative Economy Operating Program, measure 4.5.2). Eligible costs within the framework of investment activities are practically all investment-related costs, including:

- The cost of tangible and intangible assets
- Two years' salary costs for new employees.

For SSC the maximum refund amounts to 30% of eligible costs, however for R&D Centers, depending on the localization, the maximum cash grant for large enterprises amounts to 50% (70% for small and medium enterprises).

Multi-Annual Support Program (MASP)

The Multi-Annual Support Program is designated for large investments crucial to the Polish economy. MASP support is granted due to the value of the investment and/or cost of creating new workplaces. In case of shared services centers, gaining the grant by virtue of both reasons means creating at least 250 workplaces (employment grant condition) and eligible costs in the value of at least PLN 160 million (investment grant condition). It is also possible to benefit from one of those grants. The level of support depends on the investment and ranges between PLN 3,200 and 18,700 per one workplace in case of the employment grant and 1% to 10% of investment costs in case of the investment grant.

Special Economic Zone (SEZ)

The basic benefit of investing in a special economic zone is the possibility of obtaining a tax allowance consisting of a corporate income tax exemption. Currently, the corporate income tax rate in Poland is 19%. The income tax exemption depends on the investment location and company size. The maximum tax exemption available for a single investor in Poland is 70% of investment expenditures or two years' labor costs (up to 50% for large companies). The precondition for obtaining income tax exemption is a permit to operate in an SEZ where the investor declares, inter alia, the investment expenditure level and planned employment.

An investor may request that SEZ status is granted to an area indicated by him (after meeting certain criteria), which allows him to apply for an SEZ permit and use the income tax exemption in this area.

Local authorities' support

Local authorities in Poland are aware of the fact that new investments increase the attractiveness of their regions and provide prospects for development. The range of local authorities' support depends on individual negotiations with the investor and can cover, inter alia, support in the scope of finding office space and staff training. On the basis of a resolution passed by the relevant local authorities, the investor may be granted real estate tax exemption. The amount of aid depends on the sum of investment expenditure, or two years' labor costs. Therefore, the possibility of obtaining a real estate tax exemption and its value should be assessed on a case-by-case basis.

Business operation phase

Staff training

Companies operating in Poland can obtain training grants within the Human Capital Operating Program (hereafter: HC OP). It is possible to apply for financial support for the following types of training projects:

- **General training** – related to obtaining knowledge that can be useful for the trained employee not only on a specific position, but also potentially useful on other positions at different companies in the future. This may include training in the operation of an accounting program or text editor, sales techniques or time management training.
- **Specialized training** – related to obtaining knowledge that is useful for an employee only in a specific position (e.g. operation of specialized machinery).

The maximum aid level ranges from 60% to 80% of eligible costs for general trainings and 25% to 45% of eligible costs for specialized training. In both cases the maximum value of the support amounts to EUR 2 million and the project duration cannot exceed two years.

Product development and R&D activities

Financial support will also be provided to projects in the scope of:

- Development of R&D activities through investments (support range between 30% and 70%)
- R&D activities concerning technical, technological or organizational undertakings and putting them into practice, for example through the purchase of production lines (support range between 25% and 70%)
- Creation and implementation of industrial design related solutions (support range between 30% and 70%)
- Investments in purchasing and implementing new technologies (support range between 30% and 70%).

Example

Investment phase

A large enterprise²³ is planning to set up a shared services center in Szczecin and employ 350 people. Total investment cost will be EUR 20 million.

One of the possible scenarios of co-financing the abovementioned investment is to apply for an investment grant within EU cash grants and an employment grant within the MASP.

The maximum support available for the investor in this scenario is presented below:

EU cash grant	30%	x	EUR 20 million	=	EUR 6.0 million
MASP (employment grant)	350	x	EUR 3,840.91 ²⁴	=	EUR 1.34 million

Total support					EUR 7.34 million
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Business operation phase

After setting up the SSC, the abovementioned investor is planning to train all of his employees in the scope of operating the company's accounting system and improving their German language skills. Accounting system training costs will amount to EUR 750 thousand, German language training – EUR 500 thousand. The maximum support is presented below:

Accounting system training	25%	x	EUR 750 thousand	=	EUR 187.5 thousand
German language training	60%	x	EUR 500 thousand	=	EUR 300 thousand

Total support					EUR 487.5 thousand
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²³ Large enterprises are those with more than 250 employees and annual turnover of more than EUR 50 million or a total annual balance of more than EUR 43 million.

²⁴ Assuming 4.4 PLN/EUR exchange rate.

4

Shared Services Centers in Poland

4.1 Introduction

Poland is recognized and appreciated by international companies as a good location for shared services centers. The companies choosing to establish their operations here have emphasized such factors as: convenient location, excellent economic conditions for investment, favorable labor costs, and in particular availability of well-educated and highly-qualified human resources. According to the Polish Information and Foreign Investment Agency (PALIZ), the 300 biggest service centers in Poland already employ some 45,000 people and it is predicted that the number will grow to approximately 70,000 during the next 2 years.

Shared services really began developing in Poland at the turn of the 21st century, with the biggest wave of investments coming after Poland's accession to the European Union (so far the record setting year was 2006, when 37 companies founded their service centers in Poland). The main areas of specialization of Poland's service centers include: accounting and finances, IT services and research and development.

The following map presents the most important Shared Services / BPO investments in Poland.

Szczecin

Arvato Services
ATS-SI
Comarch
Macrologic
Prokom Software
Sagra Technology
Softvig
Stream International
TietoEnator
Unizeto Technologies
Vobis

Bydgoszcz

Alcatel-Lucent
Atos Origin

Poznań

Arvato Services
Carlsberg
Dalkia Services
Duni
Franklin Templeton
Investments
GlaxoSmithKline
Kimball Electronics
Kleffmann
Lorenz Bahlsen Snack-World
MAN
Microsoft
Telcordia Technologies
Unilever
Wikia
W. R. Grace & Co.

Zielona Góra

ABD

Wrocław

CAN
Credit Suisse
Diehl Controls
GE Money / Genpact
Google
Hewlett-Packard
KPIT Cummins
QAD
Remy Automotive
Siemens
UPS
Volvo
WABCO
Wipro

Tri-city

Intel
Lufthansa Systems
Reuters
ZenSar Technologies

Elbląg

Alstom

Olsztyn

Citigroup

Warsaw

ABN AMRO
AVON
Citi Group
CTM Teleperformance
Dimar
General Electric EDC
Guest-Tek
Hewlett-Packard
IBM
Oracle
Roche
Samsung
SAS Institute
Sitel
Tchibo
TNT Express
Transcom

Łódź

Atos Origin
Bosch-Siemens
Citi Group
Comarch
Fujitsu Services
General Electric
Indesit
mBank
Phillips (Infosys)
Teleca
UniCredito

Lublin

Genpact
Inteligo – PKO BP
PCM
Telekomunikacja Polska

Cracow

ABB
Accounting Plaza (Ahold)
Affiliated Computer Services
Alexander Mann Solutions
BP
Comarch
Delphi
Electrolux
Google
Hewitt Associates
Hitachi Data Systems
IBM
International Paper
Lufthansa
Motorola
Philip Morris
Pliva
RR Donnelley
Sabre Holdings
Shell
State Street Corporation
Tesco
UBS

Rzeszów

Pratt & Whitney

Katowice

Bombardier Transportation
Kroll
Rockwell Automation

Bielsko-Biala

Avio

● SSC

● Cities selected for KPMG SSC location study

4.2 Examples of existing Shared Services / BPO Centers

Below we present a synthetic description of a couple of examples of existing shared services and business process outsourcing centers in Poland. We show different types of centers, located in various locations throughout the country, confirming our key thesis that right now Poland is a very attractive destination for SSC and BPO operations.

For each example we present a brief overview of the parent company and its operations, as well as a description of the activities performed by the SSC / BPO. We have also asked representatives of these organizations to provide us with their opinions on issues related to locating operations in Poland. The companies presented are: Avon, Delphi, Roche, Samsung and Telekomunikacja Polska (member of the France Telecom Group).

Finally, in order to provide a better understanding of the reasons why international corporations choose to locate their Shared Services / BPO Centers in Poland, we present a case study of the successful operation of Hewlett Packard's Global Business Center in Wrocław.



4.2.1 Avon

Company overview

Year of establishment	1886
Headquarters	New York City, USA
Operations	Top global brand selling cosmetics, perfumes, jewelry and clothing – world's leader in lipsticks, fragrances, anti-aging skincare
Area of operations	More than 100 countries world-wide
Annual revenues	Approx. USD 10 billion
Employment	Over 42,000 worldwide, plus a sales force of 5.4 million independent Avon Sales Representatives

In Poland, Avon operates four independent companies: Avon Cosmetics Polska – support in distributing Avon products in Poland, Avon Operations Polska – one of Europe's biggest and most modern cosmetics factories and distribution centers, Avon EMEA Finance Service Centre – processing Avon's financial and accounting operations throughout Europe, the Middle East and Africa, and Avon Mobile – managing the mobile telephony brand myAvon.

Avon EMEA Finance Service Centre (FSC)

The Avon EMEA FSC located in Warsaw has been operational since November 2005.

In February 2009 it employed 96 people – for the most part accounting specialists. The target employment level is expected to increase up to 130. Currently, the FSC provides financial and accounting services for Avon entities in Germany, Austria, Poland, the UK, Ireland, Italy, France, Spain, Portugal and Morocco. The next wave of countries transferred to the FSC is scheduled for July 2009 and will include Hungary, Bosnia, Croatia and Slovenia.

The company's operations are divided between five interdependent teams: Accounts Payable for CEE and WEMEA regions, General Ledger 1 and 2, Migration and Operations, additionally supported by an Administration team and a dedicated Business Applications unit responsible for the development and maintenance of applications such as workflow system, expense management and communication portal.



Paweł Pietruszewski

*Managing Director
of Avon EMEA FSC*

Did locating the SSC in Poland / Warsaw influence the implementation of your company's strategy, and if so how?

The creation of the SSC was an important part of the transformation of the finance function in the EMEA region. Locating the center in Poland enabled us to achieve financial benefits that combine efficiency improvements with cost arbitrage.

We chose Warsaw for a number of reasons, including cost attractiveness, availability of qualified workforce and expected synergies with other AVON companies in Poland concentrated around Warsaw.

4.2.2 Delphi

Company overview

Year of establishment	Delphi's earliest history dates back to 1888 and the founding of the New Departure Bell Company in Bristol, Conn. Until 1999 it was part of General Motors, but since then it is a wholly independent company listed on the NYSE
Headquarters	Troy, Michigan, USA
Operations	Leading global supplier of mobile electronics and transportation systems, including powertrain, safety, thermal, and controls & security systems, electrical/electronic architecture, in-car entertainment technologies
Area of operations	Global presence: 150 manufacturing sites and 28 technical centers in 34 countries
Annual revenues	USD 18.1 billion (2008)
Employment	146,600

Delphi began operating in Poland in 1994 employing 250 people. Today, it employs ca. 7,500 people in seven manufacturing plants in Jeleśnia, Krosno, Błonie, Gdańsk, Ostrów Wielkopolski and Tychy/Gliwice, and in the Headquarters and Technical Center in Cracow. The corporation has invested over USD 380 million in Poland in production and R&D.

Delphi Technical Center

The Delphi Technical Center is located in Cracow and has been in operation since July 2000. It is responsible for research and development in four engineering profiles: software and electronic products development, electrical/electronic architecture, fuel systems engineering, and global damper engineering. The Technical Center currently employs over 800 people, mainly Polish engineers, many of whom have been extensively trained at Delphi centers around the world.



Tomasz Miśniakiewicz

Country Director Finance

How do you assess the quality of services provided by your R&D center?

Delphi was the first company in the automotive sector to decide to establish an R&D center in Central & Eastern Europe. Having built the organization in Poland for over a decade, Delphi now has a team of professionals with perspective for further growth. The Cracow Technical Center has been able to develop strong confidence from customers over the last years.

When asked for a desired employer, Polish engineers have named 'Delphi' among the top companies they'd like to work for.

4.2.3 Roche

Company overview

Year of establishment	October 1896
Headquarters	Basel, Switzerland
Operations	One of the world's leading healthcare companies operating in two market segments: Pharmaceuticals and Diagnostics – global leader in in-vitro diagnostics and supply of prescription drugs for cancer treatment
Area of operations	Over 150 countries world-wide
Annual revenues	CHF 45.6 billion (approx. USD 39 billion)
Employment	80,080

Roche has been present in Poland since the beginning of the 20th century. The first business establishment was opened in Warsaw in 1923. A few years later, in 1932, the company built a medicine factory in Warsaw, but it was nationalized after World War II. Roche returned to Poland in 1986 by opening a branch office and in 1992 the company Roche Polska Sp. z o.o. was founded. Similarly to Roche operations world-wide, in Poland the company is divided into two parts: Diagnostics and Pharmaceuticals.

Warsaw Shared Services Center

The Warsaw Shared Services Center is an R&D center specializing in the creation of applications and software for the company world-wide. The center employs 300 specialists responsible for application and software development and testing, as well as IT system management and maintenance. The solutions developed by the center are exported to Roche units around the world and used mainly in clinical research and development of next-generation medicines.



Monika Białoń

*Area Head for Application
Development and
Maintenance Delivery
Pharma Informatics Services*

How do you assess the availability and quality of human resources in Poland / Warsaw?

To create highly innovative and technologically advanced products that will help to protect human health and life, you have to be sure that you employ the best people. We continue to be able to hire the best talent and Polish IT specialists have been delivering value and high quality products and services to Roche Pharma for many years now.

4.2.4 Samsung

Company overview

Year of establishment	1938
Headquarters	Seoul, South Korea
Operations	One of the world's largest conglomerates – main products include semiconductors, telecommunications, digital media and digital convergence technologies, shipbuilding, construction, financial services, automobiles, chemicals and petrochemicals, textiles/fashion, retail trade and entertainment
Area of operations	Global
Annual revenues	USD 174.2 billion (2007)
Employment	263,000

Research & Development Center

In 2000 Samsung established a Research and Development Center in Warsaw. Initially, the center employed a team of 10 programmers who developed software for digital television decoders. The project's success has led to systematic growth. In 2005, a new Digital TV Division was established and since then it is responsible for developing software for digital equipment such as LCD and plasma televisions and projectors. The R&D center's products are sold to digital television operators world-wide. The main geographic area of activity is Europe and Central-Eastern Asia.

In 2007, Samsung opened its second R&D center in Warsaw – the Mobile Technology Center. In 2008, it employed 100 specialists and according to the company's plans a further 150 people will be hired in the period of 2009-2011. The center is responsible for developing and testing software for the newest and most technologically-advanced mobile telephones.



Young Ki Byun
*Managing Director
 of Samsung Electronics
 Polska Sp. z o.o.
 Poland R & D Center*

What were the main factors that determined the selection of Poland /Warsaw as the location for the SSC?

Polish engineers are among the best specialists in Europe, experts in digital technology and use of advanced technology. They provide high quality products and Polish scientific thought is highly valued on the European Market and recognizable as such throughout the world.

The establishment of the new Mobile R&D center is a result of the predicted high quality of the products developed by Polish engineers.

4.2.5 Telekomunikacja Polska (member of the France Telecom Group)

Company overview

Year of establishment	1991
Headquarters	Warsaw, Poland
Operations	Fixed-line and mobile telecommunications, Internet access, VoIP services, leased lines, radio-communication, data transmission, digital television, multimedia services, directories and payphones, sales of telecommunications equipment, production of electronic phone cards, development, investment and construction activities related to telecommunications services and infrastructure
Area of operations	Poland
Annual revenues	PLN 18 billion (approx. USD 5 billion)
Employment	Approx. 29,500

Shared Services Center

At the turn of the century, Telekomunikacja Polska (TP) took a decision to reorganize its accounting function and transfer all regional operations to a single center. Following a gradual migration process, 103 general ledgers were consolidated into one and brought together at the TP Accounting Shared Services Center (ASSC) located in Lublin. The ASSC has been operational since 2004 and provides services for TP and all its subsidiaries.



Xavier Letzelter
*TP Group Director
 in charge of Shared
 Services*

How do you assess the availability of required human resources when setting up an SSC in Poland?

As TP Group Shared Services we deliver services in the area of accounting operations, payroll administration and supply chain operating from Lublin, Tychy and Warsaw. In each location we have professional staff, both managerial as well as operational. In my opinion the availability of human resources required for SSC is not an issue in Poland, quite the contrary – it is the country's strength on the BPO market to have a growing number of well-educated, highly-skilled people knowing foreign languages.

I am a foreigner who has been living in Poland for over 6 years, and my personal assessment is very positive – I was surprised how open-minded people are, how much dedication they put into their work, and how big their will to cooperate and compete is. I am convinced that the dynamic growth and business opportunities of the SSC market in Poland could positively surprise many investors, especially in hard times of economic turbulences.

4.3 Case study – Hewlett-Packard

The Hewlett-Packard Company (commonly referred to as HP) is one of the largest technology corporations in the world, specializing in development and manufacturing of computing, storage, and networking hardware, software and services. In order to consolidate and improve its world-wide operations, the company has established a network of global business centers responsible for carrying out support activities (in areas like finance, accounting, HR, customer support, reporting, supply chain management, etc.) on behalf of other HP units, as well as other companies. There are currently 10 such centers located in Mexico, Costa Rica, India, China, Spain, Romania and Poland (Wrocław).

The Wrocław Global Business Center (Global e-Business Operations Spółka z o.o.) was established on April 15, 2005 and began hiring and training its first managers and employees to perform accounting and financial services, HR and payroll administration, and processing of orders and purchases on behalf of HP units as well as external clients. In 2008, the GBC employed approximately 1,200 accountants, business analysts and other certified specialists.

The specific nature of the center's operations requires it to employ specialists who can communicate in all EMEA (Europe, Middle East and Africa) languages. In order to guarantee the optimal quality of service the typical employee profile requires candidates for the Wrocław GBC to have graduated from university or other tertiary education institution and to fluently speak English and a second EMEA language depending on their job position.



Jacek S. Leverages

*Managing Director of HP
Global Business Center*

The most significant factors that determined the selection of Wrocław for the Shared Services Center were the availability of well-educated, goal oriented and flexible staff, as well as administrative and financial support from the authorities.

Also important was Wrocław's convenient location on the European continent and the atmosphere of the city, which attracts both investors as well as potential employees. As a result it was possible to employ 1,000 people within 3 years, surpassing the target initially set for the period of 2005-2010 as was assumed in the investment plan"

The success of the Wrocław Center has meant that HP is currently expanding its operations in the city by offering new financial, business and marketing services. According to the GBC's Managing Director, *"the new development plans for the Center assume a potential increase of employment by an additional 800 people in the period of the next few years."* This will bring the total workforce to ca. 2,000 and make the Wrocław GBC one of the most efficiently growing and effectively progressive units in Europe. *"The new positions will be characterized by a more advanced competence profile."*

The company currently provides 32 services (processes) in the scope of finance and accounting, administration of personnel and payroll, sales processes, order and purchase processes, financial reporting, marketing, as well as advanced business processes for the majority of countries in Europe. The services are grouped into 4 businesses: Global Business Services, Finance Center of Excellence, Business Process Outsourcing and a newly opened one – HP Financial Services, covering 4 areas: Finance and Administration (incl. Financial Controlling for over 140 legal entities within EMEA and performance of financial processes for internal and external customer), Human Resources (incl. internal hiring, personnel administration processes, payroll), Supply Chain (incl. purchase administration process services and telecoms procurement), and Sales and Marketing (incl. administration of marketing campaigns, calculation of provisions for sales representatives).

The GBC's clients include HP units in the EMEA, as well as a number of international corporations, such as Procter & Gamble or C&A.

5

Key locations for SSC

This section presents potential locations for Shared Services Centers and BPO operation in Poland. The cities included in the case studies were: Cracow, Lublin, Łódź, Poznań, Szczecin, the Tri-city (Gdansk, Gdynia, Sopot), Warsaw and Wrocław. We have selected these cities because of the large pool of well qualified people in each of these cities.

For each location we have presented an overview of the selected city as well as the key issues for setting up an SSC in the location, including the main investors locating their activity in the city and its surrounding area, the city's infrastructure, availability and prices of real estate, labor market characteristics, education system and examples of tourist attractions.

The information presented in the „Key locations for SSC” section is based on publicly available data published by the selected city's authorities on official city websites, real estate agencies (Colliers International, Cushman&Wakefield, Knight Frank), the Polish Central Statistical Office (GUS), the Polish Information and Foreign Investment Agency (PALiZ), as well as materials provided by regional investor information agencies in the analyzed cities



Cracow

Cracow

5.1 Kraków (Cracow)



Official website of the City of Cracow:

www.krakow.pl

General information

Cracow is located in the southern part of Poland on the Vistula River, at the foot of the Carpathian Mountains. The city dates back to the 7th century. It was the capital of Poland from 1038 to 1596. Today it is the capital of the Malopolskie Voivodeship (Lesser Poland Province) and Poland's second largest city.

The city has traditionally been one of Poland's leading centers of scientific, cultural and artistic life. Each year it attracts over seven million local and international tourists. Cracow's cultural wealth is internationally recognized. In 1978 Cracow's Old Town, the Wawel Castle and the Kazimierz district (the historical centre of Cracow's Jewish social and religious life) were registered on the list of UNESCO World Heritage Sites and in 2000 Cracow was nominated as the City of European Culture. Cracow is also a city closely linked with John Paul II. The future Pope, who was born in the nearby town Wadowice, came to study in Cracow in 1938 and lived there for many years before being elected by the Papal conclave as the Head of the Roman Catholic Church.

In the past, the main focus of Cracow's economy was heavy industry, but in recent years the city has turned towards services and in particular the high-tech branches of the economy like offshoring of information technology (IT). Cracow's current economic landscape is becoming more and more represented by large international corporations, like Motorola, Google or IBM.

Population	756,400
Area	326.8 sq km
Main investors	Comarch, Ericpol, Google, Grupa Onet.pl, HCL Poland, IBM, MAN Trucks, Meiller Polska, Motorola Polska Electronics, RR Donnelley, Shell Polska
Existing BPO centers	ABB, Accounting Plaza (Ahold), Affiliated Computer Services, Alexander Mann Solutions, BP, Comarch, Delphi, Electrolux, Google, Hewitt Associates, Hitachi Data Systems, IBM, International Paper, Lufthansa, Motorola, Philip Morris, Pliva, RR Donnelley, Sabre Holdings, Shell, State Street Corporation, Tesco, UBS



Infrastructure

Cracow is a very important transport hub, offering a well-developed network of international and national roads as well as railway and airline connections.

Roads	International roads: E40 from Calais in France via Belgium, Germany, Wrocław, Cracow to the Ukraine, Russia and Kazakhstan and E77 from Hungary via Slovakia, Poland and the Baltic States to Russia
Railways	Railway connections to 12 major Polish cities and many international destinations, including Berlin, Hamburg, Vienna, Budapest, Bucharest, Bratislava, Prague, Lvov, Kiev and Odessa
Airports	John Paul II International Airport Kraków-Balice (11 km from the city); no. of flights in 2008: 35,568; no. of passengers in 2008: 2,923,961; regular flights to 2 domestic and over 40 international destinations (including New York and Chicago) ²⁴
Special Economic Zones	Special Economic Zone - Kraków Technology Park

Real estate

Cracow enjoyed a housing boom in 2008, which resulted in a considerable increase in the number of private accommodations available on the primary market. In mid-2008, the number reached 6,620 and there are over 7,600 more currently being constructed. However, demand for residential housing in Cracow is currently relatively low and many developers have decided to lower prices.

Unlike the other major Polish cities, Cracow does not have a central business district and most of its office stock is located outside the city center, mainly to the south and north-west. In recent years the demand for office space in Cracow has been very strong for the most part due to the undiminished interest of foreign investors in the city (many large international companies are locating their service centers here). There are currently ca. 120,000 sq m of modern office space under construction and developers potentially plan to provide as much as 600,000 sq m in new projects. However, these figures were calculated before the effects of the global credit crisis began to set in and therefore, they will probably need to be negatively revised.

Dwellings completed (2008)	6,621
Dwellings stock (end of 2008)	311,157
New apartments – average price per sq m (end of 2008)	PLN 7,800 (approx. EUR 1,700)
Office space stock (end of 2008)	400,000 sq m
Vacancy rate (end of 2008)	2.8%
Office rental prices (per sq m)	EUR 15-18

²⁴ Source: Official website of the Kraków – Balice airport: www.krakowairport.pl

Labor market

Employment in enterprise sector	201,311
Registered unemployed persons	10,628
Registered unemployment rate	2.8%
Average monthly gross wages and salaries in enterprise sector	PLN 3,192 (approx. EUR 690)

Education

Cracow is Poland's second largest academic center (after Warsaw), offering its students 10 public and 14 private tertiary education institutions. The largest of them, the Jagiellonian University, was founded in 1364 and is the oldest and one of the best known universities in Poland. Famous historical figures connected with the University include Saint John Cantius, Jan Długosz, Nicolaus Copernicus, Andrzej Frycz Modrzewski, Jan Kochanowski, King John III Sobieski, Pope John Paul II and Nobel laureates Ivo Andrić and Wisława Szymborska.

Number of tertiary education institutions	24
Number of students (est.)	209,000 (incl. students in post-graduate courses, doctoral courses and distance courses)
Main universities (students / graduates)	Jagiellonian University – 45,900 / 8,500 AGH University of Science and Technology – 30,700 / 4,000 Cracow University of Economics – 19,700 / 4,400 Cracow University of Technology – 14,500 / 3,000
Selected faculties (students / graduates at main universities)	Finance & Economics – 25,300 / 5,800 IT – 6,800 / 700 Science & Engineering – 14,500 / 3,000
Languages	English, German, Russian, Ukrainian, Italian, Spanish, Portuguese, Romanian, Bulgarian, Czech, Slovakian, Slovenian, Croatian, Serbian, Macedonian, Hungarian, Japanese, Chinese, Hindi, Arabic, Turkish
International schools	„Aisk” American International School in Cracow, The International School of Cracow, British International School of Cracow

Tourist attractions

Cracow is considered by many to be the cultural capital of Poland. The city offers numerous museums and public art galleries, including the main branch of Poland's National Museum and the Czartoryski Museum, which features works by Leonardo and Rembrandt. It is also famous for its theaters, including: The Old Theater, Juliusz Słowacki Theater, Ludowy Theater, Bagatela Theater, and the Groteska Theater of Puppetry, as well as the Kraków Opera and Operetta. The Old Town has a vast network of historical cellars forming a stage for the city's night life that includes pubs, restaurants, concerts, exhibitions, theatrical performances, etc.

The city's most recognized landmarks include: the Main Market Square (biggest in Europe) with St. Mary's Basilica and the Sukiennice Gothic Cloth Hall, the Wawel Castle (located on Wawel Hill, sometimes called "the Polish Acropolis"), the National Art Museum, the Zygmunt Bell at the Wawel Cathedral (the traditional coronation and burial place of kings and later also national heroes), and the medieval St. Florian's Gate (also known as "Portae Gloriae") with the defensive Barbican along the Royal Coronation Route. Tourists interested in the life and teachings of Pope John Paul II can visit the places closest linked with his residence in Cracow. A special commemorative 25 stop route has been marked out to help visitors find these places.

Points of interest outside the city include the Wieliczka salt mine, Poland's oldest salt enterprise dating back to the Middle Ages, today transformed into a tourist attraction visited by over a million tourists annually. The mine spreads out on nine levels concealed under the town reaching down to the depth of 327 meters and contains several ballrooms, a restaurant, as well as a chamber that can be used to stage sports events like basketball, football, hockey, volleyball or tennis matches.

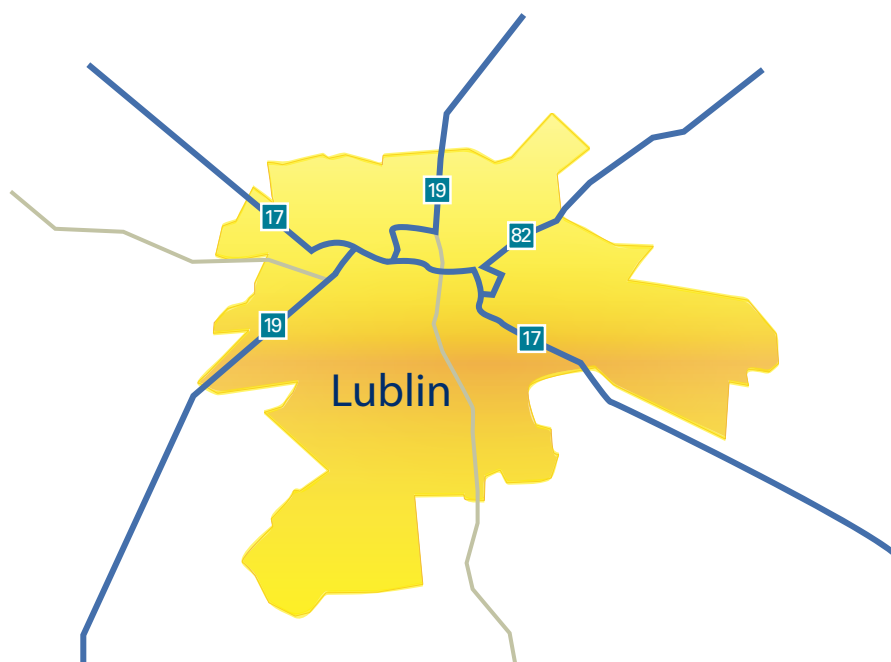
Theatres	15
Museums	40
Cinemas	14



Lublin

Lublin

5.2 Lublin



Official website of the City of Lublin:

www.lublin.eu

General information

Lublin is a city with a 700 year history and an academic center (recognized in Poland and abroad) with over a 100-thousand-strong student society and a colorful Campus. It is the largest city in the eastern part of Poland and the administrative, economic and cultural center of the region. One of the key advantages of Lublin as an investment area is its favorable location. Due to the close proximity to the Ukrainian and Belarusian borders, the city is an excellent site for businesses trading with Eastern European markets. At the same time, the distance from Poland's main business centers is moderate: 150 km from Warsaw and less than 250 km from Cracow and Łódź.

Key industries of the region include traditional ones like farming and food processing or manufacturing of machinery, as well as new, dynamically developing sectors: manufacturing of rubber and plastic materials, automotive manufacturing, logistics and BPO.

Population	351,300
Area	147.5 sq km
Main investors	Aliplast, Asseco Business Solutions, Ball Packaging Europe, Boxes Prestige Poland, Comarch, LUBELLA, Polfa-Lublin, Raben Polska, Schenker Polska
Existing BPO centers	Intelige – PKO BP (largest Polish retail bank), PCM, Telekomunikacja Polska (France Telecom)

Infrastructure

The Lubelskie Voivodeship is traversed by major European car and railway routes leading from Berlin through Warsaw to the largest cities of Eastern Europe: Minsk, Moscow, Kiev, Lvov and Odessa. The region also offers a well developed network of railway connections, especially with Ukraine and Belarus.

Roads	International roads: E372 from Warsaw via Lublin to Lvov, E373 from Lublin to Kiev
Railways	Main railway line Warsaw – Lublin – Dorohusk – Kiev, major European railway line E-20 (Berlin – Moscow), broad-gauge railway lines no. 63 and 65 enabling the transport of goods to the Ukraine and Russia without the need of transshipment at the border
Airports	Airport in Świdnik (12 km from the city) – launch of operations scheduled for 2012
Special Economic Zones	Special Economic Zone EURO-PARK MIELEC

Real estate

One of the problems of Lublin's real estate market concerned the shortage of new apartments. The situation changed in 2008 when Lublin became one of the fastest developing Polish cities in terms of construction and real estate activities. However, under the present unfavorable economic conditions a number of investments are likely to be delayed or terminated. Also in terms of office space, the present supply is limited and there is a shortage of high-quality, modern offices. The situation is expected to improve in the near future, as at least 30,000 sq m of modern office space is currently scheduled for completion. However, it is not yet known whether these projections will not be revised due to the credit crunch.

Dwellings completed (2008)	2,195
Dwellings stock (end of 2008)	135,437
New apartments – average price per sq m (end of 2008)	PLN 5,000 (approx. EUR 1,090)
Office space stock (mid-2008)	37,000 sq m
Vacancy rate (mid-2008)	5%
Office rental prices (per sq m)	EUR 7-15

Labor market

Employment in enterprise sector	54,400
Registered unemployed persons	11,600
Registered unemployment rate	7.4%
Average monthly gross wages and salaries in enterprise sector	PLN 2,784 (approx. EUR 600)

Education

Lublin is known for its developed educational base as well as research and scientific facilities. It is the largest educational center of Eastern Poland with more than 100,000 students and a large number of recognized tertiary education institutions.

Number of tertiary education institutions	17
Number of students (est.)	103,530
Main universities (students / graduates)	The John Paul II Catholic University of Lublin – 18,600 / 4,900 Maria Curie-Skłodowska University – 29,800 / 8,100 Lublin University of Technology – 10,000 / 1,500
Selected faculties (students / graduates at main universities)	Finance & Economics – 13,800 / 3,900 IT – 1,700 / 300 Science & Engineering – 11,900 / 2,300
Languages	English, German, Russian, French, Italian, Spanish, Swedish
International schools	n/a

Tourist attractions

Lublin is one of the oldest cities in Poland, priding itself on its historical monuments from all periods, beginning with the Middle Ages. The main tourist attractions include the Cracow Gate, erected in the second half of the 14th century and rebuilt several times until the end of the 18th century, the Old Town, one of the finest urban complexes of its kind in Poland, and the Castle Hill, with the 13th century keep, a Gothic and Renaissance Holy Trinity Chapel and a Neo-gothic 19th century prison, nowadays serving as the Lublin Museum. The city hosts numerous cultural events, including the Theater Confrontations International Festival, Oldest Songs from Little Europe International Festival, Culture Night, Jagiellonian Fair, as well as various student events. Lublin is one of the Polish cities in the running for the title of European Capital of Culture in 2016.

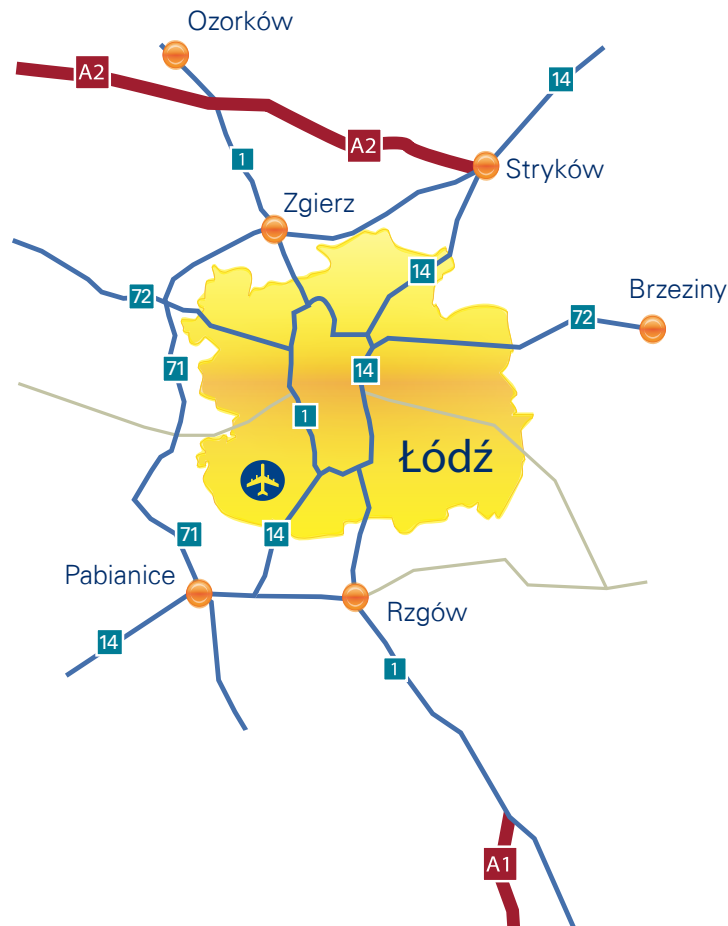
Theatres	5
Museums	11
Cinemas	8



Łódź

Łódź

5.3 Łódź



Official website of the City of Łódź:

www.uml.lodz.pl

General information

Łódź has a very favorable location in the center of Poland, 130 km from the capital Warsaw. The distance from six other major Polish agglomerations: Bydgoszcz, Poznań, Wrocław, Katowice, Cracow and Lublin is less than 300 km. Due to the close proximity of Warsaw, Łódź is closely bound with the capital and the two cities compete on economical and social grounds.

The city has traditionally been known as an industrial center with textile manufacturing being the most important branch of its economy. However, this has changed over the years and currently the development of new technologies, as well as logistics, BPO and home appliance manufacturing have gained utmost significance for the city.

Population	750,100
Area	293.3 sq km
Main investors	ABB, Bosch-Siemens, Dell, General Electric, Gillette, Hutchinson, Indesit, Procter & Gamble
Existing BPO centers	Atos Origin, Bosch-Siemens, Citi Group, Comarch, Fujitsu Services, General Electric, Indesit, mBank, Phillips (Infosys), Teleca, UniCredito

Infrastructure

One of the key advantages associated with Łódź's location is the close proximity of Warsaw. In the near future the city will be connected with the capital by means of a modern motorway and fast railroad. Following the modernization of the railroad tracks, the travel time is expected to be reduced from more than two hours to approx. 60 minutes. In the upcoming years, a large road transport junction will be built on the outskirts of Łódź (near Stryków – about 17 km north of the center of Łódź) connecting motorways A1 and A2 and national road S8.

Roads	Motorways: A1 from Scandinavia via Gdańsk, Łódź, Katowice to the Balkans, A2 from London via Brussels, Amsterdam, Berlin, Poznań, Łódź, Warsaw, Minsk to Moscow and national road S8 – continuation of A8 from Paris and Geneva via Germany to Warsaw
Railways	Railway connections to the majority of Polish cities. The main railway line is E20 (Frankfurt on the Oder River – Poznań – Warsaw – Terespol)
Airports	Władysław Reymont Airport in Lublinek (6 km from the city center): no. of flights in 2008: 4,194; no. of passengers in 2008: 341,788
Special Economic Zones	Łódź Special Economic Zone

Real estate

The insufficient number of new apartments coming onto the market in Łódź can be seen as a problem. The situation began to improve in 2007 following a radical increase in the number of construction permits issued to residential housing developers, who in that year alone began to construct 37 new projects (more than 2,000 new apartments). Due to the global credit crisis many of these projects have been temporarily put on hold.

The office space market continues to develop rapidly mainly due to the systematic influx of foreign direct investments in Łódź. According to forecasts, office space currently under construction and in the pipeline amounts to some 300,000 sq m, however these projects will probably be completed in phases depending on the requirements of tenants. It should be noted that despite increasing demand the price of rental in Łódź remains lower than in other major cities in Poland like Warsaw, Cracow or Wrocław.

Dwellings completed (2008)	2,399
Dwellings stock (end of 2008)	336,285
New apartments – average price per sq m (end of 2008)	PLN 5,700 (approx. EUR 1,240)
Office space stock (end of 2008)	113,000 sq m
Vacancy rate (end of 2008)	9.5%
Office rental prices (per sq m)	EUR 10-16

Labor market

Employment in enterprise sector	118,700
Registered unemployed persons	22,500
Registered unemployment rate	6.7%
Average monthly gross wages and salaries in enterprise sector	PLN 2,822 (approx. EUR 610)

Education

Łódź is an important academic center with 6 state and 17 private tertiary education institutions and 36 research institutes. The number of students in the city continues to increase each year, from 31,400 in 2000 to 141,000 in 2008.

Number of tertiary education institutions	23
Number of students (est.)	141,000
Main universities (students / graduates)	Łódź University – 38,300 / 7,500 Łódź University of Technology – 19,500 / 3,300
Selected faculties (students / graduates at main universities)	Finance & Economics – 16,700 / 4,200 IT – 4,900 / 900 Science & Engineering – 24,300 / 3,500
Languages	English, German, French, Spanish, Bulgarian, Russian, Belarusian, Ukrainian
International schools	International School in Łódź

Tourist attractions

For a long time Łódź was perceived as an industrial city with few architectural and sightseeing attractions. However, currently this perception is changing. Tourists are drawn by the newly renovated historical tenement houses and factories, examples of 19th century secession and eclectic architecture, extraordinary museums, as well as numerous recurring cultural events like the Dialogue of Four Cultures Festival. Łódź is also a city known for its cultural diversity – “the City of Four Cultures” and artistic traditions, including film-making – “HollyŁódź”. The Film School in Łódź is one of the world’s most famous artistic schools. The school educated many internationally renowned actors, screenplay writers and producers, e.g. Andrzej Wajda, Roman Polański, Krzysztof Zanussi, Krzysztof Kieślowski. Since 2000, Łódź organizes one of the greatest and most recognized festivals dedicated to the art of cinematography and its creators – The International Film Festival of the Art of Cinematography “PLUS CAMERIMAGE”. The city is currently in the running for the prestigious title of European Capital of Culture in 2016.

An additional tourist attraction is Piotrkowska Street – an elegant city street in the center of Łódź, lined with countless stores, restaurants, pubs, discos as well as art galleries, antique shops, cinemas and other cultural institutions.

Theatres	13
Museums	11
Cinemas	13



Poznań

Poznań

5.4 Poznań



Official website of the City of Poznań:

www.poznan.pl

General information

Poznań is located in the mid – west of Poland on the Warta river, halfway between Warsaw and Berlin and approx. 160 km from the Polish-German border. It is one of the oldest cities in Poland. It is the historical capital of the Wielkopolska (Greater Poland) Region and is presumed to be the birthplace of Poland over a thousand years ago. Today, Poznań is the administrative capital of the Wielkopolskie Voivodeship and an important center for services, industry, culture, higher education and science. Moreover, Poznań is considered Poland's unquestionable capital in terms of trade. Each year the city hosts about 50 international fair events showcasing the exhibitions of over 10 thousand entities from around 60 countries. The most important event on Poznań's and Poland's fair calendar is the Poznań International Fair held annually since 1921. In December 2008, Poznań hosted the United Nations Climate Change Conference, a key event in the creation of a successor to the Kyoto Protocol.

The economy of the Poznań agglomeration is well developed and structurally diversified. Its most dominant branches are: trade, financial services, real estate market services, logistics and education. The current positive industrial development is the result of the process of restructuring large industrial plants and the dynamic development of small and medium sized enterprises due to the above average entrepreneurship of the region's inhabitants. The most prominent sectors of Poznań's industry are: electronic engineering, chemical and food processing industries.

Population	559,500
Area	261.9 sq km
Main investors	Allied Irish Bank, Beiersdorf, Bridgestone, Dalkia Group, Exide Technologies, GlaxoSmithKline Pharmaceuticals, Imperial Tobacco Group ²⁵ , Kimball Electronics Group, NIVEA, SABMiller, Unilever, Wrigley, Volkswagen
Existing BPO centers	Arvato Services (Bertelsmann), Carlsberg, Dalkia, Duni, Franklin Templeton Investments, GlaxoSmithKline, Kimball Electronics, Kleffmann, Lorenz Bahlsen Snack-World, MAN, Microsoft, Telcordia Technologies, Unilever, Wikia and W. R. Grace & Co.

Infrastructure

Poznań is located at the crossroad of major pan-European transportation routes running from east to west and north to south. The city offers also a well-developed railway network adjusted to meet European standards. Infrastructure development is likely to speed up in upcoming years as Poznań is scheduled to host matches of EURO 2012.

Roads	International roads: E30 (including motorway A2) from the Ireland, via the UK, Netherlands, Germany, Poland and Belarus to Russia and E261 connecting Gdańsk (via E75), Bydgoszcz, Poznań, Wrocław to Prague (via E67)
Railways	International railroads E-20 (Brussels – Berlin – Poznań – Warsaw – Terespol) and E-59 (Świnoujście – Poznań – Wrocław – Ostrawa). Railway connections to all major Polish cities and a large number of European ones like Berlin, Prague and Kiev
Airports	Ławica airport (7 km from the city center): no. of flights in 2008: 23,609; no. of passengers in 2008: 1,274,679; regular flights to 3 Polish and 19 European destinations ²⁶
Special Economic Zones	Sub zone of the Kostrzyn-Słubice Special Economic Zone

Real estate

The number of private accommodations available on the primary market in mid-2008 reached 3,500 and there are over 3,000 more currently being constructed. However, as the demand is currently relatively low, many developers have decided to lower prices. The office market in Poznań seems to be developing slower than in other major cities in Poland, despite very strong demand reflected by a low vacancy rate. According to estimates, the figure is not likely to increase as it has become common practice on the Poznań market for companies to reserve office space prior to its completion. Most of the office buildings in Poznań are situated in the city centre with proximity to the main railway station and the Poznań International Fairs. According to real estate agencies, the majority of demand for office space in Poznań is being created by BPO centers as well as companies from financial and business services sectors.

Dwellings completed (2008)	3,522
Dwellings stock (end of 2008)	231,680
New apartments – average price per sq m (end of 2008)	PLN 6,600 (approx. EUR 1,430)
Office space stock (end of 2008)	185,000 sq m
Vacancy rate (end of 2008)	3.4%
Office rental prices (per sq m)	14-18 EUR

²⁵ Located in the Tarnowo Podgórne commune just outside Poznań.

²⁶ Source: Official website of the Poznań-Ławica Airport: www.airport-poznan.com.pl

Labor market

Employment in enterprise sector	152,600
Registered unemployed persons	5,600
Registered unemployment rate	1.7%
Average monthly gross wages and salaries in enterprise sector	PLN 3,576 (approx. EUR 770)

Education

Poznań is one of Poland's most important academic centers in terms of both quantity and quality. It currently ranks fourth in terms of the number of students behind Warsaw, Cracow and Wrocław. However, when considering the number of students per 1,000 inhabitants, Poznań is the country's unquestionable leader with students accounting for 25.2% of the total population.

Number of tertiary education institutions	25
Number of students (est.)	140,000
Main universities (students / graduates)	Adam Mickiewicz University – 49,100 / 10,300 Poznan University of Technology – 17,900 / 3,600 Poznan University of Economics – 12,100 / 3,200
Selected faculties (students / graduates at main universities)	Finance & Economics – 16,400 / 4,000 IT – 3,900 / 800 Science & Engineering – 24,400 / 5,000
Languages	English, German, French, Russian, Italian, Greek, Spanish, Danish, Swedish, Norwegian, Finnish, Dutch, Ukrainian, Latvian, Lithuanian, Romanian, Hungarian, Croatian, Serbian, Japanese, Chinese, Korean, Hebrew, Hindi, Arabic, Turkish
International schools	Poznań British International School, International School of Poznań, Private

Tourist attractions

Poznań is a large tourist center attracting visitors with its numerous examples of historic architecture. Around the Old Market Square there are many renaissance buildings including the Old Town Hall and beautiful tenement houses, many of which have been turned into cafes or galleries. Poznań also has the oldest cathedral in the country – the Poznań Cathedral, built on foundations from the 10th century. It contains the tombs of the first Polish rulers: Mieszko I, Boleslaus the Brave, Mieszko II, Casimir I the Restorer, Przemysł I and Przemysł II. There are also numerous examples of late 19th and early 20th century German architecture, such as the Imperial Castle (constructed in 1910 by for German Emperor William II), the Adam Mickiewicz University and the Poznań Opera House.

One very unique feature of Poznań is a lake located in the very center of the city. The Lake Malta is a very popular sporting attraction where people can go canoeing and kayaking on one of the most modern regatta courses in Europe or skiing on a year-round artificial ski slope.

Theatres	9
Museums	21
Cinemas	12



Szczecin

Szczecin

5.5 Szczecin



Official website of the City of Szczecin:

www.szczecin.pl

General information

Szczecin is the capital of the Zachodniopomorskie Voivodeship (Western Pomerania Province), located in the north-west corner of Poland. It is the country's 7th largest city and one of the largest seaports on the Baltic Sea. Due to its geographical location Szczecin has become an important center of political, economic and cultural cooperation between Poland, Germany and Scandinavian countries.

One of the main benefits of Szczecin's location is the proximity of the German boarder (about 12 km). The distance to Berlin is 140 km and the trip takes less than 2 hours by train or car (thanks to the motorway, which connects the two cities). The city is trying to take advantage of this close proximity by developing strong economic cooperation with the German capital and neighboring regions.

The city is currently aiming to become a modern European business center by developing the BPO and high-tech sectors. For this reason the City of Szczecin offers various types of public assistance to create attractive conditions for investors and assist the development of their operations.

Population	407,300
Area	300.8 sq km
Main investors	Am-Rest Holding, Carlsberg Breweries, E.ON Ruhrgas, IKEA, JVP Steel, Overseas Enterprises Company, PepsiCo, REMONDIS International, Swedwood Holding
Existing BPO centers	Arvato Services (Bertelsmann), ATS-SI, Comarch, Macrologic, Prokom Software, Sagra Technology, Softvig, Stream International, TietoEnator, Unizeto Technologies, Vobis

Infrastructure

Szczecin is a vital international transport hub on the Trans-European north-south transport route from Southern Scandinavia, through the Odra River corridor, down to the Czech Republic and to Mediterranean ports. It is also situated on the route from Western Europe to Russia and Finland.

Roads	International roads: E28 (including the A6 Berlin highway and the national road S6) from Berlin via Szczecin, Gdańsk to Kaliningrad, Vilnius and Minsk, E65 from Malmö via Szczecin, the Czech Rep., Slovakia, Hungary to the Balkans
Railways	Direct connections to major Polish cities as well as Berlin and Potsdam. Connections to Moscow, Saint Petersburg and Kiev available in summer
Airports	Szczecin-Goleniów Airport (45 km from the city); no. of flights in 2008: 4,225; no. of passengers in 2008: 298,576; connections to London, Dublin, Oslo and Warsaw
Maritime navigation	Szczecin-Świnoujście seaport – one of the largest universal seaport complexes on the Baltic Sea with connections to Sweden, Finland, Norway, Lithuania, Great Britain, Germany, West Africa and China
Special Economic Zones	Kostrzyn-Słubice Special Economic Zone (cooperation)

Real estate

Like many other cities, Szczecin has long suffered from an insufficient supply of new apartments. According to the Central Statistics Office, the housing supply in 2008 increased by 5.3% compared to the same period in 2007. Also the office market is characterized by a relatively low supply of leasable office space and low vacancy rates. Despite growing interest from potential tenants in this city, there is currently very little available office space in Szczecin. According to plans presented by developers, in 2009 the stock of office space is expected to nearly double and in 2010 even 100,000 sq m could be available. However, it is not yet known whether these plans will not be revised due to the credit crunch.

Dwellings completed (2008)	1,913
Dwellings stock (end of 2008)	159,520
New apartments – average price per sq m (end of 2008)	PLN 5,900 (approx. EUR 1280)
Office space stock (mid-2008)	29,000 sq m
Vacancy rate (mid-2008)	Below 1%
Office rental prices (per sq m)	EUR 15-20

Labor market

Employment in enterprise sector	50,500
Registered unemployed persons	7,400
Registered unemployment rate	4.2%
Average monthly gross wages and salaries in enterprise sector	PLN 3,135 (approx. EUR 680)

Education

Szczecin supplies the labor market with over 15,000 graduates per year. The most popular faculties include: IT, technical and engineering studies, economics, accounting, finance, business administration, marketing and medicine. The University of Szczecin is the biggest educational institution in the region and offers a broad range of education programs including MBA.

Number of tertiary education institutions	20
Number of students (est.)	66,000
Main universities (students / graduates)	University of Szczecin – 32,100 / 7,700 Szczecin University of Technology – 9,900 / 1,700
Selected faculties (students / graduates at main universities)	Finance & Economics – 13,900 / 3,500 IT – 2,400 / 600 Science & Engineering – 12,000 / 2,300
Languages	English, German, Russian, Ukrainian, French, Italian, Spanish
International schools	Szczecin International School SIS, Polish-American Private School

Tourist attractions

The geography and nature of Szczecin contribute to the tremendous development potential of the city and its environments and make it a very attractive tourist destination. It is suited for leisure activities like sailing and other water sports – the most popular leisure activity due to the city's location on the Baltic coast, horseback riding and cycling, as well as skiing and bobsleighbing thanks to Szczecin's Gubałówka, a sports and recreation complex located just outside the city center. The beautiful Binowo Park golf course located near Szczecin is an excellent place to relax and a meeting place for golfers. Major annual cultural events in Szczecin are: Sea Days Festival (Polish *Dni Morza*) held in June, Street Artists' Festival (*Polish Festiwal Artystów Ulicy*) in July and the air show at Dąbie airport in May.

Theatres	11
Museums	6
Cinemas	5



Sopot Gdynia Gdańsk

5.6 Trójmiasto (Tri-city)



Official website of the cities:

www.gdansk.pl

www.gdynia.pl

www.sopot.pl

General information

Tri-city (Polish Trójmiasto) is an urban area located in northern Poland, on the coast of the Baltic Sea, consisting of three cities: Gdańsk, Gdynia and Sopot. Gdańsk has always been one of the main ports and thriving trade centers in Europe with its greatest glory in the sixteenth and seventeenth century. Sopot became a summer resort for the richest citizens and was later transformed into a famous spa. Gdynia is also an important port city, developed between the First and Second World Wars.

The Tri-city is one of the major centers of national economic growth as well as development and cooperation in and around the Baltic Sea area. Main industrial sectors of the agglomeration include oil refining, paper industry, ship building and a dynamically growing IT sector, but also traditional sectors like maritime industry, fish processing and sea transport.

Population	775,700
Area	418 sq km
Main investors	Atena, Compuware, Energa, FOSFOR, GE Money Bank, Intel, Lotos Group, Lufthansa, Nordea, Prokom, Reuters, Wirtualna Polska, Young Digital Planet
Existing BPO centers	Intel, Lufthansa Systems, Reuters, ZenSar Technologies

Infrastructure

The Tri-city area, offering a fully developed infrastructure and crisscrossed by international roads and railway lines, plays an important role in the international trade between Northern and Western Europe and Central and Eastern Europe. Tri-city's greatest advantage is sea access: two large sea ports Gdańsk and Gdynia, as well as smaller passenger and fishing ports in the surrounding area. There is also a well-developed common transport system (the city train, the inner highway), in addition to each city's own.

Roads	International roads: E28 (including the national road S6) from Berlin via Szczecin, Gdańsk to Kaliningrad, Vilnius and Minsk, E75 from Norway and Finland via Łódź, Katowice, Slovakia, Hungary to the Balkans and E77 from Hungary via Slovakia, Poland and the Baltic States to Russia
Railways	Railway connections to largest Polish cities, i.e. Warsaw, Łódź, Poznań, Katowice, Cracow and Szczecin. International connections to Germany, Czech Rep. and Slovakia, Kaliningrad Oblast (Russia) and Belarus.
Airports	Lech Wałęsa Airport (10 km from the centers of Gdańsk and Sopot and 23 km from the center of Gdynia); no. of flights in 2008: 23,592; no. of passengers in 2008: 1,951,051; 36 domestic and international connections
Maritime navigation	Two large sea ports in Gdańsk and Gdynia
Special Economic Zones	Pomeranian Special Economic Zone

Real estate

In terms of housing supply, the Tri-city recently noted very dynamic growth (23% in June 2008 compared to June 2007) and no shortages are expected in the nearest future. The office space offered in the Tri-city is located mainly in Gdańsk and Gdynia. Demand is moderate, but the agglomeration has started to attract an increasing number of investors, among them big financial institutions like Santander, Nordea Bank or GE Money Bank. Although preparations for EURO 2012 should strengthen the already dynamic growth, many developers are expected to delay delivery of projects, because of the current financial crisis. Therefore, in the nearest future tenants should not expect a decrease in rental prices.



Dwellings completed (2008)	6,436
Dwellings stock (end of 2008)	304,022
New apartments – average price per sq m (end of 2008)	PLN 6,400 (approx. EUR 1,390)
Office space stock (end of 2008)	280,000 sq m
Vacancy rate (end of 2008)	2.7%
Office rental prices (per sq m)	EUR 14-17

Labor market

Employment in enterprise sector	130,500
Registered unemployed persons	10,100
Registered unemployment rate	3.2%
Average monthly gross wages and salaries in enterprise sector	PLN 3,380 (approx. EUR 730)

Education

The Tri-city is an important academic center, with several recognized universities and a continuously growing number of students. Abundant supply of pharmacy graduates provides a good basis for outsourced pharmaceutical activities.

Number of tertiary education institutions	21
Number of students (est.)	90,600
Main universities (students / graduates)	University of Gdańsk – 28,300 / 6,200 Gdańsk University of Technology – 19,400 / 2,500 Maritime University in Gdynia – 6,600 / 1,400 Medical University of Gdańsk – 4,800 / 1,000
Selected faculties (students / graduates at main universities)	Finance & Economics – 17,000 / 3,500 IT – 2800 / 430 Science & Engineering – 22,000 / 3,300
Languages	English, German, French, Russian, Belarusian, Ukrainian, Swedish, Norwegian, Danish, Croatian, Serbian, Slovenian, Czech, Greek
International schools	American Elementary School in Gdynia, British International School of Cracow in Gdańsk

Tourist attractions

Gdańsk was the birthplace of the Solidarity movement that played a major role in bringing an end to communist rule across Central Europe. Most of the city's tourist attractions, among them fine buildings reconstructed in historical style, are located along or near Ulica Długa (Long Street) and Długi Targ (Long Market). One of Poland's most modern stadiums, Baltic Arena, is to be located in Gdańsk, as the city has been awarded the right to host some of the football matches of EURO 2012. In contrast, Gdynia is a relatively modern city and there are not many historical buildings. Sopot is a large health-spa and tourist resort destination with the longest wooden pier in Europe (515.5 meters in length), from which one can see the Gulf of Gdańsk. With a large number of theaters, cinemas, museums as well as 2 opera houses and 2 philharmonics the Tri-city is an important cultural center of Poland. Sopot is also famous for its Sopot International Song Festival.

Theatres	11
Museums	24
Cinemas	7





Warsaw

Warsaw

5.7 Warszawa (Warsaw)



Official website of the City of Warsaw:

www.um.warszawa.pl

General information

Warsaw, the capital of Poland, is located in east-central Poland on the Vistula River. It is sometimes referred to as the “phoenix city”; as it was razed almost completely to the ground during World War II and then valiantly rebuilt by its citizens, including the historic Old Town, which was reconstructed brick by brick to its original 17th and 18th century appearance.

Today, Warsaw is one of the fastest growing cities in Europe. It is a vibrant, modern and dynamic metropolis, continuously changing and expanding. Many new, impressive high-rise buildings are being built, harmonizing with the cityscape that includes remnants of Communist-era architecture (Socialist Realism) like the Palace of Culture and Science or Constitution Square.

The city is also a convenient shopping destination. The shopping scene in Warsaw has changed dramatically in recent years and now many of the world's leading fashion chains, brands and designers can be found here. Several large shopping malls have been built in the very center of the city (including the biggest one in Central Europe) and are open seven days a week.

Warsaw's exceptional position on the investment map results from the size of its local market, convenient location in a heart of Poland and Europe, as well as good travel connections with all important cities and regions. The city's economy is today dominated by the service industry and many of the largest Polish and international companies have chosen to locate their headquarters in Warsaw.

Population	1,708,000
Area	517.2 sq km
Main investors	Accor, Auchan, Alcatel, Bank DnB Nord, Bayer, BMW, Cemex, Coca-Cola, Electrolux, Google, Henkel, Metro Group, Microsoft, Millward Brown, Nationale Nederlanden, Nestle, Neste, Nordea Bank, Raiffeisen Bank, Renault, RWE, Saint-Gobain, Samsung, Siemens, Reuters, Statoil, Vattenfall, Volkswagen
Existing BPO centers	ABN AMRO, AVON, Citi Group, CTM Teleperformance, Dimar, General Electric EDC, Guest-Tek, Hewlett-Packard, IBM, Oracle, Roche, Samsung, SAS institute, Sitel, Tchibo, TNT Express, Transcom

Infrastructure

Warsaw is striving to become one of the leading regional business centers of Europe by developing its transport and communications links. Warsaw's airport and train stations serve both domestic and international traffic.

Roads	International roads: E30 (including the motorway A2) from the Ireland via the UK, Netherlands, Germany, Warsaw to Minsk, E77 running from Gdańsk via Warsaw, Slovakia to Budapest, E372 connecting Warsaw, Lublin and Lvov (and Kiev via E373) and E67 from the Baltic States, through Warsaw, Wrocław to Prague
Railways	Railway connections to all voivodeship cities. International connections to numerous European capitals, incl. Berlin, Moscow, Vienna, Budapest, Prague and Vilnius
Airports	Warsaw Frederic Chopin Airport (10 km from the city center): no. of flights in 2008: 129,718; no. of passengers in 2008: 9,438,958; international and domestic flights to over 70 destinations
Special Economic Zones	Łódź Special Economic Zone

Real estate

In the recent years the city has become one big construction and renovation site. Large buildings erected by foreign investors have become permanent features of the cityscape and nearly 20,000 new flats and luxury apartments have been constructed. The vast majority of new projects are being erected in non-central locations, with the largest number in the district of Służewiec, south-west of the city center. Due to the global credit crisis and difficulties in obtaining financing from banks, some projects currently under construction have been temporarily put on hold and only the office space that has been pre-let will be delivered. Despite the fact that the demand for high-class office space is still enormous, rental rates are expected to fall somewhat in 2009.

Dwellings completed (2008)	19,429
Dwellings stock (end of 2008)	800,340
New apartments – average price per sq m (end of 2008)	PLN 9,200 (approx. EUR 2,000)
Office space stock (end of 2008)	2,979,000 sq m
Vacancy rate (end of 2008)	2.9%
Office rental prices (per sq m)	EUR 14-30



Labor market

Employment in enterprise sector	959,800
Registered unemployed persons	20,700
Registered unemployment rate	1.9%
Average monthly gross wages and salaries in enterprise sector	PLN 4,206 (approx. EUR 910)

Education

Warsaw is Poland's largest university and research center, offering an enormous and highly-skilled workforce.

Number of tertiary education institutions	76
Number of students (est.)	300,000
Main universities (students / graduates)	Warsaw University – 55,500 / 8,800 Warsaw School of Economics – 10,900 / 2,200 Warsaw University of Technology – 30,000 / 4,600
Selected faculties (students / graduates at main universities)	Finance & economics – 24,500 / 4,800 IT – 3,400 / 600 Engineering – 29,100 / 4,500
Languages	English, German, French, Spanish, Portuguese, Italian, Greek, Swedish, Russian, Belarusian, Lithuanian, Latvian, Ukrainian, Czech, Slovakian, Romanian, Turkish, Japanese, Korean, Chinese and many more
International schools	International American School of Warsaw, The American School of Warsaw, Meridian International School, The British School, Casa di Bambini Warsaw Montessori School, Canadian Primary School of Warsaw, École Antoine de Saint-Exupéry, Escola Alemã, Liceu Francês, St. Paul's The British International School of Warsaw

Tourist attractions

Warsaw is one of the most significant cultural and tourist centers in Poland. Numerous historical buildings and remainders of its glorious past together with an extensive repertoire of cultural institutions will satisfy even the most exacting visitors.

The Historic Center of Warsaw (the Old Town) dates back to the 13th century. It was almost completely destroyed during World War II, but has since been fully reconstructed, preserving its medieval structure. In 1980, it was honored by UNESCO and registered on the organization's World Heritage List. The Krakowskie Przedmieście Street, which connects the Old and New Town is the most elegant street in Warsaw, lined with 17th and 18th century palaces and grand residencies of the aristocracy, surrounded by gardens and churches. The city's other historical attractions include the palace and park complexes of Polish kings: Royal Łazienki and Wilanów, and admirers of classical music will probably be interested in visiting the many places in and around Warsaw connected with the life and work of Frederic Chopin.

Warsaw's numerous museums and art galleries house great collections of both historic and contemporary works. The city also hosts a number of well-known cultural events of international importance. In the center of the city there are a vast number of restaurants, cafes and bars, which guarantees that the choice is wide enough to satisfy everyone. In many of these places it is not only possible to eat a good and not so expensive meal, but also to dance or listen to live music.

Tourists tired of sightseeing and businessmen exhausted after a day's work can relax playing tennis or squash, bowling, climbing, or going to one of the many fitness clubs. The city and its surrounding area are also full of very interesting destinations perfect for outdoor leisure activities such as: walking, biking, horseback riding, water sports and golf.

Theatres	32
Museums	56
Cinemas	23





Wrocław

Wrocław

5.8 Wrocław



Official website of the City of Wrocław:

www.wroclaw.pl

General information

Wrocław is a city with a thousand-year history. It is the capital city of the historical region of Lower Silesia (Dolny Śląsk) in south-western Poland. Over the centuries it has changed hands many times. It has been part of Poland (developing first under the rule of the Piasts), Bohemia, Austria, Prussia, and Germany. In 1945, the city once again became part of Poland following the Potsdam Agreement.

Wrocław and the entire Lower Silesia region have a track record of spectacular success in attracting major foreign investments. According to the Polish Information and Foreign Investment Agency (PAIIZ), investment inflow in Wrocław and the Lower Silesia region accounts on average for 20% of all investments in Poland. The city is traditionally associated with automotive, machinery, electronics, electrical engineering, metal structures and food processing industries. However, in recent years, it has also become an important financial center (banks, insurance companies and hire-purchase services). Several large financial institutions have decided to locate their headquarters in the city. They include i.a.: Santander Consumer Bank, Bank Zachodni WBK (owned by Allied Irish Bank PLC), Lukas Bank and Europejski Fundusz Leasingowy (both acquired by Crédit Agricole), or Getin Bank.

Population	632,800
Area	293 sq km
Main investors	3M, ABB, Allied Irish Bank, APSYS, CARGILL, Cadbury, Castorama, Credit Agricole, Credit Suisse, Decathlon, FagorMastercook, General Bottlers, Hewlett-Packard, IKEA, LG, Maco Pharma, Makro Cash & Carry, ProLogis, Siemens, Toshiba, Volvo, WABCO, Whirlpool
Existing BPO centers	ACN, Credit Suisse, Diehl Controls, GE Money / Genpact, Google, Hewlett-Packard, KPIT Cummins, QAD, Remy Automotive, Siemens, UPS, Volvo, WABCO, Wipro

Infrastructure

Wrocław's location and well developed national and international communications network makes the city easily accessible for investors from all over the globe. The distance to capital cities Berlin, Vienna, Bratislava and Prague is less than 400 km.

Roads	International roads: E67 from Helsinki via the Baltic States, Warsaw, Wrocław to Prague and E40 from Calais in France, Belgium and Germany via Wrocław, Cracow to the Ukraine, Russia and Kazakhstan
Railways	Railway connections to the majority of Polish cities (including Poznań, Katowice, Cracow, Wałbrzych, Łódź, Warsaw) and many European capitals
Airports	Nicolaus Copernicus International Airport (10 km from the city center); no. of flights in 2008: 31,739; no. of passengers in 2008: 1,486,442; flights to 19 European cities ²⁷
River transport	The Oder River providing connection with sea harbors in Szczecin and Świnoujście and, via the Elbe River and Germany's canal system, with Berlin and Western Europe
Special Economic Zones	Wałbrzych Special Economic Zone

Real estate

The recent boom in residential real estate development in Wrocław led to a significant increase in the number of private accommodations available on the primary market (5,300 in mid-2008), and there are over 6,500 more currently being constructed. As the demand for residential housing is currently relatively low, many developers have decided to lower prices. At the same time, due to the large number of investments being located in the city, Wrocław's office market is also experiencing a dynamic growth. The largest office area is located to the west of the city center along routes to the airport. Wrocław's potential of attracting investors has been recognized by developers and new projects could potentially increase office stock by a further 500,000 sq m in the near future.

Dwellings completed (2008)	5,294
Dwellings stock (end of 2008)	259,002
New apartments – average price per sq m (end of 2008)	PLN 6,600 (approx. EUR 1,430)
Office space stock (end of 2008)	350,000 sq m
Vacancy rate (end of 2008)	4%
Office rental prices (per sq m)	EUR 14-17

²⁷ Source: Official website of the Nicolaus Copernicus Airport: www.airport.wroclaw.pl

Labor market

Employment in enterprise sector	151,900
Registered unemployed persons	10,600
Registered unemployment rate	3.5%
Average monthly gross wages and salaries in enterprise sector	PLN 3,177 (approx. EUR 690)

Education

Wrocław is the third largest academic center in Poland (behind Warsaw and Cracow).

Number of tertiary education institutions	43
Number of students (est.)	141,600
Main universities (students / graduates)	Wrocław University – 38,100 / 7,800 Wrocław University of Technology – 32,100 / 4,700 Wrocław University of Economics – 17,100 / 2,600
Selected faculties (students / graduates at main universities)	Finance & Economics – 24,700 / 4,900 IT – 6,300 / 900 Science & Engineering – 37,600 / 5,600
Languages	English, French, German, Spanish, Italian, Russian, Ukrainian, Serbian, Dutch, Czech, Chinese, Hindi, Japanese, Hebrew, Arabic and Greek
International schools	The Polish-German Primary School – CeKiRON, Wrocław International School (WIS), British International School of Wrocław, International School EKOLA

Tourist attractions

Wrocław is a city “with a soul,” with its appeal deriving from a number of traits such as unique location (a city of 12 islands and over 100 bridges), architecture, artistic life and nightlife, as well as a plethora of culture and sport options to address its inhabitants’ varied interests. Wrocław’s guests remember the city for the abundance of cultural opportunities it offers. The numerous museums, galleries, clubs, theaters, as well as the opera, musical theater and philharmonic concert hall provide visitors with endless opportunities to participate in various artistic events. The city has also become internationally renowned for its musical festivals like Wratistavia Cantans and Jazz on the Oder.

Among the cultural attractions that cannot be overlooked while visiting Wrocław is the Panorama of the Battle of Raclawice – a gigantic painting (114x15m) presenting a famous episode during the Kościuszko Insurrection (a heroic, but ultimately failed attempt to defend Poland’s independence) set amongst artificial terrain with dark and tortuous passages leading to the viewing platform.

Theatres	11
Museums	13
Cinemas	9



6

Why Poland as the destination for Shared Services Centers

Poland has emerged to offer attractive locations for SSC and BPO, reflecting the availability of well-educated, talented people, dynamically increasing quality of life and work, as well as other key criteria that are taken into consideration when selecting the location.

Enormous talent pool in many locations is the key advantage of Poland.

- The high quality of available resources results from the strength of the educational system combined with the desire of Poles to improve their education.
- The majority of young graduates speak English and often other languages. In the locations described in this report it is easy to find adequately qualified people speaking all European languages.
- The quality of Polish talents is proven – Polish students have been praised for their scientific achievements and have won prizes in several prestigious international competitions, including: Europe Merrill Lynch Investment Challenge, ACM International Collegiate Programming Contest or Google Code Jam. Investors who have already located their operations in Poland are very satisfied with Polish employees, their skills, commitment to work and ability to develop further.
- Poland offers investors several attractive locations, each of them with strong academic centers. In addition, there are still large towns like Gdańsk, Lublin or Poznań where there is limited competition for the best resources, because investors have not penetrated these places yet. Such a diversification of interesting locations cannot be found in other countries in the CEE.
- The pool of available talent is supplemented by Poles returning from countries significantly affected by the global crisis, where they recently worked taking advantage of the labor market opening upon Poland's accession to the EU.

Poland still offers lower costs of highly-qualified resources.

- Salaries in Poland are still much lower than in Western Europe.
- The recent worldwide crisis has stopped the growth of salaries reflecting the escalation of employees' expectations. It is anticipated that this year people will acknowledge and accept the fact that there will be no pay raise.

Although the poor road (motorway) network is the major drawback of Poland, other infrastructure is well prepared to support the fast and effective establishment of SSCs and BPOs:

- Office space is easily available in all locations. The credit crunch is having a significant impact on the real estate business – right now many owners of building have not only lowered the asking rent in comparison to a few months ago, but are also willing to negotiate prices depending on the amount of floor space rented and the rental period.
- Modern digital telecommunications infrastructure is available in all key locations.
- In recent years, Poland has enjoyed the highest growth of air traffic in Europe. As a result, all the main locations have their own airports with convenient connections to key hubs in Europe.
- Although Poland has also been affected by the global economic crisis, the organization of EURO 2012 is a real driver for the further dynamic infrastructure development and improvement in the coming years.

Poland has several locations that are attractive places for living and working.

- Poland has been developing very rapidly. The standard of living in Poland has significantly improved in recent years. There are numerous shopping malls (Warsaw has more shopping mall floor space per inhabitant than Vienna), theaters, restaurants etc.
- Towns like Warsaw, Cracow, Wrocław, Gdańsk, Łódź or Poznań offer numerous attractions for tourist and are also important local culture centers, attracting many international events (festivals, concerts, exhibitions, etc.).
- All cities presented in the report offer an abundance of sports and recreation facilities enabling people to actively spend their leisure time. In Warsaw, Poznań and Szczecin special facilities have been constructed allowing people to go skiing all year round in the vicinity of the city center.
- In nearly all cities there are international schools available for expats.

Poland is a secure country where investors will feel comfortable and safe.

- Poland has not been affected by acts of terrorism. Historically, Poland has maintained quite good relations with many countries in the Mid East, Africa and Asia, which has reduced the potential risk of any terrorist attack.
- The country is quite homogenous and free from ethnic and religious conflicts.
- As far as natural disasters are concerned, floods have really affected Poland in the last decade. However, the Government has undertaken solid actions to eliminate the flood risk by regulating key rivers.
- In terms of crime, Poland is generally a safe country. The crime rate is falling each year, while at the same time detectability continues to increase. A recent report by the General Headquarters of the Police shows a decrease in the number of crimes committed in virtually all categories of criminal and economic activity.

The Polish Government and local authorities are very keen to attract investors. In addition, there is a system of grants and incentives for investors interested in setting up SSCs and BPOs.

- In recent years, the Polish Government has significantly improved its policies for attracting investors. The Polish Agency for Information and Foreign Investment (PAIIZ) is a specialized governmental agency providing comprehensive support for all potential investors. In addition, local governments in the majority of locations described in this report have designated dedicated personnel to assist investors showing interest in a given town.
- Investors considering Poland as a target destination have an opportunity to benefit from multiple investment incentives like grants and tax exemptions for new investments, as well as for various areas of business operation like staff training, product development or R&D.



7

Legal aspects of business operations in Poland

7.1 Introduction – Polish and EU legal system

Since Poland joined the European Union on 1 May 2004, entrepreneurs who conduct economic activity in Poland need to comply not only with internal Polish law, but also EU law, which is becoming part of the Polish legal system either by way of directly applied provisions (such as council or commission regulations), or by way of implementation of recommendations (such as directives) in result of which Polish internal law is adjusted.

7.2 Forms of conducting business activity

7.2.1 Freedom of economic activity

Freedom of economic activity, conducted under equal rights in compliance with provisions of law, is a major principle of Polish commercial law.

Economic activity may be carried out individually or in the form of partnerships (common for small investments, small and medium size entrepreneurs) or companies.

On the grounds of the above mentioned principle, also foreign persons from EU Member States and the Member States of the European Free Trade Association (EFTA) – being parties to the Agreement on the European Economic Area (EEA) or foreign persons from countries not being parties to EEA, who may benefit from the freedom of economic activity under agreement with the European Community or its Member States may undertake and carry out economic activity on the same terms as Polish citizens. Moreover, according to recent amendments, foreign persons, from the countries being parties to the above mentioned agreements or other agreements, and benefiting on this basis from the freedom to provide services, may temporarily provide such services on the Polish territory without the need to obtain entry in the Polish register of entrepreneurs or in the records of economic activity.

The freedom to undertake and carry out economic activity on the same terms as Polish citizens also applies to citizens of other countries as the above specified, if they, inter alia, have obtained a permit to settle on the territory of the Republic of Poland, a tolerated stay permit or refugee status granted by the Republic of Poland.

Foreign persons deriving from groups other than those mentioned above are allowed solely to undertake and carry out economic activity in (alternatively join, acquire shares) the following forms: limited partnership, partnership limited by shares, limited liability company (sp. z o.o.) and joint stock company (S.A.) (for a more detailed description please see “Forms of conducting economic activity” below).

7.2.2 Forms of conducting economic activity

The establishment of economic activity is mainly regulated by the Act on Freedom of Economic Activity (setting economic activity regulations for entrepreneurs), Code of Commercial Companies (providing rules and regulations for establishing partnerships and companies) and Act on National Business Register (providing primarily rules of registration procedure of partnerships and companies).

Below are listed the following types of partnerships/companies specified in the Code of Commercial Companies (CCC), which are admissible for all foreign entities (in order to protect the contracting party and other third persons, other types of partnerships like general partnership and professional partnerships are not available to all foreign entities).

- **Limited Partnership**
A limited partnership is a partnership with at least one partner assuming unlimited liability and at least one partner whose liability is limited to a specified amount.
- **Partnership limited by shares (limited joint - stock partnership)**
A partnership limited by shares is a partnership with at least one partner assuming unlimited liability and with at least one partner being a shareholder.
- **Limited Liability Companies**
Limited Liability Company in which shareholders receive shares (interests) in exchange for contributed capital; and
- **Joint Stock Companies**
Joint Stock Company in case of which - in contrast to a limited liability company (apart from the required minimum of equity capital and some other similarities) there is a possibility of issuing bearer shares; companies listed on the Warsaw Stock Exchange must have a joint stock company status.

The Commercial Companies Code regulates all issues related to the establishment, activity and dissolution of the above listed companies. The existing legal framework allows companies ample flexibility in drawing up their company deeds (e.g. limited liability companies) or statutes (joint stock companies). Certain regulations of the Commercial Companies Code are not obligatory and can be modified by the incorporation document. However, the company deed or statute, as well as all subsequent changes, must be prepared in the form of a notarial deed, otherwise null and void. Furthermore, one of the conditions of the company's coming into existence is company's entry in the National Business Register.

7.2.3 Incorporation of a company with foreign participation

Establishing a company with foreign participation in general does not require a prior permit or license. The only exception is contribution of real estate to the share capital of a newly formed company, in which 50% or more of the shares will be acquired by a foreign party; in this case a permit of the Minister of Internal Affairs and Administration is required. This restriction however does not apply to foreign persons from EEA countries.

In some cases, it is also necessary to obtain the approval of the Office of Competition and Consumer Protection for acquiring shares in new companies (exemptions are allowed within the entities from the same capital group).

Finally, it must be noted that conducting certain activities in Poland, for example, banking or insurance operations, requires a permit (license or concession are other forms of business activity limitation). There are also certain activities that require skills (i.e. attorney at law), transships or registration.

It is important to note that one or more legal or natural foreign persons may establish a limited liability company and a joint stock company, but these companies may not be formed by a one-person limited liability company.

7.2.4 Participation in an existing company

Foreign parties may acquire an interest in Polish companies that are already established either:

- through the purchase of existing shares or stock or
- by taking up new issues of stock or shares.

7.2.5 Branches and Representative Offices

Foreign persons, including banks, insurance establishments and foundations, may establish representations in Poland. The establishment and functioning of all types of representations is governed by the Act on Freedom of Economic Activity. Foreign parties can establish two kinds of representations: branches and representative offices.

The scope of permitted activities for branches is greater than that of representative offices. Branches may conduct economic activity to the extent of the foreign entrepreneur's entire range of activity ("full-trading branches"). Representative offices can operate only within the scope of advertising and promotion.

7.3 Real estate

7.3.1 General remarks

Conducting economic activity usually requires an entity to possess a legal title to real estate. The definition of real estate comprises land, building on plots of land or only a building (premises).

If the law does not provide otherwise, the legal title to real estate in Poland can be based on the following forms of rights:

- Ownership
- Perpetual usufruct, where the ownership of the land remains with the State Treasury or the municipality. The perpetual usufructuary is granted ownership of the buildings on the land and the right to use the land for 40 up to 99 years or in consideration for an annual fee. The perpetual usufructuary may sell or encumber the right of perpetual usufruct.
- Other rights in rem, such as servitudes or usage
- Tenancies and leases, where agreements are entered into between the landlord/lessor and the tenant/lessee.

7.3.2 Acquisition of real estate by foreigners

All sales and perpetual usufruct agreements must be notarized in order to be valid.

In addition, the Law on Acquisition of Real Estate by Foreigners requires foreigners, except citizens or entrepreneurs from the Member States of the EEA, to obtain a permit from the Minister of Internal Affairs and Administration before they can acquire real estate.

Moreover, the Law on Acquisition of Real Estate by Foreigners applies whenever foreign parties acquire or take possession of shares in companies that are owners or perpetual usufructuary of real estate, if as a result of the acquisition:

- The company would become a foreign-controlled company or
- The company is already a foreign-controlled company and the acquiring foreign party does not hold shares in this company.

Any acquisition of real estate by foreigners without a permit is invalid.

From 1 May 2004, foreign parties that are citizens or entrepreneurs of EEA Member States are exempt from the obligation to acquire a permit for the purchase of real estate, except for the following:

- Agricultural and forest real estate, for a period of 12 years from the date Poland joined the EU
- Second house (that will not be a place of permanent residence), for a period of 5 years from the date Poland joined the EU.

Those exceptions do not apply to the acquisition of shares in a company that is an owner of the aforementioned real estate. However, the Law on Acquisition of Real Estate by Foreigners sets out a number of exceptions, which allow foreign parties to acquire real estate without a permit.

7.4 Contracts

7.4.1 Polish law of contracts

The Polish law of contracts is based on the principle of freedom of contracts, under which parties to a contract may arrange their legal relationship as they deem proper, on condition that the content or the purpose of that contract are not contrary to the nature of the relationship, statutory law and principles of community life. Not limiting the general autonomy of the parties to a contract, the Polish provisions regulate most common types of contracts (sale agreement, building agreement, lease, tenancy, etc.). It is also possible to conclude a non-defined contract, the content of which results from individual arrangements (on condition mentioned above).

By arranging the legal relationships, reference should also be made to the rules of many international conventions and EU law concerning contracts, which Poland is obliged to apply, especially in the scope of governing law issues, jurisdiction, recognition and enforcement of foreign judgments and arbitral awards.

7.5 Foreign exchange law

According to the last amendment of the Civil Code and Foreign Exchange Law, monetary liabilities, there under payment transactions, may be expressed in a Polish currency – Polish Złoty or in a foreign currency, if this results from the statutory provisions, court rulings or civil actions. On the grounds of this amendment, there are no limitations in terms of transactions like concluding agreements or taking other civil actions, which result in payments in a foreign currency.

Generally, foreign exchange transactions with EU, OECD or EEA countries are also unrestricted. However, there are a number of transactions/payments, particularly transactions with third countries, that require individual foreign exchange permits issued by the President of the National Bank of Poland (some exceptions are provided in a general foreign exchange permit regulation, in particular for business relations with countries with whom Poland has signed a bilateral investment treaty).

7.6 Labor regulations (forms of employment)

7.6.1 General

The principal act regulating Polish labor law is the Labor Code. However, under the Rome Convention on the law applicable to the contractual obligations, it is possible to subject an employment contract with a Polish citizen to foreign law. In this case however, the employee will be protected by respective, imperative (absolute) provision of law of this country, where this employer performs work on a regular basis. All employment contract (governed by Polish law or subject to Polish law under the Rome Convention) conditions should conform to the provisions of this Labor Code. Contractual terms unfavorable to employees are automatically replaced by corresponding provisions of the Labor Code.

The Labor Code also applies to foreigners employed in Poland. Generally, foreigners must obtain a work permit from the relevant administration authority and the duration of the employment contract cannot exceed the time, for which the work permit has been issued. Work permit proceedings take approximately 1 month to be completed. Nevertheless, from 1 May 2004 there is a group of foreigners who are exempt from the obligation to acquire a work permit, in particular citizens of the EU Member States, the EEA or countries not being a member to the agreement of EEA that may use the freedom of movement of workers under respective agreements with the European Community

7.6.2 Employment Contracts

The employment contract can have one of the following written forms:

- Contract concluded for a trial period that may not exceed 3 months
- Contract concluded for a limited period of time – this type of contract can be renewed. However, in the event that there are two consecutive contracts for a limited period and the intervals between the contracts are shorter than 1 month, the next contract (third one) can only be concluded for an unlimited period.
- Contract concluded for a limited period of time to substitute another employee, in the case of his justified absence at work (concluded only for the specific duration of this absence)
- Contract concluded for the period required to complete a specified task
- Contract concluded for the performance of casual or seasonal work, work performed on a repeatable basis (e.g. employment during the harvest)
- Contract concluded for an unlimited period of time.

All employment contracts can be terminated by mutual agreement of the parties. Contracts for a limited period automatically terminate on the expiry of that period, and contracts for a specified task automatically terminate on the date the task is completed. Most contracts can be terminated unilaterally, either with or without notice, depending on the circumstances and the detailed rules, provided by the Labor Code.

7.6.3 Major rules and regulations of employment

- **Working Hours**

The Labor Code provides that the hours of work should generally not exceed 8 hours per day and approximately 40 hours per 5-day working week in an "adopted reference period" not exceeding 4 months. An employee should not work more than approximately 48 hours a week, which means that 8 hours of overtime is allowed per week. Moreover, an employee in principle is entitled to at least 11 hours of uninterrupted rest every day and to at least 35 hours of uninterrupted rest each week. There are, however, some exceptions to the above rules.

An employee shall receive additional remuneration for overtime work. Nevertheless, such persons as managers and chief accountants may be, in principle, employed beyond normal working hours without being entitled to additional compensation.

An employee is also entitled to a day off, if they are ordered to perform overtime work on Sundays, public holidays, or other holidays. For a day off not granted, the employee is entitled to additional compensation for overtime.

- **Remuneration**

Remuneration is usually negotiated between the employer and employee, unless it is defined in a collective labor agreement. The Labor Code requires employers employing twenty or more persons to adopt remuneration rules, unless their employees are covered by collective labor agreements regulating remuneration and other employment benefits.

Every year, the Minister of Economy, Labor and Social Policy determines the minimum amount of a monthly gross remuneration – for 2009 it is PLN 1,276. Basic remuneration must be paid at least once per month, unless the Labor Code permits exceptions.

By virtue of the last amendment of the Civil Code, lifting the limitations of settling contracts solely in Polish currency, remuneration does not need to be determined and paid in Polish Zloty.

- **Holidays**

An employee is entitled to an annual uninterrupted paid holiday (minimum 14 calendar days). The employee may not renounce his/her right to the leave. The duration of the holiday depends on the total time of the employee's current and previous employment. The length of the holiday leave amounts to 20 days for employees employed for less than 10 years and 26 days for employees employed for at least 10 years. It should be mentioned that the period of tertiary education is included in the total time of employment.

- **Limitations of claims against employee**

Employees are liable for any damage they cause, up to a maximum sum equaling 3 months of their salary; this limitation does not apply to money or material assets that have been entrusted to employees under a separate agreement.

If an employee has deliberately inflicted damage, then she/he is liable for reparations up to the full amount thereof.

Polish Information and Foreign Investment Agency

The Polish Information and Foreign Investment Agency (PAIilZ) helps investors to enter the Polish market and find the best ways to utilize the available business opportunities. PAIilZ guides investors through all the essential administrative and legal procedures and supports companies that are already operating in Poland. PAIilZ provides instant access to information related to legal and business matters regarding investments, finding the appropriate partners /suppliers and new locations.

PAIilZ's mission is to create a positive image of Poland across the world, promoting Polish goods and services.

In order to provide the best possible service to investors, PAIilZ established a network of Regional Investor Service Centres across Poland with the goal of improving the quality of a region's investor services and to ensure access to the latest information - such as, the latest investment offers and regional micro-economic data. These Centers hire professionals that have been trained by PAIilZ and are financed by local authority funds. Another of their task is to link investors with local authorities.

KPMG services

KPMG is a global network of professional firms providing Audit, Tax and Advisory services. KPMG operates in 140 countries and has 135,000 people working in member firms around the world.

KPMG was among the first professional firms to establish itself in Poland in 1990. KPMG in Poland employs nearly 1,300 staff in Warszawa, Kraków, Poznań, Wrocław, Gdańsk and Katowice. KPMG advises Polish and multinational corporations and organisations in all sectors of the economy, particularly in finance, insurance, pharmaceuticals, the trade and manufacturing of consumer goods and industrial goods, information, communications and entertainment, public administration and SMEs.

Our services

- audit and review of financial statements
- tax advisory
- legal advisory
- accounting and Payroll-HR administration
- risk advisory
- grants&incentives
- financial advisory
- transaction services advisory.

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