

Everything you wanted to know about POLAND*



***but were afraid to ask...**

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Welcome

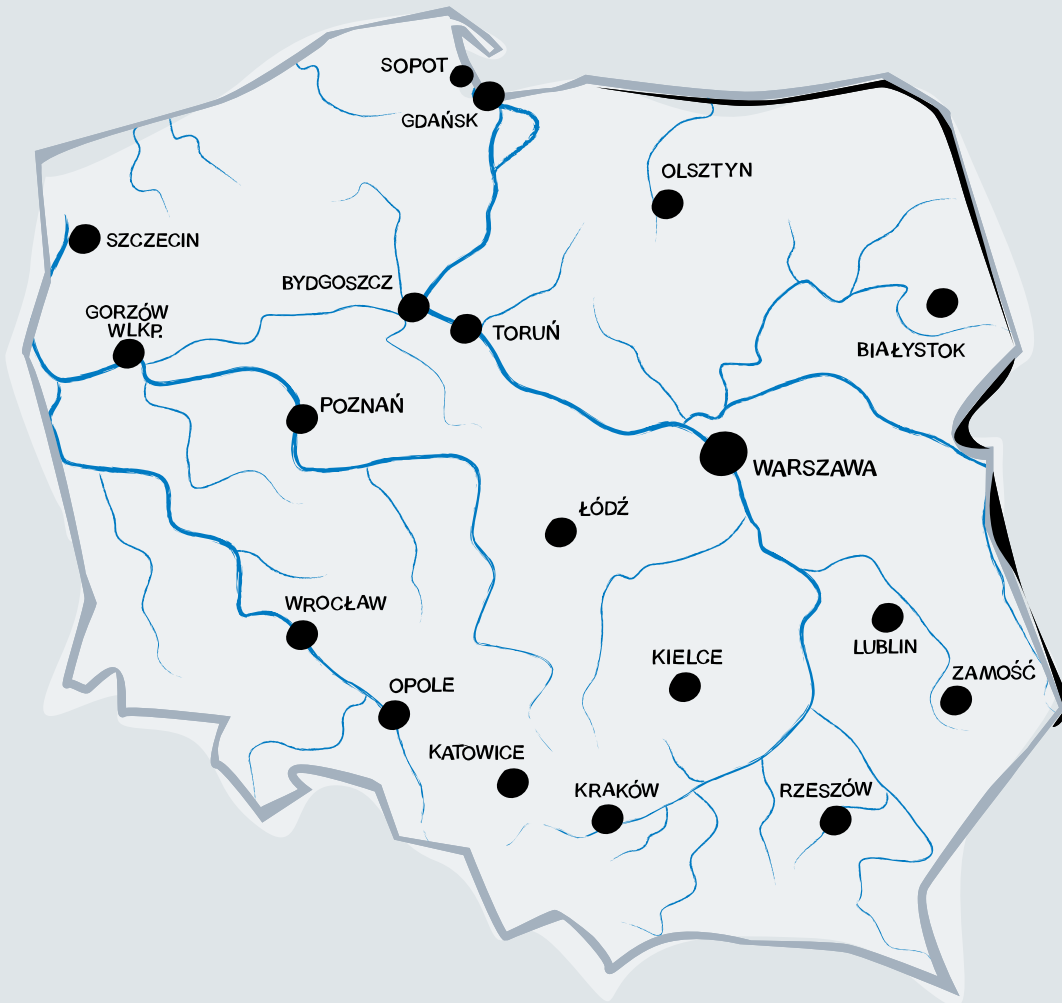
With this publication we want to present Poland not only as a one of the most attractive investment destinations in Europe. We are aware, that investors, when making decisions related to investments, are motivated by the information regarding a given market, however, non-business criteria are also significant. Poland is a country of friendly, open and hospitable people where everybody can feel totally at home. Therefore this publication also includes information about lifestyle, recreation and entertainment opportunities in Poland.

We look forward to welcoming you in Poland soon.

Now come and see for yourself



POLAND



Chapter 1.

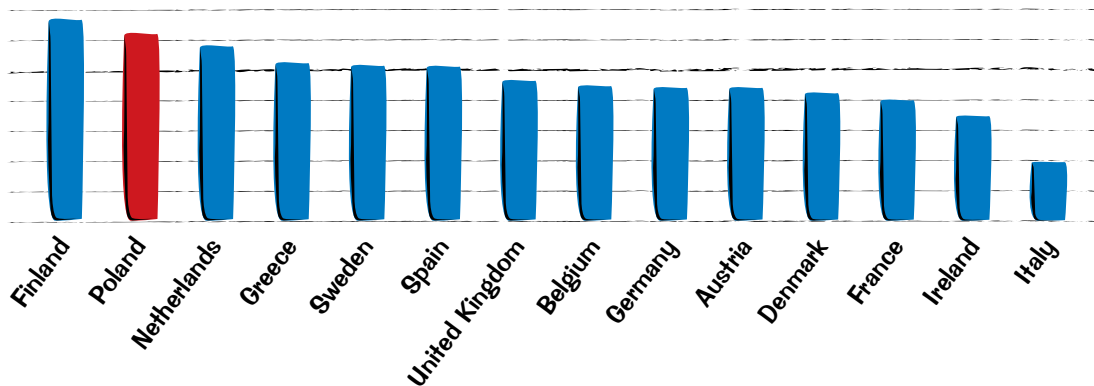
Where is it? (just a reminder and some facts)

- Poland is located in the very heart of the continent of Europe and has an area of 312,685 km² – the sixth-largest country in the European Union, comparable in size to Great Britain, a little larger than the American states of Nevada and Arizona, or half as big as Texas.
- It is a parliamentary democracy in which executive authority is exercised by the government and the president plays a chiefly ceremonial role.
- There are more than 38 million Polish citizens. The majority live in cities. By European standards, it is a relatively young society, with about half the population professionally active (with the greatest number, 8 million, in the service sector, followed by industry and construction, 4 million, and agriculture and forestry with 2 million).
- Poland borders on Germany to the west (with a long border on the Oder River), the Czech Republic and Slovakia to the south (mountain borders), and Ukraine, Belarus and a bit of Lithuania to the east (romantic landscapes!) A small, separate fragment of Russia known as the Kaliningrad Oblast borders part of Poland to the north. The rest of the northern border comprises of the golden beaches of the Baltic Sea.
- It is to the Baltic that the longest river in Poland – the Vistula (1,000 km) – flows after passing through Cracow, Warsaw and other sites, as does the second-longest river, the Oder.
- Poles go skiing in the southern part of the country, where the rocky Tatras, part of the Carpathian Mountains, with the highest peak at 2,499 m. rise.
- It is thus no surprise that one of the most popular sports is ski jumping, alongside basketball and swimming. Soccer is our unrequited love, but we're working on it.

SOME BORING FACTS

- CIT - 19%
- PIT - 18%, 32%
- VAT - 22%, 7%, 0%
- GDP per capita (2008) - USD 13.800
- Average monthly wage in 2008: USD 1.168
- Distances from Warsaw:
2,5 hours by air to London,
6 hours by air to New York

Poland as the second most competitive economy



Source: Lisbon Council, Allianz, European Jobs and Growth Monitor, 2009

Chapter 2.

A stable economy!!!

Crisis? What crisis?

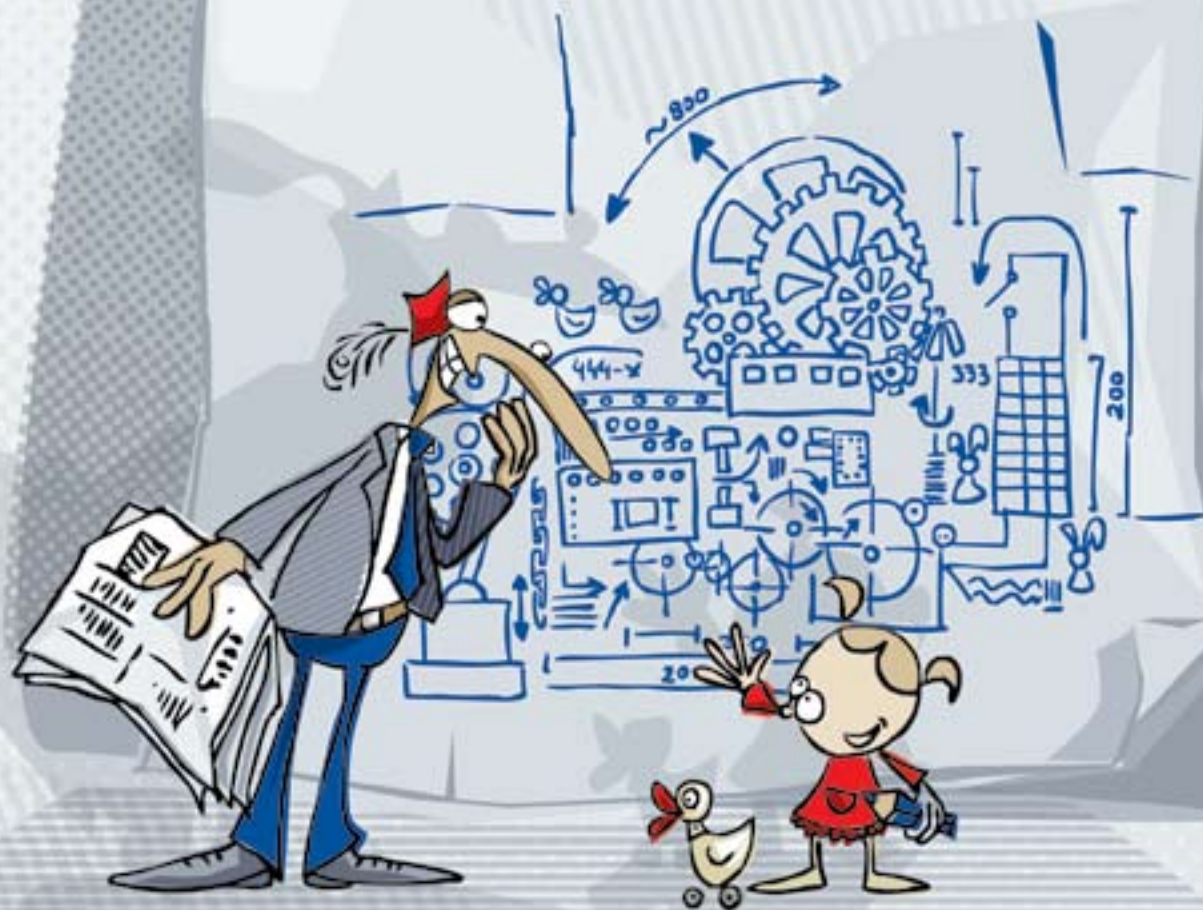
Poland is one of the few places on the map of Europe, which offer investors a safe haven in the time of crisis. Paradoxically, Poles were helped by the global economic crisis. The Polish economy has turned out to be more resistant to the recession as well as more calmly and prudently managed than most of the world's developed countries. Poles have a right to regard themselves as relative winners in the crisis period.

Poland is still a perfect place for investment and business expansion. Thousands of foreign companies already profit from investments in different sectors on the Polish market. And what makes it so attractive?

Amongst the country's major advantages, investors cite **EU membership**, which means improved access to the common market and dropping of barriers, as well as access to EU structural funds (over EUR 67 billion), **highly qualified workforce, buoyant domestic market, a stable economic situation** even in the period of a global economic downturn and **economic growth** during the global economic slowdown of 1.4% in 1st half of 2009 (-4.8% for the EU 27). One characteristic of Poland's resilience to crisis is that it's economy is based on a **solid and rigorous monetary policy**. Another factor behind the growth is domestic demand as well as skills and productivity of Polish labour force. Finally, Polish exporters still manage to compete successfully in global markets.

Foreign investment not only contributes to the modernization of the economy, it also has a major influence on Poland's foreign trade. The value of Foreign Direct Investment (FDI) inflow to Poland is constantly increasing. Ernst & Young's 2009 European Attractiveness Survey fully confirms Poland's economic power. Poland has held the excellent 2nd position in Europe, following the UK, with regard to the number of new jobs generated by FDI.

Another important factors that increase the competitiveness of the Polish economy are investment incentives. But more about that on the next pages



Chapter 3.

Innovation nation

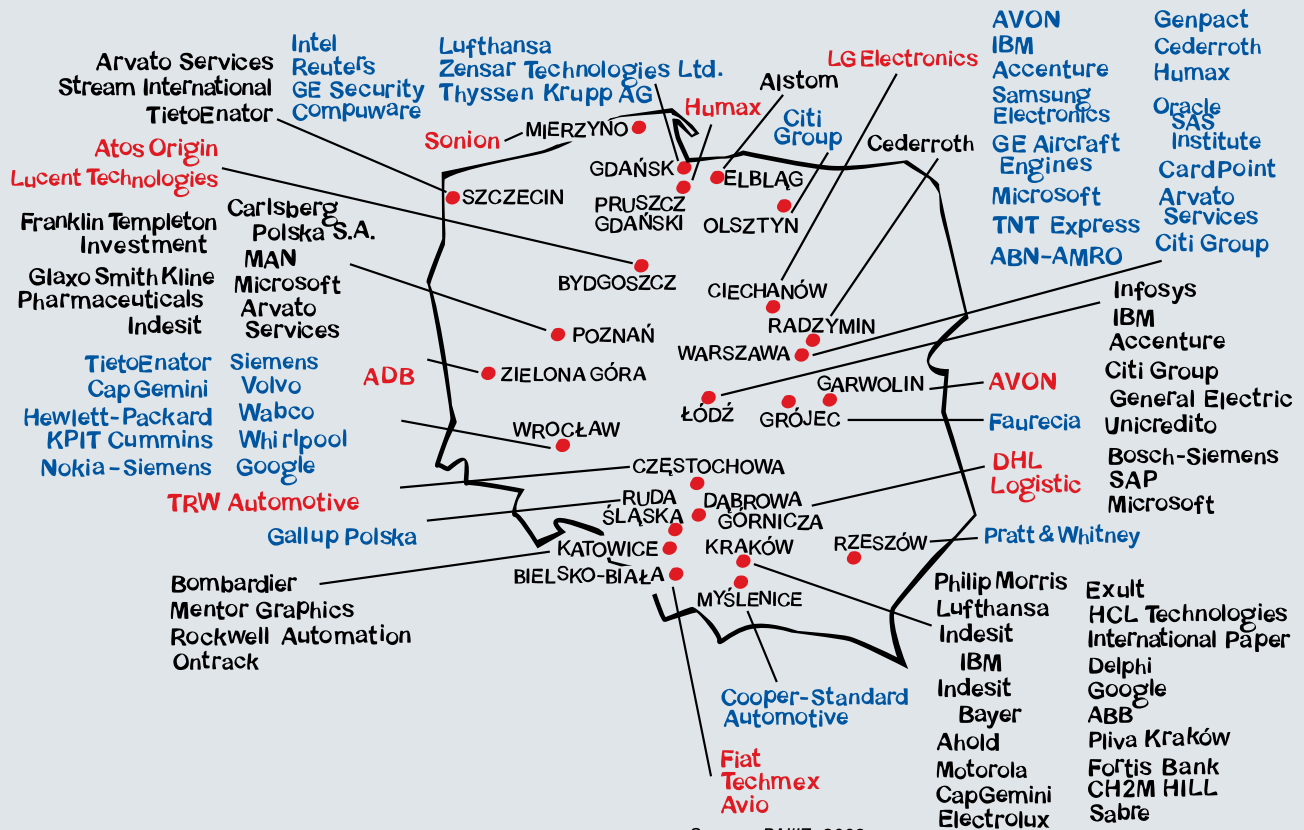
Poles have always been considered very enterprising and resourceful (sometimes even a bit too much so :-). These characteristics are visible in business as well as in science.

The high qualifications of Polish employees – skills based on a solid education – are praised by nearly all employers (both at home, and as we now know, abroad). The same can be said for the commitment and creative approach that Poles bring to their work. After all, these are characteristics of youth, and it is not surprising to find them in one of the youngest societies in Europe. Almost half of the Poles are below 35.

The quality of Polish scientific and technical thought is confirmed by the fact that the largest global corporations tend to locate their R&D centres in our country. Foreign investors (**e.g: General Electric, Samsung, IBM, Motorola, Delphi, Siemens, Oracle, Wabco, ABB, Plisa, IBM, Lufthansa, Maersk, Philips, Accenture, HP, Volvo, GalxoSmithKline, Aircraft Engines Aerospace, AVIO Group and UTC/Pratt & Whitney**) so far have set up over 40 research and development centres in Poland and their number is growing fast. Most of them work in the IT, automotive, BPO, aviation, chemical, electronic, metal and machine industry and in nanotechnology.

The R&D centres employ thousands of graduates of technical and business schools, competing with Silicon Valley to win prestigious student IT competitions like Microsoft Imagine Cup 2008, European Merrill Lynch Investment Challenge 2007, Google Code Jam, or the IBM-ACM International Collegiate Programming Contest 2007, 2008.

BPO and R&D Centres in Poland



Source: PAIIZ, 2008

Half of young Polish adults (between 19-24) study at 456 institutions of higher education, some of which have a tradition stretching back hundreds of years. These institutions make up the most competitive education market in Europe. Most of the 200 (!) research facilities in Poland (which employ over 98,000 R&D specialists), many of which conduct research of global importance, are affiliated with academic centres. Putting the wealth of this potential to use in the business world is a challenge and opportunity for investors.

Business Process Offshoring, the electronics and IT industries are considered to be the most favourable sectors for investment in Poland. Poland's main advantages consists in its favourable investment climate, excellent location at the centre of Europe, well-educated specialists and the development of the modern office space market.

Among the most successful BPO destinations in Poland there are: Warsaw, Wrocław and Cracow. Over the last five years, these three agglomerations have developed dynamically in the field. Today in Cracow around 4,000 people work in the sector, employed by such companies as: Phillip Morris, Shell, IBM and Lufthansa. A good example of a firm growing dynamically through knowledge is both Motorola hiring over 900 workers at its research centre and Hewlett Packard with 1000 employees in its Wrocław-based R&D centre, which extensively invest in R&D facilities.

The dominant segment of the IT market in 2008 was the computer hardware segment, i.e. computers, monitors and supplementary equipment. The share was 59% under the slightly falling market tendency of recent years. The second largest segment was IT services, whose share was reckoned at 28%, the third, was the programming market (software), with a 13% share of the market.

The secret to the attractiveness of our country is the combination (nota bene!) of efficiency of capital-intensive production requiring highly qualified personnel, and cost competitiveness in heavy contributions of physical labour. To put it simply: two-in-one ... and in the EU.

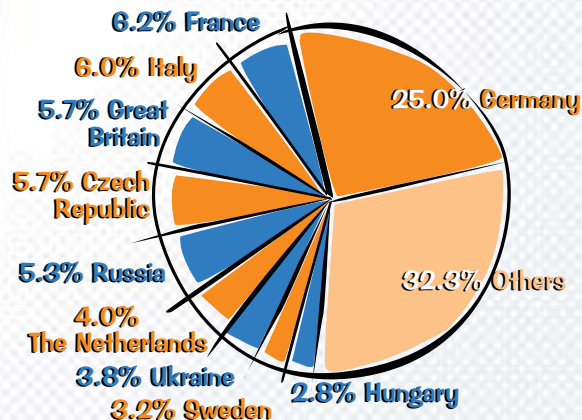


Chapter 4. Trade Winds

Unsurprisingly, the profile of Polish exports largely coincides with the profile of FDI. Poland is a large market in its own right and frequently also serves as a convenient export platform both for the EU and for Eastern Europe. 86% of Polish exports currently go to highly industrialized countries.

Notwithstanding the outdated stereotype of a peasant on a cart as the typical Polish producer, still popular in the Western press, technologically advanced equipment actually takes the largest share in Polish exports.

Structure of Polish exports in 2008 by country



Source: Central Statistical Office of Poland (GUS)

Data from the Central Statistical Office (GUS) show that during the past five years, the value of Polish exports doubled, from EUR 56.7 billion to EUR 116.2 billion.

Polish exports are growing steadily – at an average of **39% annually** [2004-2008 (in EUR)], despite the strength of the national currency, the zloty (PLN), creating a healthy foundation for stable economic growth. And the foreign trade deficit is steadily being reduced, despite overall increase in the volume of trade.

The greatest increase in Poland's trade in the 1st half of 2009 was noted in exports to Italy, the United Kingdom, France and the Netherlands.

The top export products are: electronical and mechanical equipment, transport equipment, base metals, plastics, rubber and plastic articles, products of the chemical industry.

The list above does not reflect a key category of exports which are without exception produced by foreign investors: offshoring of business process services. These are chiefly finance centres or shared-services centres, servicing activity conducted in other countries. Unlike the older generation, young Poles know foreign languages, so this sector is blossoming, enjoying growing popularity among European SME's. The global giants are already here.



Chapter 5.

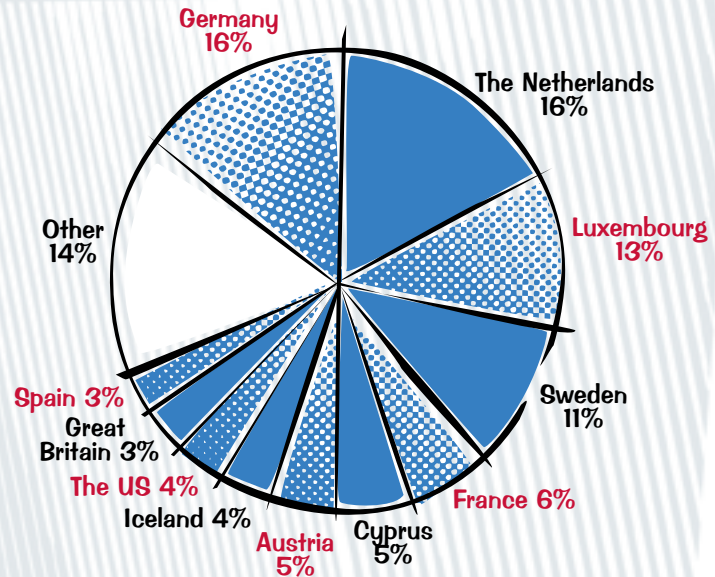
Foreign Direct Investment (FDI)

Poland is still an attractive location for FDI. Greenfield investments, bringing completely new facilities to the site, in spite of the financial turmoil are strongly rooted here. In 2008, FDI to Poland was over EUR 10 billion. The countries investing most intensively in Poland include Germany, France, the Netherlands and the United States.

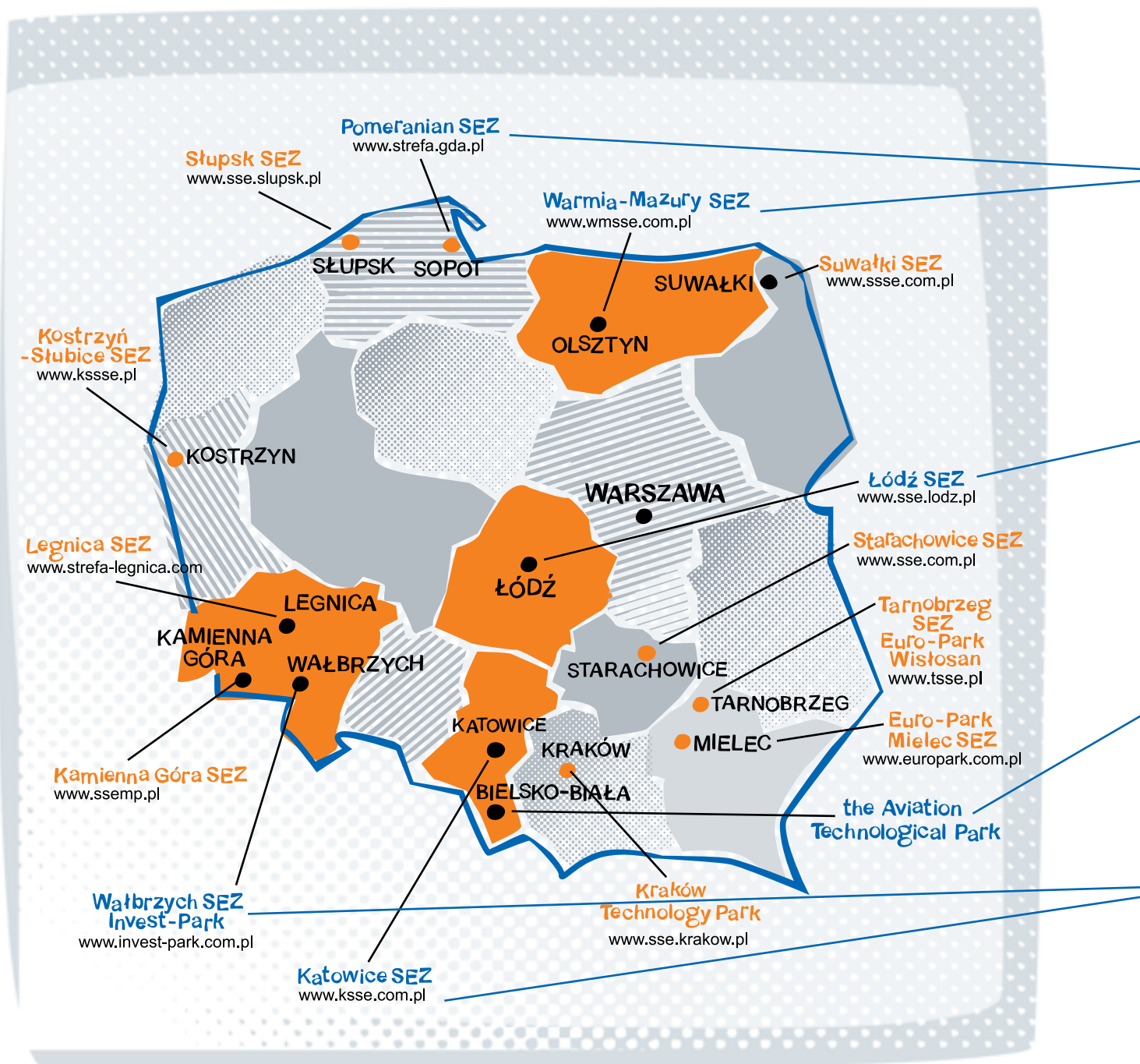
Poland's position as the major recipient of FDI among the Central and Eastern Europe states is confirmed by the increasing interests of international companies. Knowing for making cautious and thought-out decisions, they are following in the footsteps of such companies, whose presence in Poland has been most profitable, as IBM, Volkswagen, LG, Procter&Gamble, France Telecom, Siemens, Cadbury, Sharp.

In addition to the qualifications of the workforce and optimistic economic indicators, the 'traditional' pluses of Poland which are mentioned by investors active here are:

- competitive labour costs,
- strategic location on transit routes, and
- large internal market.



Source: National Bank of Poland, 2009



Chapter 6. Special Economic Zones

Ahoy!

There are over 2000 firms in Poland who build and service boats and ships. The leading field is for small and medium-sized yachts, most of which are sold to buyers in Western Europe. They are known for high-quality laminates, precision fittings and modern construction.

Something for the Home

Łódź is the largest centre in Europe for production of consumer white goods. There are 440 firms active in the sector! True, refrigerators and stoves are not vehicles, but people can be creative...

High-Flying

The long tradition of Polish aviation is visible in the activity of over 60 producers of aircraft and parts for leading global marques. The new park will specialize in production of light aircraft.

Cars, cars, cars

As a centre for the automotive industry and a location for major manufacturers in the sector, Poland offers a huge base of suppliers (about 700 firms), top quality and productivity. Engines are a local specialty.

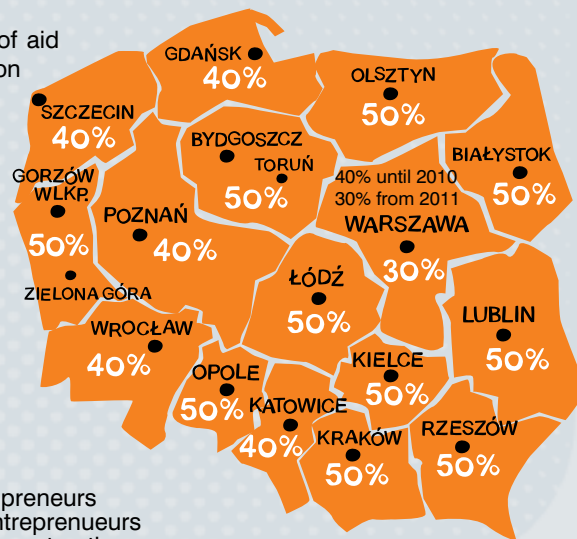
The Special Economic Zones (SEZ's) are 14 separately administered areas offering favourable terms for doing business. Altogether they cover the area of 13 thousand hectares, the maximum area allowed for SEZ's is 20 thousand hectares. According to the Ministry of Economy, companies operating in SEZ's employ over 200,000 people.

Since 2005, investments in SEZ's in the sector of modern services have been eligible, like production investments, to receive public aid. Interestingly, Poland is specialising more and more in production of transport vehicles – land, water and air.

The SEZ's offer:

- exemption from income tax on income earned from doing business in the zone (CIT or PIT),
- plots of land fully prepared for investment, at competitive prices,
- free assistance in arranging investment formalities,
- exemption from real estate tax,
- subsidies for hiring the unemployed and for employee training.

The maximum permitted level of aid in each Polish region is shown on the map of regional aid. From the 1st January 2007 a new map of regional aid is in force for the years 2007 – 2013. In accordance with the map, the basic maximum level of regional public aid is expressed in percentages of the amount of aid which qualifies for the receipt of assistance.



Plus additional
20% for small entrepreneurs
10% for medium entrepreneurs
up to 70% of investment outlays

AFTERNOON SNACK



Chapter 7.

Eco farming

At the other end of the economic spectrum, and luckily far away from the industrial parks, there are farms producing high-quality natural food. More and more farmers realize there is a growing demand for bio-products and are seeking the relevant certifications.

Foreign importers, for their part, correctly conclude from the taste of milk or fruit produced on small farms in ecologically clean regions of Poland that the quality is high.

Exports of agricultural and food products from Poland grew by 87% from 2005 to 2008 (to EUR 10 billion). The buyers are primarily from EU countries, chiefly Germany, the Netherlands, Great Britain, Italy and the Czech Republic, and outside the EU, Russia.

Number of producers in ecological agriculture in Poland

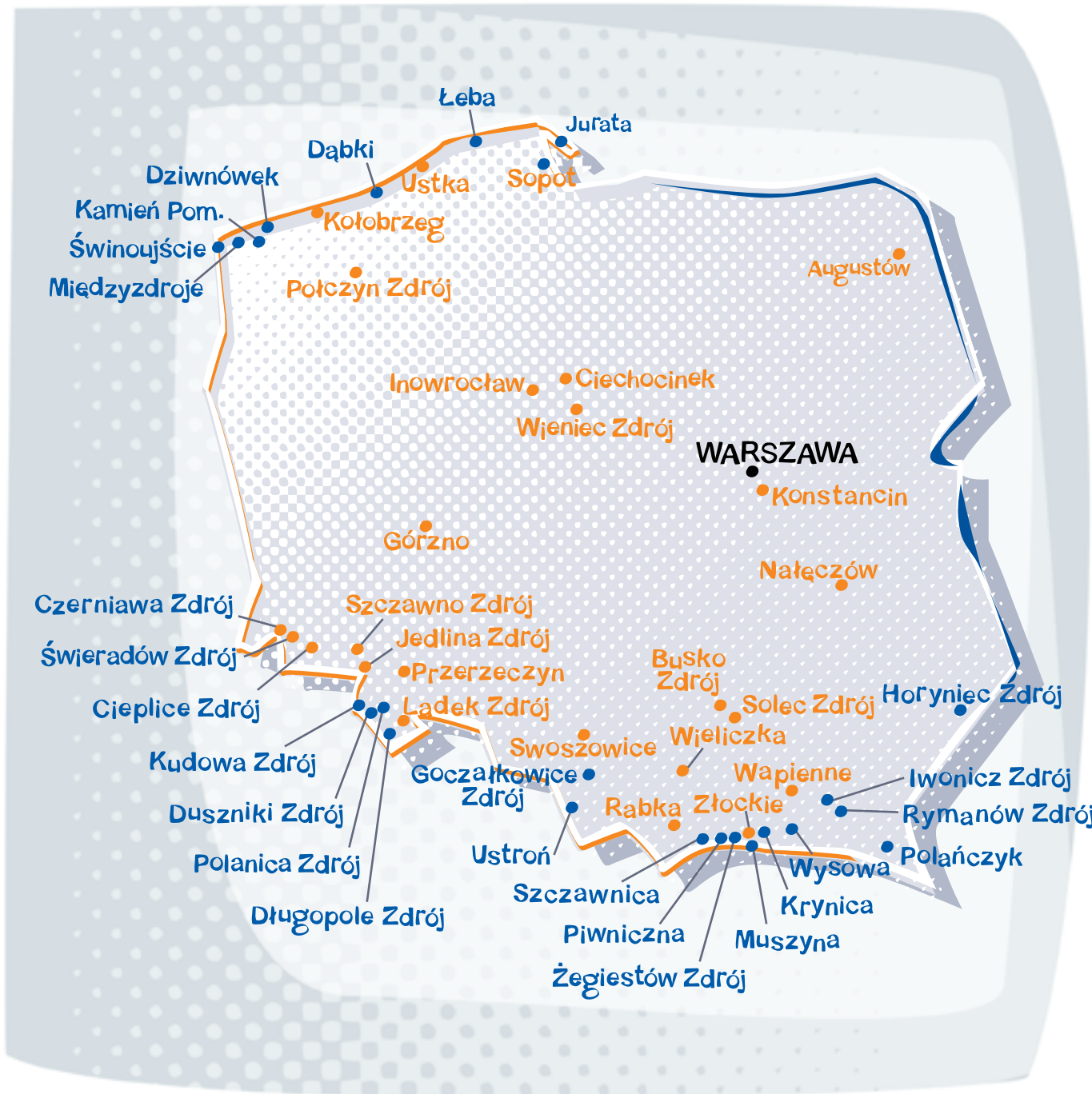
Year	Number of producers
2004	3760
2005	7182
2006	9194
2007	11870
2008	15206

Source: IJHAR-S

The predominating export goods are meat, offal, baked goods and sweets, fruit, dairy products, chocolate and chocolate products. The fastest-growing exports are butter, eggs and confectionery.

Poland is Europe's largest producer of apples, and also specialises in soft fruit. Native producers of these fragrant treats are beating out the 15 'old' EU member states. Meanwhile, fans of traditional grills and roasts highly regard crispy Polish beef and pork.

Many ecologically aware farms also offer agro-tourism – more about this on the next page.



Chapter 8.

Tourism – the ultimate greenfield...

More and more foreigners are deciding to explore this mysterious country in the heart of Europe. We wish them a great time and good weather!

There are virgin lakes, mountains with many faces, the sea (cool but oh so lovely) and some excellent landmarks. For the more snobbish, there are 24 golf courses near major urban areas.

Taking advantage of the growing popularity of going 'back to nature', the agro-tourism infrastructure has grown by leaps and bounds in Poland. Instead of staying in a luxury hotel in a large tourist centre, it has become fashionable to head for a pretty lakeshore (in Mazuria or Pomerania), or the mountains, and rent a room at a farm that has been adapted for agro-tourism. Abundant food is available, home-cooked by a friendly hostess. The silence is appealing, and the day may be spent hiking or biking on trails, swimming or fishing.

After a period of fascination with foreign cuisine, traditional Polish cooking has returned in great style. Restaurants serve noble feasts (wild game!) as well as treats from the peasant oven, using healthy ingredients that taste the way Mother Nature intended.

...and health tourism

Another hit among European tourists are the Polish spa resorts, and cosmetic and treatment clinics located in attractive natural regions with a healthy microclimate. Some half-million foreign visitors come each year for health-related holidays.

In addition to natural attributes, what is it that attracts visitors to Poland for a health-related rest?

- High standard of services and professionalism of specialists,
- Low prices, about 40% of the cost of a similar vacation at home and the possibility to have some treatments in Polish spas subsidized by the national health service,
- Numerous low-cost airline connections,
- Poland's membership in the EU – ease of border crossing.



TUCHOLA
FOREST

OSTRÓDA-ELBLĄG
CANAL

SŁOWIŃSKI
NATIONAL PARK

MAŁBORK
CASTLE

MAZURY
KES

ERVE

WOLIŃSKI
NATIONAL PARK

BIEBRZANSKIE
SWAMPS
NATIONAL PARK

NAREW
NATIONAL PARK

PIENINY
NATIONAL PARK

BIAŁOWIEŻA
NATIONAL PARK

NATU
MONUME

JOJCOWSKI
NATIONAL PARK

WIGRY
NATIONAL PARK

ROZTOCZE
NATIONAL PARK

WIELICZKA
SALT MINE

BIESZCZADZKI
NATIONAL PARK

BABIA GÓRA
NATIONAL PARK

TATRA
NATIONAL PARK

Chapter 9.

Do you know that...

- **Błędów Desert** is the **only natural desert in Europe** and the largest area in Poland of sand suitable for gliding (32 km²). It is prized by gliders because of the hills rising above it and the favourable winds.

- **28%** of the area of Poland (8 mln hectares) is covered by **forest**.

- **Białowieża National Park**, on the UNESCO World Cultural and Natural Heritage List, is the **only natural wilderness on the continent of Europe**, a remnant of the many which once covered Europe.

- In this wilderness you may see the **European bison**, a cousin of the American bison, the largest mammal in Europe, which lives **only in Poland**. The bison became extinct in the wild at the end of World War I, but was successfully returned to the wild thanks to the efforts of Polish zoologists.

- **The largest wetland in Europe** – the Biebrza Swamp, which covers an area of 100,000 hectares – is a paradise for aquatic and wetland birds. Ornithologists from all over the world come here to see **270 species of birds**, of which 180 are nesting species.

- **The unique Ostróda-Elbląg Canal** is a landmark of hydraulic engineering. Along a stretch of 23 km, in order to make up a **100 m difference in levels**, ships are also transported on land, on tracks.

- **The Wieliczka Salt Mine**, near Cracow, is the **only salt mine in the world in use from the Middle Ages until the present time**. 1.1 million tourists visit the mine every year. They also stay for treatment of asthma and allergies.

- In Poland there are **23 national parks** and **1407 nature reserves** (protected areas of 100,000 km² make up almost a third of the territory of Poland).

- Hundreds of picturesque rivers around the country are a **paradise for kayakers**.



Chapter 10.

And how to entertain body and soul?

What does a country which has always championed its own (somewhat hermetic) culture have to offer foreigners today?

- First and foremost, numerous music festivals and reviews – most of them during the summer – both classical and popular.
Jazz in the broadest sense is one of the most active musical fields in Poland. During such events as Jazz on the Oder (in Wrocław) or the Warsaw Summer Jazz Days, world-famous performers appear alongside younger musicians.
- Lovers of classical music from all over the world enjoy the oratory festival Vratislavia Cantans, the Mozart Festival, Warsaw Autumn and many others. The Chopin International Piano Competition is held in Warsaw every 5 years and enjoys a reputation as one of the most prestigious music competitions in the world.
- Fans of more energetic music arrive in hordes for summer festivals like the annual Open'er Festival at the seaside to hear international rock and hip-hop stars, and for the Woodstock Stop (Przystanek Woodstock) on the Polish-German border, whose guests in 2009 included more than 400,000 people. Mrągowo in the Mazuria lake district hosts the annual Country Picnic festival of country music.
- Of great interest are the annual events related to the Jewish heritage in Poland, including the Festival of Dialogue of Four Cultures (Polish, Jewish, German and Russian) in Łódź and the Jewish Culture Festival in Cracow.
- As for the visual arts, Warsaw is notable for such institutions as the Poster Museum in Wilanów (the Polish School of poster art has been a worldwide success since the 1960's), as well as modern art galleries (run on a shoestring) featuring the work of daring younger artists.
Traditionalists favour museums with works of the Old Masters, such as Leonardo's Lady with an Ermine (in Cracow) or The Last Judgment by Hans Memling (in Gdańsk).
- Many cultural landmarks in Poland are included in the UNESCO World Heritage List. Chief among these are the historic town centres of Cracow, Zamość and Toruń, the castle of the Teutonic Knights in Malbork, and numerous churches, both stone and wood, in southern Poland.
- Those who prefer low-brow entertainment over high culture may observe or participate in numerous summer contests in small towns all over Poland, such as the World Championship in Throwing a Hammer at a Television Set (held in Jonkowo near Olsztyn) or the wacky regatta of miscellaneous impromptu craft on Lake Necko in Mazuria whose name could be roughly translated as 'Whatever Floats Your Boat' (motto: 'If it doesn't sink, it was meant to sail').



WELCOME
TO POLAND!

About PAIIZ

The Polish Information and Foreign Investment Agency (PAIIZ), has been serving investors for 16 years. Its mission is to increase the inflow of the Foreign Direct Investment (FDI) by encouraging international companies to invest in Poland.

The Agency guides investors through all the essential administrative and legal procedures at every stage of the investment process; helps investors to enter the Polish market, but also supports firms that are already active in Poland. PAIIZ provides quick access to complex information relating to legal and business matters regarding the business activity in Poland and helps in finding the appropriate partners and suppliers or new locations.

Agency's mission is also to create a positive image of Poland across the world, to promote Polish goods and services abroad by organizing conferences, seminars, exhibitions, workshops and study tours for foreign journalists.

Contact us to learn more about how your company can profit from the unique business potential of Poland.

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